SHEPWAY DISTRICT COUNCIL

HOUSING REVENUE ACCOUNT BUSINESS PLAN   2016-2046

Version: 8 March 2016

FOREWORD

Shepway District council provides 3,367 homes for rent and provides services to a further 216 leaseholders in the district. It is essential that the council produces a comprehensive business plan to ensure that this key asset is properly maintained and that we continue to provide high quality homes and housing services to tenants, leaseholders and other residents.

The council in partnership with the three other local authorities in East Kent have established East Kent Housing (EKH), an Arms Length Management Organisation to manage the councils' stock on their behalf. The benefits of this decision have already been seen with increased levels of customer satisfaction with the housing management services provided by EKH.

This business plan aims to set out clearly how the council will manage its stock and how it will deliver its housing services, in line with national and local objectives. The plan covers 30 years, but provides detail information for the next 5 years. It identifies the investment required in the council's homes and how this will be funded.

Our high level key strategic objectives are:

- To provide high quality affordable homes that fully meet the Shepway Housing Standard.
- To provide an efficient and effective housing management service and invest in service improvements.
- To maximise the recovery of rental income.
- To deliver new council homes.

The council delivered its first new build homes in 20 years during 2015 in Lydd and Hawkinge. The council is committed to delivering up to 30 new affordable council owned homes each year over the next 5 years and on average 10 units per year over the following 5 year period of this plan. Work is currently underway so that the development of more council homes can commence in early 2016/17.

The Council recognises that tenants and leaseholders must have a central role in determining the priorities for their housing service. EKH provides a range of opportunities for tenants and leaseholders to be involved in the housing service from simply responding to one of their regular surveys through to joining the EKH Board. The council itself will continue to ensure that tenants and leaseholders are actively involved in the ongoing review of this key document.

Councillor Alan Ewart-James
Cabinet Member for Housing

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1.0 INTRODUCTION

1.1 The Housing Revenue Account Business Plan is part of a range of strategic plans that contribute to the council's corporate aims and objectives.

1.2 Set within the context of the council's Housing Strategy (which considers all housing need in the district), the HRA Business Plan focuses on the council's landlord role and its own housing stock of 3,367 rented homes and 216 leasehold homes (as at 1 January 2016). In doing so, the business plan reflects:

- The council's legal responsibilities as a social landlord
- National, regional and local housing priorities
- How the housing stock and its management support the delivery of wider strategic objectives and priorities
- Local demand for affordable rented homes
- Tenants and leaseholders needs and aspirations
- The condition of the housing stock
- Likely resource availability
- The council's intention to deliver a new build programme and acquire former right to buy properties

1.3 The Housing Revenue Account (HRA) is a "ring-fenced" account held by the council. It contains all the expenditure and income related to the properties owned and managed by the council in its role as a landlord. Since April 2012, the council has been able to take greater control of the HRA and the rental income that it receives from the homes that it provides. This document therefore, also considers the implications of HRA self-financing and its impact on the council's ability to achieve its objectives and targets for its housing stock.

1.4 The document has been developed fully in line with the best practice requirements set by the Chartered Institute of Public Finance and the Chartered Institute of Housing

2.0 OUR AIMS AND OBJECTIVES

2.1 The main strategic objectives for the Shepway HRA are:

- To provide high quality affordable homes that fully meet the Shepway housing standard.
- To provide an efficient and effective housing management service and invest in service improvements.
- To maximise the recovery of rental income.
- To build/acquire new council homes to meet the needs of the local community.

2.2 The HRA Business Plan is focused on improving the quality of the council's landlord services. To do this, the plan encompasses the following priorities:

- Developing and implementing service improvement plans which demonstrate continuous improvement.
- Providing effective opportunities for residents to be involved in the service.
- Ensuring all of our homes meet the decent homes standard and the agreed Shepway housing standard and keeping up to date stock condition information.
- Reviewing the process for procuring and managing our improvement programme.
- Using the borrowing headroom within the HRA to deliver up to 200 additional council homes during the first ten years of this Business Plan.
- Delivering services fairly and without discrimination to meet the needs of all members of the local community, fully complying with the council's equalities and diversity policies.

2.3 In February 2012, Cabinet agreed the council's approach toward the introduction of self-financing within the council's HRA. Self-financing has introduced significant changes which have enabled the council to manage the resources and debts within the HRA to best meet the needs of existing and future tenants. Since the Cabinet agreed this position in 2012, it has been necessary to review this business plan and the financial assumptions underpinning it.

2.4 The updated business plan modelling that has been completed projects that self-financing will enable the council to move towards a debt free HRA by approx. year 25 of the plan which is 2039/40 and therefore will not be paying anything off the debt until year 10 of the plan which is 2025/26, and will generate additional resources for investment in existing homes and for the provision of additional council homes. However, the Government announced that from 2015/16 rent would be calculated using the formula CPI + 1% instead of RPI + 0.5% +/-£2. Also, the announcements made in the Chancellor's statement in July 2015 are likely to have a significant impact on the council's HRA. The key impacts of the announcements are:

- A requirement to reduce the council's rents by 1% per annum from 2015/16 levels over the four year period from 2016/17 however, the supported accommodation element of the stock is exempt from this reduction for the first year whilst a Government review of supported housing funding is completed.
- The introduction of the right to buy for housing association tenants from April 2017, with local authorities being required to fund any short-falls incurred by housing associations through the sale of any vacant high value council homes.
- The introduction of a 'pay to stay ' scheme for tenant households earning more than £30K per annum requiring them to pay a market rather than a social or market rent for their home, which could encourage the affected households to exercise their 'right to buy'

These potential risks to the business plan are explored in more depth in Section 10. It is vital that this document is kept under ongoing to ensure that the full impact of these issues can be properly factored into our financial planning.

3.0 DELIVERING AN EFFECTIVE LANDLORD SERVICE

3.1 EKH is responsible for the management of the council's homes. This involves tenancy and neighbourhood management, including the sign up of new tenants, and managing the condition and improvement of the housing stock.

3.2 The council makes an annual management fee payment to EKH. The fee is reviewed annually and the overall relationship between the council and EKH is specified by a comprehensive contractual agreement. The council also agrees an annual delivery plan with EKH setting out the priorities and actions for the coming year.

3.3 The achievement of improved services for tenants, coupled with efficiency savings, were key factors behind the decision to establish EKH in partnership with Canterbury City Council, Dover District Council and Thanet District Council.

3.4 Overall tenant satisfaction with the housing management service in Shepway in 2016 was 87% compared to 78% in 2009.

3.5 The council monitors EKH performance through regular meetings between the council's nominated client officer, the cabinet member with responsibility for Housing and the senior management team at EKH. Tenants are able to monitor the performance of their housing management service through the quarterly Shepway Area Board and the regular Shepway Tenants and Leaseholders Board Meetings. The meetings enable tenants to discuss performance issues directly with EKH and also inform future service improvement. A tenant representative is a member of the main EKH board. Performance is also reported to the council's scrutiny committees on an annual basis.

3.6 The council monitors the performance of EKH through performance indicators which are collected on a quarterly basis. Key indicators are also included within the council's wider performance management framework. Details of the current key performance indicators are available from the EKH website, www.eastkenthousing.org,.uk.

Tenant and Leaseholder Involvement

3.7 The council is committed to involving tenants, leaseholders and wider residents in the ongoing development of the housing services they receive. We also recognise that it is vital that we involve our customers in developing and reviewing the priorities set out in this document on an ongoing basis.

3.8 EKH has developed a range of options for residents to become involved in their local area and to work with EKH and the council to review performance and drive improvement. These involvement options include:

- Becoming a Tenant Inspector – responsible for inspecting communal cleaning and grounds maintenance on council estate areas and reporting back to EKH on whether or not the required service standards are being met. Tenant inspectors also now look at empty properties prior to re-letting to check they are up to the standard developed in conjunction with residents.
- Membership of the Tenants' Communications Group – this group reviews all aspects of how EKH communicates with tenants and leaseholders.
- Tenant Scrutiny Panels – these are set up to look at how EKH delivers the housing service and make recommendations on how this can be improved.
- The Shepway Tenants and Leaseholders Board (STLB) – represent tenants and leaseholders across Shepway and meet regularly with representatives from EKH and the council to review overall performance of EKH and the repairs contractors and to discuss any areas of local concern. The group also has responsibility for an annual budget for projects that will improve the neighbourhoods where tenants and leaseholders live.
- EKH Board – the Area Board is also involved in nominating a tenant or leaseholder from Shepway District to sit on the overarching EKH Board.
- Regular Surveys – tenants and leaseholders are able to take part in a range of ongoing surveys about the housing service either online or by post. The repairs contractor also completes ongoing surveys to obtain information about the experiences of customers using the repairs service.
- Tenants and Leaseholders are actively encouraged to be involved in developing and monitoring the over-arching EKH delivery plan.
- Local Estate Walkabouts – these are regularly held throughout the council's housing neighbourhoods and provide an opportunity for EKH's Neighbourhood Managers to find and deal with any local issues for tenants and leaseholders.

