Appendix 1

Housing Business Plan
2012-2062

Warwick District Council

WARWICK DISTRICT COUNCIL
www.warwickdc.gov.uk

Contents

1.0 Why Warwick District Council

1.1 Who we are?

Warwick District Council through its Housing and Property Service has a 37 year track record of delivering housing landlord and related support services for customers.

We own and manage 6,136 properties (5,610 rented and 526 Leases), 2,029 garages and provide Lifeline services to almost 5,000 vulnerable customers. In terms of tenure, 70% of our homes are general needs properties for rent, 21% are supported housing and 9% leaseholder.

1.2 Our Unique Selling Point

The housing service is an integral part of the wide range of services which the Council delivers for all tenants and residents. We therefore offer a one stop shop for all tenancy and residency related issues that are the responsibility of Warwick District Council.

This single point of contact increases the likelihood of tenant demand being met without the need for the customer to deal with different providers.

We co-design our services and work in partnership with our customers to scrutinise and improve performance through our multifaceted engagement mechanisms. These include the customer-led and district-wide Tenant Panel, Service Improvement Groups, Tenant and Residential Groups, neighbourhood walkabouts and coffee mornings.

Our political accountability and consistent political support, gives tenants increased confidence and trust in the delivery of services.

We have experienced and knowledgeable staff, managers and councillors who have already delivered significant improvements and who are passionate about delivering first class customer service.

Our success is a credit to the quality, drive, and commitment of our staff and partners. We are committed to delivering a high quality service which the customer wants and to using our capabilities and competencies to be the housing provider of choice for all communities. In pursuit of this we have achieved performance levels which are "best in class".

We are passionate about meeting customer demand and have put in place an innovative Joint Venture - W2 - in partnership with Waterloo Housing Group to increase affordable/social housing.

We aspire to expand the housing business (profitably) by cross selling existing services to new markets and/or introducing new products to existing markets.

TPAS National Conference hosted by Warwick District Council at the Sydni Centre 7 July 2011

W2, a 10 year joint venture between Warwick District Council and Waterloo Housing Group to deliver 300 affordable new homes over the next 3 years.

Growing the Housing stock is central to delivering Warwick District Council's ambitions to establish itself as one of the leading housing providers in the sub-region. Over the life of this Business Plan we project our housing stock to increase by approximately 1,400.

1.3 Our Operating Environment

We are operating in an environment characterised by change and opportunity. The major impacts on the sector include:

- The shortage of affordable housing
- Reduction in new funding for affordable housing
- Increased need for effective treasury, cash flow and cost management
- Pressures on residents' income and the need to reduce fuel poverty
- Initiatives to reduce carbon emissions
- Changes in welfare reform and fiscal policy
- Introduction of new forms of tenancies
- Opportunities to generate better value for money from contracts
- The potential for creating new alliances and partnerships
- Opportunities to diversify the business base and cross sell services to different markets.

1.4 Our One Purpose

The Council has one unifying purpose.

To make Warwick District, a great place to live, work and visit, where we aspire to build sustainable, safe, stronger and healthier communities.

Everything we do supports this purpose. Our focus is on delivering high quality services to all; our existing tenants and others who may become our tenants in the future.

The launch of a partnership initiative between Neighbourhood and Housing & Property Services to deliver proactive environmental improvement services for housing areas.

Tenant Roadshow, Fallow Hill, April 2011

2.0 Our Strategic Objectives

Our purpose is delivered through 3 objectives:

1. Improving Services for Customers
2. Leading Change Positively
3. Ensuring Financial Viability

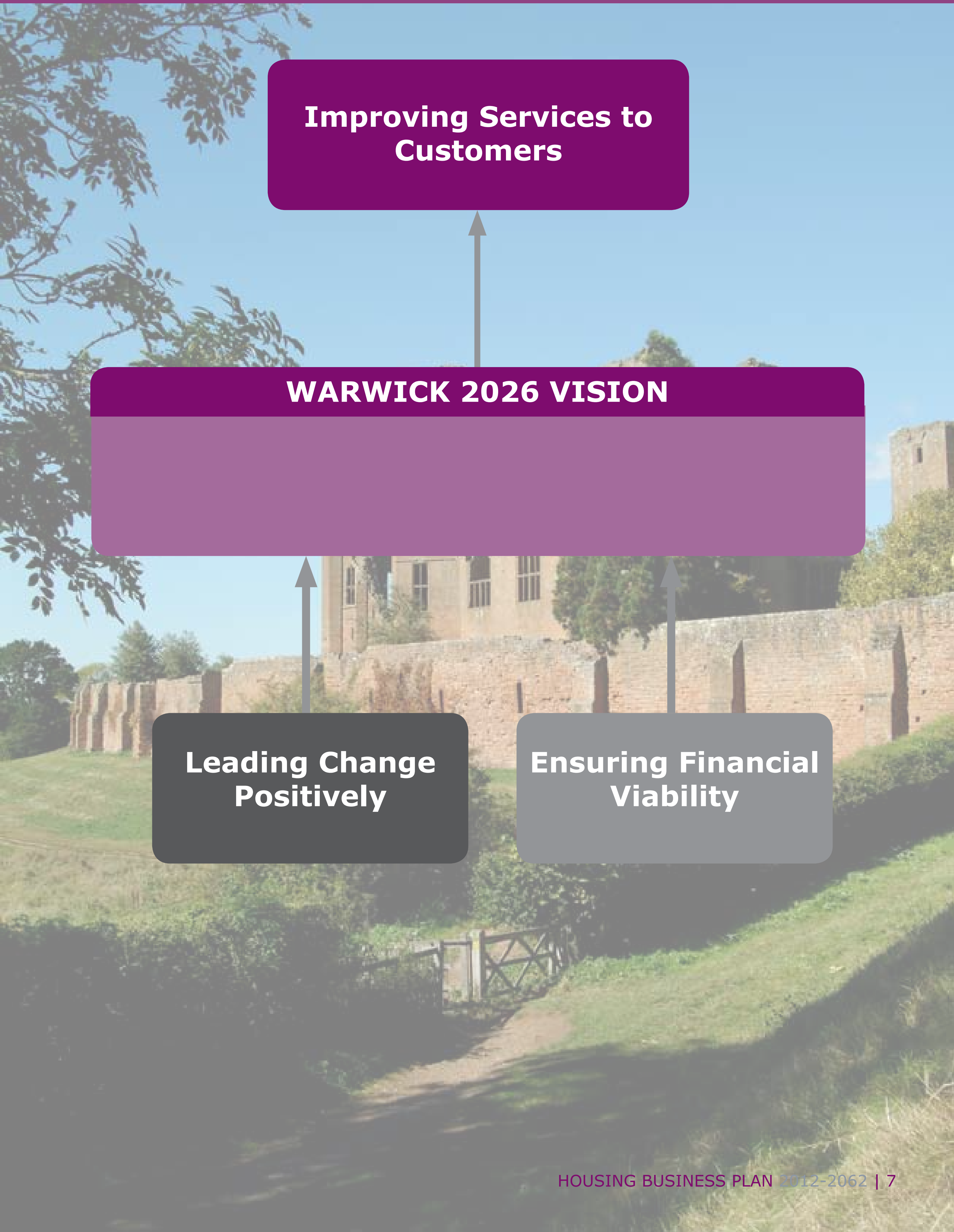
2.1 Objective 1: Improving Services for Customers

