

Taunton Deane Borough Council

Executive – 9 February 2012

Housing Revenue Account Business Plan 2012 – 2042 and New Borrowing Requirement.

Report of the Community Services Manager

(This matter is the responsibility of Executive Councillor Jean Adkins)

1. Executive Summary

An integral part of the Council's preparation for the reform of council housing finance is the creation of a new Housing Revenue Account (HRA) Business Plan 2012-2042.

The HRA Business Plan proposes new strategic objectives for the service and an action plan that addresses how these objectives will be realised. The plan is based on detailed financial modelling of both income and expenditure over the coming years. These financial projections incorporate the costs of servicing the increased debt levels arising from the self financing settlement, thereby ensuring our future business plan aspirations are affordable.

The purpose of this report is to consider and agree the key aspects of the HRA Business Plan 2012-2042 and the proposed option for borrowing the required significant sum.

2. Background

- 2.1 The business plan sets out the Council's overall aims and objectives for Housing Services. The document analyses the current position of the service and the council stock and sets out the actions planned to achieve the Council's objectives. It reflects consultation carried out with tenants, members and wider stakeholders and provides an action plan to ensure the plan is delivered.
- 2.2 The business plan has also been developed to manage the significantly increased level of housing debt and the new associated financial risks following the implementation of the self financing system. It also aims to address the new opportunities for freedoms and flexibilities arising from potential changes in Government policy and the opportunity for effective asset management.
- 2.3 The new HRA Business Plan 2012-2042 contains the following sections to demonstrate how it will deliver the Council's priorities:

- Executive Summary
- Introduction
- Strategic Context
- Consultation
- Service Delivery
- Assets
- Resources
- Priorities for Action

3. HRA Business Plan 2012-2042 and HRA Reform

- 3.1 The creation of a new HRA business plan is part of the wider Housing Revenue Account Reform Project where the housing service is preparing to exit the negative subsidy system and enter into self financing by April 2012.
- 3.2 The previous business plan for Housing Services was developed in 2004 and there have been many changes since that time. The Council is facing changes in national housing policy that will have fundamental implications for all social landlords. The new business plan also reflects how Housing Services will deliver the objectives of the Council's Corporate Strategy and the new financial framework which the HRA will be operating under from 2012 onwards.
- 3.3 The new Business Plan 2012-2042 has been developed through consultation with tenants and stakeholders. The Council held two stakeholder workshops to enable members of the Tenant Services Management Board, Tenants' Forum, Councillors and Partners to receive information on the impact of self financing and the development of the business plan. The workshops provided an opportunity to feed into the development of the emerging strategic objectives and action plan.

4. New Strategic Objectives for Housing

- 4.1 The new Business Plan 2012-2042 has updated the strategic objectives of the service in order to reflect the Council's current corporate priorities:

- **Securing a long term future for our housing service**

This means continuing to invest in the management of the housing stock to ensure it meets tenants' needs, who should be at the heart of decision making.

- **Tackling deprivation and sustainable community development**

This means taking action so that disadvantaged communities will have better access to local housing services, training and employment, continuing our support for a range of vulnerable people.

- **Investing in our housing stock, regeneration and affordable housing.**

This means investing in our existing stock to deliver a standard that meets the needs of the stock and local aspirations. It also means planning and

successfully managing the regeneration of our housing estates and communities, providing homes that cater for the needs of an expanding and diverse population within communities that people are proud of.

- **Climate change**

This means taking action to reduce carbon emissions across our housing stock through our investment planning, service delivery, partnership and community action.

Recommendation 1 – Agree the new four strategic objectives for Housing Services.

5. Rent Policy

- 5.1** The business plan reflects the Council's current rent policy; in turn the current policy reflects national social rent policy to move council rents to a target rent based on property value and local earnings. The aim of the national social rent policy is that rents charged by all social landlords converge. Rent convergence is mandatory in 2015/16, the Council will be penalised financially if convergence isn't achieved. The current approach of phased increases up until rent convergence is considered most desirable.
- 5.2** The new business plan 2012-2042 assumes convergence by 2015/16. Up until convergence, rents move gradually to target over 3 years from 2012, with maximum increases limited to inflation (RPI) + 0.5% + £2. After convergence with target, rents increase by inflation (RPI) + 0.5%. The financial viability of the business plan is based on annual rent increases being agreed in line with this policy.
- 5.3** Details of the proposed new rent charges for the year 2012/13 are proposed in the Housing Revenue Account Estimates 2012/13 Financial Year report recently considered by Corporate Scrutiny on the 26th January 2012. The rent charges report is to be further considered and agreed by the Executive Committee at their meeting on the 9th February 2012 and for a final decision at Full Council on the 21st February 2012.
- 5.4** Through the Localism Act the Council has further flexibility to charge higher rents on new build properties and a proportion of relets, in order to fund new development. The Council can charge "Affordable Rents" at up to 80% of market value on these properties with the income used to fund new development but this cannot be used as a policy to increase business plan resources generally.

Recommendation 2 – That the business plan reflects the Council's current rent policy and assumes rent convergence by 2015/16 and of RPI +0.5% increases thereafter.

Recommendation 3 - That the Council will explore the use of new "Affordable Rents" in developing its plans for affordable housing.

6. Tenure Reform

- 6.1** The Council does not currently offer probationary tenancies. This is a system where all new tenants are offered a probationary, or introductory tenancy which is converted to a lifetime secure tenancy following a period of time (12 – 18 months) providing there have been no major breaches in the tenancy agreement in that time. As a result of feedback from the consultation on the development of this business plan, the Council has committed to review this policy in the next 12 months to consider the advantages and disadvantages of this scheme for Taunton Deane. If it were adopted this would apply to all new tenancies, but would involve significant resources to implement.
- 6.2** The Localism Act offers a new form of tenancy for local authority tenants. The Act includes a new regulatory requirement for all social landlords “to offer and issue the most secure form of tenancy compatible with the purpose of the housing and the sustainability of the community”. This means that Councils are no longer required to automatically let all new tenancies on long term secure tenancies (with or without an introductory or probationary period) and have the option to issue fixed term tenancies in some cases.

Recommendation 4 – That the Council will review the potential use of probationary or introductory tenancies in the next 12 months to consider the advantages and disadvantages to Taunton Deane Borough Council.

Recommendation 5 -That the Council welcomes the potential introduction of fixed term tenancies and over the next 12 months will explore how they may be used by Taunton Deane Borough Council to better manage our housing stock.

7. Assets/Capital Programme

- 7.1** The total expenditure to improve and maintain stock and related assets over 30 years is currently forecast at £186.9 million. This equates to £31,068 per dwelling over 30 years. These costs are comprised of items of capital maintenance expenditure only.
- 7.2** Within the business plan capital requirements have been set out in five year bands for the next 30 years with year one capital expenditure in the business plan reflecting the 2012/13 capital programme. A backlog of £4.2 million reflects the difference between the projected investment need in 2011/12 and the actual capital programme. A further £15 million over 30 years has been included for disabled aids and adaptations, reflecting current spend of £500K a year.
- 7.3** The profile in the business plan indicates a requirement for an increase in the capital programme from 2011/12 levels of £4.3 million to over £9.5 million in years 1-5. However during the creation of the business plan a stock condition validation exercise has been undertaken. This has shown

that there are a number of deficiencies in the quality of data held on our stock condition database that may have an impact on the extent of the capital programme required. This may mean that the early year's requirement for example maybe overstated and expenditure in later years maybe understated. The Council therefore proposes a capital programme of £5.5 million in year 1. During the course of the next year work will be done to improve our asset management data to allow for more accurate capital expenditure profiling to be undertaken. The Council will also need some time to gear up to be able to deliver a significantly higher capital programme in future years.

8. Social Housing Development Fund

- 8.1** The consultation process has revealed an appetite to explore the feasibility of a modest new property development programme. Consequently an annual allocation of funding is proposed for the purpose of building a small number of new properties at suitable locations. This would be a new venture for the Council therefore the intention is to 'start small' developing and learning the skills and systems necessary to complete this work as we go. In practice, particularly in the early days we are likely to commission some of this work from other organisations, for example a housing association but the outcome will be new properties that are owned and managed by the Council.
- 8.2** What is affordable has been modelled against the treasury management portfolio required to settle the confirmed settlement debt. Activities to achieve this will be built into the Housing Services action plan. The effectiveness of this new approach and the agreed level of funding will be subject to annual review.

Recommendation 6 – That members approve the principle of the allocation of funds to a Social Housing Development Fund, of year 1= £300k, years 2 and 3 = £500k, rising to £1m per year in year 4 for the purpose of a modest new build programme.

9 Finance & Treasury Management

- 9.1** The financial issues relating to the HRA Reform programme are significant. The existing housing subsidy system will be abolished and instead, housing authorities will move to a "self-financing" system.
- 9.2** The abolition of the housing subsidy system means that housing authorities have to either take on additional borrowing to buy themselves out of the Government's housing subsidy system, or receive a lump sum from Government to repay existing borrowing.
- 9.3** For Taunton Deane, this means taking on additional borrowing – confirmed as £85.198m. The Council's total current housing debt is only £14m, giving TDBC some experience of borrowing but this transaction is on a scale not seen before in terms of both value and complexity. We have secured the skills of our treasury management advisors (Arlingclose)

to support us with determining the repayment profile, the number of loans, the source of loans and how existing and new debts should be treated. They have been working closely with Savills to ensure the HRA business plan reflects their latest advice. As the Council's core treasury advisors, they will continue to help us manage the treasury management activities under self-financing.

9.4 The Government are providing a preferential level of interest rate through the Public Works Loan Board (PWLb) for the self financing transaction with a 0.85% discount below current rates. This makes the choice for borrowing easy in so much as no other lender can match these rates. Arlingclose has produced a loan portfolio which was presented to officers recently and is shown in appendix 1. Also within this appendix our current long term debt and projected borrowing requirement are shared.

9.5 There have been some changes to the Finance Model that was presented to members in late 2011; this includes changes to the current level of minimum reserve balance. These changes are illustrated in the table below. Under the subsidy regime the council has aimed to preserve the HRA minimum reserve balance at no lower than £150 per dwelling (which would be the equivalent of £900k total). The move to self financing brings new financial risks to the council and it is therefore appropriate to review the minimum level. After considering all the financial risks it is proposed to increase minimum reserve balance to double its current level. This will enable the council to better manage the increased risks of self financing, (equating to £300 per property, £1.8m in total).

Change	Debt repaid by year.....	HRA Balance as at 2041/42 following debt repayment.	Interest Payable
1. Original Draft Model (2.5% inflation, interest rate 6% and total settlement figure £87.2m and £900k reserve balance)	21	£210.9m	£87.6m
2. Inflation 3.5% in years 1-6 and 2.5% onwards, Interest Rate 3.64% and total settlement figure £85.198m with £1.8m reserve balance	18	£289.9m	£53.6m
3. (2) with HRA Development Fund (Year 1 = £300k, Years 2 and 3 = £500k, Year 4 onwards £1m)	18	£251.9m	£55.7m

Recommendation 7 – That Members approve an increase in the HRA minimum reserve balance to £1.8m from April 2012.

9.6 At its meeting on 7th December 2011 the Executive considered the following recommendations and indicated their support.

- That Taunton Deane prepare to take on new borrowing in March 2012 to the “settlement” level published by Government.
- That the new borrowing be taken in line with the timetable for the implementation of HRA Reform.
- Agree that the source of borrowing for all the funds necessary to pay the CLG on 28th March 2012 re self-financing be the Public Works Loan Board.
- That the loan structure be such that the borrowing is paid off as soon as the Business Plan allows.
- That any surpluses generated by the HRA be used to pay off debt early, providing the HRA with flexibility and headroom to pursue new priorities.

9.7 Since 7th December Executive meeting there has been significant work to prepare for the 28th March 2012, the date when the council will be required to pay the CLG £85.198m

9.8 Level of Borrowing

In the previous reports the level of borrowing was reported as £87.2m. The calculation of the debt has been revised by CLG and the new figure that TDBC will be required to pay to CLG has changed to £85.198m. The change is mainly due to changes and updates to the data used in central government self financing model.

9.9 Timetable for borrowing

The timetable for the self financing transaction is very tight and work has been taking place to ensure that this will go smoothly.

The borrowing from the PWLB will take place on one day only, Monday 26th March 2012, using a specially set up website. Officers who will be using this website will have their login set up in February with specific training available on how to use the website.

The amount we borrow will be transferred to our bank on Wednesday 28th March 2012 and the money due to CLG will be paid to them on Wednesday 28th March 2012.

9.10 Borrowing - values and duration

The current economic climate is very volatile and the borrowing rates for the specific loans will not be available until 26th March 2012. Our financial advisors, Arlingclose, have given details of the loans TDBC will need to borrow based on their assumptions of borrowing rates. Due to the current turbulent economic climate Arlingclose will advise us of the borrowing requirements on Friday 23rd March 2012 and will confirm the borrowing

requirements again on Monday 26th March 2012 following the publication of the rates that morning.

9.11 After 28th March 2012

Treasury activity does not stop following the transaction on 28th March. Arlingclose, our treasury advisors will provide support that will cover regulatory and compliance advice as well as debt management advice.

9.12 Right to Buy

Right to Buy – On the 2nd October 2011 the Prime Minister announced the intention to raise Right to Buy discounts in order to make it attractive to tenants across England. This is expected to substantially increase sales. In making this announcement, Government said it would ensure that these changes did not have an impact on the viability of self financing landlords.

The self financing valuation model includes a forecast of Right to Buy sales based on current Right to Buy policy. This adjusts each council's debt to a level that can be supported from their income after an assumption is made about stock losses each year from Right to Buy sales. CLG are retaining this element in the self financing deal.

Ministers have stated that the first call on the receipts from additional sales arising from a change in Right to Buy policy will be to pay off the housing debt associated with those properties. Government proposals for reforming Right to Buy policy include proposals for calculating the amount of housing debt which needs to be paid off and for ensuring this is met out of the sales receipt. CLG will deal with any additional costs to self financing landlords arising from the change in Right to Buy policy through changes to rules that apply to capital receipts

Subject to the outcome of consultation and Parliamentary business the Government plan to implement changes to Right to Buy policy in April 2012.

Recommendation 8 -

- **That Taunton Deane prepare to take on new borrowing in March 2012 to the “settlement” level published by Government.**
- **That the new borrowing be taken in line with the timetable for the implementation of HRA Reforms.**
- **Agree that the source of borrowing for all the funds necessary to pay the CLG on 28th March 2012 re self-financing be the Public Works Loan Board.**
- **That the loan structure be such that the borrowing is paid off as soon as the Business Plan allows.**

- **That any surpluses generated by the HRA be used to pay off debt early, providing the HRA with flexibility and headroom to pursue new priorities.**

10. Finance Comments

- 10.1** As commented in this report, the move to HRA self financing is significant for the Council. The Council has been working with external advisors to develop key strategies and plans concerning the future priorities for housing and for the treasury management arrangements relating to the significant debt that will be required to be taken on from March 2012.
- 10.2** On the basis of the guidance received from Government and other stakeholders, and the Council's work on a new business plan, this change is good news for the Council and provides enhanced opportunities to invest in the service. The anticipated settlement represents an increase in resources compared to the current subsidy system.
- 10.3** Under self financing, responsibility for long term business planning and debt financing moves from central to local government representing a significant shift in risk. This also brings greater flexibilities and freedoms within certain parameters to be laid down by Government, the current business plan brings these together.
- 10.4** A significant amount of work has been undertaken to project the financial position for the next 30 years. As with any planning for such a long period, estimates have been prepared using existing knowledge, data, assumptions and plans for the future. The further ahead projections are, the greater risk that variances may occur. The business plan recognises where there are higher risks and uncertainties and includes proposed actions to address these, e.g. further work is needed to improve asset management data (as referred above). At this stage stock condition data is not considered robust enough to be relied upon as a true reflection of the investment need over 30 years. Although, over the 30 year period there appears to be sufficient headroom to manage the risk of error in key assumptions, this does not remove the need for the plan to be underpinned by robust stock condition information.
- 10.5** The business plan will need to be a 'live' document and management will continue to work with finance to review and update the finance model, with emerging issues being managed and reported under the Council's normal reporting and budgeting arrangements.

11. Legal Comments

- 11.1** Any changes proposed to tenancies that the Council offers will be fully evaluated for any legal implications.

12. Links to Corporate Aims

- 12.1** The corporate priorities have influenced the business plan; including recognising how changes in national housing finance and policy will impact on the Council's priorities for the housing service. The business plan aims to support the delivery of the Council's corporate priorities and wider housing and community objectives.

13. Environmental Implications

- 13.1** Climate change is a strategic priority for Housing Services and the business plan has been created to have positive implications for the environment. Housing Services aims to take action to reduce carbon emissions across the housing stock through investment planning, service delivery, partnership and community action.

14. Community Safety Implications

- 14.1** Community safety is incorporated in the strategic priority for Housing Services and the business plan has been created to have positive implications for community safety. Housing Services aims to take action so that disadvantaged communities will have better access to local housing services, training and employment. Housing Services also aims to continue its support for a range of vulnerable people and to tackle crime and fear of crime through reducing anti-social behaviour.

15. Equalities Impact

- 15.1** An equalities impact assessment has been completed to assess any positive and any negative impacts that the decisions in the new business plan may have on our customers and employees. The impact assessment prepared for the HRA business plan is set out as an appendix of the business plan.

16. Risk Management

- 16.1** The risks associated with new HRA Business Plan are monitored effectively through the HRA Reform Project risk register. The risk register is monitored regularly through the HRA Reform Project Group meetings.

17. Partnership Implications

- 17.1** The business plan has been drafted with the input of Taunton Deane Borough Council's partners. Stakeholder events have been held to formalise this input. It is also clear that the actions derived from the business plan will have a positive impact on the work our partners undertake throughout the Borough.

18 Governance

- 18.1 The business plan will be subject to an annual review and refreshed to ensure all aspects are up to date and that progress against key actions are monitored and reported.

Recommendation 9 - It is proposed that the HRA business plan will be subject to an annual review involving member scrutiny and agreement as part of the budget setting timetable each year.

19. Community Scrutiny Committee – 8th November 2011

- 19.1 The report went to Community Scrutiny Committee on the 8th November 2011. Community Scrutiny agreed the recommendations within the report but suggested the following amendments:

- Recommendation 4 – That the Council review the *potential* use of probationary or introductory tenancies in the next 12 months to consider the advantages and disadvantages to Taunton Deane Borough Council.
- Recommendation 6 (see recommendation 8 in this report) - That any surpluses generated by the HRA be used to pay off debt early, providing the HRA with flexibility and headroom to pursue new priorities **subject to an annual review**.

20. Recommendations

- 20.1 Executive is asked to agree the final version of the business plan and the following recommendations.

Recommendation 1 – Agree the new four strategic objectives for Housing Services.

Recommendation 2 – That the business plan reflects the Council’s current rent policy and assumes rent convergence by 2015/16 and RPI +0.5% increases thereafter.

Recommendation 3 - That the Council will explore the use of new “Affordable Rents” in developing its plans for affordable housing.

Recommendation 4 – That the Council will review the potential use of probationary or introductory tenancies in the next 12 months to consider the advantages and disadvantages to Taunton Deane Borough Council.

Recommendation 5 -That the Council welcomes the potential introduction of fixed term tenancies and over the next 12 months will explore how they may be used by Taunton Deane Borough Council to better manage our housing stock.

