

# Somerset West and Taunton Council

## Shadow Executive – 11 February 2019

### Housing Revenue Account (HRA) Budget Estimates 2019/2020

This matter is the responsibility of the Leader of the Council, Councillor John Williams

Report Author: Kerry Prisco, Principal Accountant

#### 1 Executive Summary

- 1.1 This report updates Members on the proposed draft Housing Revenue Account (HRA) Annual Budget and draft Housing Revenue Account (HRA) Capital Programme for 2019/20.
- 1.2 It is proposed to apply a 1% reduction in the average weekly rent in 2019/20, in line with national policy. This would reduce the average weekly rent, from £81.69 per week to £80.87 per week in 2019/20.
- 1.3 The proposals included in this report would enable the Council to set a balanced budget for 2019/20.

#### 2 Recommendations

- 2.1 Shadow Executive recommends the draft HRA Revenue Budget, Capital Programme and proposed average weekly rent of £80.87 for 2019/20, to Shadow Council.

#### 3 Risk Assessment

##### Risk Matrix

Description	Likelihood	Impact	Overall
<i>Risk: The Council is unable to set a balanced budget</i>	Slight (2)	Major (4)	Medium (8)
<i>Mitigation: Members approve options to balance the budget</i>	Rare (1)	Major (4)	Low (4)

## Risk Scoring Matrix

<b>Likelihood</b>	5	Very Likely	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	Feasible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Slight	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Very Unlikely	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
<b>Impact</b>							

<b>Likelihood of risk occurring</b>	<b>Indicator</b>	<b>Description (chance of occurrence)</b>
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 Information

- 4.1 The purpose of this report is to update and request comments from the Members on the proposed draft Housing Revenue Account (HRA) Annual Budget and Capital Programme for 2019/20.
- 4.2 Under the localism agenda, in 2012 the Government closed down the previous national Housing Revenue Account (HRA) Subsidy system. This was a key feature of the funding arrangements for local authorities with council housing stock, and under new arrangements was replaced with a new “self-financing” system of funding. At the time, TDBC was paying approximately £7m per year in “negative Subsidy”, which meant an annual payment from the HRA to Central Government. . As part of the implementation of self-financing, 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.
- 4.3 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.

- 4.4 The HRA Business Plan has been reviewed and updated annually since 2012. Due to a number of changes in national policies and local aspiration, a full review of the Business Plan was undertaken in 2016.
- 4.5 There is an anticipation that further regulatory changes are likely following the publication of the 'Social Housing Green Paper' issued on the 14 August 2018 and the independent review of Building Regulations and Fire Safety led by Dame Judith Hackitt. In addition to this, we have our own internal developing housing aspirations to consider. This would suggest that a timely and full review of the Business Plan should be undertaken to maintain the affordability and viability of these schemes and the financial impact of any regulatory changes within the overall Business Case.
- 4.6 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 10.
- 4.7 As part of the self-financing agreement, an individual housing revenue debt cap of £115m was implemented by Government for Taunton Deane. This meant that the HRA was unable to take out external borrowing in excess of £115m within the HRA Business Plan. In October 2018 this debt cap was officially removed.
- 4.8 The expectation of Government is that the removal of the debt cap, along with other proposals such as allowing councils more flexibility on Right to Buy (RTB) receipts and the introduction of a new rent policy from 2010, will enable authorities to be able to plan for the development of new homes with more certainty.

## 5 Summary of Movements in Draft HRA Estimates

- 5.1 A summary of the overall draft HRA Revenue Budget for 2019/20 and Medium Term Financial Plan is included in Appendix A.
- 5.2 The following table provides a summary of the main proposed changes to the budget estimates from 2018/19 to 2019/20 for the draft HRA Revenue Budget.

