Appendix 7

HRA Business Plan 2019 – 2049 Executive Summary

The HRA Business Plan shows how the HRA assets are managed and maintained over the longer term (30 years), and what action is required in the short and medium term to ensure that the position is improved. The Business Plan enables the Council to plan for future housing policies, and to understand their financial implications.

There are currently challenges to the HRA Business Plan. This is due to a number of factors: the introduction of Universal Credit has demonstrated in the pilot Boroughs where it has already been implemented, that rent collection is more difficult, and this has led to an increase in arrears of rent. In addition, every borough needs to assess the cost of addition fire protection work, in the light of the fire at Grenfell Tower. The Grenfell Tower Inquiry has completed its first stage, but it may be months before the first interim report is issued. Some early recommendations have been issued and these are being reviewed in order to ensure that the Council is compliant with best practice in this area. The full implications and recommendations need to be addressed when published.

After the early years, the current HRA Business Plan demonstrates that over the forecast 30 years of the Plan, the HRA can fund its current planned expenditure requirements. This is based upon £104.9m of rent and other income at 2019/20, which will start to rise again next year after the four-year programme of rent reduction. The Government have issued a consultation paper on rents, which undertakes to allow Councils to raise rents by CPI + 1% from 2020/21 for a period of five years. It is expected that management and maintenance cost inflation will be absorbed in the first year. The Business Plan then assumes that pay and inflation will rise by 1% after that. This generates a net revenue surplus, which after meeting interest costs of £9.6m a year for the life of the Plan can fund the current stock investment, estate renewal and new build requirements.

The new Stock Condition Survey information is currently being analysed and entered into the new Asset Management system. However, an early assessment of the investment requirements shows that the level of expenditure required can be met throughout the life of the Business Plan. This is based on smoothing out the investment requirement in the stock over a period of ten years. There is additional work being undertaken to assess what the cost of raising the standard of the Council's accommodation would be, if the Council decided to do this.

The Business Plan currently assumes that there is no additional borrowing undertaken but also assumes that there is no provision for reduction of debt. It is assumed that no external grant is received, either for stock investment or for new build. Provision for stock investment is set in the region of £37.6m for 2019/20, and then falls to £32.7m a year in 2020/21 and for a further nine years, after the completion of the Decent Homes Programme. A programme of new build is funded from the HRA for the life of the plan; at £20m a year from 2020 onwards. As this new build programme is 30% funded from restricted capital receipts, which are restricted to this purpose there is no point in reducing this programme. Restricted capital receipts not spent have to be returned to Government with interest and cannot be used for other purposes. However this does generate a financial pressure in that the remaining 70% of the cost has to be funded from either cash or borrowing.

Estate Regeneration is also funded in the HRA Business Plan at an indicative level of £11.5m in 2019/20 and £6m a year thereafter. With this level of expenditure, cash balances remain just adequate during the early period of stock investment activity, and when the Decent Homes Programme is complete, start to rise from 2021/22 onwards. There are therefore investment opportunities after 2023 but it is anticipated that the condition of the stock will require a large part of these resources. Some of the resources within the HRA Business Plan are restricted in their use – the RTB receipts that have been generated in line with the Government's agreement on one for one replacement of homes. In addition, consideration should be given to the level of debt which is sustainable, given the regular loss of properties, which are not being replaced within the HRA.

Barking and Dagenham Housing Revenue Account Business Plan

2019 - 2049

1. Introduction

The Council adopted its first Housing Revenue Acount Business Plan in March 2012, in preparation for the introduction of the new financial regime, Self Financing, in April 2012, and has updated the Plan in the light of changes in legislation and local strategies since that date. This version of the Business Plan updates the Plan once more, and sets out the current position of the Council's housing stock. There are a number of new initiatives in the structure and plans of the Council which will have an impact on the Business Plan; the new Plan takes these into account.

2 Context

2.1 Barking & Dagenham

The Barking & Dagenham is expected to grow. From a population of 207,000 in 2016 the population will grow to an estimated 240,000 in 2026 (GLA Projections), and is expected to grow further to an estimated 265,000 by 2036. This population is young, rapidly growing and increasingly diverse. But in many areas, the Council is at the bottom of the London league – in unemployment, in qualitications and in earnings. The Council expects, and intends to change this. One of the Council's principles, set out in the Plan is that the housing offer in the borough will reflect London's diversity, with widening housing choice to include social housing for rent, affordable sub market rent, seeking to maintain a well regulated private rented sector, and increased opportunities for households to access home ownership. The Council seeks to shape the Borough into a place that people choose to live in.

The stock of housing within Barking and Dagenham has grown to 74,510 homes in 2017. Although there have been no fresh data on tenure since the Census when 28% of the housing stock was Council owned, we know that this has fallen as a proportion of the housing stock in the Borough, because of the Right to Buy, and the fact that the majority of new build homes are in other tenures. The current best estimate of the Council's housing stock as a proportion of homes overall in Barking and Dagenham is that it an estimated 23.4%. The Council therefore still has significant role to play as landlord, and in supporting the development of first steps home ownership products, intermediate rented housing and delivering new homes at a range of different price points.

The Council wants to see more geographically balanced and mixed communities and will be developing homes appropriate to the different areas of the borough through its new housing policies. In areas where concentrations of Council housing currently exist, the Council will be introducing a range of mixed tenure options where housing of different rent levels and ownership types will provide a more mixed community and vice versa.

2.2 Barking & Dagenham Housing Strategy

Barking and Dagenham's current Housing Strategy was written in 2012 and expires in 2017. The overall context remains relevant, but many of the plans set out in the Housing Strategy are well underway, and some have been completed. The four major priorities in the Housing Strategy 2012 are:

Objective 1: Delivering social and economic regeneration through building high quality homes and thriving communities

Objective 2: Investing in new council homes and establishing new ways to deliver affordable housing

Objective 3: Good quality services

Objective 4: Sustainable communities

These objectives remain relevant to the refreshed HRA Business Plan as overall objectives, but new plans to deliver these objectives are required. A new evidence base of information has been collected in research undertaken in 2018 and this information will inform new plans and programmes of work.

The structure of the Council now splits services to Council tenants between different departments. The maintenance of the HRA assets is undertaken by My Place, and the fees for this service recharged to the HRA. Community Solutions deliver services relating to tenancy support, debt advice and antisocial behaviour in Council homes, recharged to the HRA in the same way. These services are monitored by a Commissioning Unit, within the Inclusive Growth Department. All new growth, including any developments within the HRA are undertaken by the Council's Regeneration Company, Be First, as commissioned by the Inclusive Growth Team within the Council.

