Taunton Deane Borough Council

Full Council – 22 February 2018

Housing Revenue Account (HRA) Budget Estimates and Capital Programme 2018/2019

This matter is the responsibility of the Leader of the Council, Councillor John Williams and Portfolio Holder for Housing Services, Councillor Terry Beale

Report Author: Andrew Stark, Interim Financial Services Manager

1 Executive Summary

1.1 The purpose of this report is to provide Members with the information required for Full Council to approve the proposed Housing Revenue Account (HRA) revenue budget and capital programme for 2018/19.

2 Recommendations

2.1 It is **recommended** that the Housing Revenue Account Budget and Capital Programme for 2018/18 be agreed and that Full Council:-

a) Approve the proposed rent decrease of 1%, with proposed average rents of £81.69 per week in 2018/19

b) Approve the Housing Revenue Account Budget for 2018/19

c) Approve the new capital schemes of the Housing Revenue Account Capital Programme of £8.973m for 2018/19.

3 Introduction and Background

3.1 The purpose of this report is to seek approval of the Housing Revenue Account (HRA) budget proposals for 2018/19 and to set the average rent for housing tenants.

3.2 In 2012 Taunton Deane moved away from a national subsidy system, which meant an annual payment from the HRA to Central Government, to be 'self-financing'. As part of the self-financing agreement, a one-off payment of £85.12m was made to Government, in return for being able to retain all income locally to manage and maintain the housing stock. The total debt in the HRA at the start of self-financing was £99.7m.

3.3 In order to manage the freedoms gained by the HRA through self-financing, a new 30 year Business Plan (2012-2042) was introduced. This set out the Council's overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities. The HRA Business Plan has been reviewed and updated annually since 2012, but since 2015 there have been many changes in national policies and local aspiration and a full review of the Business Plan was undertaken in 2016. The draft estimates for 2018/19 reflect the amendments approved in the Business Plan. Further details of the financial impacts of the review are included in Section 4.

3.4 The HRA faces a number of risks and uncertainties, many of which could be significant but the actual financial impact is not yet known. These are listed in Section 11.

3.5 A summary of the overall Draft HRA Budget 2018/19 is included in Appendix A.

4 Business Plan Review 2016

4.1 A full review of the HRA 30 Year Business Plan was approved by Council in July 2016.

4.2 This included a number of changes which affected the base budget for 2018/19. The key amendments are summarised below.

Table 1: 2018/19 Changes in Approved Business Plan

	£k
Impact in 2018/19 of key changes within the Business Plan	0.0
Starting position - balanced budget	-15.3
Social Housing Development Fund	-528.4
Repairs and Maintenance savings	-672.3
Management savings	396.8
Decrease in operating income	821.7
Reduction in movement in reserves	56.6
Depreciation	24.9
Other minor changes	**84.0**
Position in Business Plan - approved by Council in July 2016 (budgeted transfer from HRA General Reserves)	0.0

4.3 Further details of these changes are as follows:

a) The HRA Business Plan has previously included a fixed term increased provision for non-payment of rents because of Welfare Reform, and in particular the introduction of Universal Credit. Universal Credit was only fully introduced for new claimants in Taunton Deane in October 2016. As much of this previous provision was unused, £434k was put aside in an earmarked reserve in order to mitigate the loss of income. The Business Plan has included a new three year period of increased provision for bad debt, allowing for an increase in non-payment from 0.5% of rents to 2% for a new three year period. In 2018/19 this would be fully funded from the earmarked reserve.

b) The introduction of the Development Strategy increased the revenue provision for social housing development. The Business Plan has previously included a significant ongoing revenue contribution of £1.0m per year, but the Development Strategy instead includes an average annual addition of 15 units, estimated at £1.9m per year. These are fully funded in the Business Plan, partly from revenue and partly from Right to Buy receipts. The revenue funding in 2018/19 is included at £1.2m, with the remaining funding from capital receipts.

c) The Business Plan includes savings totalling £832k per year on repairs and maintenance. This is based on advice on savings that should be achievable for the stock held and is separate to savings identified as part of the corporate Transformation programme. This is due to be phased over five years, and the first annual saving of £166k is included from 2017/18. The ongoing savings are not fully identified in the Business Plan and this will need to be closely monitored by the Assistant Director – Operational Delivery.

d) The reduction in the movement of reserves is largely due to in a £500k provision in 2017/18 which was made in the budget to fund transformation. This provision has now been reduced to £0 for 18/19.

