

You are requested to attend a meeting of the Tenant Services Management Board to be held in The John Meikle Room, The Deane House, Belvedere Road, Taunton on 16 January 2017 at 18:00.

Agenda

- 1 Apologies.
- 2 Minutes of the meeting of the Tenant Services Management Board held on 14 December 2016 (attached).
- 3 Public Question Time.
- 4 Declaration of Interests
To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct.
- 5 Deane House Accommodation Project, Report of The Director - Housing and Communities (attached).
Reporting Officer: James Barrah
- 6 Inspired2Achieve Employment Support, Report of The Customer Service Improvement Project Manager, (Verbal Update).
Reporting Officer: Martha Dudman
- 7 Tenant and Leaseholder Satisfaction Project. Report of The Customer Service Improvement Project Manager, (Verbal Update).
Reporting Officer: Martha Dudman
- 8 Transformation of Taunton Deane Borough Council and West Somerset Council. Report of The Director - Housing and Communities (Verbal Update).
Reporting Officer: James Barrah
- 9 Housing Revenue Account (HRA) Budget Estimates 2017/18. Report of The Senior Accountant (attached)

The following items are likely to be considered after the exclusion of the press and public because of the likelihood that exempt information would otherwise be disclosed relating to the Clause set out below of Schedule 12A of the Local Government Act 1972.

10 CONFIDENTIAL Development Update. Report of the Development Manager and Development Officer. Paragraph 3 - Information relating to financial or business affairs. (attached).

Reporting Officers: Rachel Searle
Julie-Anne Gordon

Bruce Lang
Assistant Chief Executive

22 February 2018

Members of the public are welcome to attend the meeting and listen to the discussions.

There is time set aside at the beginning of most meetings to allow the public to ask questions.

Speaking under "Public Question Time" is limited to 4 minutes per person in an overall period of 15 minutes. The Committee Administrator will keep a close watch on the time and the Chairman will be responsible for ensuring the time permitted does not overrun. The speaker will be allowed to address the Committee once only and will not be allowed to participate further in any debate.

Except at meetings of Full Council, where public participation will be restricted to Public Question Time only, if a member of the public wishes to address the Committee on any matter appearing on the agenda, the Chairman will normally permit this to occur when that item is reached and before the Councillors or Tenant Services Management Board Members begin to debate the item.

This is more usual at meetings of the Council's Planning Committee and details of the "rules" which apply at these meetings can be found in the leaflet "Having Your Say on Planning Applications". A copy can be obtained free of charge from the Planning Reception Desk at The Deane House or by contacting the telephone number or e-mail address below.

If an item on the agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group.

These arrangements do not apply to exempt (confidential) items on the agenda where any members of the press or public present will be asked to leave the Committee Room.

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Tenant Services Management Board Members:-

Mr A Akhigbemen

Councillor C Booth

Councillor R Bowrah, BEM

Mrs J Bunn

Mr D Galpin

Mrs J Hegarty

Mr K Hellier

Mr I Hussey

Minutes of the Meeting of the Tenant Services Management Board held on 14 December 2016 at 6.30pm in meeting room at Flook House, The Deane House, Belvedere Road, Taunton.

Present: Mr R Balman (Chairman)
Mr Akhighbemen, Mrs J Bunn, Mr D Galpin, Mrs J Hegarty

Officers: Paul Hadley (Lettings Manager), Stephen Boland (Housing Services Lead), Paul Harding (Corporate Strategy and Performance Manager), Catrin Brown (Health and Safety Manager), Michaela Mullen (Welfare Reform Officer), Martin Price (Tenant Empowerment Manager), and Tracey Meadows (Democratic Services Officer)

Also present: Councillor Beale, Julian Ranson, Savills. Julia Williamson

(The meeting commenced at 6.30pm)

1. Apologies

Apologies were received from Mr K Hellier, Mr Hussey, Councillors Booth and Bowrah

2. Minutes

The Minutes of the meeting of the Tenant Services Management Board held on 14 November 2016 were taken as read and were signed.

3. Public Question Time

No questions received for Public Question Time.

4. Declarations of Interests

Mr Akhighbemen, Mr R Balman, Mrs J Bunn, Mr D Galpin, Mrs J Hegarty, declared personal interests as Taunton Deane Borough Council Housing Tenants.

5. Asbestos Communication Strategy

The Housing Services Lead gave an update on the Taunton Deane Borough Council Asbestos Compliance Review. Stated that there had been a review going on for some time on how the Council had been managing their assets particularly regarding asbestos regulations and how the public would be informed in the future.

In order to categorically determine where asbestos was and more importantly, where it was not, TDBC and WSC were conducting an on-going programme of specialist's surveys and inspections of its properties. This had been underway for a number of years already and incorporated all relevant areas of TDBC and WSC buildings constructed before the year 2000, when the use of all asbestos containing materials were banned in the UK. The range of buildings surveyed public and commercial buildings, as well as flats, houses, communal areas, sheds, bin stores and garages.

As TDBC manage a large number of dwellings, this inspection programme would take time to complete and not all properties had been inspected yet.

Rather than wait for all individual surveys to be completed, TDBC had therefore decided to advise all residents at the outset as to the potential presence of asbestos, as well as the potential risk posed. If there was any possibility that asbestos could be present, we would presume that it was (until proven through the survey that it was not) and advise residents/building occupants accordingly.

A leaflet in clear language informing residents about what was Asbestos and what were the risks would be sent out to avoid unnecessary alarm or anxiety. This leaflet would also be included in the sign up pack when tenants signed up for a new property. This leaflet would provide information to anyone who was liable to disturb asbestos should it be present in their property which could be disturbed accidentally.

Conducted in the right way, TDBC regard early and clear communication with the residents in respect of the sensitive subject to be the best policy and that if it was conducted sensitively, need cause no alarm.

An asbestos Working Group had been formed to act as an operational group to help drive the asbestos compliance/improvement agenda on behalf of all stakeholders within Taunton Deane and West Somerset Council. This was principally to practically implement the recommendations arising from the Savills report and recommendations (dated 2015).

During the discussion of this item the following questions were raised:-

- If leaflets go out to tenants and a high volume ring the Council concerned that there is asbestos in their property how will this be handled? *If there are concerns with the tenants we would come out and survey to determine if there is actually asbestos in their property. We have contractors already set up to go out and survey properties. A desk top risk review to see which properties would be at risk of asbestos would be surveyed first;*
- Would individuals that had bought a Council property have a survey also? *This would be picked up by a Chartered Surveyor if asbestos were present in the property. We will also be addressing this matter with the new management plan.*

Resolved that the officer's report be noted.

6. High Income Social Tenants: Pay to Stay

Executive Councillor for Housing Services, Terry Beale stated that in May 2016 the Government intended to introduce an income based rents policy requiring Local Authorities to set higher rents for higher income council tenants with house hold incomes of over £31k outside of London. Tenants would pay an extra 15p rent for every £1 over the threshold up to the equivalent market rent.

In the Autumn Statement the Minister of State for Housing and Planning, made a statement which confirmed that the government had decided not to pursue this policy in its compulsory form. Stated that Local Authorities and Housing Associations would continue to have discretion to implement the policy for those tenants with household incomes of £60k and over. The change in policy follows consultation with tenants, Local Authorities and other organisations.

Stated that although the government had given us to option to introduce this we had taken the decision not to implement this due to the cost of the administration. It should be noted that introducing 'Pay to Stay' would increase our 'Right to Buy' process. Tenants would purchase the property and reduce our housing stock even further.

During the discussion of this item the following points were made:-

- This is a good move that the Council has made as implementing this would result in a right mess;
- I personally thought this was a good idea but can see that the administration cost would not make it possible to administer. Could new tenants be evaluated before they were given the option of a Council property, if they were on a higher income bracket why would they need a Council property? *We are going to introduce fixed term tenancies as part of the process. Fixed term tenancies will fix this, social housing is for need and if you do not need this you will not be eligible for a council property, you will be encouraged towards private/ own ownership releasing council properties for people in need;*

Resolved that the report be noted.

7. Transformation of Taunton Deane Borough Council and West Somerset Council

Update from the Corporate Strategy & Performance Manager regarding the transformation of Taunton Deane Borough Council and West Somerset Council.

Stated that board members were aware of the proposal that were going through consultation. Why a new Council, TDBC had predicted a budget gap of £2.5m and WSC of £1.2m by 2020/21. Having a single Council would deliver at least £0.5m in savings a year. In addition to the £2.6m a year to be delivered through transformation (working differently), which is already underway. The consultation/engagement would start on 12 December 2016 and run until the 28 February 2017.

The consultation was to inform the Secretary of State's decision on whether to form a new council. He is the decision maker. It was not about Transformation. That was already underway. It was not a merger. Both Councils would be stood down and a new one created. It was not a vote/referendum on whether a new council should be created.

The changes that would be made to the new council are fewer district councillors, now 84-56 TDBC and 28 WSC. The new council would cover a larger area reducing operating costs by £0.5m a year.

Stated that the change would mean that you would still be council tenants (but to a new council. There would still be the option of 'Right to Buy' etc.; your landlord would still have the same obligations to you; in WS tenants will still stay with Magna HA.

