

**A1 Housing Bassetlaw Limited
Business Plan
2009/2010 – 2012/2013**



**Providing Quality Homes
& Neighbourhoods**

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1. Introduction

- 1.1 This is A1 Housing Bassetlaw Limited's (A1 Housing) Business Plan for 2009/10. The 2008/09 Business Plan focused on the business delivering the Decent Homes Programme and continually improving, aiming to achieve 3 stars at the next Inspection.

This Business Plan continues with delivering the Decent Homes Programme and continually improving the business. However, a key focus for 2009/10 is the measures A1 Housing are taking to deal with the Recession.

The Recession is impacting on A1 Housing in a number of ways, for example:

- Reduced income levels of customers and the pressures this will give income collection
- Strong Demand for Social Housing
- Increased costs due to high inflation, with lower inflation during 2009 and 10
- Reduced sales of Council Houses due to the difficulty in customers accessing funds and housing market price uncertainty

Section 5 of the plan deals with measures to deal with the recession.

- 1.2 This document links to A1 Housing's Service Plan, the Service Plan sets out:

- How our strategic priorities contribute to the delivery of Bassetlaw's Community Strategy, Corporate Strategy and Housing Strategy
- How we manage A1 Housing and improvements in key corporate priority areas
- How we align our resources to meet our strategic priorities
- How we engage with our tenants, residents, partners and stakeholders
- How well we delivered our services last year
- Our plans and targets for future service improvements including improvements as a result of external audit and inspection

The Business Plan sets out the financial arrangements for A1 Housing.

2. Our Mission and Core Aims

2.1 Our Mission

“is to work in partnership with local people to deliver quality homes and support sustainable neighbourhoods”.

Our Core/Long Term Aims are:

Core/Long Term Aim One is...

...to provide high quality, warm, and well maintained homes...

...by using new and existing resources efficiently, effectively and using modern best practice to bring all homes up to the Decent Homes standard by 2013 and to keep them well-looked after.

Core Aim/Long Term Two is...

...to be a resident-led organisation providing fair, accessible and equal services...

...by involving tenants, leaseholders and other customers and responding to their aspirations and their needs and respecting the diversity of all our customers.

Core/Long Term Aim Three is...

...to provide an excellent and seamless service...

...by using best practice and innovation to ensure that all our services are effective, efficient, well co-ordinated and achieving high levels of customer satisfaction

Core/Long Term Aim Four is...

...to play our part in community leadership...

...by working with partners to help tackle community issues such as safety, anti-social behaviour, homelessness, transient workers and the environment.

Core/Long Term Aim Five is...

...to be an ambitious and well-run organisation...

...with a high performing, business-focussed style with an increasingly strong local and national reputation and a skilled, motivated, flexible and customer-focussed workforce.

2.2 Our 3 and 5 Year Visions

In delivering the objectives we have set 3 and 5 year visions of key changes to help the organisation, its customers and its stakeholders recognise what we want to become. These are

3 Year vision of key changes to achieve the long term core aims are:

Vision	Core Aim	How are we going to deliver it?
Over 60% of the Decent Homes Programme delivered	1	Through working with our partners we will deliver the decent homes work subject to the Government's continued financial support
Tenant satisfaction with the Repairs Service over 80%	1	By ensuring our repair services are responsive to customer needs and that we increase the number of jobs completed right first time
Level 4 of the Local Government Equality Standard achieved	2	In partnership with BDC we will ensure that all services and actions taken help to deliver Level 4 of the standard
Tenant satisfaction with opportunities to participate over 75%	2	Through improved mechanisms for tenant involvement and a continued partnership with BATRA to deliver opportunities for tenants to participate
A1 achieved 3 Star status	3	Through improved services and an Audit Commission Best Value Inspection
Tenant satisfaction with A1 Services overall over 80%	3	By continuing to improve services and ensuring that the services delivered are those that tenants want
A1 active partner in contributing to community safety	4	By continued working with other agencies to reduce anti-social behaviour and tenants fear of crime
Housing Corporation accreditation for National Affordable Housing Programme achieved	5	Through an application to the Housing Corporation and an assessment of the services we provide
Housing Revenue Account viable for next 15 years	5	Working with BDC to ensure that services provided are kept within resources and that continued financial efficiencies are made

5 Year vision of key changes to achieve the long term core aims are:

Vision	Core Aim	How are we going to deliver it?
Decent Homes Programme complete	1	By ensuring that all capital resources are targeted at decent homes work and that continued efficiencies in the capital programme are made
Tenants represent the largest group on the Board	2	By agreeing with BDC and Tenants the appropriate number of tenants on the Board
A1 held as a 'Beacon Organisation' by the Audit Commission	3	By achieving an excellent rating from the Audit Commission following a Best Value Inspection
A1 Training Academy providing training opportunities to young people in the district	4	By working with local partners, schools, college and BDC to provide a base for young people to gain access to skills required to seek permanent employment
Providing Value For Money Services both within and outside of Bassetlaw	5	By ensuring that A1's cost and services are amongst the best nationally.

2.3 Our Values

In achieving our mission and core aims, we will act on the following values...

...we will listen and respond to customers to enhance our service quality.

...we will build strong relationships with our partners.

...we have pride in our work and will demonstrate this in delivering our services.

...we will be open, fair, approachable and honest.

...we will offer highly visible leadership.

...we will set high standards for ourselves and for all our employees.

...we will deliver our promises.

...we will communicate regularly with our customers and partners

3. A1 Housing – The Organisation

The Board of A1 Housing consists of 15 non-executive directors. There are five councillor Board members nominated by Bassetlaw District Council, five tenant Board members, and five independent Board members. Tenant Board members are appointed following direct election processes involving tenants and leaseholders, with one nominated by the Bassetlaw Tenant and Residents Federation. Independent Board members bring additional professional skills to the Board.

A1 Housing is a local authority controlled company, limited by guarantee, created by Bassetlaw District Council to operate under Part V of the Local Government and Housing Act 1989.