e) Additional provision of £140k has been included in the Business Plan in line with the new objective of Supporting the Vulnerable. This is allocated as follows:
   - Mental Health Support, currently commissioned through Mind - £41k pa
   - Employment Support, currently commissioned through Inspired to Achieve - £46k pa
   - Money Matters Advice, currently commissioned through the Citizens Advice Bureau - £35k pa
   - Top up of Community Development budgets to £10k per area - £18k pa

f) The Business Plan changed the policy for the repayment of debt, with provision being made over 60 years. This equates to an annual revenue provision of £1.8m, the same as the 2017/18 budget, an increase of £814k on the provision included in 2016/17.

g) Revenue Contribution to Capital Outlay (RCCO) is reduced to £nil in 2018/19 as the capital programme can be fully funded from the Major Repairs Reserve which includes the transfer of depreciation.

h) Transfers from earmarked reserves totalling £1.0m are included in the Business Plan for 2017/18. This is due to slippage in revenue maintenance programmes such as the pre-planned maintenance contract and the electrical servicing programme, also the funding for the increased provision for bad debt.

i) Inflation of £407k is included in the Business Plan. This is the expected inflation across all expenditure including staffing costs, contracts and other expenditure.

j) A review was undertaken to increase the grounds maintenance service charge to bring it in line with the average cost of other housing associations to be able to carry out a service as requested by Tenant Services Management Board (TSMB). The increase in the service charge is £539k resulting in an increase in the service charge from 81p per household to £1.84 per household. The greatest increases in cost are as follows:

- Weed killing service provision at £78k
- Annual tree maintenance at £63k
- Additional 2 cuts of grass at 62k

This is an on-going cost for the foreseeable future. This was approved by TSMB on 25 September 2017.

5 Dwelling Rents for 2018/19

5.1 Dwelling rents for approximately 5,800 properties provides annual income of approximately £23.7m for the HRA.

5.2 The Welfare Reform and Work Act 2016 sets out a 1% reduction in social housing rents from 1st April 2016 for four years. For the first year, 2016/17, supported housing rents were exempt, but all social rents are to be included for the remaining three years.

5.3 Prior to this legislation Local Authorities had the power and duty to set their own rents. During the four year period rents must be set with at least a 1% reduction, but Members could choose to reduce rents by more than 1% if they wish. Each additional 0.5% decrease would reduce the average weekly rent for tenants by £0.42, or £21.84 per year, and decrease dwelling rent income to the HRA of £123k per year, therefore a 1% decrease equates to £246k per year.

5.4 In line with the national rent guidance it is proposed that the average weekly rent for dwellings for 2018/19 should be set at the guideline rent of £81.69, a decrease of 1.0%, or £0.83 per week (there is a small difference due to rounding each weekly rent to the nearest penny).

5.5 It was expected from the Housing and Planning Act that from April 2017 tenants with a household income of over £31,000 would need to pay additional rent (up to market rents, based on their income) under ‘Pay to Stay’. It was announced in November 2016 that this policy is no longer being implemented and social housing providers (both local authorities and housing associations) will continue to have discretion – but are not mandated – to charge a higher rent on tenants with a household income of over £60,000.

5.6 Any additional income raised from the Pay to Stay policy (less administration expenses) would have been repaid to Government and so this wouldn't have directly affected the Business Plan, however it was expected that this policy would increase Right to Buys in the short term as the tenants who would have been affected by higher rents are likely to be those more able and willing to secure a mortgage. As this policy is no longer being implemented the assumption of Right to Buys (RTBs) has been reduced in the Business Plan from 60 per year, down to 40 for a three year period, reflecting the current level of RTBs. After this the provision for RTB returns to 30 per year. For 2018/19 this equates to expected additional income of £128k, although expected capital receipts from RTB will reduce.

5.7 Taunton Deane previously decided not to pursue increased rents for tenants earning over £60,000 per year, as the cost of administration was likely to be higher than the additional income and so no assumptions have been included in the budget.

5.8 Rent lost through void periods continue to be lower than the 2% allowed in the Business Plan. Future changes, such as the introduction of flexible tenancies, where new tenants are offered a fixed term tenancy which is renewed if appropriate may affect this in the future, but it is deemed appropriate to reduce the expected void rate to 1% for a two year period. This will be reviewed within future Business Plan reviews. This reduction in void rate from 2% to 1% increases the rental expectation in 2018/19 by £205k.

5.9 These changes give a total forecast dwelling rent income of £24.1m.

5.10 On 4 October 2017 the Department for Communities and Local Government announced that "increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020." Dwelling rents are forecast to increase by £237k over the current business plan to £24.3m from £24.1m.

6 Other Income

6.1 About 9.8% of HRA income, amounting to £2.6m in total, comes from non-dwelling rent (mainly garages, but also shops and land), charges for services and facilities, and contributions to HRA costs from leaseholders and others. The proposed changes to specific budget lines reflect changes recommended to Council in the Fees and Charges paper.