The consultation delivery would be in the form of a questionnaire which can be found on www.yournewcouncil.org, reports & video; Roadshows x 6 – questionnaire and summary booklet; Town & Parish meetings x 10; Your Somerset, Gazette, Free Press & Tenants newsletter; Stakeholder group letters (inc equalities representative groups) . Face to face with some stakeholder groups; there will be Road Shows at the following locations;

- Watchet, Phoenix Centre, 12 January, (10-3pm)
- Wellington Library, 17 January, (10-3pm)
- Dulverton Library, 17 January, (10-3pm)
- Taunton Visitor Centre, 19 January (10-3pm)
- Minehead, Beach Hotel, 20 January (10-3pm)
- Wiveliscombe, Community Centre 26 January (10-3pm)

During the discussion of this item the following question were asked:-

- When this is a new Council will we be able to build new Council houses in West Somerset? *In theory yes, subject to the money, if there is a need and the land we can build,*
- Has a survey been taken of this being organised up and down the country and a survey of the Secretary of State's decision? *Taunton Deane and West Somerset have been blazing a bit of a trail. We will be the very first Councils that have used a new piece of legislation, 'Cities and Local Government devolution act of 2016' which no one yet has used. Councils have merged together to form unitary councils there was a pathway for achieving that. Two Councils merging together to create a new one using this piece of legislation is a first. There are two other councils going through this process as we speak;*
- Is there a financial incentive for this legislation that you quoted? *There is nothing good or bad coming from the Government, grants are being cut, Councils are being encouraged to work together to work it out. both TDBC and WSC want this merger;*
- Will there be any job losses? *There will be significant job losses, but there are a whole lot of jobs that we need people for, there will be changes and tenants will be made aware of this;*

The Housing Services Lead reported that Magna Housing have just created a new housing strategy. They had bases in West Somerset and Dorchester. We attended a conference in Williton a couple of months ago and they had a new plan to develop 300 new social housing units and 300 shared ownership and they had also signed up to a one for one on replacement units, so if any of their tenants exercise their Right to Buy, they will replace that one for one. This is good news as for the last few years there has not being any development in WS. Magna Housing had significant presence in WS and in Dorchester which means in terms of housing options we had the opportunity for more housing on the ground locally.

Resolved that the report be noted

8. **Universal Credit. Report of the Welfare Reform Project**

Report from the Paul Hadley, Lettings Manager and Michaela Mullen, Welfare Reform Officer

Stated that from the 26 October we went live with the full service of Universal Credit. Before that time we had what they called live service which was where only single newly unemployed people could claim. From the 26 October, anybody of working age can claim Universal Credit, so it has opened it up much wider to a lot more of our tenants. Since going live we have had 93 of our tenants make a claim, this is quite a high number but it could be that they are just claiming for tax credits and not necessarily for housing benefit. These have been split down to our three area teams;

- Halcon - 39 claims, 29 claims are currently in arrears with their rent and the arrears for that area is £20,025.58 just with those 39 claims. This does not mean that all of these arrears are for Universal Credit, those people would have been in arrears beforehand;
- North Taunton – 31 claims, 25 of which are in arrears and those total £12,264.65;
- Wellington - 23 claims, 13 of which are in arrears and those total £8,534.34;

This gives a total of £41,624.47. As you can see by the numbers a lot of these tenants were in arrears and we will have lots of work to do as these tenants will be waiting for 5/6 weeks for a payment.

The full service that were now on was completely different than the live service that we used to be on, there were no similarities at all. This is a new system that we are having to train and learn on. We were working closely with the DWP and were in a test and learn stage.

There were no bedroom tax figures to report this month due to not receiving this information anymore from Housing Benefit, this will be the same for Benefit Cap as under Universal Credit this information will not be divulged.

Universal Credit would work really well for some people and for some it would not. Ourselves, Citizens Advice and Partner Agencies would all have a role to play. The DWP also want to encourage tenants to make their claims on line so they will need to make sure that they are computer literate to be able to manage their claim online. It was recognised that work would be needed to help vulnerable people which is being worked on at present. There was work to do with the homeless as B&B costs do not work on the Universal Credit system. A meeting has been held and we will update you at a future meeting to let you know the outcome.

A lot of work has been done promoting this with a Money Matters magazine going out next week so everyone will have a copy of this with the new information in.

The Housing Services Lead stated that all staff involved in the Universal Credit system had had training and it was going well. We are in support of giving tenants the correct advice and claiming what they are entitled to.

Stated that this was a real culture shift as our tenants were not used to paying their own rent.

During the discussion of this item the following question were asked:-

- As this has just started we will need to give it 12 months to see how this new Universal Credit system is working;
- Concerns with tenants that are disadvantaged; *Estate Officers were happy to help with the most vulnerable. There will also be village agents to give help and advice for tenants that live in rural areas;*

Resolved that the report be noted.

9. Anti-Social Behaviour Team Activity

Update from the Lettings Manager, stated that our;

Performance - still remained good with satisfaction at 93% of tenants who reported ASB in year to date rated the help and advice received a good or excellent. This was a 2% reduction since the last update. Performance remains good and we have never fallen below target.

ASB demand - in all but one the demand had increased with the total number of high level cases increasing from 57 in 2012/13 to 93 in 2015/16. The only one which has reduced was noise which as it was a big issue for lots of tenants this could not be explained. I believe this is the impact of the One Team working with more reports coming in than before.

Victim/Perpetrator Profile – many of the victims and also perpetrators of ASB have pre-existing mental health issues, they may/may not be supported by statutory mental health or other services. In many cases it has been shown that these individuals have withdrawn from support or alternatively support services had been withdrawn.

We were now seeing organised crime gangs starting to infiltrate the South West and we have started to see where some of our properties were being taken over by these gangs. It will quite often be a vulnerable person, single female who may have a dependency and to service that dependency they come into contact with someone on a friendly basis and that dependency changes where they lose control of their own home. The home then is being basically run as a shop for substances. This issue first started to show itself in Halcon. A series of warrants were issued. Currently a closed order to reclaim the property was in progress. This was not just happening in Halcon, there had also been reports in the Priorswood area. We now needed to work closely with our Police colleagues to have an impact on this.

In summary the team continues to provide a high level of service for our tenants, this was evidenced by the high level of satisfaction we continued to be able to achieve. We had seen an increase in demand of high level cases, and this had also resulted in an increase in the percentage of victims and perpetrators who are vulnerable, either due to mental health issues or in some cases due to substance dependency. The effect of this was that the case management was becoming more challenging for our officers.

The Housing Services Lead asked the Lettings Manager to go back and thank the team for the work and support that they do on the Halcon estate for the tenants.

During the discussion of this item the following comments were made:-

- The board thanked the team for all its hard work and said it fully supported it 100%;

Resolved that the report be noted.

10. **Dates of Tenant Services Management Board Meetings 2017**

Dates for the Tenant Services Management Board noted.

(The meeting ended at 8.15pm)

Taunton Deane Borough Council

Tenant Services Management Board – 16th January 2017

Deane House Accommodation Project

This matter is the responsibility of Executive Councillor Mark Edwards

Report Author: James Barrah – Director of Housing and Communities

1 Executive Summary

- 1.1 This report seeks approval to progress with a project to fully refurbish Deane House as the Council's main headquarters location and to let surplus space to third party organisations in order to offset some of the Council's costs. The report sets out a business case for the project along with associated risks and opportunities. The project will create fit for purpose modern office accommodation for staff and members to support a transformed Council. The report also proposes to let a substantial area of the building to Avon and Somerset Police to create the new Taunton Police Station including enquiry office, thereby creating opportunities to further enhance our already excellent partnership working relationship with the Police and offset some of the Council's refurbishment costs.

2 Recommendations

2.1 It is recommended:-

1. That the Council approves the project as set out in this report to refurbish Deane House to appropriate and modern standards to facilitate a more agile way of working for staff and to make available surplus space to let to other organisations in order to offset the Council's costs.
2. That delegated authority is provided to the Director of Housing and Communities in conjunction with the Portfolio Holder and project Member Steering Group to progress the project, make appropriate appointments and to negotiate terms and let space to third party organisations.
3. That a Supplementary Estimate of £5,873,600 is added to the capital programme in 2016/17, and a supplementary revenue budget of £1,643,300 is added to the 2016/17 budget, with the balance to be held in an earmarked reserve and carried forward at the end of the year.
4. Borrowing totalling £7,516,900 is approved. £5,873,600 of this to fund the Deane House Accommodation Project, and £1,643,300 to fund existing capital projects in order to release revenue earmarked reserves to fund the Deane House Accommodation Project.

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
<p>Failure to let the surplus space available in Deane House. This will be mitigated by ongoing dialogue with key partners and additional marketing of the building following Council decision to proceed. However the Council only needs to let a relatively small amount of additional space in order to break even in cash flow terms over a ten year period. Clearly full occupation will be desirable in improving the Councils financial position.</p>	3	3	9
<p>Increase in project costs, the budget for the project has been based on technical estimates for the work proposed but clearly the project has not yet been subject to detailed design or subject to the market. The project team will attempt to address any potential cost escalation within the project budget, and the scope and extent of the works does provide the opportunity to value engineer the work.</p>	3	4	12
<p>Tenants activation of break clauses, commercial leases will be subject to typical break clauses as would be expected. The commercial reality is that break clauses can be activated leading to potential loss of income, but officers will seek to engage future tenants where there is strong covenant strength and therefore a lower risk of this occurring.</p>	3	3	9

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background

- 4.1 Taunton Deane Borough Council currently has its main office at Deane House. Deane House was built in 1987 and other than some minor internal changes and day to day repairs, it has had little refurbishment since then. Whilst the building is structurally sound and robust, many of its components and infrastructure including its mechanical and electrical systems are coming to the end of their natural life. The internal configuration and finish of the building is tired and outdated, and it provides poor quality and frequently inadequate and uncomfortable accommodation for staff and other users. The building is also now too large for the Council's current requirements. Consequently the building now needs significant investment, without this, the Council runs the risk of the building becoming unfit for purpose and incurring increasing unplanned maintenance costs. This report therefore further considers the future for the Council's office requirements.
- 4.2 Deane House currently offers circa 4,800 sqm NIA (Net Internal Area). It is currently occupied by around 400 staff.
- 4.3 Members will be aware that this issue has been debated on previous occasions. During the second half of 2013 an internal review and high level option appraisal was undertaken. This work culminated in the selection of two options: a move to County

Hall or new build at Firepool be adopted as the preferred options for the provision of the Council's main office base and that officers be requested to carry out full feasibility reports on the preferred options.

