N0N-CONFIDENTIAL

BOROUGH OF TAMWORTH

CABINET

19 September 2018

A meeting of the CABINET will be held on Thursday, 27th September, 2018, 6.00 pm in Committee Room 1 - Marmion House

A G E N D A

NON CONFIDENTIAL

1 **Apologies for Absence**

2 **Minutes of Previous Meeting** (Pages 3 - 6)

3 **Declarations of Interest**

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

4 **Question Time:**

To answer questions from members of the public pursuant to Executive Procedure Rule No. 13

5 **Matters Referred to the Cabinet in Accordance with the Overview and Scrutiny Procedure Rules** (Pages 7 - 8)

(To receive the recommendations from the Health & Wellbeing Scrutiny Committee on the Adoption of the Motor Neurone Disease Association Charter.)

6 **Castle Review** (Pages 9 - 14)

(Report of the Portfolio Holder for Heritage and Growth)

7 **Proposed revision to the interpretation of the affordable housing policy and revision to the Planning Obligations SPD** (Pages 15 - 34)

(Report of the Portfolio Holder for Heritage and Growth)

8 **Housing Revenue Account Business Plan** (Pages 35 - 138)
(Report of the Portfolio Holder for Housing and Neighbourhood Services)

9 **Virement of Funds within the Housing Capital Programme** (Pages 139 - 140)
(Report of the Portfolio Holder for Housing and Neighbourhood Services)

10 **Retrospective Approval to Award Housing Compliance Contract** (Pages 141 - 142)
(Report of the Portfolio Holder for Housing and Neighbourhood Services)

Yours faithfully

Chief Executive

People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail committees@tamworth.gov.uk preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.

To Councillors: D Cook, R Pritchard, J Chesworth, S Claymore, S Doyle and M Thurgood.

MINUTES OF A MEETING OF THE
CABINET
HELD ON 6th SEPTEMBER 2018

PRESENT: Councillors R Pritchard (Vice-Chair), J Chesworth, S Claymore, S Doyle and M Thurgood

The following officers were present: Anica Goodwin (Executive Director Organisation), Lynne Pugh (Assistant Director Finance) and Joanne Sands (Assistant Director Partnerships)

34 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor D Cook.

35 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 2nd August 2018 were approved and signed as a correct record.

(Moved by Councillor M Thurgood and seconded by Councillor S Claymore)

36 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

37 QUESTION TIME:

None.

38 MATTERS REFERRED TO THE CABINET IN ACCORDANCE WITH THE OVERVIEW AND SCRUTINY PROCEDURE RULES

None.

39 QUARTER 1 PERFORMANCE REPORT 2018/19

The Deputy Leader of the Council provided Cabinet with a performance and financial health-check for Quarter 1 2018/19.

The report was considered by the Corporate Scrutiny Committee on 15th August 2018 who endorsed the contents of the report.

RESOLVED Cabinet endorsed the contents of this report.

(Moved by Councillor R Pritchard and seconded by Councillor J Chesworth)

40 STAFFORDSHIRE PILOT FOR BUSINESS RATES RETENTION IN 2019/20

The Portfolio Holder for Assets and Finance updated members on the implications of the 75% Business Rates Retention pilots proposed for 2019/20 and sought approval to submit an Expression of Interest to pilot 75% Business Rates Retention in 2019/20.

RESOLVED that the changes to the criteria to be a pilot in 2019/20 be noted; and
that authority to approve be delegated for the Executive Director Finance (Section 151 Officer), in consultation with the Leader of the Council and the Chief Executive, to agree, in conjunction with the other eleven authorities of the proposed pilot, the detail of the 2019/20 application; and

with an additional recommendation that authority be delegated to the Executive Director Finance (Section 151 Officer), in consultation with the Leader of the Council and the Chief Executive, to agree the final Governance arrangements and Expression of Interest for submission to MHCLG

(Moved by Councillor R Pritchard and seconded by Councillor M Thurgood).

Councillor S Claymore requested, in accordance with Rule 4.17.5, that his vote against the motion be recorded.

41 PROPOSALS FOR ADDITIONAL PUBLIC SPACE PROTECTION ORDERS KETTLEBROOK

Portfolio Holder for Communities and Partnerships considered proposals for new Public Space Protection Orders (PSPOs) areas in Kettlebrook/Borrowpit Lake

RESOLVED Cabinet approved;
the progression to public consultation for the above PSPO and submission to Scrutiny Committee, as per process

(Moved by Councillor S Doyle and seconded by Councillor S Claymore)

42 ADDITIONAL PUBLIC SPACE PROTECTION ORDER MOOR LANE/DORMER AVENUE

Portfolio Holder for Communities and Partnerships considered proposals for new Public Space Protection Orders (PSPOs) at Warwickshire Moor Nature Reserve/Open space Rene Road

RESOLVED Cabinet approved;
progression to public consultation for the above PSPO and submission to Scrutiny Committee as per process

(Moved by Councillor S Doyle and seconded by Councillor S Claymore)

43 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That members of the press and public be now excluded from the meeting during consideration of the following item on the grounds that the business involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

(Moved by Councillor R Pritchard and seconded by Councillor J Chesworth)

44 GRANTS TO VOLUNTARY ORGANISATIONS (SMALL GRANTS SCHEME)/LOCAL ARTS GRANT SCHEME/SPORTS GRANTS SCHEME/FESTIVE GRANTS SCHEME

Portfolio Holder for Assets and Finance informed Members of the Small Grants, Arts Grants, and Sport Grants and Festive Grants awards made during 2017/18.

RESOLVED Cabinet endorsed the outturn of the Cabinet (Grants) Sub-Committee.

(Moved by Councillor R Pritchard and seconded by Councillor J Chesworth)

Leader

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CABINET

THURSDAY 27TH SEPTEMBER 2018

REPORT OF THE HEALTH & WELLBEING SCRUTINY COMMITTEE

ADOPTION OF THE MOTOR NEURONE DISEASE ASSOCIATION (MDNA) CHARTER

EXEMPT INFORMATION

Not applicable

SUMMARY

Issues regarding Motor Neurone Disease were brought to the attention of the Chair of the Health and Wellbeing Scrutiny Committee in June, via a member of Staffordshire County Council. Emails were exchange and it was ultimately decided that the Health and Wellbeing Scrutiny Committee at Tamworth Borough Council should take this item forward as a potential item for the work plan, which was confirmed for the meeting to be held in July.

During the meeting the Chair introduced a representative from the MDNA, an MDNA volunteer and members of a local family affected by Motor Neurone Disease (MND).

The representative from the MNDA provided a presentation to the members of the Committee on the MNDA Charter and explained thoroughly how it could support residents affected by MND and how Tamworth Borough Council could potentially improve the lives of those affected by MND.

He conveyed strongly the five principles of the MND Charter:

- the right to an early diagnosis and information
- the right to access quality care and treatments
- the right to be treated as individuals and with dignity and respect
- the right to maximise their quality of life
- carers of people with MND have the right to be valued, respected, listened to and well-supported

A link to the Charter is provided below:

http://www.mndcharter.org/the-mnd-charter/

If the Council were to adopt the MND Charter, the MNDA could work in partnership with the Council to raise awareness in respect of MND and also to provide training to staff.

A family in Tamworth, with a member who has been diagnosed with MND, attended the meeting and shared their personal experiences of the disease and their interactions with local authorities. They highlighted the importance of staff at the Council who had an awareness and understanding of the progressive nature of the disease and the need for expeditious decisions.

If Cabinet agreed with the recommendation to adopt the MNDA Charter, consideration could be given to requesting officers to assess the steps required for Tamworth Borough Council to implement the Charter and the extent to which a review is required to any existing policies to support implementation.

RECOMMENDATIONS that Cabinet either:

- approve the adoption of the MNDA Charter; or
- support the proposals, and if it is necessary/required recommend the proposals to adopt the MNDA Charter to Full Council

THURSDAY, 27 SEPTEMBER 2018

REPORT OF THE PORTFOLIO HOLDER FOR ENVIRONMENT AND CULTURE

CASTLE REVIEW

EXEMPT INFORMATION
n/a

PURPOSE

To update Members on the continued review of the Castle, methods of operation of the Castle and seek permission to commence the implementation of the recommendations from the review.

RECOMMENDATIONS

1. Cabinet approve the proposed changes as detailed in the report to the general public opening hours of the castle and that they commence in April 2019.

2. Cabinet give approval for the Assistant Director Growth and Regeneration to develop a new staff structure and operating method for consideration and approval by Appointments and Staffing Committee.

3. Members endorse the commencement of formal consultation with staff / trade unions with regards to the implementation of a new staffing structure.

4. Cabinet agrees that any investment requirements for the castle will be considered as part of the Capital Budget process on a return on investment basis.

5. Cabinet give approval for the Assistant Director Growth and Regeneration to prepare and enter into a Memorandum of Understanding with the Friends of Tamworth Castle and Museum

EXECUTIVE SUMMARY

The Castle Service is responsible for the management, development and operation of Tamworth Castle and the management and care of the object and archive Collection.

Tamworth castle is open to the public as a heritage attraction and general tourist facility assisting in the promotion of tourism and educational standards.

In addition the castle is a scheduled ancient monument and is therefore of national heritage importance. The aim of scheduling is to preserve the best examples of monuments and archaeological remains in England for the benefit of current and future generations. Therefore, the management, development and operation of the Castle has to be carried out in keeping with this status.

In 2014 the Council initiated reviews of all of its services. The conclusions from the review of the Castle Service were that the Castle should continue to operate but a more in depth review should be undertaken that would analyse those areas identified as a concern (Operational Hours / Staffing / Marketing and Commercialisation). The original purpose of the review was :

- To review staff roles and responsibilities to ensure an improved focus on commercialisation at both a strategic and operational level;
- To identify areas of the service which would provide greater opportunity to increase income;
- To ensure that conservation and preservation are maintained as a priority.

Since then the Leisure Services manager has undertaken an in depth analysis of visitor and financial data, reviewed staff roles and responsibilities, considered options for delivery including the services offered and considered experience from elsewhere.

Officers have reported progress to Scrutiny committee on several occasions including 2 site visits, who have driven the direction of the work, and have advised that the Council should pay particular attention to seeking to reduce the net cost of the service to the Council, and have asked officers to investigate options for delivery. All feedback has been acknowledged and taken on board as part of the ongoing review process.

<u>Staffing</u>

It is considered that the current staffing structure does not match the current needs of the business. More day to day operational supervision of staff is required so it enables other staff to be more strategic and to develop the business to ensure future proofing and entrepreneurial development to increase visitor numbers. The staffing structure needs to be able to operate the service to a high standard whilst retaining drive to develop the product, its overall offer and commercial ability.

Authorisation is sought to start the progress of reviewing the staffing structure with the commencement of formal discussions with staff and trade unions.

<u>Visitors, costs, income and Operational Hours</u>

The review of financial and visitor data shows that 59% of all income comes from day to day admission by the general paying public although that income varies depending on the day of the week and time of the year. A full breakdown of total % income types as at the end of last financial year 2017/2018 is as follows:

Weddings 2%
Retail 14%
Schools 25%
Admission 59%

Within the retail income the average spend by schools in the shop, accounts for just under a third (29%) of all shop income.

Number of school children visiting the site remains fairly static with an annual figure of between 10,500 to 11,000 school children visiting. There is no further scope for the expansion of this. On every viable school day during term time, there is a school booking in place. These bookings accommodate on average a maximum of 90 children on site at every visit. The historic nature of the site and the need to rotate groups of children around the building on the day of the visit to accommodate workshops and lunches means that it is not possible to take higher group numbers.

The Castle has regularly reviewed opening hours and opening days as part of its ongoing management and service delivery. Historically the Castle used to open Thursday to Sunday in the winter season, but after analysis of visitor data in 2007 the step was taken to reduce this to just Saturdays and Sundays. There was no detrimental effect on visitor numbers as visits from the Thursday and Friday shifted to the weekend days instead. It is now felt that the hours should be changed again as they do not reflect current customer demand. The review has analysed customer visiting times and the number of customers visiting the castle at designated times. It is clear there are times when visitor numbers are low (particularly mid-week and early season). This places a financial burden on the Castle (as costs are fixed whether 1 or 100 people visit but income is not) and impacts on the visitor experience.

Further advice from Visit England has suggested the option to bring forward opening hours on the days the Castle is open by 1 hour. This would allow the capture of addition morning family visits, instead of just afternoon family visits. The review has sought to establish the optimum times for visiting and visitor numbers, and the proposed changes to opening hours reflect this. It is recommended that the opening hours to the general public be amended to bring the attraction in line with similar national attractions and also to control the demand made on the Castle.

This will also enable maintenance works to take place more effectively without disruption to customers.

The proposed general public opening hours are as follows:

January – closed weekdays and weekends
February – open Half term week and following weekends following half term 10.30 – 3pm
March – open weekends only 10.30-3pm (open Easter holiday weeks if applicable)
April – open weekends only 10.30 – 3.pm and open Easter holiday weeks if applicable) 10.30 -3pm
May – open Half term Whitsun week holiday and then weekends only 10.30 – 3pm
June – open weekends only 10.30 – 3pm
July- open Monday – Sunday 10.30 3pm
August - open Monday – Sunday 10.30 – 3pm
September – open weekends only 10.30 -3pm
October –open Half term holiday and then weekends only 10.30 -3pm
November -closed weekdays and weekends
December – closed weekdays and weekends

The castle will remain open for all school holidays / bank holidays/ special events and continue to offer its educational service all year round

There is likely to be a minor but positive impact to operating costs if the proposed opening hours are changed. Whilst building costs (such as utilities etc) remain the same whether the castle is open or not, there is likely to be a small saving on staffing costs as not as many staff will be required for non-public open days.

<u>Commercialisation, IT, Marketing and promotion</u>

The historical nature and size of the site do present a unique set of circumstances for the day to day operations. These have been identified through the review and ideas for how to address them have been identified. However, it is felt that until the changes to opening hours and staffing structure have been undertaken then progression of these ideas is unable to happen due to lack of staff resources and finance.

Some of the identified issues include:

- Hosting private events, such as weddings, alongside general public opening is challenging operationally and not attractive to private users due to the visitor route around the castle needing to access spaces or in close proximity to those spaces that private users wish to use.
- The visitor route filters everyone through one prescribed and compact entrance area which can result in queues at busy times;
- The café is small and only holds 8 tables resulting in only 8 families at a time being able to use the area which could have a real impact on income unless there is a faster through-put of visitors or alternative areas to seek refreshment on a very compact site.
- During school term time, paying day to day visitors have to sidestep around the school visits when school group occupy rooms for their workshop delivery. While this is communicated and managed with few complaints, it should be acknowledged that competing income streams must coexist with each other in order to deliver a full range of services to achieve the current income levels.
- Attractiveness for private events is limited due to the lack of on-site catering facilities. All food must be prepared off site and then along with drinks be transported up the ramp. This is time consuming and can pose difficulties for suppliers.
- The current IT/ Marketing package offered by the Castle does not reflect the business needs in relation to data collection and the ability to sell tickets on line. The system is out of date and unable to sell on line tickets. Work has started to address this as part of a wider corporate ICT systems review.
- Further work on the marketing and promotion will be undertaken as part of a corporate review with a focus on the development of the successful themed events.

<u>Wider links</u>

The Castle attracts 43,000 visitors per year to Tamworth, so there is an opportunity for local town centre business to capture additional spend from linked trips, and vice versa. The Councils events programme brings in large numbers of visitors and work is needed to try and capture more of those attending to also visit the wider town centre and the castle. The Council is currently preparing a series of work related to the town centre that will consider how best to maximise visitor numbers to the town in general and the attractions within it, such as the castle.

<u>Friends of Tamworth Castle and Museum</u>

Tamworth Castle benefits from The Friends of Tamworth Castle and Museum, an external support organisation who exist to "advance the education of the public by promotion, support, assistance and improvement of Tamworth Castle and Museum in co-operation with its management and staff". The Friends work hard to fundraise for the Castle and work in partnership to deliver an annual Halloween event. It is felt that there are opportunities to strengthen the relationship and deliver better engagement and authority is sought to prepare an SLA or appropriate agreement to formalise the relationship and set out clear outcomes and outputs.

OPTIONS CONSIDERED

1. Do Nothing – doing nothing will create a high risk to the Castle in terms of its ability to protect its heritage and excellent customer package that it offers. In turn this could have a negative effect long term on Tamworth general tourism package. The current staffing structure present operating issues and staff are at full capacity which in turn could lead to poor staff retention and a reduction in employee engagement that also

in turn damages the reputation of the castle and Tamworth Borough Council as employers.

2. Different operating models – As part of the review a number of operating models were considered ranging from closing the castle to restricting its services. Each model has been analysed in relation to the future of the castle, its ability to adapt and ability to reduce its overheads whilst improving its service and maintaining its future.

RESOURCE IMPLICATIONS

It is anticipated that changes to staffing structure and operating method may lead to a small saving. However, until the process of consultation and development of a model has begun it is not possible to detail any changes.

LEGAL/RISK IMPLICATIONS BACKGROUND

1. The Castle runs the risk of standing still and losing custom and confidence of the market without the investment in online ticket sales and comprehensive IT infrastructure.
2. Loss of confidence and lack of investment could lead to lower customer visits and loss of income
3. Without continued growth the infrastructure of the Castle and its preservation could become an issue.
4. The review of the castle has been ongoing for some time and further delays could affect staff morale and retention.
5. Developing and implementing the proposals could impact on staff morale. This will be mitigated through briefing staff and engaging with them through the process.
6. The change in operating hours does not lead to demand shift. This will be mitigated through marketing and promotion activity.

SUSTAINABILITY IMPLICATIONS

The Castle needs to make necessary changes to the way it operates to ensure it remains competitive in its field and maintains and if possible increase the number of visitors. Increased visitor numbers and secondary spend will ensure the Castle can provide security, greater longevity as an attraction and the potential to deliver ongoing conservation of the building.

Increasing opportunities for the public to visit and ensuring that the service is run effectively and cost efficiently will enable the Castle over time to reduce its subsidy by Tamworth Borough Council as in the past years with increased customer numbers.

BACKGROUND INFORMATION

On Thursday 5th September, Infrastructure, Safety and Growth Scrutiny Committee considered a report that outlined the proposed the contents of this report. The Committee fully endorsed the proposed recommendations which have been carried forward into this report. The Committee recognised the practical difficulties a historic building presents but wished to see the cost to the Council reduced in future. They also discussed ideas for improvements to the experience and offer including improvements to the gift shop, opportunities to sell online and upsell through online bookings. The Committee felt that the Castle should maximise its income including for example, not providing free entrance for Heritage Open Day. The formal recommendations of the Committee will be presented at Cabinet.

REPORT AUTHOR

N Mason, Leisure Services Manager
L Troman, Heritage and Visitor Services Manager
M Bowers, Assistant Director Growth and Regeneration

LIST OF BACKGROUND PAPERS

Information and formal responses to scrutiny committee questions have been presented at 5 scrutiny meetings commencing on 17th January 2017 when a briefing note from the Castle provided answers to questions posed by the committee. A walkabout question and answer meeting at the Castle with the then portfolio holder was undertaken on 10th February 2017 followed by further responses to an additional set of questions from the committee on 11th April 2017. Further meetings were also held in both September and November of that year. Report to Infrastructure Safety and Growth Scrutiny, 13th September, 2018

APPENDICES

None

CABINET

THURSDAY, 27 SEPTEMBER 2018

REPORT OF THE PORTFOLIO HOLDER FOR HERITAGE AND GROWTH

PROPOSED REVISION TO THE INTERPRETATION OF THE AFFORDABLE HOUSING POLICY AND REVISION TO THE PLANNING OBLIGATIONS SPD

EXEMPT INFORMATION
None

PURPOSE
To update Cabinet on the impact of changes to national policy set out in the revised National Planning Policy Framework in relation to the provision of affordable housing and to seek endorsement of the proposed interpretation of Local Plan policy HG4 (Affordable Housing). Approval is sought to consult on revisions to the Planning Obligations Supplementary Planning Document to reflect these changes and to publish the revised document following the period of consultation. Further approval is sought to delegate authority to make minor amendments to the document in future.

RECOMMENDATIONS

1. That the Council revert to seeking to secure affordable housing contributions from developments of 10 units and more as set out in policy HG4 of the adopted Local Plan;

2. That the Council note that part c) of policy HG4 continues to be not in compliance with the NPPF and that little weight should be applied to it when assessing planning applications;

3. That references to specific paragraphs of the National Planning Policy Framework in the Planning Obligations Supplementary Planning Document are updated to reflect the revised National Planning Policy Framework;

4. That Cabinet approve a period of consultation on revisions to the Planning Obligations Supplementary Planning Document, as set out in recommendations 1 and 2, and approves publication of the revised document subject to the approval of the Portfolio Holder Heritage and Growth;

5. That future minor amendments (changes that would not require a period of public consultation and would not alter the scope or emphasis of the document) to the Planning Obligations Supplementary Planning Document are delegated to the Assistant Director Growth and Regeneration in consultation with the Portfolio Holder Heritage and Growth.

EXECUTIVE SUMMARY
Affordable housing policy interpretation and amended guidance

The Secretary of State for Communities and Local Government published a Written Ministerial Statement (WMS) on 28th November 2014 announcing a new policy and changes within the National Planning Policy Guidance on the application of affordable housing levies and tariff based contributions on new housing developments. The WMS stated that affordable housing should not be sought on schemes of fewer than 11 dwellings or where the gross floorspace would be less than 1,000 sqm.

On the basis of this national policy change, Cabinet approved a change to the Council's interpretation of the adopted Local Plan affordable housing policy (HG4 Affordable Housing) at the meeting on 29th September 2016 as follows:

- That the Council seek to secure on-site affordable housing on developments involving 11 or more dwellings, in line with the WMS, instead of 10 dwellings or more as originally set out in part a) of policy HG4; and

- That the Council no longer seeks a financial contribution towards off-site affordable housing provision as set out in part c) of policy HG4 to reflect Government policy set out in the WMS.

The altered interpretation was reflected in the Planning Obligations Supplementary Planning Document (SPD), which provides advice to applicants on how to interpret the policies of the Local Plan. The adoption of the SPD was approved at a meeting of the full Council on 17 July 2018 and the document was adopted on 01 August 2018.

The revised National Planning Policy Framework (NPPF) was published on 24 July 2018, in between the Council's resolution to adopt the SPD and its actual adoption date. The revised NPPF is the Government's most recent statement of national planning policy and as such previous statements of Government policy, including the 28 November 2014 WMS, should be disregarded.

The revised NPPF states that affordable dwellings should only be sought on '*major developments*' which is defined as '*development where 10 or more houses will be provided, or the site has an area of 0.5 hectares or more.*' This revised policy position means that there is no longer a requirement for the Council to interpret paragraph a) of Policy HG4 differently to how it is set out in the adopted Local Plan as this section of the policy is now NPPF compliant. It is therefore recommended that the Council revert to interpreting the part a) of policy HG4 of the adopted Local Plan as it is written in the Plan and return to seeking on-site affordable housing for developments of 10 dwellings or more.

For clarity, the Council should continue to apply little weight to part c) of policy HG4 (in relation to seeking financial contributions towards off-site affordable housing on schemes of 3 – 9 dwellings) as this continues to be not in compliance with current Government policy.

Consultation on a revised SPD

This section of the SPD will need to be updated to reflect the current position and it is considered that the change would be significant enough to require a period of consultation on the revised document in accordance with the Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended). Cabinet approval is therefore sought to consult for a period of four weeks on the revised version of the document included in appendix A.

Minor amendments
There may be further instances in future where minor amendments could be required to the text of the SPD to ensure that it remains accurate and up to date. This could include where any errors are identified in the text or where further changes to national policy may alter references to the relevant NPPF paragraphs contained within the section on national guidance. Such minor amendments would not require a period of public consultation and would not alter the scope or emphasis of the document. It is therefore considered that it would be appropriate to delegate authority for making such minor amendments to the Assistant Director Growth and Regeneration in consultation with the Portfolio Holder Heritage and Growth.

Community Infrastructure Levy
The Community Infrastructure Levy Charging Schedule also reflects the Government policy set out in the WMS by incorporating a differential rate between developments providing 10 units or fewer (£68 per square metres) and developments of 11 units or more (£35 per square metre). The higher CIL charge reflects the additional headroom available on schemes that would not be required to provide affordable housing on site when using the previous Government policy as a guideline.

The CIL Charging Schedule came into effect on 01 August 2018 and any change to the chargeable rates would require a review of the Charging Schedule and a further examination in public. It is therefore considered that it would not be expedient to review the Charging Schedule at this point and instead consideration will be given to whether special circumstances apply for schemes of exactly 10 dwellings until such time as the Charging Schedule is updated.

OPTIONS CONSIDERED
One option considered is to not amend the SPD to reflect the recent national policy changes. However this would lead to the SPD being not in compliance with the policies of the NPPF and may lead to difficulties when determining planning applications for schemes of 10 units in future. Although the risks associated with this are likely to be low, it is still considered expedient to update the SPD at this time.

The option of not consulting on the proposed changes has also been considered. Changes that would not significantly affect the content of the document, such as updating the references to national guidance, could be carried out without a period of consultation on the basis that they do not alter any of the guidance contained within the document. However, the purpose of Supplementary Planning Documents is to provide further advice and guidance on the policies contained within the Local Plan and so the proposed change to the interpretation of the affordable housing policy would alter a fundamental element of the document. As such it is considered that consultation should be carried out on the proposed changes, in accordance with the relevant regulations, as to not do so may leave any new version of the document open to challenge.

In relation to the delegation of the approval of future minor amendments to the document, the alternative option is to retain the requirement to seek Cabinet approval for any alteration. Bearing in mind that any such changes would be insignificant in nature, it would seem inefficient to seek Cabinet approval for all such changes. It is therefore considered that delegating authority for the approval of these changes is the most appropriate option.

RESOURCE IMPLICATIONS
There are no further resource implications above those already identified within the service area in relation to the production of, and consultation on, an amended SPD. There are no direct resource implications resulting from the revised interpretation of the Local Plan affordable housing policy, however reducing the threshold down to developments of 10 dwellings may lead to the availability of additional affordable housing units within the borough.

Continuing to apply little weight to part c) of policy HG4 would mean that financial contributions towards affordable housing would continue not to be sought on smaller developments. However, as this part of the policy is considered to be not in compliance with the NPPF, it is unlikely that any such contributions could be sought in any case.

LEGAL/RISK IMPLICATIONS BACKGROUND
Planning law requires that applications for planning permission be determined in accordance with the development plan unless material considerations indicate otherwise, and the revised NPPF is a material consideration in such decisions. The suggested interpretation of Local Plan policy HG4 would be in line with the policies set out in the NPPF and so the associated risk should be considered minimal.

The regulations governing the content, preparation and adoption of supplementary planning documents are included within the Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended). In particular, regulation 12 requires that, prior to adoption of a supplementary planning document; a local authority must make the document available for inspection for a period of four weeks to allow any person to make representations. Failure to comply with these regulations may leave the document open to legal challenge.

SUSTAINABILITY IMPLICATIONS
Any sustainability implications are set out in other areas of the report.

BACKGROUND INFORMATION
None.

REPORT AUTHOR
Richard Powell, Planning Policy and Delivery Officer, x274

LIST OF BACKGROUND PAPERS
House of Commons: Written Statement (HCWS50) 28 November 2014
National Planning Policy Framework (July 2018)
Cabinet Report 29 September 2016 – Local Plan Affordable Housing Policy
Planning Obligations Supplementary Planning Document (August 2018)

APPENDICES
A) Draft revised Planning Obligations Supplementary Planning Document for consultation

Tamworth Borough Council
Planning Obligations
Supplementary Planning Document
DRAFT Revision for Consultation

Contents

Introduction

The purpose of the planning system is to contribute to the achievement of sustainable development, which the National Planning Policy Framework states has three dimensions; economic, social and environmental. One of the key elements of sustainable development is the identification and provision of appropriate infrastructure to support development.

Local planning authorities can use planning obligations to assist in mitigating the impact of development which benefits local communities and supports the provision of local infrastructure.

Where planning permission is sought for new development within Tamworth, it will be expected to be supported by appropriate infrastructure and, where new or improved infrastructure is required, developers will be expected to contribute towards its provision.

