| 19 December 2017 | ITEM: 7 |
|---|---|
| **Housing Overview and Scrutiny Committee** | |
| **Housing Revenue Account - Business Plan and Budgets (2018/19 – 2048)** | |
| **Wards and communities affected:**<br>All | **Key Decision:**<br>Non-Key |
| **Report of:** Roger Harris, Corporate Director of Adults, Housing and Health | |
| **Accountable Assistant Director:** John Knight, Assistant Director of Housing | |
| **Accountable Director:** Roger Harris, Corporate Director of Adults, Housing and Health | |
| **This report is** Public | |

**Executive Summary**

This report sets out the base position after updating and reviewing the 30 year Housing Revenue Account (HRA) Business Plan for 2018/19 onwards including the HRA budgets for 2018/19. The 30-year Business Plan is a statutory requirement, and the HRA needs to be financially viable whilst being able to continue to deliver the Council's Housing priorities.

The Business Plan takes into account revenue from all sources, principally tenants' rents and leaseholders' service charges, set against anticipated expenditure on stock (revenue and capital), staffing and other running costs, and all other expenditure including recharges to the General Fund.

The continuation of the government's mandatory rent reduction policy for the next two years continues to reduce the resources available in the HRA in the short term. In October 2017 the government announced the policy for social rents from 2020/21, allowing councils to again increase their basic rents and providing certainty over rents for 5 years. The Business Plan figures reflect these changes. The Plan also takes account of the phased extension of service charges for tenants from October 2017, generating additional income to the HRA.

A review of the housing service, including all activities funded by the HRA, is now fairly advanced. The review has identified a range of areas where efficiencies and improvements can be made in HRA activities thereby freeing up resources for reinvestment in the service. These are also reflected in the Business Plan.

The Stock Condition Survey is now completed and indicates the total investment required to maintain and improve the current stock over the next 30 years is estimated at £452,447,897. This is an average investment of £15m per annum across the 30 years of the Business Plan. These estimates include internal and external features of residential units (general needs and sheltered) as well as other assets such as communal hallways, parking areas, and garages.

The investment requirements identified through the Survey greatly exceed the amounts it has been possible to allocate annually to capital investment in the HRA. This overall context, of available resources being below the necessary level for all desirable maintenance and refurbishment to be carried out to optimum timescales, is anticipated to continue throughout the lifetime of the Plan.

The Housing service is focussed on ensuring both that the HRA remains financially viable, and that the right priorities are set for capital expenditure in particular, so that our residents have safe and secure accommodation, maintained at a good standard of repair and improved through further investment within the overall limitations described above.

We will also pursue every opportunity to secure additional funding for new-build programmes, and to deliver improved value for money as a modern social landlord. This work will incorporate the announcements made in the Budget, which are also highlighted in the report, although full details of some measures will emerge at a later date.

As shown in the Business Plan Thurrock has committed all of its remaining available HRA borrowing limit to the remaining new homes to be delivered under the current programme, so we will shortly be technically among those boroughs who have no opportunity to enter into further borrowing.

Without additional borrowing capacity and/or external funding it will not be possible for the Council to deliver new social homes as part of reaching the affordable housing requirements clearly identified in the draft Local Plan.

The Business Plan will be recommended to Cabinet as part of the budget-setting process for 2018/19.

**1. Recommendation(s)**

**1.1 That the Committee comments on the assumptions reflected HRA Business Plan, as summarised in the report.**

**1.2 That the Committee comments on the budget information which is also provided.**

## 2. Introduction and Background

2.1 The anticipated Housing Revenue Account budget for 2018/19 is summarised below, along with the main budget movements between 2017/18 and 2018/19.

2.2 The HRA 2018/19 budgets have been compiled in accordance with the 30 Year HRA Business Plan. This takes into account the long term strategy for the financial viability of the service. The Business Plan sets out how the Council will manage the range of services delivered under the HRA, using the income raised locally through council rents and other sources of HRA income for revenue and capital purposes.

