

Housing Asset Management Strategy
2016-2020 FINAL DRAFT

*Investing in safe, well
managed homes for
all our residents*



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Executive Summary

The Housing Revenue Account (HRA) Asset Management Strategy is the key to ensuring that we align our assets with the current and future needs of residents. As such, it aligns directly with the City's Housing Strategy 2015, which was developed in collaboration, and sets out the detailed housing challenges affecting the City. It has 3 key priorities: improving Housing Supply, Improving Housing Quality and Improving Housing Support.

This new Asset Management Strategy acknowledges that there are a number of challenges in meeting these priorities, such as rental, welfare and housing policy reforms, demographic changes, changing customer expectations, the constraint of the borrowing cap, and ensuring we utilise assets in the most effective way. By consulting, and continually working closely with our customers, staff and other key stakeholders, the aim is to strike the optimum balance between investing in existing stock and creating new homes.

This strategy places residents of Brighton & Hove, and our staff, at its heart. The key priority objectives of the Asset Management Strategy are:

- **Investing in Homes and neighbourhoods to provide safe, good quality housing and support services**
- **Supporting new housing supply**
- **Ensuring financial viability within the Tenancy Strategy**

All of these priorities are underpinned by, and will continuously support, our agreed Tenancy Strategy Commitments.

Effective asset management means that homes and services will be based on affordability and will be able to adapt to changing circumstances. We aim to provide stability for residents to live successful, independent lives. It will also ensure we have the right mix of homes and other assets in the future by setting out stock viability criteria and decisions.

The Asset Management Strategy spans a 4-year period, but will be delivered via a more detailed, and annually reviewed, Asset Plan, which will set out asset information, action plans, targets and monitoring arrangements in more detail.

This is an ambitious strategy, which will entail us doing things differently sometimes, but it is based on extensive research, consultation and robust financial business planning.

Our Vision

This strategy is for everyone living in the city as housing has a fundamental effect on our lives whether we are living in social housing or not. Our vision is that:

Everything we do aims to help Brighton & Hove to be an inclusive city with affordable, high quality, housing that supports a thriving economy by offering security, promoting health and wellbeing and reduces its impact on the environment. We want to help bring about integrated communities in a society that values everyone to recognise and tackle the inequality faced by families, the poor and the vulnerable.

We have listened to local people and our residents to identify the housing needs that matter most and set out our priorities for action that will make a real difference to their lives and have a positive impact on the city. Our strategy also supports the council's priorities where housing impacts on their success, particularly in helping to alleviate the pressure on social care and health services arising from an expanding older population.

The council's Values of Respect, Customer Focus, Openness, Creativity, Efficiency and Collaboration underpin the work we do by going beyond the traditional bricks and mortar focus of housing to deliver real change focussed on the needs of individuals and communities.

The Housing Challenges

It is estimated that an additional 17,400 affordable homes are needed by 2017 above that planned¹ however, limited subsidy and high land values are pushing up costs. This highlights the need to think differently and explore wider partnerships that can demonstrate viable business cases for development of the housing needed by residents.

Against this background the HRA is aiming to support various types and mixes of development on its land, to contribute to the aim of adding 500 homes to the city. This is a significant challenge and will require flexibility and innovation, as well as seeking new partnerships and ways of working. This aim has to be balanced against investment choices in existing homes. By maximising the use of our existing assets, and reviewing our cost base, through this strategy, we will be able to improve the options available whilst remaining financially stable.

¹ Assessment of Affordable Housing Need Report 2012: http://www.brighton-hove.gov.uk/sites/brighton-hove.gov.uk/files/downloads/ldf/Assessment_of_Affordable_Housing_Need.pdf

Our Achievements

Housing Quality has been improved through long-term investment commitments -100% of homes were brought up to the Government's Decent Homes Standards before the target of 31 December 2013. This work continues with an ongoing capital programme supporting investment in kitchens, bathrooms, windows, doors, roofs, re-wiring, efficient boilers, external repairs and decorations.

