

Subject: **Housing Revenue Account Budget setting 2017/18.**

Report to: H&N Committee 19/01/17
Full Council 21/02/17

Report by: Housing Business & Finance Manager
Director of Housing & Neighborhoods

SUBJECT MATTER

This report sets out the Housing Revenue Account (HRA) budget 2017/18 – 2021/22, HRA Capital Programme 2017/18 – 2021/22, HRA Rent and Service Charge proposal 2017-18 and the revised HRA revenue and capital forecasts for 2016-17.

RECOMMENDATIONS

- To note the reduction in rents of 1%, as set out in the Welfare Reform and Work Act 2016.
- Review and recommend revenue and capital budget estimates 2017-18 to 2021-2022.
- Recommend the proposed Fees and Charges for 2017-18.
- Review the revised forecast for 2016-17
- Review government proposals as set by the Welfare reform and work act 2015 & Housing planning act 2016 impacting on the HRA in the future.

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. 5900 homes for Great Yarmouth Borough tenants and their families and to 347 homes for leaseholders. This includes housing management, repairs and improvements, welfare advice, supported housing

services 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. The council's updated HRA 30 year business plan summary graph can be seen in Appendix D.

- 1.7 The HRA capital and revenue 2017-18 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.

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 2017-18 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. This means that the average rent for 2017/18 will be £75.44 per week (50 wk).
- 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 further 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 2017/18 will therefore be 1% reduction to all social housing rents within the HRA. Supported housing rents were exempted from this requirement in 2016; however the government has not extended this exception for the 2017/18 rent setting process.

- 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 2017/18 on average:**

Property Type	Average Rent £ (50 wk.)
Bedsit	59.49
1 Bedroom	68.43
2 Bedroom	75.69
3 Bedroom	81.91
4 Bedroom	90.63
5 Bedroom	98.67
Average for all properties	75.44

3. **Proposed Service and agreement charges 2017/18**

- 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:

HRA Service Charge	Proposal 2017/18
Garden Maintenance	RPI + 2%
Garages	RPI + 2%
Caretaking Services	RPI + 2%
Communal Heating	Frozen at 2016/17 charge
Communal Water	RPI + 2%
Digital TV Aerials	RPI + 2%
Sewerage Charges	RPI + 2%
Alarm Charge	RPI + 2%
Supporting People Charge	RPI + 2%

4. Housing Revenue Account Budget 2017/18 – 2021/22 and Revised Forecast 2016/17

- 4.1 The approach to HRA budget setting focuses on three separate areas for 2017/18:
- 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 2017/18;
 - The 1% reduction on the 2016/17 actual rents charged; and,
 - The resourcing needs outlined in the HRA Business Plan.
- 4.4 For 2017/18, the average stock level across Great Yarmouth Borough Council is expected to be 5874 properties. This is based on known changes to the current stock profile of 5903 (as at 1 April 2016) 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 HRA business planning has always been based on building up reserves to a level that will support the delivery of the repairs & maintenance programme

and the ongoing investment in the stock beyond that, as well as protecting tenants from unexpected changes of circumstances in the future.

- 4.7 The repairs & maintenance budget funds the work of the joint venture company, GYN, who undertake repairs and maintenance to council properties, planned cyclical maintenance, upkeep to the specific areas of lighting, lifts, smoke alarms, car parks, garden maintenance, minor neighborhood planned works and the refurbishment of empty properties. GYN also manage all other R&M and cyclical contracts including the gas servicing maintenance contract as well as the HRA capital programme. The R&M budget also fund all minor disabled adaptations work for tenants.
- 4.8 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. A summary of changes to service charges is shown in Appendix A.
- 4.9 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 2016/17 expenditure levels and final charges for 2016/17 being confirmed by approx. September 2017.
- 4.10 It is not proposed to do any significant budget modelling from the original 2017/18 budget agreed at the 2016/17 budget setting round, until we have the completion of the Stock condition Survey in early 2017. An in-depth review of the Housing Investment capital programme will be undertaken from the results of the stock condition survey, 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.
- 4.11 The HRA currently holds a larger reserve balance than would normally be expected - £9.3m. This is partly due to adjustments in the scheduling of planned R&M and capital programmes, including putting some programmes on hold. We have deliberately increased reserves to ensure that we are able to manage the financial impact of new government policies set out

elsewhere in this report and in anticipation of the revision to business planning required by the new stock condition survey, currently close to completion.

