

Subject:	Housing Revenue Account Budget and Investment Programme 2017/18 and Medium Term Financial Strategy		
Date of Meeting:	18 January 2017 – Housing & New Homes Committee 9 February 2017 – Policy, Resources & Growth Committee 23 February 2017 – Budget Council		
Report of:	Executive Director of Finance & Resources Executive Director of Neighbourhoods, Communities & Housing		
Contact Officer:	Susie Allen	Tel:	29-5113
	Martin Reid		29-3321
E-mail:	susie.allen@brighton-hove.gov.uk Martin.reid@brighton-hove.gov.uk		
Wards Affected	ALL		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report presents the proposed Housing Revenue Account (HRA) revenue and capital budget for 2017/18 as required by the Local Government and Housing Act 1989. Members are required to consider the revenue budget proposals including savings and service pressures as well as changes to rents, fees and charges and also the capital programme. This report also sets out the Medium Term Financial Strategy and 30 year financial forecast.
- 1.2 The HRA contains the income and expenditure relating to the council's social landlord duties of approximately 11,520 properties and 2,849 leasehold properties. The income and expenditure relating to these properties is accounted for separately from the council's other services/activities which form part of the council's General Fund.

2. RECOMMENDATIONS:

- 2.1. That Housing & New Homes Committee recommend that Policy, Resources & Growth Committee:
- (a) approves and recommends to Council the updated HRA revenue budget for 2017/18 as shown in Appendix 1;
 - (b) approves a rent reduction of 1% in line with government legislation as detailed in paragraph 3.7;

- (c) approves service charges and fees as detailed in Appendix 2.
- (d) approves the capital programme expenditure and financing budget of £39.854 million for 2017/18 and notes the 4 year programme as set out in Appendix 3;
- (e) notes the Medium Term Financial Strategy and 30 year financial projections shown in Appendix 4.

3. HRA BUDGET STRATEGY

3.1 The HRA Budget aims to balance the priorities of both the council and council housing residents within the context of the Housing Strategy 2015, and the Corporate Plan 2015-2019 which sets out the overall direction for the council over the 4 year period. The council's purpose and ambition as a local authority for the city is strong civic leadership, value for money, quality public services and to protect the vulnerable. The Housing Strategy priorities included in developing the HRA revenue budget and capital programme are:

Priority 1: Improving Housing Supply

- Provide more council housing, through the New Homes for Neighbourhoods programme, and use Right To Buy (RTB) receipts to fund new housing.
- Support the Housing and Budget Strategies through ongoing council housing stock reviews to deliver conversions of existing under-used or unused buildings or spaces into Temporary Accommodation.
- Commission new adapted homes and ensure best use of existing adapted / accessible housing in order to promote independent living demonstrated to deliver significant cost benefits.
- Support households wanting to downsize to increase supply of available family housing.
- Early intervention for families struggling with accommodation including money advice and tenancy support.

Priority 2: Improving Housing Quality

- Continue to promote the highest possible building, space and environmental standards in all new council homes being built to high sustainability levels.
- Continue to improve council housing sustainability standards and maintain 100% achievement of the council's housing stock meeting the Decent Homes Standard and invest in other priorities that promote the health and wellbeing of our residents.
- Continue the annual Warm Homes Healthy People Programme to support vulnerable households.

Priority 3: Improving Housing Support

- Ensure that as services are reviewed, they are accessible and safe for all.
- Improve front facing customer services at Council Housing Offices.
- Continued investment in specialist tenancy management and support services to support vulnerable council housing residents and work with Community Safety to resolve housing issues and harassment in a timely manner.
- Re-model seniors housing to ensure that it supports the right people and improves social networks and well-being.

- Ensure that adaptations are done at the right time to support people to stay in their homes when they want to.
- Support people to 'downsize' when they choose and provide a range of options for them, including accessible tools to support decision making.
- Continue to renovate seniors housing schemes to convert studios into one bed homes.
- Better links between seniors housing schemes and surrounding communities.
- Ensure new housing development includes community spaces.

HRA Asset Management Strategy

Our HRA Asset Management Strategy acts as a link between our Housing Strategy priorities and investment programmes. In 2016 the HRA Asset Management Strategy was agreed following extensive consultation and work with residents.

The key priority objectives of the strategy are to:

- Invest in homes and neighbourhoods to provide safe, good quality housing and support services;
- Support new housing supply;
- Ensure financial viability within the Tenancy Strategy.

The proposed Capital Investment Programme supports all 3 of these objectives. For example, one of the key aims of the provisional investment programme is to continue to achieve full compliance with the Brighton & Hove Standard, as agreed with residents. This standard, developed with residents, helps to ensure that homes are safe, fit for use, have reasonably modern facilities, and supports occupiers to keep warm.

HRA REVENUE BUDGET PROPOSALS 2017/18

- 3.2 The HRA is a ring-fenced account which covers the management and maintenance of council owned housing stock. This must be in balance, meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable.
- 3.3 Although the HRA is not subject to the same funding constraints as the General Fund it still follows the principles of value for money and equally seeks to drive out inefficiencies and achieve cost economies wherever possible. Benchmarking of both service quality and cost with comparator organisations is used extensively to identify opportunities for better efficiency and service delivery.
- 3.4 The HRA budget for 2017/18 is shown in Appendix 1 with the main budget variations, proposed savings, service pressures and other changes. Savings of £0.932 million have been identified to mitigate the impact of service pressures and include a number of efficiencies, savings from the procurement of the gas servicing contract, a reduction in responsive repairs expenditure and additional income as detailed in Appendix 1 (note 3). Service pressures of £0.386 million are mainly from a requirement to increase resources to form a project team in respect of the preparation for the re-procurement of the repairs and improvement contract, aligning resources for prevention work and a reduction in rental income, detailed in

Appendix 1(note 4). The net revenue budget results in a surplus of £25.579 million which is shown as 'Direct Revenue Funding' (within expenditure) which will be used to support the capital programme.