3 History of Self Financing and what has changed since

A new financial regime for Council housing was introduced in April 2012. Instead of a national housing subsidy system, each local authority took on a portion of the national housing debt, and in return received new financial freedoms to retain rental surpluses and plan their spending on a 30-year basis.

The London Borough of Barking and Dagenham settlement in April 2012 was that it had to take on additional debt of £265.912m with an opening stock level of 18,894 properties. This represented an average debt per property of £14,074. The Council undertook additional borrowing in order to build new homes in 2014, and this raised the level of debt to £275.9m. Following the reduction in stock because of the Right to Buy, and the additional borrowing the average debt per property is now £16,090. (Based on 17,148 homes).

Factors which have changed since the introduction of Self Financing, which have had a significant impact on the Plan are (a) changes to the Right to Buy discount and (b) Rent Policy (c) the lifting of the debt cap in 2018.

3.1 Right to Buy Discount

On 2nd April 2012, The Government raised the Right to Buy discount, which was limited to £36,000 in London to a maximum of first, £75,000 and subsequently on 25th March 2013 to £100,000. Sales under the Right to Buy which had fallen began to increase rapidly, and this caused significant changes to the level of sales that each local authority had been predicting. In Barking and Dagenham, the sales rose from 97 sales in the year before the change to an estimated 220 sales a year going forward. The Government recognised that this would have a detrimental impact on Local Authority's Business Plans and offered local authorities a "deal" which consisted of a complex formula for sharing the receipts on the increased Right to Buy sales, over above those that had originally been forecast at the start of the Self-Financing regime. This formula allowed Local authorities to take a fixed administration fee on sales, and then share the receipts between a portion attributable to the debt of the property sold, which was retained by the local authority, and then the remainder shared between the local authority and the Government, on condition that the local authority used the receipts towards to the cost of building new homes. Local authorities were given the freedom to use the portion of the RTB receipt which related to debt. The Council is not required to repay the debt. The portion that had to be used for new homes was allowed only to contribute towards 30% of the cost of each new home, and has to be spent within 3 years of receipt. Barking and Dagenham have received £72,078m (cumulative) in RTB receipts under this agreement up to March 2018. £20,442m were received in the year 2017/18. We have spent £40,800m (cumulative) to date. By the end of 2019/20 it is anticipated that there will be £36,852m RTB receipts remaining to be used. The deadline for using these capital receipts is staggered, depending upon the quarter in which each sale was completed.

3.2 Rent Policy

Government policy on rents has changed twice since the introduction of Self Financing with serious consequences to the finances of the HRA Business Plan. Barking and Dagenham have ended up with low rents, which cannot now be raised, as the Government has now taken direct control of rent policy.

On 8 July 2015, the Government announced that they would require social landlords to reduce their rent by 1% a year for four years, thus cutting the Housing benefit bill. The change represents a transfer of funds from social landlords to the Exchequer, without a significant benefit to most social housing tenants. In Barking and Dagenham 37.1% of tenants are on Full Housing benefit, and a further 18.6% are on partial Housing Benefit. Those tenants not on benefit will of course benefit from the rent reduction, but this does not outweigh the serious consequences of the loss of income to the Council. We have calculated the loss of income to Barking and Dagenham, from this proposal. The impact on the original business plan was a loss of income of £33.6m over 4 years (compared with anticipated income), with an actual loss of £0.844m in 2019/20.

It should be noted that the average rent for our secure tenancies in 2018/19 in Barking and Dagenham is £94.47. This will fall again in 2019/20 to £93.52pw. The Council adopted a policy to set all new lettings at the target rent, but this has a low impact, because of it affects only properties which become empty and remain in the HRA during the course of the year.

4 Demography and Local Housing Market

The London Borough of Barking and Dagenham is projected to grow over the next 20 years as set out below (GLA Projections). The number of households and forecasts are set out below:

Authority	**Households (000s)**					
	2016	2021	2026	2031	2036	Ave increase pa
Barking & Dagenham	77,025	85,126	93,086	100,816	108,090	1,537
Havering	102,436	108,735	115,446	122,530	129,984	1,401
Newham	118,846	133,858	146,277	157,131	166,744	2,319
Redbridge	109,632	120,522	130,926	140,726	149,964	1,993
London	3,589,324	3,892,718	4,175,054	4,444,287	4,696,192	54,460
England	23,228,921	24,371,273	25,446,168	26,498,666	27,462,793	207,595

The Borough is predominately residential in character but also has significant areas of employment land, a major town centre at Barking, district centres at Dagenham Heathway and Chadwell Heath and a network of smaller neighbourhood centres. There are significant areas of undeveloped land in two areas. These are the marshes bordering the Thames and the agricultural land to the north east at Marks Gate. The River Roding, River Beam and River Thames form the Borough's westerly, easterly, and southern boundaries respectively.

Barking and Dagenham is one of the most deprived boroughs in London and the country on a range of measures. In the London context, it is the most deprived borough in terms of income, employment, and education, skills and training. However, there are ambitious economic and housing strategies, which could result in the creation of between 8,000 and 23,000 additional jobs by 2045. In spite of the recession, the number of enterprises has more than doubled since 2010 and there has been a 36% increase in jobs. However, there are not enough jobs in the borough for all working age residents, so there is therefore considerable out-commuting (as well as in-commuting). The economic activity rate of 75.3% is lower than the London average. Barking and Dagenham workers tend to have jobs in lower industrial and occupational categories than the London average: that is, fewer jobs in senior positions and in well-paid occupations. This means that average earnings of £30,167 are below all contiguous authorities except Newham and are below the London median (£34,752). This is undoubted related to the fact that the average profile is a work-force with a mid-level educational attainment, with fewer residents with degree level or higher qualifications (21%) than the London average of 38%, and more with no qualifications (28% v. 18%).

East London and the Thames Gateway are described as "the priority area" for development in the London Plan and Barking and Dagenham lies at the heart of this region. The Borough has substantial opportunities for regeneration, including having the potential for up to 25,000 additional homes which will be located mainly in the south of the Borough.