Customers are at the very heart of what we do as a business and they will be at the heart of every key decision and improvement which is made. We will understand the profile of our customers and what matters to them to ensure that we provide value.

This knowledge will also help us understand the things we do that are not of value to customers, and therefore provide us with opportunities to reduce costs without reducing service quality.
We will strive to adhere to the following principles when delivering services to our customers:

- To provide services that are easy to use, accessible and presented in a way that customers understand
- To understand the variety of customer demands and respond by designing our services in a way that enables this variation to be absorbed, ensuring that individuals are treated with fairness, respect and dignity
- To provide direct, timely feedback with regular dialogue to reduce the need for customers to chase up requests
- To ensure customers enjoy a positive experience when they contact us directly or through our partners (contractors)
- To ensure processes and systems operate smoothly and consistently for customers, with expertise in the right place at the right time
- To be pro-active about communicating with our customers and tailoring our services to meet demand wherever possible.


The monthly Tenant Panel meeting



Improving Services to Customers

WARWICK 2026 VISION

Leading Change Positively

Ensuring Financial Viability

2.0 Our Strategic Objectives

2.2 Objective 2: Leading Change Positively

Effective leadership is required in order to deliver change for the business.
Our approach to Leading Change Positively is based on the following 6 competencies:

Systems
All staff members are leaders of the system to varying degrees. To understand the system we will understand purpose and the whole end to end process. We believe that without a defined purpose we cannot determine whether our system is performing well, poorly, or not all.

Variation
We are committed to making best use of data to learn, improve and to drive decision making. Averages hide truths and therefore we will continue to strive to understand the variation in data, to improve performance. We will carefully analyse data to understand properly what it’s telling us about quality of service provision.

Multiple Learning
Our managers will be experimenters who lead learning; not impose control. This will positively recognise that staff learn best in different ways - some by watching, reading and writing; some by hearing and conversing; some by participation and activity.

Psychology
Leading people requires establishing interpersonal relationships and nurturing these on a daily basis and encouraging other people to do likewise. We will do this through face to face contact, listening to each other and respecting each other. This will create not only a business but also a community of people.

Direction
We will lead with clarity of purpose about the business we are in and we will prioritise the delivery of services that meet our three objectives.

Interdependencies
All of the above competencies are connected therefore will not be delivered in isolation as they need to be carried out interdependently.

2.3 Objective 3: Ensuring Financial Viability

The environment in which we operate is changing significantly and at an increasingly fast pace and we face a range of complex, interlinked challenges.

The world after the HRA (Housing Revenue Account) subsidy system is self financing and requires us to manage and operate as a business. This means that rent collection and the management of arrears and voids continue to be strategically important as well as effective asset management to reduce cost of delivering our services.

In order to ensure financial viability we will need to identify and reduce waste and failure in the system.

We will get services right first time, improve communications, and understand customer demand.

We will:
- Deploy effective treasury management strategies
- Strategically manage our assets to deliver our three objectives
- Think like a business, act like a business and be acutely aware of the bottom line
- Make stronger links between service intervention and implications on the Business Plan
- Plan for the long term
- Outperform the Business Plan and deliver an organisation wide value for money review of services
- Effectively manage risk of changes in income and expenditure
- Think laterally and explore market opportunities for growth.

3.0 Stock Investment Profile

3.1 Stock Summary

We have 5,610 tenanted properties, 2,029 garages and 526 leaseholders at 1 November 2011. Two Right to Buy (RTB) sales have been completed in 2011/12 to date.
The average rent for 2011/12 is £75.79, against formula rent of £83.50.

3.2 Condition of Our Stock

Michael Dyson Associates were appointed in April 2010 to produce a stock condition survey. They were reappointed on 3rd October 2011 to further validate the stock condition survey based on latest costing, updated life cycles and new stock condition information.

