SUBJECT: HOUSING BUSINESS PLAN

1. Synopsis

1.1 This report introduces, and invites comments on, the council’s housing business plan at appendix A. It also summarises the proposed changes to rent and other charges for the year 2013/14 included in the housing investment plan to be considered by the Council as part of the budget-setting process in February next year. If agreed these charges would apply from Monday 1st April 2013.

2. Recommendations

2.1 The Housing Executive is asked to provide feedback on the following:

   i) the housing business plan and the proposals which underpin it and,
   ii) the proposed rent and other charges which, subject to approval by the Council in February, would be applied from 1st April 2013.

3. Self-financing

3.1 In previous years the council has been subject to a national rent ‘pooling’ system of council housing finance. This meant that every council in the country that has retained ownership of its housing has paid over income from rents to central government and, in return, has received an allowance to manage and maintain its housing. This allowance was calculated annually and based on assumptions about the individual circumstances of each council. This arrangement made it difficult for councils to plan ahead because we did not know what our allowances would be from one year to the next.

3.2 Each council that has built council housing has taken out long term loans and like a mortgage this is paid off over a number of years. In Islington we have built a lot of council housing, and continued to do so after many others had stopped their building programmes. This means that we have taken on a lot of debt and have to pay interest on this debt every year. Under the rent ‘pooling’ system the government took into consideration how much debt
it thought each authority had when it decided what allowance it should be paid for the following year. Given our large debt we received more money from the government in allowances than the amount we paid to the government in rent.

3.3 In April 2012 we have moved to a new system called ‘self-financing’. Under self-financing councils no longer receive an annual allowance. Instead, money that is paid in rent and service charges is retained and used to manage and maintain housing by stock-owning councils. This is a significant change and gives us more certainty about our future income and more flexibility to make decisions about how to invest in our homes.

3.4 Under the new ‘self-financing’ system if our debt had remained at pre April 2012 levels we would have had a problem because we would not have been able to meet the interest payments on our debt and afford to manage and maintain our homes. So, to make things fair the government made a one-off final payment to help reduce our debt to a level considered to be affordable. Therefore, as part of the self financing settlement our debt was reduced from £799m to £432m.

3.5 With new freedoms and flexibilities under self-financing also comes new responsibility. The council can no longer rely on central government for subsidy: instead we have to make the best use of the resources that we have from rent and other sources. We need a housing business plan to make sure that we have enough resources to manage and maintain our housing in the long term, and enough in reserve to deal with the challenges ahead, such as welfare reform. The business plan is not just about making sure we have enough money to fulfil our ambitions; it is about making sure we make the best use of the resources available, for example by building new homes. It is also about maximising our income, for example by increasing the profitability of our commercial operations. This income can be used to support the council’s commitment to maintain services to tenants and leaseholders and help manage any financial risks that may arise.

4 The housing business plan

4.1 The purpose of the housing business plan is to set out how the council will use its resources to ensure our housing will continue to be decent, suitable, and affordable into the longer term, typically 30 years.

4.2 The housing investment plan looks at how we will invest in council housing in the short to medium term and this is considered by the Council as part of the budget-setting process each year.

4.3 The business plan provides background to council housing in Islington and explains links with other key strategies. It provides the local and regional context, including the Islington response to social housing reforms set out in the Localism Act 2011, including new powers to grant fixed term tenancies and charge ‘Affordable Rents’. The business plan demonstrates that through the consultation we have undertaken we understand how important affordable rents and services charges are to our tenants. In response we have made the commitment that council rents will remain social housing rents set in line with ‘target’ rent levels and to grant lifetime secure tenancies rather than introduce new fixed term tenancies that can now be offered by social housing providers under the Localism Act. It is these commitments that underpin the business plan.

4.4 The business plan demonstrates that council housing in Islington is financially sustainable for the next thirty years as the council is able to maintain its existing housing at the Decent Homes standard, build new housing that is so desperately needed by Islington families, and pay off the debt that we have taken on to build new homes. However, it also highlights the challenges and risks ahead as Coalition government policies such as welfare reform put pressure on the HRA. In response to these challenges we need to find new ways of
generating income, for example from commercial operations, and new ways of saving money as we try to deliver services more efficiently.

4.5 A draft housing business plan is attached as Appendix A to this report.

5. **Investment in housing**

5.1 There are three different ways that the council can invest in its housing:
- Maintaining and improving current homes and estates
- Paying off debt on the housing that we have built and/or improved
- Building new homes

5.2 Within the 30 year business plan we have set out how we propose to allocate expenditure between these different areas.

5.3 **Maintaining and improving our current housing**

5.3.1 Maintaining and improving our current housing is the most important element of the business plan. We need to make sure we have enough money to manage and maintain our current homes before we think about paying off debt or building new homes.

5.3.2 In the thirty year business plan we have allocated enough money to maintain all of our housing at the Decent Homes standard for the next thirty years. We will be investing £1.7 billion in our existing properties over the 30 years of the business plan which equates to approximately £35m (plus inflation) every year. This does not take into consideration that the need for expenditure is likely to vary between years. Every year any unspent money that has been allocated for investment in existing properties will be moved into a major repairs reserve which can then be used in future years.

5.4 **Paying off debt**

5.4.1 The reduction in the council’s debt under self-financing will also result in a decrease in interest payments. The overall 30 year plan allows for repayment of the historical debt as well as the interest – which will further reduce interest payments over time. In theory the council should set aside funds to repay this debt in equal annual proportions over the 30 year period of the business plan. However, due to the challenges facing the HRA in the next few years and the profile of the debt that needs to be repaid or re-scheduled (£64m over the next seven years and then £42m in the following seven years) the council will need to set aside £113m for debt repayments over the next seven years to manage its debt in a cost effective way.

5.4.2 Even though the HRA debt settlement was comparatively good, it left the HRA with an underlying deficit over the first four years of the self-financing system. To allow a balanced budget overall, part of this deficit is offset by planned savings and part by not fully setting aside the resources required to repay debt. In terms of the money the HRA should have set aside for debt repayment it will be £10m short at end of 2013-14, £7m short at the end of 2014-15, and £2m short at the end of 2015-16. For 2016-17 onwards, the underlying HRA budget deficit should be eliminated and the resources set aside to repay debt at the right time should be sufficient for us to manage the debt effectively.

5.5 **Building new homes**

5.5.1 Islington has an acute shortage of affordable housing, particularly social rented homes for families, and overcrowding is a significant problem. The demand for high quality one bedroom homes is also likely to increase because of the number of working age households expected to be adversely affected by the ‘bedroom tax’ from April 2013. As a result one of
the council's key priorities is to provide more social rented homes. As part of our strategy to deliver on this priority we intend to continue to build new council homes.

5.5.2 Whilst the new build programme does form part of the housing business plan it is accounted for separately and the first call on resources remains meeting the investment needs of existing homes and estates. Building new homes does not stop the council investing in keeping its current housing up to the Decent Homes standard. The funding for building new homes comes from a number of sources, mainly borrowing and rental income from the new homes, but also from sales and the government's New Homes Bonus. We are proposing to invest almost £1 billion in new council housing over the next thirty years to provide around 2,200 new homes for Islington households.

6 Housing income

6.1 Rent and service charges are the main source of income to the housing revenue account. The Coalition government has introduced new freedoms around rent setting which allow new council homes to be built at ‘affordable rent’ levels. ‘Affordable’ rent levels are defined as up to 80% of the market rent. If the council decided to set rents at these levels it could mean around a 200% increase on existing rents, and an even bigger increase for larger homes. The ‘affordable rent’ for a three bedroom property in Islington could be as much as £2,000 a month.