- 4.4 Following this, the Council undertook a detailed feasibility study of two preferred options. The Council considered the outcome of this feasibility study in August 2014, and the subsequent resolution was that County Hall was the preferred option. During this period a comprehensive accommodation offer had been provided by Somerset County Council involving the extension and refurbishment of A block, new member debating chamber, relocation of the library and other services along with other partners to create a new public sector hub. Unfortunately whilst progression of this option was underway, the offer was reduced by SCC for affordability reasons. Consequently the project and proposal was no longer consistent with the Council expectations and requirements, and so reduced substantially in attractiveness to TDBC.
- 4.5 Since this time the project has been taking stock of our options with officers requested to review the option to remain in Deane House, undertake the refurbishment required but occupy with other partners and tenants more widely to assist in offsetting the Council's costs. What is now proposed is a scheme based on this plan that will finally provide certainty of direction with regard to the Council's accommodation needs.

5 Current Position

- 5.1 At the time of making the decision in 2014 regarding County Hall as the preferred option, the key features that we found attractive were the cost for occupying a much smaller footprint and the ability to work more closely with other public sector partners to deliver face to face interaction at one "hub" location. Key concerns at that time from some members included the potential lack of sovereignty, lack of control under a lease arrangement, lack of flexibility and that we would no longer retain an asset. A range of financial and non-financial criteria were used to evaluate the options at this time, however this option as evaluated became no longer available hence the need to review our position.
- 5.2 Since this time officers have been in dialogue with some key partners to assess if the option to remain in Deane House and sublet parts is worthy of progression. The proposal now suggested is to indeed pursue this route, with occupation by Avon and Somerset Police as our first co-occupiers. The objective of this process has been to look to ways to remain in Deane House but offset some of the Council's costs. This is distinct from looking for purely the cheapest option as this route does not necessarily fulfil all of the Council's criteria, as set out below.
- 5.3 Previous consultation with members has established a ranked list of non-financial criteria as follows, the project as now proposed would fulfil many of these criteria.

Criteria	Rank
Asset Retention	1
Premises that are able to change as the authority changes	2

Opportunities to add value by close working or shared / integrated services with other partners	2
Improvement in Environmental Sustainability	4
Location within Taunton	4
Make sense of the public purse / taxpayers (public perception)	4
Supporting the regeneration of Taunton	7
Deliverable in the next 3 years	8

6 Project Context

Transformation

- 6.1 This report focuses on the future of the Council's main office base, however accommodation cannot be considered in isolation or purely just as a financial and “bricks and mortar” issue. Whilst this report considers a significant investment in its office accommodation, Members will be aware that we are underway with a wide and ambitious transformation programme, the Council’s accommodation solution is just one part of our wider change agenda which also includes better IT enablement, a new Customer Access strategy in particular moving customers away from face to face interactions to digital channels, more agile and flexible ways of working for staff.
- 6.2 Other organisations which have chosen to rationalise their office accommodation have at the same time incorporated new ways of working. The outcome of introducing these ways of working is to reduce the amount of office space provided, utilising the fact that desk spaces are occupied for example on average on a 60% basis. So in this case every ten employees would be provided with six workstations. These programmes are described as “Smart Office” or “Agile Working” and rely on investment to enable the ongoing savings to be made. The terminology we have adopted is “Smart Office”.
- 6.3 In the last few years, many authorities have embraced this change, including several within Somerset (Somerset County Council, Mendip District Council, Sedgemoor District Council). Many have found that it is possible to reduce desk space requirements by circa 30- 40% by introducing new ways of working and investing in modern office space and equipment. Some have then sought to share accommodation with other public and community sector colleagues in order to minimise overhead costs. This sharing has brought the additional significant benefit of closer working between organisations and improved access for customers by introducing one stop shop approaches.
- 6.4 Our recent experience of creating new Smart office type accommodation at the new depot has been well received and the new premises has and will be a very tangible catalyst for further change in these services. Whilst the Deane House project will be just a part of our transformation programme it will be really important as a very visible symbol to staff and others that the way we work will radically change, it will also be a very positive step to support our staff, members and customers with better quality and fit for purpose accommodation, which is long overdue.
- 6.5 Members will be aware of the current consultation exercise to potentially create a new Council across the Taunton Deane and West Somerset areas, any potential new Council has an opportunity to consolidate head office accommodation and use all new

Council assets more flexibly to balance service delivery efficiency with commercial interests. A refurbished Deane House will provide greater opportunities to support such flexibility. As for the current West Somerset Council's accommodation at Williton a project is currently underway to relocate the local Police station and enquiry office into the Council offices along with extending the occupation of the building by Somerset County Council by the inclusion of library and registrars services and an additional third party tenant.

Project Timing

- 6.6 The fact that the Council has not had certainty on its accommodation solution for a number of years with a range of options being considered and discounted means that an absolute requirement to make a decision on the way forward now is paramount, a backlog of works and components reaching their end of life means that we have to act or risk unplanned expenditure and potential service disruption. So making the final decision to remain at Deane House will inevitably result in the requirement for substantial investment in the building, doing nothing is not an option. The fact we have an opportunity to share with the Police now to help mitigate our costs is also only available to us now. The commercial opportunity to let further space to others in due course is much improved by being able to practically demonstrate the decision is made and tangible evidence of design and work progressing will improve our ability to attract new tenant interest.
- 6.7 The current proposal to share accommodation with the Police will provide the opportunity to improve our service to customers by further embedding our already very positive partnership working approach with them. In addition the potential for the colocation of other public sector partners would only enhance our wider collaboration. Whilst Heads of Terms have been agreed with the Police, with the Police and Crime Commissioner making the decision that Deane House is their preferred accommodation solution, we will have additional surplus space to let in the building. The Police interest results from their decision to close the Shuttern station and sell this large plot which is currently being marketed, so the Police have reviewed other options as part of their decision making process and concluded the preference for Deane House. Certainty that this option is progressing to a suitable timescale is clearly important to them with a potential occupation date of April 2018. Further delays from a TDBC perspective may risk losing this potential occupier as other options are available to them.
- 6.8 The availability of additional surplus space in Deane House is to a degree a commercial risk however positive dialogue is ongoing with a range of other organisations, even without any formal marketing being undertaken to date. It is important to note as set out in the financial section of this report we only need to let a very small amount of additional space to improve our current Medium Term Financial Position so effectively the project would at this stage improve the forecast revenue position for the Council. Additional lettings will only improve this position further. It is considered that once the decision is taken and the project starts to progress, this will be a good signal to the market and other interested parties that after much consideration over the last few years the council has now made a clear decision on its accommodation requirements.

- 6.9 Members will be aware that the option to consider colocation with the Police was previously considered by the Council in 2012 and not progressed at this time. Clearly the circumstances of the Council were very different at this time and the project at this time was primarily based on purely refurbishing the portion of the building that would be let to the Police with a different aspiration for pay back on this part of the project. The current proposition is different in that it proposes a full refurbishment of the building with the intention in so doing to create space for the Police along with other potential occupiers. The current project also starts from the premise of deciding to remain in the building means that refurbishment is unavoidable. In addition the space let to the Police in the current project is greater and at a higher rental level.

7 Project Outline

- 7.1 The refurbishment of Deane House will be a full refurbishment of the whole building and will include Mechanical and Electrical replacement, windows, fittings and repairs to the roof and lift. The project will essentially strip out all partitioning within the building to create a more open plan environment, with new furniture and IT infrastructure.
- 7.2 The work programme will be on a two stage Design & Build open book contract with contractors selected via the Southern Construction Framework (SCF). Pre-construction detailed design will commence in February 2017 with onsite construction to start in June 2017. The works will be broken up into phases and will start with the area identified for Avon and Somerset Police, and TDBC will aim to hand over a CAT A (refurbished and serviced shell) to the Police in December 2017, they may in addition retain the contractor to complete their CAT B works (tenant fit out) until April 2018, however this is to be confirmed at a later stage. TDBC expect to take possession of a completed CAT B space by June 2018.
- 7.3 Avon and Somerset Police require a total area of 750m² split over ground and first floor as a base for their beat and response officers, as well as an enquiries office, interview rooms, parking and some external storage which will be located within the bunker. Officers have identified the preferred wing for their occupation, giving them the presence they require and ease of access/egress to their response vehicles, some of which will be parked within easy reach of their wing, and a route into reception.
- 7.4 Appendix A, B & C provides indicative area plans for the ground, first and second floors showing the area that the Police will occupy and how the building could be split between TDBC, Avon and Somerset Police and other tenants. These indicative block plans will inform the pre-construction design phase of the D&B contract and will be developed further as part of that process. The plans within the appendix show the space split as exclusive space for TDBC of 1833m² and exclusive space for the police of 750m², plus shared space and protected fire escape routes, leaving 1,416m² of available space.
- 7.5 During the refurbishment Deane House will remain fully functional for staff, members and our customers. Staff will be required to relocate around the building whilst the refurbishment works are under way, this will require a sequencing plan to allow for clear access to the Police wing where onsite construction will start. There will be a need to implement the new telephone system and purchase new smart office furniture before we start to relocate staff within Deane House. Officers have identified possible

decant options into other Council assets which include Flook House, the new depot, as well as our meeting halls. We also have two offers of available space with other local public sector organisations. Staff will also have the option of working from home as much as possible.