This document sets out how the Council will seek to ensure that developers can make appropriate contributions towards infrastructure to support sustainable development.

Status of the document

This document is a Supplementary Planning Document that forms part of the development plan for Tamworth and is, where relevant, a material consideration in the determination of planning applications.

The document was adopted on 01 August 2018 and supersedes the previous Planning Obligations Supplementary Planning Document dated July 2007.

Purpose

The purpose of this document is to build upon and provide more detailed advice and guidance on the policies in the adopted Local Plan, in particular policy IM1 (Infrastructure and Developer Contributions) which states:

‘Planning permission for new development will only be granted if it is supported by appropriate infrastructure at a timely stage. Developer contributions will be sought where needs arise as a result of new development, the infrastructure delivery plan specifies the infrastructure required, when and where it will be needed in the plan and how it could be funded.’

It is intended that this document will provide greater clarity and certainty to developers, landowners, the community and the Council by setting out how the Council will seek to collect contributions from developers to support the funding of appropriate infrastructure in Tamworth. It is not a standalone document and should be read in conjunction with the adopted Local Plan and other supporting documents including the Infrastructure Delivery Plan and the Community Infrastructure Levy Charging Schedule and local policies.

Policy context

National policy

Section 106 of the Town and Country Planning Act 1990 provides the framework for allowing any person interested in land in the area of a local planning authority to enter into a planning obligation for certain purposes. Further information on what obligations can be used for is set out later in this document. In relation to the Community Infrastructure Levy (CIL), the relevant legislation is contained within the Community Infrastructure Levy Regulations 2010 (as amended).

Paragraph 56 of the National Planning Policy Framework (NPPF) states that planning obligations should only be sought where they meet the tests of being necessary, directly related to the development, and fairly and reasonably related in scale and kind. Further guidance on the use of planning obligations and CIL is set out in the National Planning Practice Guidance (NPPG).

The Council is aware that the Government has recently published the revised NPPF and that further guidance may be published at a later date. The Council is also aware that there may be future Government reforms to CIL. Whilst this has the potential to affect how the Council collects and/or spends developer contributions in the future, it is not anticipated that any changes will be so significant as to affect the contents of this document in the short-term. This document will be kept under review and, where any changes to national policy or guidance require it, the document will be updated accordingly.

Local policy

The Tamworth Borough Council Local Plan 2006 – 2031 was adopted in February 2016 and the policies within it aim to protect the environment of the town whilst enabling sustainable development to take place to meet identified needs. In order to ensure that development is delivered sustainably, the plan seeks to ensure that the necessary social and environmental infrastructure is delivered at the appropriate time.

In conjunction with the Local Plan, the Infrastructure Delivery Plan (IDP) sets out a list of infrastructure projects that the Council will seek to deliver in support of the objectives of the Local Plan. The IDP forms the basis of the list of infrastructure projects to be funded by CIL.

Developer contributions

Developers may be asked to provide contributions towards infrastructure in several ways such as by way of the Community Infrastructure Levy or planning obligations in the form of section 106 agreements and section 278 highway agreements. In some instances a combination of these methods may be required. Further details on the types of contributions that may be sought are set out below.

Planning obligations

Planning obligations are one of the tools that can be used by a local planning authority to help make a proposed development acceptable in planning terms. They are used where it is not possible to address unacceptable impacts through a planning condition and must be:

- necessary to make the development acceptable in planning terms;
- directly related to the development; and
- fairly and reasonably related in scale and kind to the development.

Planning obligations take the form of an agreement entered into by the applicant (and any other interested party) under section 106 of the Town and Country Planning Act 1990 (as amended) and are often referred to as s106 agreements. These agreements can be used for:

- restricting the development or use of the land in any specified way;
- requiring specified operations or activities to be carried out in, on, under or over the land;
- requiring the land to be used in any specified way; or
- requiring a sum or sums to be paid to the authority on a specified date or dates or periodically.

The Council will use planning obligations, where appropriate, to make proposed developments acceptable in planning terms where it would otherwise not be possible to do so. This often takes the form of requiring a financial contribution towards infrastructure.

Community Infrastructure Levy

The Community Infrastructure Levy (CIL) is a tool for local authorities in England and Wales to help deliver infrastructure to support the development of the area. The levy is a charge on certain types of development at a rate set by the charging authority and set out in the CIL Charging Schedule. Levy rates are expressed as pounds per square metre and are applied to the gross internal floorspace of the net additional development liable for the levy. Further information on what developments are liable for CIL and calculating the levy rate can be found on the CIL pages of the Council's website.

The levy can be used to fund a wide range of infrastructure, including transport, flood defences, schools, health and social care facilities, play areas, parks and green spaces, cultural and sports facilities. The Council has published a list of infrastructure projects that it intends to fund wholly or partly through CIL and this can be found along with the CIL charging schedule on the website. This list (the regulation 123 list) will be regularly reviewed in order to ensure that it is effective in helping to deliver the infrastructure required to support development during the plan period.

Section 278 agreements
Section 278 of the Highways Act 1980 (as amended) allows for a highway authority to enter into an agreement with any person for the carrying out of works to the highway, including modifications or additions, where that person will pay the whole or part of the costs associated with the works (a S278 agreement).

S278 agreements are made between the relevant highway authority (in the case of the local road network, Staffordshire County Council, and for the strategic road network, Highways England) and the applicant or developer. The Council is not normally party to negotiations or a signatory to any agreement.

Pooling

The current CIL regulations restrict the use of pooled contributions towards items that may be funded via CIL. The restrictions mean that no more contributions may be collected in respect of a specific infrastructure project or a type of infrastructure through a S106 agreement, if five or more obligations for that project or type of infrastructure have already been entered into since 6 April 2010, and it is a type of infrastructure that is capable of being funded by the levy.

The pooling restrictions relate only to developments granted planning permission within the area of the charging authority (in this case within the Tamworth borough boundary) and, where a S106 agreement makes provision for a number of staged payments as part of a planning obligation, these payments will collectively count as a single obligation in relation to the pooling restriction.

For provision that is not capable of being funded by the levy, such as affordable housing, there is no restriction in terms of the numbers of obligations that may be pooled.

As part of the Government's current review into the use of developer contributions, it is proposed to lift the restrictions on pooling contributions collected through S106 agreements in a number of circumstances including where the local authority has an adopted CIL in place. Therefore, if the

Government introduce the proposed changes to the pooling restrictions during the lifetime of this document, the restrictions as set out above, and any further reference in this document to pooling restrictions, will no longer be apply.

Other agencies

Tamworth Borough Council is the local authority responsible for deciding the level of contribution and how it should be secured for Borough Council functions together with enforcing any on-site or off-site measures within the applicant's control. If infrastructure requirements relate to County Council functions, the County Council will be party to negotiations and obligations and will be responsible for the enforcement of any on-site measures and obligations for County Council functions.

In instances where any other third party has a significant interest in the land or the proposed development they may be party to any agreement. In these situations, responsibility for negotiating and monitoring any obligations will be determined with regard to the particular set of circumstances involved.

Viability

Most developments will be expected to satisfy all of the infrastructure requirements identified. Applicants who cite non-viability as a reason for not meeting all infrastructure requirements will be required to support their case with financial evidence, which should be submitted as part of the planning application. This evidence will be open to public scrutiny and, where necessary, will be audited by experts. Where the Council is required to engage the services of an expert to assess viability evidence, it is expected that the associated costs will be met by the applicant.

When applicants submit evidence of non-viability, the Council will expect to see calculations for the important factors set out in enough detail for the viability to be clearly assessed. Any assumptions made must be clearly explained and justified. The Council will consider the evidence and make an assessment as to whether the submitted information sufficiently demonstrates that the proposed development would be unviable if it was required to meet all planning obligation requirements.

The Council expects developers to have considered the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, CIL and any other relevant policies or standards when buying land for development or taking an option to buy the land. The Council are aware that developers will often try to maximise the land value for landowners, however the guidance is clear that relevant policy requirements should be taken into account when defining land value. Land cost will therefore not normally be accepted as an argument for reducing the value of required contributions including the proportion of affordable housing to be provided.

Affordable housing units are eligible for an exemption from CIL. Whilst developments consisting solely or mainly of affordable dwellings are not specifically exempt from making other contributions, the Council appreciates that there are often much tighter margins of viability on these types of developments and so it is not usually expected that financial contributions will be required. Such proposals will be considered on a case by case basis and the Council will take a flexible approach to the assessment of their viability.

Planning obligations process

Where an agreement is required to secure a financial contribution, it may take the form of either a unilateral undertaking or a planning agreement. Applicants and their agents are encouraged to enter into pre-application discussions to help highlight the likely impacts of a proposed development and the most appropriate means of mitigation.

Where any contribution is required solely towards infrastructure for Tamworth Borough Council, developers will be encouraged to use a unilateral undertaking. Unilateral undertakings should ideally be submitted with the planning application, or as soon as practicable after any required contributions have been identified, and must be accompanied by proof of title. Payments required under a unilateral undertaking will usually be required to be paid in full on commencement of development unless otherwise agreed by the Council.

Planning agreements will be used when a contribution is required towards infrastructure which is the responsibility of the County Council or any other relevant third party. Where a legal agreement is required, applicants will be expected to meet the reasonable costs of the Council in negotiating, and producing the obligation. These costs will depend on the scale and complexity of the development, and applicants are advised to seek an estimate of the amount at the earliest opportunity.

The Council will seek to ensure that any agreement has been negotiated and signed by the relevant parties within the statutory timeframe for determination of the application to which it relates. Where an unavoidable delay in completing the agreement would lead to the application process extending beyond the statutory timeframe for a decision, the Council will seek to agree with the applicant an extension of time for the determination of the application.

Where the delay is caused by the applicant without good reason, and no extension of time has been agreed, the Council may seek to take the application forward for determination with a recommendation for refusal.

Where a proposed development is liable for CIL, the Council will follow the relevant CIL procedures set out in legislation or, where appropriate, set out in the Council's own CIL guidance. Further information on CIL processes and procedures can be viewed on the Council's website.

In instances where a developer considers that a S106 Agreement requires amendment, the developer is advised to contact the Council. The Council may wish to enter into a renegotiation voluntarily or may require the developer to make an application under Section 106A of the Town and Country Planning Act 1990 to modify an obligation where it no longer serves a useful purpose or would continue to serve a useful purpose in a modified way. Such an application can only be made where there is no agreement to voluntarily renegotiate, and the planning obligation predates April 2010 or is over 5 years old. Further information can be found in NPPG.

Types of infrastructure

Affordable housing
Income collected through CIL can't be used to fund the provision of affordable housing, instead the Council expects affordable housing, where appropriate, to be delivered on site. Local Plan policy HG4 Affordable Housing sets out the minimum expected level of affordable housing to be provided on each development which, in most cases, is a minimum 20% for all sites meeting the threshold. The exception to this is the small number of allocated sites that can viably provide a minimum of 25%.

Whilst this level of affordable housing is considered to be deliverable, the Local Plan recognises that there may still be factors which make a site unviable and the Council will need to be flexible on a site by site basis whilst still seeking to deliver an appropriate proportion of affordable housing.

The Council will seek to secure affordable dwellings on appropriate sites through negotiating a S106 agreement to provide an appropriate number of units and mix of sizes and tenure on the site. The precise nature of the affordable housing to be provided shall be determined by negotiation between the Council, acting as planning and housing authority, and the applicant and will reflect national policy and guidance in place at the time.

Previously the Council has sought financial contributions towards affordable housing on developments of between 3 and 9 dwellings. However, the revised NPPF, published in July 2018, states that affordable dwellings should only be sought on 'major developments' which is defined as 'development where 10 or more houses will be provided, or the site has an area of 0.5 hectares or more.'

The Council therefore considers that part c) of policy HG4 of the Local Plan in no longer in compliance with the NPPF and has resolved to assign little weight to that part of the policy when determining applications for planning permission.

For clarity, the Council will not usually seek affordable housing contributions on developments of fewer than 10 dwellings, unless the site has an area of 0.5ha or greater. On developments of 10 or more dwellings, or sites of 0.5ha or greater, the Council will continue to seek on-site affordable housing in accordance with policy HG4 unless material considerations indicate otherwise.

In exceptional circumstances the Council may, as an alternative, consider off-site affordable housing where the required amount of affordable housing is provided on a site other than the one being developed. The provision of such housing will be subject to a planning obligation secured through a S106 agreement. Such housing would be required to be in addition to the amount of affordable housing that would otherwise be required on the alternative site.

If neither the on-site nor off-site provision of affordable housing is possible then, as an alternative, the Council will consider a commuted sum towards alternative affordable housing provision. As part of any settlement the Council will consider accepting suitable land in lieu of all or part of any payment.

In order to calculate off-site contributions, the Council will monitor and update changes to the Land Registry average market values for a range of housing types. Contributions will be calculated using the following formula:

Contribution Amount = Net Number of Units Proposed x Average Market Value X Affordable Requirement (20%) x Transfer Cost (35%)

The transfer cost is based on the equivalent transfer value for an intermediate or shared ownership unit built on site as assumed in the Whole Plan Viability Study that supports the Local Plan.

The Council will monitor development activity, land values and market signals to ensure it adopts a flexible approach to negotiations to achieve the above targets. This monitoring will inform discussions over viability, local needs and where appropriate lead to a review of targets.

Open space

The Council may use a combination of CIL and S106 agreements to contribute towards the enhancement of existing open spaces. Collected CIL funds will be used to enhance existing open space where it would benefit the whole of the borough, for example for the enhancement of the urban parks which would attract visitors from a wider area than local open space.

The Council will expect that, where appropriate, developments will provide on-site open space in accordance with the policies of the Local Plan. Where it is not possible or appropriate to provide on-site open space, residential developments may be required to make a contribution towards the enhancement of existing local open space through a S106 agreement. These obligations will be sought towards local open space projects where they:

- are set out in the IDP;
- relate directly to the proposed development;
- are not included on the regulation 123 list; and
- would not contravene the pooling restrictions.

Where financial contributions are sought for the enhancement of existing open space, the contribution will be based on the size of the proposed dwelling(s) in accordance with the following[1]:

1 or 2 bed dwelling - £660 per dwelling
3 bed dwelling - £990 per dwelling
4+ bed dwelling - £1,320 per dwelling

These criteria will apply to changes of use from non-residential properties to residential use and conversion of existing dwellings to flats/apartments/larger Houses in Multiple Occupation. In the case of conversion, the contribution will be based on the net increase in the number of bedrooms.

Education

Education infrastructure is an integral part of new residential development and is important in achieving sustainable communities. Staffordshire County Council is the local authority responsible for education provision across the eight borough/districts of Staffordshire, and has a statutory responsibility to ensure that every child living in the county is able to access a mainstream school place in Staffordshire if they want one. The County Council will therefore be responsible for identifying the potential impact of proposed development on education infrastructure and will seek to secure appropriate contributions from developers where necessary to mitigate those impacts.

Where housing developments are likely to generate demand for additional school places, developers will reasonably be expected to contribute towards education facilities and infrastructure to mitigate the impact of housing development and the likely associated costs. This may include financial contributions towards providing additional school places and, where an appropriate project has been identified, the cost of delivering the project will

[1] The rates set are based on those set out in the previous Planning Obligations Supplementary Planning Document with inflation applied from 2007 to 2017 based on an average of 2.8% per year.

be met relative to the size of the development. Where applicable, contributions may also include the necessary additional land, access and relevant services to enable schools to be extended or completely new schools to be constructed.

In line with national policy, the threshold beneath which contributions will not usually be sought is for housing developments of ten dwellings or fewer (and which have a maximum combined floor space of no more than 1,000 square metres). Where a proposed development would exceed the threshold, the Council will consult the County Council who will determine if a contribution is required to mitigate against the impact of the development.

On receipt of a planning application consultation, the School Organisation Team will consider how many additional pupil places the proposed development would add and will undertake a detailed review of local school places and pupil projections. The detailed analysis is undertaken in line with the latest Staffordshire Education Planning Obligations Policy which is available on the County Council's website.

Any planning obligations required in respect of education infrastructure, whether financial or otherwise, will be secured through a S106 agreement between the applicant or developer, the Borough Council and the County Council.

The School Organisation Team welcomes and encourages discussions before a developer submits a planning application to the Borough Council. All information provided in the pre-application advice will cover the relevant level of detail and supporting information necessary to provide a valid assessment of school place planning issues and whether an education contribution is likely to be required. This advice can be obtained via the Developer Online Advice Form (available on the County Council's website) and there will be an appropriate fee charged determined by the type of enquiry.

Highways
Staffordshire County Council has responsibility for the local highway network within Tamworth, and Highways England has responsibility for the Strategic Road Network (SRN) which includes the A5(T). The County Council will therefore be responsible for identifying the potential impact of proposed development on the majority of roads within Tamworth and Highways England will be responsible for identifying impacts on the SRN.

As statutory consultees, the two highways authorities will be consulted on planning applications where the development would be likely to result in a material increase in the volume or material change in the character of traffic entering or leaving the public highway. The highways authorities will be responsible for identifying measures required to mitigate against the impact of a proposed development and, where a planning obligation is required, may be party to any negotiation and/or agreement.

As any required mitigation measures would be site and development specific, highways planning obligations will be secured by legal agreement. This could be in the form of a S106 agreement, but will often be secured by an agreement under section 278 of the Highways Act 1980 (as amended) which will be made directly with the relevant highways authority.

Other infrastructure
The list of types of infrastructure set out above should not be considered exhaustive as there may be situations where other contributions will be sought towards mitigating the impact of a specific proposed development. In these instances, specific obligations will be negotiated on a case by case basis between the applicant, the Council and any other relevant third party.

Neighbouring authorities

The Council will work with neighbouring authorities to seek contributions from developments in their areas where those developments would impact on infrastructure within Tamworth.
The Council will also work with its neighbours to ensure that, where development within Tamworth would impact on their infrastructure, suitable contributions are secured towards infrastructure in neighbouring authority areas.

On the basis that development outside of Tamworth's administrative boundary would not fall within the charging zone for Tamworth's CIL, all contributions sought from development in neighbouring authority areas will be through S106 agreements which will be negotiated in collaboration with the relevant neighbouring authority. This includes where the neighbouring authority has CIL in place but development in Tamworth is not included on their list of infrastructure projects on which CIL is to be spent (regulation 123 list).

In any instances where Tamworth infrastructure is included on a neighbouring authority's regulation 123 list, the Council will seek, through the relevant processes and procedures, to secure proportionate contributions towards infrastructure in the borough.

Similarly, where development in Tamworth would require a contribution to infrastructure in a neighbouring authority area, and there is no specific project for that infrastructure on Tamworth's regulation 123 list, contributions will be sought through a S106 agreement which will be negotiated in conjunction with the relevant neighbouring authority.

In the event that an appropriate infrastructure project or specific item of infrastructure in a neighbouring authority area is included on the Council's regulation 123 list, the relevant neighbouring authority will be expected to seek a contribution through the appropriate allocations process.

Monitoring

The Council will undertake monitoring of planning obligations to ensure that all obligations are complied with, both by the developer and by the Council. The Council will track compliance with each provision contained within each legal agreement as developments proceed to ensure that all developers are paying obligations and delivering on-site obligations in accordance with the legal agreement.

Where an obligation is required by the County Council or another interested party who is a signatory to the agreement, the relevant party will be responsible for monitoring compliance with those provisions of the agreement. The Council will work with the County Council and any other relevant party to ensure that the monitoring process is as comprehensive and efficient as possible.

The Council undertakes monitoring to ensure that Council services are spending the financial obligations in accordance with the terms of the Agreement.

Enforcement

Once Planning Obligations have been agreed it is important that they are implemented or enforced in an efficient and transparent way, in order to ensure that infrastructure is provided in accordance with the terms of the legal agreement, and to ensure that the associated development contributes to the sustainability of the area.

Planning Obligations are enforceable by the Council under Section 106(5), (6), (7) and (8) of the Town and Country Planning Act 1990 as amended by the Planning and Compensation Act 1991.

If it is evident that the Planning Obligations requirements are not being complied with, the Council may instigate the relevant legal or enforcement action.

List terms and abbreviations

For ease of reference, below is a list of terms and abbreviations used in this document and their meaning.

Terms used

Unless the context implies otherwise, the following terms used above have the stated meaning.

The Council – Tamworth Borough Council

The County Council – Staffordshire County Council

The highways authority – Staffordshire County Council highways

Regulation 123 list – The list of those projects or types of infrastructure that the Council intends to fund, or may fund, through CIL

School Organisation Team – Staffordshire County Council School Organisation Team

S106 agreement – An agreement under section 106 of the Town and Country Planning Act 1990 (as amended)

S278 agreement – An agreement under section 278 of the Highways Act 1980 (as amended)

Abbreviations used

CIL – Community Infrastructure Levy

IDP – Infrastructure Delivery Plan

NPPF – National Planning Policy Framework

NPPG – National Planning Policy Guidance

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CABINET

THURSDAY, 27TH SEPTEMBER 2018

REPORT OF THE PORTFOLIO HOLDER FOR HOUSING & NEIGHBOURHOOD SERVICES

HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN

EXEMPT INFORMATION
N/A

PURPOSE

The report details progress on preparations for the Housing Revenue Account Business Plan (2018-2048) and the scope is to:-

- Identify a base line financial position on which to build and maximise opportunities for future investment in the councils housing stock.
- Set out the investment priorities in order to ensure compliance with the Decent Homes standard
- Outline the strategic framework and priorities to inform the HRA business plan once members have endorsed the financial profile
- Detail the future HRA business planning approach by using an appropriate financial modelling tool as part of the budget setting and medium term financial planning process

RECOMMENDATIONS

Cabinet are recommended to:-

- Support the HRA Business Plan ‘challenge and review’ together with the options appraisal detailed in Annex One

- Recognise and accept the base line assumptions built into the revised HRA business plan illustrated in the attachments, particularly Annex five

- Authorise the £298m detailed in the investment plan shown in Annex 5 to be considered as part of the budget setting process for 2019/2020 to 2024/2025; noting updates to the stock condition modelling and other financial HRA impacts can be assessed through that process and the financial position adjusted accordingly

- Support that the Corporate Scrutiny and Tenant Consultative Group’s (TCG) recommendations to create a ‘neighbourhood fund’ up to £250k per annum be considered as part of the budget setting process for 2019/2020 to 2024/2025; by accepting proposals to revise electrical testing and rewiring to fund a place based approach to neighbourhood planning

- Approve the HRA business planning priorities informed by TCG and Corporate Scrutiny as detailed in the report

- Delegate authority to the Executive Director of Communities in consultation with the Portfolio Holder for Housing & Neighbourhoods to approve the final narrative for the

HRA business plan by April 2019 and to formalise the draft equality impact assessment

- Approve a financial waiver to appoint Housing Finance Associates to adapt the business modelling tool provided for £3,000 for 1 year starting from 6/9/18 to 6/9/19 to ensure sufficient business continuity and familiarity with the business modelling already undertaken. Thereafter delegating authority to the Executive Director Finance to determine whether further support is required.

EXECUTIVE SUMMARY

Production of a viable, innovative and robust Housing Revenue Account (HRA) Business plan is fundamental to the successful delivery of the Councils stock retained housing service, in particular the contribution it makes to its Communities and its wider impact on Neighbourhoods. The HRA business plan is a statutory requirement, the management and accounting for which is laid down in a plethora of legislation, regulations and directions; detailed elsewhere in the report.

In the last few days the Government has announced its "new deal for social housing" as part of its Housing Green paper[1]. As officers' seek to understand those challenges it is clear that the Governments vision for social housing is grounded in ensuring a *safe and decent home* and *empowerment of tenants' in holding landlords to account*. The HRA business plan is one such example of how tenants have and should influence, shape and scrutinise core housing services. The development of the HRA business plan (and the base line assumptions recommended to Cabinet) seeks to balance those tenant centric values and aspirations with not only ensuring continued Decent Homes compliance but also about maximising commercial opportunities and ensuring a neighbourhood focus going forward.

Over the last 6 months, officers supported by independent consultants, have reviewed the HRA business plan, initially produced in 2012 and updated in 2013, 2014 and 2016. Cabinet should note that the full suite of documents[i] (summarised at the end of the report with relevant information) has also been shared with the Councils constituted Tenant Consultative Group (TCG) and Corporate Scrutiny and their recommendations and feedback incorporated. The communications planning and draft equality impact statement have also been part of those wider stakeholder discussions.

As part of Council Housing reform and following self-financing in 2012, the HRA Business plan at that time was based on assumptions underpinning its settlement and stock condition data from 2009. As part of the 2012 financial forecast surpluses were predicted over the 30 years in excess of £180m. The challenges since then are well documented; but in summary there has been a reduction of c£180m within the HRA business plan as a combined result of Government policy; particularly the 4-year 1% rent reduction; increases in estimated RTBs and limited changes to reducing fixed management costs. The detailed report shown at Annex one highlights the considerable achievements despite the budget pressures, landlord performance is routinely captured in the annual report reported to Cabinet.

Given the changing landscape and in order to continue to deliver on tenants' and leaseholders' ambitions a full review of the HRA Business plan has been undertaken and the key headlines from the revised HRA business plan forecasts are now:-

[1] https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing

Headline	£m
Opening debt (at 1 April 2018)	£68.0m
Closing debt (at 31 March 2048)	£72.2m
Debt Ceiling	£79.4m
Borrowing Headroom	£5.6m

MHCLG announced its prospectus in June 2018 on additional borrowing, effectively lifting the HRA cap[2]. Tamworth were not listed and therefore not invited to bid for additional borrowing. That said, should Tamworth have unfunded proposals seeking to increase the supply of affordable housing then this does now present an opportunity for the future.

Before the HRA business plan can be finalised it is necessary to establish a financial profile so that ambitions and appropriate funding solutions can be identified, so at this stage stakeholders have been involved in the development of strategic ambitions and priorities and Cabinet are recommended to approve these as the basis for future development:-

1. Invest in the delivery of new social and affordable housing exploring innovative approaches to strategic partnering and wider RP development
2. Support Town centre regeneration
3. Continue to ensure all council owned homes meet Tamworth's Decent Homes Standard
4. Develop a 'place based' approach to neighbourhood management based around early help and preventative based strategies
5. Review and deliver services to agreed standards agreed with tenants' & leaseholders focused on maximising customer involvement & empowerment
6. Deliver housing based solutions tailored to specific client groups that ensures people maintain their independence and resilience within communities
7. Ensure collaborative and partnership investment is tailored to support agile and improved neighbourhood solutions
8. Ensure a continued focus on improving the delivery of council housing core landlord functions by benchmarking with those 'best in class'

Whilst the changing nature of financial and government social and economic policies are complex and fluid, it is important to establish a set of base line assumptions. On that basis Cabinet are being asked to note the following:-

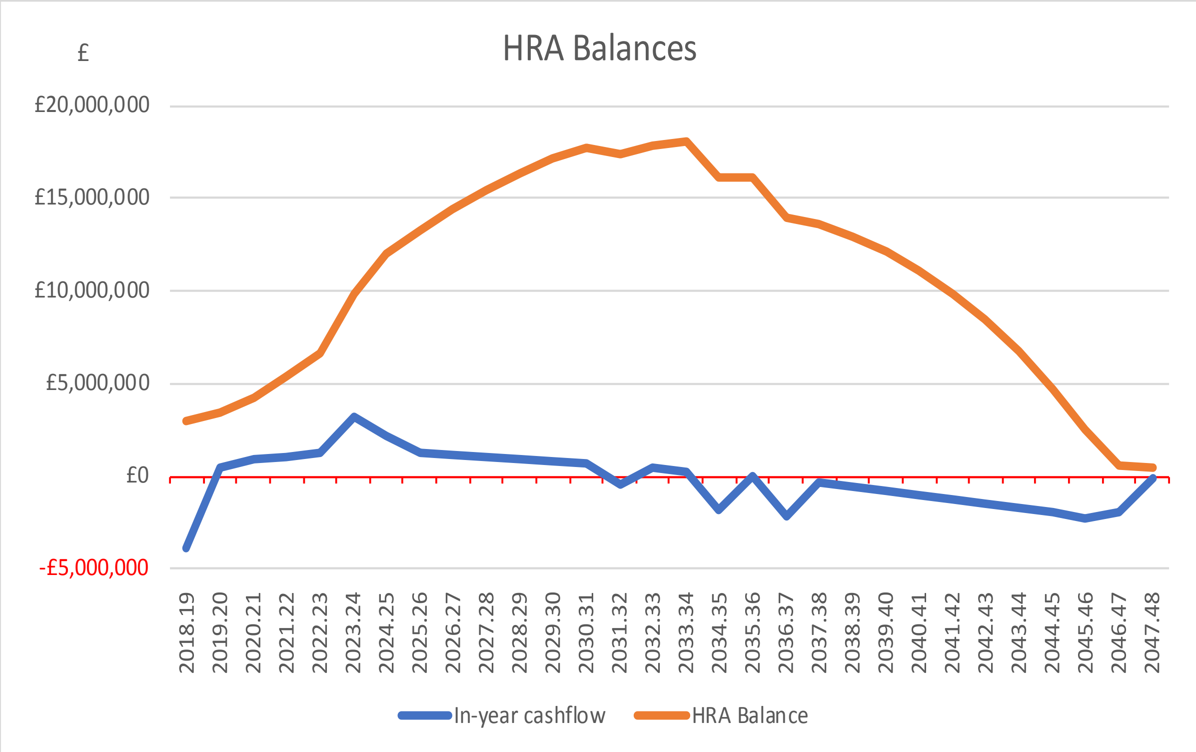
- Year 1 of the forecast assumes the stock investment in line with the capital programme for 2018/19. Thereafter, they reflect 29/30ths[3] of the draft investment programme outlined in annex five & pending the results of the stock condition survey
- £298m investment (Annex 5) based on theoretical assumptions around ensuring continued compliance with the Governments current Decent Homes Standard and pending the up-to-date stock condition survey
- Management costs remain in line with the previously agreed MTFS (2018)
- Retention of Garage sites - £384k budget in 2018/19
- Strode House Car park - £530k in 2018/19
- Tinkers Green - c£13m during 2018/19
- Kerria - £6.8m during 2018/19
- Re-development of garage sites - £7.4m from 2018/19 to 2022/23
- Other Acquisitions - £2.41m from 2018/19

2 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/719194/180625_Prospectus_based_on_HRA_at_50pw_Final.pdf

3 This represents the 30 year investment profile divided by the remaining 29 years, noting year 1 is already based on the existing MTFS

On the attached detailed investment profile (annex five) the £298m represents the investment required over the life of the plan to meet our statutory repairing obligations and maintaining decency. Included within this, is the responsive repairs, void works, compliance works, as well as planned investment and renewal works such as kitchens, bathrooms, heating and more major projects.

