Suffolk Coastal & Waveney District Councils

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East Suffolk Housing Revenue Account Business Plan

2018 - 2048

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East Suffolk Housing Revenue Account Business Plan 2018 - 2048

Executive Summary

1 Introduction

The council has been undertaking formal business planning in the Housing Revenue Account (HRA) since the introduction of the 'self-financing' regime for council housing in 2012. A number of factors have changed since the publication of the last formal Business Plan in 2016. They include:

- Decision to progress to formal merger of Waveney and Suffolk Coastal councils to form one council - East Suffolk in 2019.
- Agreement of East Suffolk–wide Corporate Plan (2016) and related strategies, including an overarching East Suffolk Housing Strategy (2017).
- Impact of changes to Government policy affecting housing financing.
- Changing economic and demographic factors leading to changing housing priorities, particularly the ambition to develop more affordable homes to rent to meet increasing housing need.
- Development of business improvement programme across the range of HRA services to improve value for money.

In addition to continuing to invest in its existing homes the council has ambitious plans for the redevelopment of homes and provision of new housing, which will deliver a range of lasting benefits for the residents of East Suffolk. The investment identified in the Business Plan will support the council in achieving these ambitions, including the regeneration of Lowestoft and delivering new homes to meet rising housing need. The creation of a new council for east Suffolk potentially increases the opportunity for development of new homes across a wider geographic area.

The current 30-year HRA Business Plan projections demonstrate that these investment proposals are fundable, subject to the assumptions within the plan, and that the HRA remains a sustainable and viable entity over the thirty year period.

2 National and Regional and Local Context

The housing market has undergone a significant shift over the last decade at a national, regional and local level. There has been an increasing shortage of housing across all tenures and the lack of affordability of homes to buy and rent has become an increasing issue for people on low and average incomes. Welfare Reform is having an additional impact on the housing situation of many people on low incomes. The impact on the economy of Brexit is not yet fully known but most recently the increased costs of imports and reduced immigration from the European Economic Area, has affected the construction industry, leading to higher costs and shortages of labour. Having risen rapidly over the last few years house prices are now expected to increase less rapidly or decrease in the immediate future. There remains a considerable demand for low cost housing.

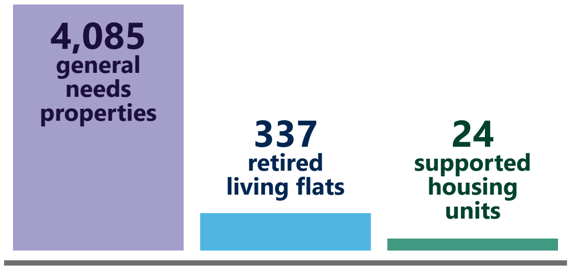
The average cost of a home is **10 times** the average salary

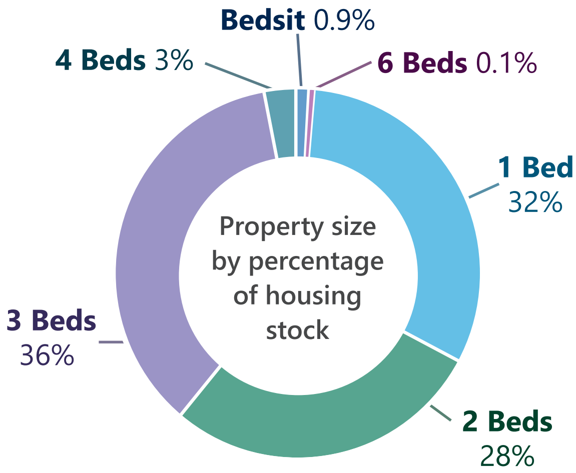
At a regional level the east of England has reflected the changes nationally. The average cost of a home in the region is 10 times the average salary making affordability an issue. Salaries are generally low with 25% of all Housing Benefit claimants working. There is a growing ageing population in the region placing different demands on the housing market.

Locally, Waveney district is generally a less prosperous area than most in the region with some wards in Lowestoft characterised by severe economic deprivation. The area has lower than average house prices and rents but also lower salaries and levels of employment. There is a strong demand for housing for sale or rent. The district also has a growing elderly population with increasing need for accessible housing and housing with support.

3 East Suffolk Business Overview

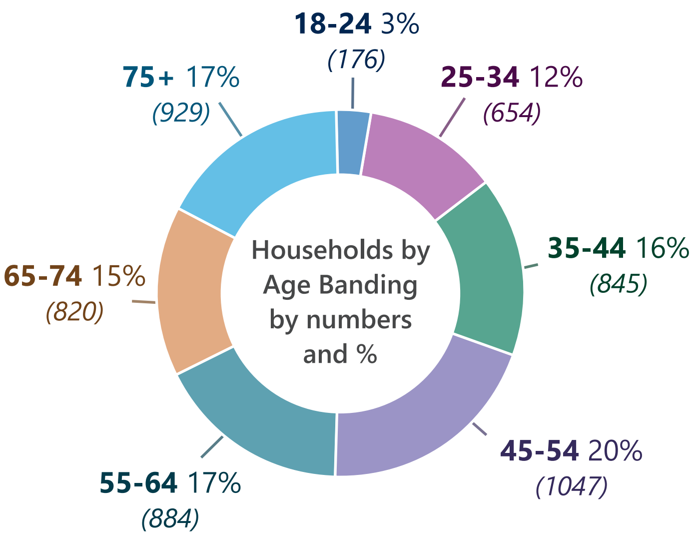
The council's housing stock consists of 4,085 general needs properties, 337 retired living flats and 24 supported housing units (total 4,446) making it the largest provider of social rented housing in the Waveney district.

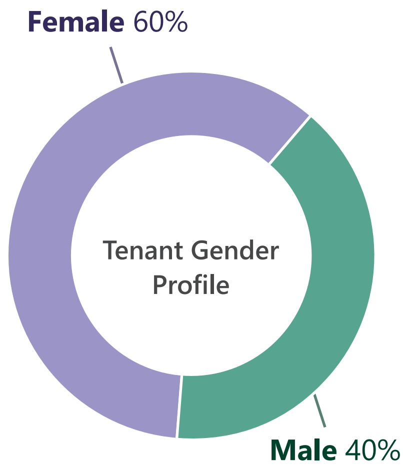




The stock primarily consists of self-contained 1, 2 and 3 bed homes for general needs, with some specialist housing schemes. It is generally in good condition, meeting current housing standards. While there is demand for all sizes of homes there is an increasing focus on the need for smaller homes. The purpose-built retired living flats for older people are less popular and the Council is currently undertaking a review of this provision.

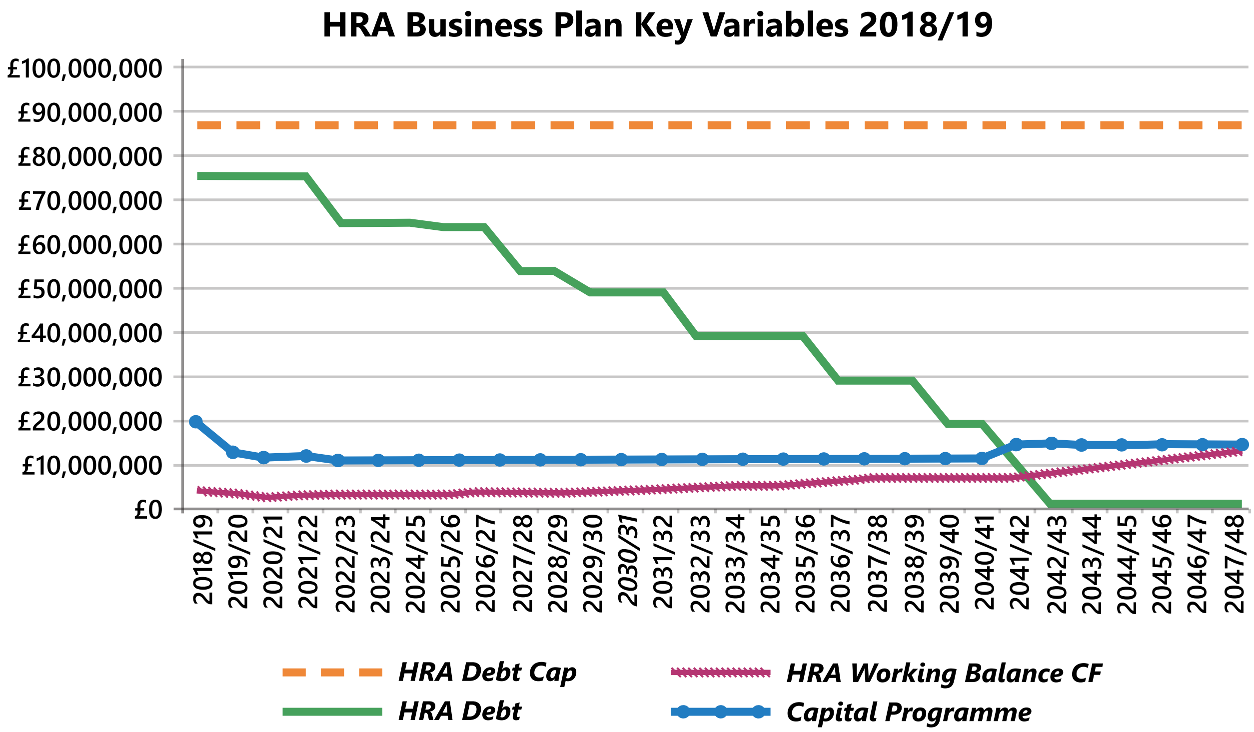
The age profile of tenants within the housing stock reasonably reflects the general profile of the population in the district. Nearly half of tenants (48%) are over 55 years old and a third (37%) are over 65 years, with the majority of households consisting of 1 or 2 people. While take up of housing benefit has reduced with the introduction of Universal Credit, over half of tenants still receive this form of help with their housing costs.





4 East Suffolk Financial Overview

Total planned capital investment in the Housing Revenue Account (HRA) totals £368m over 30 years. This includes major works on the existing housing stock of £83.8m, redevelopment of £55.9m, and new developments of £227.3m, and other capital works of £1m. The new homes programme will deliver 257 new affordable homes by 2022/23 and an estimated additional 1500 homes by 2047/48, pump-priming investment into the Lowestoft Area Action Plan (AAP) to deliver a better and more prosperous environment for the community. Funding for both the major works on existing stock, and other capital works will be through Direct Revenue Financing (DRF). The new homes programme and redevelopment works will be funded mainly from reserves and contributions. The balance will be funded from assumed capital receipts (£52.2m) and assumed RTB sales receipts, Homes England funding and S106 funding (£20.4m).



The latest 30-year HRA Business Plan demonstrates that the investment proposals are fully fundable, subject to the assumptions within the plan, and that the HRA remains a sustainable and viable entity over the thirty year period.

The Plan takes a cautious approach to investment, remaining well within the Government's requirements and currently paying off outstanding loans by Year 26 to be totally debt free. Subject to future trends remaining on track with assumptions, this approach gives the Council the opportunity to deal with potentially adverse circumstances or to be able review and potentially increase its investment in new housing or housing redevelopment in the area at a future review of the business plan.

5 Managing Risk

Identifying and managing risk ensures that the Plan is sustainable in the long term, given the potential impact of change in the external economic and social environment and from Government policy. The Plan uses a range of assumptions to predict future income and expenditure. These have been set at prudent levels in order to minimise risk. The key risks and mitigating actions are identified in the full Business Plan. Some of the risks to the Plan have reduced with recent Government commitments giving medium term certainty on rent, mitigating some of the most severe impacts of Welfare Reform.

6 Investment Programme

Planned capital investment in housing stock

£83.8m
over 30 years

6.1 Programmed investment in current housing stock

Total planned capital investment in the existing HRA housing stock totals £83.8m over 30 years on a range of elements including: kitchens, bathrooms, external doors, re-roofing, re-wiring and central heating systems to maintain the housing stock in good condition.

All elements of the planned works incorporate sustainability measures where possible.

6.2 Redevelopment and Adaptation

The redevelopment and adaptation work has been valued at an expected £55.9m investment over the 30 years which can be viably funded through the HRA. This ranges from conversion and upgrading of unpopular bedsit accommodation to conversions of larger older properties which are no longer fit for purpose. The current programme has identified a pipeline of properties rising to approximately 30 upgraded properties per year.

Redevelopment and adaptation work valued at

£55.9m
over 30 years

6 Investment Programme - continued

6.3 Retired Living Schemes

The Council is currently undertaking a review of its Retired Living Schemes for older people, some of which do not meet current resident expectations and are becoming increasingly difficult to let. Any redevelopment proposals and associated funding requirements resulting from the review will be incorporated in future updates to the Business Plan.

6.4 New Housing Development

The Council has initiated a programme of land acquisition and new build development to provide additional affordable homes.

This has identified funding of £47m to 2023. The programme combines HRA funding with funds from other sources. Longer term the Lowestoft and Outer Harbour regeneration proposals are expected to provide a significant opportunity for the development of further affordable homes. Already the Council has invested £4.4m in the purchase of brownfield sites to aid regeneration and deliver new homes.

£47m of funding
for land acquisition and
new build development

7 Achieving Value for Money

The need to achieve value for money in the housing service is a key priority. Maximising income and reducing expenditure on administration, while delivering an effective and efficient service is key to ensuring that the Council is able to maximise investment in the existing housing and provision of new housing stock. The Council is also committed to providing excellent services for its tenants and increasingly this means enabling communications with tenants, through a variety of channels, particularly web and text-based services.

The Housing Service has embarked on a transformation programme during 2018 to achieve step-change improvement across the housing service and ensure that its objectives and operational practices align with the East Suffolk Housing Strategy and corporate East Suffolk Business Plan.

The Housing Service is working with a range of partners (ref pg 37) to ensure that it uses resources as effectively as possible, it brings together services to meet the needs of tenants, and benefits from external expertise in newly developing areas of work, such as housing development.

8 Reviewing the plan

The HRA Business Plan is monitored on an annual basis to identify emerging risks and developing issues which may impact on the delivery of the planned actions or the long - term viability of the Plan. It is expected that the next full formal review of the Business Plan will be undertaken in 20/21 to ensure that the objectives remain capable of being delivered, with planned actions amended accordingly, in the context of the creation of the newly formed East Suffolk Council in 2019.