4.1 Local Housing Market

At the last Census, the stock of housing was 69,000 in 2001. Net additional homes built in the Borough amount to 3,053 from 2011/12 to 2015/16, which falls short of the annual targets for new homes set both by the Borough and by the Mayor's Housing Plan for London. The stock of housing in the census of 2011 shows the following composition:

1 Figures from the Annual Monitoring Report 2015/16

<table>
<tr><th>Tenure</th><th>Numbers</th><th>Percentage</th><th>England %</th></tr>
<tr><td>Social Rented</td><td>23,459</td><td rowspan="3">33.7</td><td rowspan="3">17.7</td></tr>
<tr><td>Local authority rented</td><td>19,782</td></tr>
<tr><td>RSL rented</td><td>3,677</td></tr>
<tr><td>Private Rented Sector</td><td>12,328</td><td>17.7</td><td>16.8</td></tr>
<tr><td>Owner Occupied</td><td>33,324</td><td>46</td><td>63.4</td></tr>
<tr><td>Shared Ownership</td><td>906</td><td>1.3</td><td>0.8</td></tr>
<tr><td>Other, including rent free</td><td>663</td><td>1</td><td>1.3</td></tr>
<tr><td>Total</td><td>70,680</td><td>99.7</td><td></td></tr>
</table>

These net additional homes bring the Borough's housing stock up to 73,733 homes. Since the 2011 Census, the private rented sector has increased by 7% up to 17.7% and the ownership occupation sector has fallen. The Council rented stock has fallen to 17,148 dwellings, and 23.8% of the housing stock in the Borough.

4.2 Local Authority role

The Council has an important role as the largest provider of housing within the borough. The Council now manages an estimated 24% of the Borough's housing stock, at low rents and to a reasonable standard of management and maintenance. There is an overwhelming demand for social housing, at rents affordable to those on the lowest wages in the Borough. This demand greatly exceeds the supply of homes; and therefore, the Council has a significant role in assessing the needs of households for housing and providing advice and assistance to households about other forms of housing that they may be able to access. The Council also wishes to shape the borough geographically in a more balanced way, by introducing within the supply side, more properties at different rent levels. In addition to the role of being a good landlord, the housing services within the HRA provides alternative housing at different price points for a range of households in work; through its affordable housing programme, and by the establishment and management of its wholly owned housing company, Reside. The HRA Business Plan supports all these activities.

4.3 Objectives

The HRA Business Plan has the following objectives:

- To provide housing services of good quality to the tenants and leaseholders of the London Borough of Barking & Dagenham, and Reside
- To maintain and improve the housing stock to modern standards of comfort
- To retain the stock, and to replace housing units within the Borough, either within the Housing Revenue Account at a range of rent levels to meet the needs of residents in the borough or within the Council's wholly owned company, Reside
- To improve standards of thermal comfort within the housing stock, and to reduce fuel poverty affecting tenants and leaseholders
- To understand and maximise the efficient financial performance of the housing stock
- To support the regeneration of the Council's housing and communities
- To assist in meeting the housing needs of current and future housing customers.

4.4 Governance

The HRA Business Plan is reported to Cabinet on an annual basis.

The cycle of the Business Plan is iterative; tenants have been consulted on the Budget annually in the past; and on the Business Plan when this was introduced. It is anticipated that the Business Plan and Budget will continue to be considered by Tenant and Leaseholder Forums annually and their comments reflected as part of the review process. A Residents' Survey is also conducted biennially, to review the level of satisfaction with residents' services, and to plan for areas of concern in the forthcoming year.

An HRA Officer Group reviews the Business Plan quarterly and brings all the assumptions up to date with actual performance data; identifies issues of policy for the annual consideration of the Business Plan by the Corporate Management Team, and Cabinet. The officer group comprises a team of officers from Strategy, Policy, Finance, Be First and My Place.

5 Service Delivery

The Barking and Dagenham performance data available in the Housemark Benchmarking Club is from 2017/18.

5.1 Rent collection

Rent collection in 2017/8 ended the year at 97.01% which is higher than the collection rate in 2016/17 which was 96.7% of income collected. The median performance in the Benchmark Group of London local authorities and Housing Associations was 99.68% in 2017/18. Upper quartile performance was 100.38%. 36.4% of tenants in April 2017 had some arrears; 16.4% of tenants had arrears over 13 weeks. 87 tenants (including 6 introductory tenants) were evicted during the year (2017/18) compared with 106 in the year before.

7.4% of Former tenant arrears were collected in 2017/18; this compared with 4.72% in the year 2016/17. £395K of FTAs were written off. There remains £2.6m of outstanding Former Tenant Arrears to be collected. This represents a rise of £300K in the FTA debt.

The Spare Room Subsidy ("the Bedroom Tax") continues to affect a significant number of tenants. 790 working age tenants were under occupying their homes by one bedroom and 270 (34.2%) of these were in arrears in March 2018. 196 tenants were under occupying their homes by two bedrooms, and 61 (31.1%) of these were in arrears of rent. This remains a significant problem for the Council, and the tenants affected.

5.2 Voids

Average days to relet homes by Barking & Dagenham in 2017/18 was 31.2 days against a median performance of 27 days. The annual rent loss in 2017/18 amounted to 1.4% of debit. Median performance on this measure is 0.8%, whilst the upper quartile performers achieve only 0.5% of rent loss due to voids.

5.3 Service Charge collection

The Annual Service charges due to the Council in 2017/8 were £4.1m, together with arrears of £417K made a total debit of £4.529m net after deducting accounts in credit; of which 99.76% was collected. The major works debit raised in this year was £853K. Collection of the major works contributions was 1.29% of the amount due from leaseholders in that year; this will reflect the agreement to allow leaseholders to stagger payments of major works bills.

5.4 Repairs Performance

Satisfaction with the performance on repairs is collected in a monthly survey of 200 clients who have had repairs carried out during the previous month. This data shows that 95% of respondents said that the job had been completed to their satisfaction; 86% said that it had been completed at the first time; and 95% said that they were satisfied overall with the service. This performance data relates to the average for the year to December 2018.

6 Understanding the assets

6.1 The housing stock at 5th November 2018 consisted of the following homes:

	Let	Void
General Needs	15715	89
Sheltered	725	10
Leasehold	3522	0
Affordable Rent (HRA)	405	4
HRA stock being used as TA	226	10
	21406	176

The Council owns 17,184 units of general needs stock and 3,522 leasehold properties. Within the General Needs stock 15,804 are let at rents which are "social" rents. They were previously subject to the rent restructuring regime, and were therefore moving towards target rents, but before they could reach target rents, the Government imposed the 1% rent reduction. The rents on these properties are on average 34% of market rents. 625 properties are let at Affordable rents – rents between 50% and 80% of market rents. These properties are also subject to the 1% rent reduction until 2019/20; after this date, it is assumed that both these and the social rented properties will move back up in line with CPI + 1%. All the social housing rents, and those at 50% MR are let via the Council's Housing Register. Those properties whose rents are 65% or 80% MR, are let in accordable with the Allocations Policy for Affordable rental properties – which are set out in Paragraph 32 of the current Allocations Policy.

6.2 The largest proportion of the general needs stock, nearly half (8,717 homes) were built between the wars – between 1918 and 1940. Of the remainder, 20% of the stock was built between 1965 and 1980; 21% between 1945 and 1964, only 2% is pre-WW1, and 7% built since 1991.