- 7.6 With the Police being operational 24/7 it gives TDBC the opportunity to consider bringing Deane Helpline into Deane House which could free up two dwellings for additional units of extra care accommodation for the HRA.
- 7.7 Project officers have had detailed discussions with other potential tenants interested in leasing space within Deane house, these discussions are with organisations from both the public and private sectors and officers are currently progressing these discussions further.

8 Business Case and Financial Appraisal

- 8.1 Attached at Confidential Appendix D is a detailed financial appraisal of the proposal. From this it can be seen that the inclusion of rental income from Avon and Somerset Police reduces the impact on the Council's Medium Term Financial Plan in relation to the impact of the projected backlog and refurbishment costs of Deane House. It is also important to note that despite the relatively long payback period of the one off costs of the work, it will secure additional life of the building by at least another 25 years.
- 8.2 Avon and Somerset Police will occupy a substantial amount of space, but there will be substantial further potential space for other partners to occupy to increase the Council's income. However we will only require to let a further 95m² in order to break even in cash flow terms over a ten year period. In other words our overall running costs for Deane House will be less than our projected current costs.
- 8.3 In order to fully offset the revenue cost over a ten year period (including fully offsetting the costs of backlog maintenance that are already included in the MTFP) a total of 2,082m², an additional 1,332m² over the Police requirement, would need to be occupied on similar terms.
- 8.4 Although this would provide a breakeven position for revenue, the period in which the cost of the refurbishment for the area occupied by the Police is covered through generated income is slightly longer at 12 years. After this period any income would contribute towards Taunton Deane's cost, although it would take 50 years for income from the Police only to cover the full cost of the refurbishment (including all of Taunton Deane's costs). If occupation of 2,082m² is achieved, the period in which all of Taunton Deane's costs are covered would reduce to 24 years.
- 8.5 The capital costs of £5.874m could be funded through borrowing. It is not possible to borrow for the revenue expenditure of £1.643m, which includes some backlog maintenance, along with other costs such as project management. However it is proposed that revenue funding currently held in the Capital Financing Earmarked Reserve could be diverted, with new borrowing taken out for the existing capital projects that this is due to fund, leaving these projects unaffected. This would mean additional interest payments and Minimum Revenue Provision (MRP) which have been

taken into account in the financial appraisal of this project since they would not have been payable otherwise.

9 Asset Management Comments

- 9.1 Asset Management have had a key role within this project, negotiating heads of terms as well as contributing towards the wider project and work in respect of the business case. The objective of the work undertaken by Asset Management has been to support ways to remain at Deane House but offset some of the Council's costs by bringing in others to provide an income stream by way of rent and contribute towards running costs through way of service charge. In the context of a decision to remain at Deane House, the agreement reached with the Police represents taking a more commercial approach to securing income. This is distinct from looking for purely the cheapest option as the cheapest does not necessarily fulfil all of the Council's criteria as set out in 5.3 of the report.
- 9.2 Notwithstanding the capital investment in the building and also the benefits attached to its location and favourable parking provision, securing tenants for the remainder of the property that sits vacant after the Police and TDBC are occupying their parts may prove challenging to let and consequently the space might need further sub division and / or acceptance that terms agreed might be less favourable than those agreed with the Police. Parts of the building might sit vacant for periods of time both before initial lettings but also when those leases come to an end. Whilst of concern operationally, as referenced in 8.2 of the report, further letting of only 95 square metres is needed to break even in cash flow terms over a ten year period. The reasoning for this is due to the investment needed in the building reflecting the costs of the backlog maintenance already included in the MTFP and necessary irrespective of new occupiers or changes in working practices but merely to remain at this property. It will be critical to design into any works as much flexibility as possible in terms of future occupier requirements to ensure surplus space can be let and so as not to impinge on the Council's own ability to transform further over the years to come.
- 9.3 From an Asset Management perspective it is critical that the future of this building is finally decided on so that essential works can be properly planned for moving forwards and avoiding unnecessary failure of key components impacting on the operational delivery of services within the building and increasing costs.
- 9.4 There are risks attached to this proposal and these from an asset management perspective are outlined adequately within sections 3.2 and section 5 of the Confidential Appendix D containing Finance comments.

10 Next Steps and Programme

- 10.1 A detailed programme will be developed when the project goes live, as key decisions are made on design and phasing, however the broad intention is to deliver a Cat A refurbished shell for the Police area by December 2017 in order for them to undertake their fit out and occupation in early 2018. This will be achieved by progressing a detail design period of three months from February onwards, followed by mobilisation and works delivery.
- 10.2 Officers have progressed preparatory work in order to expedite moving the project

forward as quickly as possible, but formal appointments will only be made following a positive Council decision. The following work has been undertaken:-

- Procurement and selection of Employers Agent/Clerk of Works and other professional services support.
- Recruitment of additional project manager capacity.
- Appointment of design professional to progress building master planning prior to design and build process
- Procurement and selection underway of Two Stage Design and Build Contractor from Construction Framework South.

10.3 Following a positive decision to proceed by Council next steps will include making these appointments, gearing up the project team and project management mechanics and progressing quickly to the detailed design stage.

11 Links to Corporate Aims / Priorities

11.1 A key theme of the Corporate Plan is, “to create an Efficient and Modern Council”, and an action within this is “Making better use of our land and property assets, investing in, transferring or selling assets where it make sense to do so”. This project represents a significant investment in an important Council asset that will result in better use of the accommodation and generate a positive impact on the Councils Medium Term Financial Plan.

12 Legal Implications

12.1 There are no direct legal implications arising from this report however all contracts and lease agreements entered into as part of the project will be undertaken in accordance with normal protocols re legal team involvement. Heads of Terms for the Police occupation have been agreed, an Agreement to lease will be in place prior to the formal appointment of a contractor.

13 Statutory Approvals

13.1 Initial advice from the Planning Team has been sought and advise as follows:

ASP require office space for their beat and response officers, including an enquiries desk. In my view, this falls into the same use class as the Councils’ current operations and, therefore does not require planning permission and there are no further planning considerations. New external signage may require advertising consent.

13.2 Building Control approval will be required for the refurbishment work.

14 Environmental Impact Implications

14.1 Deane House currently operates at an EPC rating of D, the refurbishment works will substantially improve the environmental performance of the building and so help reduce our running costs. The predicted EPC rating after refurbishment is not yet

known as this will be determined through the detailed design process where a balance between cost and benefit will need to be struck. When further more detailed modelling and design of the building is undertaken more running cost related savings may be delivered via this project than are currently forecast in the business case.

Environmental improvements may include:

- More efficient mechanical systems will use less energy
- Improved building fabric will retain energy more effectively, meaning less heat will be needed to maintain comfort levels for users
- Intelligent building management systems will give granular billing of services to tenant(s), allowing accurate billing of services rather than generic service charges.
- Energy efficient lighting.
- Presence detection in spaces meaning lighting is only activated when space is being used.

15 Safeguarding and/or Community Safety Implications

- 15.1 No significant implications identified however co-location with Avon and Somerset Police can only enhance our already excellent partnership working arrangements which contribute towards tackling anti-social behaviour and crime.

16 Equality and Diversity Implications

- 16.1 As the proposals contained in this report consider the further use of a public access building and the high level decision in principle to proceed with the project, a detailed assessment has not been undertaken at this stage. However if the decision is taken to progress the project then during the detailed design stage and then via review through the implementation stage, all suitable Equality and Diversity implications for all users of the building and our services will be fully assessed and considered. This will also involve Building Control scrutiny of designs. It is clear however that the wholesale refurbishment of the building will afford many opportunities to improve the physical environment and associated access and other arrangements.

17 Social Value Implications

- 17.1 The Design and Build Contractor is being procured via the Southern Construction Framework. This framework is established as one of the principle routes to market for major works projects. Use of the framework has several advantages including the speed to market and the frameworks collaborative working methodology. Inherent in this methodology are key charters and strategies covering, for example, Environment and Sustainability, Health and Safety, Employment and Skills. Tenderers are required within their stage 2 bids to detail their commitments in respect of the numbers of work placement and apprentices that will be employed on the project. The scale of the framework means that greater overall rewards in respect of social value considerations can be achieved than could be by procuring a contractor in isolation.

18 Partnership Implications

- 18.1 The proposal presents an opportunity to further align the work of the Council more closely with key partners if they choose to locate services in Deane House particularly

where we share customer groups, most notably the opportunity to deepen our already very strong partnership working with Avon and Somerset Police following their confirmation of their intention to relocate Taunton operations to Deane House. In addition the potential for the colocation of other public sector partners would only enhance our wider collaboration.

