

# **Slough Borough Council Housing Revenue Account Business Plan 2016-2046**



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# 1. Executive Summary

Slough Borough Council owns and manages over 7,100 rented and leasehold homes funded within a separate financial account – the Housing Revenue Account ('the HRA'). Its ambition is to retain ownership of its good quality housing stock, regenerate areas where this is necessary, build new homes and offer homes to residents at affordable, but realistic, rents.

In the short term the HRA remains financially strong and will allow the council to continue to invest £100 million over the next 7 years to repair, maintain and invest in its current stock, whilst investing £40 million in directly developing new, affordable, homes over the next 4 years.

This follows the regeneration of Britwell, which saw the Council investing significantly in improving the infrastructure and safety of the area as well as delivering a new community hub and 258 new homes.

The Your Homes, Our Homes Project will see the re-commissioning of repairs, maintenance and investment services which will offer opportunities to invest in Slough's neighbourhoods and communities further and to provide truly customer focussed services to residents. It will also provide the opportunity to build a local, in-house capacity to undertake maintenance work. The Council remains committed to realising its vision of ensuring that neighbourhoods provide a safe and healthy environment for all residents and visitors.

The Council's priorities for service delivery will be to:

- Design and commission an innovative repairs, maintenance and investment service;
- Engage and empower residents to influence decisions that affect them, their home or their neighbourhood;
- Deliver efficiencies to maximise income and commercial opportunities to generate additional income to invest in the Council's housing stock and contribute to the development of new, affordable, homes;
- Achieve value for money through the rigorous management of contractors and other agencies;
- Take prompt, effective action to tackle anti-social behaviour and enviro-crime to ensure that all neighbourhoods provide a safe and healthy environment for all residents and visitors

## Case Study: 'Milestone'

'Milestone' is the first resident-led development project to be delivered by Slough Urban Renewal, which is a 50:50 joint venture company that is owned by the Council and Morgan Sindall Investment Ltd.

The development, which started on site in Spring 2015, is located between Ledgers Road and Montem Lane. It includes a mix of private properties and 23 affordable homes for rent (a mix of apartments and houses) which will be acquired by the Council upon completion.

With a high quality internal and external specification and impressive landscaping, Milestone is the first of a pipeline of projects to be delivered on the Council's behalf by Slough Urban Renewal that will increase the supply of modern, energy efficient and affordable homes for rent.

- Deliver a focussed landlord service that meets the Council's statutory housing duties and complies with current legislation and which is accessible to all of the Council's current and potential tenants and leaseholders
- Review the Tenancy Strategy and the Allocations Policy to reflect the Council's aims and ambitions as well as residents' needs and expectations.

Priorities for investment of HRA resources will be:

- Repairs, maintenance and investment programmes for Council owned homes
- £40 million developing new homes for residents in need of affordable homes.
- Compliance with regulatory and legislative requirements in relation to services delivered
- Shifting the money spent on works to property away from reactive day to day repairs and towards planned and cyclical maintenance and investment works
- Modernising and maximising the use of IT systems to achieve efficiency savings

The Council has taken an ambitious but responsible approach to the management of its housing finances. An important part of this is its approach to borrowing and debt. The Government has set a limit of £177 million on the total amount of debt the council can use for the HRA. None of the current commitments will trigger borrowing up to this level. Our Treasury management is responsible and prudent and focussed on lowering the amount of debt in order to reduce interest payments. The Council is committed to repaying as much of its debt as possible but acknowledges that we are not in a position to pay off debt in its entirety at the present time.

Over the next 4 years the Council is committed to using its reserves to fund the programme to build new homes whilst maintaining at least £1 million in reserves to protect the HRA from unexpected fluctuations in income and expenditure. Beyond this the Council will need to decide on the right balance between investing in new and existing homes in the short and medium term, which will increase liabilities, and containing or reducing debt. One factor in this decision will be the rent levels to charge on newly-built homes.

Although the HRA is strong in the short term, there are significant uncertainties and threats in the future, including:

- The long term impact on income of the Government taking control of rent setting, including 'Pay to Stay' proposals which will require tenants with a combined household income over £31,000 to pay more
- The impact of Government policy to forced the sale of 'higher value' Council homes as they become empty
- The effect on HRA income of welfare reforms and, in particular, the introduction of Universal Credit and further caps on the total amount of benefits that a household can receive
- The results of the Stock Condition Survey (due in January 2017) which will reveal more precisely how much needs to be invested in Council owned homes over the next 30 years

The Business Plan shows that if the impact of these, operating either singly or in combination, is significant, they could threaten existing investment plans and lead to the council being faced with difficult choices on how to prioritise investment. Together these uncertainties and threats represent

the endpoint of what had previously been regarded as a long-term agreement with the Government over the self-financing of the HRA.

It is anticipated that the impact of these matters will be come clearer over the next few months. For this reason this Plan should be seen as providing a baseline against which a further review of the Business Plan will be completed in March 2017.

In addition to this, it is proposed that now is the time for the Council, in partnership with residents, to undertake a comprehensive Asset Management Review/Options Appraisal looking at the future of its housing stock and at how the Council can best achieve its ambition to provide more and better homes for the benefit of the people of Slough. This Options Appraisal would commence immediately, would be informed by the revised Business Plan in March 2017 and would be completed by December 2017.

## **2. Introduction**

- 2.1 Slough Borough Council owns and manages 7,100 rented and leasehold homes across the borough. This is the Council's most valuable physical asset. A wide and diverse range of residents are accommodated in council homes across a range of income groups. However, they are a particularly important resource for households on low or modest incomes who cannot afford to house themselves in homes available on the private market. Its significance is increasing as house prices and private sector rents escalate. Demand for council homes is high and far outstrips supply. Council housing is also vital for the economic future of Slough in that it provides affordable accommodation for people who work in the borough.
- 2.2 Council homes are financed through a special account – the Housing Revenue Account (HRA) - which is separate from the rest of the Council's finances. The Council is required to produce a plan setting how it intends to manage and utilise its homes in the long term. This HRA Business Plan provides the Council's forecasts for utilising HRA funds over a 30 year period to effectively manage and maintain the Council's housing stock and contribute towards the development of new affordable homes in the borough.
- 2.3 The Slough Joint Wellbeing Strategy states that "by 2028 Slough will possess a strong, attractive and balanced housing market which recognises the importance of housing in supporting economic growth". This HRA Business Plan contributes to how the Council will achieve this ambition. The 5 Year Plan defines the Council's ambitions, opportunities and challenges together with the priorities and resources available to achieve the Council's vision. Homes and housing are one of its key themes. The Housing Strategy describes how the 5 Year Plan outcomes will be achieved and should be read in conjunction with this Business Plan.
- 2.4. The Localism Act 2011 introduced a "Self-Financing" regime for council homes whereby local authorities were able to retain HRA funds and have the ability to decide locally how this money is spent. Slough Borough Council has grasped these freedoms and flexibilities and embarked upon an ambitious programme of development, regeneration and improvement. However, the

opportunities introduced through self-financing have been undermined since the summer of 2015 by emerging government policy, which has effectively taken control of council rents, will require some tenants on higher incomes to pay more and will require councils to sell some of their higher value homes.