The chart below shows that the HRA is in a healthy position for the first half of the forecast, when it generates additional balances. However, in the second half of the forecast these balances reduce, until the HRA reaches its minimum balance position at the end of the period. This is consistent with underlying increases in costs, which are greater than the increases in income.



Members should note that by continuing to use the HRA business planning tool recommended, financial assumptions and consequences of key strategic decisions can be assessed as part of the budget setting process. Equally the business planning ambitions around HRA regeneration, HRA delivery of social and affordable housing as well as service development & improvement this will require innovative funding vehicles and/or efficiencies within the HRA if they are to continue. As outside of the £298m identified there is no additional financial capacity without additional income &/or other funding sources. Achieving and exploring this is implicit in the Council operating model around sustainability, commercialisation and reducing waste and excess demand.

If Cabinet approve the base line position then the next steps will involve:-

Activity	**Timescale**
Business Planning model adopted and latest financial figures fed in as part of the Councils routine Budget Setting process	Commences September 2018
Investment Profile refined and agreed	As part of the budget setting process
Produce Final HRA business plan and 3 year delivery plan incorporating 'unfunded' ambitions	March 2019
Annual update on HRA business plan built	Annually

into governance and budget setting processes	

OPTIONS CONSIDERED

<u>HRA Business Planning Opportunities</u>

The baseline position indicates a sustainable position for the HRA, on current assumptions. However, the Consultants were asked to prepare a scenario analysis which is shown below and that highlights that this situation comes under threat if costs rise at a faster rate than has been assumed, or if income generation falls.

The scenarios also show how the revenue position of the HRA, the scale of the capital programme and the need to borrow are all interconnected. In particular, any weakening of the HRA revenue position (whether through increased costs or reduced income) reduces the authority's long term capacity to deliver investment, and could make the HRA unsustainable.

It is important that the authority identifies ways in which it can minimise costs while optimising income generated by the HRA. Options for doing this might include:

- Investigating the scope for generating additional income, particularly in respect of services where costs are not covered by service charges
- Implementing a long term programme for reducing costs by improving efficiency. This could take the form of annual efficiency targets, scaling of budgets so that they reflect any reductions in stock numbers as a result of the right to buy, reviewing service standards or exploring alternative service delivery models.

Scenario	Closing Revenue Balances				Capital Shortfall				HRA CFR			
	Year 5 £m	Year 10 £m	Year 20 £m	Year 30 £m	Year 5 £m	Year 10 £m	Year 20 £m	Year 30 £m	Year 5 £m	Year 10 £m	Year 20 £m	Year 30 £m
Baseline	6.6	15.5	13.6	0.5	0.0	0.0	0.0	0.0	73.8	73.8	68.8	72.2
A - Reprofiled works	6.6	3.5	13.5	0.5	0.0	0.0	0.0	0.0	73.8	73.8	68.8	72.3
B - RPI investment cost inflation	6.6	11.3	0.5	0.6	0.0	0.0	-1.6	-70.8	74.3	74.3	79.4	79.4
C - Higher inflation overall (+0.5%pa)	7.0	16.3	16.5	1.8	0.0	0.0	0.0	0.0	74.0	74.0	69.0	69.0
D - No rent increase in 2020/21 (year 3)	4.9	10.6	0.7	0.5	0.0	0.0	0.0	-18.3	73.8	73.8	68.8	79.4
E - Additional Income (+50k pa for 5 years)	7.1	17.4	19.3	8.2	0.0	0.0	0.0	0.0	73.8	73.8	68.8	68.8
F - Efficiency gains (2% pa for 5 years)	7.4	18.6	22.7	14.7	0.0	0.0	0.0	0.0	73.8	73.8	68.8	68.8
G - Additional bad debts	5.8	13.5	8.8	0.5	0.0	0.0	0.0	-1.9	73.8	73.8	68.8	79.4
H - Scenarios B, E, F & G, combined	7.1	14.5	0.6	0.6	0.0	0.0	0.0	-48.1	74.3	74.3	70.5	79.4

Importantly members should note that the base line position does not take account of any additional income &/or efficiencies generated going forward hence the need to routinely use the business model to assess financial consequences of decisions. Therefore the future ambitions, specifically those listed below are unfunded and would require innovative and/or alternative funding models:-

- Future regeneration schemes
- Continued delivery of social and affordable housing
- Self-funding of project based schemes through service charging
- Investment in early help and preventative based strategies

<u>Base Line HRA Business Planning options</u>

By adopting the Investment Programme detailed at **Annex five** there remains a number of options based on costs staying within an envelope of £298m. These include:-

Option	Effect on Business Plan over 30 years
Establishing a 'Neighbourhood' Locally determined priority budget for Member and Tenant priorities @£250k per annum	**+£7.5m**
Change window replacement multiplier to 1 (or lifecycle to 30 years) as programme has been completed recently	**-£1.738m**
Change external door lifecycle to 30 years and multiplier to 1 to align with windows	**-£1.507m**
Provide for sprinkler renewal in next business plan (lifecycle > 30 years)	**-£1.3m**
Replace rewire programme with Upgrade programme (50% saving on unit rates)	**-£5.43m**
Revise Periodic Electrical Testing Frequency after first 5 year period and extend interval based on risk assessment	**-£4.595m**
Align internal and external painting programme with interval of 10 years	**-£64.2k**
Halve Garage Improvements budget based on rationalisation and disposal of sites	**-£3.25m**
Halve Environmental Improvements and Communal Area Improvements budget	**-£4.25m**
Halve Thermal Comfort Budget based on works to low SAP properties only and advice on condensation etc.	**-£1.05m**
Charge Leaseholders fully for Sprinklers	**-£100k**
Omit Cavity Wall and Loft Insulation renewal	**-£0.537m**

If the Council adopted the Investment Programme set out at **Annex five** or one similar to it, there would be scope to introduce a Locally Determined Budget to meet Member and Tenant Priorities. This would assist in 'solidifying' the remaining elements of the Investment Programme which would become relatively fixed and therefore predictable between revisions following stock condition surveys (every 5 years). This would provide greater certainty to contractors and to tenants who would be able to know with increased certainty when improvement works to their homes are scheduled.

Clearly the Council could also choose to implement reductions to the core Investment Programme to meet costs arising from future regeneration activities. This would need to be carefully balanced against the requirements to meet statutory obligations (in respect of disrepair and safety), compliance with the Decent Homes Standard, the Regulator's Home Standard and any ambition to improve customer satisfaction with the repairs and maintenance service.

Both the Councils constituted Tenants Consultative Group (TCG) and Corporate Scrutiny have been part of wider workshops to inform this options appraisal and the feedback and recommendations for cabinet to note are:-

- Support for a Neighbourhood Fund financed through reductions as set out in the electrical testing programmes and regime. As the combined electrical investment is nearly £10m, a revised and risk assessed approach would provide for the establishment of a 'neighbourhood fund'. This would not undermine the Councils compliance with the current Decent Homes standard but would facilitate a more targeted and risk based approach to electrical testing that allows for funding to be used to support a more focused 'place based' approach to neighbourhood planning

- Maximising opportunities for cross subsidy and alternative funding models to realise wider ambitions supporting the council's corporate agenda.

RESOURCE IMPLICATIONS

The financial implications are significant and this revision to the HRA business plan represents a base line position from which the council can assess future ambition. The financial implications are as detailed throughout the report.

LEGAL/RISK IMPLICATIONS BACKGROUND

The keeping of the HRA is governed by a range of legislation. Schedule 4 of the Local Government & Housing Act 1989 lists all the credit and debits ,much of that schedule has now been superseded by the self-financial regime, but are still an important mechanism for Government intervention and management. The Council must also follow 'proper practices' as defined in section 21 of the Local Government Act 2003 and as detailed in associated regulations. The HRA (Accounting Practices) Direction 2016 made under section 78 and 87 of the 1989 Act – took effect from 1st April 2016. They set out the statutory disclosures for the HRA, namely

- Balance sheet values of land, houses and other property
- Capital expenditure broken down according to sourced funding
- Charges for depreciation for property and assets
- Impairment charges
- Any charge in respect of revenue expenditure funded from capital

Alongside the HRA business planning a detailed risk assessment has been prepared and is attached at annex four. Business planning is a risk management exercise in its own right as the accounting, financing and management of commercial ambition is about analysing and preparing for opportunity and threats. With that in mind head line risks scoring the highest include:-

Risks	Mitigation
Absence of current accurate stock condition survey data for component replacement on which to base the projected investment need.	Pending new stock condition survey, alternative method for estimating investment need is required and is detailed around theoretical component replacement
Over optimistic assumptions in the initial BP – e.g. RTB sales of only 5 per year (& The Government have implemented significant changes to RTB system since 2012)	New Business Plan has more conservative assumptions
Inflation is greater than expected on	Risk remains same after modelling but can

expenditure	be partially mitigated through a programme of VFM activity to control costs
The HRA Business Plan currently proposed provides for balances at the end of each year, based on the assumptions detailed. However at the end of the 30 year forecast, balances reduce until the HRA reaches it minimum and therefore ambitions not detailed in the investment profile are unfunded	Having a base line position for the HRA allows for future financial assessments to be made and opportunities for innovative and alternative funding to be sourced
Future changes to Government policy and the impact of other local factors can materially affect the position plan	The 30-year forecast represents a direction of travel and is based on current and known factors, the proposal to use a financial business modelling tool will allow for modifications and testing as part the Council's budget setting process.

REPORT AUTHOR

Tina Mustafa – Assistant Director of Neighbourhoods ext. 467

APPENDICES

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Annex	Relevance
Annex One HRA Business Plan Report May 2018	Setting out the review of the HRA Business plan investment requirements, key challenges and details around compliance with the Decent Homes Standard
Annex Two Communications Framework	Communications plan supporting the detailed review of the HRA Business plan
Annex Three Equality Impact Assessment (DRAFT for continued consultation)	Equality impact assessment developed and shared with key stakeholders forming part of the overall impact assessment of adoption of the base line assumptions in the plan and as recommended
Annex Four HRA Business Plan risk assessment	HRA business plan risk assessment coded accordingly based on themes and levels of risk
Annex Five Investment Schedule	Within the £298m investment envelope detail on assumptions made to ensure compliance with Decent Homes, along with costs of housing management and special services
Annex Six Briefing workshop to the Tenant Consultative Group (TCG) with representation from Corporate Scrutiny (Councillor Ford) 14th June 2018	Presentation and work-shop shared with TCG
Annex Seven Corporate Scrutiny presentation and work-shop 11th July 2018	Presentation and work-shop held with Corporate Scrutiny

HRA Business Plan Review & Future Options

Tamworth Borough Council

Ennerdale Consulting Ltd
Draft 3 - May 2018
Commercial in Confidence

Contents

Executive Summary

The original Housing Revenue Account Business Plan was approved in 2012 and set out how the Council intended to achieve its ambitions to maintain and improve its existing housing stock, regenerate unsustainable property and build new homes. The plan was based on assumptions underpinning its self-financing settlement and stock condition data from 2009.

In broad terms, the plan envisaged spending £30m on the existing stock during the first four years including environmental works, investment in garage sites and improvements to high rise block, followed by investment of up to £30m on regeneration (new build) and area based renewal projects (such as Tinkers Green and Kerria) in years 5-10. The plan also envisaged some increase in costs in years 1-4 to support service delivery by adding staffing capacity to the housing service and healthy balances of £189m plus additional borrowing capacity of up to £11m to support further investment / new development from year 11 to year 30.

In 2014 the Council updated the Business Plan to advance its ambitions for regeneration and new build. The updated Business Plan assumed headline rent increases of 3.5% for 2015/16 and 3% for all years from 2016/7. Costs were projected to increase more slowly than income so updated plan continued to demonstrate a healthy increase in balances and available resources to meet current and new ambitions.

From 2015 the limitation on rent increases has significantly affected these plans, reducing resources by £156m. Additional Right to Buy Sales and not reducing budgets if stock numbers fall (a key assumption in the original Business Plan), have constrained the ability of the Council to meet its original and revised ambitions. The effects are explained and quantified below:

Change	Impact on Balances	Description
Changes in social rent policy	**-£156m**	The 2012 HRA Business Plan assumed rents would increase at 3% per annum for 30 years (retail prices index + ½%). This has proved highly optimistic, as successive policy changes have led to: rents being linked to the (lower consumer prices index); and early termination of the previous policy on rent convergence; the introduction of rent reduction from 2019/17 to 2019/20. We have allowed for above inflation rent increases from 2020/21 to 2024/25, in line with a rent guarantee provided by Government, but have assumed inflation-linked growth from 2025/26 is at a lower rate than assumed in the 2012 HRA business plan.
Additional RTB sales	**-£23m**	The 2012 HRA business plan assumed 5 RTB sales a year. In the six years since then the authority has sold 183 more dwellings than expected, which has reduced the amount of income generated by the HRA.
Fixed cost assumption	**-£10m**	The 2012 HRA business plan appears to have assumed that the authority would make corresponding cost reductions to compensate for loss of rental income through the right to buy. The current forecast takes a more prudent view, on the basis that here is no clear evidence of an approach for reducing costs in line with stock loss.

Other changes	**+£9m**	A wide range of other variables have changed since 2012, as a result of operational and policy changes made by the council. These include differences in the profile of capital expenditure, changes to the way the capital programme is financed (including use of 141 receipts), changes to operating budgets and the repayment of loans. Some of these work to the advantage of the HRA.
Total impact	**-£180m**	Current forecasts show the level of the HRA balance to be £180m lower at the end of 2041/42, when compared with the 2012 HRA business plan.

The key headlines from the revised HRA business plan forecasts are now:

Headline	£m
Opening debt (at 1 April 2018)	£68.0m
Closing debt (at 31 March 2048)	£72.2m
Debt Ceiling	£79.4m
Borrowing Headroom	£5.6m

Future Options

The Council still has a sustainable Business Plan, however its ability to fund future regeneration and new build council homes is now limited and cost pressures need to be proactively managed within the plan if it is to remain sustainable. Without making use of the additional £5.6m of borrowing headroom it has within the revised Business Plan, the Council has several options to allow it to respond to these new challenges. These will need to be discussed with its tenants and other relevant stakeholders.

Firstly, the Council has the ability to choose the assumptions it makes in its revised 2018 Business Plan and how its resources are spent. It can decide to base its plan on budgets that reduce as council homes are sold under the Right to Buy and it can decide to use HRA balances rather than borrowing in the early years of the plan. These 'technical' options potentially increase resources for the Business Plan.

Secondly, within the overall budget for investment in the existing housing stock, there are also options that allow the Council to introduce a 'locally determined' budget which can accommodate a reasonable amount of new expenditure without sacrificing Decent Homes investment and statutory maintenance requirements.

Thirdly, the revised Business Plan also allows the Council to complete existing regeneration projects at Tinkers Green and Kerria; however resources for future regeneration are limited. These can be increased if the Council chooses to adopt different technical assumptions in the Business Plan or if costs are reduced generally over the life of the plan

Fourthly, the revised Business Plan allows the Council to achieve its ambition to increase the supply of new affordable homes within the borough. In the early years of the plan, resources of £9.81m are available for new Council homes. After year 6 of the plan however, the Council lacks the resources to 'top up' the resources generated from Right to Buy sales and may need to consider 'enabling' the provision of new homes by grant aiding other social housing providers rather than through building council homes directly.

Introduction

Ennerdale Consulting Ltd has been appointed to provide assistance with updating the Council's Housing Revenue Account (HRA) Business Plan. The Council's brief specifies that the assistance is to facilitate

- "a high level strategic discussion on the Council's HRA business planning priorities"
- "setting out the direction of travel for 2018/19 to 2022/23 for its stock retained service to ensure compliance with the Landlord Regulatory Standards and in direct support of the Council's strategic ambitions"

including

- "..options for investment in the Council's own stock in the context of available funding and financing."

and providing

- "..evidence of comparative benchmarking with other providers' business plans demonstrating that it is fit for purpose"

with

- "..a high level action plan setting out the choices in terms of service offer"

This report provides the Council with a commentary on the emerging Business Plan, identifying issues and options for discussion with Members and Tenants. The report summarises

- The work we have undertaken to date to revise the Plan, taking account of current data and government policy
- Our initial impressions and observations regarding the Council's existing Business Plan
- The issues that are present in the new draft plan including Risks and Impacts
- Options for the Council to consider as it engages in consultation with its Tenants on the content of the new plan.
- A suggested Action Plan for the Council

Limitations

The principal limitation at this stage of the Business Plan review process arises from the need to estimate the Council's Investment Need in the absence of current stock condition data. This is a limitation on the accuracy of 63% of the £298m of Capital and Revenue expenditure on the existing stock as we have used a theoretical model to project component replacement costs over the 30 year life of the new Business Plan. While we believe that the overall total investment in component replacement will be at or around the figure of £189m identified in v6 of our draft Investment Programme we recognise that this total and expenditure profile may differ from that generated from the new Stock Condition Survey. Having said this, our estimate of the cost of component replacement does not differ significantly from the capital investment requirement suggested in the 2009 Stock Condition Survey (£184m) and the method used to generate estimated costs has been thoroughly discussed with the Council's Officers so we believe that the risk that the investment need is wrongly stated is low.

Our Work to Date

Methodology

Our consultants, Ian Gardner and Glenn Smith have worked with the Council's officers to gain an understanding of the Council's housing service, investment programme, new build and regeneration programmes and the housing revenue account. We have used this information to develop a 30 year projection of income and expenditure for the HRA. Our work has included:

- an initial project set up teleconference on 1st March
- modelling the current levels of HRA income and expenditure contained in the Council's Medium Term Financial Strategy (MTFS)
- a second teleconference on 13th March at which our initial modelling of the Council's MTFS was discussed along with some early thoughts on your investment programme
- a report on the investment programme referenced in the MTFS comparing this with the investment publicised in the 2012 and 2014 Business Plans and a theoretical level of investment for the next 30 years based on current prices and guideline component replacement timescales
- an 'on site' workshop on 5th April to discuss the draft Investment Programme and to consider additions and omissions to the 30 year projection of investment need
- modelling future levels of HRA income and expenditure based on a revised Investment Programme, commitments contained in the Council's MTFS and assumptions regarding inflation, rents, sales, demolitions and new build stock numbers
- a second 'on site' workshop on 10th April to illustrate the emerging results of the financial modelling for the Business Plan
- refining the financial modelling of the Business Plan including production of alternative scenarios reflecting possible financial threats and opportunities.
- Assessing the Business Plan review project against the Regulators' Consumer Standards; drafting a Community Impact Assessment, Risk Assessment and Communications Framework for the project
- Preparing this report for consideration by the Council.

Data sources

We have taken data from a number of sources including the following:

- Published documents such as the 2012 Business Plan and Business Plan Prospectus
- Official statistics such as https://www.gov.uk/government/statistical-data-sets/local-authority-housing-statistics-data-returns-for-2016-to-2017 for Decent Homes compliance information and https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing for HRA expenditure benchmarking
- Official returns – such as the Council's Right to Buy Pooling return
- Published guidelines regarding Decent Homes https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/7812/138355.pdf
- The Council's published budgets – MTFS / HRA & budgetary assumptions (e.g. inflation / interest rates) and policy led expenditure reports (e.g. Fire Safety in Flats)
- The Council's published service standards – e.g. void lettable standard and repairs policy

- Activity / Performance reports – such as the Annual Report to Tenants / Landlord Services Annual Report for information such as void turnover, historic average void cost, average costs of response repairs, etc.
- Stock Condition reports and updates (2009 & 2013) including component costs and renewal frequencies adopted for the survey; Specialist condition surveys (Sheltered Housing) and the draft Asset Management Strategy
- Previous consultancy project outputs – Chartered Institute of Housing 2012
- Current contract prices and frequencies for cyclical maintenance and average replacement costs for key components (kitchens, bathrooms , heating systems etc.) based on current expenditure
- HRA closing / opening balances for stock numbers and discussions with officers regarding stock composition for investment planning purposes
- Outputs from the Council's Asset Management database – for details of individual property Decent Homes failures

Where information was not publicly available, we sought data on the above via an initial data request and we would like to thank officers for their prompt response to our request.

The assumptions in preparing our assessment of Investment Need have been recorded (via comments in specific spreadsheet cells) and discussed with officers via e-mail, telephone and during the on site workshop in early April. Our key assumptions used in the financial modelling have been discussed with the Council's Chief Accountant and have been recorded and circulated prior to and after our teleconference on 13th March and workshop on 10th April.

Your Existing Business Plan

Intended Key Outcomes

The Council's original Business Plan was agreed in 2012 and updated in 2014. The original plan set out the plans and ambitions for the housing service over the thirty year period 2012-2042 as follows:

- Meeting Decent Homes and Developing a Tamworth Standard
- Environmental Improvement
- Investment in Garage Sites
- Invest in service delivery
- Regeneration and Area Based Renewal
- Town Centre Development

In broad terms, the plan envisaged spending £30m on the existing stock during the first four years including environmental works, investment in garage sites and improvements to high rise block, followed by investment of up to £30m on regeneration (new build) and area based renewal projects (such as Tinkers Green and Kerria) in years 5-10. The plan also envisaged some increase in costs in years 1-4 to support service delivery by adding staffing capacity to the housing service and healthy balances to support further investment / new development from year 11 to year 30.

Actual Delivery

This report does not attempt to evaluate progress against each of the ambitions cited in the original Business Plan. This will be undertaken in more detail during the final phase of the project when text of the new Business Plan is being prepared. However as there are significant differences between the original and new draft plans, some commentary on these differences would seem to be appropriate.

In summary, the Council's actual budget for 2012/13 was broadly in line with the Business Plan; however from 2013/14 onwards regeneration and new build activity have been brought forward and the budget for existing stock investment has been reduced somewhat. These changes were reported to Members in March 2014 through an update to the original Business Plan.

Ambition 1 - Meeting Decent Homes and Developing a Tamworth Standard

Decent Homes

In 2012 the Council reported that it had met the 'minimum Decent Homes Standard' and this is reflected in the Council's Housing Statistical Data Return. However, from 2013/14 the Council has reported high levels of non-decent homes each year:

Year	2013/14	2014/15	2015/16	2016/17
No of Non-Decent Homes	2286	1670	1595	1712

The 1712 properties reported in 2016/17 and highlighted on page 9 of the 2016/7 Annual Report to Tenants represented just over 39% of the Council's housing stock and we queried this in our tender as the figure seemed high. We have discussed this figure with the Council's Head of Asset

Management and understand that in 2017/8 the number will be much reduced after some 'data cleansing' and reassessment of failures within the Asset Management Database. Although a non-zero figure is the Council's ambition, it is possible that a small number of properties will still be classed as non-decent at the end of 2017/18. These should be addressed via existing budgets during 2018/19.

The Tamworth Standard

The Council wished to offer a higher Decent Homes Standard to elderly and vulnerable tenants and this was reported in the original Business Plan. However this ambition has not been realised as the budgets for investment in existing stock were reduced from 2013/14 to meet costs of regeneration and new build programmes. Notwithstanding this, the Council has introduced a tailored maintenance service for some of its older residents (those over 75 with specific vulnerabilities around health and disability and/or having complex needs).

As part of the Business Plan review it would be appropriate to re visit the Tamworth Standard ambition and review the tailored maintenance service to establish that the ambition and current practices are affordable and that they meet the Council's public sector equality duty.

Investment Programme

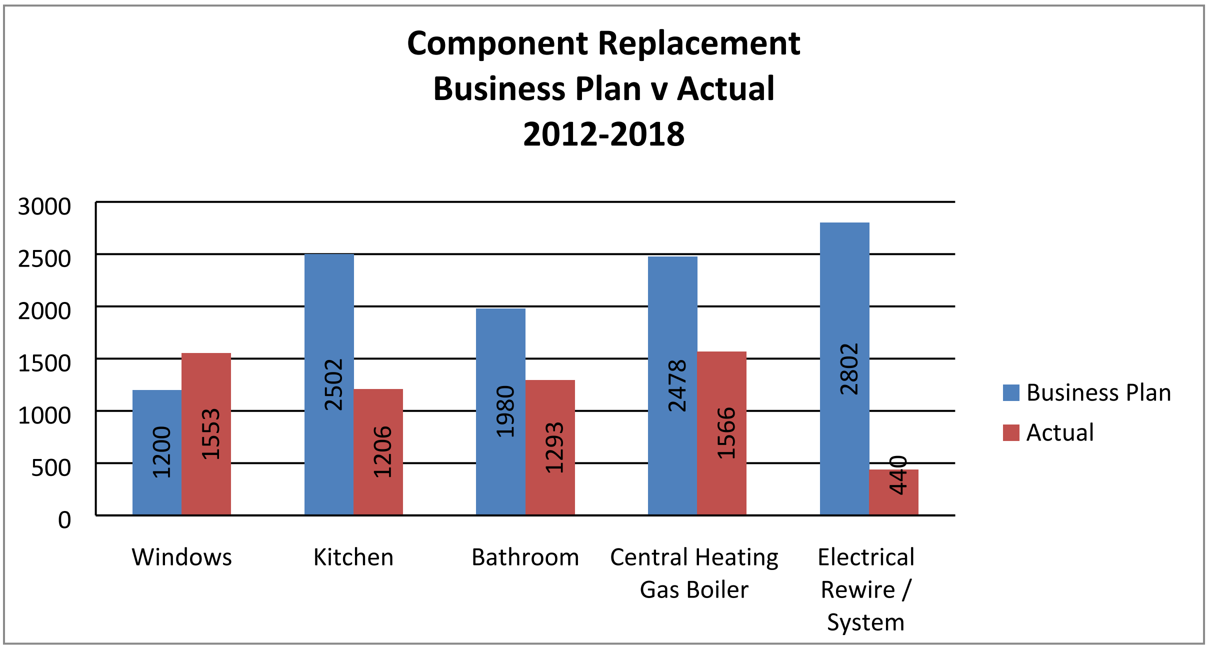
The £144m of non-revenue (i.e. excluding response, cyclical and void maintenance) expenditure on Decent Homes / component replacement referenced in the original Business Plan was based on the 2009 stock condition survey. However this survey indicated an investment requirement of around £177m excluding adaptations, capitalised salaries, regeneration / area based renewal projects and Decent Homes 'enhancements'. Although the survey did include around £10m for external wall insulation / cladding, it is apparent that the Investment Programme adopted from 2012 was somewhat smaller than indicated in the 2009 survey.