2.3 **Key messages and assumptions**

The main realities and opportunities reflected in the Business Plan can be summarised as follows:

- Investment required for the current stock is higher than the currently available annual sum for capital investment – this is now confirmed by current empirical data from the Stock Condition Survey which gives a figure of £15m p.a. as the optimum investment requirement against the £10m p.a. assumed in the Plan

- Effective planning is essential to maintain and improve properties as required, and this limits the scope for further desirable capital investment

- The ability to raise rents from 2020/21 mitigates the revenue position from that point – increases of 3% p.a. are assumed based on the formula of CPI plus 1%

- Ongoing high levels of Right to Buy sales are assumed, incrementally reducing stock numbers and rent revenue and offsetting the impact of annual rent increases when they are resumed

- Reducing the cost of delivering the service remains a high priority, and will be a main priority of the housing review and further changes to the service

2.4 **HRA Position as at 1st November 2017**

The table below shows the positive reserve position and other available resources currently in the HRA. There are conditions attached to expenditure in each instance.

| Reserve | Balance at 1/11/17 (£m's) |
|---|---|
| HRA General Reserves | (2,175) |
| **Earmarked Reserves** | |
| Development Reserve | (3,150) |
| Housing Zones and Capacity Grant | (1,440) |
| **Right To Buy Receipts** | |
| Non Ring-fenced Capital Receipts | (1,577) |
| One for One Receipts | (12,438) |

- The HRA General Reserve currently stands at £2.175m in line the Council's Reserves Strategy which recommends that the HRA maintains a minimum level of general reserves of £1.7m, up to a prudent level of £3m. It is planned that reserves will be maintained at the current level for each year until 2020/21, and then move towards the optimum level.

- The Development Reserve is an earmarked reserve which will ensure the current New Build Programme can continue to be financed and completed as planned by the end of 2019/20, subject to any unforeseen delays.

- The Housing Zones and Capacity Grant Funding is provided for specific work around future New Build and Estate Regeneration.

- Ring-fenced One for One receipts from the sale of properties under Right to Buy can be used to partly finance New Build schemes. Their use has been maximised within the current Business Plan, taking into account the conditions set for their use, in order to avoid these monies being transferred to central government rather than re-invested in housing in this borough.

- The level of unspent receipts in the future is forecast to increase in line with increasing sales. If a new programme of social homes directly delivered by the Council becomes a viable option following the Budget announcement of increased borrowing limits for selected areas, these receipts could be used as one funding stream alongside the additional borrowing to build out some relatively large sites with planning permission.

- The non-ring-fenced receipts can be used to repay HRA debt as the level of stock reduces due to Right to Buy sales. Alternatively they can be utilised to fund capital investment. A contingency fund of £1 million from this source was identified earlier this year, and a total of £795k had been spent by the end of October on a range of fire safety enhancements, such as the stripping out of `legacy' gas installations from below some tower blocks

- As a modern social landlord we will ensure both that the value of each of the positive ledger items above is maximised, and that resilient funding models are developed for any additional development and/or regeneration opportunities that may arise. This is relevant to the announcements in the

Budget of additional funding streams and potential additional borrowing flexibilities, which may result in additional resources being brought into the HRA.

- The budget included announcements of both an additional £400 million for the regeneration of Council estates in selected areas, and an additional £1 billion of additional HRA borrowing headroom nationally over 3 years, to fund the delivery of new social homes in `*areas of high affordability pressure'.* Based on the analysis carried out for the Strategic Housing Market Assessment, which has informed the development of the draft Local Plan, we would expect Thurrock to fall within this definition, although there is no certainty at present which criteria will be used to arrive at the definition to be applied.

- In the context of the Business Plan these opportunities - and any other funding streams that may be announced - provide the only realistic prospect for the Council to deliver a significant number of new homes using the HRA as the vehicle. Applying an estimate for construction costs of £200k on average, the cost of delivering 50 new homes is approximately £10 million, or 1% of the total additional amount to be allocated to boroughs across England and Wales through this announcement.

- Based on this even a successful bid for new funding is unlikely to provide sufficient support for more than a small proportion of the potential new homes which have been identified through analysis of the pipeline of sites for development. We have identified £50-75 million as the kind of sum needed to kickstart a meaningful programme of new social homes which would begin to approach the numbers objectively needed over the next 30 years.

- In this challenging context we are preparing to bid for each of these funding streams when the full details are known, and are confident based on discussion with the DCLG to date that our proposals would be seriously considered. It is clear however that, subject to the bid criteria being so tight that many councils will be unable to bid, there will be a massive imbalance between the £1 billion committed and the requirements identified by councils across the country, many of whom can point to `affordability pressures' at least as severe as those obtaining in Thurrock.