- 2.5. These fundamental changes at a national level are being accompanied locally in Slough by a major drive to improve the Council's capacity and ability to manage its assets effectively. A full stock condition survey, currently in train will update information about the Council's homes. In parallel the Your Homes, Our Homes Project is recommissioning the repairs, maintenance and investment contract so as to deliver these services more comprehensively and effectively over the next 7 to 10 years.
- 2.6 In view of the pace of change this Business Plan has been produced as a baseline position and it will be reviewed by March 2017, when it is anticipated that the full impact of the changes and initiatives referred above will be known and understood. It is also a major recommendation of this Plan that the Council should use this opportunity to undertake a full Option Appraisal of the future of its housing stock, in full collaboration and partnership with tenants and leaseholders.
- 2.7 The Plan contains a number of sections which start out by describing the homes within the HRA in Slough and how they are managed and go on to set out the external operating environment within which this Plan has been developed. The report describes current investment priorities and the ambitious development programme currently underway. The core of the Business Plan is a set of 30 year financial projections and sensitivity analyses which serve to summarise the overall financial outlook for the HRA and the risks which it faces over the life of the Plan. It concludes with an Action Plan setting out the Council's priorities for action.

### **3. Governance and Resident Involvement**

- 3.1 Slough consists of 15 wards governed by 42 elected Councillors. The Council's Cabinet is responsible for strategic decisions and comprises 7 Commissioners, including a Commissioner for Housing and Urban Renewal.
- 3.2 Housing and Neighbourhood Services are overseen by the Strategic Director, Regeneration, Housing and Resources through the Head of Neighbourhood Services and the Head of Housing Services.
- 3.3 The Council's landlord function is regulated by the Homes & Communities Agency who set out their required outcomes and specific expectations in the Regulatory Framework for Social Housing in England. The framework contains specific requirements and expectations relating to resident involvement in the Tenant Involvement and Empowerment Standard. Delivery of the Consumer Standards that apply to local authority landlords is underpinned by the principles of co-regulation and resident led scrutiny.
- 3.4 In Slough the Resident Board ('the Board') is the principal resident-led group responsible for co-regulating and scrutinising the Council's landlord function. The Board delegates the day-to-day co-regulatory and scrutiny functions to the Repairs & Maintenance Panel and the

Neighbourhood & Complaints Panel who are able to commission scrutiny activities from the wider resident community.

- 3.5 The current re-commissioning of the repairs, maintenance and investment services presents an opportunity to modernise and enhance resident involvement and engagement at a local level to offer residents, Councillors and key stakeholders an opportunity to influence priorities to reflect local needs and aspirations. The Resident Board, Panels and Neighbourhood Forums will form an integral part of the governance of these services, allowing residents to monitor and scrutinise service delivery.

## **4. Neighbourhood and Housing Stock Profile**

- 4.1 Slough has a fast growing population and its proximity to London contributes to the high demand for affordable housing across all tenures. The Right to Buy means that the Council no longer manages large, purely Council owned estates, however there continues to be a higher density of Council owned homes in Britwell, Langley, Foxborough and Chalvey.
- 4.2 The borough has a high number of properties built between 1930 and 1939 (18%) and from 1955 onwards (20%). These homes are often smaller on average than the norm with an average 4.7 rooms per household. The average household size in Slough is 2.8 people (the second highest in England) with 20% of households being overcrowded compared to 8% across England.
- 4.3 Slough is one of 162 English Councils (around half of the total) still owning housing stock. Slough Borough Council owns and manages 6,093 rented properties and a further 1,091 leasehold properties across the borough. Demand for affordable housing in Slough remains high with over 250<sup>i</sup> households being housed in temporary accommodation at the time of writing this plan. The implementation of a new allocations scheme in January 2014 resulted in a reduction of over 5,000 applicants on the Housing Register. Of the 1,780 applicants currently on the waiting list, 30% require a one bedroom property, 31% require 2 bedrooms and 33% require 3 or more bedrooms. The average waiting time for a council property ranges from 74 weeks for over-50s accommodation to 234 weeks for a 4/5 bedroom home.
- 4.4 The Council's housing stock comprises a mix of flats, houses, maisonettes, bungalows and mobile home bases. The teams also manage 1,946 garages on 161 garage sites and a further 28 garages scattered across the borough. There is a programme of redevelopment to regenerate garage sites that are no longer fit for purpose. The stock also consists of 9 ex-sheltered complexes situated almost entirely (7 out of the 9 complexes) in the East of the borough.

### **North Neighbourhood**

- 4.5 The North Team manage 2,669 council owned, rented properties in the North of the borough, including 50.6% of homes in Britwell which is the second most deprived ward in Slough. The most common type of housing is terraced and semi-detached houses. However, there are a significant number of blocks of flats within the council's housing stock.

## South Neighbourhood

- 4.6 The South Team manage 1,188 council owned rented properties in the South of the borough, including Central Slough and Chalvey which is the most deprived ward in Slough. Whilst the South contains the lowest number of council owned properties in the borough, it has the greatest number of Houses in Multiple Occupation (HMOs)

## East Neighbourhood

- 4.7 The East Team manage 2,407 council owned, rented properties in the East of the borough, including 50% of Council owned blocks of flats. Wards in the East of the borough show the lowest levels of deprivation.

## 5. External Operating Environment

- 5.1 The social housing sector has been through a period of unprecedented change in recent years. The changes have presented some challenges and opportunities for the Council and will continue to do so throughout the lifespan of this Business Plan. Under the self-financing regime (introduced by the Localism Act 2011) the Council particularly welcomed the freedom to develop new homes in the borough and aims to expand its development programme in response to the growing demand for affordable homes in Slough.
- 5.2 The Housing & Planning Act 2016 and the Welfare reform and Work Act 2016 will have a significant impact on the Council's housing services over the coming years. Whilst much of the detail is yet to be issued, the legislation contains the following provisions that will present challenges for the Council:
- **Pay to Stay** requires households with a (combined) income of £31,000 or more to pay higher rents. From April 2017, qualifying households will see their rent increase by 15p per pound earned above the threshold<sup>1</sup>. Taxable income must then be reviewed annually and rents uprated in line with the Consumer Price Index. Work is currently underway to identify qualifying households and to analyse the impact that increased rents will have on the HRA.
  - Local authorities will be required to **pay a levy based on an estimate of the high value homes that they own**. The Council awaits clarity from the Government on the definition of 'high value', however the surplus generated by these sales will be used to compensate housing associations for the discounts offered to their tenants under the Voluntary Right to Buy. It is expected that homes that are sold for this purpose will be replaced on a 'one for one' basis.
  - The **reduction of council rents by 1%** in each of the 4 years beginning with 2016/17. The impact of this is discussed in detail in Section 9 of this Plan.

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<sup>1</sup> This figure may change as the details of the Housing & Planning Act are developed.



- The impact of the **end of lifetime tenancies** means that the Council need to review its Tenancy Strategy and this is included in the Action Plan at Appendix 1.