Notwithstanding this headline reduction, the Council's actual published programme was based on 'front loading' investment into the first four years of the programme, with plans to replace

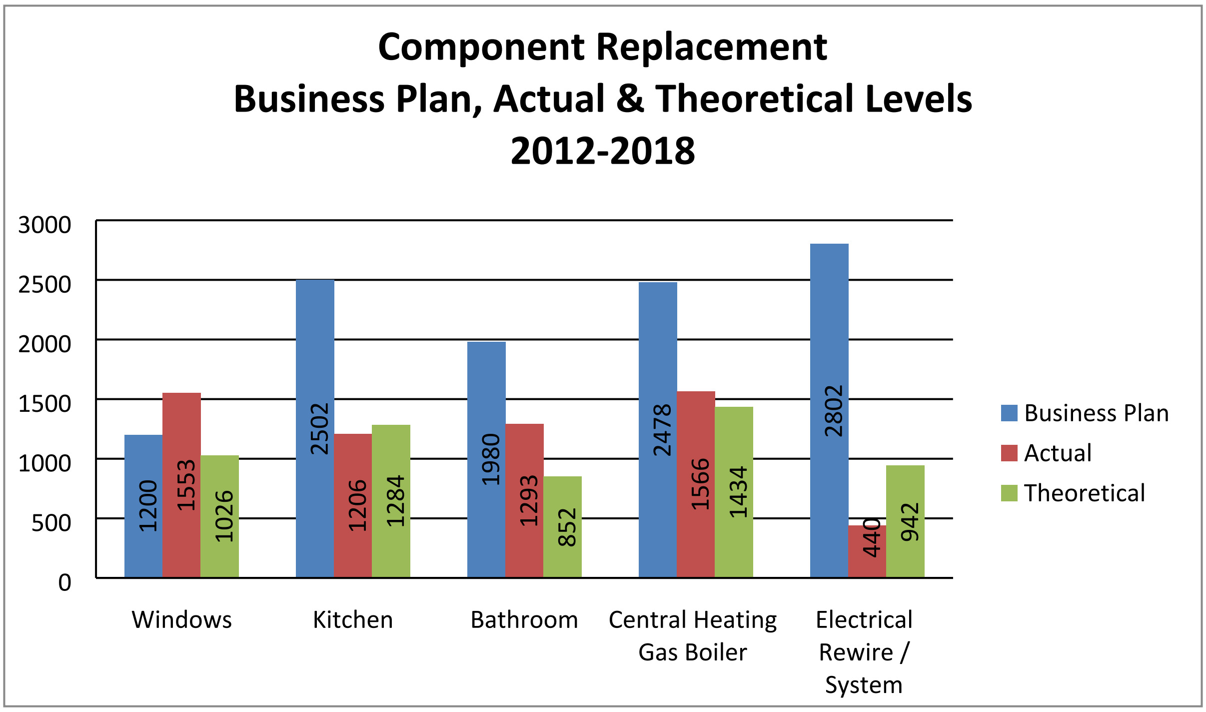
- 330 bathrooms
- 417 kitchens
- 413 heating systems
- 400 windows and to carry out
- 467 rewires

..each year until 2015/16. From 16/17 until 2018/19 the profile of investment underpinning the £144m in the Business Plan matched that for the first four years, other than for window replacement as that programme was scheduled for completion in 2014/15.

Actual delivery has differed from planned delivery as follows:



As indicated in the above chart, actual replacement has been generally lower than envisaged in the Business Plan. While the change appears to be quite significant and may not have been fully explained to tenants, the actual level of component replacement is only marginally different from the theoretical minimum required to achieve and maintain the Decent Homes Standard. Planned, actual and theoretical requirement levels of component replacement are shown in the following chart.



As part of the Business Plan review it would be appropriate to re visit the Investment Programme and enhance the Kitchen and Rewire / electrical upgrade programmes to ensure that replacement activities achieve minimum levels required to maintain the Decent Homes Standard.

Ambition 2 - Environmental Improvement

The budget for environmental improvements provided in the original Business Plan envisaged £750k per annum being available over 30 years. This was a significant investment and was enhanced for one year in 2012/13 with an additional £200k. The £750k budget was increased in 2013/14 but was reduced to £256k from 2014/15 when the Business Plan was updated. This reduction clearly constrained the Council's ambition to deliver environmental improvements, however despite the reduction the Council has, with direct involvement from tenants, been able to fund multiple projects enhancing estates. These include improvements to garages, provision of drying areas, planting and landscaping together with energy efficiency work to sheltered housing.

Ambition 3 - Investment in Garage Sites

The Council has made steady progress in addressing the need for investment on its garage sites. A total of 19 sites have been gifted to other social housing providers to facilitate new build projects, around 600 garages located under flats and maisonettes have been refurbished to varying extent and the remaining garage sites have been subject to investment appraisal. Decisions on the remaining garage stock will need to be taken in the course of the 2018 Business Plan and provision has been included within the draft Investment Programme to address outstanding issues.

Ambition 4 - Invest in Service Delivery

Following an initial restructure in 2011, the Housing Service recruited staff to support its activities in relation to income collection, repairs and maintenance and Anti-Social Behaviour. As a consequence of these and other initiatives, customer satisfaction with the Council as a landlord has increased from 65% to 78% and the time taken to relet empty homes has fallen from 56 days to 17 days. However, satisfaction with how the Council deals with repairs and maintenance is still 'bottom quartile' at 68% and should be a priority for improvement in the next Business Plan.

Ambition 5 - Regeneration / New Build Projects and Area Based Renewal

The original Business Plan envisaged that £2.5m of resources would be placed in a Regeneration Fund during the first four years of the plan and that this would be used from year 5, together with balances and some borrowing, to fund regeneration projects during years 5-10. The Council has made more progress in this area than was anticipated in the original Business Plan with £20.7m being allocated to meet the cost of regenerating Tinkers Green and the Kerria Centre. The project involves the demolition of 136 unsustainable properties and the creation of 140 new homes on the same site.

The Council has also made progress with its ambition to build or acquire new affordable homes. Between 2011 and 2015 a total of 54 new affordable homes were provided by Housing Associations on 14 formerly Council garage sites. In addition, a total of 19 new council homes have been built and 14 have been acquired over the course of the first six years of the business plan. A further 14 units of affordable housing will be acquired in 2018/19. With the possible exception of two properties in Bloomfield Way, the Council appears to have achieved value for money for both new build and acquisitions in terms of their costs.

Ambition 6 - Town Centre Development

The Business Plan has supported the Council's Town Centre Masterplan and Gateway Project through investment in the six multi storey blocks on the Balfour estate. Following detailed stock condition reports on each of the blocks, which confirmed their structural integrity, the Council has invested in fire safety and lift replacement work. Further lift replacement work is scheduled for 2018/9 and the Council intends to retrofit each block with fire suppression equipment (sprinkler systems).

What Has Changed?

As indicated in the previous section, the Business Plan has been adapted as a result of significant changes in policy – both nationally and locally.

National Policy

Rent Income

The most significant change which has directly affected the Business Plan is the succession of adjustments to the rent that the Council can charge. The Council's original Business Plan assumed that rents would increase according to the government's formula for rent convergence by 2016 and thereafter by the value of the Retail Price Index (RPI) plus 0.5%. RPI was assumed to be 2.5% for the life of the plan after 2012/13 so this provided a steady increase in rental income for the HRA and the capacity for income to outpace expenditure, resulting in the increase in balances and therefore available resources as shown in the original plan (p22).

In September 2012 the RPI used to calculate the rent increase for 2013/14 was 2.6% - slightly higher than the assumed rate of inflation adopted in the Business Plan (2.5%) so with a 0.5% addition the headline increase of 3.1% was positive. During 2013 however the government introduced proposals to replace the RPI with another (potentially lower) inflation measure for rent increases – the Consumer Price Index (CPI) and proposed that rents would be allowed to increase at CPI plus 1% for a period of ten years from 2015/16. The proposals also cut short the period for rent convergence from 2015/16 to 2014/15. At the time, CPI was approximately ½% lower than RPI, and so rent increases of CPI + 1% were expected to yield a similar level of rent income to increases at RPI + ½%. However, CPIU and RPI soon started to diverge, with RPI rising at a faster rate than CPI. Forecasts by the Bank of England now expect RPI to be 1% or more above CPI, which means that CPI-linked rents rise at a slower rate in real terms, when compared with rents linked to RPI.

The 2014 Business Plan assumptions reflected this new framework with headline rent increases of 3.5% (2.5%+1%) for 2015/16 and 3% (2%+1%) for all years from 2016/7. Costs within the plan were projected to only increase by CPI not RPI from 2015/16 so the updated plan continued to demonstrate a healthy increase in balances and available resources to meet current and new ambitions.

Unfortunately this new certainty – a ten year rent settlement – was short lived and in the 2015 Autumn budget new measures to reduce the costs of housing benefit to the exchequer were introduced. These measures required social housing landlords to reduce rent by 1% for four years from 2016/17 until 2019/20. This has significantly impacted the 2018 Business Plan review and accounts for most of the reduction in income to the plan. An additional negative impact has arisen from the introduction of the government's newest inflation measure, the Consumer Price Index plus owner occupiers housing costs (CPIH) which is described as its 'lead' measure of inflation[1]. The value of CPIH has been lower than CPI since March 2017 and has been used by government in calculating Local Authority limit rents. If used within the Business Plan (a prudent assumption) annual rent increases from 2020 will be approximately 0.3% lower than if CPI-linked rents are adopted in the plan. As a consequence of this change balances now grow far more slowly compared to the projections in 2012 and 2014 and there are consequently fewer resources to meet costs in the new plan.

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[1] See https://www.ons.gov.uk/economy/inflationandpriceindices/methodologies/consumerpriceinflationincludesall3indicescpihcpiandrpiqmi

Right to Buy

The Council's existing Business Plan assumed the loss of 5 properties per year through the Right to Buy (RTB). This reflected a reduced interest in buying homes during the early part of the global financial crisis. From 2012/13 however, interest in the RTB started to increase with government's reinvigoration of the RTB and sales peaked in 2013/14 with 42 properties being sold.

The Business Plan update of 2014 reflected the increased interest in the RTB and assumed that 50 properties would be sold each year from 2014 to 2019 with a reduction to 24 sales from 2019 and 20 sales in the longer term.

The effect of increased sales – through the gradual recovery of the economy and the reinvigoration of the RTB has been to reduce rental income to the Business Plan while at the same time, increasing the value of capital receipts available to the Council. In 2012 the Council entered into an agreement to spend the value of increased capital receipts on 'one for one replacement' – i.e. new social housing. The updated Business Plan indicated that these additional receipts would be spent on the regeneration of Tinkers Green and Kerria when the scheme contained a larger number of additional new build properties. As this scheme developed, the number of additional homes reduced and the one for one receipts have been directed towards other new build and acquisition schemes.

Welfare Reform

While the full impact of the introduction of Universal Credit has yet to be seen, it is apparent that the Council has been successful in controlling the growth of rent arrears. Consequently the Updated Business Plan provision for bad debts was reduced in 2014/15 and 15/16 although this was not reflected in the MTFS until 2017/18.

Local Policy

The Business Plan has also been affected by local policy changes including:

- The decision to advance the regeneration of Tinkers Green and Kerria
- The decision to devote more resources to new housing development / acquisition
- Decisions to enhance fire safety in multi storey blocks
- Decisions to shorten the interval for periodic electrical testing (to support the Council's approach to Fire Safety)
- Decisions to include items of expenditure within the Capital Programme which were not reflected in the original or updated Business Plan (e.g. capitalised salaries; agile working; thermal upgrades; offices etc.)
- Decisions not to charge Leaseholders for rechargeable work (sprinkler systems)
- The introduction of activities with costs not funded from within the Business Plan (Golden Ticket, Handyperson Scheme, increases in tree maintenance costs, etc.)

Many if not all of the above represent valid policy choices to enhance services for tenants, however their inclusion within annual budgets has created a variance between the MTFS and the original Business Plan which was the subject of tenant consultation. To the extent that it is possible, these policy changes and commitments have been reflected in the 2018 Business Plan and it is recommended that the affordability of all future service enhancements is explicitly tested against the Business Plan as part of the decision-making process.

The combined effects of the changes outlined have reduced HRA balances by £180m as described in the following table:

Change	Impact on Balances	Description
Changes in social rent policy	-£156m	The 2012 HRA Business Plan assumed rents would increase at 3% per annum for 30 years (retail prices index + ½%). This has proved highly optimistic, as successive policy changes have led to: rents being linked to the (lower consumer prices index); and early termination of the previous policy on rent convergence; the introduction of rent reduction from 2019/17 to 2019/20. We have allowed for above inflation rent increases from 2020/21 to 2024/25, in line with a rent guarantee provided by Government, but have assumed inflation-linked growth from 2025/26 is at a lower rate than assumed in the 2012 HRA business plan.
Additional RTB sales	-£23m	The 2012 HRA business plan assumed 5 RTB sales a year. In the six years since then the authority has sold 183 more dwellings than expected, which has reduced the amount of income generated by the HRA.
Fixed cost assumption	-£10m	The 2012 HRA business plan appears to have assumed that the authority would make corresponding cost reductions to compensate for loss of rental income through the right to buy. The current forecast takes a more prudent view, on the basis that here is no clear evidence of an approach for reducing costs in line with stock loss.
Other changes	+£9m	A wide range of other variables have changed since 2012, as a result of operational and policy changes made by the council. These include differences in the profile of capital expenditure, changes to the way the capital programme is financed (including use of 141 receipts), changes to operating budgets and the repayment of loans. Some of these work to the advantage of the HRA.
Total impact	-£180m	Current forecasts show the level of the HRA balance to be £180m lower at the end of 2041/42, when compared with the 2012 HRA business plan.

The key headlines from the revised HRA and original business plan forecasts are shown below:

Headline	2018	2012
Opening debt (at 1 April 2018)	£68.0m	£68.0m
Closing debt (at 31 March 2048)	£72.2m	£72.2m
Debt Ceiling	£79.4m	£79.4m
Borrowing Headroom	£5.6m	£11m

The revised Business Plan now contains £5.6m of borrowing headroom which may be utilised over the lifetime of the plan. At this point we have not included this in baseline forecasts to minimise risk in the plan by allowing a buffer against future unplanned expenditure.

Current Benchmarks

As part of our brief we were asked to provide benchmarks for the new Business Plan to demonstrate that it is fit for purpose.

To assess elements of the plan we have undertaken benchmarking during the process of preparing elements of the plan and have shared the results with the Council's officers as the project has progressed. Our findings are summarised below:

Stock Investment

Component lifespans – we reviewed the lifespans of key building components (such as indicated in the Council's Asset Management database and identified some anomalies. In some instances (highlighted in **purple**) these were longer than the Decent Homes disrepair criterion and would lead to an artificially low estimate of renewal costs if the database was used to generate cost estimates for the Business Plan.

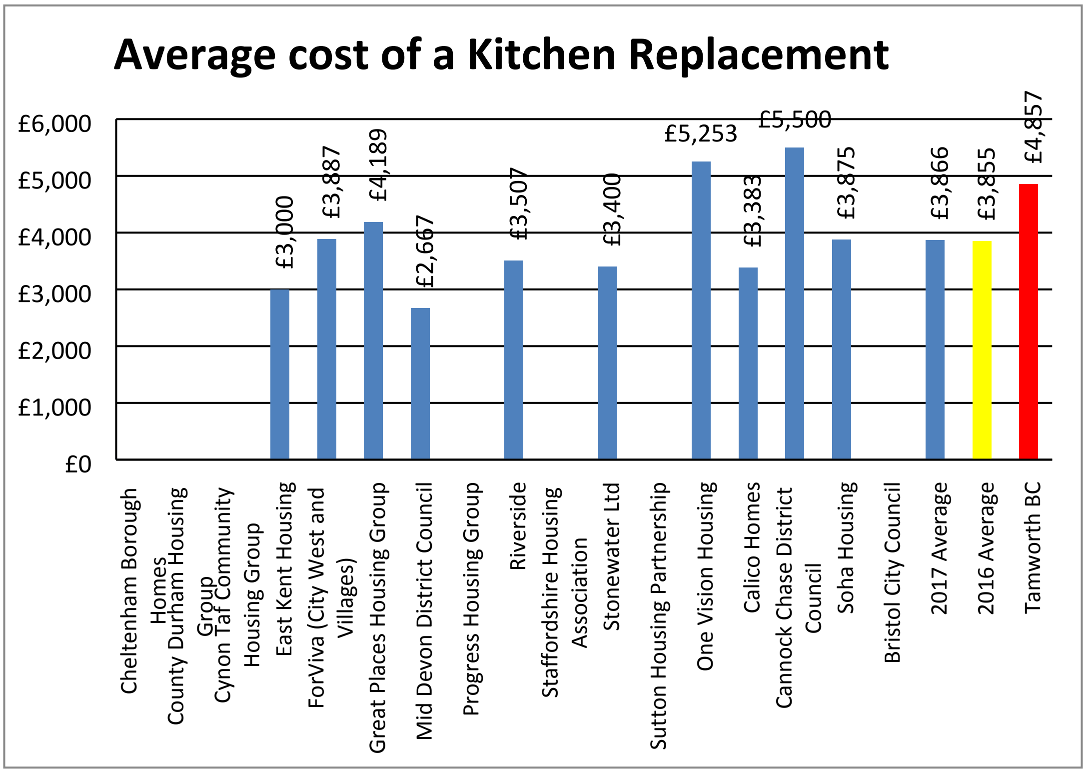
In some instances (highlighted in **red**), component lifespans were shorter than the Reasonably Modern Facilities criterion within the Decent Homes Standard and the effect would be to produce inflated cost estimates. We reported on this more fully in our review of the Council's Investment Programme and the details of individual component lifecycle variances are shown below:

Component	DH Lifespan of Component	DH Lifespan of Component	Reasonably Modern Lifespan	TBC Lifespan of Component
	House	**Flat**	**(House or Flat)**	**House**
Wall Structure	**80**	**80**	**80**	**100**
Brickwork (spalling)	**30**	**30**	**30**	**100**
Roof Structure	**50**	**30**	**50**	**84**
Wall Finish & Lintels	**60**	**60**	**60**	**50**
Central Heating Distribution System	**40**	**40**	**40**	**29**
Roof Finish	**50**	**30**	**50**	**64 or 74**
Chimneys (rebuild)	**50**	**50**	**50**	**86**
Windows	**40**	**30**	**25**	**37**
External Doors	**40**	**30**	**25**	**30**
Kitchen	**30**	**30**	**20**	**15**
Bathroom	**40**	**40**	**30**	**20**
Central Heating Gas Boiler	**15**	**15**	**15**	**29**
Other Heating System (Electric)	**30**	**30**	**30**	**20**
Electrical Rewire / System	**30**	**30**	**30**	**40**

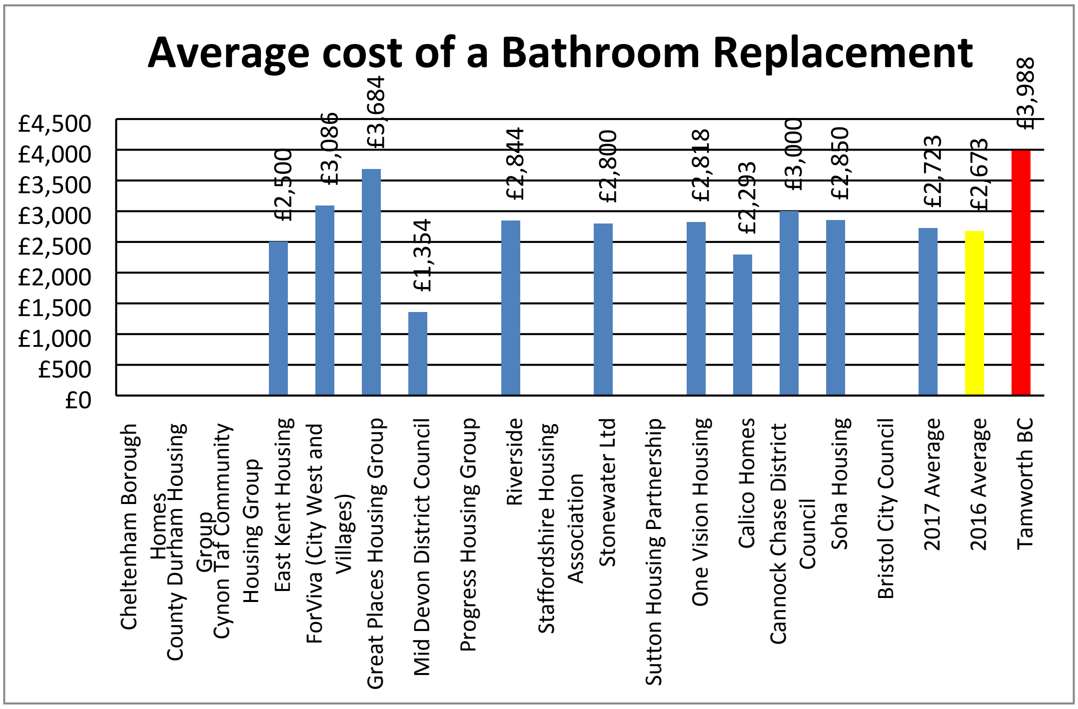
Our projection of Investment Need used for the Business Plan uses the Reasonably Modern Facilities lifespan where appropriate or lifecycles less than the disrepair lifespan to avoid over or under estimating costs.

Unit costs – we identified a number of unit costs which were at the upper end of benchmarks based on Housemark, TEAMnet and other sources. These included kitchen, bathroom, gas boiler replacements and void repairs

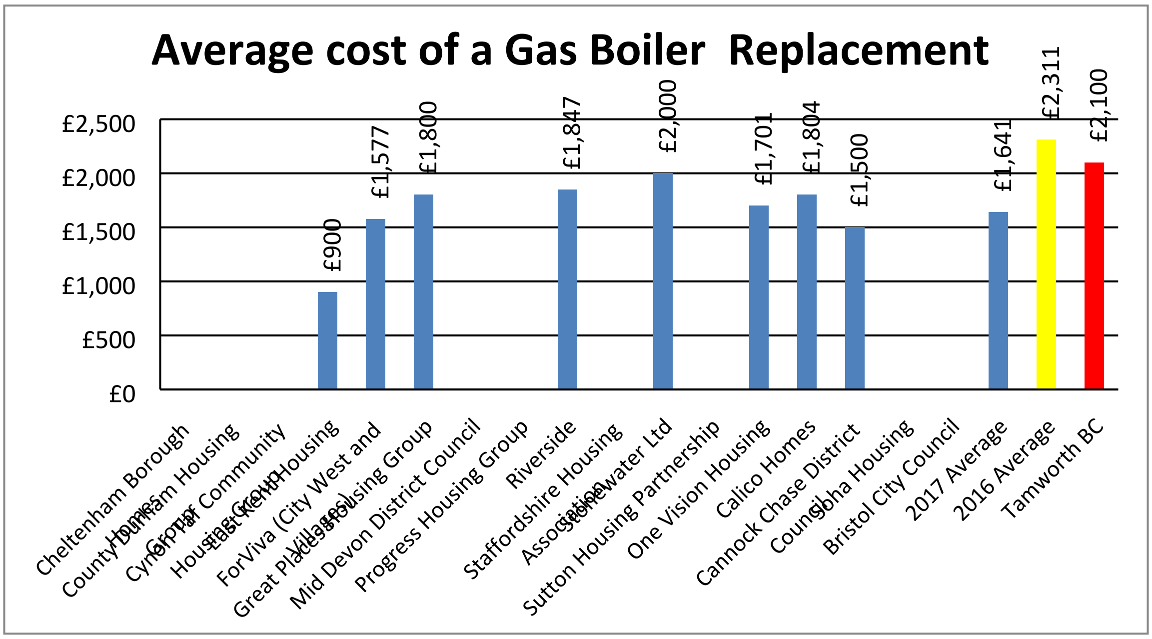
For kitchen replacements, using TEAMnet data, Tamworth spend around £1000 more than the average of those organisations supplying data for the last TEAMnet benchmarking survey



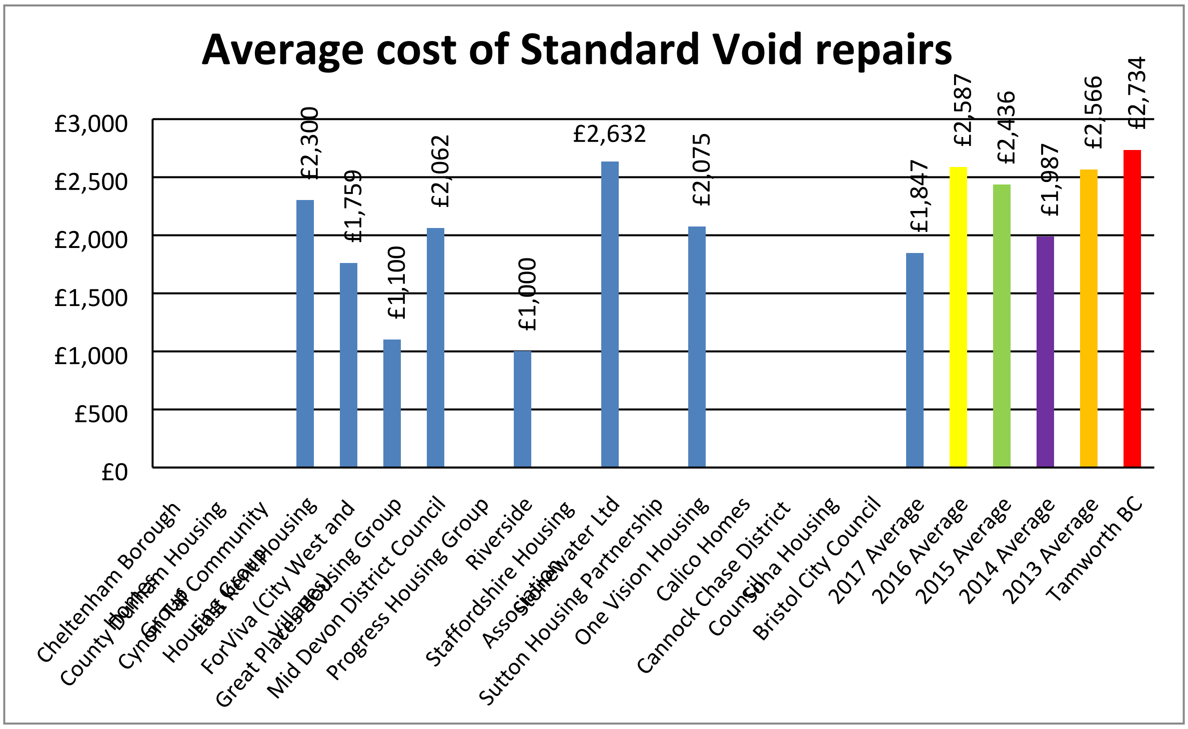
For bathroom replacements, using TEAMnet data, Tamworth spend around £1200 more than the average of those organisations supplying data for the last TEAMnet benchmarking survey



For boiler replacements, using TEAMnet data, Tamworth spend around £500 more than the average of those organisations supplying data for the last TEAMnet benchmarking survey, although the TEAMnet average is skewed because of one result. Without this result, the average is closer to £1750 which is still £350 less than Tamworth.