- At this stage no positive assumptions have been made in the Business Plan – the Plan would be amended in the future should significant new funding be secured by these or other means.

## 3. Issues, Options and Analysis of Options

### 3.1 Adjustments during 2017/18

Robust budget monitoring has taken place throughout the financial year to date to ensure that expenditure remains on track and potential variances are identified and addressed.

The HRA budget projections were revised with effect from period 6 to reflect the extension of sheltered and other service charges which were implemented from 2nd October 2017. The positive impact of these changes on the budget increased revenue during this financial year by £312k.

Alongside this, the decision to suspend the introduction of a grounds maintenance charge has reduced the overall potential increase by £845k. This has limited the amount of capital investment this year, specifically on both loft insulation for properties in the Transforming Homes programme, and the external refurbishment of properties with non-traditional construction.

Depending on the overall revenue available in 2018/19, these and some other items of capital investment will be deferred, or implemented over a longer period so as to spread the costs over a number of financial years. The service will continue to work within the constraints of the budget to achieve a balanced outturn for responsive repairs and all other revenue budgets.

The revised 2017/18 budgets are included as the base year in the tables from the 30-year plan which are shown at the end of this report. The figures shown reconcile to the current year's budget as outlined in the Cabinet Report of February 2017.

### 3.2 Future assumptions – costs

Across the period of the Business Plan inflation has been assumed at 1% p.a. for salaries, and 1.8% for building fabric works linked to contractual uplifts. The assumption in the Plan is that all other costs across the life of the Business Plan can be kept flat, as any inflation affecting general running costs will be absorbed through general efficiencies.

The HRA stock continues to reduce due to increasing numbers of RTB Sales. In the whole of 2016/17 there were 94 completed sales, while in the first six months of 2017/18 68 properties were sold. Given the increasing attractiveness of Thurrock as a location, reflected in asset values and the buoyancy of the local housing market, it is assumed that these non-discretionary sales will remain at a relatively high level in the future. The Business Plan assumes that the current trend continues over the first 5 years of the Business plan, and starts to reduce slightly over the following 5 to 10 years. The level of stock loss resulting from these sales means that even with a significant new-build programme the Council will struggle to stand still in terms of the overall number of Council homes available to rent.

3.3 **Rental income**

In line with the previous government's policy a mandatory 1% reduction has been applied to all social rents for 2018/19 and 2019/20. On 4th October 2017 the government announced the revised policy for social rents from 2020/21, which gives certainty over rents for 5 years. The new policy is that rents can, as previously, be increased annually, using a set formula of the level of the Consumer Price Index +1%, for the 5 years beginning in 2020/21.

Although implemented each April, rent increases will be partly based on the CPI in the preceding September. In the Business plan we have assumed CPI at 2% p.a., reflecting the assumptions now made by the Office of Budget Responsibility as reflected in the budget documentation. On this basis estimated basic rents have been increased by 3% for each of those 5 years, with a freeze thereafter as a prudent assumption.

Affordable rents inclusive of service charges being applied to all New Build properties are currently capped at 70% of market rents (10% less than the allowable maximum of 80%), or the Local Housing Allowance level for the area, whichever is the lower. This rent level will apply to the remainder of the current new-build programme, i.e. Claudian Way, Calcutta Road and the Tops club site, which is due to be delivered over the next two full financial years to complete during 2019/20.

The average rents forecast in the Plan for 2018/19 are set out below:

**Social Rents**

| **Bedroom Size** | **No of Properties** | **2018/19 Average Weekly Rent** | **2018/19 Average Monthly Rent** |
|---|---|---|---|
| Bedsits | 243 | 58.23 | 252.35 |
| 1 | 2,829 | 71.76 | 310.96 |
| 2 | 2,217 | 77.54 | 336.02 |
| 3 | 4,286 | 97.68 | 423.29 |
| 4 | 208 | 109.86 | 476.05 |
| 5 | 4 | 106.86 | 463.05 |
| 6 | 2 | 119.31 | 517.01 |
| **Total/average** | **9,789** | **84.92** | **367.98** |