6.1.1 The council does not believe that ‘affordable rent’ is genuinely affordable for Islington residents and therefore our commitment, as enshrined in the business plan, is to maintain our existing rent policy which is based on applying ‘target’ rents to existing and new homes.

7 Risks and opportunities identified in the business plan

7.1 The business plan identifies the following key risks and opportunities for housing in Islington. It sets out how the council will respond to these opportunities, mitigate the risks, and what provision has been made in the business plan to accommodate the risks should these materialise.

7.2 Key opportunities:

- **High residential land values in Islington** – which means homes can be built for sale and the money reinvested to help build more council housing
- **High commercial land values in Islington** – which means that the value of the HRA commercial portfolio, particularly in the South of the borough, is growing
- **ECO funding** – which is a grant from energy companies that can be used to improve the energy efficiency of our housing and reduce residents' fuel bills.

7.3 Key risks:

- **Welfare reform** – we estimate the impact of the move to Universal Credit, a single benefit system from October 2013, which would be paid direct to claimants, could cost the HRA £5m in increased costs and lost rental income. There are also financial risks around the introduction of the total benefit cap and bedroom tax from April 2013.
- **Increased demand for our housing** – as some rents of other social housing in Islington increases to ‘affordable’ levels and/or fixed term tenancies are introduced by other social landlords
- **Increased sales under the Right to Buy (RTB)** – in response to the Coalition government’s decision to increase the maximum discount available to tenants who are eligible to buy their home under the RTB from £16,000 to £75,000.
Rent and Other Charges for 2013/14

8.1 This section summarises the proposed changes to rent and other charges for the year 2013/14 which would be included in the housing investment plan considered by the Council as part of the budget-setting in February next year. If agreed these charges would apply from Monday 1st April 2013. Full details of the proposals can be found at appendix B.

8.2 Rent

8.2.1 It is proposed that rent is set according to the national rent policy and the ‘target rent’ formula. This will mean that in 2013/14 the average weekly rent will increase by £4.87 to £104.78. The main reason for this increase is inflation (retail price index) which in September 2012 was 2.6%. But, some rent increases will be more and some less than this average depending on how close existing individual rents are to the ‘target rent’.

8.3 Tenants’ service charges: caretaking, cleaning, communal lighting and grounds maintenance

8.3.1 This service charge is based upon the estimated cost of providing caretaking, cleaning, communal lighting and grounds maintenance services. The effect of reducing the cost of the caretaking and estate services by £0.6m per year has enabled the service charge to tenants to be reduced in 2013-14 by 50 pence a week. The charges for 2013/14 are shown at appendix B.

8.4 Digital TV:

8.4.1 Digital TV charges are for ten years to pay for the installation of digital TV aerials ready for the switchover from analog to digital signal. It is proposed to maintain these charges at 29p per week for 2013/14.

8.5 Concierge

8.5.1 This year we are proposing to increase concierge charges by inflation (retail price index) which was 2.6% in September 2012. Charges will increase by 7 pence, 13 pence or 17 pence to £3.01, £5.01 or £6.69 respectively. The charges vary depending on the level of service provided.

8.6 Parking penalty charge

8.6.1 The previous council policy was to charge parking penalty charges. Due to changes in law introduced by the Coalition government this practice has been replaced during the current financial year with fixed parking charge notices. The maximum currently allowed by the British Parking Association (BPA) who are authorised to act in this capacity by the Home Office IS £100.. The charge will remain at £100 for 2013-14 but will decrease to £60 for notices paid within 14 days of issue.

8.7 Community centre charges

8.7.1 New guidelines were developed two years ago for community centre committees to help them decide how much to charge different groups who use their centres.

8.7.2 These guidelines have been working well and some centres have been using the new flexibility to increase charges, bringing in more income to reinvest in the community.

8.7.3 The current guidelines are at appendix C. We do not intend to change the guidelines this year.
8.8 Communal heating and hot water charges

8.8.1 The council has entered into new value for money contracts for the supply of gas during 2012 and as a result the cost of purchasing fuel has dropped by 24%. This reduction in costs will be passed onto residents who will benefit for a reduction of 24% in their heating charges during 2013-14.

8.8.2 There are nine blocks that receive heating but no hot water from the communal heating system. These blocks will continue to receive a 40% discount.

8.8.3 Following a consultation held in Spring 2011 residents on the Spa Green estate decided that they wanted to pay more for longer hours of heating. This has been continued into 2013/2014.

8.8.4 Three estates: St. Lukes, Redbrick and Stafford Cripps will receive their heating and hot water from the council’s combined heat and power scheme from December 2012. Combined heat and power generation is a more energy efficient way to provide heating and hot water than traditional boilers. These three estates will come out of the heating ‘pool’ during 2013/14, and will receive a rebate in their heating charge for the period December 2012 to March 2013.

8.9 Estate parking and storage charges

8.9.1 This year we are proposing to increase residents’ and non-residents’ parking charges in line with inflation (retail price index at 2.6%). The new weekly charges for residents will range from £2.20 to £4.83 for a bay, from £4.02 to £8.83 for a car cage, and from £8.59 to £18.88 for a garage. Following on from the Housing Investment Plan that was reported to consultative panels in January 2012 a pilot scheme of charging for storage sheds was implemented at John Kennedy Court in May 2012. Due to the success of this pilot this was rolled out from July 2012 and it is proposed that the weekly charge is increased by inflation at 2.6% to £1.54 per week for council tenants and leaseholders and to £3.08 per week for other customers.

9 Other factors

9.1 It should be noted that the proposals outlined in this report are subject to change. They may be affected by: consultation with the Islington Housing Executive and finalisation of the council’s budget setting process.

10. Implications

10.1 Financial implications

10.1.1 The HRA business plan sets out the long term financial outlook following the finalisation of the debt settlement on 28th March 2012. It concludes that the HRA is a viable business over the long-term based upon current assumptions. The Council would be able to finance the housing management and maintenance functions, the long term needs of its housing stock, make a significant contribution to the new build programme and reduce its debt to a much lower level - which would free-up resources for investment in housing and improvements to day-to-day services. Income from rents and continuation each year in setting the rent in line with the current rent restructuring system (towards target rents for each home) is the key driver behind the HRA being a viable business in the short, medium and long term.

10.1.2 The housing investment plan, including the proposed rents and service charges for 2013/14, includes details of how we will invest in our homes in the short to medium term using the same assumptions as the longer term housing business plan.
10.2 Legal implications

10.2.1 The Council as a local housing authority may adopt a housing (HRA) business plan in respect of its housing stock which sets out its vision and objectives for the stock. The housing business plan is a strategic document which provides an overarching framework against which the authority considers and formulates other policies on more specific housing issues (sections 87 /88 Local Government Act 2003).

10.3 Fairer Islington

10.3.1 With the commitment to increasing rents in line with target rent setting policy rather than increasing them to ‘affordable rent’ levels the council can protect its tenants and prospective tenants from poverty. This will have a disproportionately positive impact on the elderly, the young, and those from black and ethnic minority groups who are all more likely to be council tenants.