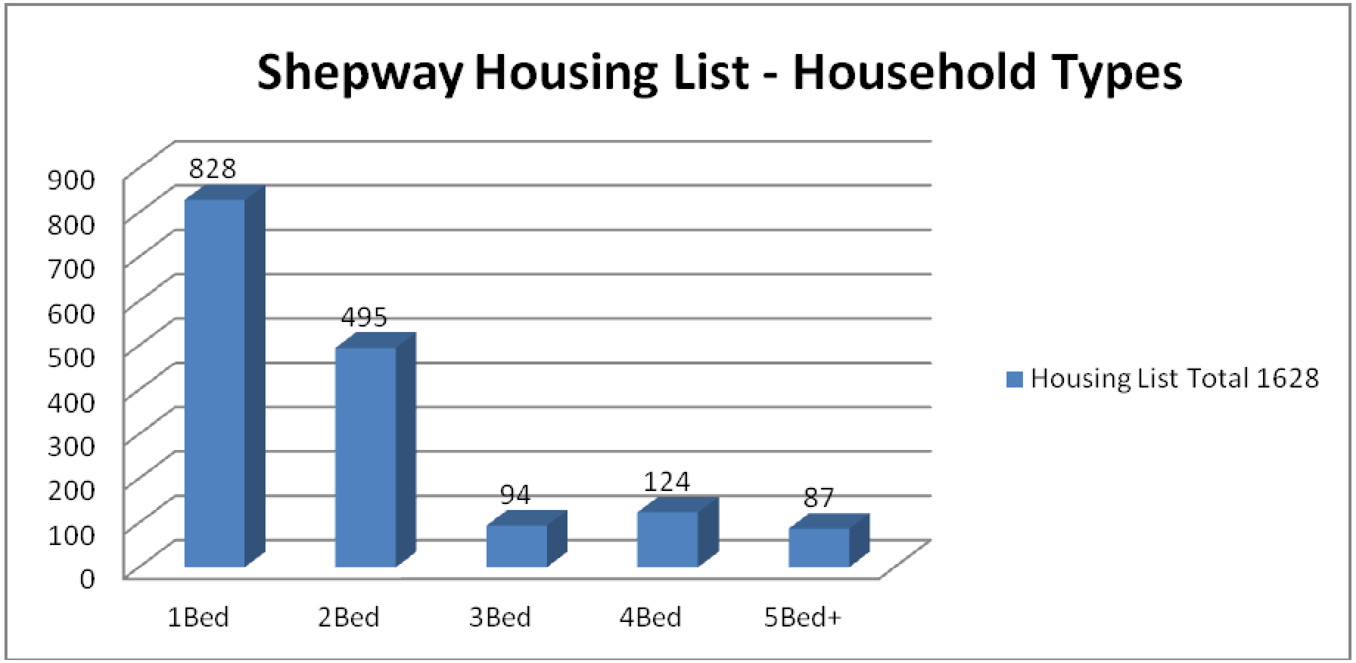
3.9 The council is keen to maximise the opportunities for tenants and leaseholders to become involved in shaping and improving the housing service. We are particularly keen that EKH should continue to explore new ways to involve tenants who have been reluctant to give their input in the past, for example younger people.

4.0 THE LOCAL HOUSING MARKET AND HOUSING NEED

4.1 The council's Strategic Housing Market Assessment completed in 2009 identified a need for 1,318 additional affordable homes in the district each year. The assessment used a range of secondary population and affordability data to calculate the level of need for affordable homes. The assessment considers the extent of households already in need, the number of newly forming households in need each year and the number of affordable homes available for letting each year.

4.2 In addition, there are currently around 1,628 households registered on the council's housing list for council and housing association homes. Table 1 below breaks down the household types currently on the housing list and their required housing needs.

Table 1 – Shepway Housing List – Households Types (January 2016) –



4.3 The council is committed to delivering affordable housing provision to meet the needs of the local community and the council's housing stock is an essential part of this local provision.

5.0 THE COUNCIL'S HOUSING STOCK

5.1 The housing stock comprises 3,367 homes for rent, made up as shown in table 2 below. Houses and bungalows make up more than half of the stock, with the remainder comprising low and medium rise flats and maisonettes.

	Bed-sit	One Bed	Two Bed	Three Bed	Four Bed	Five Bed +	TOTAL
Flats	**146**	**763**	**398**	**6**	**1**	**0**	**1314**
Maisonettes	**0**	**1**	**98**	**34**	**0**	**0**	**133**
Bungalows	**0**	**225**	**189**	**4**	**0**	**0**	**418**
Houses	**0**	**2**	**505**	**932**	**61**	**2**	**1502**
Totals	**146**	**991**	**1190**	**976**	**62**	**2**	**3367**

Table 2: Council Housing Stock as at January 2016

5.2 As shown in table 3 below, sheltered and semi sheltered housing accounts for almost 30% of Council homes. This is principally as a result of sales of family accommodation under the Right to Buy (RTB). Since April 1998 382 homes were sold under the RTB with a peak of 85 sales in 2002/3. In 2015, 22 tenants exercised their right to buy. In addition, around 26% of the stock has been adapted to meet the needs of people with a long-term illness or disability.

Location	Number of Homes	% of total housing stock	Sheltered Housing	% of total housing stock	Semi-Sheltered Housing	% of total housing stock
Folkestone/ Sandgate	1320	39%	260	20%	137	10%
Cheriton	463	14%	73	16%	32	7%
Hythe, Saltwood and Seabrook	618	18%	148	24%	45	7%
Marsh Towns	329	10%	69	21%	127	39%
Hawkinge/ Densole	127	4%	0	0%	31	24%
Elham Rural	118	2%	39	33%	21	18%
Sellindge Rural	58	4%	0	0%	0	0%
Marsh Rural	128	14%	0	0%	8	6%
Lydd	206	6%	28	14%	0	0%
TOTALS	3367	100%	617	18%	401	12%

Table 3: Council Housing Stock by Location/Type/January 2016

5.3 Table 3 (above) also shows the location of the council’s homes around the Shepway district, and includes a breakdown of the stock by accommodation type. The highest proportion of the council’s stock is in the Folkestone and Hythe areas of the district. The highest demand for council homes is in Folkestone, Cheriton, Hythe and the Romney Marsh towns.

5.4 Over crowding continues to be an issue within the council's housing stock. Overcrowding issues are a particular problem within the council's family size accommodation. A review of the council's housing register shows that there are currently 42 existing tenants with children aged under 16 who are registered for a transfer and need a move to larger accommodation.

5.5 Under Occupation also continues to be a priority issue for the council. There are currently 62 existing tenants registered on the council's Housing Register living in homes that are larger than they currently require. Many of these households are seeking a move to more appropriate accommodation. 37 of these households contain at least one person aged 60 or over. The council currently prioritises these moves and provides financial assistance to help with the associated costs of a house move.

5.6 Demographic projections suggest strong demand over the medium term for the vast majority of property types and locations. Whilst natural turnover will address some of this, the housing needs survey highlights the need to reassess the acceptability and appropriateness of the existing stock in light of older peoples rising aspirations and the desire to exercise greater choice. Whilst no estates can be specifically classified as difficult to let, demand is less strong for certain property types, particularly sheltered bed-sits.

5.7 While the council's 1018 homes for older people account for 30% of the council's total housing stock, only 15**%** of applicants (approximately 481 applicants) on the Shepway Housing List are older person households seeking sheltered or semi-sheltered accommodation. As part of this business plan the council will continue to review the services it provides for older people to ensure that they continue to meet the needs and aspirations of local people.

5.8 During the course of this business plan it is essential that the council and its partners continue to assess the accommodation and related needs of older people. In particular the range of accommodation must be future proofed to ensure that it remains appropriate for an ageing population which will include an increasing number of frail older people with support needs. The review will also need to focus on exploring the need and opportunity to deliver further extra care housing provision in the district. Feedback from older people within the community received through the SHMA shows that older people and people with support needs prefer 2-bedroom accommodation so that they are able to accommodate carers and visiting relatives. Further detail on the council's proposed review of older person's accommodation is set out in section 9.4 of this document.

5.9 65% of all tenant households living in the council's homes include at least one household member who has a long-term disability or health issue which affects their day to day activities. The council is committed to reviewing its processes and the resources it makes available to provide aids and adaptations to enable these households to live as independently as possible.

5.10 As well as social rented homes, the associated assets detailed in table 4 below are also held within the HRA.

Assets	Number
Garages	818
Parking Spaces	34
Stores/Sheds	12
Scooter Stores	4
Other: Age Concern Day Centre	1
RTB Leasehold Flats	216
Shared Ownership Homes	5

Table 4: Non Social Rented Housing HRA Assets (as at January 2016)

The council receives a significant rental income from the garages it provide across the district £317K during 2014/15). The other HRA assets such as the scooter stores and facilities used by Age Concern provide important services for older people living in the council's homes.

6.0 THE IMPACT OF SELF-FINANCING

6.1 The Government introduced HRA self-financing for local authorities in April 2012. The reform means that the council is now able to retain all of the rental income it receives to invest in its stock and to deliver new affordable council homes for the district**.** Under the previous housing revenue account subsidy system, the council was required to make an annual negative subsidy payment to the Government; the payment in 2011/12 was £2.9m. This payment would have increased further if the housing subsidy system had remained. Over the course of this Business Plan this would have resulted in payments to Government of over £100m.

6.2 The powers to introduce self-financing were set out in the Localism Act 2011. Under the initiative, the council was required to make a single lump sum payment of £40.11m to central Government in return for leaving the subsidy system. In order to finance this lump sum, the council committed to taking on an additional £40.11m debt within the HRA with the Public Works Loans Board in March 2012. The council's total debt within the HRA stood at £55.5m as at April 2012. As at April 2016, the council's total debt within the HRA will stand at approximately £47.5m.

6.3 **The business plan** model includes rent, service costs and spending plans over 30 years and projects movements in both balances and borrowing throughout the period. This business plan is based upon the main income and cost projects and spending plans that have been included in the model. The model has enabled a number of different scenarios to be examined to see how they would perform against a set of key principles. The detailed revenue and balance projections from the model are shown at appendix 4 and the cumulative movement in HRA balances is illustrated in chart 1.

6.4 Work is currently underway to produce a development programme to enable the council to deliver up to 30 additional council homes each year over the next 5 years and up to 10 units per annum each year over the five year period 2021/22 to 2025/26. The majority of these additional council homes will be delivered on sites which the council will acquire on the open market. The potential sites within the council's ownership are mostly small and have limited development potential. If the council is unable to deliver homes through a new build approach, it will where possible deliver additional council homes through the acquisition of suitable properties, including properties previously sold through the right to buy. Each potential acquisition will be fully considered to ensure that it provides value for money for the council and fully meets the requirements of this business plan. The council will look to deliver any additional homes it provides at affordable rather than social rents, in line with the criteria set by the Homes and Communities Agency. All affordable rents will be linked to the local housing allowance rates for the district to ensure that they remain affordable.