The Board determines the direction of the organisation through its identity, strategy and culture. The executive officers of the Company are Bernard Coleman, Managing Director, Don Spittlehouse, Deputy Managing Director & Director of Housing & Technical Services, Richard Jennings, Director of Finance, and Joice Richards, Director of Strategy & Change.

A1 Housing has adopted governance arrangements reflecting best practice. Agendas, minutes and reports are available to the public. Members of the public have the right and are encouraged to attend meetings and submit questions. Each Board meeting starts with 15 minutes of open questions from the public.

4. Impact of The Recession

4.1 The predicted slowdown in the UK economy between 2008 and 2010 is as a result of the following factors:

- Credit crunch
- Slowdown in financial services
- Housing / construction
- Energy / commodity costs
- Consumer spending

4.2 Opinions differ among experts as to the overall scale of this slowdown, and estimates have been steadily rising during the autumn. The Bank of England (Nov. 08) expects the economy contract sharply, shrinking 2% during 2009. Inflation is expected to dip to 1% by 2010, and as of Nov 08 Unemployment is at an 11 year high.

4.3 The recession has a number of implications for A1 Housing:

- Reduced income levels of customers and the pressures this will give income collection
- Strong Demand for Social Housing, partly due to repossessions and the difficulty in accessing mortgages
- Increased costs due to high inflation, with lower inflation during 2009 and 10
- Reduced sales of Council Houses due to the difficulty in customers accessing funds and housing market price uncertainty.

4.4 **Reduced Income of customers and Pressures on Income collection.**

The Housing Management section of A1 Housing plays a key role in working with tenants In terms of advice to maximise income via benefits and also advising on access to appropriate financial services and minimise debt.

4.5 A1 Housing has a Financial Inclusion Strategy that aims to ensure tenants have equal access to appropriate financial services and minimise debt. The issue of financial inclusion is integral to the Income Management Strategy in reducing and managing rent arrears.

It is a Strategic aim of the Income Management Strategy to maximise tenants income through maximising Benefits take up.

Tenants are provided with advice on how to access Housing Benefits. Prospective tenants are informed how to apply for Housing Benefits when a property is offered. By working in partnership with the District Council, the time taken to start Housing Benefit payments is minimised.

Housing officers have been trained in housing benefits and are able to verify housing benefit claims on behalf of the Council. This ensures that tenants are given quick and efficient advice and that the claims process is speeded up.

A1 has a Protocol in place with the District Council, outlining the service that the Council will provide to tenants regarding the payment of Housing Benefits. A1 monitors the target on time taken to process housing benefit claims to ensure that arrears are minimised.

A1 Housing runs benefit take up campaigns in partnership with the Council, this includes data matching to highlight cases where benefit is not being maximised, and PR campaigns e.g. Adverts for housing benefit advice on the back of parking tickets used in car parks near the hospital as a large percentage of our tenants have a disability.

- 4.6 It is a Strategic aim of the Income Management Strategy to help tenants with Debt problems.

A1 provides debt guidance to tenants, as summarised in A1s Debt Advice Booklet, developed in partnership with tenants and Bassetlaw District Council. Tenants with problems are advised to talk to their Housing Officer or the Citizens Advice Bureau (CAB). A1 pay a contribution to the CAB in recognition of the service offered to tenants. A1 will maintain the provision of debt advice, including the Debt Advice Booklet with signposting to places to get help and advice with debt problems.

A1 and the Council have a fairer repayment promise to ensure that tenants owing multiple debts are not asked to agree repayments which are unaffordable.

A1 have access to floating support workers through a number of providers, where a vulnerable tenant needs more intensive help with their debts and day to day living then Housing Officers make referrals for a tenancy support worker to help them.

- 4.7 It is a Strategic aim of the Income Management Strategy to closely monitor rent payments of new tenants during the first twelve months to ensure arrears are acted on promptly.

A1 makes use of introductory tenancies to monitor rent payments of new tenants during the first twelve months. Using Introductory Tenancies allows A1 to seek Notice of Possession Proceedings if rent payment is not acceptable. A1 will maintain detailed procedures on handling new tenants.

All new tenants go through a detailed sign up interview and are offered advice on payment options and claiming benefit. After 6 weeks the Housing Officer visits them in their home to talk about any problems, and ensure payments are being made, and again at 9 months all

introductory tenancies are visited and checked to ensure there are no issues before they become secure at twelve months.

- 4.8 It is Strategic aim – to monitor the status of rent payments and take action at an early stage to resolve problems.

A1 Housing:

- contacts customers at an early stage about any arrears before debts become unmanageable and offers advice to clear the debt. This includes agreeing repayment plans with customers;
- provides quarterly rent statements to give customers a picture on the status of their account enabling them to address their debts as they occur;
- reviews individual arrears cases on a weekly basis and decide on the best course of action to take;
- refers case summaries for review by the Housing Services Team on a monthly basis to ensure that the action taken in each case was appropriate;
- monitors its arrears collection performance against a pre-determined target; at patch level, area level and District wide, and identifies and undertakes appropriate remedial action;
- presents regular performance management information relating to arrears to the Board (part of performance reporting) and Audit and Accounts Committee and significant arrears, or those of concern, will be referred to the Board

- 4.9 It is an aim of the Income Management Strategy to pursue a range of actions with the aim of collecting rent due and maintaining tenancies. Eviction is used as a last resort. Eviction has high social and economic costs and so A1 has a range of preventative measures in place to minimise the risk of eviction.

A1 Housing:

- applies clear procedures to ensure the recovery process is effective and consistently applied;
 - uses effective methods to contact customers (including written letters, telephone (both in and outside of core working hours), home visits, email and text messaging), to ensure that they are notified of arrears at the earliest opportunity affording them the best chance of repaying their debts;
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- offers advice to customers (or provide them with contacts for outside agencies e.g. the CAB) to assist them with the management of their debt repayments and to help them to prioritise their debts. Advice includes offering support when required including home visits to encourage the payment of rent or discuss any problems they are having that are preventing payment;
 - takes prompt and appropriate action to recover arrears;
 - provides customers with clear and concise information throughout the recovery process to ensure that they are aware of the possible sanctions that may be imposed upon them;
 - adheres to the guidelines set out in the “Arrears Escalation Policy” when progressing cases through each level of the recovery process;
 - ensure that agreements made with the tenants to recover arrears are realistic and based on the customer’s ability to pay, taking into account the customer’s income and outgoings;
 - considers a variety of sanctions and use possession claims as a last resort;
 - write off debts only when all avenues of recovery have been exhausted taking into account the value For Money (VfM) of further debt collection activity

4.10 It is a Strategic aim of the Income Management Strategy to recover arrears of rent owed by the tenant at the termination of their tenancy; to balance action against the level of debt and criteria making it uneconomical to pursue.

