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## Executive summary

**Report title: Housing Revenue Account 2017/18 budget proposals**

**Wards affected:** Citywide

**Strategic Director:** Alison Comley, Strategic Director, Neighbourhoods

**Report Author:** Nicky Debbage, Service Manager – Business Planning & Service Development



### Recommendation for the Mayor's approval:

1. To approve the Housing Revenue Account (HRA) budget for 2017/18, tested within the context of the 30-year financial business plan model
2. To approve the detailed capital & revenue investment plan for 2017/18 that underpins the 2017/18 HRA budget,
3. To delegate authority to the Strategic Director Neighbourhoods for the procurement of relevant contractors during 2017/18 to help deliver the capital & revenue investment plan.

### Key background / detail:

The HRA is a separate ring-fenced element of the council budget for the provision, maintenance and management of the council's 27,000+ rented homes. The primary source of funding to the HRA is from tenants' rents. Finances for council housing in Bristol are under considerable pressure due to changes in government policy. The main change relates to rent levels, which under previous policy were rising above inflation meaning increasing income to reinvest in existing and new council housing. Current government policy is for council rents to reduce by 1% per annum for four years from April 2016. This, together with other pressures such as the impact of welfare reform on tenants' ability to pay rent, means savings of around 15% are required to balance the business plan for Bristol's council housing.

The 2017/18 HRA budget has been developed in the context of this need to make significant savings to ensure the viability of the HRA. The proposed 2017/18 budget has been tested within an updated 30-year financial business plan to check that the savings identified have sufficient impact to move towards a longer-term balanced HRA. The budget still seeks to ensure delivery against the objectives for council housing: Meet Housing Need, Quality Homes & Neighbourhoods, Provide Sustainable Tenancies. However, in order to balance the HRA there are reductions to some previously planned investment to existing homes and services and in new homes.

Development of a final HRA business strategy will involve consultation with stakeholders to identify ways to achieve savings but still continue to contribute to the City's housing strategy aims. Whilst the 2017-47 financial business plan requires further testing and consultation with stakeholders, it does confirm that our revised approach, in particular reduced investment plans, delivers a viable HRA for the medium – long-term (the HRA business plan balances for 16 years).

The proposed HRA budget for 2017/18 produces a revenue income total of £121.4m and proposed revenue expenditure of £121.9m. The small £0.5m annual revenue deficit can be funded from HRA reserves.

The key elements of the 2017/18 budget and financial business plan include:



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Rents - remain as Social rents, the most affordable form of housing, set following government policy meaning an average weekly rent (52-week) in 2017/18 of £80.19.

Service Charges - will be levied to recover the costs of specific services provided to some tenants, such as caretaking or CCTV and will rise in line with cost increases, generally 1%.

Voids - measures are being put in place to reduce the number of homes becoming empty unnecessarily and the time homes are empty between tenancies. The budgeted rent loss on voids is below 1.5% of gross rent.

Bad debts – the provision for bad debts is more than required in previous years due to the forecast impact of welfare benefit reforms on rent arrears.

Repair & Investment of existing homes – is the largest area of spend and aims to ensure homes continue to meet the government’s Decent Homes Standard and reflects tenants’ priorities such as affordable warmth. The investment plan is significantly reduced from previous plans and no longer includes the cladding of all non-traditional homes or a proactive bathroom replacement programme, and other investment programmes have been elongated to spread costs over a longer period.

New homes – the aim is to build as many new council homes as possible and the HRA business plan model shows that 785 new council homes can be funded in the 1<sup>st</sup> 15 years of the plan – a reduction from the 1,000 that had previously been planned.

Management costs – savings have been achieved through some reduction in staffing and efficiencies will be sustained through the introduction of a new housing management IT system, streamlined processes, increased mobile working and digital access to services for customers.

Borrowing & Debt - the budget and business plan assume no repayment of debt on the HRA – meaning the re-investment of all income on new & existing homes and services. The debt cap on the HRA means we can only borrow a further £12m, and this limited borrowing remains as a ‘contingency’ option for the future should it be required.

The impact of the reduced 2017/18 budget and a similar approach for the remaining 29-years on our long-term HRA Business Plan is that we are able to balance the HRA for 16-years. However, there is insufficient funding from year 17 onwards and by 30-years the total funding gap of capital investment is £210m. This shortfall is despite using all of the current £90m held in reserves. However, further testing of the assumptions used in that BP will be needed with a range of stakeholders - primarily BCC tenants and leaseholders.

Appendix 3 provides detail of the planned investment in homes in 2017/18, together with longer-term plans that underpin the 30-year financial business plan. Previously, procurement of contractors to undertake investment (over £0.5m) included in the HRA budget have been the subject of separate Cabinet approval reports. It is proposed for 2017/18 that approval of the procurement required to deliver the repair and investment of council housing should be part of approval of the 2017/18 budget and then authority should be delegated to the Strategic Director Neighbourhoods, in consultation with the cabinet member for Homes, to appoint relevant contractors.