10.4 Resident consultation implications

10.4.1 Resident consultation on key issues such as the most appropriate housing management model and the tenancy strategy have informed the council’s decision not to increase rents to ‘affordable rent’ levels and to continue with lifetime tenancies. We understand that genuinely affordable rents and service charges are the most important issue for our tenants, and we know that our residents want sustainable communities where tenants can remain in their home for life. The council’s consultation on the asset management strategy will also feed into the business plan as the council may decide to move away from the Decent Homes standard to a local standard informed by our tenants which takes account factors that are important to them which are not included in Decent Homes, for example the estate environment. Consultation around asset management will be ongoing into 2013 and any change in investment needs identified will feed into an updated version of the business plan for 2014/15.

11 Conclusion and reasons for recommendations

11.1 The council is committed to keeping rents and service charges genuinely affordable for its tenants and prospective tenants. Despite the rent increases proposed for 2013/14 and longer term assumptions about rents the housing business plan demonstrates that council housing in Islington is financially sustainable for the next thirty years. The council will, however, face significant challenges over the next four years from welfare reform, increased costs and reduced income. However, by taking the income maximisation opportunities identified in the plan the council should be able to deliver on its commitment to maintain excellent services to tenants and leaseholders throughout the challenging financial and economic climate.

Background papers: None

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Appendix B: Proposed average weekly charges for 2013 - 2014

Tenants’ service charges and digital TV charge

<table>
<thead>
<tr>
<th>Service</th>
<th>Proposed weekly charge or compensation sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caretaking and Cleaning</td>
<td>£6.72</td>
</tr>
<tr>
<td>Estate Services (estate lighting &amp; grounds maintenance)</td>
<td>£2.51</td>
</tr>
<tr>
<td><strong>Tenants’ Service Charge</strong></td>
<td>£9.23</td>
</tr>
<tr>
<td>Digital TV</td>
<td>£0.29</td>
</tr>
<tr>
<td>Compensation for loss of caretaking service</td>
<td>£1.61 per day (after 5 consecutive days of lost service)</td>
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Heating and hot water charges

<table>
<thead>
<tr>
<th>Category</th>
<th>Bedsit Weekly Charge £</th>
<th>1-Bed Weekly Charge £</th>
<th>2-Bed Weekly Charge £</th>
<th>3-Bed Weekly Charge £</th>
<th>4-Bed Weekly Charge £</th>
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<tbody>
<tr>
<td><strong>General:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Heating &amp; Hot Water</td>
<td>9.39</td>
<td>10.41</td>
<td>12.34</td>
<td>14.53</td>
<td>16.46</td>
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<tr>
<td>Heating Only (60% Full Charge)</td>
<td>5.64</td>
<td>6.25</td>
<td>7.40</td>
<td>8.72</td>
<td>9.87</td>
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<tr>
<td>Spa Green (18 Hours/day, 18c at night)</td>
<td>9.99</td>
<td>11.07</td>
<td>13.12</td>
<td>15.44</td>
<td>N/A</td>
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Concierge charges (including CCTV)

<table>
<thead>
<tr>
<th>Category</th>
<th>Weekly Charge £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category A (Concierge Block – About 609 tenants)</td>
<td>6.69</td>
</tr>
<tr>
<td>Category B (Concierge Estate – About 1,765 tenants)</td>
<td>5.01</td>
</tr>
<tr>
<td>Category C (Elsewhere – About 299 tenants)</td>
<td>3.01</td>
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## Estate parking charges

<table>
<thead>
<tr>
<th>EMISSION BANDS / CHARGES</th>
<th>CARBON EMISSION &amp; ENGINE SIZES:</th>
<th>BAND A</th>
<th>BAND B</th>
<th>BAND C</th>
<th>BAND D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon CO2 Rating G/km (Grams per kilometre)</td>
<td>0-120</td>
<td>121-150</td>
<td>151-185</td>
<td>186+</td>
<td></td>
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<tr>
<td>Engine Size CC (Cylinder Capacity)</td>
<td>0-1100</td>
<td>1101-1399</td>
<td>1400-1850</td>
<td>1851+</td>
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<tr>
<td><strong>Weekly Charge £</strong></td>
<td><strong>Weekly Charge £</strong></td>
<td><strong>Weekly Charge £</strong></td>
<td><strong>Weekly Charge £</strong></td>
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<tr>
<td>Standard Charge For Tenants:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>- Garage</td>
<td>8.59</td>
<td>17.17</td>
<td>17.17</td>
<td>18.88</td>
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</tr>
<tr>
<td>- Car Cage</td>
<td>4.02</td>
<td>8.02</td>
<td>8.02</td>
<td>8.83</td>
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<tr>
<td>- Parking Space</td>
<td>2.20</td>
<td>4.39</td>
<td>4.39</td>
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<td>- Internal Garage</td>
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<td>11.82</td>
<td>11.82</td>
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<td>Non-Residents (Extra 50% Levy):</td>
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<tr>
<td>- Garage</td>
<td>12.89</td>
<td>25.75</td>
<td>25.75</td>
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<tr>
<td>- Car Cage</td>
<td>6.03</td>
<td>12.04</td>
<td>12.04</td>
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<td>- Parking Space</td>
<td>3.30</td>
<td>7.02</td>
<td>7.68</td>
<td>9.66</td>
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<tr>
<td>Parking Space - Method</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Tenant charge plus 50%</td>
<td></td>
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<tr>
<td>Tenant charge plus 60%</td>
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<tr>
<td>Tenant charge plus 75%</td>
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<td>Tenant charge plus 100%</td>
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<td></td>
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<tr>
<td>Garages Used For Non-Vehicle Storage</td>
<td>18.88</td>
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<tr>
<td>Garages Used For Non-Vehicle Storage-Non Residents</td>
<td>28.32</td>
<td></td>
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## Storage Units

<table>
<thead>
<tr>
<th></th>
<th>Weekly Charge (£)</th>
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</thead>
<tbody>
<tr>
<td>Residents</td>
<td>1.54</td>
</tr>
<tr>
<td>Non Residents</td>
<td>3.08</td>
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## Parking penalty charges

<table>
<thead>
<tr>
<th></th>
<th>Council Estates (£)</th>
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</thead>
<tbody>
<tr>
<td>Parking Charge Notices</td>
<td>100.00</td>
</tr>
<tr>
<td>Parking Charge Notices (paid within 14 days of issue)</td>
<td>60.00</td>
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## Appendix C - Community centre charging structure

<table>
<thead>
<tr>
<th>Capacity of room</th>
<th>Band 1</th>
<th>Band 2</th>
<th>Band 3</th>
<th>Band 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>weekday w/e</td>
<td>weekday w/e</td>
<td>weekday w/e</td>
<td>weekday w/e</td>
</tr>
<tr>
<td>under 20</td>
<td>Nominal contribution to cleaning</td>
<td>Nominal contribution to cleaning</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>21-50</td>
<td>Nominal contribution to cleaning</td>
<td>Nominal contribution to cleaning</td>
<td>10</td>
<td>15</td>
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<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>51-100</td>
<td>Nominal contribution to cleaning</td>
<td>Nominal contribution to cleaning</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>30</td>
<td>35</td>
</tr>
<tr>
<td>over 100</td>
<td>Nominal contribution to cleaning</td>
<td>Nominal contribution to cleaning</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>35</td>
<td>40</td>
</tr>
</tbody>
</table>

All charges are per hour
Discounts may be given for 1/2 day or all day hire or for regular bookings paid in advance

Band 1
TRA and leasehold association meetings, Councillors and MP surgeries, HFI or LBI meetings for benefit of estate (e.g. HFI panels and forums, caretakers’ meetings, consultation events) unfunded community events for which no or minimal charge made

Band 2
HFI and LBI non-local meetings, such as Housing Networks. Grant aided voluntary organisations with local interest, LBI funded nurseries, LBI funded projects, community events for which charge is made i.e., dancing classes, keep fit classes, yoga. Estate residents’ parties and events (private)

Band 3
Profit making organisations of local benefit e.g. private nurseries

Band 4
Business and private party hire
Foreword

Executive summary

Contents

Introduction

Explanation of self-financing and the need for a business plan

National context

Regional context

The local strategic context and response to Coalition Government reforms

Housing in Islington

Corporate priorities

Strategic housing objectives

Islington Council’s tenants and leaseholders

Islington Council housing and the housing revenue account

The business planning process

The financial position of the council’s housing

Key opportunities for council housing in Islington

Key risks for council housing in Islington

Monitoring and updating the business plan
Foreword

The housing business plan sets out the Council’s longer term plans for managing and maintaining council housing in Islington. The Council is committed to ensuring that Islington has a sustainable housing business plan in the long-term and this document outlines our proposals to deliver on that objective.