- 5.3 Slough's proximity to London makes it an attractive alternative to households that are unable to afford the capital's high property prices and rents. The borough's excellent travel links and plans for HS2 and Crossrail have driven significant increases in local house prices and market rents over the past 2 years. The opportunity for private landlords to charge higher rents mean that the cost of renting privately is increasingly exceeding the Local Housing Allowance, making them out of reach for many low income households. This, combined with the London Borough's capacity to pay the higher rents plus additional incentives to private landlords to encourage them to accept nominations from their Housing Registers, has had a significant impact on the Council's capacity to discharge its homelessness duties to private rented accommodation.
- 5.4 The introduction of the Under-Occupation Penalty introduced by the Localism Act 2011 impacted on an estimated 485 households in Slough. However, the majority of households affected have since found work and are either able to pay any shortfall in their housing related benefits or their rent in full. Of the remaining households affected, 21 households are claiming Discretionary Housing Payments to cover the shortfall and 13 are looking to downsize.
- 5.5 An estimated 600 households in Slough are likely to be affected by the reduced benefit cap when it comes into effect in 2016. At the time of writing this plan there is no indication of when Universal Credit will be introduced for families and it is only currently being claimed by single people. The impact of these reforms is being closely monitored.

## 6. Landlord Services

- 6.1 Housing and Neighbourhood Services deliver the Council's responsibilities as a social housing landlord. The services sit within the Regeneration, Housing and Resources directorate and are managed by the Head of Neighbourhood Services and the Head of Housing Services.
- 6.2 A number of major contracts and agreements are in place to deliver services, including:
- The **Interserve plc** contract extension to deliver the responsive repair, void property works, planned maintenance, external decorations and out-of-hours repairs services. Interserve also provide a free Handyperson Service for vulnerable residents. These services are currently being re-commissioned pending the end of the contract extension with Interserve in November 2017.
  - The **Amey contract** delivers a range of grounds maintenance services, including street cleaning, grounds maintenance, waste collection, graffiti removal and fly-tipping disposal. The contract is due to end on 31 March 2017 and an options appraisal for the delivery of these services is currently being prepared.

- The contract with **Arvato plc** is a 10 year contract which commenced in 2012 for the delivery of a range of front and back-office functions on behalf of the Council. Service delivered on behalf of Housing and Neighbourhood Services, includes the assessment of Housing Benefit claims, a Digital Image Processing service, invoice payments, administration of Discretionary Housing Payments and local welfare provision, rent accounting and the Cashiers Service. In 2013 the Customer Service Centre (MyCouncil) and IT functions were added to the Arvato contract.

- 6.3 Housing management services are delivered by three Neighbourhood Teams with patches aligned to the Thames Valley Policing Sectors in the North, South and East of Slough. The Leasehold Services Team manage service charges and major works billing as well as Right to Buy applications. The day to day management of leasehold properties is carried out by the Neighbourhood Teams in liaison with the Leasehold Services Team.
- 6.4 Service priorities and improvements are designed and delivered in collaboration with the Resident Board and Panels. Resident led scrutiny activities, customer insight and market research are used to enhance the decision making process. In recognition of the financial impact of repairs, maintenance and investment works on leaseholders, the Council will continue to meet its legal obligations to consult leaseholders on these works and offer a range of payment options to allow them to spread the costs.
- 6.5 The Neighbourhood Teams combine the Council's Housing and Enforcement Officers who work collaboratively to tackle anti-social behaviour and enviro-crime. Together they are able to use the range of powers available to the Council to take action to tackle problems regardless of the cause or location where they occur.
- 6.6 Over the coming year the following areas will be prioritised for service development and improvement;
- Design and commission an innovative repairs, maintenance and investment service that embraces the use of new technology and digital media to enhance residents' experience of these services and improve the quality of their homes.
  - Engage and empower residents to co-regulate the Council's landlord function and to influence decisions that affect them, their home or their neighbourhood to enhance their experience
  - Identify and deliver efficiencies to maximise income and commercial opportunities to generate additional income to invest in the Council's housing stock and contribute to the development of new, affordable, homes for Slough's residents
  - Monitor and manage contractors, partners, external agencies and services provided internally to achieve Value for Money and to improve residents' experience of services
  - Make full use of all of the powers available to the Council to take prompt, effective action to tackle anti-social behaviour and enviro-crime to ensure that all neighbourhoods provide a safe and healthy environment for all residents and visitors
  - Deliver a focussed landlord service that meets the Council's statutory housing duties and complies with current legislation and which is accessible to all of the Council's current and potential tenants and leaseholders

- Review the Tenancy Strategy and the Allocations Policy to reflect the Council's aims and ambitions as well as residents' needs and expectations.

6.8 The service also manages over 1,100 leasehold properties sold under the Right to Buy. The Government's increase in the discounts available under the Right to Buy have seen applications increasing to 31 completions so far this financial year compared to a total of 51 in 2015/16. Fluctuations in house values will impact on residents' ability to afford to buy their home, however it is anticipated that there may be a slight increase in sales as the Government continues to incentivise home ownership.

6.9 The introduction of 'Pay to Stay' may also encourage some tenants into home ownership, as market rents and mortgage payments align. Right to Buy sales will be closely monitored and adjustments will be made to the HRA, as appropriate over the lifetime of this Plan.

## 7. Priorities for Repairs, Maintenance and Investment

7.1 The Council has successfully delivered a fully funded Decent Homes programme of works since 2005/06 that has had a significant impact on the quality of the Council's housing stock and the built environment. The Council aims to maintain the quality of its housing stock and ensure that any future investment is effectively planned and managed.

7.2 The Council currently spends around £12.5 million per year on repairing, maintaining and investing in its housing stock and associated HRA assets, broadly broken down into the following service areas:

- |   |              |
|---|--------------|
| • Day to day (routine) repairs, gas servicing, empty properties, planned preventative maintenance | £5.7 million |
| • Capital investment works  | £5 million   |
| • Statutory compliance testing and maintenance (eg Fire, Water and electrical safety)             | £600,000     |
| • Pre-paint repairs and cyclical decorations  | £320,000     |
| • Estate and window cleaning  | £850,000     |

7.3 The capital programme for 2016/17 totals around £4.8 million. In anticipation of the re-commissioning of the repairs, maintenance and investment services contract due to commence on 1 December 2017, the Council has naturally exited most of its capital investment contracts in the run up to the new contract going live, leaving only 3 contracts in place for the:

- renewal of central heating and boiler upgrades
- replacement of external doors and windows
- renewal of roofs, soffits, rainwater goods and associated works

7.4 Other planned works programmed for 2016/17 include external lighting upgrades, garage improvements and external environmental improvements.

7.5 Looking forward, the current HRA Capital spend profile is as follows:

Programme	Year 1-5 2018-2023	Year 6-10 2023-2028
Budget	£24.95m	£32.9m

- 7.6 These costs above are indicative, based on historical investment programmes and do not necessarily reflect the actual investment required. In recognition that the Council's current stock data needed updating, a comprehensive and detailed Stock Condition Survey will be completed by January 2017. This will allow the Council to better prioritise and target investment works. The above programme will therefore be subject to change based on the outcome of the Stock Condition Survey which will enable a full options appraisal, investment profiles and a stock rationalisation programme to be developed. Residents will also be engaged and involved in setting priorities and strategic investment decisions.
- 7.7 Through the new repairs, maintenance and investment contract the Council is looking to develop a programme of works that reflects the changing needs of residents and the housing stock. The Council will ensure that resources are focussed in the correct areas and that it delivers its promises to residents in accordance with the Slough Standard and the 'Lettable Void Standard.' The Council will undertake to categorise repairs appropriately, empower officers to order discretionary repairs where appropriate and seek to achieve an appropriate balance between emergency, urgent and routine repairs.
- 7.8 In line with best practice, the Council is seeking, wherever possible, to ensure that repair orders are carried out as planned works rather than reactive tasks. The aim is to benefit residents by reducing the number of repairs they have to report and, over time, to improve and streamline delivery of the programme.
- 7.9 The nature, location and frequency of repairs will be continuously monitored to identify measures that can be taken to reduce the overall volume of repairs and to identify appropriate programmes of planned capital investment works and cyclical maintenance to maintain and enhance the housing stock.