- 3.5 Rents are calculated in accordance with government guidelines. Rent restructuring rules still apply and Target Rents for each property are calculated based on the relative property values, bedroom size and local earnings. Target Rents will be set at the grant of all new tenancies.
- 3.6 For a number of years government guidance in relation to annual rent increases was that increases should be limited to Retail Prices Index (RPI) + ½% + £2 per week in order to provide some protection to tenants whose actual rents were increasing to reach the calculated Target Rent. From April 2015 government guidance revised annual increases to Consumer Price Index (CPI) + 1%. This change removed the flexibility of social landlords to increase social rents each year by an additional £2 where rents are below target, resulting in lower annual rental increases over the long term.
- 3.7 In addition, from April 2016, the Welfare Reform and Work Act 2016 requires rents to be reduced by 1% per annum for 4 years, commencing from 2016/17. For 2017/18 this represents an average reduction of £0.85 per week, reducing the average weekly rent to £84.27 per week.
- 3.8 Rents are not calculated to take into account any service charges and only include all charges associated with the occupation of a dwelling, such as maintenance of the building and general housing management services. Service charges are therefore calculated to reflect additional services which may not be provided to every tenant or which may be connected with communal facilities rather than to a particular occupation of a house or flat. Different tenants may receive different types of services reflecting their housing circumstances. All current service charges are reviewed annually to ensure full cost recovery and also to identify any service efficiencies which can be offset against inflationary increases, to keep increases to a minimum. The proposed fees and service charges for 2017/18 are set out in Appendix 2 and include the introduction of a new service charge for door entry servicing and maintenance.
- 3.9 The projected level of HRA reserves at 31 March 2017 is also shown in Appendix 1.

HRA CAPITAL PROGRAMME 2017/18

- 3.10 The Housing Capital Programme seeks to provide substantial investment in the council's housing stock and improve the quality of residents' homes. The implementation of the proposed programme will take account of all relevant best practice guidelines and has been informed by the priorities agreed in the HRA Asset Management Strategy. The proposed programme for 2017/18 and the funding arrangements totalling £39.854 million are shown in Appendix 3. This programme does not include any re-profiling identified from the 2016/17 targeted budget monitoring.
- 3.11 The Capital Programme is a key part of implementing the main aims of the long-term asset management approach, which aims to maximise investment in homes and support reductions in responsive repair need whilst providing safe, good quality housing and support services, and also supporting new housing supply and

financial viability for the HRA. Other assets, such as car parks and garages, receive investment to ensure both health and safety compliance and best use of these assets.

3.12 The council is committed to having robust arrangements in place to help ensure the health and safety of all of those using and visiting the council's assets to a reasonable level. This is a key responsibility, and as such through the capital programme proposals it is ensured that the investment required is maintained and made available ahead of other investment decisions. This includes good practice procedures and resources to support the management of asbestos, fire risk, legionella, gas and electrical equipment, amongst others. As a result of proactive work with partners including the East Sussex Fire and Rescue Service, the Capital Programme includes increased funding for works to reduce fire risk. This budget will also help support the proposed projects to install sprinklers, as set out in previous committee reports.

3.13 The Capital Programme targets investments that will ensure that the HRA maintains, and improves, where possible, the quality of housing. The programme will support the delivery of the following commitments:

- To maintain 100% achievement of properties meeting the government's Decent Homes Standard and the local Brighton & Hove Standard over the medium term.
- To ensure that all homes are as suitable as practicable for the needs of their occupants, in line with council policy. For example, there is a substantial investment commitment to providing adaptations, and to reducing overcrowding in the programme.
- Following resident feedback, and analysis of responsive repairs, an increase in funding for both replacement door entry systems and entrance doors to blocks of flats has taken place. The programmes help ensure secure and reliable entry for residents.
- To continue working closely with residents to help increase levels of resident satisfaction with the quality of their home and to support the ongoing reduction in the level of responsive repair need

3.14 Additionally, based on feedback from residents on their priorities, the programme continues the commitment to invest in the modernisation of passenger lifts serving blocks of flats, where it makes sense to do so. This programme has been very effective in helping many residents to be able to rely on their lift to be safe, comfortable, and reliable. All lift project proposals are continually evaluated on a case-by-case basis to ensure value for money continues to be delivered through this programme.

3.15 Helping residents to live in well-insulated, efficiently heated, healthy homes remains a key long-term commitment, which is supported through the capital programme. Past progress on achieving this has been consistently good, with national Standard Assessment Procedure (SAP) energy rating performance monitoring being used to benchmark these. Key investments that contribute to these include installing high efficiency boilers, heating controls, efficient doors, windows, insulation and renewable or community energy schemes, where appropriate.

As outlined above, the Housing Asset Management Strategy acts as a link between the Housing Strategy and investment programmes including a priority of supporting

new housing supply. We will continue to focus on the key Housing Strategy priority to increase the numbers / make best use of affordable homes, including the following HRA Budget related measures:

- Housing Allocation Policy framework ensuring best use of existing council and Registered Provider resources through nomination of affordable housing to priority households.
- Our 'New Homes for Neighbourhoods' estate regeneration programme to deliver new affordable homes in the city. Overall 22 projects with c 288 homes at various stages of development. Currently we have 34 homes completed with 130 on site.
- Improving supply through best use of existing HRA assets including conversions / hidden homes programme. 8 projects delivering 27 new homes.
- Housing Market Intervention / direct delivery and other housing delivery options through a wholly owned council Special Purpose Vehicle.
- Ongoing work of Greater Brighton Housing & Growth Working Group to accelerate delivery of new homes, including seeking freedoms and flexibilities around HRA borrowing cap and use of RTB receipts

HRA MEDIUM TERM & 30 YEAR FINANCIAL FORECASTS

- 3.16 The introduction of self-financing in 2012 provided additional resources from the retention of all rental income and, through greater control locally, enabled longer term planning to improve the management and maintenance of council homes.
- 3.17 The medium term and 30 year financial forecasts are provided in Appendix 4 along with the business planning assumptions used for income and expenditure.
- 3.18 Essentially although the financial plan shows that the HRA has healthy financial indicators to borrow to source funding for regeneration and development, it is restricted by the self-financing cap (or limit) on the amount of HRA borrowing permissible for capital investment by each local authority. This limit is currently set at £156.8m for Brighton & Hove and the outstanding debt reaches its peak in 2020/21 where the borrowing level is £144.1m leaving headroom of only £12.7m.
- 3.19 In addition to the debt cap, the reduction in rental income of 1% per annum (as detailed further in Appendix 4) will also restrict resources available for new build and regeneration so alternative options and delivery mechanisms for funding outside the HRA are being developed in the form of a wholly owned company and Joint Venture Model with Hyde Housing Association (as recommended at 8 December Policy, Resources & Growth Committee), alongside a review of priorities included in the financial plan.
- 3.20 As a result of the review carried out by government a decision was reached to not proceed with the Pay to Stay policy included in the Housing and Planning Act 2016. However, there are still some uncertainties due to other government legislation which may have a significant impact on the long term health of the financial plan, such as:
- The Housing & Planning Act 2016 included a requirement for local authorities with social housing to pay a levy to the government which is directly linked to the high value voids within the HRA. This levy would then be redistributed to Housing Associations. Consultation is still required on the specific regulations

before implementation so the financial implications are currently unknown, however, the levy will be introduced after 2017/18.