Recommendation 6 – That members approve the principle of the allocation of funds to a Social Housing Development Fund, of year 1= £300k, years 2 and 3 = £500k, rising to £1m per year in year 4 for the purpose of a modest new build programme.

Recommendation 7 – That members approve an increase in the HRA minimum reserve balance to £1.8m from April 2012.

Recommendation 8-

- That Taunton Deane prepare to take on new borrowing in March 2012 to the “settlement” level published by Government.
- That the new borrowing be taken in line with the timetable for the implementation of HRA Reforms.
- Agree that the source of borrowing for all the funds necessary to pay the CLG on 28th March 2012 re self-financing be the Public Works Loan Board.
- That the loan structure be such that the borrowing is paid off as soon as the business plan allows.
- That any surpluses generated by the HRA be used to pay off debt early, providing the HRA with flexibility and headroom to pursue new priorities.

Recommendation 9 - It is proposed that the HRA business plan will be subject to an annual review involving member scrutiny and agreement as part of the budget setting timetable each year.

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Taunton Deane Borough Council

**Housing Revenue Account
Business Plan 2012 – 2042**

February 2012

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Executive Summary

This business plan is produced in order to set out the Council's overall aims and objectives for the housing service, as a landlord for approximately 6,000 homes. It analyses the current position of the service and the homes and sets out the actions planned to achieve the Council's objectives. It reflects consultation carried out with tenants, members and wider stakeholders. It provides a framework for monitoring and evaluating progress in delivering the plan. The plan forms a key part of the Council's implementation of Housing Revenue Account (HRA) self financing. This is a major change in national housing finance which introduces new risks and opportunities for the Council's housing service.

Section 2, Strategic Context, sets out the issues that influence the business plan, at a national, regional and local level. This includes how changes in national housing finance and policy impact on the Council's priorities for its housing service. In this section we set out how the plan will support the delivery of the Council's corporate priorities and wider housing and community objectives. The business plan is structured around four new housing strategic objectives:

1. *Securing a long term future for our housing service.*

- This means continuing to invest in the management of the housing stock to ensure it meets tenants' needs, who should be at the heart of decision making

2. *Tackling deprivation and sustainable community development*

- This means taking action so that disadvantaged communities will have better access to local housing services, training and employment, continuing our support for a range of vulnerable people

3. *Investing in our housing stock, regeneration and affordable housing*

- This means investing in our existing stock to deliver a standard that meets the needs of the stock and local aspirations. It also means planning and successfully managing the regeneration of our housing estates and communities, providing homes that cater for the needs of an expanding and diverse population within communities that people are proud of

4. *Climate change*

- This means taking action to reduce carbon emissions across our housing stock through our investment planning, service delivery, partnership and community action to address climate change and reduce fuel poverty

The plan also highlights the local context in which we operate and our service delivery mechanisms.

Section 3, Consultation, sets out the Council's existing arrangements for involving tenants in decisions about the housing service, and summarises the key findings from consultation carried out as part of the development of this plan. Tenant involvement is now well established in the Borough, with a clearly defined participation structure and decision making process in place to ensure tenants are involved in shaping, developing and monitoring our services in a variety of different ways. The

Tenant Services Management Board received regular reports on the development of this plan, and had opportunities to feed their views into the development of strategic objectives and the action plan. The Council also held two stakeholder workshops to enable tenant representatives, members of the Tenants' Forum, Sheltered Housing Forum and Tenant Services Management Board, Councillors, and partners to receive information on the impact of self financing and the development of the business plan. A staff consultation event was also held to discuss the implications of self financing. It is proposed that the Tenant Services Management Board will have a key role in monitoring the delivery of the plan, and that they will have opportunities to participate in regular reviews of the plan.

Section 4, Service Delivery, describes the way in which the service is currently provided. The plan is produced in the context of major changes in national housing policy, both in the form of the types of tenancies that Councils can now offer their tenants, and in the rent levels charged. This section sets out the Council's initial response to these changes, welcoming flexibility to improve the service and the use of the housing assets. A detailed tenancy strategy, including policies on succession and under occupation will be developed in the first year of the new business plan in order to set out clearly the Council's response to the changes, now that the Localism Bill has received Royal Assent and is the Localism Act. This section also describes the Council's current rent policy which is critical to the level of resources available to deliver the future service.

Section 5 describes the Council's housing stock and other assets. Our housing stock is a valuable asset. As a major provider of social housing we make a significant contribution to meeting the need for affordable housing in the Borough. Generally our stock has been well maintained, with an investment strategy targeted at bringing all homes up to the Decent Homes Standard. Tenant feedback indicates a high level of satisfaction with the quality of homes. Demand for homes is high across the stock. There is also evidence of a desire for an investment standard that delivers more than basic decent homes, with a focus on energy efficiency and sustainability as well as environmental improvements, such as improved parking provision.

The total expenditure to improve and maintain the stock and related assets over 30 years is currently forecast as £186.9m at 2011/12 base prices. This equates to £31,068 per dwelling over 30 years. This is based on information from the Council's asset management database and informed by local priorities identified as part of the consultation carried out in developing the business plan.

The current information indicates a requirement for an increase in the capital programme per annum from 2011/12 levels of £4.3m per annum to over £9.5m per annum in years 1 – 5. An exercise to validate the information in the stock condition database has indicated that the early years' requirement may be overstated, although costs overall are below expectation when compared with external benchmarks. The Council therefore proposes a capital programme of £5.5m in 2012/13, representing a £1.2m increase in the current programme. During 2012/13 more work will be undertaken on the stock condition database, possibly including future stock condition surveys to inform future business planning. The Council will also develop the capacity of its Property Services team to prepare to deliver a larger capital programme. In the meantime for the purposes of this business plan, investment has been "smoothed" over the first 10 years of the plan.

The investment plan includes actions to improve the energy efficiency, and upgrade heating systems, to improve the future sustainability of the homes, and to reduce the costs of tenants' fuel bills.

The Council is exploring options for the regeneration of Halcon North. This would involve replacing around 200 existing homes with up to 400 new homes. Until formal decisions are taken on the demolition of existing homes, resources for their future investment needs are included in the baseline business plan. The impact of removing these properties from the business plan will be modelled, based on updated information on existing stock investment requirements from the new survey, and on plans for the scope and timing of any redevelopment as these are established.

Beyond Halcon North the Council has ambitions to explore new build development, using a mixture of debt financing from the HRA business plan, grant, and income from affordable rents where this would meet an identified local need. In the short term capacity for development is constrained by government limits on the amount of borrowing that the Council can undertake, and the Council's own internal capacity to deliver. The business plan includes actions to map development opportunities that exist across the HRA land, and to explore options for delivery of identified schemes within the future business plan.

Section 6, Resources, describes the baseline financial position for the Housing Revenue Account. It shows the impact of the increase in housing debt that is part of the introduction of self-financing, based on the Department for Communities and Local Government (CLG) determination (February 2012) which gave a settlement figure of £85.198m and on the allocation of all Taunton Deane existing debt (£14.451m) to the HRA. Interest on that debt is now projected by the Councils Treasury advisors to be charged at a rate of 3.64%.

At this stage the plan projects a healthy financial position with all identified capital expenditure needs met, and revenue resources being sufficient to repay debt within 18 years before any payments to the social housing development fund. Sensitivities carried out to test key assumptions show that the plan is resilient to changes in the external environment including changes to inflation, increased capital expenditure requirements and increased interest rates (with interest rates the most significant financial risk).

The Council will review the plan regularly and make decisions about the use of any surpluses, balancing repayment of debt and additional investment. This gives the Council a much greater level of flexibility in its long term planning than has been possible under the previous housing finance subsidy system.

Section 7, Priorities for Action, is the plan sets out the key activities that will be undertaken to deliver the four strategic objectives. This action plan will be supported by more detailed operational activity, set out in our departmental service improvement plans. The actions have been developed to respond to the consultation carried out with tenants, Councillors, staff and wider stakeholders.

Section 1 Introduction

This business plan is produced in order to set out the Council's overall aims and objectives for the housing service, as a landlord for approximately 6,000 homes. It analyses the current position of the service and the homes and sets out the actions planned to achieve the Council's objectives. It reflects consultation carried out with tenants, members and wider stakeholders. It provides a framework for monitoring and evaluating progress in delivering the plan.

Why does the Council need a new business plan?

The previous business plan for the service was developed in 2004 and there have been many changes since that time, both externally and internally.

Externally the Council is facing changes in national housing policy that have fundamental implications for all social landlords. Council housing finance is changing from April 2012. From that point the Council will no longer have to pay an annual amount to government under the housing subsidy system. Instead it will need to take on a significantly increased level of housing debt and manage this debt within a "self financing" business plan. This means that the Council will be able to make long term decisions about its services and the management of its assets. Self financing brings new financial risks that need to be managed within the business plan, but also brings new opportunities for freedoms and flexibilities, and for effective asset management that need to be seized to the benefit of Taunton Deane's tenants. Details of the impact of self financing on the Council's housing business plan are set out in section 6 **Resources**.

Other external changes include changes in social housing regulation. Government has recently consulted on changes to tenancy standards and regulatory requirements in several areas including tenure and rent reform, tenant involvement, mutual exchanges and quality of accommodation. Details of this consultation and the Council's response through this business plan are set out in section 2 **Strategic Context**.

Internally the Council's Corporate Strategy sets out the Vision, Business Principles and Core Values of the Council and describes the key outcomes that it intends to achieve in the community. These are focussed on the key objectives of Tackling Deprivation and Sustainable Community Development, Regeneration, Affordable Housing and Climate Change. The objectives were agreed after considerable consultation with the community, senior managers and Councillors. This business plan reflects how the housing service will deliver against these objectives, as set out in section 2 **Strategic Context**.

How the plan has been put together

The plan has been developed through consultation with tenants and stakeholders. This has included regular meetings with the Tenant Services Management Board and wider consultation with staff, members and other stakeholders. The process of consultation and the key findings are set out in section 3 **Consultation**. This also sets out how the Council will consult going forward to measure the success of the delivery of the plan.

Through this consultation, the strategic objectives for the service have been revisited and updated and are set out in section 2 **Strategic Context**.

The starting point for the plan is the current service. Section 4 **Service Delivery** sets out how the service is currently delivered and includes information on the current condition of the homes.

The condition of the homes, and the Council's strategy for managing the housing assets, forms a fundamental part of this plan. The future investment needs of the stock have very significant financial implications for the plan and robust information on this is essential to ensure the homes can be maintained at a standard that fits with tenants' aspirations and prevents them deteriorating in future. Details of the Council's understanding of its current assets, and its strategy for investment and repairs going forward is set out in section 5 **Assets**.

How the plan will be delivered

Section 7 **Priorities for Action** sets out the action plan that has been developed to deliver the Council's objectives for the housing service in the short and medium term. It also sets out how performance will be monitored and success measured over time. This section also describes how the plan's objectives feed down into individual staff members work plans through the Council's performance review and employee development scheme. It identifies the key risks that may prevent the achievement of objectives and how these will be managed. Finally it sets out how the plan will be reviewed in future to ensure it remains up to date with external and internal changes, and reflects ongoing tenant consultation.

An equality impact assessment is a process through which the Council can assess any positive and negative impact that our services and decisions may have on our customers or employees. The impact assessment prepared for the HRA Business Plan, and schedule of further impact assessments that will be carried out before specific actions are implemented is set out in Appendix 1 and Appendix 1A.

Section 2 Strategic Context

In this section we set out the issues that influence this business plan, at a national, regional and local level. This includes how changes in national housing finance and policy impact on the Council's priorities for its housing service. In this section we set out how the plan will support the delivery of the Council's corporate priorities and wider housing and community objectives. The plan also highlights the local context in which we operate and our service delivery mechanisms.

National Housing Policy

This plan is prepared in the context of major changes in housing finance and housing policy.

From April 2012 the national housing subsidy system will end. This will mean that the Council will no longer have to make annual payments to government. Instead the Council makes a one off payment to government of £85.198m in March 2012. After that point it will be able to retain all surpluses from its landlord activity, and use these to support its future business plan on a self-financing basis. It will continue to have to account for its landlord activity in a separate ringfenced Housing Revenue Account (HRA).

Two elements of national control of Council housing finance remain. The Council will continue to have to pay 75% of the proceeds of any right to buy sales to government. The remaining 25% will continue to be used for the Council's broader housing objectives for affordable housing and are not included in this HRA business plan which only represents the landlord element of the Council's housing role. Secondly the government has imposed a limit on the amount of money the Council can borrow, and reserves the right to reopen the settlement in the event of major changes in housing policy. The borrowing limit constrains the ability of the Council to consider major regeneration financed from this HRA business plan. If the borrowing limit is relaxed as a result of government decisions in future spending reviews, this would increase borrowing capacity and enable a wider range of options to be considered.

Self financing means that for the first time the Council can set long term plans for the future of its housing stock and housing services. The self financing settlement represents an increase in resources compared with the existing subsidy system, removing an annual payment that has risen steadily from £5.9m in 2008/09 to over £7m in 2011/12. The change means that responsibility for long term business plan and debt financing move from central to local government. The Council will take responsibility for long term asset management. Although borrowing levels are limited by current government spending restrictions, in general there will be less top down regulation. The change means that the Council faces increased risks, particularly around long term asset management, inflation and interest costs. This business plan is designed to manage those risks and to put the Council in a position to take advantage of the freedoms and flexibilities offered by self financing in order to improve its housing stock and services.

The plan supports the two key elements of the government's housing policy; to continue to maintain its properties at the decent homes standard, and to set rents based on national policy, moving current rents to target by 2015/16 (rent convergence).

Supporting Council priorities

In addition the plan sets out how local objectives for housing will be delivered. These local objectives have been developed through consultation with tenants and members during the development of the plan, and support the Council's corporate priorities.

The values and priorities of this business plan reflect the Council's corporate strategy that has been developed following community consultation. This approach has meant that the business plan priorities are closely aligned with the Council's corporate priorities. This means that the plan is able to deliver actions that reflect the concerns and priorities of the Council's tenants. As the major provider of social housing in the area we have a key role to play in supporting the Council's strategic objectives and priorities.

Housing Vision

Our vision for housing services reflects the Council's overall vision to be recognised nationally as a place that is developing sustainably, securing a better life and future for its people, businesses and communities.

Within the HRA Business Plan we translate this vision into a vision for housing services which is to be recognised nationally as a landlord that has a long term sustainable Business Plan that secures a better life and future for its tenants and properties.

Our business principles for housing services

The Council has established four essential principles to support the Council's vision and to make it happen. We reflect these business principles in our HRA Business Plan as follows:

- Excellent services: ensuring the delivery of accessible, high quality housing services that provide good value for money
- Customer driven: putting the needs of individual customers at the heart of all that we do.
- Local focus: making a positive difference to the quality of life in communities across Taunton Deane
- A dynamic organisation: a housing service that is innovative, forward-looking and focused on results.

Our values

We aim to reflect the following corporate values in all that we do as a Council housing service:

- Integrity: We will be honest, do what is right and stick to it
- Fairness: We will consistently treat everyone equally, respecting their individual needs and abilities
- Respect: We will always show respect for everyone
- Trust: We will show trust and confidence in our staff, councillors and tenant representatives.

Our strategic housing objectives

This business plan has updated the strategic objectives set out in our earlier plan in 2004 in order to reflect the Council's current corporate priorities. They are also reflected in the asset management strategy, tenant compact and other housing policies:

- ***Securing a long term future for our housing service.***

This means continuing to invest in the management of the housing stock to ensure it meets tenants' needs, who should be at the heart of decision making

- ***Tackling deprivation and sustainable community development***

This means taking action so that disadvantaged communities will have better access to local housing services, training and employment, continuing our support for a range of vulnerable people

- ***Investing in our housing stock, regeneration and affordable housing***

This means investing in our existing stock to deliver a standard that meets the needs of the stock and local aspirations. It also means planning and successfully managing the regeneration of our housing estates and communities, providing homes that cater for the needs of an expanding and diverse population within communities that people are proud of

- ***Climate change***

This means taking action to reduce carbon emissions across our housing stock through our investment planning, service delivery, partnership and community action to address climate change and reduce fuel poverty

Taunton Deane Borough Council is committed to complying with the principles of the Crime and Disorder Act 1998 and the housing service has officers with a particular focus on anti social behaviour, to support the Council's role to tackle crime and disorder in its area of operation.

We also have a key role in supporting the Council's Equality policy. Taunton Deane Borough Council values diversity by respecting the unique knowledge and experience that individual people from different backgrounds contribute to society.

We aim to promote equality of opportunity in our role as a service provider, policy maker, employer purchaser of goods and services and elected leader in the local community.

In promoting equality of opportunity, we will oppose all forms of discrimination, whether on grounds of disability, gender, ethnicity, sexuality, age, religion, belief, or any other condition or requirement which may place a person or group at a disadvantage.

We believe that all people have the right to be treated with dignity and respect.

The housing service is developing its approach to gaining information on its tenants. In developing this service area the service will:

- Understand what tenants need and want;
- Treat tenants differently according to their needs and preferences;
- Inform the right people at the right time and show we are listening;
- Group tenants with similar characteristics and service needs.

Some examples which have led to better served tenants and have satisfied tenants are:

- In the provision of supported housing services that promote independence that are person centred and focused on individual housing related support needs;
- In the provision of tenant empowerment services where a range of channels are used to communicate and inform tenants leading to increased satisfaction ratings in 2011 compared to levels found in 2008.

Local context

Description of housing stock

Taunton Deane Borough Council's housing stock comprises of approximately 6,000 rented homes, with a further 372 leasehold properties. The Council also manages two private leasehold schemes for the elderly. The housing service also owns and manages 1,511 garages and a number of shops, meeting halls, land and sewage treatment works.

A summary of our housing stock (as at 31.3.2011) is set out in the table below:

Type of property by age band

Property type	Age				
	PRE 1945	1945 - 1964	1965 - 1974	1975 ONWARDS	Grand Total
Bedsit	45	14			59
Flat	82	690	450	800	2022
Maisonette		40			40
Bungalow		197	273	394	864
House - Detached	3	1	3	13	20
House - Semi-Detached	1013	738	21	106	1878
House - Terraced	192	507	132	308	1139
Grand Total	1335	2187	879	1621	6022

Just over a 33% of the rented homes are flats, including a small number of bedsits. Just over 20% of the total stock was built before 1945, of which 90% are houses, mostly semi-detached. Around 20% of the homes are designated as supported housing, including for the elderly. More than 50% of the sheltered housing stock has been built since 1970. Nearly 20% of the total stock is of non traditional construction. This includes homes that are built with prefabricated reinforced concrete (PRC) panels or other methods such as steel frames.

Over the years the level of stock owned by the Council has declined from Right to Buy sales and this has particularly impacted on the availability of homes outside of Taunton itself. Over 70% of the stock remaining is located in central Taunton TA1 and TA2 areas. The level of stock is projected to fall further based on current trends, although the sales have significantly reduced in recent years. In 2010/11 a total of 11 properties were sold under the Right to Buy scheme, and the business plan assumes an average of around 8 sales a year, increasing further over time. Full details about the condition of our stock are contained in section 5 **Assets**.

Future demand for housing

The Borough of Taunton Deane is mainly rural and covers 462 sq km, extending from the Somerset Levels along the River Tone, with the Quantock Hills to the north and the Blackdown Hills to the south.