This was further updated for the purposes of this Business Plan in October 2011.
In summary the Stock Condition Survey Report stated that:

> *'The stock was found to be in reasonably good condition and appears to have benefitted from a proactive maintenance regime, especially in relation to kitchens where over 58% of the stock is deemed not to require a new kitchen for at least 15 years...'*

The October 2011 stock is broken down in Table 1 below as per the current major repair allowance categories, along with detail of the number surveyed.

Category	Stock No.	% of Stock	Survey Sample
Pre 1945 small terrace houses	208	4	66
Pre 1945 semi-detached houses	370	7	73
All other pre 1945 houses	261	5	70
1945-64 small terrace houses	112	2	53
1945-64 large terr, s-det & det hses	707	13	76
1965-74 houses	122	2	51
Post 1974 houses	328	6	72
Non Traditional houses	400	7	74
Pre 1945 low rise (1-2 storey) flats	27	0	17
Post 1944 low rise (1-2 storey) flats	888	16	76
Medium rise	1,159	21	103
High rise	358	6	69
Bungalows	670	12	79
Total	**5,610**		**879**

Table 1: Stock Profile

The survey was based on a 15.6% sample of stock as well as data on works that have been completed recently.

3.0 Stock Investment Profile

Table 2: Summary Costs

Table 2 below shows the detail survey results in 5 year bandings:

Element	Year 1 - 5	Year 6 - 10	Year 11 - 15	Year 16 - 20	Year 21 - 25	Year 26 - 30	Year 31 - 50	Total 50 years
	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Planned Maintenance	£10,967	£27,054	£25,846	£34,161	£23,862	£55,026	£119,974	£296,890
Garage Planned Maintenance & Repairs	£350	£350	£3,344	£3,344	£3,344	£3,344	£9,384	£23,460
Disabled Adaptations	2932	2250	£2,250	£2,250	£2,250	£2,250	£9,455	£23,637
Environmental Improvements	£450	£450	£500	£500	£500	£500	£2,000	£4,900
Tenants Participation Improvements	£250	£250	£250	£250	£250	£250	£1,000	£2,500
Asbestos Management	£4,141	£2,232	£990	£439	£195	£87	£346	£8,430
Related Assets	£385	£385	£385	£385	£385	£385	£1,540	£3,850
TOTAL CAPITAL WORKS	£19,475	£32,971	£33,565	£41,329	£30,786	£61,842	£143,699	£363,667
Cyclical, Responsive & Void	£21,475	£21,475	£21,475	£21,475	£21,475	£21,475	£85,900	£214,750
TOTAL REVENUE WORKS	£21,475	£21,475	£21,475	£21,475	£21,475	£21,475	£85,900	£214,750
Preliminaries - Capital Works Value	£2,142	£3,627	£3,692	£4,546	£3,387	£6,803	£16,131	£40,328
Fees - Capital Works Value	£1,250	£1,250	£1,250	£1,250	£1,300	£1,500	£5,000	£12,800
Contingency Allowance - All Costs	£2,048	£2,722	£2,752	£3,140	£2,613	£4,166	£11,627	£29,068
TOTAL ON COSTS	£5,440	£7,599	£7,694	£8,936	£7,300	£12,469	£32,758	£82,196
Grand Total	**£46,390**	**£62,045**	**£62,734**	**£71,740**	**£59,561**	**£95,786**	**£262,357**	**£660,613**

3.0 Stock Investment Profile

The capital expenditure for each property over 30 years equates to £46,600 and the costs over 50 years equate to £77,000. The average cost for the Business Plan for year 31 to year 50 have been based on the average 30 year cost extrapolated forward.
Table 2 is broken down over the key areas. The composition and reasoning behind the costs for key headings is given below.

Planned Maintenance

This covers the main areas of decent homes expenditure. The average 50 year cost per unit of £77,000 was considered by Chartered Institute of Housing (CIH) as slightly higher than expected benchmarks, but demonstrates a more realistic approach to lifecycles of key components.

Disabled Adaptations

This is derived from current budgets and will be reviewed as part of our Asset Management Strategy.

Environmental Improvements (Estate Works)

An estate specific environmental/ impressionistic survey was carried out highlighting the areas that required the most attention. An annual provision of £94,500 has been made for this.

Environmental Improvements (Tenant Participation)

This is an annual budget of £52,500 provided to the Tenant and Resident Association to be spent on projects of their choice.

Telecare Services Association Platinum Award. We are one of 12 national organisations to have achieved platinum status.

4.0 Self Financing & The Financial Strategy

4.1 Self Financing

In November 2011 Parliament confirmed through the Localism Act that self financing will go ahead on 1 April 2012. The final determinations from the Department for Communities and Local Government (CLG) were issued in February 2012. Warwick District Council will have to pay £136.2m to Central Government. There is additional borrowing headroom of £13.8m available within a debt cap of £150.0m.

Our current financial model provides sufficient resources to repay the debt by year 50 and the ability to meet our stock condition survey investment requirement and projected revenue costs.

4.2 Going for Growth

This Business Plan forecasts to deliver approximately 1,400 new homes over the 50 year period. Of course the actual capacity for building and other developments and service improvements will be assessed throughout the life of the Business Plan, which will be constantly reviewed. The rental income generated from these homes will provide the resources necessary to finance existing borrowings and to fund continued improvements in service standards increasing levels of customer satisfaction. We will:

- Build more affordable homes for people living in Warwick District
- Where necessary redevelop existing housing sites and deliver energy efficient housing that meets the needs of older people
- Buy new homes off the shelf and/or from the second hand market
- Provide more family homes that are affordable with a high energy efficiency rating
- Work in partnership with Housing Providers/Developers to deliver the Council's housing ambitions set out in the Local Plan

The possible development profile is summarised in the table below:

5 yearly period Up to Financial Year	1 to 5 2016/17	6 to 10 2021/22	11 to 15 2026/27	16 to 20 2031/32	21 to 25 2036/37	26 to 30 2041/42	31 to 35 2046/47	36 to 40 2051/52	41 to 45 2056/57	46 to 50 2061/62	Total for 50 years
In 5 yr blocks	50	250	160	120	190	20	150	200	130	170	1,400
Cumulative	50	300	460	580	770	790	940	1,140	1,270	1,400	

Table 3: Possible development profile

In the early years the programme has been restricted to 50 units due to the lead time that would be required in order to deliver a development programme. From year 6 (2017/18) of the Business Plan we have modelled building as many homes as possible from available resources, based on our current projections.