The primary purpose of the plan is to ensure the effective use of council housing to provide decent, suitable and affordable homes for both our existing and future residents in housing need in the borough.

This is the first housing business plan for Islington since the management of council housing was brought back under direct control and has been published in response to the reform of council housing finance from April 2012. The move to a self-financing model and away from the previous housing subsidy system provides new freedoms and flexibilities to plan ahead and manage council housing in accordance with locally determined priorities.

It sets out how the we propose to manage and maintain council-owned homes and how improvements will be delivered, including building new homes.

Executive Summary

The Council owns around 35,000 homes of which 26,000 are tenanted and 9,000 are leasehold. The council directly manages around 25,000 homes, roughly 6,400 homes are managed by a Private Finance Initiative (PFI) contractor and around 3,900 homes are managed by a number of Tenant Management Organisations (TMOs).

Council housing in Islington comprises a mix of high, medium and low rise flats and around 6,000 street properties. There is a mix of size of homes from studios through to large family homes with six bedrooms or more. However, a significant proportion of these are smaller homes of one bedroom or less (39.4%) with only 5.9% having four or more bedrooms.

There is high demand for all types of social housing in Islington and there is a desperate need for more social housing, particularly for families. There were over 18,000 households registered for social housing as at April 2012 and of these almost 8,000 are deemed to have sufficient housing need to be eligible to bid for available homes.

Islington council housing is generally in good condition: the Decent Homes standard was achieved in 2010/11 and a cyclical maintenance programme is underway to maintain properties at this standard. The financial modelling work we have undertaken as part of the development of this business plan shows that we can afford to maintain our homes and build new homes over the next 30 years. However, there are some financial pressures in the early years of the plan that we need to manage, including impacts of welfare reforms to be introduced from 2013.

This housing business plan covers the 30-year period 2012 to 2042 and identifies resources to deliver the priority areas of investment in our homes and estates.
The plan should be read in conjunction with the Council’s Housing Strategy (due to be reviewed in 2013) and the Housing Asset Management Strategy. Together, these documents outline the strategic approach to investing and managing council housing in Islington.

**Introduction**

Islington Council believes that everyone should have a decent, suitable, and affordable home. We are committed to improving the council’s housing and building new council homes to help achieve this priority. We are also committed to effectively managing our homes to make sure our estates are safe, sustainable communities.

This business plan sets out how the council will use its resources to deliver on these commitments over the next 30 years. The business plan will demonstrate that council housing in Islington is sustainable in the long term. It shows that the council has enough resources to manage and maintain its housing for the next thirty years, and build more council housing that is so desperately needed for families in Islington. The business plan sets out the key opportunities and risks for council housing over the next few years, and how the council will make sure the opportunities are taken and risks are effectively managed.

The business plan is one of three key strategic documents setting the direction for council housing in Islington. The other two documents are the housing strategy and the asset management strategy. Beneath these sit annual service plans which make sure that the longer term objectives contained in these documents are translated into short term actions. The asset management strategy is currently being developed and the housing strategy will be reviewed during 2013 but the diagram below shows how the three documents interact to make sure that council housing in Islington realises its potential to improve residents’ lives.
Explanation of self-financing and the need for a business plan

Council housing in Islington is funded from the housing revenue account (HRA). The HRA is where all of the housing money (for example from rents and service charges) the council collects as a landlord is paid in, and all of the housing expenditure on managing its housing (for example on repairs and caretaking) is paid out. The housing revenue account is ring-fenced which means that monies from this account cannot be used to pay for other council services, like libraries. Similarly, council tax monies cannot be used to pay for managing council housing, like housing repairs.

Until March 2012 the council had been subject to a national rent 'pooling' system of council housing finance. This meant that every council in the country that had retained ownership of its housing paid over income from rents to central government and, in return, received an allowance to manage and maintain its housing. This allowance was calculated annually and based on assumptions about the individual circumstances of each council. This arrangement made it difficult to plan ahead because we did not know what our allowances would be from one year to the next.

Each council that built council housing took out long-term loans and, like a mortgage, paid this off over a number of years. In Islington we built a lot of council housing, and continued to do so after many others had stopped their building programmes. This meant that we had taken on a lot of debt and had to pay interest on this debt every year. Under the rent 'pooling' system the government took into consideration how much debt it thought each authority had when it decided what allowance it should be paid for the following year. Given our large historic debt we received more money from the government in allowances than the amount we paid to the government in rent.

In April 2012 central government introduced a new council housing finance system called 'self-financing'. Under the new self-financing system councils no longer receive an annual allowance. Instead, we keep the money that is paid in rent and service charges and use this to manage and maintain our housing. This is a significant change and provides much more certainty about our future income and more flexibility to make decisions about how to invest in our housing.

It is this new self-financing system that makes an effective business plan so important. With new freedoms and flexibilities also comes new responsibility. The council can no longer rely on central government for subsidy: instead we have to make the best use of the resources that we have from rent and other sources. We need a business plan to make sure that we have enough resources to manage and maintain our housing in the long term, and enough in reserve to deal with the challenges up ahead, such as welfare reform. The business plan is not just about making sure we have enough money; it is about making sure we make the best use of the resources available, for example by building new homes. It is also about maximising our income, for example by increasing the profitability of our commercial operations.

National context

In addition to introducing self-financing, the Coalition government has made significant changes to the way council housing is developed, let, managed and regulated, providing more freedom for councils and housing associations to make key decisions such as the
type of tenancies to grant and the rent that can be charged. The proposals for welfare reform are also likely to have a significant impact on residents and our business plan, for example making it more difficult for the council to collect all of the rent it is due. These changes are set out in more detail below.

Social Housing Tenure: Affordable Rent

The Localism Act (2011) has introduced a new form of social housing: Affordable Rent (AR). Any homes provided as AR could be let at rents up to 80% of open market levels. This new form of tenure has been introduced to allow social housing to be developed with reduced grant from central government. Housing associations are also able to convert a proportion of their existing homes to AR when they are relet. Any new homes built for AR can be let on fixed-term tenancies of not less than two years although five years is expected to be the norm.

More information about the Localism Act can be found on the CLG website at:


Regulation of Social Housing

The Coalition Government abolished the Tenant Services Authority which was previously responsible for regulating social housing. The Homes and Communities Agency (HCA) is now responsible for social housing regulation. They are taking a ‘risk based’ approach to regulation: focusing on financial sustainability rather than the services tenants receive.