The main centres of population are Taunton, the county town of Somerset (66,000) and Wellington (13,000). The total Borough population of 109,000 is increasing, largely from inward migration. While the average age of the population is 42.2 years, the Borough has a higher than average older population and this is expected to increase.

In Taunton Deane 6.3% of the population are from a minority ethnic group (not classified as white British) which is below the national average of 16.4%.

Taunton Deane is generally prosperous with relatively low unemployment, but is also characterised by low wages and high house prices. In 2008 roughly 60,000 people were employed in Taunton Deane but a relatively large proportion of jobs, 36%, are part-time, compared with 24% nationally. Public sector employers, such as public administration, education and the health bodies, are the biggest employers in the area, and account for 39% of employees, compared to 27% nationally.

Emerging regional plans recognise Taunton as a major focus for growth over the next 20 years. Proposed changes to the revised Regional Spatial Strategy (RSS) for the South West identified a requirement for at least 21,800 new homes to be provided over the period 2006 – 2026 with about 18,000 in the Taunton urban area.

Housing Market Areas (HMA) are defined as an area within which the majority of people choose to live and work. Work on HMAs in the region indicates two: one centred on Taunton (containing Taunton Deane, Sedgemoor and West Somerset) and the other on Yeovil (containing South Somerset and West Dorset).

The stock of housing in the Taunton HMA has increased noticeably over the past 10 years and household projection data would suggest that significant stock increases are likely to be required in the future. However, because there is such a significant gap between prices and incomes for many households, and a shortfall of 'cheap' housing to buy and rent, mechanisms for securing housing at below typical market entry-level prices will continue to be important in the future.

Over the past twenty five years there has been a reduction in social housing. The number of council houses has fallen by about 30%, from around 8,850 in 1984 to approximately 6,000 now. Housing association stock has increased over the same period, but has not been sufficient to offset the loss in council housing, resulting in a net loss of social housing of about 15% (based on housing association stock up from 369 to 1,700).

Reflecting this, at the end of March 2011 the Borough had 5,211 active applicants for accommodation on its choice based lettings system, a growth of more than 7% during the year.

In rural areas, the shortage of smaller and cheaper accommodation restricts the number of lower income households, and households in rural areas find access to services more difficult than any other group. The policy implications of these findings are that more affordable housing will be required to enable less well-off households to survive in rural areas, and thus contribute to the

creation of 'mixed and balanced' communities. Infrastructure in rural areas is also a key policy consideration which needs to be tackled in order to improve access for poorer rural households to the services that they need.

In the affordable sector, the overall levels of housing need are high and the groups likely to have greatest priority (for example, those with children) are more likely to need larger homes. In addition, there is a lack of smaller, more affordable housing in rural areas when compared with regional and national data.

Data in the Strategic Housing Market Assessment (SHMA) indicates the main demand for market housing is amongst childless couples (32% of demand in the Taunton HMA) and that households with children make up around a quarter of the total market in both HMAs. When this is translated into dwelling sizes, the data suggests the greatest demands are for three and four plus bedroom homes, reflecting household ability and/or aspiration to afford more space than is technically required.

The SHMA indicated around 30% of all households in need could in principle afford something between a social rent and market housing. Within this group of households, there are two distinct affordability gaps: the first so-called 'intermediate' gap, made up of households who cannot afford a market rent but who can afford to pay more than a social rent; and the other gap is between households who can afford a private rental but are unable to buy at the bottom end of the market.

A further important policy issue to emerge from the SHMA is households with specific needs. In the Taunton HMA, a third of households contained someone with a limiting long-term illness. This is higher than the regional and national average. The main policy implications with regard to households with disabilities and/or support needs are the provision of new housing and improvements to current housing as a means of meeting these requirements, and for supporting these households, as the population ages.

The Strategic Housing Market Assessment gives a detailed picture of the future housing required for people who choose to live and work in the Taunton Housing Market Area. The key policy issue arising from this work is housing affordability, in terms of future housing supply, size and tenure, to meet locally identified needs. There is nothing in the SHMA to suggest anything other than a continuing strong demand for social housing as part of a response to the demand for affordable housing. Data suggests that the Council faces strong demand for its homes and services from households with children, including lone parent families, and households with a need for support because of ill-health or reduced mobility. There appears to be a shortage of larger houses and for homes suitable for people requiring other forms of support to remain living in the community.

Current service delivery

Our approach to housing service delivery is based on the Council's business principles of providing excellent customer driven services that are locally focussed, delivered by a dynamic organisation. To achieve this we have had to balance national and local priorities with the needs and expectations of our tenants, and the resources available to us. In 2005 we consulted our tenants on the transfer of the housing stock to a newly established housing association. Tenants voted against this proposal and since then we have been responding to this consultation by developing our in-house service. As

a result of this consultation and ongoing feedback from tenants we have made a number of key changes to the way in which we deliver services. These include:

- TDBC have been pro-active in the way housing related support services are delivered, whilst maintaining Level C of the Quality Assessment Framework to ensure maximum funding from Supporting People. Tenants have been at the heart of the decision making process to introduce a co-ordinated and flexible housing related support service to those living within the locality of key offices within selected supported housing schemes.
- Enhanced focus on activities within the housing estates team to tackle neighbour nuisance and anti social behaviour
- Improved customer contact arrangements with the creation of a new Southwest One customer contact centre at the Council and improvements to Deane House reception.
- Created a new Tenant Empowerment Team which has led to the development of a new Tenant Services Management Board for the housing service
- Introduction of new comprehensive performance scorecard for the service.

Full details about our current service delivery and staffing are set out in section 4 ***Service Delivery***.

Section 3 Consultation

Introduction

Our first strategic objective, to secure a long term future for our housing service sets out our commitment to putting tenants at the heart of our decision making.

Existing consultation arrangements

Tenant involvement is now well established in the Borough, with a clearly defined participation structure and decision making process in place to ensure tenants are involved in shaping, developing and monitoring our services, in a variety of different ways as set out below.

- Tenant Services Management Board
 - A formal sub-committee of the Council which enables tenants to play a fundamental role in performance monitoring and decision making.
- Tenants' Forum
 - Representatives from local Tenant and Resident Associations and Community Area Representatives who play a key scrutiny role to drive performance improvement, with a dedicated budget for local priorities, the Special Estates Project Budget
- Sheltered Housing Forum, Sheltered Housing Development Group, Tenants and Tenants Associations
 - Local groups open to all relevant tenants, who can raise issues with the Council on tenants' behalf, nominate members to the Tenants' Forum and submit bids for expenditure from Special Estates Project Budget
- A variety of methods to give information to tenants, and receive feedback from them, used to inform service development, including mystery shopping, surveys, regular satisfaction monitoring (e.g. repairs and complaints), newsletters, as well as introducing tenant inspectors in relation to properties about to be relet.

Consultation to develop the business plan

The Tenant Services Management Board has received regular reports on the development of the plan, and had opportunities to feed their views into the development of strategic objectives and the action plan.

Key priorities identified by the Tenant Services Management Board include

- Managing the impact of housing benefit changes
- Future investment standard to include a focus on renewables, tackling fuel poverty, offering a choice of heating, parking, bathrooms.
- Service improvement focussed on improving the process of delivering disabled aids and adaptations and the standard of properties at relet.
- Options appraisals to consider the future of non traditional homes, and opportunities for new build across the Council's area of operation

The Council also held two stakeholder workshops to enable tenant representatives, members of the Tenants' Forum, Sheltered Housing Forum and Tenant Services Management Board, Councillors, and partners to receive information on the impact of self financing and the development of the business plan. The workshops considered the three areas of property, services and policy and delegates were given an opportunity to feed into the development of the emerging strategic objectives and action plan. Key priorities identified from these workshops include:

- Services
 - Support for securing a long term future for the service, with tenants at the heart of decision making
 - Focus on fuel poverty, sustainability, tackling deprivation, community development
 - Safe and healthy housing – protecting and supporting vulnerable tenants
 - The need for improved information technology to improve financial control
 - Support for widening tenant participation
 - Focus on retaining and developing skilled staff
- Property
 - Support for a local investment standard, beyond minimum decent homes, to include improved energy efficiency, heating, environment and tackling climate change
 - Investment priorities to include improved external doors, parking provision, insulation
 - Balance the needs of existing stock, with the need for new housing
 - Use of investment programme to improve employment opportunities for local people
- Policy
 - Support for the use of flexibility in tenure and rent levels offered by the Localism Act
 - Review whether introductory tenancies would benefit the service
 - Review of under occupation and succession policies to ensure best use of assets, and the needs of vulnerable tenants are met
 - Work with housing benefit to manage the impact of changes on tenants resulting from changes to the benefit system

A staff consultation event was held to discuss the implications of self financing. Again, two workshops were held, one on services and one on property. Priorities identified by staff include

- Services
 - A desire to ensure community development activity benefits tenants beyond the two priority areas of Priorswood and Halcon
 - Improving relet standards
 - Improving technology
 - Linking tenant participation with skills development – in particular to attract younger tenants to get involved
- Property
 - A local Taunton Deane Standard, that reflects property need and tenant priorities, consistently applied across the stock
 - Appraisal of garage sites to identify development opportunities
 - Improved lighting in communal areas

- Improved disabled access in sheltered schemes
- Improved information to tenants on external painting and major works schedules
- Heating and tackling fuel poverty (particularly for tenants with electric heating systems).

The consultation has been central to the development of the plan, and priorities are reflected in the action plan set out in section 7.

Future steps

We recognise that there is more work to do to deliver further improvements in resident participation. This includes

- Establishing clear arrangements for leaseholder participation
- Widening tenant participation to ensure all tenants have a wide choice of opportunities to receive information and give feedback to inform service improvement planning

The Tenant Services Management Board will play a crucial role in monitoring the delivery of the actions set out in this plan. Regular reviews of the plan will be presented to the board for feedback and input before being presented to the Council for decision.

Regular surveys of tenants and leaseholders will continue to test the success of actions set out in this plan, and to inform future business plan reviews.

Section 4 Service Delivery

Housing Services

There are approximately 65 full time equivalent posts within the current housing staff structure. The provision of housing management and maintenance by Taunton Deane Borough Council is currently organised into two main service areas led by the Community Services Manager. The Housing Services Lead leads a housing service team in the provision of the following functions: Tenant Empowerment and Service Development; Rent, Recovery and Voids Management; Supported Housing including Extra Care Housing; Tenancy and Estate Management including Tackling Anti Social Behaviour and Community Development. The Housing Property Manager leads a Property Services Team in the provision of housing asset management including a surveying team and works closely with a responsive repairs administration team. There is currently a proposal to change the staff structure of Housing and Community Development to support the delivery of the Business Plan.

Tenants can access the service by telephone, email and letter. The Council's website includes facilities for reporting repairs, paying rent and making complaints. Tenants can access the service in person at the Council's main office at Deane House and at the Wellington Community Office and at two satellite offices in Priorswood and Halcon. Estate officers have a visible presence in local areas, and carry out home visits and attend tenant meetings. In addition housing surgeries are carried out regularly on certain estates as well as specific debt and benefit advice surgeries.

Our housing service standards reflect the Tenant Service Authority's national standards on

- Tenant Involvement and Empowerment
- Home
- Tenancy
- Neighbourhood and Community
- Value for Money

Our annual reports to tenants set out what these standards mean to tenants and how well the service performs in delivering them.

We have consulted our tenants on local priorities in order to provide an opportunity for them to influence how services are tailored to meet local needs. We introduced local offers in April 2011. Examples include

- Introducing tenant property inspectors to monitor the standard of properties before they are let to new tenants
- Estate walkabouts with tenants to identify local issues
- Clear standards on what the housing service will do about anti social behaviour
- Introducing mystery shopping to monitor service quality
- Questionnaires and surveys (particularly for those not wishing or able to join a formal tenant group)

The Council is a member of the choice based lettings scheme Homefinder Somerset. This scheme is made up of five district/Borough councils in Somerset and over 40 other providers. The service provides a single allocations and registration policy for all people seeking social housing in Somerset. The scheme operates a system of priority within four bands (Gold, Silver, Bronze and emergency). Applicants bid directly for properties which are then allocated according to the banding system. The policy prioritises overcrowding and under occupation in order to make best use of the stock and to meet households' changing needs. For the same reason some properties are identified specifically for transfer applicants whose change in circumstances requires them to move.

Tenure policy

Currently all new tenants receive a secure tenancy. The tenancy agreement sets out the rights and responsibilities of tenants and the Council. The Council provides support and assistance to tenants who need it to sustain their tenancy. The tenancy agreement includes ground for possession in the case of breach of tenancy. Eviction through a court order is used as a last resort in the case of serious and persistent tenancy breaches.

The Council does not currently offer probationary or introductory tenancies. This is a system where all new tenants are offered a probationary, or introductory tenancy which is converted to a lifetime secure tenancy following a period of time (12 – 18 months) providing there have been no major breaches in the tenancy agreement in that time. As a result of feedback from the consultation on the development of this business plan, the Council has committed to review this policy in the first 12 months of this business plan to consider the advantages and disadvantages of this scheme for Taunton Deane. If it were adopted this would apply to all new tenancies, but would involve significant resources to implement.

The Localism Act contains a new form of tenancy for local authority tenants. There is now a new regulatory requirement for all social landlords "to offer and issue the most secure form of tenancy compatible with the purpose of the housing and the sustainability of the community". This means that Councils are no longer required to automatically let all new tenancies on long term secure tenancies (with or without an introductory or probationary period) but have the option to issue fixed term tenancies in some cases.

The Council welcomes this new flexibility and is currently developing its tenure strategy to consider the circumstances in which it may offer fixed term tenancies. The majority of tenancies offered will continue to be lifetime secure tenancies but there may be circumstances where the offer of a fixed term tenancy can meet an identified need, and make better use of the asset. For example the consultation on the development of this plan included the potential use of fixed term tenancies of properties subject to longer term regeneration plans, or fixed term tenancies to meet an identified need (e.g. family housing) which are reviewed once children reach adulthood.

The rights of existing tenants are unaffected by these proposals.

The Localism Act introduces a further change to succession rights for all new tenancies. Previously tenants had one right of succession and could pass their tenancy on (in the event of their death) to a spouse/partner or certain qualifying family members. The Localism Act allows for succession to a

spouse or a partner only. Again the Council welcomes this flexibility and is reviewing its policy on succession to reflect these changes.

Rent policy

The business plan reflects the Council's current rent policy. This reflects national social rent policy to move Council rents to a target rent based on property value and local earnings. The aim of this policy is that rents charged by all social landlords (whether council or housing association) converge. This business plan assumes convergence by 2015/16. Up until convergence, rents move gradually to target over 3 years from 2012, with maximum increases limited to inflation (RPI) + 0.5% + £2. After convergence with target, rents increase by inflation (RPI) + 0.5%. The financial viability of the business plan is dependent on annual rent increases being agreed in line with this policy. Any divergence from this policy will impact on business plan resources and on the deliverability of actions in this plan.

Note: Details of the proposed new rent charges for the year 2012/13 are proposed in the Housing Revenue Account Estimates 2012/13 Financial Year report recently considered by Corporate Scrutiny on the 26th January 2012. The rent charges report is to be further considered and agreed by the Executive Committee at their meeting on the 9th February 2012 and for a final decision at Full Council on the 21st February 2012.

Affordable rents

The Localism Act provides further flexibility on rents. The Act allows the Council to charge higher rents on new build properties and a proportion of relets in order to fund new development. This means the Council could charge up to 80% of market rent on these properties. The proceeds would be used to fund new development and cannot be used to increase business plan resources generally. The Housing Services welcomes this new flexibility and will explore how this can be applied to increase affordable housing provision.

Performance

The Council measures the performance of its housing service regularly against key performance indicators. This includes financial management, service delivery and customer satisfaction. This indicates strong performance in the following areas

- Rent collection
- Tenant satisfaction
- Anti social behaviour management
- Decent Homes delivery
- Gas servicing

This same monitoring has identified the following areas where performance could be improved:

- The time taken to relet voids
- The time taken to respond to complaints
- The % of tenants satisfied that their views are taken into account
- The % of properties accepted on first offer
- The council's knowledge of tenants' diverse needs

Where performance does not meet targets, an action plan is developed, implemented and monitored, with tenant input where appropriate. For example in March 2011 we carried out a review of our void relet process. The focus of the review was to improve performance in relation to how quickly voids are relet and therefore to reduce the amount of rent lost from void periods. As part of the review we visited other local landlords to understand and learn from best practice elsewhere. As a result of the review an action plan was developed. This includes actions to streamline the void process. The implementation of the action plan has been reviewed. This has shown the following results:

- Significantly improved void turnaround times, and improved proportion of homes accepted on first offer
- Improvements in the management of voids, including weekly void meetings, clear responsibilities, improved record keeping
- A new surveying team to inspect voids and prepare works schedules
- Changes in operational processes including exit surveys for outgoing tenants and pre void inspections to improve the condition in which properties are left, accompanied viewings to improve acceptance rates, improved information for new tenants

In all service areas performance targets are set to achieve continuous improvement and to aim for performance to be in the top quartile when compared with similar social landlords in the area.

We have established arrangements to compare our performance regularly with other landlords through the Chartered Institute of Housing and National Housing Federation's benchmarking service, Housemark.

We also regularly measure tenant satisfaction using the National Housing Federation's STATUS survey and carry out a rolling programme to survey tenant satisfaction with repairs and anti social behaviour. Our tenant satisfaction is high, with our performance close to or above the National Housing Federation averages on all indicators. The most recent Status survey in 2011 showed that 90% of tenants were satisfied with the services provided by us as their landlord (an increase compared with 82% in 2008). Along with this the most recent internal results from our regular monitoring of satisfaction with repair work showed 99% of tenants that had work carried out were satisfied.

These results are excellent, but we are not complacent. We are keen to improve the percentage of tenants who are satisfied that their views are taken into account where although our performance compares well with others, we are not meeting our own internal targets for continuous improvement.

As part of the development of the business plan we have reviewed the current position of the service. Our summary of the strengths, weaknesses, opportunities and threats relating to the current service is set out at appendix 2. This feeds directly into our Priorities for Action summarised below and set out in our action plan in section 7 ***Priorities for Action***.

Tenant participation

The annual reports to tenants demonstrate how the Council is meeting the new regulatory standard for tenant involvement and empowerment. In April 2010 the Tenant Services Management Board was established as a formal sub-committee of the Council. It consists of 10 tenants and 2 councillors. Like all Council meetings, anyone can attend and minutes and papers are published on the Council's website. The Board's responsibilities include the monitoring of service standards and identification of improvements. Examples of key responsibilities include

- Reviewing and commenting on the annual housing services budget and any in year changes
- Setting and monitoring local service standards
- Setting and reviewing targets for service delivery

They also regularly request staff to attend to present on specific issues to enable the board's views to feed directly into finance and performance issues.

The board has been able to influence the way in which services are delivered in a variety of ways including

- Shaping new service standards in a variety of service areas including income management, anti social behaviour, supported housing and estate management
- Informing the Council's response to national government consultations on changes in housing policy
- Agreeing new arrangements for improved information for new tenants and to existing tenants on request

The Council also offers formal consultation and involvement through groups such as the Tenants' Forum and the Sheltered Housing Forum. The Tenants' Forum receives financial support from the Council and controls a special estates project budget for local spending priorities.

The housing service also works closely with local tenant and resident associations which are open to all tenants living in the area. They elect members of the Tenants' Forum and can put forward bids for spending from the special estates project budget for consideration by the Forum.

