

Subject: **Housing Revenue Account Budget setting 2018/19.**

Report to: Housing and Neighbourhoods Committee 18 January 2018
Full Council 20 February 2018

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SUBJECT MATTER

This report sets out the Housing Revenue Account (HRA) budget 2018/19 to 2022/23, HRA Capital Programme 2018/19 to 2022/23, HRA Rent and Service Charge proposal 2018 to 19 and the revised HRA revenue and capital forecasts for 2017 to 18.

RECOMMENDATIONS

It is recommended that Housing and Neighbourhoods Committee agree and recommend to Full Council:

1. To note the reduction in rents of 1%, as set out in the Welfare Reform and Work Act 2016.
2. Review and recommend revenue and capital budget estimates 2018-19 to 2022-2023.
3. Recommend the proposed Fees and Charges for 2018-19.
4. Review the revised forecast for 2017-18

1. Introduction

- 1.1 The Housing Revenue Account (HRA) is the ring-fenced rent account that funds the Council's activity as a landlord. The HRA records all the income and expenditure associated with the provision and management of Council owned homes in the borough. This account funds a significant range of services to approx. 5863 homes for Great Yarmouth Borough tenants and their families and to 358 homes for leaseholders. This includes housing management, repairs and improvements, welfare advice, supported housing services, neighborhood wardens and capital investment on housing.

- 1.2 The Council is required by law to avoid budgeting for a deficit on the HRA (Local Government & Housing Act 1989, section 76). This means that the budget must not be based on total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of reserves and this provides a contingency against unforeseen events and known risks. Great Yarmouth Borough Council maintains a minimum balance of £2m with the HRA reserves.
- 1.3 In December 2010 the Government published the Localism Bill which included plans to abolish the then current subsidy system supporting the HRA and move to a model known as “self-financing”. Under Government guidelines, the objectives of the change are to give local authorities the incentives and flexibility to manage stock more efficiently over a longer term, as well as seeking to provide greater transparency for tenants in the relationship between the rent a landlord collects and the services it provides.
- 1.4 This self-financing model is now in place and has moved the arrangements for managing debt for the current housing stock from being held nationally and charged on a nominal basis to the local HRA managed by the Council. This is based on a calculation of the level of debt that the landlord/Council can support based on a valuation of the current housing stock, along with assumptions regarding total rental income to be generated and expenditure required to support this housing stock.
- 1.5 A key feature of the self-financing model is that landlords can borrow against the value of the housing stock in order to invest in improvements to that stock. This borrowing must be financed from HRA income and so introduces risks and opportunities for managing resources in this area. As local authority borrowing is included in the national Public Sector Borrowing Requirement, it must be affordable both nationally and locally. A total borrowing limit has therefore been set for each landlord, which for Great Yarmouth Borough Council is £89m.
- 1.6 The self-financing arrangements have led to the development of a 30-year business plan supporting the delivery of the HRA under the new arrangements. This makes assumptions regarding the level of income available based on the expected levels of rent and the key risks facing housing service delivery within this timeframe. The main areas of this are the management and timing of debt use, affordability and the impact of changes

as Government policies are enacted.

- 1.7 The HRA capital and revenue 2018-19 estimates and Great Yarmouth Borough Council 30 year Business Plan, have been prepared using the self-financing arrangements for the HRA. The national self-financing regime for the Housing Revenue Account (HRA) was introduced in April 2012. The budgets in this report have been prepared using these arrangements, which include a requirement to prepare and publish a rolling 30 year HRA Business Plan covering both capital and revenue expenditure projections.
- 1.8 The budget process for 18/19 onwards has taken due consideration of the HRA's most recent stock condition survey completed within the current financial year. Implications highlighted by the stock condition survey have been reflected within our capital programme over the next 5 years.

2. Rent setting policy changes – 1% reduction over 4 years

- 2.1 Each year local housing landlords must set rents and budgets for the forthcoming financial year and provide each individual tenant with statutory notice of any proposed rent change. This report sets out proposals regarding the budget, rents, service charges and other charges to tenants for the 2018-19 rental year.
- 2.2 The self-financing HRA remains governed by guidelines on rent setting for tenants. The council no longer has flexibility on the approach to rent setting due to the policy announced as part of the Welfare Reform and Work Act 2016. Rents will reduce annually by 1% over the four year period 2016/17 – 2019/20 with 18/19 being the third year of reductions. This means that the average rent for 2018/19 will be £74.89 per week over a 50 week period.
- 2.3 The impact of the rent decrease is to further reduce the amount of money available to manage, maintain and improve the housing stock. The modelled reduction in resources amounts to a reduction of approx. £9.6m over four years and approx. £142m over the course of the 30-year business plan.
- 2.4 The rent setting for 2018/19 will therefore be 1% reduction to all social housing rents within the HRA. Supported housing rents were exempted from this requirement in 2016; it was announced that 2017/18 onwards the rent reduction would apply for supported housing, with rent decreasing by 1% a

year up to and including 2019/20.