1 Introduction

In April 2012 the financing of the way Local Authorities provided council homes was significantly changed with the introduction of a 'Self – Financing' Regime. This regime enabled the Council to support investment in the housing stock from its own income rather than contribute annually to a national subsidy scheme in which Waveney was a net contributor of £4m p.a. in 2011 and a projection to rise to £7m p.a. 3 years later. The Council paid £68m to the Government to exit this regime instead, in common with all stock owning councils. This required the development of a sustainable, long-term (30year) business plan, enabling the Council to plan its approach to investment in its directly owned housing and setting out the financial plan that underpinned this, in order to achieve its housing objectives. The business plan has since been regularly updated to take account of the changing environment in which it is operating.

A number of factors have changed since the publication of the last formal Housing Revenue Account (HRA) Business Plan in 2016 which make the development and publication of a new Business Plan timely.

They include:

- Progress towards the establishment of the new East Suffolk District Council in 2019
- Publication of the first East Suffolk Business Plan (2016) and related strategies, including an overarching East Suffolk Housing Strategy (2017).
- The impact of changes to Government policy affecting housing financing.
- Changing economic and demographic factors leading to changing housing priorities, particularly the ambition to develop more affordable homes to rent to meet increasing housing need.
- Development of a business improvement programme across a range of HRA services to improve value for money.

This is the first Housing Revenue Account Business Plan to be published under the wider East Suffolk banner. In addition to continuing to invest in our existing homes we have ambitious plans for the redevelopment of properties and provision of new housing, which will deliver a range of lasting benefits for the residents of East Suffolk. The investment identified in this Business Plan will support the Council in achieving these ambitions, including the regeneration of Lowestoft and delivering homes across the district to meet rising housing need. The establishment of the new East Suffolk Council increases the opportunity for development of affordable new homes across a wider geographic area, involving new partners such as Community Land Trusts and developers involved with 'land and build' projects . The current 30-year HRA Business Plan projections demonstrate that the investment proposals are fundable, subject to the assumptions within the plan, and that the HRA remains sustainable and viable over the thirty year period.

Links to other East Suffolk Plans and Strategies

This business plan aligns with other key East Suffolk plans and strategies, being one of a number of delivery plans which support our Housing Strategy and in turn our Corporate East Suffolk Business Plan. Others will include the Homelessness Strategy, the Asset Management Strategy and an Enabling Strategy.

East Suffolk Business Plan

In our corporate East Suffolk Business Plan both Waveney and Suffolk Coastal councils set out a clear vision for East Suffolk to "Maintain and sustainably improve the quality of life for everyone growing up in, living in, working in and visiting East Suffolk". The vision specifically seeks to enable both councils to "...address some significant local challenges, such as the need for new homes that are affordable and local to our communities..." The corporate Business Plan seeks to achieve the best possible quality of life for local people by:

i. Enabling communities;
ii. promoting economic growth;
iii. becoming financially self sufficient.

Housing supports these objectives by:

Enabling Communities **-** Working through partnerships such as the Suffolk Health & Wellbeing Board and Clinical Commissioning Groups (CCGs),to support the reduction of mental ill-health and help people with physical and learning disabilities, as well as reducing social isolation and encouraging people to look out for, and after, themselves and others. The HRA Housing Service seeks to help our communities tackle the issues that matter most to them, whether this is by developing affordable homes for local people or working with partner agencies to help support people.

Economic Growth **-** Providing more affordable homes for local people contributing to the East Suffolk Growth Plan, building communities which enjoy more stable, high quality and high value jobs.

Financial Self **-** The Council is committed to continuing to drive out further efficiencies and reviewing the use of market pricing for council services. In line with this corporate approach the HRA Housing Service seeks to drive business efficiencies and regularly reviews charging. Over recent years the Council has adopted a move to charge Affordable Rents from Social Rents for any new property let. This change has been facilitated by the Government to enable re-investment in new housing in the district by the Council. Currently 76% of our stock is charged at Social Rent. The transition to Affordable Rent will be reviewed as part of future reviews of this business plan.

East Suffolk Housing Strategy

In 2017 both councils adopted the East Suffolk Housing Strategy. This was our first joint housing strategy and this HRA business plan links directly from the Strategy to ensure that the 'Golden Thread' from the corporate East Suffolk Business Plan to the East Suffolk HRA Business Plan is maintained.

The Strategy identified 9 housing priorities of which three are directly relevant to the HRA Business Plan:

1. Increase the amount of council owned affordable housing from 4,479 homes to 5,200 including development on council-owned and rural exception site land in Suffolk Coastal.

2. Utilise the strength of the Waveney Housing assets to intervene assertively in the delivery of the Lowestoft and Outer Harbour Area Action Plan.

3. Manage and maintain all council owned homes to ensure customer satisfaction levels exceed 85%.

A number of Housing Strategy objectives are delivered through this Business Plan:

Increasing the amount of council owned affordable housing	• Creation of in-house capability to develop a new council homes programme. A target from 2018-19 has been set of 100 new properties each year. This business plan considers the funding of this challenging target as part of the financial review.
Getting the most out of existing homes	• Development of a comprehensive policy to assist under-occupying council tenants to downsize
Specialist support and accommodation	• Work in partnership to commission advice, support, and tenancy sustainment services to help people stay in their own homes. • Development of an East Suffolk-wide strategy for older peoples housing
Working in partnership, supporting successful communities, regeneration and economic development	• Contribute to delivery of the Lowestoft and Outer Harbour Area Action Plan • Work in partnership with local people, Active Communities and other partners on environmental improvements to neighbourhoods
Well managed and maintained homes – promoting professional standards and value for money	• Deliver council HRA Business Plan targets • Continue to develop focused response to impact of Welfare Reform on council tenants and budgets.

2 National, Regional and Local Context

The housing market has undergone a significant shift over the last decade at a national, regional and local level. There has been an increasing shortage of housing across all tenures in the country with housing rising on the political agenda and becoming a priority to the current Government.

The financial crisis in 2008 and the subsequent recession impacted on housebuilding as well as people's ability to access mortgages and loans. The housing market has struggled to recover with the shortage of housing driving up costs and significantly reducing affordability. The average age for people to own their own home is rising, with a shift to rented accommodation because of the lack of affordable housing to buy, consequently forcing up rents and expanding the Buy-to-Let market.

Current national social and economic policies are having an impact on the housing market. The introduction (and continued roll-out) of Welfare Reform with the introduction of Universal Credit, benefits cap and removal of the Spare Room Subsidy (bedroom tax), as well as broader social and economic policies, are affecting the housing situation of many people on low and average incomes. Private landlords have a preference for non-Universal Credit claimants and are opting to sell if they cannot obtain expected rental returns, contributing to an increase in homelessness. Social housing landlords' long term financial strategies have been affected by Welfare Reform, the four year rent reduction policy, and the uncertainties created by The Housing and Planning Act 2016.

A number of the most controversial proposed policy changes introduced by the Housing and Planning Act 2016, such as the sale of high value council homes and the introduction of near market rents for higher income tenants, are now very unlikely to be implemented. Other proposals have also been made voluntary options for councils.

The impact on the economy of Brexit is not yet fully known but immigration of non-British European Economic Area (EEA) nationals has reduced and the exchange rate has increased costs for imports, with the construction industry being particularly affected, with higher costs and shortages of labour. This results in higher costs for new build housing and general maintenance across the sector. House prices are also expected to increase less rapidly or even decrease.

The east of England has experienced similar issues to the national picture. The National Housing Federation reported that the average cost of a home in the region was 10 times the average salary making affordability an issue. Salaries are generally low with 25% of all Housing Benefit claimants working. There is a growing and ageing population in the region, placing different demands on the housing market. In the last 5 years there has been a shortfall of 58,000 homes in the region against the planning targets set to meet population demand.

Locally, Waveney district is generally a less prosperous area than most in the region with some wards in Lowestoft experiencing high levels of economic deprivation. The area has lower than average house prices and rents but also lower salaries and levels of employment. There is a strong demand for housing for sale or rent. This is primarily in the urban areas but the smaller rural communities also identify a need for additional affordable housing. The district has a growing older population with increasing need for accessible housing and housing with support.

The district is attracting inward investment through the New Anglia LEP and specifically the Enterprise Zone. The new green energy sector may have a positive impact on the growth of the local area which will create its own pressures on the housing market.

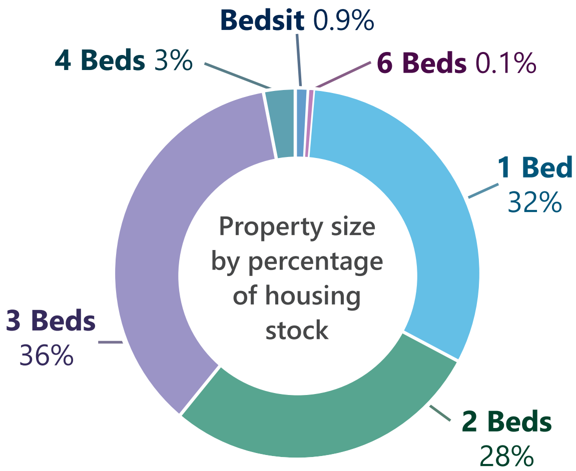
The National Housing Federation reported that the average cost of a home in the region was 10 times the average salary making affordability an issue.

3 Business Overview

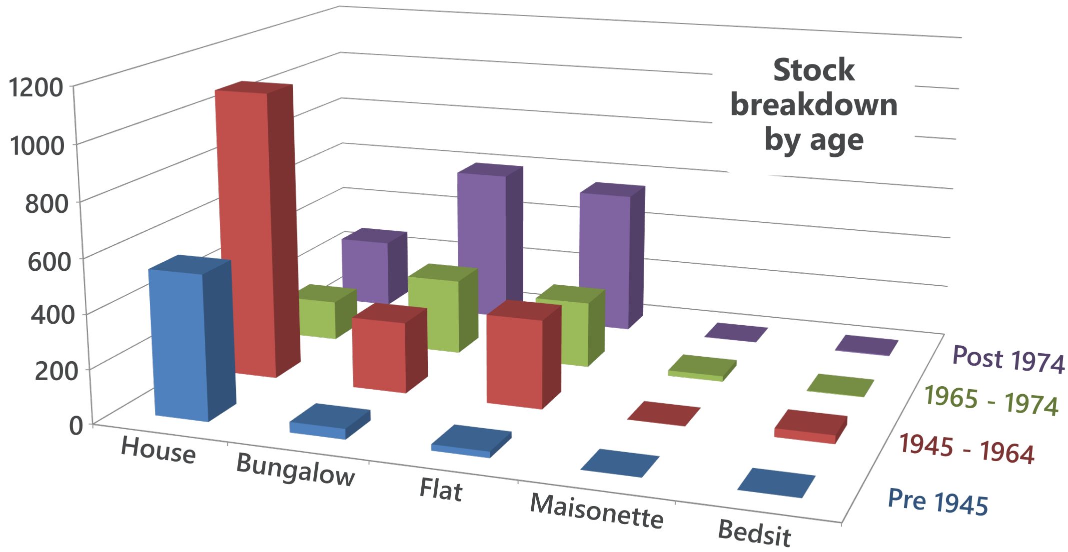
1. The Housing Stock

In January 2018 the council's housing stock consisted of 4085 general needs properties, 337 retired living flats and 24 supported housing units (total 4446) , making it the largest provider of social rented housing in the Waveney district.

The stock is primarily composed of self-contained 1 bed units (1420), 2 bed units (1245), and 3 bed units (1608). There are also small numbers of smaller and larger homes: bedsits (38), four bed (127), five bed (1) and six bed (7) properties in the housing stock. The chart below shows the property range by percentage.



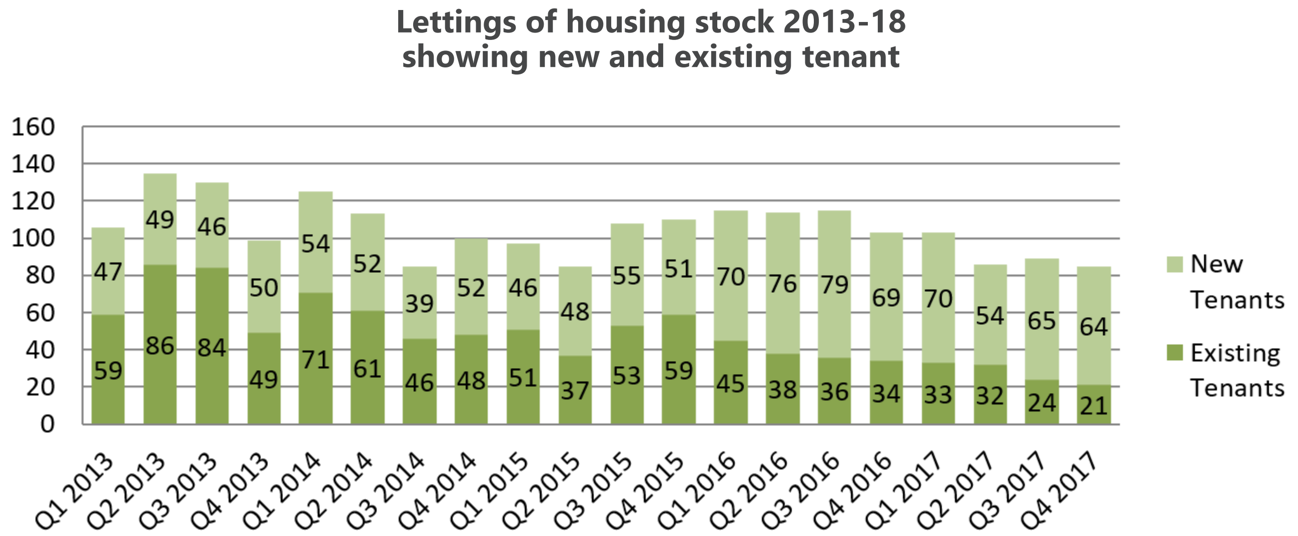
The most common stock type is houses (45%) with a broad age profile but larger numbers built between 1945 - 1964 and post 1974. This is reasonably typical of most non- metropolitan housing stock retaining councils.



Geographically, the district is a mixture of urban and rural areas and the spread of the housing stock reflects this. The majority of the stock (58%) is within the Lowestoft area with the remainder spread across the market towns (Beccles 14%, Bungay 6%, Halesworth 6%, and Southwold 4%) and the more remote communities within Waveney (12%).

The housing meets a wide range of need and demand. The 4,085 general needs properties make up 92% of the housing stock but there are also Retired Living Schemes for residents aged 60+ years. These properties are mainly within Lowestoft but are also located in Southwold and Bungay. There is also a specialist 24 unit family support building in Lowestoft. The housing stock has historically been maintained to a good condition with a high level of investment and meets all current standards.