Information is provided to wider tenants through 2 quarterly newsletters, "Housing" and "Tenants' Talk" edited by an editorial board of tenants.

In 2011/12 a new tenant empowerment strategy will be published, bringing together the way in which the housing service will develop and enhance tenant involvement and empowerment. During the feedback on the development of this business plan the Tenant Services Management Board was keen to see more work done to widen involvement and ensure all tenants are given information on the service, and an opportunity to have their views heard. As a result the action plan includes actions to widen participation for example by developing the Tenant Services Management Board to identify service review areas, and to establish scrutiny groups involving a wider number of tenants to carry out the review.

Repairs service

In the 2011 STATUS Satisfaction Survey the repairs and maintenance service was identified as the most important service by tenants. Satisfaction with the service was found to be high. The factors that most influenced satisfaction were quality of repair work, followed by the information given out. Satisfaction with the information given out was average, compared with top quartile satisfaction with other aspects of the service. As a result the action plan for this business plan includes a review of the cyclical maintenance programme and with a view to publishing future plans following consultation with tenants.

Tenants can report repairs through the Council's website, by telephone, by email, letter, in person at Deane House, at the Wellington Community Office and our two satellite offices in Priorswood and Halcon.

The Council's Direct Labour Organisation (DLO) who undertake much of the work to our properties has recently undertaken an internal transformation and is now organised on an area based working format. DLO staff and services are grouped under 'Open Space' and 'Building' functions, which in turn are organised and delivered across specified geographic areas of Taunton Deane. Open Space services comprise of grounds maintenance, cleansing of streets and public conveniences, parks, nursery and tree surgery. Building services comprise of all housing maintenance and repair functions and highways and drainage works. The DLO is also moving towards more generic working where the workforce is supported to work across a wider variety of tasks. By utilising this generic approach there will be less repetition of work and less occasions of multiple trades needing to attend to complete a job. The savings in both time and travel from generic working are to be significant and will be factored into the HRA business plan as they materialise.

The DLO carries out around 85% of all day to day repairs on the Council's housing stock.

Rent collection

The regular and effective collection of rent is essential for the future financial viability of the service. Tenants are given advice at the start of their tenancy on the successful management of their rent account and advice on access to welfare benefits and payment mechanisms. An income management service standard has been produced and approved by the Tenant Services Management Board to inform tenants how the housing service will manage their rent. Tenants can pay rent through numerous methods including in person, by telephone, via the website, by post, standing order and direct debit. Tenants are sent a quarterly rent account statement which can also be requested at any time. A "rent calendar" for all tenants is published annually in the "Tenants' Talk" newsletter. As a matter of routine articles are published in our newsletter promoting the take-up of payment via direct debit as our preferred method of rent collection.

The Council has in place procedures to escalate action to tackle rent arrears. Should an account fall into arrears tenants are contacted within 2 weeks and offered advice and assistance in drawing up a repayment plan and preventing further arrears. Overall the Council has a strong record of high levels of rent collection.

Partnership working

The Council works in partnership with many agencies in order to ensure its services are efficient and co-ordinated to the benefit of tenants. One example of this, Southwest One, which is a unique public/private joint venture partnership formed in 2007 between Somerset County Council, Taunton Deane Borough Council, Avon and Somerset police and IBM. The organisation aims to improve services and save money for the authorities. Southwest One services include a combination of managing back office (such as IT, Finance, HR), transactional services through a single shared service arrangement and delivering major strategic projects to transform and modernise the way authorities work.

Southwest One Customer Contact Team delivers many services through multiple delivery channels, including telephone, face to face and self service through the website. They handle on average 37,000 calls per month with 83% answered within 20 seconds, and 98% of Taunton Deane Borough Council and Somerset County Council enquiries are resolved at first point of contact, with 96% of all customers being satisfied with the service they receive.

The most significant example of successful partnership working has been the Council's involvement with Registered Providers and developers through the planning process, to deliver low cost housing in the Borough to replace Council dwellings sold under the Right to Buy and to meet newly arising need. The housing service also continues to develop good partnership working with other local authorities, companies and agencies.

Recent notable housing service partnership successes include:

- Tenants Open Day – April 2011

Working with a wide range of local services both inside and outside of Taunton Deane Borough Council a successful Open Day event attracted many tenants who were able to access information and support on health; education and housing available from Citizen Advice Bureau, Centre for Sustainable Energy, Ridgeway Care and Repair, Health Living based in Taunton, the Police etc.

- Police and Partners Close Crack House

The housing service, working in partnership with Avon and Somerset Police made a successful application to close premises following the execution of a Misuse of Drugs Act warrant in January 2011. This joint action was taken with the aim of preventing further drug crime at the premises and related nuisance to the community.

- North Taunton Local Action Team

The housing service working alongside this community based group helps to promote and hold social activities with the area, which tackles incidents of litter, vandalism and dog fouling and get involved in 'speed watch' activities to make the area a much safer place.

The housing service will continue to explore opportunities for partnership working to deliver continuous improvement and value for money. For example the action plan for this business plan includes activities to review funding for corporate community development activity to at least

maintain current levels and consider case to increase funding to provide services beyond priority areas to the benefit of council tenants. It also includes activities to increase partnership working to leverage in additional resources and provide a wide range of services.

Information Technology

The Council uses an integrated housing management system for rents, allocations, housing repairs, planned maintenance and right to buy.

As part of the development of the Repairs Service, repairs officers will soon be using portable technology to enable the transfer of data to the housing IT system. The integrated housing management system can track individual property repair histories and associated costs and is invaluable in providing accurate information on the stock.

TDBC is also reviewing the process used to monitor rent arrears. This will lead to a more effective system of collecting arrears from start to finish. We are working with the system developer to observe officers at work to map and improve the process.

Tenant profiling is an important part of Housing Services identifying the needs of its tenants and shaping services to meet these requirements. By upgrading to the latest version of the integrated housing management system TDBC will be able to undertake greater analysis of the information and matching services to tenants.

In order to provide an enhanced repairs service TDBC is investigating the use of an Appointments Module that will allow the system to book a specific appointment with tenants for a repair to be completed. This will follow the work being carried out on looking at how repairs are logged and allocated. TDBC is also in the process of upgrading its Codeman IT software system which holds the details of properties to allow planned maintenance to be projected with more accuracy.

TDBC takes any reports of Anti Social Behaviour (ASB) seriously. This is reflected in the appointment of estate officers with a particular focus on ASB and the purchase of an ASB Module which will be integrated with the existing housing management IT system to allow officers to track and resolve ASB issues.

The improvement of IT systems to improve financial control and operational effectiveness was identified as a key priority through the consultation on this business plan. As a result the action plan includes actions to prepare a housing IT and data management strategy to identify future improvements and resource requirements.

The growth in use of the internet and the potential for digital TV is likely to have a significant effect on the means by which customers contact the Council and access its services.

Information about housing services appear on the Council's website and more interactive applications are currently being developed.

Section 5 Assets

Introduction

Our housing stock is a valuable asset. As a major provider of social housing we make a significant contribution to meeting the need for affordable housing in the Borough. Generally our stock has been well maintained, with an investment strategy targeted at bringing all homes up to the decent homes standard. Tenant feedback indicates a high level of satisfaction with the quality of homes. Demand for homes is high across the stock. There is also evidence of a desire for an investment standard that delivers more than basic decent homes, with a focus on energy efficiency and sustainability as well as environmental improvements, such as improved parking provision.

Stock profile

The Council's housing stock consists of approximately 6,000 dwellings (6,022 at 31.03.2011) together with 1,511 garages, and a number of shops, meeting halls, land and sewerage treatment works.

Just over 33% of the stock is flats, including a small number of bedsits. Just over 20% of the stock is pre-war, and over 90% of the pre 1945 stock is houses, mostly semi-detached.

Of the total stock, 17% is designated for supporting people or the elderly, with more than half this stock having been built since 1974.

By post code district, over 70% of the stock is in TA1 and TA2.

Homes of non traditional construction types

Nearly 20% of the stock is of non traditional construction. This includes homes that are built with prefabricated reinforced concrete (PRC) panels or other methods such as steel frames. In 2004 a specialist stock survey was carried out on the non traditional stock by Curtins. At that point they reported that the structures will remain structurally stable until 2030 (for the Cornish and probably Reema and Airey), and approaching 2030 in the case of Woolaway (houses and flats).

With 2030 assumed as the “end date” for the expected lives of some of these dwellings, the business plan includes proposals for a detailed options appraisal of these dwellings to inform future investment strategy. In the meantime the business plan includes significant costs from 2026 to provide for extending the lives of these properties if that is the outcome of the options appraisal. An updated survey will shortly be commissioned from Curtins which will be used to inform the options appraisals. Early consultation indicates a desire to include the following factors in any future options appraisal:

- Impact on long term tenants and owner occupiers
- Improved energy efficiency and affordable warmth
- Improved land use – exploring opportunities to increase density and mix tenures
- Council capacity to deliver alternative options
- Business plan impact of heavy investment required to extend life of existing buildings

The breakdown of properties by type and location is indicated below:

Ward	AIREY PRC	CORNISH PRC	REEMA PRC	WOOLAWAY	BISF HOUSE	EASIFORM	CONCRETE	TRU-STEEL	RELOCATE	STANDERWIC	Grand Total
BISHOPS HULL	12	19									31
BISHOPS LYDEARD							4				4
BLACKBROOK AND HOLWA					41						41
BLACKDOWN		15									15
BRADFORD ON TONE				14							14
COMEYTOWE				14							14
HALCON		98					52		11		161
LYNGFORD						157				8	165
MANOR AND WILTON				20							20
MILVERTON AND NORTH	1						2				3
NEROCHE		6									6
NORTH CURRY		6									6
NORTON FITZWARREN		80									80
PYRLAND AND ROWBARTO		86		168	39	173					466
RUISHTON AND CREECH		19						24			43
STAPLEGROVE		7									7
STOKE ST.GREGORY	2										2
WELLINGTON EAST			44			110					154
WELLINGTON NORTH		26		11							37
WELLINGTON & ROCKWELL		21		21							42
WEST MONKTON	11										11
WIVELISCOMBE AND WES							6				6
Grand Total	26	383	44	248	80	440	64	24	11	8	1328

Sheltered housing

The Council has 1039 dwellings designated as sheltered housing or extra care housing for the elderly. In total there are 49 schemes, consisting of between 2 and 83 homes. These include two extra care schemes at Kilkenny Court in Taunton and Lodge Close in Wellington.

Somerset County Council is undertaking a review of the future strategy for older people. The Council is working together with its partners and the South West Housing Support Unit to contribute to this review process to create a Housing Strategy for Older People that integrates intervention from healthcare, social care and housing to make the best use of the available resources, in the context of future demographic changes.

The high level aims of the strategy, which have been drawn from consultation already undertaken, will be to enable older people to:

- Maximise their choice and control.
- Retain their independence.
- Be confident of community support.
- Increase their quality of their life.

The requirements for investment in our own stock will be assessed in the light of the approved County Council strategy.

Temporary accommodation

The stock includes 23 units of temporary accommodation, including two groups of non traditional construction (portakabins) at Sneddon Grove and Winckworth Way in Taunton. The Asset Management Strategy includes an action to review whether these units remain fit for purpose. Other temporary accommodation is in traditionally built units but the Council has identified a need for more one bedroomed temporary accommodation.

Leasehold

Around 30% of flats have been sold and as a result the Council manages 372 leasehold properties. There are three blocks where all flats have been sold, and 22 blocks where over half of the flats are leasehold. This leaves the Council with a requirement to develop an effective and efficient leasehold management service and actions to deliver this are included in this business plan. We have recently undertaken a review of the leaseholder service. The aim of the review was to improve services and leaseholder satisfaction, for example by improving billing systems so that leaseholders receive accurate and timely bills to improve transparency, accountability and collection rates.

Stock condition information

The last stock condition survey was carried out in 2005 by Savills. At that time the stock was assessed as having been reasonably well maintained on a day-to-day basis, but a significant number of components, such as kitchens and bathrooms, were identified for replacement in the short to mid term. In the period since 2005 the Council's investment programme has focused on the delivery of decent homes, with new kitchens installed in about 60% of the stock. Officers have maintained an asset management database which has been updated as work has been carried out, and newly arising need identified. Information from this database has been used to inform the projections of investment need reflected in the business plan.

In order to ensure that the stock condition information is robust and consistent, a validation of the Council's data has been carried out by Savills.

This validation process has identified various areas of concern relating to the underlying data and the database methodology used to create the overall costs. The result of the issues highlighted by this validation has culminated in a set of investment costs that are considerably below expectation when compared with external benchmarks, and indicate an investment profile in direct contrast to the validated properties. There is some indication from the validation that costs in early years may be lower than indicated in the database, with increased costs to be expected in later years.

On this basis it is not considered that the survey data, and arising costs reports, are robust enough to be relied upon as a true reflection of the investment need of the stock over the next 30 years. Consequently the investment programme for 2012/13 has been reduced compared with the requirement indicated in the stock condition database. Investment has been prioritised based on the Council's ability to deliver, with investment priorities informed by local knowledge and resident consultation.

During 2012 the Council will take action to improve the overall quality of the data to inform longer term business planning with the following consideration:

- In-house desk top cleansing of database
- A dedicated resource in-house will be made available to ensure the data remains up to date and is managed correctly.
- A fresh stratified sample survey will be undertaken to a suitable volume of properties to achieve a high level of statistical accuracy.

- Following this the new survey data will be “cloned” to the non surveyed properties and overlaid with empirical data regarding element replacement over say the last 5 years.

Consideration will also be given to the cost/benefit of a 100% survey.

Stock investment needs

The total expenditure to improve and maintain the stock and related assets over 30 years is currently forecast as £186.9m at 2011/12 base prices. This equates to £31,068 per dwelling over 30 years. These costs relate to 6017 properties, as at a base date of August 2011 and comprise items of capital maintenance expenditure only. They include contract preliminaries, but excludes professional fees, leaseholders, management costs and VAT.

The following table sets out the capital requirements in five year bands from 2012/13.

	Yrs 1-5	Yrs 6-10	Yrs 11-15	Yrs 16-20	Yrs 21-25	Yrs 26-30	TOTAL
Future Major Works	£30.9m	£17.9m	£20.0m	£27.0m	£16.0m	£19.1m	£130.9m
Improvements	£3.5m	£3.1m	£1.9m	£1.9m	£1.9m	£2.0m	£14.3m
Related Assets	£0.6m	£0.6m	£0.6m	£0.6m	£0.6m	£0.6m	£3.6m
Contingent Repairs	£0.3m	£0.2m	£0.2m	£0.3m	£0.2m	£0.2m	£1.4m
Exceptional Extensive	£1.3m	£1.2m	£2.2m	£6.3m	£5.2m	£1.5m	£17.7m
Disabled Adaptations	£2.5m	£2.5m	£2.5m	£2.5m	£2.5m	£2.5m	£15.0m
Backlog	£4.2m	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m	£4.2m
TOTAL	£43.3m	£25.5m	£27.3m	£38.5m	£26.4m	£25.9m	£186.9m

Year one capital expenditure in the business plan reflects the 2012/13 capital programme. The backlog of £4.2m reflects the difference between the projected investment need in year one and the actual capital programme.

The total includes £15m over 30 years for disabled aids and adaptations, reflecting current spend of £500K a year.

From the table above it can be seen that the total capital expenditure required on council property over the next 30 years is £186.9m. This data has been drawn from the Council’s asset management database Codeman which projects future costs based on information prepared by the Council’s Property Services team. The Codeman data has been supplemented by the local knowledge of the Property Services team and aspirations for future investment. This figure includes an allowance for disabled aids and adaptations as set out above as well:

- an additional £14.3m for improvements which are detailed below in the section on Decent Homes and Local Investment Standard
- An additional £3.6m for related assets. This includes works to non dwelling assets such as garages
- a 1% contingency to cover unforeseen risks on future major repairs (£1.4m)

- Exceptional extensive works (£17.7m) this includes works to non traditional properties, the safe removal of asbestos, external cladding and subsidence issues

This produces a capital expenditure profile as indicated in the chart below.

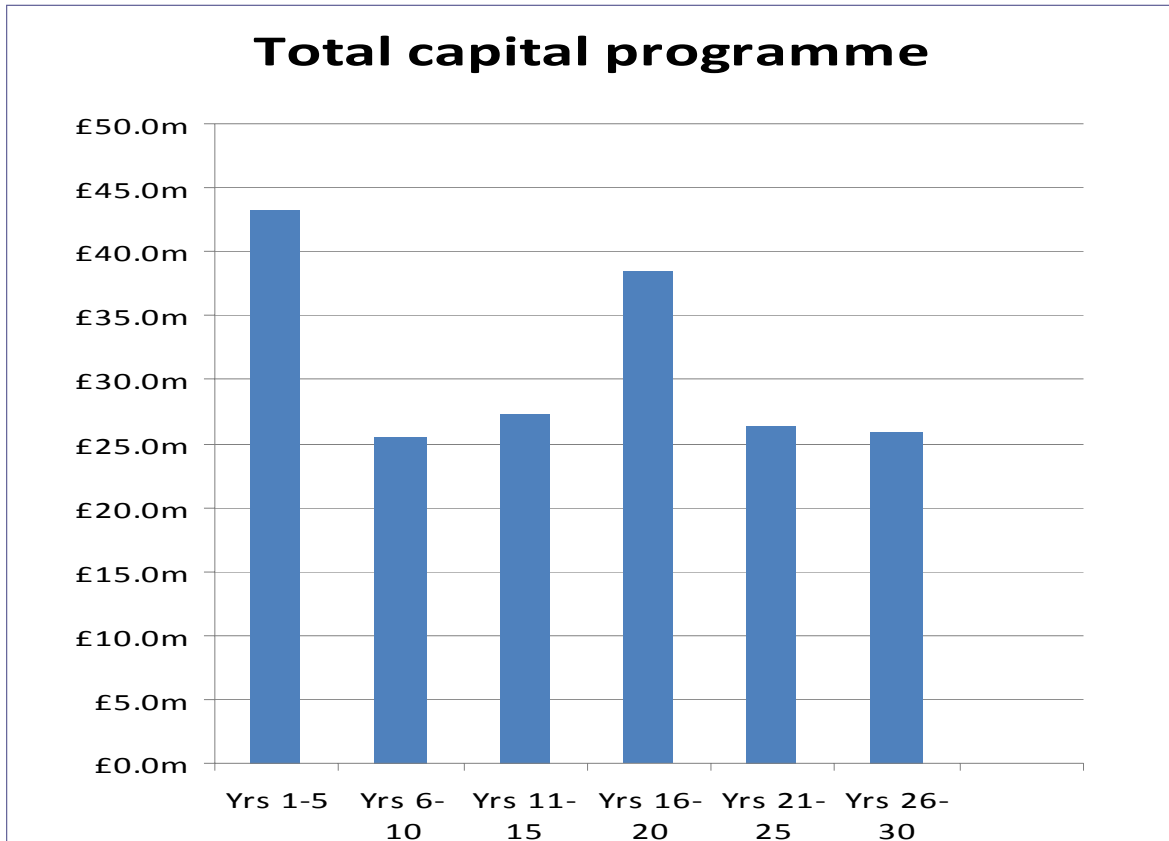


Fig 5.1 Capital investment profile based on stock condition database

Investment strategy

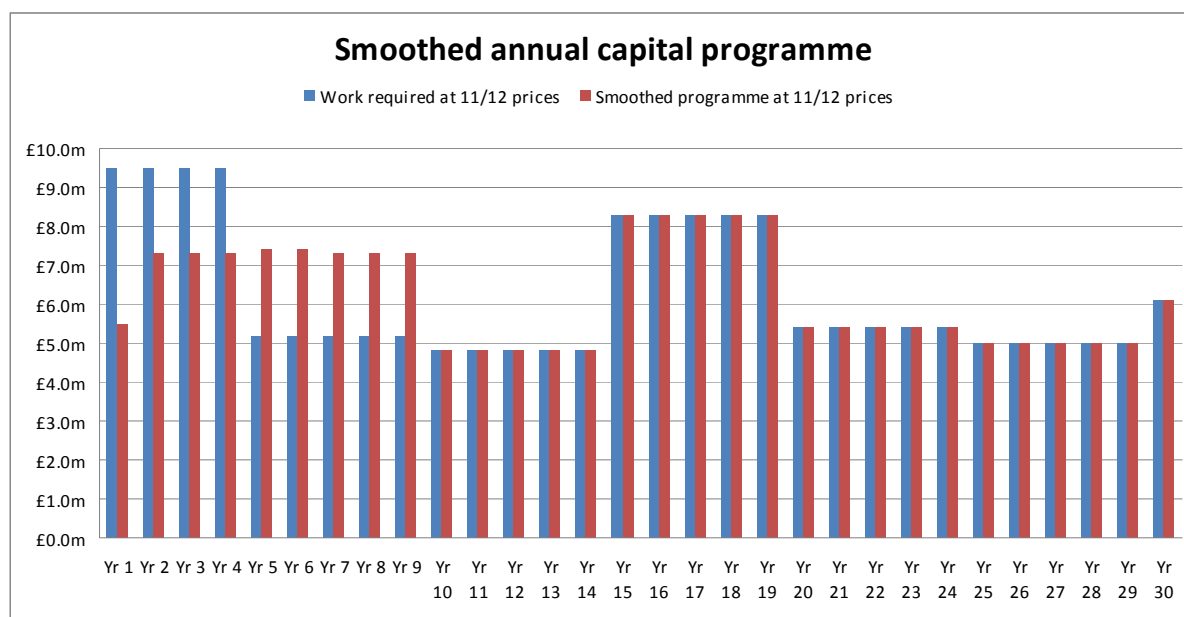
This profile indicates a requirement for an increase in the capital programme from 2011/12 annual levels of £4.3m to over £9.5m in each of years 2 – 5. The stock condition validation has indicated that the early years' requirement may be overstated. The Council therefore proposes a capital programme spend of £5.5m in 2012/13, representing a £1.2m increase in the 2011/12 programme. Key elements of the 2012/13 programme will include;