## 8. Development and Regeneration

- 8.1 The Council has for a number of years proactively been looking for opportunities to build more affordable homes and to regenerate areas of the Borough.
- 8.2 Work began on the regeneration of Britwell in March 2011 with the demolition of bedsit bungalows and the unpopular Wentworth block of flats. Work started on the development of the Community Hub in February 2012 and the Hub, which includes a library, café, MyCouncil offices and community meeting rooms, was opened by Her Majesty The Queen and His Royal Highness The Duke of Edinburgh in April 2013.

8.3 Around 300 new homes and shops have now been built on Kennedy Park, Marunden Green, Wentworth Avenue and the site of an old nursing home on Long Readings Lane. The regeneration project has significantly improved safety and security for residents living in Britwell as well as delivering more, much needed, affordable homes.

### Current Development Programme

8.4 The council has established an ambitious development programme on small, underused, HRA sites. This was assisted by an agreement with the Government which enabled the Council to retain Right to Buy receipts on the condition that they are used for the provision of new affordable housing. Up until March 2016, £12m of Right to Buy receipts have been retained for the provision of new affordable homes.

8.5 The indicative development programme is part funded through:

- Retained Right to Buy receipts
- The Council's Housing Development Fund
- Section 106 funding
- Borrowing



8.6 The total potential commitments from the development pipeline below are estimated to be £40m, excluding the cost of redeveloping the Tower and Ashbourne Houses site in central Slough (see below).

8.7 The table below shows the indicative affordable housing development programme:

Site	£m	Units	Ward	Anticipated final completion date
Former Wexham nurseries	7.2	34	Wexham	2018/19
Milestone/Ledgers Rd	3.6	23	Chalvey	2017/18
94-102 Stoke Rd - acquisition	0.8	6	Central	2018/19
Britwell Regeneration	0.4			completed
Eschle Court Pilot	2.1	11	Elliman	2017/18
93 Bryant Ave –Phase 1	0.2	1	Baylis & Stoke	2017/18
23 Mansel Cl –Phase 1	0.4	2	Wexham Lea	2017/18
116 The Frithe – Phase 1	0.2	1	Wexham Lea	2017/18

1 The Cherries – Phase 1	0.2	1	Wexham Lea	2017/18
Rochfords Hostel	3.8	20	Wexham Lea	2017/18
Belfast Avenue		7		TBC
r/o 40 Pemberton –Phase 2	1.9	1	Britwell & Northborough	2017/18
r/o 14 Gasgons – Phase 2	Incl ab	2	Britwell & Northborough	2017/18
r/o 8 Egerton – Phase 2	Ince ab	2	Britwell & Northborough	2017/18
Thirlmere – Phase 2	Incl ab	4	Haymill & Lynch Hill	2017/18
Wordsworth – Phase 2	Incl ab	1	Haymill & Lynch Hill	2017/18
Lynch Pin – Phase 2	1.1	6	Haymill & Lynch Hill	2017/18
Brook Path – Phase 3	0.6	3	Cippenham Gr	2018/19
Pendeen Ct – Phase 3	0.9	5	Cippenham Meadows	2018/19
324 Trelawney Ave – Phase 3	0.6	3	Langley Kedermister	2018/19
Fox Rd – Phase 3	1.1	6	Langley Kerdermister	2018/19
r/o 7-9 Mansel Cl – Phase 3	0.8	4	Wexham Lea	2018/19
Adj 7 Moreton – Phase 3	0.8	4	Cippenham Green	2018/19
Adj 130 The Normans – Phase 3	0.2	1	Wexham Lea	2018/19
Bowyer Rd – Phase 3	0.6	3	Cippenham Green	2018/19
Sheehy Way car park – phase 4	1.3	7	Wexham	2019/20
Blandford Cl - phase 4	4.3	23	Langley	2019/20
Turton Way garage site SL1 2ST - phase 4	1.1	6	Chalvey	2019/20
Newport Rd - phase 4	0.4	2		2019/20
adj 35 Layburn Cres - phase 4	0.4	2		2019/20
Merrymakers – pipeline	1.9	7	Langley	2019/20

Buybacks-indicative	3	12	various	N/A
<b>Total</b>	<b>39.9</b>	<b>c 190-210</b>		

## Future Programme

- 8.8 The Tower House and Ashbourne House tower blocks are already being decanted prior to the site being redeveloped, a total of 120 flats. The majority of tenants and leaseholders have now been resettled in Council or other suitable accommodation of their choice and the tower blocks are at the demolition planning stage. An Options Appraisal is being carried out to determine which is the most economically viable option for the HRA in the longer term, whilst maximising the number of replacement units on the site.
- 8.9 The current development programme is focussed on derelict or underused sites so is subject to available HRA land supply. The delivery of new homes is projected for 2017 to 2019. However, in addition, work is underway for more ambitious regeneration programmes through stock rationalisation and densification of existing assets, open market land acquisitions and partnership working. The Stock Condition Survey and further Options Appraisals will yield a potential development programme beyond 2019. Initial high-level analysis has suggested that over the next 15 years and including the existing development programme, it may be possible to achieve a net gain of up to 1,000 homes on existing HRA land. This is subject to detailed further analysis.
- 8.10 This Plan proposes that in the light of the financial position of the HRA set out in Section 9 below the Council, in close partnership with residents, should undertake a comprehensive Asset Management Review/Options Appraisal looking at the future of its housing stock and at how the Council can best achieve its ambition to provide more and better homes for the benefit of the people of Slough. One focus of this study would be how to maximise the delivery of high quality new homes on HRA land.

## Rents Policy

- 8.11 The Council has reviewed its policy on the rents to be charged on its newly-built homes. This does not affect the rents of existing tenants. By preference, the Council would wish to charge rents on new properties which are at the same level as those for existing tenants. However, it has had to review this position for three reasons;
- First, there is now no national Government funding for affordable rented homes and the Council is therefore dependent on generating its own resources to fund a development programme. While there is funding within the HRA for the existing development programme, these funds are a one-off. Charging a higher level of rent may allow for an extension of the existing programme;
  - Second, the financial analysis which follows in Section 9 demonstrates that on certain assumptions, the HRA is unstable over the 30 year span of the Business Plan. Furthermore, given that the Government has effectively taken control of the rents charged on existing homes, rents to be charged on new homes are the only significant

respect in which the Council can increase its income go the HRA. This income may be required not only for extending the development programme but for funding essential works to *existing* homes;

- Third, the introduction of the Government's "Pay to Stay" policy means that for a significant number of tenants, rents will rise anyway with all of the benefit flowing back to the Treasury rather than being used for the benefit council tenants in Slough.