- 4.12 The HRA 30 year business plan shows that reserves are reduced and managed over the next 5 years by additional contributions being required to the Housing Capital works programme. This management of reserves will include a planned increase in the capital investment programme in 2021/22 with just over £2m being committed from reserves. This is due in part to a new cyclical programme of replacement boilers as well as increase in the volume of bathroom renewals. Investment plans will be reviewed however following completion of the 16/17 Stock condition survey, which may result in some programmes being brought forward. Appendix D shows the managed reduction in reserves over a thirty year period.
- 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. We have current headroom availability of £12m, allowing us to contribute 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.
- 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 to repayment of the receipt plus interest, so it is important to monitor and project RTB sales and RTB receipts in order to plan for their appropriate use.
- 4.16 The HRA has plans for new affordable housing which covers the spending of the RTB retained receipts. This includes looking at options for new build sites, including 6 properties on the Beacon Park development and an in-fill site in Gorleston.

- 4.17 By the end of Quarter 3, the Council was on track to spend the relevant amount required in this period. However, circumstances changed at the last hurdle on a house purchase in December and we are now liable to pay back to the government a small portion of receipts – approx. £30k, or less than 5% the funding available for 2016/17.
- 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 2016-17 have exceeded our original budgeted suggestion of 20 sales, we currently have sold 30 properties to date at the end of quarter 3. This has increased the availability of RTB receipts to use to finance the Capital programme in 2016/17 and RTB retained receipts (30% of the receipts only) to finance new affordable homes programme in the future.
- 4.20 For 2017/18 we have estimated 35 sales in the year, in line with revised 2016/17 predictions as we believe there is still a high interest in tenants wanting to purchase their own homes.
- 4.21 **Revised 2016-17 position**
- 4.22 Quarter 2 monitoring reported a requirement to increase the HRA budget deficit by £369k to £1,515m. Quarter 3 monitoring, has found that this needs to be revised, resulting in a decrease to the original 2016/17 deficit by £207k, to predict a £0.939m deficit at year end.
- 4.23 Details of the changes are summarised below:

Budget Quarter 3	Revised budget 2016-17	Variance	Reason	Financed from
Rental Income	(23,777)	93	Reduced HRA rental income based on reduced stock data.	n/a

Capital Expenditure financed from revenue	4,509	1,977	Capital programme has increased in year (detailed further in the report)	Revenue Income
Depreciation	3,304	265	Due to an increase in the value of HRA dwelling stock, depreciation is higher.	Revenue Income
Interest payable	2,659	(241)	Overestimated budgets for interest payable in year.	n/a
Rents & Rates, other charges	321	23	Revised estimates to some Insurance budgets	Revenue Income
Repairs & Maintenance	9,105	(2,330)	Revenue budgets moved to Capital programme in year	n/a
General Management	4,818	6	Payroll, consultancy savings and pension contributions revised.	Revenue income
Total	939	(207)		

4.24 **Proposed growth/savings in HRA Revenue 2017-18 budget**

(Compared to original 2017/18 budget)

Income/ Expenditure	2017/18 Revised Budgets	2017/18 Growth (Saving)	Details	Financed from
	£000	£000		
Rents income	(21,827)	177	Revised rental income estimates have fallen due to increase in anticipated RTB sales in 2016/17 & 2017/18.	n/a

