Housing Revenue Account Business Plan

2013 – 2043

Colchester

Contents

1. Introduction

Colchester Borough Council owns **6,142** Council homes for rent and the freehold for **980** leasehold flats across the Borough. We also own **2,600** garages, and other land and buildings.

1.2 We are proud of the way we manage our housing through our Arms Length Management Organisation (ALMO) Colchester Borough Homes (CBH). We have had to make tough choices about how to use the money available during difficult financial times, and continue to consider the best way to deliver services whilst achieving efficiencies.

1.3 Until April 2012, Government rules meant that we had to pay an increasing amount of our income from tenants' rent into a national funding system, meaning we had little control or influence over our planned spend for the future. However, the Government has now changed the rules and has introduced a new financial system for Council housing, which is known as 'self financing'. Along with all other Councils who still own their housing stock, we had to agree to take on more housing debt. This means we can now keep all the income we raise and we can take much more control over our own Council housing finances. This will mean that, really for the first time in over 30 years, we are able to put our Council housing on a sound financial footing for the medium to longer term.

1.4 Like other local authorities retaining housing stock, we have spent the time since April 2012 considering how to best make use of the new financial arrangements. We have been:

- Analysing our stock and the services we provide so that we can base our future plans on a robust and sustainable basis.
- Developing a new longer-term management agreement with CBH.
- Working up a range of plans for potential future investment in new homes which better match the needs of our communities.
- Thinking through how the new future for Council housing can help the Borough as a whole to deliver our overall objectives.

1.5 A key challenge within the new system is that we are continually testing the stock and services against the needs of our communities: how we can meet the need for more affordable housing in the borough; how we can ensure that the housing we have stays in good repair and is energy efficient and how we can continue to deliver quality services that meet our customers needs in challenging economic times.

1.6 Housing is a vital part of a council's long-term challenges – economic development, increasing older population, health inequalities and climate change. As such, the council housing service will become centre stage for the Council in helping deliver its key objectives from our Strategic Plan:

- Providing more affordable homes across the Borough.
- Regenerating our Borough through buildings, employment, leisure and infrastructure.
- Improving our streets and local environment.
- Enabling local communities to help themselves.
- Tackling antisocial behaviour.
- Bringing investment to the Borough.

1.7 This Business Plan will identify how the service is delivered as well as:

- What it costs and how we think the finances will develop in the future.
- Showing that our plans are laid on firm foundations, are sustainable and viable.
- What additional resources we might have for investment.
- What our priorities are for investment.
- A summary assessment of the key risks in the delivery of the business plan with actions to mitigate these risks.

1.8 The planning is now at a point where we can set realistic priorities for investment for the next 2-11 years whilst making sure that we can cover everything that we need to do over the long term. This is our Housing Revenue Account (HRA) business plan.

2. Overview

2.1 The last HRA Business Plan was published in 2003 and showed a bleak financial picture. It demonstrated that the Decent Homes Standard could only be met in the short-term. It was only through the Government support by the setting up of an ALMO that ensured this. The previous subsidy system was the core reason for the previous plan not being sustainable in the medium to longer-term. It should also be noted the Colchester Standard, to which we are working to today, is of a higher standard than the Decent Homes Standard. Further information about this can be found in Chapter 6.

2.2 Because we are no longer linked to a national Council housing finance system, it is best practice to prepare a long-term plan. The standard period is 30 years, although we will continually refine and update the plan as time moves on. The HRA Business Plan also provides certainty at the start of a new 10 year capital investment programme starting in April 2014 by setting out our future plans.

2.3 We have prepared a financial model with assistance from our consultants, the Chartered Institute of Housing (CIH), who are well respected industry experts. The business plan starts at April 2013 and runs over 30 years. Assumptions about how the plan will start and the way income and expenditure have been made and will develop over the long term. Details of the assumptions and outputs from the modelling are critical to this business plan and there is a detailed section setting out what we have assumed and what the key risks are.

2.4 We have developed a business plan that:

- Shows the sustainability of our existing homes.
- Shows how viable our current plans are in the long term.
- Identifies that there should be money available for investment in new homes or investment in our existing stock or service – and where that money comes from.
- Show the priorities.

2.5 Council housing, like all rented housing, is not without its challenges. The economic, financial and policy environment, offer challenges for us as a Council to get right. People who live in Council housing are likely to be affected by uncertainty in the economy, the rising cost of living and reductions in public services. Vulnerability and deprivation could increase. The impact of changes to the welfare system being implemented in 2013, following the Welfare Reform Act, is likely to affect our tenants and residents more adversely than other members of the community. We will need to address these challenges in a proactive way so that we are able to deliver our objectives for investment.

2.6 This plan is written for Elected Members, CBH Board Members, tenants and staff involved in the governance or the management of Colchester's housing service. This is the first HRA Business Plan produced to reflect the new HRA self-financing arrangements and therefore the plan could be considered an "Initial HRA Business Plan".

3. Summary of the Borough of Colchester

3.1 Colchester Borough Council is located in the County of Essex covering an area of 125 square miles and stretches from Dedham Vale on the Suffolk border in the north to Mersea Island on the Colne Estuary in the south.

3.2 Colchester is a diverse and growing Borough with a resilient economy and a buoyant town centre. Colchester is recognised as a successful place with the drive and the tenacity to deliver an ambitious growth programme. Colchester is the largest district in Essex County accounting for about 13% of the Essex population.

3.3 Whilst economic growth has benefited the majority of residents and unemployment remains below the UK average, there are still significant pockets of deprivation in both the urban and rural areas. Our Economic Development Strategy in conjunction with other Council and partner plans intends to address and alleviate this variation in prosperity. The Economic Strategy forms a key part of the integrated strategic approach. This brings together the key strategies and delivery plans for economic development with those for housing, transport, the renaissance programme and spatial planning. Providing jobs for Colchester's growing community is a central objective of our Local Plan that sets out the overall direction for the Local Development Framework that will guide spatial planning and steer future development and investment in Colchester up to 2021.

3.4 From the latest Census (2011) the population of Colchester is estimated at 173,614 within 71,600 households. The population is forecast to increase to 200,324 by 2021, an increase of 15.4%, which is the highest in Essex and among the uppermost for the East of England. The estimated amount of homes let on social rents is estimated at 9,230 some 13%.

3.5 Our Vision and Strategic Plan Action Plan

3.5.1 Our Strategic Plan for 2012 – 15 provides the overall direction for the Council.

Our vision for Colchester is:

- Colchester, the place to live, learn, work and visit.
- Colchester as a vibrant Borough with a bright future wants to be known for:
  – Leading for the future.
  – Creating opportunities for all its residents.
  – Inspiring and innovating.
  – Being cleaner and greener.
  – Listening and responding.

3.5.2 Through delivering high quality, accessible services we aim to:

- Provide more affordable homes across the Borough.
- Tackle anti-social behaviour.
- Support the more vulnerable groups.
- Bring Investment into the Borough.

Our housing and the housing services we provide have a key role in assisting us with our aims.

3.5.3 In our Strategic Action Plan for 2013/14 our key housing objectives are:

- To delivery 400 new homes, with our partners, between 2012/2013 and 2014/2015.
- To collect 97% of the council housing rent due.
- To re-let our houses within 20 days for general needs properties; within 75 days for sheltered properties and within 30 days for our temporary accommodation.

Our business plan will focus on identifying the resources to assist in the delivery of new affordable homes and exceeding the targets for the above indicators.

3.6 Our Strategic Tenancy Strategy

3.6.1 As part of our sub-regional housing partnership; the Greater Haven Gateway and following the requirement of The Localism Act we have published a Strategic Tenancy Strategy.

3.6.2 The Strategic Tenancy Strategy sets out the matters to which registered providers of social housing in Colchester are to have regard to when they develop their own policies relating to:

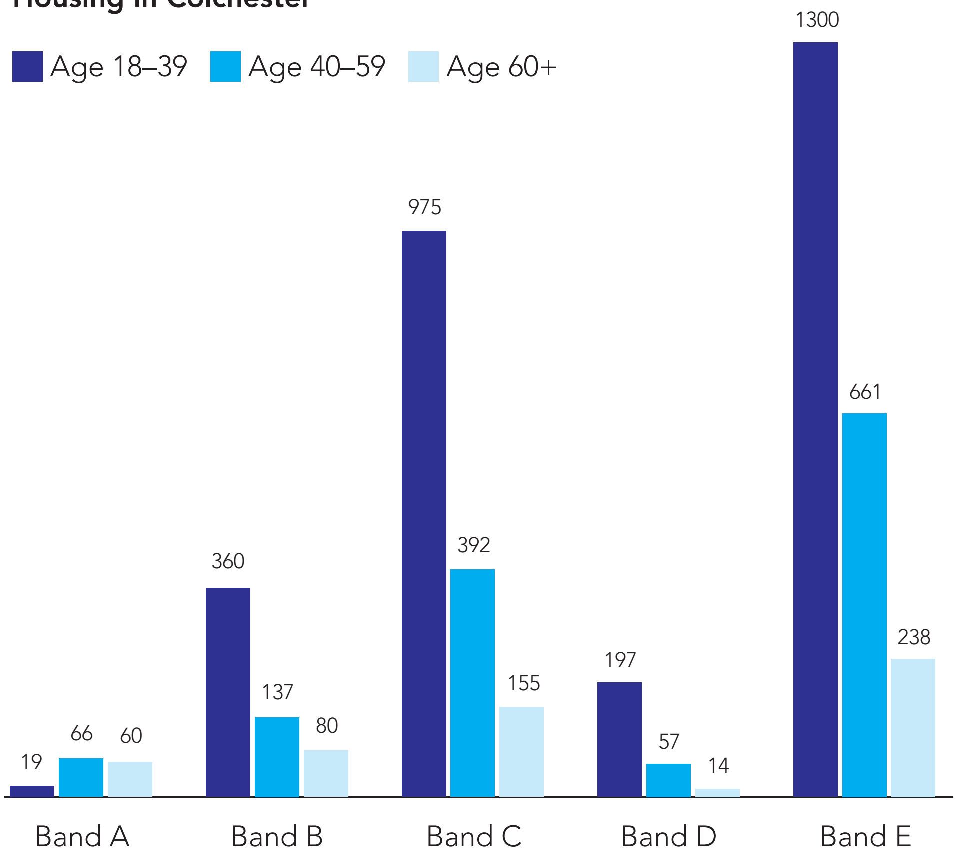
- the kinds of tenancies they grant,
- the circumstances in which they will grant a tenancy of a particular kind,
- where they decide to grant tenancies for a fixed term the lengths of the terms, and
- the circumstances in which they will grant a further tenancy when an existing tenancy comes to an end.