6.2 **Garage rents**: a 3.9% increase to £6.17, an increase of £0.23 per week for tenants, representing RPI inflation at September 2017 (last year 2.0%). An increase of 7%, or £0.66 per week, to £10.00 (including VAT) for private garage tenants and second Council tenant garages.

6.3 **Charges for services and facilities**: an increase of 2.0% (last year 0.8%). Budgets for service charges have been reset in line with the current stock, and budgets added for annual service charges to leaseholders and rechargeable repairs for current and former tenants. Charges to leaseholders will continue to be based on actual costs incurred.

6.4 **Extra Care service charges**: As previously reported, Somerset County Council (SCC) has changed the way in which it procures Extra Care Housing. From April 2017 both the care and support elements were combined in one contract. Taunton Deane Borough Council has ceased to provide the Extra Care Support, although an element of Housing Related support is still being provided with the services charges amended accordingly. This represented an increase in the housing related support element (the part which Taunton Deane will retain), which is eligible for Housing Benefit and current self-funded tenants will be protected from the increase.

6.5 A review of the sheltered housing contract we have with SCC was always due to happen post October 2018 when our current contract expires. In large measure our sheltered housing service model was changed in 2016/17 so that it is funded through housing benefit. Our sheltered housing tenants pay a weekly charge for our Sheltered Housing Officers (SHO) to provide tenant empowerment, community development and additional housing management services. The funding we currently get from SCC largely pays for SHOs to deliver housing related support to those tenants with high or higher support needs.

6.6 **Contributions towards expenditure**: contributions from the General Fund to cover a share of costs in the HRA for works on estates where people have bought their homes under Right to Buy. There are approximately 4,700 privately owned homes on HRA estates compared to around 5,800 HRA stock. Those private households pay their share of HRA estate management costs, such as grounds maintenance, through their council tax and the General Fund.

6.7 **Supporting People funding**: Somerset County Council continues to purchase Supporting People services from TDBC for sheltered housing, but not for Extra Care Housing.

7 Expenditure 2018/19

7.1 Below are brief descriptions of the main areas of spending with explanations of any significant changes to the currently approved Business Plan.-

7.2 **Management expenses**: These include the costs of the teams administering tenancies, collecting rents and arranging or planning maintenance work as well as a share of the Council’s other relevant costs. The Business Plan included standard inflation assumptions.

7.3 Key changes for 2018/19 are:

a) Apprenticeship levy – the HRA share of Taunton Deane’s Apprenticeship Levy is expected to be £20k.

7.4 **Maintenance**: The total cost of maintenance for 2018/19 is expected to decrease by £465k to £5.7m. This equates to spend of around £977 per property.

7.5 Key points for 2018/19 are:

a) Electrical testing will now be carried out by an in-house team, which is now in place and cost neutral to the HRA Financial Business Plan. The testing will be programmed on an ongoing basis rather than over a three year external contract and the budget has been amended accordingly. In the short term this is funded from earmarked reserves (which has built up over the last two financial years) and so the decrease in funding needed has been reflected in a reduction in transfer from the earmarked reserve.

b) The gas servicing and maintenance team was brought in-house for the 2017/18 year and will remain in house for 2018/19.

7.6 **Transformation**: The Business Plan includes savings of approximately £832k over a five year period, which is higher than the savings included in the Corporate Transformation Business Case. It is expected that these savings will primarily come from the ongoing transformation of Repairs and Maintenance, although the whole service will be affected by the transformation programme. The first annual saving of £166k has been found within maintenance budgets through the reorganisation of the service and the expectation that more work will be done in-house.

7.7 **Special Services**: Special services includes spend on communal areas, such as grounds maintenance and cleaning costs. It also includes Sheltered Housing and Extra Care schemes.

7.8 **Provision for bad debts**: The Business Plan increased the provision for bad debt to 2% (from 0.5%) for a period of three years. This is to mitigate the expected reduction in recovery of income due to the implementation of Universal Credit. In 2018/19 this is to be covered by a transfer from the bad debt earmarked reserve.

7.9 **Depreciation**: Depreciation is transferred to the Major Repairs Reserve (MRR) and must be used to fund the capital programme and/or repay debt. From 2018/19 depreciation will need to be included within the HRA accounts on a component accounting basis. This means depreciation will need to be calculated on each of the major components of each house e.g. kitchen, bathroom, rather than being based on the Major Repairs Allowance (MRA), an estimation of the works needed to maintain the stock in good condition.

7.10 Pending full calculation of the depreciation charges and agreement of the policy with our external auditors, an amount equivalent to MRA is included. A decrease of £100k is expected against the Business Plan. If, after full calculation, the charge decreases further, an equal amount would be included as Revenue

Contribution to Capital Outlay (RCCO) in order to maintain the funding of the capital programme. Any increase in depreciation would need to come from general reserves in the immediate term and be factored into future revisions of the Business Plan.