8.12 For these reasons, rents on new homes will be at 80% of market rent levels or maximum Local Housing Allowance rates, whichever is the lower. This will at least mean that the new homes are still within the reach of households in receipt of Housing Benefit. This position will be reviewed alongside the review of this Business Plan proposed for March 2017,

### **Case Study – Eschle Court**

The fabric of the building of the old block of flats at Eschle Court was identified as being in very poor condition. The block was becoming hard to let and it would have taken a significant amount of Decent Homes budget to remedy the defects.

With the introduction of the new HRA freedoms and flexibilities it made sense for the Council to retain its asset and develop the site itself rather than involve private developers.

Works on the new development are underway and will provide a mix of affordable homes for rent, ranging from one and two bedroom apartments as well as a much needed three bedroom, wheelchair accessible, apartment. The block of 11 apartments with a parking courtyard is anticipated to complete in August 2018.





## 9. Finance Modelling, Assumptions and Projections

- 9.1 In preparing this Business Plan the Council has produced detailed financial projections for the HRA over the 30 year period 2016 to 2046.
- 9.2 The budget set for 2016/17 has already included the effect of a major change in Government policy on council rents. Until recently rents have been determined under Government guidance with annual increases around the level of inflation plus 0.5%. However under the recent Welfare Reform and Work Act , rents are subject to a 1% reduction each year until 2019/20. the Government's intentions beyond 2020 are unknown. This policy change has already been assumed to have reduced rental income over the 30 year Business Plan by a total of £36m.
- 9.3 The Table below summarises two scenarios for the 30 year Business Plan.
- The first scenario - the "Base Case" - shows the Business Plan as it stood at March 2016, just as the 2016/17 budget had been set;
  - The second scenario shows the integrated effect of sensitivity analysis undertaken based on a number of assumptions on a number of key variables.

HRA 30 Year Financial Projections 2016 to 2046 ( £m)		
	Base Case (March 2016)	Integrated Sensitivity Analysis
Income	(1183.7)	(1103.5)
Expenditure	904.3	952.6
Net Cost/(Surplus)	(279.4)	(150.9)
Cumulative Balance	(19.0)	109.7
Note; Capital Expenditure	176.8	176.8
Note; Debt Repayment	112.7	112.7

### The Base Case

- 9.4 A number of points form important background to the Base Case projections:
- As part of the "Self-financing agreement with the Government in 2012 the Council agreed to "buy" out of its housing debt and it's pre-2012 debt. Current borrowing is around £157m and will have to be repaid as the various loans become due or over time as funding permits;
  - Revenue Contributions to Capital are "surplus" income which is used to fund the capital programme, including new building;

- The more that can be paid off as loans mature or as funding permits, the lower the annual interest costs will be;
- The HRA currently has £14m in the Housing Development Fund, which has been earmarked for building new council homes.

9.5 The Base Case assumes that:

- After the 4 years of 1% rent reductions from 2016/17, rents increase at 0.9% per annum
- The Council undertakes a programme of capital works (decent homes and planned works) to existing homes totalling £176.8m over the 30 year period;
- Debt repayment of £112.7m takes place over the 30 year period.

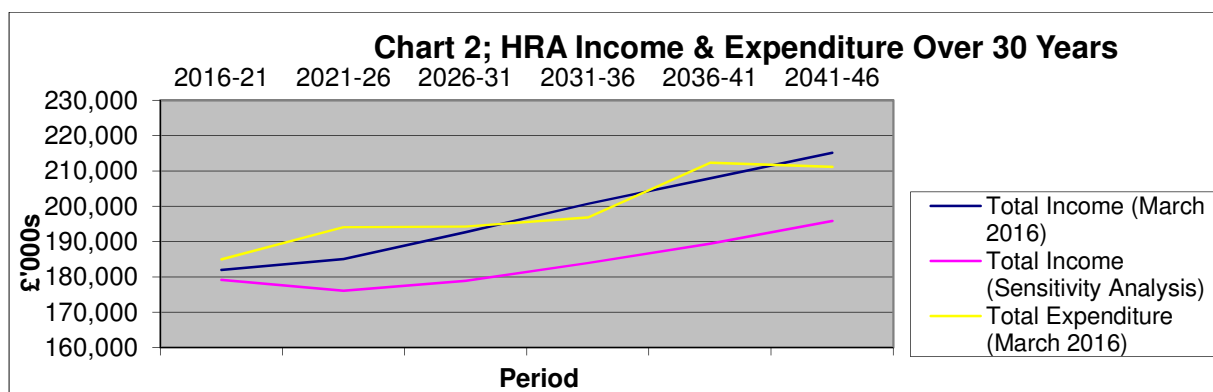
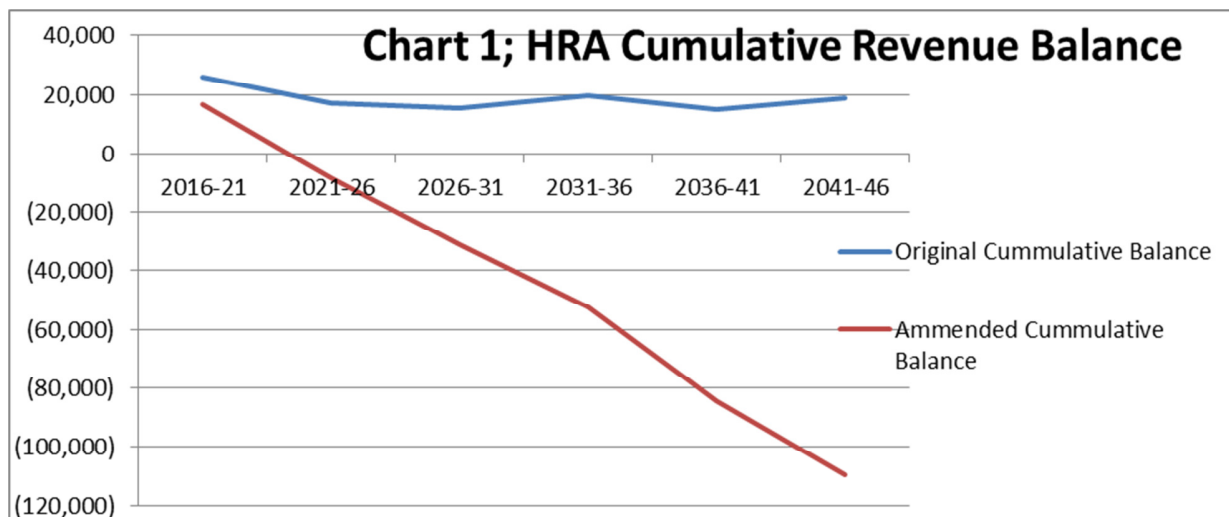
9.6 On this basis the HRA avoids a deficit in each of the years of the Plan and a cumulative balance of £19m is available. It is assumed that this sum is available to fund a programme of new building.