Non Dwelling income	(1,630)	47	Increase in service charge income; however a decrease in grant income for outreach services has reduced this budget.	n/a
Revenue contrib. to capital	4,088	2,490	The revised HRA capital programme has increased by £2.9m from the original 2017-18 budget set in 2016-17. As a result of this capital expenditure funded by revenue has increased by £2.5m	Revenue Income & HRA reserves
Depreciation	3,337	213	In 2015/16 Housing stock valuations increased by 8.5%, therefore depreciation of the housing stock and non-dwelling stock has been reviewed and budgets have been increased by £213k.	Revenue Income
Interest	2,667	(355)	Original budget estimates too high, savings in budget on interest payments.	n/a
Repairs & Maintenance	9,453	(2,228)	Neighborhood plans budget £1.75m, £100k Adaptations budget, £471k Asbestos budget moved to Capital programme. £90k has been added for electrical remedial works to council HRA buildings and other inflationary increases have been applied on continued maintenance contracts.	n/a
Supervision, Management internal recharges & Pensions	4,996	440	£393k growth in payroll, pensions & Internal recharges. £10k growth in legal & decant costs. £78k increase in IT software & TV Licenses for supported housing services plus £40k consultancy savings cost.	Revenue income
Rents, rates & Other Charges	312	7	Inflationary increases applied.	Revenue Income
Total	1,396	791		

4.25 The next table summarises the revised forecast for 2016/17 and the draft 2017/18 budget for the Housing Revenue Account. (Appendix B).

	2016-17 Original Budget	2016-17 Revised Budget	Variance	2017-18 Draft Budget (Rent -1%)
	£000	£000	£000	£000
Income:				
Dwellings Rents	(22,228)	(22,090)	138	(21,827)
Other Income	(1,643)	(1,687)	(45)	(1,630)
Total Income	(23,871)	(23,777)	93	(23,457)
Expenditure				
Repairs & Maintenance	11,435	9,105	(2,330)	9,453
General Management	4,812	4,818	6	4,996
Interest & Repayment of borrowing	2,901	2,660	(241)	2,667
Revenue contribution to Capital	2,532	4,509	1,977	4,087
Depreciation	3,039	3,304	265	3,337
Other expenditure	298	321	23	312
Total Expenditure	25,017	24,717	(300)	24,852
Net (surplus)/Deficit for the year	1,146	939	(207)	1,396
HRA Reserves Balance B/Fwd.	9,337	9,337		8,398
Deficit/(Surplus) in year	1,146	939		1,396
HRA Reserves Balance cfwd	8,191	8,398		7,002

5. Housing Major works Capital programme (HMWCP) 2017/18 – 2021/22

- 5.1 This report sets out the new Housing capital investment requests for the 5 year period covering 2017/18 to 2021/22.
- 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 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 within

the stock.

- 5.8 Drawing upon information derived from past stock condition surveys a programme has been drawn together which addresses known replacement issues of components from the stock condition data.
- 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, Roofing and insulation works.
- 5.10 These schemes offer both the opportunity to modernise properties, sustain them for the future and increase the thermal comfort of tenants. They also bring about potential savings from future revenue repairs budgets.
- 5.11 The Housing Major Works capital programme is subject to ongoing review following the conclusion of the Stock condition survey currently underway in 2016/17.

5.12 Revised 2016-17 position for HRA Major works Capital Programme.

Period 9	Revised Budget	Variance to original budget	Reason	Financed from
	£000	£000		
Kitchens & Bathrooms	2,081	347	£347k is needed to accelerate 1617 programme.	Revenue income
Windows & Doors	185	0	n/a	n/a
Planned Maint.	3,393	1,850	£1.75 Neighbourhood plans work & £100k Adaptations budgets moved to Capital	Revenue income
Energy & Efficiency	1,173	(217)	Heating programmes accelerated by £183k, in total. £400k external wall insulation works cfwd into 17/18	n/a
Specific projects	739	250	Whole house refurbishment budget increased due to 3 extra properties. £100k Stock condition survey budget bfwd	

			from 1516.	
Estate Improvements	455	(165)	Off street parking reduced to one scheme in year and installation of sewerage schemes delayed until 1718.	n/a
Empty Properties	1,003	503	Asbestos revenue budgets added plus an increase in works to void properties.	Revenue income
New Affordable Housing	2,100	0	n/a	n/a
Total	11,129	2,568		

5.13 Proposed growth/savings in HRA Capital programme 2017-18

(compared to original 2017/18 budget)