Table 1: HRA Budget Setting 2019/20 Changes

	Reference Paragraph	£k
<b>Original Budget 2018/19 – balanced budget</b>		<b>0.0</b>
<u>Income</u>	Section 5 & 6	168.8
<u>Expenditure</u>		
Inflation (excluding salaries)	7.2	73.0
Housing Partnership	7.3	(21.6)
Pension Deficit	7.4	15.4
Provision for Bad Debt	7.5	(441.5)

Grounds Maintenance	7.7	298.5
Transformation savings	7.8	(929.0)
Other Savings		(9.3)
<u>Other Expenditure</u>		
Provision for Depreciation	7.9	(258.9)
Revenue Contribution to Capital Outlay	7.9	250.4
Interest Payable	7.12	(123.4)
Interest Receivable	7.13	62.0
Movement in earmarked reserves	7.14	914.7
Increase/Decrease in Provision for Repayment of Debt	7.15	0
Increase/Decrease in Social Housing Development Fund	7.16	0
<b>Proposed Original Budget for 2019/20 i.e. net transfer to reserves</b>		<b>0.9</b>

## 6 Dwelling Rental Income for 2019/20

- 6.1 The Welfare Reform and Work Act 2016 sets out a 1% annual reduction in social housing rents from 1<sup>st</sup> April 2016 for four years, up to and including 2019/20.
- 6.2 The proposed Housing Rent for 2019/20 reflects national policy that requires a reduction of (at least) 1%. For Somerset West and Taunton tenants this would see a reduction to the average weekly rent, from £81.69 per week to £80.87 per week.
- 6.3 These changes cause the dwelling rents annual income forecast to decrease by £129.1k over the current business plan to £24.013m from £24.142m for the HRA from approximately 5,700 properties.
- 6.4 On 4 October 2017 the Department for Communities and Local Government announced that “increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.” This assumptions is included in the medium term forecast within the HRA financial plan.
- 6.5 Rent lost through void periods continue to be lower than the 2% allowed in the original Business Plan. Therefore it is proposed to reduce the expected void rate to 1% for a two year period and to also consider voids as a result of regeneration needs.

## 7 Other Income for 2019/20

- 7.1 About 9.3% of HRA income, amounting to £2.4m 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 report that was approved by Shadow Full Council in December 2018.

- 7.2 **Garage rents:** The fee will increase by 3.3% (last year 3.9%) to £6.37, which is an increase of £0.20 per week for tenants. An increase of 3.3%, or £0.32 per week, to £10.32 (including VAT) for private garage tenants and second Council tenant garages.
- 7.3 **Charges for services and facilities:** an increase of 3.3% (last year 2.0%). 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.
- 7.4 **Extra Care service charges:** As previously reported, Somerset County Council (SCC) has changed the way in which it procures Extra Care Housing. From April 2017 both the care and support elements were combined in one contract. Taunton Deane Borough Council has ceased to provide the Extra Care Support, although an element of intensive housing management is still being provided with the services charges amended accordingly. This represented an increase in the housing element (the part which Taunton Deane will retain), which is eligible for Housing Benefit and current self-funded tenants will be protected from the increase.
- 7.5 A review of the sheltered housing contract we have with SCC was always due to happen post October 2018 when our current contract expires. Our sheltered housing service model was changed in 2016/17 so that it is self-sufficient. Our sheltered housing tenants pay a weekly charge for our Sheltered Housing Officers (SHO) to provide tenant empowerment, community development and additional housing management services.

## 8 Expenditure 2019/20

- 8.1 Below are brief explanations for any significant changes to the 2018/19 currently approved Business Plan. The key changes for 2019/20 are:
- 8.2 **General Inflation:** An additional budget of £73k is the expected inflation across all general expenditure at 3.3% representing RPI inflation at September 2018, including insurance (at 2% inflation) and utilities (at 3% inflation). This does not include staffing costs which have been included within the net Transformation Savings for Salaries.
- 8.3 **Housing Partnership:** A saving of £21.6k will be achieved due to the agreement of a new contract for this service area.
- 8.4 **Pension Deficit:** This £15.4k reflects the increase in pension deficit contribution attributable to the HRA.
- 8.5 **Provision for bad debts:** The Business Plan had previously increased the provision for bad debt to 2% (from 0.5%) for a period of three years. This was to mitigate the expected reduction in recovery of income due to the implementation of Universal Credit.