More information about the HCA and regulation can be found on the HCA’s website at:


Welfare Reform

The Welfare Reform Act (2012) has brought about significant changes to the welfare benefits system. The changes affect both how much benefit is paid, and the way benefit is paid. This will have wide ranging impacts for our residents and the HRA. The council can no longer rely on the assumption that our tenants (supported by housing benefit) can afford to pay their rent.

There are many different elements of the welfare reform programme that, in total, are designed to cut £18bn from the national welfare bill. More detail can be found on the Department for Work and Pensions website at:

http://www.dwp.gov.uk/policy/welfare-reform/

The key changes affecting council tenants are:

**A total benefit cap:** this will limit the total amount paid in benefit to £500 per week for couples and households with children and £350 for a single person. This will mean that households receiving benefits with more than four children will no longer receive support for some or all of their housing costs. This will be introduced from April 2013. Certain groups will be exempt from the cap.

**The size criteria:** this will reduce the housing benefit payable to households deemed to be under-occupying by one bedroom by 14% and by 25% for those deemed to be under-
occupying by two or more bedrooms. This will be introduced from April 2013. Tenants over pensionable age will be exempt.

**Universal Credit (UC):** this will combine almost all benefits into one single payment paid direct to the claimant. The claimant will then be expected to use this income to pay their rent. This will be introduced for new claimants from October 2013. There will be transitional arrangements for existing claimants to move them on to UC between 2013 and 2017.

**Localism**

The Localism Act (2011) outlines key changes to the way we deliver housing services to households in need and represent the most significant changes to housing policy in a generation.

Key changes include:

- Social housing: social housing providers are able to offer fixed term tenancies of no less than five years for new tenants.

- Homelessness: from November 2012 local authorities are able to fully discharge their duty to secure accommodation for homeless households through an offer of suitable housing in the private rented sector.

- Housing Allocations: local authorities have been given the freedom to decide whether to continue operating an open housing register or introduce local eligibility criteria which would determine who qualifies for as well as who gets priority for social housing.

More information can be found on the CLG website at:


**Right to buy**

The Coalition government has increased the maximum discount for Council tenants wishing to exercise their right to buy from £16,000 to £75,000. The rules around how much of the receipt from the sale local authorities can keep have also changed. This may mean that if sales increase that we have more money to invest in building new homes but the amount Islington will get to keep will not be enough to build a new council property for every one that is sold.

**Regional Context**

In London the Mayor published a draft revised London Housing Strategy (LHS) for consultation with the public in December 2011. The document includes details on policies which the Mayor is promoting to help meet his aim of empowering people and transforming places. A copy of the consultation draft can be found on the Greater London Authority (GLA) website at:

http://www.london.gov.uk/publication/revised-london-housing-strategy-public-consultation

The draft revised London Housing Strategy sets out the Mayor’s support for the government’s social housing reform agenda because it aims to put decision-making back in the hands of local authorities and the communities they serve.
The local strategic context and response to Coalition Government reforms

Housing in Islington: key facts

- Market of extremes – the ‘missing middle’
- Densely populated with overcrowding above London average
- 80% of households live in flats
- Two thirds rent their homes: 44% in social rented and 24% in private rented
- Level of owner occupation is smaller than average and has decreased in recent 5 years

Social housing in Islington

Islington Council is the largest provider of social housing in the borough with over 26,000 homes. There are around 40 other providers of social housing, housing associations, who own and/or manage around 14,000 homes in Islington.

Most of our council homes were built post 1945 with 46% of all dwellings since 1965. 23% of the council’s stock was built before 1919. In comparison the proportion of homes built by housing associations post 1980 is around 40%, although around 30% were built before 1919.

There are a number of developing housing association partners in Islington who in 2011/12 completed 776 new homes in the borough, of which 451 were homes for rent, 299 for shared ownership and 26 were supported housing. Over the next two years up to April 2014 projected completions of new homes by housing associations are as follows:

- Rented: 580
- Shared Ownership: 393
- Supported housing: 43

Total: 1,016

The council is committed to increasing the supply of affordable housing in the borough and in 2008 embarked on the first council house building programme in a generation. An overview of the success of the programme in delivering much needed new council homes, particularly family-sized units is summarised in the tables below.

Table 1: new build completions between April 2009 and March 2012.

<table>
<thead>
<tr>
<th>New build completions</th>
<th>2009/10</th>
<th>2010/11</th>
<th>2011/12</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Schemes</td>
<td>Units</td>
<td>Schemes</td>
<td>Units</td>
</tr>
<tr>
<td>Rented</td>
<td>2</td>
<td>14</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Shared Ownership</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supported housing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 2: new build schemes currently on site

<table>
<thead>
<tr>
<th>Scheme location</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holbrook Court</td>
<td>5</td>
</tr>
<tr>
<td>143 Seven Sisters Road</td>
<td>6</td>
</tr>
<tr>
<td>Belfont</td>
<td>2</td>
</tr>
<tr>
<td>Vulcan Way</td>
<td>17</td>
</tr>
<tr>
<td>Vaudeville Court</td>
<td>13</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>43</strong></td>
</tr>
</tbody>
</table>

Table 3: summary of indicative new build pipeline up to March 2015 (as reported to the New Homes Board in August 2012)

<table>
<thead>
<tr>
<th>Estimated new starts on site</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Schemes</td>
<td>Units</td>
<td>Schemes</td>
<td>Units</td>
</tr>
<tr>
<td>9</td>
<td>126</td>
<td>20</td>
<td>369</td>
<td>12</td>
</tr>
</tbody>
</table>

Corporate priorities

Islington Council set up a Fairness Commission in 2010 to help identify things we can do to help make Islington a fairer place to live and work. Its focus was to inspire positive change in the period 2010-2014 and the outcome is a number of recommendations that should make a real difference to people’s life chances in Islington.

A copy of the final report can be found on the council’s website at: [http://www.islington.gov.uk/about/fairness-commission/Pages/default.aspx?extra=11](http://www.islington.gov.uk/about/fairness-commission/Pages/default.aspx?extra=11)

A Corporate Plan 2011-2015 has been developed in response to the recommendations of the Fairness Commission identified access to a decent, suitable and affordable home as one of its six priorities. The links between the Corporate Plan objectives and the housing business plan are shown in the table below.

<table>
<thead>
<tr>
<th>Corporate Plan Objectives</th>
<th>Link to the Business Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased supply of affordable homes</td>
<td>Investing £1 billion set aside across the lifetime of the business plan to build 2,200 council homes over the lifetime of the plan</td>
</tr>
<tr>
<td>Preventing and mitigating the impact of homelessness</td>
<td>£5m set aside to mitigate the impact of welfare reform. Part of this is to compensate for lost rental income but significant funds have also been set aside to proactively work with tenants to help them maximise their income and sustain their tenancies to prevent homelessness.</td>
</tr>
<tr>
<td>Improving housing quality</td>
<td>An average investment of £42m a year for the next ten years in our existing properties to maintain them at the Decent Homes standard.</td>
</tr>
</tbody>
</table>
A copy of the Corporate Plan can be found on the council’s website at: http://www.islington.gov.uk/about/council-documents/corp_plan/previous/Pages/Corporate-Plan-2011.aspx

Strategic Housing Objectives

The Islington Housing Strategy 2009-2014 ‘Your home: your future. Laying a solid foundation for improving lives and creating opportunity’ sets out five key objectives for housing in the borough which are:

- Making housing a solid foundation for improving lives and creating opportunities
- Delivering more homes
- Building better quality homes and neighbourhoods
- Providing better managed homes and value for money services;
- Promoting better engagement and influence.