Achieving 2nd place in the 2011 ARCH (Association of Retained Council Housing) award in 'the excellence in participation' category for putting Tenants and Leaseholders at the heart of service improvement

Royal Leamington Spa Town Hall

4.3 Financial Assumptions

We have developed a financial model that projects the HRA and capital position for the next 50 years under the self-financing system. The model uses the initial 2012/13 budgets and capital programme as a base position, with the latest stock condition survey used to forecast future repairs and maintenance expenditure.

The model then uses a series of assumptions for RPI (Retail Price Index) and real inflation factor additions to the base costs. There are exceptions to these and they are covered in each section below:

RPI is estimated at 2.5% throughout the model.

Income/recharges for the following non dwellings increase at RPI only;

- Garage Rents
- Other Income (including commercial properties)
- Licences
- Contribution from the General Fund towards grounds maintenance)

Allowances for voids have been made in the initial budgets and no shop sales are expected for the purposes of this modelling. The plan assumes that in the first 10 years, garage units will reduce by 216 to allow for redevelopment opportunities. The plan does not assume any capital receipts for these sites however the rental income is reduced accordingly. The updated asset management strategy will review any potential for redevelopment of these sites at a future date.

General Management and Special (Service) costs are modelled with 0.5% real inflation above RPI to provide a small contingency against unforeseen cost increases.

Other Management costs detailed below increase at RPI only;

- Rates
- Debt Recovery
- Other Expenditure

The void rent loss is set at a prudent target based on past performace. Due to the likely effect of the changes to the Welfare system and the introduction of Universal Credit, an increased provision for bad debts has been allowed. In addition, income collection costs have also been increased by £110,000 per year.

852 Right to buy (RTB) sales of homes to tenants are projected over the life of the Business Plan, based on Central Government forecasts contained within the February 2012 debt settlement calculation. The Government has issued a consultation on increasing RTB discounts. If this happens it could increase sales beyond these projections, but proposals to prioritise the use of sale receipts to pay off the debt on sold properties should minimise the loss to the business plan.

The Business Plan also retains 100% of capital Repairs and maintenance expenditure associated with any RTB property and 50% of revenue. No dwelling stock disposals or demolitions are planned other than initial plans to redevelop Fetherston Court.

Responsive, cyclical and void maintenance expenditure is forecast in the long term at £789 per dwelling per year, with a 0.5% real increase to provide a small contingency against costs increasing above general inflation.

The capital expenditure is derived from the stock condition output profile as identified in Table 1: Stock Profile. The existing capital programme for 2012/13 is input as year 1 of the model.

The MRR is used to fund capital works, with revenue contributions from the HRA used to fund any shortfall.

We have provided for a real increase of 0.5% to allow for costs increasing above general inflation for all capital costs.

The Business Plan has used likely build costs to forecast expenditure on new homes and also assumes that new homes will be charged affordable rents. All other management and maintenance cost assumptions are in line with the existing stock.

4.4 Rent Policy

Rent Restructuring was introduced by the Government in 2002/03, with the intention of bringing all social housing rents into line with each other, so that similar sized properties within a particular area should cost the same regardless of who is the landlord. The aim of rent restructuring was, initially, to achieve this convergence by 2012. The latest determination assumes convergence by 2015/16.
Since its introduction, rent setting for all social housing has been governed by the application of a prescribed national formula, designed to achieve this convergence.

Rent restructuring is deliberately designed to be a gradual process preventing the possibility of the desired parity in rents only being achievable through unaffordable rent increases. Actual average rent levels will therefore be below the Formula Rents in any given year until at least the projected convergence in 2015/16. The policy also provides for a system of 'caps & limits', designed to ensure that individual property rents do not rise at a rate significantly above the average, minimising the risk of rents becoming unaffordable for individual tenants. The application of these caps and limits lowers the actual average rents charged.

Current projections are that only 43% of our homes will have reached formula rents by the 2015/16 target for completing Rent Restructuring. Around 95% will reach formula rents by 2018/19, based on current assumptions. There are two reasons we will not achieve 'rent convergence' by 2015/16. Firstly, annual rent increases are limited to RPI plus 0.5% plus £2. Secondly, for some larger properties formula rents are higher than the absolute rent cap imposed by Government. The Business Plan assumes rents will be set in line with Central Government rent policy, increasing by RPI plus 0.5%, plus a maximum of £2 year on year until rent convergence with formula rent. RPI for 2012/13 rents is 5.6%, thereafter RPI is predicted to be 2.5% each year.