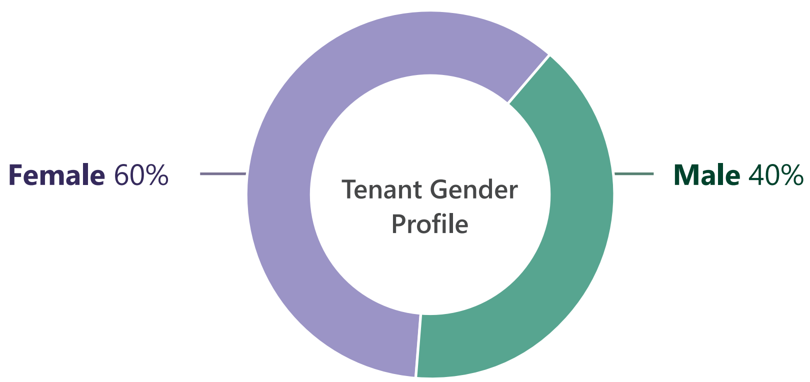
Annual lettings of Council properties have ranged between 360 to nearly 470 in recent years, with the Council being the principal provider of affordable homes to rent across the district. The chart below illustrates the quarterly change in new lettings and the general downward trend over 2017-18. These can be to new tenants or existing tenants moving to more suitable alternative accommodation. Between 2013 to 2018 46% of lettings were to existing tenants.

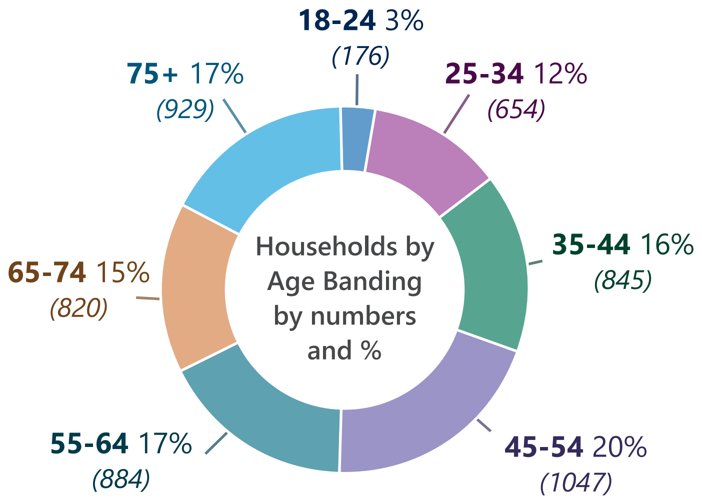


Right to Buy
The Right to Buy has had an inevitable impact on stock numbers over the years. Between 2010-18 the stock of housing reduced by 105 properties (2.3% of the stock). All but two areas in the district experienced a reduction in housing stock.

2. Our Tenants

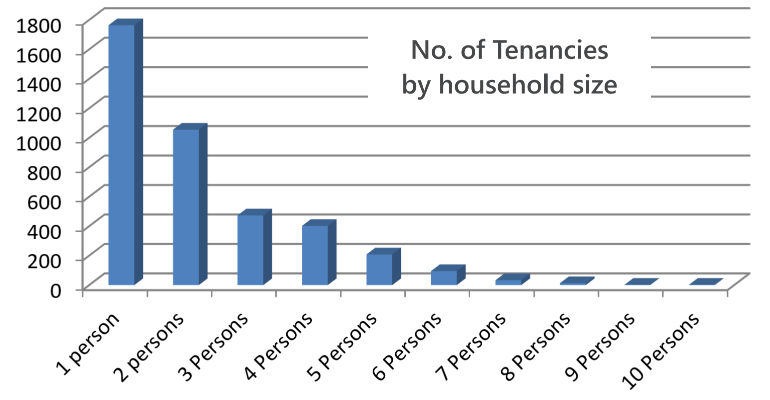
The tenant profile shows:
Gender – a larger number of females than males hold tenancies



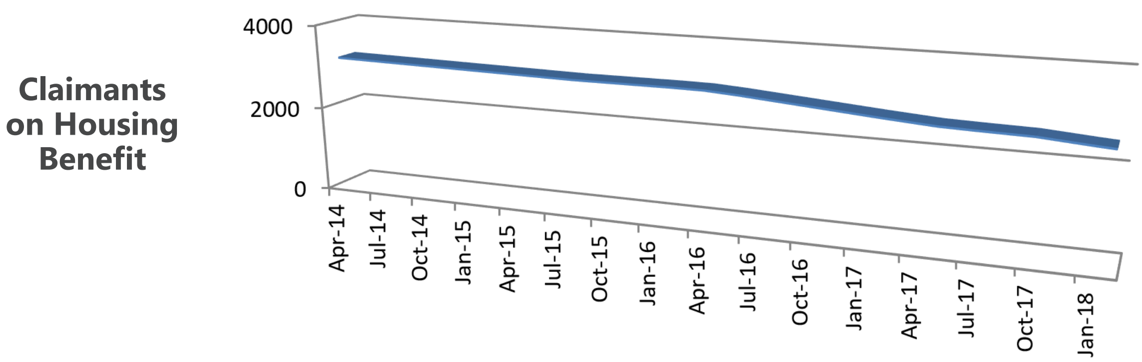


Age **–** The age profile within the housing stock reasonably reflects the general profile for the district. Over half of tenants are over 55 years and a third are over 65 years. This information is relevant to the development of a strategy for future provision of housing for an ageing population that not only meets their requirements but also potentially frees up under-occupied accommodation for families in the district that is in demand.

Household composition **–** There is an emphasis on smaller households in our housing stock with 63% (2817 households) of tenancies being either single people or couples. This correlates with the large number of tenants in the 65+ year age group. There are relatively few large households (50) of 7 persons or more.

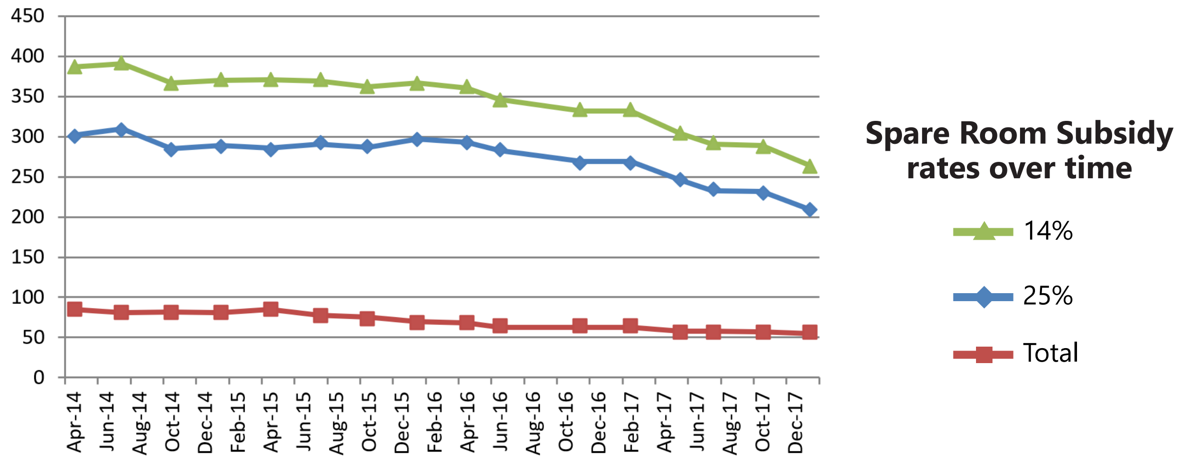


Benefits **–** The number of tenants who are housing benefit claimants is reducing reflecting a national picture. In the last four years claims have fallen from 3149 to 2517, though recent figures do not take account of Universal Credit claimants.



Universal Credit was introduced in early 2016 in Lowestoft and was rolled out to the remainder of the district from October 2017. The gradual migration to the new benefit will be completed in 2023 when all claimants will receive Universal Credit.

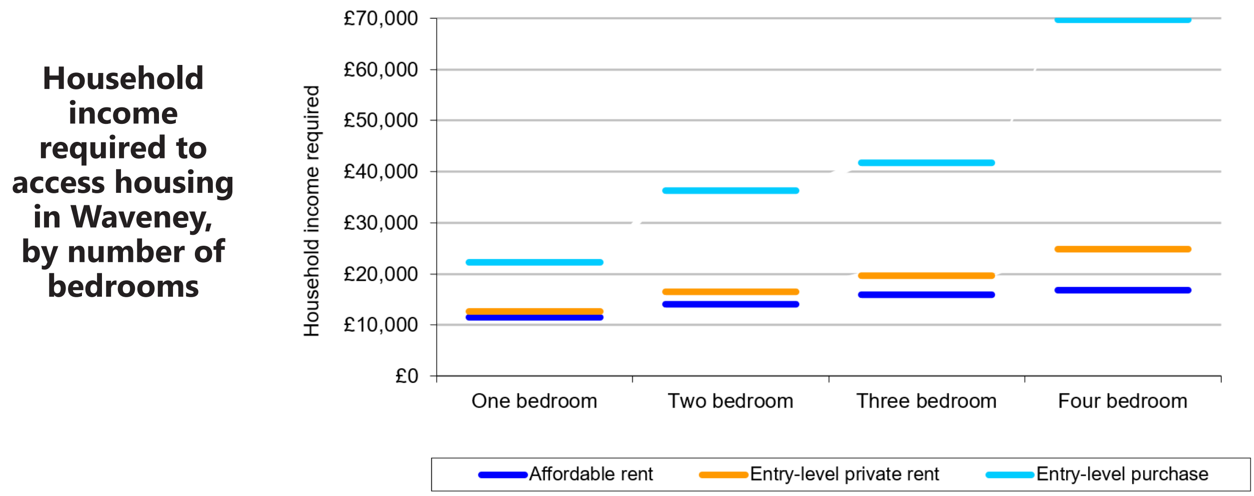
Following the removal of the Spare Room Subsidy a number of tenants have had their housing benefit or Universal Credit reduced because they are under-occupying their homes. This is by either 14% (if under-occupying one room) or 25% (if under-occupying by more than one room). The downward trend is apparent in the graph below, reflecting the reduction in benefit claims in the district. The level of under-occupation within the housing stock is understated however as tenants over 65yrs are exempt from the charge so the figures are not recorded.



3. Housing Demand

The Strategic Housing Market Assessment 2017 for the Ipswich and Waveney areas provided information on current and projected housing need in both Waveney and Suffolk Coastal.

Information on access to different tenures highlighted that rentals and house prices are relatively low in Waveney but are still challenging to residents. This graph shows the household income required to access social and private rented housing as well as entry-level purchasing.



The aspiration to buy a property may exist for many people but in practice social housing and private rented housing offer the most realistic options, demonstrating a continuing need for affordable social housing in the district across all property sizes. The number of applicants on the housing register for Waveney in April 2018 was 2202.

4 Financial Overview

1. Introduction

The Council is required to account separately for Local Authority housing provision via the Housing Revenue Account (HRA). This is a ring-fenced account covering the costs arising from the provision and management of the Council's housing stock, offset by tenant rents, service charges and other income.

2. Self Financing Regime

The Self-Financing regime was introduced by Government in April 2012. The Council is now able to control the financial sustainability of the HRA budget by ensuring that adequate funds are set aside to repay debt and to cover any unforeseen costs. The Council is able to plan long-term to meet its business objectives whilst creating efficiencies and savings and giving added value for money.

A 30 year financial business model is used to support the delivery of the HRA objectives and this business plan ensures our targets and aspirations are achievable and affordable. It uses assumptions about the level of income available and the key risks facing the housing service over the next 30 years. The planned repayment of current borrowing is scheduled into the plan. A limit has been placed by the Government on the Council's total housing debt at £87.26 million. The current debt (at March 2018) is £76 million (£68 million from the self-financing settlement and £8 million pre Self-financing), leaving a £11 million borrowing 'headroom' available to the HRA at this time.

The HRA spending plans, including our capital investment programme, are currently fully funded from existing resources. This means that we have no current need to make use of this additional borrowing, but future reviews of the business plan may reconsider this position, e.g. to facilitate new development, fund the redevelopment of Retired Living housing, address the uncertainties facing the economy in the future that may impact on the Business Plan because of the need to take 'impairment' in value of the housing stock into account, and the impact on the potential to make a surplus on any market housing developed by the HRA .

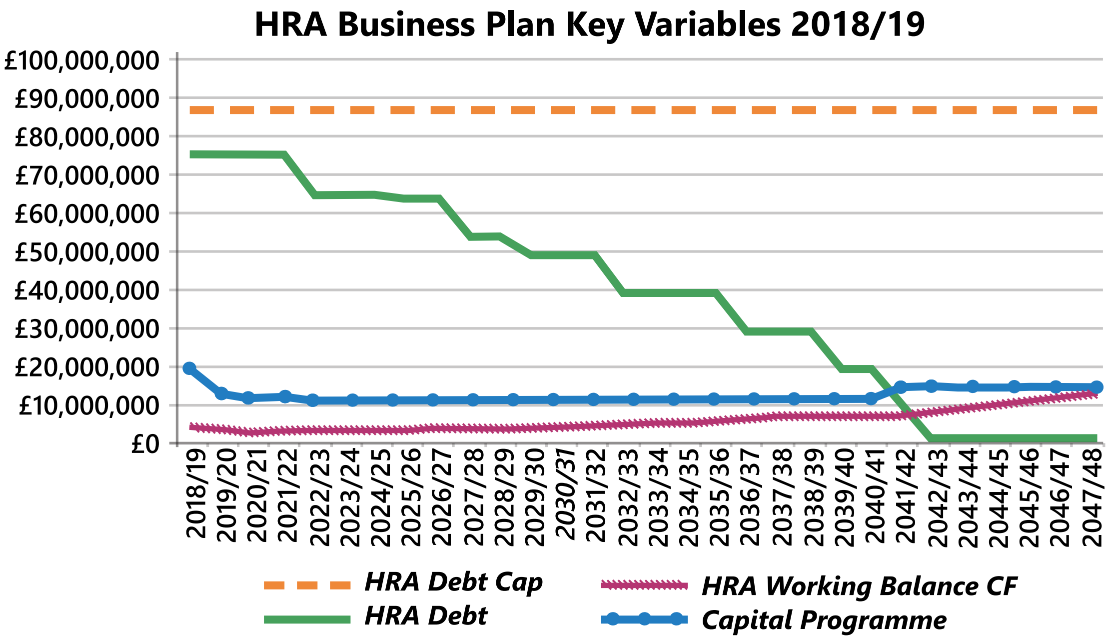
The Self-Financing Regime gives the Council greater certainty and control of its resources enabling it to adopt a strategic, long term approach to ensure that housing needs are met, that the housing stock is well maintained, and additional homes are provided. This has enabled the introduction of a Housing Development Programme to enable the Housing Strategy priority of providing additional affordable homes to be achieved.

