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| Report Title | HOUSING COMMITTEE ESTIMATES – REVISED 2018/19 AND ORIGINAL 2019/20 AND HOUSING REVENUE ACCOUNT (HRA) MEDIUM TERM FINANCIAL PLAN 2018/19 – 2022/23 |
| Purpose of Report | To present to the committee the revised estimates for 2018/19 and the original estimates for 2019/20 |
| Decision(s) | <p>The Committee RECOMMENDS to Strategy & Resources that:</p> <ul style="list-style-type: none"> (1) The revised General Fund Housing revenue budget for 2018/19 and original budget 2019/20 are approved (2) The revised HRA revenue budget for 2018/19 and original budget 2019/20 are approved (3) The movement to and from HRA balances and capital reserves as detailed in Appendix B and section 11 are approved (4) That from 1 April 2019: <ul style="list-style-type: none"> i) Social rents and affordable rents are decreased by 1%, as calculated in accordance with legislation ii) Garage rents are increased by 2.4% iii) Landlord service charges are increased by 2.4%, except district heating charges which are increased by 14%, capped at £1 per week <p>As detailed in Appendix A</p> (5) That provision for repayment of HRA borrowing is made on an annual basis, with flexibility retained for this to be made from revenue, the Major Repairs Reserve, capital receipts, or any combination of these (6) That the General Fund Housing Capital Programme, as detailed in Section 4, be included in the Council's Capital Programme (7) That the HRA Capital Programme for 2018/19 to 2022/23, as detailed in Appendix C, be included in the Council's Capital Programme. |

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| Consultation and Feedback | Budget holders and senior managers |
| Financial Implications and Risk Assessment | <p>The report sets out the medium term financial forecast for the HRA over the next 4 years. Revenue and Capital budgets have been reviewed in detail for 2018/19 and 2019/20, although further work will need to be undertaken on the Major Works capital schemes over the medium term plan period.</p> <p>The MTFP aims to maintain minimum balances of £1.5m over the medium term. The overall level of expenditure across the HRA is increasing from £20.8m to £23.8m, with rental income projected to increase from 2020/21 as social housing rent can increase by CPI +1% for a five year period.</p> <p>The report sets out two important changes to the approach around HRA borrowing and financing. Firstly, this report includes a preferred option on making provision for the repayment of HRA borrowing (paragraph 10.3 to 10.16) on an annual basis. Secondly, the removal of the HRA borrowing cap in October 2018 (paragraphs 10.17 to 10.19) does allow for HRA to fund elements of the New Homes and Regeneration Programme.</p> <p>A number of risks and uncertainties remain with the MTFP forecasts, and these are set out in paragraphs 14.1 to 14.6 in the report.</p> <p>David Stanley – Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p> |
| Legal Implications | <p>This report forms part of the budget setting process for 2019/20 which involves the Council calculating estimated expenditure and income which will be charged / allocated to its Housing Revenue Account.</p> <p>Recommendations on rent levels take account of the Welfare Reform and Work Act 2016 requirement of the Council to reduce social housing rents payable by individual tenants by 1% each year from 2016 to 2019.</p> <p>This committee needs to be satisfied the proposed recommendations are appropriate, in reliance on professional financial advice.</p> <p>Nicola Swan, Interim Head of Legal & Monitoring Officer Tel: 01453 754369 Email: nicola.swan@stroud.gov.uk</p> |

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| Options | a) Reduce or increase capital and revenue expenditure b) Reduce dwelling rents c) Reduce or increase landlord service charges |
| Performance Management Follow Up | Budget Monitoring report to Housing Committee in April 2019 Outturn report to Strategy and Resources in May 2019 and Housing Committee in June 2019 |
| Background Papers/ Appendices | A – Rents and Service Charges B – MTFP and reserves position C – Capital Programme and funding |

1. Background

- 1.1 The Budget Strategy report to Strategy and Resources Committee in October 2018 set out the way in which the Council would approach setting budgets for the forthcoming financial year.
- 1.2 It would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate service manager before the meeting.

2. Summary

- 2.1 This report updates Members on the draft General Fund Housing and Housing Revenue Account (HRA) budgets for 2019/20, and the revised budgets for 2018/19.

2.2 General Fund Housing

A proposed increase of £45k would bring the total General Fund housing revenue budget to £552k in 2018/19. The proposed original budget for 2019/20 is £540k.

- 2.3 The capital budget is proposed to increase to £1,179k in 2018/19 and £1,530k in 2019/20.

2.4 Housing Revenue Account

A reduction in overall budget of £644k in 2018/19 (revised) will allow a return to HRA general reserves of £519k, with a transfer to HRA general reserves of £102k included in the draft budget for 2019/20.

- 2.5 It is proposed that weekly rents reduce by 1%, with most other charges rising with inflation.
- 2.6 The HRA now has the ability for prudential borrowing which has allowed a refreshed new build programme to be included in the budget proposal.
- 2.7 The HRA has a balanced position forecasted over the medium term, and it is proposed that an ongoing provision is made for the long term repayment of HRA borrowing.