**Affordable Rents (new build properties only)**

| **Bedroom Size** | **No of Properties** | **2018/19 Average Weekly Rent** | **2018/19 Average Monthly Rent** |
|---|---|---|---|
| 1 | 18 | 119.82 | 519.23 |
| 2 | 59 | 146.64 | 635.45 |
| 3 | 13 | 182.44 | 790.58 |
| **Total** | **90** | **146.45** | **634.61** |

3.4 **Service Charges**

In July the Cabinet agreed to the extension of certain specific charges for both sheltered and general needs tenants as put forward in the equivalent report in February 2017. With the exception of the proposed grounds maintenance charge these charges were introduced from October 2017, based on a phased introduction moving to full cost recovery over three years. The additional income from these charges is now reflected in the Business Plan. The suspension of the grounds maintenance charge reduced this potential increase in service charge by £845k in 2017/18. The options relating to this charge following a review are the subject of a separate report to the Committee.

3.5 **Capital Investment**

The current budgets set and agreed by Cabinet in February 2017 to complete the Transforming Homes Programme are set out below.

In 2018/19 the programme will mainly be focussed on all those areas of the borough not covered in earlier years, i.e. Ockenden, Orsett, Stanford East, Corringham, Grays Thurrock and Stifford Clays. There is then a shift to external works across the whole of the borough for the last two years, affecting the allocated annual budgets as shown below.

| Year | Budget £m's |
|---|---|
| 2017/18 | 11.8 |
| 2018/19 | 10.0 |
| 2019/20 | 8.2 |
| 2020/21 | 9.2 |

The Stock Condition Survey has now been completed, and is the subject of a separate report to the Committee. The conclusions of the survey will inform decisions about future planned maintenance programmes and other areas of prioritisation for works on residential properties and other assets.

The survey indicates an overall investment need to maintain the current stock over the next 30 years of circa £452.5 million. This equates to a requirement of £15m for each year across all aspects of capital investment as currently accounted for under the Transforming Homes programme, planned maintenance programmes, and some elements of responsive repairs.

Revenue-funded cyclical testing and servicing works and most responsive repairs are in addition to this capital requirement, and will continue to be prioritised to ensure the maximum lifecycles of our council owned buildings are sustained.

3.6 **Fire Safety Works**

The work done earlier this year to provide maximum assurance in relation to fire safety has resulted in some additional spending, the total impact of which is £795k in 2017/18 to date. As a further contingency a total of £200k is currently set aside. There is a possibility of larger spending items being required, in particular the retro-fitting of sprinkler systems in all blocks, which is one a potential outcome of the enquiry into the fire which is currently in progress.

3.7 **Service Review**

A saving of £300k in revenue costs has been anticipated in the 2018/19 budget arising from the outcome of the service review. This is based on a number of efficiencies and initiatives which have already been implemented to increase revenue and reduce expenditure - for example the decision to move away from the externalised Choice Homes system for lettings, with the relevant functions now incorporated into the main Northgate database, saving an annual fee of £45k to the third-party provider of the system.

A revised staffing structure is also envisaged which will reduce salary costs, and other revenue-raising measures and possible cost savings are also currently being evaluated. Since the commencement of the review a number of financial pressures have been addressed, including the level of spend on exclusion repairs within the Mears contract (where a reduction for the year of £200k is projected) and the time taken to re-let void properties (now reduced to under 25 days on average). We have also taken steps to consolidate the number of smaller repairs and maintenance contracts with the main Responsive Repairs and Transforming Homes partnerships - in order to reduce costs and strengthen accountability.

3.8 **Demand and delivery analysis**

The service is monitoring housing trends through the development of a cross-service Demand and Delivery group, which will track the delivery of new homes, including affordable units of all kinds, the number of households on the housing register, and other key variables. This will assist in gauging the overall pressure on various parts of the Housing service including those elements funded by the HRA, and position us to address housing need more effectively by basing our interventions on accurate data – for example establishing the number of households in our own stock and elsewhere who might be able to access Shared Ownership products.