The Business Plan will be presented to Members on an annual basis during the rent setting process to enable Full Council to make informed decisions regarding the implications of rent setting decisions.
As part of the annual rent setting process, the implications of the following need to be considered:

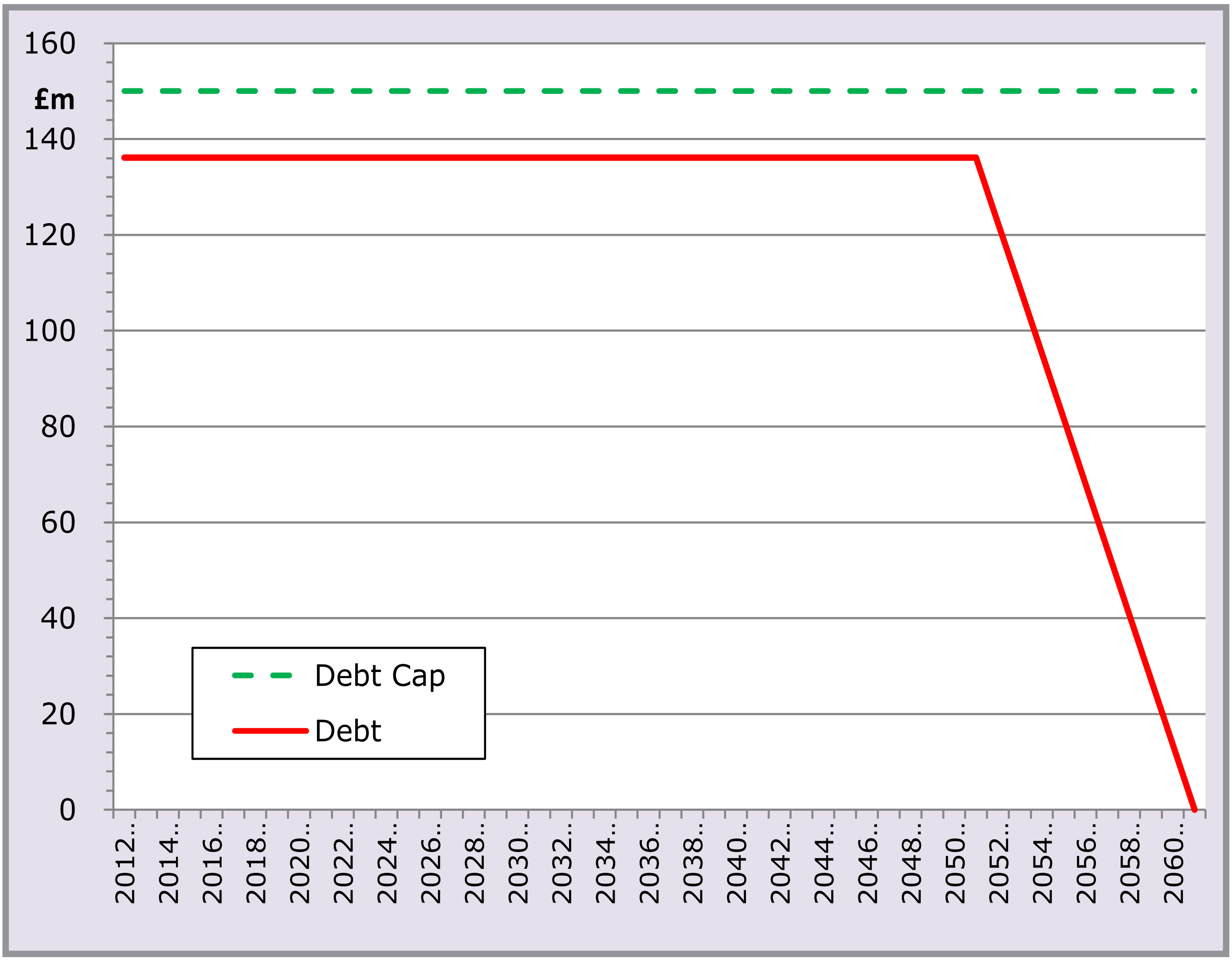
- Inflation
- Reduction in capital and revenue costs
- Sale of homes
- Ring fencing and recycling of right to buy receipts into the Business Plan.

The Council has total discretion over the setting of garage rents as these are unaffected by the rent restructuring guidelines. The Business Plan currently assumes that garage rents would increase by RPI.

The Royal Pump Rooms

4.5 Business Plan Evaluation

This plan has been independently validated by Chartered Institute of Housing as well as advice from Treasury Management consultants Sector. The validation process has also included a peer challenge session with Hull City Council.

