

KINGSTON'S

Housing Revenue Account Business Plan



Making our housing fit for the future

February 2012

2. Objectives and vision

Business plan and strategic objectives

This business plan will help ensure the delivery of the Council's objectives in relation to Housing and its wider strategic objectives as set out in the One Kingston approach and with its partners in the Kingston Plan.

The business plan objectives are;

- Take full advantage of freedoms and flexibilities available in the new HRA model
- Enable and manage financial planning with greater certainty than before
- Enable the Council to meet the decent homes standard
- Enable the Council to catch up on its investment in its own housing stock and improve the housing stock for the future

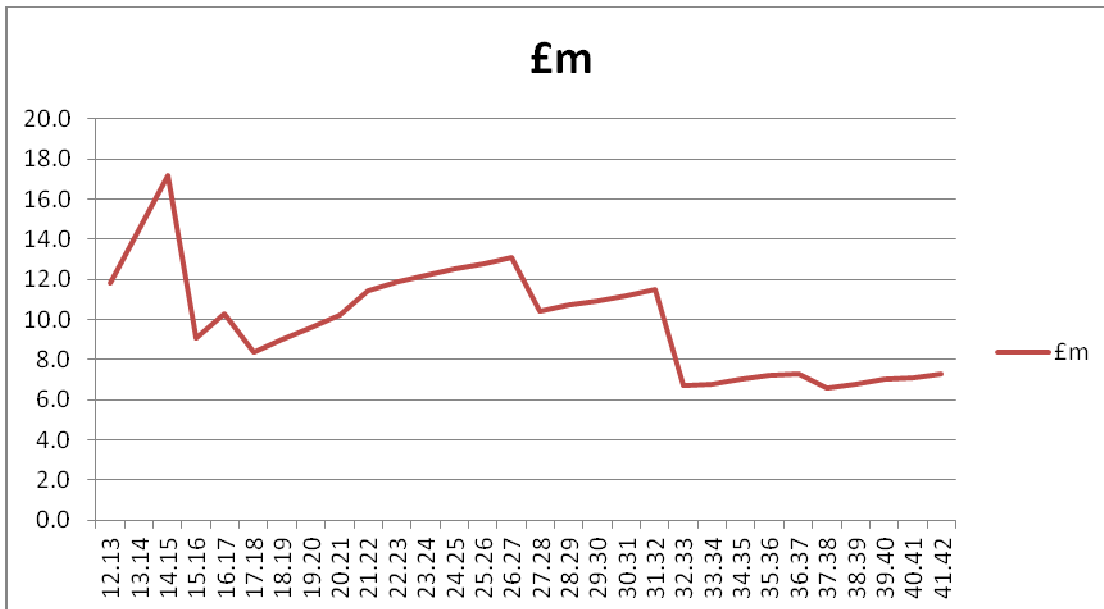
These objectives match to Kingston's its Housing Strategy for 2011-15. Whilst the Strategy covers housing conditions in all housing tenures, it has a specific objective for the Council's directly owned homes:

'To bring all council homes up to the Decent Homes Standard by 2016 and talk to residents about the long-term future of some of the larger housing estates

Making sure that homes are of high quality and sustainable is one of the national priorities of the current government'.

As mentioned earlier, this business plan forms a project which is in turn part of the Housing Strategic Project within the One Kingston Programme. . This project will progress work to deliver with our partners the Housing Strategy, including securing the funding to deliver our housing improvement programme and raise the standard of council homes in line with the Government's decent homes standard. One Kingston is

The scale of the investment programme far exceeds the levels of capital and revenue spending the council has been able to undertake in the past. Over the next five years, the council will be able to spend around £85m in capital and revenue on housing, and for the 30 year time span upon which HRA self financing is based, the scale is even greater; around £382m. The level of capital expenditure available over the next 30 years to spend on housing investment is illustrated in the following table.



The scope of this investment breaks down into three distinct stages, described in the following sections.

A. The Short term 2012/13

The investment programme for next year (2012/13) and the following four years consist mainly of bringing homes to the Decent Homes Standard. The council has set targets with the HCA for meeting decency; in return HCA has promised funding of £11.59m over the next three years to support this. The Decency targets provided to HCA cover those properties that will be made decent through this grant and those properties that the council has promised to make decent using its own funding.

These targets are set out below.

Forecast annual profile of dwellings made	2012/13	2013/14	2014/15

There is an underlying question of whether all of it will still be appropriate for the early and middle parts of the 21st century.

Many aspects of the external fabric of the stock are in need of improvement and repair. More homes have fallen into non decency as a result of not being able to maintain a cyclical decorations and repairs programme. And more will continue to fall into non decency unless the council acts now to invest in repairs and improvements.

The shortage of resources for investment in repairs and improvement has been an issue of great concern for residents, members and officers for many years. There have been two attempts at gaining resident agreement for stock transfer to resolve the lack of investment. In 2009, a further major consultation with residents revealed that although 9 out of 10 residents agreed with the Council that there was a need for change, there was insufficient support to warrant a third ballot on stock transfer

The stock condition survey undertaken by Savills shows a major requirement for investment in repairs, renewals and improvements both to the housing stock itself and to the communal areas. The survey concluded that there was an investment need of £191m over 30 years at current prices. This investment would need to be heavily front-loaded with more investment required in the early years, reflecting the need to address a backlog of work.

There are two other major features to the survey;

- There are no substantial parts of the housing stock where its long term future is called into question by its structural condition.
- With one or two exceptions, the need for investment is across the board and is not concentrated in particular geographical areas or estates

The demand for better housing

Housing is important in its own right but it also impacts directly on many other aspects of the quality of life and our ambitions for the Borough. For example:

- There are direct links between poor housing and physical and mental health; plans to improve existing homes in the public and private sectors will serve to address inequalities in health in the Borough.