7.11 **Debt Management Expenses**: bank charges and the costs of managing cash flow, borrowing and investments.

7.12 **Repayment of Borrowing and Interest**: interest and a contribution towards the repayment of the debt currently held in the HRA of £91.0m. The contribution towards the repayment of debt is £1.8m in 2018/19, in line with the Business Plan. In addition to this internal borrowing stands at £10.5m. This leaves £19.3m of borrowing headroom before the debt cap is reached.

7.13 **Interest receivable**: based on an estimated interest rate on investments.

7.14 **Social Housing Development Fund**: the revenue contribution made towards the development programme of £1.9m. In 2018/19 some of this funding will need to be replaced by capital receipts (non-Right to Buy), in order to fund the HRA's contribution towards Transformation costs as approved in the Business Case. This does not affect the funding available for development, or the revenue position of the HRA.

8 Appropriations

8.1 **Revenue Contribution to Capital Outlay (RCCO)**: – RCCO pays for capital works costing more than the available funding in the Major Repairs Reserve (MRR), including the transfer from depreciation. The capital programme in 2018/19 can be fully funded from the forecasted balance in the MRR and so no budget is included for RCCO.

9 Summary of Movements in Draft 2018/19 HRA Estimates

9.1 The following table provides a summary of the main changes to the budget estimates for the HRA Revenue Account since the approval of the HRA Business Plan.

Table 2: HRA Budget 2018/19 Changes

	Reference Paragraph	**£k**
Position in Business Plan (transfer from HRA Reserves)		**84.0**
Changes for 2018/19 Budget:		
Service charges	6.3/6.4	-352.2
Garages	6.2	-9.4
Leasehold Charges		-50.1
Repairs and maintenance savings	7.4	-626.4
Management savings		-185.5
Depreciation	7.9	-55.1
Increase in pension deficit contribution		45.9
Inflation costs excluding salaries		936.6
Staff 2% pay award and pay grade change		250.0
Other minor changes		-51.4
Balanced budget for 2018/19 i.e. net transfer to reserves		**-13.6**

10 HRA Reserves

10.1 As set out in the HRA Business Plan the recommended minimum unearmarked reserve balance for the HRA is £1.8m (approximately £300 per property). The reserve balance as at 1 April 2017 was £3.224m. There have not been any approved changes during the year from unearmarked reserves.

10.2 If the draft budget in this report is approved by Council, assuming no further changes, the balance would increase by £136k, to £3.4m. This is £1.6m over the minimum reserve balance, however this balance is expected to be used in 2018/19 and the reserve will be held at the minimum recommended balance of £1.8m.

10.3 Appendix A shows the forecasted position over the medium term based on this draft budget. This is subject to transfers to or from HRA general reserves in 2017/18, and any changes.

11 Risks and Uncertainties

11.1 The HRA faces a number of risks and uncertainties, both external to the Council and internal changes.

11.2 A number of legislative changes are being implemented, as reported in HRA Estimates 2016/17 and the HRA Business Plan Review.

11.3 Universal Credit – it is not known what impact the full roll out of Universal Credit will have on the HRA. The HRA has already taken steps to try and prevent loss of income where possible. Tenants are now able to pay through direct debits on any day of the month (rather than only three options previously) in order to allow them to make payments on the same day as their Universal Credit payment, salary, pension or other income. There are also currently additional officers working within the One Teams such as a Welfare Reform Officer and an additional Debt and Benefit Advisor in order to support tenants affected by welfare changes. However, the impact on social housing landlords in areas where Universal Credit has already been fully implemented has been significant.

11.4 Higher Value Asset Sales (Housing and Planning Act 2016) – this is the sale of vacant social housing with the proceeds being returned to Government in order to fund the extension of Right to Buy in Housing Associations.

The regulations have not yet been published, but it is expected that an amount will be payable to Government based on the value of the housing held by Taunton Deane Borough Council. However, it is expected that it will be determined locally how this funding is raised, and therefore it will not necessarily be funded through the sale of higher value housing. The financial value is not yet known.

It has been confirmed that no payment will be due in 2018/19 (letter from Sajid Javid MP, Secretary of State for Department of Communities and Local Government), therefore it is currently expected that this will commence from April 2019.

11.5 Local Housing Allowance (LHA) Rates - tenants in social housing will in future only be able to claim Housing Benefit up to the LHA rate. This is determined by the Valuation Office Agency and is based on local rents. Currently the LHA rates are only applicable for Housing Benefit claims in private rented stock. From April 2019 it has been announced that this will also apply to tenants in social housing.