7.0 INCOME AND EXPENDITURE

7.1 This section of the business plan sets out the main revenue income and expenditure plans and pressures for the next 5 year period to 2020/21. It also sets the framework for the detailed projections set out in the financial model for the whole 30 year period.

Income: Rental Income

7.2 The main source of income for the HRA is the rents paid by the council's housing tenants. The "target rent" for all individual social rented homes is calculated on a prescribed formula set by the Government. The Government's aim is to ensure that similar properties in the same area will have a similar rent regardless of the landlord (council and housing association properties). The rent calculation is based on the following factors:

- Capital values (30%)
- Regional income factor and size of dwelling based on the number of bedrooms (70%)

7.3 As outlined in the introduction to this plan, the Government has stated that council landlords are required to reduce their rents by 1% per annum each year over the 4 year period 2016/17 - 2019/20. The average rent from April 2016 will be £83.04 (over 52 weeks). However, a review is due to take place on supported accommodation during 2016/17 and therefore these are exempt from the 1% reduction in rents and are set at CPI + 1%.

7.4 Table 5 below shows the average council housing rents in Shepway over the next 5 years. From 2020/21 it is assumed that councils will be permitted to increase their rents again based on a formula of CPI + 1%.

	Year 1 2016/17 £	Year 2 2017/18 £	Year 3 2018/19 £	Year 4 2019/20 £	Year 5 2020/21 £
Average rent per week (52 weeks)	84.82	83.97	83.13	82.30	83.95

Table5: SDC Estimated Average Rents over next 5 years

7.5 In order to support the financial viability of the new build/housing acquisition programme, any new build home or homes newly acquired by the council will have rents set at the higher 'affordable rent' level. The definitions of social rent and affordable rent are as follows:

- **Social Rented Housing** is rented housing owned and managed by local authorities and registered providers (housing associations) of social housing, which are let at targets rents which have been determined by the national rent regime. At present, social rents are on average set at around 55% of market rents values.
- **Affordable Rented Housing** is provided by registered providers of social housing on the same basis as social rented housing, but rent levels are outside of the national rent regime. Instead, the accommodation is required to be made available to eligible households at rental levels of up to 80% of the local housing market rent. At present affordable rents are on average set at around 78% of market rent values.

7.6 Table 6 below sets out the average affordable rent within the council's housing stock over the next 5 years. The council will ensure that its affordable rent levels will be fully in line with the local housing allowance levels. However, the use of affordable rents will deliver additional resources to support the council's new home delivery programme within the HRA. Even so, with a relatively modest new build programme of approximately 30 units per year between 2016/17 and 2020/21 and on average 10 units per year over the next five years to 2025/26, the number of affordable homes let at affordable rents within the council's housing stock will remain below 10% of the total stock over the next 10 years.

	Year 1 2016/17 £	Year 2 2017/18 £	Year 3 2018/19 £	Year 4 2019/20 £	Year 5 2020/21 £
Average rent per week (52 weeks)	127.01	125.74	124.48	123.24	125.70

Table 6: Average Affordable Rents in Shepway Housing Stock 2016/17 - 2020/21

7.7 The council recognises the potential impact that the Government's programme of welfare reform is likely to have on its tenants and its HRA. It is essential that the council fully monitors the impact of the changes and adjusts the Business Plan accordingly. A more comprehensive assessment of the potential risks to the council's HRA is set out in Section 10 of this document. Adequate bad debt provision is a key part of the mitigation of risk within the business plan. Bad debt provision in 2016/17 is set at £149k per annum, an increase of £89k, to cover any increases in service costs that arise in relation to rent collection and transactions costs.

7.8 The HRA accounts for the expected rental income due in the year, it also makes provision for bad debts (i.e. rent due, but not collected in the year due to non-payment). There is also an adjustment to reflect properties which are empty for a period between tenancies when no rent is due.

7.9 Future Right-to-Buy (RTB) sales have an impact on rental income to the business plan. At current rent levels, this loss of income equates to £4,318 per property sold per year. The business plan model has been based upon an assumed 18 RTB sales per year, with an average receipt of £66,000 per sale. The council has signed up to the Government's one for one scheme, enabling all RTB receipts generated locally to be reinvested in replacing homes sold with new homes on a one for one basis. A proportion of the rent lost from the original sale will be replaced by income from the new home provided. Details of this mechanism together with sensitivity analysis around the number of sales are shown in the risk assessment below (paragraph 10.3).

7.10 The council also receives rental income from the garages and retail premises and other land holding which it lets out to its customers.

Income: Charges for Services

7.11 The council also receives other income for services provided that is not already covered by its rental charges. Examples of such charges include communal area cleaning charges, heating charges and charges made for other land areas that are leased to service users.

7.12 In general, the council's service charges are set to cover the actual service costs. In 2016/17 the council service charges will increase by 0.9%. All service charges collected fully reflect the cost of the related service provision.

7.13 The HRA also receives income where properties have been sold under the RTB. For example, if works are completed to the communal area of a block of flats, the council is able to claim a contribution toward the works from any leaseholders living in the block.

Income: The HRA Forecast

7.14 Table 7 below summarises the council's income sources for its HRA over the next 5 years. The contributions from the general fund relate to the maintenance of amenities by grounds maintenance, the majority of these relate to HRA but where there has been Right to Buy (RTB) sales these are now classed as non-HRA and therefore the general fund makes a contribution to the HRA.

Year	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
INCOME:					
Rental Income	**-14,861**	**-14,864**	**-14,850**	**-14,832**	**-15,384**
Service Charges	**-1,007**	**-1,032**	**-1,058**	**-1,085**	**-1,112**
Non-Dwelling Income	**-378**	**-387**	**-397**	**-407**	**-417**
Contributions from general fund	**-52**	**-53**	**-54**	**-56**	**-57**
Total Income	**-16,298**	**-16,336**	**-16,359**	**-16,380**	**-16,970**

Table 7: The council's HRA Income sources over the next 5 years

Expenditure: Management Costs

7.15 The main costs for the council in terms of the management of its housing stock include:

- the management fee paid to East Kent Housing to manage the housing stock and land resources on behalf of the council
- The insurance costs associated with the housing stock.
- The cost of the ground maintenance services provided on the council housing estates.

Expenditure: Maintenance Costs

7.16 The HRA also includes the revenue costs for the day to day responsive repairs carried out on the council's housing stock. These costs include dealing with day to day repairs, work to bring void properties up to the necessary re-let standard and the costs of the cyclical works programme. The cost of these works is defined as revenue expenditure. An effective and efficient responsive repairs service has a significant impact on overall tenant satisfaction and is a priority of this plan.

7.17 In addition to this revenue expenditure, the council also has a programme of capital expenditure to maintain the condition of its housing stock on a programmed basis. This capital expenditure also includes the costs of a programme of building new homes. Details of the council's capital spending plans for the HRA are set out in section 9 below.

Expenditure: Capital Charges

7.18 The council has historically funded some of its capital expenditure through borrowing. In addition further borrowing has been required to fund the initial costs of self-financing. The total borrowing within the HRA as at April 2016 will be £47.5m and £9m worth of borrowing has been repaid since 2012/13. Financial rules require that any interest payable in respect of these loans must be paid from the HRA. Under the self-financing arrangements, the council is required to ensure that its HRA borrowings are maintained separately from the council's wider borrowings. In response to this, the council has adopted an affordable strategy to repay the total HRA debt, represented by its capital financing requirement (HRACFR), over the next 18-20 years. This is detailed in Chart 3 'Analysis of HRA Debt profile'.

Expenditure: The HRA Forecast

7.19 Based on the HRA Business Plan and preceding spending pressures and resource assumptions, Table 8 below sets out the latest 5 year spending plan for the HRA. This includes depreciation and revenue contributions to capital, which together fund the capital spending plans set out in section 9.

Year	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
INCOME:	**-16,298**	**-16,336**	**-16,359**	**-16,380**	**-16,970**
EXPENDITURE:					
General Management	**3,336**	**3,335**	**3,418**	**3,504**	**3,591**
Special Management	**1,029**	**1,055**	**1,081**	**1,108**	**1,136**
Other Management	**24**	**25**	**25**	**26**	**27**
Bad Debt Provision	**149**	**186**	**220**	**219**	**190**
Responsive & Cyclical Repairs	**3,080**	**3,172**	**3,267**	**3,365**	**3,496**
Total Revenue Expenditure	**7,618**	**7,773**	**8,011**	**8,222**	**8,440**
Interest Paid & Administration	**1,709**	**1,640**	**1,594**	**1,687**	**1,822**
Interest Received	**-42**	**-38**	**-33**	**-35**	**-36**

Depreciation	**3,762**	**3,856**	**3,952**	**4,051**	**4,152**
Net Operating Income	**-3,251**	**-3,105**	**-2,835**	**-2,455**	**-2,532**
Debt Repayment	**0**	**0**	**0**	**0**	**0**
Revenue Contribution to Capital	**5,435**	**4,064**	**2,813**	**2,448**	**2,475**
Total Appropriations	**5,435**	**4,064**	**2,813**	**2,448**	**2,475**
ANNUAL CASHFLOW	**2,184**	**959**	**-22**	**-7**	**-57**
Opening Balance	**5,131**	**2,947**	**1,988**	**2,010**	**2,017**
Closing Balance	**2,947**	**1,988**	**2,010**	**2,017**	**2,074**

Table 8: The latest approved 5 year Medium Term Financial Plan for the HRA

8. RESOURCING THE BUSINESS PLAN

8.1 The initial financial modelling following self-financing shows that the outcome for Shepway is a positive one. The Government's presumed level of debt within Shepway's HRA before self-financing was £21.324m. In practice the actual debt was £15.402m. This together with the further £40.110m taken on as part of the self-financing arrangements brought the total debt within the HRA to £55.512m as at April 2012. The HRA debt ceiling for the council as set by the Government is £61.435m. Which gave a maximum borrowing headroom available to the council of £5.923m. However, since April 2012 there has been over £9m paid off of the debt which has brought the overall debt down to £46.512m, which gives a maximum borrowing headroom available to the council of £14.923m.