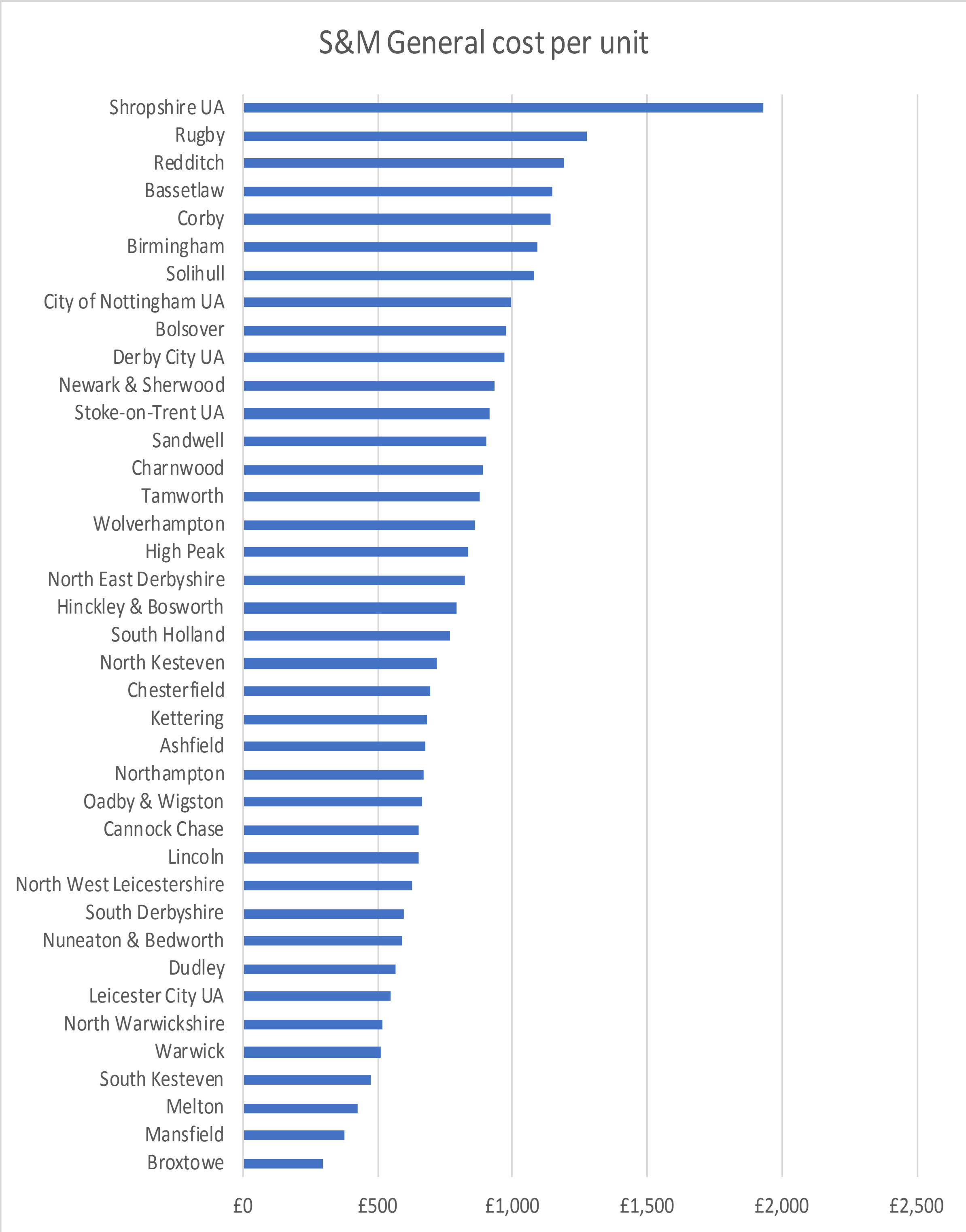
For void repairs, using TEAMnet data, Tamworth spend around £1000 more than the average of those organisations supplying data for the last TEAMnet benchmarking survey.



While all these benchmarks should be treated with caution as the sample against which Tamworth is compared is small and there is no standardisation of component or works specification, the results do indicate that current unit costs for some aspects of the Investment Programme are relatively high and would bear further examination.

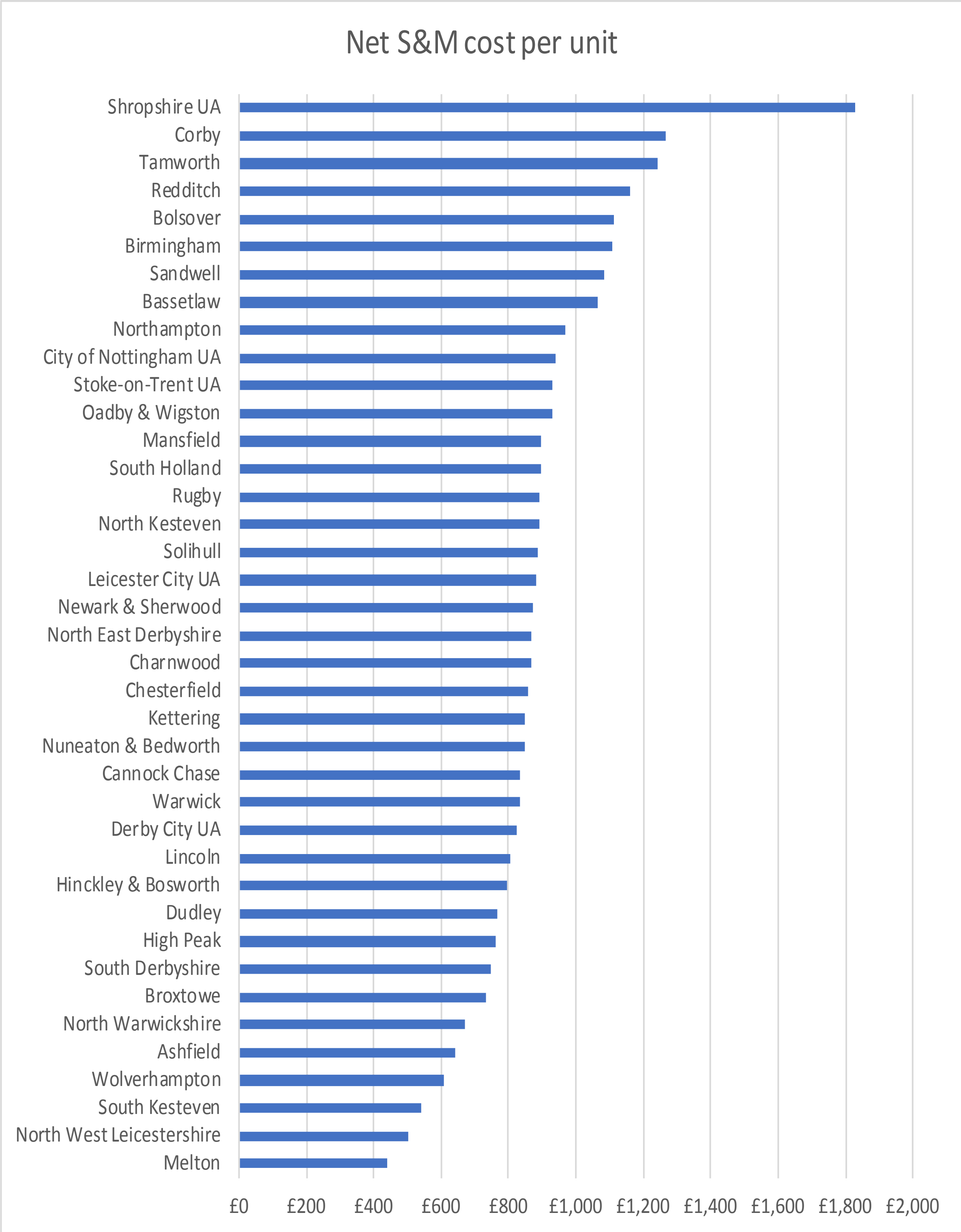
Supervision and Management

We have compared the costs per unit of Supervision and Management among local authorities in the West Midlands and East Midlands regions of England. The first chart below shows the ranked cost per unit of Supervision & Management (General) for each authority. This excludes the costs of special services:



Tamworth's unit cost (£876) ranks 15th out of 39 authorities, suggesting that the cost per unit of housing management is just above the median for the region. This is just above the all-England shire district average of £861 per unit.

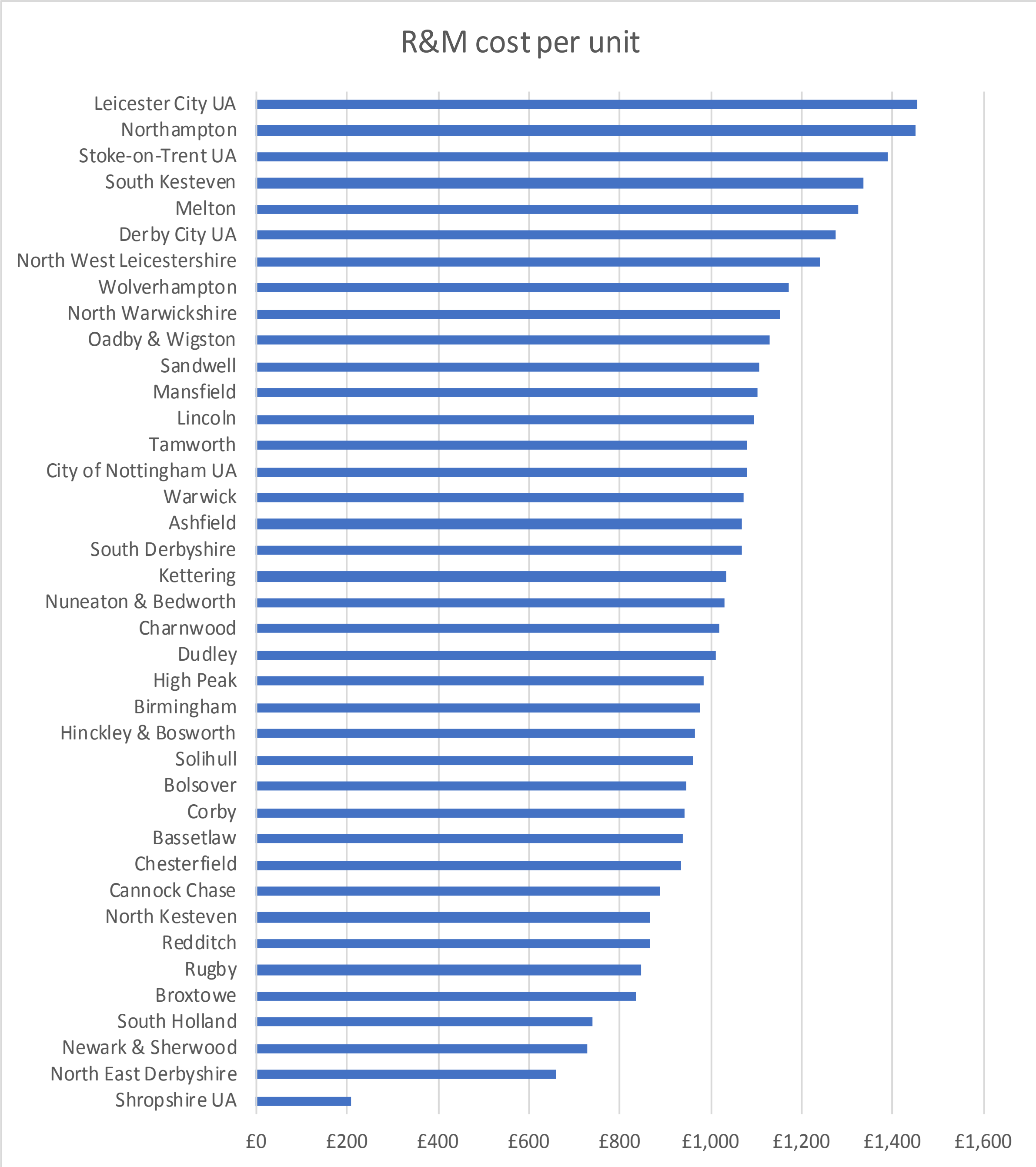
The next chart shows the ranked net cost per unit of Supervision & Management for each authority. This includes the costs of special services, net of service charges:



The cost per unit for Tamworth of £1,241 ranks much higher in this chart, coming 3rd of 39 authorities. The all-England average for shire districts is much lower, at £897 per unit.

The increase, relative to S&M General costs, reflects an additional £529 per unit in service costs, for which the authority expects to recover £164 per unit. The authority's relative position would improve, with fuller recovery of the cost of services through service charges.

The final chart shows the ranked cost per unit of revenue repairs and maintenance for each authority:



Tamworth ranks 14th out of 39, suggesting that its budgeted cost per unit of revenue repairs for 2017/18 was high in relation to other Midlands authorities, though this does not take into account differences between each authority's capitalisation policy. From the Investment Programme benchmarking it is apparent that costs for aspects of the programme could be targeted for reduction and this would help to improve the ranking above.

Recharges

The final area we have considered is that of recharges to the HRA. These relate to both corporate management and direct service delivery to tenants by other departments of the Council. We have reviewed the corporate management recharges for 2018/19 and compared these, so far as we are able, to the benchmark costs for similar activities as reported by Housemark. The benchmark used by Housemark expresses the value of overheads as a percentage of adjusted turnover and we have interpreted the Council's recharges along similar lines, as a percentage of the gross rent debit.

As Tamworth does not participate in Housemark's annual cost benchmarking exercise it has been necessary to compare the Council's current costs with historic information we have collected when carrying out previous assignments. Comparisons at a global level have been made with traditional housing associations and LSVT housing associations in the North West and Midlands. In 2018/19 the HRA receives recharges from the General Fund totalling £2.068m. This represents 11.84% of the gross rent debit of £17,462,460. In global terms this figure is less than the median for corporate management costs reported to Housemark by:

Benchmark Comparator	Year	Median %
20 No Large Scale Voluntary Transfer Housing Associations in the North West of England	2015/16	12.3%
115 Traditional Housing Associations	2014/15	12.11%
27 No Housing Associations in the West Midlands	2014/15	11.96%

We have reviewed the core corporate management costs of Finance, IT and Premises and the results support the general position above – costs are below the median when compared with housing associations undertaking similar activities.

There are three areas that we would highlight for further consideration.

Firstly, recharges to the HRA comprise corporate management and service delivery costs and we have included the latter in the total for the comparison. In the Housemark benchmarking exercise these service delivery recharges would be allocated to particular areas – Housing Management, Estate Management or Repairs and Maintenance leaving pure corporate costs as the basis for comparison. When recharges for things like street scene (grounds maintenance etc.), OAP gardens and things like gully emptying are removed, the overall 11.84% falls and true corporate management costs become even more favourable. It would be beneficial for the Council to participate in the Housemark cost benchmarking exercise each year to refine understanding of HRA recharges.

Secondly, while costs may be relatively low, this does not indicate good quality or performance and we understand that Service Level Agreements (SLA's) or Service Specifications have not been favoured by the Council in the past. There is a strong argument to support the reintroduction of these mechanisms to ensure that services are properly defined, delivered and monitored - even between departments in the same organisation, as ultimately costs to the HRA and General Fund must be kept under tight control. The reintroduction of SLA's need not be 'an exercise without discernible benefit' – the argument for not having such a framework governing recharges, but could lead to enhanced customer involvement and value for money if the exercise is approached positively.

Lastly, the benchmarking results do not address the question of correct cost apportionment between HRA and General Fund. This is typically a difficult subject to explore as the General Fund may be perceived as being under greater financial pressure compared to the HRA. However, regularly and transparently reviewing cost apportionments should form part of the Business Planning process – especially when the number of Council homes is reducing over time.

The Revised Business Plan

Baseline Assumptions

Stock

The forecasts assume an opening stock of 4,269 dwellings at 1 April 2018. Of these, the majority (4,250) are assumed to be let at a social rent, with 19 let at an affordable rent. The draft investment programme is based on a marginally higher stock figure of 4272 due to timing differences in the preparation of reports.

Rents & service charges

Average social rents have been assumed at £85.85 per week, and affordable rents at £125.60. Both of these are on the basis of 48 rent weeks in a year. The equivalent 52 week rents are £79.24 (social) and £1115.94 (affordable). This is in line with the HRA rent roll.

The current average social rent is slightly lower than the average formula rent. In line with the authority's rent policy, the forecasts assume that approximately 5% of the social rented stock will be re-let at the formula rent each year.

Rent loss from void properties has been assumed at 1% of gross rents. Rent loss from bad debts has been assumed in line with the authority's medium term financial strategy.

Service charge income has been assumed in line with the authority's MTFS. This suggests a substantial under-recovery of service costs as noted in the previous section of this report.

Operating costs

Costs of housing management and special services are in line with the MTFS.

The revenue costs of repairs and maintenance have been assumed in line with the 2018/19 budget for year one of the MTFS. Thereafter, they reflect 29/30ths of the draft Investment Programme as outlined in **Appendix 1**, pending the results of the authority's updated stock condition survey.

For the purposes of the baseline forecast, all operating costs have been treated as fixed costs that do not vary with changes in stock numbers. This is a key assumption and is discussed later in the report under the heading of Options for Discussion.

Existing Stock Investment

Year one of the forecast assumes that stock investment is in line with the capital programme for 2018/19. Thereafter, they reflect 29/30ths of the draft Investment Programme as outlined in **Appendix 1**, pending the results of the authority's updated stock condition survey.

The forecasts assume that stock investment costs are fixed, and that budgets would not vary with changes in number of dwellings. This is a key assumption as outlined above.

Regeneration and stock acquisition

The following regeneration projects have been accommodated within the baseline forecast:

- Retention of garage sites (scheme CR5017 - £500k budget in 2018/19)
- Strode House car park and garages (scheme H3 - £530k budget in 2018/19)
- Tinkers Green (scheme CR7001 - £5.373m during 2018/19 and 2019/20, after allowing for slippage and known additional costs)
- Kerria (scheme CR7002 - £4.405m during 2018/19 and 2019/20, after allowing for slippage and known additional costs)

Other capital expenditure

The forecasts assume the delivery of all works that are not related to stock investment in year one of the projections.

New Build Projects & Acquisitions

The following new build / new supply projects have been accommodated within the baseline forecast:

- Redevelopment of garage sites (scheme CR7003 - £7.4m from 2018/19 to 2022/23, after allowing for virement of £2.6m for use at Tinkers Green)
- Other acquisitions (scheme CR7004 - £2.41m from 2018/19 to 2022/23, after allowing for virement of £90k for use at Tinkers Green)
- Additional provision and resources have been allowed in 2018/19 for slippage on schemes at Kettlebrook, Dosthill and Coton Lane. The cost of these schemes in 2018/19 is assumed at £1.894m.

Financing

Financing of the capital programme has been assumed in line with the 2018/19 budget, plus resources that have subsequently slipped from 2017/18. From 2019/20 onwards the forecasts assume that resources identified by the medium term financial strategy continue to be available, and that resources generated from the sale of council houses are used to help pay for the HRA capital programme.

Use of 141 Right to Buy receipts has been assumed in line with the MTFS, and the budgets for schemes that have slipped into 2018/19. The plan currently assumes no use of 141 Right to Buy receipts after 2022/23 and implies that any unused receipts will be returned to the Government. This is in line with the assumptions within the MTFS.

The forecast assumes that the authority will borrow any additional sums it needs to finance the HRA capital programme, subject to the cap on debt of £79.4m, set by the Government.

Debt

The baseline assumes that debt is repaid in line with the current schedule of loans related to HRA assets. No allowance has been made for additional sums to be set aside for debt repayment, or for the repayment of any additional debt that is borrowed during the forecast period.

Inflation

The baseline assumes that revenue budgets for management and service costs increase in line with the medium term financial strategy, then in line with the CPIH index (which was adopted in 2017 as the Government's preferred measure of inflation). For revenue repairs and capital maintenance the baseline forecast assumes that costs rise in line with CPIH.

Other assumptions

The forecasts assume that the authority would wish to maintain a minimum balance of £500k on its HRA. They also assume that no use is made of revenue contributions to help pay for the capital programme for the first five years, which is in line with the authority's MTFS. From year six, the forecasts assume that the authority will use revenue balances to help deliver its capital programme in preference to borrowing, subject to maintaining a minimum HRA balance of £500k.

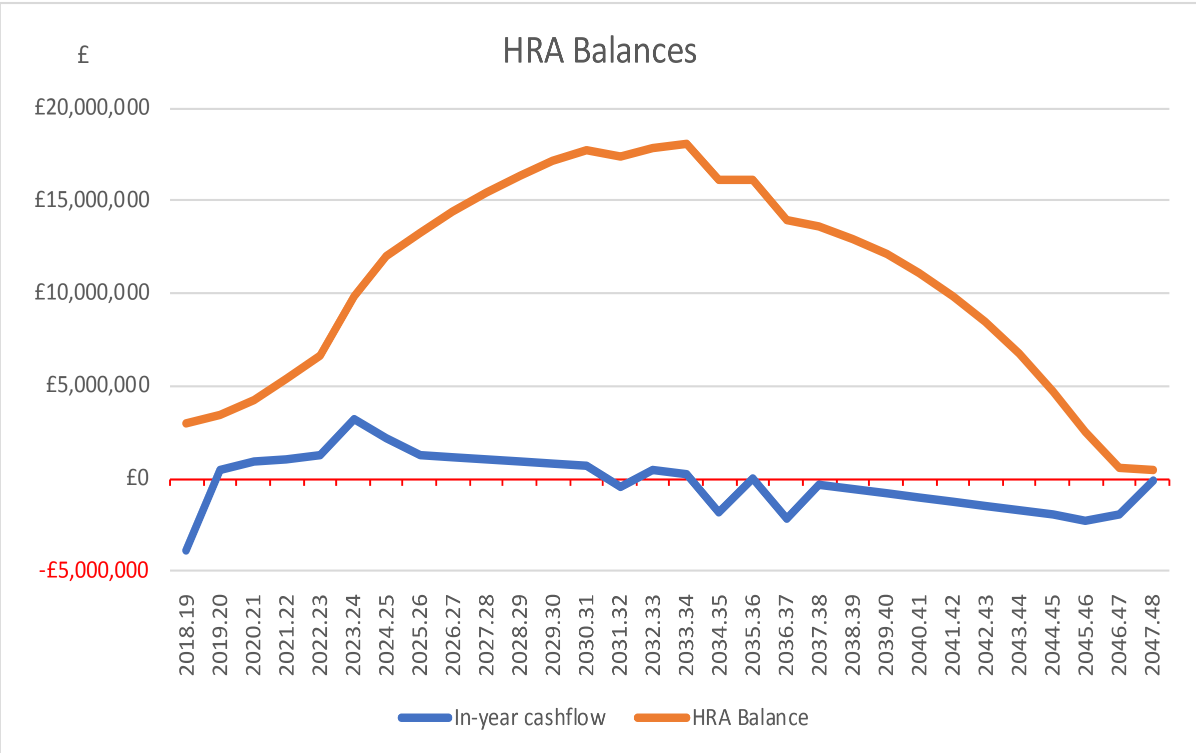
The Baseline Business Plan

The sections below summarise the baseline business plan for the HRA by looking at the forecasts from three different perspectives. These are:

1. The position of the HRA, as measured by the level of balances at the end of each year. This perspective is relevant because it would be unlawful under the Local Government Act 1989 for the authority to budget for a deficit on its HRA.
2. The capital programme for each year, including any projected resource shortfalls. This perspective can help to identify potential "pinch points" during the planning period as a result of expected works schedules, as well as the potential affordability of the programme within the expected resources.
3. The level of debt maintained by the HRA. This perspective helps to identify the potential for the authority to borrow more to deliver additional outcomes, as well as showing whether there is sufficient capital headroom for the authority to deliver the investment required.

Housing Revenue Account

The chart below projects the level of HRA balances at the end of each year, based on the business planning assumptions:

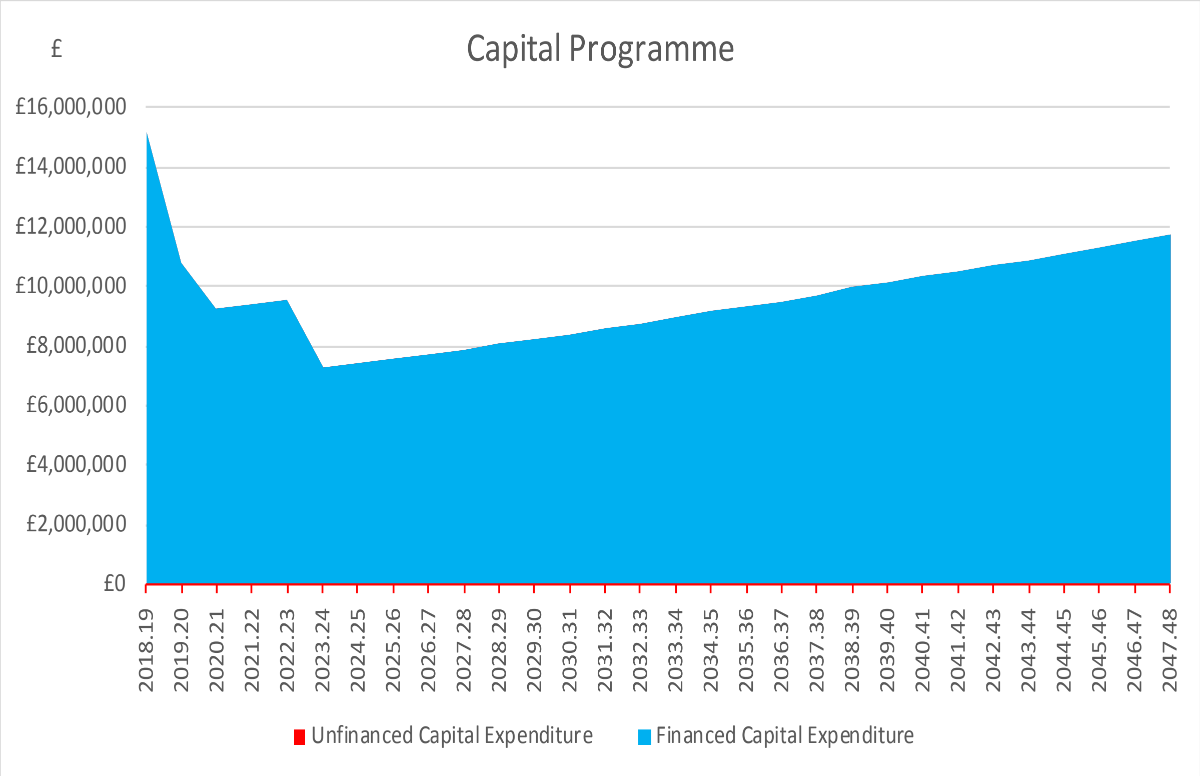


In this chart the blue line represents the contribution or use of the HRA balance for a given year. If the blue line is above zero, the authority increases its HRA balances in that year. On the other hand, the authority uses balances in any year where the blue line is below zero. The orange line shows the cumulative balance at the end of each year. When the blue line is above zero, the orange line rises and when the blue line is below zero the orange line falls.

This chart shows that the HRA is in a healthy position for the first half of the forecast, when it generates additional balances. However, in the second half of the forecast these balances reduce, until the HRA reaches its minimum balance position at the end of the period. This is consistent with underlying increases in costs, which are greater than the increases in income.

Capital Programme

The projected capital programme is as follows:



This chart shows a higher level of expenditure in the early years of the forecast, which is down to completion of existing projects (such as Tinkers Green and Kerria), plus continuation of a programme of acquisitions and garage site redevelopment for the first five years. Thereafter, the capital programme only includes the costs of stock investment.