- 2.5 The government has said that 1% reduction will ‘reset the levels of rents in the social housing sector, which over the recent years have become out of kilter with private rents’.

- 2.6 Estimated rent charges for 2018/19 on average:

Property Type	Average weekly Rent 17/18 £ (50 wk.)	Average weekly Rent 18/19 £ (50 wk.)
Bedsit	59.75	59.15
1 Bedroom	68.68	68.00
2 Bedroom	75.94	75.19
3 Bedroom	82.14	81.32
4 Bedroom	90.90	89.99
5 Bedroom	98.68	97.69
Average for all properties	75.65	74.89

3. Proposed Service and Agreement Charges 2018/19

- 3.1 Our proposals in relation to service and agreement charges are set out in Appendix A. The increases proposed are summarised in the table below and follow the corporate formula adopted by the Council of being set at least at RPI + 2%, to close the gap in terms of recovery of costs:

- 3.2 Proposed service charge increases or 18/19:

HRA Service Charge	Proposal 2018/19
Garages	RPI + 2%
Caretaking Services	RPI + 2%
Communal Heating	RPI + 2%
Communal Water	RPI + 2%
Digital TV Aerials	RPI + 2%
Sewerage Charges	RPI + 2%
Alarm Charge	RPI + 2%
Yare Care Alarm Charges	RPI + 1%

- 3.3 The Council also provides a Garden Maintenance service for council tenants

in partnership with GYBS. The 17/18 charge for this service is a flat weekly charge £4.45 for all tenants. Proposed 18/19 charges are based on a two charge banding system linked to the size of the tenant gardens and maintenance time required. Maintenance charges are outlined in Appendix A.

4. Housing Revenue Account Budget 2018/19 – 2022/23 and Revised Forecast 2017/18

- 4.1 The approach to HRA budget setting focuses on three separate areas for 2018/19:
- expected income and proposals on rent and service charge levels;
 - expenditure plans that reflect local priorities and the impact of the self-financing business model on service delivery; and,
 - The reserves and provisions needed to ensure that the HRA is delivering strong financial performance over a longer period of time.
- 4.2 The HRA receives income from tenant rents and service charges levied on tenants and leaseholders. The self-financing HRA remains governed by guidelines on rent setting for tenants. Income from rents is a key driver of the total income available to the HRA, making up approximately 90% of the total income. The approach and policy for rent therefore affects the resources available to re-invest in expenditure plans across the HRA to deliver the outcomes outlined in the HRA business plan for all tenants.
- 4.3 Expectations for income, and therefore the rent budget, are driven by three key elements:
- Expected stock levels for 2018/19;
 - The 1% reduction on the 2017/18 actual rents charged; and,
 - The resourcing needs outlined in the HRA Business Plan.
- 4.4 For 2018/19, the average stock level across Great Yarmouth Borough Council is expected to be 5834 properties. This is based on known changes to the current stock profile of 5863 (as at 1 April 2017) including adjustments for projected Right to Buy sales, disposals and acquisitions.
- 4.5 The reduction in rents will mean that, on an ongoing basis, the HRA would be reliant on reserves to balance the budget, which is not sustainable. Further action is therefore required to reduce expenditure by identifying efficiencies

within existing budgets and where possible, minimizing the impact on services delivered to tenants and leaseholders.

- 4.6 The repairs & maintenance programme guarantees the planned cyclical upkeep to the specific areas of heating, lighting, lifts, smoke alarms, garden maintenance and minor neighborhood planned works. It also relates to day to day repairs for tenants and refurbishment of empty properties in between tenant occupancy. The Council also have an adaptations team, adjusting the tenants homes for their specific needs.
- 4.7 Tenant service charges are not affected by the rent setting policy. There is now an expectation that service charges to tenants will reflect costs incurred. In 2016/17, it was agreed that a corporate increase of RPI plus 2% will be added to service charges across the council where income recovery is below costs. This has been continued with a summary of changes to service charges shown in Appendix A.
- 4.8 Leasehold service charges are required to be transparent and reflect the actual cost of the services incurred. It is recommended to set leaseholder service charges in line with actual expenditure plans as per the approach in previous years. This means that service charges will be based on 2017/18 expenditure levels and final charges for 2017/18 being confirmed by approximately September 2018.
- 4.9 An in-depth review of the Housing Investment capital programme has been undertaken following the completion of the stock condition survey in 2017/18. This is with the intention of remodeling the investment side of the 30 year business plan to best deliver its outcomes within the reduced financial envelope in the medium to long term.
- 4.10 The HRA currently holds a large reserve balance; £8.058m due to prior years underspends of estimated budgets, specific planned budgets being carried forward to future years and programmes not being completed at the original time anticipated.
- 4.11 The HRA 30 year business plan demonstrates how reserves are reduced and managed over the next 5 years within the housing major works capital programme. Capital works have been increased over the next five years to reflect the current need identified by the 2017/18 stock condition survey.