Only 1.3% of the stock has four bedrooms; 0.1% has five bedrooms and the Council only own one six-bed property.

Size	Stock Numbers	Percentage
0	516	3
1	4113	23
2	7456	42
3	5340	30
4	225	1.3
5	10	0.1
6	1	0
Grand Total	**17,661**	

Households on the Housing Register need the following bedroom sizes:

Housing Register 11th Jan 2019

Beds	Total
Status:	
1	1187
2	1935
3	1853
4	490
5	55
Total	5520

This shows that there is a reasonable match between the housing stock analysed by size, and the housing need as expressed by the Housing Register. There is a greater need for more one bed homes than the Borough currently holds; and a slightly greater need for larger homes (4BR+) that the Borough current holds; but for other sizes there is a reasonable match of stock to need.

This does not address the overall level of need for all sizes of homes. It demonstrates that shortages are evenly distributed across all bedroom size requirements.

6.3 Sheltered

The Council has 607 units of Sheltered Housing, with a variety of house types and support levels. These have been recently subject to a comprehensive review and during 2019 the recommendations of the review will be considered and those which are accepted will be implemented. The current stock is set out in the table below:

Scheme	Numbers of units	Build date	Type
Bennets Castle Lane	12	1974	Sheltered 1 BR
Berryman close	12	1974	Sheltered 1BR
Birch Gardens	5	1951	Sheltered bungalows
Burford Close	16	1974	Sheltered 1BR
Catherine Godfrey House	34	1990	Sheltered 1BR
Dewey Court	48	1971	Sheltered 1BR
Dunchurch House	38	1976	Sheltered 1BR
Earls Walk	20	1970	Sheltered 1BR
Ely Gardens	5	1948	1BR Bungalows
Forsters Close	54	1971	Sheltered 1BR
Hook Hall Drive	8	1949	Sheltered 1 & 2BR Bungalows
Humphries Close	31	1979	Sheltered 1BR
Inskip Road	35	1973	Sheltered 1BR
Kidd House	19	1988	Sheltered 1BR
Kilsby Walk	42	1972	Sheltered 1BR
Maxby Road	30	1979	Sheltered 1BR
Padnell Road	17	1955	1 BR Sheltered Bungalows
Park Drive	8	1948	1BR Sheltered Bungalows
Pembroke Gardens	29	1937	1BR Sheltered Bungalows
Rainham Road	8	1977	1BR Sheltered
Rosehatch Avenue	15	1955	1BR Sheltered Bungalows
Seabrook Road	10	1966	Sheltered 1BR
Shipton Close	25	1971	Sheltered 1BR
Stone Close	20	1976	Sheltered 1BR
Vicars Walk	24	1970	Sheltered 1BR
Wyhill Walk	22	1975	Sheltered 1BR
Turner Court	20	1988	Sheltered 1 BR
Total	607		

7 Stock condition

7.1 2018 - Stock Condition Survey

2018 saw the completion of a new Stock Condition Survey, which set-out to carry out external surveys to 100% of the stock and internal surveys for 20% of the stock. This approach was a significant shift in the previous stock condition survey (undertaken in 2010/11) in that data was collected on a larger proportion of the stock, there was an increase in the number of components surveyed and less reliance on ‘cloning data’ (i.e. - using data collected on a small sample to indicate the condition of a larger proportion of the stock) thus ensuring greater accuracy.

Surveys were completed over several months with significant public awareness of the surveys undertaken using social media, local press and targeted groups (such as Tenants Associations etc). The communications included an on-line video of what tenants could expect from the Surveyors undertaking the survey and the Council's Communications Team dealt with a number of enquiries using email and social media such as 'Twitter'.

Whilst a significant number of internal surveys were undertaken, gaining access to the proposed number of properties required within the timescales did prove challenging and further work is being undertaken across My Place to ensure that access is gained to properties that have not been surveyed for many years, so as to keep the data held on the condition of the stock as wide, varied and accurate as possible.

The revised electronic data collection process used in the survey will make it easier to input the result into the new 'Open Assets' database when it goes live in early 2019. Early results however have been possible using spreadsheets to manipulate the data received and these have been used to produce the 30-year Stock Investment Programme and help amend the 2019/20 Stock Investment Programme.

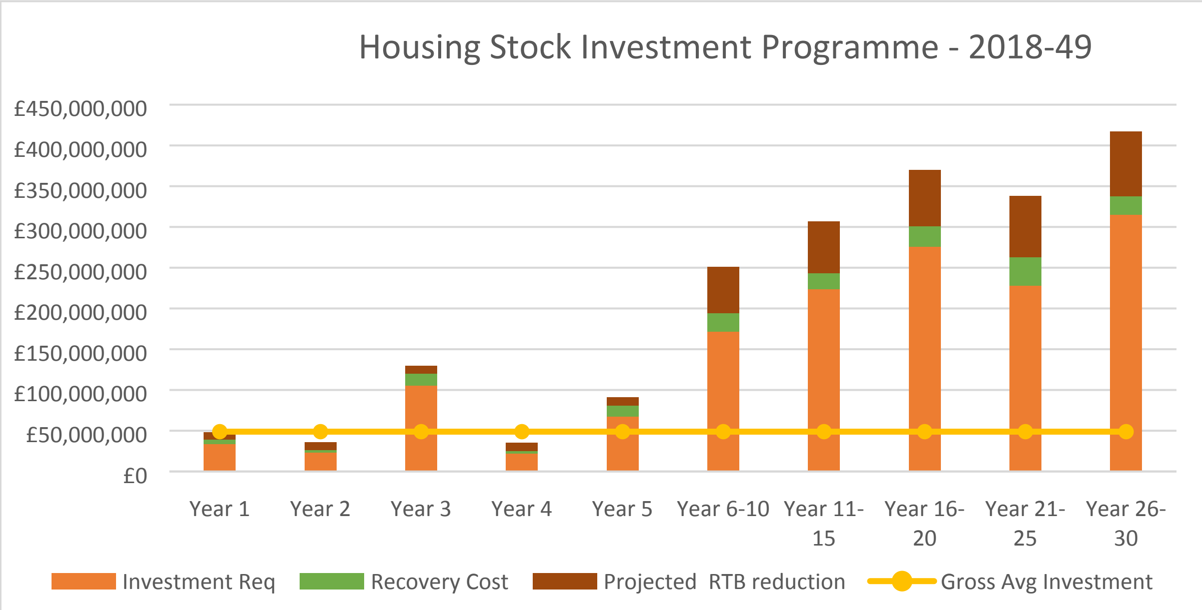
Early results have indicated a number of interesting comparisons to the stock condition data previously held, including the significant reduction in the number of dwellings that were being reported as requiring internal and external works and new data on components such as lifts, door entry systems and communal decoration.