	2017/18 Revised Budgets	2017/18 Growth/ (Saving)	Details	Financed from
	£000	£000		£000
Kitchen & Bathroom	1,934	200	Increase in Kitchen voids budget	Revenue income
Windows & Doors	225	100	Increase to windows Budget	Revenue income
Planned Maintenance	3,270	1,850	£1.75m Neighborhood plans & £100k adaptation budgets moved from Revenue	Revenue income
Energy & Efficiency	1,348	33	Last remaining open flue boilers to be replaced.	Revenue income
Specific Projects	465	150	Whole house refurbishment budget increased by an additional 3 properties.	Revenue income
Estate Improvements	410	20	Sewerage schemes budget cfwd from 1617 & reduction to off St. Car parking prog.	Revenue income
Empty properties	850	550	Increase in major voids & Long term voids works.	Revenue income

New Affordable Housing	2,052	0	n/a	n/a
Total Expenditure	10,554	2,903		

5.14 The table below summarises the revised forecast for 2016/17 and the draft 2017/18 Capital programme for the Housing Revenue Account. Further detail is shown in Appendix C.

HRA Capital programme	Original Budget 16/17	Revised Forecast 16/17	Revised Draft Budget 17/18
Expenditure	£000	£000	£000
Kitchens & Bathrooms	1,734	2,081	1,934
Windows & Doors	185	185	225
Planned Maintenance	1,543	3,393	3,270
Energy Efficiency Improvements	1,390	1,173	1,348
Specific Planned Projects	489	739	465
Estate Improvements	620	455	410
Empty Properties	500	1,003	850
New Affordable Housing	2,100	2,100	2,052
Total Expenditure	8,561	11,129	10,554
Financing			
Borrowing	2,100	2,100	2,052
Capital Receipts	890	1,216	1,078
Revenue	2,532	4,509	4,087
Depreciation	3,039	3,304	3,337
Total Financing	8,561	11,129	10,554

6. Housing and planning Act 2016 – update from autumn statement November 2016 – Impacts to the Housing Revenue Account.

- 6.1 Since the introduction of self-financing in 2012, the 30 year HRA business plan has been challenged by a number of changes. Right to buy discounts have increased, rent setting policy has altered and other future new proposals affecting the HRA had been announced such as 'Disposal of higher value properties' and 'Pay to Stay' 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, 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. In addition, additional costs may be incurred through administration of the new regulations.
- 6.3 Community Housing continues to review of 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 also under continuous review and certain areas of work have had to be reduced or slowed down. Careful consideration has been made not to reduce capital spend where this would have an overly detrimental impact on revenue costs.
- 6.4 **Disposal of 'higher value' properties**
- 6.5 The Housing and Planning Bill 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.
- 6.6 To meet the costs of providing discounts, a determination may be made requiring a local authority in England with an HRA to make a payment to the Government for a financial year reflecting the market value of high value housing likely to become vacant during the year, less costs, whether or not receipts are realised. Regulations will determine 'higher value' as applicable

to different areas. The detail of how this will work in practice is still to be finalised and the regulations have not been published. Recently the Government has announced a delay to the full implementation of RTB for Housing Association tenants and to these regulations. Without the full detail, it is not possible to model the financial impact. However, the Government has recently said that it acknowledges that Councils will need a considerable lead in period in which to prepare.

- 6.7 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 scheme are not known and may form part of a revised scheme on the use of Right to Buy funds.
- 6.8 All the payments will be based on assumptions about receipts from voids Sales; it may be the case that actual receipts fall short of the payments due. In this case local authorities will need to fund the payments from other sources or face interest charges on late payments.
- 6.9 As a result of this policy, the Council will lose rental streams from any high value properties that are sold, along with any marginal costs of managing and maintaining those units. It would be equitable for authorities to receive some form of compensation for the loss of net rent income.
- 6.10 In the autumn statement, it was announced a regional pilot scheme will allow over 3,000 tenants to purchase their own homes with Right to buy discounts, to test demand and aspects of the scheme not previously covered by smaller scale pilots. The government will fund this pilot, so the council will not see any impact from 'Higher Value Asset' payments in 2017/18.
- 6.11 **Pay to Stay**
- 6.12 The Government took powers in the Housing and Planning act 2016 to require local authorities to set higher rents for higher income council tenants (households earning over £40,000 a year in London and £31,000 a year in the rest of the country).