3.7 Colchester's Housing Need

3.7.1 The need for affordable housing is considerable. Currently we have 6,145 homes with another 3,960 owned by 18 Registered Providers.

3.7.2 The number of applicants on our housing needs register with a Colchester address as at November 2012 is 4,741. Most people on our register are aged below 39 years. The age of applicants for housing is shown in the chart on the next page.

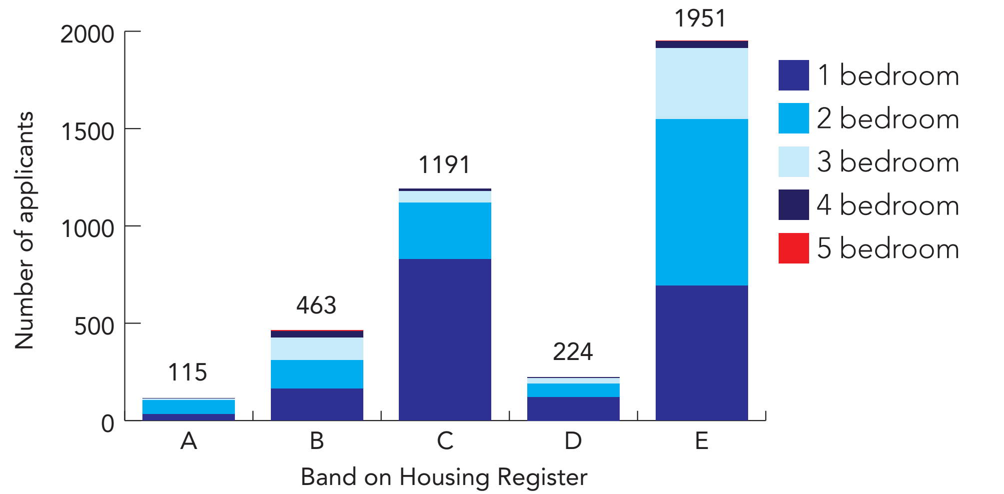
Chart 1 Number of Applicants Waiting for Affordable Housing in Colchester



Our three priority bands for re-housing are A to C. Band A is the highest priority band for those who need to move immediately.

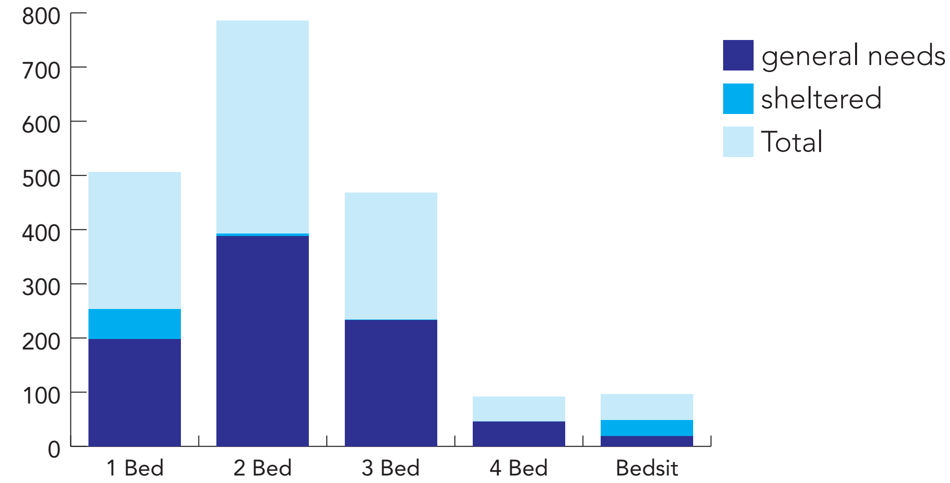
3.7.2 The waiting time for housing applicants on the Housing Needs Register can be extremely long.

Chart 2 Size of property needed by housing applicants



Source: CBL system snapshot as at November 2013 Does not include 11 decants

Chart 3 Homes let in Colchester 2011 – 2012



Source: CBL system snapshot as at November 2013
All social and affordable rented homes let not just CBC

3.7.3 Our latest Strategic Housing Market Assessment will be published in Autumn 2013 and will enable us to project future demand for affordable housing.

3.8 Affordability of homes

3.8.1 The rents we charge are based on the Government's rent restructuring policy, and compare favourably with Registered Providers and the private rented sector.

Table 1 Average Rents Charged per Sector

	1 Bed	2 Bed	3 Bed	4 Bed
Colchester Council	£68.58	£78.75	£90.93	£100.52
Registered Providers	£73.30	£85.76	£98.97	N/A
Affordable Rents	£93.57	£118.20	£142.00	£179.95
Local Housing Allowance*	£100.38	£126.92	£160.38	£196.15

*Local Housing Allowance is the maximum amount of benefit payable to those who rent privately. The local limits are based on the cheapest 30 per cent of properties in an area.

Source: Council Database, Hometrack and Rightmove – 2012 levels

3.8.3 The above table demonstrates that our rents are below those of other parts of the rented housing sector. There will obviously be factors such as stock type that will influence the figures, such as a higher proportion of flats versus houses or sheltered stock.

3.8.4 Our rents will be different to Registered Provider's rent for a number of reasons, such as some of their properties will be new build or let on higher affordable rents. Affordable rents are up to 80% of market rents. In addition, they would have converged their rents with formula (or target) rent by April 2011 rather than the April 2015 target set by Government for us. However the new social rent policy may have an impact on this happening.

3.8.5 The affordable rent levels shown in Table 1 are the rents Registered Providers are able to charge if they build new homes. In order to achieve viability for new build homes both the rent for new build and a proportion of existing properties when they are re-let can be charged at up to 80% of the market level rent. These rents are termed 'affordable rent'. As an example, in 2012 we charged the equivalent of 53% of market rent for a 2 bedroom property on average.

3.8.6 The Strategic Tenancy Strategy looked at the affordability of affordable rents and found that, based on 25% of gross income, only 1 or 2 bedroom properties will be affordable in the Colchester area. This enforces the need for properties to be available at social rent levels. We have no plans to let any new build properties in the foreseeable future at the affordable rent levels above.

3.9 Colchester's Homelessness Strategy

3.91. We are writing a new Homelessness Strategy for Colchester 2013-2018

3.92 The emerging priorities in the new Homelessness Strategy are:

- Preventing homelessness by sustaining tenancies.
- Mitigating the impacts of welfare reform.
- Improving the health and wellbeing of homeless people.
- Changing the culture and perception of social housing through education-managing expectations.

3.93 The action plan which will accompany the Homelessness Strategy will show how our partners can help us deliver services which help address these priorities. CBH will have a key role in this.

3.10 Colchester's Housing Strategy

3.10.1 We are producing a new Housing Strategy for Colchester for 2012-2020.

3.10.2 The emerging draft vision for the new Housing Strategy is

Colchester Borough Council and its partners will:

- Make Colchester a place where people choose to live in a decent, safe home which;
  – meets their needs,
  – at a price they can afford and,
  – in locations and neighbourhoods that are sustainable and desirable,
  – work to improve the quality life of local residents.

3.10.3 The emerging draft objectives for the Council's housing service and its partners, to achieve this vision were:

- Maximise the supply of housing to meet local needs at a price people can afford.
- Work with partners and residents to create mixed and sustainable communities.
- Prevent homelessness and rough sleeping.
- Improve the life chances of Colchester's residents.
- Work with customers to enable them to make informed choices about their housing.
- Make the best use of existing homes including reducing the number of empty homes and homes that are under occupied.
- Work to ensure that existing and new homes are healthy, safe and energy efficient.
- Ensure that housing and related services meet a range of specialist needs.

These objectives have been agreed as the basis for the three year delivery plan for Colchester Borough Homes.

3.11 Our Local Plan Focused Review (Core Strategy & Development Policies)

3.11.1 The previous policy has been revisited to take account of viability issues in plan making and decision taking due the change in economic circumstances. In addition the previous density and housing mix requirements are proposed to be deleted recognising the need for greater flexibility within sites.

3.11.2 The relaxation of the requirement for 35% affordable homes means that potentially only 20% of sites will be required to be affordable, due to the overall sites viability.

Colchester Borough Council and its partners will:

Make Colchester a place where people choose to live in a decent, safe home which:

- meets their needs,
- at a price they can afford and,
- in locations and neighbourhoods that are sustainable and desirable.

Work to improve the quality life of local residents.

4. Our Housing Stock and Services

4.1 Since 2003, we have delegated the day to day delivery of housing landlord services to our wholly owned ALMO, Colchester Borough Homes (CBH).

4.2 An appraisal process undertaken during 2012, included a survey, Task and Finish Groups, E Survey, development of a Tenant and Leaseholder Sounding Board, confirmed in principle tenants support for the continuation of the ALMO model through CBH. We have set up a new management agreement with the company to continue to manage Council housing in the Borough. This provided the opportunity to have a fresh look at some of the services within the agreement and our overall financial position. Additional services were contracted to CBH including non-HRA services such as housing options, homelessness, and management of temporary accommodation, the provision of a Borough wide anti social behaviour service and the administration of disabled facilities grants. The new 10 year management agreement does however gives us and CBH the opportunity to plan ahead to meet the challenges of providing quality services and the impact of welfare reform.

4.3 CBH is overseen by a Board of Management which includes Councillors/Council-nominees, tenants, leaseholders and independent people who bring additional skills. The Board is responsible for developing its vision, mission and strategic plan for the services provided by the company. CBH agrees a three year Delivery Plan with us which ensures that all services and investment in Council homes provided by the company fits in with the priorities of this HRA business plan.

4.4 We and CBH have a strong commitment to empowering tenants in the delivery of services. As part of the new management agreement, there is strong resident involvement structure which forms a central role in the delivery of the vision for CBH, as part of a 'tri-partite' working relationship between residents, CBH and us.

4.5 CBH is proud to serve the people of Colchester, whose motto is "Proud to serve our customers and communities".

4.6 CBH's key company values or "The CBH Way" focus on the following in the planning and delivery of their services:

- ✓ **Building Trust –** We will work with customers to build trust in our services.
- ✓ **Delivering Tenant Led Services –** We will work with customers to improve what we do, and promote fair and equal services for all.
- ✓ **Commitment to Our Communities –** We will offer customers services they can rely on, which respect the needs of the community and individuals.
- ✓ **Delivering Professional Services –** Our staff are highly trained to enable customers to receive a knowledgeable response.
- ✓ **Providing Value for Money –** In everything we do.