In Taunton Deane this may have an impact on some of our Supported Housing residents, as the LHA rate includes service charges which are higher in Supported Housing, and single claimants under 35, who will only be eligible for the shared accommodation rate (currently £64.14 per week). Officers will continue to consider what support can be provided to individuals affected. The majority of Taunton Deane housing is within the LHA rates for the area.

11.6 Fixed term tenancies (Housing and Planning Act 2016) – Councils will be required to review tenancies every five years rather than granting a lifetime tenancy, with extensions for tenants with a disability or school age children. This is expected to be in place for April 2018 and will impact on the way in which tenancies are managed.

11.7 The HRA also faces local risks including those within the Council.

11.8 Transformation – Savings from Transformation are included within the ongoing Business Plan (paragraph 7.6). If these savings aren't achieved the financial position of the Business Plan will be affected.

11.9 Extra Care Housing - as reported in paragraphs 6.4 and 6.5 the Extra Care

Housing service provision is being reviewed by SCC. SCC are due to award a new contract for both Care and Support. Taunton Deane will continue to provide the Support element throughout 2018/19 with the current contract with SCC expiring in October 2018.

11.10 Asbestos – significant progress has been made in implementing processes and procedures to ensure the Council meets its duties under the Control of Asbestos Regulations 2012. Detailed analysis is nearing completion which will identify the Councils short, medium and long-term financial liabilities for asbestos. The outcome will be compared with budgetary provision within the HRA Financial Business Plan and relevant earmark reserves, so as to schedule an affordable asbestos management plan.

12 HRA Borrowing

12.1 In 2012 Taunton Deane took out additional borrowing of £85.2m as part of the self-financing settlement with the Government. This brought the total borrowing in the HRA up to £99.6m at the start of self-financing, including £5.5m internal borrowing from the General Fund.

12.2 The opening balance of external borrowing currently totals £91.0m with an additional £10.5m of internal borrowing within the HRA (for approved capital schemes such as Creechbarrow Road and the Phase 1 sites). This internal borrowing is currently funded from reserves held by the HRA, but external borrowing will be required in the short term. Repayment of £3.0m will be made during 2018/19.

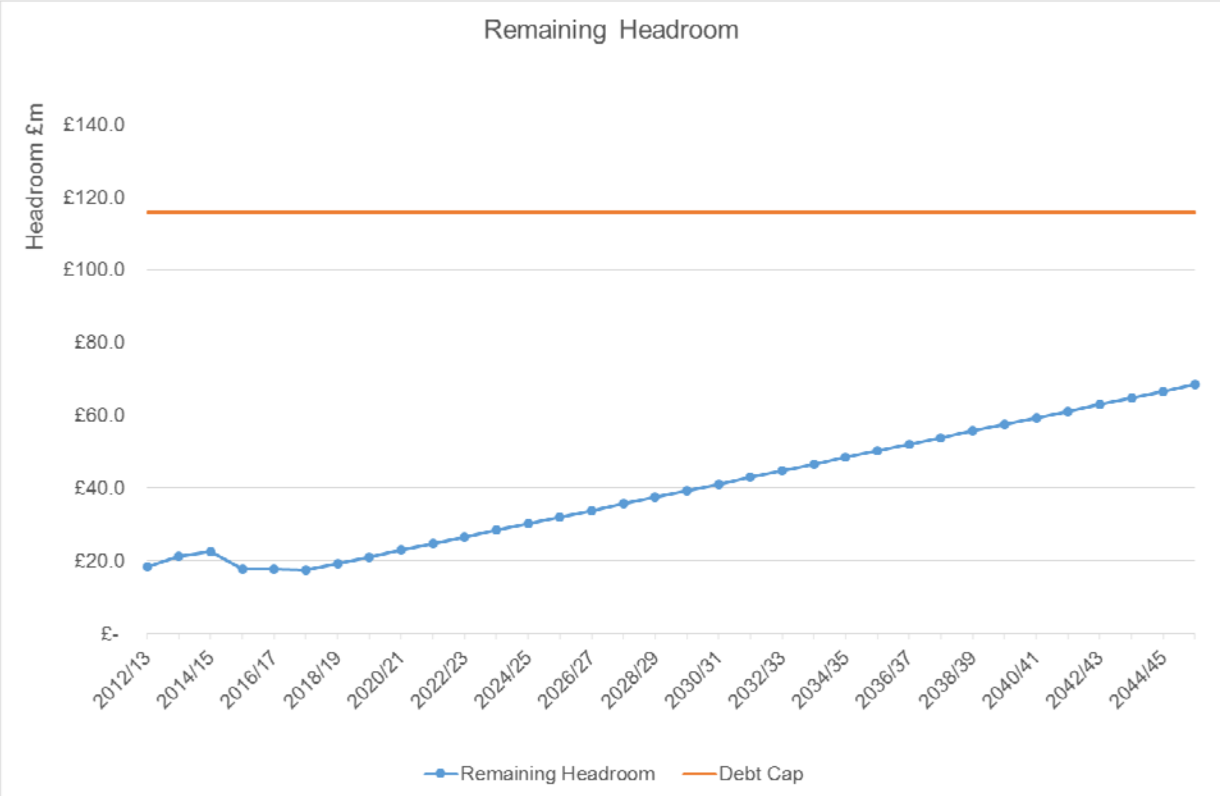
12.3 An annual provision of £1.8m for repayment of debt is included in the Business Plan, and ongoing repayments of borrowing will be made, with refinancing of loans occurring where necessary (in line with the repayment of borrowing over 60 years as approved in the Business Plan).