As a major provider of social housing which makes up just under half of all homes in the borough the management and maintenance of our homes plays an important part in meeting the council’s strategic objectives for housing. For example by:

- providing good quality, accessible and affordable homes
- making best use of existing homes, helping to reduce overcrowding and tackle under-occupation
- increasing the supply of family homes
- directing social housing tenants and clients to employment and training opportunities, giving advice and support on financial and debt management to mitigate against the impact of welfare reforms
- working with communities to take advantage of regeneration opportunities to improve homes and estates
- protecting the quality of existing open and green space and increasing it where possible
- making best use of existing community facilities and providing more facilities for young people.

A copy of the Islington Housing Strategy can be found on the council’s website at http://www.islington.gov.uk/services/housing/policiesandstrategies/Pages/housingpublications.aspx

Tenancy strategy

The council has developed a tenancy strategy in response to the Localism Act. This tenancy strategy has three key aims:

1. Promote mixed and stable communities through the provision of lifetime secure (or assured) tenancies
2. Maximise the availability of social rented homes for Islington residents
3. Promote fairness and choice
The council does not support the Coalition Government’s tenancy reforms. We believe that fixed term tenancies combined with welfare reform could make Islington’s communities less sustainable, increase the number of households living in poverty and lead to a rise in homelessness. We also think that the new ‘Affordable Rent’ tenure will not be affordable for the majority of households who need social housing. For these reasons the council will continue to grant lifetime secure tenancies and set rents according to the target rent formula.

More details about the tenancy strategy can be found on the council’s website at: http://democracy.islington.gov.uk/reports/d28596998f244631941b3f3d6389e30c/report.aspx

Allocations scheme

The council is currently reviewing its allocations scheme. The review is considering five key issues as set out below.

- Who should the council prioritise for housing?
- Should low priority tenants continue to be included on the list?
- Should homeless households continue to be made an offer of social housing?
- Should single homeless people be made a direct offer of housing outside of the choice based lettings system?

More details about the current allocations scheme and any future changes can be found at: http://www.islington.gov.uk/services/housing/findingahome/housingregister/Pages/default.aspx

Asset Management Strategy

The council has recently consulted residents on the development of a new asset management strategy (AMS). The AMS is aiming to ensure that our homes and estates are places where people choose to live for years to come. It will set out how we will use our resources as effectively as possible to achieve this objective.

The Islington Housing Executive will be consulted on the draft AMS prior to it being considered for adoption by the Council’s Executive in May 2013. Once adopted the investment priorities set out in the AMS will be reflected in future versions of the housing business plan.

Alongside the development of an AMS we will produce an estate regeneration strategy which will set out how we will identify estates that need more significant interventions to ensure that:

- they are places where people want to live now and into the future and:
- investment needs can be met in the short, medium and longer term.

It is expected that the range of interventions could include estate improvements through to partial or full redevelopment. The preferred option in each case would be determined in consultation with residents and other key stakeholders and subject to a deliverability
assessment, including financial viability in the context of the wider housing business plan and any external funding opportunities.

**Islington council tenants and leaseholders**

There is a huge divide between the rich and poor in Islington. Unfortunately council tenants are more likely to be out of work and living in poverty than the wider Islington population. Council and housing association tenants’ average annual income is around £15,000 whilst Islington owner occupiers with a mortgage have an average household income of nearly £100,000 a year.

We also know that the income of new tenants is lower than the income of existing tenants. This suggests that our tenants are likely to get increasingly poorer relative to the rest of our local population.

60% of both council tenants and leaseholders are women and tenants are more likely to be lone parents than other sections of the population. Over 40% of council tenants are from non-white backgrounds. This is higher than the Islington population as a whole where 21% of residents are from non-white backgrounds. Our tenant population is older than the average population in Islington with 23% of council tenants over the age of 65, compared to 9% of the wider population. We also know that Islington council tenants are getting increasingly older.

Islington council tenants and leaseholders are much more likely to have a disability than other Islington residents. 43% of tenants state that they have a physical or mental impairment; this is compared to 18% of the wider Islington population.

This demonstrates how important it is for the council to ensure its rents and service charges are genuinely affordable for current and future tenants. We also need to ensure that our services are accessible to those for whom English is not the first language, and are targeted to support older residents and those with disabilities.

**Islington Council housing and the housing revenue account**

Islington Council is the freeholder of over 35,000 homes. Approximately 26,000 are tenanted and 9,000 are leasehold.

The council’s homes are managed in three different ways. Approximately 25,000 are managed directly by the council with a further 3,900 managed by tenant management organisations (TMOs). These are organisations run by tenants that have responsibility for different elements of the housing management service. The council pays tenant management organisations an allowance to deliver the elements of the service they are responsible for. Approximately 6,400 homes are managed by Partners for Improvement (Partners) in Islington under two private finance initiatives (PFI). The first PFI scheme lasts for 30 years from 2003 to 2033 and covers 2,340 properties. The second PFI scheme lasts for 16 years from 2006 to 2022 and covers 4,100 properties. Even though there are different ways of managing these homes all 35,000 are tenants and leaseholders of the council which retains responsibility for managing and maintaining all of these homes.
Of the council’s around 26,000 tenanted homes the majority are one bedroom and two bedroom properties. The full breakdown by bedroom size is shown in the table below.

<table>
<thead>
<tr>
<th>Property size</th>
<th>Number of properties</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedsits</td>
<td>803</td>
<td>3.1</td>
</tr>
<tr>
<td>One bedroom</td>
<td>9,393</td>
<td>36.3</td>
</tr>
<tr>
<td>Two bedrooms</td>
<td>8,766</td>
<td>33.9</td>
</tr>
<tr>
<td>Three bedrooms</td>
<td>5,372</td>
<td>20.8</td>
</tr>
<tr>
<td>Four bedrooms</td>
<td>1,213</td>
<td>4.7</td>
</tr>
<tr>
<td>Five bedrooms</td>
<td>247</td>
<td>1.0</td>
</tr>
<tr>
<td>Six or more bedrooms</td>
<td>53</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>25,847</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Islington is in desperate need of more social housing, particularly for families. Between April 2011 and March 2012 over 3,000 households approached the council for assistance with housing. This is an increase on previous years. There were over 18,000 households registered for social housing as at April 2012 and of these almost 8,000 are deemed to have a sufficiently high housing need to be eligible to bid for available homes. A breakdown of the households in housing need who had registered for housing as at June 2012 is shown in the table below.

<table>
<thead>
<tr>
<th>Property size needed</th>
<th>Households in housing need on the housing register</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>One bedroom/studio</td>
<td>4,323</td>
</tr>
<tr>
<td>Two bedrooms</td>
<td>2,101</td>
</tr>
<tr>
<td>Three bedrooms</td>
<td>996</td>
</tr>
<tr>
<td>Four bedrooms</td>
<td>393</td>
</tr>
<tr>
<td>Five bedrooms</td>
<td>124</td>
</tr>
<tr>
<td>Six or more bedrooms</td>
<td>44</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>7,981</strong></td>
</tr>
</tbody>
</table>

The council currently has no ‘hard to let’ properties or long term empty properties. As each property becomes vacant it is refurbished as quickly as possible and re-let to a household from the housing register. Where the council does have properties that may need to be kept vacant for longer periods, for example because the building is being remodelled or redeveloped, we use these properties for temporary accommodation wherever possible. Due to changes to social housing more widely, particularly the introduction of affordable rent and fixed term tenancies, it is likely that demand for the council’s housing will increase still further. There does not appear to be any risk of council’s housing becoming low demand at any time in the foreseeable future.