Increased spend in our programmes to replace kitchen and bathroom, boiler & heat distribution systems and the replacement of windows and doors. Projections from the recent stock condition survey become less reliable after year 5, so it has been recommended that for year 6 onwards a further survey undertaken with has also been included in 2022/23.

4.12 Additional Capital requirement following the stock condition survey:

Year	Original Capital Programme	Revised Capital Programme	Additional Requirement
	£000	£000	£000
18/19	8,307	9,820	1,513
19/20	8,809	10,429	1,620
20/21	6,715	10,411	3,695
21/22	8,726	9,645	919
		Total 2018-22	7,747

4.13 The HRA will continue to borrow specifically for new affordable housing programme, so the HRA reserves balances can be used on investment to our current stock. In the current financial year there is headroom availability of £10.8m, allowing a contribution of 70% of costs to invest and develop new housing opportunities within the council alongside 30% retained receipts contributions from Right to buy sales.

4.14 The Right to buy discount has increased since the introduction of Self Financing, the maximum discount increases each year based on the consumer price index (CPI). The business model has been amended to incorporate this change which is currently estimated at 2.5% CPI, forecasting a maximum discount of £80,500 for 18/19.

4.15 The Housing Revenue Account (HRA) is still part of a retention agreement where the HRA can retain receipts, to support up to 30% of the cost of replacement homes if incurred in a 3 year period. If retained receipts are not used, the Council is liable for repayment of the receipt plus interest.

4.16 So far in 17/18 the Council has been liable to pay back to the government a small proportion of receipts in Quarter 2 – approx. £41,000. For the remainder of the year the council appears on track to spend the remaining receipts in line with the agreement.

- 4.17 The HRA has planned forecasts for new affordable housing which covers the spending of the RTB retained receipts. This includes looking at options for new build sites as well as 6 properties on the Beacon Park development.
- 4.18 The HRA proposes to increase the availability of affordable housing with a combination of direct new build, grant contributions to Housing Association developments; purchasing appropriate empty homes on the open market; and purchasing of a limited number of suitable properties on the open market to ensure all receipts are spent in the future.
- 4.19 Right to buy estimations for 2017-18 have exceeded the original budget estimate of 30 sales, to date there have been 32 properties sold at the end of quarter 3. This has increased the availability of RTB receipts to use to finance the Capital programme in 2017/18 and RTB retained receipts (30% of the receipts only) to finance new affordable homes programme in the future.
- 4.20 The Long term impact of increased RTB sales of council dwellings result in the increased need of additional borrowing to fund the HRA's affordable housing programme. Due to this it is important to monitor and project RTB sales and RTB receipts in order to plan for their appropriate use.

4.21 Revised 2017-18 position

4.22 Quarter 2 monitoring reported a requirement to increase the HRA budget deficit by £23k to £1,419m. Quarter 3 monitoring has identified that this needs to be revised, resulting in a decreased to the original 2017/18 deficit by £1,020m, to an estimated £0.376m deficit at year end.

4.23 Details of the changes are summarised below:

Budget Period 9	Revised budget 2017-18	Variance	Reason	Financed from
	£000	£000		
Rental Income	(21,738)	89	Reduced HRA rental income due to reduced stock from increase RTB sales	N/A
Capital Expenditure financed from revenue	3,234	(854)	Capital programme has reduced in year due to reduced capital programme and increased RTB receipts available.	N/A
Interest Payable	2,567	(100)	Overestimated budget for interest payable in year.	N/A
Rents, Rates & Other Charges	205	43	Increase in insurance fees due to increased insurance premium tax and additional terrorist insurance	Revenue Income
Repairs & Maintenance	9,512	53	Increase in Smoke Detector works and Revenue repairs off set against revision of fire assessment budget due to overestimated budget.	Revenue Income/Earmarked Reserves
Supervision, Management, internal recharges & Pensions	4,878	(112)	Increase income from RTB admin due to increase RTB Sales. Saving from revised establishment posts.	N/A
Capital Grants & Contrib. receivable	(100)	(100)	Leasehold income	N/A

Budget Period 9	Revised budget 2017-18	Variance	Reason	Financed from
HRA Earmarked Reserves	(39)	(39)	Middlegate Grant income to fund project	N/A
Total Variance		(1,020)		

4.24 **Proposed growth/savings in HRA Revenue 2018-19 budget**
(Compared to original 2018/19 budget)