Another point to consider before recovery costs are incurred is the ability of the debtor to repay, a decision to pursue a debt must be justified in terms of Value For Money (VfM). This is particularly relevant when the debtor is in receipt of state benefits or a very low income.

Initial debt recovery is carried out by Housing Management. After Housing Services has made initial efforts to recover the debt, an External Debt Collection Agency is used to recover the debt. A decision to write-off a debt is taken in terms of VfM.

4.11 As part of improved joint working with regards to financial inclusion A1 Housing attended a Financial Inclusion Conference in June 2008 organized by Bassetlaw’s Local Strategic Partnership (LSP). Attendance at the event included representatives from the district and

County Council, Citizens Advice Bureau, Worksop & District Credit Union. A Joint Financial Inclusion following the Conference will be finalised during 2009.

4.12 The Housing Management service was restructured during 2008 with a specialist Income Recovery Team set up.

The Team will concentrate on:

- Rent – Property and garage
- Arrears – current and former tenant arrears
- Non rent debt, in collaboration with Bassetlaw District Council's Debt Recovery Team.

4.13 The Recovery Team will focus on:

- Arrears Prevention
- Offering effective and efficient payment methods such as Direct Debt, post office payment and payzone
- Conducting arrears interview

4.14 **Strong Demand for Council Housing.** Through A1 Housing's Void Management Team and working in partnership with Connaught we aim to minimise void re-let times. At the end of Quarter 2 the time period was 24.4 days, against all ALMOs for 2007/08 A1 Housing had a top quartile re-let period.

4.15 As part of A1 Housing's Capital bid to Bassetlaw District Council for 2009/10 we have put forward a proposal to convert a former District Heating building to a property suitable for use by tenants requiring adaptations.

4.16 In addition A1 Housing sign-post to other social housing providers may have properties to offer.

4.17 **Increased Costs.**

A1 Housing have experienced rising costs across the business. Operating cost efficiency remains the key to:

- Surviving in the downturn and
- Prospering in the medium term

A1 Housing has a target of achieving 3% cashable efficiency savings year on year over the next 5 years, with a continuous drive to improve the value for money offered by A1 Housing. A1 Housing believe that organisations that are the most operationally efficient are the ones that are best equipped to prosper in the medium term, irrespective of the size, nature and length of the downturn.

Section 7 of the Business Plan covers Value Form Money and the need to achieve efficiency savings.

4.18 The level of employer supperannuation cost was last valued in April 2008. The level will remain fixed until the next tri-annual revaluation in

2011. Factors that affect the level of contributions include commercial property values and share prices, as at the time of the revaluation.

4.19 **Reduced sales of Council Houses.** There has been a reduction in the sale of Council properties, this has been due to:

- Difficulty in customers accessing funds
- Housing market price uncertainty
- A change in Right to buy legislation in 2005, including lifting the qualification period from 2 to 5 years for tenancies starting after January 2005.

4.20 In 2007/08 the Bassetlaw District Council sold 41 properties, under Right to Buy legislation. In the eight months from April and November 2008 only 9 properties were sold. Reduced sales of Council Houses has a positive impact on the revenue income the Council were expecting. However, reduced sales also reduces the Capital receipts the Council receives and will impact on non Decent Homes capital programmes in the future.

5. Finance

- 5.1 The core business activities of A1 Housing are funded by a Management Fee paid by Bassetlaw District Council. The fee is negotiated in advance between the Council and A1 Housing. Negotiation concentrates on the needs of A1 Housing against the resources available to the HRA within a 30-year time frame to fund those needs.
- 5.2 In addition to the Management Fee A1 Housing has other sources of income as shown in the table below (2009/10 Estimate):

Category	£'000	%
Management Fee	11,604	84
Capital Fees, not attributable to additional Decent Homes Funds	417	3
Building Repair Service, Delivery of Capital Works	500	4
Other work for Bassetlaw District Council	162	1
Other	228	2
Capital Fees, attributable to additional Decent Homes Funds	852	6
Total	13,763	100

