



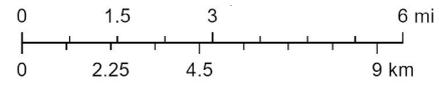
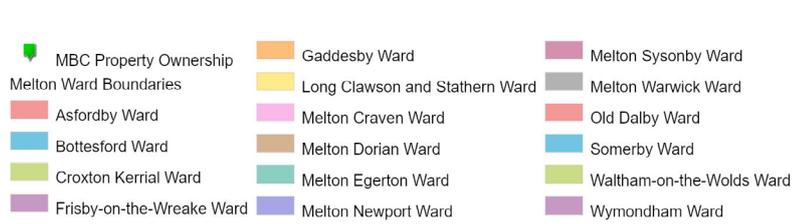
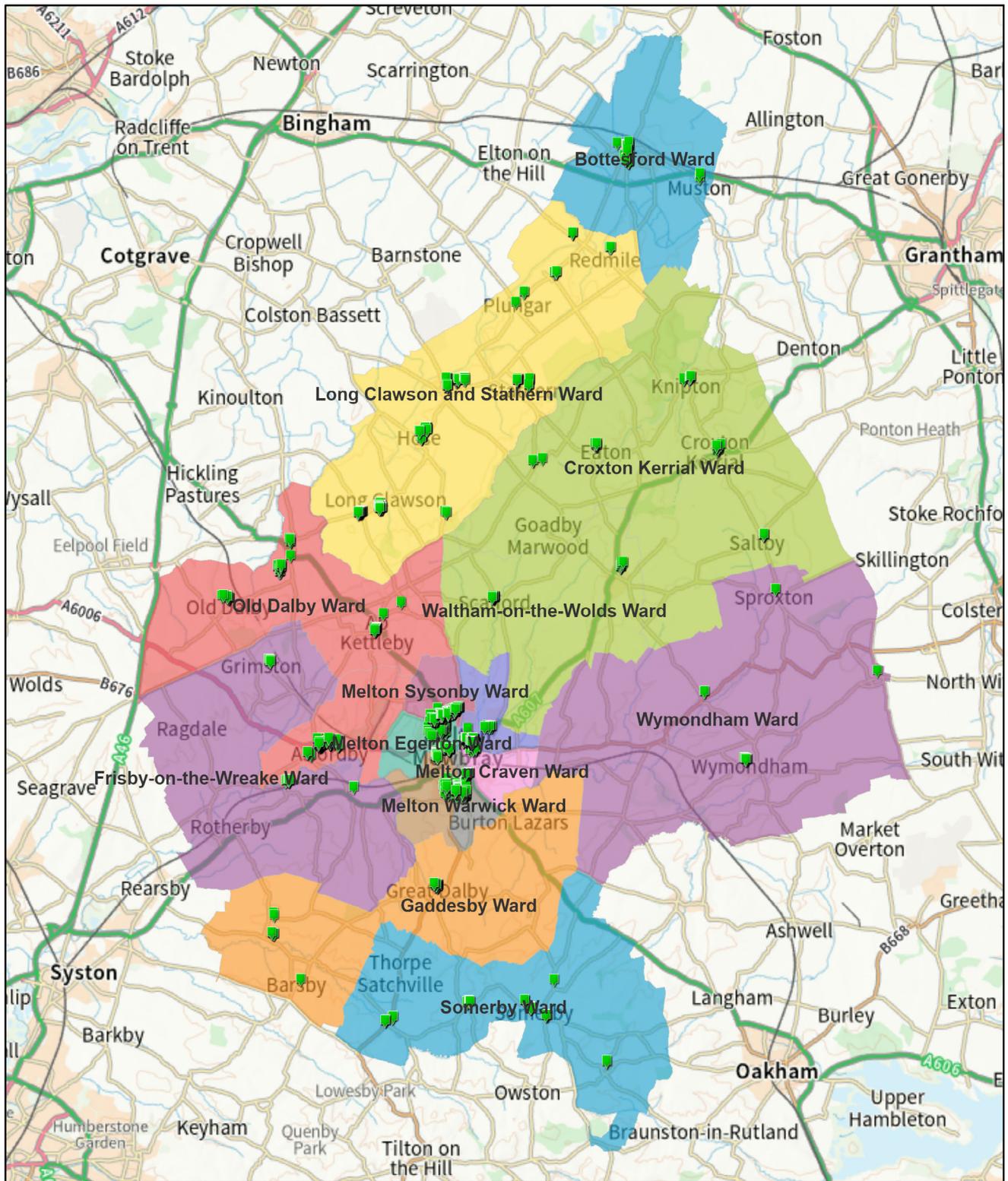
Melton
Borough
Council



Housing Revenue Account (HRA)
Business Plan
2022-2052

Melton Borough Council Property Ownership

The Council currently owns over 1800 properties across Melton. This map shows the locations of Council properties.



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1 Foreword

Providing high quality council homes and landlord services is a top priority for Melton Borough Council and as Portfolio Holder, I want us to be a robust and responsible landlord. I want to be sure that tenants are living in good and safe accommodation. I am committed to the Council meeting, *all* its statutory responsibilities and where resources allow, to go beyond that to best support and improve the lives of our residents

I am completely committed to listening to and working with tenants. I will make sure that the Council listens and will adjust plans where that is possible. I want to see the Council working with tenants at the start of future policy changes and plans as well as consulting on them when they are more complete.

There will be key delivery plans coming from this document which will make sure that the Council keeps council housing in good condition over the coming years.

As we look to the future and particularly with the Charter for Social Housing Residents in mind, housing will remain at the forefront of what we do.

Councillor Ronan Browne

Portfolio Holder for Housing and Landlord Services



I am proud to present Melton Borough Council's long-term plan for Council Homes and Landlord services. This Plan represents the Council's transition to the next phase of its housing journey – one that builds on the investment, improvement and focus the Council has embedded over recent years and enables the Council to move confidently from a reactive and risk management approach to a position of managing its housing stock in a way that is proactive, and assurance led.

It is a plan that shows that the Council's Housing Revenue Account is sustainable, and that the Council can maintain its commitments to health and safety and to meeting the Decent Homes standard, whilst also enabling the council to carefully manage its remaining resources to consider wider improvements to its housing stock and to accelerate efforts to acquire and build more affordable homes that meet the needs of our communities for the future.

This Business Plan has been developed at a time of significant regulatory change in the housing sector and this document is an important tool in demonstrating readiness for these changes.

Edd de Coverly

Chief Executive Melton Borough Council



2 Executive Summary

This document is the Housing Revenue Account (HRA) Business Plan for Melton Borough Council.

It sets out the Council's expectations and plans for council homes for the next 30 years (2022 – 2052) and the financial sustainability of the Council's housing services. It looks at the money available for the Council to maintain and improve council and ensures that Council homes remain safe and meet decent homes standards. It also sets out what other housing improvements and investment choices can be made within the budget available, examines how the Council can build new council housing in an affordable and sustainable way to meet the needs of residents in Melton, and considers the implications of the changing regulatory context for the housing sector.

The implementation of the HRA Business Plan marks a key transitional phase in the Council's Housing Improvement Journey and has been developed at a time of significant regulatory change for the housing sector.

The Business Plan shows that management and maintenance of council housing in Melton is affordable over the 30 year period. The resources available mean that the Council can ensure its properties are safe, including achieving timely compliance with new regulatory requirements on smoke and carbon monoxide alarms. Landlord Health and Safety will always remain the top priority for the Council as a responsible landlord.

However, the Business Plan also shows that income (rent) needs to be maximised and that resources need to be carefully managed. There are some things that are a matter of choice, affordability and prioritisation and the business plan sets out how the Council will approach these things. The HRA Business Plan is an evidence led document and is informed by a range of things including a survey of the Council's housing stock and by feedback from tenants.

The Business Plan contains a series of evidence led policy recommendations. A summary of these recommendations can be found on page 45. It sets the framework for investment in Council Homes for the future and will be updated on an annual basis. It will sit alongside other key documents:

An Affordable Housing Development Plan which will set out the Council's approach to delivering new Council owned housing in the Borough.

An Asset Management Plan which will contain a detailed plan for planned maintenance and will cover an initial 5-year period. It will be updated annually, adding a 5th year to ensure that it always covers a 5-year period and reflects an up-to-date position.

The Business Plan has also been developed at a time of regulatory change in the housing sector. The regulatory changes sector are significant including changes to legislation, regulation, new consumer standards and a move to an inspection regime for council landlords (mirroring the approach applied to Housing Associations for many years). Whilst not yet due to be implemented, Councils have received a strong message from government that these changes are coming and that we should begin to prepare for them now. The Council finds itself in a positive position in preparing for these changes, and the Business Plan is a key part of this, as it provides a detailed understanding of the Council's housing stock and the investment needed to meet decent homes standard across all stock

3 Introduction

The Council's 30-year HRA Business Plan shows that the maintenance and management of the Council's homes is sustainable. However, subject to confirmation of actuals costs of delivering the supporting asset management plan, there may be little excess financial resource in the plan. This means that the Council needs to manage its resources carefully, realise efficiencies to release financial headroom and where appropriate, bid for external financial resources to support aspirations, for example for energy efficiency measures and for building new council housing.

It will be important to maximise income to the HRA (for example, rental income) and to review revenue and operating costs including through the development of the associated Asset Management Plan

to maximise the resources available to the HRA, including the potential to achieve value for money in procurement and delivery.

The table below shows the agreed financial position over the 30-year Business Plan in March 2022. It leaves the council with an **average** budget flexibility (“head room”) of approximately £796,000 per year which will need to be carefully managed through the associated asset management plan. The Council will need to remain focused on resilience to other costs that may occur, for example, inflationary increases.

30-Year HRA Budgets	Income
Revenue Costs	£312,700,000
Cost of meeting the Condition Survey (Capital Budget)	£92,000,000
Capitalisation of salaries	£6,400,000
Total Cost	£411,100,000
Income	£369,000,000
Gap between income and expenditure	£42,100,000
Gap can be covered by money set aside for depreciation (which is)	£51,500,000
Use of other reserves	£14,500,000
Therefore the remaining budget flexibility over 30 years is	£23,900,000
Average budget flexibility each year	£796,670

The business plan shows that the management and maintenance of council housing in Melton is affordable over the period of the plan. It also shows that income (rents) needs to be maximised and resources need to be carefully managed. There are some things that the Council must do (health and safety, decent homes) and there are some things that are a matter of choice, affordability and prioritisation.

Within the planned expenditure as set out within the Business Plan, the Council can:

- Maintain Landlord Health and Safety (compliance) and
- Meet the current Decent Homes Standard across its stock:

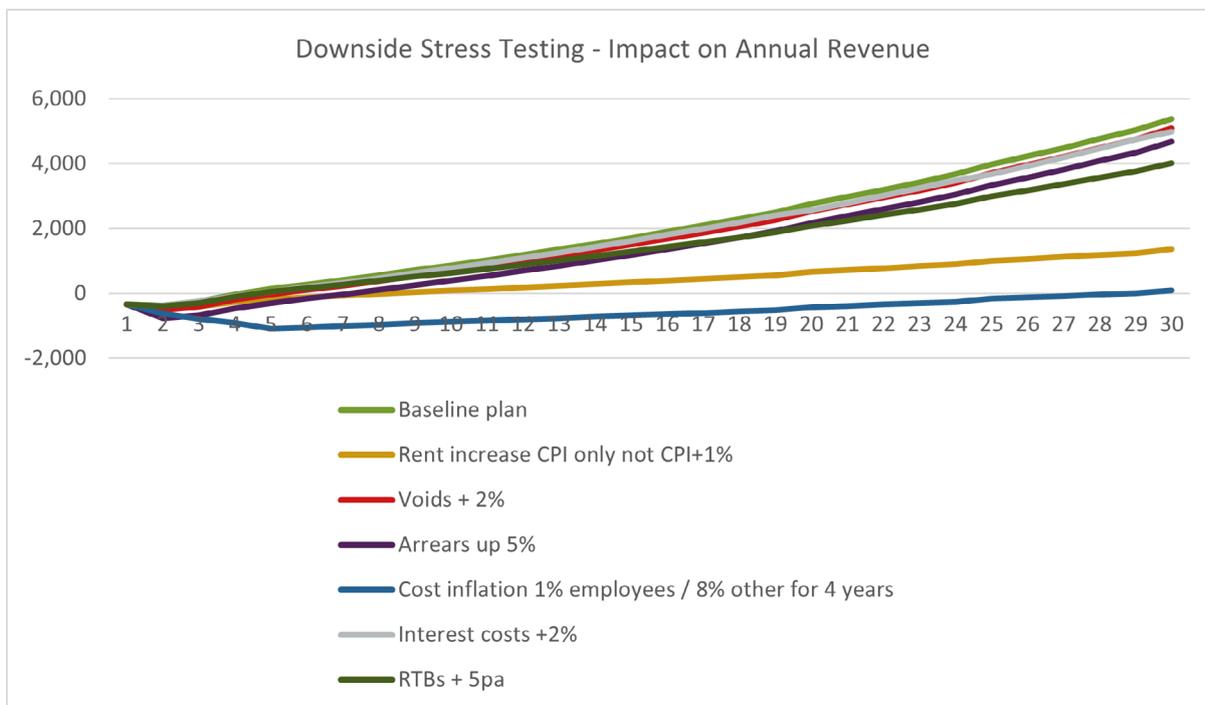
Money has been allowed for within the investment from the stock condition survey for replacing kitchens and bathrooms (as required) and to continue a programme of replacing metal windows with upvc windows.

Whilst the resources available do not allow for programmes of work for replacing footpaths or fences (for example) across the Council’s stock, contingency funding has been set aside within the business plan to assist with one off costs where appropriate, guided by need and risk on a case by case basis.

Projects and initiatives that constitute ‘choices’ (see section 9) will need to be guided by robust business cases and will be considered on a case-by-case basis to assess value for money and affordability.

When looking at a budget over a 30-year period there will inevitably be changes and the overall budget will need to be reviewed, at least annually. Section 10 (Finances) shows the inflation and other financial assumptions made in drawing up this model.

Sensitivity analysis has been undertaken on these assumptions. This shows that the estimated surplus amount of £23.9m over the 30-year period set out in the business plan, however based on a range of negative and positive scenarios, could be within the range of a £145m deficit to a £110m surplus (as shown in the chart below).



This shows that whilst the HRA is sustainable, it is potentially vulnerable to the scenarios that have been modelled. Any change in the assumptions made will impact on the residual amount available for investment in the “choices” as set out in the business plan. Through an annual review these assumptions can be updated, and an assessment made on the latest forecast of the amount available for investment elsewhere. Resources will need to be carefully managed.