### **Integrated Sensitivity Analysis**

9.7 The second scenario on the Table above illustrates the combined effect of a number of factors which could have a negative impact on the HRA over the life of the Business Plan. The assumptions are as follows:

- After the first 4 years of the rent reduction of 1%, there is no increase for the next 6 years, then a gradual increase of 0.6% per year for the next 10 years and 0.9% per year for the following 10 years. These assumptions take around £57m of income out of the HRA over the 30 year period. This is in addition to the loss of income already built into the Plan due to the 1% reduction. Since Government has given no indication so far of how the rent policy will proceed after 2020 these are not unreasonable assumptions;
- A reduction in income from shops and a 25% reduction in income from garages;
- A 10% increase in the costs of repairs and maintenance, either resulting from the outcome of the stock condition survey or from increasing demand for repairs arising from the condition of existing homes. This is assumed to add £28m over the life of the Business Plan;
- A doubling in the provision for bad and doubtful debts arising from the non-payment of rent. This could arise from a number of factors, but principally difficulties in collecting higher rents under the Government's new "Pay to Stay " and welfare reform policies, including the rollout of Universal Credit and the reduction in the Overall Benefit Cap.
- It is assumed that the capital programmes of £176.8 and debt repayment of £112.7m continue as in the Base Case.

9.8 The charts below illustrate the position in two different ways. Chart 1 shows the cumulative balance from the Table as it develops over the life of the 30 year Plan. Chart 2 shows total income and expenditure on the HRA assumed in the Business Plan as it was at March 2016 and compares this with total income from the sensitivity analysis.



- 9.9 The Table and charts show, that on the basis of this combined sensitivity analysis, the HRA would not be viable with a cumulative deficit of £109.7m over the 30 year period. On this basis there would be no resources available for a programme of new building. Chart 1 shows that on these assumptions the cumulative balance becomes negative in around 2021/22. Chart 2 shows a position in which on *existing* plans resources are depleted in the early years (as the reserves for the new build programme are used) while the position under the sensitivity analysis is unstable.
- 9.10 In reality, the HRA would never reach this position. By law the Council is not permitted to budget for a deficit in the HRA and remedial action would be required. The detail of the financial projections which have been made show that even on these very negative assumptions the HRA is "viable" over the first 5 years of the Business Plan. It is in the second 5 years, between 2021 and 2026 that the account runs into deficit.
- 9.11 However, what the projections show is, that if these assumptions turned out to be valid in the way assumed, the Council would be faced with a limited number of difficult alternatives in order to avoid a deficit on the account. Chief amongst these would be:
- Cutting back on the level of day to day repairs and staffing;
  - Reducing the capital programme of works to existing homes;
  - Slowing the level of debt repayment;
  - Increasing income by other means;

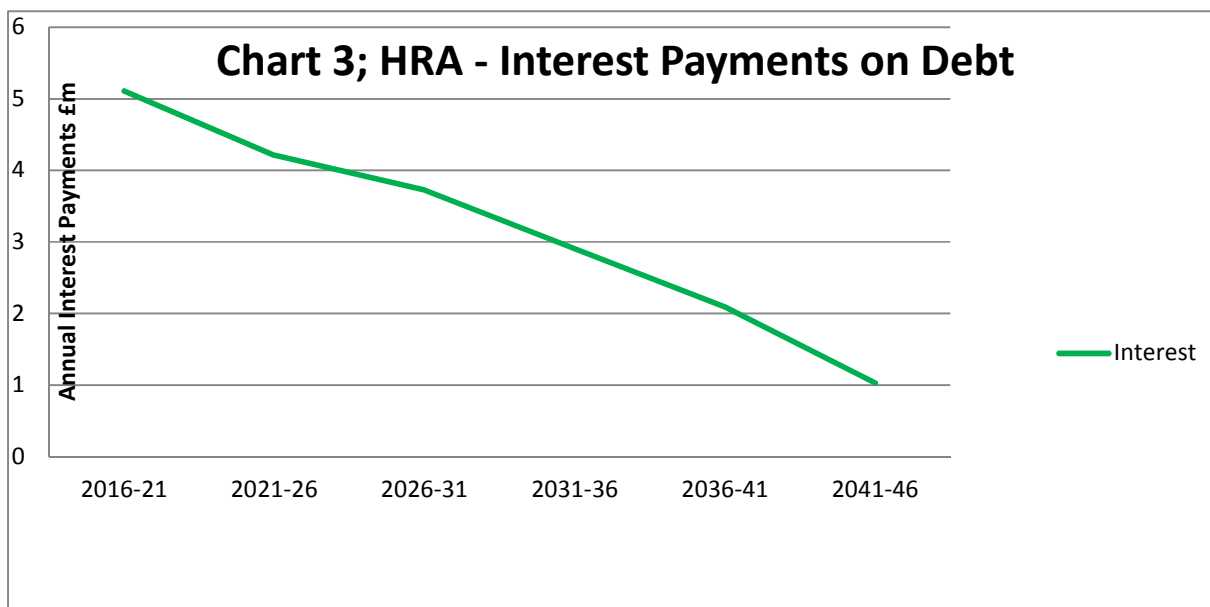
- Disposing of property.

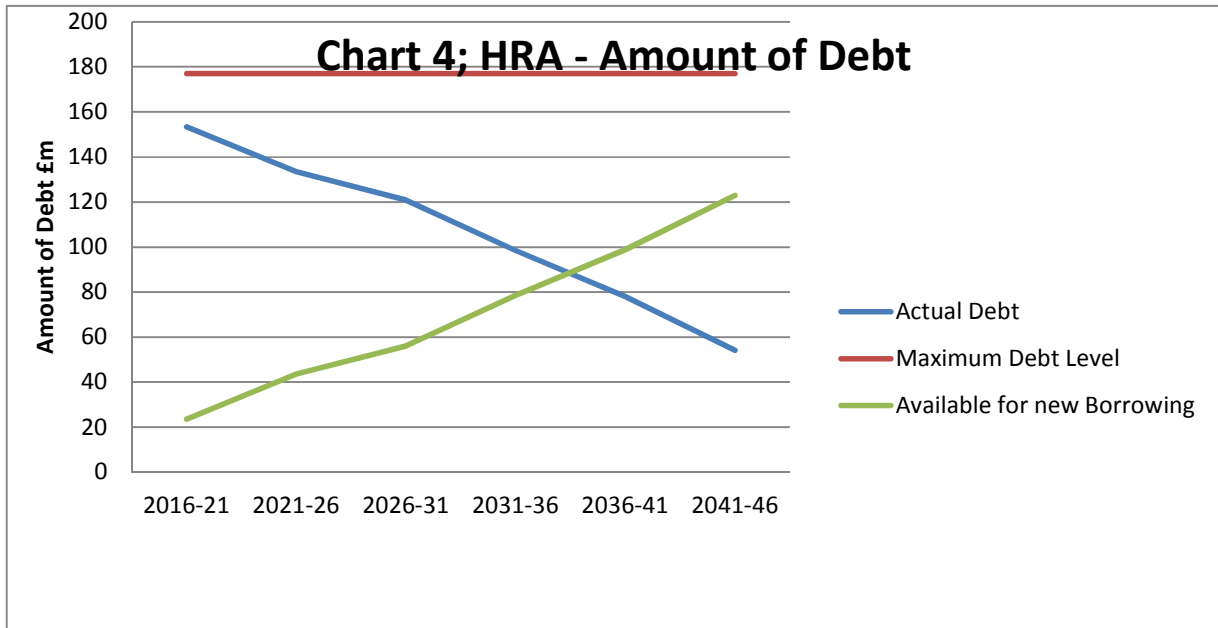
9.12 None of these assumptions are unduly pessimistic in their own right. However, it is probably unlikely that all of these negative factors would actually turn out to impact on the HRA in this way all at the same time. Nevertheless, this sensitivity analysis is useful in setting out the risks that the Council's housing finances face over the next few years. They also show that at the time of writing (August 2016) the HRA Business Plan is in a period of unprecedented uncertainty.