Islington Council’s Housing is generally in good condition: the Decent Homes standard was achieved in 2010/11 and a cyclical maintenance programme is underway to maintain properties at this standard.

The key sources of income and areas of expenditure within the HRA in 2011/12 are shown below.
Income:
- Tenants' rent and service charges £143.4m
- Leasehold services charges £7.1m
- Subsidy from central government for the council’s two private finance initiatives £22.9m

Expenditure:
- Housing management. This is split into ‘central’, such as legal services and human resources, and direct costs such as housing and estate services officers. More detail on this can be found in the section below. £44.9m
- The council’s two private finance initiatives £36.7m
- Repairs and maintenance £24.7m
- Major repairs and improvements. This is amount set aside to spend on major works such as roof replacements and new kitchens and bathrooms. It is funded from a combination of depreciation, revenue contributions to capital and leaseholders major works. £37.5m
- The cost of debt repayment and interest £23.1m

The business planning process

This document is a snapshot of the housing business plan at a particular point in time. However, housing business planning in Islington is a continuous process. The data and assumptions underpinning the business plan are constantly reviewed and the plan is updated. This will be particularly important when making allowances for the implications of welfare reform. We will not fully understand the impacts until the reforms have been introduced and we know how our residents will respond.

The aims of the business plan are to:

- Establish whether the council’s housing is financially sustainable over the next thirty years
- Ensure that the council’s housing will continue to contribute towards the council’s strategic objective of decent, suitable, affordable housing
- Identify risks and actions to mitigate these risks
- Identify opportunities for service development or income maximisation and how the council will capitalise on these opportunities
- Provide a framework for constant review of business planning assumptions and data

This document is based on the following datasets and assumptions:

Datasets:
- Housing stock investment needs from the 2010 Ridge stock condition survey
- Housing stock numbers as at March 2012
- Income and expenditure projections from the 2013 – 2020 HRA medium term financial strategy

Assumptions

The key assumptions underpinning the business plan are:

- The council will not raise its rents to ‘affordable rent’ levels (up to 80% of market) but will continue to ensure rents are genuinely affordable by limiting rent increases in line with ‘target rent’ policy
- The council will continue to maintain current turnover levels and fast turnaround time for empty properties with resultant rent loss at 1.31%
- Staffing costs will increase by 1% for each year of the business plan
- Inflation in the payments to Partners will increase costs by 2.5% for each year of the plan
- Repairs and maintenance costs will increase by 2.6% in 2013 – 2014, 2.8% in 2014 – 2015 and 2.5% for the remainder of the plan
- Inflation in the purchase of good and services will increase costs by 2% for the duration of the plan
- Inflation in the cost of delivering major works and improvements will increase the amount that needs to be set aside in the major repairs reserve by 2.5% for the duration of the plan

A financial model has been developed to understand the longer term position of the HRA based on these and other important assumptions. A copy of the financial model along with more detail on the assumptions that underpin this can be found in the stock options appraisal report on the council’s website at http://www.islington.gov.uk/services/housing/policiesandstrategies/Pages/housingpublications.aspx

This model is updated annually to provide assurance that the housing business plan remains sustainable in the longer term. A more detailed medium term financial outlook, the housing investment plan, is considered as part of the council’s annual budget-setting process.

Consultation on the business plan

In 2012 the council undertook a review of its resident engagement arrangements. This has led to the establishment of the Islington Housing Executive, an advisory committee to the Council’s Executive. The Housing Executive, comprised of elected tenants and leaseholders along with ward councillors, are key consultees on this and future versions of the housing business plan.
The development of the business plan has also been informed by recent consultations with residents, including on the future management options for council housing, the tenancy strategy and the asset management strategy. The table below shows how residents’ feedback has been incorporated into the business plan.

<table>
<thead>
<tr>
<th>Feedback from the review of housing management</th>
<th>Incorporated into the business plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenants’ main priority is affordable rents and service charges</td>
<td>The council has committed to continuing to apply the target rent formula and not move to ‘affordable rent’ levels</td>
</tr>
<tr>
<td>Tenants’ second priority is an active role in building more council homes</td>
<td>Over £950m has been earmarked for building more homes for social rent over the 30 year business plan. This will be used to deliver an average of at least 50 new homes a year in the early years increasing to 100 homes per year in the later years of the business plan</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Feedback from the asset management strategy consultation</th>
<th>Incorporated into the business plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>The council should not waste money improving and maintaining estates unless the work is really needed.</td>
<td>The business plan allocates funding for maintaining the council’s homes and estates based on the lifespan of each element of the building. This means that maintenance and improvements will only be funded where they are really needed.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Feedback from the tenancy strategy consultation</th>
<th>Incorporated into the housing business plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>The council should not grant fixed term tenancies</td>
<td>The council will continue to grant lifetime secure tenancies to all new tenants</td>
</tr>
<tr>
<td>The council should not increase rents to ‘affordable rent’ (up to 80% of open market) levels</td>
<td>The council will continue to set rents in line with ‘target’ rent policy</td>
</tr>
</tbody>
</table>

**The financial position of council housing**

The council’s housing is financially sustainable for the next thirty years. Towards the later years of the plan there is significant scope for future investment as debt is repaid.

Over the next thirty years the council expects to have sufficient resources to:

- Repay almost all of the HRA’s share of existing loans
- Invest £1.7 billion over the 30 year period to maintain our homes at the Decent Homes standard
- Provide 2,200 new council homes by investing almost £1 billion over the thirty year period
However, over the first four years of the HRA self-financing system (2012/13 to 2015/16) the council is faced with an underlying deficit position. In order to balance the books over these early years the council will adopt the following strategy:

- Generate additional income, for example by expanding commercial operations
- Make savings, for example by providing services in a more cost effective way
- Push the repayment of debt back towards the later years of the thirty year business plan

More detailed analysis on two key aspects of the housing business plan are set out below:

1) Capital expenditure

The council sets aside money to invest in its homes based on ‘component depreciation’. This is assessed from information about the age and the expected life of different elements of the property, for example that windows will need replacing in twenty years. Using ‘component depreciation’ the council should set aside enough money to replace the windows in twenty year’s time. The council commissioned Ridge to carry out a stock condition survey in 2010 and we have used this information to calculate how much money needs to be set aside to maintain our housing at the Decent Homes standard for the duration of the housing business plan.

The council has developed a new build programme to make a direct and positive contribution to meeting housing need in Islington that is deliverable and affordable, without having a negative impact on the council’s ability to maintain high quality services and invest in our existing homes.