3. The HRA business plan – Base financial position

The Council's housing stock is a valuable asset of over 4,400 properties together with other assets that bring an income of £19m each year. Valuation of the stock is required annually and in 2018 the market valuation was £525.5m. An alternative valuation is also required following a Government formula which considers the 'Existing Use – Social Housing', taking account of the fact that the stock accommodates tenants on long term tenancies. This valuation is £199.6m.

Following the acquisition of land and property for future development over a two-year period, we have invested £3 million in a 'land bank' that will provide us with approximately 370 mixed tenure housing units.

The chart below shows the key variables of the current years Business Plan: the debt cap (set by government under the self-financing settlement); the debt (total borrowing requirement); capital programme expenditure; and the working balance of the HRA. Each of these is explained further below. It illustrates that the HRA can fund new build, redevelopment, stock maintenance and improvement as well as other identified investment opportunities from expected income without the need for additional borrowing.



Debt Cap - each local authority HRA has a debt cap imposed by government as part of the 2012 self-financing settlement. This limits the amount of borrowing that the HRA can undertake. Our cap is £87.26m. As the chart shows, the borrowing limit remains the same over the 30 year period so the maximum amount the HRA can borrow is in line with government rules.

The HRA will be debt free on current projections from 2043/44.

Debt - As the chart shows, the council is able to fund the investment programmes outlined in this business plan without undertaking any additional borrowing. Our borrowing reduces from £76m in 2021/22 to £65.2m the following year when the first tranche of borrowing (£10.7m) is repaid. The plan assumes that maturing debt will be paid down as long term loans expire. The HRA will be debt free on current projections from 2043/44. The borrowing headroom is £11.29m currently though this will increase with each loan that is repaid. This gives an opportunity for us to take further loans if required to meet future development objectives to achieve our strategic aims.

Revenue Working Balance – We have a minimum reserves balance of 10% of total income received in any given year. In 2018/19 the minimum reserve balance required is £2m, however, it is budgeted to be £3.7m. This balance is intended to mitigate potential risk. This level of reserves in the business plan is felt to be prudent in light of the future uncertainty around Brexit, Government housing policy, inflation, interest rates and cash flow. As the charts shows, the revenue balance is estimated to rise to £14.3m by 2048/49.

Capital Programme - Total planned capital investment in the HRA totals £368m over 30 years. This includes major works on existing stock of £83.8m, redevelopment of £55.9m, and new developments of £227.3m, and other capital works of £1m. The new home programme will deliver 257 new affordable homes by 2022/23 and an estimated additional 1500 homes by 2047/48. Funding for both the major works on existing stock, and other capital works will be through Direct Revenue Financing (DRF). The new homes programme and redevelopment works will be funded mainly from our reserves and contributions (average of 75%). The balance will be funded from assumed capital receipts (£52.2m) and other assumed income (RTB sales receipts, Homes England funding, S106 funding) (£20.4m).

It can be seen that a cautious approach has been adopted in the business plan to ensure the financial viability of the HRA and remain well within the Government's requirements. The plan is entirely sustainable, paying off outstanding loans by Year 26 to be totally debt free. Subject to future trends remaining on track with current assumptions this approach enables the Council to reconsider and potentially increase its future investment in new housing in the area at a future review of the business plan.

4. Assumptions

The HRA Business Plan has to be based on a number of assumptions about the future. We have been prudent in setting these assumptions so that risk is minimised (reviewed in Section 4 of the business plan).

The key assumptions we have made in the plan are shown below.

Risk area	Assumption	Comment
Inflation	RPI at 2.5% CPI at 2%	Year 1 – 4 of the business plan assumes current RPI and CPI rates. Year 5 onwards a prudent approach of 3% CPI has been applied to all expenditure items.
Rent policy	Yr 1-2 1% reduction Yr 3–4 CPI +1% (3%) Yr 5 + CPI only (2%)	A conservative approach to rent increases as local authorities have flexibility under the self-financing regime. The Year 3 onwards assumes a CPI average of 2%
Void rates	1.3%	Assumed long term void rate for planning. This is reviewed annually.
Bad debt provision (BDP)	4.41%	A conservative approach to BDP has been taken, due to the changes in the Welfare Reform, and in particular Universal Credit. This is reviewed annually.
Interest on debt/balances	0.66% on balances; 4% on new and rescheduled debt	Reflects current rates available and historic evidence. This is reviewed annually.
RTB Receipts	30 sales per year.	Best estimate based on historical sales trends and expressions of interest
Minimum cash balances	10% of total income received within the given financial year.	10% of total income received within the given financial year is regarded as best practice.
High Value Voids (HVV) - The HPA requires housing authorities to sell interest in any vacant higher value HRA housing and pay the levy to Government.	0 sales for Yr 1 – 30	Currently, though statute allows the HVV levy to be applied it would appear that the Government has no intention to apply it in the short term.

5. Central Government Impact on the HRA

In 2016 the Government compelled all social landlords to reduce rents by 1% each year from April 2016 to April 2019. Prior to this our previous Business Plan was modelled on an annual rent increase of 3.1%. The change resulted in an effective 4.1% decrease year on year on the rental income forecast until 2019/20. This reduced our rental income by £7.7 million over the four year period as well as having a knock-on effect on all future years of the Business Plan. We amended the Business Plan accordingly and reduced funds available to invest in our new Housing Development Programme. The Government has now announced that from 2020/21 the council can increase rents by CPI + 1% for 5 years. This improves the rental income forecast for the business plan and gives greater certainty of income in the medium term.

The Housing and Planning Act 2016 included provisions to enable the Government to levy from councils a sum funded by sales of higher-value empty properties to part-fund the extension of Right to Buy to Housing Association tenants. However, in late November 2016 the Government announced that the policy has been formally postponed. At this point, like most other local authorities, the Council's HRA has not set aside any budget for this eventuality because of the uncertainties surrounding it. This Business Plan however notes it as a potential future risk.

6. Right to buy

The Government has committed itself to the Right to Buy (RTB) scheme and increased the maximum discount available with an annual upward review. In 2012 we entered into an agreement with the Government to retain a share of our RTB receipts to reinvest in the future provision of new affordable homes. The receipts used can only fund up to 30% of any investment into new affordable homes. With the challenging development programme we have set through the East Suffolk Housing Strategy we are planning to make sure these receipts are fully utilised.

The number of properties sold through the RTB scheme since 2012 has steadily increased. In 2017/18 30 properties were sold. Future year estimates for the purposes of this Business Plan have been projected at 30 per annum in-line with the increasing trend. The annual rental income lost through RTB sales has an impact on the revenue account and in 2017/18 this amounted to £115k. Increasing the HRA housing stock through new development helps off-set the impact of the loss of rental income.

The table below highlights the loss of stock since 2010 through RTB as well as recording other property losses and gains through disposals, leases, conversions, purchases and more recently new build.

Year	EOY Count	Change	RTB	Disposal	Leased	Conversion	New Build	Purchase	Demolition
2010/11	4613	-11	-4	-4	0	-3	0	0	0
2011/12	4551	-62	-8	-33	0	-4	0	0	-17
2012/13	4537	-14	-9	-7	0	1	0	1	0
2013/14	4540	3	-12	0	0	3	0	12	0
2014/15	4512	-28	-28	-2	0	0	0	2	0
2015/16	4492	-20	-20	0	0	0	0	0	0
2016/17	4467	-25	-27	-8	0	1	9	0	0
2017/18	4439	-28	-30	-2	-1	-3	5	3	0
2018/19	4456	17	-30	-5	0	6	44	2	0
2019/20	4462	6	-30	-11	0	9	20	18	0
2020/21	4506	44	-30	-5	0	2	77	0	0
2021/22	4533	27	-30	-5	0	7	50	5	0
2022/23	4560	27	-30	-5	0	7	50	5	0
2023/24	4587	27	-30	-5	0	7	50	5	0
Total		**-37**	**-318**	**-92**	**-1**	**33**	**305**	**53**	**-17**

The table also projects expected disposals, acquisitions and new build in the medium term to 2023/24. The development programme of new council homes started in 2016/17 and 'built-out' properties are expected to be below our challenging target of 100 per year identified in the East Suffolk Housing Strategy. See below Section 6 (Investment Programme).

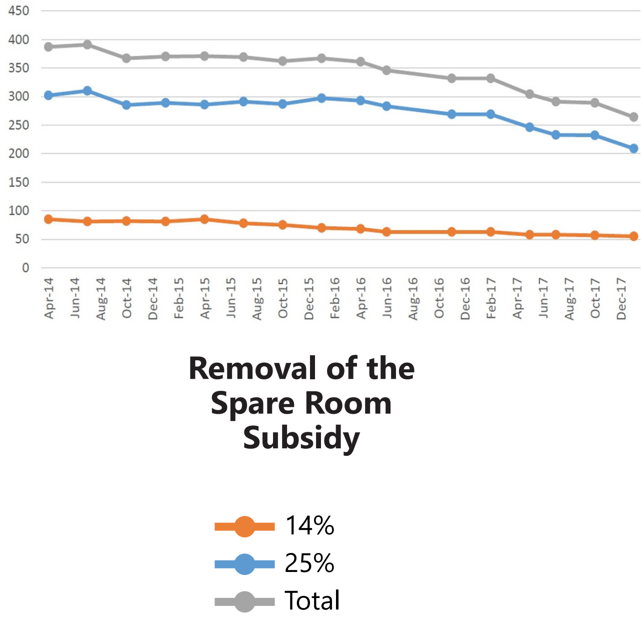
The development of the Lowestoft and Outer Harbour Area Action Plan is projected to see new council homes development from 2020/21. It is expected that the level of development will increase rapidly after that period, which should contribute to the Housing Strategy target for new council housing.

7. Welfare Reform Impact

The Welfare Reform Act 2012 presents new risks to HRA rent collection from tenants. In 2015 the total benefit cap was reduced from £26,000 to £20,000 p.a. Universal Credit (UC) was introduced in Lowestoft in March 2015, one of the first areas in the country, and 'Full Service' UC started to be rolled out across the remainder of the Waveney district in late 2017. The change for tenants has resulted in a progressive increase in rent arrears, adversely affecting the rental revenue stream. This impact has been experienced by almost all affected social landlords in England. The Government made some changes to the regulations during 2018 to reduce the impact on tenants which could potentially reduce the impact on rent arrears in future.

The change for tenants has resulted in a progressive increase in rent arrears, adversely affecting the rental revenue stream. This impact has been experienced by almost all affected social landlords in England.

Additional pressure on rental income was experienced through the Government's 'Removal of Spare Room Subsidy' which came into effect in April 2013. Under-occupying households received a cut in their benefit of between 14% for one extra bedroom and 25% cut for two or more extra bedrooms. The table below shows the numbers of households affected by the 14% and 25% subsidy removal and the reduction in numbers affected, which is a trend we hope will continue to minimise rent arrears.

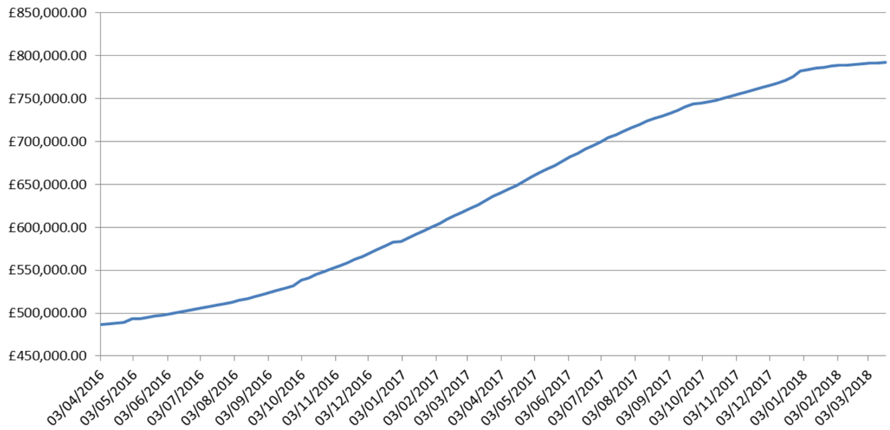


To help alleviate the pressure of this reduced benefit the Council offers a 'Cash-for-Moving' scheme. This encourages tenants to downsize and receive a £2,000 financial incentive to cover their costs. The scheme was in place before the welfare reforms to encourage better use of the housing stock. In 2016/17 13 tenants took up this incentive and a budget allocation of £40k each year is available. The Housing Strategy identifies that encouraging more efficient use of the housing stock is one of our priorities, including assisting under-occupying households to downsize.

8. Rent arrears

The impact of the range of changes above, reducing welfare benefits and changing the way in which they are paid, together with other general factors relating to the economy and wages, has increased the risk of rent not being collected.

Rent arrears as at 31st March 2018 were £921k, compared to 31st March 2017 at £739k and 31st March 2016 at £511k. This is an increase of £410k (80%) in the 2 years since UC was introduced. The table below shows a 12 month rolling average for rent arrears over a 23 month period and the trend is clearly upwards, though with a reducing average growth in later months (confirming the improved management of rent arrears). With the extension of the 'Full Service' UC to the rest of the district and the migration of existing claimants by 2023, it is expected that in the pressure on arrears will continue for a period until new claimants adjust to the very different system of benefit payment.



12 Month rolling average

This table includes pre-payment of rent as well as rent arrears resulting in a lower debt level.

A range of mitigating measures have been taken to ensure that the rise in arrears is managed and reduced over time, and additional provision made for bad debt repayment to take account of this issue. A range of actions have been taken that appear to be having an impact:

- Improved tenancy sign-ups with a comprehensive council service offered, including a Universal Credit claim process;
- Appointment of a Financial Inclusion Officer;
- ICT system improvements and new analytics to be introduced to bring 'smarter' debt recovery processes.

9. Increased Bad Debt Provision

The bad debt provision at the end of 2017/18 was calculated using actual rent arrear statistics as well as outstanding debtor payments as at 31st March 2018. The provision for bad debt was budgeted at 4.4% (£902k) of budgeted income in 2018. However, the outturn position as at 31st March 2018 was 3.34% (£690k).