- Window replacement
- Central heating installation
- Bathroom replacement
- Re-roofing
- Fire safety in communal areas
- Disabled aids and adaptations

During 2012/13 we will undertake work on our asset management database and consider a new stock condition survey to ensure more accurate data to inform future business planning. The Council will also develop the capacity of its asset management team to prepare to deliver a larger capital programme.

In the meantime for the purposes of this business plan, investment has been “smoothed” over the first 10 years of the plan, resulting in a revised profile as set out below:

Fig 5.2 Investment strategy based on smoothed profile



Decent Homes and Local Investment Standard

The investment requirements in the current plan include all costs required to maintain the properties at the decent homes standard identified in the current stock condition database. It also includes costs, at 2011/12 base prices, for works that improve the stock beyond the basic decent homes standard including:

- £6.6m over 30 years as a sustainable energy contingency fund to provide affordable warmth, improve the energy efficiency of homes.
- £4.5m over 30 years for environmental improvements to fund works outside the home including improved parking provision.
- £2.4m in the first ten years to replace electric heating with gas/oil heating.

These allowances will be reviewed based on business plan affordability, depending on the outcome of the revised stock condition survey to be carried out in 2012.

Energy efficiency/sustainability

Consultation with tenants and other stakeholders has indicated a strong commitment to energy efficiency and sustainability. This addresses a key strategic objective of our business plan to tackle climate change by reducing the carbon emissions from our housing stock. It also addresses key

tenants concerns about fuel poverty, reducing the cost of heating by improving insulation and replacing electric systems with modern oil, gas or renewable energy central heating systems.

The asset management strategy highlights the fact that there are a small number of homes (around 250) with extremely poor thermal efficiency. Typically these are properties that have night storage heating and single-glazing. Some of these have since been upgraded and their thermal efficiency is being reassessed. Others will be prioritised for investment programmes in the short term.

The asset management strategy includes five key actions to tackle fuel poverty:

- Advice and guidance
- Making homes more energy efficient.
- Making use of renewable energy installations (solar PV, heat pumps, solar thermal)
- Increasing the disposable income of householder through welfare benefit advice, access to grants and reduced fuel bills.
- Advice and assistance to households under occupying who wish to move to a smaller home that will be easier and cheaper to heat.

Regeneration and new development

The Council is exploring options for the regeneration of Halcon North. This would involve replacing around 200 existing homes with up to 400 new homes. The new homes would be mix of tenures, with private sale, shared ownership, affordable and social rented homes available for a wide range of local tenants.

As consultation continues as to the most deliverable option for the area to address the Council's priorities for improvement, the business plan includes actions to increase the skills and capacity of staff teams to support major regeneration schemes.

Until formal decisions are taken on the regeneration of existing homes, resources for their future investment needs are included in the baseline business plan. The impact of removing these properties from the business plan will be modelled, based on updated information on existing stock investment requirements from the new survey, and on plans for the scope and timing of any redevelopment as these are established.

Beyond Halcon North the Council has ambitions to explore new build development, potentially using a mixture of debt financing from the HRA business plan, grant, and income from affordable rents where this would meet an identified local need.

In the short term, capacity for development is constrained by government limits on the amount of borrowing that the Council can undertake, and the Council's own internal capacity to deliver. However the consultation process has revealed an appetite to explore the feasibility of a modest new property development programme. Consequently an annual allocation of funding has been agreed for the purpose of building a small number of new properties at suitable locations. This is a new venture for the Council therefore the intention is to 'start small' developing and learning the skills and systems necessary to complete this work over the coming years. In practice, particularly in the early days we are likely to commission some of this work from other organisations, but the outcome will be new properties that are owned by the Housing Revenue Account.

A new Social Housing Development Fund is modelled into the business plan that will see allocated expenditure starting at £300k in year 1 and growing to £1m per year at year 4. Affordability will be reviewed against expectations of interest rate changes and actions to achieve this will be built into the Housing Services action plan. The effectiveness of this new approach and the agreed level of funding will be subject to annual review.

Section 6 Resources

This business plan is prepared in the context of major changes in housing finance with the introduction of self financing from April 2012.

Existing housing subsidy system

Under the existing housing subsidy system ending the 31st March 2012 the Department for Communities and Local Government (CLG) uses a notional calculation to assess the surplus that it believes Taunton Deane should be making on its housing revenue account and the Council is required to pay this amount into a national pool, which is then redistributed nationally to those authorities making a notional deficit, based on CLG's calculation.

The allowances used to calculate the subsidy payment were published annually and the Council had to manage its annual budgets to take into account the subsidy payment required.

In Taunton Deane a subsidy payment of £7m was budgeted for 2011/12. Previous business planning indicated that this would increase over time to £12.2m within 10 years and an annual payment of £25m by the end of the 30 year plan.

The most significant limiting factor in the subsidy system is the level of cost allowances used (which in most councils are lower than actual costs), and the inability to set long term plans, due to the volatility of a system of annual determinations. The subsidy system had become increasingly complex, confusing and unaffordable to the long term HRA.

In asset management terms this meant that the Council's capital programme was limited to the allowance that the subsidy system assumed for capital expenditure per dwelling (Major Repairs Allowance) within the subsidy system. For 2011/12 this funded a capital programme of £4.3m. The programme was set based on what could be afforded each year under the subsidy system, rather than driven by the needs of the stock.

Housing finance reform

In February 2011 CLG published its proposals for housing finance reform. The stated objectives of these reforms are:

- To give local authorities the resources, incentives and flexibility they need to manage their own housing stock for the long-term and to drive up quality and efficiency.
- To give tenants the information they need to hold their landlord to account, by replacing the current opaque system with one which has a clear relationship between the rent a landlord collects and the services they provide.

These reforms end the current redistributive housing subsidy system on the 31st March 2012. Following April 2012 the Council will no longer be required to make an annual payment into the national housing subsidy pool. Instead it will need to finance a level of housing debt, calculated using a methodology that values the stock over 30 years, and aims to leave the Council with a long term sustainable business plan.

The valuation is based on assumptions about costs and income over the next 30 years. These are based on current government social rent policy and its assessment of reasonable costs for management, maintenance and major repairs. These indicative cash flows are then discounted back to a value in today's terms to calculate the level of debt that the Council could afford, providing its actual business plan matches CLG's valuation assumption.

Significantly the level of cost allowances used in the valuation is higher than under the subsidy system. In Taunton Deane the allowances represent a funding of 18% combined uplift on all costs compared with the subsidy system. This includes increases in allowances, and funding for disabled adaptations which were not included in the previous subsidy system. The cost allowances for major repairs assume all stock is in a good condition from day one and do not provide resources to tackle any backlog of expenditure needed.

In Taunton Deane the valuation of the stock, using this methodology is higher than the current level of debt assumed in the housing subsidy system (subsidy capital finance requirement (SCFR)). The Council will therefore be required to pay government the difference as set out below:

• Opening debt allocation (Valuation)	£115.784m
• Supported Capital Financing Requirements (SCFR)	£30.585m
• Debt to be taken on at settlement date	£85.198m
• Indicative Debt Cap	£115.784m
• Average debt per dwelling based on 5,991 ¹ homes	£19,326

This information is based on the CLG's consultation self financing determination as issued on 31st January 2012.

In order to control public sector borrowing, current government policy is that HRA borrowing will be limited at the opening debt settlement of £115.784m over the life of the 30 year business plan. This position may be reviewed in future spending review rounds.

The valuation assumes a level of Right to Buy sales of on average 8 per year in the early years, with numbers increasing in later years. The valuation reflects income lost from these sales. However the Council will continue to have to pay 75% of the proceeds from each Right to Buy sale to government. The business plan assumes the retained 25% is used by the Council to fund strategic housing objectives and is not used for reinvestment in the existing housing stock.

The assumptions used to estimate future cost allowances are higher than the assumptions used in the subsidy system, representing a combined uplift in allowances of 18%. This means that the Council should be better off under self financing than under the current subsidy system. The cost of financing the new debt payment is now estimated to be around £3.1m pa at 3.64%. This compares favourably with the £7m paid under the current subsidy system and allows the Council to set firm long-term plans that both provide significantly greater capital resources and repay the settlement debt at the earliest practicable date.

¹ CLG final self financing determination as at 31st January 2012.

However, the increase in housing debt, and the ending of the redistributive system, passes increased risks relating to inflation and interest rates from central to local government. The CLG business plan assumes a housing debt interest rate of 5.50% in the final settlement (7% in the first draft) while the Council's advisors have advised to model on a rate of 3.64%. In practice and at the time of actually taking the loan the actual interest rates may be lower.

There is also further guidance due from CLG about the treatment of debt and depreciation. There is also a need to update the information on future stock condition as set out in the previous section 5, **Assets**.

The more significant risk is the stock condition survey data. The long term position of the business plan cannot be warranted or relied upon until this information is updated, as set out in section 5 **Assets**. In order to manage that risk, costs have been smoothed over the first ten years but this smoothing should not be taken to be a reliable profile for planning beyond the first year of the plan.

The introduction of self financing was subject to the Localism Bill receiving royal assent before April 2012. The Localism Bill received Royal Assent on the 15th November 2011, becoming the Localism Act. The Act includes a provision for government to reopen the settlement in future years if there are major changes in housing policy that would impact on future business plans.

Baseline financial position for Taunton Deane

In order to consider the impact of these proposals on the Council it is necessary to replace this indicative business plan based on CLG's valuation assumptions with actual costs and income estimated for Taunton Deane over the next 30 years in a new business plan financial model that can be used to project future income and expenditure, debt financing and stock changes over time, we plan to do this in Spring 2012.

Actual costs and income are based on the Council's 2011/12 budgets and make the following assumptions:

- Rents increase in line with government policy, to converge with target rents by 2015/16 and increasing at inflation + 0.5% thereafter
- Non dwelling income (garages etc) increases by inflation (as measured by RPI) only
- It is currently assumed that 0.97% of annual rental income is lost as a result of voids. This reflects current performance in year 1 and then increases to 1.02% from year 2 onwards and the bad debt provision is expected to rise to 0.5% by year 3 (2014/15) and remain at that level for the life of the Plan, reflecting the anticipated impact of future housing benefit reforms
- Day to day maintenance costs increase in line with inflation and do not vary with small stock losses from Right to Buy.
- Management costs increase by general inflation: any further unforeseeable costs such as employer pension contributions, pay awards or supplies and services increasing above general inflation would have to be met by efficiency savings.
- The contribution to reserves for the establishment of SWOne procurement consortium is forecast to continue at £200k each year for the next six years only.

- Somerset County Council is changing the supporting people payment to reflect a reduction in 2012/13 and 2013/14 of 6% respectively. From 2014/15 the model assumes that supporting people payments will be withdrawn completely.
- Major repair costs increase by inflation only, and are based on the Council's internally generated figures, smoothed over the first 10 years, pending revised stock condition information. Costs are assumed to vary with stock loss over time.
- Professional fees for major repair works are included within capital costs or management costs – no additional allowance is included
- Service charge income and costs increase in line with inflation
- General inflation based on RPI of 3.50%
- Cost of borrowing 3.64%

Additional management costs of £122K p.a. have been included which represent the net increase in costs (after deducting savings from the restructuring of the housing service, DLO Review and Theme 5 Review) to provide the necessary resources to improve services in both housing and property such as the database administration. This represents the cost of short term actions to improve the service. Longer term changes around additional staffing requirements to support regeneration will need to be factored into the plan as decisions are made about individual projects.

The HRA reserve position has been reviewed to reflect the new financial risks that self-financing brings. After this review it is considered appropriate to increase the minimum level of reserve to £1.8m.

Current council HRA debt, as measured by the Housing Capital Finance Requirement (HCFR) is £14.45m. The actual debt is lower than the amount assumed in the subsidy calculation (SCFR £30.6m). When additional debt of £85.981m is added to the existing debt, the Council will have an opening self financing debt of £99.649m. This is some £16m below the debt limit or cap imposed at £115.784m, which gives the Council "headroom" of additional borrowing potential.

The business plan model assumes that debt is repaid at the earliest opportunity, in order to demonstrate financial viability. The model ensures that the capital programme is fully funded by available revenue surpluses from the HRA, whilst maintaining a minimum balance. If additional borrowing is required, the model allows for this up to the designated debt cap. Any capital shortfalls are carried over to the following year and inflated. If capital expenditure can be fully funded, any remaining balances above the £1.8m minimum HRA balance is used to repay debt.

In reality the Council will be able to review the plan regularly and make decisions about the use of surpluses, balancing repayment of debt and additional investment. This gives the Council a much greater level of flexibility in its long term planning than has been possible under the existing subsidy system.

The graph below represents the projected in-year cashflows for the HRA and closing balances under self-financing in £'ms, i.e. inflation 3.5% in years 1-6 and 2.5% year 6 onwards, Interest Rate 3.64% and total settlement figure £85.198m with £1.8m reserve balance.

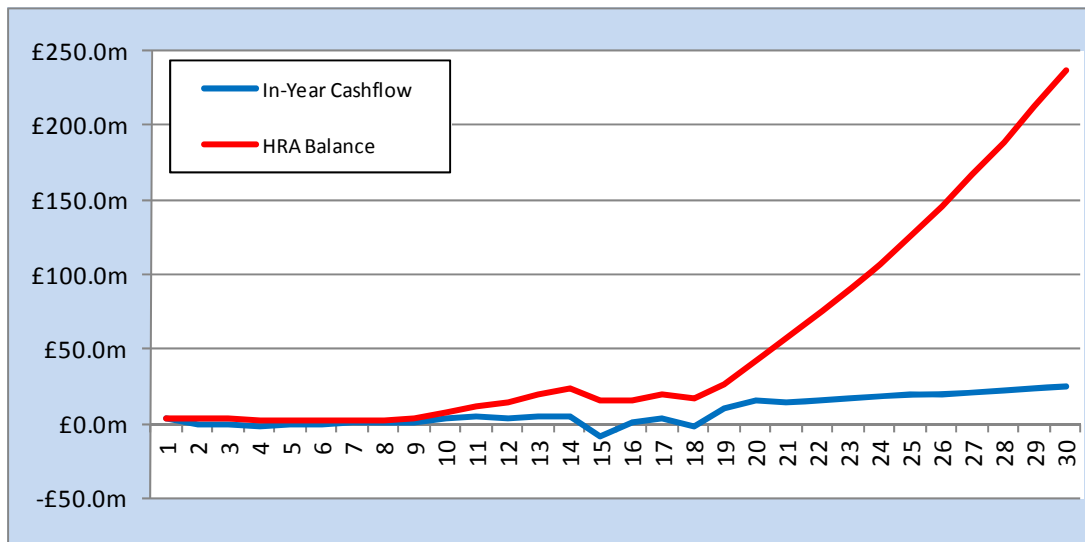


Fig 6.1 Baseline revenue position

The plan projects a healthy position for the HRA account, given that the balances do not fall below a pre-set minimum balance of £1.8m. Debt is repaid by year 18 after this time the balances start accumulating to £251.9m in year 30 within the plan.

All capital expenditure is met, according to the stock condition database outputs as demonstrated in the graph below in £'m;

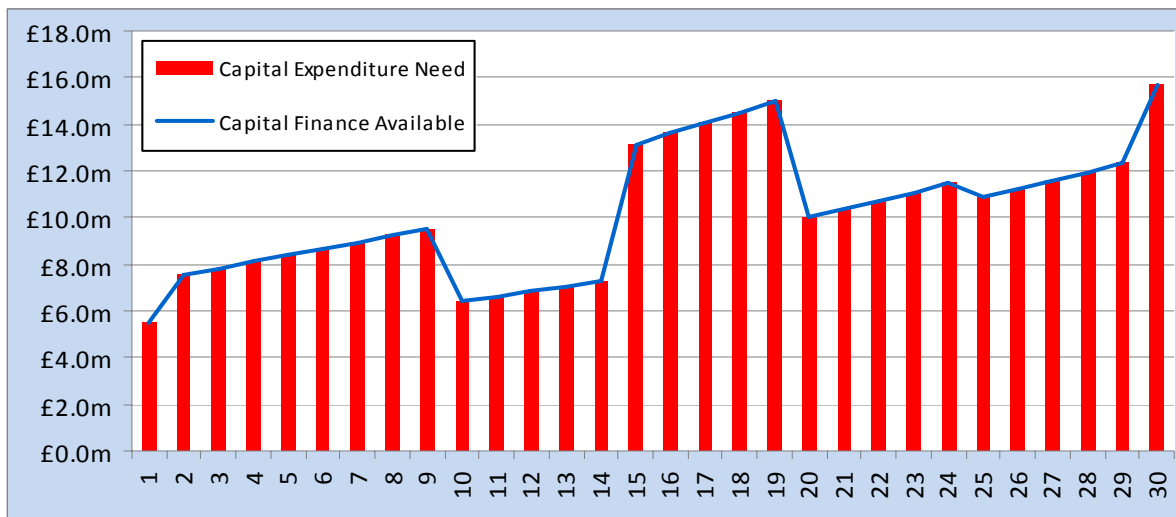


Fig 6.2. Baseline capital position (showing costs including RPI)

The plan shows that the capital expenditure can be fully met with the resources available from depreciation charges, Revenue Contributions to Capital Outlay (HRA contributions). At this stage the plan predicts that no further borrowing is required, maintaining the available headroom up to the debt cap.