5. Delivering Decent Homes and sustainable communities; the Investment programme

The council needs to be able to identify a programme for maintaining and investing in its housing stock. There are many potential ways in which the council could spend the £400m that is going to be available over the next 30 years. To avoid potential waste by launching into uncoordinated works or activity, it will be necessary carefully to prioritise the categories of works which will be carried out. It is still unlikely that it will be possible to carry out all the works which are required, particularly in the early years, where commitments to carry out statutory works, such as fire assessments in the common parts of buildings will pre-empt significant resources.

The priorities for investment will be:

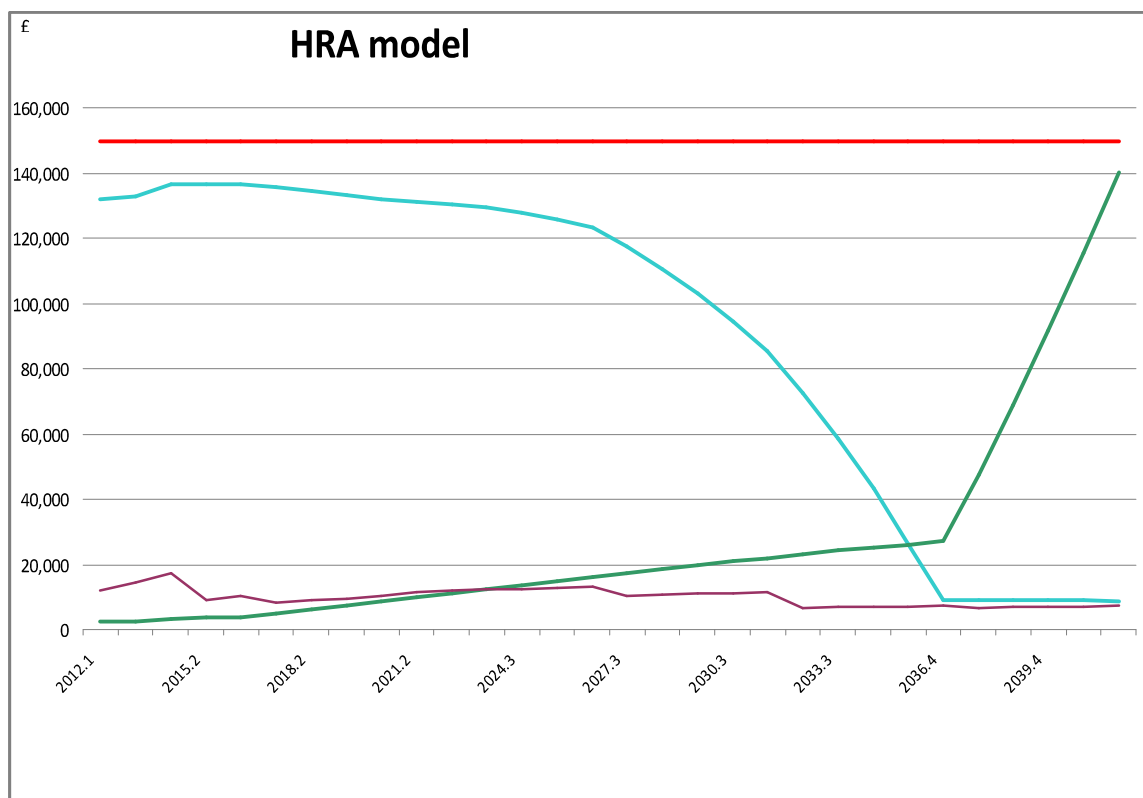
- Work urgently required to meet statutory or health and safety obligations. These include, for example, work arising from fire assessments and asbestos surveys and work needed to ensure high standards of water treatment.
- Works needed to bring properties up to the Decent Homes Standard. This will vary from one property to the next, but could include replacing kitchens or bathrooms, renewing windows and doors, rewiring or renewing boilers and central heating.
- The renewal of core services such as lifts.
- Void properties, where work is required to bring a home to a lettable standard.
- Adaptations for tenants with disabilities.
- Work to improve the thermal efficiency of property.
- Other works which residents believe are important for the quality of life in particular blocks. This might, for example, include the upgrading of communal areas.

It will be a priority to increase the proportion of maintenance and capital investment which takes place as a planned as opposed to reactive basis. This will include the reinstatement of a planned programme of external repair and decoration.

'peak' of capital expenditure is passed and more of the settlement debt is repaid. In around twenty year's time, the settlement debt will have been repaid and the HRA will be accruing substantial surpluses rising to around £150-190million depending upon what decisions have been taken with regard to the scale of housing investment and the way in which debt will be repaid.

The HRA financial model sits outside this business plan given its complexity and that it needs to be continually updated for financial and economic changes. A toolkit is being prepared to ensure that the financial model is part and parcel of the day to day financial management of the HRA. This toolkit will be presented as a later appendix to this document.

As a result of the model, the council has a robust financial strategy for the HRA which generates sufficient surpluses to meet the borrowing required to settle the HRA debt and to finance future capital and revenue investment in the stock. The diagram and chart presented below therefore presents an indicative business model, illustrating how the debt will be repaid and how a preferred investment programme will be financed over a 30 year period



The red (top) line along the top of the diagram represents the cap that the government will impose on the council's borrowing; council debt will not be allowed to exceed this line.

The blue (middle) line in the middle of the diagram represents the amount of debt the council bears each year; in the initial year it bears a high level of debt reflecting the need to borrow to repay to government the settlement debt in addition to the debt required to fund additional expenditure on housing, in following years the amount of debt reduces as the council repays more and more of the debt and needs to spend less on housing.