3. General Fund Housing

- 3.1 Members will be aware from both the 2018/19 budget and MTFP (approved in January 2018) and the Budget Strategy reports, the Council is facing a number of financial challenges in 2019/20 and future years. A budget deficit has been forecast in the latter part of the medium term due to anticipated reductions in the level of government funding, and inflationary and cost pressures across the Council's services. The service committee's revenue budgets have been prepared in accordance with the budget framework set out in the Budget Strategy report.
- 3.2 The Medium Term Financial Plan (MTFP) report to Strategy and Resources will set out a projection of General Fund Expenditure over the medium term 2019/20 to 2022/23.
- 3.3 The original budget for General Fund Housing was £503k, although this was already revised to £507k in the Outturn 2017/18 Report.
- 3.4 It is proposed that the 2018/19 budget be revised to £552k, and the 2019/20 base budget be set at £540k.
- 3.5 Pay inflation of 2% has been included across the General Fund.
- 3.6 Below is a summary for each service

Table 1: Summary of General Fund Housing

| | 2018/19 Original Estimate (£'000) | 2018/19 Revised Estimate (£'000) | 2019/20 Original Estimate (£'000) |
|-------------------------------------|--|---|--|
| Homelessness | 261 | 263 | 246 |
| Housing Strategy | 90 | 136 | 138 |
| Private Housing | 152 | 153 | 156 |
| Total Housing (General Fund) | 503 | 552 | 540 |

3.7 Homelessness

The budget for Bed and Breakfast has been increased to recognise the higher need for temporary accommodation. The gross expenditure budget has increased from £50k to £200k. Housing Benefit would be claimable in most cases, however, benefit would not be fully reclaimable from Central Government (since the cost of bed and breakfast or temporary accommodation is largely higher than the limit on Housing Benefit). Therefore a net increase of £50k has been included in the budget.

The budget has also been changed to reflect the Government grants that have been confirmed for 2019/20. As previously reported these grants are supporting additional posts within the service, and are also contributing towards the cost of temporary accommodation. Should these not be fully spent in year it would be recommended that any balance, subject to the overall General Fund position, be transferred to the Homelessness earmarked reserve.

3.8 Housing Strategy

An ongoing virement into Housing Strategy of £45k is proposed, to come from savings in other areas of the General Fund.

This funding would be used to sustain specialist housing delivery and related support. As an example of housing based support, alongside the other Gloucestershire Authorities SDC currently part-funds a county-wide contract for supporting rough sleepers to move towards more permanent and settled lifestyles. In addition SDC also provides some funding for housing-based solutions to support the victims of domestic abuse. Neither of these contracts currently has an identified budget and are funded through ad hoc savings made from within existing budgets.

3.9 Private Sector Housing

There are no significant changes to the Private Sector Housing revenue budgets.

4. **General Fund Housing Capital**

4.1 The original capital programme budget was £449k, but this was revised to £619k in May 2018.

4.2 The proposed revised budget for 2018/19 is now £1,179k, with the increase being funded from external grant income.

4.3 The proposed original budget for 2019/20 is £1,530k.

Table 2: General Fund Housing Capital Programme

| | 2018/19 Original Estimate (£'000) | 2018/19 Revised Estimate (£'000) | 2019/20 Original Estimate (£'000) |
|--------------------------------------|--|---|--|
| Affordable Housing Capital Programme | 119 | 149 | |
| Disabled Facilities Grants | 330 | 330 | 330 |
| Warm Homes Fund | | 500 | 1,000 |
| CCG Health through Warmth Grants | | 200 | 200 |
| Total | 449 | 1,179 | 1,530 |

4.4 Further detail of the revised budgets are below.

4.5 Affordable Housing Capital Programme – this is funding to provide occasional grant assistance to Housing Associations. Any remaining budget from 2018/19 will be carried forward into 2019/20.

4.6 Warm Homes Fund – this is funding for central heating systems in households across Gloucestershire, for which SDC is leading. It is externally funded by National Grid, through Affordable Homes Solutions.

It is possible to access some of this funding in the HRA, and should this happen, the spend and grant income would be reflected in the HRA rather than the General Fund.

4.7 Health through Warmth Grants – this is funded by the CCG and like warm homes covers the whole county. The funding for the Health through Warmth is predominantly used for insulation and heating systems to increase thermal efficiency in homes of people with cold or damp related health issues. Where possible this used in conjunction with the Warm Homes funding.

4.8 Should any of the externally funded grant payments change, the capital spend will need to change accordingly to prevent leaving the Council with unfunded capital spend.

5. Housing Revenue Account (HRA)

5.1 The MTFP proposes a revised revenue expenditure of £20,756k for 2018/19, funded by income of £22,769k, with transfers to reserves of £2,043k, of which £1,494k is to earmarked reserves.

5.2 The proposed budget for 2019/20 includes expenditure of £22,518k, funded by £22,394k, with a net transfer from reserves of £124k.

Table 3: HRA MTFP Summary

| | 2018/19 Base £000s | 2018/19 Revised £000s | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|--|--------------------------|-----------------------------|------------------|------------------|------------------|------------------|
| Dwelling Rents | (20,829) | (21,078) | (20,816) | (20,987) | (21,506) | (22,184) |
| Other Income | (1,706) | (1,691) | (1,578) | (1,580) | (1,593) | (1,616) |
| Total Income | (22,535) | (22,769) | (22,394) | (22,567) | (23,099) | (23,800) |
| Expenditure | 22,710 | 20,756 | 22,518 | 22,650 | 24,384 | 23,779 |
| Total Expenditure | 22,710 | 20,756 | 22,518 | 22,650 | 24,384 | 23,779 |
| Transfers to/(from) EMR | (50) | 1,494 | (226) | 604 | (1,847) | (309) |
| Transfer to/(from) HRA General Reserves | (125) | 519 | 102 | (687) | 562 | 330 |
| HRA General Reserves Balance c/f | 2,878 | 3,522 | 3,624 | 2,937 | 3,499 | 3,829 |

5.3 A more detailed analysis of the HRA MTFP can be found in Appendix B.

5.4 The budget proposal includes a number of changes from the 2018/19 base budget. A summary of the significant changes can be found in Table 4 below.