12.4 The headroom – the amount available to borrow up to the Government set debt cap for Taunton Deane HRA – is due to increase annually, as no additional borrowing is included within the Business Plan. Therefore the headroom is available to be allocated as new borrowing to future development schemes ie those over and above the 15 units already included in the Business Plan.

12.5 The Headroom in 2018/19 is expected to be £19.3m, and will increase annually by £1.8m (the provision made in revenue for the repayment of debt), until further borrowing is agreed by Council. The intention is for this borrowing headroom to be available for the larger regeneration schemes that can’t be funded from the ongoing Social Housing Development Fund budget.

The following graph shows the current forecast for headroom over the Business Plan, but this will change as borrowing is allocated to schemes.

Graph 1: Borrowing Headroom forecast



13 Right to Buy (RTB) Receipts

13.1 In 2012 the maximum discounts offered to tenants who exercise their Right to Buy increased significantly to £77k (which rises with inflation). Taunton Deane signed up to retain the additional receipts, and agreed that these receipts would be used to fund new affordable housing. The additional RTB receipts can only account for 30% of spend on new housing, with the remaining 70% coming from other funds such as revenue funding or borrowing. The RTB receipts can't be used in the same scheme as other Government funding such as Homes and Communities Agency (HCA) funding.

13.2 The full spend on new housing (the 30% RTB funding and 70% Council funding) should be spent within three years of the capital receipt, or the RTB receipt must be returned to Government with interest at 4% over base rate from the date of the receipt. Receipts can be returned in the quarter in which they are received with no interest payable.

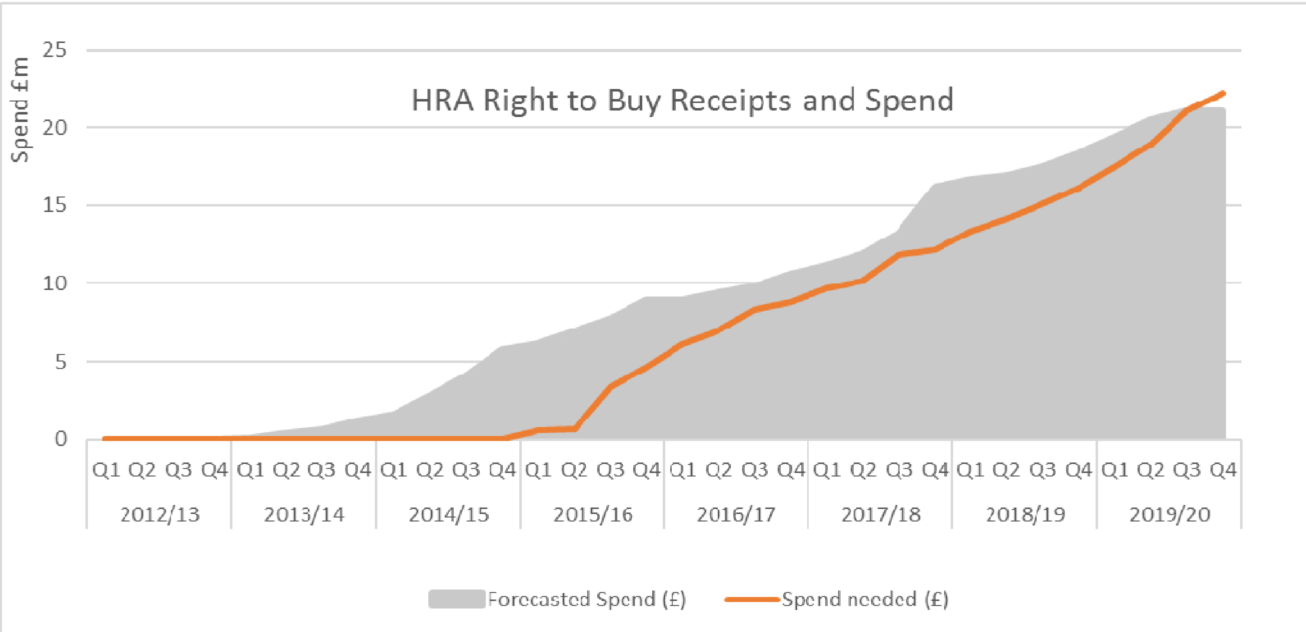
13.3 The below table shows the capital receipts received under the new RTB discount scheme, along with how much of those receipts are deemed to be 'Additional receipts', ie those which can be retained and used for new housing, and the total amount that would need to be spent in order to fully retain them.