8.2 The council has committed to maintaining £2m borrowing headroom to help provide for any unseen circumstances or unplanned expenditure on the existing housing stock. This leaves a maximum current borrowing capacity available to the council of £3.923m. The £2m minimum reserve level is not inflation linked and should be reviewed after approximately 5 years into the plan, however if circumstances arise then more frequently.

8.3 The resources required to cover the council's capital spending plans, will be provided through the following funding sources:

- Major Repairs Reserve (MRR): This will be the main source of capital funding for the programme. The MRR may be used to fund capital expenditure and to repay existing debt. Depreciation will be paid into the MRR from revenue funds to fund capital expenditure. If this is insufficient to meet the funding needs of the programme, then additional transfers from revenue will be required. The total support to the capital programme from the MRR over the first five years of this Business Plan is £37.008m, of which £19.773m is in relation to depreciation charges and the remaining £17.235m is a contribution from revenue expenditure.

- Capital Receipts: The council has signed up to the central Government agreement enabling it to retain the receipts from right to buy sales to fund the development of new affordable housing in the district to replace properties sold through the right to buy on a one for one basis. The council has also adopted a formal policy enabling it to retain capital receipts received from the sale of other HRA assets to fund affordable housing and regeneration activity in the district.
- Prudential Borrowing: Borrowing is allowed against a Prudential Code if the council can demonstrate it is affordable, sustainable and prudent. The Government limits the amount of debt that can be supported from the HRA and is based on the council's self-financing debt settlement. In the case of Shepway the debt ceiling is £61.435 million. The council is not permitted to breach this borrowing limit. The spending plans set out in this Business Plan will enable the council to reduce its capital financing requirements during the first half of the period, with the potential to be debt free by approximately year 25.
- Supporting People Funding: The Kent Supporting People Team Provides a significant element of the funding necessary to deliver the council's housing related supports services to tenants living within its sheltered and semi-sheltered accommodation. At present the council receives approximately £316k per annum to cover the costs of its housing related support services for older people. Any changes to central Government funding and priorities could result in reductions to the level of funding provided by the KCC. It is vital that the council closely monitors this area of funding and ensures that it adjusts its services accordingly. The Supporting People Grant is paid into a suspense account and used to cover the eligible service charges for qualifying tenants in sheltered and semi-sheltered housing. The account is currently holding an operational surplus of £227k as at January 2016, which has been set aside to mitigate the risks associated with future reductions in this grant.

8.4 Details of the cash flow forecast over the full period of this Business Plan are set out in the graph in Chart 1. Details of the debt profile over the period of this Business Plan are set out in the graph in Chart 3.

9.0 CAPITAL SPENDING PLANS

9.1 This section of the Business Plan sets out the capital programme for the existing housing stock, neighbourhood regeneration and the construction of new homes.

9.2 The assessment of future investment need hinges critically upon having accurate and up to date age profile and condition information. The housing stock is relatively new. Almost half (about 47%) was built since 1965 and less than 4% of homes date from pre 1919. About 19% of the stock (mainly houses and bungalows) were built between 1919 and 1945.

9.3 Most of our homes are constructed using conventional building methods with little evidence of exceptional design styles. Our remaining 24 non-traditional build houses, (designated defective under part XVI of the Housing Act 1985) have all been refurbished using a licensed repair method.

9.4 As part of our overall asset management strategy, the council holds a comprehensive data base of the condition of its HRA housing stock. The information is updated on an ongoing basis by East Kent Housing to ensure that it is fully up to date and includes full information of any improvement works completed by the council as well as any information on condition failures within the stock.

Decent Homes and the Shepway Standard

9.5 Table 9 below sets out the key capital investment needs of the council's existing housing stock over the next five years. Further information for the full 30 years of the Business Plan is set out in Appendix 2. Over 30 years the council plans to spend around £72m on maintaining the decent homes standard (Shepway Standard) for all of its homes, including £23m on the kitchen and bathroom programme set out within the Shepway Standard.

Type of Work	**Year 1 £**	**Year 2 £**	**Year 3 £**	**Year 4 £**	**Year 5 £**
Decent Homes Standard (Shepway Standard)	2,509,000	1,799,003	3,022,000	3,526,000	4,108,100
Non Decent Homes Standard	470,000	615,000	633,000	652,000	672,000
Disabled Adaptations	350,000	254,000	261,000	267,000	274,000
Environmental Improvements	250,000	304,000	312,000	320,000	328,000
Total	**3,579,000**	**2,972,003**	**4,228,000**	**4,765,000**	**5,382,100**

Table 9: Key Maintenance and Repairs Expenditure within the council's housing stock 2016/17 to 2020/21

9.6 The programme set out above is indicative at this stage based on current costs. The figures quoted above include inflation and has also been factored into the detailed modelling within the 30 year plan for both income and expenditure. The proposed expenditure will be subject to on-going review throughout the period of this Business Plan.

9.7 In particular the proposed expenditure on the council's sheltered housing schemes will be subject to a comprehensive review of the council accommodation for older people. The review will consider the location of the council's accommodation, the suitability of schemes and the current and future needs of older people within the community to ensure that the accommodation is properly future proofed.

9.8 The council is also committed to an ongoing review of the proposed annual amount of £254k (£350k in year 1) to deliver aids and adaptations for households with occupants with long-term disabilities. The review will ensure that the level of resources targeted to this priority is allocated on a needs driven basis during the course of this HRA Business Plan. More than half of all tenant households contain at least one person with a long-term illness or disability.

9.9 As part of the move toward self-financing, the council has confirmed a commitment to prioritise the use of the additional resources delivered to completed environmental improvements throughout the council's housing estate areas. An additional £250k per year has been specifically earmarked for environmental and common parts improvements from 2016/17 onwards.

9.10 The proposed maintenance and repairs expenditure on the council's housing stock over the period 2016 to 2046 is set out in Appendix 2 of this document. A comparison of our capital expenditure against the allocated capital finance over the period of this Business Plan is set out in the graph in Chart 2. The key areas of expenditure during the first five years of this Business Plan are:

- Boiler system upgrades
- Disabled Adaptations
- Works to upgrade the council's sheltered housing schemes
- Capital investment in void properties
- Works to achieve the Shepway Housing Standard

9.11 A major consideration for the Business Plan is the investment needed to ensure that the housing stock continues to achieve the Government's Decent Homes Standard and the agreed Shepway standard. At present our stock information shows that at any one time, 99% of the council's stock fully achieves the Decent Homes Standard. The Decent Homes Standard requires that all homes must:

- Meet the legal minimum standard to be fit to live in
- Be in a reasonable state of repair with no more than one main component (e.g. the roof, walls, windows, heating, or electrics) or two non key components that are old and in poor condition (e.g. kitchens and bathroom fittings).
- Have efficient heating and effective insulation that provides a comfortable level of warmth at reasonable cost
- Have reasonably modern facilities and services

9.12 The Shepway Standard is a commitment agreed between the council and tenants to improve the council's housing stock beyond the requirements of the Decent Homes Standard. Under the Shepway Standard, the condition of kitchens and bathrooms are considered independently:

- Kitchens are replaced if they are more than 20 years old and in poor condition.
- Bathrooms are replaced if they are more than 30 years old and in poor condition
- The Shepway Standard also makes provision to provide resources to provide aids and adaptations in the homes of tenants who will benefit from these enhancements to their home.

9.13 Virtually all of our homes have replacement double glazing. Heating system upgrades have also been prioritised over a number of years and our current capital programme includes additional loft insulation, beyond Decent Homes Standard levels. The priority attributed to ensuring that tenants have affordable warmth is reflected in the overall average energy efficiency rating of C for the stock as at April 2015.

9.14 EKH will work to ensure that tenants and leaseholders are kept fully informed about the council's plans for improving its homes and will publish our plans for stock improvements on their website and through their regular newsletters.

The Council Leasehold Properties

9.15 The council also has responsibility for some 216 properties around the district which have been sold on a leasehold basis under the right to buy scheme. Although the council receives a capital receipt when it sells a property held within the HRA, it is important to recognise that in the case of flats and properties with common areas, the council continues to have a responsibility for maintaining the structural fabric of the property (e.g. the common roofing areas). EKH then continue to manage the surrounding communal areas and collect any service charges on behalf of the council.

Regeneration and Development

9.16 Throughout the course of this plan, the council will continue to review the potential of its land resources within the HRA, both to deliver new homes within the council's ownership and in partnership with other affordable housing providers including the council's registered provider partners and through other potential delivery mechanisms (including private institutional investment). Subject to viability, the council will seek to incorporate an element of homes for low cost homeownership within its new build developments.

9.17 The council has also adopted a formal policy enabling it to retain capital receipts received from the sale of other HRA assets to fund affordable housing and regeneration activity in the district.

New Build/Acquisition Programme

9.18 The council has embraced the flexibility which the new HRA self-financing regime provides. In particular the council recognises the potential it provides to the council to deliver a new build/acquisition housing programme in the district.

9.19 Our current financial modelling shows that the council will be able to deliver up to 30 new council homes in the district each year, over the next 5 years (to 2020/21) and up to 10 units per year over the following 5 year period (to 2025/26). The cost of the programme has been based on a provisional sum of £160k per unit. (including construction costs and professional fees and land purchase costs). The council's pilot new build programme to deliver 5 new build homes involved the council making use of smaller former garage forecourt sites. The analysis completed on this programme, has shown that in order to make the best use of its resources the council should seek to acquire larger sites on the open market. This approach will help ensure that the council will achieve economies of scale within its development programme. The council will also consider the acquisition of former right to buy properties to deliver its new affordable housing programme where this approach offers value for money to the council.

