

PURPOSE: Key decision**MEETING:** Cabinet**DATE:** 22 January 2019

TITLE	Housing Revenue Account 2019/20 budget proposals		
Ward(s)	All		
Author: Julian Higson	Job title: Director of Housing and Landlord Services		
Cabinet lead: Councillor Paul Smith	Executive Director lead: Colin Molton		
Proposal origin: BCC Staff			
Decision maker: Mayor			
Decision forum: Full Council			
Purpose of Report:			
<ol style="list-style-type: none"> Note the requirement to reduce social rents by 1% for 2019/20 and the inflationary uplift in service charges for tenants and leaseholders. To seek approval to the proposals for the 2019/20 Housing Revenue Account (HRA) budget and the HRA Medium Term Financial Plan, 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. To delegate authority to the Strategic Director of Growth and Regeneration (with appropriate legal and procurement advice) in consultation with Cabinet Member for Housing, deputy mayor for resources, section 151 officer and the monitoring officer for the procurement of relevant contractors during 2019/20 to 2023/24 (covering the period of the 2019/20 budget and rolling five year planned maintenance budget, and the already planned phases 3 and 4 of the HRA new build schemes) to deliver the capital and revenue investment plans as set out in detail in Appendices A2 and A3. Delegated authorities for the Service Director of Housing and Landlord Services to draw down from HRA revenue reserves to meet any loss of income during the year. 			
Evidence Base:			
<ol style="list-style-type: none"> The HRA is a separate ring-fenced account and covers all activities of BCC as a landlord of circa 28.5k housing stock The Council has a duty to develop 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. A revised and updated HRA MTFP will come to Cabinet every year as part of the Council's budget process. Appendix A1 sets out the HRA income and expenditure for 2019/20 and the HRA MTFP, but there follows a summary of the key information. Appendices A2 and A3 provide detailed information regarding the Housing Investment Plan (capital expenditure, and both capital and revenue investment in the housing stock of circa 28,500 homes). The main sources of income into the HRA are rent, service charges and capital receipts received from 'council housing'. The HRA forecasts revenue of £122.6m in 2019/20, comprised of: <ol style="list-style-type: none"> £113.3m rental income (factoring in a 1% reduction per annum for the four year period from 2016 to 2020) Of this a percentage will be lost as no income is received while properties are void (empty) -£1.5m £8.5m service charges £2.5m in charges for other assets, including garages and shops, and interest on balances. The rental income forecast may alter following further consideration of the effect of the 53 week charging period on the required 1% annual reduction in rent payable. National discussions are being held regarding this issue. Bristol City Council is reviewing the approach taken to ensure it is not open to challenge. 			

7. There is also capital income, the main sources of which are:
 - a. Right to Buy (RTB) receipts of £16.9m in 2019/20, with £2.1m to be repaid to government, leaving £14.8m of useable receipts. Of these **£4.5m** will be utilised in 2019/20, the rest will be added to balances and carried forward to help support the capital programme in future years.
8. In 2018 Government removed the HRA borrowing cap (a Government-set limit determining how much money could be borrowed). With the removal of the headroom cap on local authorities, it has meant a larger and quicker development programme can be enabled. As part of determining the Council's capital financing requirement for 2019/20 and later years the HRA has added the requirement for an additional £43m borrowing to finance the next phase of its new build programme. For 2019/20 new homes will be financed by a mix of an extra £4.8m in borrowing and previously committed HRA funding, including RTB receipts.
9. Appendices A2 and A3 (Housing Investment Plan and HIP Summary), set out the investment plans for council homes for 2019/20, and include a view of the requirement over the following 4 years for information.
10. Other expenditure for 2019/20 includes:
 - a. £38.7m providing services to tenants including estate management, rent management, caretaking and services for older people (management and service costs)
 - b. £11.6m debt costs: servicing (but not repaying) £249m of HRA debt
 - c. £2.9m is the amount of money set aside to cover bad debts (i.e. older former tenants' arrears that are not recoverable)
11. The overall position of the HRA Business Plan has improved, and the plan is fully funded, due to:
 - a. The lifting of the HRA borrowing cap, which increases capacity and future revenue streams (as the new borrowing will finance the development of new homes that will increase the rental income stream)
 - b. Changes to the HRA new build programme, with a percentage sold for market sale with surpluses invested back into the HRA
 - c. A review of the Housing Investment Plan or 'HIP' (in previous years referred to as the Capital and Revenue Investment Plan)