Table 3: Right to Buy receipts

	Total 2012/13	Total 2013/14	Total 2014/15	Total 2015/16	Total 2016/17	2017/18		Total to date
						Q1	Q2	
Sales	37	47	35	38	44	10	13	224
Total Receipts (£k)	2,330.4	2,704.6	2,316.6	2,665.7	3,568.1	709.4	899.0	15,193.8
1-4-1 Receipts (£k)	1,233.7	1,230.5	1,004.9	1,192.7	1,816.7	308.8	408.6	7,195.9
Spend Required (£k)	4,112.4	4,101.5	3,349.6	3,975.6	6,055.8	1,029.2	1,362.2	23,986.2

13.4 The latest forecast shows that forecasted spend will be enough to meet the match funding requirements to quarter 3 of 2019/20. This is based only on currently approved budgets (including the ongoing provision of £1.9m), and doesn't include any additional schemes funded through borrowing. It is possible to borrow for additional schemes, within the borrowing headroom in Section 11, but many schemes may not be able to repay the capital and interest costs from the rental income. This would create a net revenue cost to the HRA which would impact the Business Plan.

Graph 2: Right to Buy Receipts and forecasted spend



13.5 It should be noted that the new housing doesn't need to be provided by the Council. The 30% RTB funding could also be used by Housing Associations in the area, providing they meet the same match funding requirements.

13.6 Further options for the 70% match funding of RTB receipts in excess of planned development expenditure.

- Increase spend through borrowing – limited to debt cap
- Increase spend from revenue – would lead to reduced service provision as revenue is allocated within the Business Plan
- Use other Council funding
- Return funding to Government

13.9 The requirement for the funding to be spent within three years does mean that there is flexibility to allocate funding after the capital receipts are retained. However development schemes are likely to have large lead in times and so receipts should be allocated as soon as possible to reduce the risk of having to repay the capital receipt to Government with interest payments.

14 2018/19 HRA Capital Programme

14.1 The proposed Draft HRA Capital Programme 2018/19 totals £8.97m. This is provided to deliver the prioritised capital investment requirements included in the current Business Plan for the next budget year. The current 5-Year HRA Capital Programme is shown below, which includes forecast capital expenditure requirements for the period 2018/19 to 2022/23, as identified in the Business Plan**.**

14.2 This report does not include schemes that have been previously approved where the spending is planned to be incurred in 2018/19.

Table 4: Draft HRA Capital Programme 2018/19

Project	**Total Cost £k**
Major Works	5,800
Improvements	150
Exceptional Extensive Works	492
Disabled Facilities Grants and Aids and Adaptations	381
Building Services Vehicles	121
Social Housing Development Fund	2,029
Total Proposed HRA Capital Programme 2018/19	**8,973**

14.3 Members are being asked to approve the Capital Maintenance and Improvement Works Programme budget for 2018/19 at £8.973m.

14.4 It is proposed that the HRA capital programme for 2018/19 shown above is funded from the Major Repairs Reserve (from depreciation), revenue contribution (RCCO) from the Social Housing Development Fund, and capital receipts (Right to Buy).

14.5 A summary of the estimated funding available before the funding of the 2017/18 capital programme is shown in the table below:

Table 5: Funding Estimates

General Fund	2018/19 £k
Major Repairs Reserve	6,944
Social Housing Development Fund (RCCO)	1,170
Capital Receipts	859
TOTAL Funding	**8,973**

Major Works

14.6 This line in the capital programme covers a number of areas of spend. The Council is required to maintain decent homes standards ensuring items are replaced as and when needed.

14.7 The detail used to make up the budget is shown in the table below and this is what the budget line is expected to be spent on. This is subject to change depending on factors such as contractor availability, and any changes to the profile of spend will be agreed with the Director for the service.

Table 6: Major Works

Project	Total Cost £
Bathrooms	1,400
Heating Systems	1,400
Fire Safety Work	1,000
Fasciae and Soffits	1,200
Insulation	800
Total	**5,800**

14.8 Major Works includes the following:

- Bathrooms: This is for the replacement of bathrooms as and when required.
- Heating Systems: The replacement and upgrade of boilers and heating systems.
- Fasciae, Soffits and Rainwater Goods: This is for replacement where necessary.
- Fire Safety Works: This is to fund works identified on the TDBC action plan following the fire in a block of flats. The action plan was accepted by the Fire Service.
- Insulation: The upgrade of insulation, for example cavity wall and loft insulation in dwellings.