7.2 The Updated 30-Year Stock Investment Programme

The data collected in the Stock Condition Survey has been used alongside the existing data held to update the 30-year Stock Investment Programme. Whilst such a long-term view can only ever produce an indication on the level on investment required, it can provide a useful indicator of the medium-term requirements (say 10 years) and the areas of most need going forward and provide a level of assurance around the demand when compared against the capital funding that might be available.

A summary of the data is provided in the table below and includes a number of assumptions including an estimate on the number of properties lost through the right-to-buy process, the level of costs recoverable as a result of works to blocks that include leaseholders and an annual % uplift applied to the cost of works in order to reflect market conditions.

Years 1-5 are shown separately, whereas years 6 - 30 are shown in 5-year groups.



In summary, the main 30-year figures are shown in the table below and indicate a net investment of around £980m over 30 years, which equates to an average of around £30m per annum.

Summary - 30 Year Stock Investment Programme	
Total Gross Investment Required	£1,465,372,316
Less - Total Estimated Recoverable	£165,731,610
Less - Estimated Reduction due to Right-to-Buys	£391,566,393
Total Net Investment Required	£908,074,313

The summary figures are calculated using the number of components that the survey shows will require replacement (kitchens, bathrooms, roofs etc) multiplied by the estimated costs of the works (including a year-on-year inflationary increase) and includes an allowance for disabled adaptations, capital voids and estate roads etc.

Reductions for recoverable sums (through leaseholder contributions) and an assumed reduction through right-to-buy sales have been subtracted, leaving an estimated net investment figure.

The replacement costs are based on the lifecycles of components (kitchen bathrooms, roofs etc) and in reality, components are not always replaced within a set timescale due to either excessive use (requiring earlier replacement) or having their life extended due to regular maintenance or replacement during the intervening period, as part of the voids process (for instance).

Whilst some years are showing significant levels on investment are required, others are showing lower levels of investment and the process of 'smoothing out' the programme by bringing forward some works (due to its urgency etc) is currently being undertaken, to ensure that the right works are carried out in the right years whilst taking into account the level of recoverable costs that leaseholders will be required to contribute towards.

7.3 The 2019/20 Stock Investment Programme

With the traditional 'decent homes' approach to the Stock Investment Programme coming to an end, a new approach has been agreed, which balances the need to ensure decency of the stock whilst recognising the other areas where capital spend is required.

Adopting this approach will ensure that urgent works in all areas are prioritised, as well as broadening the range of components being targeted, deliver increased value for money (as similar works will be carried out at the time) and aimed at minimising the level of disruption to tenants (for instance by replacing a number of external elements at the same time and reducing scaffolding costs) and increasing customer satisfaction.

The new approach will see the Stock Investment Programme consolidated into 5 groups -

1. Internals (kitchens, bathrooms, boilers and rewire etc)
2. Externals (roofs, windows, doors, rainwater goods etc)
3. Communal / Compliance (fire doors, lifts, communal boilers, lateral mains, water tank replacement, asbestos removal, door entry systems etc)
4. Landlord Works (disabled adaptions, capital voids, energy efficiency)
5. Estate Environmental Works (road surfaces, footpaths, garages etc)

The 2019/20 (and subsequent) programme will reflect this approach whilst reflecting the results of the 30-year Stock Condition Survey, any new legislation (that might arise for instance from the Grenfell Fire enquiry) and any in-year priorities.

In addition to the above, a pilot project is also being undertaken to review the specification of the works undertaken so that it aligns with the specifications being produced for the Councils new build stock and ensure an equalities approach to future stock investment works.

The 2019/20 and future programmes will also target areas where works can significantly improve energy efficiency, thus reducing energy bills for tenants and improving the thermal comfort of homes. It assumes an approved capital budget of £37.68m.

Whilst the replacement boilers and new roofs programme undertaken as part of the works carried out in 2018/19 have helped with energy efficiency, the 2019/20 programme has significant investment associated with the external fabric both houses and flats within blocks including new roofs, windows and doors. Whilst planning these works, consideration will also be given to the installation of photo voltaic (PV) cells that will contribute to the generation of power that will contribute to the power requirements of the blocks receiving work so rather than have a specific allocation of energy efficiency projects beyond 2019/20, (where projects are already planned), energy efficiency will have a stronger emphasis on all the projects within the stock investment programme with consideration given as to how they can contribute towards greater sustainability, improved environmental performance and direct benefits to the resents in terms of energy costs and use.

In addition, the Council continues to seek additional grant funding (via various Government initiatives) that will supplement the capital investment in energy efficient schemes across the entire stock.

7.4 Future Management of the Stock Investment Programme

The Stock Investment Programme continues to be managed and monitored by 'My Place' with the 3 Delivery Agents (created and revised in 2017, as part of the 'New Kind of Council') procuring the works and ensuring that schemes are delivered on-the-ground as efficiency and effectively as possible.

Regular contact is maintained between My Place and these delivery agents and 2018/19 has seen a number of new and revised processes and systems being adopted to ensure that agreed levels of spend are maintained and that the programme of works is delivered.

My Place will continue to analyse the available data and develop a stock investment programme that reflects the level of funding available, alongside the needs of the tenants and the good practice of providing a balanced and well-maintained social housing stock.

8 Estate Renewal Programme

The current Boroughwide Estate Renewal programme started in late 2010 following an approval by Cabinet in July 2010. The programme started with three initial Estates, Gascoigne East, Goresbrook Village and the Leys and has been successful in transforming some of the borough's poorest quality housing into new high-quality developments bringing additional place making and environmental benefits. The largest of these projects Gascoigne East is still an ongoing project with Phase 2 of the residential development due to start on site in Autumn of 2019, the construction of Greatfields school in progress and Decanting and Leasehold buybacks continuing for later phases.

The ongoing and historic Estate Renewal programmes have already completed the redevelopment of 22 large panel system (LPS) blocks over the last 20 years and the demolition of the final 6 LPS blocks on the Gascoigne Estate are planned over next 4 years. These homes have suffered from a variety of issues including dampness and condensation due to the original construction method and materials.

The programme of decanting tenants and buying back leaseholders to allow for the redevelopment of these Estates has evolved over time, the impact of decanting of the Housing Register has been monitored and a limit on the total number of decants per year mitigates this along with the provision of new homes in developments available for decant cases.

The responsibility for the delivery of all Estate Regeneration workstreams from the earliest consultation through the process of decanting, working with leaseholders, Masterplanning, Development and Construction Management has now transferred to a dedicated Affordable Housing team within the Be First Company.