We have assisted residents in reducing their fuel use, and costs, through the installation of over 6,000 high efficiency condensing boilers and modern controls.

The estimated carbon emissions from homes we manage has fallen from 46,000 tonnes per annum in 2010 to around 30,000 tonnes in April 2015.

High rise major works refurbishments and thermal performance improvements, including successful projects at the Bristol Estate, Essex Place, Hereford Court & Warwick Mount

Consistently high levels of gas servicing compliance, this has been at 100% for the six months March-August 2015, for example.

New scheme to provide properties with level access showers through the letting process

Residents identified lifts as a priority for investment some years ago, and this supported the lift modernisation programme, now well underway, with improved access for residents

We now have in place a door entry system and new main entrance doors programme

Targeted extension and conversion scheme to make the most of existing assets and support families with mobility needs or overcrowding

100 apprenticeships provided through our partnership with Mears

Provided learning opportunities for residents through decorating workshops

Special training workshops given to Resident assessors for property inspections

New access procedure implemented

Working more closely with leaseholders giving specific financial advice and assistance to resident leaseholders

In 2014/15 we invested over £1 million adapting council homes, delivering 893 adaptations, 238 major adaptations and 655 minor adaptations.

Seniors Housing

Enhancements to Senior Housing schemes including dementia-friendly painting schemes

Redesign of schemes with shared facilities so all properties now have their own bathrooms

Planned programme of modernising schemes to change studios into one bed flats

Consulting and working with our residents

We listen to our residents, and involve them throughout procurement and delivery to make sure that the services we provide are scrutinised and improved to reflect changing needs and aspirations.

Residents have helped shape our asset management strategy from a very early stage through a series of discussion events with residents living in flats, houses, and leaseholders too. These were chaired by the Head of Housing, with the views of residents forming a key part of the strategic direction of future services and investment. For example, residents were particularly keen to prioritise investment in the exterior repair of buildings and common parts, such as decorations in stairwells and lighting, with the aim of achieving a more consistent standard across the city. This is now both being reflected and supported through the capital programme proposals.

Additionally, resident feedback was that generally the focus for investment should be mainly on improving the quality of the existing housing stock, and ensuring that all housing should be of a good standard, and well insulated, to help with fuel costs.

Environmental improvement projects will continue to be supported financially as far as possible, whilst needing to be balanced against wider strategic investment needs and priorities. Opportunities for additional external grant funding, joint initiatives or voluntary sector support will also be supported where possible.

Residents are at the heart of our partnerships, and form part of the executive decision making Core Group that oversees the repairs partnership with Mears. Residents also fully participated in the procurement of the 10- year contract when it was tendered.

More details of the feedback from the consultation exercises are available on request.

Valuing our Staff

We conduct our service delivery with integrity, to show respect and value our relationships with colleagues, residents and other stakeholders. To support this approach we invest in our teams, and recognise that the motivation, skills and knowledge of all our staff are crucial to delivering a high quality service.

All staff are supported and encouraged to seek professional qualifications and active personal development.

One of Housing's rising stars has been Nick Hibberd who came to work as a Housing Service Advisor at the housing office in Whitehawk in 1995. By 2006 he was a Housing Manager, and in 2012 he moved from being Head of Housing Management to Head of Regeneration and is now an Acting Executive Director.

Priority 1 – Investing in Homes and neighbourhoods

Housing Quality Investment Standards

Brighton & Hove Property Standard

Our property standard was developed closely with residents in response to feedback that the government's Decent Homes Standard was very basic and that we should aim for an improved local standard. During late 2013 and early 2014 the Council reviewed the existing standard in consultation with stakeholders, with the aim of maintaining, and exceeding, where possible, the standard across all HRA rental dwellings over the next 5 years. The new Brighton & Hove Property Standard was implemented as of 1 April 2014 and has the following key aims:

- To maintain 100% achievement of properties meeting the government's Decent Homes Standard and our local Brighton & Hove Standard over the medium term (initially the next 5 years)
- To ensure that all homes are as suitable as practicable for the needs of its occupants, in line with council policy
- To continue working closely with residents to help increase levels of resident satisfaction with the quality of their home

A copy of the full standard is available at : <http://www.brighton-hove.gov.uk/content/housing/council-housing/brighton-hove-standard>

Our commitment to a high quality and affordable Repairs and Maintenance Service

Through efficient procurement, the partnership arrangements deliver a high quality responsive repairs and empty homes service that puts residents at the heart of its management and development.