19 Consultation Implications

- 19.1 The project has been the subject of protracted dialogue internally with members in particular a Member Steering Group convened for this purpose. The matter has also been raised with the Unison Change Forum and been the subject of updates to staff. In addition partner public sector organisations have been contacted to gauge interest in the colocation opportunity afforded by the project.
- 19.2 If the project is approved for progression by Council all of these routes will be amplified to inform in particular, the detailed design phase of the project. Of particular importance will be the involvement of as many staff as possible as key users of the building to ensure staff are able to shape the final outcomes. We will also explore appropriate customer engagement particularly around the future reception design to inform this part of the project.

Democratic Path:

- **Tenant Services Management Board - Yes**
- **Scrutiny – Yes**
- **Executive – No**
- **Full Council – Yes**

Reporting Frequency : Once only but with regular project updates for members via Member Steering Group.

List of Appendices (delete if not applicable)

Appendix A	Potential Area Plan Ground Floor
Appendix B	Potential Area Plan First Floor
Appendix C	Potential Area Plan Second Floor

Contact Officers

Name	James Barrah	Name	Sue Tomlinson
Direct Dial	01823 358699	Direct Dial	01823 356491
Email	j.barrah@tauntondeane.gov.uk	Email	s.tomlinson@tauntondeane.gov.uk

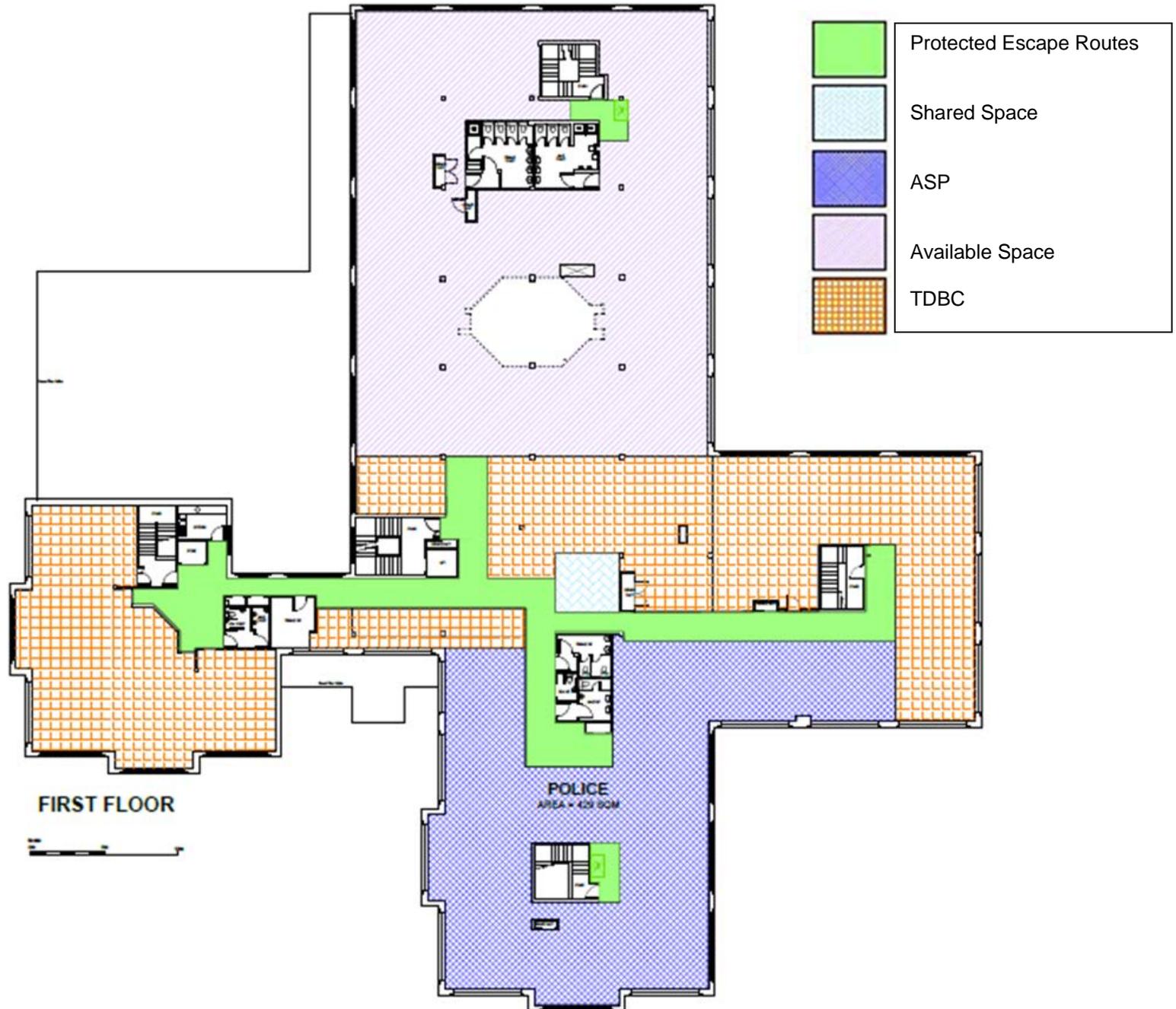
Appendix A

Indicative Area Plan Ground Floor



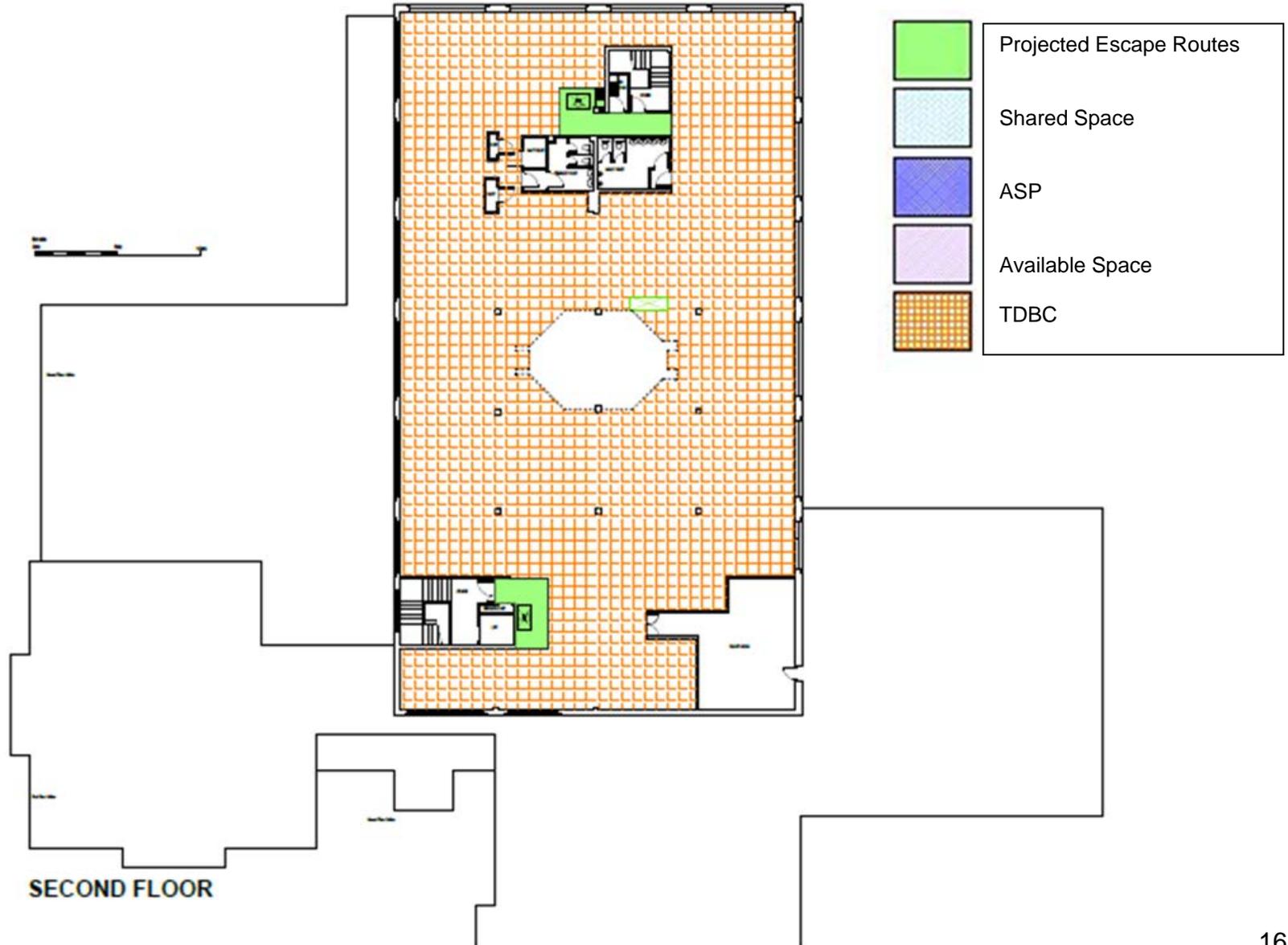
Appendix B

Indicative Area Plan First Floor



Appendix C

Indicative Area Plan Second Floor



Taunton Deane Borough Council

Tenant Services Management Board – 16 January 2017

Housing Revenue Account (HRA) Budget Estimates 2017/18

This matter is the responsibility of the Executive Member, Councillor Terry Beale

Report Author: Lucy Clothier, Senior Accountant - Services

1 Executive Summary

- 1.1 This report updates the Board on the draft Housing Revenue Account (HRA) budget proposals for 2017/18.
- 1.2 The proposals included in this report would enable the Council to set a balanced budget for 2017/18. This includes a transfer from HRA General Reserves of £0.243m, which is lower than the £0.350m included in the Business Plan that was approved by Council in July 2016.
- 1.3 However, the longer term position is greatly affected by external changes such as an expected increase in pension contribution, and this will need to be monitored over the medium and long term in order to remain affordable.
- 1.4 Areas of risk and uncertainty, such as the changes to pension contributions may affect this position further.