3.9 **HRA New Build – Continuing to Build**

Details of the current New Build programme in the HRA are set out below; the budgets are in line with those agreed at Cabinet in February 2017 adjusted to reflect the profiling across the financial years.

| (all figures £m's) | 2017/18 | 2018/19 | 2019/20 | Total |
|---|---|---|---|---|
| **Scheme** | **Projected** | **Budget** | **Budget** | **Budget** |
| Calcutta | 0.61 | 7.95 | 0.66 | 9.22 |
| Claudian | 0.64 | 11.33 | 0.67 | 12.64 |
| Tops Club | 0.60 | 7.33 | 1.00 | 8.93 |
| **Total** | **1.85** | **26.61** | **2.33** | **30.79** |

| | 2017/18 | 2018/19 | 2019/20 | Total |
|---|---|---|---|---|
| **Financing** | **Projected** | **Budget** | **Budget** | **Budget** |
| Borrowing | 1.30 | 16.73 | 0.00 | 18.03 |
| Development Reserve | 0.00 | 1.90 | 0.70 | 2.60 |
| S106 | 0.00 | 0.00 | 0.93 | 0.93 |
| Revenue Contribution | 0.00 | 0.00 | 0.00 | 0.00 |
| 1-4-1 Receipts | 0.56 | 7.98 | 0.70 | 9.24 |
| **Total** | **1.85** | **26.61** | **2.33** | **30.79** |

The HRA is currently facing substantial budget pressures. Notwithstanding this there is a clear ambition to continue a pipeline of HRA development activity to meet urgent housing needs. Despite making best use of RTB receipts to date, the current requirement to `match' these funds from the main HRA budget acts as a clear constraint on development.

In this context the Council has already requested that the Government consider increasing the HRA Debt Cap. The Budget announcement of £1 billion of extra borrowing capacity for Councils in areas of high affordability pressure to build more social housing has confirmed that there is an opportunity for Thurrock to pursue this increased flexibility.

Officers met with DCLG officials in early November and will be continuing this dialogue to maximise the benefits to Thurrock of the budget announcements and related changes.

3.10 **Use of Right to Buy Receipts**

The Council has in excess of £9.5m unallocated RTB receipts. If released as a contribution to delivering new homes this would require a HRA contribution of around £21m. It is clear that under the present HRA funding arrangements this would not be sustainable. Under current Treasury rules, if the Council does not use the RTB receipts they must be repaid to government at an interest rate of 4% p.a. To avoid this, the first unallocated receipts must be spent by December 2019, which will be very challenging given the lead-in times associated with new build programmes.

To ensure these funds do not leave the borough we are exploring the setting up of a Housing Association fund through which a selected Housing Association partner could be funded to develop new build housing or to purchase existing satisfactory homes on the housing market that are in high demand for residents on the Councils waiting list. This approach would ensure that Thurrock residents benefit from the affordable housing delivered, through a nomination agreement with the Association as a grant condition, leading to timely use of the receipts. The Council is also in discussions with DCLG about the possibility of amending the financial rules to make further use of these receipts, although this does not appear a likely adjustment as these arrangements are still in place following the Budget.

3.11 **Estate Regeneration**

The Council continues to assess the viability of a future programme for estate regeneration. There are clear financial challenges to be addressed before any such programme could be formulated. These include the perceived unfavourable combination in the borough of high construction costs, comparable with those found in outer London, and low sales values more associated with Essex. This means viability is challenging even when the possible benefits of regeneration are clear, including for example a net increase in the number of social homes, the creation of more mixed communities through multi-tenure provision, and avoiding the substantial costs of maintaining a large number of properties beyond their optimum lifecycle.

The announcement in the Budget of an additional £300-400 million nationally for regeneration schemes provides a potential opportunity for regeneration options to be further explored, although as with funding for new homes any amount which might realistically be allocated to Thurrock will be a small proportion of the overall costs of any such schemes. .

3.12 **Capital Investment**

Based on the Stock Condition Survey data and other information it will be possible to plan a programme of planned maintenance works over the lifetime of the Business Plan, and to continue developing more efficient ways of keeping our assets in good condition whilst containing and rationalising the expenditure on properties. The survey data indicates when investment becomes essential, and also – in relation to non-residential assets – where the necessary outlay to maintain an asset should be balanced against its ongoing utility.

This applies in particular to garages, where it may be logical to dispose of the asset at the point where essential works are indicated. A full review of the garages is now nearing completion, and will be the subject of a separate report to the Committee.

A further strand of the housing review is considering how to arrive at the ideal balance between revenue and capital spend, and to carry out phased programmes of property improvements which command the confidence of residents and reduce the emphasis on reactive works. The current repairs policy is also being reviewed in this context, and the proposed new policy will form the basis of a separate report to the Committee.