3.1 Summary of what is included in the base budget

Landlord Health and Safety (compliance) can be maintained: The resources available enable the Council to ensure Council properties are safe including achieving timely compliance with new regulatory requirements on smoke and carbon monoxide alarms. Landlord Health and Safety will always remain the top priority for the Council as a responsible landlord.

Meeting the Decent Homes Standard: The resources available enable the Council to meet the current Decent Homes Standard across its stock.

The stock condition data shows that there are currently 128 properties failing the Decent Homes standard (8.7% of the stock).

A Decent Home needs to:

- Meet the current statutory minimum standard for housing (the Housing Health and Safety Rating System)
- Be in a reasonable state of repair
- Have reasonably modern facilities and services
- Provide a reasonable degree of thermal warmth

Meeting the standard will mean replacing kitchens after 20 years and bathrooms after 30 years but only if the condition requires that they are replaced

The Council will also continue to replace metal windows with upvc windows.

3.2 Value for Money

Benchmarking information shows that the Council's rents are low compared to other social housing landlords. An external review has identified that indicative costs of capital works inclusive of fees and preliminaries are 'on the high side of benchmarks' but noted that the stock condition survey is not a programme, highlighting the importance of the detailed work and cost analysis that will be done through the Asset Management Plan, including the potential to achieve value for money in procurement and delivery. The Council will review revenue and operating costs including through the development of the Asset Management Plan to maximise the resources available to the HRA.

To support with benchmarking and value for money assessment on an ongoing basis, the Council will also take steps to join [Housemark](https://www.housemark.co.uk)¹, a data and insight company for the housing sector.

3.3 Summary of what needs to be managed within the "headroom" available:

The following costs will need to be managed within the £796,670 average annual headroom:

- Any works to Gretton Court
- Changes to the Fairmead estate
- Funding energy efficiency measures
- Inflation above the assumptions included in the forward projections which is not met by government permitted rent rises

Any major expenditure on changes to buildings or services will require a business case to show that it is affordable to the Housing Revenue Account, including considering the impact of other factors such as inflationary increases. The Council has an existing business case and project management framework that will be used to enable robust project development and evaluation.

£100,000 a year has been put aside as a contingency to assist with one off costs for the following items, on a case / needs basis, guided by an assessment of need and risk. This may include, for example:

- Fixing paths where there is an identified risk
- Installing CCTV (to deal with anti-social behaviour)
- Works or services around improving car parking
- Fixing fencing (this is generally the tenant's responsibility)
- Fixing some garages or demolishing them

3.4 Recommendation on budgeting and rents

The council will review the 30-year position at least annually and will develop and maintain a 5-year asset management programme to which that position is aligned. The 5-year programme will be re-evaluated every year to add a new 5th year to the programme. The council will inform, engage, and consult tenants and leaseholders about these programmes.

To meet the expenditure commitments described above the council will need to implement rent increases in line with government policy on inflation (the consumer price index plus 1%). If a lower figure is chosen, then balancing reductions in service costs will need to be made.

¹ <https://www.housemark.co.uk>

3.5 Risks

Identifying risks for a 30-year plan could be an extensive and speculative task. Risk management should be kept under constant review using the Council's corporate risk management approach.

The risks that have been identified in the development of the HRA Business Plan are set out in the following tables, along with appropriate mitigation.

Risk No	Risk Description	Likelihood	Impact	Risk
1	Lack of continuity of leadership	1	4	Low
2	Rents not raised in line with inflation	1	4	Low
3	A level of inflation has been provided for in the business plan. However, market uncertainties might mean that this is insufficient	4	2	Medium
4	Poor Quality Business Plan	2	2	Low
5	Compliance works are not carried out	1	4	Low
6	Not having the capacity and expertise in place to produce businesses cases	4	3	Medium
7	Capital spending is not delivered	2	4	Medium
8	Right to buy receipts not used	2	4	Medium
9	New homes lost under RTB	2	4	Medium
10	The Asset management plan is not developed in time for the 2023/24 budget due to other priorities and a lack of resources.	3	3	Medium
11	The prioritisation of spend as part of the Asset Management Plan results in a borrowing need in the early years which impacts on revenue resources.	3	2	Medium
12	Regulatory changes lead to increased costs (for example, changes to the Decent Homes Standard)	4	3	Medium
13	Preparedness for regulatory change and ability to provide assurance	3	3	Medium

Risk No	How these risks will be mitigated
1	Documentation of all key decisions. Robust approach to managing vacancies. Added to council's risk register with clear mitigation in place.
2	Monitor government policy in this area. Key principle within Business Plan to maximise income (rental income) to maintain sustainability of the HRA.
3	Need for savings to balance budget. Dynamic risk management approach needed. Annual review of business plan.
4	External feedback being sought from sector expert. Audit programme to include audit of HRA Business Plan.
5	Regular monitoring of KPIs (key performance indicators). Sufficient expertise in place. Organisational focus on landlord health and safety. Prioritisation of compliance within business plan. Budget shows that compliance works can be met within the available budget.
6	Capacity brought in for significant projects. Use of council's project documentation and governance arrangements. Cross organisational expertise to review business cases to evaluate viability and deliverability. Keep capacity to deliver under review.
7	Support to Asset Manager from across the council. Ensure team has the right resources to deliver. Appropriate procurement and contract management arrangements.

Risk No	How these risks will be mitigated
8	Support for borrowing needed. Housing development plan in place. Business cases and evaluations needed.
9	Monitor changes to this area of policy closely.
10	Priority to be given to the development of the Asset Management Plan to inform the capital strategy and capital programme.
11	The interaction between the Asset Management Plan and the Business Plan needs to include the profile of expenditure and any borrowing which might be required in the early years of this plan.
12	When it becomes clear what the expectations are for the new Decent Homes Standard and what additional costs there will be from the Charter for Social Housing Residents, budgets will need to be recalculated. Feed into future Government consultations and carry out impact assessment for the Business Plan and Asset Management Plan / adjust accordingly. Ensure clear and visible implementation plans. Highlight any risks to members.
13	Carry out self-assessment in line with charter for social housing residents and regulatory changes/ consumer standards and develop associated action / implementation plan. Appoint to an assurance officer post to lead on and oversee this work. Develop a programme of assurance reporting to cabinet and scrutiny committee.

4 Regulatory Change - The Charter for Social Housing Residents

4.1 Implications of the Charter for Social Housing Residents White Paper

The HRA Business Plan has been developed at a time of significant regulatory change in the housing sector.

The government signalled major changes for social housing in January 2021 when it published its White Paper, The Charter for Social Housing Residents. The government have planned an updated set of standards not only for the homes of social housing residents but also for the services they receive and including a comprehensive schedule of proposed Tenant Satisfaction Measures that will have to be reported annually by every social housing provider. It is expected that the council will be subject to an external assessment, led by the Regulator of Social Housing, every four years.

The Council is actively preparing for regulatory change and will commence a period of self-assessment and action planning to ensure readiness. The Council will also ensure that it responds proactively to any Government consultation on further proposed changes for the housing sector.

The [social housing regulations](#)² have been laid before parliament but it is not yet possible to calculate how much this might cost the council. The risk of additional costs has been included in the risk matrix. It is, however, clear that the council needs to put new arrangements in place to meet some of the new requirements. The new governance arrangements are outlined below with the intention that they will be in place in the autumn of 2022.

² <https://www.gov.uk/government/publications/social-housing-regulation-draft-clauses/social-housing-regulation-draft-clauses-explanatory-notes>

4.1.1 Planned changes to the Decent Homes Standard

The Government has committed to reviewing the Decent Homes Standard. Several areas are identified as things that may be updated / included:

- ventilation
- home security
- thermostatic mixer valves
- window restrictors
- electrical safety
- refuse management
- water efficiency

This will have an impact on the budgets required to meet the standard. It is not yet possible to evaluate the costs without more detail from government, but the risk of increased costs has been included in the risk matrix. At the time of drafting the Business Plan, the Government has not commenced a consultation on changes to Decent Homes Standard and the timeline for implementing changes is not known.

4.1.2 Nominated person responsible for compliance with health and safety

The regulations laid on 29th March 2022 require that the council will nominate a senior officer to be the person responsible for compliance with health and safety. That person must be “sufficiently senior to drive a culture of safety throughout the landlord organisation” and will be the public face of compliance for the council and, of course, tenants.

4.1.3 Recommendation for person nominated for Health & Safety

The Council will designate the Director for Housing and Communities as the Council’s nominated person responsible for compliance with landlord health and safety on behalf of the council.

4.1.4 Responsible person for consumer standards

The regulations also require the council to have a responsible person who will ensure that the housing service is complying with the consumer standards which will be set by the Social Housing Regulator. Alongside health and safety measures there will be a set of performance indicators which measure the standards. This will also be a public facing post ensuring that tenants are aware of the standards and clear about whether the council is achieving them.

4.1.5 Recommendation for person responsible for consumer standards

The council will designate the Assistant Director Housing Management as the council’s nominated person with responsibility for ensuring that the consumer standards as set out by the Social Housing Regulator are met.

4.1.6 Reporting accountability

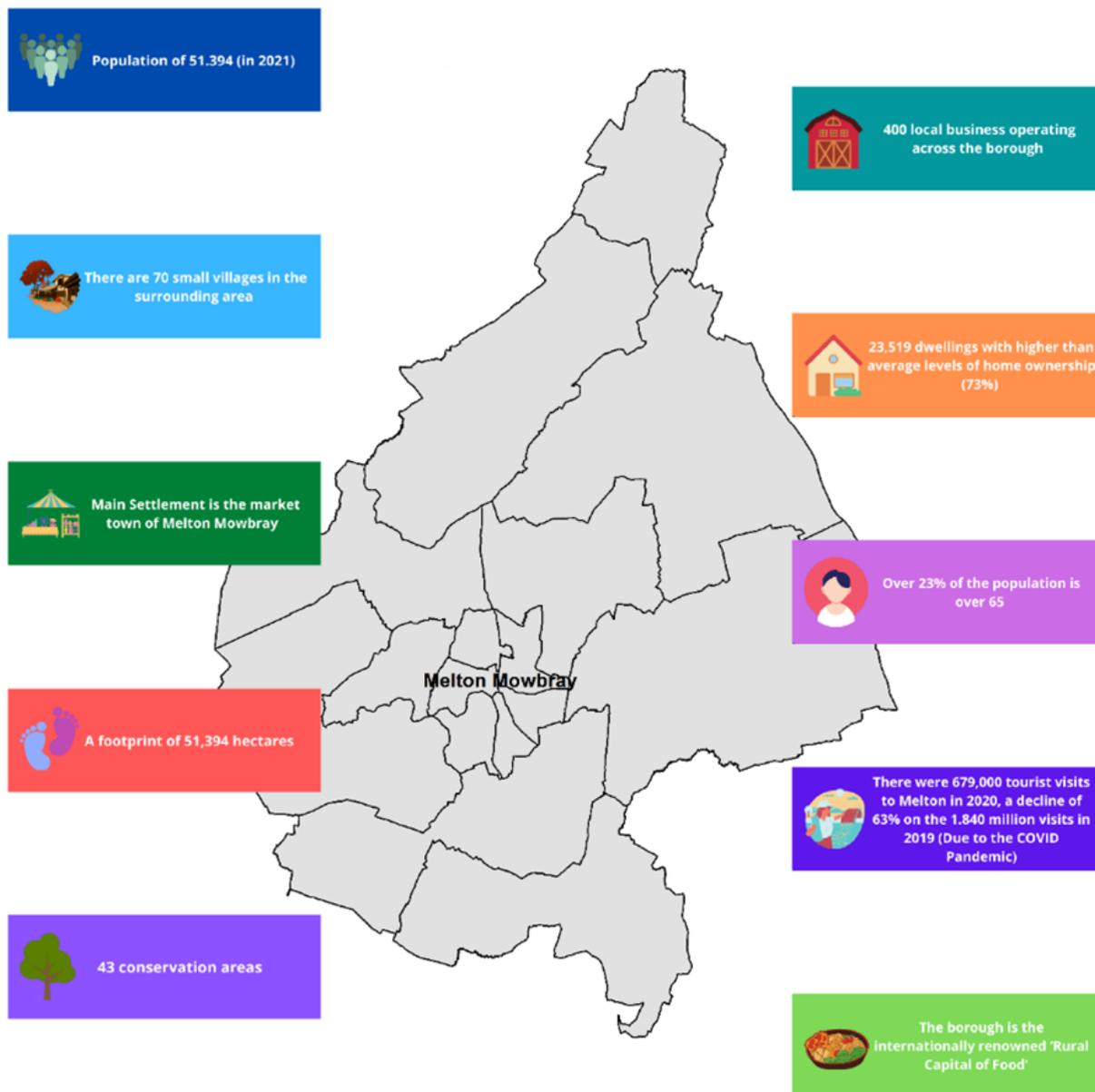
In order to ensure that the council is maintaining its focus on health and safety and consumer standards the relevant sets of performance indicators required by the Social Housing Regulator

will be reported to the Portfolio Holder on a quarterly basis, to Cabinet on a six-monthly basis and annually (as an annual report) to the Council's Scrutiny Committee and Full Council.

Performance information will be made available to tenants and leaseholders, including in the form of an annual report. A performance dashboard will also be developed

5 Melton

Melton is a borough council sitting within Leicestershire in the East Midlands. The map below shows some of the key statistics about Melton. More detailed and up to date statistics regarding the borough of Melton are set out in the [State of Melton report](#) which will be refreshed on an annual basis to capture the key data and statistics which inform the Council's decision-making.



Some key highlights relevant to the HRA Business Plan are that the borough has an older and aging population, has longer life expectancy and is less ethnically diverse than for England as a whole. The borough itself is the 5th smallest, by population, in the country. While deprivation in the borough is low there are problems with accessing housing which are discussed in more detail in section 8 of this plan, [Housing needs](#).