6.13 However, after listening to views from tenants, local authorities and others, on 22nd November 2016, The Government announced that it no longer intends to make 'Pay to Stay' compulsory for Council tenants.

6.14 **Supported Housing consultation**

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

6.16 The consultation seeks views on the design of the government's new housing costs funding model, as well as views on funding for emergency and short term placements should work. The new model will mean that core rent and service charges will be funded through universal credit. Local Authorities are best placed to make decision about how to support vulnerable people in their areas and to commission the supported housing services that are needed locally. The new model will devolve funding to local authorities in England to provide a 'top up' where necessary.

6.17 The consultation will run for 12 weeks from 21st November to 13th February 2017. There will be a Green Paper on the detailed arrangements for local top up model and approach to short term accommodation in the spring. A final Package will be announced in autumn 2017 to allow time for transitional arrangements and any necessary legislation to be made ahead of the new model commencing on 1st April 2019. Shadow arrangements will be made on the detail and allocation of funding in place from April 2018 to allow full transition to the new model.

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 we have a dedicated team monitoring tenant arrears on a regular basis.
- 7.4 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. We currently have a high level of reserves at £9m; however we have a managed process to reduce this level over the next 5 years.

8. RISK IMPLICATIONS

- 8.1 It is recognised that there is a reduction of resources in 2017/18 and the budget will be adjusted to take account of that. 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.

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 2017- 18 to 2021-2022.
- 9.3 Recommend the proposed Fees and Charges for 2017-18.
- 9.4 Review the revised forecast for 2016-17
- 9.5 Review government proposals as set by the Welfare reform and work act 2016 & Housing planning act 2016 impacting on the HRA in the future.

10. BACKGROUND PAPERS

<G:\HRA\2016-2017\Budget 2017-18\Budget 17-18 v8 - updated recharges.xlsx>

<G:\HRA\2016-2017\Budget 2017-18\GYN Budgets V4 RO.xlsx>

<G:\HRA\2016-2017\Budget 2017-18\HRA Revenue and Capital Budget 2017-18 090117.docx>

<G:\HRA\2016-2017\Budget 2017-18\Letter re Autumn Statement - 161124.pdf>

<HRA - MTFS 161116.docx>

<Rent, service charges and fees\Fees and charges - Yare Care.xlsx>

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

Housing Revenue Account 2017/18 Service Charges				
2017/18 Rent increase and Service Charges	2016/17	2017/18	2017/18	2017/18
	Average Charge	Average Charge	% Average Increase/ decrease	% Average Increase/ decrease
	50wks	50 wks	per wk	per wk
Rent Decrease (-1%)	£76.20	£75.44	-£0.76	-1%
Garages Basic - Tenants	£9.47	£9.84	£0.38	4%
Garages Premium - Tenants plus Town Centre Surcharge	£12.63	£13.13	£0.51	4%
Town Centre Surcharge	£3.16	£3.29	£0.13	4%
Caretaking charge - Basic	£0.84	£0.88	£0.03	4%
Caretaking charge - Enhanced	£0.84	£0.88	£0.03	4%
Maintenance of Aged Persons gardens	£4.28	£4.45	£0.17	4%
Communal Heating	£9.49	£9.49	£0.00	0%
Communal Water	£3.75	£3.90	£0.15	4%
Digital Communal TV Aerials	£0.66	£0.69	£0.03	4.5%
Sewerage charge	£5.86	£6.09	£0.23	4%
Sheltered Housing Support Charges 2017/18	2016/17	2017/18	2017/18	2017/18
	Average Charge	Average Charge	Average Increase	% Average Increase
	50wks	50wks	per wk	per wk
Protected tenancies (pre 01/04/03) plus Alarm Charge	£8.47	£8.80	£0.34	4%
Protected tenancies (pre 01/04/03)	£1.25	£1.30	£0.05	4%
Protected tenancies (pre 01/04/03)	£9.72	£10.10	£0.39	
Standard Tenancies (starting from 01/04/03) plus Alarm Charge	£11.85	£12.32	£0.47	4%
Standard Tenancies (starting from 01/04/03)	£1.25	£1.30	£0.05	4%
Standard Tenancies (starting from 01/04/03)	£12.21	£13.62	£0.52	
Alarm Charge only	£1.25	£1.30	£0.05	4%
Alarm Unit Rental (plus VAT)	£2.87	£3.00	£0.13	4.5%
From 01 April 2012 - Yare Care Installation Charge	£30.00	£31.50	£1.50	5.0%
Alarm Unit - purchase (plus VAT) - One -off payment	£135.00	£140.27	£0.00	0%
YARE CARE CHARGES	Weekly Charge			
	2017/18 Exc VAT	2017/18 Inc VAT		
<i>52 Week Calculation for Private users</i>				
Private - Rental + Monitoring	£2.92	£3.50		
Private - Monitoring	£1.25	£1.50		
<i>50 week calculation for Community Housing Tenants</i>				
Council - Rental + Monitoring	£3.00	£3.60		
Council - Monitoring	£1.35	£1.62		