9.13 This is why it is a key recommendation of this Plan that a major review take place in March 2017 when some of the key uncertainties should have been resolved - particularly Government policy on rents and the outcome of the Council's stock condition survey.

### Borrowing and Debt

9.14 In 2012, the Council had to borrow a substantial amount of money (£135.8m) in order to 'acquire' its homes from the Government; the debt is costing the HRA almost £5.5m every year in interest charges. By repaying this debt, the HRA's annual interest costs will reduce therefore 'releasing' more of the rental income to be spent on repairs, maintenance and investment etc. In the current Business Plan, certain assumptions have been made with regard to the repayment of the debt over the 30 years and this is illustrated in the charts below.





9.15 If the current planned debt repayments have to be delayed or cancelled, whilst it might allow those debt repayments to be used for other priorities instead, it will also mean that the annual interest charges will remain close to their current levels of almost £5.5m a year. Debt will therefore continue to be a financial ‘burden’ on the HRA for many decades to come, diverting rental income away from other priorities and needs.

9.16 By continuing to maintain a planned programme of debt repayment, should the Council need to make a substantial investment sometime in the future to address an unforeseen critical need, it could meet that need by undertaking new borrowing.

## 10. Looking Forward

10.1 Over the last few years the Council has shown considerable ambition in managing its HRA, particularly in launching a programme of building new Council homes. In the short term the account remains strong, however the stress-testing within this Plan has shown that, under a number of scenarios, it is possible this stability could be threatened and that mitigating action might be required. The Housing & Planning Act, together with other legislation, will have a significant impact not only on the Council’s landlord function, but also on tenancies and household incomes. At the time of writing these impacts are not yet clear, but more detail should emerge during 2016/17.

10.2 The Government’s decision to reduce rents in the 4 years from 2016/17 has already taken substantial sums from the 30 year Business Plan. Over the next few months the Government is likely to announce its intentions for the years beyond 2020.

- 10.3 During the coming months it will become clearer how the Government intends to define 'high value' properties, how much money the Council will need to pay to the Treasury under the terms of the Housing and Planning Act and how many homes it will need to sell and replace. This in turn will inform the Council's programme for building new homes.
- 10.4 The Government's current intention is to introduce higher rents for tenants with a gross household income of more than £31,000 ("Pay to Stay") from April 2017. Regulations are still awaited on this but in addition to having a substantial impact on a significant number of household budgets the policy will impose additional burdens on the Council, including establishing for the first time what tenants earn. The effect on the HRA is currently unknown but one risk is that rent collection levels will fall.
- 10.5 Welfare reform will place additional pressure on the HRA, mainly on rent collection performance. The reduction in the level of the overall Benefit Cap from Autumn 2016 will reduce the income of some Council tenants with the reduction being taken, initially, from Housing Benefit (or the housing element of Universal Credit). The roll out of Universal Credit, when it occurs, will mean payments being made direct to tenants rather than the landlord. Data from other authorities has shown that this will affect rent collection levels and, as a consequence, require higher provision for bad debts.
- 10.6 As the management of the Council's housing stock becomes more complex, it will be vital that IT systems are fit-for-purpose and capable of supporting new ways of working. The mobilisation of the new repairs, maintenance and investment contract will prove an opportunity to review the multiple IT systems currently in use and consider whether a one-system solution might support efficiencies in the management of the Council's housing stock, whilst delivering a better customer service and

### One Public Estate

The Council has been considering how local services could be delivered in the future. In 2014/15 work commenced on a collaborative strategy between SBC, Slough Clinical Commissioning Group, GPs and NHS England to develop proposals for a community hub at Trelawney Avenue, Langley. The Council is the freeholder of the Merrymakers public house and the HRA acquired the leasehold in 2012 to assemble a site to provide affordable housing for rent. Whilst the site is designated for residential use, the Council is keen to take a more strategic view that would see the introduction of a mixed-use development that would introduce housing and a community hub. This new facility will combine integrated health services with Housing Services, Library Services and Adult Social Care, as well as creating flexible space to deliver voluntary and community based services. The remainder of the site will accommodate up to 10 SBC properties for affordable rent

Looking forward, this proposal could shape the future delivery of Neighbourhood Services. It could provide the model for a flexible and integrated approach where front-line staff co-locate with public, private and voluntary sector providers in a neighbourhood setting and free up sites for additional affordable housing.

achieving financial savings to strengthen the HRA.

- 10.7 The outcome of the Stock Condition Survey in January 2017 will establish the priorities and level of investment required to maintain the Council's current housing stock in the short and longer term. This will need to be balanced against the Council's ambitions to build new affordable homes. The data from the survey will be used to develop an Asset Management Strategy to set out; the scope for stock rationalisation; opportunities for regeneration and in-filling to deliver new affordable homes; and opportunities to acquire new sites for the development of new affordable homes.
- 10.8 In the medium and longer term the Council may need to make some tough decisions about priorities for investment and how to mitigate risks to the HRA. Careful management of the HRA up to this point means that the Council is in a position to manage this change successfully and to ensure the Council's housing finances are sustainable in the long-term. The challenge will be to establish whether it can do this without losing its ambition both to maintain existing homes to a high standard and to build new affordable homes for the residents of Slough.
- 10.9 These major developments, legislative changes, a crucial upgrading in the Council's data around the condition of its housing stock and the potentially transformational impact of a new repairs, maintenance and investment contract, will all take their course during the year following the publication of this Plan. For this reason this Plan should be seen as providing a baseline against which a further review of the Business Plan will be completed in March 2017.
- 10.10 In addition to this, it is proposed that now is the time for the Council, in partnership with residents, to undertake a comprehensive Asset Management Review/Options Appraisal looking at the future of its housing stock and at how the Council can best achieve its ambition to provide more and better homes for the benefit of the people of Slough. This Options Appraisal would commence immediately, would be informed by the revised Business Plan in March 2017 and would be completed by December 2017.