- 8.6 However Universal Credit was only fully introduced for new claimants in Taunton Deane in October 2016, and has not yet been fully implemented for existing claimants. As a consequence our Bad Debt Impairment provision has remained fairly low and is expected to remain low due to the continued delay in the full implementation of Universal Credit. Therefore the Bad Debt Provision has temporarily been reduced to £60k for 2019/20, returning to £500k in 20/21.
- 8.7 **Grounds Maintenance Service Charges:** A review was undertaken to increase the grounds maintenance service charge to bring it in line with the average cost of other housing associations to be able to carry out a service, as requested by Tenant Services Management Board (TSMB). This resulted in an increase in the weekly service charge from 81p per household to £1.84 per household in 2018/19 (£1.90 for 2019/20). The Service Level Agreement (SLA) for 2019/20 has increased budgeted costs by £298.5k.
- 8.8 **Transformation Savings:** The Business Plan includes the expected full realisation of annual savings of £929k in 2019/20 in line with the Transformation Business Case and revised savings target agreed by TDBC and WSC in December 2018.
- 8.9 **Provision for Depreciation and RCCO:** Depreciation is transferred to the Major Repairs Reserve (MRR) and must be used to fund the capital programme and/or repay debt. Depreciation is calculated on a component accounting basis. This means Depreciation is calculated on each of the major components of each house e.g. kitchen, bathroom, rather than being based on the Major Repairs Allowance (MRA), an estimation of the works needed to maintain the stock in good condition.
- 8.10 Following a full calculation of the depreciation charges and agreement of the policy with our external auditors, a decrease in depreciation has been seen requiring an equal amount to be included as Revenue Contribution to Capital Outlay (RCCO) in order to maintain the funding of the capital programme.
- 8.11 This will be the first year we have properly budgeted for this, with the adjustments showing a decrease in depreciation of £258.9k and an increase in RCCO of £250.4k reflecting this change in depreciation policy and to match the budgeted expectations for 2019/20 as per the original Business Plan.
- 8.12 **Interest payable:** The majority of existing external borrowing is based on fixed interest rates for the term of the loan, with only two loans based on variable rates of interest. Therefore we are able to predict the interest payment for these elements with a high degree of certainty. The budget for 2019/20 has been updated to more accurately reflect the anticipated interest payments including the reduction for the repayment of a £3m loan during 2018/19. This reduces the budgeted interest payable for 2019/20 by £123.4k. The HRA also has internal borrowing from the general fund and the expectation is that this will continue into 2019/20 without the need for the HRA to take out any additional external borrowing to fund this (however this will be kept under review).

- 8.13 **Interest receivable:** This is based on an estimated interest rate on investments. The interest receivable for 2017/18 was considerably lower than budgeted and there is an expectation that this will continue in 2018/19 and for 2019/20. Therefore this budget has been adjusted by £62k to show that less interest income is expected to be received.
- 8.14 **Transfers from Earmarked Reserves:** Transfers from earmarked reserves totalling £1.0m were included in the Business Plan for 2018/19. This is due largely due to the use of reserves to fund staff prior to the restructure as part of the Transformation Programme, as well as the reduced requirement for the provision of bad debt. This provision has now been reduced to £100k for 19/20.
- 8.15 **Repayment of Borrowing:** In 2017/18, the provision for the repayment of borrowing was increased to £1.8m to allow the current level of debt to be repaid over 60 years. In addition to this internal borrowing stands at £12.8m. The proposal is to maintain this level of contribution towards the repayment of debt at £1.8m for 2019/20.
- 8.16 **Social Housing Development Fund:** The revenue contribution made towards the development programme will continue to be £1.17m in 2019/20.

## 9 Draft Housing Revenue Account Capital Programme for 2019/20

- 9.1 The proposed draft HRA Capital Programme for 2019/20 totals £9.59m. 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 2019/20 to 2023/24, as identified in the Business Plan.
- 9.2 This report does not include schemes that have been previously approved where the spending is planned to be incurred in 2019/20.

Table 2: Draft HRA Capital Programme 2019/20

<b>Project</b>	<b>Total Cost £000</b>
Major Works	6,197
Improvements	321
Exceptional Extensive Works	502
Disabled Facilities Grants and Aids and Adaptations	376
Building Services Vehicles	121
Social Housing Development Fund	2,069
<b>Total Proposed HRA Capital Programme 2018/19</b>	<b>9,586</b>

- 9.3 Members are being asked to approve the Capital Maintenance and Improvement Works Programme budget for 2019/20 at £9.586m.
- 9.4 It is proposed that the HRA capital programme for 2019/20 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).