In addition to the ongoing Gascoigne East phases the Be First programme includes a number of Estate Renewal projects approved by Cabinet in January 2015.

The table below confirms the current programme:

Project	Progress
Gascoigne East Phase 2 520 New build	Final stages of Decanting prior to demolition in early 2019. Reserved matters application to be submitted mid Feb 2019. Contractor appointment in June 2019 for state on site in October 2019.
Gascoigne East Phase 3 A&B	Decant and Leasehold buybacks are in progress for Phase 3a, this area partially covers the Greatfield's Primary School and phase 3 residential development.
Gascoigne East Phase 4	Decanting and Leasehold buybacks programmed for mid-2019 start.
Gascoigne West Phase 1	Final stages of decanting prior to demolition in spring 2019, Reserved matters application to be submitted in April 2019.
Gascoigne West Phase 2	Decanting and backs in progress for delivery of later phases of development.
Gascoigne West Phase 3	Decanting yet to commence – some buybacks have been completed for willing sellers.
Sebastian Court	Decanting complete and demolition in progress, planning application to be submitted in
Roxwell Road/Stebbing Way	Decanting to commence in early 2019
Rainham Road Nth 265 - 285	Decanting to commence in early 2019
Padnall Road 168 – 284 evens	No decanting or buybacks commence pending completion of wider Masterplanning activity

The programme to date has been delivered with the agreement that circa 200 units per year will be available for decant purposes, but this figure has been harder to achieve recently due to the pressure on the overall number of voids from other priority groups. Going forward in the programme and to meet the objective of right to return and only one move to a new home, we will need to look to deliver phased development where possible by developing cleared sites early in the programme.

9 New homes delivery

The Be First programme will deliver a total of 2678 new homes from 2019/20 to 2023/4 of which 2133 will be affordable, these affordable homes be offered at a variety of sub market rents and shared ownership.

The rented homes will be offered at levels fixed in the Councils Right to Rent (R2R) policy. This policy will offer homes for local residents at a range of five rent levels appropriate to their income. R2R is about delivering homes to those most in need at Social rent levels but also fulfilling the pledge to provide better long term rented accommodation that is affordable to a couple earning the minimum wage or a single person earning the London Living Wage as well as for those on average incomes.

However, the programme of new build will be passed to different management agents. The majority of the general needs properties will be passed to Reside, the Council's wholly owned housing company, whilst homes which need additional support, such as homes for older people and adapted homes will be passed to the HRA. Decisions on the new build programme are still pending and the homes due to be managed within the HRA will be made later in the year.

10 Extending the Estate Renewal Programme beyond 2023/4

Last year's Business Plan reported that a review of the methodology for appraising estates for inclusion in future programmes would be undertaken alongside a review of possible sites to determine future priorities. This work has been commissioned by Be First and is nearing completion. A report will be made to Cabinet in early 2019, setting out the proposed new methodology and priorities for extending the Estate Renewal programme beyond the current Be First Business Plan period.

11 New GLA guidance and funding conditions for Estate Renewal projects

This year has seen the introduction by the Mayor of London of new guidance relating to Estate Renewal projects; Better Homes for Local People - Estate Renewal Guidance published in February 2018 sets out the Mayors ambitions for all Estate Renewal projects and this is further reinforced by an additional funding condition requiring a resident ballot for projects which include any demolition of existing stock and the re-development of over 150 new homes.

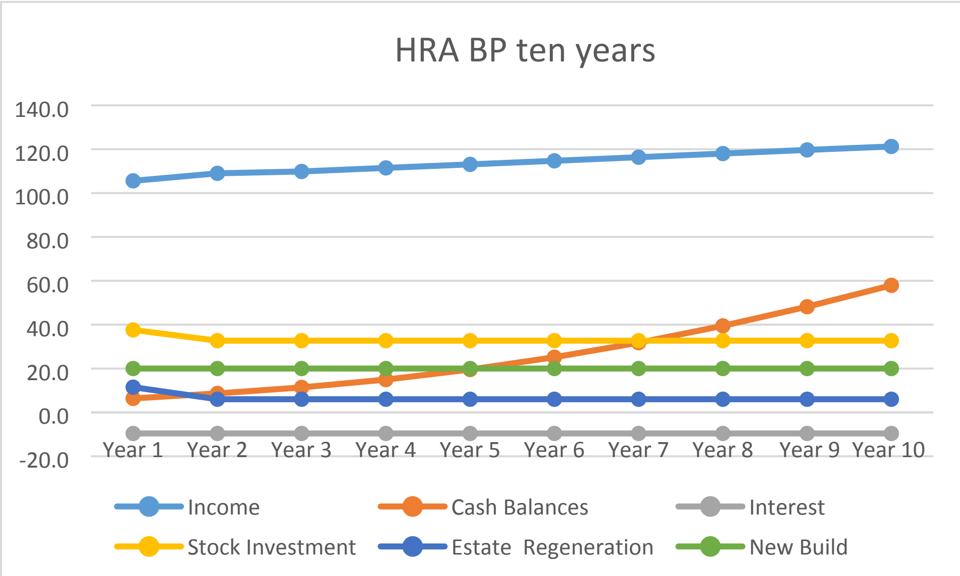
The continued commitment to delivering a comprehensive Estate Renewal programme, will require for a review of the Policy, Procedures and Engagement Strategies, regardless of the size of the project, to ensure that wherever possible we are consistent with the Mayor's recent guidance the funding conditions. This will include proposals for a revised "Offer to Residents" and community engagement activity relating to Estate Renewal.

12 Business Plan- baseline forecast

The current HRA Business Plan demonstrates that over the forecast 30 years of the Plan, the HRA can fund its current planned expenditure requirements. This is based upon £104.91m of rent and other income at 2019/20, and then rising after 2020/21 if the Government follows the proposals in the Consultation Paper which promised rent policy of CPI + 1% for five years after the current period of rent reduction. Management budgets are frozen in 2019/20 and maintenance budgets are reduced by 7%. This generates a net revenue surplus, which after meeting interest costs of £9.6m a year for the life of the Plan can fund the stock investment, estate renewal and new build requirements. This assumes that there is no additional borrowing but also assumes that there is no provision for reduction of debt. It is assumed that no external grant is received, either for stock investment or for new build. Provision for stock investment is set in the region of £37.68m for 2019/20, and then falls to £32.7m a year, after 2022. A programme of new build is funded from the HRA for the life of the plan; it is estimated at £20m a year from 2020 onwards. This is funded 30% by from restricted capital receipts. This generates a financial pressure in that the 70% not funded from capital receipts must be matched either by cash or borrowing. Estate Regeneration is also funded in the HRA Business Plan at an indicative level of £11.5m a year in 2019/20 and £6m a year thereafter.

