

Subject:	Housing Revenue Account Budget and Investment Programme 2016/17 and Medium Term Financial Strategy		
Date of Meeting:	25 February 2016 13 January 2016 – Housing & New Homes Committee 11 February 2016 – Policy & Resources Committee		
Report of:	Acting Director of Finance & Resources Acting Executive Director of Environment, Development & Housing		
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Wards Affected	ALL		

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that additional changes were required following the consideration of the report at the Housing & New Homes Committee on 13 January 2016, and further work was needed to finalise the report.

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report presents the proposed Housing Revenue Account (HRA) revenue and capital budget for 2016/17 as required by the Local Government and Housing Act 1989. Members are required to consider the revenue budget proposals including savings and service pressures as well as changes to rents, fees and charges and also the capital programme. This report also sets out the Medium Term Strategy and 30 year forecast.
- 1.2 The HRA contains the income and expenditure relating to the council's social landlord duties of approximately 11,650 properties and 2,700 leasehold properties. The income and expenditure relating to these properties is accounted for separately from the council's other services/activities which form part of the council's General Fund.

2. RECOMMENDATIONS:

- 2.1. That Housing & New Homes Committee recommend that Policy & Resources Committee:

- (a) approves and recommends to Council the HRA revenue budget for 2016/17 as shown in Appendix 1;
- (b) approves a rent reduction of 1% in line with the draft government legislation as detailed in paragraph 3.7;
- (c) approves service charges and fees as detailed in Appendix 2 and delegates authority to the Acting Executive Director of Environment, Development & Housing to make further amendments to communal service charges and laundry charges (to ensure cost recovery) once notification of new contract prices (from April 2016) has been received;
- (d) approves the capital programme expenditure and financial budget of £43.047 million for 2016/17 and notes the 4 year programme as set out in Appendix 3;
- (e) notes the Medium Term Financial Strategy and 30 year financial projections shown in Appendix 4.

2.2 That Policy & Resources Committee:

- (a) note that the HRA revenue budget 2016/17 savings proposals have increased by £0.133m since being reported to Housing & New Homes Committee as detailed in paragraph 3.4.
- (b) approves and recommends to Council the updated HRA revenue budget for 2016/17 as shown in Appendix 1
- (c) approves a rent reduction of 1% in line with draft government legislation as detailed in paragraph 3.7.
- (d) approves service charges and fees as detailed in Appendix 2 and delegates authority to the Acting Executive Director of Environment, Development & Housing to make further amendments to communal service charges and laundry charges (to ensure cost recovery) once notification of new contract prices (from April 2016) has been received.
- (e) approves the capital programme expenditure and financing budget of £43.047 million for 2016/17 and notes the 4 year programme as set out in Appendix 3.
- (f) notes the Medium Term Financial Strategy and 30 year financial projections shown in Appendix 4.
- (g) notes the feedback from Area Panel representatives consultation as detailed in Appendix 5

2.3 That Budget Council:

- (a) approves the updated HRA revenue budget for 2016/17 as shown in Appendix 1
- (b) notes the Medium Term Financial Strategy and 30 year financial projections shown in Appendix 4.

3. HRA BUDGET STRATEGY

- 3.1 The HRA Budget aims to balance the priorities of both the council and council housing residents within the context of the Housing Strategy 2015, and the Corporate Plan 2015-2019 which sets out the overall direction for the council over the next four years. The council's purpose and ambition as a local authority for the city is strong civic leadership, value for money, quality public services and to protect the vulnerable. The Housing Strategy priorities included in developing the HRA revenue budget and capital programme are:

Priority 1: Improving Housing Supply

- Provide more council housing, through the New Homes for Neighbourhoods programme, and use Right To Buy receipts to fund new housing.
- Work with occupational therapists and social workers to ensure that family properties are allocated and adapted in a co-ordinated manner.
- Support households wanting to downsize to increase supply of available family housing.
- Early intervention for families struggling with accommodation including money advice and tenancy support.