6 Corporate Priorities

6.1 Corporate Strategy 2020 to 2024

The [Council's Corporate Strategy 2020-24](#) sets out the Council's Mission, Vision and Values:



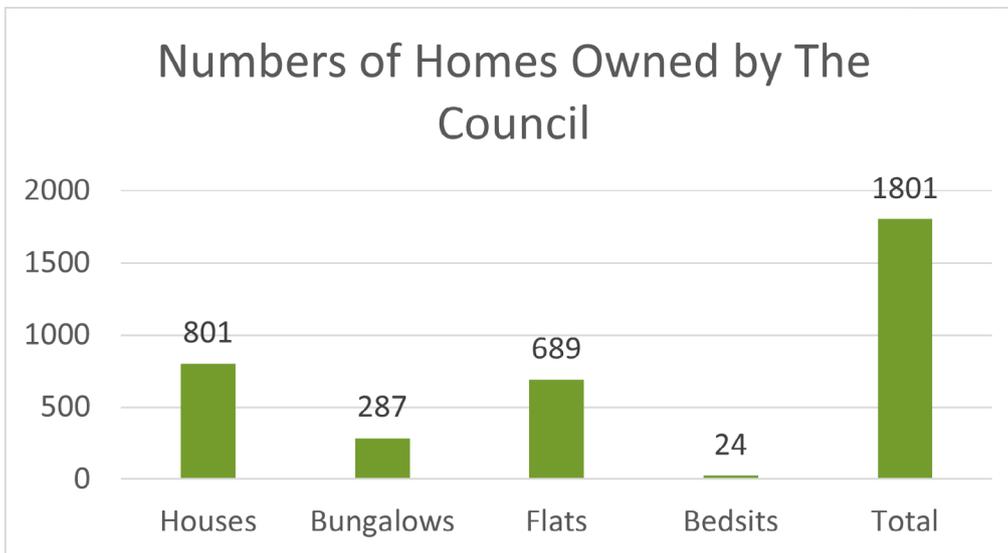
It presents a clear focus for the Council from 2020 to 2024 and is separated into six priority areas:

1. Excellent services positively impacting on our communities
2. Providing high quality Council homes and landlord services
3. Delivering sustainable and inclusive growth in Melton
4. Protect our climate and enhance our natural environment
5. Ensuring the right conditions to support delivery (inward)
6. Connected and led by our community (outward)

The HRA Business Plan contributes to all these priorities, most clearly to priorities 1 and 2 but also to growth if the Council chooses to invest in more Council housing, and for climate change by making homes more energy efficient (3). It is important to have the right housing service in place to deliver on all those priorities (5) and for the service to be one that tenants, and leaseholders have a voice in shaping (6).

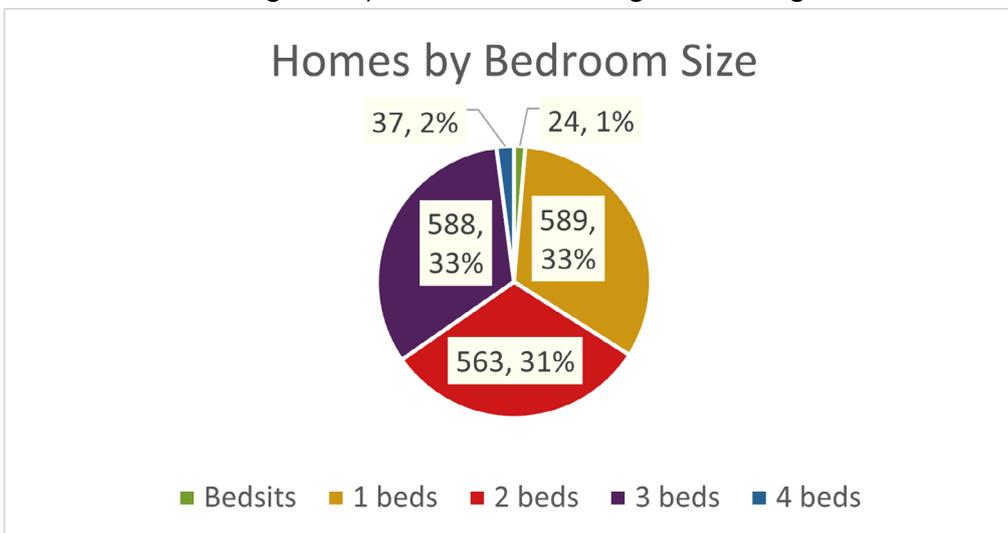
7 Council Housing Key Facts and Figures

The data below describes the Council's housing. It is largely built using traditional building methods and most of the Council's housing stock (70%) was built before 1974. There are no high-rise buildings; the tallest Council blocks of flats do not go over 4 storeys. In addition to its housing stock, the Council's Housing Revenue Account (HRA) also holds garages, play areas, open spaces, and verges as well as roads and paths which are maintained by the HRA (called unadopted as they are not included with the other roads and paths which are maintained in the Council's General Fund). The Housing Revenue Account also holds a shop³. Some flats have been purchased under the Right to Buy scheme and the Council has 29 leaseholders who lease their properties from the Council.



Figures from September 2021 MBC data

The data shows that the Council has retained a high proportion (60%) of its housing as single dwellings (both houses and bungalows) with the remaining 40% being flatted accommodation.



Figures from September 2021 MBC data

The homes split by bedroom size give roughly equal amounts of three-bedroom, two bedroom and one-bedroom homes. There are a very small number of four-bedroom homes there are only 37 four-bedroom Council homes.

7.1 Supported Housing

The Council has around 400 properties which are intended to be used by people who need supported housing including sheltered housing and one Extra Care scheme. The Extra Care Scheme at Gretton Court (44 flats) offers an externally commissioned care service and provides lunch for residents.

The Council has had a high level of void units within the Gretton Court scheme and properties are considered less desirable due to having shared bathroom facilities. The Council has looked at how to adapt the building to create individual shower rooms in the past but needs to resolve the future for the scheme.

The Council has three sheltered housing schemes Wilton Court and Granby House (in Melton Mowbray) and Bradgate Flats (in Asfordby). St Johns Court in Melton Mowbray comprises flats designated for older people who have access to some support.

7.1.1 Recommendation for Gretton Court

Work will commence to determine the future of Gretton Court. This would be best addressed by a project looking at present and future needs for the accommodation. In line with other recommendations in this Plan, the Council should use its business case process to guide that project.

7.2 Homes sold under the Right to Buy

Right to Buy is a [government scheme](#) that allows secure council home tenants, as well as some housing association tenants, to buy their council property at a discount. The chart below shows how many homes have been sold under the right to buy scheme in Melton.



Figures from DLUCH accessed 31.12 21 Live Table 691

137 council homes have been sold under the Right to Buy since 2006. The numbers sold have been influenced by central government policy where discounts on purchasing homes have either been reduced or increased either discouraging or encouraging sales.

The Council is required to invest the receipts it receives from Right to Buy sales. However, the money received can only constitute 40% of the spend on the new homes with the remaining 60% to be found from other sources. The balance of funding to produce a new home either must come from the Housing Revenue Account resources directly or via borrowing. If the money from sales is not invested within government timescales money will need to be returned to the government with high interest payments.

The council will, under current rules applying to the Right to Buy be able to recover its investment in new homes even if they are also sold. This is because there is a cost floor which applies to new build and newly purchased homes for 15 years which means they cannot be purchased at a discount for the first 15 years after they are acquired or built. The government also has a limit to the maximum discount which is currently £84,600⁴. The council's policy is to charge affordable rents on new homes (i.e. 80% of market rents). These three factors mean that the full costs of building and borrowing would be covered by any sales even if homes are purchased under the Right to Buy. This is an area of housing policy which has been changed by successive national governments therefore it needs to be kept under regular review.

4 Your Right to Buy Your Home MHCLG April 2021

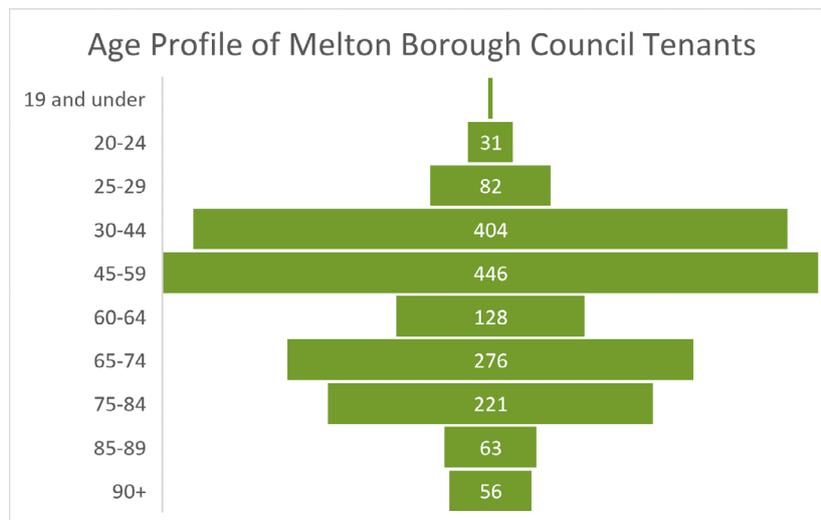
7.2.1 Recommendation on retaining right to buy receipts

The Council will continue its existing policy to retain Right to Buy receipts in the Housing Revenue Account.

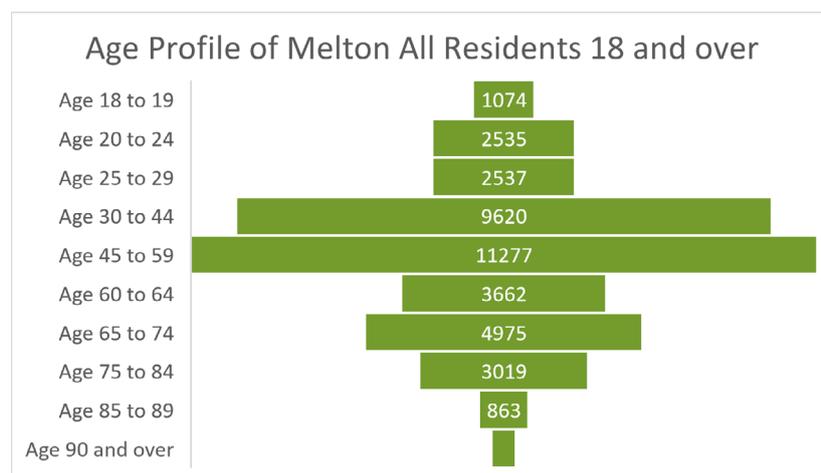
7.3 Information about council housing tenants in Melton

7.3.1 Age of tenants

This section looks at the age profile of council tenants in Melton BC and compares it to the profile for all residents of the borough. In comparison with the borough the age profile of council tenants is quite similar. There is, however, a higher proportion aged 65-85 amongst council tenants compared to the borough. It is likely that services which support older people to live independently into the future will continue to be needed.



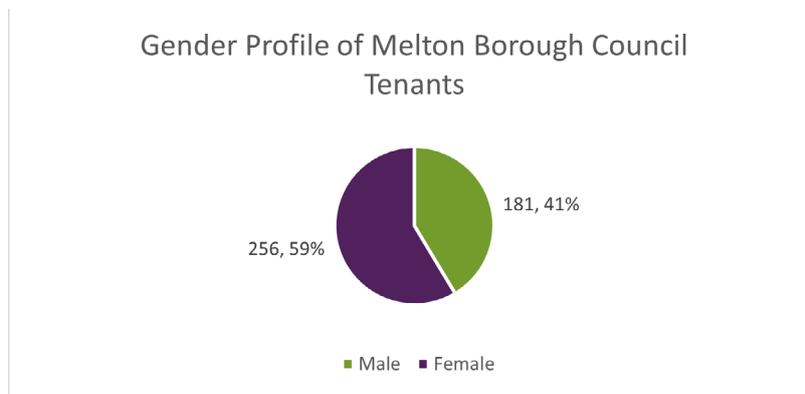
MBC data from Northgate accessed 22/2/22. Note: some data missing



Data from the 2011 UK Census for Melton

7.3.2 Gender of tenants

There is limited information on gender held within the council's computer systems. There were only 437 of 1710 tenants showing information on gender. The data shows that tenants are predominantly female (59% compared to 41% male).



Data from MBC Northgate system 2.2.22 information is for the main tenant

7.3.3 Ethnicity

There is a notable gap in the data held by the council on the ethnicity of council tenants.

The information held on the Council's database shows that there is no information on the ethnicity of 82% of council tenants. Other authorities have sought to update this information and the Council should consider how to complete this task. The absence of this information makes it difficult to understand whether the council is at risk of discriminating against particular ethnic groups. It is, however, worth noting that the borough is predominantly White British (95%)⁵ so there is less likely to be a missed ethnic group than elsewhere in the country. It may be that when the information is released from the 2021 census that this will help to identify how urgently this gap in knowledge needs to be addressed.

7.3.4 Number of leaseholders

The Council has 29 leaseholders. Given that they are very small in number the Council can respond to their needs and carry out consultation with those households as and when works to the buildings they lease are planned.

8 Areas for Investment

8.1.1 Housing needs

The Council's Housing Strategy has identified the need for 70 new affordable homes to be built each year⁶ but with an expectation that only two thirds of that figure is deliverable. The same document illustrates the difficulty of accessing private rented housing for local people. A two-bedroom home costs £595 per calendar month and sits £31.50 a month above the amount that can be met via Housing Benefit⁷.

The Council can spend money on providing new council housing which could be accessed by eligible household, in line with the Council's housing allocations policy. The Council has some money received from council house sales which it needs to spend on new affordable housing. Alongside this Plan the Council has developed an Affordable Housing Development Plan to guide the building of new council housing. It is, however, possible that more homes could be built using council rents to pay for any additional borrowing.

In order to spend the receipts it has received from the sale of council homes, the Council has to find 60% of the costs from other sources (as set out by Government). This money could be provided by borrowing within the Housing Revenue Account. It is important that such borrowing is backed up

5 [State of The Borough 2021](#) p3

6 [MBC Housing Strategy 2021 to 2026](#) p9

7 [MBC Housing Strategy 2021 to 2026](#) p8

by a business case which demonstrates how the cost of borrowing will be met and how this avoids paying back receipts to central government.