2 Recommendations

- 2.1 Tenant Services Management Board is recommended to consider and comment on the HRA draft budget and proposed rent decrease, and to inform the Executive and Full Council of any amendments the Board wish to suggest.

3 Introduction and Background

- 3.1 The purpose of this report is to update and request comments from the Board on the Draft Housing Revenue Account (HRA) budget proposals for 2017/18.
- 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 full review of the Business Plan was undertaken in 2016. The draft estimates for 2017/18 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 2017/18 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 2017/18. The key amendments are summarised below.

Table 1: 2017/18 Changes in Approved Business Plan

	Reference Paragraph	£000s
<u>Impact in 2017/18 of key changes within the Business Plan</u>		
Starting position - balanced budget		0.0
Rents - rent reduction and increase in RTB for Pay to Stay	4.3a, 5	308.0
Bad Debt Provision (funded from EMR)	4.3b	288.7
Social Housing Development Fund	4.3c	185.3
Repairs and Maintenance savings	4.3d	(166.4)
Management savings	4.3e	(253.0)
Community provision	4.3f	140.0
Provision for repaying borrowing	4.3g	814.2
Transformation funding	4.3h	500.0
RCCO	4.3i,8	(911.6)
Funding from EMRs in 2017/18 (provision for bad debt and R&M contracts – PPM and electrical testing)	4.3j	(1,040.1)
Inflationary uplifts	4.3k	374.2
Reduced income assumptions (supporting people contract changes and PV Income due to system sizes)	4.3l	87.9
Other minor changes		22.3
Position in Business Plan - approved by Council in July 2016 (budgeted transfer from HRA General Reserves)		349.5

4.3 Further details of these changes are as follows:

a) Rents were assumed to reduce by 1% for a second year in 2017/18 in line with national rent guidance. Due to the expected implementation of Pay to Stay in 2017/18, whereby tenants earning over £31,000 per year would be required to pay a higher rent, with the additional rent being paid to Government, an increase in Right to Buys was included in the Business Plan. For a three year period, RTBs were

increased to 60 per year as it was expected that a number tenants would have exercised their Right to Buy when faced with an increase in rents. Further detail of rent charges are including in Section 5.

- b) 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 in Taunton Deane in Autumn 2016, and so much of this previous provision was unused, with £433.7k put aside in an earmarked reserve in order to mitigate the loss of income when needed. The Business Plan has included a new three year period of increased provision of bad debt, allowing for an increase in non payment from 0.5% of rents to 2% for a new three year period. In 2017/18 this would be fully funded from the earmarked reserve.
- c) 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 £1m per year, but 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 2017/18 is included at £1.185m, with the remaining funding from capital receipts.
- d) 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 – Property and Development.
- e) Management savings of £253k were included in the Business Plan, including savings resulting from the Terms and Conditions review, changes to the Extra Care Housing service which are expected to lead to a reduction in the subsidy provided, the removal of underutilised budgets such as some training budgets, and other central management costs. Based on current forecasts it isn't expected that these savings will have a significant impact on service delivery.
- f) Permanent 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.
- g) 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 £1,821k, an increase of £814k on the provision included in 2016/17.
- h) A one-off amount of £500k was included in 2017/18 towards the HRA share of the

cost of Transformation. This has been taken into account in the Transformation Business Case.

- i) Revenue Contribution to Capital Outlay (RCCO) is reduced to £nil in 2017/18 as the capital programme can be fully funded from the Major Repairs Reserve which includes the transfer of depreciation.
- j) Transfers from earmarked reserves totalling £1,040k 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.
- k) Inflation of £374k is included in the Business Plan. This is the expected inflation across all expenditure including staffing costs, contracts and other expenditure.
- l) Reductions in income are included for the expected decrease in Supporting People funding from Somerset County Council. Also, following the installation of photovoltaic panels on a number of houses, Feed in Tariff income of £110k is expected in 2017/18. This is lower than the budget of £160k in 2016/17 because of an imposed limit to the size of the systems by Western Power which was not known at budget setting for 2016/17.

5 Dwelling Rents for 2017/18

- 5.1 Dwelling rents for approximately 5,800 properties provides annual income of approximately £24m 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.
- 5.4 In line with the national rent guidance it is proposed that the average weekly rent for dwellings for 2016/17 should be set at the guideline rent of £82.52, a decrease of 1.0%, or £0.84 per week (there is a small difference due to rounding each weekly rent to the nearest penny).
- 5.5 On becoming vacant, dwellings continue to be relet at the Formula Rent, a national rent calculation for social housing which is designed to give fair and consistent rents across all social housing in local authority and housing association stock. Until 2015/16 increases to rent were allowed for convergence – in order to slowly bring rents in line with the national policy. From 2016/17 onwards this is no longer allowable for existing tenancies. Currently 70% of tenants have rents below the Formula Rent. Of those with rents below Formula Rent, the average difference is £1.04 per week, or 1.2%. This is equivalent to loss of income of £211k per year.

- 5.6 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 to charge a higher rent on tenants with a household income of over £60,000.
- 5.7 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 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 2017/18 this equates to expected additional rental income of £43k, which increases to £128k in 2018/19, although expected capital receipts from RTB will reduce.
- 5.8 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.
- 5.9 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 (paragraph 12.7), 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 2017/18 by £179.0k.
- 5.10 These changes give a total forecasted dwelling rent income of £24.5m.

6 Other Income

- 6.1 About 8.3% of HRA income, amounting to £2.2m 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 2.0% increase to £5.94, an increase of £0.12 per week for tenants, representing RPI inflation at September 2016 (last year 0.8%). An increase of 10%, or £0.86 per week, to £9.34 (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. A one-off increase of £50k from leaseholders has been included in 2017/18 to reflect the ongoing major works on flat blocks such as fascias and soffit replacements. All works on

blocks containing leaseholders undergo consultation with leaseholders before works are instructed.

- 6.4 **Extra Care service charges:** As previously reported, Somerset County Council is changing the way in which it procures Extra Care Housing and from April 2017 both the care and support elements will be combined in one contract. Taunton Deane Borough Council will cease to provide the Extra Care Support, although an element of Housing Related support will still be provided, and the services charges amended accordingly. This represents an increase in the housing related support element (the part which Taunton Deane will retain), although this is eligible for Housing Benefit and current self funded tenants will be protected from the increase.
- 6.5 Somerset County Council are due to award the contract for care and support early in 2017. If a contract is not awarded, Taunton Deane may need to continue the support it currently provides, and additional service charges would need to be approved by Council. There could also be a risk that providing this support would create a pressure to the HRA budget since the funding provided through Supporting People has previously not been enough to cover the costs.
- 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 as stated in paragraphs 5.4 and 5.5.

7 Expenditure 2017/18

- 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 2017/18 are:
- a) Right to Buy admin contribution (from RTB capital receipts) increased by £12.5k in line with expectations
 - b) Share services costs - costs transferred from the General Fund for services that cover both GF and HRA such as Finance, ICT and HR are expected to be £9.5k higher than assumed in the Business Plan.
 - c) Apprentice levy – the HRA share of Taunton Deane's Apprenticeship Levy which is expected to be £19.3k.

- d) The employers contribution towards the pension scheme is expected to rise from 13.5% of salaries, to an indicative amount of 15.4%. This, together with an increase in the defined contribution towards past service costs, would be an increase in cost for HRA staff of £206.4k. The services provided to the HRA by the General Fund (paragraph 7.3b) would also be increased because of the increase in cost to the General Fund. This is currently expected to be £36.8k. These figures are based on the current forecasts, with the final figures expected early 2017.

7.4 **Maintenance:** The total cost of maintenance for 2017/18 is expected to decrease by £17k to £6,129k. This equates to spend of around £1,060 per property.

7.5 Key points for 2017/18 are:

- a) The Building Service team, which has previously been part of the DLO, is to transfer to the HRA from April 2016. The HRA accounts for approximately 89% of the work undertaken by Building Services in 2015/16, with total costs from the DLO (including grounds maintenance) totalling £4.9m. This change in treatment will allow for smoother charging, since the costs will sit directly in the HRA, rather than sitting the DLO and being recharged on a regular basis. This should make forecasting more straightforward and prevent swings in cost at the end of the year when costs are fully calculated. Any work undertaken for the General Fund will continue to be charged (from the HRA rather than the DLO), and the General Fund will be unaffected by this change.

The Building Services Team of the DLO has been restructured as part of the Property Services Team and identified as the Repairs & Maintenance Team (RMT) within Property Services. The trade operatives within the RMT totalled 92 plus 12 apprentices, with a number of these post being either filled by agency staff or left vacant to reduce costs. A new establishment for RMT operatives has been set that includes a new provision for delivering in-house electrical inspection and testing, asbestos removal services. The establishment has been set at 70 operatives and 12 apprentices, therefore reducing staffing level by 24 operatives and preventing an additional overspend of circa £750K on repairs and maintenance in the HRA.