To best demonstrate the viability of the plan the HRA debt graph below shows the initial position of debt take-on of £85.198m. It should be noted that some of the pre 2012/13 debt of circa £7m will still be outstanding from year 18 onwards; this is because the refinancing costs are not viable.

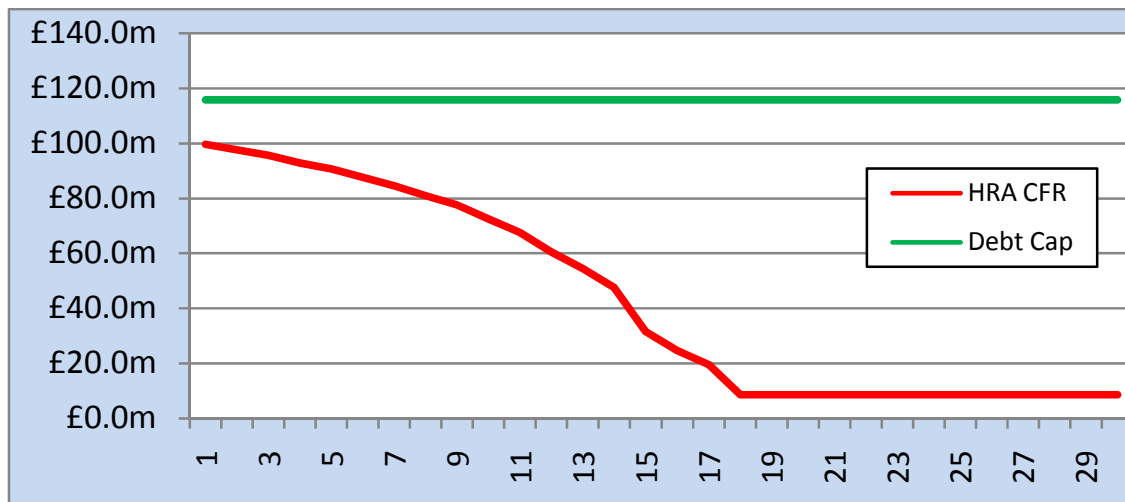


Fig 6.3 Baseline position HRA debt

This graph demonstrates that the settlement debt could be repaid as early as 18 years if all the available HRA resources were co-ordinated to repaying the loan. The maximum debt is £99.649m, well within the debt cap of £115.784m.

Summary

The above projections under self-financing demonstrate that the HRA business plan is fully self-funding and can meet all its obligations. The business plan will be continually developed and updated in conjunction with the asset management strategy and the final proposals for HRA reform.

Section 7 Priorities for action

Our priorities for action to improve our services and homes are structured around the four housing strategic priorities of

- Securing a long term future for our housing service
- Tackling deprivation and sustainable community development
- Investing in our housing stock, regeneration and affordable housing
- Climate change

These strategic actions are supported by more detailed operational activity, set out in our departmental service improvement plans.

The business plan will be monitored annually and priorities for action revised at that point. The results of this monitoring will be presented to the Council along with any decisions required as a result of changes. The Tenant Services Management Board will be at the heart of the annual review process. The reviews will also be informed by the results of regular consultation with tenants throughout the year, including the results of surveys, mystery shopping and tenant inspection and scrutiny. We will also use information from complaints, service reviews and regular stock condition surveys to inform the development of the plan over time.

Objective one: Securing a long term future for the housing service

- This means continuing to invest in the management of the housing stock to ensure it meets tenants’ needs, who should be at the heart of decision making.

Priority	Activity/Resources required	By when	Lead Officer	Measure of success
1.1 Widen tenant participation and empowerment	<ul style="list-style-type: none"> • Develop Tenant Services Management Board to identify service improvement areas and establish scrutiny groups to review these areas. 	2012 ongoing	Tenant Empowerment Manager	<ul style="list-style-type: none"> • All proposals for service improvement supported by evidence from tenant feedback. • Increase proportion of tenants providing feedback to inform service reviews • Increase in proportion of tenants satisfied their views are taken into account
	<ul style="list-style-type: none"> • Collect evidence from tenant inspectors, surveys, questionnaires, estate walkabouts and mystery shoppers, and act on outcomes. 	2012 ongoing	Tenant Empowerment Manager	
	<ul style="list-style-type: none"> • Link tenant participation with opportunities for skills development for tenants. 	2012 ongoing	Tenant Empowerment Manager/Community Development Lead	
1.2 Improve services to leaseholders	<ul style="list-style-type: none"> • Agree actions arising from service review 	2012/3	Housing Manager Income	<ul style="list-style-type: none"> • Accurate and timely billing • Improved leaseholder engagement • Understanding our financial position • Measure and improve leaseholder satisfaction
	<ul style="list-style-type: none"> • Consult leaseholders on views of current service and participation arrangements 	2012/3	Housing Manager Income	
	<ul style="list-style-type: none"> • Benchmark service with other landlords 	2012/3	Housing Manager Income	

1.3 Deliver successful self-financed business plan	<ul style="list-style-type: none"> Improve debt and income management 	2012 ongoing	Housing Manager Income/Housing Manager Estates	<ul style="list-style-type: none"> Business plan used to inform investment and service planning, regularly updated to reflect emerging needs, issues and resident feedback Increased business plan income from improved income and debt management Realistic performance improvement targets set to move to top quartile performance in all areas Annual budgets set based on business plan priorities, with costs benchmarked against other providers to demonstrate value for money
	<ul style="list-style-type: none"> Review business plan annually with tenants 	Annually from 2013/14	Community Services Manager	
	<ul style="list-style-type: none"> Benchmark performance with other landlords 	Annually from 2013/14	Housing Services Lead	
1.4 Develop and support our staff to deliver excellent services	<ul style="list-style-type: none"> Develop and deliver a staff training plan linked to business plan objectives 	2013/14	Housing Services Lead	<ul style="list-style-type: none"> Improved staff satisfaction Improved staff retention and recruitment of quality staff Improved customer satisfaction Developing pride in the housing profession as staff progress their careers
	<ul style="list-style-type: none"> Staff's views used to inform training and development and service improvement planning 	2012 ongoing	Housing Services Lead	
	<ul style="list-style-type: none"> Staffing restructure to deliver business plan objectives 	2012/13	Housing Services Lead	
	<ul style="list-style-type: none"> Staffing costs and structure benchmarked with other landlords 	Annually from 2013/14	Housing Services Lead	
1.5 Review of staff accommodation	<ul style="list-style-type: none"> Review existing accommodation use and identify opportunities for improvement to match new staffing structures and other Council wide 	2013/14	Tenant Empowerment Manager	<ul style="list-style-type: none"> Staff accommodation fit for new structures

	pressures/changes on accommodation			
1.6 Review of IT/data management systems	<ul style="list-style-type: none"> Review current arrangements and identify areas for improvement and resources – to include review of renewal of major systems 	2013/14	Business Support Lead	<ul style="list-style-type: none"> Housing IT and data management strategy Housing Management IT system upgrade. Improved use of new technology to deliver services Improved use of customer service centre Improved compatibility between financial and operational systems

Objective two: Tackling deprivation and sustainable community development

- This means taking action so that disadvantaged communities will have better access to local housing services, training and employment, continuing our support for a range of vulnerable people.

Action	Activity/Resources required	By when	Lead Officer	Measure of success
2.1 Prepare for Supporting People funding reductions	<ul style="list-style-type: none"> Understand cost base 	2012/13	Supported Housing Manager	<ul style="list-style-type: none"> Services for vulnerable tenants maintained with flexibility to enable future needs to be met Full understanding of cost base to support financial viability of the service
	<ul style="list-style-type: none"> Explore alternative service delivery options 	2012/12	Supported Housing Manager	
	<ul style="list-style-type: none"> Understand current and future needs 	2012/13	Supported Housing Manager	
2.2 Establishing a strategic tenancy strategy that ensures that local housing need is met and assets are	<ul style="list-style-type: none"> Up to date information on local housing need 	2012/13	Housing Services Lead	<ul style="list-style-type: none"> Strategic tenancy strategy in place Improved ability to meet a wide range of housing need
	<ul style="list-style-type: none"> Develop a tenancy strategy incorporating new forms of tenure where appropriate. 	2012/13	Housing Services Lead	

Action	Activity/Resources required	By when	Lead Officer	Measure of success
used effectively, utilising all available flexibilities	<ul style="list-style-type: none"> Evaluation of the use of introductory tenancies 	2012/13	Housing Manager Estates	<ul style="list-style-type: none"> Revised under occupation strategy in place Revised succession policy in place
	<ul style="list-style-type: none"> Review of under occupation and succession policies 	2012/13	Housing Manager Lettings	
2.3 Continuing to fund disabled adaptations and disabled facilities grants for HRA tenants and improve the delivery process	<ul style="list-style-type: none"> Good and up to date information on needs of tenants 	2013/14	Somerset West Private Sector Housing Partnership	<ul style="list-style-type: none"> Efficient process to reduce waiting times Relets with existing adaptations targeted to meet need Understanding of adequacy of budget provision Increased satisfaction from tenants
	<ul style="list-style-type: none"> Analysis of current service delivery 	2013/14	Somerset West Private Sector Housing Partnership	
2.4 Assess the impact of welfare benefits on existing and future tenants and ensure services are designed to help manage the impact	<ul style="list-style-type: none"> Good and up to date information on tenant income and benefit eligibility 	2013/14	Housing Manager Income	<ul style="list-style-type: none"> Impact on tenants is managed to avoid problems of affordability and increased debt Impact on business plan income (rent arrears and bad debts) minimised Impact on demand is understood and responded to
	<ul style="list-style-type: none"> Increased resources in income management team 	2012/13	Housing Services Lead	
	<ul style="list-style-type: none"> Regular information and advice to tenants on changes 	2012 ongoing	Housing Manager Income	
	<ul style="list-style-type: none"> Ongoing liaison with housing benefit service 	2012 ongoing	Housing Manager Income	
2.5 Invest in community development to improve opportunities for employment and skills for	<ul style="list-style-type: none"> Review funding for corporate community development activity to at least maintain current levels and consider case to increase funding to provide services beyond priority areas to the 	2013/14	Housing Services Lead	<ul style="list-style-type: none"> Improvement in key indicators including health, education and employment (Indices of Multiple Deprivation) for TDBC tenants

Action	Activity/Resources required	By when	Lead Officer	Measure of success
tenants	benefit of council tenants.			<ul style="list-style-type: none"> Increase in resources for community development – either from business plan, or from external sources Increase in activity delivered and/or funded by partners
	<ul style="list-style-type: none"> Increase partnership working to leverage in additional resources and provide a wide range of services 	2012 ongoing	Community Development Lead	
	<ul style="list-style-type: none"> Consider provisions in contracts for contribution to tenant employment and supporting community development. 	2013/14	Community Development Lead/ Housing Manager Property Services	

Objective three: Investment in our housing stock, regeneration and affordable housing

- This means investing in our existing stock to deliver a standard that meets the needs of the stock and local aspirations. It also means planning and successfully managing the regeneration of our housing estates and communities, providing homes that cater for the needs of an expanding and diverse population within communities that people are proud of.

Action	Activity/Resources required	By when	Lead Officer	Measure of success
3.1 Improve the information on our housing stock	<ul style="list-style-type: none"> Undertake desk top cleansing of current Codeman system and assess need and extent of new stock condition survey. 	2012/13	Housing Manager Property Services	<ul style="list-style-type: none"> Easily accessible robust information on investment requirements of the stock is readily available to inform investment planning
	<ul style="list-style-type: none"> Upgrade to latest version of Codeman asset management system 	2012	Housing Manager Property Services	

Action	Activity/Resources required	By when	Lead Officer	Measure of success
	<ul style="list-style-type: none"> New post of Codeman database administrator, created and filled. 	2012	Housing Manager Property Services	
3.2 Establish an investment strategy to meet agreed local investment standard that goes beyond minimum decent homes to ensure our stock remains attractive and meets the needs and expectations of existing and future tenants	<ul style="list-style-type: none"> Revise investment standard to reflect consultation carried out as part of business plan development to establish a 'Taunton Deane standard' 	2013/14	Housing Manager Property Services	<ul style="list-style-type: none"> Investment strategy based on up to date and reliable data, delivered to a transparent standard that reflects the needs of the stock, and local priorities. Improved tenant satisfaction with quality of home
	<ul style="list-style-type: none"> Develop assessment of relative performance of the portfolio to inform investment planning 	2013/14	Housing Manager Property Services	
	<ul style="list-style-type: none"> Agree the draft new Asset Management Strategy updated to reflect revised standard, and business plan budgets 	2012	Housing Manager Property Services	
	<ul style="list-style-type: none"> Update business plan to reflect updated stock condition survey information and revised capital investment requirements 	Annually from 2013/14	Community Services Manager/ Housing Manager Property Services	
3.3 Investment options appraisal of non traditional properties with limited future life	<ul style="list-style-type: none"> Curtins updated survey and report 	2013/14	Housing Manager Property Services	<ul style="list-style-type: none"> All options considered including investment to extend life, and redevelopment. Deliverable long term strategy agreed.
	<ul style="list-style-type: none"> Tenant consultation in affected properties 	When appropriate	Housing Services officers and managers	

Action	Activity/Resources required	By when	Lead Officer	Measure of success
	<ul style="list-style-type: none"> Financial analysis of options available. 	2013/14	Housing Manager Property Services	
3.4 To provide an excellent repair and maintenance service that the Council can afford	<ul style="list-style-type: none"> Implement actions from void process review 	2012	Housing Manager Lettings	<ul style="list-style-type: none"> Deliver a value for money service that achieves top quartile resident satisfaction. Improved void turnaround times. Cyclical programme that extends the life of assets but reduces costs over time Reduced revenue repair costs following DLO transformation Increase the proportion of repairs completed right first time
	<ul style="list-style-type: none"> Review cyclical maintenance programme and publish future plans following consultation with tenants 	2013/14	Housing Manager Property Services	
	<ul style="list-style-type: none"> Review impact of DLO transformational review 	2014/15	Community Services Manager/ Housing Manager Property Services	
	<ul style="list-style-type: none"> Assess options for direct funding of DLO workforce 	2015/16	Community Services Manager	
	<ul style="list-style-type: none"> Complete end to end review of repairs service 	2013/14	Housing Manager Property Services	
3.5 To establish a clear policy on the use of HRA assets for regeneration and affordable housing schemes and a process of appraisal	<ul style="list-style-type: none"> Establish decision making process on potential disposals for affordable housing schemes, balancing affordable housing community benefit and the impact on the HRA Business Plan. 	2013/14	Community Services Manager	<ul style="list-style-type: none"> Increase in affordable homes Increase in Council owned affordable housing stock Increase in skills and capacity of

Action	Activity/Resources required	By when	Lead Officer	Measure of success
of options	<ul style="list-style-type: none"> Map potential HRA development opportunities 	2013/14	Housing Manager Property Services	internal teams to deliver regeneration and new build <ul style="list-style-type: none"> Disposal of uneconomic assets Increased resources for investment
	<ul style="list-style-type: none"> Carry out development appraisals of identified sites and review business plan capacity to deliver. 	2013/14	Community Services Manager/ Housing Manager Property Services	
	<ul style="list-style-type: none"> Support the regeneration of Halcon North and other regeneration schemes identified by the Council 	2012 ongoing	Housing Services	
	<ul style="list-style-type: none"> Review and resource internal skill requirements to deliver 	2013/14	Community Services Manager	
	<ul style="list-style-type: none"> Ensure all future affordable housing are considered against potential regeneration required for non traditional and other essential projects 	2013/14	Community Services Manager	
	<ul style="list-style-type: none"> Improve internal co-ordination of projects affecting HRA stock so all relevant parties are aware and competing demands are managed 	2013/14	Community Services Manager	
3.6 Improved performance management and financial planning systems in housing property services	<ul style="list-style-type: none"> Review performance management systems and take action to improve Review financial planning systems and reflect requirements in new housing IT and data management strategy (see 1.6) 	2012/13	Housing Services Lead/Financial Advisory Service	<ul style="list-style-type: none"> Improved staff capacity to deliver excellent repairs service Improved staff capacity to deliver long term asset management

Action	Activity/Resources required	By when	Lead Officer	Measure of success
3.7 New social housing development fund.	<ul style="list-style-type: none"> • Develop the necessary staff capacity and skills in order to deliver requirements of the new development fund. • Assess suitable potential sites. • Determine potential delivery models. • Initiate first development site. 	2013/14	Community Services Lead	<ul style="list-style-type: none"> • Increase in affordable homes • Increase in Council owned affordable housing stock • Increase in skills and capacity of internal teams to deliver regeneration and new build

Objective four: Climate Change

- This means taking action to reduce carbon emissions across our housing stock through our investment planning, service delivery, partnership and community action

Action	Activity/Resources required	By when	Lead Officer	Measure of success
4.1 Future investment standard to include actions to improve average energy efficiency and reduce fuel costs for tenants.	<ul style="list-style-type: none"> • Revise property standard to reflect consultation from business plan development that identifies priorities of affordable warmth and choice of heating as tenant priorities 	2012/13	Housing Manager Property Services	<ul style="list-style-type: none"> • Future standard costed and agreed with tenants and reflected in investment strategy and business plan • Improved SAP ratings • Reduced fuel costs for tenants • Reduced revenue repair costs • Improved tenant satisfaction with repairs service • Clarity on Taunton Deane standard for properties
	<ul style="list-style-type: none"> • Improved information on running costs of existing housing stock 	2013/14	Housing Manager Property Services	
	<ul style="list-style-type: none"> • Actions prioritised to homes with lowest SAP ratings 	2014/15	Housing Manager Property Services	
	<ul style="list-style-type: none"> • Include energy affordability and sustainability as key components of TDBC's criteria for assessing stock quality 	2013/14	Housing Manager Property Services	
4.2 Establish sustainable energy contingency fund	<ul style="list-style-type: none"> • £6.6m sustainable energy fund established to provide affordable warmth and improve energy efficiency of homes 	2012/13	Housing Manager Property Services	<ul style="list-style-type: none"> • Improved SAP ratings • Reduced fuel costs for tenants
4.3 Access external funding where available to reduce carbon emissions and improve energy efficiency	<ul style="list-style-type: none"> • Responsibility identified in existing property section to identify funding opportunities 	2013/14	Housing Manager Property Services	<ul style="list-style-type: none"> • Increased funds available for investment in the stock

Action	Activity/Resources required	By when	Lead Officer	Measure of success
	<ul style="list-style-type: none"> Progression and evaluation of Solar PV and Air Source Heat Pump projects 	2012/13 ongoing	Housing Manager Property Services	
4.4 Build climate change as an integral part of future contracts let by the service	<ul style="list-style-type: none"> Review future contracts to include clauses to require contractor to take action to tackle climate change relevant to work to be carried out 	2012/13 ongoing	Housing Manager Property Services	<ul style="list-style-type: none"> Contractors supporting council and housing service objectives to tackle climate change Reduced carbon emissions from building works and from Council homes Reduced fuel costs for tenants
	<ul style="list-style-type: none"> Build requirement into tender process for future contracts 	2012/13 ongoing	Housing Manager Property Services	
	<ul style="list-style-type: none"> Monitor compliance through existing contract monitoring systems 	2012/13	Housing Manager Property Services	