- The Welfare Reform and Work Act 2016 continues to be implemented with the reduction of the benefit cap to £20,000 per annum during the current financial year, the single room rates extended to people under 35 from and the roll out of universal credit in 2017, and reduction in tax credits expected to be implemented from October 2017. All these reforms are expected to impact on tenants' ability to pay their rent but it is difficult at this stage to accurately predict to what extent this will impact.
- Uncertainty of future rent policy after 2019/20. The Government has advised of 1% rent reductions up to 2019/20 but there is no information available to determine their future policies in this area.

3.21 The 30 year financial plan will continue to be updated in 2017 to reflect the 2017/18 budget proposals. This will enable a review of future opportunities for additional investment in existing housing stock and building new homes and also how the housing debt could be structured to accommodate these plans or possibilities.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The budget process allows all parties to engage in the scrutiny of budget proposals and put forward viable alternative budget proposals to Budget Council on 23 February 2017. Budget Council has the opportunity to debate both the proposals recommended by Policy, Resources & Growth Committee at the same time as any viable alternative proposals.

4.2 The Welfare Reform and Work Act 2016 details a statutory requirement to set the rents at 1% less than the previous year for 2017/18. There are financial restrictions placed upon local authorities who do not follow this statutory requirement. The government annually sets a limit rent, set to include the 1% reduction, which is used to determine how much housing benefit subsidy is received from the Department for Work and Pensions. Rises above the limit rent would reduce the amount of subsidy receivable by the council.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 Involvement of our residents in service delivery and priorities is a key focus for Housing. Ongoing consultation with tenants and leaseholders takes place throughout the year in a number of forums and settings.

5.2 All Area Panel representatives and chairs have been sent a letter explaining the budget proposals. This summarised the various components including the details of the proposed savings and how the savings would be reinvested back into the service. It also included information on the 1% rent reduction and advice on contact details if further information or clarification was sought.

5.3 Residents and leaseholders helped develop and shape the Asset Management Strategy through a series of discussion events and the strategy was taken to Area Panels. As such, tenant views form a key part of the strategic direction of future services and investment.

5.4 Generally, feedback from the consultation sessions with residents included wanting to prioritise investment in the exterior repair of buildings and common

parts, such as decorations in stairwells and lighting, with the aim of achieving a more consistent standard across the city. This is now being reflected and supported through the capital programme proposals. Additionally, at a more strategic level, feedback was that generally the focus for investment should be mainly on improving the quality of the existing housing stock, and ensuring that all housing should be of a good standard, and well insulated, to help with fuel costs.

5.5 At the Housing & New Homes Committee held on 13 January 2016, these additional recommendations were agreed:

- (3) That a full consultation and engagement exercise be undertaken with residents, which is based on a programme agreed at an initial meeting with tenant only chairs, panel chairs and officers to be held in September 2016.
- (4) That the results and recommendations from the consultation exercise in (3) above be reported to the Committee with recommendations for the 2017/18 HRA revenue and capital budgets.

A meeting was held with councillors from the Housing & New Homes Committee, a number of tenant association chairs and Housing staff on 22 September 2016 to consider what a consultation exercise might look like. There were a variety of suggestions regarding what to consult on, with whom and how. Some of the suggestions can be used in future years, but for this year the focus has been on checking whether tenants agree with current proposals based on the outcomes of other consultations.

As a result of the September meeting, HRA budget consultation took place in November 2016 at the Citywide Conference. The conference focused on the HRA budget position 2016/17, feedback from consultation through the year, savings achieved over the last year, challenges and proposed areas of saving for 2017/18; it also sought views of the council's tenants and leaseholders. This information was also presented to Housing Area Panels in November and December, where their vote was taken and the voting results of the Citywide Assembly were shared. The outcome of the votes can be seen in the table below, where tenants agreed overall with the proposed increase or decrease in spend on the broad headings for capital programme expenditure.

	Yes	Not sure	No	Number voting
Citywide conference 17.11.06	48% (19)	23% (9)	30% (12)	40
North Area Panel 24.11.16	64% (9)	9% (1)	27% (3)	13
East Area Panel 28.11.16	83% (5)	-	17% (1)	6
Central Area Panel 30.11.16	57% (4)	14% (1)	29% (2)	7
West Area Panel 6.12.16	83% (5)	17% (1)	-	6
Total number of votes	(58%) 42	(17%) 12	(25%) 18	72

- 5.6 A tenant satisfaction survey called STAR (Survey of Tenants and Residents) was undertaken in June 2016. A report, also being presented to this Committee, provides feedback from this. 828 tenants responded (i.e. 28%) which is an increase from 724 people (or 24%) the last time the survey was undertaken in 2014.

While overall satisfaction with Housing rose from 78% to 81% on this survey, the two areas that showed lower satisfaction were with the quality of the home, and with the neighbourhood as a place to live (see table in Appendix 5).

People living in properties built before 1945 were less satisfied than the average. The investment programme work continues across the city and work is planned in areas with lower satisfaction. For example, window replacement programmes are scheduled to take place in both Woodingdean and Hangleton. The council has published a four-year provisional capital investment programme to enable this longer term information to be readily available to residents. Tenants have told the council that we need to improve our communications on the planned work programme, and we are taking steps to enhance the quality and timeliness of this information.

- 5.7 All leaseholders have been, or will be, consulted about individual contracts carried out as part of the programme in full compliance with the Commonhold and Leasehold Reform Act 2002.

6. CONCLUSION

- 6.1 The Local Government and Housing Act 1989 requires each local authority to formulate proposals relating to income from rent and charges, expenditure on repairs, maintenance, supervision and management, capital expenditure and any other prescribed matters in respect of the HRA. In formulating these proposals using best estimates and assumptions, the Authority must set a balanced account. This budget report provides a capital programme, breakeven revenue budget and recommends rent proposals in line with current government guidance.
- 6.2 This report also provides the latest medium and long term forecasts for the HRA. However there are a number of uncertainties due to impending government legislation which mean that the current forecasts should be treated with caution.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The financial implications are contained within the main body of the report.