Additionally, based on feedback from residents on their priorities, there is a long-term investment plan for the upgrading and modernisation of passenger lifts. This is already helping residents to be able to rely on their lift to be safe and in service when they need it. Again, following consultation with residents, extra resources have been identified to improve external repairs and decorations on properties, including shared areas. This will be funded by reducing resources and lengthening programmes in other areas of investment.

In order to continue to balance investment in existing assets with the need to provide additional homes, a review of the detailed investments that are deliverable will continue to be undertaken regularly alongside the development of a New Homes Plan and annual financial business planning arrangements. The New Homes Plan will be directly linked to this strategy alongside the Asset Plan.

Our Asset Management approach to support communities

Our Assets

We directly manage around 11,650 homes, and over 2,700 leasehold dwellings, along with car parks, garages, land, commercial property and related assets.

Our managed stock is mixed, including some 1,800 homes in high rise flats, and around 4,400 houses or bungalows.

The stock is ageing, with around 75% of homes constructed before 1970. There is a mixture of dwelling size, with 36% of homes being 1-bedroom or studio types, and a further 38% being 2-bedroom dwellings.

Ensuring health and safety for residents, visitors and staff

We are committed to having robust arrangements in place to help ensure the health and safety of all of those using and visiting our assets, to a reasonable level. This is a key responsibility, and as such we ensure that the investment required is maintained and made available ahead of other investment decisions. This includes good practice procedures and resources to support the management of asbestos, fire risk, legionella, gas and electrical equipment, amongst others.

Asset Management Information

Our approach to asset information aims at providing robust data to ensure that we:

- target Investment in existing homes effectively, based on need and improving quality
- are able to plan effectively to ensure investment is sustainable in the long-term

We set up an asset management database over a decade ago, and have since added details of works carried out, as well as undertaking many more surveys. Using a variety of input sources, and working closely with all our partners, we ensure that risks are managed effectively. We aim to survey an average of 10 per cent of homes each year from 2016.

Our commitment to improving energy efficiency, health & wellbeing

Helping residents to live in well insulated, efficiently heated, healthy homes remains a key long-term commitment. Progress on achieving this has been consistently good, with national Standard Assessment Procedure (SAP) energy rating performance monitoring being used to benchmark these. Key investments that contribute to these include installing high efficiency boilers, new doors, windows, insulation and renewable energy where appropriate. We are committed to planning future additional improvements via an Energy Strategy. This will include identifying potential community & district heating schemes, as well as sustainable delivery methods to ensure affordable warmth for our residents, alongside emission reductions. We are committed to working with all stakeholders to develop the Strategy, and throughout the delivery of programmes and projects.

Adapting homes to help enable residents to continue to enjoy them

Home adaptations and extensions play a key role in enabling safe, healthy, independent living at home. Timely housing adaptations can significantly improve people's quality of life, reduce health and social care costs, help to reduce risk of injury [e.g. from falls], enable faster hospital discharge, delay onset of admission to residential care and reduce care costs [e.g. for people with dementia]. Extensions help to reduce overcrowding.

Supporting long-term affordability

Achieving value for money and social value

The Partnership benefits go much further than just improved living standards. Our long-term investment in housing quality is now leading to savings in the cost of responsive repairs. In 2014/15 the total cost of repairs fell by 10%, saving £414,000 from this budget, which can now be used for future strategic investment in homes. The average repair value also fell to £92.00 against a target of £115.

We are committed to promoting enhanced social, environmental and economic values through the procurement and management of goods and services. Through long-term partnerships are delivering well in excess of 100 apprenticeships for local young people.