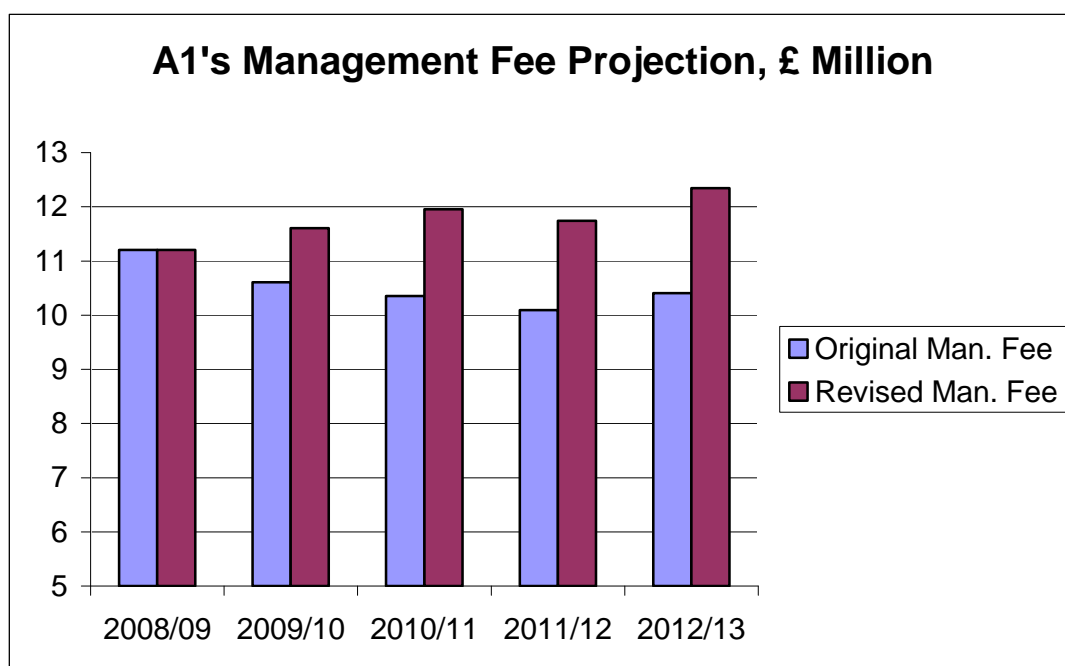
5.3 Future Years Finance

A1 Housing's Management Fee is funded out of the Council's Housing Revenue Account (HRA). Under the Services Agreement, Management of the HRA remained with the Council.

- 5.4 During 2005/06 and 2006/07, A1 built up a loss on its balance sheet of £365,000. This was built up due to pressures on the Management Fee, at the same time as delivering improvements to deliver 2 stars. The additional Decent Homes funds and associated increase in Capital Fees, arising from achieving 2 stars in September 2007, will enable the accumulated loss to be cleared in 2007/08 and 2008/09. Accumulated losses were reduced to £151,000 at the end of 2007/08. It is expected that this will be cleared during 2008/09.
- 5.5 The previous Business Plan, approved by the Board in March 2008, showed that the projected Management Fee from Bassetlaw District Council to A1 Housing was due to decline from £11.1m in 2008/09 to £10.6m in 2009/10, reaching £10.1m in 2011/12 and £10.4m in 2012/13. The projection was based on the Council's Housing Revenue Account Business Plan.
- 5.6 Such a large reduction in Management Fee would have necessitated a fundamental review of staffing levels and services provider, in order to avoid substantial losses that would be unacceptable to both A1 Housing and Bassetlaw District Council.
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5.7 It was agreed to review the Council's Housing Revenue Account Business plan, to challenge the assumptions made, including the basis for the predicted cut in Management Fee. A1 Housing finance, Bassetlaw District Council finance and a national Housing Revenue Account specialist conducted the review.

5.8 The outcome of the review, in terms of Management Fee changes is summarised below. The revised Management Fee has been derived by using a new HRA forecasting model and has changed the assumptions for property sales, empty property rates at recent levels and improved rent collection.



5.9 The revised projected Management Fee places A1 Housing on a sounder financial footing for the coming years, and maintains reserve balances for the Council's Housing Revenue Account at £750,000 or above for all years.

5.10 However, the increase in projected Management Fee does not keep up with projected cost increases relating to Management Fee activity, opening up a gap that must be filled by changes to the level of expenditure, possibly via efficiency savings. In addition, until the end of the Decent Homes programme there is additional capital fee income available from managing the Decent Homes programme.

Projected Management Fee v Inflation at 3.5%

	Predicted Man Fee, £'000	Projected costs, £'000	Gap, £'000
2008/09	11,203	11,203	0
2009/10	11,604	11,604	0
2010/11	11,954	12,039	85
2011/12	11,743	12,491	748
2012/13	12,612	12,959	616
2013/14	13,312	13,445	133

- 5.11 During 2009/10 A1 Housing aim to build up financial reserves of £150,000 at least. This will allow a reserve to cover unforeseen events and also be prudent given the loss of additional revenue income form managing a reduced Capital Programme following end of the Decent Homes work (projected to finish in 2012/13).
- 5.12 After 2012/13 the additional capital fee income (8% of Capital spend) derived from the additional Decent Homes money will be lost. Therefore, where possible, increased costs associated with administration of the Decent Homes programme have been temporary. Increased costs as a result of the Decent Homes programme have been kept below the increased fee income. During 2010 a review of Decent Homes costs will take place in preparation for the end of the Decent Homes programme.
- 5.13 The organisation is reviewing Job Evaluation at the present time. Increased costs as a result of this process have not been included, as they are not finalised and options for implementation are still under discussion. Final costs will be known when the appeals process is complete. If costs increase this must be balanced by additional efficiency savings, increased income or structural change.
- 5.14 **National HRA Funding Problems.** A number of ALMO's and Local Authorities are facing Revenue funding problems over the coming years, due to the funding of the Housing Revenue Account. Central Government have announced a Review of Council Housing Finance. The review will cover the operation of the Housing Revenue Account. The issue for a number of ALMOs and local authorities concerns an annual "subsidy" payment determined by the CLG. In common with a number of ALMOs and District Local Authorities, Bassetlaw District Council pay in more to the subsidy system than is received in grant, i.e. they receive a negative subsidy.
- 5.15 On a national basis, the HRA is predicted to be in surplus by £713m over the next three years as follows:
- 2008/09 £194million
 - 2009/10 £216million
 - 2010/11 £303million
- 5.16 The aim of the national HRA has been highlighted by Caroline Flint, the Minister for Housing and Planning:
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“The Housing Revenue Account subsidy system is very complex and I know that people are unhappy with it because of its seeming unfairness and lack of transparency. I want the system to work so that it delivers for tenants and local authorities – and to get it right in the long term.”

- 5.17 The Review is due to report to Ministers, in the spring of 2009, setting out options for the subsidy system, including proposals for changes to rent policy and to inform the next spending review. A formal consultation will follow the review.