Finance Officer Consulted: Susie Allen

Date: 10/01/17

Legal Implications:

- 7.2 Paragraphs 3.2 and 6 of the report set out the legal requirements for the Housing Revenue Account under the Local Government and Housing Act 1989. In its role as landlord, the Council has statutory and contractual obligations to maintain the structure of, and installations in, its housing stock. The HRA Capital Programme and Funding

measures outlined in Appendices 1 and 3 will assist the council in fulfilling those obligations. The Council must take the Human Rights Act into account when making decisions but it is not considered that any individual's Human Rights Act rights would be adversely affected by the recommendations in the report.

Lawyer Consulted:

Liz Woodley

Date: 10/01/2017

Equalities Implications:

- 7.3 The HRA budget funds services to people with special needs resulting from age, vulnerability or health. All capital programme projects undertaken include full consideration of various equality issues and specifically the implications of the Equality Act. To ensure that the equality impact of budget proposals are fully considered as part of the decision making process, equality impact assessments have been developed on specific areas where required.

Sustainability Implications:

- 7.4 The HRA budget will fund a range of measures that will benefit and sustain the local environment. This capital programme supports the affordable warmth and fuel poverty strategy brought forward from Public Health. Housing is a key contributor to the Carbon Emissions reduction commitment and will help to reduce the number of residents affected by fuel poverty and rising energy costs.
- 7.5 Project briefs are issued on all capital projects and require due consideration of sustainability issues, including energy conservation and procurement of materials from managed and sustainable sources.

Any other Significant Implications:

- 7.6 Financial risks have been assessed throughout the development of the council's HRA annual budget and 30 year financial model. A number of key sensitivities and scenarios are modelled to ensure that the service understands the business impact of decision making and include areas such as:
- Impacts of the government's Housing & Planning Act and Welfare Reform legislation;
 - Inflationary risk where expenditure inflation is greater than income, particularly with the current reduction in rental income over the four years;
 - Managing interest rate fluctuations and the debt portfolio;
 - Long term capital and maintenance responsibilities compared with available resources;
 - Balancing regeneration and redevelopment needs with tenants' priorities.

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1: HRA Revenue Forecast Outturn 2016/17 and Budget 2017/18
2. Appendix 2: Fees and Service Charges 2017/18
3. Appendix 3: Capital Programme and Funding 2017/18 – 2019/20
4. Appendix 4: HRA Medium Term Financial Strategy & 30 Year Financial Forecast

5. Appendix 5: STAR tenants satisfaction survey table

Documents in Members' Rooms

None

Background Documents

None

HRA Forecast Outturn 2016/17 & Revenue Budget 2017/18

Appendix 1

	2016/17	2016/17	Budget Changes				2017/18
	Forecast Outturn (1)	Adjusted Budget	Inflation (2)	Savings (3)	Service Pressures (4)	Other Changes (5)	Original Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SUBJECTIVE ANALYSIS							
Expenditure							
Employee (data a)	8,248	8,144	79	0	304	177	8,704
Premises - Repairs	9,747	10,594	105	(570)	0	(32)	10,097
Premises - Other	2,749	2,815	16	(48)	0	(212)	2,571
Transport	136	135	0	0	0	0	135
Contribution to Bad Debt Provision	242	474	0	0	0	0	474
Supplies & Services	2,508	2,521	18	(135)	0	(21)	2,383
Third Party Payments	157	157	3	0	0	(26)	134
Support Services (data b)	2,263	2,280	5	(78)	31	0	2,238
Direct Revenue Funding	23,585	23,585	0	0	0	1,994	25,579
Capital Financing Costs	8,238	8,363	0	0	0	(2,280)	6,083
Total Expenditure	57,873	59,068	226	(831)	335	(400)	58,398
Income							
Rents Dwellings *	(50,457)	(50,392)	0	0	43	0	(50,349)
Rents Car Parking / Garages	(854)	(892)	0	0	8	0	(884)
Commercial Rents	(554)	(548)	(11)	0	0	0	(559)
Service Charges	(7,118)	(6,886)	(20)	(101)	0	757	(6,250)
Other Recharges & Interest	(356)	(350)	(6)	0	0	0	(356)
Total Income	(59,339)	(59,068)	(37)	(101)	51	757	(58,398)
DEFICIT / (SURPLUS)	(1,466)	0	189	(932)	386	357	0
OBJECTIVE ANALYSIS							
Capital Financing	31,791	31,916	0	0	0	(286)	31,630
Head of Housing	3,884	3,904	9	(106)	138	7	3,952
Head of Regeneration	233	264	3	0	0	17	284
Housing Support	264	262	3	0	0	51	316
Income, Inclusion & Improvement	(46,583)	(46,260)	28	(181)	20	77	(46,316)
Property & Investment	7,364	8,325	108	(570)	150	549	8,562
Tenancy Services	1,581	1,589	38	(75)	78	(58)	1,572
DEFICIT / (SURPLUS)	(1,466)	0	189	(932)	386	357	0

Notes:

- (1) Significant variances in the Targeted Budget Management Forecast Outturn as at Month 7 for 2016/17 are shown in the table below:

HRA Forecast Outturn as at Month 7	£'000
Increase in staff costs including agency cover across Housing Services and the impact of service redesign being implemented part way during the year.	104
Estimated contract efficiency savings relating to new gas service contract which commenced on 1 April 2016.	(450)
This underspend relates to a reduction in responsive repairs and empty property works expenditure due to the increased capital investment in council dwellings.	(288)
Mainly Tenancy Management property costs forecast underspends of approximately £0.105 million relating to a reduction in utility costs offset by minor variations across the service.	(66)
The contribution to the HRA debt provision is forecast to be underspent by £0.157 million. The HRA contribution of £0.075 million to the Discretionary Housing Pot is unlikely to be called upon in 2016/17 as there is sufficient government allocation to cover council tenant's claims. The spend forecast is also lower than anticipated due to the delay in rollout of the reduced benefit cap levels.	(232)
Lower interest charges incurred during 2016/17 compared to the original budget forecast, as a result of re-profiling capital programme expenditure from 2015/16 to 2016/17.	(125)
Income from service charges to leaseholders for Major Works is forecast to overachieve by £0.300 million compared to the original budget forecast, as a result of works completed due for billing in 2016/17.	(300)
A combination of other small overspends and underspends across the HRA.	(109)
TBM Month 7 Variance	(1,466)

- (2) Inflation of 1% has been applied to Direct Employees, Premises, Transport and Supplies & Services. All income budgets are zero-based (that is they are recalculated each year rather than changing incrementally) and therefore charges are estimated based on known increases in costs or inflation.