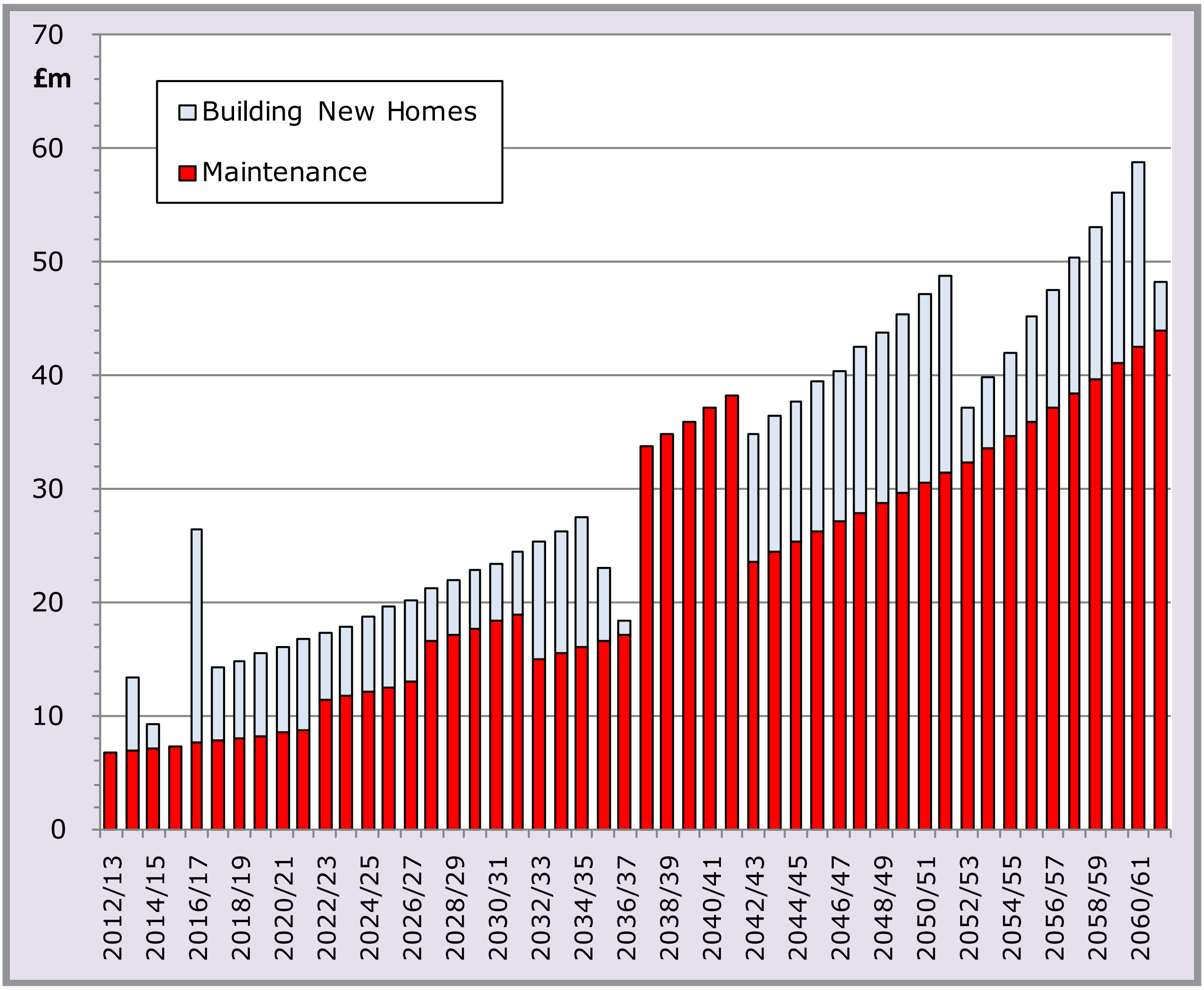


Graph 1: HRA Debt under Self Financing

Graph 1 illustrates the recommended strategy which shows that the debt will be repaid during years 41 – 50. This strategy provides the maximum resources for new build throughout the life of the Business Plan.

4.0 Self Financing & The Financial Strategy

All capital expenditure identified in the stock condition survey is met, with additional capacity for new build as demonstrated in the graph below:



Graph 2: Capital Need and Availability (Self Financing)

4.6 Scenario Analysis

In the table below we have identified the likely effect of some example sensitivities on the self-financing plan:

Assumption	No. of New Dwellings that could be built over 50 years for an optimistic assumption		No. of New Dwellings that could be built over 50 years for the base assumptions		No. of New Dwellings that could be built over 50 years for a pessimistic assumption		Worst Value where can still repay debt within 50 Years, if no New Build
	Value	Dwellings Built	Value	Dwellings Built	Value	Dwellings Built	
Interest Rate on Debt	3.20%	1,659	3.65%	1,441	4.65%	956	6.42%
RPI Inflation	3.75%	1,791	2.50%	1,441	1.25%	969	-0.59%
Right-To-Buy Sales over 50 years	426	1,837	852	1,441	1,278	1,040	1,823
£ Increase in annual Management costs	2.3m	1,772	£2.8m	1,441	£3.3m	1,117	4.7m
Revenue Repairs & Maintenance annual % price increases	RPI+0%	1,699	RPI+0.5%	1,441	RPI+1%	1,151	RPI+2%
Capital Expenditure (Repairs/Building) annual % price increases	RPI+0%	2,451	RPI+0.5%	1,441	RPI+1%	718	RPI+1.25%
Bad Debts from 2013/14 onwards, with welfare changes	1.44%	1,655	2.87%	1,441	4.31%	1,227	11.1%
Void Rates	0.54%	1,531	1.08%	1,441	2.16%	1,265	9.1%
No. of Garages Demolished to provide land for development	0	1,450	216	1,441	648	1,423	2,029 (All Garages)
Rents not set in line with Central Government formulas	Additional 0.5% annual increase	3,345	As per Central Gov.	1,441	5% lower than base	744	8.4% lower than base
New Build rents are set lower than Affordable rents	n/a		Affordable	1,441	25% lower	994	n/a (new bulid only)

Table 4: Sensitivity analysis of key and individual financial assumptions

4.0 Self Financing & The Financial Strategy

The sensitivity analysis demonstrates that this plan is able to sustain a reasonable increase of any of the above sensitivities, maintaining repayment of debt by year 50 and delivering some new build.

Table 4 shows that under self financing our HRA is very robust and resilient in the long term regarding these key sensitivities.

The Business Plan will be continuously reviewed to ensure standards remain affordable.

Quarterly tenants magazine first launched in 1996.

Mill Street, Warwick

5.0 Key Risks

5.0 Key Risks

The risk register attached at Appendix A evaluates the key risks and mitigations. It contains reference to Government proposals for welfare reform and right to buy.

5.1 Welfare Reform

There are two aspects of the reforms that have the potential for a significant impact on the HRA:

In the majority of cases Universal Credit benefits will be paid directly to claimants and not to the HRA, which has implications for collection costs as well as for arrears and bad debts.

These implications are highly speculative at this stage, but is likely to have considerable detrimental impact on our debt recovery levels and collection costs.