5.18 The Table below shows a summary of A1 Housing's revenues predicted until 2013/14.

	2008-09	2009/10	2010-11	2011-2012	2012-13	2013-14
Income						
Management Fee (2009-12, Based on HRA Business Plan updated 28-7-08)	11,203,000	11,604,000	11,954,000	11,743,000	12,343,000	13,312,000
BRS Income, Base Capital Fees, Other BDC Income	1,342,000	1,307,000	1,303,000	1,336,000	1,370,000	1,405,000
Total Income	12,545,000	12,911,000	13,257,000	13,079,000	13,713,000	14,717,000
Costs						
Operating Costs	11,203,000	11,604,000	12,039,000	12,491,000	12,959,000	13,445,000
Costs for BRS Income, Base Capital Fees, Other BDC Income	1,342,000	1,307,000	1,303,000	1,336,000	1,370,000	1,405,000
Cashable Efficiency Saving used to reduce costs	0	0	0	-200,000	-200,000	-200,000
Total Costs	12,545,000	12,911,000	13,342,000	13,627,000	14,129,000	14,650,000
Surplus / deficit (-) for the year - Management Fee	0	0	-85,000	-548,000	-416,000	67,000
Income - Decent Homes						
Additional Capital Fees	852,000	852,000	1,000,000	852,000	667,000	0
	852,000	852,000	1,000,000	852,000	667,000	0
Costs - Decent Homes						
Additional Decent Homes Management Costs	702,000	702,000	702,000	702,000	702,000	488,000
Structural Change / Service Reduction. / Additional Efficiency Savings	0	0	0	0	-135,000	-388,000
Total Costs Decent Homes	702,000	702,000	702,000	702,000	567,000	100,000
Surplus / deficit (-) for the year - Additional Fees	150,000	150,000	298,000	150,000	100,000	-100,000
Brought Forward Surplus	-150,000	0	150,000	363,000	-35,000	-351,000
Cumulative Surplus Available / Deficit (-)	0	150,000	363,000	-35,000	-351,000	-384,000

5.19 **Rent Setting.** The responsibility for setting the rent for properties remains with the Council. Each year the Council reviews its rental income and any increase in rents is subject to a Government Rent Restructuring model. This model provides a common basis on which all social rents should be set and ensures that social rents stay well below those in the private sector.

5.20 Rent restructuring data showing how rent levels will converge by 2012/13, together with rent increases by property types, are shown in table 1.

2009/10 Average increases on previous year

INCREASES BY PROPERTY TYPES						
	Bedsit £	1 Bed £	2 Bed £	3 Bed £	4+ Bed £	Overall £
2008.09	43.61	53.33	58.68	61.52	64.13	57.76
2009.10	45.81	56.15	61.95	64.02	68.03	60.98
£	2.20	2.82	3.27	3.50	3.90	3.22
%	5.00%	5.30%	5.60%	5.80%	6.10%	5.60%

Rent converge by 2012/13:

Year	Average Rents *						LA Formula Rent £	
	Bedsit £	1 Bed £	2 Bed £	3 Bed £	4+ Bed £	Overall £		
1	2002.03	44.33	45.78	47.56	48.44	48.86	47.37	41.29
2	2003.04	43.96	46.26	48.54	49.44	50.17	48.21	42.63
3	2004.05	43.82	47.05	49.87	50.79	51.88	49.39	44.32
4	2005.06	43.64	47.99	51.54	52.51	54.07	50.87	46.10
5	2006.07	43.80	49.19	53.41	54.81	57.14	52.70	53.75
6	2007.08	44.29	51.21	55.93	57.61	60.87	55.17	55.95
7	2008.09	43.61	53.33	58.68	60.52	64.13	57.76	58.41
8	2009.10	45.81	56.15	61.95	64.02	68.03	60.98	61.62
9	2010.11	46.20	57.28	64.00	66.76	71.77	63.03	63.47
10	2011.12	46.58	58.43	66.12	69.71	75.66	65.15	65.38
11	2012.13	46.94	59.60	68.32	72.57	79.70	67.33	67.34
12	2013.14	48.35	61.39	70.37	74.74	82.37	69.36	69.36
13	2014.15	49.80	63.23	72.48	76.99	84.88	71.44	71.44
14	2015.16	51.29	65.13	74.65	79.29	87.43	73.58	73.58
15	2016.17	52.83	67.08	76.89	81.67	90.05	75.79	75.79
Stock Numbers		142	1702	2706	2281	118	6,949	

6. Capital Expenditure.

- 6.1 **Decent Homes.** There are significant numbers of properties in the District that fail to meet the Decent Homes Standard (60% as of Q3 2007/08).
- 6.2 A1 Housing is planning to bring the properties it manages up to the Government's Decent Homes standard by the end of 2012/13. Meeting the standard means that the homes we manage will;
- meet current statutory standards
 - be free from major disrepair
 - have modern services and facilities
 - provide a reasonable degree of thermal comfort
- 6.3 In 2004, A1 Housing submitted a plan to Central Government, to bring all housing stock up to the Decent Homes Standard (Building Costs Model, BCM). It was based on a sample condition survey carried out in 2001. A 100% stock condition was carried out in 2006, this fed into A1's Asset Management Strategy, outlining how Decent Homes will be achieved.
- 6.4 The 2004 BCM highlighted that £104m was needed to bring the Housing Stock up to Decent Homes Standard. This was revised to £102.5 for Decent Homes work, with £40.5m was to be financed via Bassetlaw District Council (Major Repairs subsidy / RTB Receipts / other receipts) with the remainder from Central Government. Between 2003/04 and 2006/07 the Council Contributed £19.37 Million to fund the Decent Homes Programme, with the Council still to fund £21.1 million by 2012/13. The achievement of 2 stars by A1 Housing in September 2007 gave the Council access to borrow an additional £62 million. Central Government has agreed funding for 2008/09 and 2009/10 as £11.5 million for each year. The funding stream after 2009/10 will be confirmed by the Government in 2009/10.
- 6.5 Table 1 shows the Decent Homes Programme with funding until 2012/13. Our partners, Connaught and Bullock have estimated costs to complete the Decent Homes work (including inflation at 3%) to be £73.2 million between 2007/08 and 2012/3; these are shown in table 2. As of January 2008, costs were £0.386 million lower than the funds available.
- 6.6 There are a number of risks to the figures:
- Inflation may be higher or lower than 3% a year between now and 2012/13
 - More work could be identified than shown in the 100% stock condition survey
 - Refusals could be more or less than the 2 % estimate
 - The Council may have other demands on Capital that are a greater priority
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- 6.7 The figures in Table 2 do not have efficiency savings built in and this represents an opportunity to carry out additional work than planned or increase the margin to cover unforeseen circumstances.
- 6.8 As of January 2009, the Decent Homes work since April 2008, as measured against the Affordability Model is running at an underspend of £19K on a year to date budget of 10 million (Connaught & Bullock work).
- 6.9 Monitoring of the Decent Homes Expenditure involves effective joint working between A1 Housing, Connaught and Bullock.
- 6.10 Within A1 Housing, monitoring takes place by the Decent Homes Officer Group and The Decent Homes Champion Group. The Finance and Organisation Health Committee and Board receive top-level reports.
- 6.11 During 2008 it was planned to fully implement a new Asset Management System to help with management of the programme. The system that was due to be implemented was 'Conntrol' a system used by Connaught. During the year it was apparent that this system was not delivering as expected and an exercise was undertaken to source a new system. The project was lead by an IT professional working temporarily for A1 Housing. A system by Keystone has been selected, with implementation expected by April 2009.