(3) Savings include:

Savings	£'000
Savings in gas service contract following procurement of this contract which commenced in 2016/17.	(450)
A further review of savings that can be made from responsive repairs and other procurement opportunities.	(120)
Reduction in Premises Other costs within Tenancy services (utility costs).	(30)
Reduction in Premises Other costs due to the under-utilisation of the redecoration scheme.	(20)
Reduction in supplies and services costs, within Income, Involvement, Improvement.	(80)
Savings as a result of a review of small contracts and services within tenancy services.	(25)
Reduction in liability insurance costs.	(45)
Reduction in General Fund Support Services charges.	(61)
Introduction of a service charge for door entry systems.	(101)
Total Savings	(932)

(4) Service Pressures include:

Service Pressures	£'000
Strengthen BHCC Client Side for re-procurement of the Repairs and Improvement Contract.	150
Senior Housing Scheme Manager increased costs as a result of grade evaluation.	47
Service redesign in the integrated Housing Adaptations Service through aligning resources to prevention through Council Housing project and commissioning work.	72
Further resource required for the review of all tenancy agreements.	35
Support Services - HRA Share of Apprenticeship Levy.	31
Net reduction in rental income for Dwellings.	43
Garages and Car parks reduction in rental income from disposals, voids and a change in mix of private and council tenancies.	8
Total Service Pressures	386

*Dwellings rents were reduced due to 1% rent reduction (£0.502m) and an assumed level of disposals (£0.193m) in year. This has however been mitigated by the rents from new build schemes (£0.652m) completed over the last year.

(5) Other Significant Changes include:

Other Changes	£'000
Increase in Employee costs for annual increments and increase employers payroll contributions (pensions & NI).	147
Increase in Employee costs for Property & Investment relating to contract monitoring of new Gas Servicing & maintenance contract, funded from contract efficiencies.	32
Premises Repairs – contract efficiencies reducing gas servicing costs. Transfer budget to fund contract monitoring post.	(32)
Forecast reduction in utility budget (electricity & gas) to reflect reduction in unit prices and consumption.	(212)
Additional Direct Revenue Funding – increase in revenue surpluses to fund the capital programme.	1,994
Reduction in Capital Financing costs for the year reflecting repayment of debt in 2016/17.	(2,280)
Estimated reduction in Leaseholder Major works income reflecting major works programme.	500
Service Charge reductions for electricity communal ways and heating to reflect changes in unit prices and consumption.	212
Other changes.	(4)
Total Other Changes	357

PROJECTED RESERVES AT 31 MARCH 2017

Description	Balance at 1 Apr 2016 £'000	Projected Balance at 31 Mar 2017 £'000	Projected Balance at 31 Mar 2018 £'000	Use
Revenue Reserves - Working Balance	3,000	3,000	3,000	Minimum working balance requirement
Useable revenue reserves	3,166	4,361	3,861	Available for use.
Capital Reserves	952	1,002	202	Capital Programme funding.
EDB Reserves	599	510	213	Earmarked allocation carried forward
Restructure Redundancy Reserve	388	388	388	Earmarked reserve
HRA - Renewable Energy Projects	329	269	89	Capital Programme funding.
HRA Auto Meter Reads Reserve	45	45	45	Available to fund costs of AMR's

Data – A - Employee Full Time Equivalent (FTE) Reconciliation

Staffing budgets have increased in 2017/18 (note 5 – other changes) by £0.179 million as a result of annual increments, increases in employers pay contributions and 1 FTE in Property Services. The table below shows the actual movements in FTE's in 2016/17. There are no proposals to make further savings to the HRA establishment during 2017/18.

	FTE
Original FTE 2016/17 pre savings	290.16
Savings 2016/17	
Head of City Development & Regeneration	(0.50)
Income Involvement Improvement	(5.00)
Property & Investment	(0.50)
Tenancy Services	(2.35)
Original FTE 2016/17 with 16/17 savings	281.81
Service Redesign changes in year 2016/17	
Head of Housing HRA	2.60
Income Involvement Improvement	(8.38)
Property & Investment	(0.43)
Tenancy Services	(3.37)
Adjusted budget 2016/17 FTEs in 3 year savings pro-former	272.23
Savings 2017/18	-
Other changes in 2017/18 budget	
Property & Investment (note 5)	1.00
2017/18 FTEs after savings/changes	273.23

Data – B - Support Service Charge Analysis

The table below provides a breakdown of the support service charges for 2017/18 as per the budget figures within appendix 1.

Charging Service	Budget 2017/18 £'000
Communications	30
Finance	365
Human Resources	216
ICT	646
Property	130
Legal	280
Democratic	234
Director	16
Disabled Adaptations	41
Discretionary Community	148
Grants	31
Apprenticeship levy	
Tenancy Fraud	29
Homing in and Area Panels	28
Energy Efficiency Support	25
Other charges	19
Total	2,238

HRA FEES AND SERVICE CHARGES 2017/18

APPENDIX 2

All fees and service charges are reviewed annually to ensure full cost recovery and also to identify any service efficiencies that can be offset against inflationary increases to keep increases to a minimum. Proposed fees and service charges for 2017/18 are detailed below.

Service Charges Eligible for Housing Benefit:

Eligible for Housing Benefit	Number of Tenants Affected	Approx. Number not Eligible for HB	2016/17 Average Weekly Charge	2017/18 Average Charge £	2017/18 Average increase/ (decrease) per week £ / %	Comments
Grounds Maintenance	5,567	1,592	£0.67	£0.68	£0.01 1.5%	Contractual increase from City Parks.
Communal cleaning	5,264	1,759	£2.78	£2.80	£0.02 0.7%	Full cost recovery of service results in slight increase.
TV Aerials	5,618	1,645	£0.76	£0.76	£0.00	No change.
Seniors Housing – common ways	803	105	£9.46	£9.46	£0.00	No change. Full review carried out for 2016/17 weekly charges
Seniors Housing - laundry	803	101	£2.00	£1.65	(£0.35) (17.5%)	Reduction to reflect new contract prices.
Video Entry	15	1	£0.96	£0.96	£0.00	No change. To be reviewed during 2017/18.
Seniors Intensive Housing Management	826	102	£19.92	£20.12	£0.20 1%	1% inflationary increase, to cover costs which is mainly staffing related.
Electricity – communal ways	5,442	1,680	£1.08	£0.75	(£0.33) (30.5%)	Reduction in service charge to reflect unit prices and updated estimates for consumption. Tenants will see variable decreases, depending on consumption in their block.
Lift Servicing and maintenance	2,414	596	£0.77	£0.80	£0.03 (2.5%)	Increase reflects contract inflation of 2.5%.