## 11. Risk Management

	Category	Risk	Mitigation	RAG
1.	Financial	Government rent policy threatens viability of the HRA and requires reductions in services.	<ul style="list-style-type: none"> <li>- Review of the Business to take place in March 2017 when Government plans for rents should be known.</li> <li>- Option Appraisal for council homes to complete by December 2017.</li> <li>- Prudent approach to borrowing and debt allows scope for adjustment.</li> </ul>	
2.		Results of the Stock Condition Survey increase costs on the HRA and threaten viability	<ul style="list-style-type: none"> <li>- RMI project is anticipating dealing with new data arising from the survey.</li> </ul>	

			<ul style="list-style-type: none"> <li>- Review of the Business to take place in March 2017 when results of survey will be known.</li> </ul>	
3.		Provisions of the Housing & Planning Act, particularly sale of high-value voids and “Pay to Stay”, impact negatively on the HRA.	<ul style="list-style-type: none"> <li>- Review of the Business to take place in March 2017 when regulations on the implementation of the Act should have been issued.</li> <li>- Prudent approach to borrowing and debt allows scope for adjustment.</li> </ul>	
4.	Property	Overall condition of HRA property deteriorates and does not meet modern standards.	<ul style="list-style-type: none"> <li>- Stock condition survey to complete in January 2017 to provide comprehensive update on the position.</li> <li>- Review of Business Plan in March 2017 will aim to resource works to existing homes over the life of the plan.</li> </ul>	
5.		Failure to make best use of HRA assets in the long term.	<ul style="list-style-type: none"> <li>- Option Appraisal to look at the options for the future of the housing stock and report by December 2017.</li> </ul>	
6.		There are insufficient resources to continue a new build development programme.	<ul style="list-style-type: none"> <li>- Review of Business Plan in March 2017 will look at scope for further new build.</li> <li>- Policy on rent levels in new build properties will partly determine scale of the future programme.</li> </ul>	
7.	Health & Safety	Insufficient resources are deployed on council homes to ensure compliance with statutory obligations.	<ul style="list-style-type: none"> <li>- Capital programme to adopt health &amp; safety works as a priority.</li> <li>- Corporate project on building compliance will ensure sufficient priority is afforded to Health &amp; Safety issues.</li> </ul>	
8.	Community Support	Tenants and leaseholders are not fully engaged and involved in the development of services and in decisions about the future of council homes.	<ul style="list-style-type: none"> <li>- Programme to widen engagement to start in November 2016</li> <li>- Asset Review/Option Appraisal to include full involvement of residents.</li> </ul>	
9.	Communications	Tenants are not fully informed about the impact of the Government’s “Pay to Stay” legislation.	<ul style="list-style-type: none"> <li>- Communications to be issued as soon as possible when detailed Government proposals are known. Implementation is due for April 2017.</li> </ul>	



## Action Plan

	Action	Lead Officer	Target Deadline	RAG
1.	Publish a baseline 30 year Business Plan for the Housing Revenue Account	Strategic Director	Autumn 2016	
2.	Undertake a comprehensive survey of the condition of the Council's housing stock	Head of Neighbourhood Services	January 2017	
3.	In light of the results of the Stock Condition Survey and the implementation of the provisions of the Housing & Planning Act, produce an updated HRA Business Plan	Strategic Director	March 2017	
4.	In partnership with residents, undertake a formal asset management review and options appraisal of the Council's housing stock	Strategic Director	December 2017	
5.	Confirm the existing development programme to deliver 190 new homes on Housing owned land and plan an extended programme beyond 2020.	Strategic Director and Head of Housing Services	March 2018	
6.	<p>Adopt the following priorities for improving services to residents:</p> <ul style="list-style-type: none"> <li>Award a new repairs, maintenance and investment contract for council owned homes to improve the quality and responsiveness of these services for residents and to act as a catalyst for the development of local and in-house capacity to provide maintenance services</li> <li>Engage and enable residents to</li> </ul>	Strategic Director and Head of Neighbourhood Services	<p>New contract to start in December 2017.</p> <p>Programme to begin in</p>	

	create a culture of accountability and responsibility and to broaden opportunities for the Council's tenants and leaseholders to be involved in the development and monitoring of services		November 2016 and complete in December 2017.	
7.	Implement the "Pay to Stay" provisions of the Housing & Planning Act in the budget-setting process for 2017/18.	Strategic Director	January 2017	
8.	Develop a new Tenancy Strategy for Council tenancies to reflect the provisions of the Housing & Planning Act	Head of Housing Services	March 2017	
9.	Undertake a formal review of the scheme for the allocation of social housing in Slough	Head of Housing Services	March 2017	
10.	Develop proposals for the more effective use of Council owned homes by increasing the number of tenants choosing to downsize when their family circumstances change	Head of Housing Services	March 2018	
11.	Review service charges and the value for money provided to leaseholders in the light of the stock condition survey and the new RMI contract.	Head of Housing Services	March 2018	
12.	Continue to offer leaseholders a range of payment options to recover the cost of major works, together with incentives for prompt payment.	Head of Housing Services	March 2017	

**Housing Revenue Account Business Plan – March 2016**

	Budget	Business Plan					
	2016/17	2016/2021	2021/2026	2026/2031	2031/2036	2036/2041	2041/2046
<b>Income</b>	-	-	-	-	-	-	-
Rent Income - Dwellings	(32,730)	(159,589)	(160,371)	(165,390)	(170,575)	(174,586)	(178,259)
Rent / Other Income - Non Dwellings	(1,762)	(9,169)	(10,123)	(11,176)	(12,340)	(13,624)	(15,042)
Charges for Services & Facilities - Tenants	(1,934)	(10,063)	(11,110)	(12,188)	(13,329)	(14,684)	(16,212)
Charges for Services & Facilities - Leaseholder	(612)	(3,186)	(3,518)	(3,963)	(4,503)	(5,078)	(5,658)
	<b>(37,038)</b>	<b>(182,007)</b>	<b>(185,121)</b>	<b>(192,718)</b>	<b>(200,746)</b>	<b>(207,972)</b>	<b>(215,172)</b>
<b>Expenditure</b>	-	-	-	-	-	-	-
Repairs & Maintenance	8,500	42,600	43,519	45,650	47,978	50,426	52,998
Supervision & Management	7,243	37,560	42,359	47,926	54,224	61,349	69,411
Special Services	2,084	10,957	12,396	14,025	15,868	17,883	20,214
Depreciation	5,560	27,800	27,800	27,800	27,800	27,800	27,800
Impairment (FARR)	1,000	5,000	5,000	5,000	5,000	5,000	5,000
Increase/Decrease in Provision for Doubtful Debts	458	2,407	2,723	3,081	3,486	3,944	4,462
	<b>24,845</b>	<b>126,323</b>	<b>133,798</b>	<b>143,482</b>	<b>154,356</b>	<b>166,401</b>	<b>179,884</b>
<b>Net Cost of Service</b>	<b>(12,193)</b>	<b>(55,684)</b>	<b>(51,323)</b>	<b>(49,236)</b>	<b>(46,390)</b>	<b>(41,571)</b>	<b>(35,288)</b>
Capital Charges	5,785	28,222	24,116	21,748	17,616	13,656	9,365
Contribution to Housing Development Fund	0	0	0	0	0	0	0
Revenue Contributions to Capital	4,967	18,908	14,209	8,500	7,500	6,500	5,000
<i>Compensation to tenants re: water commission</i>	1,500	1,500	0	0	0	0	0
<b>Net Operating Expenditure / (Income)</b>	<b>59</b>	<b>(7,054)</b>	<b>(12,998)</b>	<b>(18,988)</b>	<b>(21,274)</b>	<b>(21,415)</b>	<b>(20,923)</b>
<b>Reserves</b>							
Balance - Brought Forward	(14,574)	(9,699)	(11,627)	(2,626)	(1,114)	(5,038)	(612)
Housing Development Fund	(12,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)
Debt Repayment	4,000	10,000	22,000	20,500	17,350	25,841	17,000
<b>Balance - Carried Forward</b>	<b>(22,515)</b>	<b>(20,753)</b>	<b>(16,626)</b>	<b>(15,114)</b>	<b>(19,038)</b>	<b>(14,612)</b>	<b>(18,535)</b>

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