Income/ Expenditure	2018/19 Revised Budgets	2018/19 Growth (Saving)	Details	Financed from
	£000	£000		
Rents income	(21,179)	420	Reduced Rental income due to overestimated and due to increased anticipated RTB Sales in 2017/18 /2018/19	N/A
Non Dwelling income	(249)	(5)	Increase in service charge income of RPI +2%	N/A
Charges for services and Facilities	(1,339)	(2)	Inflationary increase	
Revenue contrib. to capital	3,939	1,245	The HRA Capital programme has increased by £1.2m from the original 2017/18 budget. This is due to works highlighted within the stock condition survey being included within the capital programme.	Revenue Income & HRA Reserves
Depreciation	3389	18	Increase due to addition new dwellings being added to the stock list. This is subject to change pending the 17/18 Housing revaluations.	Revenue Income
Interest	2644	(108)	Original Budget over estimated.	N/A
Repairs & Maintenance	9,304	(233)	Decrease in revenue major & minor adaptation works, but capital works have been increase due to extension	N/A

Income/ Expenditure	2018/19 Revised Budgets	2018/19 Growth (Saving)	Details	Financed from
			works. GYN Revenue programme have been reduced with the budget being moved to Capital works. GYN Asset management team budget has also been reduced.	
Supervision, Management, internal recharges & Pensions	4,909	(8)	2% pay increase in line with the national living wage for 18/19. Offset against the withdrawal of Outreach (YWOS).	N/A
Rents, rates & Other Charges	205	50	Increase due to increased insurance premium tax and additional terrorist insurance.	Revenue Income
Earmarked Reserve	(160)	(160)	Middlegate Grant income	N/A
Capital Grants & Contrib. receivable	(100)	(100)	Leasehold income	N/A
Total Variance		(1,117)		

4.25 The next table summarises the revised forecast for 2017/18 and the draft 2018/19 budget for the Housing Revenue Account. Further detail is shown in appendix B.

	2017-18 Original Budget	2017-18 Revised Budget	Variance	2018-19 Draft Budget (Rent -1%)
	£000	£000	£000	£000
Dwellings Rents	(21,827)	(21,738)	89	(21,179)
Non Dwelling rents	(239)	(239)	0	(249)
Interest & Investment income	(5)	(5)	0	(5)
Contribution Towards Expenditure	(68)	(68)	0	0
Charges for services and facilities	(1,318)	(1,318)	0	(1,339)
Total Income	(23,457)	(23,368)	(89)	(22,772)
Repairs & Maintenance	9,459	9,512	53	9,304
Supervision and Management Inc Pension	4,990	4,878	(112)	4,909
Rents, Rates & Taxes	162	205	43	205
Depreciation	3,337	3,337	0	3,389
Capital Expenditure funded by the HRA	4,088	3,234	(854)	3,939
HRA Interest Payable	2,667	2,567	(100)	2,643
Provision for bad and doubtful debts	150	150	0	150
Total Expenditure	24,853	23,883	(970)	24,539
Transfers (from)/to Earmarked Reserve	0	(39)	(39)	(160)
Capital Grants & Contrib. receivable	0	(100)	(100)	(100)
Net (surplus)/Deficit for the year	1,396	376	(1,020)	1,507
HRA Reserves Balance B/Fwd.	8,058	8,058	0	7,682
Deficit/(Surplus) in year	1,396	376	(1,020)	1,507
HRA Reserves Balance C/Fwd.	6,662	7,682	1020	6,175

5 Housing Major works Capital Programme (HMWCP) 2018/19 to 2022/23

- 5.1 This report sets out the new Housing capital investment requests for the 5 year period covering 2018/19 to 2022/23.
- 5.2 Local authorities' housing capital expenditure programme cover both Housing Revenue Account (HRA) related expenditure (which is largely stock related) and non HRA (support for private sector housing) expenditure. The focus is mainly in relation to the authority's own stock but the programme should reflect the specific needs and priorities of the area as set out in the housing strategy.
- 5.3 The size of an authority's housing capital expenditure programme is a matter for it to determine in the light of its assessment of the resources available to finance capital expenditure for the authority as a whole and the proportion of that which is to be spent on housing.
- 5.4 The local government capital finance system, introduced in Part 1 of the Local Government Act 2003 together with the various regulations made under that Part, applies to all local authority capital expenditure with no specific reference to housing. There is no ring fence arrangement applicable to capital but the Great Yarmouth Community Housing (GYCH) capital programme as it relates to the HRA is separately monitored.
- 5.5 The HMWCP is subject to ongoing review and continues to be refined to take into account the priorities and objectives which have been derived from our understanding of the stock; the needs of current and future tenants; the opportunities presented by funding streams and; options for procurement and delivery of our investment plans.
- 5.6 There are two key strands to our investment plans:
- Maintaining and improving our housing stock;
 - New Affordable Council housing, including new housing to replace sales under RTB in line with Government guidance.
- 5.7 Our plans are prepared over the medium term and are reviewed and updated annually. Future investment decisions will be based on local decision making and local knowledge of the condition of the stock and the components.