Table 4: Summary of proposed budget changes

| Service Area | Para | 2018/19 (revised) £000s | 2019/20 (base) £000s |
|---|----------|-------------------------------|----------------------------|
| Transfer (to)/from HRA reserves – 2018/19 base budget | | 125 | 125 |
| Rents and service charges update | 6 | (316) | 342 |
| Rents – 53 week rent year | 6.3 | - | (411) |
| Provision for bad debt | 6.11 | (120) | (120) |
| Pay Inflation | 7.1 | - | 70 |
| Non pay inflation | 7.2, 7.3 | - | 152 |
| Vacancy Savings | 8.3 | (144) | - |
| Contingency | 9.2 | (86) | (186) |
| Sheltered Housing | 8.4 | (180) | (127) |
| Project Costs | 8.6 | - | 70 |
| Contribution to Sheltered Modernisation EMR | 11.2 | - | (390) |
| Contribution to Estates EMR | 11.2 | - | (820) |
| Insurance Costs | 9.6 | (59) | (114) |
| Interest Costs | 9.7 | (93) | (134) |
| Depreciation | 9.8 | 350 | 469 |
| Pension lump sum | 9.9 | - | 72 |
| Provision towards repaying debt | 10.15 | | 900 |
| Other minor changes (net) | | 4 | 0 |
| Final position – transfer (to)/from HRA reserves | | (519) | (102) |

6. Proposed Rent and Service Charges 2019/20

6.1 Appendix A sets out the proposed increases in fees and charges.

6.2 Dwelling Rents

2019/20 is the final year of the four year rent reduction as set out in the Housing and Planning Act. It is therefore proposed that all social and affordable rents are decreased by 1% in line with the legislation. This reduces the average rent from £81.96 per week to £81.14 per week, a decrease of 82p per week.

6.3 Although weekly rents will decrease by 1%, 2019/20 is a 53 week year. This happens every five or six years when there are 53 Mondays during the financial year, and so 53 weekly payments due during the year. Therefore, although weekly rents are lower, tenants who choose to pay monthly will see a small increase in their payments. For the average rent this equates to a monthly increase of £3.22, or 0.9%.

6.4 Members could choose to reduce rents by more than 1%. Each additional 0.5% reduction would reduce the average weekly rent for tenants by £0.41 per week, or £21.32 per year (for a standard 52 week year), and decrease dwelling rent income to the HRA by approximately £104k per year. If Members chose to implement a further reductions, the corresponding amount would need to be funded from reductions in existing services.

6.5 On becoming vacant, dwellings at social rent are being relet at the Target Rent, a national rent calculation for social housing which is designed to give fair and consistent rents across all local authority and housing association stock. Currently 83% of tenants have rents below the Target Rent (a decrease from 88% last year). Of those, the average difference is £1.79 per week. This is equivalent to loss of income of approximately £440k per year. This figure will reduce as dwellings become void and are relet, but as existing tenancies will be unaffected it will be a very gradual change. Members could choose to implement Social Rents at above Target Rent on relet (up to 5% on General Needs and 10% on Sheltered properties), but this is not being proposed at this time.

6.6 Shared ownership rents are to increase by the inflationary uplifts set out in each lease.

6.7 Garage rents and service charges

Garage rents and service charges are recommended to increase by 2.4% (September Customer Price Index – CPI), with the exception of district heating charges. This is for the five sheltered schemes with a communal boiler that serves all of the dwellings in the scheme. As an authority our gas prices have increased by 14%, and it is proposed that this increase is passed on to tenants, as it would if they were charged directly from the utility provider. However, as this is a large increase, any increase would be capped at £1 per week and so no tenant will see an increase higher than this.

6.8 A review of landlord services is being undertaken by Tenant Services, and will initially report to Housing Committee in April 2019.

6.9 Void assumptions

Void levels are currently assumed to be 2% for General Needs properties and 5% for Sheltered. This is higher than is being experienced and so this will drop to 1% for General Needs for two years.

6.10 Additional income of £316k is forecast in 2018/19, largely due to this lower void level and so the budget will be revised in line with this.

6.11 Provision for bad debt

Assumptions around non payment of rents and charges have been set at a higher level for 2018/19 and the following two years. This was to make an allowance for the anticipated impact of Universal Credit. As a full roll out is not expected to take place before 2023, it is proposed that the provision made for bad debt is reduced from £200k to £80k for both 2018/19 (revised), and 2019/20. The higher level of £200k will still be included over the medium term, but pushed back to reflect the later date of implementation.

7. Pay and Price Inflation

7.1 In line with the Budget Strategy, future years pay inflation has been provided for in the MTFP at a rate of 2%.

- 7.2 Provision has been made for non pay inflation for major contracts at a rate of 3%.
- 7.3 Utility budgets have been increased in line with contractual increases.

8. Service Changes

- 8.1 Significant work has been undertaken across the housing service to realign the budgets for both 2018/19 and 2019/20. These changes are not to change the service being provided, but rather to align the budget to the current service level. Going forward it is likely that further revision will be required, but this represents a big step towards having the right information on which to make financial decisions.
- 8.2 A summary of the key changes are below:
- 8.3 Vacancy savings – savings of £144k across supervision and management are expected in 2018/19 and so it is proposed to return these saving to reserves. This figure could change over the year as posts are filled or new ones become vacant, and this transfer will not prevent vacancies being filled during the remainder of the year.
- 8.4 Sheltered Housing – ongoing savings of £127k are identified, largely due to reducing staffing levels and costs associated with the closure of schemes identified as red in the sheltered modernisation programme. There are also additional savings in 2018/19 with the inclusion of vacancy savings in year.
- 8.5 Tenancy management – by reviewing budgets across Tenancy Management, the opportunity has arisen to redirect funding towards a new Sustaining Tenancies budget of £25k. By working in collaboration with a wide range of organisations, this budget would be used to deliver services and solutions to help and support new and vulnerable tenants for the common good - sustaining tenancies.
- 8.6 Repairs and maintenance – maintenance budgets have been realigned, but there are no material changes overall. An additional cost of £70k has been identified in 2019/20 to bring in expertise on the project looking at options for delivery of responsive maintenance from 2020.