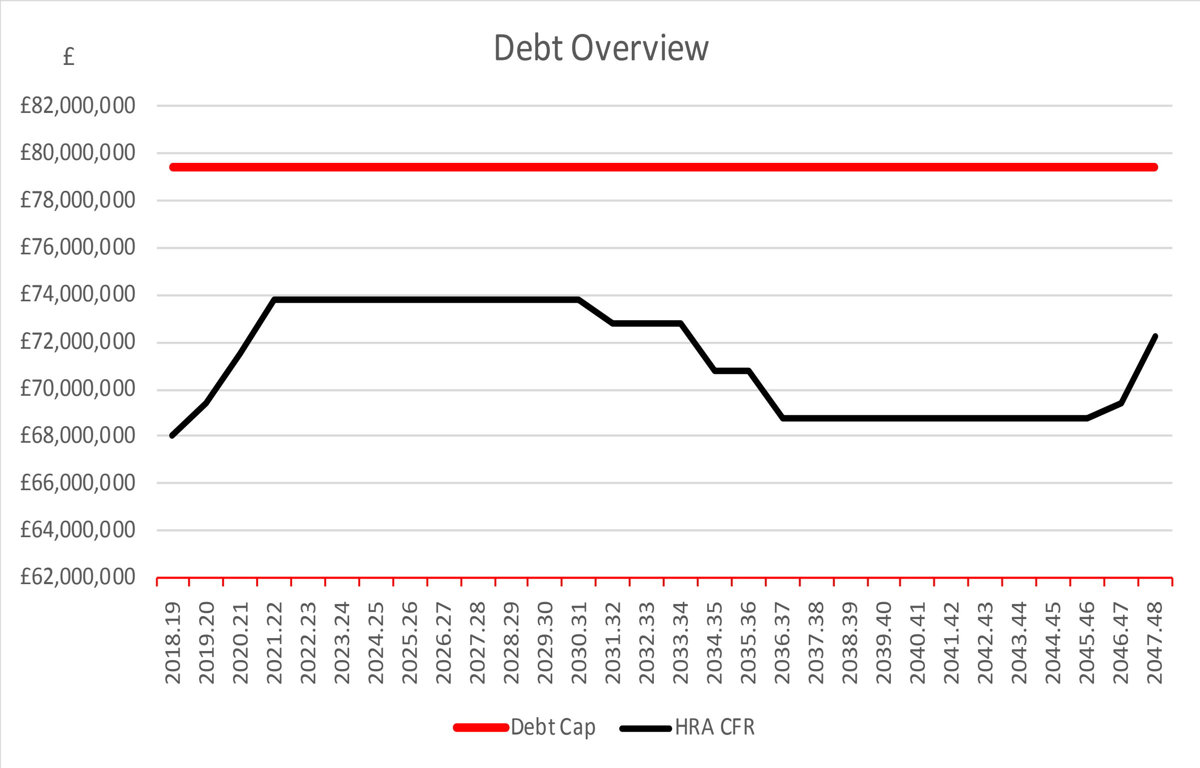
One feature of the stock investment programme is that it assumes even spending throughout the planning period. As a consequence, the expenditure profile rises in a straight line (reflecting inflation) and does not allow for any peaks and troughs in investment. This is an interim situation, while the authority generates more detailed information on the condition of its stock. Future iterations of the business plan forecasts can be expected to show peaks and troughs in investment, which will impact directly on the HRA business plan forecasts.

Debt

The final chart shows the effects of the baseline assumptions on HRA-related debt, as measured by the HRA capital financing requirement.

The red line along the top of this chart shows the debt cap, set by Government. This is the limit of any HRA-related borrowing that the authority can undertake. The black line shows the projected level of HRA-related borrowing at the end of each year. When the black line drops, debt is being repaid. When the black line rises, the authority needs to borrow to deliver its capital programme.

This chart shows the authority borrowing to deliver the early part of its capital programme, and then reducing debt as its existing HRA loans become due for repayment. However, the authority needs to start borrowing again in the last two years of the forecast because there are insufficient other resources available to deliver the levels of stock investment needed.



Key Outcomes from the Baseline Plan

Viability

The draft business plan is viable and provides for an appropriate level of stock investment, the completion of existing regeneration projects and the continued development of new build / new supply in the early years of the plan.

Stock & Activity Levels

The baseline HRA business plan allows for 219 new dwellings to be provided over the first five years of the plan, through a combination of ongoing regeneration schemes, acquisitions and redevelopment of garage sites. Over the same period the plan includes the demolition of 36 properties at Kerria and provides for 250 sales under the right to buy. These stock movements mean that the number of units reduces slightly from 4,269 to 4,202 dwellings. From year six onwards the business plan allows for 35 sales under the right to buy and no additions, which reduces the stock to 3,327 dwellings after 30 years.

Throughout the business plan we have assumed that management activity remains at current levels. The costs of repairs and capital maintenance after 2018/19 have been based on figures provided by Ennerdale Consulting for the current level of stock. This approach results in a set of prudent forecasts, which the authority should be able to out-perform, through optimising income and careful management of costs.

Impact on Benchmarks

The plan maintains supervision and management costs at current levels, however as outlined previously, we have benchmarked these costs with the equivalent costs for authorities in the West and East Midlands regions. We have also provided some benchmarking of recharges and of unit costs for key components in the Investment Programme.

Maintaining current costs will mean that the authority continues to have relatively higher supervision and management costs and the new plan needs to focus on reducing the net cost per unit of supervision and management. The options for doing this include:

- Reviewing the costs of services and service charge policy, with a view to improving service cost recovery
- Maintaining tight control of operating costs and reducing these where they are above relevant benchmarks

In addition, the benchmarks we have used suggest that the authority could achieve lower costs for key component replacement and void property reinstatement. The new plan should address these aspects and also realign its repair budget to facilitate a greater emphasis on planned programmes of work. The draft Investment Programme outlined in **Appendix 1** has been prepared on the basis that the response repair budget has been realigned to achieve the second of these objectives.

The Impact of Alternative Scenarios on the Baseline Plan

Alongside the baseline projections we have prepared eight further scenarios, which reflect the effects of alternative assumptions. This is an important part of the business planning process, as it helps to identify the underlying strengths and weaknesses of the HRA and is a useful way of revealing key risks and opportunities.

The alternative scenarios are:

A. Notional re-profiling of stock investment works, so that £10m assumed in years 11 to 15 of the forecast is brought forward to years 6 to 10.
B. A more pessimistic assumption on inflation for repairs and stock investment costs, which sees them increase in line with RPI (which is currently 1.3% a year higher than CPIH)
C. The effects of increasing inflation by ½% throughout the model. This scenario increases inflation on income, as well as on expenditure
D. What happens if the authority decides not to increase rents in 2020/21 (the year following the end of the current 1% rent reduction period)
E. Allowing for the authority to generate additional service charges of £50k each year for five years, which produces extra income of £250k pa from year 6
F. Introducing a five year programme of efficiency savings, which reduces the costs of housing management cumulatively by 2% a year from 2019/20 until 2023/24
G. The effects of bad debts rising by 1% more than expected by the medium term financial strategy as a consequence of tenants moving onto universal credit
H. Each of the above scenarios is independent of each other, and show the impact of changing a single key assumption on the HRA business plan. Scenario H shows what happens if a combination of factors change by modelling the cumulative effects of scenarios B, E, F and G

The results from each of these scenarios are shown in the table below, which gives snapshot figures for HRA balances, any capital shortfall and HRA-related debt levels after 5, 10, 20 and 30 years:

Scenario	Closing Revenue Balances				Capital Shortfall				HRA CFR			
	Year 5 £m	Year 10 £m	Year 20 £m	Year 30 £m	Year 5 £m	Year 10 £m	Year 20 £m	Year 30 £m	Year 5 £m	Year 10 £m	Year 20 £m	Year 30 £m
Baseline	6.6	15.5	13.6	0.5	0.0	0.0	0.0	0.0	73.8	73.8	68.8	72.2
A - Reprofiled works	6.6	3.5	13.5	0.5	0.0	0.0	0.0	0.0	73.8	73.8	68.8	72.3
B - RPI investment cost inflation	6.6	11.3	0.5	0.6	0.0	0.0	-1.6	-70.8	74.3	74.3	79.4	79.4
C - Higher inflation overall (+0.5%pa)	7.0	16.3	16.5	1.8	0.0	0.0	0.0	0.0	74.0	74.0	69.0	69.0
D - No rent increase in 2020/21 (year 3)	4.9	10.6	0.7	0.5	0.0	0.0	0.0	-18.3	73.8	73.8	68.8	79.4
E - Additional Income (+50k pa for 5 years)	7.1	17.4	19.3	8.2	0.0	0.0	0.0	0.0	73.8	73.8	68.8	68.8
F - Efficiency gains (2% pa for 5 years)	7.4	18.6	22.7	14.7	0.0	0.0	0.0	0.0	73.8	73.8	68.8	68.8
G - Additional bad debts	5.8	13.5	8.8	0.5	0.0	0.0	0.0	-1.9	73.8	73.8	68.8	79.4
H - Scenarios B, E, F & G, combined	7.1	14.5	0.6	0.6	0.0	0.0	0.0	-48.1	74.3	74.3	70.5	79.4

Scenario A shows that the HRA would be able to bring forward a reasonable level of investment (£10m) from later years, if that is required as a result of the revised stock condition survey. Bringing costs forward would benefit the HRA by reducing the impact of inflation on later years, and this level of brought forward costs could be met from accumulated balances, instead of requiring additional borrowing.

The effects of investment and repairs costs rising at a higher rate than rents (**Scenario B**) show a substantial negative impact, with HRA-related debt reaching the HRA debt cap in year 20. At this point the capital programme costs £1.6m more than the available resources, and the cumulative shortfall increases to £70.8m by the end of year 30. Clearly, the HRA business plan would not be sustainable, in the event that repairs and investment costs rise at the rate of RPI, instead of CPIH.

A ½% increase in general inflation (**Scenario C**) benefits the HRA business plan overall, as it increases rents as well as increasing costs. Since rent (at £17.5m in 2018/19) is much higher than operating costs (£11.4m in 2018/19), this means that rental income increases by more than operating costs, leading to an increase in financial capacity.

Scenario D shows the long term effects of implementing a rent freeze in year 3, instead of a rent increase of CPI + 1%, in line with Government policy. Such a decision not only suppresses rental income in the year of the rent freeze, it also reduces the income that may be generated in future years. This scenario results in significantly weaker HRA revenues, with balances dropping to the minimum level from year 21 (seven years earlier than in the baseline forecast). This reduces the authority's ability to use revenue balances to pay for its capital programme, and means that it also has to start borrowing seven years earlier. Under this scenario, HRA-related debt would reach the authority's debt cap in year 26, resulting in a cumulative capital shortfall of £18.3m by the end of the business planning period.

Scenarios E and F both show slightly more optimistic situations, in which the authority is able to generate cumulative additional income of £50k a year for five years (Scenario E) or make cumulative 2% reductions in its management costs (Scenario F). Since both of these scenarios reduce net expenditure by the HRA, the result is an increase in HRA balances and a healthier financial position at the end of the forecast.

By allowing for an increase in bad debts of 1% a year, Scenario G reduces net income to the HRA. As a result, we see lower revenue balances throughout the forecast, which reduces the authority's ability to deliver its capital programme without recourse to borrowing. Under **Scenario G** the authority would need to start borrowing in year 26 and would reach its HRA debt cap in year 30, leaving a £1.9m investment shortfall.

Scenario H shows that the positive effects of generating additional income (Scenario E) and making efficiency gains (Scenario F) would reduce the combined effects of higher repairs and investment costs (Scenario B) and an increase in bad debts (Scenario G), but would not be sufficient to eliminate them.

Key Messages from the Scenario Analysis

The baseline position indicates a sustainable position for the HRA, on current assumptions. However, the scenario analysis shows that this situation comes under threat if costs rise at a faster rate than has been assumed, or if income generation falls.

The scenarios also show how the revenue position of the HRA, the scale of the capital programme and the need to borrow are all interconnected. In particular, any weakening of the HRA revenue position (whether through increased costs or reduced income) reduces the authority's long term capacity to deliver investment, and could make the HRA unsustainable.

It is important that the authority identifies ways in which it can minimise costs while optimising income generated by the HRA. Options for doing this might include:

- Investigating the scope for generating additional income, particularly in respect of services where costs are not covered by service charges
- Implementing a long term programme for reducing costs by improving efficiency. This could take the form of annual efficiency targets, scaling of budgets so that they reflect any reductions in stock numbers as a result of the right to buy, reviewing service standards or exploring alternative service delivery models.

Delivering the Revised Plan

Linking future budgets to the business plan

As outlined earlier in this report, the original Business Plan and MTFS have diverged somewhat over time as a result of national and local policy changes resulting in different levels of resources and different types of expenditure to those originally envisaged. It is important that the MTFS and Business Plan are fully aligned going forward and that annual HRA revenue and capital budgets reflect the assumptions and constraints within the revised plan.

Continuous monitoring against the business plan

The Business Plan should be continually monitored as new projects and expenditure is contemplated by the Council, during routine budget monitoring, and as new initiatives and policy changes are introduced by Government. New policy driven expenditure should be modelled within the plan to show its long term effects and end of year reporting should include performance against the assumptions and budgets within the plan.

Updating the business plan

Finally, the plan should be updated at least annually to review past performance and the appropriateness of plan assumptions – such as inflation – as well as to reflect changes in circumstances (e.g. shifts in local and Government policy).

Options for Discussion

Overview

Starting from the position that while there are long term cost challenges, the Council has a viable Business Plan and can still achieve some of its original ambitions. Our review highlights two areas where ambition and resources are not aligned; these relate to the

- regeneration of estates other than Tinkers Green and Kerria together with
- ambition to increase the supply of affordable housing.

The revised Business Plan contains a number of options that support continued delivery of existing services as well as meeting (to some extent) the two ambitions above. This section of the report outlines some of the options to increase or redirect resources to meet the challenges above.

Technical Options

The Business Plan has been prepared on a set of prudent assumptions, however these are not set in stone and the Council can choose to vary these. The two most significant changes to the assumptions within the revised plan would be to

- assume that costs of management and maintenance are not fixed but vary (and reduce) if stock numbers fall. The revised Business Plan is based on costs incurred for the number of properties at 1 April 2018. However over the life of the plan, the Right to Buy and planned regeneration projects are projected to reduce the stock to around 3300. Assuming that costs reduce in line with stock numbers could increase the resources available within the Business Plan by up to £16m. However the Council would need to plan proactively to achieve these cost reductions and this would mean changing the annual budgetary logic of incremental growth to incremental reductions.
- utilise HRA balances in the early years of the plan. Currently the MTFS and hence the baseline Business Plan does not utilise HRA balances in the early years of the plan and consequently balances rise in those years. The current plan assumes debt will also increase in the initial years of the plan and hence, interest is higher than would be the case if the plan was funded from balances. The Council may wish to consider the benefit of adjusting its resource plans to minimise interest costs in the plan by making more HRA balances available in the first five years.

It should be noted that these two assumptions may have formed the basis of consultancy advice to the Council in 2017 which indicated that the Business Plan could generate additional capacity for new build.

Investment Programme Options

While the draft Investment Programme detailed at **Appendix 1** has not been adopted by the Council and has been prepared to indicate costs for long term planning purposes, it does contain a number of options based on costs staying within an envelope of £298m. These include:

Option	Effect on Business Plan over 30 years
Establishing a Locally determined priority budget for Member and Tenant priorities @£250k per annum	+£7.5m
Change window replacement multiplier to 1 (or lifecycle to 30 years) as programme has been completed recently	-£1.738m
Change external door lifecycle to 30 years and multiplier to 1 to align with windows	-£1.507m
Provide for sprinkler renewal in next business plan (lifecycle > 30 years)	-£1.3m
Replace rewire programme with Upgrade programme (50% saving on unit rates)	-£5.43m
Revise Periodic Electrical Testing Frequency after first 5 year period and extend interval based on risk assessment	-£4.595m
Align internal and external painting programme with interval of 10 years	-£64.2k
Halve Garage Improvements budget based on rationalisation and disposal of sites	-£3.25m
Halve Environmental Improvements and Communal Area Improvements budget	-£4.25m
Halve Thermal Comfort Budget based on works to low SAP properties only and advice on condensation etc.	-£1.05m
Charge Leaseholders fully for Sprinklers	-£100k
Omit Cavity Wall and Loft Insulation renewal	-£0.537m

If the Council adopted the Investment Programme set out at **Appendix 1** or one similar to it, there would be scope to introduce a Locally Determined Budget to meet Member and Tenant Priorities. This would assist in 'solidifying' the remaining elements of the Investment Programme which would become relatively fixed and therefore predictable between revisions following stock condition surveys (every 5 years). This would provide greater certainty to contractors and to tenants who would be able to know with increased certainty when improvement works to their homes are scheduled.

Clearly the Council could also choose to implement reductions to the core Investment Programme to meet costs arising from future regeneration activities. This would need to be carefully balanced against the requirements to meet statutory obligations (in respect of disrepair and safety), compliance with the Decent Homes Standard, the Regulator's Home Standard and any ambition to improve customer satisfaction with the repairs and maintenance service (which is currently in the bottom quartile for STAR benchmark participants).

Business Plan Scenarios

Option A as discussed illustrates how the Business Plan can cope with re-profiled capital expenditure of up to £10m arising from the results of the new stock condition survey. Strictly this is not an option but rather an illustration of the sensitivity of the revised plan.

As indicated earlier, **Scenarios E and F** both generate additional resources for the HRA. If the authority is able to generate cumulative additional income of £50k a year for five years (Scenario E) or make cumulative 2% reductions in its management costs (Scenario F) the result is an increase in HRA balances by £7.7m and £14.2m respectively over the minimum £0.5m requirement by the end of the plan. Options to generate additional income include further extension of eligible service charges, reviewing all fees and charges that are not included in the dwelling rent limit (e.g. charges for mortgage references, garage rents, ground rents, etc.). Options to reduce costs include targeted reprocurement of components within the Investment Programme, asset sales where costs of reinvestment are unsustainable, exploration of alternative delivery vehicles including insourcing, outsourcing, cost sharing and the introduction of alternative service delivery methods – specifically digital service channels which reduce transaction costs to the Council.

NB The technical option to implement variable costs instead of fixed costs within the Business Plan as discussed earlier is an alternative to Scenario F and is not additional to it.

New Build and Acquisitions

The Business Plan allows for a programme of new build or property acquisition over the first four years – until 2022/23. Resources of £9.81m (£7.4m +£2.41m) are built into the plan in line with provisions of the MTFS. After this there is no provision for new build / new supply of affordable housing as the plan assumes all 141 Right to Buy Receipts are returned to the government since the 70% of matching funding from the HRA is not available (unless cost reductions are achieved). Clearly the Council would not wish to lose the value of 141 receipts and so alternative options within the Business Plan need to consider how additional resources may be released.

If the Council wishes to use 141 receipts directly – to build homes itself, it will need to find resources to match receipts from year 6 (2023/24). This could be from a combination of options previously outlined. The main risk to this is that the Council will be committing resources that may need to be used to offset risks within the Business Plan (i.e. cost inflation).

An alternative to using HRA resources would be to use 141 receipts and grant aid other social housing providers to construct new affordable homes to which the Council has nomination rights. The Council is permitted to use 141 receipts in this way and a number of authorities have done so already. Guidance on options has been published by Trowers and Hamlins[2]. As there is some time before the Council stands to lose 141 receipts it would be sensible to explore the various alternative options involved in 'enabling' rather than 'providing' new supply.

Additional Borrowing

The revised Business Plan does contain headroom of £5.6m and this would be available if the Council chooses to make use of this during the plan. We have not included this in the baseline to minimise risk within the Business Plan and to provide a buffer against future unplanned expenditure.

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[2] See https://www.trowers.com/uploads/Files/Publications/2017/Bulletins/Right_to_buy_receipts_-_use_them_or_lose_them.pdf

Issues and Risks for the new Draft Plan

Consumer Standards

We have reviewed the Business Plan review project against the Consumer Standards as issued by Homes England. These provide a framework for assessing the Business Plan review process and emerging content. Our review highlights the need for capacity building for Members and Tenants and a requirement to involve tenants in the review process. The review also highlights the requirement for the Investment Programme (a key part of the Business Plan) to meet the requirements of the Home Standard. Copies of the assessments have been provided under separate cover.

Consultation Requirements

The Council's brief called for consultants to set out the requirements for tenant engagement, involvement and scrutiny of the Business Plan. We have reviewed the Tenant Consultation and Involvement Standard and after discussion with the Council's Tenant Regulatory and Involvement Manager, have developed a possible Communications Framework for the project. The framework includes consultation with Council staff, Tenants, Members and other stakeholders however, due to the relatively short timescale for consultation over the summer period, the framework should be treated as a menu from which consultation exercises can be selected.

As a minimum the Council will need to carry out the following consultation on the Business Plan

- Capacity building with the Tenants Consultative Group (TCG) – providing basic information on the Business Planning process
- Structured discussions with the TCG on priorities and options within the revised plan
- Internal staff consultation on draft documents such as Impact and Risk Assessments
- Information provision to and opportunities for feedback from specific interest groups using the Council's Tenant Involvement database and existing Partnership Groups
- Member and tenant scrutiny – of this report, the emerging draft Investment Programme and the impacts and risks associated with the revised plan
- Cabinet consideration of the Council's ambitions and options in the light of revised financial modelling and consideration of risks associated with the revised plan

Impact Assessments

We have completed a draft Community Impact Assessment and draft Risk Assessment for the Business Plan review and these have been provided to the Council under separate cover. The Community Impact Assessment identifies the need for consultation with specific groups of tenants with protected characteristics as defined in the Equality Act 2010. These requirements have been built into the outline Communications Framework for the project.

The draft Risk Assessment identifies key risks for the Business Plan and initially categorises these under the headings of Data & Plan assumptions; TBC Business Process; Resources; Outcomes & Regulatory and National Policy Influences. The most significant risk remaining after mitigation / risk reduction measures have been considered is that of unpredictable national political policy which could materially impact the plan.

Appendices

Appendix 1 - Projected Investment Requirement (v6)

See Separate Spreadsheet

Appendix 2 - Action Plan

Ref	Recommended Action	By Who	By When
1	Consider the points raised in this report including baseline Business Plan assumptions and agree or amend these as appropriate		
2	Consider the overall consultation requirements for the Business Plan as set out in our Consultation Framework and this report and initiate consultation with relevant stakeholders		
3	Ensure that the draft Community Impact Assessment for the revised Business Plan is discussed; any changes are reflected in the final assessment and acted upon as required.		
4	Consider the results of our benchmarking exercises and take steps to reduce component costs, void reinstatement costs and management costs as appropriate		
5	Transparently and on a regular basis review cost apportionments between the General Fund and HRA		
6	Review the benefits associated with Service Specifications and Service Level Agreements for services delivered to the HRA by other Council departments		
7	Participate fully in Housemark's annual cost benchmarking exercise and use this to help drive costs down and to secure improved Value for Money		
8	Review the Ambition for a Tamworth Decent Homes Standard and set a new Ambition for the 2018 Business Plan – to understand and improve current 4th Quartile tenant satisfaction for Repairs and Maintenance		
9	Decide whether the Business Plan will be based on fixed or variable costs and if it is to be based on the latter, ensure that budgetary processes are amended to reflect incremental cost reduction		
10	Decide whether the Business Plan will have expenditure in early years funded by borrowing or through the use of balances		
11	Consider the draft Investment Programme as outlined in **Appendix 1** a basis for the actual Investment Programme from 2018/9 onwards and adjust budgets for response repairs accordingly		
12	Consult tenants and contractors on the content of the Investment Programme and the options to adjust the draft programme		
13	When a firm Investment Programme is agreed, ensure that so far as possible it is 'solidified' and used as a basis for giving more certainty to long term contracting / delivery and to give tenants better information on planned improvements to their homes.		
14	Formally consider the extent to which the Council wishes to reduce the proposed level of investment in planned improvements and repairs to existing stock in the context of statutory obligations, regulatory requirements and current levels of tenant satisfaction		
15	Establish a HRA Value for Money Project aimed at identifying income generation (especially from service charges) and cost reduction measures and retain a log of all income and savings achieved so these can be publicised to tenants where appropriate		
16	Review the potential to use 141 Right to Buy receipts from Year 6 of the Plan by grant aiding either existing Housing Associations or other bodies in which the Council has an interest		
17	Ensure that annual HRA budgets and the MTFS are fully aligned with the assumptions and costs within the Business Plan		
18	Test all policy and expenditure proposals against the revised Business Plan		
19	Review the Business Plan at least annually		
20	Review the risks associated with the revised Business Plan, the associated provisional risk scores for particular risks and refine the risk assessment as appropriate. Carry out a specific safety risk assessment where there are any changes to operating procedures arising from the revised Business Plan or from savings identified to meet funding challenges		

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COMMUNICATIONS FRAMEWORK

Project	HRA Business Plan Review - 2018
Project Sponsor	Tina Mustapha, Head of Landlord Services
Project Manager	Leanne Lea, Tenant Regulatory and Involvement Manager
Project Objective	To ensure that Council staff, tenants and other relevant stakeholders are consulted on and informed regarding the Council's Housing Revenue Account Business Plan and that the requirements of Homes England Tenant Involvement Standard are fully met for this project
Project Timetable & Phases	Phase 1 – March / April – Consultation with TBC staff to develop the draft BP Phase 2 – April / May 2018 – Communication Project Initiation including Stakeholder Identification Phase 3 – May / June 2018 – Preliminary Capacity Building for Involved Tenants and Elected Members Phase 4 – June 2018 – Preliminary consultation with stakeholder groups including Involved Tenants, Leaseholders and Special Stakeholder groups (e.g. Seniors; Differently abled tenants; Young People; etc.) Phase 5 – June /July 2018 – Initial Political Consideration (Scrutiny Committee / Cabinet) Phase 6 – July /August 2018 – Second Stage Consultation – Options Review including consultation on Community Impact Assessment Phase 7 – September 2018 – Political Consideration of Options with feedback from consultation Phase 8 – October 2018 – Communication of Agreed Options

ACTIVITY PLAN

Audience	Activity	Objective (Issues and Choices to be considered)	Regulatory Reference	Method of Analysing Feedback
TBC Staff	Telephone Conference	Initial introductions of consultants and queries regarding current BP	N/A	Real Time Discussion
TBC Staff	Draft Report on Investment Programme	To define the 30 year investment need for TBC's existing stock	Home Standard (1.1 a&b; 1.2 a&b; 2.1.1 & 2.2.1)	Discussion at Telephone Conference 13/3

TBC Staff	Telephone Conference	Discussion of MTFS baseline and initial modelling of alternative investment programme	N/A	Real Time Discussion
TBC Staff	On Site Workshop	Detailed discussion of draft Investment Programme report including additions and omissions	Home Standard (1.1 a&b; 1.2 a&b; 2.1.1 & 2.2.1)	Change Log in V6 of Investment Programme Spreadsheet
TBC Staff	On Site Workshop	Discussion of emerging BP with baseline Investment Programme and alternative Scenarios	N/A	Real Time Discussion and changes to next BP version
TBC Staff	Review of Home, Tenancy and Neighbourhood Standards	Mapping of Standard Requirements against BP review project	Home, Tenancy and Neighbourhood Standards	E mail comments following internal TBC discussions
TBC Staff	Review of Tenant Involvement Standard	Mapping of Tenant Involvement Standard Requirements against BP review project	Tenant Involvement Standard	E mail comments following internal TBC discussions
TBC Staff	Review of BP Risks	Preparation of Draft Risk Assessment for BP review	N/A	E mail comments following internal TBC discussions
TBC Staff	Community Impact Assessment	Preparation of Draft Community Impact Assessment for BP review	Equality Act 2010 s149	E mail comments following internal TBC discussions
TBC Staff	Telephone Discussion with Tenant Regulatory and Involvement Manager	Initial Identification of Stakeholder Groups and Consultation Frameworks	Equality Act 2010 s149 & Tenant Involvement Standard	Draft Communications Plan Issued E mail comments following internal TBC discussions
TBC Staff	Preparation of draft text for June Edition of Open House – shared internally	To inform tenants regarding the BP review process and to outline how they can provide feedback	Internal Requirement	E mail or written comments to Tenant Regulation and Involvement Team

Younger Tenants and other specific groups	Review of Involvement Database	To identify tenants from specific groups who may wish to provide feedback on the BP	Equality Act 2010 s149 & caselaw re 'due regard' process	Inclusion of willing consultees in Communications Plan and EIA
Organisations representing / supporting specific Groups of tenants e.g. carers	Discussion with Support Staffordshire	To identify organisations representing groups of tenants not highlighted through review of Involvement Database	Equality Act 2010 s149 & caselaw re 'due regard' process	Inclusion of willing consultees in Communications Plan and EIA
Involved Tenants	TCG Meeting - Introduction to BP review project	To inform TCG regarding the BP review process and to provide underpinning knowledge on the BP in support of detailed consultation To seek initial feedback on Consultation Plan	Tenant Involvement Standard 1.2.1 (a) & 2.2.1 (d)	TCG Minutes
Older Tenants	Meeting(s) with Seniors United - Introduction to BP review project	To inform Older Involved Tenants regarding the BP review process and to provide underpinning knowledge on the BP in support of detailed consultation To seek initial feedback on Consultation Plan	Equality Act 2010 s149 Tenant Involvement Standard 1.2.1 (a) & 2.2.1 (d)	Meeting Notes
Leaseholders	Letter to Leaseholders - Introduction to BP review project	To inform Leaseholders Regarding the BP review process and to provide underpinning knowledge on the BP in support of detailed consultation	Tenant Involvement Standard 1.2.1 (a) & 2.2.1 (d)	E mail or written comments to Tenant Regulation and Involvement Team