- 5.8 The Housing Major Works capital programme has been adapted over the next five years to meet the needs of the housing stock recently identified within the stock condition survey completed in 17/18, as well as maintaining the newly arising need in relation to the Decent Homes standards.
- 5.9 The programme includes the continuation of the kitchen and bathroom programme, an enhancement to the boiler and heating replacement schemes, investment into empty homes, delivery of external wall insulation along with roofing and insulation works.
- 5.10 These schemes offer both the opportunity to modernize properties, sustain them for the future and increase the thermal comfort of tenants. They also bring potential saving from future revenue repairs budgets.
- 5.11 New affordable housing budgets included within the programme are estimated in line with the 1-4-1 receipt restrictions following the right to buy sales of council dwellings in previous years. These estimates reflect the minimum expenditure required to avoid any repayments of receipts.

5.12 Revised 2017-18 position for HRA Major works Capital Programme.

Budget Period 9	Revised Budget 2017/18	Variance to original budget	Reason	Financed from
	£000	£000		
Kitchens & Bathrooms	2,514	580	Kitchen & Bathroom programmes increased to meet the demand of the stock condition survey.	Revenue Income
Windows & Doors	100	(125)	Programme reduced within 17/18 in order to meet the demand need of other projects within the stock condition survey.	N/A
Planned Maintained	741	221	Adaptions have increase by £160k for extension works. Major repairs & maintenance have increase by £50k along with dwelling rewires £10k to meet current demand.	Revenue Income
Energy & Efficiency	1,008	160	Communal Heating upgrades budget increase to £160k from budget c/fwd from 16/17.	N/A
Specific projects	140	(325)	Reduction to GYN Management fee due to GYN completing works directly. Whole house works have been delayed and should accelerate in 18/19.	N/A
Estate Improvements	80	0	N/A	N/A
Empty Properties	1,150	300	Major voids Increase to meet demands. Increase void works due to GYN only being able to access properties once void.	Revenue Income
New Affordable Housing	2,666	614	Affordable housing budget increased from C/fwd Budget	N/A
Neighbourhood Plans	2,100	(1,480)	Neighbourhood plans reduced due to reduced projects and other urgent works following the stock condition survey.	N/A
Total	10,499	(55)		

5.13 Proposed growth/savings in HRA Capital Programme 2018-19

(compared to original 2018/19 budget)

	2018/19 Revised Budgets	2018/19 Growth/ (Saving)	Details	Financed from
	£000	£000		£000
Kitchen & Bathroom	2,850	1,116	Increase due to the stock condition survey representing 400 replacement kitchens and 250 replacement bathrooms.	Revenue income
Windows & Doors	650	525	Increase due to stock condition survey. Also included the additional lintel work.	Revenue income
Planned Maintenance	705	185	Major adaptation increase due to extension works on three properties. Increase in electrical rewires due to test and inspections identifying a larger amount of remedial works required.	Revenue income
Energy & Efficiency	950	235	Increase following stock condition results. A large percentage of boilers reaching life expectancy and require replacement.	Revenue income
Specific Projects	565	252	Increase in Whole House voids due to works highlighted in SCS.	Revenue income
Empty properties	800	500	Increase in long term void and major void properties requiring refurbishment.	Revenue income
New Affordable Housing	1,360	0	N/A	N/A
Neighborhood Plans	1,940	(1,300)	Reduced neighborhood project work in the future due to increase planned works	N/A
Total Expenditure	9,820	1,513		

5.14 The table below summarises the revised forecast for 2017/18 and the draft 2018/19 Capital programme for the Housing Revenue Account. Further detail is shown in Appendix C.

HRA Capital programme	Original Budget 17/18	Revised Forecast 17/18	Revised Draft Budget 18/19
Expenditure:	£000	£000	£000
Kitchens & Bathrooms	1,934	2,514	2,850
Windows & Doors	225	100	650
Planned Maintenance	520	741	705
Energy Efficiency Improvements	848	1,008	950
Specific Planned Projects	465	140	565
Estate Improvements	80	80	0
Empty Properties	850	1,150	800
New Affordable Housing	2,052	2,666	1,360
Neighbourhood Plans	3,580	2,100	1,940
Total Expenditure	10,554	10,499	9,820
Financing:			
Borrowing	2,052	2,666	1,360
Capital Receipts	1,078	1,262	1,132
Revenue	4,087	3,234	3,939
Depreciation	3,337	3,337	3,389
Total Financing	10,554	10,499	9,820

6. Other implications to the Housing Revenue Account.

- 6.1 Since the introduction of self-financing in 2012, the 30 year HRA business plan has continued to be challenged by a number of changes. Right to buy discounts have continued to increase, rent setting policy has altered and other future new proposals affecting the HRA have been announced such as the possibility of the government introducing the 'Disposal of higher value properties' in order to fund the Right to Buy of Housing Association properties.
- 6.2 In response to these changes, the Council has, in the short term, previously kept the HRA reserves levels high in order to mitigate this loss of revenue. The Council still needs to prepare for further reductions in resources available to manage, maintain, improve and add to its housing stock and managing the

implications from the stock condition survey.