New Service Charge Eligible for Housing Benefit:

Eligible for Housing Benefit	Number of Tenants Affected	Approx. Number not Eligible for HB	2016/17 Average Weekly Charge	2017/18 Average Charge £	2017/18 Average increase/ (decrease) per week £ / %	Comments
Door entry servicing and maintenance	4,170	1,809	0	£0.48	-	New charge for servicing, maintenance and repairs of Door entry systems to recover costs

Service Charges & Fees Not Eligible for Housing Benefit:

Not Eligible for Housing Benefit	Number of Tenants Affected	2016/17 Average Weekly Charge	2017/18 Average Charge £	2017/18 Average increase/ (decrease) per week £ / %	Comments
Communal heating – gas	1,185	£8.75	£6.02	(£2.73) (31%)	Based on estimated consumption for 17/18 and the new unit price for gas.
Communal heating – electric	78	£11.23	£10.32	(£0.91) (8%)	Based on estimated consumption for 17/18 and the new unit price for electricity.
Water	134	£3.86	£3.95	£0.09 (2%)	Based on recovery of costs and estimated increases by Southern Water of 2%.
Guest rooms	n/a	£15.00 per night	£15.00 per night	Nil	No increase.
Garages & Car Parking Residents Non Residents	2,409	£8.68	£8.85	£0.17 (2%)	Inflationary increase of 2%. Further review of car parks and garages charges due in 2017/18.
Mobility Scooter / cycle storage Storage	23	£2.50	£2.50	0.00	Same charge for mobility scooter and bicycle storage.

EXPENDITURE	Original Budget 2016/17	Proposed Budget 2017/18	Provisional Budget 2018/19	Provisional Budget 2019/20	Description
	£'000	£'000	£'000		
Improving Housing Quality					
Door Entry Systems & CCTV	677	939	810	683	A number of door entry systems across the city are now at the end of their serviceable life, and spare parts are difficult to source aligned to AMS priority to provide safe, good quality housing.
Water Tanks, Ventilation, Lighting & Lightening Protection & Fire Alarms	848	730	659	637	Projects help ensure safety and welfare for residents through a replacement and improvement programme.
Lifts	943	1,077	1,381	1,079	The lift replacement and upgrade programme is a long-term commitment to BHCC residents where it makes sense to do so subject to value for money assessment
Fire Safety & Asbestos Management	400	696	450	389	Effectively managing the risks of both fire and asbestos materials is an ongoing need. Includes a budget for sprinklers of £0.250m, Funding for proposed sprinkler schemes is 50% funded by ESFRS.
Minor Capital Works	221	402	407	389	Investment in smaller capital repairs across the HRA stock as well as car parks and garages.
Roofing	1,232	1,245	1,378	1,232	Helps to extend the life of assets, improves insulation and reduces responsive repairs.
Condensation & Damp Works	677	498	501	390	Health and welfare of our residents is assisted by tackling the causes of mould growth in properties
Major Structural works	3,181	3,590	3,018	2,229	To maintain the structural and general external integrity of properties to ensure longevity of our asset, meet our landlord obligations and assist in reduction of responsive repairs.
Major Empty Property works	258	124	125	129	Extensive refurbishment of empty homes prior to re-letting where significant works are required to return vacant homes back into use. .
Cyclical Decorations	3,923	3,314	2,379	2,076	External and common way repairs and decorations across the city help reduce ongoing costs and meet our landlord obligations.
Future Capital Projects	50	74	66	66	Specialist and other surveys to support future programmes.

EXPENDITURE	Original Budget 2016/17	Proposed Budget 2017/18	Provisional Budget 2018/19	Provisional Budget 2019/20	Description
Brighton & Hove Standard Works					
Dwelling Doors	431	373	325	260	Replacing doors to properties with secure and efficient design helps residents feel safer.
Kitchens & Bathrooms	1,725	1,930	1,941	1,623	This budget helps to ensure homes comply with the Brighton & Hove Standard.
Rewiring - Domestic/Communal	1,786	1,831	1,816	1,583	Safe and reliable electrical installations and efficient lighting are supported from this budget.
Windows	1,355	1,370	1,441	1,169	Window replacement programmes improve energy efficiency, warmth and reduce ongoing repair costs.
Sustainability & Carbon Reduction					
Home Energy Efficiency & Renewables	521	51	51	51	The installation of solar panels was completed in 2016/17. This programme budget allows the progression of home energy efficiency and renewable projects. (note that £0.400m approved in 2016/17 has been re-profiled to continue projects in 2017/18)
Domestic/Communal Heating Improvements	2,022	2,087	2,137	2,967	Efficient and modern replacement heating systems reduce carbon emissions and residents fuel costs
Insulation improvements (incl overcladding)	50	63	1,819	1,620	Also includes over-cladding major works in 2018-2020. Improving insulation levels in buildings reduces mould growth and heating costs.
Tackling Inequality					
Estate and Environmental Improvement	500	243	244	252	Residents are able to prioritise smaller projects through this continuing and well supported budget. Also utilising EDB earmarked reserves.
Disabled Aids & Adaptations	1,150	1,150	1,150	1,150	By supporting required adaptations to homes, residents can continue to live independently and enjoy their home for longer.
Conversions & Extensions	739	560	626	520	Tackling overcrowding across the city is of key importance to ensure good quality housing.
Conversions of existing bed-sits	1,216	460	405	273	Improving dwellings' layout in several seniors housing schemes will meet modern standards.