The projected expenditure on maintaining existing housing and building new housing over the next seven years is set out in the table below.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in existing properties</td>
<td>34.7</td>
<td>36.5</td>
<td>38.5</td>
<td>39.7</td>
<td>40.4</td>
<td>40.4</td>
<td>39.5</td>
<td>37.4</td>
</tr>
<tr>
<td>New build</td>
<td>6.5</td>
<td>15.9</td>
<td>22.1</td>
<td>29.6</td>
<td>25.4</td>
<td>26.4</td>
<td>17.1</td>
<td>13.1</td>
</tr>
</tbody>
</table>

2) Debt settlement and policy on repayment of debt

Over the 30 year period of the housing business plan all of the HRA share of existing loans will be repaid apart from any new debt required to fund new council housing and existing debt that is due to expire after 2031. In theory the council should set aside funds to repay this debt in equal amounts over the 30 year period of the business plan. However, due to the challenges facing the HRA in the early years of the plan and the profile of the debt that needs to be repaid or re-scheduled (£64m over the next seven years and then £42m in the following seven years) the council will need to set aside £113m for debt repayments over the next seven years to manage its debt in a cost effective way.
Even though the HRA debt settlement was comparatively good, it left the HRA with an underlying deficit over the first four years of the self-financing system. The deficit will be made good by generating additional income, the implementation of efficiency savings and not setting aside sufficient finance towards debt repayment. In terms of the money the HRA should have set aside for debt repayment it will be £10m short at the end of 2013-14, £7m short at the end of 2014-15, and £2m short at the end of 2015-16. This shortfall in provision for debt repayment will be made good over the seven year period and the HRA will be able to manage its debt repayments in an effective way.

**Key opportunities for council housing in Islington**

Even in these times of significant cuts to public spending and threats to our rental income as a result of welfare reform, there are still opportunities for council housing in Islington. This is mainly as a result of our location in a very desirable, high value area of inner London.

One way we are able to capitalise on this high land value is to help subsidise the development of new council homes by developing homes for private sale and shared ownership. We are currently piloting this ‘cross subsidy’ model on a new build scheme of 17 homes at Vulcan Way and over the next three years plan to generate £7.7m from the sale of private and shared ownership properties. This money would all be reinvested in building new homes.

The high land values in Islington also opens up options around regeneration that are not available in other, lower value, areas of the country. The council is currently developing an estate regeneration strategy and we are confident that individual estate regeneration can be realised within the confines of the HRA borrowing cap, using cross-subsidy from open market sales and potentially development partner interest. This will enable new and better quality homes to replace existing council owned homes where this would best deliver on what is important to residents as well as make best use of existing resources to meet our business plan objectives.

The southern part of the borough of Islington benefits from its ‘city fringe’ location and in recent years its proximity to Old Street’s ‘silicon roundabout’. This has pushed up the value of commercial assets in the area. Net income from the council’s commercial portfolio has increased from £900k in 2009/2010 to £1.9m in 2011/12 and we are exploring opportunities to further increase income generated from these sources. Some current projects that are exploring options include leasing derelict or under-used garage sites for self-storage schemes and capitalising on the 4G mobile phone mast market.

The government’s stated aim in ‘reinvigorating the right to buy’ is that every council home sold will be replaced by a new affordable home. The principle is not, however,’ like for like but ‘one for one replacement nationally which could see council homes lost replaced by new homes for ‘Affordable Rent’ in the same or another area.

However, due to changes in the way right to buy receipts are treated increased sales through right to buy (RTB) will increase income to the HRA that can be used to build new homes. For example, if the council sold 50 properties in 2012/13 and 60 properties each year thereafter the additional income to the HRA would be £61m over the next ten years. But, our early experience of the changes since they were introduced in April 2012 has
seen only 4 out of 200 new RTB applications received in the first two months completed by October 2012. At this stage it is difficult to predict how much additional income could be generated from additional RTB sales but this has the potential to be an important source of funding for new council housing in the future.

At the same time the council is concerned that the RTB reinvigoration proposals may not leave us with enough money from any additional receipts from a higher volume of sales to cover the cost of building replacement homes in Islington.

The council has investigated the opportunities to use the Coalition Government’s Energy Company Obligation (ECO) and Green Deal programmes to improve the energy efficiency of our housing and reduce fuel bills for residents. We have decided not to become a Green Deal provider whilst the demand for energy efficiency improvements funded through the Green Deal mechanism is unknown. However, we are aiming to maximise the grants available from energy companies through ECO by formulating a programme of solid wall insulation and working cross borough and with other social housing landlords to benefit from reduced costs through economies of scale and break down barriers for installers.
# Key risks for council housing in Islington

The key risks for council housing over the next five years are shown in the matrix below. The matrix also sets out the action the council is taking to mitigate the risks and how provision has been made in the business plan to address the financial impact should these risks materialise. Risks to the HRA are managed within the Housing and Adult Social Services Department through Housing Budget meetings and reported to the council's Executive and full Council through the budget monitoring and setting process.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Likelihood (1=low - 3=high)</th>
<th>Impact (1=low - 3=high)</th>
<th>Action taken to mitigate</th>
<th>Estimated impact</th>
<th>Provision in the business plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Better information for households applying for housing</td>
<td>£5m.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Proactively contacting affected residents</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>- Expanded use of direct debts</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>- Assisting affected households to move</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Targeted support for particularly large households</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reinvigoration of RTB</td>
<td>1</td>
<td>2</td>
<td>Not undertaking additional local promotion of the increased maximum discount under the RTB</td>
<td>Loss of council housing estimated to be 50 – 60 homes per year at the start of 2012/13. However, to date the number of completions has been lower than estimated and this figure</td>
<td>Commitment to central government to use the council’s additional receipts to build new council housing which maximises the proportion of the receipt that can be retained locally</td>
</tr>
</tbody>
</table>
| The introduction of Affordable Rent as a new form of social housing | 3 | 2 | Building more council housing
- Tenancy strategy setting out a need for and commitment to social rent not ‘affordable’ rent properties and lifetime rather than fixed term tenancies
- Development of the land disposal framework for affordable housing to maximise new homes for social rent on council-owned land
- Use financial resources, including New Homes Bonus, to support delivery of homes for social rent through Registered Provider partners | Increased demand for council housing in Islington | Almost £1 billion set aside over the thirty years of the plan to build more council housing HRA assets or sites identified for new council housing or, where suitable and appropriate, disposal to an RP partner to provide new homes for social rent and/or supported housing |
Monitoring and updating the plan

Business planning is a dynamic process as outputs from the plan are monitored and assumptions revised accordingly. The housing business plan will, therefore, be reviewed annually following re-modelling of the financial analysis which underpins the plan. This work will be supported by engagement of external independent expertise to ensure that our assumptions are robust and in line with business planning principles adopted by other social housing providers, including local authority as well as Registered Providers. The updated business plan will be considered by the Islington Housing Executive ahead of a housing investment plan being considered by the Council’s Executive as part of the budget-setting process in February each year. The housing investment plan sets out the short and medium term proposals that flow from the longer term 30 year housing business plan.

The key issues set out in this version of the housing business plan that will need to be revisited over the next two years as new information comes to light are as follows:

The investment needs of the council’s stock

During 2012 and 2013 the council is undertaking an exercise to gather and test stock information to ensure that it is sufficiently comprehensive and robust. The council is also consulting on a new asset management strategy: this may result in a shift in priorities away from the narrow definition of Decent Homes to a new Islington standard which takes into account areas outside of the home that residents have told us are important, for example communal areas and the wider estate environment. Once these projects are complete the updated information on the investment needs of the council’s housing can be fed into the housing business plan.

Welfare reform

It is difficult to predict the impact of welfare reform on the HRA with any degree of certainty because it is dependent on how our tenants will respond to the changes and the success of proposed council actions to mitigate the expected negative impacts of the reforms. Some of the detail on key legislation around welfare reform will not be published until 2013, including protections for social landlords who don’t receive all the rental income from tenants who previously had their housing benefit paid directly to their landlord. By Autumn of 2013 the council also expects to have a much better understanding of how affected tenants are responding to the new bedroom size criteria and the total benefit cap. At this point updated assumptions around the impact of welfare reform will need to be fed into the housing business plan.