The consequence of this is that our allocations policies are not aligned to the Benefit changes and will need to be reviewed in the light of these changes. It is likely that this will mean that the balance between what is and what is not popular in terms of our housing stock will change with smaller properties gaining favour over larger ones. This may mean the larger properties become unviable as a consequence over the longer term.

5.2 Right to Buy

To help more people realise their aspiration of home ownership, and to increase investment in further affordable housing, the Government proposes to raise Right to Buy discounts to make them attractive to tenants across England.

The Government will boost discounts to affordable levels and the money from extra sales will be invested in enabling landlords to pay towards the existing housing debt and build new housing for affordable rent.

At the time of writing, the Government has consulted on appropriate levels of discount which could roughly double the current average discount. The proposals include Right to Buy receipts first being used to meet debt on additional properties sold, then to meet Treasury and council forecast receipts, with any remaining balance available for investment in replacement properties.

The risk register, along with the Business Plan will be regularly reviewed and updated on an annual basis.

Tenant led estate walkabout at Crown Way, June 2011

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
The Localism Bill fails to achieve Royal Assent	The Bill fails to be approved by the House of Lords	Self Financing will not be implemented or will be delayed resulting in a possible increase of settlement figure if implemented in future years, possible rise in interest rates.	Externally Controlled. The CLG have confirmed that they have contingency plans in place; it is assumed that the subsidy system would continue in this eventuality.	0	2	0	Royal Assent was granted on 15/11/11 so this is no longer a risk. Reduced risk score from 4 to 0.	The Government
The Localism Bill is approved but at a later date than anticipated (i.e. after Nov 11)	The House of Lords takes longer to agree than anticipated	This will reduce the time that is available to carry out critical project tasks.	Ensure that advanced planning is in place so that we can readily implement once approval is granted.	0	2	0	Royal Assent was granted on 15/11/11 so this is no longer a risk. Reduced risk score from 4 to 0.	Project Manager – Abigail Hay
Government reopening debt settlement for additional payments.	Change in Government policy.	The council would need to borrow additional finance to transfer to the Government or the Government returns to the current system with the council continuing to maintain significant amount of debt.	Maintain investment in homes to the stock condition survey standard.	2	4	8		Property Manager – Anthony White

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Unable to deliver agreed Business Plan commitments.	Government changing the laws	Business Plan becomes unsustainable.	Keep abreast of policy developments and changes in Government. Any change in the law would affect all councils and in this case we would have collective bargaining power.	2	4	8		Project Manager – Abigail Hay
If the figure is significantly higher than the draft determination. We will not be able to meet the banking covenants to repay the loan at the agreed dates.	The final debt settlement figure issued by the CLG significantly varies from the draft determination.	Breach banking covenants	To reconsider the development programme and/or making efficiencies	0	4	0	Likeihood amended to 0 as final settlement received 01/02/12	Head of Housing & Property Services - Jameel Malik
Unsustainable debt financing leading to Business Plan inefficiencies and breaching of loan covenants.	Inadequate treasury management advice and significant changes in Business Plan assumptions	Sub-Optimal Debt Structure	Updated stock condition survey and validation by an independent body - Michael Dyson Associates carried out in October 2011 to provide an accurate forecast of required investment in stock, based on existing service standards. Evaluation of options to the debt structure leading to the selection of the most optimal financing strategy in consultation with Sector. Review of the planned development programme in order to make available monies to meet debt repayment.	2	2	6		Head of Finance – Mike Snow

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Changes in income assumptions	Significant changes in Welfare Reform Policy (Housing Benefit) which negatively impact actual income collection versus Business Plan projections. Economic downturn that increases unemployment levels, household debt therefore resulting in tenants unable to maintain rents. Less than effective income collection processes and systems which reduce income collection levels. Increase in void rates due to higher turnover. Government change in rent policy.	Likely to increase the amount of rent arrears and the cost of collection ergo increasing bad debt provision. More properties taking longer to re-let therefore increasing void rent loss.	Increasing investment in income collection service at a cost of £60,000 per year. Completing end to end systems intervention on the income recovery service. The annual contribution to the bad debt provision in the existing Business Plan is 0.7% of the annual rental income. As a result of the impending welfare reform changes the contribution to the provision has been increased to 1.2% from 2013/14 in line with the estimated effect of these changes. Sensitivity analysis shows that the Business Plan would still be sustainable if there was a significant increase in the necessary bad debt provision. Keep abreast of developments and changes in Government	3	2	6		Rent & Finance Manger – Jacky Oughton

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Unsustainable Business Plan following higher than projected Right to Buy Sales	Government currently consulting on changes to Right to Buy Policy such as discounts, eligibility, pooling of receipts. Increasing availability of Mortgage finance and strong house price inflation resulting in greater market confidence.	Likely to result in an increased loss of stock and insufficient resources to repay associated debt.	The Business Plan projects 852 Right to Buy sales for the 50 year period. This is based on central Government forecasts contained within the November 2011 debt settlement calculations and is felt to be a prudent calculation. All current Business Plan projections for RTB sales do not assume receipts are retained to repay the debt linked to the properties sold. Although early soundings from the Government indicate that Local Authorities would be able to retain the appropriate element of capital receipts from a RTB sale equivalent to the associated debt for that property. In addition our Business Plan also retains 100% of capital expenditure associated with any RTB property and 50% of revenue.	2	2	4		Head of Housing & Property Services – Jameel Malik