Reviewing assets to ensure long-term viability

Ensuring financial viability is the key consideration when it is established that assets, or a group of assets, may be unsustainable in the long-term, either financially, or for other reasons. As such, regular reviews of stock viability, which include the use of financial and other criteria, take place. Where a form of non-viability is established, a range of options need to be considered. These will include the potential for alternative delivery models, such as joint ventures or partnerships or asset release, as appropriate, on a case-by-case basis. The HRA will seek to consult as early as possible with residents and other stakeholders. More details of stock which may fall into this category are included in the Asset Plan.

A vision for success

We believe that successful tenancies help residents to achieve their aspirations. We will review the tenancies we provide for new lettings to ensure the best fit between peoples' housing costs and their changing financial and family circumstances. Our key principle is to ensure that homes and services continue to be a safety net and a springboard for success.

Freeholds

The HRA currently manage around 200 smaller blocks that are now 100% sold leasehold. As such these now have no direct link to delivering our key social housing aims, but still utilise our administration and inspection resources. Where a block is fully leasehold we will review the residual value, and, where appropriate, seek to implement the most effective financial option for the HRA, subject to any consultation. This policy seeks to both create a value for money financial solution, and allow more focus on our remaining managed homes.

Proactive adaptations

Over the next four years we are aiming to reinforce early intervention and a preventative approach to adaptations to help reduce demand and expenditure on reactive adaptations. Our focus is to promote advice and support to tenants, develop the accessible housing register, and make the best use of adapted and accessible homes.

Priority 2 – Supporting new housing supply

New homes targets and current delivery

The council is committed to delivering the City Plan commitments for new affordable homes, in addition to the new supply delivered by our housing association partners.

Top priority in the Council's [Housing Strategy 2015](#) is improving housing supply in the city and includes commitments to:

- prioritise support for new housing development that delivers a housing mix the city needs with a particular emphasis on family, Affordable Rent and where feasible, Social Rented housing
- directly provide more council housing, such as by developing ourselves through our New Homes for Neighbourhoods programme
- use Right To Buy receipts and developer contributions to fund new housing
- maximise housing provided from best use of the Council's Housing Revenue Account (HRA) investment, land and buildings.

The "New Homes for Neighbourhoods" programme was launched in March 2013. Since then Housing Committee has approved the development of 209 new homes of which two homes have been completed and six schemes to deliver 77 new homes are currently on site, with a further 57 already having planning permission.

Further sites continue to be identified through an ongoing review of housing assets in order to supply more homes and improve the neighbourhoods. There are also opportunities to convert redundant spaces within existing blocks to supplement the building of new homes.

So far, the additional homes are being delivered on either unused 'infill' land or unpopular garage sites. Communities are always fully consulted before we apply for planning permission. Changes have been made to the architects' proposals as result of community feedback.

The next challenge is to provide additional homes on those estates or parts of estates which are becoming unviable to maintain, or have wider design or related issues which point to them coming towards the end of the practical life. Our focus for regeneration will be on these parts of the stock, with the aim of regeneration to not only improve the built environment and provide additional homes, but also improve the training and employment opportunities of people who live there. These will be challenging times for the council and its communities as we consider phased demolition and re-building of blocks, and the tenure mix achievable. Council staff will ensure that residents are involved throughout the process, and supported sensitively, as well as given choices about where they live in future.

A strategic approach to delivery

We plan to maximise delivery of new homes within the HRA borrowing cap limits, whilst supporting wider delivery projects where it makes sense to do so. This will only be possible through a variety of approaches, including establishing new and innovative partnerships, and multi-tenure supply.

We aim to build homes based on local housing need and maximise affordability. Our principle for supporting new supply is that each new housing scheme must be internally financially viable over the agreed financial planning period. To achieve this, the programme will consider, where agreed, a range of tenure types.

All new homes will be based on our core principles of delivering good quality, adaptable, long-life dwellings which are well designed and require low maintenance within a positive community context.