Section 8 – Appendices

- Appendix 1 - Equality Impact Assessment
- Appendix 1A - Schedule of Further Impact Assessments
 - Appendix 2 - SWOT Analysis

Appendix 1 - Equality Impact Assessment

Responsible person	<i>James Barra</i>	Job Title: Community Services Manager
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Proposed new policy/service	√
	Change to Policy/service	
	Budget/Financial decision – MTFP	√
	Part of timetable	
What are you completing the Equality Impact Assessment on (which, service, MTFP proposal)	Taunton Deane Borough Council (TDBC) Housing Revenue Account (HRA) Business Plan 2012 - 42	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy/decision/service?	<p>The strategic objectives of the business plan are to:</p> <ol style="list-style-type: none"> 1. Securing a long term future for our housing service; <ul style="list-style-type: none"> • This means continuing to invest in the management of the housing stock to ensure it meets tenants' needs, who should be at the heart of decision making. 2. Tackling deprivation and sustainable community development; <ul style="list-style-type: none"> • This means taking action so that disadvantaged communities will have better access to local housing services, training and employment, continuing our support for a range of vulnerable people. 3. Investing in our housing stock, regeneration and affordable housing; and 	

	<ul style="list-style-type: none"> • This means investing in our existing stock to deliver a standard that meets the needs of the stock and local aspirations. It also means planning and successfully managing the regeneration of our housing estates and communities, providing homes that cater for the needs of an expanding and diverse population within communities that people are proud of. <p>4. Climate change.</p> <ul style="list-style-type: none"> • This means taking action to reduce carbon emissions across our housing stock through our investment planning, service delivery, partnership and community action
<p>Which protected groups are targeted by the policy/decision/service?</p>	<p>Taunton Deane Borough Council’s HRA housing stock comprises of approximately 6,000 rented homes, with a further 372 leasehold properties. In addition, the Council also manages two private leasehold schemes for the elderly. Housing services are designed to ensure they meet the needs of wide ranging customer base. As such the HRA Business Plan 2012 – 2042 is targeted at all the protected groups including: Age; Disability; Gender Reassignment; Pregnancy and Maternity; Race; Religion or belief; Sex; and Sexual Orientation; Marriage and civil partnerships.</p>

<p>What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used</p> <p>The information can be found on....</p>	<p>Data:</p> <ol style="list-style-type: none"> 1. Major changes in national housing finance and housing policy – 2011; 2. Values and priorities reflected in the Council’s corporate strategy, which were developed following community consultation with TDBC residents – 2010; 3. Strategic Housing Market Assessment which gives a detailed picture of the future housing required for people who choose to live and work in the area. <p>Engagement:</p> <ol style="list-style-type: none"> 1. Consultation with residents and stakeholders which included regular meetings with the Tenant Services Management Board and wider consultation with tenants, staff, members and other stakeholders - 2011
<p>Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality</p>	
<p><i>The Department for Communities and Local Government’s initial screening (which included an analysis of responses to national consultation) of the reform of council housing finance for race, disability and gender equality concludes that it does not believe that any specific equalities impacts will arise.</i></p> <p><i>In terms of Taunton Deane Borough Council’s HRA Business Plan 2012 – 42 the impact on protected groups, whether potential negative impacts or opportunities to positively advance equality, are detailed as follows:</i></p> <p>Age: The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.</p> <p>Elderly tenants will benefit from the overall investment in the council’s housing stock. Any improvements in energy efficiency would help to protect elderly and vulnerable from fuel poverty.</p> <p>Any reduction and or loss of funding to help vulnerable people with housing related support needs will lead to a reduction in people’s independence which will in turn increase their need for other services.</p> <p>Communications on any complex changes may disproportionately worry tenants in sheltered housing.</p>	

Any proposed re-development of the housing stock could potentially have a negative impact on a specific group of tenants, depending upon the location. For example: The redevelopment of land locking sheltered housing accommodation.

Disability: The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.

Disabled tenants will benefit from the overall investment in the council's housing stock. Some disabled tenants will particularly benefit from the provision of disabled adaptations and Disabled Facilities Grants to council housing.

Gender Reassignment: The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.

People will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.

Pregnancy and maternity: The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.

Within the business plan there is potential for investment in better quality and additional family housing. There is not expected to be any particular negative impact on this specific group.

Race: The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.

People will benefit from the overall investment in council housing. Wider tenant participation and engagement will increase the proportion of tenants providing feedback to inform service improvements.

Any proposed re-development of the housing stock could potentially have a negative impact on a specific group of tenants, depending upon the location.

Communication about the business plan may not fully reach those for whom English is not their first language. For example: Requiring decant of households away from established community groups.

Religion or belief: The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.

People will benefit from the overall investment in council housing. Developing and supporting staff to deliver excellent services will ensure appropriate and sensitive services are delivered to the religious or belief requirements of tenants.

Any proposed re-development of the housing stock could potentially have a negative impact on a specific group of tenants, depending upon the location. For example: Requiring decant of households away from religious community.

Sex: The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.
 People will benefit from the overall investment in council housing.

Sexual Orientation: The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.
 People will benefit from the overall investment in council housing. Investment in community development will ensure information about various initiatives is accessible so that people can benefit from such services. People experiencing alarm, distress and harassment will benefit from investment being made into developing excellent services which are community inclusive.

Marriage and civil partnerships: The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.
 There is not expected to be any particular positive impact on this specific group. There is not expected to be any particular negative impact on this specific group.

Currently the service collects data on seven strands of equality, However, the service would benefit from a better understanding of service take up by all service users. This information can then be provided to management so that they can have a clear picture of need, and therefore take appropriate action to plan services.

I have concluded that there is/should be:

No major change - no adverse equality impact identified	
Adjust the policy/decision/service	Actions will be identified that will help mitigate the impacts identified above – see action table.

Continue with the policy/decision/service		
Stop and remove the policy/decision/service		
Reasons and documentation to support conclusions <i>The engagement activity shows that there will be impacts. Actions will be put in place to limit the impacts as much as possible.</i>		
Section four – Implementation – timescale for implementation		
Housing Revenue Account Business Plan 2012 -2042 effective from April 2012 involving ongoing monitoring and controlling of impacts.		
Section Five – Sign off		
Responsible officer: James Barrah	Management Team	
Date	Date	
Section six – Publication and monitoring		
Published on		
Next review date	Date logged on Covalent	

Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table					
Service area			Date		
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions
Reduction and or loss of funding to help vulnerable people with housing related support needs	Prepare for supporting people funding reductions	Housing Services Lead	2011/12	Regular meetings and wider consultation with stakeholders	Services for vulnerable tenants maintained with flexibility to enable future needs to be met
Communications on any complex changes may disproportionately worry tenants in sheltered housing	Utilise the existing tenant involvement channels to communication any changes in service to tenant in sheltered housing	Supported Housing Manager	2012 - ongoing	Regular meetings and wider consultation with stakeholders	Easily available and accessible information on any changes to services
Alienate specific ethnic groups if community housing is identified for regeneration/redevelopment	Consider re-supply of appropriate housing to meet the needs of ethnic groups as part of any future regeneration / redevelopment	Housing/Growth & Development Officers	2012 - ongoing	Regular meetings and wider consultation with	Improved tenant satisfaction with housing services

	scheme			stakeholders	
Those for whom English is not their first language are not made fully aware of changes.	Offer translation of communication into alternative languages. Engage with minority groups using existing tenant involvement channels	Housing Services Managers	2012 – ongoing	Regular meetings and wider consultation with stakeholders	Easily available and accessible information on any changes to services
Alienate religious or belief groups if community housing is identified for regeneration/redevelopment.	Consider re-supply of appropriate housing to meet the needs of any religious or belief groups as part of any future regeneration / redevelopment scheme	Housing/Growth & Development Officers	2012 - ongoing	Regular meetings and wider consultation with stakeholders	Improved tenant satisfaction with housing services
Lack of comprehensive equality data held by housing service to effectively inform service development	Continue to build equality data	Housing Services Lead	2012 - ongoing	Monitoring of quarterly performance management information ie. Community Services scorecard, Housemark PI tracking data	Equality data contributes to effective policy making by eliminating potential discriminatory effects.

Appendix 1A - Schedule of Further Impact Assessments

Equality Impact Assessments (EIA) are a way for us to look at what we're doing and to make sure our policies and actions take equality and diversity fully into account. It is one of several ways we make sure we talk with people from a range of backgrounds to do our very best to deliver fair, equitable and need sensitive services.

A schedule of impact assessments will be carried out before specific actions are implemented:

- Abandonment of Property
- Aids and Adaptations
- Community and Neighbourhood Development
- Income Management
- Fire Safety
- Debts
- Developing - New Build and Acquisitions of property and land
- Demolitions/Disposals of property and land
- Energy Efficiency
- Financial Inclusion
- Rent Setting
- Repairs and Maintenance
- Finance - Accounting Framework for HRA under self financing, Borrowing, Reserves, Debt repayment, Depreciation
- Leaseholders
- Garages
- Supported Housing
- Service Charges
- Voids
- Tenant Empowerment
- Tenancies and Tenure

- Estate Management - Estate Management (e.g. grass cutting, cleaning communal areas, graffiti, removal of abandoned cars, car parking, waste disposal)

Appendix 2 - SWOT Analysis

Strengths	Weaknesses
<p>Resident perspective and involvement.</p> <ul style="list-style-type: none"> • High tenant satisfaction levels (Top Quartile) • Some service standards and local offers agreed with tenants. • Tenants views – good standard of investment delivered to date • Tenant Services Management Board established and working effectively and linked to Council decision making. • Strong demand for properties • Good track record of tenant consultation has produced clear information on tenant priorities <p>Process</p> <ul style="list-style-type: none"> • Rent collection (low arrears levels) • New ASB arrangements producing positive results <p>Stock investment</p> <ul style="list-style-type: none"> • Decent Homes standard achieved • Percentage expenditure on emergency/urgent repairs low <p>Staff</p> <ul style="list-style-type: none"> • Performance score card and staff performance management systems • Committed workforce <p>Governance</p> <ul style="list-style-type: none"> • Strong governance – good level of member understanding before decision making <p>External</p> <ul style="list-style-type: none"> • Good reputation as local housing provider among tenants and other stakeholders <p>Other Council actions linked to housing</p> <ul style="list-style-type: none"> • Priority area strategy targeting resources at areas of high deprivation 	<p>Resident perspective</p> <ul style="list-style-type: none"> • Satisfaction that views taken into account (2nd quartile) – recognise need to improve wider tenant empowerment. • More performance information to tenants needed. <p>Process</p> <ul style="list-style-type: none"> • Information systems – multiple different systems that not always used to full capacity or integrated. Issues particularly with accounting systems. • Void turnaround time (and financial control) • Debt management • Complaint response times • Leasehold management <p>Stock investment</p> <ul style="list-style-type: none"> • Difficulty accessing information on stock condition. • Thermal efficiency – very low SAP ratings on 250 homes. • Investment standard not agreed (although priorities identified) • Lack of information on need for disabled aids and adaptations <p>Staff</p> <ul style="list-style-type: none"> • Staff competencies and training and development plans to ensure career progression. • Staff sickness • Office accommodation – more space needed <p>External</p> <ul style="list-style-type: none"> • Lack of information on how performance compares to other providers <p>Other Council actions linked to housing</p> <ul style="list-style-type: none"> • Lack of internal capacity to resource major regeneration projects

Opportunities	Threats
<p>Resident perspective</p> <ul style="list-style-type: none"> • Tenant support <p>Process</p> <ul style="list-style-type: none"> • Information on demand v supply available from CBL records can inform future development plans. • HRA Self financing – opportunities for long term planning and some freedoms and flexibilities (within financial constraints) • Tenure/rent flexibility may present opportunities for improved use of assets, estate management and investment opportunities. <p>Stock investment</p> <ul style="list-style-type: none"> • HRA Land ownership for potential development. • Options appraisal of non traditional homes with limited life may present opportunities for improved land use, increased number of homes to higher quality. • Technical advances in sustainable energy provide opportunities for funding and for improvements in housing stock and cost in use for residents. <p>Staff</p> <ul style="list-style-type: none"> • Creation of HRA business plan provides opportunities to focus on future direction of service and opportunities to ensure all staff are clear of their role in delivering business plan objectives. <p>Other Council actions linked to housing</p> <ul style="list-style-type: none"> • DLO review identified potential efficiencies. • Halcon North regeneration project. • Priority Area strategy 	<p>Process</p> <ul style="list-style-type: none"> • Future demographic change increases the need for affordable housing and services for elderly and vulnerable tenants. • Rent policy – long term stability required <p>Stock investment</p> <ul style="list-style-type: none"> • 1/5 stock of non traditional construction – need to prepare for end of life of those homes with limited life. <p>Staff</p> <ul style="list-style-type: none"> • HRA Self financing – new risks and new staff competencies required <p>Governance</p> <ul style="list-style-type: none"> • Political composition of the Council presents risk of instability. Certainty required for 30 year business plan difficult with 4 year election cycle. • Level and complexity of change presents challenges for officer and member training/understanding. <p>External</p> <ul style="list-style-type: none"> • Welfare benefit reform • HCA grant funding reductions • External economic environment • Supporting people <p>Other Council actions linked to housing</p> <ul style="list-style-type: none"> • Budget review project and likely impact of shrinking General Fund on the HRA.



Arlingclose Ltd:
Independent treasury management services

Taunton Deane Borough Council HRA Debt Update

February 2012

Funding Decisions

- How much should Taunton Deane Borough Council borrow?
- Who do you borrow from?
- When do you borrow?
- What type of loan do you borrow?
- How do you manage this debt portfolio?

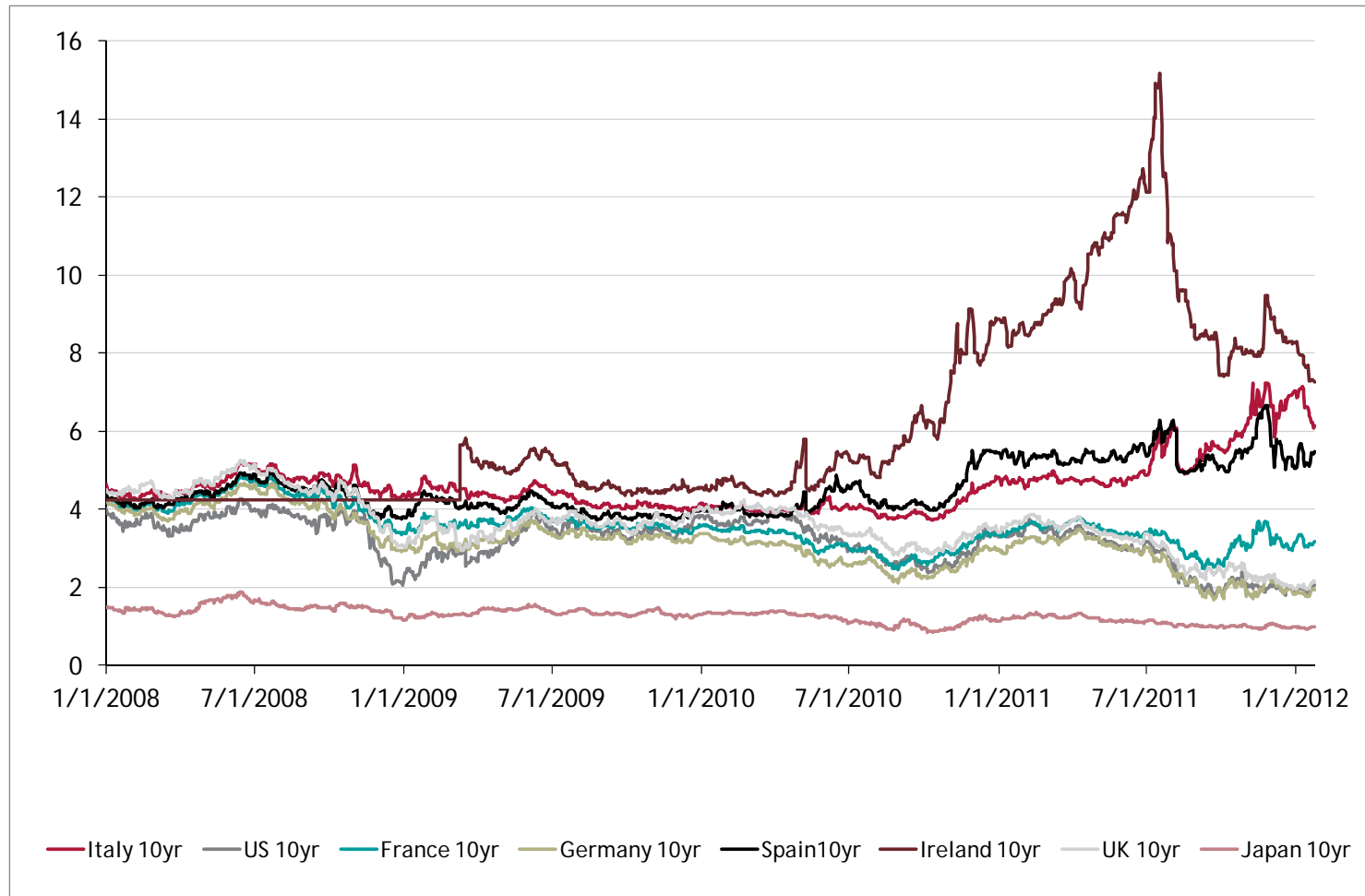
Current External Long Term Debt

PWLB Sheet:	477						
Dated:	12/12/2011						
loan	start date	maturity	last int pmt date	PWLB yrs to maturity	actual yrs to maturity	Principal	coupon
465931	16/12/1988	09/05/2014	09/11/2011	2.50	2.40	2,000,000	9.375%
478192	26/09/1996	03/08/2056	03/08/2011	45.00	44.63	1,000,000	8.375%
479566	28/05/1997	06/05/2057	06/11/2011	45.50	45.39	1,000,000	7.375%
480191	22/10/1997	05/09/2057	05/09/2011	46.00	45.72	2,000,000	6.625%
					31.04	6,000,000	7.958%
LOBO1	14/06/2007	14/06/2077				3,000,000	4.25%
						3,000,000	4.25%
						9,000,000	6.722%

Economic Outlook

- Budget deficit reduction & spending cuts
- Indebtedness - high (national, corporate, consumer)
- Inflation - high but moderating
- Unemployment - high
- Consumption - weak
- Growth - low
- Banking sector weak
- European debt crisis
- US recovery slow