9. Central Changes

- 9.1 A number of changes are proposed to central budgets:
- 9.2 Contingency – The base budget includes a £50k general contingency and a £135k staffing contingency. Neither contingency has been used in the last three years. It is therefore proposed that these revenue contingencies cease, with a transfer in 2018/19 to a new General Contingency HRA earmarked reserve (EMR) of £100k. This new EMR could be accessed by senior management within Housing, should the need arise (in line with the current contingency budget). Any use of the EMR would be reported to Housing Committee in the next Budget Monitoring report.
- 9.3 There is already a Staffing EMR of £250k and so no further transfer is necessary.

- 9.4 No transfer to either reserve has been included in the base budget for 2019/20, but should either EMR be used, a transfer would be made from revenue, as part of the budget setting process, when funds are available.
- 9.5 Further information on the EMRs held by the HRA are included in section 11.
- 9.6 Insurance – the cost of insurance has reduced from the start of a new contract in October 2018. This has led to expected savings of £59k in 2018/19 and £114k in 2019/20 budget, when compared to the base budget for 2018/19.
- 9.7 Interest costs – by utilising the reserves held by the HRA, we are able to internally borrow, which means that external interest is not payable on this amount. As reserves are effectively offset, it means that investment income is no longer receivable on the full balance, but the amount lost in investment income would be lower than the amount saved by not paying interest.
- 9.8 Depreciation – depreciation charges have been reset, and are expected to be higher than previously budgeted. Although a ‘cost’ to the HRA, the depreciation charge is transferred to the Major Repairs Reserve to finance the capital programme and so this higher charge in year will be used to fund major works capital spend.
- 9.9 Pension lump sum – in line with the triennial review, the contribution towards the past pension cost lump sum has increased.

10. HRA Borrowing and Provision for Repayment of Debt

10.1 Current borrowing position

Total borrowing for the HRA is £102.5m. Loans totalling £97.7m held by the HRA are due for repayment between 2032 and 2066. A £2m loan is due for repayment in early 2019 and it is expected that this will be internally borrowed initially, bringing the total internally borrowed balance to £4.8m.

- 10.2 By internally borrowing this balance, a saving can be made on interest payable. Since balances would not be as high, some investment income is lost, but the net position is positive as the interest rates on borrowing are higher.

10.3 Repayment of debt

Unlike the General Fund, the HRA doesn't have to make a specific annual contribution towards repaying debt through Minimum Revenue Provision (MRP).

- 10.4 At the start of self financing it was forecasted that reserves would be enough to repay any borrowing when it was due, and so annual contributions were not needed. Since 2012 the national picture has changed significantly, and reserves are not now expected to be high enough.

10.5 Therefore it would now be prudent to start making an annual provision - putting money aside to repay the loans, where possible, when they are due.

10.6 As there is no 'minimum' payment that needs to be made, the amount put aside can be flexible, and Members should be minded to weigh up the cost vs benefits for both current and future tenants.

10.7 Proposed Options

Although there are unlimited options available for the repayment of debt, this report will focus on three of the options:

1. Repay borrowing over 48 years

This option has been chosen as it is broadly in line with the original self financing plan, which would have repaid the debt in 49 years (from 2012) and also this option would repay approximately half of the debt over the next 30 years.

By putting aside £1.3m in 2019/20, which then would rise in line with inflation each year (ie in line with rental income), all of the £102.48m would be repaid in 48 years.

2. Repay borrowing over 60 years

This option recognises that the financial position of the HRA is not as strong as it was at self financing and so pushes the repayment of debt out to 60 years.

Starting with a provision of £0.9m, and again increasing with inflation each year, the borrowing would be repaid over 60 years.

3. Make no provision

This option would not make any repayment of borrowing, and as loans become due for repayment, they would need to be refinanced.

Note: these options would relate to the existing debt only, with any new borrowing being considered separately (paras 10.19 and 17.5)

10.8 Although putting aside additional funding to repay debt on top of paying the interest increases the overall cost to the HRA in earlier years, as borrowing is repaid interest costs will reduce and so over the longer term the cost evens out. By the end of the 30 year period the total amount being paid is actually forecasted to be lower than if interest alone was being paid.

10.9 The below table shows the total cost of the borrowing (interest costs plus the provision for repayment of debt) over the three options

Table 5: Total revenue cost of borrowing

| | Total Revenue Cost | | |
|-----------------------------------|--------------------|----------------|----------------|
| | 5 years £m | 30 years £m | 60 years £m |
| 1 - repay borrowing over 48 years | 24.0 | 142.5 | 210.9 |
| 2 - repay over 60 years | 22.1 | 129.4 | 243.3 |
| 3 - no provision | 17.8 | 113.7 | 259.5 |