- 6.3 Community Housing continues to review all of its revenue spending to look at where savings can be made. The Capital programme, which is funded in large part by contributions from revenue, is reviewed regularly during the year and has been reviewed in detail to inform the 2018/19 budget reflecting the outcomes of the stock condition survey undertaken during the year. The overall capital programmes have significantly increased due to additional works needed, careful consideration has been taken to deliver these works over the 5 year period and to manage the financial impact.
- 6.4 Additional borrowing currently maintains the affordable housing programme to comply with the right to buy retention agreement. The requirement is to use retained receipts within 3 years of a dwellings sale, to support up to 30% of the scheme cost of replacement homes.
- 6.5 Within the autumn budget announcement in November it was announced that the government will lift the Housing Revenue Account borrowing cap for councils in areas of high affordability pressure, to increase the affordability of building new homes. Authorities will be able to bid for an increase in their caps from 2019/20, up to £1 billion by the end of 2021/22. Further details are expected to be provided, although until further clarification is provided the current debt cap will be operated.
- 6.6 Further review of the detail of the HRA budget for both capital and revenue spend will be carried out during 2018/19 in preparation for the longer term investment requirements in the stock and to inform future budget setting decisions to identify efficiencies within the program of works.
- 6.7 **Disposal of 'higher value' properties –**
- 6.8 The Housing and Planning Act 2016 makes provision for grants to be made to private registered providers in respect of Right to Buy (RTB) discounts. The grants may be made by the Secretary of the State, the Homes and Communities Agency (HCA) and, in relation to dwellings in London, the Greater London Authority.
- 6.9 It is understood, however, that when enacted, the local authority must consider selling its interest (Freehold or leasehold) in high value housing but it is assumed that it could fund the payment by other means. It is likely that

stock retaining authorities will have the option to retain some receipts to facilitate provision of replacement homes. The details of this part of the proposal are not known and may form part of a revised scheme on the use of Right to Buy funds.

- 6.10 It has been confirmed by the Communities Secretary that local authorities will not be expected to make payment in relation to the higher value voids levy in 2017/18 or 2018/19. No further details have been published in regards to the policy and no specific allowances have been made within the HRA.

6.11 Supported Housing consultation

- 6.12 The government has published a 2nd consultation paper on funding model for supporting housing. Supported housing supports hundreds of thousands of the most vulnerable people across the country.

- 6.13 The consultation is in two parts. Part one seeks views on the design of the government's new housing costs funding model for sheltered and extra care accommodation including the introduction of a sheltered rent, application of rent controls for sheltered and extra care to gross rent (inclusive of eligible service charges) with limits on annual increases and an overall cap for sheltered rent. In addition views are sought on definitions of sheltered housing and extra care housing. These changes will come into effect from 2020. Part two seeks views on the design of the government's new housing costs model to fund emergency and short-term accommodation, the proposed model seeks to fund this provision through a ring-fenced grant, which removes funding from the welfare system although an individual's entitlement for help with housing costs will remain unchanged. These changes will come into effect from April 2020.

- 6.14 The consultation is currently open and runs for 12 weeks from 31st October 2017 to 23rd January 2018.

7. FINANCIAL IMPLICATIONS

- 7.1 The detail within the report highlights the significant variances for the current year to date, including a full year impact to the HRA revenue and Capital budgets for future years.

- 7.2 The income and expenditure will continue to be monitored in detail during the current year, including additional reviews of the HRA 30 year business plan.
- 7.3 The HRA is dependent mainly on the rental income stream of the social housing rents, and the Council have a dedicated team monitoring tenant arrears on a regular basis.
- 7.4 The HRA reserve balance is forecast to be £6.175m at 31/03/19 due to an 18/19 deficit of £1.507m due to rent reductions and increased capital spend. These factors continue meaning that the HRA becomes reliant on reserves to fund its repair and maintenance programmes. This is not a sustainable source of funding in the long term with reserves forecast to be below £2m in 2022/23, which is the authority's minimum reserve level.
- 7.5 The Council is required by law to avoid budgeting for a deficit on the HRA (Local Government & Housing Act 1989, section 76). The Council therefore manages a reasonable balance of reserves and this provides a contingency against unforeseen events and known risks. The HRA currently has a high level of reserves at £8m; however in the short to medium term this will reduce over the next 5 years as there is increasing pressure on the HRA to deliver new homes along with maintaining the existing stock within the limits of the debt cap. Further detail is provided in Appendix D.

8. RISK IMPLICATIONS

- 8.1 It is recognised that there is a reduction of resources in 2018/19 and the budget has been updated to take account of this position. The process must also recognise known risks for the HRA and ensure that adequate balances are in place to manage these as they materialise.
- 8.2 Where service delivery plans have changed, the budget setting process must reflect the subsequent impact on resources and also recognise known risks for the HRA and ensure there are adequate balances in place.
- 8.3 The budget for 2018/19 is reliant on the use of reserves and whilst this provides a short term source of funding is not a longer term solution for setting the annual budget for the HRA and therefore close monitoring of the position and updating of the business plan for known changes is essential.