10. Debt Repayment Reserve

As at 31st March 2018 the debt repayment reserve balance of the HRA increased to £9m. We increased the transfer to the debt repayment reserve in 2017/18 to reduce the HRA working balance from 34.58% of total income to 23.87% as at 31st March 2018. This gave the HRA the ability to reduce future year transfers to the debt repayment reserve whilst servicing the debt as planned. It is intended that any surpluses in future years will be transferred to a new Housing Development Reserve instead to help us meet our challenging development targets. This reserve was set up in 2017/18 with an initial transfer of £1m.

11. Rents, Service and other charges

The previous HRA Business Plan was updated to reflect the 4 years annual rent reduction imposed by the Government and the subsequent reduced level of income. The Government has subsequently announced that social landlords can increase dwelling rents to a maximum of CPI +1% for the five years 2020/21 to 2024/25. We have revised our budget and taken a prudent approach to rental income for this period, forecasting a 3% increase for 2020 – 2022 and 2% increase thereafter. The revised rent increases allow the Council to service the current debt, set aside provision for debt repayment, maintain investment in the stock and fund the current Housing Development Programme.

The Government expects the majority of new properties to continue being let at an Affordable Rent which is typically higher than Social Rent. The intention behind this flexibility is to enable councils to generate additional capacity for investment in new affordable homes. We have been applying Affordable Rents to our new or re-let properties since 2015, with an agreement allowing us to retain our Right to Buy receipts for investment in new affordable rented homes.

Charges for services such as communal heating, servicing and sheltered housing support reflect the additional services provided to some tenants and are reviewed annually to ensure they cover costs rather than to make a profit .

Additional income is received through garage rentals (2018/19 has an income budget of £140k) and other rentals, leases and wayleaves (an income budget of £43k for 2018/19).

12. Repairs and Maintenance

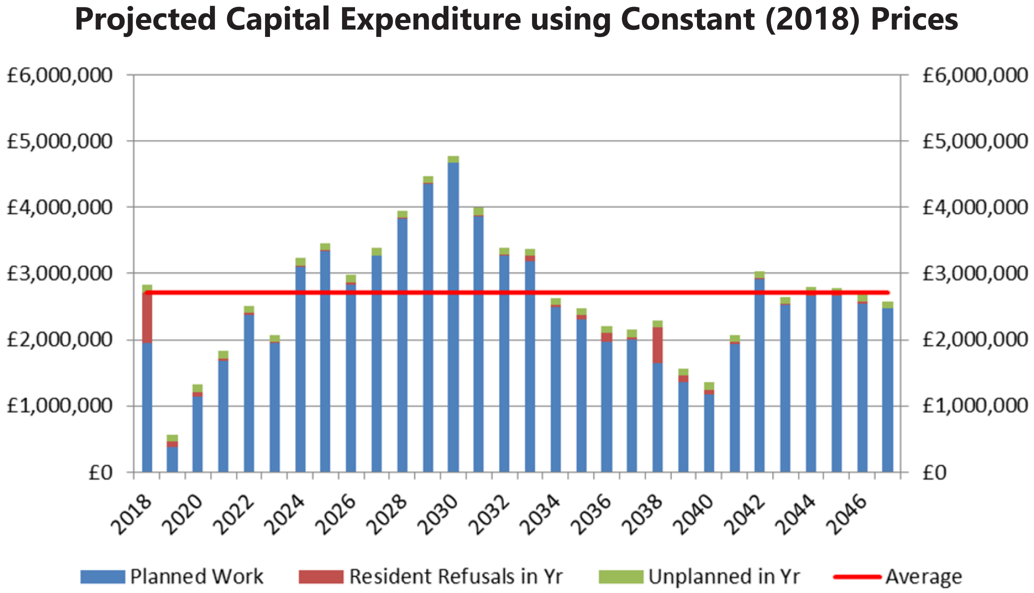
The HRA repairs and maintenance (R & M) programme is split between capital and revenue. Both have historically been funded from the revenue income derived from rents. In 2018/19 a budget of (£471k) was included in both the R&M revenue and capital budgets for additional works on the Council's only tower block at St Peters Court. These will include new window seals, door replacement, water tank replacement, and a new sprinkler system. These works (with the exception of the water tank replacement) have been included in the programme in response to the issues identified by the tragic Grenfell Tower fire in 2017 and demonstrate the Council's commitment to ensuring the safety of tenants of the building.

The amounts included in the R&M revenue budget enable the Council to carry out all the necessary major works to maintain our homes to a good standard for the life of the business plan. However, events such as the Grenfell Tower tragedy demonstrate that unforeseen events can have a substantial impact on planned budgets, indicating the importance of maintaining sufficient reserves.

13. HRA Capital Programme

The HRA capital programme consists of capital budgets for housing repairs, project redevelopment and the housing development programme. The capital programme is funded via the rental income we retain, the Major Repairs Reserve (MRR), Right-to-Buy (RTB) receipts, external funding and capital receipts held.

The chart below identifies the capital investment projected within the existing housing stock to ensure it is maintained and improved. The detailed breakdown of the expenditure on the housing stock is provided within Appendix A of this business plan.



Previous stock condition surveys and the ongoing capture of asset management information updates our stock data and the long-term investment requirements. These investments include kitchens, bathrooms, roofline, external doors, re-roofing, re-wiring and central heating systems. The data is broken down into planned work, past refusals of work by tenants that are subsequently completed and an allowance for unplanned work that historically occurs. The budget approach is to project a broad level of investment annually over the 30 years and for the work to be 'spread' over the life of the business plan. This will require certain work to be brought forward on the schedule and some to be delayed.

The current projected outturn of new homes by 2023 is 257 units.

14. Development Programme

The East Suffolk Housing Strategy identifies the development of new council housing through the HRA as one of the priorities for the whole of East Suffolk. The target set in that Strategy is 100 units per year for the 5 year period. The current projected outturn of new homes by 2023 is 257 units, which though not meeting the full aspiration of the Strategy, will make a significant contribution to meeting housing need and reflects some of the difficulties in initiating

Projected expenditure on all new development over the 30 years of this plan is £227m and aims to deliver 1757 new homes.

the programme, particularly in identifying a pipeline of potential development sites. This investment will amount to £39.7m over the initial years of the Business Plan. Projected expenditure on all new development over the 30 years of this plan is £227m and aims to deliver 1757 new homes. There remains significant financial headroom within the Government set borrowing cap, should a future review of the business plan identify the option to increase the size or speed of delivery of the new housing development programme. In 2017/18 a total of £2.6 million was invested in purchasing and developing brownfield sites. A further £10.6 million is budgeted for 2018/19 year. Further to this, an approved budget of £23.7 million has been set aside for brownfield site developments during 2019/20 and 2021/22. These figures form part of the housing development finances.

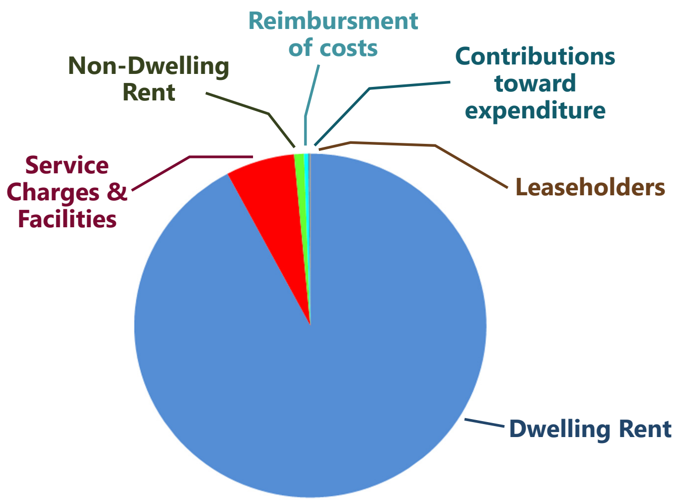
15. Redevelopment Programme

Redevelopment of an element of the existing housing stock is planned to respond to changes in housing demand and to update outdated stock types. These changes are occurring as a result of Government policy (Welfare Reform), changing household formation (a shift to a need for smaller property with smaller families, rise in the number of single households), and an increasing older population.

The redevelopment programme (detailed in the Investment section of the business plan) responds to opportunities to provide improved accommodation which meets current and predicted future demand.

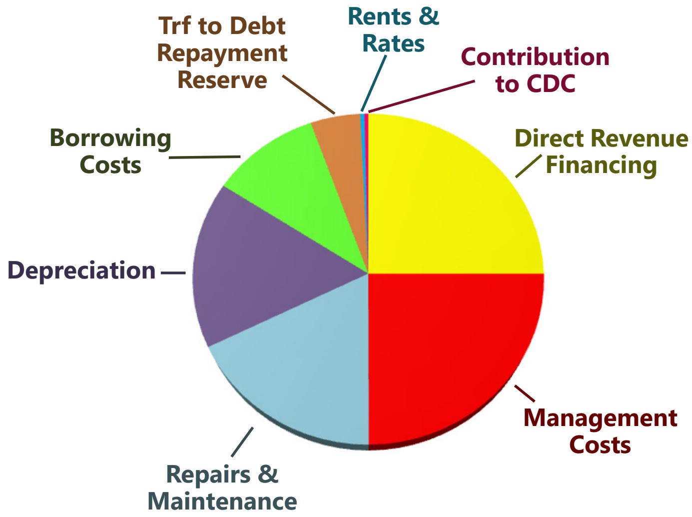
16. Annual Income and Expenditure

The chart below shows the budgeted expenditure costs for 2018/19. The total expenditure is £21.1m of which £5.3m relate to management costs. Direct estate management and tenant services account for £3.7m of this and the remaining £1.4m relates to other services such as communal heating, estate caretakers and delivery of the redevelopment and housing development programmes.



Our total anticipated budgeted income for 2018/19 is £20.3m with £18.7m made up of dwelling rents. This significant reliance on our rental income highlights the importance of managing this income stream for funding the services we offer and the investment we have planned.

The following chart shows the budgeted income for 2018/19.



17. HRA Balances and Reserves

The HRA maintains 5 reserves as well as the HRA revenue working balance. We plan to use the Major Repairs Reserve (MRR) to part fund our capital programme in each year from 2018/19 onwards, whilst still increasing our balances to service future years' debt repayments. The balance at 31st March 2022 is projected to be £10.7m.

The viability of the HRA depends on acting prudently, including setting sufficient sums aside to meet our future liabilities. The transfer of funds to the Debt Repayment Reserve gives the flexibility over future decisions for repayment of debt. The balance at 31st March 2022 is forecast to be £2.14 million after repaying the first instalment of £10.766m. Future debt repayment instalments will be funded by both the Debt Repayment Reserve and the MRR.

5 Risk Management

1. The East Suffolk Housing Strategy sets a challenging target of 100 new council properties in each year for five years. Current plans indicate that the Council will build just over half of that total in the next 5 years with the full target taking longer to achieve. Though it is expected that reserves will reduce in the medium term (with repayment of debt and ongoing investment in the existing stock and new housing development) the investment programme of this Business Plan is able to be fully funded while leaving significant borrowing headroom.

2. The East Suffolk Business Plan together with the East Suffolk Housing Strategy recognises the importance of the Lowestoft and Outer Harbour Area Action Plan and our broader corporate objectives. The Area Action Plan has a long term objective of significant residential and industrial development and the HRA is recognised as a potential driver of housing development as well as playing a key part in land assembly. The investment costs to the HRA of this intervention will increase but will be managed by ensuring our projected costs are budgeted and can be financed in future years.

3. Careful control of the budget limits risk exposure but other management options are available within the HRA to manage any additional risks as follows:-

   a. Reduce Major Work Programmes – reduce or extend the time period for our major works programme to reduce revenue expenditure on the housing stock;

   b. Delay site acquisition and new development programmes – extend, delay or reduce the new development and redevelopment programmes;

   c. Disposal of HRA Assets -Identify surplus or less viable housing assets for disposal to increase income, including potentially the small commercial property portfolio.

4. The Business Plan uses prudent assumptions so that risk is minimised, and a range of scenarios applied to ‘stress test’ budgets. Set out on the next page is a summary of other potential risks to the stability of the Business Plan and mitigating actions:

Risk	Impact	Mitigation
Capital Receipts: The plan assumes estimated capital receipts of £20.4m over 30 years will be recovered and used to fund the development of new homes.	Any significant slippage in the recovery of these receipts may pose a risk to the capital programme.	Monitoring of the timing of the receipts will help inform management action to mitigate this risk. Management options identified above would need to be applied. Additionally, we are in a position to borrow additional funds with the capacity in the headroom.
Rent Policy Rents increase at a lower rate than expected.	If rents were to increase annually by a lower percentage than the CPI + 1% projected over the life of the business plan there would be a long term loss of revenue to us	The Government have guaranteed a permitted rent increase of CPI +1% from 2020 to 2025 bringing certainty in the medium term. This business plan projects a lower increase of 2% from year 5.
Inflation	If RPI inflation were to increase above the assumed 2.5% the Plan would be under pressure. But the increase in costs would be partially offset by increased income as this is also based on CPI inflation.	Management options identified in para.3 above would need to be applied. Additionally, assumed expenditure in the plan is at 3% and would minimise any impact.
Capital Costs	If the cost of construction and professional fees on the new build programme were to increase.	This is provided for within the development programme budgets when tendered. Professional fees are considered a small proportion of the costs.
Welfare Reform: Implementation of Universal Credit, benefit cap and other welfare reform changes.	Increasing rent arrears which impacts on our HRA income.	Robust monitoring of arrears (reported already on a quarterly basis) and quarterly review of HRA budgets. Additional action through the Business Transformation detailed in the Business Plan.
Brexit Adverse impacts on costs and values as a consequence of Brexit	There is increased uncertainty about the costs of projects due to changes in the cost of materials and labour arising from changes in the value of the pound. This could lead to uncertainty with developers tendering for our programmes as well as responsive repairs costs increasing.	Responsive repair costs will not make a great impact on the budget because of the comparatively low expenditure in this area. Programmed work can follow the management options identified in para.3. New developments will be tendered and will not be started unless funding is in place .

6 Investment Programme

1. Programmed investment in current housing stock

We undertake a programme of stock condition surveys that are captured on an asset management system. This updates our stock data with the work carried out and informs long term investment requirements. Total planned capital investment in the existing HRA housing stock totals £83.8m over 30 years on a range of elements including: kitchens, bathrooms, guttering and fascia, external doors, re-roofing, re-wiring and central heating systems in order to maintain the housing stock in good condition. Details of each element's investment can be found in Appendix A.

Total planned capital investment in the existing HRA housing stock totals £83.8m over 30 years.

Investment in the sustainability of our housing stock will continue including ongoing improvement in the energy efficiency of the stock through air-source heating, photovoltaic panels, condensing boilers etc.

