

## Decision pathway – Report Format

<b>Title: Housing Revenue Account 2018/19 budget proposals</b>		
<b>Ward(s):</b>	All	
<b>Author:</b>	Dorian Leatham	<b>Job title:</b> Service Director, Housing Services
<b>Cabinet lead:</b> Cllr Paul Smith	<b>Director lead:</b> Dorian Leatham	
<b>Proposal origin:</b> BCC Staff		
<b>Decision maker:</b> Mayor <b>Decision forum:</b> Cabinet		
<b>Timescales:</b> Decision requested at SLT 9 <sup>th</sup> January , Exec Member Briefing 15 <sup>th</sup> January		
<b>Purpose of Report:</b> To seek approval to the proposals for the 2017/18 Housing Revenue Account (HRA) budget; which have been tested within a 30-year financial business plan model; and to approve proposals for the implementation of the capital and revenue investment plans.		
<b>Evidence Base:</b> Please see attached Appendices		
<b>Cabinet Member / Officer Recommendations:</b>		
1. To approve the HRA budget for 2018/19, tested within the context of the 30-year financial business plan model 2. To approve the detailed capital & revenue investment plan for 2018/19 that underpins the 2018/19 HRA budget, 3. To delegate authority to the Strategic Director Neighbourhoods (with appropriate legal and procurement advice) for the procurement of relevant contractors during 2018/19 to deliver the capital & revenue investment plans in consultation with Cabinet Member for Housing as summarised in Appendices 3 and 4.		

<b>Revenue Cost: £ 119.9m</b>	<b>Source of Revenue Funding:</b> Rents, other income and HRA balances
<b>Capital Cost: £ 47.1m</b>	<b>Source of Capital Funding:</b> Funded within the HRA
<b>One off cost</b> <input type="checkbox"/> <b>Ongoing cost</b> <input type="checkbox"/>	<b>Saving Proposal</b> <input type="checkbox"/> <b>Income generation proposal</b> <input type="checkbox"/>
<b>Finance Advice:</b> <b>a. Financial (revenue) implications:</b> SLT is asked to consider the Housing Revenue Account Budget for 2018/19, which reflects the requirement, as set out in the Welfare Reform and Work Act 2016, to reduce social rents by 1% per annum for the four year period from 2016 to 2020. The impact of this change in government policy has led to a significant loss on income to the HRA. This is because the business plan assumed a level of annual inflationary increase. This widening gap has led to the need to review the medium term financial strategy for the HRA, as well as the longer term business plan – as the net loss of rent in effect reduces base rental income assumptions for the whole 30 year financial model. For the report to Cabinet it will be important, in addition to recommending the draft budget for next year to reflect the changes in income and expenditure assumptions for the period of the Council's medium term financial plan. There are a number of pressures that need to be factored in, including the potential impact of universal credit and associated services, ongoing rent reductions through right-to-buys, and the revenue implications of additional capital investment likely to be required following the Grenfell tragedy.  The Council has a duty to agree a balanced HRA budget for the next financial year, as well as a sustainable long term business plan, which takes account of capital investment needs in its stock and the revenue costs of managing and maintaining it. All revenue expenditure must be contained within the assumed income over the medium term. In addition the HRA should maintain an appropriate level of reserves, which will be used in the longer term to finance capital investment not supported through the annual depreciation charge. The supporting appendices set out a deterioration in the longer term financial	

position, and this will need to be considered in the near future to ensure the Council maintains the most effective balance between investment in stock and associated environmental improvements and revenue management and maintenance costs.

The budget savings required to ensure revenue costs are contained within an affordable envelope to ensure a medium term sustainable HRA are set out in Appendix 1, primarily, at this stage, revenue financing of capital investment. It will be important to ensure this accords with executive priorities.

There are significant financial risks to the sustainability of the HRA going forward. The report outlines the potential impact of ongoing welfare reform, such as reduction of the benefit cap – particularly for larger households. A further risk is the yet to be finalised sale of higher value properties, as set out in the Housing and Planning Act 2016.

Authority is also sought in the report to delegate re-procurement of a number of contracts which need to be renewed during the year. The Council has a duty to ensure Best Value and these will need to be undertaken in accordance with OJEU regulations and the Council's procurement rules.