- 9.5 A summary of the estimated funding available before the funding of the 2018/19 capital programme is shown in the table below:

Table 3: Funding Estimates

<b>General Fund</b>	<b>2019/20 £k</b>
Major Repairs Reserve	7,517
Social Housing Development Fund (RCCO)	1,170
Capital Receipts	899
<b>TOTAL Funding</b>	<b>9,586</b>

### **Major Works**

- 9.6 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.
- 9.7 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 4: Major Works

<b>Project</b>	<b>Total Cost £000</b>
Bathrooms	1,400
Heating Systems	1,625
Fire Safety Work	1,172
Fasciae and Soffits	1,200
Insulation	800
<b>Total</b>	<b>6,197</b>

- 9.8 Major Works includes the following:

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

## **Improvements**

- 9.9 A budget of £322k for estate improvements is included in the HRA capital programme, as identified in the Business Plan.

## **Exceptional/Extensive Works**

- 9.10 This project is for works such as asbestos removal and subsidence works to the Council's non-traditional properties. A budget of £502k is included in the 2019/20 programme for asbestos removal.

## **Disabled Facilities and Aids and Adaptations**

- 9.11 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.
- 9.12 The demand for adaptations has been historically lower than budget and provision was made in the Business Plan for a phased reduction 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**

- 9.13 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**

- 9.14 The budget for the Social Housing Development Fund is for new development/redevelopment of housing. This budget represents an ongoing programme averaging 15 units a year. For 2019/20 this is increased to £2.07m.

## **Draft HRA 5-Year Capital Programme**

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

Table 5: Draft HRA 5-Year Capital Programme

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	5-Year Total £m
Capital Programme	9.586	9.699	7.632	7.770	7.910	42.597

## 10 HRA General 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 2018 was £2.778m. There have not been any approved changes during the year from unearmarked reserves.
- 10.2 If the draft budget in this report is approved by Council, assuming no further changes, the balance would increase by £0.9k, to £2.779m. This is £979k over the minimum reserve balance. This reserve will be held at the minimum recommended balance of £1.8m when considering any further demands on this reserve.
- 10.3 Appendix A shows the forecast position over the medium term based on this draft budget. This is subject to transfers to or from HRA general reserves in 2018/19, and any other changes.

## 11 Risks and Uncertainties

- 11.1 Although some previous risks have now been removed (e.g. Higher Value Asset Sales), the HRA still faces a number of medium to long-term risks and uncertainties, both internal and external to the Council. These include:
- 11.2 Universal Credit: It is not known what impact the full roll out of Universal Credit will have on the HRA. The HRA has already taken steps to try and prevent loss of income where possible. Tenants are now able to pay through direct debits on any day of the month (rather than only three options previously) in order to allow them to make payments on the same day as their Universal Credit payment, salary, pension or other income. There are also currently additional officers working within the One Teams such as a Welfare Reform Officer and an additional Debt and Benefit Advisor in order to support tenants affected by welfare changes. However, the impact on social housing landlords in areas where Universal Credit has already been fully implemented for new claimants has been significant. The impact this will have when Universal Credit is fully implemented for existing claimants is still unknown.
- 11.3 Social Housing Green Paper: On the 14 August 2018 the government published its Social Housing Green Paper in response to the tragedy at Grenfell Tower. Whilst the initial consultation has now closed, we are still awaiting the outcome of this consultation and any regulatory changes that this may bring.
- 11.4 Independent Review of Building Regulations and Fire Safety: The final report sets out over 50 recommendations for government as to how to deliver a more robust regulatory system to ensure that the buildings residents live in are safe and remain so.

Again, we are awaiting the final regulatory changes to understand the full budgetary impact this may have on the HRA.

- 11.5 Transformation: Savings from Transformation are included within the ongoing Business Plan. If these savings aren't achieved the financial position of the Business Plan will be affected.
- 11.6 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. The detailed analysis is nearing completion 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 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 current borrowing requirement for 2018/19 totals £104.8m with an additional £12.8m of internal borrowing within the HRA (for approved capital schemes such as Creechbarrow Road). This internal borrowing is currently funded from reserves held by the HRA, but external borrowing may be required in the future. This will be reassessed as part of the overall Business Plan review during 2019/20. A loan repayment of £3.5m will be made during 2019/20.
- 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 In October 2018 the government officially removed the debt cap that was set at the inception of self-financing. This means that the HRA comes under the same prudential borrowing rules as the General Fund and is therefore able to borrow providing that it is affordable and viable as part of the overall Business Case and ensuring that this can be repaid over the 60 years.