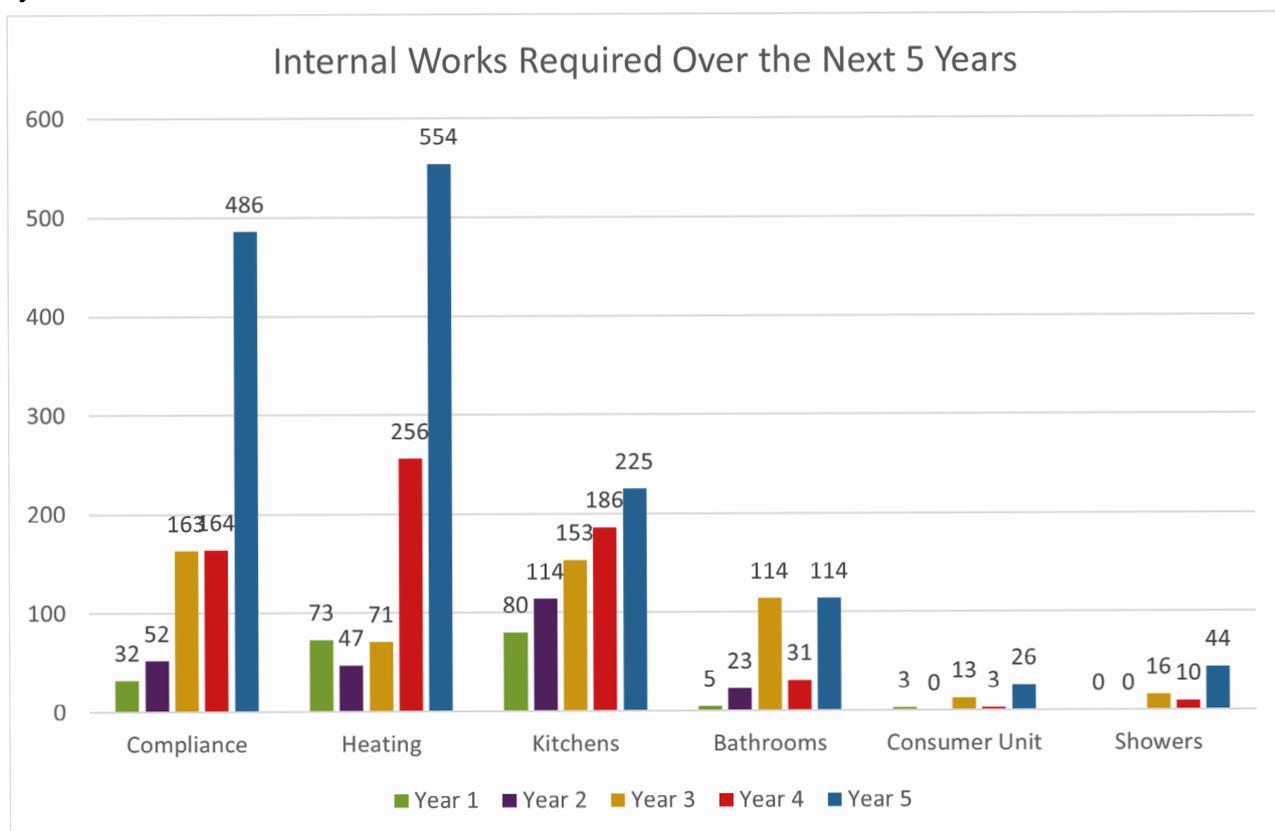
The building of new council housing is the only element of spending which brings in additional income via new rental income and in that way helps maintain existing homes as well as building new ones.

8.1.2 Recommendation for new council housing

Building new council housing will remain a priority for investment. However, given the need to improve existing homes the Council will investigate additional borrowing to fund council housing alongside using other funding routes (investment from Homes England and planning payments via s106). The ability to borrowing will depend on an assessment of the affordability using a range of appropriate indicators. Interest payments will need to be budgeted for and taken into account in assessing affordability but provision for the repayment of the debt will not be made as this is not a requirement within the HRA. A target will be set in the Council’s Affordable Development Plan for the building of new council homes.

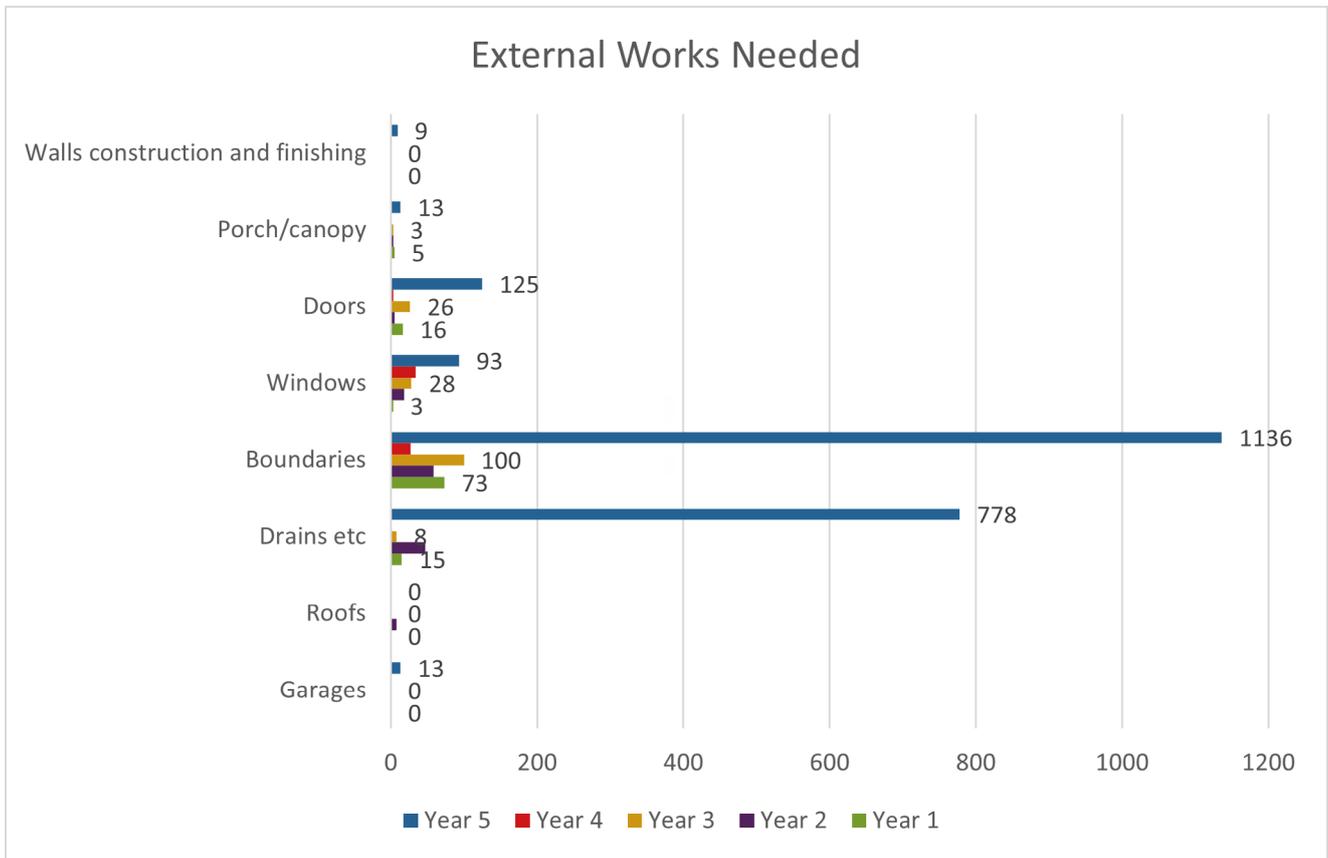
8.1.3 Council housing condition

In 2021 the Council commissioned Michael Dyson Associates Ltd to survey all council housing in the Borough. The results of the survey show that the Council’s housing is in reasonable condition. The charts below lay out the works that need to take place both internally and externally over the next 5 years.



Source Michael Dyson Associates Ltd Stock Condition Survey

In these categories “compliance” refers to works that a landlord must carry out to meet legal obligations to keep homes safe for tenants. This includes, for example, ensuring that fire safety risk assessments have been carried out and that the works identified are completed within a reasonable time frame. There is more detail on this area in [Keeping tenants safe](#) section of this document.



Michael Dyson Associates Ltd Stock Condition Survey Data 2022

The requirement for **internal** works reflect a need to invest in heating systems, particularly in year 5 of any asset management programme devised. The proposed investment in kitchens and bathrooms is based on a shorter replacement period than the Council has worked to previously. The Council has previously planned to replace kitchens every 20 years and bathrooms every 30 years, **but only** where replacement is required

In terms of **external** works, whilst the stock condition survey shows that work is required to deal with the boundaries around homes (this includes fencing, gates and footpaths), this does not form part of the Government’s Decent Homes Standard and remains a matter of choice and affordability for the Council. Due to affordability, this has not previously been a priority for the Council in its investment planning. The financial resilience of the Housing Revenue Account means that fences, gates and paths are not currently affordable within this business plan. Instead, a contingency has been set aside for these works as required, on a case by case basis, and guided by an assessment of need and risk.

8.1.4 Keeping tenants safe

The Council must ensure that tenants are safe in their homes and that means meeting all its legal responsibilities as a landlord. The list below describes the key areas that the Council must address:

8.1.5 Fire Safety

The Council needs to carry out Fire Safety Risk Assessments on all of its properties. Those assessments identify any works that need to be carried out. The works are then scheduled for completion in a reasonable time scale. The Council works closely with Leicestershire Fire and Rescue Authority to improve fire safety in the Borough.

8.1.6 Legionella

Legionella is a bacterium which can breed in water systems and can be dangerous if inhaled as a water droplet. It can cause Legionella disease which is particularly dangerous for older people.

The Council protects tenants from Legionella by completing a legionella risk assessment that is reviewed every 5 years, or sooner if changes have been made to the system on site. This is then followed up externally by a competent contractor with monthly temperature routine, quarterly shower/spray head routine, quarterly calorifier and expansion vessel routine, and biannual tank inspection routine. Council staff that have had a suitable level of training complete weekly flushing on areas that have limited or no use.

Any works identified are scheduled for completion in a suitable timescale by competent contractor.

8.1.7 Asbestos

Asbestos is a highly heat-resistant material which has been used to protect homes from fire. It can be dangerous if disturbed and if inhaled. The Council operates an asbestos register of all the asbestos in its homes. Tenants moving into a new home will be made aware of where any asbestos is. The information on asbestos in council owned properties is shared with any operatives who need to work on council properties. The Council must ensure complete management surveys are carried out for all properties, and a further detailed survey is completed when larger scale and/or more intrusive works are required. Relevant council staff have received extensive training in asbestos management.

8.1.8 Radon

Radon is a radioactive gas produced from the soil, in some areas this is naturally produced. It can be removed via proper ventilation between a home and the soil beneath it. In Melton tests are put into properties in known Radon areas according to Public Health England's⁸ advice. After 3 months the tests are sent to a lab who produce data with all the readings from the tests. For those with levels requiring mitigation, a mitigation survey is arranged and then the recommendations are completed by a competent contractor.

8.1.9 Electricity

The Council has a duty to maintain electrical safety in its homes. This is ensured via electrical checks and the rewiring of all council homes takes place every 30 years.

The standard for electrical sockets is that there should be at least 2 sockets in each main room with each socket being a double socket. This reduces the need for electrical extensions which can be trip and fire hazards.

8.1.10 Gas

The Council has a responsibility to ensure that gas boilers in tenants' homes have an annual check. The Council monitors this closely and is currently achieving 100% of all boilers have had their annual check (2021-22). This has not dropped below 99% in the current year. The Council commits to achieving the same levels in future years.

8.1.11 Carbon Monoxide Monitoring

The Council is putting carbon monoxide detectors in any room that has an appliance which is fuelled

8 UK Health Security Agency from April 2021

by gas, solid fuel or oil. There are new regulations planned by central Government which will require this to be done by social landlords. Melton Borough Council is already working to a higher standard than those regulations will set. In particular the Council will be including carbon monoxide detectors in kitchens which have gas cookers.⁹

8.1.12 Recommendation on compliance

All compliance measures will be undertaken within appropriate timescales to ensure that the Council’s housing meets the relevant health and safety standards, meets the requirements of the Homes Standard, and keeps tenants safe. There are a set of performance indicators which monitor how effectively the Council is meeting its compliance requirements. A dashboard to demonstrate compliance performance will be produced.

8.1.13 Regeneration

The residents’ satisfaction survey completed in November 2021 asked tenants about where they lived and their satisfaction or dissatisfaction with their neighbourhood. The report identifies the Fairmead area as having the lowest level of satisfaction across three key areas:

Question	Highest Satisfaction	Lowest Satisfaction
Satisfaction with the neighbourhood as a place to live?	Village 92%	Fairmead 51%
Satisfaction with the overall appearance of your neighbourhood?	South Melton 83%	Fairmead 54%
Satisfaction with the upkeep of communal areas?	South Melton 74%	Fairmead 66%

10



The Council has already identified Fairmead as a priority neighbourhood and this focus is reinforced by the information from the tenant satisfaction survey. The Fairmead Estate has a Radburn¹¹ layout which means that some properties have narrow alleyways to access their properties. There are also several pathways around the estate that can feel unsafe.

Pathway, Fairmead Estate

8.1.14 Recommendation for regeneration

The Council’s focus on Fairmead as a priority neighbourhood should continue. Work with the community on the estate should include engagement to support community cohesion and developing options to reconfigure parts of the estate as well as developing sites for new build housing. A local housing allocations policy should also be explored to support a balanced and cohesive community. Where there is a need to deal with anti-social behaviour the Council will use its enforcement powers appropriately and will work collaboratively across teams and with other partners.

9 [Domestic smoke and carbon monoxide alarms: proposals to extend regulations](#)
 10 Data from Acuity Resident Survey November 2021 p12
 11 A Radburn layout looks to have pathways away from cars and to turn houses/flats away from streets

8.1.15 Meeting the needs of all tenants

The Council seeks to meet the needs of tenants by providing help depending on individuals' needs. Support available includes:

- Disabled adaptations (e.g. handrails, ramps and stair lifts) to tenants' homes
- Sheltered housing designed to support independent living for older people
- Gretton Court an extra care scheme for older people who need more support
- Emergency alarms
- Case management – a short term service provided to help people manage their lives
- Intensive Housing Management Service – provides support for people living in sheltered housing, Gretton Court and in “designated properties¹²” around the borough.

A review of the Council's support services will take place to ensure the Council can best meet the needs of residents.

8.1.16 Lifeline and Assistive technology

Lifeline is the Council's emergency alarm service it is supplied in 280 council homes across the borough. The service is paid for by a service charge both for the installation and response to the alarm. The alarms need to be replaced as they rely on older technology which will become obsolete as part of a national transition to digital technology. A budget has been set aside to renew the alarms so that they can be replaced with up-to-date technology. The council will also look to the wider opportunities to use assistive technology to enable tenants with disabilities or long-term illnesses to maintain their independence. A business case looking at costs and income for other assistive technology will need to be developed so that the impact on the overall Business Plan can be measured.

8.1.17 Recommendations for supported housing

To progress a review of support available to tenants, including options regarding support and assistive technology to increase independence in the future.

8.2 Climate change and Energy Efficiency

The Council declared a climate emergency in July 2019 and resolved to:

Declare a “Climate Emergency”, with an aim to make Melton Borough Council activities as far as practical carbon neutral by 2030 and further promote a cutting of emissions within the wider Borough of Melton.”