The details of how homes will be delivered will be set out in a New Homes Plan, which will be developed in partnership with the City Councils' Regeneration Team, and other stakeholders.

Using empty assets to provide housing

There may be occasions when a managed decant of blocks will be required. To help ensure that these continue to be utilised positively to meet housing need, empty properties may be utilised to provide temporary housing, or similar, solutions whilst regeneration is progressed.

Reviewing empty or underused commercial assets

These will be comprehensively reviewed to ensure they are contributing positively to the 3 priorities set out in the strategy. All options will be considered, and the sites to be initially looked at in detail are set out overleaf. Commercial assets can also assist in regenerating areas, and provide business rate income to the City. Area-based programmes will consider investment in these assets, and identify opportunities for growth.

Identifying communities we will work with further

Through various stock analysis approaches, including financial viability, strategic analysis, housing quality, local improvement opportunities, and other indices, some parts of the stock may require a further consultative review. Where this is needed we are committed to working alongside local communities, to discuss and agree the best long-term plans for supporting a sustainable future. Reviews will consider all options and opportunities, including the potential for re-investment in the existing homes, where appropriate.

Priority 3 – Ensuring secure financial foundations

HRA MEDIUM TERM & 30 YEAR FINANCIAL FORECAST

The introduction of self financing in 2012 provided additional resources from the retention of all rental income and, through greater control locally, enabled longer term planning to improve the management and maintenance of council homes.

The medium term and 30 year forecast is provided in Appendix 4 along with the business planning assumptions used for income and expenditure.

Essentially although the financial plan shows that the HRA has healthy financial indicators to borrow to source funding for regeneration and development it is restricted by the self financing cap (or limit) on the amount of HRA borrowing permissible for capital investment by each local authority. This limit is currently set at £156.8m for Brighton & Hove and the outstanding debt reaches its peak in 2023/24 where the borrowing level is £147.4m leaving headroom of only £9.4m.

In addition to the debt cap, the reduction in rental income of 1% per annum (as detailed further in Appendix 4) will also restrict resources available for new build and regeneration so alternative options and delivery mechanisms for funding outside the HRA will be required alongside a review of priorities included in the financial plan.

There are also a number of uncertainties due to impending government legislation which may significantly impact on the long term health of the financial plan such as:

- Housing & Planning Bill – requirement to sell off high value homes when they become vacant with the capital receipts pooled by government and redistributed to Housing Associations.
- Welfare Reform – roll out of universal credit, reduction in tax credits, single room rates for under 35's in social housing and benefit cap to £20,000 per annum, all of which will impact on tenants' ability to pay their rent.
- Welfare Reform & Work Bill 2015 – proposal that households earning more than £30,000 per annum will be subject to rents charged at market rate. This may result in an increase in right to buys, greater administration costs and possibly an increase in bad debts. Any additional rental income will not be retained by the council but returned to the Government for redistribution to Housing Associations to fund their RTB discounts.
- Uncertainty of future rent policy after 2019/20.

The 30 year financial plan will be further updated in 2016 to reflect the impact of the changes resulting from government legislation, once the detail is known, and the 2016/17 budget proposals. This will enable a review of future opportunities for additional investment in existing housing stock and building new homes and also how the housing debt could be structured to accommodate these plans or possibilities.

Ensuring we maximise the use of our assets

Maximising income from commercial assets

Commercial assets will be reviewed to ensure that we are investing in assets to maximise the income we receive, whilst supporting local community needs and services.

Seniors housing and over 55's blocks

Our Seniors housing service consulted on an agreed new service offer early in 2015. This strategy aims to support the delivery of this by investing to improve housing quality in the vast majority of schemes. Improvements will need to be supported on a sustainable financial basis by implementing appropriate service charging arrangements. Additionally, some schemes require more discussion to agree future plans and use.

We also have blocks designated for over 55's only, and these will be reviewed against the aspirations of this strategy via the asset plan.