## **13 Right to Buy (RTB) Receipts**

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

- 13.2 The full spend on new housing (the 30% RTB funding and 70% Council funding) should be spent within three years of the capital receipt, or the RTB receipt must be returned to Government with interest at 4% over base rate from the date of the receipt. Receipts can be returned in the quarter in which they are received with no interest payable.
- 13.3 The table below shows the capital receipts received under the new RTB discount scheme, along with how much of those receipts are deemed to be 'Additional receipts', i.e. 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.

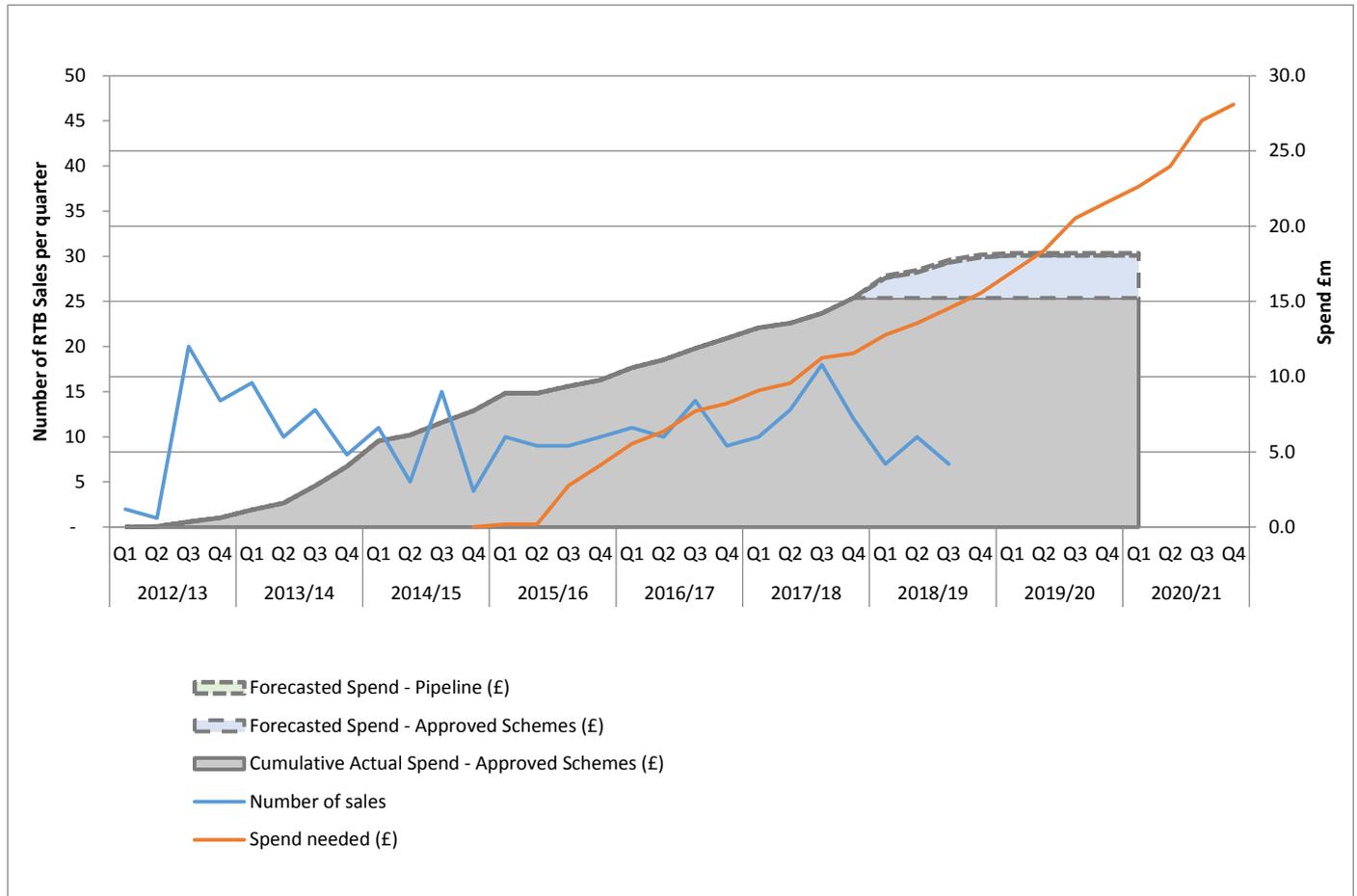
Table 6: Right to Buy receipts

	Total 2012/13	Total 2013/14	Total 2014/15	Total 2015/16	Total 2016/17	Total 2017/18	2018/19			Total to date
							Q1	Q2	Q3	
<b>Sales</b>	37	47	35	38	44	53	7	10	7	278
<b>Total Receipts (£k)</b>	2,330.4	2,704.6	2,316.6	2,665.7	3,568.1	3,971.5	465.2	802.3	516.1	19,340.5
<b>1-4-1 Receipts (£k)</b>	1,233.7	1,230.5	1,004.9	1,192.7	1,816.7	1,949.1	189.0	369.6	347.9	9,334.1
<b>Spend Required (£k)</b>	4,112.4	4,101.5	3,349.6	3,975.6	6,055.8	6,496	630.1	1,231.9	1,159.6	31,112.5

- 13.4 The latest forecast shows that forecast spend will be enough to meet the match funding requirements to quarter 2 of 2019/20. This is based only on currently approved budgets (therefore does not include eligible spend on North Taunton), and doesn't include any additional schemes funded through borrowing. It is possible to borrow for additional schemes, within the borrowing headroom in Section 13, 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.
- 13.5 It should be noted that the new housing doesn't need to be provided by the Council. The 30% RTB funding could also be used by Housing Associations in the area, providing they meet the same match funding requirements.
- 13.6 Further options for the 70% match funding of RTB receipts in excess of planned development expenditure.
- Increase spend through borrowing
  - Increase spend from revenue – would lead to reduced service provision as revenue is allocated within the Business Plan
  - Use other Council funding
  - Return funding to Government

13.7 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.

Graph 2: Right to Buy Receipts and forecasted spend