The work done as part of this plan has examined how much it would cost to make all the Council's homes zero carbon compliant. Whilst this could be in principle achieved by converting all council housing to electrical heating, the costs of heating a home could rise for tenants.

It would therefore require an insulation programme alongside photo voltaic installation to bring down the energy costs. In similar types of housing elsewhere this has cost £25,000 per property i.e. £45 million to convert all the existing Council housing stock. This would be without any tenants receiving any other home improvements (e.g. kitchens and bathrooms) and is not a viable solution.

¹² “Designated properties” means properties that are intended for people who are 55 or over or those who are younger with a disability

In terms of energy efficiency, Councils measure this using a Standard Assessment Procedure (called a SAP rating). Existing Council homes have an average SAP rating of 67.92 which is below the average for Council housing stock (of 73.2) across the country¹³. The Council homes with the best SAP rating are the 3-bedroom homes in the Gretton Court Extra Care Supported housing scheme (73.7) and the lowest are 2-bedroom bungalows (65.3).

Costs to residents will need to be taken into consideration for any decarbonisation option, particularly within the context of the Cost-of-Living crisis. Further work in relation to options for heating and decarbonisation will be required and will be considered as part of the Asset Management Plan.

Whilst positive steps can be taken, decarbonising the Council's housing stock will not be possible without external funding. This is the case for many social landlords. The Council will need to be ready to apply for external funding as it becomes available, which may require a match funding contribution to be made.

8.2.1 Recommendations on climate change and energy efficiency

The Council will:

- Focus on improving energy efficiency in its existing homes but will set a zero-carbon standard for its new build homes.
- Carry out further work to assess how best to adapt Council homes to be closer to zero carbon
- Consider and discuss with tenants, the implications and opportunities of decarbonisation options
- Set a SAP rating as a performance measure against which the Council will assess its progress in improving energy efficiency every year.
- Provide advice on energy efficiency will be shared proactively with tenants
- Work to attract national funding to improve the energy efficiency of the stock

A SAP rating is a way of comparing energy performance of different homes. Build Regulations require a SAP calculation and predicted EPC is before any work is started.

A SAP calculation results in a figure between 1 to 100+ for the annual energy cost. This is based on the following factors:

- The elements of structure
- The heating and hot water system
- The internal lighting
- The renewable technologies used in the home.

The higher the score the lower the running costs, with 100 representing zero energy cost. Dwellings with a rating in excess of 100 are net exporters of energy.

8.2.2 Service improvement

The Housing Revenue Account pays for both capital works and revenue services. It is therefore important to think about what level of service tenants expect and what the balance is between the physical improvement of tenants' homes and the services they receive.

¹³ As reported in the Stock Condition Survey report from Michael Dyson p20. This is not yet the whole stock but 1461 properties.

There is a requirement to carry out day to day repairs, report anti-social behaviour and to ensure that rents are collected. An enhanced service could help tenants who are struggling to pay their rents or could ensure that the areas around council homes and flats are well maintained and/or taking a more proactive approach to anti-social behaviour.

Resident views and feedback are essential in delivering and improving services. The Council will build on its Tenant and Leaseholder Engagement Framework and will embed engagement into delivery of the HRA Business Plan through delivery of the associated Asset Management Plan.

8.2.3 Recommendation for service improvement

The Council will engage with tenants to understand what areas of service delivery could be improved. If there is a need for additional investment there will need to be savings elsewhere.

9 Choices

This Plan sets out choices for investment both for capital and revenue spend over the next 30 years. The Asset Management Plan will set this out in more detail for the next 5 years (with an update of the 5th year annually).

This section sets out the things that are required (obligation – health and safety, decent homes) and those that are a matter of choice and affordability:

Item	Detail	Capital or revenue cost?	Choice or Obligation?
External painting		Capital	Choice
Boundaries		Both	Choice
Building new Council homes		Capital	Choice
Dealing with Climate change	(Future proof of the business)		Choice
Garages			Choice
Bathrooms	To be replaced every 30 years (but only if required)	Capital	Has to have a bathroom but replacement frequency is a choice
Kitchens	To be replaced every 20 years (but only if required)	Capital	Has to have a kitchen but replacement frequency is a choice
Drains		Capital	Obligation
Heating		Both	Obligation
Provision of Double Electrical Sockets	Increasing speed with which double sockets are available in all main rooms in a home.	Both	Electrical safety an obligation but pace of ensuring double sockets available in rooms - choice
Roofs		Capital	Obligation

Item	Detail	Capital or revenue cost?	Choice or Obligation?
Windows	While windows that weather tight are an obligation the Council has been converting all metal windows to UPVC. This is a choice and is an additional cost.		Obligation to provide windows but choice to convert metal to UPVC
Doors	(In the survey)		Obligation to replace doors if damaged
Service standards / service improvements	Basic or Enhanced		Obligation for a basic service but a choice for an enhanced service
Internet Access	Connection Cost of service Cost of equipment		Choice but would need to come from a revenue budget.

In terms of Internet Access this will not be capital choice and has therefore not been included in the survey carried out. There are schemes which assist people on low incomes to access the internet. The Council will look to publicise these to tenants.

9.1.1 Priorities for investment

In the survey sent to 436 tenants there were 119 responses – 27% of those who were contacted.

The top three priorities given to the 9 choices were:

1. Building more council homes
2. Energy efficiency
3. Replacing metal windows with upvc

Followed by:

- New bathrooms every 30 years (as required)
- A planned programme for paths New kitchens every 20 years (as required)
- A planned programme for fences
- A planned programme for external painting
- A planned programme for garages

9.1.2 Table showing results of survey on investment choices

The table below shows the top priorities chosen by the respondents to the survey.

Priority	Kitchens	Bathrooms	Windows	Energy	Garages	Fences	Paths	Painting	New Homes
1	32	32	45	48	5	14	30	16	52
2	12	7	8	19	7	16	15	10	8
3	13	12	14	7	5	8	10	14	7
4	13	10	12	3	6	9	9	10	6
5	14	13	7	13	7	9	11	11	8
6	7	7	6	5	7	9	4	9	8
7	3	5	4	4	11	16	14	7	4
8	7	8	5	2	9	19	8	16	3
9	10	8	10	11	45	9	9	14	9

The survey also provided respondents with an opportunity to provide other comments if they felt a priority had been missed. There were 78 comments. The analysis showed that:

- The most frequently raised issue was around energy issues, particularly looking for solar panels and methods for reducing energy costs
- The next highest was a group of issues covering rubbish collection and bin provision as well as work needed on gardens.
- Six respondents raised concerns about the repairs service
- Five respondents raised issues relating to disabilities e.g., handrails and the condition of paths
- Nine respondents raised car parking as a priority.

There was a further opportunity for respondents to add any further comments. 57 were received and included:

- Repairs issues (9 comments)
- Energy efficiency (6 comments)
- Parking (5 comments)
- Crime (3 comments)
- There were a wide variety of “other” issues including concern about street trees and the council’s allocations policy.

The survey asked equalities monitoring questions. The data showed that the male/female split was very similar to the tenant database overall, 58% women to 42% men. The respondents were older than the tenant database 65% were aged between 65 and 85 years old (it is only 35% on the database of all tenants). Importantly there was a very high rate of disability with 70% of those who responded reporting that they had a disability. In terms of ethnicity the respondents reflected the population of Melton being 96% White British (the Borough’s population is 95% White British). The most common religion was Christian with 75% of respondents identifying themselves as being Christian.

9.1.3 Recommendations on choices investment

There are clear recommendations elsewhere in this plan on investment for the top two priorities that emerged from the consultation:

- Building new council homes
- Energy efficiency

The recommendation below picks up on the other priorities raised within the tenant consultation:

- The Council will continue to replace metal windows with upvc windows. This will be built into the Asset Management Plan.
- For fences, paths and external painting; works will be carried out on a case by case basis with a focus on risk. It is recognised that the need to improve paths has been a high priority from this survey. Fences are included in the tenancy handbook as a tenant responsibility, but it is recognised that there will be occasions when the council may need to take a lead in repairing or replacing a fence (e.g., where there is a serious safety risk).

9.1.4 Garages and other HRA non-housing assets

Garages have been identified by tenants who responded to the consultation on the choices available as a low priority for investment. Only a third of the council's garages are occupied. They are often unsuitable for modern cars as they are not big enough. However, the Council is aware that there is a demand for garages in some areas and steps have been taken to make garages available to residents where possible.

There are assets held within the Housing Revenue Account which are not housing properties for example there is a shop and community centres. The Asset Management Plan will need to make detailed recommendations on their future use, maintenance and investment.

9.1.5 Recommendation on garages and other HRA non-housing assets

For garage and HRA non housing assets the council will:

Identify garage sites which could be made available for future council house development. Leading to demolition when a project has been put together.

Remaining garages to either be repaired if they can be let (either for cars or for storage of appropriate items) or demolished if they are creating a nuisance.

Other assets which are held in the HRA but are not housing will be reviewed within the Asset Management Plan

9.1.6 Cost of building or purchasing council housing

A business case will need to be produced for each purchase or new build project as part of the development of a framework through which to take investment and borrowing decisions. This will need to assess the impact of the capital spend and revenue implications of that decision, including the interest related to any borrowing need. The outcome of this assessment will then need to feed into the Housing Revenue Account (HRA) Business Plan to assess what the overall impact is on the HRA of the project being assessed.

The framework will comprise a suite of indicators that will be maintained showing the relativity of the HRA debt and borrowing costs in relation to the HRA's overall financial position. These indicators are being developed as "industry standard" to enable comparison with other social housing providers

(see para 10.2.9). The impact of the need to borrow for an individual project on the financial health of the HRA can then be assessed through the framework: the impact on these borrowing indicators and comparison with industry standards.

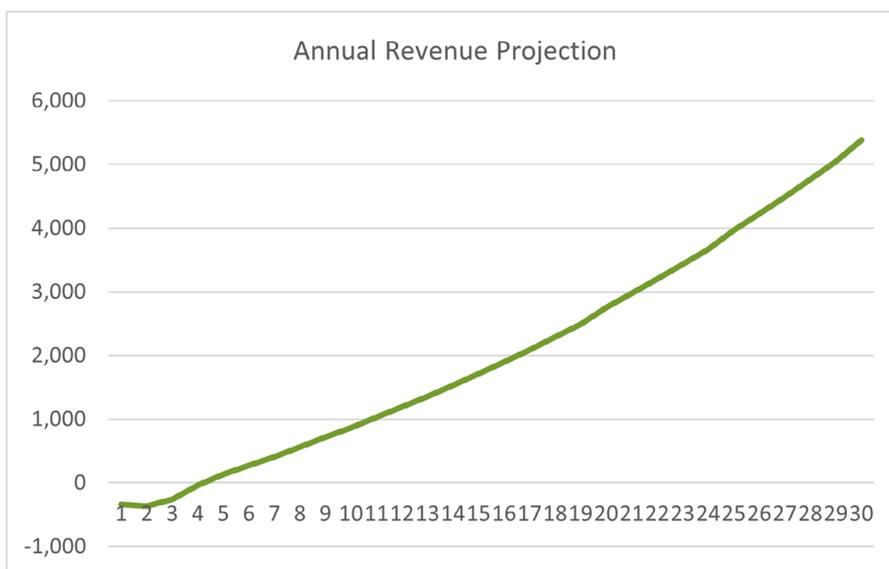
9.1.7 Effect of the Right to Buy on New Build or Purchase

A new build or newly purchased home has a ‘cost floor’ which means there is no discount for a purchaser for the first 15 years for a new build or newly purchased home. There is also a limit to the total discount. This is currently £86,400 and it rises each year with inflation. This means that if the person living in the home wanted to purchase it after 15 years there would be enough money in the balance of the cost vs the discount to pay any outstanding borrowings.

10 Finances

10.1.1 Forecast revenue projection

The following chart shows how revenue is in annual deficit in the first few years, drawing upon reserves, but then surpluses grow rapidly and significantly over the term of the plan. Over time, as rents grow, costs are controlled and capacity grows, there is plenty of scope for further investment – the Council will therefore be able to bring forward ideas and plans for future programmes on the basis that, providing the plan is managed well, there will be increasing future headroom in the plan



10.1.2 30-Year Budget and Illustrative Annual Budget

The basic model of income and expenditure is laid out below with an illustration of what that means on an annual basis.

30-Year HRA Budgets	Income
Revenue Costs	£312,700,000
Cost of meeting the Condition Survey (Capital Budget)	£92,000,000
Capitalisation of salaries	£6,400,000
Total Cost	£411,100,000
Income	£369,000,000
Gap between income and expenditure	£42,100,000
Gap can be covered by money set aside for depreciation (which is)	£51,500,000

30-Year HRA Budgets	Income
Use of other reserves (current and anticipated RTB receipts)	£14,500,000
Therefore the remaining budget flexibility over 30 years is	£23,900,000
Average budget flexibility each year	£796,670

To show these large 30-year figures in a more manageable way the figures have been built back to an illustrative average annual budget, which is set out below, however in reality, the budget will vary each year:

Costs	
Revenue costs, staffing, repairs etc	£10.42m
Capital budget	£3.07m
Capitalisation of salaries	£0.21m
Income	
Income from rents and service charges	£12.3m

The Asset Management Plan will develop the detailed capital budget and repairs budget in time for consultation with tenants for rent setting in the autumn of 2022. This will enable the council's capital strategy and 5-year capital programme to be developed. The Asset Management Plan will cover a five-year period and will be updated annually to add a fifth year.

10.1.3 Assumptions

In drawing up a 30-year Business Plan, several assumptions need to be made. It is important that they are recorded here so that when future iterations of the plan take place it is understood what those assumptions were and how they can be altered to reflect changes in circumstances.

The table below details the main financial assumptions that have been made in preparing the financial plan to support the business plan:

Description	Short-term 2022-24	Medium-long term 2025 onwards
Property changes over the plan	1789 at 1.4.22 with 10 Right to Buy pa and 5 new affordable	10 RTB pa and 5 new affordable
Current borrowing interest Rates	3.72% Current rate	3.52% Change with maturities
New borrowing interest rates	2.44% Bank of England (BoE) 50 year rate at 4.10.21	2.44% BoE 50-year rate at 4.10.21
Cost Inflation	2.0% 2022-23 to 2.5% 2023-24	2.2% 2024-25 returning to BoE target of 2% thereafter
Income Inflation	2% BoE Target	2% BoE Target
Rent Inflation	3% being 1% above BoE Target	3% being 1% above BoE Target
Interest on balances	0.8% in 2021-22	0.8% in 2021-22

10.2 HRA Business Plan– Sensitivity Analysis

The financial modelling within the Business Plan shows that the Housing Revenue Account is sustainable over the 30-year period based on the assumptions regarding future costs.