4.7 The current key priorities, taken from the CBH Annual Delivery Plan, collectively drawn up by residents, CBH Board and CBH staff and us are:

- ✓ Provide high quality homes.
- ✓ Deliver an effective repairs service.
- ✓ Prepare for welfare reform.
- ✓ Support the Council's strategic aims.

4.8 Delivery of the services provided by CBH is via a performance framework agreement with us which encompasses partnership working, governance and tenant scrutiny, regular planning and reporting, benchmarking with other organisations and external assessment.

4.9 Key performance indicators are monitored using a quarterly performance review dashboard approach. This involves targets and detailed analysis for a wide range of indicators and is shared with us as well as being reviewed internally and benchmarked externally on a regular basis.

Colchester Borough Homes is the Arms Length Management Organisation (ALMO) managing the Council's housing stock

"Proud to serve our customers and communities".

Colchester Borough Homes

4.10 **Our homes**

The breakdown of the homes we own is identified below by type and number of bedrooms:

Table 2 Colchester Borough Council Homes at 1 April 2013

	Bedrooms								
	0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**TOTALS**
General Needs:									
Houses		9	388	1,749	91		1	1	**2,239**
Bungalows	14	521	167	3		1			**706**
Flats	150	1,215	1,127	4					**2,496**
Sheltered:									
Houses		2	2	6					**10**
Bungalows		84	33	2					**119**
Flats	110	330	84	1					**525**
Homeless Persons:									
Houses	1	2	1						**4**
Bungalows			1						**1**
Flats	28	7	2	5					**42**
									6,142

Taken from the Housing Rents Database

Table 3 Age Profile of the Stock
(These proportions' will change over time.)

Age:	As a % of total stock
Pre 1930	8%
1931-1940	6%
1941-1950	6%
1951-1960	20%
1961-1970	18%
1971-1980	28%
Post 1980	14%

4.11 Resident Involvement Strategy

4.11.1 CBH published its resident involvement strategy in June 2013 to inform and direct its work priorities for the next three years.

4.11.2 The key aims and action points of the strategy are summarised below:

- Resident Scrutiny – Tenant led and independent from Governance
- Empowerment of involved tenants and leaseholders
- Increased levels of tenant scrutiny. Tenants should be able to challenge and assess decisions made by CBH and other tenants
- Resident Involvement in the Governance of CBH
- Recruitments – to increase involvement by recruiting more tenants and leaseholders by 10% each year
- Increase resident involvement using technology
- Demonstrate Value for Money
- Calculate the Social Return on Investment (on resident involvement team's work)
- Maximise funding and resources for resident involvement

4.12 Equal Opportunities

We and CBH are committed to promote equality and remove unlawful discrimination through 9 'Protected Characteristics'. Both organisations are committed to achieving equality of opportunity both as an employer of people and as a provider of services. We will strive to provide services that are appropriate, sensitive and accessible to everyone. We will not discriminate in employment or through service delivery. We are committed to working with partners and communities to promote good relations and to combat prejudice, discrimination, harassment and negative stereotyping.

4.13 Service Standards

4.13.1 CBH have published service standards. The Repairs Policy includes:

- How to report a repair.
- The right to a repair.
- Customer Care through Service Standards.
- What elements are rechargeable.

4.13.2 CBH continually to monitor their standards in line with the TSA (Tenant Services Authority) Standards in the absence of any further standards from the TSA's replacement the HCA.

5. Development and Governance of the Business Plan

5.1 Following the implementation of self financing for the HRA in April 2012, we will prepare and agree on an ongoing basis a business plan setting out the long term financial and investment plans for our housing stock and landlord services. There is no longer a requirement to 'submit' our plans to Government; there is a need for us to consult widely with tenants, residents, partners and the wider community around our plans for Council housing.

5.2 As the new system settles down, most Councils have reviewed their asset management and investment plans in the light of the new resource base and the opportunities presented by self financing. A Working Group of senior officers from housing, asset management and finance from both us and CBH, led by us, have developed this business plan for Colchester's Council housing.

5.3 In line with good practice, we will approve successive HRA budgets and capital programmes in the context of the long term business plan, refreshing the plan regularly with updated data, more detailed analysis of the housing stock, the changing financial position and to take account of our overall priorities.

5.4 We have a range of bodies which play a role in the governance of the business plan, ensuring that plans continue to be developed and refined in the context of members' objectives, take full account of the needs and views of tenants and residents, and are subject to appropriate scrutiny by members and tenants.

5.5 The key roles are set out as follows:

- The Council: determines the overall financial and debt management strategy for the Council as a whole, of which the HRA is a significant part.
- Cabinet: approves the business plan and asset management strategy, allocates resources to the revenue and capital programmes and agrees the priorities for investment via the business plan.
- CBH Board: plays a key role as delivery agent in developing service delivery planning delegated to it, and preparing capital programme and investment plans for approval by the Council.
- The Tenant & Leaseholder Consultative Committee: a key role in high level consultation on the priorities within the business plan.

5.6 A "task and finish" group initially focused on the establishment of a detailed Baseline Business Plan financial model which is derived from the 2013/2014 budget as the starting point. A commentary on the basis for the forecast is set out below. Existing policies, along with a series of financial assumptions have been factored into the plan to produce a Baseline Forecast.

5.7 This forecast has then been subject to a series of sensitivities to test its resilience to changes in financial conditions. The forecast highlights the investment potential within the plan. Work has then been undertaken to develop a range of different scenarios for investment. Scenarios have begun to be informed by a detailed investigation into the housing stock base through the asset management database known as Codeman.

Consultation with Tenants and Leaseholders has been consistent throughout this process through mediums such as, the 'Sounding Board', 'Task and Finish' Groups, CBH Board, Asset Management Group and localised events for tenants. This approach has enabled tenants to give their views on priorities for housing in the borough of Colchester.

5.8 The HRA Business Plan will be a live Business Plan which will be reviewed and updated on a regular basis. A working group of officers from CBH and us will continue to develop the detailed investment and delivery programmes for the business plan, refining the plans, monitoring delivery and bringing forward updates to the plan on an ongoing basis.

5.9 Going forward the decision making arrangements of the HRA Business Plan will be as follows:

- A revised HRA Business Plan (financial forecast only) will be agreed each year by Cabinet and Council as part of the HRA Budget setting report. This will build in any amendments to assumptions, costs and programming that are required.
- The officer working group will meet on a monthly basis to monitor progress on the overall business plan and key projects within it.

5.10 This written commentary HRA Business Plan will be kept under review and revised as required and at least every 5 years.

5.11 The diagram at Appendix 5 represents the HRA business plan at the heart of a range of strategies and documents we have developed to set out our ambitious plans for the future, and those of our key delivery partner Colchester Borough Homes.

5.12 The HRA Business Plan for Council housing is a delivery vehicle for other plans and documents – drawing on the objectives within them and bringing them together into an overall financial plan for delivery.

5.13 Our day to day housing management, repairs and investment services are delivered through CBH. Our plans and strategies contain and reflect the improvements, efficiencies and development in service delivery in the CBH Delivery Plan.

5.14 Many other plans and strategies also interplay with Council housing but the key strategic linkages for this business plan are to the Housing Strategy. The detailed development of service delivery plans are generated by CBH.

6. Housing Asset Management

6.1 We produced an Asset Management Strategy in 2010. Written by Ridge and Partners LLP in conjunction with us and CBH, the detailed document details the works required to the (then) 6,276 tenanted properties, 950 leaseholders and 2,595 garages owned by the Council and identifying priorities.

6.2 A procurement strategy was also produced for facilitating the appointment of contractors for the delivery of future capital works and the revenue repairs service, with the ultimate aim of achieving quality along with value for money.

6.3 Both organisations have embraced the principles of effective asset management, recognising the importance associated with maintaining effective stock condition and attribute information, the assessment of stock viability and future options for poorly performing stock, effective procurement, the value of an established relationship between the maintenance and management functions, and the effective delivery of the works programmes required to keep the stock in good condition.

6.4 The Asset Management Strategy:

- Defines Colchester's position with regard to asset management and how this aligns to its core objectives.
- Defines needs, future trends and changes influencing these.
- Defines the stock, its condition, use and required reinvestment over the next 30 years.
- Identifies the risks and issues relating to the assets and how these maybe reduced.
- Defines the methodologies and implementation processes for the Strategy.
- It establishes frameworks and templates for monitoring, recording and evaluating performance.

6.5 The strategy establishes the framework within which asset management operations will be provided. It highlights the component parts of the asset management function and their inter-relationship.

6.6 The strategy was written when the future of HRA reform (self-financing) was uncertain and therefore acknowledged that resources would be constrained in meeting the levels of investment identified. Therefore a further iteration of the Asset Management Strategy will be required following the publication of this Business Plan in the coming months.

6.7 Cost information is provided from the Codeman Asset Management Database. This system is maintained with up-to date stock condition and attributes data. Robust stock condition information forms the cornerstone of an effective strategy and gives rise to programmes of re-investment designed to maintain the stock appropriately and in good condition. Condition data will be enhanced and validated by an ongoing programme of stock surveys and feedback from other repairs and maintenance activities.

6.8 By regularly reviewing component costs and updating the Asset Management Database, Colchester aims to ensure that its budgets and Housing Investment Plan are aligned with the requirements of the stock.

6.9 We achieved "bringing all our stock" up to Decent Homes Standard (DHS) by December 2012, as a key directive from the strategy. One key objective of this Business Plan is to maintain this. According to the DHS, a "Decent Home" must meet the following four criteria:

- Meets the current statutory minimum standard for housing (HHSRS).
- Is in a reasonable state of repair.
- Has reasonably modern facilities and services.
- Provides a reasonable degree of thermal comfort.

6.10 Government stresses that the DHS is a minimum that is to be attained and also that a landlord's delivery plans should be sustainable.

6.11 Colchester believes that residents deserve a higher standard than "Decent Homes" and aims to deliver the Colchester Standard albeit in a sustainable way that delivers value for money. The "Colchester Standard" is a local standard and is a document prepared in consultation with a wide range of stakeholders to record repairs and maintenance policies (for example the use of low maintenance products) and the materials standards that are to be adopted when procuring work. The Colchester Standard is summarised in Appendix 4.

6.12 Our approach to asset management, including the important functions of effective "planning" and "delivery", is defined within our Housing Asset Management Strategy via CBH.

6.13 We and CBH are aware that not all residents will want work undertaken in their homes and where health and safety, or structural condition is not jeopardised will respect this wish; further details may be found within the Refusals Policy.

6.14 The capital programme for 2013/2014 onwards will support the Green Agenda, including energy efficiency measures that enhance the housing stock's SAP ratings through the Colchester Standard. This may reduce energy consumption for tenants and tackle fuel poverty.