- b) 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 an 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 offset by a reduction in transfer from the earmarked reserve.
- c) Negotiations over the future provision of gas servicing and maintenance with the Councils' current contractor 'Saltire' to take up the option of a 2 year extension proving to be unaffordable. Therefore, a business case to bring the gas servicing and maintenance in-house is being developed.
- d) A one off budget of £480k has been included to assist in the provision of the achieving the savings identified in the Business Plan. Plans are already underway, for instance bringing works in house such as the electrical testing above, and in order to ensure

a safe transition, and to cover any one-off costs, this fund will be made available and held in an earmarked reserve. Any remaining funds will then return to general reserves.

- 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 **Rents, rates and other taxes:** insurance premiums are expected to be £30k higher than included in the Business Plan. This is based on current costs.
- 7.8 **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.
- 7.9 **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 2017/18 this is to be covered by a transfer from the provision for bad debt earmarked reserve.
- 7.10 **Depreciation:** Depreciation gets transferred to the Major Repairs Reserve (MRR) and must used to fund the capital programme or repay debt. From 2017/18 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 eg 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.
- 7.11 Pending full calculation of the depreciation charges and agreement of the policy with audit, 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.
- 7.12 **Debt Management Expenses:** bank charges and the costs of managing cash flow, borrowing and investments.
- 7.13 **Repayment of Borrowing and Interest:** interest and a contribution towards the repayment of the debt currently held in the HRA of £97.6m. The contribution towards the repayment of debt is due to increase to £1.8m (from £1.0m) in 2017/18, in line with the Business Plan.
- 7.14 The interest payable on debt is expected to be lower than the Business Plan by £435k. This is because the additional borrowing for approved schemes such as Creechbarrow Road and the Weavers Arms does not need to be externally borrowed during 2017/18. Cash reserves can be used to temporarily cover this capital expenditure, however this is only a short term arrangement and external borrowing will be needed as reserves

are used for their earmarked purpose. Therefore no interest is payable until the additional amounts are externally borrowed. This does, however, reduce the amount of interest received on investments (paragraph 7.15), but to a lesser extent due to the differences in interest rates.

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

7.16 **Social Housing Development Fund:** the revenue contribution made towards the development programme of £1.9m. In 2017/18 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 noted in paragraph 6.10. The capital programme in 2017/18 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 2017/18 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 2017/18 Changes

	Reference Paragraph	£000s
Position in Business Plan (budgeted transfer from HRA General Reserves)		349.5
<u>Proposals included in this report</u>		
Deduction in rent loss from voids	4.9	(179.0)
Reduction in rent lost from Right to Buys (due to Pay to Stay)	4.7	(43.1)
Service charges	5.3	(20.4)
Garages	5.2	(13.0)
Leasehold Charges	5.3	(50.1)
RTB admin contribution	6.3a	(12.5)
R&M Transition Contingency	6.5d	480.0
Charges from GF and pension deficit (49.2k reported in GF, but most of this was included in inflationary uplift above)	6.3b	9.5
HRA share of apprentice levy	6.3c	19.3
Insurance premiums	6.7	30.6
Depreciation	6.10	(100.5)
Investment income	6.15	(10.0)
Interest payable	6.13	(435.5)
Increase in employer pension contribution		90.1
Increase in pension deficit contribution		116.3
Increase in support service charges to the HRA due to pension		36.8
Other minor changes		(25.0)
Balanced Budget for 2017/18		243.0

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 2016 was £2.675m, however with a number of approved changes during the year, the current balance is £2.342m. This does not include any 16/17 forecast variances, or any further supplementary estimates in 2016/17.
- 10.2 If the draft budget in this report is approved by Council, assuming no further changes, the balance would reduce by £0.243m, to £2,099k. This is £0.299m 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 £1.800m.
- 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 2016/17, 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 Rent reductions (Welfare Reform and Work Act 2016) – It is not currently known what will happen with rent charges after the four year rent reduction within the Welfare Reform and Work Act 2016. The Business Plan prudently includes a CPI only rental increase (rather than the previous policy of CPI plus 1%), however it is possible that rent policy will not include inflationary uplifts after this period. Any additional reductions would further impact on Business Plan.
- 11.4 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 in order 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.
- 11.5 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 2017/18 (letter from Gavin Barwell MP, Minister of State for Housing and Planning, 24 November 2016), and so it is currently expected that this will commence from April 2018.

- 11.6 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.

- 11.7 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.
- 11.8 The HRA also faces local risks including those within the Council.
- 11.9 Transformation – Savings from Transformation are included within the ongoing Business Plan (paragraph 7.6). If these savings aren't found the financial position of the Business Plan will be affected.
- 11.10 Extra Care Housing - as reported in paragraphs 6.4 and 6.5 the Extra Care Housing service provision is being reviewed by Somerset County Council (SCC). SCC are due to award a new contract for both Care and Support. Taunton Deane is continuing to provide the Support element until the new contract is expected in March 2017. If SCC do not award a contract within the expected deadlines, Taunton Deane may need to continue to provide this support into the new financial year, which would need to be put in place by late March. Service charges for this Support service would need to be set up and approved as part of the budget setting process as they haven't been included in the Fees and Charges paper.
- 11.11 Gas servicing – as advised in paragraph 7.5c an in-house service is being proposed which includes mitigation measures for key risks to the Council.
- 11.12 Pensions – the employer's pension contributions are currently being reviewed. A forecast of the expected increase is included within this report with any variations from this would affect the position of the HRA. Final figures are expected to be received from the actuaries in early 2017.
- 11.13 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 a close which will identify the Council's 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**

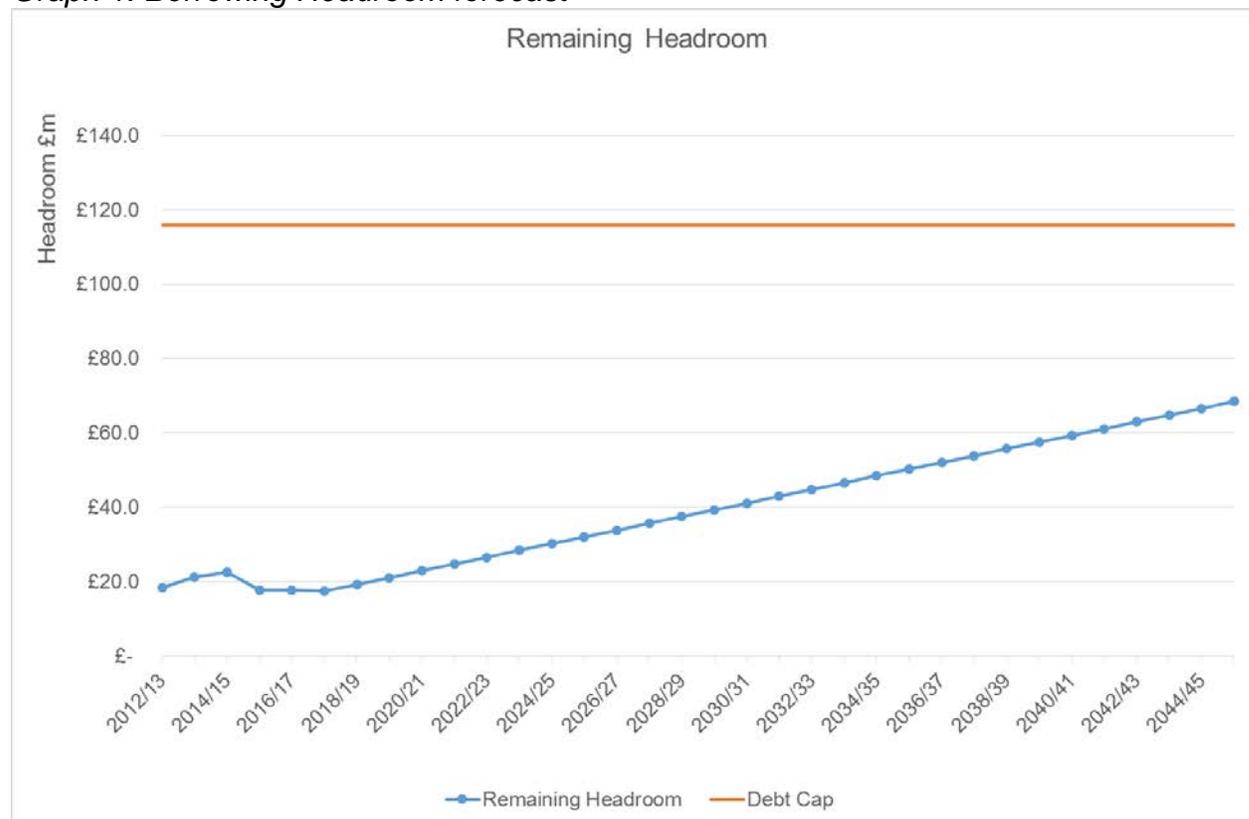
- 12.1 In 2012 Taunton Deane took out additional borrowing of £85.2m as part of the self financing settlement with the Government. This brought the total borrowing in the HRA up to £99.6m at the start of self financing, including £5.5m internal borrowing from the General Fund.
- 12.2 The external borrowing currently totals £97.6m (£2m of external borrowing has been repaid), with an additional £6.3m 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 £2.7m will be made during 2016/17, but additional internal borrowing will be required in order to finance the ongoing schemes. The opening balance of borrowing for 2017/18 is expected to be £99.3m.