The financial assumptions show that over the 30-year period after allowing for spend on maintaining decent homes (as shown in the condition surveys received and compliance) there is a surplus amount of £23.9m available over the 30-year period, equating to an average of £796k per year for investment in other priorities (choices) such as new housing or energy efficiency measures, subject to a business case.

However, any business plan is vulnerable to changes. A sensitivity analysis (stress test) of the Business Plan has been carried out, supported by external housing finance specialists. This shows how susceptible the estimates are to changes in assumptions. Any change in the actual assumptions made will impact on the residual amount available for investment in the “choices” as set out in the business plan. Through the annual review these assumptions can be updated, and an assessment made on the latest forecast of the amount available for investment elsewhere

The key areas that could impact on the projections set out in the business plan are **rental increases** arising primarily from the associated government policy relating to this and **inflation** affecting future expenditure levels. These are largely outside of the Council’s control and are risk areas that the Council will need to pay close attention to. Changes in these areas (for example, government policy leading to a period in which rents cannot be increased) would directly impact the monies available for investment.

There are also financial sensitivities relating to **voids** and the loss of income and additional expenditure associated with this as well as potential **bad debts**. These two areas the Council can influence to an extent and are areas where focus will be given to improve the financial position of the HRA.

Another key area of sensitivity is the cost of repairs and with the business plan having been prepared without the conclusion of the Asset Management Plan it is likely that these costs could reduce when taken into account alongside a history of underspending on the account. The Asset Management Plan is therefore a key document in budget setting and profiling of spend.

Benchmarking information shows that the Council’s rents are comparatively low. An external review (Savills) review noted that the indicative costs of capital works inclusive of fees and preliminaries were ‘on the high side of benchmarks’ but noted that the stock condition survey is not a programme, highlighting the importance of the work that will be done through the Asset Management Plan to set a programme, including the potential to achieve value for money in procurement and delivery.

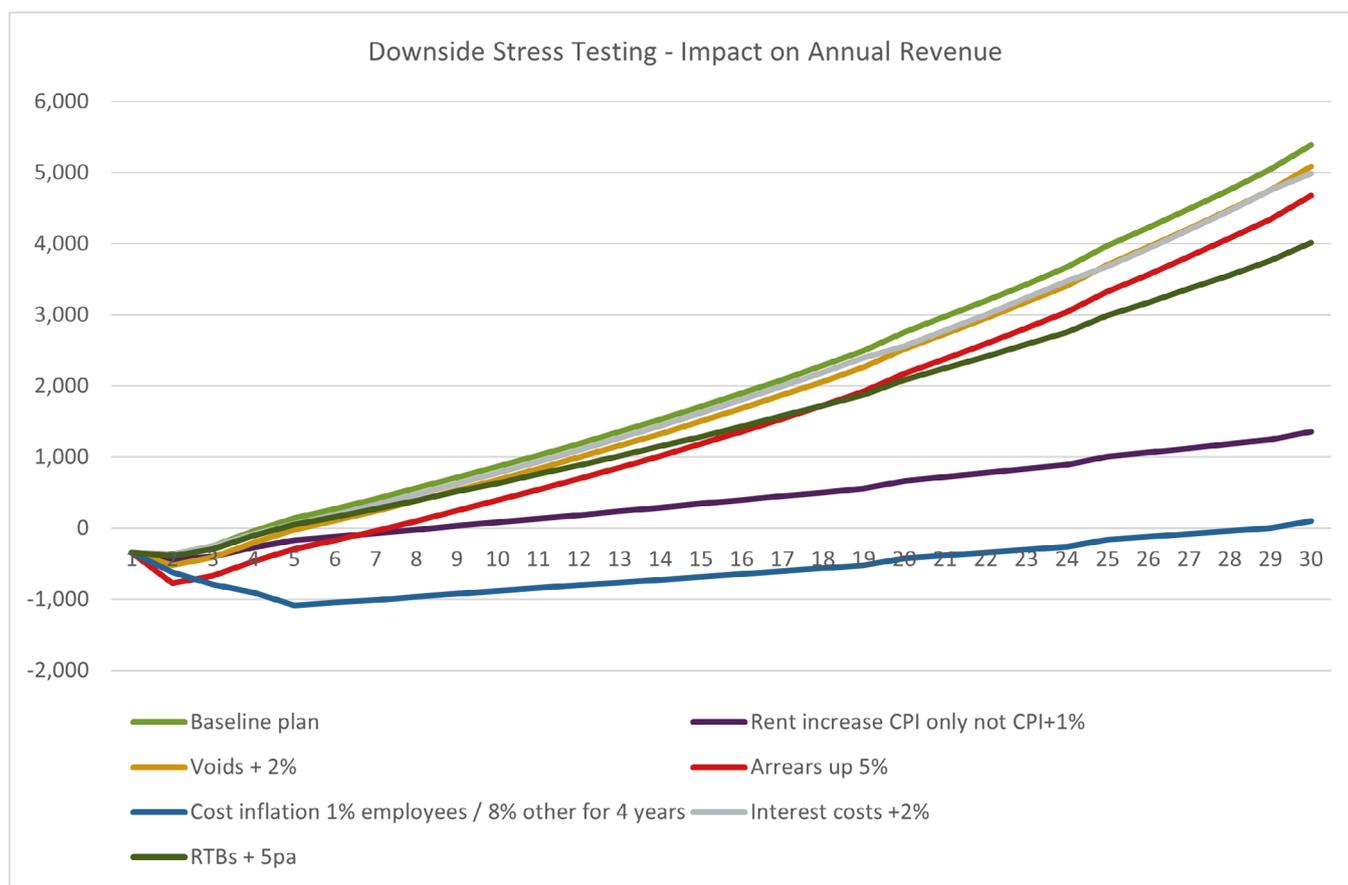
It is important to review revenue and operating costs including through the development of the Asset Management Plan to maximise the resources available to the HRA. (i.e. in a period of business as usual as opposed to in a period of housing improvement plan delivery). To support with benchmarking and value for money assessment on an ongoing basis, the Council will also take steps to join Housemark, a data insight organisation for social housing organisations.

Financial implications arising from the sensitivity analysis are shown below:

REVENUE	30 Year Total			
	Note	Pessimistic £'000	Business Plan £'000	Optimistic £'000
INCOME:				
Dwelling Rental Income	1	-287,304	-336,518	-336,518
Other Income		-32,305	-32,305	-32,305
Total Income		-319,609	-368,823	-368,823
EXPENDITURE:				
General Management				
Employees	4	21,017	17,922	15,368
Other	4	45,405	38,719	33,200
Special Services				
Employees	4	13,494	11,507	9,867
Other	4	30,731	26,205	22,470
Repairs & Maintenance				
Overall	8	0	0	-12,719
Employees	4	35,343	30,138	25,843
Premises	4	106,953	75,498	64,737
Other	4,5	31,178	29,198	27,457
Increase in Impairment of Debtors	3	18,441	4,057	4,057
Depreciation & Impairment		49,671	49,671	49,671
Capital Financing Costs		1,877	1,877	1,877
Total Expenditure		354,110	284,792	241,828
Voids change	2	6,291	0	-6,292
Revenue Impact of +/- RTB	7	4,830	0	-4,831
Revenue Impact of +/- New Build	7	10,880	0	-10,869
Net Cost of Services (NCS)		56,502	-84,031	-148,987
Interest Paid	6	35,363	31,118	28,996
Interest Receivable	6	-866	-2,310	-8,085
Contribution to/from(-) Reserves		-90,599	55,623	128,477
Revenue Provision to MRR & MRP		-400	-400	-401
NCS After Transfers to Reserves		0	0	0
CAPITAL				
Capital Expenditure		121,604	98,544	85,556
FUNDING AVAILABLE				
Major Repairs Reserve		0	52,220	52,220
Right to Buy Receipts		0	10,185	10,185
Regeneration & Development Reserve		-23,780	60,037	132,891
HEADROOM		145,384	-23,898	-109,740

The above table shows how the headroom of £23.9m (over the 30-year business plan) could be affected if certain conditions arise.

The chart below highlights the impact on the revenue projection of the “downside” stress tests commented on below.



The stress tests analysed are discussed further below:

10.2.1 Government removes the additional 1% above CPI that rents can be increased by

The rent standard of CPI+1 is certain until 2024-25, after which time the Government may take a different view. This condition is outside the Council’s control which increases the vulnerability of the Business Plan to it, it is also the most likely adverse condition to occur. This alone has reduced the headroom in the plan by £49m moving it to a deficit position. If the Government should decide to reduce the rents after 2024-25 to -1% for 5 years, followed by the remaining time at CPI only, then this would reduce the headroom by a further £33.5m.

10.2.2 Voids change to the Business Plan by +/-2%.

This is a condition well within the Council’s control. The Business Plan allows for 4% voids, which is high, so a concentrated effort to reduce voids to 2% as a strategy decision would be beneficial, and the £6.2m gained used to invest in the stock.

10.2.3 Arrears are measured against income with a factor of 5%.

The Business Plan has a flat level of £100,000 for the increase in impairment of debtors which is increased by inflation each year, without any clear method of calculation, which amounts to 1.1%. To set this amount relative to the income with a sensitivity of 5% shows that this is a clear risk to the Business Plan without proactive management of the arrears. If this were to transpire than this would decrease the available headroom by £14.4m.

10.2.4 Inflation on costs

The inflation on costs have been assessed as +/-1% for employees and other costs plus +/-8% on repairs capital and premises costs for 4 years followed by the +/-1% of other costs.

Inflation will always be the most obvious risk to the business plan, the expectation of a similar inflation increase for income and expenditure should be some mitigation in itself, however this is not always the case, especially in more specialised industries with their own inflationary measures, such as the building industry, and so the sensitivity here has been measured around cost increases only. The highly increased inflation on the repairs element for just 4 years in conjunction with an additional 1% elsewhere would be a reduction in headroom of £71m resulting in a deficit position.

10.2.5 Change in the stock/regulatory repairs standard +10%.

Regulators are considering changes to standards to both Decent Homes and various consumer standards around landlord services, so an additional 10% on the stock condition amounts have been added which reduces headroom by an additional £6.9m.

10.2.6 Interest changes

This has been assessed, on borrowing of +2%/-1% and on income of +2%/-0.50%

These sensitivities are based around the current borrowing and its rescheduling only, with the changes in interest rates making relatively little difference to the overall plan. This may become more significant as borrowing increases. This rescheduling can be managed within the Council's Treasury Management Strategy.

10.2.7 Right to Buys +/-5 or New builds +/-5 which is maintained across the plan

The Business Plan currently expects that there will be 10 Right to buys and 5 new builds each year. While this analysis has not taken into account the change to the reserves from the right to buy receipts, or their subsequent use to build new housing, both the revenue income and repairs expenditure have been included and show the positive revenue position for retaining current properties and investing in new.

10.2.8 Repairs & Maintenance Costs reduce by 10%

The Business Plan has been prepared without the conclusion of the Asset Management Plan which will consider all areas of capital and revenue spend. The underspend in 2021-22 further supports the possibility of reducing expenditure in this plan based on a more business as usual approach following completion of the Housing Improvement Plan.

Overall, there are a number of scenarios where the Business Plan is vulnerable, such as changes to Government policy and inflation, however, if managed proactively areas such as arrears and voids management strategies, could counter some of those risks to some degree. Maximising income including rental income, will be important to protect the Council's Housing Revenue Account.

In summary therefore, the business plan is particularly sensitive to changes in longer term government rent policy and short-term cost hikes that might then become fixed into the expenditure base. There are things that the Council can do to try to proactively manage and mitigate income loss through a focus on debt management and voids management.

10.2.9 Developing a Borrowing and Investment Framework

(Standard Performance Indicators to Assess Borrowing)

Once the Asset Management Plan has been prepared and the Business Plan updated, the indicators

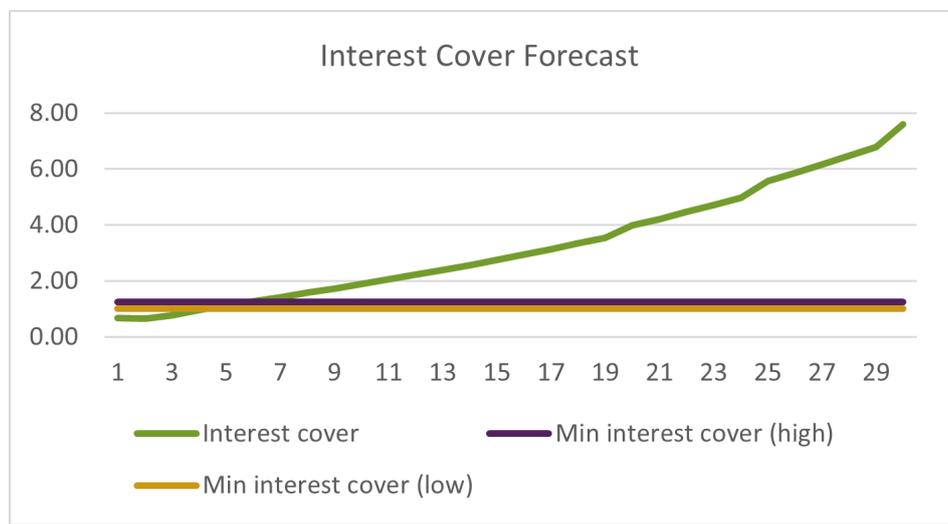
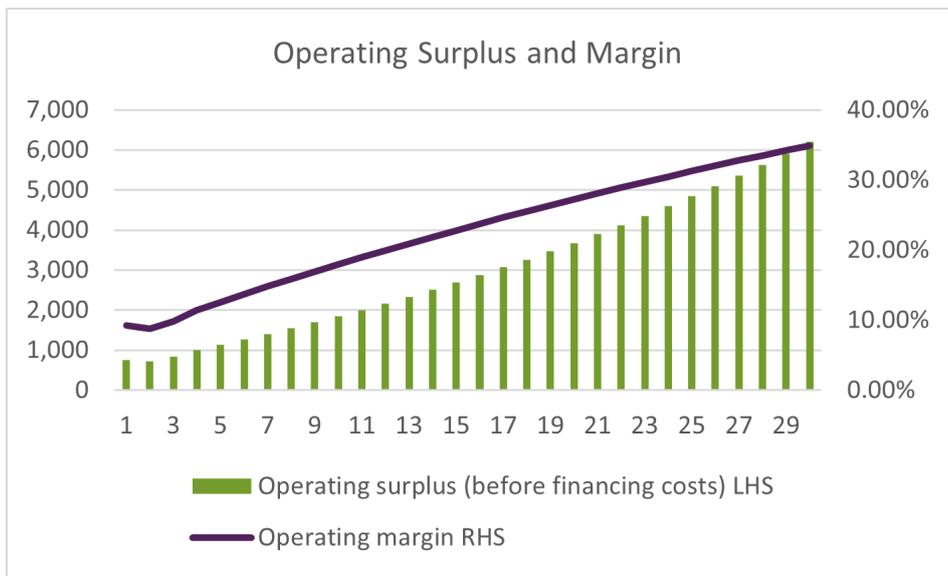
for Melton can be accurately calculated and then an assessment made as to whether any additional borrowing to support new build/purchases, particularly in the early years of the plan, is affordable. These indicators can be refreshed and updated as the Business Plan is updated, and affordability of borrowing kept under review alongside any new build/house purchase business cases. Through utilising these indicators (usually called “metrics”) to assess affordability of borrowing the principle of only providing for the payment of interest on borrowing within the HRA and not setting aside funding to repay debt is considered sound.