Colchester brought all of its stock up to Decent Homes Standard (DHS) by December 2012

6.15 We have formed a Housing Asset Management Group with members from both organisations. This inclusive group assesses works programmes, promotes options appraisals in the context of the stock viability model findings, considers wider initiatives, monitors and reviews performance and takes ownership of the Colchester Standard, reassessing it from time to time in the context of the Housing Investment Plan. Colchester will continue to promote resident involvement through direct Tenants and Leaseholder representation on the Asset Management Group and the detailed scrutiny of service development and delivery through the work of the Property Services Consumer Group.

6.16 In order to fully understand the needs of the stock, we undertook an update Stock Condition Survey during 2009/2010. This survey assessed the condition of all the elements in each of our property types and set out a financial profile (capital profile) over a 30 year period as per the Colchester Standard, informing the Asset Management Strategy.

6.17 The total needs of the stock are factored into the business plan to ensure that we are able to generate enough money to meet these needs based on our financial assumptions. So that the data can be updated as time moves on and as work is carried out, we utilise the Codeman data base for all elements for all properties, with the exception of the Homeless Person Units. The latest outputs from the Codeman database are presented below, updated from the original stock condition and cost tables in the Asset Management Strategy:

Table 4 Colchester Standard Stock Investment Requirements – For 2014-15 Onwards

Cost Summary – 2014/15 Figures (General Needs and Sheltered) from Codeman Note: Figures exclude VAT, inflation, fees and management costs							
	Years 1-5 Year 2014-19	Years 6-10 Year 2019-24	Years 11-15 Year 2025-29	Years 16-20 Year 2030-34	Years 21-25 Year 2035-39	Years 26-30 Year 2039-44	Total
Catch up Repairs	£8,162,518	£9,557,396	£0	£0	£0	£0	£24,172,047
Future Major Works	£22,962,252	£29,217,014	£31,663,496	£24,592,226	£32,450,039	£22,845,287	£163,730,314
Improvements	£12,835,230	£5,873,950	£3,426,900	£3,288,700	£3,426,900	£3,288,700	£32,140,380
Estate Works	£1,300,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£6,300,000
Contingent Major Repairs	£2,875,000	£2,550,000	£2,425,000	£2,675,000	£2,425,000	£2,675,000	£15,625,000
Exceptional Extensive Works	£675,000	£150,000	£225,000	£400,000	£225,000	£210,000	£1,885,000
Total	£48,810,000	£54,800,493	£38,740,396	£31,955,926	£39,526,939	£30,018,987	£243,852,741

1 Works that need completing now – but are not essential
2 Works that are planned replacements, such as kitchens, bathrooms etc
3 Works that are improvements to properties i.e. Sheltered remodelling and smoke detector installations to all properties
4 These principally cover the costs of works to garages
5 This covers contingencies for asbestos and works to pathways
6 This covers maintenance to canopies and non-traditional structural works

6.18 The above data is at 2013/2014 prices and excludes any procurements fees, which are already accounted for within the HRA management budgets. The forecast costs also exclude inflation, which is added within the financial modelling. Year 1 in the table represents 2014/2015 and is year 2 in this business plan. As the business plan is launched from 2013/2014 the current capital programme is used for the basis of year 1 and its value is identified within the funding table in Section 6.30.

6.19 Adaptations to Council homes to make them more suitable for tenants or family members with disabilities have been excluded from the above table though we recognise the need for investment with regards to this. An annual provision of £0.5million has been included within the plan, which is higher than the £350,000 contained within the stock condition survey.

6.20 Though the Asset Management Strategy a Stock Viability Model was developed to assess sustainability and re-investment priorities. The appraisal process takes account of a range of factors, including demand and projected costs resulting in properties being allocated a red, amber or green re-investment status.

6.21 Using this process and through a strategic review, some of our sheltered schemes have been reviewed and two schemes have been disposed of on the open market and four schemes are having extensive investment work to ensure that no bedsits with shared facilities remain within the sheltered housing stock and make the accommodation fit for the future. The expenditure profile for remodelling, capital receipts and net reduction of units have been included within the business plan forecasts.

6.22 The capital programme is managed and delivered by CBH in conjunction with the Council. Currently overheads which cover the direct administration (fees and management) of the capital programme amount to £1.1million per annum and this has been used a basis for projecting forward.

6.23 Through the Asset Management Strategy a minimum lettable standard for void works has been established ensuring that tenants will have a safe, clean home in good repair.

6.24 The HRA budgets for 2013/2014 provide for £4.979million of expenditure on Repairs and Maintenance, but this includes management costs of £0.714million, with the net comparable figure of £4.265million.

6.25 Whilst not directly covered by the Asset Management Strategy, due to its time of publication, we have embarked on a new build programme of our own with 34 new homes to be delivered in 2014/2015 without the support from the Homes and Communities Agency (HCA) but by using our own resources and receipts from right to buy sales.

6.26 The capital costs are constrained by the following funding sources:

- Depreciation – a direct charge to the HRA to the Major Repairs Reserve.
- Right to Buy Receipts.
- Non Right to Buy Receipts.
- External Grants.
- Voluntary contribution (RCCO) – from the HRA.
- Borrowing.

6.27 Using the above stock investment requirements, and the current capital programme, the following table demonstrates the capital programme for the next 5 years directly from the business plan model, including inflation:

6.28 Table 5 demonstrates that the medium term aspirations for stock investment can be financed from our available resources. The HRA's financial position is discussed in more detail in Chapter 9.

Table 5 Funding the Medium Term Capital Programme £'000:

	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	TOTAL
Colchester Standard	6.077	5.551	4.629	7.602	7.442	31.301
Sheltered Units	2.023	4.384	4.933	2.727	3.145	17.212
Estate Works/Garages	0.3	0.512	0.202	0.218	0.224	1.456
Other	0.36	0.257	0.263	0.269	0.276	1.425
New Build	1	2.67				3.67
Fees	1.1	1.1	1.1	1.128	1.156	5.583
Total Programme	**11.36**	**14.987**	**11.652**	**12.482**	**12.794**	**63.275**
Funded By:						
Major Repairs Reserve	7.423	6.998	7.285	7.467	7.654	36.827
Right to Buy	0.3	0.634				0.934
Other Receipts	0.825					0.825
Borrowing		2.569	0.603	0.883	0.650	4.705
RCCO	2.812	4.786	3.764	4.132	4.490	19.984

6.29 We own around 2,600 garages in block sites across the Borough. It is recognised that there are high void levels due to the condition of garages and their common areas that make them unappealing. Through consultation with residents in certain areas of large volumes of garages we have identified that there is a demand for garages and there may be an uptake on their use if invested in. Therefore we are undertaking a pilot on a site where the garage site will be completely remodelled, rebuilding the garages and providing security lighting to test the take up of garages and whether they would be in effect self-funding through the additional income stream.

7. Options and Priorities

7.1 Our priorities can be summarised into the following headings:

- Improving and maintaining our stock.
- Increasing the supply of housing.
- Improving energy efficiency and tackling fuel poverty.
- Supporting tenants.

7.2 Under the self-financing regime we are able to deliver more investment for Council housing than we have previously. The sources of additional funding are quite complex but can be summarised in the following way.

7.3 When considering the change to self-financing, the Government recognised that the calculations that led to Colchester making circa £7million payment per year into the national subsidy effectively were taking more resources from us than should have been the case. In the debt settlement where Colchester's debt was increased by £73.694million, this was taken into account within the calculations. So in other words, the circa £7million payment in subsidy that would have been paid, has been replaced by an interest charge of circa £2.6million. This is why we have additional resources to spend on Council housing.

7.4 As we no longer make this subsidy contribution and as long as we keep control of our costs, we can use these resources to reinvest into services. However, there are risk factors that will affect these projected resources and need to be considered and these are discussed later within this plan.

Improving and maintaining our stock

7.5 If we or CBH can deliver any additional efficiencies then these will be able to be re-invested back into the service or investment in the stock.

7.6 Through the Asset Management Strategy a clear set of investment priorities have been identified and being embarked upon as part of the Colchester Standard works namely:

- Heating and Boilers.
- Kitchens.
- Bathrooms.
- Electrics.

7.7 The appraisal on sheltered stock has seen investment and rationalisation as required.

7.8 However, with the additional resources available we could consider other options to utilise the available borrowing headroom and future revenue surpluses as they accrue. These options are discussed below:

Increasing supply

7.9 Through our Housing Strategy and long waiting lists there is an ongoing need for the delivery of new affordable housing. We have already embarked on delivering 34 new HRA homes and are forecast to fully utilise the newly available resources from the reinvigorated right to buy receipts that have been accrued to date and for estimated sales to March 2015. The current right to buy policy is likely to change and therefore it is difficult to predict any future receipts for investment for new homes. Therefore we can only foresee the delivery of new homes using our own resources unless we seek grant through the HCA. Within the scenario modelling within Chapter 9 we will test the plans ability in terms of the number of homes we can potentially deliver.

Energy Efficiency/Tackling Fuel Poverty

7.10 Whilst the Colchester Standard seeks to deliver energy efficiency through replacement boilers and higher levels of insulation there are areas within the stock where improvements could be made to assist with tackling fuel poverty and are identified below:

- In the early stages of the Decent Homes programme when new windows were replaced, due to financial constraints, single glazed windows were used instead of double glazed units. Whilst the replacement of these units have been factored into the asset management database with double glazing, it is unlikely that this may not be for another 10 to 15 years.
- The more rural properties in some instances are using oil boilers due to a lack of connection to the mains supply, which could easily be achieved at a cost of approximately £500 per unit, before boiler installation. Some areas do not have gas mains supply and therefore we could consider implementing a programme of ground and air source heating pumps, which whilst are initially expensive will deliver savings in terms of running costs for both us and tenants.
- Early replacement of problematic boilers which have a history of poor performance and reliability.

7.11 Further improvements to properties over and above the Colchester Standard could include:

- Thermostatic showers above baths.
- Redecoration of properties after major works, to the affected areas.
- Environmental improvements such as:
  - Replacing and Implementing Fencing for all gardens.
  - Door entry and improved security to blocks of flats.
  - Relaying of boundary walls.
  - Providing an annual 'community chest' in which tenants bid for works in their area.

7.12 In terms of the delivery of the Colchester Standard, tenant satisfaction could be increased and potential future efficiency savings could be achieved if:

- Delivery of programmes could be more estate based.
- The external door programme is brought into line with the window programme.