	2016/17 £000's	**2017/18 £000's**	**2018/19 £000's**	**2019/20 £000's**	**2020/21 £000's**	**2021/22 £000's**	**2022/23 £000's**	**2023/24 £000's**	**2024/25 £000's**	**2025/26 £000's**
Expenditure										
New Builds	5,179	5,043	4,652	4,592	4,888	3,154	761	780	200	0
Total	**5,179**	**5,043**	**4,652**	**4,592**	**4,888**	**3,154**	**761**	**780**	**200**	**0**
Funding										
Revenue Contribution to Capital	-5,179	-4,948	-2,538	-1,733	-1,230	-3,154	-761	-780	-200	0
Major Repairs Reserve										
Borrowing	0	-95	-2,114	-2859	-3,658	-3,154	0	0	0	0
Total	**-5,179**	**-5,043**	**-4,652**	**-4,592**	**-4,888**	**-3,154**	**-761**	**-780**	**-200**	**0**

Table 10: 10 year new build/acquisition programme and funding

9.20 Table 10 above details this being funded through an increased revenue contribution to capital over the ten year period and this is only possible due to significantly reducing the debt repayments over the same period. The increased rental income the new build programme would produce would also help fund any future new build programme and this is assumed within the detailed Business Plan.

9.21 As the council has signed up to the Government's local one for one replacement scheme, the council will have some additional resources available to it to fund its new build programme. Under the initiative, the council will be able to either deliver the homes itself directly or work with local registered provider partners to deliver the new homes, although this plan assumes that the resources will be used within the HRA. The resources raised from RTB sales must be spent on new affordable homes for rent within three years of first receiving them and must not exceed 30% of the cost of providing the replacement units. If any of the resources remain unspent at the end of the period, the council is required to repay them plus interest to the Government.

9.22 If necessary, the council will supplement the financial resources provided through self-financing by making use of additional resources provided through other sources such as private sector developer affordable housing contributions.

9.23 Each new build scheme will be subject to a detailed financial viability assessment to ensure that the projected rental income will be sufficient to cover the cost of the capital required to fund the construction together with additional service and maintenance costs over a 30 year period. Where possible and subject to scheme viability, the council will seek to include shared equity and other market type units within its larger development sites to ensure a balanced tenure mix is achieved

10. RISK ASSESSMENT

10.1 In developing an effective HRA Business Plan, it is vital that the council fully considers all potential risks to the plan, which may impact on the council's ability to meet its objectives for its housing stock and future new housing provision. In addition, the Government announced a number of policy changes during 2015 which will impact on the delivery of this plan.

Welfare Reform/Rent Reductions

10.2 Over the next year, the Government will be implementing a range of changes to the benefits system as part of its Welfare Reform Programme. The key issues for the council are as follows:

- In the Chancellor's statement in July 2015, it was announced that affordable housing providers (including local authorities) would be required to reduce their rents by 1% per annum over the four year period from 2016/17. However, supported accommodation rents are exempt from this reduction while the Government carries out a review. The reduction will reduce the council's rental income over the next 4 years by approximately £5.3m and over the course of the 30 years of this plan will reduce the council's rental income by £92m. At this time there is a risk that the Government may decide against a return to the CPI + 1% rent formula in place for 2015/16.

- From January 2016, the Government will be changing the current benefit structure and replacing a range of working-age benefits with a singe benefits payment known as the Universal Credit. There will be a phased migration for all claimants, new and current, over to the new Universal Credit. Universal Credit will be paid monthly in arrears to one member of the household. The Universal Credit will include any housing benefit element and the scope for direct landlord rent payment will be extremely limited. The introduction of the Universal Credit may also lead to an increased level of rent arrears if tenant households are unable to prioritise their expenditure. It is currently estimated that around 2,500 tenants will be affected by these changes, representing a rent liability of around £9m per year, or 60% of the total rent roll. The Business Plan assumes a bad debt provision £149k per annum in 2016/17 to mitigate against the potential increase in rent arrears.
- The Government is proposing to bring forward a 'Pay to stay' initiative from April 2017, which will require tenant households (outside London) earning more than £30K per annum to be liable to pay a market rather than a social or affordable rent on their property. The council will be required to pay any additional income received from this initiative to the Government. The additional rental costs faced by the households affected may mean that many decide to exercise the right to buy their home rather than pay the market rent. The Government is due to announce more detail on the 'Pay to Stay' later in 2016/17.
- Kent County Council are also proposing to review the payments it makes to the council in respect of the housing related support services the council delivers to its tenants living in sheltered housing across the district. The consultation process for this has yet to be fully launched and more detail will emerge on these proposals in early 2016/17.

Right to Buy

10.3 The Government's changes to the Right to Buy Scheme, introduced in April and May 2015 may also place further pressure on this Business Plan. The increased level of discount available to tenants looking to purchase their homes (up to £77,500) and the reduced qualifying period for tenants (now three years), could lead to an increase in the level of RTB activity during the course of this business plan. The business plan modelling has assumed that RTB sales will continue at around 18 completed sales each year, generating a total capital receipt of around £1,188k (Approximately £66k per sale).

10.4 Each sale of a property through the RTB reduces the rental income received by the council by *£4,411 per* annum, based on the average rent for 2016/17. However, investing the receipts from these sales into the new build/acquisition programme will help to mitigate this cost. The average £66k receipt would fund approximately 41% of the average assumed build cost of £160k and therefore assuming the average affordable rent for the new build properties is set at the Shepway of £127.01 per week, the additional rental income, attributable to the invested receipt would be £42.19 per week or £2,194 per annum. This would reduce the net cost to the business plan for each sale to £2,217 per annum. Table 12 below shows the effect that 18 assumed Right to Buy sales would have on the Business Plan. The table also shows the impact if numbers increased to 20 or 30 sales per year.

Annual RTB sales	Annual impact on business plan £s	30 year impact on business plan (before inflation) £s
1	2,217	66,510
18	39,906	1,197,180
20	44,340	1,330,200
30	66,510	1,995,300

Table 12: Analysis of the effect of RTB sales on the Business Plan

10.5 The council will closely monitor RTB levels as part of the ongoing review of this plan. Our current level of RTB activity will result in a total of approximately 18 sales in 2016/17.

10.6 The introduction of the right to buy for housing association tenants from April 2017, with local authorities being required to fund any short-falls incurred by housing associations through the sale of any vacant high value council homes, is likely to further reduce the resources available within this plan. The Government is due to provide further details on this initiative during 2016 and the council will respond accordingly.

New Build/Acquisition property Rent Levels

10.7 This business plan proposes setting rents for all additional council homes provided at affordable rent levels. The exact rent for each property will be based upon its size, location and value, and will be set at a level that ensures the financial viability of the individual scheme. Rent levels will also be set at a level that takes into account the Local Housing Allowance and Universal Credit values in the district and will be determined in line with the rent setting process set by the Homes and Communities Agency.

10.8 Table 13 below shows the projected additional income to the business plan as a result of the proposed new/additional Council Homes programme during the next 5 years and over the lifetime of the plan. The average Shepway affordable rent figure of £127.01 per week has been used in this table; however the actual affordable rent will differ depending on size, location and value.

	Assumed rent level in first year of new build programme per week £s	Increased rental income – first 10 years £s	Increased rental income – 30 year £s
Current rent levels	**84.82**	**6,799,758**	**27,054,007**
Affordable rent levels	**127.01**	**10,147,503**	**39,862,590**
Difference between current and affordable rent	**42.19**	**3,347,744**	**12,808,583**

Table 13: Analysis of the effect of affordable rents on new builds on the Business Plan

Inflation

10.9 The business plan already includes an assumption that repairs and maintenance costs will also increase at RPI. However there is a risk that these costs will increases at a higher rate than other general inflation. Table 14 below shows the effect that increases in these costs of 0.5%, 1.0% or 2.0% above RPI have on future HRA balances.

Repairs & Maintenance	30 year impact on business plan £000s
+0.5%	**£15,400**
+1.0%	**£30,800**
+2.0%	**£61,600**

Table 14: Analysis of the effect of increased inflation on repairs & maintenance on the Business Plan

10.10 The business plan assumes that, from year 5, rents will increase by CPI + 1% however, there is a risk that CPI will increase at a lower rate than expected. Table 15 below shows the effect on future HRA balances if CPI increased less than 1% by 0.25%, 0.5%, 0.75% or 1.0%.

Rental Income	30 year impact on business plan £000s
-0.25%	**£1,125,000**
-0.5”	**£2,250,000**

-0.75%	**£3,375,000**
-1.0%	**£4,500,000**

Risk Summary

10.11 The risks set out within this section need to be considered within the over context of the business plan, which currently projects accumulating balances within the HRA from year 25 (2040/41) onwards. Within this context the risks are considered to be manageable but do require regular review. The council is committed to reviewing this plan at annually to ensure that the financial projections and spending plans remain on target.

11.0 MONITORING OUR PROGRESS

11.1 The ongoing review of our performance toward our strategic objectives is an essential part of our business planning process. To enable us to review our progress we have developed a robust and challenging action plan, which is set out in Appendix 4 of this document.

11.2 The council's corporate performance management system will be used to monitor our key actions.

11.3 Although this HRA Business Plan has been developed to set out the councils plan for its housing stock over the next 30 years, the main focus of the document is to provide more detail on the council's proposals over the next five year period. The document will be reviewed on an ongoing basis to ensure that the assumptions made are correct and to ensure that the business plan remains on track. Consulting tenants, leaseholders and other residents will remain an essential part of the ongoing review process.