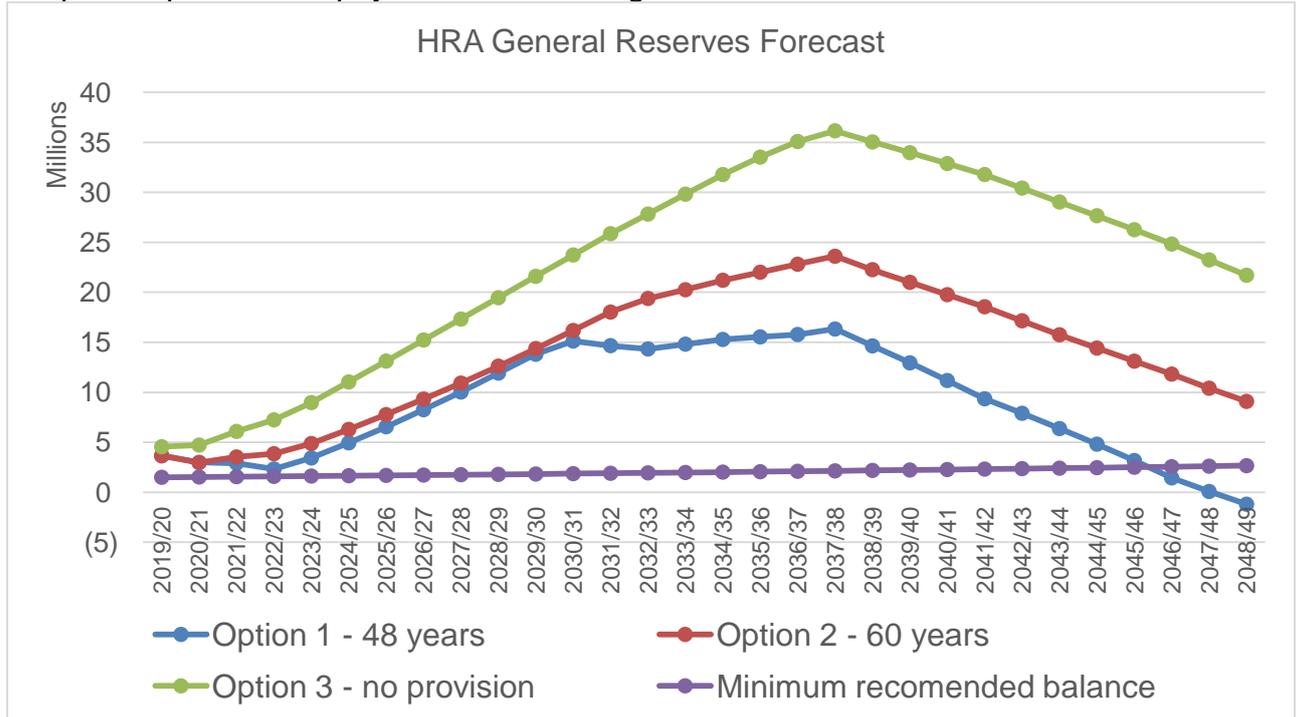
10.10 As provision is made, it is effectively put in the bank and saved up ready and waiting for the loans to be repaid. As the loans taken out have fixed redemption dates, it is unlikely that the loans will be repaid early as the penalties would be high, however this would be regularly reviewed as part of the standard treasury management process. Even though provision will build up, it is likely that under any option some loans would need to be refinanced (as the repayment profile would be different). Clearly the higher the provision made, the fewer loans would need to be refinanced, but any refinancing, although likely to be at higher rates than the current borrowing which was at preferential rates as part of self financing, could be over a shorter period and so interest would only be payable for a short additional period.

10.11 If no provision is made, all borrowing would need to be refinanced, leaving the HRA open to a higher level of interest rate risk.

10.12 In the HRA this provision doesn't have to come directly from revenue funding, it could also come from the Major Repairs Reserve (MRR), which is funded from depreciation and used to fund the capital programme, or from capital receipts. The overall cost remains the same, but being flexible in the way that it is funded means that the most beneficial option can be selected each year.

10.13 The below graph shows the impact on HRA general reserves over the 30 year period for each of the options.

Graph 1: Options for repayment of borrowing



10.14 As is clear from the graph, with the current position both option 2 (60 years) and option 3 (no repayment) are affordable, but option 1 (48 years) is not affordable without finding savings across the service.

10.15 The recommended option is therefore Option 2 – Repay borrowing over 60 years, with this to be funded flexibly between revenue, the MRR, or from capital receipts. In 2019/20 the first payment of £0.9m has been included in the MTFP as being financed from revenue funding.

10.16 This provision should be reviewed regularly, and should the overall financial position improve, the amount put aside for the repayment of debt could increase, and if for any reason it needs to be reduced for a period, for instance if rents are further reduced, it could be considered as an option.

10.17 HRA Debt Cap

The Autumn Budget confirmed the end of the HRA debt cap, and now means that the HRA comes under the same prudential borrowing rules as the General Fund. This means that the HRA can now borrow, providing that it is ‘affordable’.

10.18 This announcement has superseded the Additional Borrowing Bid and so all schemes included in the bid have been added to the capital programme. Further borrowing is planned for completion of the Glebelands (Sheltered Modernisation red scheme) site, as well as an opportunity land acquisition pot. Further details of the schemes can be found in section 17.

10.19 As the borrowing for these schemes will be financed from the rental income from the housing that is built, it is proposed that the borrowing be paid back over 30 years. This will allow the borrowing to be repaid without needing additional subsidy (other than the capital receipts as stated in the Additional Borrowing Bid), and so won't affect services provided to current tenants. Any provision for repayment of this additional borrowing will be on top of the provision made for existing debt, as set out in paragraphs 10.3 to 10.16.

11. Earmarked Reserves

11.1 The below table shows a summary of the earmarked reserves held in the HRA. This includes the proposed transfer of £100k to an HRA General Contingency EMR as set out in paragraph 9.2.