7.13 One of the key risks facing all social landlords is welfare reform and is indentified in Chapter 8. With the increase of non-dependant deductions, removal of the spare room subsidy and an overall cap on total welfare benefits receivable has resulted in working age tenants receiving housing benefit having to supplement their rent payments. With the introduction of Universal Credit direct payments of benefit to the landlord to cover rent payments will end. In addition, Universal Credit will be paid monthly in arrears. This will affect arrears performance. To counter-act this, we could consider increasing our resources to CBH to implement a range of measures to help ameliorate the effects. This could include support to help tenants into work, education and training. Whilst this would be a cost to the business plan, it may well be offset against otherwise increased provisions for bad debt.

8. Risks and Challenges

8.1 The main risks to the HRA that have a potential to affect the delivery of the plan over the long-term are set out below. Risk management strategies against these are set out in Appendix 3; and a financial sensitivity of the plan is included within Chapter 9.

- Getting our asset information right.
- Cost inflation.
- Interest rate risk.
- Government Right to Buy Policy.
- Welfare reform.
- Re-opening of the self-financing settlement.
- Change of rent policy.
- Future Government Policy Changes.

8.2 The highest in terms of both financial, social and pressure to staff within the Housing service will be Welfare reform. With the introduction of Universal Credit for the working age we face further increases to arrears and additional administration costs with the withdrawal of direct payment. This, places the onus on tenants to pay their rent from their monthly receipt of Universal Credit. Currently proposals are in place where arrears are more than eight weeks will divert to direct payment but only through agreement with the Department of Work and Pensions (DWP). However, the expectation of DWP is that we will have taken all steps to prevent the arrears occurring, hence the need for more intensive management.

8.3 Currently around 500 tenancies (8.5%) are affected by reductions to their benefit as a result of the withdrawal of the spare bedroom subsidy. It is estimated that an average of £16 per week will be lost amounting to a total reduction in benefit payable of around £400,000 in 2013/2014.

8.4 Guidance has been published, though at a consultation stage, for a change to the social rent policy, effectively diverting from what has been assumed within the self-financing settlement and previously applied by us. The changes that have been consulted on have not fully been modelled into our base position i.e. the end of rent convergence, but the impact is demonstrated within the sensitivities that have been tested. Any divergence from the rent increase assumptions contained within this plan will affect its viability.

8.5 The plan may well be at risk to future changes in Government policy. We have benefited from self-financing but could face the consequences of higher right to buy sales. In addition a recent consultation on a cap has been proposed for leaseholders protecting them from high recharges, with the cost of unrecovered works falling on the HRA.

8.6 Another risk to the plan in terms of meeting and maintaining the Colchester Standard but also the availability of additional resources for investment will be following the strategies identified in this plan for income. Within Chapter 9 we discuss the influence of potential changes to the Government's policy on rent levels but if we do not maximise our income by deviating from what we have forecast then services and improvements will be at risk and we will be less best placed to tackle the other risks identified within this chapter.

8.7 We have a risk management strategy that has a commitment to managing risk in an effective and appropriate manner. It ensures that ownership and accountability are clearly assigned for the management of risks.

9. Financial Strategy and Planning

9.1 Detailed financial modelling has been developed to support this business plan with officers and CIH consultancy. Using the HRA budget for 2013/2014 and confirmation of the investment for the 30 year capital programme, the three key conclusions from the forecast are:

- There will be sufficient resources over the long term to meet the council's obligations towards its stock, the housing debt and towards tenants in terms of service delivery.
- The availability of resources to meet the council's obligations should be relatively resilient to changes in financial conditions.
- There will be additional resources arising in the medium to long-term within the business plan which can be reinvested in meeting more of the council's priorities with the availability of borrowing headroom in the short-term.

9.2 The business plan baseline forecast model utilises the budget for 2013/2014 as the basis for forecasting revenue expenditure and income forward over 30 years, but with the opening balances adjusted to the latest audited figures. The capital expenditure is based on the asset management database outputs for 2014/2015 provided by CBH. Year 1 matches the latest capital programme projections.

9.3 Core inflation within the plan is forecast to be 2.5% for non-rental income and both revenue and capital expenditure in line with the long term economic prospects published in the Government's most recent Budget (March 2013). Rental income is discussed further in Section 9.4.2.

9.4 In projecting forward over 30 years, we have to make assumptions around the future changes in income, expenditure and stock investment needs. A short commentary on each of the assumptions that we have made within the baseline forecast is set out below.

9.4.1 Property Numbers

The number of rented properties as of April 2013 was 6,142 (including 47 units of temporary accommodation).

The stock will still see some rationalisation from our asset management strategy and the financial modelling assumes the net loss of some 30 units over a period of 3 years from April 2014 onwards.

Due to the reinvigoration of the right to buy policy sale numbers have far exceeded those experienced in recent years. It is estimated that 25 will be sold this year, 25 next year and then reduce to an average of 8 from April 2015 onwards. As we have entered into a Local Agreement with the Government for the reinvestment of additional RTB receipts following the change in discount rates implemented in April 2012, sales in excess of 10 per annum will result in resources for reinvestment in new or replacement homes. The sale of the forecast 50 properties will result in an estimated £0.9 million receipt which will be utilised on the 34 new build units we are undertaking, with the balance of the funding for this project coming from a combination of new borrowing and revenue contributions.

9.4.2 Rent Income, Voids and Welfare Reform

The self-financing settlement and associated debt calculation was based on the Government's policy of social rent restructuring. We have adopted this policy since its inception in 2002 and the forecast is based on continued progression towards the implementation of target rents.

The Government's assumption within the settlement was for convergence in April 2015 (suitably adjusted for authorities like Colchester where not all properties would reach target by that date). A detailed property by property forecast highlights that at April 2015 around 84% will achieve convergence. The trajectory is likely to run over the period to 2021 by which time it is expected that all but a handful of properties will have reached convergence.

The Government announced earlier this year that it would be changing the rent policy for social rent in that the main inflationary driver of RPI (Retail Price Index inflation) plus 0.5% would be replaced by CPI plus 1.0%.

In addition in a recently published consultation the ability for convergence may be withdrawn which will affect the rent forecasts presented within this plan. Within the sensitivity section we have demonstrated the impact of this change in Government policy.

Void levels are estimated at 1.5% for all stock for the early years then reducing to 1.25% allowing for the rationalisation of sheltered housing. We will need to address any increases in void periods as a result of people moving due to welfare reform – for example if its is likely that the number of people moving from larger properties (under-occupation) to smaller properties might increase the number of voids each year.

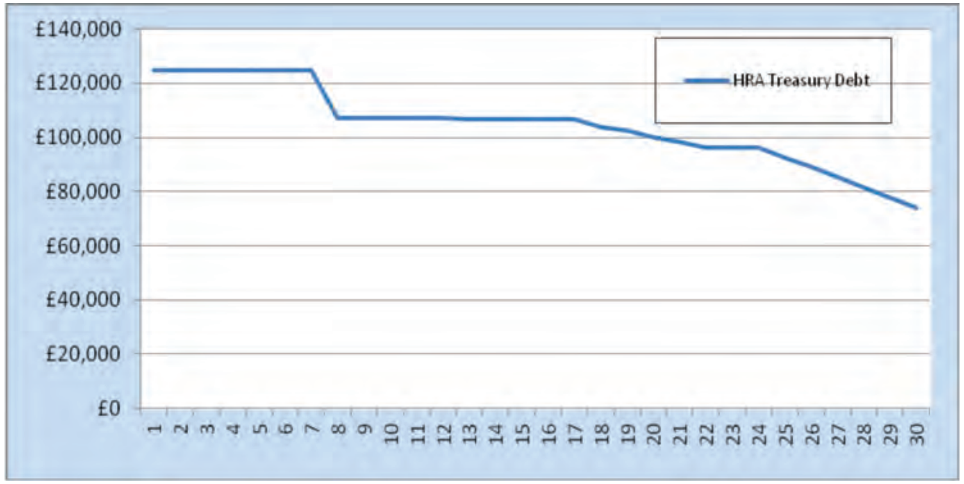
The budget for bad debts (i.e. unpaid rent arrears) has increased to £0.25m (1% of rental income) for 2013/2014. This will be kept under close review but the financial modelling maintains the provision at this level for the whole plan. Given that there is currently no further provision in the plan for the impact of the above measures and officers in CBH will undoubtedly see an increase in their workload dealing with arrears, consideration must be given to either increasing the future levels of bad debt or increasing resources for tackling the impact of welfare reform directly. The sensitivity section demonstrates the impact to the plan should bad debts levels increase or if additional resources were provided to CBH as a scenario.

9.4.3 Treasury Management

As detailed earlier as part of self-financing we undertook additional borrowing of £73.694million resulting in total HRA debt (HRACFR) of £124.577million. We are unable to borrow more than £140.275million due to a Government imposed cap, partly in order to stop Councils investing too much. This has not been forecast to change throughout the lifetime of the plan.

The current debt for the HRA is a mix of 88 individual loans with differing interest rates and repayment dates. The loan maturity profile is demonstrated below:

Chart 4 Treasury Loan Maturity Profile £'000



Over the next 30 years the current loan portfolio will reduce from £124.577million to £73.855million. This chart excludes any future borrowing undertaken to finance the Colchester Standard or other options.

We will decide on our treasury and debt strategy, through our debt management strategy, on an ongoing basis and no decisions have yet been taken around the options for financing and refinancing of loans over the 30 years of the plan. It is difficult to predict interest rates going forward and we are best placed to determine our approach to borrowing and debt at the relevant time when loans become due.

The baseline model within this business plan is therefore based on the implicit assumption of the refinancing of loans when they mature. The assumption is that the refinanced loans will be at slightly higher interest rates on average than the ones that fall to be repaid. This 'default' assumption is made pending further exploration of our options around debt management.

There are a number of options as to how we could deal with debt over the lifetime of the plan – some will be appropriate at some periods and some more appropriate at others. Essentially, as the plan generates resources, one or a combination of the following can be done:

- Repay loans as they fall due – reducing the amount of debt and interest costs and increasing future borrowing headroom
- Hold money in reserves – and earn interest income, although currently interest earnings on deposits are very low
- Invest in new homes, existing stock or services – which could deliver increased rent income, and potentially therefore deliver a longer term and higher return on investment, or prevent future expenditure liabilities

As decisions are taken in the future, the balance between these approaches and the refinancing of debt will need to be sufficiently flexible to respond to the financial environment at the time and positioned to deliver the objectives within the business plan and wider housing/corporate strategies. We will therefore continue to seek expert advice from our external Treasury Advisers in order to further inform the options for debt management going forward, including identifying whether there are options for cost savings from a more efficient restructuring of the HRA's debt.

As part of the treasury strategy we have assumed that revenue balances should not fall below £1.6million, allowing for inflation in future years.