With this level of expenditure, cash balances remain just adequate during the early period of stock investment activity and start to rise from 2020/21 onwards. Although the new stock condition survey shows that the level of investment over the first ten years can be funded, some work which does fall within the early years, is profiled for later years as a result of the process of smoothing the expenditure. It is necessary therefore to review the level of stock investment activity as additional resources become available. In addition, there should be some consideration given to the repayment of debt.

The table below illustrates the next ten years. If the investment programmes remain constant as set out in the Plan, there will be an increase in balances from Year 2 (2020/21).



13 Assumptions

These are the key assumptions on which this Business Plan is based. These assumptions need to be reviewed annually, to ensure that they are adjusted in line with any new information on actual performance or changing markets. These assumptions are:

13.1 Stock numbers:

The Business Plan is based on *opening* stock numbers:

17,148 properties, of which

200 are held as Temporary accommodation, and rents charged in 2019/20 at 90% of LHA. Average TA rents in 2019/2 are therefore: £144.20pw
625 properties are let at Affordable rents, with average rents of £144.03pw for the houses and £146.91pw for the flats.
16,554 properties are let at secure average rents of £93.52 from 2019/20 onwards

13.2 Sales

Moving forward, RTB sales are assumed at 220 units per annum.

13.3 New Build additions

There is a new build programme of properties within the HRA of 267 properties confirmed over the next three years. In 2019/20 the following properties have been added, and the income credited to the HRA:

Additional rental income in 2019/20					
	No of units	Size	Rent level	Weekly income	Annual income
North Street					
The Leys - rented					
50% rented 2 BR	7	2	£150.00	£1,050	£54,600
50% rented 3 BR	7	3	£161.54	£1,130.78	£58,800
50% rented 4 BR	3	4	£178.75	£536.25	£27,885
65% rented 3BR	14	3	£225.00	£3,150	£44,100
65% rented 4BR	4	4	£232.50	£930	£48,360
rental element on Shared Ownership	34		£158.65	£5,394	£280,493
Ilchester Road	6	1	£115	£690	£35,880
	2	2	£157.50	£315.00	£16,380
Total income					£566,498

The remainder of the programme is subject to discussion about the final management and ownership of the properties. There is an expectation that no additional new build general needs homes will be owned within the HRA after 2020.

13.4 Rent Policy

Rents have been reduced by 1% a year since 2016/17. 2019/20 is the fourth and last year of the rent reduction policy, and this has been implemented appropriately. This applies both to secure rented properties, and affordable rented properties within the HRA.

It is assumed that 200 properties a year will continued to be used as Temporary accommodation, and that the rents on these properties will be set at 90% of the Local Housing Allowance (LHA) in 2019/20. Temporary accommodation rents do not need to be reduced under the rent reduction policy, and therefore have been assumed to remain constant at 90% LHA throughout the life of the Plan. LHA rates are frozen until 2020, but it is assumed that they will be uprated by inflation after that date. The Regeneration programme will need to be monitored as there cannot be indefinite reliance on the additional income from this source.

13.5 Service Charge Policy

Currently, all service costs are fully recovered through service charges to leaseholders. This Plan assumes that the Council will recover the full cost of the estate lighting. The remaining service charges have been frozen for a year, pending a review of the quality of the service affected. There are two other services not yet de-pooled. These are the services of lift maintenance and door entry maintenance. These costs are met through the general rental income, and these will continue to be met through the rent for the time being. The Safer Neighbourhood charge is a contribution to the cost of additional policing on estates and is not intended to recover the full cost. There are potential changes to the contract with the Metropolitan Police for this service and adjustments to the service and charges may be required during 2019/20.

13.6 Void rate

It is assumed that the void rate throughout the life of the Plan remains at 1%. Current performance is at 1.4% of rental income, and therefore this assumption requires an improvement in performance to ensure that performance remains in line with assumptions.

13.7 Bad debt

Provision for Bad Debt in the Business Plan has been set at 4% of the rent due; a budgetary provision of £3.309m. Write offs of Former Tenant Arrears (FTAs) in the last three years have been less than this although bad debt has risen. This should be adequate for the current rent collection performance. The service charge collection rate in 2017/8 was 99.76%. No write offs of service charge debt have been made in 2017/18, and it is not policy to write off service charge debts, as they can be recovered through a recharge on the property concerned.

13.8 Inflation

Inflation on pay and costs has not been included in the Business Plan for 2019/20. It is assumed that the service will absorb all inflation pressures both pay and inflation for the first year, and then increases are built into management and maintenance costs at 1% annually.

14 Revenue

14.1 Management costs

Barking and Dagenham participates in a benchmarking club with Housemark. The management costs are benchmarked against a club of London local authorities. This shows that the Management cost per property in 2017/8 was £430.10 against a median cost for the benchmark group of £589.57. Management costs are therefore lower than the median.

14.2 Maintenance costs

The maintenance costs in the same benchmarking arrangements are £888.83 per property for repairs and voids. The median for the group for the same is £1048.07 per property for repairs and maintenance. The R&M figure is therefore lower than the median for the group.

14.3 Conclusions on Management and Maintenance costs

The conclusion of the Benchmarking data therefore shows that the current performance is median cost, but low performance. The task of the new 12 months is to move the performance and cost of the service out of this quadrant.

15 Debt and Interest costs

As at 1st April 2018, the HRA will hold debt of £275.912m. The Government abolished the debt cap (a maximum amount that the Council was permitted to borrow) in December 2018. This is formed of the original debt settlement (£277.6m) and further borrowing approvals to enable the development of additional homes within the HRA. The original debt level amounted to £14,074 per property, but with the loss of stock since the settlement, and the increased level of borrowing, the average debt per property is now £16,070 per property.

The interest paid on this level of debt is £9.6m and this remains constant throughout the life of the 30-year plan. The Council is planning to borrow an additional £15m to develop an extra care scheme within the HRA as well as some specifically adapted properties for disabled applicants.

The current Business Plan does not assume that the level of debt is reduced but is maintained throughout the life of the Plan. The proposed additional borrowing has not yet been factored into the Plan, as the timescale for this project is not yet clear. Non-repayment of debt would be an acceptable financial plan, if the numbers of stock were to remain at roughly the same level, and that therefore the interest costs could be fully met from income. The assumed loss of 220 sales per year (around 1.2% of the stock) can be managed within this for a period with prudent financial control of the annual budget, but if there are significant losses of stock, either over a longer period or through forced sales, it may be necessary to consider whether the level of debt to be maintained is required. The effect of maintaining this level of borrowing whilst stock is reducing will increase the debt per unit.