9. RECOMMENDATIONS

- 9.1 To note the reduction in rents of 1%, as set out in the Welfare Reform and Work Act 2016.
- 9.2 Review and recommend revenue and capital budget estimates 2018-19 to 2022-2023.
- 9.3 Recommend the proposed Fees and Charges for 2018-19.
- 9.4 Review the revised forecast for 2017-18
- 9.5

10. BACKGROUND PAPERS

In year budget monitoring reports
Stock Condition Survey
Service Charge fees

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration	Comment
Monitoring Officer Consultation:	
Section 151 Officer Consultation:	Sent for Review
Existing Council Policies:	
Financial Implications:	Considered
Legal Implications (including human rights):	
Risk Implications:	Considered
Equality Issues/EQIA assessment:	n/a
Crime & Disorder:	n/a
Every Child Matters:	n/a

Appendix A – Fees and charge proposals 2018/19

2018/19 Rent increase and Service Charges (Exclusive of VAT where applicable)	2017/18 Average Charge 50wks	2018/19 Average Charge 50 wks	2018/19 Average Increase/ decrease per wk	2018/19 % Average Increase/ decrease per wk
Rent Decrease (-1%)	£75.65	£74.89	-£0.76	-1.0%
Garages Basic – Tenants	£9.84	£10.33	£0.49	5.0%
Garage Premium – Tenants plus Town Centre Surcharge	£13.13	£13.79	£0.66	5.0%
Caretaking charge – Basic	£0.88	£0.92	£0.04	5.0%
Caretaking charge – Enhanced	£0.88	£0.92	£0.04	5.0%
Maintenance of Aged Persons gardens:	£4.45			
Up to 30 minutes maintenance		£4.17		
Over 30 minutes maintenance		£6.67		
One Off Garden Works:				
Small Gardens		£20.83		
Medium Gardens		£41.67		
Large Gardens		£83.33		
Communal Heating	£9.49	£9.96	£0.47	5.0%
Communal Water	£3.90	£4.10	£0.20	5.0%
Digital Communal TV Aerials	£0.69	£0.72	£0.03	5.0%
Sewerage charge	£6.09	£6.39	£0.30	5.0%

Sheltered Housing Support Charges 2018/19	2017/18 Average charge 50 wk	2018/19 Average Charge 50 wk
Protected tenancies plus Alarm Charge	8.80 1.30	10.62
Protected tenancies	10.10	10.62
Standard Tenancies plus Alarm Charge	12.32 1.30	10.62
Standard Tenancies	13.62	10.62

Charges are for the new remodelled service which not longer include protected tenancies are charged at a single weekly rate.
Alarm cost is being funded by the HRA.

YARE CARE CHARGES	Weekly Charge			
	2018/19 Exc VAT		2018/19 Inc VAT	
<i>52 week Calculation for Private users</i>				
Private – Rental + Monitoring	£3.03		£3.64	
Private – Monitoring	£1.30		£1.56	
<i>50 week calculation for Community Housing Tenants</i>				
Council – Rental + Monitoring	£3.12		£3.74	
Council – Monitoring	£1.40		£1.68	
Yarecare Installation Charge	2017/18	2018/19	2018/19	2018/19
	Average Charge	Average Charge	Average increase per wk	% Average Increase/ decrease per wk
Yarecare Installation Charge	£31.50	£32.73	£1.23	4%
Alarm Unit – purchase (plus VAT) – One –off	£140.27	£145.88	£5.61	4%