- 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 2017/18 is expected to be £17.1m, 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 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 the 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.

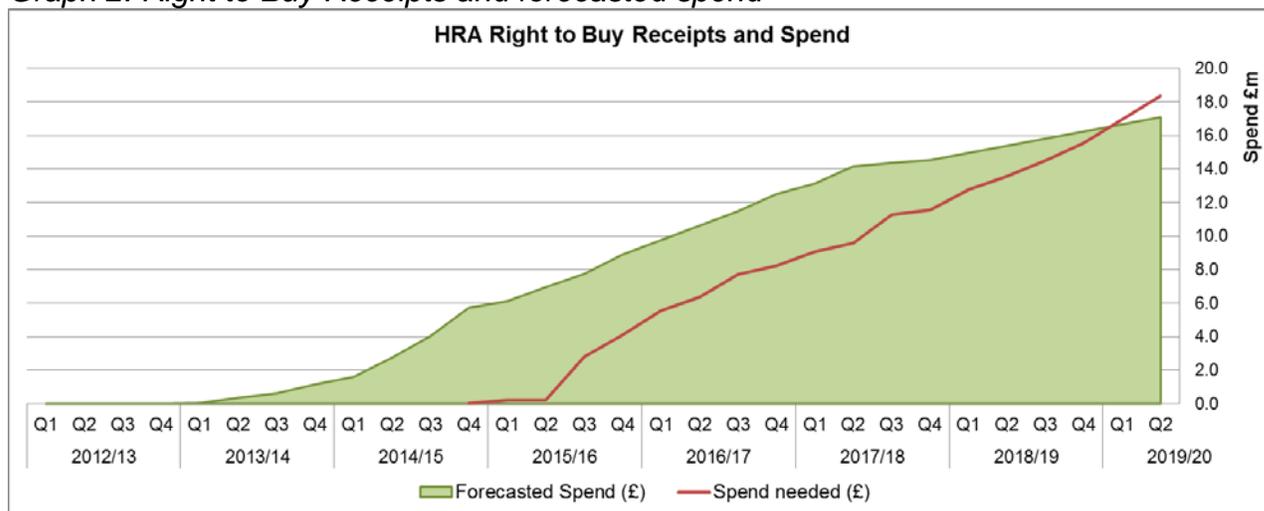
Table 3: Right to Buy receipts

	Total 2012/13	Total 2013/14	Total 2014/15	Total 2015/16	2016/17		Total to date
					Q1	Q2	
Sales	37	47	35	38	11	10	178
Total Capital Receipts (£k)	2,330.4	2,704.6	2,316.6	2,665.6	863.6	841.6	11,722.4
Additional (1-4-1) Receipts (£k)	1,233.7	1,230.5	1,004.9	1,192.7	421.4	423.0	5,506.1
Spend Required (£k)	4,112.4	4,101.5	3,349.6	3,975.6	1,404.5	1,410.0	18,353.6

- 13.4 The receipts received up to 2015/16 have been fully allocated to existing schemes, such as Creechbarrow Road, the Phase 1 sites, Buybacks, and Weavers Arms.
- 13.5 The additional receipts received in Q1 and Q2 2016/17 total £844k, which would require total spend of £2.8m within three years. If this level continues it can be expected that the annual total spend (including RTB receipts and match funding) would need to be in the region of £5.6m. Although the provision for the Social Housing Development Fund has been increased in the Business Plan, the annual total budget is £1.9m, an annual shortfall of £3.7m. The latest forecast shows that forecasted spend will not be enough to meet the match funding requirements in 2019/20. This is based only on currently approved budgets (including the ongoing provision of £1.9m), and doesn't include any new schemes funding 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.

- 13.6 The below graph shows the current forecasted spend, together with the spend needed in order to retain the RTB receipts, and shows that in 2019/20 the forecasted spend doesn't meet the spend needed.

Graph 2: Right to Buy Receipts and forecasted spend



- 13.7 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. The Housing Enabling and Development Manager has started talking informally with local Housing Associations to establish whether this is something that they would be interested in.

13.8 Options to consider:

- 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
- Give grant funding to Housing Association/s – providing they match 70% of the 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 2017/18 Draft Housing Revenue Account Capital Programme

- 14.1 The proposed Draft HRA Capital Programme 2017/18 totals £9.31m. 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 2017/18 to 2021/22, 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 2017/18.

Table 4: Draft HRA Capital Programme 2017/18

Project	Total Cost £k
Major Works	6,222
Related Assets	80
Exceptional Extensive Works	482
Disabled Facilities Grants and Aids and Adaptations	416
Building Services Vehicles	121
Social Housing Development Fund	1,989
Total Proposed HRA Capital Programme 2017/18	9,310

- 14.3 Members are being asked to approve the Capital Maintenance and Improvement Works Programme budget for 2017/18 at £9.310m.
- 14.4 It is proposed that the HRA capital programme for 2017/18 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	2017/18 £k
Major Repairs Reserve	7,321
Social Housing Development Fund (RCCO)	1,185
Capital Receipts	804
TOTAL Funding	9,310

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 £
Kitchens	500,000
Bathrooms	720,000
Roofing	200,000
Windows	200,000
Heating Systems	2,120,000
Doors	500,000
Fire Safety Work	200,000
Fascias and Soffits	880,000
Heat Pumps	490,000
Door Entry Systems	272,000
Insulation	80,000
Ventilation	60,000
Total	6,222,000

14.8 Major Works includes the following:

- Kitchens: This is for the replacement of kitchens as and when required.
- Bathrooms: This is for the replacement of bathrooms as and when required.
- Roofs: Roofs are replaced as and when required.
- Windows: This project is to replace the oldest double glazed windows.
- Heating Systems: The replacement and upgrade of boilers and heating systems.
- Doors: This project replaces doors for better energy conservation and security issues.
- Fascias, Soffits and Rainwater Goods: This is for replacement where necessary.
- Fire Safety Works in Communal Areas: This is to fund works identified on the TDBC action plan following the fire in the communal area of a block of flats. The action plan was accepted by the Fire Service.
- Door Entry Systems: This is for the installation of door entry systems in all blocks of flats.
- Insulation: The upgrade of insulation, for example cavity wall insulation in dwellings.
- Ventilation: Improvement of ventilation in dwellings

Related Assets

14.9 This line in the capital programme is for work to non-dwelling assets such as garages, unadopted areas, meeting halls and sewage treatment works.

Table 7: Related Assets

Project	Total Cost £
Meeting Halls	10,000
Garages	30,000
Sewerage Treatment Works	20,000
Unadopted Areas	20,000
Total	80,000

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 £482,000 is included in the 2017/18 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 £0.435m to £0.300m 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 increased to £1.95m in 2016/17 in the Business Plan and represents an ongoing programme averaging 15 units a year. For 2017/18 this is increased to £1.989m

15 **Draft 5-Year Capital Programme**

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

Table 8: Draft 5-Year Capital Programme

	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	5-Year Total £k
Capital Programme	9,310	9,407	9,566	9,698	7,615	45,596

APPENDIX A

HRA Draft Budget 2017/18 and MTFP

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Target Budget	Draft Budget	Forecasted Budget	Forecasted Budget	Forecasted Budget	Forecasted Budget
Income						
Dwelling rents	(24,614)	(24,450)	(24,142)	(23,691)	(24,093)	(24,524)
Non dwelling rents	(600)	(617)	(628)	(641)	(653)	(666)
Service charges	(1,005)	(1,138)	(1,108)	(1,127)	(1,149)	(1,170)
Other income	(549)	(462)	(391)	(320)	(326)	(332)
Total Income	(26,768)	(26,667)	(26,269)	(25,779)	(26,221)	(26,692)
Expenditure						
Repairs and maintenance	6,146	6,193	5,663	5,612	5,366	5,110
Management	6,092	6,774	6,186	6,068	6,199	6,332
Rents and rates	384	373	386	400	414	429
Special management	1,419	1,288	1,197	1,143	1,168	1,194
Provision for bad debt	223	507	502	493	125	128
Debt Management Expenses	8	8	9	9	9	9
Depreciation	6,725	6,715	6,771	6,772	6,747	6,732
Total Expenditure	20,997	21,858	20,714	20,497	20,028	19,934
Other Expenditure						
Contribution to CDC	215	225	229	234	238	243
Revenue Contribution to Capital Outlay	983	-	-	-	477	677
Interest Payable	3,011	2,742	2,745	3,065	2,995	3,075
Investment Income	(88)	(70)	(60)	(60)	(60)	(60)
Social Housing Development Fund	1,000	1,185	1,170	1,170	1,200	1,220
Provision for repayment of debt	1,007	1,821	1,821	1,821	1,821	1,821
Transfers to/(from) earmarked reserves	(24)	(851)	(272)	(727)	(478)	(218)
Transfers to/(from) HRA general reserves	(333)	(243)	(78)	(221)	-	-
Total Other	5,771	4,809	5,555	5,282	6,193	6,758
Balanced Budget	0	0	0	0	0	0
HRA General Reserves	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Opening Balance	2,675	2,342	2,099	2,021	1,800	1,800
Transfers to/from reserves	(333)	(243)	(78)	(221)	-	-
Closing Balance	2,342	2,099	2,021	1,800	1,800	1,800