2. Stock redevelopment and adaptation

We recognise that the current housing stock we own is getting older and will require increasing investment to maintain it. A variety of factors influence our decision to redevelop or adapt our stock:

- Improving energy performance, particularly in older properties. Our corporate obligations to reducing carbon emissions as well as a recognition of our duty to address fuel poverty with our more vulnerable tenants will continue to focus how we improve our properties;

- Demand for housing changes over time and we have seen in the last 5 years a strong growth in demand for one and two bed homes, away from three bed homes. Our current redevelopment is being driven by this demand.

- The viability of some of our housing changes as the level of investment becomes too great. These type of properties can become increasingly difficult to let and become a liability to us. Consideration is being given therefore to convert these to either something that is needed or potentially dispose of them on the open market and re-invest the money in more appropriate stock

The current programme has been reviewed following recruitment of a specialist officer to manage our redevelopments. The table below lays out the number of units of accommodation that may be redeveloped each year and the resultant actual additional units that could be expected to become available. The programme to 2023 has more certainty on delivery with properties already identified and the upgrading work of the remainder of our bedsit properties to one bed accommodation being completed. Ongoing years are projections that assume:

- The budget projection is maintained and no additional resource through borrowing is made available.

- Minimal acquisition and redevelopment takes place in the south of East Suffolk.

Year	Total of units redeveloped		Numbers of Additional stock	
2013/14	5	Actually Delivered	5	Actually Delivered
2014/15	25		1	
2015/16	10		0	
2016/17	11		1	
2017/18	11	Initial Growth of development programme	0	Initial Growth of development programme
2018/19	23		10	
2019/20	33		14	
2020/21	33		10	
2021/49 p.a. figure	30	Sustained Growth through 2022 / 2048	7	Sustained Growth through 2022 / 2048 - average of new units over previous 5 years

All the redevelopment and adaption work has been valued at an expected £55.9m investment over the 30 years which can be viably funded through the HRA.

We have historically invested in carrying out adaptations to our housing stock to assist our tenants to remain in their home. These adaptations can be minor (such as grab rails or installation of a ramp) or can be significant (building ground floor extensions with bedroom and en-suite facilities). An annual budget of £220k is programmed for the period of this business plan (£6.6m).

3. New Development

The Council has an objective of developing new homes, both directly and by facilitating other private and social housing developers, in line with the East Suffolk Housing Strategy. The Strategy seeks to build 100 new council homes a year for five years. This is an aspirational target that recognises the lack of affordable housing in East Suffolk and our desire to address this by building housing that meets the needs of our community. The target is challenging because of the lack of HRA owned land that can be easily developed. More widely, the limited availability of residential land, the complexity of the planning process, funding arrangements and viability issues all affect the timescale and amount of new development likely to be achieved. Though the Strategy target is set for 6 years, it is likely to take longer than this to achieve, given the status of existing projects and potential schemes in the development pipeline. The table below outlines our planned programme to 2021 and the expected developments between 2021–2023.

Project	No. of units	Total scheme budget (£k)	Year completed
2017/2018 (Actuals)			
Banham Road, Beccles	2	246	2017/18
Joyce Road, Bungay	3	444	2017/18
Investment in land for future development		103	n/a
2018/2019			
Garden Close, Bungay (Phase 2)	4	539	2018/19
St Edmunds Road, Southwold	20	3,568	2018/19
Clerks Piece, Beccles	2	340	2018/19
Albany Road	18	2,062	2018/19
Investment in land for future development		6,100	n/a
2019/2020			
Woodside, Brampton SO	6	885	2019/20
Millfields, Wangford	1	170	2019/20
Blundeston S106 Properties	16	1,248	2019/20
Woodside, Brampton- Phase 2	4	540	2019/20
Lakeland Drive, Lowestoft SO	9	1,123	2019/20
Investment in land for future development		3,577	n/a
2020/2021			
Crown Score (or replacement)	12	1,510	2020/21
Stanley Road, Lowestoft (or replacement)	25	3,302	2020/21
Horn Hill (or replacement)	21	2,675	2020/21
Post Office new build	14	2,050	2020/21
Ilketshall St Lawrence	5	837	2020/21
2021/2022			
Various sites mixture of rented and Shared Ownership	50	8,000	2021/22
2022/2023			
Various sites mixture of rented and Shared Ownership	50	8,000	2022/23
Totals of active schemes	**262**	**47,319**	

The medium term funding of the £47.3m for these schemes is built into the HRA financial projection for this business plan within existing resources.

The creation of an in- house development team will maintain and increase the momentum in future years to help ensure that a pipeline of potential land is identified to facilitate development of different tenure housing across the district. This can also extend across the new East Suffolk Council, taking into account the challenges created by the shortage and high cost of residential land in the former Suffolk Coastal area.

In the future, the major development proposed by the Lowestoft and Outer Harbour Area Action Plan(AAP) is expected to provide new affordable housing in Lowestoft as part of a broader regeneration scheme for the area. There are still a number of uncertainties about the timescale and scope of this major scheme, making exact projections of the numbers and timing of new homes problematic. The scheme proposals include land acquisition, land de-contamination, and a mix of private and affordable housing development and commercial development. An initial assessment of what Council new build can be funded from the HRA suggests a challenging programme of over 1500 units over the life of the business plan. From 2021 – 2041 this could potentially fund up to 50 units p.a. amounting to an investment of £131m and rising to 75 units p.a. (£70m) from 2041 – 2048. Difficulties in land acquisition, Government funding etc make these new build numbers uncertain.

In the future, the major development proposed by the Lowestoft and Outer Harbour Area Action Plan (AAP) is expected to provide new social housing in Lowestoft as part of a broader regeneration scheme for the area.

The funding of new build housing from 2021/22 in the Business Plan uses the Major Repairs Reserve, Direct Revenue Financing, and other sources of funding such as capital receipts, RTB receipts, S106 and Homes England funding. The Business Plan assumes that receipts and external funding will contribute 25% of future years' investment in new homes. This is deemed to be a prudent approach based on current levels of receipts and external funding and amounts to £45.7m (2021 – 2048).

4. Retired Living Schemes

The Council owns 346 units of Retired Living accommodation, located mainly in Lowestoft but also Southwold, Halesworth and Bungay. This form of housing has become increasingly unpopular, an experience shared with our other housing partners in East Suffolk. In 2017 146 properties (60%) out of 242 retired living properties had to be re-advertised and often took lengthy periods before being relet. Local housing associations have similarly experienced between 50% - 75% re-advertising rates.

Key issues affecting the lack of popularity of this type of accommodation include:

- The homes are predominantly small one bedroomed accommodation of pre-1980's construction. They fail to meet the aspirations of many of today's older people in terms of design, space, accessibility and energy efficiency;

- Many more older people are remaining in work longer, living longer and have different expectations of their housing.

- People are choosing to remain in their own home for longer, often enabled by adaptations and new technology. When they do decide to move their care and support needs are sometimes above the threshold for retired living accommodation and require more specialist accommodation such as extra care housing or residential care.

Conversely the number of over 65's within both districts is above the national average (26% of the population for Waveney and 27% for Suffolk Coastal against an English average of 17%). In the recent Waveney SHMA (Strategic Housing Market Assessment) the number of over 65's is projected to increase by a further 11,000 by 2031 with a projected increase in need of 1,197 (+102%) for specialist older persons accommodation by 2036. All this data highlights a consistent message that specialist housing demand is likely to increase. There is also a wider need to provide housing that older people want to live in and help release larger family housing.

Future investment in Retired Living schemes or alternatives is currently the subject of a review to set a new East Suffolk policy. Options being considered include:

- Remodelling and updating existing Retired Living schemes.
- 'De-commissioning' some schemes that have experienced long term problems with letting. These schemes may still have value to alternative client groups, with investment. For example, Suffolk is significantly worse than the English average at meeting the accommodation needs of people with learning disabilities.
- New developments that respond to the expectations of large numbers of older owner occupiers seeking good quality housing which is sustainably designed. New developments may need to include new build for sale, leasehold and shared ownership to meet the range of need.
- New social housing developments targeting older people providing accessible accommodation close to local facilities
- New provision of Extra Care sheltered schemes via purpose built development or well considered redevelopment of existing stock.

The future investment by the HRA in Retired Living schemes or alternatives will seek to meet the demands and aspirations of a growing elderly population. Future review of the Business Plan will include cost modelling for the implementation of the recommendations of the Review.

5. Fire safety and security of housing stock

The impact of the fire at Grenfell Tower in 2017 is still being felt by social and private landlords across the country. The Council owns only one high rise block – St Peters Court in Lowestoft. This 15 storey building has always had fire prevention work but the effects of Grenfell Tower have focussed attention on the building and the fire preventative measures in place. Significant investment is being made on additional fire safety measures during 2018. These costs are included in 2018 annual budgets within the Business Plan.

The Government inquiry into the Grenfell Tower fire will report in 2018 and if there are further recommendations, which indicate additional works may be required, the cost implications will be accounted for at the annual review of the HRA.

Longer term, a series of fire risk assessments is scheduled across all our housing stock of three storeys or higher with communal stairwells. It is not expected that significant additional expenditure is likely to be incurred as these buildings have solid unfurnished stairwells with no combustible materials. Recommendations from the Fire Risk Assessment will be prioritised and budget provision included within annual HRA expenditure budgets.

7 Achieving Value for Money

1. Introduction

The need to achieve value for money (vfm) in the housing service is a key priority. Maximising the income we receive and reducing expenditure on administration, while delivering an effective and efficient service is important to ensure that we can maximise investment in the existing housing stock and provide new homes.

The Housing Service has embarked on a transformation programme during 2018, with the objective of achieving step-change improvements to the service and ensuring that our objectives and operational processes align with the East Suffolk Housing Strategy and corporate East Suffolk Business Plan. This programme will drive vfm in relation to economy, efficiency and effectiveness of the services we deliver. There will be continued measurement of tenant satisfaction to ensure that management services achieve high satisfaction levels. The reintroduction of benchmarking with similar social landlords will provide insightful data for this purpose. This section of the business plan considers these transformational projects that will take place over 2018 – 2019 and delivers vfm.

2. Economy

We are reviewing savings to reduce costs as well as looking for opportunities that will raise revenue. Projects currently identified include:

- Contracts procurement is used in many areas of our work to deliver cost savings but we wish to refine our approach. We have for example considered procuring longer term contractual arrangements (eg housing IT) that will deliver annual cash savings and new modules on the current contract as well as help us engage on longer term projects with Orchard Housing to bring potential future efficiencies.

- Linking with our Gateway to Homechoice partners to deliver the House Exchange service that tenants use to register for, and find mutual exchanges. This has saved £2,500 each year as well as releasing staff time - saving an additional £900 per annum.

- We are introducing barcode technology for rent payment which will be easier to use and will bring cash savings by removing the need for expensive specialist payment cards. This technology will also to be used for document management, reducing the risk of error and assuring long term safe storage with reduced costs of copying, printing and storing.

3. Efficiencies

We recognise that the housing service exists in a dynamic environment, requiring us to adapt to the changing needs and demands of our current and future tenants. We are reviewing the way we work and deliver the service to achieve efficiencies.

Projects that we are planning during the next two years are:

- Introducing mobile working to our workforce carrying out responsive

- repairs, providing 'real-time' information and saving time for both the operative and the office staff. Additionally, a messaging service notifying a tenants when the work operative will arrive will help avoid missed calls.

- Introducing text messaging for tenants in relation to arrears recovery and potentially other aspects of the service. This is expected to help manage the arrears recovery.

- Digitising NIHEC certificates will reduce costs of paper documents and the need to keep them.

- Integrating our asset management system (Keystone) with the corporate document management system to ensure all records relating to a property are fully recorded and stored will deliver efficiencies for the housing service.

- Developing a 'dashboard' for office staff to ensure all the relevant information about the property or tenant is accessible.

- Developing a portal on the website for tenants to access their personal accounts, enabling messages to be sent, payments made and data gathered to help deliver an improved and targeted service. This self-service portal should reduce contacts by phone or letter (for example asking how much rent is owed or to report a repair) bringing efficiencies to the service.

- Implementing the Fleet Strategy to introduce new fuel efficient vehicles to reduce fuel and maintenance costs to the HRA.

4. Effectiveness

Improved VfM also requires that we work more effectively. Our objective is for our staff to be able to perform their roles more effectively through better use off communications, technology and resources. Changes proposed are:

- Implementing a new risk management IT system that will ensure that fire risk assessments are properly documented and actions recorded and monitored. This is being considered following the Grenfell Tower tragedy to ensure all the council's obligations are met.

- Changing the way ordered work is reconciled with completed jobs to streamline the process and achieve accurate costed work with a reduced need for back-office involvement. This involves changes to the schedule of rates methodology currently used.

- Implementing an online asbestos risk register easily accessible to the workforce on site to minimise the risk to them and residents and ensure our compliance with all legislation.

- Working with our Orchard IT partner to introduce a Universal Credit module that will help our staff to identify and assist tenants on UC, thereby helping them and helping us manage our rent arrears.

- Working with Orchard in maximising potential data that will help focus our activity on particular tenant groups in order to be to be more effective.

- The relocation of the Housing Team to new office accommodation. The current office is in very poor condition and we need to invest in new accommodation that will not only provide staff with improved accommodation but bring efficiencies with new ways of working, in line with the Corporate hub at Riverside in Lowestoft.

- Introduction of new rent analytics to assist staff in targeting tenants in debt to bring the most likely effective results.

- Invest in our staff in accordance with the Council's People Strategy, empowering them to deliver the service that brings benefits to our tenants as well as the Council.

5. Partnership Working

Partnership working is a key aspect of our work, both within the East Suffolk council and with other statutory and voluntary agencies in the district. The table outlines the contribution the housing service makes and the expected outcome of the range of partnerships.

Activity	Contribution of the housing service	Outcome/Customer benefit
Gateway to Homechoice (G2H)	Partner of the eight local authorities operating Gateway to Homechoice covering most of Suffolk and North Essex.	Shared intelligence and opportunities for shared practice /collaboration, etc. Residents have increased mobility across the G2H area, increasing their opportunities for employment or improved circumstances
New Council Housing development	Partner with a Housing Association consortium to deliver new properties in the district. This helps deliver housing more promptly and coordinates developments with our HA partners	Developments are built out quickly by using the expertise of EC2. This enables our own new staff resources to deliver future developments in-house.
Hospital discharge scheme	Partnering with Gt Yarmouth and Waveney CCG, James Paget hospital, Norfolk and Suffolk CC's and Gt Yarmouth BC to enable safe hospital discharge.	Customer benefits by being discharged earlier from hospital or re-admission prevention through adaptations and minor works carried out by the maintenance team. Applies to both private sector and public sector stock.
Aids and Adaptations	The maintenance team provide a service to the private sector in dealing with aids and adaptations	Delivers a needed service to the private sector and brings revenue to the HRA and our tenants.