**b. Financial (capital) implications:**

Over 40% of the annual costs attributable to the HRA relate to capital expenditure and its financing. The change in government policy on social rents and other financial risks outlined above have required a review of capital expenditure both in the medium term and over the period of the 30 year business plan to ensure sustainability.

The business plan assumes some 240 right-to-buys for 2018/19. This will generate some £16m of useable capital receipts. However it is estimated some 3m will need to be repaid to the Government under the 1-4-1 rules. £7.5m of these receipts form part of the 1-4-1 agreement with DCLG, which must be earmarked for expenditure on new affordable housing – either by the Council itself, or via a registered provider. The receipt can only fund a maximum of 30% of new development. Failure to spend receipts within 3 years, under the agreement, means they must be paid over to the Treasury with a punitive interest rate. This net loss of stock will further reduce revenue resources available to the HRA.

Government announced in the autumn that some housing authorities may be allowed to seek an increase in their debt caps. This should be reviewed in light of the desire to ensure full utilisation of 1-4-1 receipts within prescribed timescales, as a means of optimising new supply within the HRA – as these receipts cannot be used for financing in a wholly owned company. However this must be considered in the context of affordability.

**Finance Business Partner:** Chris Holme

**Corporate Strategy alignment:** The HRA business plan and budget proposals ensures a quality housing service contributing to the overall corporate objectives particularly around “fair and inclusive” (decent homes that people can afford) and “wellbeing” (healthy and more resilient communities).

**Legal Advice:** The Council is required to maintain, and review annually, a Housing Revenue Account in accordance with the provisions of the Local Government And Housing Act 1989 and directions issued thereunder. Approval of the HRA is a matter for the Mayor in Cabinet. The recommendations also seek delegated authority for the Strategic Director Neighbourhoods to implement the capital and revenue investment plans, (as summarised in the appendices 3 and 4) without further reference to Cabinet and notwithstanding that individual contracts may exceed £500k. In effect this report is to be treated as a key decision by cabinet authorising the Director, within the identified budgets, to commission/procure all necessary works and services. To ensure the implementation of the programme is lawful, all procurement and contracting activities must comply with the appropriate Procurement Regulations and the councils own procurement rules. Officers must also ensure the programme remains compliant with the Council's budget and policy framework.

**Legal Team Leader:** Eric Andrews, Team Leader, Commercial and Governance Team, Legal Services

**Implications on ICT:** NA

**ICT Team Leader:****City Benefits:**

The significant impacts of this proposal are...

Works delivered under this budget will result in the consumption of non-renewable resources, production of climate changing emissions and production of waste. Works also create the potential for both direct and indirect impacts on wildlife and habitats.

Some works delivered under this budget such as loft and cavity insulation have the potential for reducing consumption of fossil fuels and emissions of greenhouse gases.

The proposals include the following measures to mitigate the impacts...

A number of mitigation measures are included in the main ECO Impact Checklist which accompanies this Cabinet Report. In addition, the following mitigation measures will also be implemented:

- A Sustainability Appraisal will be completed as part of any procurement process.
- Housing Services will liaise with BCC's Environmental Performance team during the development of specifications etc.
- Continuously improving asset intelligence will be used to target works where most required on housing stock.

The net effects of the proposals are:

Overall positive provided the mitigation measures outlined in this ECO Impact Checklist are successfully implemented."

**Consultation Details:**

<b>DLT Sign-off</b>	Alison Comley	06/12/2017
<b>SLT Sign-off</b>	Shahzia Daya	09.01.2018
<b>Cabinet Member sign-off</b>	Councillor Paul Smith	15.01.2018
<b>For Key Decisions - Mayor's Office sign-off</b>		15.01.2018

Appendix A – Further essential background / detail on the proposal	<b>YES</b>
Appendix B – Details of consultation carried out - internal and external	<b>NO</b>
Appendix C – Summary of any engagement with scrutiny	<b>NO</b>
Appendix D – Risk assessment	<b>YES</b>
Appendix E – Equalities screening / impact assessment of proposal -	<b>YES</b>
Appendix F – Eco-impact screening/ impact assessment of proposal -	<b>YES</b>
Appendix G – Financial Advice	<b>NO</b>
Appendix H – Legal Advice	<b>NO</b>
Appendix I – Combined Background papers	<b>NO</b>
Appendix J – Exempt Information	<b>NO</b>