9.4.4 Service Revenue Income and Expenditure

The chart below shows the way in which we spend our rents and other income for 2013/2014:

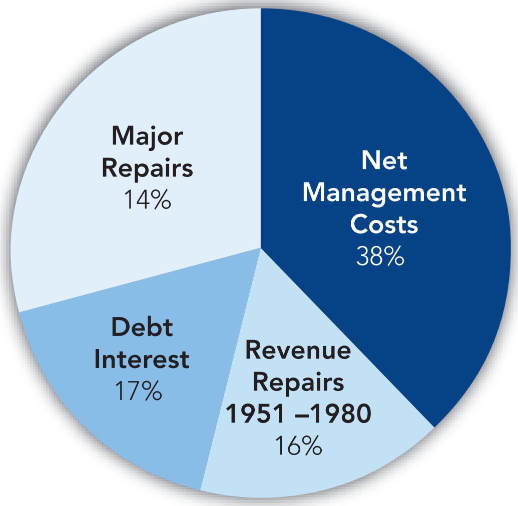


Chart 5 Breakdown of How Rent is Spent (2013/2014)

All revenue income and expenditure has been forecast forward based on core inflation only from the 2013/2014 budget. The underlying assumptions are therefore that:

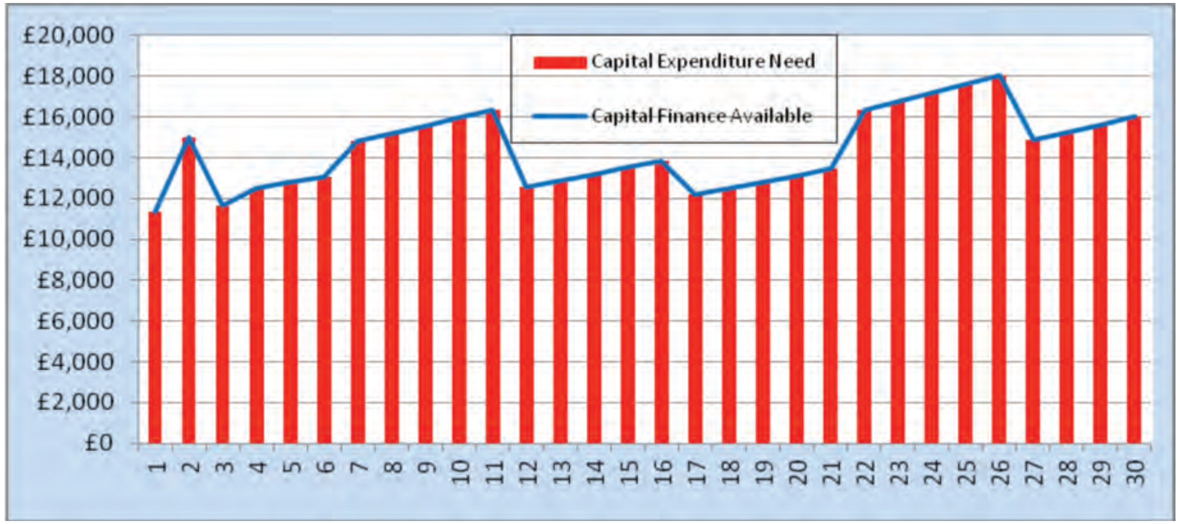
- There is no real change up or down to the level of non-rent income, service charges, non-dwellings rents, leaseholder charges and all other sources of income.
- There is no real change up or down to the level of CBH's management fee.
- There is no real change up or down to the level of costs spent by the council directly ('housing client') and which is charged to the HRA.

The overall outcome of this approach is that the Council plan to control expenditure on day to day services to inflation only, whilst rent income increases above inflation to converge with target rents. This is vital to the plan as it means that, over time, the amount we spend on day to day services as a proportion of rent income will reduce and the amount for investment in capital and new homes will proportionately increase.

9.5 Capital Investment Needs and Resourcing

Based on the latest capital programme and investment requirements from the Asset Management Database the chart below demonstrates the future spend levels inclusive of inflation, overheads, disabled adaptations and other minor capital spend.

Chart 6 Capital Expenditure and Financing £'000



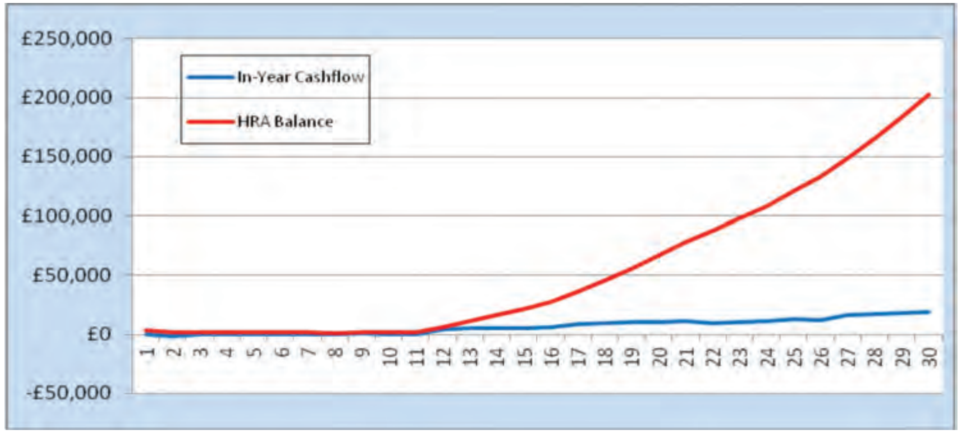
The headlines are:

- Planned Capital Investment, including the 34 New build units can be fully financed
- During this period the HRA reserve balances do not fall below £1.6million (inflated)
- Borrowing is utilised up to the value of £9.850million, leaving £5.848million headroom remaining

9.6 The Revenue (HRA) Forecast

The chart below shows the total revenue reserves over the plan period. This includes interest on balances and is on the basis that all loans are refinanced so in other words the HRA debt remains at £134.427million after funding the capital expenditure above.

Chart 7 Projected HRA Balances £'000

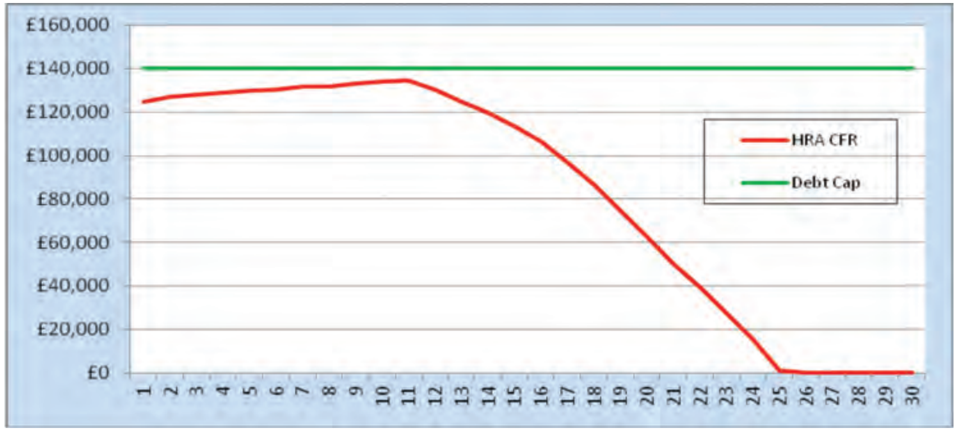


Reserves rise significantly over time and therefore there is adequate provision to meet all of the obligations towards the stock, service delivery and financing the interest of the debt with additional (as yet) unallocated resources available for investment. With projected balances of £202million in year 30, the debt of £134million is easily covered.

9.7 Testing the Viability of the Plan

As a standard test of assessing the viability of the plan, it is usual to understand how quickly the debt could be repaid should the Council wish to direct all its available HRA resources to repaying the £134.427million. Chart 9.5 shows the potential repayment profile.

Chart 8 – HRA Viability – Potential for Debt Repayment £'000



The above chart demonstrates that the debt could be fully repaid as early as 25 years, though during this time revenue balances would be limited to the set minimum balance of £1.6million (inflated). We have had to allow for the premiums payable for early redemptions of the loans in these projections, given that many of the loans maturity date fall well beyond this date. The revenue balances on the HRA will start to accumulate to around £94million by year 30.

9.8 The following section explores the available resources for investment in stock, new build and services whilst maintaining a minimum revenue balance and keeping within the debt cap.

9.8.1 The Short to Medium-Term Resources Available (Years 2 – 11)

With the high levels of investment of the Colchester Standard, where we are spending nearly £135million over the next 10 years (from 2014/2015 and with inflation), there is little scope for significant additional investment.

9.8.2 Reviewing the resources available for the next 5 years (2014/2015 to 2018/2019), our HRA balances will be at their minimum reserve level of £1.6million. However we have the borrowing headroom of £10.562million. The actual usability of this will be diminished given that the HRA would have to pay interest on using this headroom. Therefore it is estimated that additional expenditure is limited to £1.75million per annum for the five year period, allowing for inflation and interest charges, or alternatively £8.3million as a one-off expenditure item in 2014/2015.

9.8.3 If the headroom is utilised by 2018/2019 (as above), the only resource available to the HRA will be the surpluses the rental income will generate as the rental income is set to increase by a higher margin than expenditure, due in the main to the interest charges remaining relatively constant and with management and repair costs increasing by RPI only. Over this period of 5 years from 2019/2020 to 2023/24 it is estimated that balances could be some £2.6million higher than the minimum reserve balance, therefore allowing for additional investment to this value. However as the available balances grow over the five years, careful re-profiling of expenditure would be needed to meet the in-year resources available.

9.8.4 The above available resources may well be restricted in terms of the key risks that the HRA faces in terms of the impact of Welfare reform and the new social rent policy. The sensitivity section below demonstrates the potential impact to the HRA and the available resources.