Appendix B

Housing Revenue Account Budget 2017/18 - 2020/21 & Revised 2016/17 Budget.								
Income / Expenditure		Original Budget	Revised	Budget	Budget	Budget	Budget	Budget
		2016-17	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Income	Charges for Services and Facilities	(1,261,545)	(1,300,718)	(1,301,886)	(1,320,956)	(1,342,787)	(1,365,115)	(1,368,464)
	Contributions towards Expenditure	(148,948)	(149,153)	(83,768)	(15,714)	(15,603)	(15,495)	(15,495)
	Dwelling Rents	(22,228,000)	(22,090,000)	(21,827,000)	(21,599,000)	(21,807,000)	(21,811,000)	(22,232,000)
	Interest and Investment Income	(5,000)	(5,000)	(5,140)	(5,284)	(5,432)	(5,584)	(5,584)
	Non Dwelling Rents	(227,154)	(232,503)	(238,907)	(243,986)	(249,174)	(254,475)	(258,749)
Income Total		(23,870,647)	(23,777,374)	(23,456,702)	(23,184,939)	(23,419,997)	(23,451,670)	(23,880,292)
Expenditure	Capital Expenditure funded by the HRA	2,532,414	4,509,241	4,087,923	2,694,655	2,581,554	2,365,555	4,298,617
	Depreciation and Impairment of Fixed Assets: Dwellings	2,920,098	3,169,896	3,201,595	3,233,611	3,265,947	3,298,607	3,331,593
	Depreciation and Impairment of Fixed Assets: Non - Dwellings	118,948	134,323	135,563	136,815	138,080	139,357	140,647
	Impairment of Fixed Assets	0	0	0	0	0	0	0
	Interest Payable and Similar Charges	2,901,216	2,659,979	2,666,534	2,751,578	2,813,231	2,890,467	2,908,214
	Provision for bad and doubtful debts	150,000	150,000	150,000	150,000	150,000	150,000	150,000
	Rents, Rates, Taxes & Other charges	147,256	170,579	162,274	155,618	159,975	164,454	164,454
	Repairs and Maintenance	11,434,495	9,104,720	9,453,049	9,537,241	9,781,922	10,033,031	10,178,303
	Supervision and Management	4,682,040	4,727,329	4,896,225	4,808,947	4,880,366	4,812,013	4,838,565
Expenditure Total		24,886,467	24,626,068	24,753,163	23,468,465	23,771,075	23,853,483	26,010,393
Below The Line	(Gain) / Loss on Sale of HRA non-current Assets	0	0	0	0	0	0	0
	Employer's Contributions Payable to or from Norfolk County.	555,475	716,039	787,643	795,520	875,072	962,579	962,579
	Impairment of Fixed Assets	0	0	0	0	0	0	0
	Net Charges made for Retirement Benefits in accordance with IAS 19	(425,000)	(625,495)	(688,044)	(688,044)	(756,849)	(832,534)	(832,534)
Below The Line Total		130,475	90,545	99,599	107,475	118,223	130,045	130,045
Grand Total		1,146,295	939,239	1,396,060	391,001	469,301	531,858	2,260,146
Housing Revenue Account Reserves summary		Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
		Bwfd	9,337,000	8,397,761	7,001,701	6,610,700	6,141,399	5,609,541
		In year	939,239	1,396,060	391,001	469,301	531,858	2,260,146
		Cfwd	8,397,761	7,001,701	6,610,700	6,141,399	5,609,541	3,349,394

Appendix C – HRA Major Works Capital Programme 2017-2022.