Cabinet Member / Officer Recommendations:

1. Note the requirement to reduce social rents by 1% for 2019/20 and the inflationary uplift in service charges for tenants and leaseholders.
2. To seek approval to the proposals for the 2019/20 Housing Revenue Account (HRA) budget and the HRA Medium Term Financial Plan, which have been tested within a 30-year financial business plan model; and
3. To approve proposals for the implementation of the capital and revenue investment plans.
4. To delegate authority to the Strategic Director of Growth and Regeneration (with appropriate legal and procurement advice) in consultation with Cabinet Member for Housing, deputy mayor for resources, section 151 officer and the monitoring officer for the procurement of relevant contractors during 2019/20 to 2023/24 (covering the period of the 2019/20 budget and rolling five year planned maintenance budget, and the already planned phases 3 and 4 of the HRA new build schemes) to deliver the capital and revenue investment plans as set out in detail in Appendices A2 and A3.
5. Delegated authorities for the Service Director of Housing and Landlord Services to draw down reserves to fund the projected spend, should there be changes in forecast income during the year.

City Benefits

1. Fifteen percent of housing in Bristol is owned and managed by Bristol City Council, therefore decisions about the HRA budget impact directly on a significant number of households, as well as contributing to delivery of objectives in the Council's Corporate and Housing strategies.
2. £60m of the HRA will re-invested in homes in 2019/20, helping to safeguard the value of HRA assets; positively impact on the well-being of residents; and ensuring health and safety obligations are complied with.

Corporate Strategy alignment:

The HRA business plan and budget proposals ensure 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).

Consultation Details:

Assumptions tested with HSLT and Cabinet Member in Oct 2018

Revenue Cost	£122.8million	Source of Revenue Funding	Housing Revenue Account
Capital Cost	£51.8	Source of Capital Funding	Housing Revenue Account
One off cost <input type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:		
1. Finance Advice: The HRA budget proposals set out the strategic financial position. 2019/20 is the last year of the 1% rent reduction programme. An HRA MTFP is provided. A detailed Housing Investment Programme sets out the capital and revenue investment necessary to deliver the 30-year business plan.		
Finance Business Partner: Finance have been involved in updating the HRA Business Plan and have been involved in the production of the report. Paul Cook 11 November 2018		
22. 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 report seeks approval of the HRA budget, including its proposed revenue and capital spending plans, and also delegated authority for the Executive Director, Growth & Regeneration to implement the those plans, (as summarised in the appendices) including all procurement activities, 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. Sec 23 of the Welfare Reform and Work Act 2016 provides that in relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months. In order to comply with the legislation consideration is needed as to how that is achieved in a year when there are 53 chargeable periods. One option is to calculate the rent payable over the year on a daily basis.		
Legal Team Leader: Legal Team Leader: Eric Andrews, Team Leader, Legal Services - 19/12/2018		
3. Implications on IT: IT Services, like other Council departments, provides support services to the HRA account and these are noted within this report, as well as proposals for IT investment. These investments will continue the modernisation and upgrading of HRA IT systems. However, there are well established processes for addressing these matters so there are no significant impacts or IT implications arising from this report		
IT Team Leader: Ian Gale		
4. HR Advice: No anticipated HR implications		
HR Partner: Celia Williams, HR Business Partner – Growth and Regeneration		
EDM Sign-off	Colin Molton	20 th Dec 2018
Cabinet Member sign-off	CLlr Paul Smith	17 th Dec 2018
CLB Sign-off	Mike Jackson	08 th Jan 2019
For Key Decisions - Mayor's Office sign-off	????	10 th Jan 2019

Appendix A – Further essential background / detail on the proposal <i>Please see appendices A1, A2 and A3</i>	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	NO
Appendix E – Equalities screening / impact assessment of proposal	YES

Appendix F – Eco-impact screening/ impact assessment of proposal	YES
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Combined Background papers	None
Appendix J – Exempt Information	NO
Appendix K – HR advice	NO
Appendix L – ICT	NO