Improvements

14.9 A budget of £150k for estate improvements is included in the HRA capital programme, as identified in the Business Plan.

Exceptional/Extensive Works

14.10 This project is for works such as asbestos removal and subsidence works to the Council's non-traditional properties. A budget of £492k is included in the 2018/19 programme for asbestos removal.

Disabled Facilities and Aids and Adaptations

14.11 This is an annual recurring budget for small and large scale home aids and adaptations in tenants' homes where there are mobility issues. This budget is demand led by requests from tenants or through recommendations by occupational therapists or other healthcare professionals. Applications are made through the Somerset West Private Sector Housing Partnership.

14.12 The demand for adaptations has been historically lower than budget and provision was made in the Business Plan for a phased reduction from £435k to £300k over a five year period. This will be done line with a number of steps being taken, such as moving towards more cost effective installations of wet floor shower rooms through a new fixed price contract; switching from concrete ramps to better value metal modular ramps; and a move toward stairlift loans and recycling, rather than purchases. These measures will ensure that the service stays within reduced budgets without impacting tenants.

Building Services Vehicles

14.13 The transfer of Building Services from the DLO to the HRA means that the HRA will need to hold a budget for any new/replacement vehicles needed. This will be funded from depreciation within Building Services, which has previously been included within the hourly rate to the HRA, and so does not increase the net cost to the HRA.

Social Housing Development Fund

14.14 The budget for the Social Housing Development Fund is for new development/redevelopment of housing. This budget represents an ongoing programme averaging 15 units a year. For 2018/19 this is increased to £2.03m.

HRA 5-Year Capital Programme

14.15 The current 5-year capital programme is included for information and is shown in the table below.

Table 7: Draft HRA 5-Year Capital Programme

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	5-Year Total £m
Capital Programme	8.973	9.616	9.748	7.665	7.769	43.771

Contact Officers:

Andrew Stark
Interim Finance Manager
Tel: 01823 219490
Email: a.stark@tauntondeane.gov.uk

Christopher Mainstone
Senior Accountant
Tel: 01823 219487
Email: c.mainstone@tauntondeane.gov.uk

APPENDIX A
HRA Draft Budget 2018/19 and MTFP

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Target Budget	Draft Budget	Forecasted Budget	Forecasted Budget	Forecasted Budget	Forecasted Budget
Income						
Dwelling rents	(24,450)	(24,142)	(23,691)	(24,093)	(24,524)	(24,960)
Non dwelling rents	(617)	(628)	(641)	(653)	(666)	(678)
Service charges	(1,138)	(1,444)	(1,127)	(1,149)	(1,170)	(1,193)
Other income	(462)	(391)	(320)	(326)	(332)	(338)
Total Income	(26,667)	(26,605)	(25,779)	(26,221)	(26,692)	(27,169)
Expenditure						
Repairs and maintenance	6,193	6,134	5,662	5,365	5,109	5,140
Management	6,774	6,637	6,193	6,205	6,338	6,474
Rents and rates	373	385	386	414	429	445
Special management	1,288	1,321	1,197	1,169	1,194	1,221
Provision for bad debt	507	502	502	125	128	130
Debt Management Expenses	8	8	9	9	9	9
Depreciation	6,715	6,781	6,771	6,747	6,732	6,717
Total Expenditure	21,858	21,768	20,720	20,034	19,939	20,136
Other Expenditure						
Contribution to CDC	225	229	234	238	243	248
Revenue Contribution to Capital Outlay	-	-	-	477	677	605
Interest Payable	2,742	2,742	3,065	2,995	3,075	3,293
Investment Income	(70)	(132)	(60)	(60)	(60)	(60)
Social Housing Development Fund	1,185	1,170	1,170	1,200	1,220	1,351
Provision for repayment of debt	1,821	1,821	1,821	1,821	1,821	1,821
Transfers to/(from) earmarked reserves	(851)	(1,007)	(727)	(478)	(218)	(218)
Transfers to/(from) HRA general reserves	(243)	14	(444)	(6)	(5)	(7)
Total Other	4,809	4,837	5,059	6,187	6,753	7,033
Balanced Budget	0	0	0	0	0	0

HRA General Reserves	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Opening Balance	3,224	2,981	2,995	2,551	2,545	2,540
Transfers to/from reserves	(243)	14	(444)	(6)	(5)	(7)
Closing Balance	2,981	2,995	2,551	2,545	2,540	2,533