	Original budget 1617	Revised budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Kitchen & Bathrooms Improvements							
Kitchens planned	1,160,000	1,160,000	1,160,000	1,160,000	1,160,000	904,938	1,400,000
Bathrooms planned	284,000	380,000	284,000	284,000	284,000	284,000	720,000
Kitchen Voids	250,000	451,000	450,000	250,000	250,000	250,000	250,000
Bathroom Voids	40,000	90,000	40,000	40,000	40,000	40,000	40,000
Windows & Doors Improvements							
Doors	75,000	75,000	75,000	75,000	150,000	150,000	150,000
Windows	110,000	110,000	150,000	50,000	200,000	300,000	300,000
Planned Maintenance							
Firewalls in roof space	18,000	18,000	-	-	-	-	-
Flat Roofs	218,000	218,000	300,000	300,000	300,000	200,000	200,000
Flat Roofs	132,000	132,000	-	-	-	-	-
Major R&M	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Neighbourhood Plans	250,000	2,000,000	2,000,000	1,600,000	1,600,000	1,600,000	1,600,000
Reline Finlock Gutters	50,000	50,000	50,000	50,000	50,000	50,000	-
Rewiring Dwellings	320,000	320,000	320,000	320,000	320,000	320,000	320,000
Major Adaptations	50,000	150,000	150,000	150,000	150,000	150,000	150,000
Roofing	455,000	455,000	400,000	400,000	400,000	300,000	300,000
Energy & Efficiency Improvements							
Loft Insulation -	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Communal Heating	117,000	160,000	-	-	-	-	-
Coved Ceilings	-	-	-	-	-	-	-
Dodds Heating Boiler - Replacement VOKERA	200,000	300,000	200,000	100,000	-	-	1,300,000
Dodds Heating one offs - Maintenance Contract	315,000	315,000	315,000	315,000	315,000	315,000	315,000
External Wall Insulation - Northern Parishes	400,000	-	400,000	400,000	400,000	400,000	400,000
Renewables (Air Source Heat Pumps)	-	40,000	100,000	100,000	100,000	100,000	100,000
Replace Inefficient and Partial Heating Systems	225,000	225,000	200,000	200,000	-	-	-
Replace Open Flue Boilers - Dodds	33,000	33,000	33,000	-	-	-	-
Specific Planned Projects							
Oil Tanks	16,000	16,000	-	-	-	-	-
GYN Management	73,460	73,460	65,080	63,080	54,580	54,580	54,580
Stock Condition Survey	150,000	250,000	-	-	-	-	-
Whole House	250,000	400,000	400,000	250,000	250,000	100,000	-
Estate Improvements							
Concrete improvement works	100,000	100,000	100,000	100,000	100,000	100,000	100,000
First Time Installation Sewerage Schemes	80,000	5,000	80,000	-	-	-	-
Off Street Parking - MCE	140,000	50,000	80,000	140,000	140,000	140,000	-
Upgrade Stair Enclosures	300,000	300,000	150,000	150,000	100,000	100,000	100,000
Empty Properties							
Long Term Void Refurbish	-	-	150,000	-	-	-	-
Major Voids	500,000	1,003,000	700,000	300,000	300,000	300,000	300,000
New Affordable Housing							
Affordable Housing	2,100,000	2,100,000	2,052,000	1,360,000	1,995,000	406,000	476,000
Total	8,561,460	11,129,460	10,554,080	8,307,080	8,808,580	6,714,518	8,725,580

Appendix D – Housing Revenue Account 40 Year Business Plan Summary.