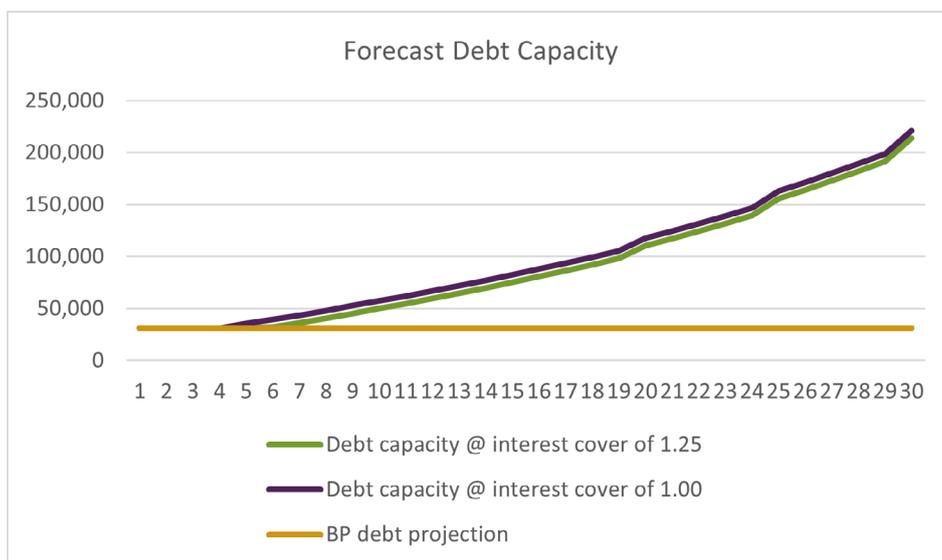
Interest Cover – this measures the extent to which net income from services is able to cover interest commitments each year. An industry standard “golden rule” would be in the region of a minimum of between 1.00 and 1.25. These are not “hard and fast” rules applied annually but provide a clear view on the longer-term viability of borrowing within the overall plan.

Margin – this measures the excess of income over expenditure in each year, with the national average standing at 22.2%. The extent to which services are able to generate net income is a critical way of demonstrating how much headroom there may be to borrow against.

Loan to Value (LTV) – shows the relationship between the borrowing in the plan and the value of the housing properties. Whilst the council does not secure its borrowing against its assets (as in the private and RP sectors), this measure offers a good guide to how effective borrowing might be over the longer term in generating value in the plan.

10.2.10 What do the metrics look like and how does Melton compare?





An external review of the Council’s Business Plan has been carried out, which notes that taking the current position and the projections shown above as a whole, Melton’s business plan is currently characterised as follows:

- Operating surpluses are lower than the national average of 22%
- Whilst operating surpluses will take some years to grow to this level, it is not essential for investment that the average is achieved; risk will need to be managed carefully in order to ensure that future borrowing and investment remains viable
- Interest cover is low currently implying the need to draw upon reserves in the early years of the plan; whilst interest cover averages nationally above 1.75, around ¾ of authorities have cover above the “golden rule” of 1.25 implying immediate capacity for investment
- At Melton therefore, an immediate programme of borrowing to increase development and acquisition programmes would rely on finding efficiencies within the plan (or further drawing on reserves in the short term – which is not considered feasible)
- Over time, as rents grow, costs are controlled and capacity grows, there is plenty of scope for further investment – the Council will therefore be able to bring forward ideas and plans for future programmes on the basis that, providing the plan is managed well, there will be increasing future headroom in the plan
- The debt capacity forecast also highlights the critical importance of generating surpluses within the Business Plan as will be seen there is not a huge difference between capacity at interest cover of 1.00 or 1.25 over time – the key factor is to increase how much the service is generating in net income.

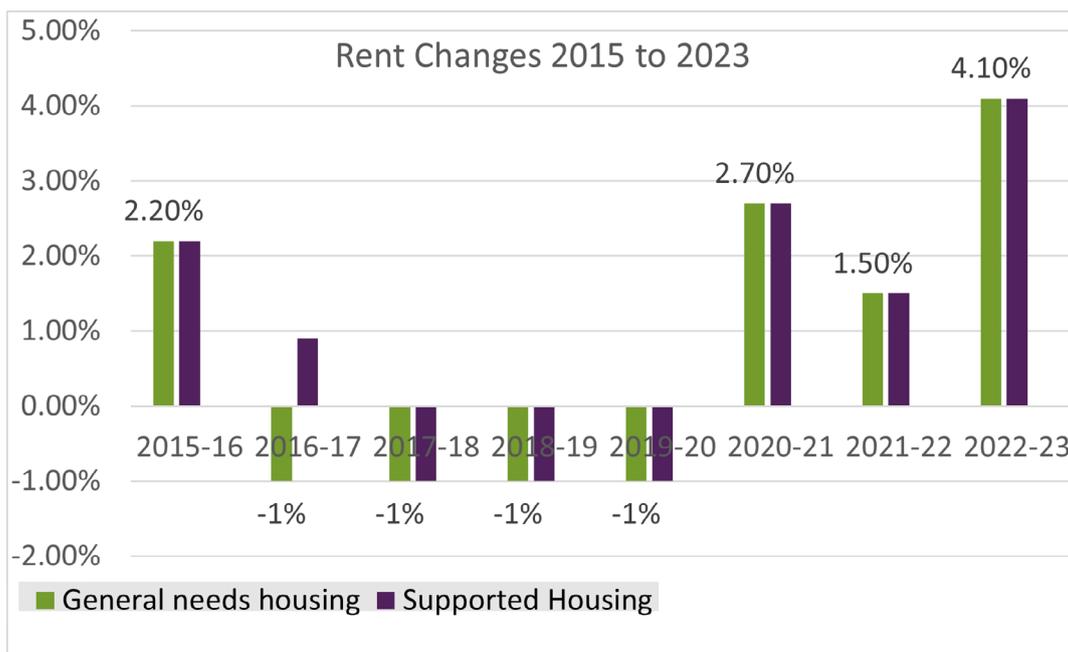
The Asset Management Plan will refine the amount invested into the existing stock and the business plan updated accordingly. This is a critical aspect of the business plan – whilst the stock condition survey profile is able to be financed, this leaves little headroom in the short term; if the costs of the survey can be engineered downwards through procurement and additional value, this would release some additional capacity for further development and acquisition.

Rents and Service Charges

The Council’s current average rent is £80.24 per week¹⁴. Council rents are currently allowed by the government to rise by the Consumer Price Indicator plus 1% per annum. For 2022/3 this led to a rent rise of 4.1%. The Council charges separately for the intensive housing management service, for health and safety checks in communal areas, for grounds maintenance and for heating in communal areas. The charge for the intensive housing management service was not increased for 2022/3 because of other cost of living pressures facing tenants.

14 Melton BC data 28.3.22

Council rents, on average, sit well below the cost of private sector rents (£138.23 per week for a 2-bedroom property¹⁵). They have also been subject to government reductions as shown in the graph below.



10.2.11 Reserves

The Council holds the following reserves in the Business Plan:

10.2.11.1 – HRA working balance

When calculating Budget requirements, relevant authorities are required (by The Local Government Finance Act 1992) to have regard to the level of reserves needed for meeting estimated future expenditure. Reserves held as a working balance are held for contingency purposes (e.g. for emergencies) and the appropriate level is reviewed annually as part of the budget setting process.

10.2.11.2 – HRA Development and Regeneration Reserve

This reserve is for specific HRA development and regeneration needs within the HRA ring fence. The authority to access this reserve is currently tied in with the HIP, however, the completion of the HIP requires a change to the delegation regarding the current needs of the service. The recommendation is to limit delegation to £100,000 per project with a maximum of £500,000 in any one year, with each project considered regarding the affordability of the plan.

10.2.11.3 – Major Repairs Reserve

This reserve holds amounts set aside as depreciation from the HRA, based on a calculation which includes depreciation and additional revenue to support the HRA capital programme. This programme is substantially regarding the Council’s current housing stock.

10.2.11.4 – Water Reserve

On the cancellation of the Agency Agreement that the Council had with Severn Trent Water to collect water rates on their behalf, Severn Trent Water agreed to continue to fund future written off amounts of water arrears by a one-off payment

The 5-year assessment of the Asset Management Plan will enable these balances to be monitored and will in turn inform the plan on the availability of resources.

15 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=3477&mod-area=E07000133&mod-group=AllDistrictInRegion_EastMidlands&mod-type=namedComparisonGroup accessed 24.3.22

11 Consultation

Consultation with residents has taken place to shape this business plan. The consultation which has taken place forms part of the council’s new approach to tenant engagement as set out in the [Tenant and Leaseholder Engagement Framework \(January 2022\)](#)¹⁶.

11.1.1 Putting tenants at the heart of the service

The Council carried out an extensive residents’ satisfaction survey which was sent out to all the Council’s tenants and leaseholders in November 2021. The key results from the satisfaction survey are laid out below. A specific consultation exercise has been undertaken to test the options outlined above in the section called Choices.

11.1.2 Key results from the Residents Satisfaction Survey

The Council recognises the need to consult a broad range of tenants about both the housing service and the standard of the homes the Council provides.

The Council conducted a residents satisfaction survey in between the 20th September and 25th of October of 2021 via Acuity a company with extensive experience of conducting this type of surveys. The company reported on the results of the survey in November 2021 and the key elements which refer to satisfaction with homes are reported here. Acuity received 473 surveys back from the 1763 they sent out – a 27% response rate.

11.1.3 Satisfaction with the quality of your home

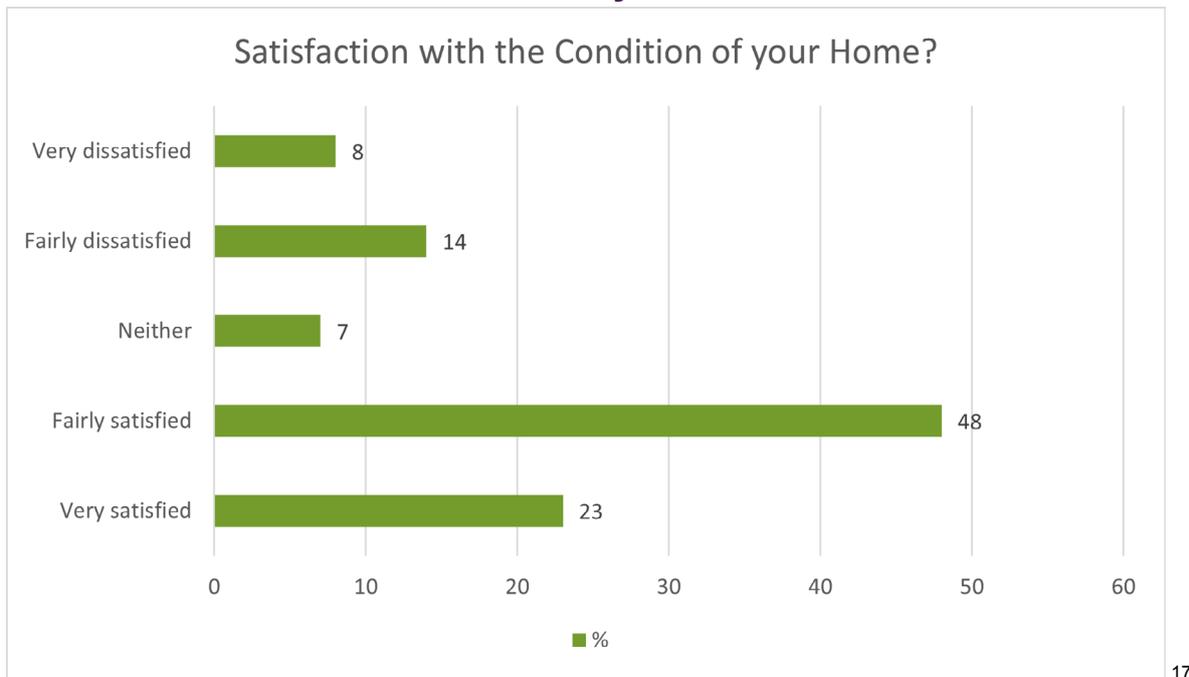


Michael Dyson Associates Ltd Stock Condition Survey Data 2022

The chart above shows that most tenants were either fairly or very satisfied with the quality of their homes (77%). The survey also asked more specifically about satisfaction with the condition of the home.

16 <https://www.melton.gov.uk/decision1049>

11.1.4 Satisfaction with the condition of your home



This second question found a higher proportion of tenants either fairly or very dissatisfied with the condition of their homes. At 22% that is more than a fifth of tenants being dissatisfied. The survey asked what the key issues were leading to dissatisfaction with the condition of the property and the following issues were picked out by those responding. This provides the Council with a very useful indication of tenants’ priorities for this Business Plan.

- Home Improvements (including new kitchens, bathrooms, windows and doors) 35% referred to these problems
- Property Condition (including damp and mould, the outside of the property) 25% referred to these problems
- Day to Day Repairs (including outstanding or forgotten repairs and the quality of the work) 11% referred to these problems
- Grounds Maintenance (including fences and pathways) 4% referred to these problems.

11.1.5 Internet Access

It is important for the Council to offer tenants and leaseholders up-to-date services. The survey asked residents about internet access and their use of the Council’s online services. Only 61% of tenants said that they had access to the internet, although that was higher amongst those living in general needs accommodation (70%)¹⁸. There were a number of issues with those who did not use the internet – mostly a lack of a desire to do so (58% of respondents said they did not want to use it) but also the cost of equipment, connections and a lack of confidence about how to use it. As the key problems were most common amongst those in supported accommodation this implies that the Council will need to make a significant effort to encourage residents to use more technology.