Elected Members	New Member Training Session on HRA BP	To inform new Members regarding the BP review process, to provide underpinning knowledge on the BP	TBC Constitution	Training Session Notes
Involved Tenants	TCG Meeting - Introduction to 30 Year Investment Programme	To inform TCG regarding the emerging Investment Programme and to provide underpinning knowledge on policy options	Home Standard 1.1 (a) Tenant Involvement Standard 1.2.1 (a) & 2.2.1(d)	TCG Minutes
Elected Members and Tenants	Corporate Scrutiny Committee	To inform Scrutiny regarding the BP review process, to provide underpinning knowledge on the BP and seek initial views on emerging BP and Investment Programme Options and Priorities	TBC Constitution	Scrutiny Committee Minutes
All Tenants	Open House Newsletter	To inform tenants regarding the BP review process and to outline how they can provide feedback	Tenant Involvement Standard 1.2.1 (a) & 2.2.1 (d)	E mail or written comments to Tenant Regulation and Involvement Team

Individuals and Organisations representing / supporting specific Groups of tenants e.g. carers; young people; tenants with protected characteristics not already identified	Letter / e mail Introduction to BP review project	To inform particular individuals and organisations from or representing groups of tenants with particular characteristics regarding the BP review process, to provide underpinning knowledge on the BP and to seek feedback on issues to be discussed during detailed consultation including draft EIA	Equality Act 2010 s149 Tenant Involvement Standard 1.2.1 (a) & 2.2.1 (d)	E mail or written comments to Tenant Regulation and Involvement Team
Leaseholders	Drop In Session at High Rise Social Club	To provide Leaseholders with outline of 30 Year Investment Programme and impacts on service charges etc.	Tenant Involvement Standard 1.2.1 (a) & 2.2.1 (d)	Meeting Notes
Elected Members	Cabinet Meeting	To inform Cabinet regarding the BP review process, to provide underpinning knowledge on the BP and seek initial views on emerging BP and Investment Programme Options and Priorities	TBC Constitution	Cabinet Minutes
Involved Tenants	TCG Meeting	To inform tenants regarding emerging themes and issues arising from early consultation and feedback views of Scrutiny Committee and Cabinet	Tenant Involvement Standard 1.2.1 (a) & 2.2.1 (d)	TCG Minutes
All Tenants	Leaflet in Quarterly Rent Statements	To inform tenants regarding emerging themes and issues arising from early consultation and feedback views of Scrutiny Committee and Cabinet	Tenant Involvement Standard 1.2.1 (a) & 2.2.1 (d)	E mail or written comments to Tenant Regulation and Involvement Team

TBC Staff	Preparation of text for August Edition of Open House – shared internally	To inform tenants regarding the BP review process and to outline emerging options and priorities and seek feedback	Internal Requirement	E mail or written comments to Tenant Regulation and Involvement Team
Older Tenants	Meeting(s) with Seniors United – Update on BP review project	To inform older tenants regarding the BP review process and to outline emerging options and priorities and seek feedback	Tenant Involvement Standard 1.2.1 (a) & 2.2.1 (d)	Meeting Notes
All Tenants	Open House Newsletter	To inform tenants regarding emerging themes and issues arising from ongoing consultation and feedback views of Scrutiny Committee and Cabinet	Tenant Involvement Standard 1.2.1 (a) & 2.2.1 (d)	E mail or written comments to Tenant Regulation and Involvement Team
Elected Members	Corporate Scrutiny Committee	To invite further comment on the draft BP, Risk Assessment and EIA	TBC Constitution	Scrutiny Committee Minutes
Elected Members	Cabinet	To seek approval of the draft BP, Risk Assessment and EIA	TBC Constitution	Cabinet Minutes
Informed Tenants	TCG	To provide feedback to TCG on the approved BP and Investment Programme	Tenant Involvement Standard 1.2.1 (a) & 2.2.1 (d)	TCG Minutes
Older Tenants	Meeting(s) with Seniors United	To provide feedback to Older Tenants on the approved BP and Investment Programme	Tenant Involvement Standard 2.1.1 (d)	-

Individuals and Organisations representing / supporting specific Groups of tenants e.g. carers; young people; tenants with protected characteristics not already identified	Letter / email / Leaflet	To provide feedback to Other Groups of Tenants and organisations on the approved BP and Investment Programme	Tenant Involvement Standard 2.1.1 (d)	-
Leaseholders	Letter / email / Leaflet	To provide feedback to Leaseholders on the approved BP and Investment Programme	Tenant Involvement Standard 2.1.1 (d)	-
All Tenants	Open House Newsletter	To provide feedback on the approved BP and Investment Programme	Tenant Involvement Standard 2.1.1 (d)	-

N.B This framework provides a menu of consultation activities for the Business Plan review. Due to the relatively short timescale over the summer period and reflecting the Council's other ongoing commitments, the activities highlighted should be considered as forming part of a menu of choices from which the Council can select activities according to its internal resource availability

Community Impact Assessment

Tamworth Borough Council

Part 1 – Details	
What Policy/ Procedure/ Strategy/Project/Service is being assessed?	HRA BUSINESS PLAN REVIEW
Date Conducted	2018
Name of Lead Officer and Service Area	Tina Mustafa Housing
Commissioning Team (if applicable)	N/A
Director Responsible for project/service area	Rob Barnes Executive Director - Communities
Who are the main stakeholders	• Council Tenants and Leaseholders • Applicants for Council Housing • Staff within the Housing Service and other departments providing services to the HRA • Contractors delivering the Housing Capital Programme • Registered Providers with stock in Tamworth • Adjacent Local Authorities and Staffordshire County Council • Local Health Trusts • Homes England (Regulator) • HSE (Enforcing Body)
Describe what consultation has been undertaken. Who was involved and what was the outcome	• Internal consultation with Senior Council Officers responsible for the Council's HRA and Investment Programme including telephone and on site workshops to discuss emerging issues
Outline the wider research that has taken place (E.G. commissioners, partners, other providers etc.)	• Consultants review of existing Business Plan and Investment Programme • Review of Business Plan assessed against Homes England Regulatory Standards • Risk Assessment of new Business Plan • Benchmarking of elements of the current HRA Business Plan • STAR Survey 2015 • Single Equality Scheme (2015-2019) data on Council Tenants

12.1 Profile of our Council Tenants

Gender	39% of our tenants are men and 61% are women.
Ethnicity	We know the ethnicity of 79% of our tenants. 77% of our tenants are White British, 2% are Black and Minority Ethnic and 21% unknown.
Age	We know the age of 93% of our tenants. 63% of our tenants are aged between 16 and 64 and 31% are aged over 65 and 6% unknown.
Disability	We know that 17% of our tenants have a disability of some form.
Religion	We know the religion of 32% of our tenants.
Sexual Orientation	We know the sexual orientation of 29% of our tenants.

What are you assessing? Indicate with an 'x' which applies	A decision to review or change a service	☐
	A Strategy/Policy/Procedure	x
	A function, service or project	☐
What kind of assessment is it? Indicate with an 'x' which applies	New	X
	Existing	☐
	Being reviewed	☐
	Being reviewed as a result of budget constraints / End of Contract	☐

Part 2 – Summary of Assessment

Give a summary of your proposal and set out the aims/ objectives/ purposes/ and outcomes of the area you are impact assessing.

The HRA Business Plan is a requirement for Local Authorities who have taken advantage of the 'self-financing' settlement from 2012. The Plan identifies all income that the Council generates through rents and other charges together with its expenditure on management and maintenance of its' housing stock. The plan should be updated regularly to reflect national and local policy changes, economic factors and changes in the number of properties managed by the Council. The Council's first business plan was produced in 2011/12 and was updated in 2014. The business plan is now being updated again in 2018 to reflect updated estimates of investment need and expenditure on new build and regeneration projects.

Who will be affected and how?
Council tenants will be affected through the revised investment programme which will reinstate programmes of component replacement that have formerly been in place but were reduced to enable the Council to undertake regeneration activity at Tinkers Green and Kerrier.
Contractors responsible for delivering stock investment will be affected as they will have new profiles of expenditure to deliver

Are there any other functions, policies or services linked to this impact assessment? Yes
If you answered 'Yes', please indicate what they are? All policies and procedures relating to the Council Housing service are linked to the business plan as this is the principal financial planning tool for the service and identifies the extent of funding for ongoing policies.

Part 3 – Impact on the Community
Thinking about each of the Areas below, does or could the Policy function, or service have a direct impact on them?

Impact Area	Yes	No	Reason (provide brief explanation)
Age	**YES**	☐	**The revised Investment Programme and BP plan includes provision to improve sheltered housing occupied by older tenants and thus will have a positive effect on this group. The revised Investment Programme also contains provision to renew the current Warden Call System. However, to the extent that the new BP is unable to meet the costs of large scale regeneration and these groups occupy problematic stock, there may be some negative impact.**
Disability	**YES**	☐	**The revised Investment Programme and BP plan includes specific provision to carry out physical adaptations in tenants' homes and thus will have a positive effect on this group. However, to the extent that the new BP is unable to meet the costs of large scale regeneration and these groups occupy problematic stock, there may be some negative impact.**
Gender Reassignment	☐	**NO**	**The revised BP is based on maintaining current policies and services to these groups where costs are met by the HRA. No specific additional expenditure to meet new policy initiatives for these groups is contained within the revised BP. In the event that new policies are requested, their costs will be assessed against the revised BP. Where costs are met by the GF revisions to the plan are not relevant.**
Marriage & Civil Partnership	☐	**NO**	
Pregnancy & Maternity	☐	**NO**	
Race	☐	**NO**	
Religion or belief	☐	**NO**	
Sexual orientation	☐	**NO**	
Sex	☐	**NO**	
Gypsy/Travelling Community	☐	**NO**	
Those with Caring/Dependent responsibilities	☐	**NO**	
Those having an offending	☐	**NO**	

past			
Children	**YES**	☐	**These groups, insofar as they exist within the Council's tenants as a whole will benefit from the revised Investment Programme. However, to the extent that the new BP is unable to meet the costs of large scale regeneration and these groups occupy problematic stock, there may be some negative impact.**
Vulnerable Adults	**YES**	☐	
Families	**YES**	☐	
Those who are homeless	**YES**	☐	**The revised Investment Programme and BP include specific provision for bringing 280 Council properties up to the Lettable Standard when they become vacant. A proportion of these homes will be allocated to homeless households.**
Those on low income	**YES**	☐	**The revised Investment Programme and BP include specific provision to enhance the thermal comfort of homes where energy efficiency is poor (and heating costs are high)** **The revised Investment Programme provides for upgrading less efficient gas heating systems and upgrading storage heaters to more efficient models.** **The revised Investment Programme provides for renewal of insulation in properties**
Those with Drug or Alcohol problems	☐	**NO**	**The revised BP is based on maintaining current policies and services to these groups where costs are met by the HRA. No specific additional expenditure to meet new policy initiatives for these groups is contained within the revised BP. In the event that new policies are requested, their costs will be assessed against the revised BP. Where costs are met by the GF revisions to the plan are not relevant.**
Those with Mental Health issues	☐	**NO**	
Those with Physical Health issues	**YES**	☐	**The revised Investment Programme and BP plan includes specific provision to carry out physical adaptations in tenants' homes and thus will have a positive effect on this group. The revised Investment Programme contains adequate provision to ensure tenants homes meet the Decent Homes Standard and do not fall into disrepair.**
Other (Please Detail)	☐	☐	

Part 4 – Risk Assessment **From evidence given from previous question, please detail what measures or changes will be put in place to mitigate adverse implications**		
Impact Area	Details of the Impact	Action to reduce risk
All tenants living in problematic stock	*The new BP is more limited in its capacity*	*Development of alternative funding options to increase resources for the*

whatever their identity or protected characteristics	*to meet the costs of large scale regeneration for problematic stock*	*BP* *Adoption of disposals policy to address individual unsustainable properties and raise income for the BP* *Partnership working with local RP's to deliver larger regeneration projects*

Part 5 - Action Plan and Review

Detail in the plan below, actions that you have identified in your CIA, which will eliminate discrimination, advance equality of opportunity and/or foster good relations.

If you are unable to eliminate or reduce negative impact on any of the impact areas, you should explain why

Impact (positive or negative) identified	Action	Person(s) responsible	Target date	Required outcome
Positive	**Ensure all procurement activity supporting the delivery of the BP reinforces the Council's commitment to equal opportunity**	Tina Mustafa & Paul Weston	From 2018	Contractors awareness of and commitment to equal opportunity is considered as part of all procurement activity and w here appropriate positive measures (such as training and promotion of apprenticeships for under represented groups) are built into Contracts

Date of Review (If applicable) ……………………………………………….

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RISK ASSESSMENT

DEPARTMENT **Housing**

Key **Impact Score 1-10**
Likelihood Score 1-10
1 = Low; 10 = High

BUSINESS OBJECTIVE **HRA Business Plan Review**

COMPLETED BY **Dr Ian Gardner (Consultant)**

No	Risk & Impact	Effect	Gross Risk (before control measures)			Risk Treatment Measures to be Implemented	Residual Risk (after control measures)			Action Plan for Additional Risk Mitigation	Timescale
			Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score		
1	Absence of current accurate stock condition survey data for component replacement on which to base the projected investment need.	Investment programme costs cannot be based on current stock data	7	10	70	Pending new stock condition survey, alternative method for estimating investment need is required	4	10	40	New Stock condition survey to be done	2018
2	Suspect Decent Homes failures held in asset management database.	Decent Homes backlog of investment need possibly overstated	7	8	56	Audit of Decent Homes failures in TBC's Asset Management database	3	10	30	New Stock condition survey to be done and all DH failures quantified	2018

3	Lack of consultation with tenants / reporting to tenants on variance between last BP and actual delivery (investment programme esp)	Tenants react adversely to variances as they have not been advised or consulted	6	10	60	TCG and other stakeholder groups are properly advised of reasons for variances to old BP and consulted on new BP	3	6	18	Consultation Plan to be developed	May 2018
4	Inclusion of unbudgeted projects and programmes in the 2012 BP.	Squeeze on core investment programme projects such as kitchens, bathrooms, rewires etc.	7	10	70	Investment Programme re profiled to address any backlog and commitment secured to staying with the revised programme	5	6	30	Cabinet Approval of new BP and linkages with annual budget and how new projects ae assessed	July 2018
5	Cost variances between planned and actual expenditure over the life of the original BP	Squeeze on core investment project budgets	10	7	70	Programme of VFM activity undertaken to control costs within the BP	5	6	30	To be included in BP Action Plan	From 2018 onwards
6	Unit costs for investment activity that do not represent Value for Money	Squeeze on core investment project budgets	10	7	70	Programme of VFM activity undertaken to control costs within the BP	5	6	30	To be included in BP Action Plan	From 2018 onwards
7	Suspect component replacement lifetimes in the Council's asset management database	Investment need understated	4	10	40	Revised Investment Programme and new Stock Condition Survey to be based on standard lifetimes	2	5	10	See Investment Programme review report	From 2018 onwards

7	Incomplete stock condition data – especially data on Non-Traditional Housing and energy efficiency.	Investment need understated	4	10	40	Brief for new Stock Condition Survey to include specific commission for specialist consultants to assess condition and investment need of non-traditional stock	2	5	10	To be included in Stock Condition Survey brief	2018
8	Over optimistic assumptions in the initial BP – e.g. RTB sales of only 5 per year	Income estimates are overstated and capital receipts are understated	6	10	60	New BP has more conservative assumptions	6	5	30	Residual risk still exists but has been reduced and quantified in new BP	2018
9	Failure to test effects of new policies against BP (e.g. Handyperson; HMO conversions etc.)	Financial Effect of policies not known	5	10	50	BP model to be purchased by TBC and used dynamically to assess projects and annual budgets	4	5	20	Residual risk still exists but has been reduced	2018
10	Failure to use BP as a basis for annual HRA budgets	BP and HRA Budget / MTFS do not align	7	10	70	Annual HRA budget to be linked more closely to BP	4	5	20	Residual risk still exists but has been reduced	2018

Revised Business Plan										
No	Risk & Impact	Effect	Gross Risk (before control measures)			Risk Treatment Measures to be Implemented	Residual Risk (after control measures)			Action Plan for Additional Risk Mitigation	Timescale
			Impact	Likelihood	Risk Score		Impact	Likelihood	Risk Score		
11	Estimate of Investment Need is inaccurate	Policy choices constrained.. i.e. new build capacity	8	5	40	Multiple versions of investment programme discussed with Officers and compared with past investment need estimates	5	4	20	New Stock condition survey to be done	2018
12	Assumptions regarding RTB activity in new BP are inaccurate	If RTB's are overstated, rental income will be greater but capital receipts will be lower. At £60k per receipt, with 15 fewer sales , this could equate to £900k a year	6	5	30	Additional scenario showing lower RTB sales to be modelled as part of new BP and policy response developed by TBC and referenced in final BP	4	5	20	Residual risk still exists but has been reduced	2018
13	Inflation is greater than expected on expenditure	BP costs increase	7	5	35	Additional scenario showing increased inflation has been modelled	7	5	35	Risk remains same after modelling but can be partially mitigated through a programme of VFM activity to control costs	From 2018 onwards

14	Regen schemes (Tinkers / Kerrier) take longer than expected to complete and cost more than revised BP allows	BP costs increase	6	5	30	New BP includes £5m to complete regen schemes but if this is not enough, further cost reductions may / will need to be sought within the schemes to keep within budget	6	5	30	Risk remains same	2018/9 and 2019/20
15	Underlying growth in cost base is not contained	Increase in borrowing to meet needs from Year 27	7	10	70	Programme of VFM activity undertaken to control costs within the BP	5	6	30	Residual risk still exists but has been reduced	From 2018 onwards
16	High Value Assets Levy implemented	BP costs increase	GS to advise	GS to advise	GS to advise	GS to advise	GS to advise	GS to advise	GS to advise	GS to advise	GS to advise
17	Profile of stock investment is not evenly spread across the plan	Impact could be negative if spending is towards the end of the plan or positive If spending if front loaded	5	10	50	Profile of stock investment to be refined after stock condition survey completed in 2018/9. Where possible costs to be front loaded	3	10	30	Residual risk still exists but has been reduced	2019
18	Political reluctance to implement measures to increase income from service charges	BP limited in ability to address rising costs	5	6	30	Scenarios modelled showing how modest increases in service charges impact the BP	5	6	30	Residual risk still exists but has been quantified	From 2019
19	Lack of officer capacity to deliver the Investment Programme and BP in general	Programme slippage and delivery does not match commitment in new BP	8	7	56	TBC is reviewing its staffing structure and this risk should be highlighted as part of this process	8	7	56	Risk remains same as not clear how future staffing proposals will impact the BP	From 2018

20	HRA recharges do not represent true costs to tenants / costs to GF	Tenants bear inequitable share of costs	6	5	30	High level review of HRA recharges undertaken as part of BP. Recommend that further work is done to evidence historic GF/HRA splits	6	5	30	Risk remains same as not clear how review of recharges will impact the BP	2019
21	HRA recharges do not represent Value for Money	Squeeze on HRA direct costs to offset overheads	4	5	20	High level review of HRA recharges undertaken as part of BP. Initial indications are that corporate costs are reasonable (Finance; IT; Premises etc.)	4	5	20	Recommend TBC participates in Housemark cost benchmarking to ensure corporate costs and front line costs are kept under review	2019
22	New BP does not meet Member and Tenant aspirations	Customer and Member satisfaction reduces	7	5	35	TCG and other stakeholder groups are properly consulted on new BP	6	5	30	Residual risk still exists but has been reduced	2018
23	Repairs and Maintenance satisfaction levels remain in Q4 after new BP is adopted	Tamworth retains bottom quartile performance and attracts attention from Press and regulator	7	5	35	Further work required to understand why satisfaction is low	7	5	35	Risk remains same as not clear how review of satisfaction will affect the BP	2018
24	New BP does not meet Equality Act 2010 requirements	Equality and Human Rights Commission intervene	7	5	35	New BP has Equality Impact Assessment completed	5	4	20	Residual risk still exists but has been reduced	2018 before plan is finalised

25	New BP does not meet Homes England Regulatory Standards	Homes England intervene	7	5	35	New BP is tested against Homes England Consumer Standards	5	4	20	Residual risk still exists but has been reduced	2018
26	Contractors and suppliers lack capacity to deliver revised investment programme requirements	Programme slippage and delivery does not match commitment in new BP	7	5	35	Review of contractor capacity to deliver the revised investment programme to be carried out	7	5	35	Risk remains same as not clear how review of capacity will affect the BP	2018/9
27	The Council does not keep to its HRA BP and adds new schemes and projects that are not funded in the new BP	Squeeze on core investment project budgets	7	5	35	Option for locally determined budget provision to enable new projects to be added as agreed between Members and Tenants	5	4	20	Residual risk still exists but has been reduced	2018 before plan is finalised
28	Response repair budget realignment with actual expenditure removes flexibility to absorb overspending elsewhere in the BP	Budget overspends represent greater risk	6	5	30	Review of financial data and monitoring to be undertaken to assess current systems and skills as closer budgetary control will be required once repair budget has been realigned	6	5	30	Risk remains same as not clear how review of data and skills will affect the BP	2018 before plan is finalised
29	Void turnover increases above 283 per annum	BP costs increase	6	5	30	Review of void property costs and 'drivers' (such as transfer policy etc.) and reasons for tenancy termination to assess capacity to manage turnover	6	5	30	Risk remains same as not clear how review will affect the BP	2019
30	Decent homes backlog costs cannot be contained within 2018/9 annual budget	BP costs increase	6	4	24	Review of capacity in 2018/9 programme once no. of DH failures is known	6	4	24	Risk remains same as not clear how review of capacity will affect the BP	2018

31	Unpredictable national political policy that materially impacts the plan	BP costs increase	10	5	50	Routine political policy appraisal and briefings to be related to the BP	10	5	50	Risk remains same as not clear how policy change will affect the BP	From 2018

<u>Colour Code Key</u>

Yellow – data and BP assumptions

Green – TBC Business Processes

Gold – Resources

Red – Outcomes and Regulatory

Blue – National Political Influences

Tamworth Borough Council - HRA Business Plan

Asset Management Programme Comparison v6

Programme Element

Component Renewal

Wall Structure
Brickwork (spalli
Roof Structure
Porch / Canopy renewal
Balcony Renewals
High Rise Roofing improvements
Wall Finish & Linte
Central Heating Distribution Syst
Roof Fin
Chimneys (rebui
Windo
External Do
Communal Entrance do
Kitch
Bathro
Central Heating Gas Boil
Other Heating System (Electr
Electrical Rewire / Syst
Passenger Lift renev
Rainwater Goods (not picked up on roofing programn
Warden Call System renev
Combined CO & Smoke Detector renewal - Hard Wir
External Stores and Outhouses - doors, pointing and flat roof renewal; bin stores e
Automatic fire detection and control (sprinkler system) renev
Insulation (Loft & Cavity Wall) insulation renev
Independent fi
Plumbing Installation renewal
Soil Vent Pi
Fire Alarm Syst
Fascias, Soffits & Bargeboards (not picked up on roofing programn

Component New Installation

Combined CO & Smoke Detector installation - Hard Wired
Automatic fire detection and control (sprinkler system) provisi
Additional WC

Other Improvements (Leaseholder Sprinkler cos

Other Capitalised Expenditure

Physical Adaptations (maj
Fencing renev
Structural works (underpinning etc.) & Contingent Major Repai
Communal Heating improvements (Belgrave etc.)
Environmental improvements / General Estate Works / Garage Improveme
Env Imps - Communal Are
Improvements to Sheltered Schem
Defects
Catch Up Repa

New Projects not in HRA Business Plan

Agile working
Capitalised Salaries (see below)
Fire upgrades to flats
CDM Fees
Contingency
Energy Efficiency Works (Thermal Comfort commitment
Non traditional housing improvements / major repairs
Regeneration Schemes (Capitalised)
New Build Schemes

Capital Programme Total

Cyclic Maintenance

Grounds Maintenance and Maintenance of communal areas incl unadopted roads and paths, gritting etc.
Painting Programme - exter
Painting Programme - internal, sheltered and communal a
Gas Servicing - domes
Gas Servicing - non domes
Oil Servici
Solid Fuel Appliance servici
Chimney sweepi
Playground Inspectio
Asbestos non domestic reinspections (High Rise bloc
Asbestos non domestic reinspections (Low Rise bloc
Asbestos non domestic reinspections (Communal Are
Asbestos non domestic reinspections (Sheltere
Asbestos non domestic reinspections (Non Housi
Legionella risk assessments and monitoring (High Rise bloc
Legionella risk assessments and monitoring (Low Rise bloc
Legionella risk assessments and monitoring (Communal Are

Legionella risk assessments and monitoring (Sheltere
Legionella risk assessments and monitoring (Non Housi
Fire Risk Assessments (High Rise bloc
Fire Risk Assessments (Low Rise bloc
Fire Risk Assessments (Communal Are
Fire Risk Assessments (Sheltere
Fire Risk Assessments (Non Housi
Automatic fire detection and control (sprinkler) inspection and maintenance - bin sto
Automatic fire detection and control (sprinkler) inspection and maintenance - new (Fla
Fire Alarm Testing and Servicing (contract includes Warden Call syster
Emergency Lighting testing and servici
Fire extinguisher servicing and inspecti
Lightening conductor inspection (High Rise and Sheltered bloc
Fall Arrest inspecton (multi storey flats)
Pressure Vessel / Water Pumps Inspections (other than non domestic boile
Periodic Electrical Inspection - domes
Periodic Electrical Inspection - non domestic / commu
Passenger Lift Thorough Inspecti
Passenger Lift Servici
Domestic Stairlift Inspection / Servici
Septic Tank / Sewage Treatment Works inspection and servicing
Door entry systems
Solar PV / Solar Thermal inspection and servicing
Dry Ris
High Rise Fa
Communal TV
Security Ga
Smoke alarms (hard wired)
CO Alarms testing

Cyclical Maintenance Total

Void Repairs
Void wo

Void Maintenance Total

Response Repairs
Domestic Propert
Non Domestic Properties inc Garages

Other Reveune funded expenditure

Professional Fees (Audits, Consultancy ; Stock condition survey etc.)
Asbestos surveys - domestic management
Asbestos surveys - domestic targetted to support planned work

Planned Asbestos removal
Ad hoc Asbestos removal
Thermal comfort work (loft insulation and cladding)
Redecoration after planned works - Decoration voucher
Admin Fees (SEE BELOW)
Other Total
Total
Ridge Adjusted Investment Requirement
for Revenue Fees (R&
for Capitalised Salar
Comparative Totals
30 Year Costs Per Property
Annual Cost Per Property

DH Lifespan of Component House	DH Lifespan of Component Flat	Reasonably Modern Lifespan (House or Flat)	TBC Lifespan of Component House	TBC Lifespan of Component Flat	Frequency Min
80	80	80	100	100	0.38
30	30	30	100	100	1.00
50	30	50	84	84	0.6
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
60	60	60	50	50	0.50
40	40	40	29	29	0.75
50	30	50	64 or 74	64 or 74	0.6
50	50	50	86	86	0.6
40	30	25	37	37	0.75
40	30	25	30	30	0.75
-	-	15			
30	30	20	15	15	1
40	40	30	20	20	0.75
15	15	15	29	29	2
30	30	30	20	20	1
30	30	30	40	40	1
-	-	30			
-	-	30			
-	-	15			
-	-	10			
-	-	20			
-	-	30			
-	-	30			
-	-	30			
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	30			
-	-	30			

-	-	-	-	-	-
-	-	15			

	Frequency
Annual	
	10 yearly
	6 yearly
Annual	
Annual	
Annual	
Annual	
Annual	
Annual	
Annual	
Annual	
Annual	
Annual	
Annual	
Annual	
Annual	