Activity	Contribution of the housing service	Outcome/Customer benefit
Suffolk Housing Board	Involved with all Suffolk authorities to coordinate activities if the opportunity presents and share knowledge and good practice	Increases awareness of the service on how improvements can be made based on shared knowledge.
Single Person Housing	Working in partnership with Solo Housing to deliver future housing management to single tenants	Specialist housing management for a particular client group will bring benefits to the clients.
Suffolk County Council	Working alongside Suffolk County Council Adult Services in the provision of specialist housing for certain client groups.	The adaptation and use of some of the housing stock to meet a need in the community for specialist housing and support.
Waveney Norse	Formal partnership between the Council and Waveney Norse in the provision of a range of services	Housing receives a service for grounds maintenance in the housing stock.

Appendix A

Programmed Investment in Current Housing Stock

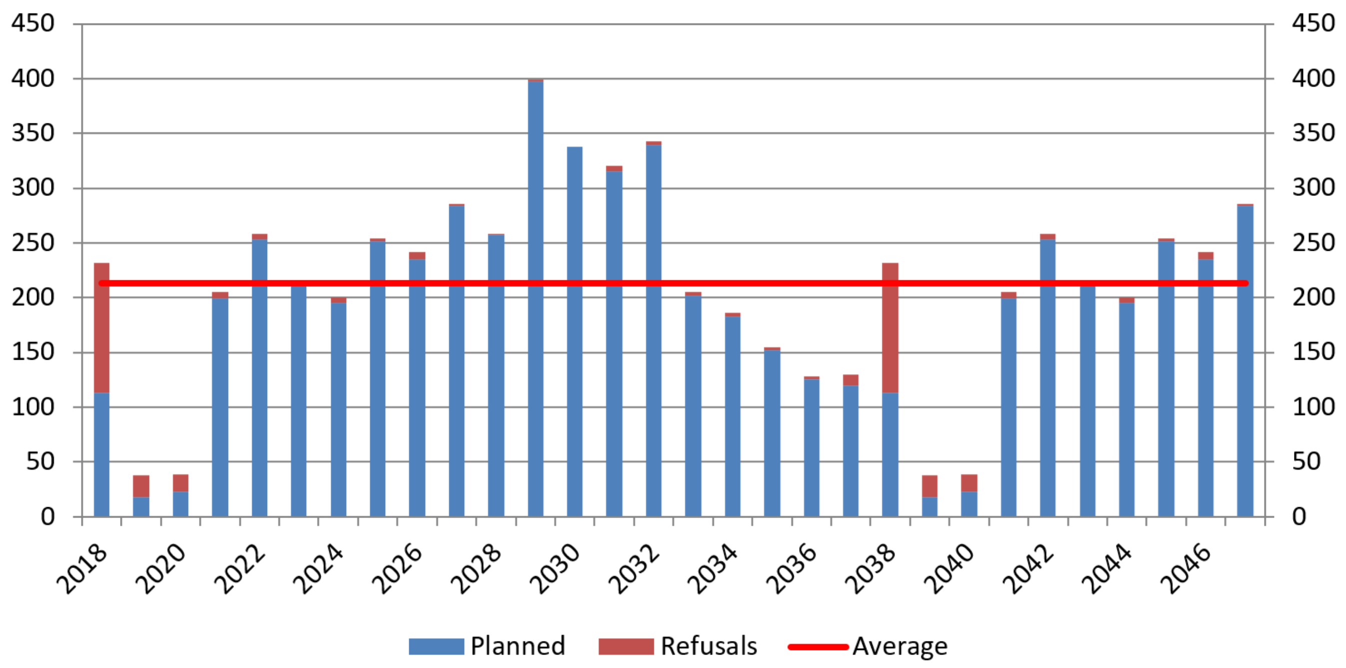
Programmed investment

A programme of stock condition surveys are captured on an asset management system. This updates our stock data with the work carried out and informs long term investment requirements on a range of elements including: kitchens, bathrooms, guttering and fascia, external doors, re-roofing, re-wiring and central heating systems in order to maintain the housing stock in good condition.

The works projected in the following property attributes are included within the costings over the life of the business plan.

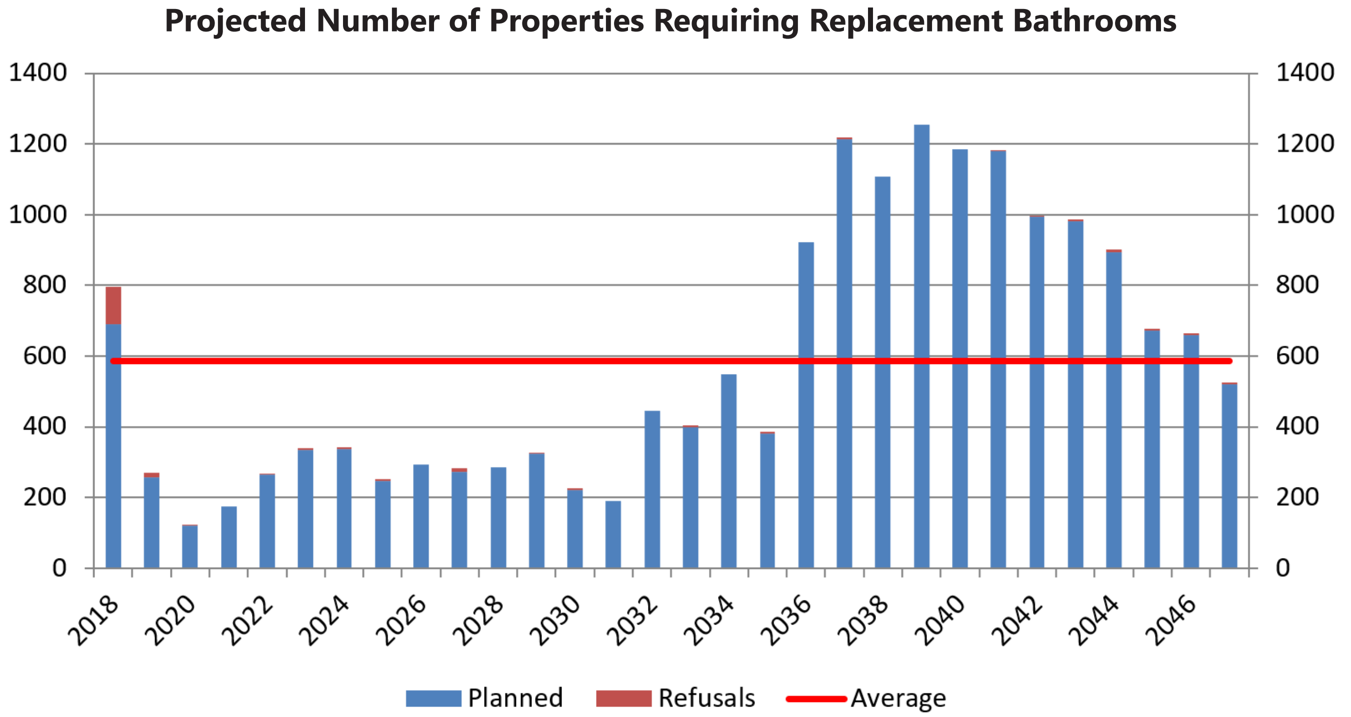
Kitchens:

Projected Number of Properties Requiring Replacement Kitchens



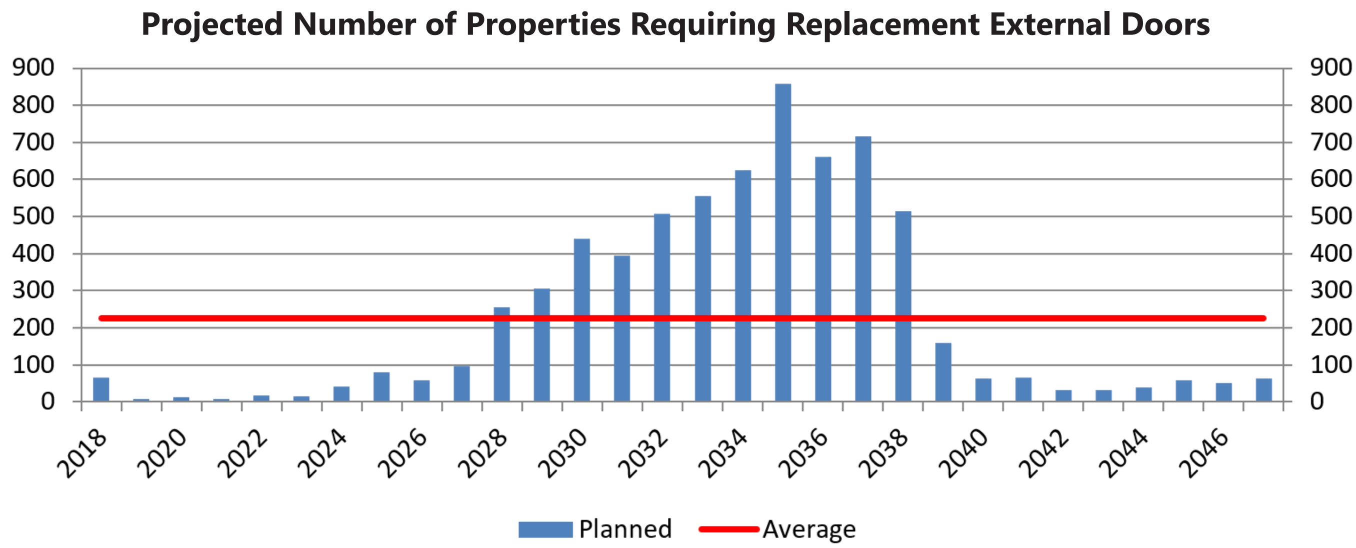
Our kitchen expenditure is planned to increase from 2021 following reduced investment in 2019 and 2020. A peak between 2029 and 2032 is currently programmed but it is intended to try and re-distribute this to later years where there is greater financial capacity.

Bathrooms



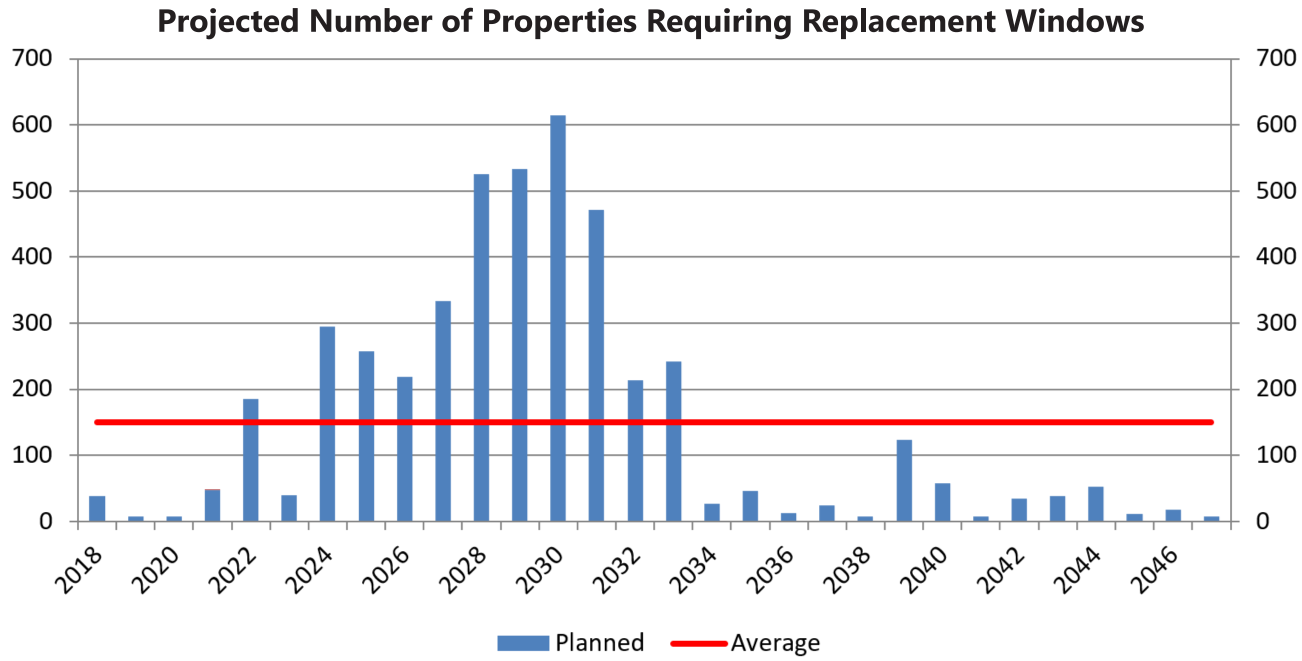
Our bathroom replacement programme is focussed on the latter period of the business plan. Though this programme does not place a serious burden on the budget there will be an intention to bring forward some of the programme to minimise the peak in the latter years of the plan.

External Upvc Doors



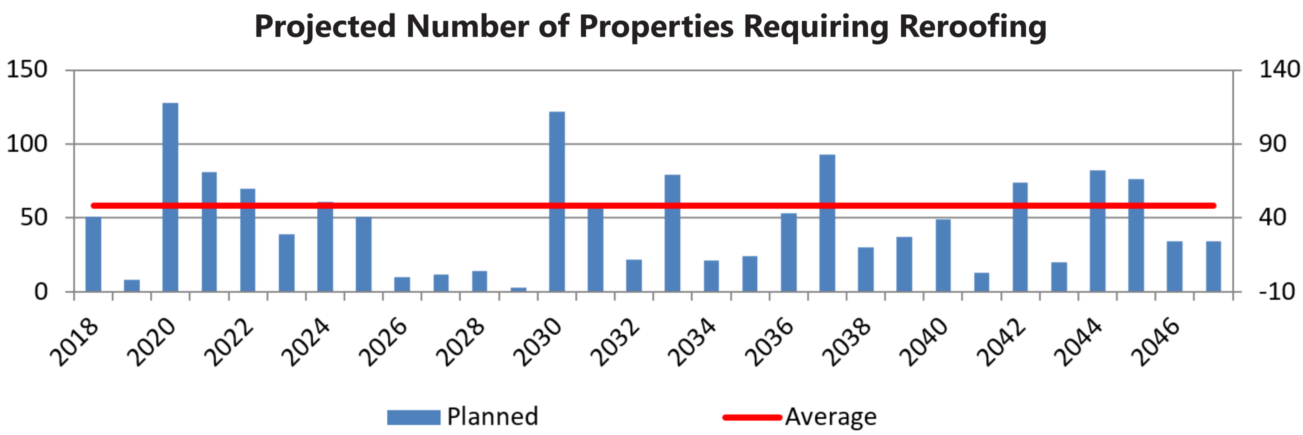
The Council was very pro-active in the past in installing new UPVC doors, windows and roofline to the housing stock. The projected life for what was a reasonably new product at the time is 30 years and therefore spending on replacement doors starts to rise from 2028 for the next decade as this long term cyclical investment takes place.