The figures in the Business Plan and the stock data as refined by the survey provide a robust framework for planning capital expenditure in the medium term. In this context the service also needs to be responsive to unforeseen developments, and to ensure that where it is necessary to divert funds at short notice for any reason this does not lead to unsustainable budget gaps elsewhere. By the same token we will be alert for new funding streams and initiatives which will reduce budget pressures in the long term and be of benefit to our residents – for example by making sure all our homes meet the energy efficiency standards required in the private sector.

3.13 **Reserves**

As mentioned above the plan is for HRA reserves to be increase from their current level of £2.17m to the recommended amount of £3m over the next five years. The first increase is now scheduled for 2020/21. This reflects the relative stability of the overall budget from that point, as rents are again permitted to increase rather than reduce each in year.

3.14 **Future viability**

The Housing Revenue Account Business Plan is an essential document providing an assurance of our compliance with statutory requirements. Beyond this it can also be viewed as a crucial working document. The Plan provides the financial context for the Council, as a modern social landlord, to deliver service improvements and increase efficiency. It also highlights the need to use the service's financial resources to improve the appearance, `liveability' and safety of all our physical assets, as well as working to improve life more widely for all our residents in the communities where they are situated.

The remainder of this report sets out some further details of a) the budget changes which have occurred since the current Plan was adopted, b) the main budget allocations year on year for the current year and the first four years of the new 30-year Plan, and c) how expenditure and income, as projected, reconcile in each financial year as required.

3.15 **Budget movements**

A summary of the budget movements from 2017/18 to 2018/19 across the HRA Revenue and Capital Budgets is set out in the table below.

| **2018/19 HRA Revenue Budgets** | **Budget Changes £000's** |
|---|---|
| **Loss of income - 1% rent reduction** | **441** |
| **Loss of income - stock loss** | **780** |
| | |
| **Increased Income** | |
| Established service charges (caretaking etc.) – 2% | (67) |
| 2nd Phase of Extension of General Needs Service | (396) |
| 2nd Phase of Extension of Sheltered Service Charges | (323) |
| **Total Increased Income** | **(786)** |
| | |
| **Savings** | |
| Service Review | (300) |
| **Total Savings** | **(300)** |
| | |
| **Inflation** | |
| Salaries and Pay Award | 211 |
| Contractual Uplift on Repairs | 200 |
| **Total Inflation** | **411** |
| | |
| **Growth** | |
| Revenue Repairs | **288** |
| **Total Growth** | **288** |
| | |
| **Sub Total** | **826** |
| Interest Charge on HRA Debt | 82 |
| **Revenue Movement** | **946** |
| | |
| **Existing Capital** | |
| Transforming Homes | **(1,758)** |
| Planned Maintenance | 300 |
| | |
| **New Capital Investment** | |
| Capital Investment | 542 |
| | |
| **Net HRA Position 2018/19** | 0 |

3.16 **HRA Budget**

The main HRA budgets and variables from the Business Plan for this year and the next four years are set out below:

| | Base Year | | | | |
|---|---|---|---|---|---|
| **Thurrock HRA Business Plan** | **1** | **2** | **3** | **4** | **5** |
| **Forecast Stock Numbers (Average)** | **10,014** | **9,864** | **9,743** | **9,681** | **9,551** |
| | | | | | |
| **£m** | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2021/22** |
| **Income** | | | | | |
| Dwelling Rents | (44.73) | (43.27) | (42.86) | (43.77) | (44.51) |
| Voids | 0.67 | 0.43 | 0.43 | 0.44 | 0.45 |
| **Net Rents** | (44.06) | (42.84) | (42.43) | (43.34) | (44.06) |
| Non Dwelling Rents | (0.96) | (0.96) | (0.96) | (0.96) | (0.96) |
| Charges for services and facilities (net of voids) | (5.72) | (5.72) | (5.72) | (5.72) | (5.72) |
| Contribution towards expenditure | (3.34) | (4.13) | (4.52) | (4.56) | (4.61) |
| HRA investment income | (0.02) | (0.02) | (0.02) | (0.02) | (0.02) |
| **Total Income** | **(54.09)** | **(53.66)** | **(53.63)** | **(54.59)** | **(55.36)** |
| | | | | | |
| **Expenditure** | | | | | |
| Salaries | 8.44 | 8.35 | 8.56 | 8.77 | 8.99 |
| Supervision and Management | 16.05 | 16.05 | 16.05 | 16.05 | 16.05 |
| Repairs and Maintenance | 10.51 | 10.99 | 11.18 | 11.39 | 11.59 |
| Rents, rates, taxes and other charges | 0.22 | 0.22 | 0.22 | 0.22 | 0.22 |
| (Increase)/decrease in provision for bad or doubtful debts | 0.05 | 0.06 | 0.08 | 0.10 | 0.10 |
| **Total Expenditure** | **35.27** | **35.67** | **36.10** | **36.53** | **36.96** |
| | | | | | |
| Net rental surplus | (18.82) | (17.99) | (17.54) | (18.06) | (18.40) |
| Interest payable on HRA Debt | 6.91 | 7.00 | 7.10 | 7.25 | 7.64 |
| DME | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |
| **Available HRA revenue funds** | 11.80 | 10.88 | 10.33 | 10.69 | 10.65 |
| New Borrowing | 1.30 | 16.73 | 0.00 | 0.00 | 0.00 |
| Development Reserve Fund | 0.00 | 1.90 | 0.70 | 0.00 | 0.00 |
| RTB New Build Re-provision (1-4-1) | 0.56 | 7.98 | 0.70 | 0.00 | 0.00 |
| S106 | 0.00 | 0.00 | 0.93 | 0.00 | 0.00 |
| Grant and new borrowing | 1.85 | 26.61 | 2.33 | 0.00 | 0.00 |
| **Total HRA funding** | **13.65** | **37.50** | **12.65** | **10.69** | **10.65** |
| Investment in Own Stock - TH | 11.80 | 10.04 | 8.20 | 9.20 | 10.00 |
| Capital Investment TBC | 0.00 | 0.84 | 2.12 | 1.00 | 0.26 |
| New Build | 1.85 | 26.61 | 2.33 | 0.06 | 0.00 |
| **Total Applied spend** | 13.65 | 37.49 | 12.65 | 10.26 | 10.26 |
| | | | | | |
| HRA Cash balances b/f | 2.17 | 2.17 | 2.17 | 2.17 | 2.60 |
| in year change | 0.00 | 0.00 | 0.00 | 0.43 | 0.40 |
| | | | | | |
| **HRA Cash balances c/f** | **2.17** | **2.17** | **2.17** | **2.60** | **3.00** |

## 4. Reasons for Recommendation

4.1 The report sets out the implications for the HRA for 2018/19 onwards. The proposals put forward have been calculated and assessed in line with affordability consideration and regard for reserve levels. It is essential that a balanced budget is set for the HRA. This is a legal and operational requirement.

## 5. Consultation

5.1 This report will be considered by the Overview and Scrutiny Committee in advance of the February Cabinet Meeting and the recommendations noted.

## 6. Impact on corporate policies, priorities, performance and community impact

6.1 The Council's Medium Term Financial Strategy (MTFS) recommends that the HRA maintains a minimum level of general reserves of £1.7m up to a prudent amount of £3.0m.

6.2 The management and operation of the HRA strives to support vulnerable people. The 30 year business plan sets out to ensure there is value for money within the Housing Service.

## 7. Implications

### 7.1 Financial

Implications verified by: **Julie Curtis**

**HRA and Development Accountant**

Financial implications are detailed throughout the report.

### 7.2 Legal

Implications verified by: **David Lawson**

**Deputy Head of Legal and Monitoring Officer**

The Council has a legal requirement to review the Housing Revenue Account and ensure that it does not go into deficit. In addition, determinations made under the Local government and Housing Act 1989 prescribed what can be charged to the HRA and the calculation of those charges.

### 7.3 Diversity and Equality

Implications verified by: **Rebecca Price**

**Community Development officer**

The HRA Business Plan and budgets for 2018/19 onwards reflect the Council's policy in relation to the provision of social housing with particular regard to the use of its own stock. In addition to the provision of general housing, it incorporates a number of budgetary provisions aimed at providing assistance to disadvantaged groups. This included adaptations to the stock for residents with disabilities.

**8. Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None.

**9. Appendices**

- None.

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