6.12 Capital -Other Than Decent Homes.

A1 Housing has submitted a draft 5-year capital expenditure programme to Bassetlaw District Council. The programme covers all areas of Capital. The draft 5-year Capital Other Than Decent Homes Programme of £13 million was been drawn up in October 2008(Table 3). The delivery of this is dependant on the availability of funding and prioritisation of expenditure has taken place to deliver within the funding available, the draft Capital Other Than Decent Homes Programme for 2009/10 is shown in Table 4. The 2009/10 desired programme was for expenditure of 3.9M, compared to the 2008/09 budget of £2.3M and available resources of £1.6M for 2009/10. If the sale of properties under the Right to Buy scheme does increase above the budgeted level of 7 properties this could release additional resources for capital expenditure. The desired Capital Other Than Decent Homes Programme for 2010/11 was for 2.7M of work, however, funding is predicted to be £1.6M, due to the low level of capital receipts through the reduced sale of properties.

- 6.13 A key focus over the next 5 years is the decommissioning of District Heating Schemes across Bassetlaw. The District Heating schemes are not as efficient as modern individual property heating and also can have reliability problems due to large lengths of underground pipe work. £2million is required to decommission District Heating Schemes and install individual heating units.
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Table 1, Decent Homes Funding Profile to 2012/13:

A1 Housing Decent Homes Affordability Model

	Year 1 2007/08	Year 2 2008/09	Year 3 2009/10	Year 4 2010/11	Year 5 2011/12	Year 6 2012/13	Total
Almo funds	5,000,000	11,500,000	11,500,000	13,500,000	11,500,000	9,000,000	62,000,000
MRA and Other BDC Funding	3,695,490	3,186,490	3,191,000	3,257,000	3,218,000	3,120,000	19,667,980
Anticipated Additional Capital Receipts	0	0	500,000	500,000	500,000	0	1,500,000
Total Gross Budget	8,695,490	14,686,490	15,191,000	17,257,000	15,218,000	12,120,000	83,167,980
Refusals Element - 2%	0	265,220	297,863	338,373	298,392	237,647	1,437,495
Fee Element - 10.25%	341,946	350,352	296,669	302,805	299,179	290,068	1,881,019
Fee Element - 8%	370,370	832,206	829,788	974,935	829,749	649,063	4,486,111
Total works (funding)	7,983,174	13,238,712	13,766,680	15,640,887	13,790,680	10,943,222	75,363,356
Less Contingency	0	50,000	50,000	50,000	50,000	50,000	250,000
Less decorating all. + Disturbance	0	200,000	200,000	200,000	200,000	200,000	1,000,000
Less PME's and Isolators	0	100,000	100,000	100,000	100,000	100,000	500,000
Estimated DH works budget	7,983,174	12,888,712	13,416,680	15,290,887	13,440,680	10,593,222	73,613,356

Table 2, Decent Homes Funding and Expenditure to 2012/13:

SUMMARY	
Estimated DH Works Budget	73,613,356
Estimated BCM @ 01/04/07	73,226,784
Estimated Float	386,572

Table 3, 5 Year draft Capital Programme – Other Than Decent Homes

Draft 5 Year Plan	<u>2009-10</u> £	<u>2010-11</u> £	<u>2011-12</u> £	<u>2012-13</u> £	<u>2013-14</u> £	<u>Total</u> £
Crime & Com. Safety	100,000	50,000	100,000	100,000	100,000	500,000
Adaptations	780,000	780,000	700,000	700,000	700,000	3,580,000
Other						
DDA Works	150,000	75,000	150,000	150,000	150,000	750,000
Housing Regeneration	40,000	0	40,000	40,000	40,000	200,000
Hard to Let Properties	150,000	50,000	50,000	50,000	50,000	350,000
Garage Demolitions	50,000	20,000	50,000	50,000	50,000	250,000
Fire Alarm renewal	40,000	20,000	20,000	20,000	20,000	120,000
Damp Proofing	150,000	75,000	50,000	50,000	50,000	350,000
Stairlifts	50,000	50,000	50,000	50,000	50,000	250,000
Major Repairs	150,000	50,000	50,000	50,000	50,000	350,000
Community Centres	100,000	0	50,000	50,000	50,000	300,000
Sheltered Schemes	100,000	0	50,000	50,000	50,000	300,000
Communal Areas	100,000	0	100,000	100,000	100,000	500,000
Energy Initiatives	150,000	0	150,000	150,000	150,000	750,000
Community Houses	40,000	0	40,000	40,000	40,000	200,000
Digital Switchover	200,000	0	0	0	0	300,000
Other - Total	1,470,000	340,000	850,000	850,000	850,000	4,970,000
Estates Sustainability						
Swallow Court	400,000	0	0	0	0	400,000
Larwood (Dist Heat)	0	243,000	0	0	0	620,000
Abbey Grove (Dist Heat)	720,000	0	0	0	320,000	1,040,000
Conway Gardens (Dist Heat)	0	0	0	350,000	0	350,000
Estates Sustainability - Total	1,120,000	243,000	0	350,000	320,000	2,410,000
Contingency	100,000	50,000	100,000	100,000	100,000	500,000
Fees	365,925	132,000	179,375	215,250	212,175	1,225,900
Total Non Decent Homes	3,935,925	1,595,000	1,929,375	2,315,250	2,282,175	13,185,900
Funding Available (Draft Figures)	1,544,000	1,595,000				