Table 6: HRA Earmarked Reserves

| Earmarked Reserve | 2018/19 | | | | 2019/20 | | | |
|-------------------------|--------------------------|------------------------|-----------------------|--------------------------|--------------------------|------------------------|-----------------------|--------------------------|
| | Opening balance £000s | Transfers out £000s | Transfers in £000s | Closing balance £000s | Opening balance £000s | Transfers out £000s | Transfers in £000s | Closing balance £000s |
| Sheltered Modernisation | 1,976 | (816) | 1,390 | 2,550 | 2,550 | (1,226) | 1,000 | 2,324 |
| Estate Redevelopment | 350 | 0 | 820 | 1,170 | 1,170 | 0 | 0 | 1,170 |
| Staffing | 250 | 0 | 0 | 250 | 250 | 0 | 0 | 250 |
| HRA General Contingency | 0 | 0 | 100 | 100 | 100 | 0 | 0 | 100 |
| | 2,576 | (816) | 2,310 | 4,070 | 4,070 | (1,226) | 1,000 | 3,844 |

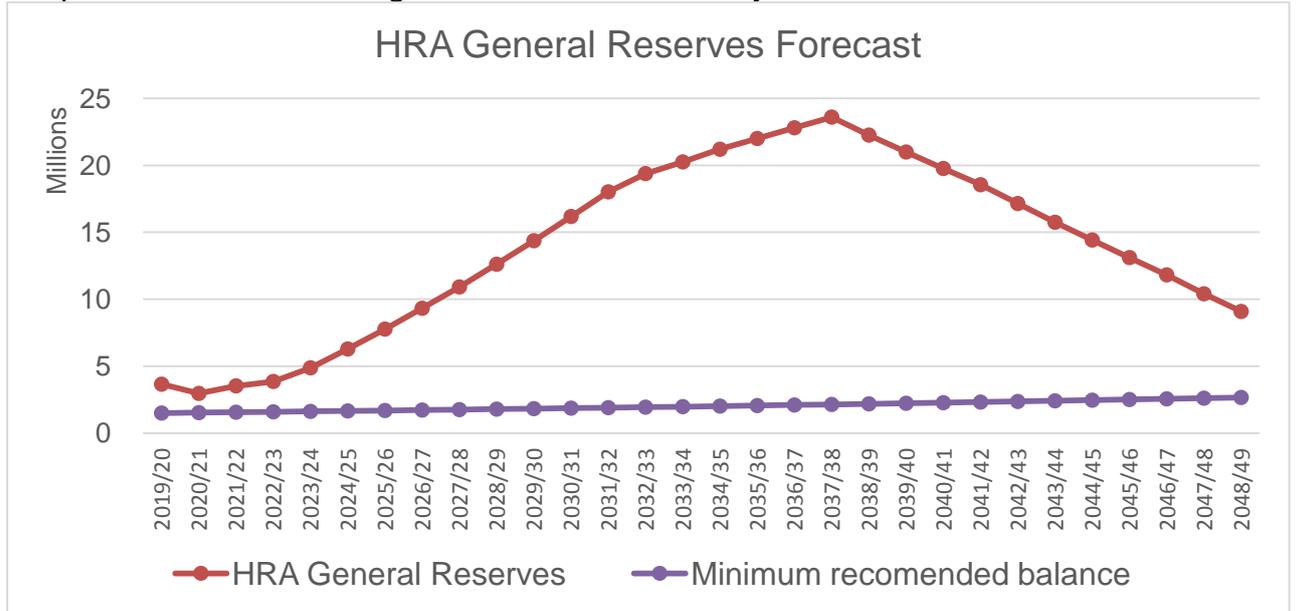
11.2 Transfers to the Sheltered Housing and Estate EMRs are in line with previous assumptions.

11.3 The transfers from the Sheltered Modernisation are in line with current forecasts of spend.

12. HRA Medium Term Financial Plan (MTFP) and 30 Year Position

12.1 With the changes proposed in this report the HRA is forecasted to have a balanced position across the full 30 year period.

Graph 2: Forecast of HRA general reserves over 30 years



13. Material Assumptions Made in the HRA MTFP

13.1 The MTFP forecast is made under a number of assumption. The main ones of note are summarised below:

- Rents are decreased by 1% across all social and affordable rented housing stock up to 2020. Rents will then rise by CPI+1% for five years, then CPI only.
- Void levels of 2% in general needs (after a two year period of 1% as detailed in paragraph 6.9), and 5% in sheltered housing properties are assumed (in schemes not affected by the Sheltered Housing Modernisation Programme).
- Inflation of 2% has been assumed across rents and contract inflation.
- 30 Right to Buy sales a year have been assumed in terms of rent loss
- HRA balances will be maintained at a minimum of £1.5m (rising with inflation) over the MTFP period in order provide resilience against the negative financial impact of future legislative changes.

14. Risks and Uncertainties

14.1 Although some previous risks have now been removed, such as the Higher Value Asset Levy, the HRA still faces a number of risks and uncertainties over the medium to long term.

These include:

14.2 Capital receipts – the MTFP includes the use of capital receipts to fund the New Build and Development Programme and the Sheltered Housing Modernisation. Should these assets not be sold, or sold for a lower price than expected, alternative funding would need to be allocated for the schemes to progress as planned. However, should a higher capital

receipt be achieved, this would provide additional funding for other projects.

- 14.3 Right to Buy Receipts – The ability to borrow has greatly changed the forecasted position on the use of Right to Buy (RTB) receipts. However, although the new programme as indicatively shown in section 17 is in part funded from RTB receipts, there is still a risk that the programme could slip, or some schemes may not be possible to deliver and so because of changes to timing, receipts would need to be repaid.

There is also a potential risk that the receipts may not be sufficient to fund the capital programme. If this were to happen, alternative funding would need to be found.

- 14.4 Interest Rates - the HRA is largely sheltered from interest rate changes in the medium term as all of the current borrowing is at fixed interest rates. As loans become repayable, advice will be sought from our treasury advisors on the most advantageous approach to refinancing.
- 14.5 Stock Condition – the information held on the condition of the stock continues to grow, with data being collected regularly. As more data is collected, the longer term forecasts are revised and could mean that more, or less, spend is required compared to the current forecast.
- 14.6 Internal Council Changes – Any major changes to the Council could impact on the HRA medium/long term position.