Annual
Annual
Annual
Annual
Annual
Annual
Annual
6 Monthly
Annual
3 Monthly
Annual
10 Monthly
Annual
Annual
5 yearly
3 yearly
Annual
Monthly
6 monthly
Annual
On breakdown
Annual
Annual
On breakdown
Annual
Annual
Annual

Frequency Modern	Stock	Unit Costs at Ridge 2013 prices	Unit Cost at 2018 prices	Annual Activity Nos	Theoretical Total
	4272	£26,540.10	£34,604.48		
0.38	0	-	-	0	£0
1.00	4272	-	£400	142	£1,708,800
0.60	0	-	-	0	£0
-	0	-	-	-	£0
-	0	-	-	-	£0
-	0	-	-	-	£0
0.50	4272	£661	£661	71	£5,651,099
0.75	3584	£2,705	£2,000	90	£5,376,000
0.60	4272	£5,143	£10,000	85	£25,632,000
0.60	0	£732	£1,000	0	£0
1.20	4272	£2,051	£2,034	171	£10,427,098
1.20	4272	£1,233	£1,764	171	£9,042,970
2.00	83	£4,000	£3,000	6	£498,000
1.50	4272	£4,105	£4,857	214	£31,123,656
1.00	4272	£3,258	£3,988	142	£17,036,736
2.00	3584	£2,100	£2,100	239	£15,052,800
1.00	688	£2,592	£2,642	23	£1,817,696
1.00	4722	£2,309	£2,300	157	£10,860,600
1.00	18	£100,000	£100,000	1	£1,800,000
0.40	4272	£654	£1,000	57	£1,708,800
2.00	365	£365	£330	24	£240,900
3.00	4272	£32	£150	427	£1,922,400
1.50	4272	£611	£500	214	£3,204,000
1.00	7	£0	£185,891	0	£1,301,240
1	3584	£0	£150	119	£537,600
1	688	£645.75	£200	23	£137,600
-	-	-	-	-	£0
-	-	-	-	-	£945,000
-	-	-	-	-	£96,565
0.40	4272		£1,000	57	£1,708,800
					£0
1	7	£0	£185,891	-	£1,301,240
					£0

					£100,000
-	130	-	£1,635	130	£6,376,500
2	4272	-	£500	285	£4,272,000
					£9,000,000
					£0
					£6,500,000
					£8,500,000
					£3,000,000
					£0
					£0
					£0
					£0
					£0
					£0
					£0
					£2,100,000
					£0
					£0
					£0
	4272	£40,234	£44,237		£188,980,099
Annual	0	0	£0.00		£0
10 Yearly	4272	£0	£400.00		£5,126,400
7 Yearly	100	£0	£500.00		£214,286
Annual	3591	£0	£36.08		£3,886,898
Annual	9	£0	£36.08		£9,742
Annual	0	£0	£0.00		£0
Annual	3	£0	£40.00		£3,600
Annual	3	£0	£0.00		£0
GM recharge	0	£0	£0.00		£0
Annual	6	£0	£770.00		£138,600
Annual	1	£0	£190.00		£5,700
Annual	49	£0	£190.00		£279,300
Annual	10	£0	£190.00		£57,000
Annual	5	£0	£190.00		£28,500
Annual	6	£0	£385.00		£69,300
Annual	1	£0	£190.00		£5,700
Annual	7	£0	£190.00		£39,900

Annual	10	£0	£150.00	£45,000
Annual	5	£0	£190.00	£28,500
Annual	6	£0	£385.00	£69,300
Annual	1	£0	£190.00	£5,700
Annual	49	£0	£190.00	£279,300
Annual	10	£0	£150.00	£45,000
Annual	5	£0	£190.00	£28,500
6 Monthly	10	£0	£46.50	£27,900
6 Monthly	7	£0	£500.00	£210,000
Annual	20	£0	£1,066.90	£640,140
3 Monthly	35	£0	£25.55	£107,310
Annual	144	£0	£3.90	£16,848
10 Monthly	15	£0	£192.27	£103,826
Annual	0	£0	£0.00	£0
Annual	4	£0	£85.00	£10,200
5 yearly	4376	£0	£350.00	£9,189,600
3 yearly	66	£0	£87.80	£57,948
Ins Recharge	18	£0	£0.00	£0
Monthly	18	£0	£241.01	£1,561,745
6 monthly	103	£0	£175.25	£541,523
Annual	0	£0	£0.00	£0
Not Done	68	£0	£0.00	£0
Annual	0	£0	£0.00	£0
Annual	6	£0	£60.00	£10,800
Annual	12	£0	£120.00	£43,200
Not Done	28	£0	£0.00	£0
Annual	1	£0	£525.15	£15,755
Annual	3950	£0	£0.00	£0
Annual	3591	£0	£0.00	£0
	4272	£243	£179	£22,903,019
	283	£0	£2,734	£23,211,660
	4272	£303	£312	£39,985,920
	0	£0	£0	£0
				£0
				£0
				£0
				£0
				£0

				£0
				£0
				£0
				£0
				£0
				£0
				£275,080,699
	4272	**0**	**£133**	**£17,045,280**
	4272	**0**	**£47**	**£6,000,000**
				£298,125,979
				£69,786.04
				£2,326

Ridge 2013 ests
£0
£0
£0
£640,013
£76,000
£0
£5,651,099
£7,270,466
£13,181,643
£300,800
£10,513,751
£6,323,074
£535,113
£23,909,734
£13,339,911
£12,105,700
£0
£9,337,503
£1,800,000
£1,118,399
£266,778
£405,918
£3,918,455
£0
£0
£444,273
£322,082
£147,077
£96,565
£1,674,955
£131,036
£0
£1,495,413

£910,115	
£12,000,000	
£6,313,697	
£9,000,000	
£0	
£9,680,641	
£5,000,715	
£0	
£0	
£4,373,187	
£0	
£0	
£0	
£0	
£0	
£9,593,400	
£0	
£0	
£0	Or excluding adaptations
£171,877,513	£159,877,513

£32,709,150
£20,773,500
£40,855,300
£0
£0
£0
£0
£0
£0

£0
£0
£0
£0
£0
£0
£266,215,463
£17,045,280
£6,000,000
£289,260,743
£67,711
£2,257

Tenant Consultative Group

Thursday 14th June 2018
Tina Mustafa
Assistant Director Neighbourhoods

Tamworth Borough Council

Housing Revenue Account Business Planning

- Executive Summary
- Headlines
- Choices
- Equality Impact Assessment
- Next Steps

Tamworth Borough Council

Why have a plan?

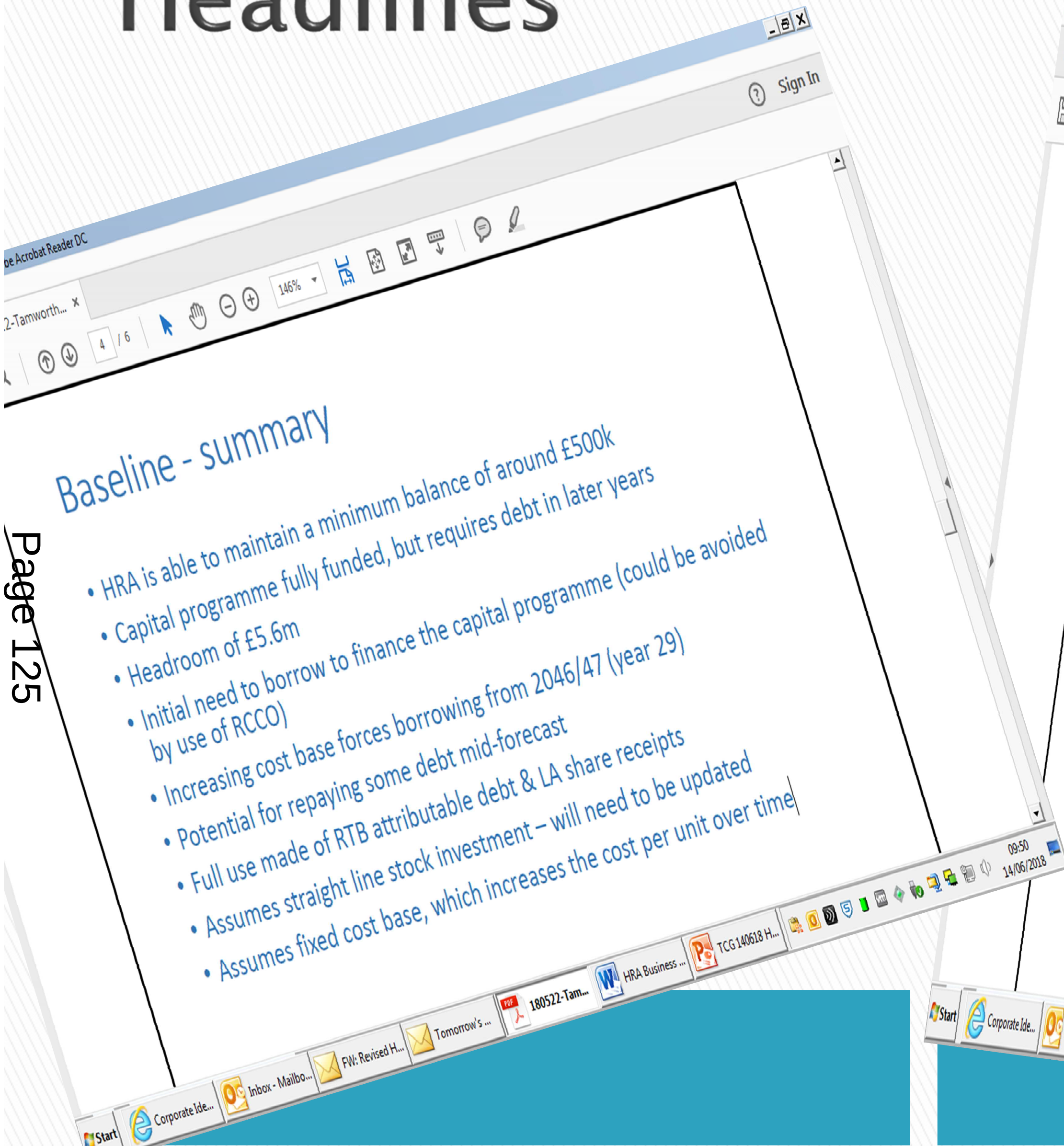
- Landlord Regulatory Requirement
- Balanced MTFS within context 30 year funded plan – difference capital and revenue
- Contributes to Corporate Vision and purpose
- Clear aims and objectives setting out ambitions within the plan vis service offer
- Opportunity to headline achievements
- Compliance with national consumer standards
- LA position with economic standards – governance; viability and value for money

Tamworth Borough Council

Challenging?

- Since 2012 – £180m reduction in plan largely due to combined impact of 1% rent reduction & additional RTB sales
- Borrowing headroom of £5.6m – opportunities going forward
- Impact of Government policy will need to be continually assessed against the model – future rent policy; sale of high cost voids; future funding sheltered; commercial opportunities
- Balancing compliance with continuing to meet Decent Homes Standard (less 1% non decent) with wider ambitions for regeneration; new and affordable housing; improved service offer(s) for wider neighbourhood renewal

Headlines



Baseline - summary

- HRA is able to maintain a minimum balance of around £500k
- Capital programme fully funded, but requires debt in later years
- Headroom of £5.6m
- Initial need to borrow to finance the capital programme (could be avoided by use of RCCO)
- Increasing cost base forces borrowing from 2046/47 (year 29)
- Potential for repaying some debt mid-forecast
- Full use made of RTB attributable debt & LA share receipts
- Assumes straight line stock investment – will need to be updated
- Assumes fixed cost base, which increases the cost per unit over time

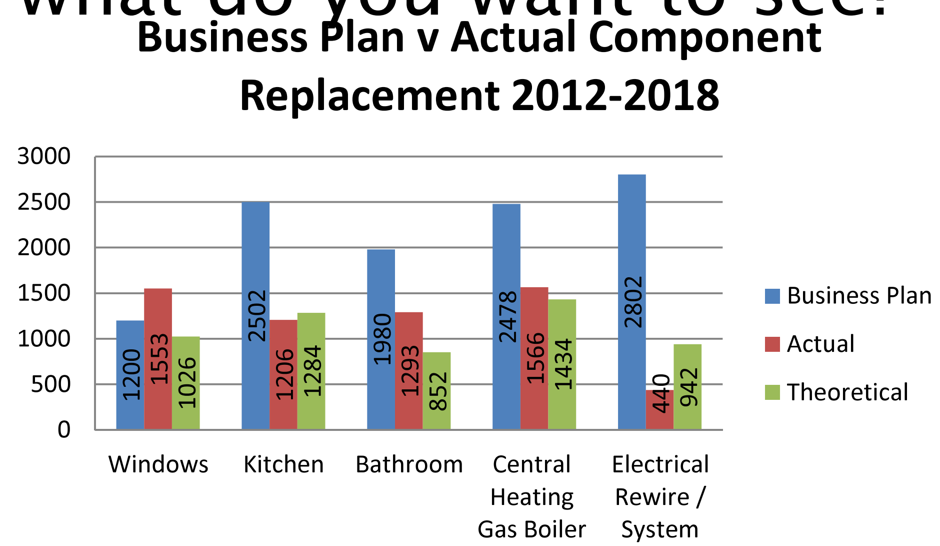
Key messages

- Baseline forecast suggests a sustainable business plan
- Debt cap is not an immediate constraint, but forecast excludes new development/ regen (other than schemes included in the MTFS)
- The underlying cost base is a growing challenge, which should be addressed in order to increase capacity
- Potential for increasing income to improve capacity
- The new SCS will produce a different stock investment profile, which will need to be remodelled in an updated business plan forecast
- HVA levy not considered, but could impact severely

Tamworth Borough Council

Understanding Investment planning – Proposed £298m over 30 years

- Decent Homes Compliance – link to investment spreadsheet to look at headlines…..
- Life cycles of components?
- Ambitions – what do you want to see?



Choices – a never ending story

Option	Effect on Business Plan over 30 years
Establishing a Locally determined priority budget for Neighbourhood renewal and local priorities @£250k per annum	+£7.5m
Change window replacement multiplier to 1 (or lifecycle to 30 years) as programme has been completed recently	-£1.738m
Change external door lifecycle to 30 years and multiplier to 1 to align with windows	-£1.507m
Provide for sprinkler renewal in next business plan (lifecycle > 30 years)	-£1.3m
Replace rewire programme with Upgrade programme (50% saving on unit rates)	-£5.43m
Revise Periodic Electrical Testing Frequency after first 5 year period and extend interval based on risk assessment	-£4.595m
Align internal and external painting programme with interval of 10 years	-£64.2k
Halve Garage Improvements budget based on rationalisation and disposal of sites	-£3.25m
Halve Environmental Improvements and Communal Area Improvements budget	-£4.25m
Halve Thermal Comfort Budget based on works to low SAP properties only and advice on condensation etc.	-£1.05m
Charge Leaseholders fully for Sprinklers	-£100k
Omit Cavity Wall and Loft Insulation renewal	-£0.537m

- Assumes static position
- Can generate income, e.g. service charges
- Change funding options vis ‘enabling’ & development of a LA prospectus?
- Review management costs and delivery models
- Review organisational overheads
- Agile and reduce waste in terms of building customer resilience – early help & prevention

Community Impact Assessment

- Draft Equality and Community Impact Assessment attached – key purpose of todays workshop is for you to look through and add comments
- EIA – including protected characteristics
- This is important to assess how the business plan will support communities

Next Steps & timetabling

- TCG – Capacity Building and HRA Business Planning training – what do you need?
- HRA Business Planning modelling – sub group?
- TCG meetings April, June and ongoing
- Wider partnerships and stakeholder discussions over Summer
- Options to Cabinet 05th July 2018
- Corporate Scrutiny 18th July 2018
- HRA Business Plan 2018-2048 end of Calendar Year 2018/19

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Corporate Scrutiny

Wed 11th July 2018
Tina Mustafa & Paul Weston
Assistant Director Neighbourhoods & Assets

Tamworth Borough Council

Why have a plan?

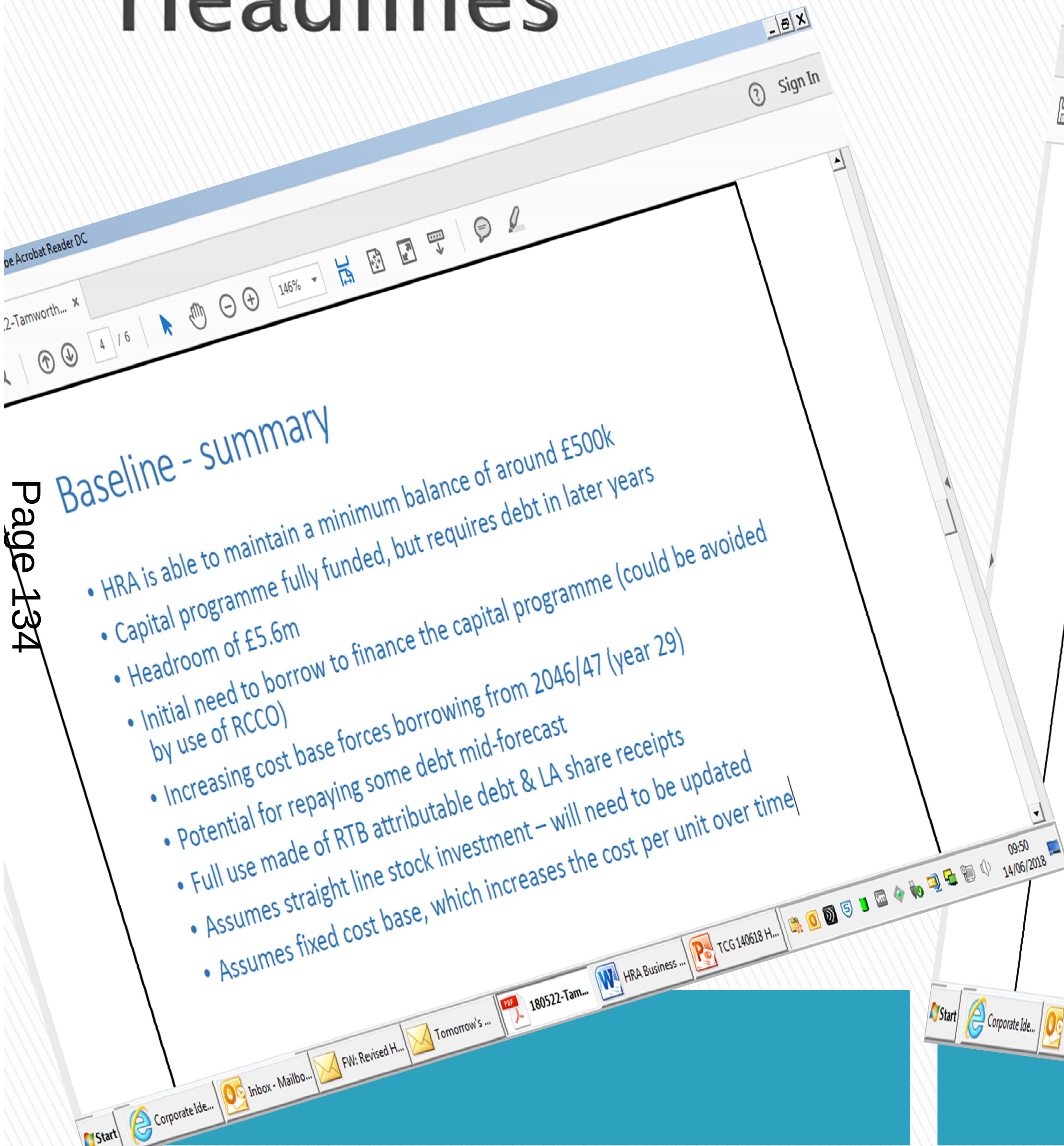
- Landlord Regulatory Requirement
- Balanced MTFS within context 30 year funded plan – difference capital and revenue
- Contributes to Corporate Vision and purpose
- Clear aims and objectives setting out ambitions within the plan vis service offer
- Opportunity to headline achievements
- Compliance with national consumer standards
- LA position with economic standards – governance; viability and value for money

Tamworth Borough Council

Challenging?

- Since 2012 – £180m reduction in plan largely due to combined impact of 1% rent reduction & additional RTB sales
- Borrowing headroom of £5.6m – opportunities going forward noting MHCLG prospectus July 2018 https://www.gov.uk/government/publications/additional-housing-revenue-account-borrowing-programme-prospectus
- Impact of Government policy will need to be continually assessed against the model – future rent policy; sale of high cost voids; future funding sheltered; commercial opportunities
- Balancing compliance with continuing to meet Decent Homes Standard (less 1% non decent) with wider ambitions for regeneration; new and affordable housing; improved service offer(s) for wider neighbourhood renewal

Headlines



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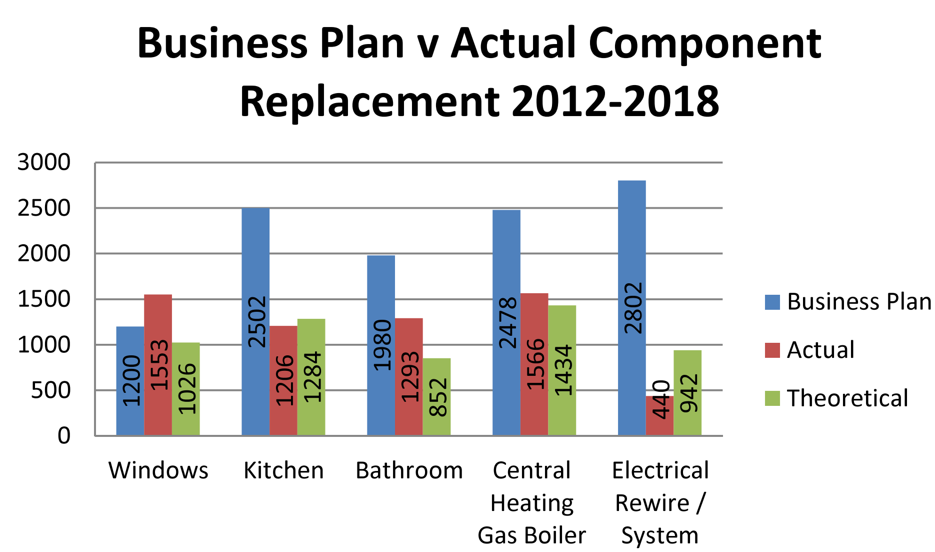

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- Options to Cabinet 16th August 2018
- HRA Business Plan 2018-2048 end of Calendar Year 2018/19

REPORT OF THE PORTFOLIO HOLDER FOR HOUSING SERVICES AND NEIGHBOURHOODS

VIREMENT OF FUNDS WITHIN THE HOUSING CAPITAL PROGRAMME

EXEMPT INFORMATION
Non-Confidential

PURPOSE
This report sets out a proposal to vire funds between capital budgets in connection with the extension of the Wates Repairs & Investment Contract.

RECOMMENDATIONS
It is recommended that:-

- The £250,000 allocated to the Kitchen Programme [CR2004] agreed as part of the Wates contract is to be vired across to the Roofing Programme [CR2005] to reflect the works identified as being of high priority as part of the Housing Stock Condition Survey.

[The following recommendations are confidential:] None of the recommendations in this report are confidential.

EXECUTIVE SUMMARY
As part of the contract extension negotiations with Wates it was agreed by Cabinet on 14th June 2018 that an additional £250,000 would be added to the Kitchen programme to allow for the completion of additional works.

During discussions with Wates, a review of the current capital programme and housing stock condition survey it has been identified that the greater demand is for roofing work as opposed to kitchen renewals. With this in mind it is proposed that the £250,000 previously identified for kitchen renewals should be vired into the roofing renewals contract.

There will be no impact on the planned kitchen renewals programme as the £250,000 was additional funding over and above the original allocation. Adding £250,000 into the roofing programme will address all of the remaining roofing related decent homes failures along with the previously agreed roofing programme.

OPTIONS CONSIDERED
The additional £250,000 has previously been approved and forms part of the contract extension negotiations. The changes to the programme have been made in consultation with Wates and the proposals are considered to be the most appropriate in order to achieve the desired outcomes of both parties.

RESOURCE IMPLICATIONS
As part of the proposals around the Wates contract extension it was agreed that an extra £250,000 would be allocated to the capital works programme for the installation of Kitchens. Discussions with Wates and a review of the Stock Condition Survey indicate that this money

would be better allocated to the roofing programme.

£250,000 can be moved from the Kitchen Programme [CR2004] to the Roofing Programme [CR2005].

LEGAL/RISK IMPLICATIONS BACKGROUND
The increase in capital budgets of £250,000 has previously been approved by Cabinet. The sums involved are within the contractual limits issued at the time of tender.

All works will be completed in accordance with the prevailing terms and conditions of the existing contracts and budgets will be expended in accordance with financial guidance.

SUSTAINABILITY IMPLICATIONS
No sustainability issues have been identified.

BACKGROUND INFORMATION
The additional £250,000 allocated to the capital budgets in connection with the contract extension was approved by Cabinet on 14th June 2018, this report identified the budget as being allocated to the kitchen renewal programme

REPORT AUTHOR
Paul Weston, Assistant Director Assets

LIST OF BACKGROUND PAPERS
None

APPENDICES
None

REPORT OF THE PORTFOLIO HOLDER FOR HOUSING SERVICES AND NEIGHBOURHOODS

RETROSPECTIVE APPROVAL TO AWARD HOUSING COMPLIANCE CONTRACT

EXEMPT INFORMATION
Non-confidential

PURPOSE
This report seeks retrospective approval to award a contract to Graham [Environmental Services] for the provision of compliance works, including Asbestos Testing, Legionella Testing and Fire Risk Assessments for a period of 5 years with the option to extend by a further 2 years.

RECOMMENDATIONS
It is recommended that:-

Following a competitive tender exercise and the commencement of works on site a contract for 5+2 years be awarded retrospectively to Graham [Environmental Services]
[The following recommendations are confidential:] None of the recommendations are confidential.

EXECUTIVE SUMMARY
By way of a Scheme of Delegation dated 2nd October 2017 tenders were invited for the provision of statutory compliance works; the successful tender was submitted by Graham [Environmental Services]. As these services are statutory in nature works commenced on site immediately upon cessation of the previous contract, also with Graham [Environmental Services] under the terms and conditions set out during the procurement process.

Given the nature and value of the contract finance standing orders require that formal approval from Cabinet is required in order to enter contract. The Scheme of Delegation completed prior to tender did not convey authority to formally enter into contract and as such contracts have not yet been signed and sealed.

Graham [Environmental Services] have been undertaking the works set out in the tender process since April 2018 in order to ensure that the Council remains fully compliant in relation to its obligations around Legionella and Fire Risk Assessments; to date all inspections required have been completed and any remedial works arising have been actioned.

OPTIONS CONSIDERED
The Council has a statutory obligation to undertake the compliance works covered by this contract; there is insufficient capacity within the existing establishment to undertake this work in-house and there are no staff with the appropriate level of training or expertise within the current establishment to directly deliver this work in-house. With this in mind the most appropriate course of action was considered to be to invite tenders from suitably qualified external contractors.

RESOURCE IMPLICATIONS
There is provision within the Housing Revenue Account repairs budget for the completion of Asbestos, Legionella and Fire Risk Assessment compliance works. This contract will be funded from the budgets available.

Asbestos Management Surveys – £18,970.86 per annum for 7 years
Legionella Surveys – £40,954.86 per annum for 7 years
Fire Risk Assessments – £44,916.86 per annum for 7 years

These are costs that are currently being met from the Housing Repairs budgets and have been ongoing for many years. The individual budgets for repairs contracts are reviewed each year and suitable provision made to meet changes to contracts in line with the total repairs budget available.

LEGAL/RISK IMPLICATIONS BACKGROUND
Legionella testing and Fire Risk Assessments are a statutory requirement, failure to complete these works exposes the Council and its tenants to the risk associated with properties that fail to meet with the statutory standards.

SUSTAINABILITY IMPLICATIONS
No sustainability issues have been identified.

BACKGROUND INFORMATION
A Scheme of Delegation dated 2nd October 2017 is in place authorising the original procurement process.

REPORT AUTHOR
Paul Weston, Assistant Director, Assets

LIST OF BACKGROUND PAPERS

APPENDICES