Appendix 1

Capital Investment Required 2016/17-2045/46

Capital Investment Required: 2016/17-2025/26	**Year 1 2016/17 £**	**Year 2 2017/18 £**	**Year 3 2018/19 £**	**Year 4 2019/20 £**	**Year 5 2020/21 £**	**Year 6 2021/22 £**	**Year 7 2022/23 £**	**Year 8 2023/24 £**	**Year 9 2024/25 £**	**Year 10 2025/26 £**
Decent Homes Standard (Shepway Standard)	2,509,000	1,832,862	3,064,265	3,577,909	4,185,450	5,789,780	4,913,969	4,807,097	5711,913	5,46,367
Non Decent Homes Standard	470,000	609,246	621,431	633,860	646,537	569,467	672,657	686,110	699,832	713,829
Disabled Adaptations	350,000	254,251	260,608	267,123	273,801	280,646	287,662	294,854	302,225	309,780
Environmental Improvements	250,000	275,400	280,908	286,526	292,257	298,102	304,064	310,145	316,348	322,675
Sub-Total	**3,579,000**	**2,971,760**	**4,227,211**	**4,765,417**	**5,398,044**	**7,027,995**	**6,178,352**	**6,098,205**	**7,030,318**	**6,809,651**
New Build Programme	5,179,000	5,043,000	4,652,168	4,591,862	4,887,683	3,154,366	760,759	779,778	199,818	0
Total	**8,758,000**	**8,014,760**	**8,879,379**	**9,357,279**	**10,285,728**	**10,182,361**	**6,939,111**	**6,877,983**	**7,230,136**	**6.809,651**

Capital Investment Required: 2026/27-2035/36	**Year 11 2026/27 £**	**Year 12 2027/28 £**	**Year 13 2028/29 £**	**Year 14 2029/30 £**	**Year 15 2030/31 £**	**Year 16 2031/32 £**	**Year 17 2032/33 £**	**Year 18 2033/34 £**	**Year 19 2034/35 £**	**Year 20 2035/36 £**
Decent Homes Standard (Shepway Standard)	4,186,373	4,049,093	2,767,751	3,529,769	3,018,112	4,724,039	3,386,264	3,518,710	4,241,720	6,783,841
Non Decent Homes Standard	728,105	742,667	757,521	772,671	788,125	803,887	819,965	836,364	853,091	870,153
Disabled Adaptations	317,525	325,463	333,600	341,940	350,488	359,250	368,232	377,437	386,873	396,545
Environmental Improvements	329,128	335,711	342,425	349,274	356,259	363,384	370,652	378,065	385,626	393,339
Sub-Total	**5,561,131**	**5,452,934**	**4,201,297**	**5,056,654**	**4,512,984**	**6,250,561**	**4,945,112**	**5,110,577**	**5,840,311**	**8,443,879**
New Build Programme	0	0	0	0	0	0	0	0	0	0
Total	**5,561,131**	**5,452,934**	**4,201,297**	**5,056,654**	**4,512,984**	**6,250,561**	**4,945,112**	**5,110,577**	**5,840,311**	**8,443,879**

Capital Investment Required: 2036/37-2045/46	**Year 21 2036/37 £**	**Year 22 2037/38 £**	**Year 23 2038/39 £**	**Year 24 2039/40 £**	**Year 25 2040/41 £**	**Year 26 2041/42 £**	**Year 27 2042/43 £**	**Year 28 2043/44 £**	**Year 29 2044/45 £**	**Year 30 2045/46 £**
Decent Homes Standard (Shepway Standard)	6,405,227	5,869,475	5,485,269	5,245,638	4,004,932	6,287,699	6,452,026	6,259,548	6,423,439	6,014,082
Non Decent Homes Standard	887,556	905,308	923,414	941,882	960,720	979,934	999,533	1,019,523	1,039,914	1,060,712
Disabled Adaptations	406,459	416,620	427,036	437,712	448,654	459,871	471,368	483,152	495,231	507,611
Environmental Improvements	401,206	409,230	417,415	425,763	434,278	442,964	451,823	460,859	470,077	479,478
Sub-Total	**8,100,448**	**7,600,633**	**7,253,134**	**7,050,995**	**5,848,584**	**7,170,468**	**8,374,750**	**8,223,082**	**8,428,661**	**8,061,883**
New Build Programme	0	0	0	0	0	0	0	0	0	0
Total	**8,100,448**	**7,600,633**	**7,253,134**	**7,050,995**	**5,848,584**	**7,170,468**	**8,374,750**	**8,223,082**	**8,428,661**	**8,061,883**

Appendix 2

Glossary of terms

Term	Definition
Affordable Housing	Affordable Housing that is subsidised to provide homes at lower cost than would be possible without the subsidy, for rent or sale to meet the needs of people who otherwise would not be able to afford housing.
Arms Length Management Organisation – ALMO	Arms Length Management Organisation. A situation where an organisation is established to manage council housing stock. The properties remain council owned and tenants retain secure tenancies. This can provide opportunities for extra funds.
Business plan financial model	'The Model' is a spreadsheet based tool that enables the projection of income, costs and spending plans over the 30 year life of the business plan. It includes assumptions about rent levels, service costs and inflation and tracks movements in both reserves and in the capital financing requirement over the lifetime of the plan.
Capital Financing Requirement	The amount of monies required to fund capital investment.
Choice Based Letting	See Kent Homechoice
Consumer Price Index (CPI)	A measure of changes in the purchasing power of a currency and the rate of inflation. The consumer price index expresses the current prices of a basket of goods and services in terms of the prices during the same period in a previous year, to show effect of inflation on purchasing power. It is one of the best known lagging indicators.
Corporate Plan	Corporate Plan summarises what is most important to Shepway District Council for the medium term. It describes the Council's strategic objectives, core values and key actions and consequently where its resources will be concentrated.
Debt Ceiling	The maximum amount of debt a local authority is allowed to borrow. The amount is determined by CLG.

Decent Homes Standard - DHS	All social housing must meet the Decent Homes standard, be warm, weatherproof and have reasonably modern facilities
Diversity Policy	The Diversity policy explains the Council's vision and commitment to equality of opportunity and respect for diversity in its role as a provider of quality services to the people who live, work and visit Shepway, as a significant employer in the local economy and in its community leadership role.
East Kent Housing	Arms Length Management Organisation established by the council in partnership with Dover, Canterbury and Thanet councils to manage the housing stock on behalf of the four councils.
Extra Care Housing	Supported accommodation provided for frail older people
Homes and Community Agency - HCA	Homes and Community Agency A body set up by the Government, which provides assistance, regulation and control of Registered Providers landlords (RP's). It also allocates funds for the development of new affordable housing
Housing Revenue Account	The Council is required by the Local Government and Housing Act 1989 (section 74) to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account.
Shepway Housing List	Council's have a statutory duty to hold a housing waiting list. The SHL is the waiting list for all council and housing association homes in the district.
Kent Homechoice - KHC	Kent Homechoice – Choice based lettings scheme partnership in Kent, the largest CBL partnership in the UK. All of the Kent councils are part of the partnership. Vacant council and housing association homes are advertised on a fortnightly basis through KHC. Housing applicants have to bid/express an interest to be considered for them. The homes are allocated to the applicant who bids and has the highest level of priority points for rehousing.
Local Housing Allowance – LHA	Local Housing Allowance is a simplified housing benefit system for people on benefits or

	low incomes who rent from private landlords. LHA is based on the number of rooms people are allowed, not how much rent is charged. The number of rooms allowed depends on who lives with the tenant.
Public Works Loans Board	A statutory body operating within the UK Debt Management Office whose function is to lend to local authorities.
Presumed Debt	A separate version of the HRA debt which is used for the purpose of assessing a Local Authority's entitlement to HRA subsidy. The difference between the two debt amounts creating 'headroom debt'
Registered Providers – RP's	Registered Providers landlords are independent non-profit making housing associations aiming to provide affordable homes for people in housing need. (Also known as Housing Associations.)
Retail Price Index (RPI)	Official measure of the general level of inflation as reflected in the retail price of a basket of goods and services such as energy, food, petrol, housing, household goods, travelling fares etc.
Shared Ownership	Shared ownership homes offer a low cost way to get on the home ownership ladder. Shared ownership makes housing affordable.
Sheltered Housing	Homes for persons over the age of 60 years or vulnerable people with a support need, usually with a Scheme Manager on site or on call to offer help and support with a 24 hour lifeline service.
The Shepway Standard	A commitment agreed between the council and tenants to improve the council's housing stock beyond the requirements of the Decent Homes Standard. Under the Shepway Standard kitchens, the condition of kitchens and bathrooms are considered independently
SHMA - East Kent Strategic Housing Market Assessment	SHMA - East Kent Strategic Housing Market Assessment was completed by the Council between April 2008 and June 2009, in partnership with Canterbury, Dover and Thanet Councils. The assessment provides robust data on which the Council and its partner Agencies can base planning and housing policy interventions to deliver new and better homes in the district

Supporting People Programme	A Government initiative to help vulnerable people to maintain a tenancy, providing housing related support services from a single funding stream. KCC is the accountable body, and manages Kent's £32m programme through a partnership with the districts, probation and health.
Target Rents	A rent calculated in line with Ministerial policy on the structure of rents, as set out in the policy statement of December 2000. Target rents take account of the size and value of the property as well as local earnings.