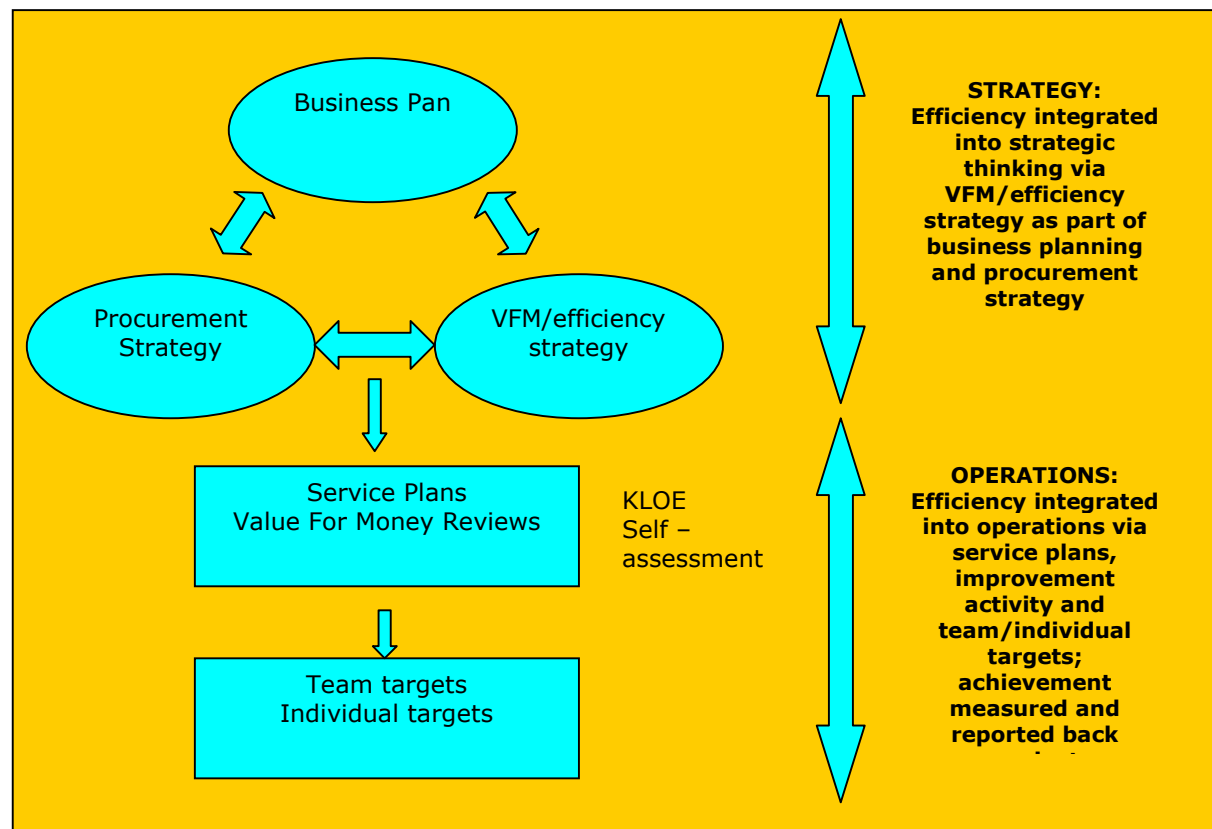
Table 4, 2009/10 Draft Capital Programme – Other Than Decent Homes, Desired v Scheme to Stay Within Budget (2008/09 Budget £2.3M).

Where expenditure has been reduced to meet the funding available this represents a deferment of essential expenditure, the money having to be found in future year's. If additional capital funding is identified through increased right to buy sales or other sources the programme will be reviewed.

Draft Programme	2009-10 Desired £	2009-10 Available £
Crime & Com. Safety	100,000	50,000
Adaptations	780,000	780,000
Other		
DDA Works	150,000	75,000
Housing Regeneration	40,000	0
Hard to Let Properties	150,000	50,000
Garage Demolitions	50,000	20,000
Fire Alarm renewal	40,000	40,000
Damp Proofing	150,000	75,000
Stairlifts	50,000	50,000
Major Repairs	150,000	50,000
Community Centres	100,000	0
Sheltered Schemes	100,000	0
Communal Areas	100,000	0
Energy Initiatives	150,000	0
Community Houses	40,000	0
Digital Switchover	200,000	0
Other - Total	1,470,000	360,000
Estates Sustainability		
Swallow Court	400,000	0
Larwood (Dist Heat)	0	0
Abbey Grove (Dist Heat)	720,000	177,000
Conway Gardens (Dist Heat)	0	0
Estates Sustainability - Total	1,120,000	177,000
Contingency	100,000	50,000
Fees	365,925	127,000
Total Non Decent Homes	3,935,925	1,544,000

7 Value for Money (VfM)

7.1 During 2005, A1 developed both a VfM and a Procurement Strategy; these will be revisited during 2008 to see if they are still fit for purpose. The Business Plan provides a basis on which to build the Procurement and Value For Money Strategies, as shown below:



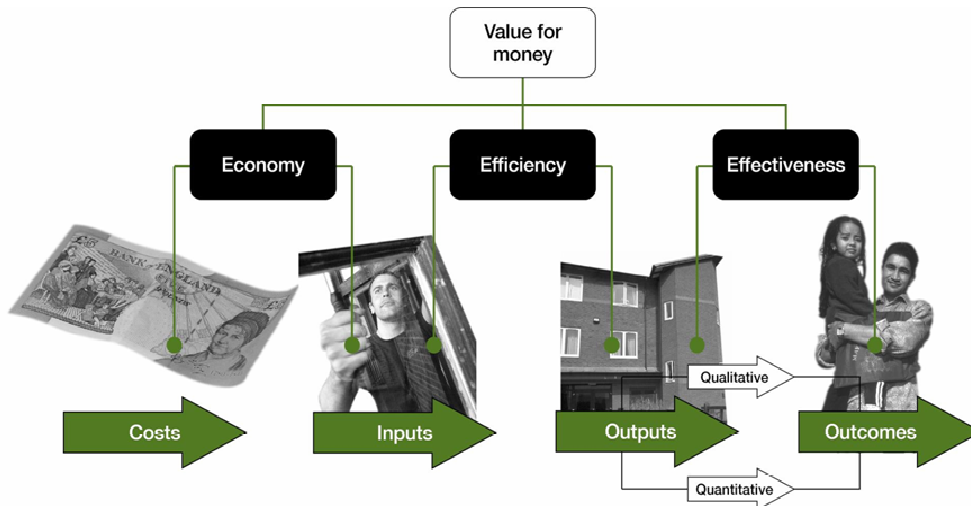
7.2 VfM is the relationship between cost and quality in achieving customer requirements. Costs are the whole life cycle from identification of needs, through to the end of life of the asset or service.