Supporting adult social care

The HRA is committed to supporting the wider needs and emerging demands of the City as set out in the Housing Strategy, as demonstrated through the construction of an extra-care housing scheme at Brooke Mead in the Albion Hill area of the City, and the designated Better Care fund.

Innovative housing provision

We will consider utilising underused assets, such as some car parks or garages, for innovative, short-life housing provision. Modular buildings, with time-limited planning consents will be considered where they support overall strategies for the City.

Creating extra resources for re-investment

We aim to maximise the budgets available for re-investment by ensuring that proposals for the future use of related assets, such as car parking, includes a full financial viability analysis, considers all potential options, and aims to increase income. Capital investment will be supported where there is a robust business case to do so.

In addition, we believe there is scope to create new partnerships and service offers in the future. These will aim to utilise our current expertise and infrastructure to deliver services beyond the Housing managed assets. This could, for example, include joint procurement of services with other housing providers to reduce costs, as well as creating new income streams by offering high quality services to other asset owners and landlords across the city-region through mutually beneficial partnerships.

Leasehold buy backs

The HRA is committed to ensuring that it maximises the potential for adding to its asset base where it makes financial sense to do so. A wider 'buy-back' policy is to be developed and agreed to ensure opportunities are identified and evaluated effectively.

Arrangements for Strategy implementation and monitoring

This strategy covers the period 2016-2020, and will be fully reviewed at the end of that period.

The detailed strategy delivery will be achieved through the Asset Plan, which will include action plans and timetables against all the key policy areas. The Asset Plan will be updated and reviewed annually.

Supporting Documents and abbreviations lists

Housing Strategy (2015)

Brighton & Hove Tenancy Strategy (2013)

HRA Brighton & Hove Tenancy Policy (2014)

The Brighton & Hove (Property) Standard (2014), available at <http://www.brighton-hove.gov.uk/content/housing/council-housing/brighton-hove-standard>

Medium Term

The Medium Term Financial revenue position provides a cumulative surplus of £98.866m that can be used to support the delivery of the capital programme during this period. When compared to last years MTFS there is a significant reduction in the revenue surplus available due to the 1% reduction in rents, a total reduction of £14.15m over 4 years. However this has been partly mitigated by accumulated efficiency savings identified over the same period totalling of £8.214m (which are £1.393m in 2016/17, £0.557m in 2017/18, £0.357m in 2018/19 and £0.257m in 2019/20).

	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Expenditure				
Management & Service costs	15,409	15,338	15,235	15,286
Repairs and maintenance	10,604	10,706	10,874	11,146
Other costs	1,138	1,149	1,161	1,176
Borrowing costs	8,363	9,626	7,362	7,238
Total Expenditure	35,514	36,819	34,632	34,846
Income				
Rental Income	50,393	50,545	50,613	49,931
Service Charges (tenants)	3,441	3,510	3,580	3,652
Other Income	5,335	7,635	6,011	6,031
Total Income	59,169	61,690	60,204	59,614
Net Surplus	23,655	24,871	25,572	24,768
Allocated to:				
Direct Revenue Funding	23,655	24,871	24,381	22,092
Reserves	0	0	1,191	2,676

30 YEAR FINANCIAL FORECAST

Introduction

The introduction of self financing provided local authorities with the opportunity to develop longer term planning to improve the management and maintenance of council homes. The government's self financing valuation agreed at April 2012 was based on using the rent restructuring formula with increases set at RPI + ½% + £2 per week and was set at a level to provide a balanced business plan over the next 30 years.

Since then the Government has imposed two changes to the rent calculation which both result in significant reductions in future rental income. From April 2015, government guidance revised annual increases to Consumer Price Index (CPI) + 1%. This change removed the flexibility of social landlords to increase social rents each year by an additional £2 where rents were below target, resulting in lower annual rental increases over the long term. From April 2016, the Welfare Reform and Work Bill 2015/16 proposes that rents should be reduced by 1% per annum for the next 4 years (2016/17 to 2019/20). This proposed reduction in rents by 1% per annum will reduce resources by £14.1m over that four year period with a cumulative reduction in resources of £223m over 30 years when compared to previous business planning assumptions.