9.8.5 If the provision of new social housing comes before the other options identified such as environmental improvements, energy efficiency measures or improvements to the Colchester Standard, and assuming that there is no further support from right to buy receipts or grants from the HCA, then we have estimated that the following number of additional units could be built based on £120k per unit build costs on HRA land:

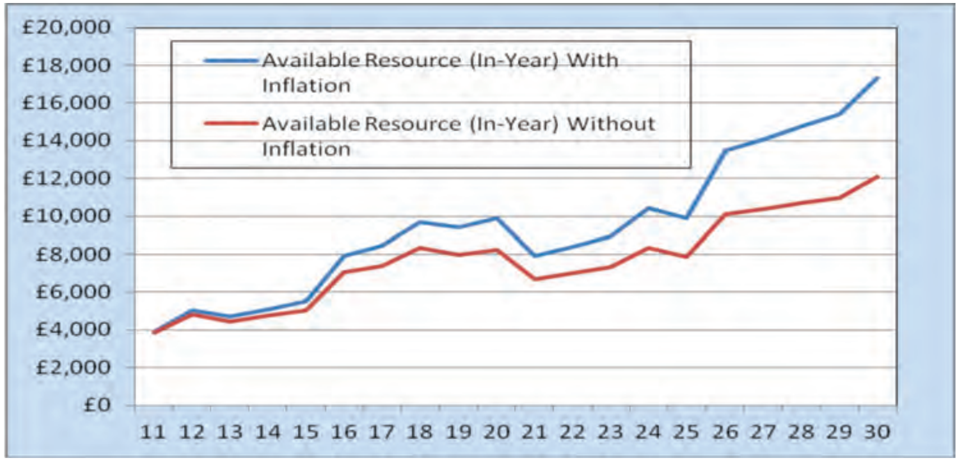
- In Years 2-6 using the Headroom: 78 units
- In Year 7-11 an additional 32 units

9.8.6 The Long-Term Resources Available (Year 12 and beyond)

Assuming that the short to medium-term available resources are utilised, including borrowing to the debt cap, the model identifies the resources available for 2024/2025 and beyond.

9.8.7 As the capital expenditure requirement reduces from 2024/2025 onwards from the previous levels, the plans revenue surpluses continue to accrue. The chart below identifies the future resources available for each year with or without inflation.

Chart 9 Potential Long-Term Resources Available £'000



Therefore for the longer-term within the plan there are clearly additional resources available to fund the options identified in chapter 8, with the obvious caveat in terms of the risks that the HRA holds.

9.8.8 As we move forward we will continually revisit and update this business plan in terms of developing our forward strategy, including the asset management strategy, and how we will make best use of these resources.

9.9 Sensitivity to Changes in Assumptions

Whilst the plan makes assumptions about future behaviour of income and expenditure, there are consequences if the assumptions made do not prove to be true.

9.9.1 In order to show the sensitivity of the business plan forecast to changes in assumptions and financial conditions, the plan shows below how the forecast for the key outputs change based on some changes to key assumptions, some within our control, some outside.

9.9.2 The following sensitivities have been modelled:

- Welfare Reform (1): With the phased introduction of Universal Credit and direct payments arrears are anticipated to increase and therefore bad debt provision needs to made for this. This sensitivity assumes the provision will increase from 1% to 3% and then back down to 1.5% over the period of 10 years.
- Welfare Reform (2): In this sensitivity the management costs are increased by £180,000 to allow for additional tenancy support with bad debts not increasing over 1.75%
- Social Rent Policy (1): The change from RPI +0.5% to CPI 1+% is assumed within the latest spending review to achieve savings to the treasury through a reduction in the benefit bill. Therefore, to achieve this, the gap between RPI and CPI would have to increase. Long-term estimates predict that the gap could extend to 1.5% from its current 0.6%. The base plan assumes a long-term 0.5% variance. The two sensitivities assume a 1% and 1.5% future variance
- Social Rent Policy (2): This assumes no convergence
- Cost inflation may be higher or lower than 2.5% per year. The two sensitivities show +1%(a) and -1%(b)
- Interest rates may be higher successively as loans are refinanced. This interest rate assumes and additional 1% interest charge on refinanced loans

Table 6 Schedule of the Impacts of Risks and Sensitivities

£'million	HRA Bal at Yr 11	Head-room at Yr 11	Capital S/fall		HRA Bal at Yr 30	Head-room at Yr 30	Capital S/fall
Base Position	7.4	10.6	-		220.6	10.6	-
Welfare Reform (1)	5.9	8.5	-		216.2	8.5	-
Welfare Reform (2)	5.6	8.8	-		209.6	8.8	-
Social Rent Policy (1a)	1.9	8.3	-		117.6	8.3	-
Social Rent Policy (1b)	1.8	0.3	-		24.3	0.3	-
Social Rent Policy (2)	3.5	7.8	-		191.1	7.8	-
Inflation (a)	1.9	-	1.3		42.5	-	-
Inflation (b)	17.8	12.6	-		343.2	12.6	-
Interest Rates	6.5	10.4	-		212	10.4	-

9.9.3 The table (left) uses the baseline position with no utilisation of the available borrowing headroom for new build or additional investment in the stock.

9.9.4 The table shows that our plan is reasonably resilient to changes in assumptions – the only area that would be a major problem for us is we failed to control cost inflation; in effect this is a risk we manage well under the current system and across all service areas. This also means that we must keep our rent increases in line with the current rent restructuring policy.

9.9.5 The sensitivity "Social Rent Policy (2)" is a key risk to the short to medium term for the ability to deliver new affordable housing or service enhancements. In delivery terms, if rent convergence was terminated from April 2015 the total number of affordable properties that could be financed would be reduced from 110 to 66 over the first eleven years of the plan.

9.10 Performance Management

With the introduction of self financing, the process of robust performance monitoring is imperative across a range of core performance areas to monitor and ensure the sustainability of the plan for both the short and long term. In this respect, there are a range of performance management frameworks in place, including our Performance and Improvement framework as part of the working arrangements between us and CBH. These aim to ensure that our ALMO maintains high service delivery.

Strong financial performance and management is imperative to maintain a viable business plan and this has ensured and enabled us to implement the plan based on a sound financial footing. We will also develop a range of performance frameworks around the need to ensure effective support services and financial / treasury management.

Through the ongoing process of performance management, the scrutiny of this plan and reporting mechanisms in place, we, jointly with CBH, will also ensure that we develop action planning to address any under performance and mitigate associated risks impacting on the business plan.

Appendix 1: Schedule of Key Financial Assumptions

The table below details the main financial assumptions that the Council have made in preparing the financial plan which support this business plan.

Description	Short to Medium Term	long term
Financing	Opening debt at £124.577m against cap of £140.275m – Planned Borrowing £5.136m Headroom of £10.562m	Long term cap £140.275m not fully utilised – headroom £10.562m All loans refinanced (no repayment)
Property changes over the plan	6,142 properties 1/4/2013 with 25 to 8 RTB per annum Total of 30 demolitions/disposals	8 RTB per annum
Economic – inflation and interest rates	2.5% core inflation, CPI 2%+1% rent inflation, interest rates start at 5% for new borrowing	2.5% core inflation, CPI 2%+1% rent inflation, interest rates stable at 5% long term except existing borrowing
Rents – convergence rate and CPI	Assumed rent converge where possible by April 2015	CPI + 1%
Arrears and bad debts	1% of rents	1% of rents long term
Management costs	2013/2014 budget rising 1% less than inflation (2.5%)	Inflation long term at 2.5%
Repairs costs	2013/2014 budget rising with inflation at 2.5% only	Inflation long term at 2.5%
Capital profile	Existing programme plus Colchester Standard with 2.5% inflation	Colchester Standard on existing stock moving with 2.5% inflation
Assumptions of efficiencies being delivered	All inflationary pressures above main inflation absorbed	All inflationary pressures above main inflation absorbed
Use of capital resources (RTB receipts etc) and explanation for basis	RTB receipts to General Fund with exception of new build 1-4-1 receipts	RTB receipts to General Fund

Appendix 2: Financial Projections

HOUSING REVENUE ACCOUNT PROJECTIONS Colchester BC														
Year	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.2	2020.21	2021.22	2022.23	2023-28	2028-33	2033-38	2038-43
£'000	1	2	3	4	5	6	7	8	9	10	11-15	16-20	21-25	26-30
INCOME:														
Rental Income	26,391	27,209	28,567	29,398	30,217	31,093	32,604	32,907	33,850	34,819	190,357	219,221	252,452	289,498
Void Losses	-398	-411	-430	-443	-380	-391	-409	-413	-425	-437	-2,391	-2,753	-3,170	-3,635
Service Charges	1,948	1,996	2,046	2,098	2,150	2,204	2,259	2,315	2,373	2,433	13,106	14,828	16,777	18,981
Non-Dwelling Income	661	692	725	745	764	784	803	828	852	878	4,801	5,566	6,452	7,480
Grants & Other Income	597	607	618	628	639	650	661	672	684	696	3,689	4,066	4,490	4,967
Total Income	**29,199**	**30,094**	**31,526**	**32,426**	**33,390**	**34,340**	**35,918**	**36,309**	**37,335**	**38,389**	**209,562**	**240,928**	**277,001**	**317,291**
EXPENDITURE:														
General Management	-8,956	-9,141	-9,278	-9,464	-9,707	-9,950	-10,198	-10,453	-10,715	-10,982	-59,170	-66,946	-75,743	-85,696
Special Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Management	-188	-191	-194	-198	-202	-207	-212	-217	-222	-228	-1,228	-1,390	-1,572	-1,779
Rent Rebates	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	-250	-274	-287	-296	-304	-313	-328	-331	-341	-350	-1,915	-2,205	-2,539	-2,911
Responsive & Cyclical Repairs	-4,979	-4,893	-4,910	-5,033	-5,159	-5,288	-5,440	-5,575	-5,714	-5,856	-31,542	-35,669	-40,335	-45,613
Total Revenue Expenditure	**-14,373**	**-14,499**	**-14,670**	**-14,990**	**-15,371**	**-15,757**	**-16,178**	**-16,576**	**-16,991**	**-17,417**	**-93,855**	**-106,209**	**-120,189**	**-135,999**
Interest Paid	-5,568	-5,632	-5,712	-5,749	-5,787	-5,814	-5,825	-5,005	-5,157	-5,157	-25,763	-25,727	-26,048	-27,142
Finance Administration	-144	-110	-112	-114	-116	-119	-122	-125	-129	-132	-710	-803	-909	-1,028
Interest Received	23	29	24	25	27	27	32	44	62	84	1,318	4,312	8,881	14,800
Depreciation	-6,500	-6,697	-7,285	-7,467	-7,654	-8,071	-8,273	-8,480	-8,692	-8,909	-49,684	-58,116	-67,906	-79,265
Net Operating Income	**2,637**	**3,184**	**3,771**	**4,131**	**4,488**	**4,606**	**5,552**	**6,167**	**6,428**	**6,858**	**40,868**	**54,386**	**70,830**	**88,657**
APPROPRIATIONS:														
FRS 17 /Other HRA Reserve Adj	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Provision (HRACFR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Contribution to Capital	-2,812	-4,786	-3,764	-4,132	-4,489	-4,566	-5,048	-5,174	-5,304	-5,436	-17,119	-6,334	-13,428	-2,964
Total Appropriations	**-2,812**	**-4,786**	**-3,764**	**-4,132**	**-4,489**	**-4,566**	**-5,048**	**-5,174**	**-5,304**	**-5,436**	**-17,119**	**-6,334**	**-13,428**	**-2,964**
ANNUAL CASHFLOW	**-175**	**-1,602**	**7**	**-1**	**-1**	**40**	**503**	**992**	**1,124**	**1,421**	**23,748**	**48,051**	**57,403**	**85,692**
Opening Balance	3,367	3,192	1,590	1,597	1,596	1,595	1,635	2,138	3,130	4,255	5,676	29,424	77,475	134,878
Closing Balance	**3,192**	**1,590**	**1,597**	**1,596**	**1,595**	**1,635**	**2,138**	**3,130**	**4,255**	**5,676**	**29,424**	**77,475**	**134,878**	**220,571**