## 14 Links to Corporate Aims / Priorities

14.1 It is important that Councillors recognise the financial position, challenges and risks faced by the HRA and fully engage in the corporate and financial planning processes in order to determine an affordable and sustainable set of corporate aims and priorities. This should lead to the Council approving a sustainable final budget and MTFP in February 2019.

## 15 Finance / Resource Implications

15.1 The HRA's financial position is set out above within the body of this report. The HRA is required to set a balanced budget to ensure that the service remains self-sufficient.

15.2 There have been no proposed policy changes or reductions in service budgets in order to balance the budget in 2019/20, in line with the HRA overall Business Plan.

- 15.3 It is important that Councillors have a good understanding of the financial position and forecasts over the medium term.
- 16 Legal Implications** (if any)
- 16.1 None for the purposes of this report. The Welfare Reform and Work Act 2016 sets out a 1% reduction in social housing rents from 1st April 2016 for four years, up to and including 2019/20.
- 17 Environmental Impact Implications** (if any)
- 17.1 None for the purposes of this report.
- 18 Safeguarding and/or Community Safety Implications** (if any)
- 18.1 None for the purposes of this report.
- 19 Equality and Diversity Implications** (if any)
- 19.1 None for the purposes of this report.
- 20 Social Value Implications** (if any)
- 20.1 None for the purposes of this report.
- 21 Partnership Implications** (if any)
- 21.1 None for the purposes of this report. The Council budget incorporates costs and income related to the various partnership arrangements, and any changes in relevant forecasts and proposals will be reported for consideration as these emerge.
- 22 Health and Wellbeing Implications** (if any)
- 22.1 None for the purposes of this report. Any relevant information and decisions with regard to health and wellbeing will be reported as these emerge through the financial planning process.
- 23 Asset Management Implications** (if any)
- 23.1 None directly for the purposes of this report. The financial implications associated with asset management will be reflected in due course.
- 24 Data Protection Implications** (if any)
- 24.1 None for the purposes of this report.
- 25 Consultation Implications** (if any)
- 25.1 None for the purposes of this report.
- 26 Scrutiny Comments / Recommendation(s)** (if any)
- 26.1 To be included following the meeting if appropriate.