The current financial plan projections shown below continue to provide a balanced business plan but there is less opportunity than before for regeneration and new investment within the HRA due to the significant reductions in rental income projections. The current plan projections should also be viewed with caution due to the uncertainties from impending government legislation not yet modelled in the plan, which may significantly impact further on the long term health of the financial plan such as:

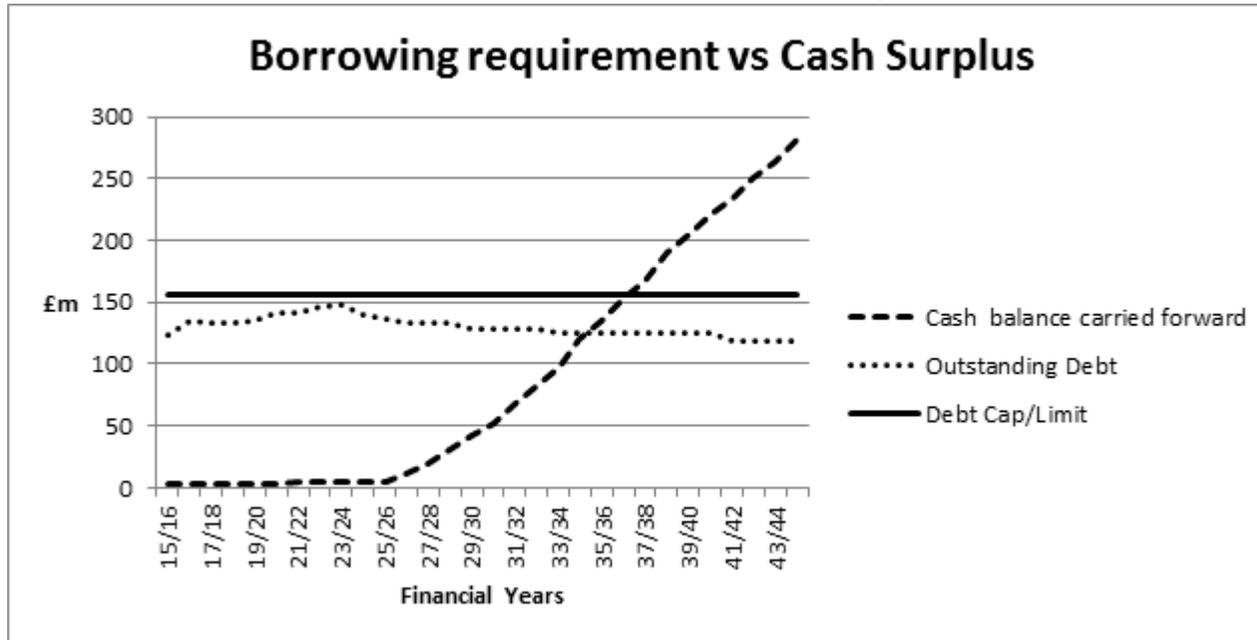
- Housing & Planning Bill – This bill includes a requirement to sell off high value homes when they become vacant and pay the capital receipt to government for redistribution. These properties are likely to be those that contribute most financially to the overall surpluses over 30 years. The full details of this scheme are not yet available to inform business planning.
- Welfare Reform & Work Bill 2015 – This bill includes a proposal that households earning more than £30,000 per annum will be subject to rents charged at market rate with the additional income being paid to central government for redistribution to Housing Associations. This may result in an increase in right to buys, greater administration costs and possibly an increase in bad debts. A significant reduction in the number of homes through increased right to buy sales may also include those properties that contribute most financially to the overall surpluses over 30 years.
- Welfare Reform – The roll out of universal credit, reduction in tax credits, single room rates for under 35's in social housing and reduction in benefit cap to £20,000 per annum will all impact on tenants ability to pay their rent. The assumptions used for bad debts and voids may need increasing resulting in a loss of projected income.
- Uncertainty of future rent policy after 2019/20. It is not clear at this stage whether the rent policy will revert to the previous policy of increases capped at CPI + 1% or something entirely different.