Improving the internet offer has been included as a choice for investment as part of this Business Plan.

17 Melton MBC Survey cited above also section 3

18 Melton MBC Survey cited above section 7

11.1.6 Focus Group of Tenants

A focus group was held on the 13th of January 2022 with group of tenants to further explore tenants' concerns for this Plan. Details are included within Appendix 1 of the Business Plan.

The key findings were that the group assessed Council housing in Melton as being of low quality with concerns about the **repairs service** and poor **communication** from the Council picked out as the areas of greatest concern. Attendees noted that where work has been done to improve energy efficiency on some homes, it had a positive impact on the heating of homes.

11.1.7 Working with leaseholders

When the Council works on properties which contain leaseholders it is vital that they are consulted and that they understand why works need to be done and are given advice about how to finance their part of those works (if necessary). The Council commits to this process.

11.1.8 Other stakeholders

A meeting with the Council's Scrutiny Committee was held on 7th December 2021 to explore Councillors' views of the quality of Council housing in Melton BC. The details can be found at Appendix 2 of the Business Plan. The subgroup of the scrutiny committee was attended by 6 Councillors. The Councillors rated the Council's housing as being of poor quality. They picked out investment in staff who care and dealing better with health and safety as key elements which were good.

Problems with **communication**, **investment**, **stock pipeline** and **maintenance** were highlighted as part of their assessment of what is not so good about council housing in Melton.

11.1.9 Survey of tenants on priorities

An email survey (148 tenants) and paper survey (288 tenants) were sent out from the last week of February 2022 – with a closing date of 25th March 2022. The tenants contacted were those who had self-identified (from the Resident Satisfaction Survey completed by Acuity) as being willing to participate in consultations run by the council. The results of the consultation have been included in the Priorities for Investment section on page 27 of this document.

12 Appendices

12.1.1 Appendix 1 Tenants' Focus Group

Four tenants attended the focus group (12 people invited) on 13th January 2022.

After a presentation, the group considered the question "How good is housing in Melton?" Attendees were asked to place a star on the diagram below to indicate how they assessed this:

12.1.1.1 What is Good?

The members of the group were all given 3 post-it notes to highlight 3 parts of the service which they thought were good. These were then collected together, and the group ended up with 6 issues. They then voted with 3 stickers to choose the three most important issues.

Issue	Details	Votes
Heating	Heating x2	6
Neighbourhood	Neighbourhood	4
	Nice Neighbourhood	
Repair Service	Moderately good services & repair	1
Lifeline	Lifeline	1
Rent	Rent £	1
		1
Improving Services	Improving housing management	0

12.1.1.2 What is Not so Good?

The group were then given 3 post-it notes to describe their top 3 issues which made the service not so good. Again, those issues were collected under agreed headings. There were 5 issues. The group then had 3 votes using a sticker to pick out the 3 most important issues.

Issue	Details	Votes
Attention to Detail (Repairs etc)	Out of hours	5
	Repairs not completed	
	Outstanding works	
Lack of Communication	Communication x3	4
	Over promise under deliver	
	Not keeping promises	
	Clarity in answers to tenant queries	
Parking	Parking	2
Inconsistent Specification	Varying/variation in standards	1
Continuous Change of Officers	Change of officers	

12.1.2 Appendix 2 Scrutiny Meeting Notes 7.12.21

The Scrutiny meeting was attended by 6 Councillors, and they were asked to place a star on the flip chart drawing to show how they rated Council housing in Melton. All attendees rated Melton's Council Housing poorly.

12.1.2.1 What makes it good?

Councillors were then given 3 post-it notes to describe what was good about Council housing in Melton. The post it notes were then grouped under headings agreed by the group and then were vote on.

There were four headings so each person got 2 votes.

What makes it good?	
Investment (7 votes)	Staff who care
	Health and Safety awareness improved
	Cladding on flats
	Investment
Maintenance (3 votes)	Responsive repairs
	Good, quick response (now) to maintenance
	Rubbish outside removed quick
	Improvement
Social Provision (2 votes)	Provide a roof over people's heads
	Long term tenants
	Number of properties
Introduction/creation of TFEC	

12.1.2.2 What makes it not so good?

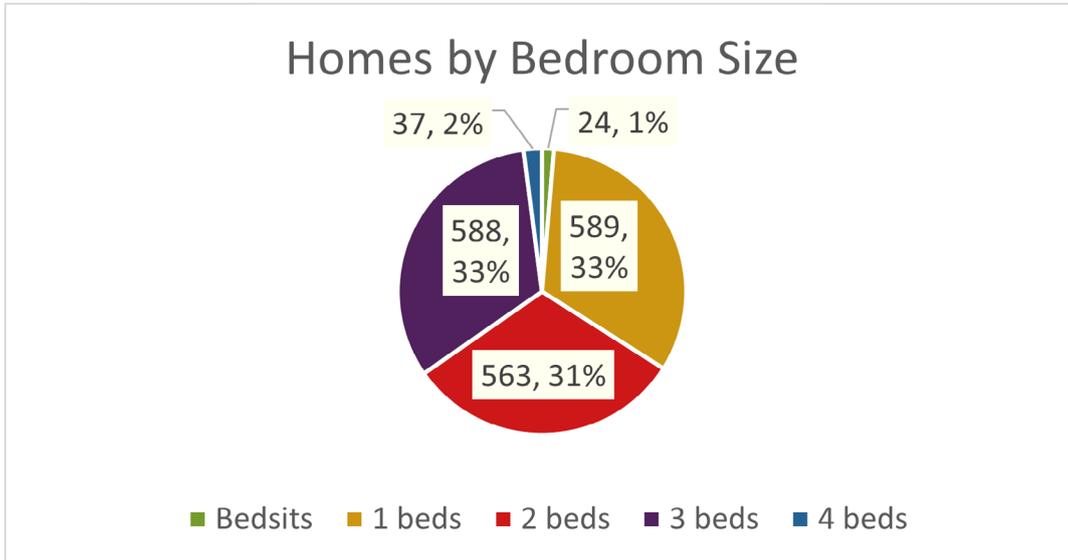
The same process was followed for what is not so good about Council housing in Melton. For this exercise there was a tie with 4 votes for communication, investment, stock pipeline and maintenance.

What makes it <u>not so good</u> ?	
Communication (4 votes)	Dampness and mould (explaining how to avoid it with tenants)
	Better communication
	Poorly organised records (which makes communication with tenants difficult)
Investment (4 votes)	Some security needs mending i.e. door buzzers and auto locks
	Stairs and stairwells need attention i.e., re-furb
	Better lighting around flats desirable in winter
	Lack of car parking
	Slow response to repairs
Stock Pipeline (4 votes)	Waiting list
	Type and mix of stock
	Sold the best houses
Maintenance (4 votes)	Dampness and mould
	Badly maintained stock
	Bad workmanship
ASB (2 votes)	Anti-Social Behaviour

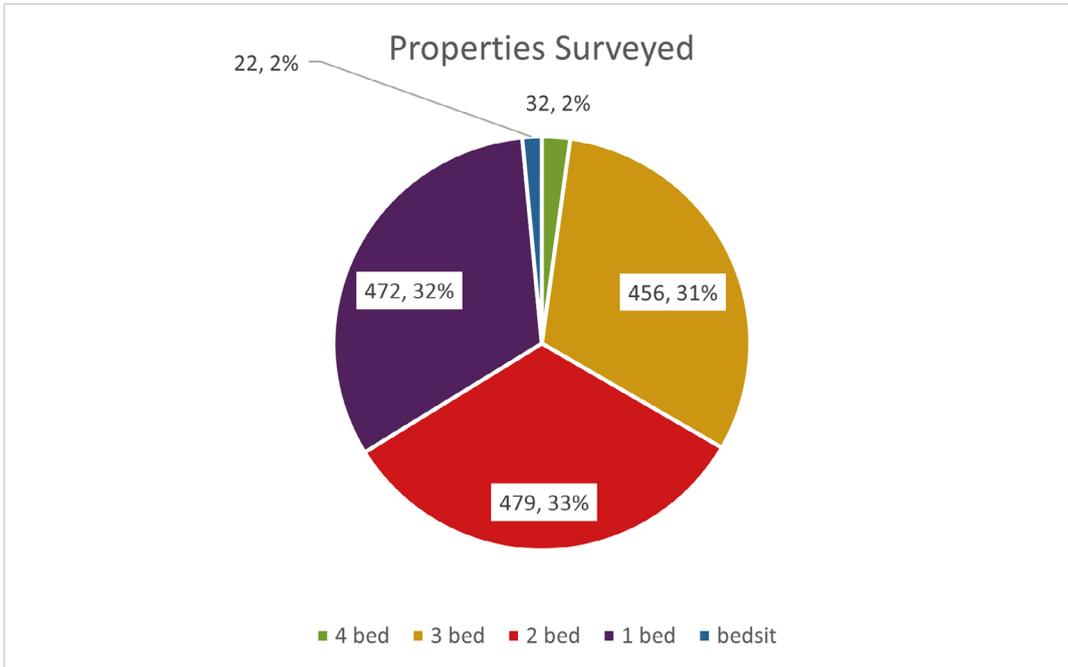
12.1.3 Appendix 3 Check on the results from the Stock Condition Survey

The Stock Condition Survey has not been completed for all 1801 properties. The draft survey results reported to the Council on 21st January 2022 covered 1461 properties. This Business Plan is therefore based on a sample of properties. An external review of the Business Plan has advised that the Council can place a high level of assurance in the coverage of the stock condition survey work. Additionally, the results of the draft survey have been compared with the Council’s housing stock which shows that there is a close correlation between the distribution of properties in the sample as compared to the overall stock.

Bedroom distribution total stock



12.3.3.1 Bedroom distribution in surveyed stock



12.1.4 Appendix 4 Summary of Business Plan recommendations

Appendix B:

Summary of HRA Business Plan Recommendations

Recommendation on budgeting and rents

- The council will review the 30-year position at least annually and will maintain a 5-year asset management programme to which that position is aligned. The 5-year programme will be re-evaluated every year to add a new 5th year to the programme. The council will inform, engage, and consult tenants and leaseholders about these programmes.
- To meet the expenditure commitments described above the council will need to implement rent increases in line with government policy on inflation (the consumer price index plus 1%). If a lower figure is chosen, then balancing reductions in service costs will need to be made.

Recommendation for person nominated for Health and Safety

- The Council will designate the Director for Housing as the Council's nominated person responsible for compliance with landlord health and safety on behalf of the council.

Recommendation for person nominated for Consumer Standards

- The council will designate the Assistant Director Housing Management as the council's nominated person with responsibility for ensuring that the consumer standards as set out by the Social Housing Regulator are met.

Recommendation for Gretton Court

- Work will commence to determine the future of Gretton Court. This would be best addressed by a project looking at present and future needs for the accommodation. In line with other recommendations in this Plan, the Council should use its business case process to guide that project.

Recommendation on retaining Right to Buy receipts

- The Council will continue its existing policy to retain Right to Buy receipts in the Housing Revenue Account.

Recommendation for new council housing

- Building new council housing will remain a priority for investment. However, given the need to improve existing homes the Council will investigate additional borrowing to fund council housing alongside using other funding routes (investment from Homes England and planning payments via s106). The ability to borrowing will depend on an assessment of the affordability using a range of appropriate indicators. Interest payments will need to be budgeted for and taken into account in assessing affordability but provision for the repayment of the debt will not be made as this is not a requirement within the HRA. A target will be set in the Council's Affordable Development Plan for the building of new council homes.

Recommendation on compliance

- All compliance measures will be undertaken within appropriate timescales to ensure that the Council's housing meets the relevant health and safety standards, meets the requirements of the Homes Standard, and keeps tenants safe. There are a set of performance indicators which monitor how effectively the Council is meeting its compliance requirements.

Recommendation for regeneration

- The Council's focus on Fairmead as a priority neighbourhood should continue. Work with the community on the estate should include engagement to support community cohesion and developing options to reconfigure parts of the estate as well as developing sites for new build housing. A local housing allocations policy should also be explored to support a balanced and cohesive community. Where there is a need to deal with anti-social behaviour the Council will use its enforcement powers appropriately and will work collaboratively across teams and with other partners.

Recommendation for housing and support

- To progress a review of support available to tenants, including options regarding support and assistive technology to increase independence in the future.

Recommendations on climate change and energy efficiency

The Council will:

- Focus on improving energy efficiency in its existing homes but will set a zero-carbon standard for its new build homes.
- Carry out further work to assess how best to adapt Council homes to be closer to zero carbon.
- Consider and discuss with tenants, the implications and opportunities of decarbonisation options.
- Set a SAP rating as a performance measure against which the Council will assess its progress in improving energy efficiency every year.
- Provide advice on energy efficiency will be shared proactively with tenants.
- Work to attract national funding to improve the energy efficiency of the stock.

Recommendation on service improvement

- The council will engage with the tenants to understand what areas of service delivery could be improved. If there is a need for additional investment there will need to be savings elsewhere.

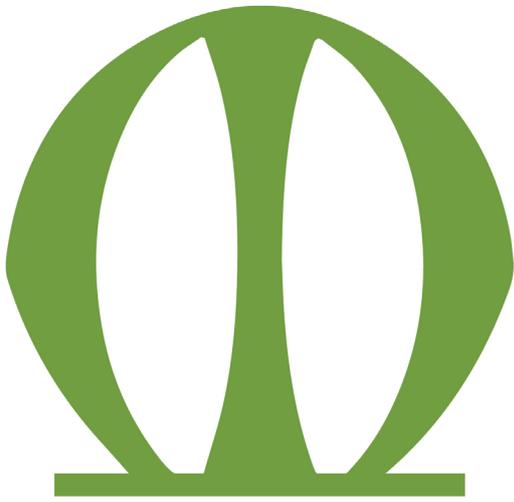
Recommendation on choices for investment

- The Council will continue to replace metal windows with upvc windows. This will be built into the Asset Management Plan.
- For fences, paths and external painting; works will be carried out on an as and when basis with a focus on risk.

Fences are included in the tenancy handbook as a tenant responsibility, but it is recognised that there will be occasions when the council may need to take a lead in repairing or replacing a fence (e.g., where there is a serious safety risk).

Recommendation on garages and other HRA non-housing assets

- Identify garage sites which could be made available for future council house development. Leading to demolition when a project has been put together.
- Remaining garages to either be repaired if they can be let (either for cars or for storage of appropriate items) or demolished if they are creating a nuisance.
- Other assets which are held in the HRA but are not housing will be reviewed within the Asset Management Plan.



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