EXPENDITURE	Original Budget 2016/17	Proposed Budget 2017/18	Provisional Budget 2018/19	Provisional Budget 2019/20	Description
Converting Spaces in Existing Buildings		609	406	407	Hidden homes - A programme to deliver new homes by converting existing redundant spaces. The programme has delivered 3 new homes to date from budgets approved and carried forward from 2015/16 financial year. This new allocation of budget would enable a further 5- 6 to be built a year.
Stonehurst Court conversion		1,045	-	-	Recommendations for refurbishment included in separate report at H&NH Committee January 2017
Oxford Street conversion		1,120	-	-	Recommendations for refurbishment included in separate report at H&NH Committee January 2017
Housing ICT Budget	50	80	80	80	Supports Housing IT projects
Total Investment in existing Housing Stock	23,955	25,661	23,615	21,254	
Building New Council Homes					
Brooke Mead extra care	4,355	-	-	-	Started on site in 2015/16, total scheme budget is £12.0m, due for completion 2017/18 within existing budgets re-profiled from 2016/17.
Infill sites - Manor Place	1,292	-	-	-	Scheme completed 2016/17.
Garage Sites - Guinness	1,095	-	-	-	The majority of Garage Site schemes started on site in 2015/16, schemes due for completion in 2017/18 funded from re-profiled 2016/17 budgets.
Findon Road (Former Library)	8,100	5,000	-	-	Scheme approved in 2015/16, total scheme budget £14.1m, due for completion in 2017/18
Design competition	1,000	500	1,000	-	Competition complete, contracts being finalised, with further report to H&NH Committee in March.
Feasibility & Design - Housing Investment	250	-	-	-	Allows progression of future development projects. Re-profiling of some 2016/17 budget to support NHFN programme in 2017/18.
Selsfield Drive	2,000	2,617	2,258	-	Re-design underway, estimated due for completion June 2018.
Wellsbourne	1,000	6,076	-	-	On-site and estimated due for completion April 2018.
Total Building New	19,092	14,193	3,258	-	

EXPENDITURE	Original Budget 2016/17	Proposed Budget 2017/18	Provisional Budget 2018/19	Provisional Budget 2019/20	Description
Council Homes					
Total Programme	<i>43,047</i>	39,854	26,873	21,254	
Programme Funding					
Revenue Contribution to Capital	<i>23,585</i>	25,579	25,300	24,914	Funding from revenue surpluses.
Borrowing	<i>12,962</i>	7,073	-	-	Borrowing required mainly for new build development.
HRA reserves	<i>771</i>	1,300	700	500	Useable revenue and capital reserves.
Capital Receipts	<i>4,349</i>	5,597	978	-	Retained RTB receipts for New Build.(£4.258m) and Capital receipt from Seaside Homes final batch (£1.339m)
HCA Grant (Brooke Mead)	<i>1,200</i>	-	-	-	HCA Grant for Brooke Mead.
ESFRS Contribution	<i>0</i>	125	-	-	Funding due from East Sussex Fire and Rescue Service, 50% contribution towards sprinklers budget
Energy Grants/FITs	<i>180</i>	180	100	100	Funding received to support sustainability and carbon projects.
Total Funding	<i>43,047</i>	39,854	27,078	25,514	
	<i>0</i>	0	(205)	(4,260)	Forecast balance available to support future programmes.

Medium Term

The Medium Term Financial revenue position provides a cumulative surplus of £75.528 million that can be used to support the delivery of the capital programme during this period. When compared to last year's MTFs the surpluses are broadly similar over the same period. The 1% reduction in rents results in a total reduction of £7.6m over a 3 year period from 2017/18 to 2019/20. However, this has been partly mitigated by accumulated efficiency savings identified over the same period totalling of £1.532 million (which are £0.932m in 2017/18, £0.350m in 2018/19 and £0.250m in 2019/20) as well as the additional rent from the completed new build schemes over the same period of time.

	2017/18	2018/19	2019/20
	£'000	£'000	£'000
Expenditure			
Management & Service Costs	15,442	15,246	15,148
Repairs and Maintenance	10,097	10,198	10,300
Other Costs	1,197	1,209	1,221
Borrowing costs	6,083	6,852	6,636
Total Expenditure	32,819	33,505	33,305
Income			
Rental Income	(50,349)	(50,544)	(49,875)
Service Charges (Tenants)	(3,282)	(3,315)	(3,348)
Other Income	(4,767)	(4,814)	(4,863)
Total Income	(58,398)	(58,673)	(58,086)
Net (Surplus) / Deficit	(25,579)	(25,168)	(24,781)

30 YEAR FINANCIAL FORECAST

Introduction

The introduction of self-financing provided local authorities with the opportunity to develop longer term planning to improve the management and maintenance of council homes. The government's self-financing valuation agreed at April 2012 was based on using the rent restructuring formula with increases set at RPI + ½% + £2 per week and was set at a level to provide a balanced business plan over the next 30 years.

Since then the government has imposed two changes to the rent calculation which both result in significant reductions in future rental income. From April 2015, government guidance revised annual increases to Consumer Price Index (CPI) + 1%. This change removed the flexibility of social landlords to increase social rents each year by an additional £2 where rents were below target, resulting in lower annual rental increases over the long term. From April 2016, the Welfare Reform and Work Act 2016 details that rents should be reduced by 1% per annum commencing in 2016/17. This required reduction in rents by 1% per annum will reduce resources by £7.6m over a three year period (2017/18 -2019/20) with a cumulative reduction in resources of £206m over 30 years when compared to previous business planning assumptions.

The current financial plan projections shown below continue to provide a balanced business plan but there is less opportunity than before for regeneration and new investment within the HRA due to the significant reductions in rental income projections. The current plan projections should also be viewed with caution due to the uncertainties from government legislation not yet modelled in the plan. As a result of the review carried out by government a decision was reached to not proceed with the Pay to Stay policy included in the Housing and Planning Act 2016. However, there are still some uncertainties due to other government legislation which may have a significant impact on the long term health of the financial plan, such as:

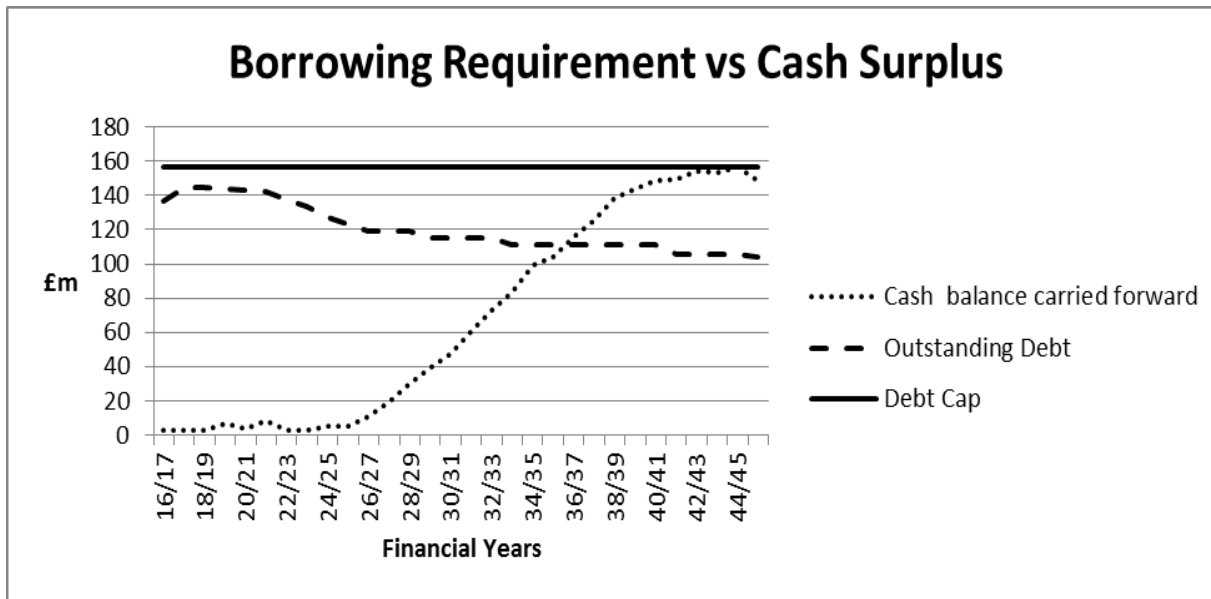
- Housing & Planning Act 2016 – This act includes a requirement to pay a levy to central government based on the number of void high value homes the HRA has. These properties are likely to be those that contribute most financially to the overall surpluses over 30 years. The full details of this scheme, including the formula for calculating the levy and the definition of high value are not yet available to inform business planning but will be implanted after 2017/18.
- Welfare Reform – The roll out of universal credit, reduction in tax credits, single room rates for under 35's in social housing and reduction in benefit cap to £20,000 per annum will all impact on tenant's ability to pay their rent. The assumptions used for bad debts and voids may need increasing resulting in a loss of projected income.
- Uncertainty of future rent policy after 2019/20. It is not clear at this stage whether the rent policy will revert to the previous policy of increases capped at CPI + 1% or something entirely different.

The 30 year financial plan will continue to be updated to reflect the impact of the changes resulting from government legislation and the 2017/18 budget proposals. This will enable a review of future opportunities for additional investment in existing housing stock and building new homes both within the HRA and through alternative delivery models.

Forecast

The net position of the financial forecast is shown in the graph below. The cash surplus over the period of the financial plan totals £149.5m. Assuming that no additional borrowing repayments are made over the life of the plan aside from those planned in the current loan schedule, the debt outstanding in year 30 is £104.2m. The cash surpluses equal outstanding debt by year 20 and this provides an indication that in the long term, based on current assumptions, the HRA maintains a balanced position with some surpluses.

Essentially, although the financial forecast shows that the HRA has healthy financial indicators to borrow to source funding for regeneration or development it is restricted by the self-financing debt cap (or limit). This is a government restriction on the amount of HRA borrowing permissible for capital investment by each local authority. The cap for Brighton & Hove is £156.8m. The outstanding debt reaches its peak in 2020/21 where the borrowing level is £144.1m leaving headroom of only £12.7m. Therefore, alternative delivery models outside of the constraints of the HRA may need to be considered in the future alongside a review of priorities included in the financial plan.



The 30 year financial forecast has been developed based on the following assumptions

- A general inflation of CPI assumed as an average of 1.6% for years 2 to 10 and 2% thereafter.
- Revenue repairs and maintenance costs are assumed to increase by 2.5% throughout the plan.
- Right to buy sales are assumed to continue at an average of 40 sales per annum.
- The forecast currently includes approved schemes only, totalling approx. 240 new homes. There is no allowance for any future regeneration schemes or new build schemes.
- Rents are assumed to decrease by 1% per annum for the next three years and then increase at CPI thereafter. Previously it was assumed that rents would increase by CPI plus 1% after the three years, however as there is uncertainty over future rent policy, the assumptions in the 30 year forecast have been revised. The CPI assumptions used provides total inflationary increases of an average of 1.2% for years 5-10 and 2% per annum for years 11-30. This has reduced the overall forecast surplus over the 30 years to £149.5 million.

The following table provides a summary of the 30 year income and expenditure flows.

30 Year forecast	Years 1-5	Years 6-10	Years 11-20	Years 21-30	Total
	£'000	£'000	£'000	£'000	£'000
Revenue expenditure:					
Management costs	60,800	62,958	137,765	157,773	419,296
Service costs	16,476	17,605	41,403	52,560	128,044
Repairs and maintenance	54,709	59,879	140,494	173,316	428,398
Other costs	3,179	3,322	7,612	9,280	23,393
Bad debt provision	2,206	1,968	3,955	3,866	11,995
Capital repayments	35,849	52,890	59,875	51,047	199,661
Total Expenditure	173,219	198,622	391,104	447,842	1,210,787
Revenue income:					
Rental income (net of voids)	250,117	255,307	569,559	669,453	1,744,436
Service charges	16,864	17,612	41,420	52,583	128,479
Other income	9,056	9,463	21,687	26,436	66,642
Leaseholder income	15,858	16,047	36,778	44,832	113,515
Total income	291,895	298,429	669,444	793,304	2,053,072
Net revenue income	118,676	99,807	278,340	345,462	842,285
Capital expenditure					
Capital investment	124,780	102,983	179,567	300,575	707,905
New build schemes	40,497	0	0	0	40,497
Total capital expenditure	165,277	102,983	179,567	300,575	748,402
Capital funding					
Other capital income	10,781	0	0	0	10,781
Borrowing	37,348	4,443	0	0	41,791
Revenue contribution to capital	118,676	99,808	278,340	345,463	842,287
Total funding	166,805	104,251	278,340	345,463	894,859
Opening HRA reserves	3,000	0	0	0	3,000
Cash surplus at year 30	4,528	1,268	98,773	44,888	149,457

STAR tenants satisfaction survey results 2016

Survey undertaken in June 2016 sent to 3,000 tenants. 828 tenants responded (i.e. 28%) which is an increase from 724 people (or 24%) last time we did the survey in 2014. See full report 'STAR' tenant satisfaction survey 2016' also on this Housing & New Homes Committee Agenda.

	% satisfied 2014	% satisfied 2016	Trend	Benchmark position
Satisfied overall with the service from Housing	78%	81%	↑	2 nd quartile
The overall quality of your home	80%	79%	↓	3 rd quartile
Your neighbourhood as a place to live	84%	80%	↓	2 nd quartile
Satisfaction with the last completed repair	76%	81%	↑	3 rd quartile
That your rent provides value for money	84%	86%	↑	1 st quartile
Standard of customer service	81%	85%	↑	Not available
Listen to views and acts upon them	64%	70%	↑	1 st quartile