UPVC Windows



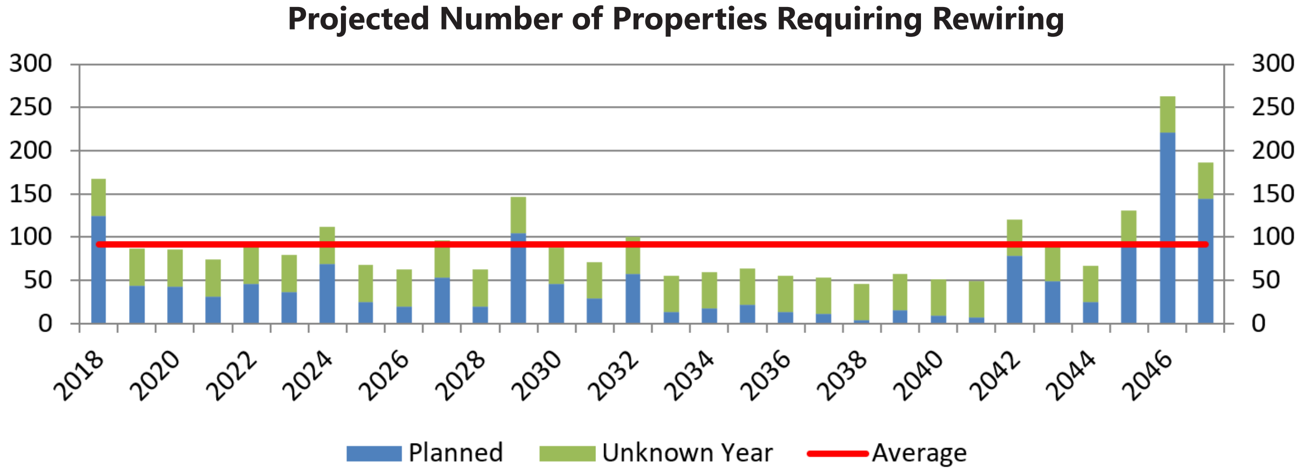
A greater financial investment takes place for UPVC windows which have also been allocated a 30 year life. The scheduled replacement increases between 2024 to 2033 but it is the intention to bring the replacement programme forward or delay some of the peak years to spread the financial burden over a longer period.

Re-Roofing



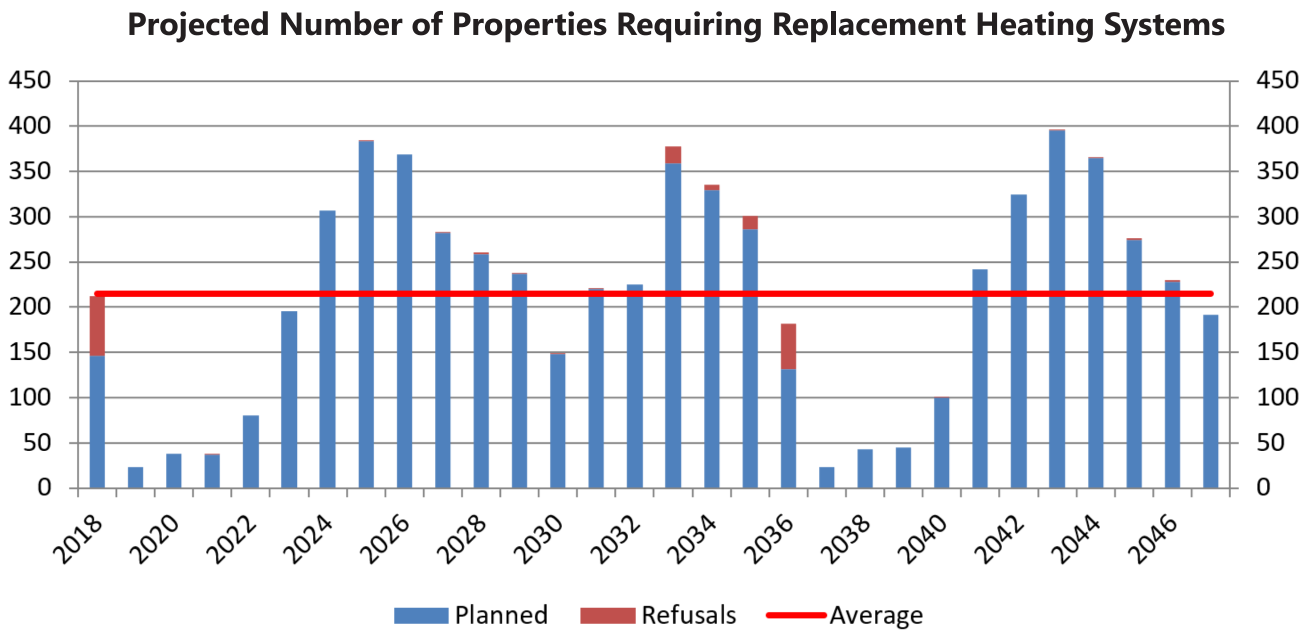
The business plan for re-roofing the housing stock is spread over the life of the plan and assumes a 100 years life for a roof. The target housing stock within the life of the business plan are those built up to 1970 though allowance is made for unplanned replacements.

Rewiring



We assume a 30 year life for wiring within a property and a programme has been running within the housing maintenance team for many years to update the stock. Our experience has shown that there are a high number of unplanned properties that arise that require full or partial re-wiring and these have been allowed for within the budget, though we would expect to see a reduction of this type of work over time.

Central Heating Systems



Finally, the replacement of full central heating systems is scheduled to take place every 18 years. Three peaks in replacement take place over the life of the business plan.

Appendix B

Review of Business Plan

1. We will monitor the HRA Business Plan on an on-going basis to identify emerging risks and developing issues which may impact on our delivery of the planned actions or long term viability of the plan. It is expected that the next formal review of the Business Plan will be undertaken in 2020/21 to ensure that our objectives remain capable of being delivered with planned actions amended accordingly, especially in light of the newly formed East Suffolk District Council in 2019.

2. To sustain improvement and achieve the objectives of the Business Plan, high level actions have been identified that relate to the East Suffolk Business Plan, the Housing Strategy, as well as this HRA Business Plan. These cover the various aspects of the Plan

Activity	Timescale	Resources	Outcome
Review housing Asset Management Strategy	March 2019	Within existing resources	Established a clear policy on the use of HRA assets, regeneration and development of HRA land, including delivery of new estate improvement initiatives.
Write a policy and procedure relating to the development and enabling role of the Council	March 2019	Within existing resources	An adopted policy and procedure for the development and enabling of new housing development will be in place
Continue to develop the business plan financial model to inform investment and service Planning in future years.	Ongoing	Within existing resources	HRA that continues to be managed on sound business principles which will be reported annually through the HRA Financial Report.
Improve performance information to tenants	June 2020	Within existing resources though housing management information system requires investment to extract data required as a pre-requisite.	An annual report is produced for tenants informing on performance over past year.
Maximise income to the HRA by achieving high collection rates for rents, service and other charges.	Ongoing	Procurement of a specialist software system	Focussed rent arrears action adopted to prevent arrears from escalating. Providing debt support to tenants /leaseholders who are struggling.

Activity	Timescale	Resources	Outcome
Investigate the implementation of an effective repairs recharges policy	March 2019	Within existing resources	Review the potential for the recovery of costs of repairs which are the tenants' responsibility with a recommendation for members.
Manage void turnaround figures to minimise rent loss	Ongoing	Within existing resources	A revised strategy meets with the objectives of the most recent Government guidance.
Review tenant engagement strategy to ensure tenant involvement is encouraged and facilitated	Summer 2019	Within existing resources	A revised strategy meets with the objectives of the most recent Government guidance.
Continue to manage and maintain the housing stock effectively & efficiently, ensuring that properties continue to be maintained to a good standard.	Ongoing	Within given annual budgets detailed in the HRA business plan	That the housing stock investment is maintained and remains in a good standard and satisfaction levels maintain current high levels.
Deliver an improved repairs and maintenance service through: 1. Enhancement of mobile technology for repairs team; 2. Online reporting of Repairs to be introduced	Summer 2019	Additional financial resource for software equipment and licences will be required	Improved efficiencies and service to tenants with mobile technology and introduction of self-service portal to include self-reporting for repairs.
Improve average energy efficiency for council properties	Ongoing	Within existing resources	Continued improvements in energy efficiency within the housing stock providing a significant contribution to managing fuel poverty.
Undertake fundamental review of policies and procedures to ensure service is 'Fit for Purpose'	Ongoing	Within existing resources	Policies in place that reflect best practice/current legislation.

Activity	Timescale	Resources	Outcome
Review the approach to gathering tenant feedback and satisfaction	Ongoing	Within existing resources	Refreshed approach to assessing tenant satisfaction to inform service improvement planning
Benchmark service with other landlords through HouseMark	Summer 2020	Within existing resources	Core benchmarking data uploaded to HouseMark for full organisational review
Deliver the new homes programme	Ongoing	Within existing resources but unable to control issues outside of the teams control such as land availability, planning etc.	Deliver the projected number of new homes stated in the business plan to 2022
Review the Retired Living schemes and prepare report	Summer 2019	Within existing resources	Report to be available reviewing current Retired Living accommodation with proposals for the future to ensure good quality and popular housing for the older generation.
Manage and maintain all council owned homes to ensure customer satisfaction levels exceed 85%.	Ongoing	Within existing resources	Maintaining high satisfaction with tenants in the housing service delivered.
Getting the most out of existing homes – improve the efficiency of the housing stock but encouraging tenants to downsize.	Spring 2020	Current staffing resource but additional finance may be required.	Reducing the level of under-occupation in the housing stock, helping to alleviate the housing burden on the Council.
Specialist support and accommodation for groups with special needs	Summer 2020	Current staffing resource but additional finance may be required for consultants etc.	Delivering a range of accommodation to help our partners meet their statutory responsibilities and reduce the burden on the public purse.
Working in partnership with other departments to deliver regeneration and economic development.	2022	Long term objective that will require additional staffing resource	Successfully contributed to the delivery of the Lowestoft and Outer Harbour Area Action Plan

These actions will be monitored and updated on a regular basis on the Service Plan Action Report.

Appendix C

Glossary of Terms

Term	Definition
Affordable housing	Social rented, affordable rented and intermediate housing (e.g. shared ownership), provided to eligible households whose needs are not met by the market.
Affordable rented housing	Housing let by local authorities or private registered providers (mainly housing associations) at a rent up to 80% of the local market rent.
Allocation Scheme	A policy that sets out who may or may not join the council's housing register, how to apply for social housing by joining the housing register and how decisions are made about allocating homes
Asset Management	The monitoring, maintenance, upgrading, investment in and disposal of land and buildings
Capital Budget	The allocation of money for the acquisition or maintenance of fixed assets such as land, buildings and equipment
Capital expenditure	Money spent to buy or improve assets (e.g. land or buildings)
Capital Programme	This is planned capital expenditure over a number of years
Capital receipt	Money received for the sale of a capital asset (eg land or buildings)
Choice-based lettings	A scheme whereby people on the council's Housing Register can ask to be considered for specific vacant council or housing association properties, instead of the properties being allocated directly to applicants.
Consumer Price Index (CPI)	A measure of inflation that monitors changes in the price level of a representative basket of consumer goods and services. This is now the inflationary measure that social rent increases are based on.
Debt Cap	The limit that the Government has imposed under self-financing on the level of HRA debt each council can take out
Debt Repayment Reserve	Money is transferred to the Debt Repayment Reserve annually to pay back the debt when due.
Discretionary Housing Payment	A short term payment by the council to help people on housing benefit who are struggling with housing costs

Term	Definition
General Fund	The council's financial account that deals with income and expenditure relating to all the council's services with the exception of Housing Revenue Account services
Housing Register	A record of all applicants eligible/qualified to join under the Allocation Scheme, who are requesting a tenancy of an SBC property and/or a nomination to a tenancy of a local registered provider's property and/or a nomination for shared ownership of a registered provider's property.
Housing Revenue Account (HRA)	The council's financial account that deals with income and expenditure relating to the management and maintenance of the Council's housing stock.
Major Repairs Reserve (MRR)	This controls the application of the HRA depreciation charge. The MRR is restricted to new capital investment in HRA assets or financing the HRA debt.
Registered Provider of Social Housing (RP)	Usually a housing association or a council that is registered with, and regulated by, the Homes and Communities Agency and provides social and affordable housing
Revenue Budget	Income/expenditure forecasts relating to the 'day to day' running of the HRA
Revenue contributions to capital outlay (RCCO)	Rental or other income used to pay for capital expenditure.
Right to Buy	A Government scheme that allows council tenants, who have held tenancies for a certain period, to buy their own home from the council at a discount, depending on how many years they have held their tenancies.
Self-financing (HRA)	A method of operating the HRA, whereby all the expenditure and costs relating to the HRA are completely funded from the council's rental income, without the need for any Government subsidy.
Social Rented Housing	Housing owned by local authorities and private registered providers (usually housing associations),for which guideline rents are determined through the national rent regime.
Spare Room Subsidy	A reduction in the benefit for working age people who rent from councils or housing associations if their properties are considered to be too large for their assessed needs.
Strategic Housing Market Assessment (SHMA)	An assessment of the nature and level of housing demand and need within the district, providing a robust understanding of the local housing market that can be used to inform policies and strategies
Universal Credit	Universal Credit is a new single payment for people who are looking for work or on a low income that replaces housing benefit and five other working-age benefits and is being phased in across the country

At a glance

4440
Housing Stock

337
Retired Living Flats

£84m invested in stock planned over 30 years

£56m redevelopment and adaptation work planned over 30 years

33,000 telephone calls received in a year

20,000 orders raised in a year

49% of tenants over 55 yrs

£78m of current debt in the HRA

£525m market valuation of housing stock

76 vehicles driving **140,000** miles in a year

1757 homes projected to be built over 30 years

Suffolk Coastal & Waveney District Councils

in partnership

eastsuffolk.gov.uk