Whilst the Council needs to maintain investment in its key housing projects, including stock investment and regeneration no provision for repayment of debt is proposed. However, at a future review of the Business Plan it will be necessary to consider the right point at which this issue should be addressed.

16 Resources

Resources are sufficient to support current plans. These are made up of a variety of sources which support different items of expenditure.

16.1 Surplus/balances

The minimum balance on the HRA is currently set at 5% of income which provides a sum of £5.3m. Balances brought forward into 2018/19 were £18.1m. There is likely to be an in-year deficit, due to the increased stock investment programme and additional spend on the Regeneration Programme which means that at the end of 2019/20 balances of £5.71m will be held within the HRA.

16.2 Capital Receipts

Some Capital Receipts are restricted in their use. They will have derived from sales after the Government raised the discount on RTB sales to £100,000 and after retention of the transaction costs, and the debt portion, they may only be used for replacement affordable rented homes. They were subject to a specific signed agreement between each local authority and the GLA, to fund new build programmes. The use is further restricted by a rule which requires the receipt to fund no more than 30% of the costs of each unit. It is therefore essential that the so-called 1-4-1 receipts are applied first to the new build affordable rent programme, so that they are fully used. If not used, RTB receipts from the 1-4-1 fund must be repaid to Government, with 4% interest over the Base Rate. A Consultation Paper has been published which proposes some additional flexibility in the use of RTB receipts. Although the Consultation period has now closed, no new announcements on this issue have been made yet.

However, there are some capital receipts which are unrestricted. These relate to the “debt portion” which is a notional debt per property sum, which the Council can deduct for each property sold. These unrestricted capital receipts can fund any part of the housing investment programme and can be used as match funding to 1-4-1 receipts. The debt portion can of course also be used to repay debt. The level of unrestricted capital receipts (allowable debt) in 2018/19 is estimated to be £4.84m and this is used as part of the overall resources within the Housing Revenue Account. This figure is constant throughout the Plan, as the assumed sales are 220 a year throughout the Plan. This assumption will need to be reviewed if sales start to fall.

16.3 Leasehold reserve fund

Leaseholders are required to pay for the cost of improvements to their homes, in the form of major works charges. The Council can only recover this cost, if it has appropriately consulted the leaseholders, and given the required notices. As many improvement schemes are expensive, and leaseholders do not always have the resources to pay for these works when the work is carried out, the Council has payment options for leaseholders which enables them to spread the payments. The Council therefore can calculate the sums due from leaseholders in respect of works carried out to their homes but does not expect to receive those sums in the year in which they are incurred. Payments are made into the Leasehold Reserve Fund, and contributions from the Leasehold Reserve Fund can be added to the sums that fund future capital programmes. As at the end of 2018/19, it is forecast that the Leasehold Reserve Fund will stand at £5.2m. A review of the current Leasehold Reserve Fund is currently underway and the level of contribution to the capital programme will be established in the next 12 months.

17 Programmes of work going forward

There are programmes of work underway which will impact on the Business Plan. These include programmes of physical work – like the stock investment, the new build, and the Regeneration Programme. But there are also programmes of which are identified through the Business Planning process, which seek to establish effective working relationships that can deliver effective and efficient services to tenants and leaseholders.

17.1 Governance

The working relationships between the Business Plan, My Place, Community Solutions, and Home Services are critical to the effective delivery of good services. The strategic core will be commissioning services to manage and maintain the housing stock from My Place and Community Solutions and the structure of these relationships is important to making sure that the roles are clear and the accountability of each area of work is transparent. The role of tenants and leaseholders, and members will also need to be established within the new working arrangements. During the next 12 months, the development of these relationships will be a key piece of work.

17.2 Performance and Satisfaction

As part of the commissioning strategy over the next 12 months, performance in key areas (Rent collection, service charge collection, voids, repairs and tenant and leaseholder satisfaction) will need to be improved. Methods of monitoring performance and satisfaction will be established and agreed with the delivery agents.

Stock Investment

There is a three-year stock investment programme included within the annual budget which sets out the elements that need to be addressed in the short term. However, the new data from the Stock Condition survey required further analysis in the forthcoming twelve months. From the refreshed stock condition survey, a long-term plan for active asset management will be developed. The new stock condition survey will commission individual, block based, and estate based financial performance information to enable the Council to prioritise the active asset management programme.

17.3 New Build

The new build programme requires further work. The current list of schemes funded by HRA borrowing is nearing completion and a new programme to utilise the incoming RTB receipts must be developed. The current Plan identifies where the current replacement homes will be brought into the HRA, and where they may be identified for intermediate housing of difference kinds, for a range of household incomes. However, there is a dilemma to be resolved which is what will the impact be of building most new general needs homes outside the HRA, and therefore not replacing the homes lost through the RTB. Once this decision is taken, further financial modelling for both Reside, and for the HRA will need to be undertaken which will show these consequences and enable the Council to resolve the way forward for its new build programme.

17.4 Estate Regeneration

The first phases of the Estate Regeneration programme are underway and progressing with great success. The financial model for new estate regeneration programmes has been established. A Review of the Estate Regeneration Programme has been commissioned by Be First, funded by the Estate Regeneration Programme. This is due to report in February and will assist in planning the way forward for the Regeneration Programme after the current schemes have been completed.

18 Conclusions

The Barking & Dagenham HRA Business Plan is subject to significant challenges in 2019/20. This Business Plan is a statement of where we are now. The Plan improves financially after 2020/21. However, the major risk is the condition of the housing stock; and improvements and regeneration of the stock, these are likely to absorb all resources in the medium term.

The performance indicators in all areas of housing management, as well as tenant satisfaction need to be further improved through the Transformation Programme. Service charges for both tenants and leaseholders should be reviewed to ensure that there is confidence in the costs and service; and that the service charges can withstand scrutiny and challenge.

Stock condition data information needs further analysis to ensure that the resources currently in place for the stock investment programme are sufficient to meet current and future needs.

Consideration needs to be given to the new financial model to support both estate regeneration and new build. Where new build properties are not being returned to replace housing stock loss, the Business Plan will need to be updated. Currently, in recent schemes, Right to Buy Receipts have been used, and the 70% match funding provided either by cash, private sales, or General Fund borrowing; this financial model has proved successful and is therefore not dependent on limited and reducing HRA revenue resources. Currently there is continuing provision with the Business Plan to support the new build programme assumed; but this provision could be released if the new financial model continues to be implemented as set out above.

Clearly HRA resources supporting the Estate Renewal Programme addresses a housing stock need; and replaces investment which would otherwise be directed to improvement programmes for those estates.

The challenges of the next 12 months are particularly acute as there will be significant changes in the structure of the service, and what the service now needs is to focus strongly on the key basic management services, and the level of satisfaction that customers currently express.