Appendix 3

Shepway District Council Housing Revenue Account Business Plan – Action Plan

No	Action	Target	Resources	Lead
1.	Deliver the council's new homes programme.	Up to 30 units' pa to be delivered from 2016/17-2020/21 and up to 15 unit's pa over the next 5 years.	Resources identified within the HRA Business Plan.	Housing Strategy
2.	Provide a High Quality Housing Management Service	100% of the agreed performance indicators met by EKH.	Resources within existing budget provision.	East Kent Housing
3.	Ensure that the council's homes are let as quickly as possible.	Ensure that empty homes are let within EKH target time	Resources within existing budget provision.	East Kent Housing
4.	All homes to achieve the Shepway Standard.	100% of the available capital programme resources spent each year.	Resources within existing budget provision.	East Kent Housing
No	**Action**	**Target**	**Resources**	**Lead**
5.	Provide a high quality housing repairs service.	At least 98% of residents satisfied with the day-to-day repairs service.	Resources within existing budget provision.	East Kent Housing
6.	Carry out an annual review of this HRA Business Plan	Review fully competed and document amended as appropriate	Resources within existing budget provision.	Housing Strategy Team
7.	Ensure that the risk assessment process within this document remains current.	Ensure that all potential risks are factored into this document.	Resources within existing budget provision.	Housing Strategy Team
8.	Ensure that Tenants and Leaseholders are fully involved in the Housing Service	Continue to implement the EKH Resident Involvement Plan	Resources within existing budget provisions	East Kent Housing
9.	Maintain an effective stock condition data base to inform this Business Plan.	Continue to update the council's stock condition data base.	Resources within existing budget provisions	East Kent Housing

Appendix 4

Detailed revenue and balance projections

Capital Investment Required: 2016/17-2025/26	**Year 1 2016/17 £000's**	**Year 2 2017/18 £000's**	**Year 3 2018/19 £000's**	**Year 4 2019/20 £000's**	**Year 5 2020/21 £000's**	**Year 6 2021/22 £000's**	**Year 7 2022/23 £000's**	**Year 8 2023/24 £000's**	**Year 9 2024/25 £000's**	**Year 10 2025/26 £000's**
INCOME:										
Rental Income	-14,861	-14,864	-14,850	-14,832	-15,384	-15,969	-16,507	-16,970	-17,446	-17,911
Service Charges	-1,007	-1,032	-1,058	-1,085	-1,112	-1,139	-1,168	-1,197	-1,227	-1,258
Non-Dwelling Income	-378	-387	-397	-407	-417	-428	-438	-449	-460	-472
Grants & Other Income	-52	-53	-54	-56	-57	-58	-60	-61	-63	-64
Total Income	**-16,298**	**-16,336**	**-16,359**	**-16,380**	**-16,970**	**-17,594**	**-18,173**	**-18,677**	**-19,196**	**-19,705**
EXPENDITURE:										
General Management	3,336	3,335	3,418	3,504	3,591	3,681	3,773	3,868	3,964	4,063
Special Management	1,029	1,055	1,081	1,108	1,136	1,164	1,193	1,223	1,254	1,285
Other Management	24	25	25	26	27	27	28	29	29	30
Bad Debt Provision	149	186	220	219	190	160	166	170	175	180
Responsive & Cyclical Repairs	3,080	3,172	3,267	3,365	3,496	3,631	3,767	3,904	4,045	4,191
Total Revenue Expenditure	**7,618**	**7,773**	**8,011**	**8,222**	**8,440**	**8,663**	**8,927**	**9,194**	**9,467**	**9,749**
Interest Paid & Administration	1,709	1,640	1,594	1,687	1,882	2,114	2,315	2,397	2,490	2,569
Interest Received	-42	-38	-33	-35	-36	-36	-37	-39	-41	-40
Depreciation	3,762	3,856	3,952	4,051	4,152	4,256	4,362	4,472	4,583	4,698
Net Operating Income	**-3,250**	**-3,105**	**-2,835**	**-2,455**	**-2,532**	**-2,597**	**-2,606**	**-2,653**	**-2,697**	**-2,729**
Debt Repayment	0	0	0	0	0	0	0	0	0	793
Revenue Contribution to Capital	5,435	4,064	2,813	2,448	2,475	2,554	2,577	2,406	2,647	2,112
Total Appropriations	**5,435**	**4,064**	**2,813**	**2,448**	**2,475**	**2,554**	**2,577**	**2,406**	**2,647**	**2,905**
ANNUAL CASHFLOW	-2,185	-958	21	7	55	42	28	247	50	-175
Opening Balance	5,131	2,946	1,988	2,009	2,016	2,071	2,113	2,141	2,388	2,438
Closing Balance	**2,946**	**1,988**	**2,009**	**2,016**	**2,071**	**2,113**	**2,141**	**2,388**	**2,438**	**2,263**

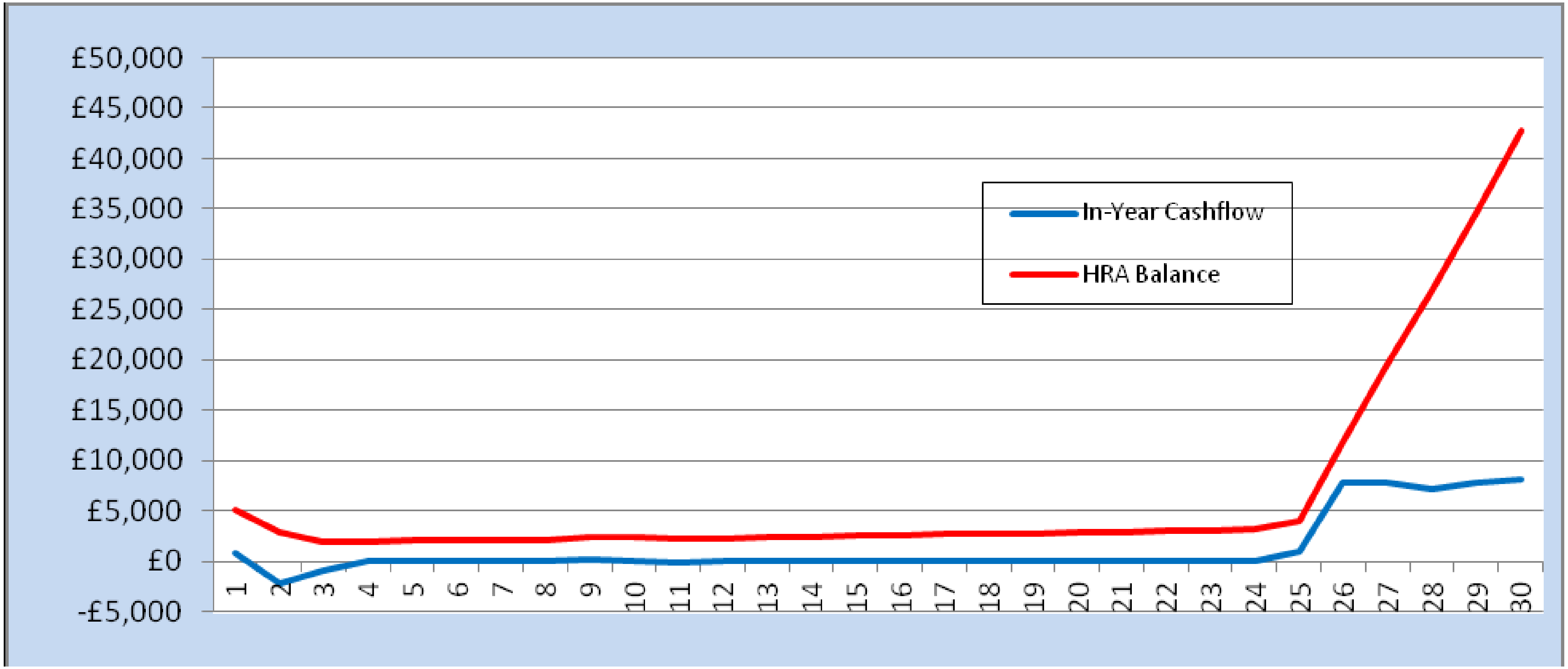
Capital Investment Required: 2026/27-2035/36	Year 11 2026/27 £000's	Year 12 2027/28 £000's	Year 13 2028/29 £000's	Year 14 2029/30 £000's	Year 15 2030/31 £000's	Year 16 2031/32 £000's	Year 17 2032/33 £000's	Year 18 2033/34 £000's	Year 19 2034/35 £000's	Year 20 2035/36 £000's
INCOME:										
Rental Income	-18,381	-18,863	-19,357	-19,864	-20,386	-20,926	-21,478	-22,046	-22,628	-23,229
Service Charges	-1,289	-1,321	-1,354	-1,388	-1,423	-1,459	-1,495	-1,532	-1,571	-1,610
Non-Dwelling Income	-484	-496	-508	-521	-534	-547	-561	-575	-589	-604
Grants & Other Income	-66	-68	-69	-71	-73	-75	-77	-78	-80	-82
Total Income	**-20,220**	**-20,748**	**-21,288**	**-21,844**	**-22,416**	**-23,007**	**-23,611**	**-24,231**	**-24,868**	**-25,525**
EXPENDITURE:										
General Management	4,165	4,269	4,376	4,485	4,597	4,712	4,830	4,951	5,075	5,201
Special Management	1,317	1,350	1,384	1,418	1,454	1,490	1,527	1,565	1,605	1,645
Other Management	31	32	32	33	34	35	36	37	38	39
Bad Debt Provision	185	189	194	199	205	210	216	221	227	233
Responsive & Cyclical Repairs	4,333	4,466	4,603	4,741	4,882	5,028	5,177	5,331	5,490	5,654
Total Revenue Expenditure	**10,031**	**10,306**	**10,589**	**10,876**	**11,172**	**11,475**	**11,786**	**12,105**	**12,435**	**12,772**
Interest Paid & Administration	2,598	2,573	2,511	2,393	2,280	2,096	1,918	1,667	1,383	1,173
Interest Received	-39	-40	-41	-42	-43	-44	-45	-46	-47	-49
Depreciation	4,815	4,936	5,059	5,186	5,315	5,448	5,584	5,724	5,867	6,014
Net Operating Income	**-2,815**	**-2,973**	**-3,170**	**-3,431**	**-3,692**	**-4,032**	**-4,368**	**-4,781**	**-5,230**	**-5,615**
Debt Repayment	2,015	2,398	3,113	3,369	3,631	3,124	4,316	4,717	5,172	3,084
Revenue Contribution to Capital	746	517	0	0	0	802	0	0	0	2,430
Total Appropriations	**2,761**	**2,915**	**3,113**	**3,369**	**3,631**	**3,926**	**4,316**	**4,717**	**5,172**	**5,514**
ANNUAL CASHFLOW	55	-57	57	61	61	105	52	65	61	102
Opening Balance	2,263	2,318	2,375	2,432	2,493	2,554	2,659	2,711	2,776	2,837
Closing Balance	**2,318**	**2,375**	**2,432**	**2,493**	**2,554**	**2,659**	**2,711**	**2,776**	**2,837**	**2,939**