**Democratic Path:**

Shadow Scrutiny – 5 February 2019  
Shadow Executive – 11 February 2019  
Shadow Council – 21 February 2019

**Reporting Frequency:** Annually

**List of Appendices (delete if not applicable)**

Appendix A	HRA Draft Budget for 2019/20 and MTFP
------------	---------------------------------------

**Contact Officers**

Name	<b>Kerry Prisco</b>	Name	<b>Andy Stark</b>
Direct Dial	01823 218758	Direct Dial	01823 219490
Email	<a href="mailto:k.prisco@tauntondeane.gov.uk">k.prisco@tauntondeane.gov.uk</a>	Email	<a href="mailto:a.stark@tauntondeane.gov.uk">a.stark@tauntondeane.gov.uk</a>
Name	<b>Stephen Boland</b>	Name	
Direct Dial	01823 219503	Direct Dial	
Email	<a href="mailto:s.boland@tauntondeane.gov.uk">s.boland@tauntondeane.gov.uk</a>	Email	

## APPENDIX A

### HRA Draft Budget for 2019/20 and MTFP

	2018/19 Target Budget	2019/20 Draft Budget	2020/21 Forecast Budget	2021/22 Forecast Budget	2022/23 Forecast Budget	2023/24 Forecast Budget	2024/25 Forecast Budget
<b>Income</b>							
Dwelling Rents	(24,142)	(24,013)	(24,260)	(24,964)	(25,774)	(26,545)	(27,327)
Non Dwelling Rents	(628)	(649)	(669)	(689)	(710)	(731)	(753)
Service Charges	(1,444)	(1,445)	(1,461)	(1,502)	(1,546)	(1,589)	(1,633)
Other Income	(430)	(369)	(386)	(388)	(390)	(393)	(395)
<b>Sub Total Income</b>	<b>(26,644)</b>	<b>(26,476)</b>	<b>(26,776)</b>	<b>(27,543)</b>	<b>(28,420)</b>	<b>(29,257)</b>	<b>(30,108)</b>
<b>Expenditure</b>							
Repairs and Maintenance	5,782	2,225	1,845	1,874	1,903	1,933	1,963
Management	6,934	9,720	10,014	10,250	10,491	10,739	10,993
Rents and Rates	385	394	403	412	421	430	440
Special Management	1,335	1,525	1,544	1,563	1,578	1,597	1,616
Bad Debt Provision	502	60	500	500	500	500	500
Debt Management Expenses	9	9	9	9	10	10	10
Other Expenditure	0	0	0	0	0	0	0
<b>Sub Total Expenditure</b>	<b>14,947</b>	<b>13,934</b>	<b>14,314</b>	<b>14,607</b>	<b>14,903</b>	<b>15,209</b>	<b>15,523</b>
<b>Other Expenditure</b>							
Depreciation	6,780	6,522	6,467	6,427	6,406	6,378	6,346
Revenue Contribution to Capital Outlay	0	250	306	345	367	394	427
Contribution to CDC	229	229	229	229	229	229	229
Interest Payable	2,742	2,619	2,549	2,559	2,650	2,522	2,508
New Loan interest requirements	0	0	86	134	184	223	272
Investment Income	(132)	(70)	(70)	(70)	(70)	(70)	(70)
Social Housing Development Fund	1,170	1,170	1,200	1,220	1,351	1,387	1,423
Provision for repayment of debt	1,821	1,821	1,821	1,821	1,821	1,821	1,821
New Loan capital requirements	0	0	38	41	57	71	89
Movement in Reserves	(913)	0	0	0	0	0	0
Transfer to/(from) HRA general reserve	0	1	(164)	229	523	1,093	1,542
<b>Sub Total Other Expenditure</b>	<b>11,698</b>	<b>12,542</b>	<b>12,462</b>	<b>12,936</b>	<b>13,517</b>	<b>14,048</b>	<b>14,585</b>
<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**General Reserves**

Opening Balance	2,778	2,778	2,779	2,615	2,845	3,367	4,461
Transfers to/(from)	0	1	(164)	229	523	1,093	1,542
<b>Closing Balance</b>	<b>2,778</b>	<b>2,779</b>	<b>2,615</b>	<b>2,845</b>	<b>3,367</b>	<b>4,461</b>	<b>6,003</b>