The 30 year financial plan will continue to be updated to reflect the impact of the changes resulting from government legislation and the 2016/17 budget proposals. This will enable a review of future opportunities for additional investment in existing housing stock and building new homes both within the HRA and through alternative delivery models.

Forecast

The net position of the financial forecast is shown in the graph below. The cash surplus over the period of the financial plan totals £284.4m. Assuming that no additional borrowing repayments are made over the life of the plan aside from those planned in the current loan schedule, the debt outstanding in year 30 is £119.2m. The cash surpluses equal outstanding debt by year 20 and this provides an indication that in the long term, based on current assumptions, the HRA maintains a balanced position with some surpluses.

Essentially, although the financial forecast shows that the HRA has healthy financial indicators to borrow to source funding for regeneration or development it is restricted by the self financing debt cap (or limit). This is a government restriction on the amount of HRA borrowing permissible for capital investment by each local authority. The cap for Brighton & Hove is £156.8m. The outstanding debt reaches its peak in 2023/24 where the borrowing level is £147.4m leaving headroom of only £9.4m. Therefore, alternative delivery models outside of the constraints of the HRA may need to be considered in the future alongside a review of priorities included in the financial plan.



Note: Cash balance carried forward is net revenue surpluses generated after funding the capital programme.

The 30 year financial forecast has been developed based on the following assumptions:

- A general inflation of CPI assumed as an average of 1.4% for years 2 to 10 and 2% thereafter.
- Revenue repairs and maintenance costs are assumed to increase by 2.5% throughout the plan.
- Right to buy sales are assumed to continue at an average of 40 sales per annum.
- The forecast currently includes approved schemes only, totalling 209 new homes. There is no allowance for any future regeneration schemes or new build schemes.
- The forecast assumes that all stock is fully maintained to the Brighton & Hove Standard with capital investment costs increasing by CPI with a 5% uplift in year 6.
- Rents are assumed to decrease by 1% per annum for the next four years and then revert to the previous policy of increases capped at CPI plus 1%. The CPI assumptions used provides total inflationary increases of an average of 2.6% for years 5-10 and 3% per annum for years 11-30.

The following table provides a summary of the 30 year income and expenditure flows.

30 Year Forecast	Years 1 -5 £'000	Years 6-10 £'000	Years 11-20 £'000	Years 21 -30 £'000	Total £'000
Revenue expenditure:					
Management costs	56,897	58,259	131,421	154,355	400,932
Service costs	17,047	19,133	47,559	63,487	147,226
Repairs and maintenance	55,228	63,281	149,168	185,205	452,882
Other costs	5,844	6,186	14,343	17,484	43,857
Bad debt provision	1,955	1,991	4,273	4,638	12,857
Capital repayments	41,360	54,335	76,597	62,070	234,362
Total Expenditure	178,331	203,185	423,361	487,239	1,292,116
Revenue income:					
Rental income (net of voids)	252,347	265,374	644,311	834,224	1,996,256
Service charges	17,047	19,133	47,559	63,487	147,226
Other income	16,472	17,093	38,905	47,424	119,894
Leaseholder income	14,365	11,633	11,447	15,172	52,617
Total income	300,231	313,233	742,222	960,307	2,315,993
Net revenue income	121,900	110,048	318,861	473,068	1,023,877
Capital expenditure					
Capital investment	131,636	135,093	203,477	309,982	780,188
New build schemes	47,605	0	0	0	47,605
Total capital expenditure	179,241	135,093	203,477	309,982	827,793
Capital funding					
Other capital income	27,065	0	0	0	27,065
Borrowing	30,889	27,337	0	0	58,226
Revenue contribution to capital	121,900	110,048	318,861	473,068	1,023,877
Total funding	179,854	137,385	318,861	473,068	1,109,168
Opening HRA reserves	3,000	0	0	0	3,000
Cash surplus at year 30	3,613	2,292	115,384	163,086	284,375