Capital Investment Required: 2036/37-2045/46	Year 21 2036/37 £000's	Year 22 2037/38 £000's	Year 23 2038/39 £000's	Year 24 2039/40 £000's	Year 25 2040/41 £000's	Year 26 2041/42 £000's	Year 27 2042/43 £000's	Year 28 2043/44 £000's	Year 29 2044/45 £000's	Year 30 2045/46 £000's
INCOME:										
Rental Income	-23,849	-24,485	-25,138	-25,808	-26,496	-27,201	-27,925	-28,668	-29,431	-30,213
Service Charges	-1,650	-1,692	-1,734	-1,777	-1,822	-1,867	-1,914	-1,962	-2,011	-2,061
Non-Dwelling Income	-619	-635	-651	-667	-683	-701	-718	-736	-754	-773
Grants & Other Income	-84	-87	-89	-91	-93	-96	-98	-100	-103	-106
Total Income	**-26,202**	**-26,899**	**-27,612**	**-28,343**	**-29,094**	**-29,865**	**-30,655**	**-31,466**	**-32,299**	**-33,153**
EXPENDITURE:										
General Management	5,331	5,465	5,601	5,741	5,885	6,032	6,183	6,337	6,496	6,658
Special Management	1,686	1,728	1,771	1,815	1,861	1,907	1,955	2,004	2,054	2,105
Other Management	39	40	41	43	44	45	46	47	48	49
Bad Debt Provision	239	246	252	259	266	273	280	288	295	303
Responsive & Cyclical Repairs	5,822	5,995	6,174	6,358	6,547	6,742	6,943	7,149	7,362	7,582
Total Revenue Expenditure	**13,117**	**13,474**	**13,839**	**14,216**	**14,603**	**14,999**	**15,407**	**15,825**	**16,255**	**16,697**
Interest Paid & Administration	1,009	799	539	270	93	95	96	107	100	96
Interest Received	-50	-51	-52	-61	-142	-273	-391	-518	-653	-798
Depreciation	6,164	6,318	6,476	6,638	6,804	6,974	7,148	7,327	7,510	7,698
Net Operating Income	**-5,962**	**-6,359**	**-6,810**	**-7,280**	**-7,736**	**-8,070**	**-8,395**	**-8,725**	**-9,087**	**-9,460**
Debt Repayment	3,960	5,009	5,963	5,937	0	0	0	0	0	0
Revenue Contribution to Capital	1,936	1,282	777	413	0	241	1,226	896	918	364
Total Appropriations	**5,896**	**6,291**	**6,740**	**6,350**	**0**	**241**	**1,226**	**896**	**918**	**364**
ANNUAL CASHFLOW	65	66	69	930	-7,736	-7,829	-7,169	-7,829	-8,167	-9,096
Opening Balance	2,939	3,004	3,070	3,139	4,069	11,805	19,634	26,803	34,632	42,799
Closing Balance	**3,004**	**3,070**	**3,139**	**4,069**	**11,805**	**19,634**	**26,803**	**34,632**	**42,799**	**51,895**

Chart 1

Analysis of HRA Cash Flow over life of Business Plan

£000's

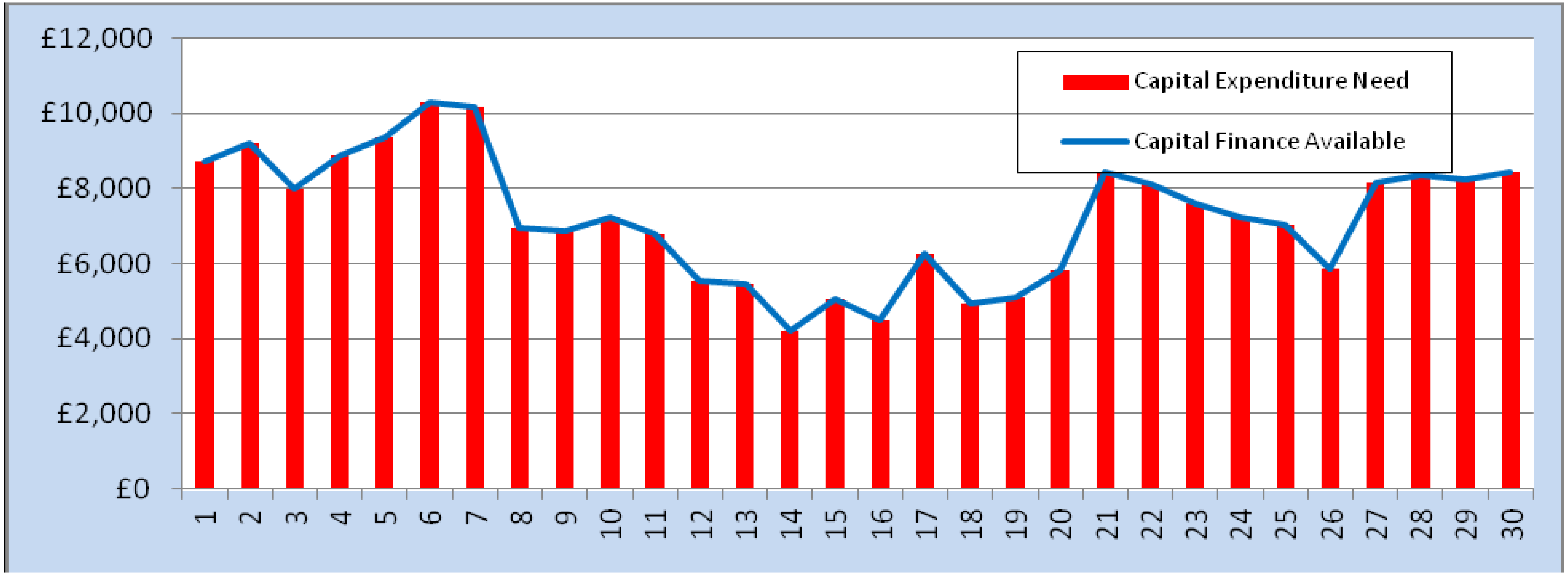


The above graph shows that the HRA balance is just above the minimum required balance of £2m until approximately year 25, when the debt is paid off. After this the balances start to increase, this is due to no longer having to pay debt repayments and interest payments each year.

Chart 2

Analysis of Capital Expenditure Need v Capital Financing Allocated

£000's

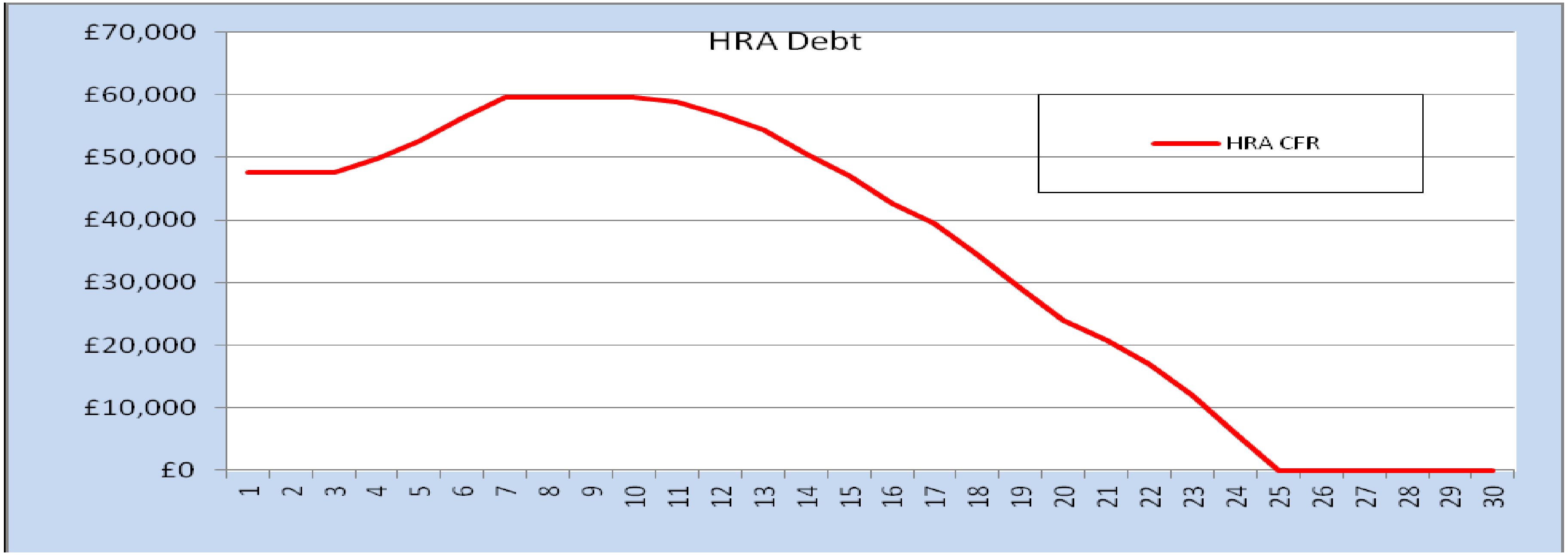


The above graph shows the amount of capital expenditure needed over the lifetime of the business plan and the necessary funding allocated. The graph shows that there is sufficient funding available to meet the needs of the programme.

Chart 3

Analysis of HRA Debt profile

£000's



The above graph shows the debt increasing from years 3-7 to enable the full programme to be delivered and then reducing from year 10 at the end of the new build/acquisition programme. The graph shows that the debts will be paid off by year 25.