15. Capital Programme

- 15.1 A revised programme of £10.153m in 2018/19 is proposed, followed by an increased budget of £14.753m in 2019/20. The total indicative spend over the five year capital programme is £56.514m, however this is subject to change as schemes are worked up.
- 15.2 A full breakdown of the capital programme and funding can be found in Appendix C.

16. Major Works

- 16.1 It is proposed that the base budget for 2018/19 is revised from £6.657m to £8.124m. This will allow slipped works from last year to take place in areas such as door entry, external works and doors and windows, on top of the 2018/19 programme. There is also a pressure on major voids due to a number of properties being carried forward to this year because of the change in provider, as reported in the Outturn report which came to Housing Committee in June 2018.
- 16.2 The proposed budget for 2019/20 remains high at £8.549m. This includes an inflationary uplift of 3%. Note: the budgets for both Environmental Works and Non Traditional Properties have been combined with External Works.
- 16.3 The programming of works for 2019/20 is already well underway which allows greater certainty over the deliverability of the work streams. However, even with a fully planned programme there will always be some element of variation due to unknown void costs, tenant refusals, adverse weather and further stock condition data being known.

- 16.4 With the major maintenance contracts coming to an end in 2020, it is prudently being planned that fewer works would be completed in that year. Work is already underway to determine the most beneficial way of delivering maintenance across the service.
- 16.5 As the works are not yet programmed after 2019/20, the Capital Programme is condensed to show all capital major works on one line. This will be expanded on each year to show the full programme when it is in place, with future years also being reprofiled.

17. New Homes and Regeneration Programme

- 17.1 With the confirmation that the HRA is able to borrow (paragraph 10.17) the New Homes Programme has expanded over the medium term.
- 17.2 The schemes in the additional borrowing bid have all been included in the programme, along with funding for Bradley Street and Gloucester Street in Wotton under Edge, the full completion of Glebelands (the Sheltered Modernisation programme only included part of the build, with the remainder of the site to be passed to a Registered Provider), and also an Opportunity Land Acquisition Pot.
- 17.3 As there is now very little developable land left, in order to continue building new homes, further land will need to be purchased. A £3.000m budget has been included in the 2019/20 capital budget which would allow site/s to be purchased should any site/s of interest become available. As this is very much an opportunistic pot, there is no guarantee that site/s would be purchased in 2019/20 and so the budget would need to remain available in any subsequent years. Due to the nature of any acquisition, officers would need to move quickly and so it may not be possible to follow a full committee/council report structure. The Capital Strategy will look at the delegated authority and member consultation that would be needed to use this budget.
- 17.4 Please note that all costs and timings are only estimates at this point, and as there is still a lot of investigative work to do on each site, it is possible that cost or timings may change, or it may not be possible to progress certain sites. Any updates will be included in the New Homes and Regeneration Information Sheets.
- 17.5 The revised programme includes new borrowing of £10.700m. As this relates to new dwellings it is proposed that provision for repaying this new borrowing is made over a period of 30 years from the additional rental income received. This will be provided for on top of any provision made for the existing borrowing. Any further borrowing for new schemes would need to be assessed and the period over which the repayments are affordable determined. This may not be as short as 30 years on future schemes when the purchase of land must also be funded.

18. Sheltered Housing Modernisation

- 18.1 The Sheltered Modernisation Programme continues on the green/amber schemes, with works to the common areas of Concord and George Pearce House planned for 2019/20. Tanners Piece which formed part of

the red scheme at Ringfield Close is on site and due to be completed in summer 2019.

- 18.2 With further borrowing now available, it is possible to fully build out both the Ringfield Close and Glebelands sites for our own housing. Although the capital receipt for Ringfield Close had been included in the funding assumptions, it has been possible to replace this funding from a higher than expected anticipated receipt for Dryleaze Court. This will allow Ringfield Close to be developed for new housing, without affecting the delivery of the Sheltered Modernisation Programme.
- 18.3 As previously reported, the funding available in the MTFP is not sufficient to complete the modernisation works (the funding included was only the first stage). A Task and Finish Group is currently exploring 'the expectations of the next generation in relation to SDC's housing stock' which will be fed into the developing Older Persons Strategy, setting a vision for SDC's Older People's accommodation. The outcome of this will need to be considered for funding in the future.

APPENDIX A

Proposed Level of HRA Rents and Service Charges 2019/20

| DRAFT Proposed level of rents and service charges (on a weekly basis over 53 weeks) | Current 2018/19 £ | Proposed 2019/20 £ | Increase/ Decrease £ | Increase/ Decrease % |
|--|------------------------------|-------------------------------|-------------------------------------|-------------------------------------|
| Rents | | | | |
| Dwelling rents (average) | 81.96 | 81.14 | -0.82 | -1.0% |
| Garage rents (excl VAT which is chargeable to non tenants only) | 12.45 | 12.75 | 0.3 | 2.4% |
| | | | | |
| Landlord Service Charges (charged where applicable) | | | | |
| TV relay (communal aerials – basic IRS) | 0.35 | 0.36 | 0.01 | 2.4% |
| TV relay (communal aerials – comprehensive IRS) | 0.89 | 0.91 | 0.02 | 2.4% |
| Cleaning charges (average) | 2.45 | 2.51 | 0.06 | 2.4% |
| District heating (average) | 7.85 | 8.82 | 0.97 | 14% (capped at £1 per week) |
| Water charges (average) | 2.59 | 2.65 | 0.06 | 2.4% |
| Sheltered Housing | 24.7 | 25.29 | 0.59 | 2.4% |