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Unsustainable Business Plan due to higher than projected increase in capital expenditure.	The assumptions made in the Business Plan regarding the condition of stock and the forecast capital expenditure differ from actual costs incurred for the following reasons: • Costs increase following survey of all properties • Building & contractor costs higher than forecast • Inefficient asset management • Significant increase in the repairs standard.	Increases cost and therefore reduces Business Plan viability.	Business Plan cost projections have also been independently validated by Chartered Institute of Housing who have confirmed that capital projections are not lower than expected Benchmarks and the survey sample is typically higher than those obtained by large scale voluntary transfers. In addition the levels of contingency built into cost assumptions would allow for reasonable variances in cost outturn following increase in survey sample. The Business Plan forecasts capital expenditure to increase year on year by 0.5% above RPI. The Business Plan will be reviewed on a regular basis to respond to any significant and business critical changes to actual expenditure versus projections. The current asset management strategy, the Asset Management Board and business practice assist in efficient decisions on asset management. To ensure future stock condition surveys are commissioned for the full duration of the Business Plan.	2	4	8	Michael Dyson Associates have carried out a stock condition survey and have also independently validated capital and revenue repairs and maintenance projections. The stock condition survey methodology is based on guidance issued by the Government. The survey results show that there is 99.1% confidence levels that the condition assumptions for the cloned data would be accurate within 2 standard errors of the true answer. For instance for a surveyed property the install dates of a roof (if installed in 1990) would provide confidence levels of 99.1% that similar cloned archetypes were installed between 1988 and 1992. It is typical for most stock condition surveys to be based on a 10% sample whereas the one commissioned for this Business Plan is based on 15% with some archetypes having up to 70% surveys. The average cost for the Business Plan for years 31 to 50 have been based on the average 30 year cost extrapolated forward.	Property Manager – Anthony White

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Reduction in service.	The Government has eradicated the ring fence for Supporting People funding, as a result of which the County Council has made the decision to reduce SP allocations as part of its budget setting process.	Services provided which are currently funded from SP budget will either have to be funded by the HRA, via service charges or services cannot be provided. The impact of the latter is a significant increase in dissatisfaction amongst the district's most vulnerable tenants	We have assumed in the business plan that SP grant will reduce. A full option appraisal on the impact of the funding reduction and recommendations will be presented for Executive approval in 2012.	3	2	6		Supporting People Manager – Joan Hicks

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Rental Income lower than Projections in the Business Plan	Member decision not to increase rents in line with rent restructuring forecasts in the Business Plan.	Rental income not sufficient to cover the costs of the Business Plan.	The Business Plan currently assumes rents to increase by RPI plus 0.5% plus a maximum of £2.00 year on year until rent convergence with formula rent. RPI for 2012/13 is 5.6% (as at September 2011). Thereafter year on year RPI forecasts are predicted to be 2.5% which is consistent with Sector's (independent Treasury Advisor) projections. Each year the Business Plan will be presented to Members during the rent setting process to enable Full Council to make informed assessments regarding the implications of rent setting decisions.	2	5	10		Members of the Council

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Rental Income lower than Projections in the Business Plan	Stagnant growth and low productivity resulting in a downward pressure on prices and therefore a lowering of inflation compared to projections in the Business Plan and risks of deflation.	Rental income not sufficient to cover the costs of the Business Plan.	Reduce costs in the Business Plan. Lobby Government with other stock retained Local Authorities. If inflation is less than forecast the rent setting process would therefore need to consider the following options: • Rent increases above inflation (within limits) • Reduction in capital and revenue costs • Sale of homes • Ring fencing and recycling of right to buy receipts into the Business Plan.	2	4	8		Head of Housing & Property Services – Jameel Malik
Unsustainable Business Plan due to higher than projected interest rates	Current PWLB one off loan rates for self financing are 3.2% (1 February 2012) and changes in the macro environment could result in the rate increasing. Economic problems in the UK which trigger loss of confidence in UK's ability to finance its debt.	If the interest rate is higher than projected it could reduce Business Plan viability.	The Government have announced a special rate for the self financing transaction from the PWLB. Sector have also provided their projections of what the interest rate is likely to be. The Business Plan assumes interest that is above forecasts. If PWLB rates increased beyond this we could seek cheaper finance elsewhere, taking the PWLB variable rate loan whilst market finance was arranged.	1	5	5		Head of Finance – Mike Snow

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Unsustainable Business Plan due to higher than projected increase in supervision and management expenditure.	The assumptions made in the Business Plan regarding management costs and other associated supervisory services differ from actual costs incurred for the following reasons: • Increase in support service costs. • Building & contractor costs higher than forecast • Increase in staff costs • More services required for an ageing population • Changes in the services required • New legal obligations to deliver	Increases cost and therefore reduces Business Plan viability.	The Business Plan will be reviewed regularly as part of the managing services performance. All expenditure will be contained within budgets and any variance id reported as part of mid/ end of the year estimates.	3	3	9		Head of Housing & Property Services – Jameel Malik
Not being able to make the payment to the DCLG on the required date.	PWLB website not working on 26th March 2012. Authorised officers not being able to make the payment on the day.	Would be in breach of Localism Act	Contingency plans in place to perform a manual BACS payment via the bank. PWLB have contingency plans in place, we will input required debt portfolio in advance of deadline so that in the event of website not working this will be used.	1	1	1		Principal Accountant – Roger Wyton
Negative impact of development programme on the Business Plan.	Inability to meet development programme targets. Inaccurate of development cost assumptions (cost of land, cost of build, revenue income, management & maintenance costs). Land availability inefficient programme management. Lack of planning consent.	Inefficient use of resources. Cost of carrying debt is higher than investment rate. Unable to deliver council ambitions to deliver new homes, now meeting housing needs.	Forward plan the development programme to build in enough time to meet targets. Regularly review development costs assumptions, update BP on a regular basis with new assumptions and risks, consider new and innovative ways of reducing costs.	3	3	9		Head of Housing & Property Services – Jameel Malik

Warwick Castle

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