HOUSING CAPITAL PROJECTIONS Colchester BC														
Year	**2013.14**	**2014.15**	**2015.16**	**2016.17**	**2017.18**	**2018.19**	**2019.2**	**2020.21**	**2021.22**	**2022.23**	**2023-28**	**2028-33**	**2033-38**	**2038-43**
£'000	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11-15**	**16-20**	**21-25**	**26-30**
EXPENDITURE:														
Planned Variable Expenditure	0	-3	-4	-4	-4	-4	-24	-24	-25	-25	-119	-150	-247	-271
Planned Fixed Expenditure	-8,500	-10,445	-9,760	-10,543	-10,806	-11,031	-11,214	-11,494	-11,782	-12,076	-54,593	-50,620	-65,609	-62,032
Disabled Adaptations	-500	-513	-525	-538	-552	-566	-580	-594	-609	-624	-3,364	-3,806	-4,307	-4,872
Other Capital Expenditure	-260	-257	-263	-269	-276	-283	-290	-297	-305	-312	-1,682	-1,903	-2,153	-2,436
New Build Expenditure	-1,000	-2,670	0	0	0	0	0	0	0	0	0	0	0	0
Procurement Fees	-1,100	-1,100	-1,100	-1,128	-1,156	-1,185	-1,214	-1,245	-1,276	-1,308	-7,045	-7,970	-9,018	-10,203
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**-11,360**	**-14,987**	**-11,652**	**-12,482**	**-12,794**	**-13,068**	**-13,321**	**-13,655**	**-13,996**	**-14,346**	**-66,803**	**-64,450**	**-81,333**	**-79,815**
FUNDING:														
Major Repairs Reserve	7,423	6,998	7,285	7,467	7,654	8,071	8,273	8,480	8,692	8,909	49,684	58,116	67,906	76,851
Right to Buy Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HRA CFR Borrowing	0	2,569	603	883	650	431	0	0	0	0	0	0	0	0
Other Receipts/Grants	825	0	0	0	0	0	0	0	0	0	0	0	0	0
HRA Reserves	300	634	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	2,812	4,786	3,764	4,132	4,489	4,566	5,048	5,174	5,304	5,436	17,119	6,334	13,428	2,964
Total Capital Funding	**11,360**	**14,987**	**11,652**	**12,482**	**12,794**	**13,068**	**13,321**	**13,655**	**13,996**	**14,346**	**66,803**	**64,450**	**81,333**	**79,815**
In-Year Net Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Position	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
MRR Account:														
Opening Balance	1,223	300	0	0	0	0	0	0	0	0	0	0	0	0
Net Contribution (Depr)	6,500	6,697	7,285	7,467	7,654	8,071	8,273	8,480	8,692	8,909	49,684	58,116	67,906	79,265
Use of Reserve to Capital	-7,423	-6,998	-7,285	-7,467	-7,654	-8,071	-8,273	-8,480	-8,692	-8,909	-49,684	-58,116	-67,906	-76,851
Contribution to HRACFR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing Balance	**£300**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£2,415**

Appendix 3: Risk Management

Risks have been classified into the following headings for the HRA Business Plan

Description	Likelihood	Impact	Mitigation and residual risk
Insufficient knowledge of current stock causes unknown liabilities	LOW	CRITICAL	Increase surveys, full understanding of asset management database, complete Assets Investment Model -> reduce impact to NEGLIGIBLE
Cost inflation is higher than income inflation	SIGNIFICANT	CRITICAL	Effective budget and financial control within the council and via the CHN management fee mechanism agree efficiency targets in advance -> reduce impact to LOW
Interest rates rise	LOW	MARGINAL	Refinancing of some loans might be higher cost manage via effective corporate treasury strategy -> reduce impact to NEGLIGIBLE
Right to Buy levels increase	SIGNIFICANT	MARGINAL	Depends on uptake of sales with increased discount managing costs to the number of properties held -> reduce impact to NEGLIGIBLE/MARGINAL (as additional receipts can be used to support new build programmes)
Restriction on housing benefits introduction of Universal Credit	VERY HIGH	CRITICAL	Intensive management and services to vulnerable tenants, comprehensive assessment of revenue impact/arrears exposure, prudent approach to bad debt provision -> reduce likelihood to CRITICAL/MARGINAL
Government revisits the self financing settlement	ALMOST IMPOSSIBLE	CRITICAL	No action by the council/CBH but investment of available resources could reduce scale of impact
Rent increases are not implemented in accordance with Government expectations	SIGNIFICANT	CRITICAL	Council policy towards raising rents to convergence to targets (dependant on final guidance) are included in this plan, successive rent increases take account of investment plans -> reduce impact to MARGINAL

Appendix 4: The Colchester Standard

In summary, the Colchester Standard includes:

1. Listening to the requirements and wishes of residents;
2. Consultation with residents about the works to be undertaken in their homes, including items of choice;
3. Keeping rents within the Government's target range;
4. The provision of an effective responsive repairs service;
5. The delivery of an agreed void standard;
6. Undertaking regular cyclical servicing and testing, to help maintain condition;
7. The use of good quality, durable and low maintenance products;
8. An 'external overview' (like an 'MoT') of all dwellings on a 6 year cycle to undertake all the external redecoration and repairs required;
9. All rented dwellings to be brought up to the Government's Decent Homes Standard by the end of 2012;
10. All dwellings to be free of any 'Category 1' (Severe) HHSRS hazards as soon as possible after identification;
11. Any kitchen, bathroom or heating distribution system that is old and in poor condition will be renewed or repaired alongside other internal components;
12. When visited by the internal works programme all works that are required by the 5 year programme (internally) will be undertaken at the same time, helping to avoid repetitive visits and keeping costs down;
13. Both internal and external works programmes will deal with any minor un-reported repairs whilst the contractor is on site;
14. Where renewed, a bathroom will be installed complete with sanitary ware, wall tiles, floor coverings and redecoration (with resident wall and floor colour choice);
15. Where renewed, a kitchen will be installed complete with units, worktop, wall tiles, electrics, floor coverings and redecoration. Residents will have a choice of kitchen units, worktops, floor covering, paint colour and tiles, as well as having a hand in the layout design process;
16. New kitchens and bathrooms will be fitted with extract ventilation where required;
17. Where renewed, windows will be double glazed, to 'Secured by Design Standards';
18. Where renewed, doors will be double glazed composite or PVCu units, to 'Secured by Design Standards';
19. Where a boiler is changed a new energy efficient unit will be fitted along with thermostatic radiator valves (where these are not already fitted);
20. A hard wired mains smoke detector will be installed to every dwelling's hallway and landing when electrical systems are renewed or upgraded;
21. Where needed, additional electrical sockets will be provided when a property is rewired, or within a kitchen when it is renewed, to meet modern living requirements;
22. Common parts of flats and estate areas will be improved, with residents taking the lead on identification of suitable projects to be delivered through a 'challenge fund' that will be managed by the Asset Management Group;
23. Loft and wall insulation will be provided to current Building Regulation Standards, where required to be improved;
24. Communal television reception systems will be upgraded to receive digital signals; and
25. Whilst planning work, the requirements of the resident in terms of aids and/or adaptations required will be assessed and, wherever possible, incorporated into the works

Appendix 5: How the HRA Business Plan links to Other Key Council plans

National & Regional Policy

Local Plan

Colchester's Housing Strategy

Delivered Through

Housing Plans & Policies

- Homelessness Strategy
- Housing Assistance Policy
- Supplementary Planning Documents
- Housing Investment Programme
- G2H Allocations Policy
- Asset Management Strategy
- Treasury Management Plan
- HMO Strategy
- Empty Homes Action Plan
- Strategic Tenancy Strategy
- Medium Term Plan

Housing Plans in Development:

- Housing Revenue Account Business Plan

Housing Related Plans:

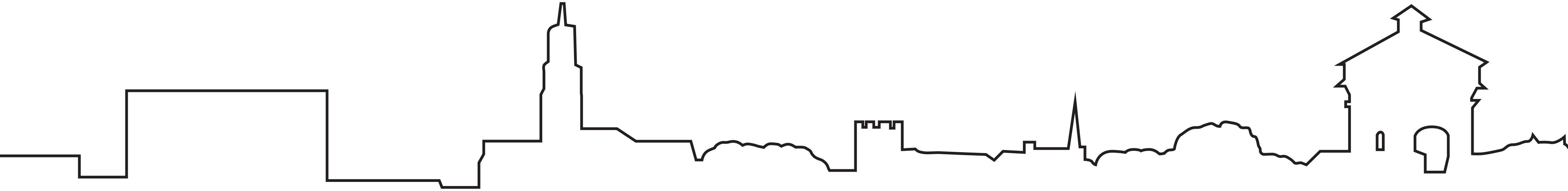
- Regeneration Strategy *
- Planning Design Guides
- Adult Social care Market Position Statements
- Adult Social Care Accommodation Strategy
- Mental Health Housing Strategy
- Housing related Support Strategy
- Joint Strategic Needs Assessment
- Sustainability Strategy

Glossary

This section contains a list of abbreviations used in the text of the Business Plan.

CFR	Capital Financing Requirement
CPI	Consumer Price Index
DHS	Decent Homes Standard
FRS	Financial Reporting Standard
HCA	Homes and Communities Agency
HRA	Housing Revenue Account
PWLB	Public Works Loan Board
ORE	Other Reckonable Expenditure
RP	Registered Provider (of social housing)
RPI	Retail Price Index
RSL	Registered Social Landlord
RTB	Right to Buy
SCS	Stock Condition Survey
TSA	Tenant Services Authority


Poppy's
TEA ROOMS
Poppy's
TEA · ROOM
TEA ROOMS
Clocks Watches & Antiques
Bought & Sold
Santé
Health Shop
Colchester Dolls Houses
Colchester Dolls Houses
Chimes
ENGAGEMENT & WEDDING RINGS HANDMADE TO ORDER
CHIMES



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