APPENDIX B

HRA Medium Term Financial Plan 2018/19 to 2022/23

| | 2018/19 Base £000s | 2018/19 Revised £000s | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|--|-----------------------------------|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Dwelling rents | (20,829) | (21,078) | (20,816) | (20,987) | (21,506) | (22,184) |
| Non dwelling rents | (228) | (222) | (125) | (107) | (109) | (111) |
| Charges for services and facilities | (1,020) | (1,016) | (1,005) | (1,024) | (1,034) | (1,054) |
| Contributions towards charges | (458) | (453) | (448) | (449) | (450) | (451) |
| Total Income | (22,535) | (22,769) | (22,394) | (22,567) | (23,099) | (23,800) |
| Repairs and maintenance | 3,667 | 3,795 | 3,973 | 4,083 | 4,202 | 4,319 |
| Supervision and management | 5,459 | 5,030 | 5,219 | 5,435 | 5,585 | 5,720 |
| Special services | 2,743 | 2,183 | 2,305 | 2,192 | 2,222 | 2,320 |
| Contribution to capital programme (depreciation and RCCO) | 7,153 | 6,273 | 6,687 | 6,071 | 7,140 | 6,098 |
| Provision for repaying debt | 0 | 0 | 900 | 1,037 | 1,171 | 1,236 |
| Provision for bad debt | 200 | 80 | 80 | 111 | 208 | 212 |
| Interest Payable | 3,513 | 3,420 | 3,379 | 3,750 | 3,873 | 3,884 |
| Investment Income | (25) | (25) | (25) | (29) | (17) | (10) |
| Total Expenditure | 22,710 | 20,756 | 22,518 | 22,650 | 24,384 | 23,779 |
| Transfers to/(from) EMR | (50) | 1,494 | (226) | 604 | (1,847) | (309) |
| Transfer to/(from) HRA General Reserves | (125) | 519 | 102 | (687) | 562 | 330 |

| | 2018/19 Base £000s | 2018/19 Revised £000s | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|-------------------------|-----------------------------------|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| General Reserves | | | | | | |
| Opening Balance | 3,003 | 3,003 | 3,522 | 3,624 | 2,937 | 3,499 |
| Transfer to/(from) | (125) | 519 | 102 | (687) | 562 | 330 |
| Closing Balance | 2,878 | 3,522 | 3,624 | 2,937 | 3,499 | 3,829 |

APPENDIX C

HRA Capital Programme 2018/19 to 2022/23

| HRA Capital Programme | 2018/19 Base £000s | 2018/19 Revised £000s | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|--|--------------------------|-----------------------------|------------------|------------------|------------------|------------------|
| Major Works | | | | | | |
| Central Heating | 710 | 624 | 1,021 | | | |
| Disabled Adaptations | 315 | 143 | 200 | | | |
| Kitchens and Bathrooms | 1,590 | 1,506 | 1,389 | | | |
| Major Voids | 424 | 570 | 464 | | | |
| Asbestos/Radon | 257 | 337 | 422 | | | |
| Doors and Windows | 530 | 791 | 1,022 | | | |
| Electrical Works | 212 | 212 | 218 | | | |
| Environmental Works | 127 | 127 | | | | |
| Non-Traditional Properties | 350 | 595 | | | | |
| Door Entry | 212 | 352 | 218 | | | |
| Suited Locks | 148 | 74 | 76 | | | |
| External Works | 1,750 | 2,793 | 3,519 | | | |
| Lifts | 32 | | | | | |
| Major Works | | | | 4,726 | 6,843 | 6,429 |
| Total Major Works | 6,657 | 8,124 | 8,549 | 4,726 | 6,843 | 6,429 |
| New Homes and Sheltered Modernisation | | | | | | |
| Southbank, Woodchester | 1,000 | 300 | 902 | | | |
| Former Ship Inn Site, Bridgend | 1,433 | 15 | 1,000 | 485 | | |
| Sheltered - Tanners Piece | 1,700 | 1,345 | 449 | | | |
| Broadfield Road, Eastington | | | 31 | 1,084 | | |
| Orchard Road, Ebley | | | 20 | 695 | | |
| Queens Drive, Cashes Green | | | 27 | 1,013 | | |
| Ringfield Close, Nailsworth | | | 55 | 1,552 | 1,606 | |
| Summersfield Road, Minchinhampton | | | 28 | 892 | | |
| Gloucester St and Bradley St, WuE | | | 28 | 1,279 | | |
| Sheltered - Glebelands | | | | | 1,898 | 1,897 |
| Opportunity Land Acquisition Pot | | | 3,000 | | | |
| New Homes Contingency | 571 | 50 | 50 | 50 | 50 | 50 |
| Sheltered - Ex Warden | | 17 | | | | |
| Sheltered - Amber/Green Schemes | 359 | 302 | 614 | 309 | 536 | 213 |
| Total New Homes and Sheltered Modernisation | 5,063 | 2,029 | 6,204 | 7,359 | 4,090 | 2,160 |
| Total HRA Capital Programme | 11,720 | 10,153 | 14,753 | 12,085 | 10,933 | 8,589 |

APPENDIX C

| HRA Capital Financing | 2018/19 Base £000s | 2018/19 Revised £000s | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|--|-----------------------------------|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Revenue Funding (including depreciation and Sheltered Modernisation reserve) | 9,457 | 8,687 | 9,179 | 5,035 | 8,231 | 6,642 |
| Capital Receipts (including RTB receipts) | 2,065 | 1,466 | 1,491 | 3,326 | 1,241 | 50 |
| Homes England Grant Funding | 198 | 0 | 158 | 233 | 75 | 0 |
| Borrowing | 0 | 0 | 3,925 | 3,491 | 1,386 | 1,897 |
| Total Funding | 11,720 | 10,153 | 14,753 | 12,085 | 10,933 | 8,589 |