Financial Crisis - Borrowing Costs



Interest Rate Forecast January 2012

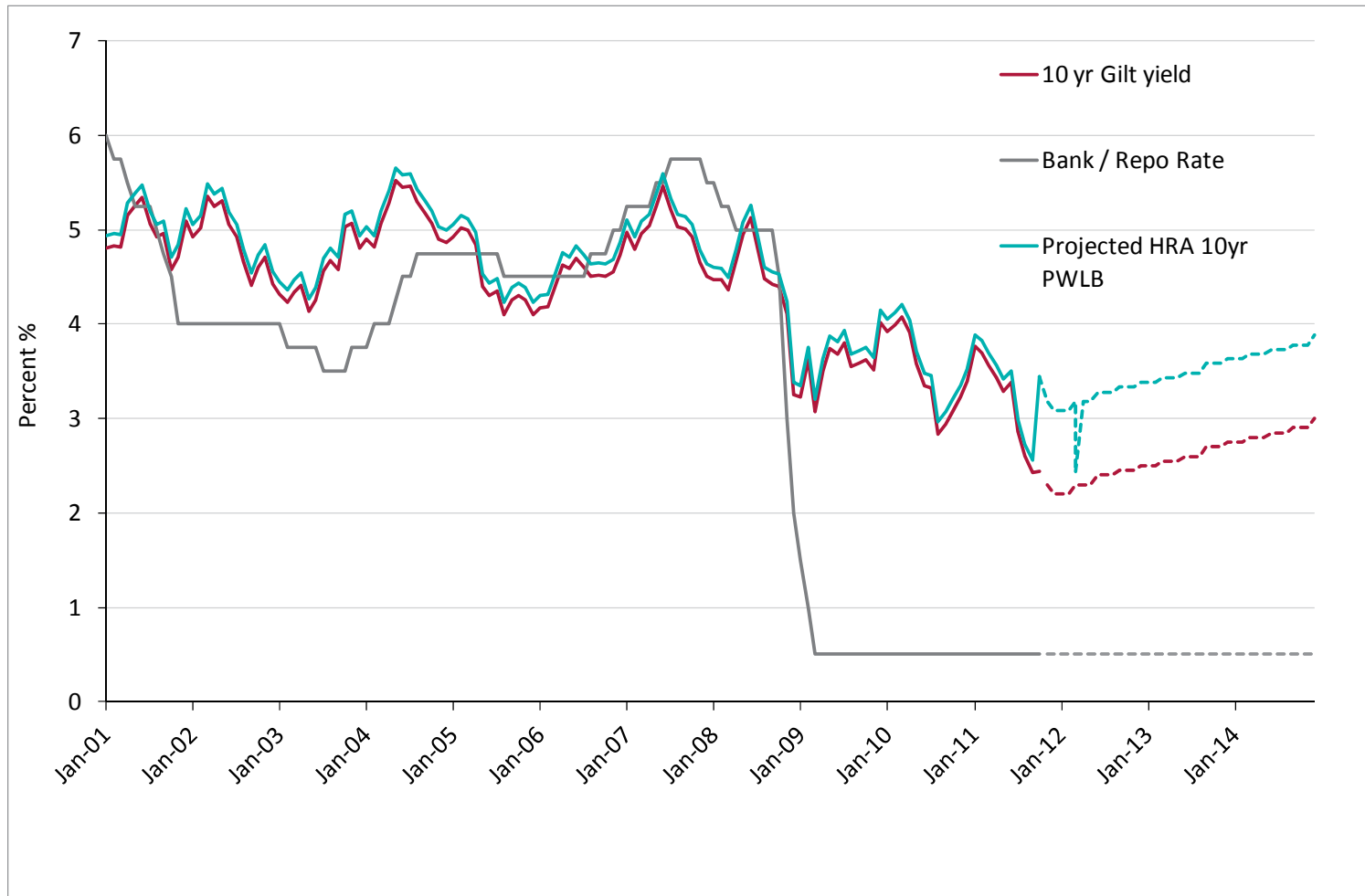
Underlying assumptions:

- Financial market stress will remain a feature of 2012. Rates within Interbank markets (where banks fund the majority of their day to day operations) remain high. This dynamic was a characteristic of the 2008 banking crisis and whilst the authorities including the ECB have flooded the markets with liquidity, it is still a strong indicator of market risk.
- Inflation has continued to moderate. CPI, currently at 4.2%, is expected to drop gradually back towards the 2% target as the January 2011 VAT increase, the surge in oil prices and the large energy price hikes fall out of the twelve month comparison.
- Faltering global growth will not be helped by the considerable uncertainty and contagion risks presented by the crisis in the Eurozone and gridlock in the US going into an election year. The knock-on effects could in turn weigh on growth in China and emerging market countries.
- Against a struggling domestic growth outlook, the Bank of England will sanction more Quantitative Easing.
- Gilt supply is expected to be higher in 2012-13 than earlier forecast by the Treasury. However, over the short-term, gilts will retain their safe-haven status as euro area contagion risks grow.
- Sizeable European bond redemptions and refinancing (Italy in particular) in the first half of 2012 remain significant challenges. The yet to be agreed restructuring of privately held Greek government debt could set a precedent with Portugal most vulnerable to calls for similar restructuring.
- US economic recovery is nascent at best. The austerity required to bring European government debt down to acceptable levels will hit demand and output and, as a result, could push the Eurozone into recession.
- Against this backdrop, the overall trend for lower gilt yields in the near term and, by implication, PwLB borrowing rates will have sustained momentum.

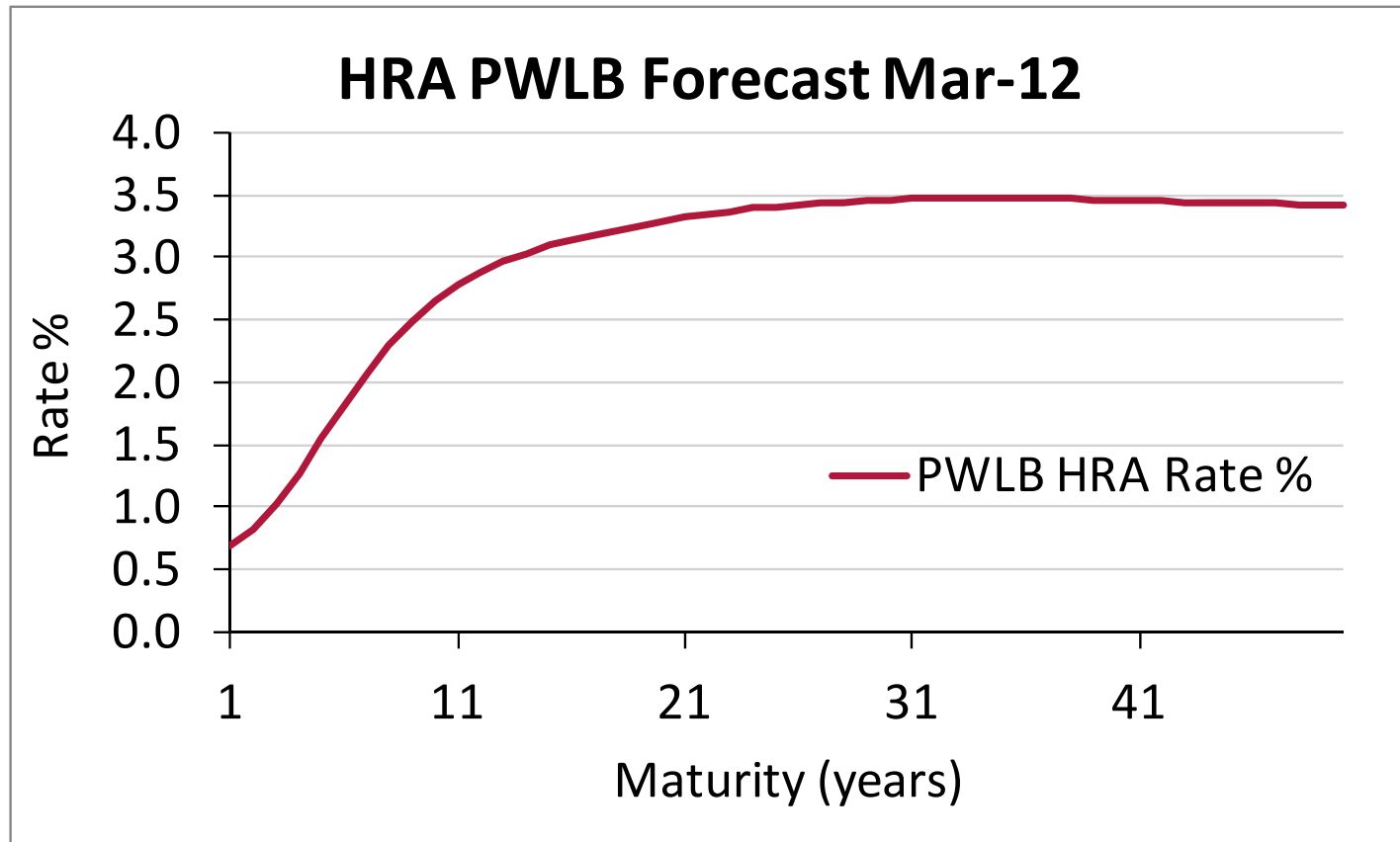
	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Official Bank Rate													
Upside risk					0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
3-month LIBID													
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Central case	1.00	1.00	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
1-yr LIBID													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.75	1.75	1.75	1.75	1.80	1.85	1.95	2.00	2.00	2.00	2.00	2.00	2.00
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt													
Upside risk	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.20	1.30	1.40	1.50	1.60	1.70	1.80	2.00	2.00	2.00	2.10	2.15	2.25
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt													
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	2.10	2.15	2.30	2.40	2.50	2.60	2.70	2.75	2.80	2.85	2.90	3.00	3.00
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt													
Upside risk	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.00	3.05	3.10	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.60	3.75	3.75
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt													
Upside risk	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.20	3.40	3.60	3.70	3.80	3.90	4.00	4.00	4.00	4.10	4.20	4.25	4.25
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

- The US Federal Reserve has signalled it will keep interest rates "at exceptionally low levels" until 2014. We believe that it could be 2016 before official UK interest rates rise.
- The UK's safe haven status, the direct effect of QE and minimal prospect of an increase in policy rates are expected to keep gilt yields at their lows in the near term.
- A disorderly outcome to the Eurozone sovereign crisis remains a key economic, credit and political risk.

Who Should the Council Borrow From?



Interest Rates & the Yield Curve



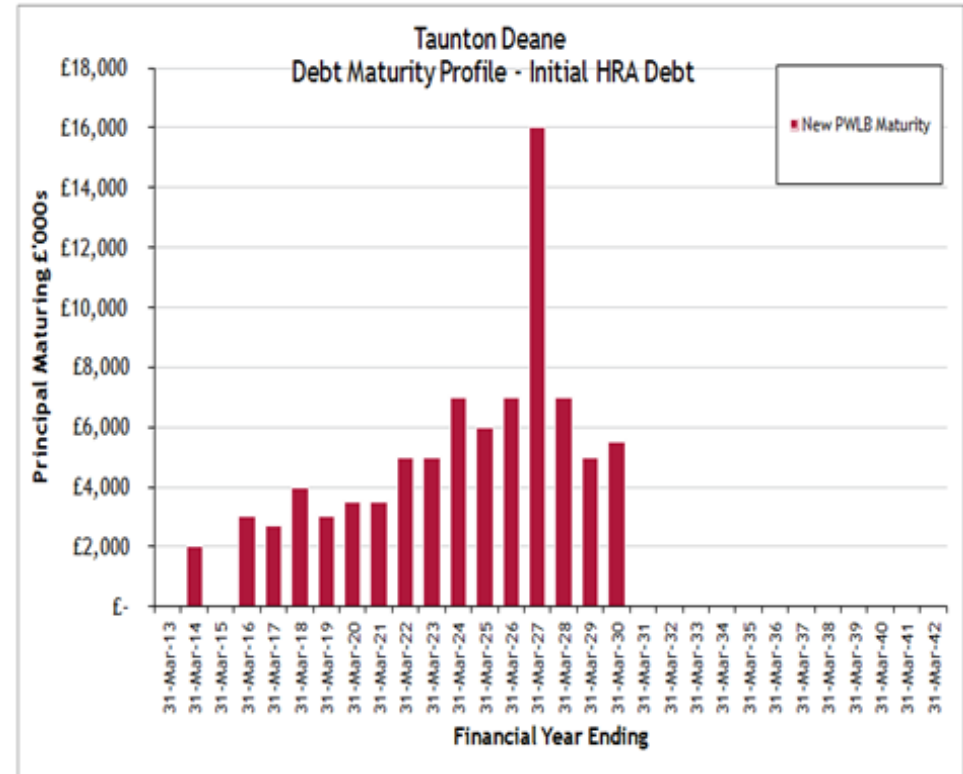
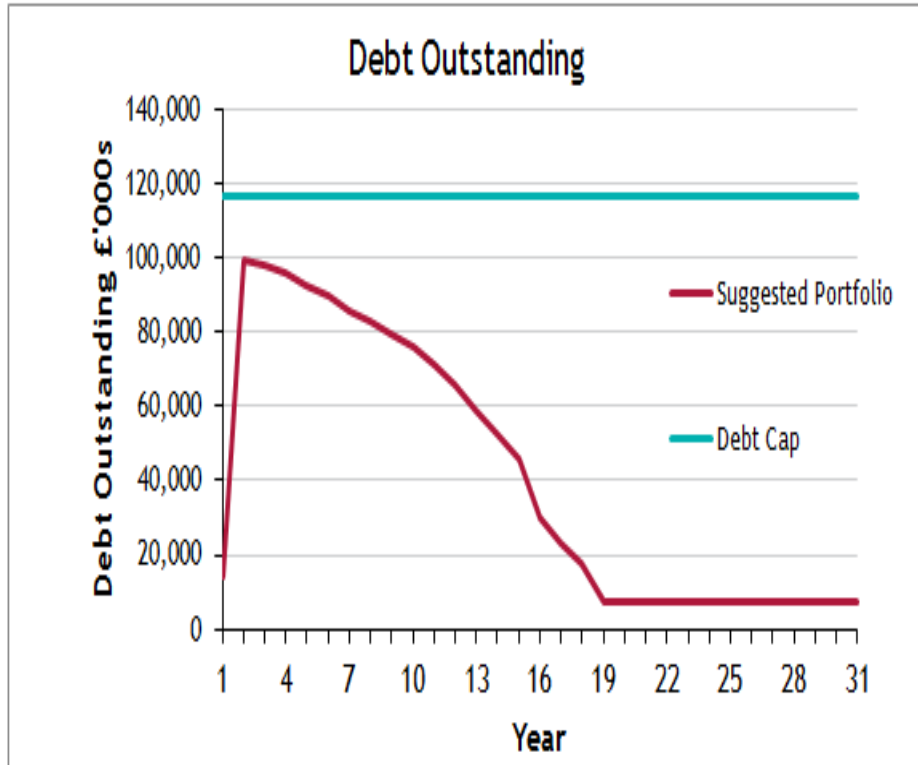
New HRA Borrowing - Suggested Portfolio

		Principal	Period
Fixed	Maturity	- 2,000	2
Fixed	Maturity	- 3,000	4
Fixed	Maturity	- 2,698	5
Fixed	Maturity	- 4,000	6
Fixed	Maturity	- 3,000	7
Fixed	Maturity	- 3,500	8
Fixed	Maturity	- 3,500	9
Fixed	Maturity	- 5,000	10
Fixed	Maturity	- 5,000	11
Fixed	Maturity	- 7,000	12
Fixed	Maturity	- 6,000	13
Fixed	Maturity	- 7,000	14
Fixed	Maturity	- 16,000	15
Fixed	Maturity	- 7,000	16
Fixed	Maturity	- 5,000	17
Fixed	Maturity	- 5,500	18
		-£ 85,198.00	

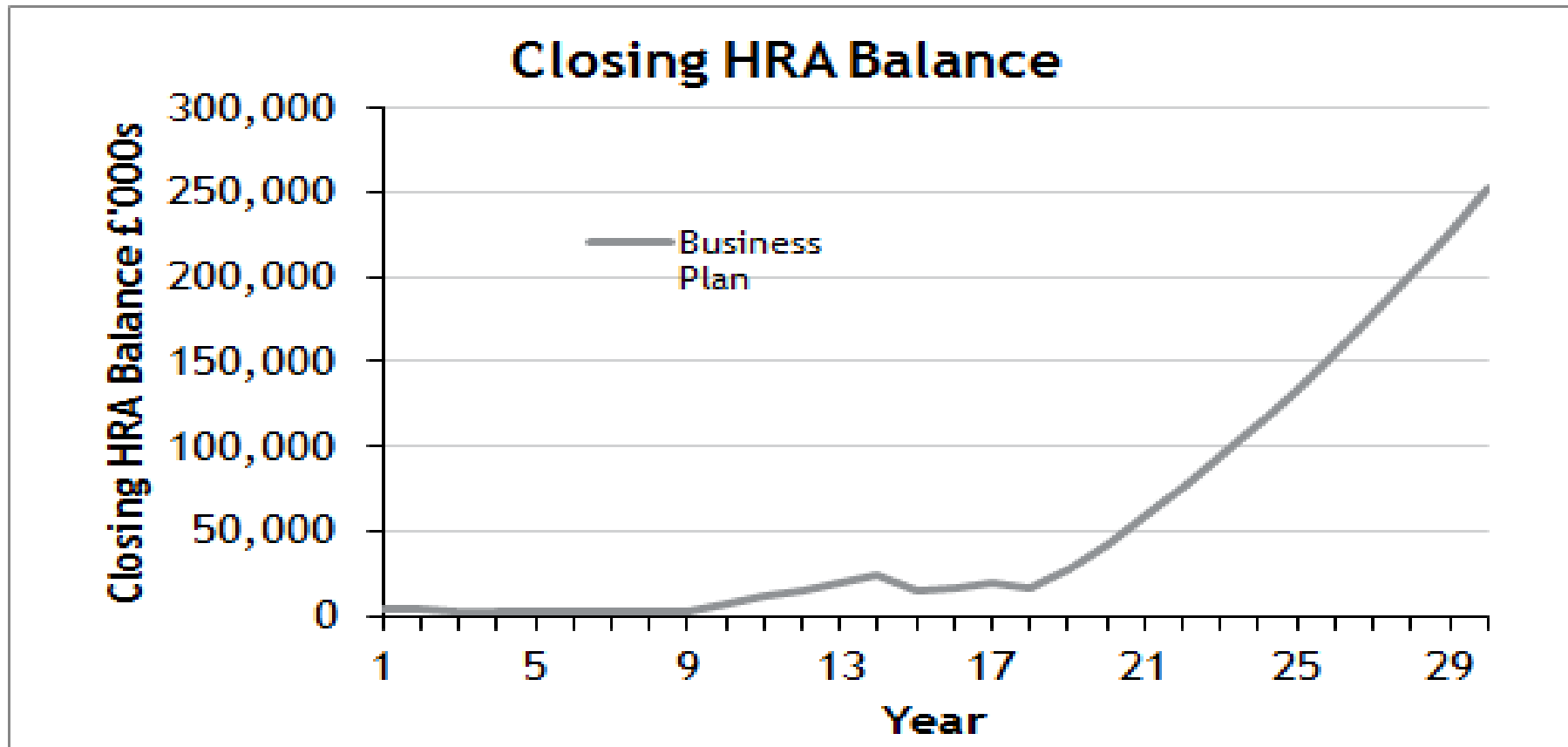
•Average Rate on New Debt = 3.64%

•New Borrowing = £85.2million

Maturity Profile



Impact on HRA Balances



Summary

- HRA funding window - a one off reduction in PWLB margins
- PWLB rates close to historic lows
- HRA can transfer loans to the GF
- Suggested portfolio includes natural maturities to exploit the shape of the Yield Curve
- PWLB is flexible. All or part of a loan can be repaid -Premium (cost) or Discount (income) will be dependant on prevailing rate at time of repayment