VfM is achieving by the optimum balance between Economy, Efficiency and Effectiveness. The relationship between economy, efficiency and effectiveness is sometimes referred to as the 'value chain'.

Economy: Price paid for inputs, having regard to quality.

Efficiency: How inputs are used to produce the desired outputs, having regard to quality.

Effectiveness: Measuring the outcome for customers, this can be quantitative or qualitative. For example, how many people were prevented by home care services from needing residential care (quantitative); satisfaction levels among different sections of the community with tenant participation arrangements (qualitative).



7.3 Achieving Value for Money is essential for A1 Housing delivering a good quality service to customers. As part of the measures to respond to the recession, A1 Housing believe that organisations that are the most operationally efficient are the ones that are best equipped to survive in the short term and prosper in the medium term, irrespective of the size, nature and length of the downturn.

7.4 Efficiency gains are split between cashable and non-cashable gains.

Cashable Gains

- Reducing inputs (money, people, assets, etc.) for same outputs;
- Reducing prices (procurement, labour costs etc.) for same outputs.

In general, this means either reducing costs but retaining service levels and getting better value for money in purchasing and labour efficiencies. A key criterion of the Government's proposals for efficiency gains is that efficiency is not about cuts in service but about raising productivity and enhancing value for money.

Non-Cashable Gains

- Greater outputs or improved quality (extra service, productivity, etc.) for the same output, or;
- Getting more outputs or improved quality in return for an increase in resources that is proportionately less than the increase in output or quality.

The above generally means getting more for the same, or enhancing quality without raising cost. Increased income, purely from charging higher prices to users, is not an increased output or can count towards any efficiency targets.

7.5 Efficiency Savings, based on 3% of spend are planned as:

	2009-10	2010-11	2011-12	2012-13	2013-14
Capital	502,000	558,000	496,000	404,000	168,000
Revenue	348,000	358,000	352,000	370,000	399,000

8. Service Environment

In developing this plan, A1 Housing's Management Team has reviewed the service environment in which it operates using PESTLE analysis. PESTLE analysis covers (Political, Environmental, Economic, Social, Technological and Legislative) the macro environment in which the business operates. These factors are important to be aware of when doing business planning and strategy planning.

PEST Analysis	
Political	Environmental
<ul style="list-style-type: none">▪ NCC / BDC possible change to a Unitary Authority▪ New Build possibilities▪ Additional funds for social housing▪ Local elections▪ National elections▪ Community Empowerment▪ Political boundary changes▪ Council priority changes▪ Choice Based Lettings introduction▪ Self financing of ALMOs▪ Sheffield City Region▪ CLG Drive for improving Value For Money▪ Decent Homes target▪ requirement to continue to review and improve through best value▪ efficiency and economy drive – Gershon report▪ target rents that converge towards RSL rents▪ working closely with ward members and the local community▪ emphasis on neighbourhood, neighbourhood management▪ Service Level Agreements with Council department	<ul style="list-style-type: none">▪ Uncertainty regarding energy cost, with steep rises incurred during 2008, cost reduction expected in 2009▪ Environmental and green agenda, reducing Carbon. (eg, Using efficient heating methods)▪ increasing capabilities of information and communications technology▪ Costs of waste management

Social	Technological
<ul style="list-style-type: none"> ▪ continuing population growth with smaller average household sizes ▪ Effect of demographic change on products and services ▪ just over one in a hundred of A1 Housing's population is from a black or ethnic minority group ▪ confirmed need for affordable rented housing at odds with east midlands regional housing board ▪ mismatch of demand and supply of rented housing ▪ reduction in turnover rates of Council homes ▪ modern services and facilities are expected as standard ▪ quicker, more flexible services are in demand ▪ increase in number of homeless people ▪ increase in number of tenants with disability /long-term illness 	<ul style="list-style-type: none"> ▪ scope for use of ICT is expanding ▪ modernisation is a policy agenda and customer expectation ▪ new guidance and techniques for stock condition plans ▪ development of call centre technologies, such as a repairs enquiry centre ▪ development of project management systems ▪ improved availability of energy efficiency measures ▪ Egan principles – partnering procurement where relevant

Legal	Economic
<ul style="list-style-type: none"> ▪ Review of A1 / BDC Management Agreement ▪ Equalities and Diversity Legislation ▪ Housing Acts / Case law 	<ul style="list-style-type: none"> ▪ Value For Money providing a continuous improvement framework ▪ management of additional stock through RSLs and the private sector ▪ New Business opportunities ▪ Management Fee pressures – due to National HRA system (under review by CLG) ▪ UK in recession ▪ affordability of private housing limited for many (increasing demand for social housing), reduced sales of Council houses ▪ additional investment in council housing in neighbouring cities / towns (Nottingham, Sheffield, Newark, Ashfield, Rotherham, Doncaster) ▪ wider local and regional regeneration programmes developing ▪ building sector in recession, inflation reducing as demand falls ▪ new funding opportunities

During 2006 A1 reviewed its approach to Risk Management, with a revised Risk Register, reported to Board on a Quarterly basis. Arrangements for Risk Management were reviewed as part of the September 2007 Audit Commission inspection. The September 2007 Inspection found arrangements to be robust and well embedded. Changes to the format of the risk register during 2008 have improved the Risk Register.