Appendix B – Revenue Income and Expenditure 2017 - 2023

Income/ Expenditure		Original Budget 2017-18	Revised 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23
Income	Charges for Services and Facilities	-1,317,713	-1,317,713	-1,338,783	-1,375,017	-1,412,337	-1,450,777	-1,490,371
	Contributions towards Expenditure	-67,942	-67,942	0	0	0	0	0
	Dwelling Rents	-21,827,000	-21,737,841	-21,178,912	-21,006,130	-21,779,255	-22,578,735	-23,404,572
	Interest and Investment Income	-5,140	-5,140	-5,294	-5,453	-5,617	-5,785	-5,959
	Non Dwelling Rents	-238,907	-238,907	-249,289	-256,762	-264,459	-272,387	-280,553
Income Total		-23,456,702	-23,367,543	-22,772,278	-22,643,361	-23,461,667	-24,307,684	-25,181,454
Expenditure	Capital Expenditure funded by Revenue	4,087,923	3,233,642	3,939,200	3,479,639	3,559,849	4,001,162	3,934,160
	Depreciation and Impairment of Fixed Assets: Dwellings	3,201,595	3,201,595	3,251,899	3,284,418	3,317,262	3,350,435	3,383,939
	Depreciation and Impairment of Fixed Assets: Non - Dwellings	135,563	135,563	136,815	138,080	139,357	140,647	141,950
	Interest Payable and Similar Charges	2,666,534	2,566,534	2,643,530	2,719,610	2,799,759	2,882,819	2,968,908
	Provision for bad and doubtful debts	150,000	150,000	150,000	150,000	150,000	150,000	150,000
	Rents, Rates, Taxes and Other Charges	162,274	205,274	205,285	210,141	215,129	220,253	225,516
	Repairs & Maintenance	9,458,899	9,511,779	9,304,032	9,353,254	9,612,507	9,914,444	10,152,021
	Supervision and Management	4,890,375	4,778,599	4,807,205	4,860,595	4,891,457	4,979,339	5,062,378
Expenditure Total		24,753,163	23,782,986	24,437,966	24,195,738	24,685,321	25,639,100	26,018,873
Below The Line	Employer's Contributions Payable to or from Norfolk County.	787,643	787,643	803,396	819,464	835,854	852,571	869,622
	HRA Earmarked reserves	0	-39,000	-160,000	0	0	0	0
	Impairment of Fixed Assets	0	0	0	0	0	0	0
	Net Charges made for Retirement Benefits in accordance with IAS 19	-688,044	-688,044	-701,805	-756,849	-832,534	-832,534	-832,534
	(Gain) / Loss on Sale of HRA non-current Assets	0	0	0	0	0	0	0
	Capital Grants & Contributions receivable (Leasehold income)	0	-100,000	-100,000	-100,000	-100,000	-100,000	-100,000
Below The Line Total		99,599	-39,401	-158,409	-37,385	-96,680	-79,963	-62,912
Net (surplus)/Deficit for the year		1,396,060	376,042	1,507,279	1,514,992	1,126,973	1,251,452	774,507
Housing Revenue Account Reserves Summary		Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
		B/Fwd	8,058,000	7,681,958	6,174,679	4,659,688	3,532,714	2,281,262
		In Year	376,042	1,507,279	1,514,992	1,126,973	1,251,452	774,507
		C/Fwd	7,681,958	6,174,679	4,659,688	3,532,714	2,281,262	1,506,755

The HRA reserves drop below the minimum balance and therefore no longer provide a contingency against unforeseen events.

Appendix C – HRA Major Works Capital Programme 2018-2023.

	Original budget 1718	Revised budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
Kitchen & Bathrooms Improvements							
Kitchens planned	1,160,000	1,160,000	1,780,000	1,780,000	1,780,000	1,780,000	1,780,000
Bathrooms planned	284,000	284,000	780,000	780,000	780,000	780,000	800,000
Kitchen Voids	450,000	900,000	250,000	250,000	250,000	250,000	250,000
Bathroom Voids	40,000	170,000	40,000	40,000	40,000	40,000	40,000
Windows & Doors Improvements							
Windows & Doors Improvements	225,000	100,000	650,000	650,000	650,000	650,000	650,000
Planned Maintenance							
Major R&M	50,000	100,000	75,000	75,000	75,000	75,000	75,000
Rewiring Dwellings	320,000	330,000	310,000	310,000	310,000	310,000	310,000
Major Adaptations	150,000	311,000	320,000	150,000	150,000	150,000	150,000
Neighbourhood Planned works							
Neighbourhood Plans	2,000,000	1,000,000	370,000	370,000	370,000	370,000	370,000
Reline Finlock Gutters	50,000	50,000	70,000	70,000	70,000	70,000	70,000
Roofing	700,000	700,000	750,000	750,000	750,000	750,000	750,000
Loft Insulation -	100,000	100,000	150,000	150,000	150,000	150,000	150,000
Concrete improvement works	100,000	100,000	100,000	100,000	100,000	100,000	100,000
External Wall Insulation - Northern Parishes	400,000	-	400,000	400,000	400,000	400,000	400,000
Upgrade Stair Enclosures	150,000	150,000	100,000	100,000	100,000	100,000	100,000
Off Street Parking - MCE	80,000	-	-	-	-	-	-
Energy & Efficiency Improvements							
Heating and Boiler replacments	848,000	1,008,000	950,000	950,000	950,000	950,000	950,000
Specific Planned Projects							
Stock Condition Survey	-	-	-	-	-	100,000	100,000
GYN Management	65,080	20,000	65,000	65,000	65,000	65,000	65,000
Whole House	400,000	120,000	500,000	500,000	600,000	600,000	600,000
Estate Improvements							
First Time Installation Sewerage Schemes	80,000	80,000	-	-	-	-	-
Empty Properties							
Long Term Void Refurbish	150,000	100,000	100,000	100,000	-	-	-
Major Voids	700,000	1,050,000	700,000	700,000	700,000	700,000	700,000
New Affordable Housing							
Affordable Housing	2,052,000	2,666,000	1,360,000	2,138,772	2,120,839	1,255,479	1,375,899
Total	10,554,080	10,499,000	9,820,000	10,428,772	10,410,839	9,645,479	9,785,899

Appendix D – Funding Provided for the Capital Programme 2018-2023