Priority 2: Improving Housing Quality

- Continue to promote the highest possible building, space and environmental standards in all new council homes being built to high sustainability levels.
- Continue to improve council housing sustainability standards and maintain 100% achievement of the council's housing stock meeting the Decent Homes Standard and invest in other priorities that promote the health and wellbeing of our residents.
- Continue the annual Warm Homes Healthy People Programme to support vulnerable households.

Priority 3: Improving Housing Support

- Ensure that as services are reviewed, they are accessible and safe for all.
- Improve front facing customer service at Council housing offices.
- Continued investment in specialist tenancy management and support services to support vulnerable council housing residents and work with Community Safety to resolve housing issues and harassment in a timely manner.
- Re-model seniors housing to ensure that it supports the right people and improves social networks and well-being.
- Ensure that adaptations are done at the right time to support people to stay in their homes when they want to.
- Support to people to 'downsize' when they choose and provide a range of options for them and accessible tools to support decision making.
- Continue to renovate seniors housing schemes to convert studios into one bed homes.
- Better links between seniors housing schemes and surrounding communities.
- Ensure new housing development includes community spaces.

HRA REVENUE BUDGET PROPOSALS 2016/17

- 3.2 The HRA is a ring-fenced account which covers the management and maintenance of council owned housing stock. This must be in balance meaning

that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable.

- 3.3 Although the HRA is not subject to the same funding constraints as the General Fund it still follows the principles of value for money and equally seeks to drive out inefficiencies and achieve cost economies wherever possible. Benchmarking of both service quality and cost with comparator organisations is used extensively to identify opportunities for better efficiency and service delivery.
- 3.4 The HRA budget for 2016/17 is shown in Appendix 1 with the main budget variations, proposed savings, service pressures and other changes. It should be noted that the savings proposals have increased by a further £0.133m since being reported to Housing & New Homes Committee on 13 January 2016 to reflect the cessation of all support from the HRA to the council's Discretionary Grants Programme. This additional saving has also resulted in a corresponding increase in the revenue budget surplus (shown as Direct Revenue Funding). Both amendments have been updated in the attached Appendices. Therefore, savings of £1.393m have been identified to mitigate the impact of service pressures and include a number of efficiencies, a reduction in responsive repairs expenditure and additional income as detailed in Appendix 1 (note 3). Service pressures of £1.213m are mainly from the proposed Welfare Reform changes being introduced by the Government and are also detailed in Appendix 1 (note 4). The net revenue budget results in a surplus of £23.655 million which is shown as 'Direct Revenue Funding' (within expenditure) which will be used to support the capital programme.
- 3.5 Rents are calculated in accordance with government guidelines. Rent restructuring rules still apply and Target Rents for each property are calculated based on the relative property values, bedroom size and local earnings. Target Rents will be set at the grant of all new tenancies.
- 3.6 For a number of years government guidance in relation to annual rent increases was that increases should be limited to RPI + ½% + £2 per week in order to provide some protection to tenants whose actual rents were increasing to reach the calculated Target Rent. From April 2015 government guidance revised annual increases to Consumer Price Index (CPI) + 1%. This change removed the flexibility of social landlords to increase social rents each year by an additional £2 where rents are below target, resulting in lower annual rental increases over the long term.
- 3.7 In addition, from April 2016, the Welfare Reform and Work Bill 2015/16 proposes that rents should be reduced by 1% per annum for the next 4 years (2016/17 to 2019/20). It is anticipated that this will become legislation and therefore this is reflected in the report. For 2016/17 this represents an average reduction of £0.86 per week, reducing the average weekly rent to £84.79 per week.
- 3.8 Rents are not calculated to take into account any service charges and only include all charges associated with the occupation of a dwelling, such as maintenance of the building and general housing management services. Service charges are therefore calculated to reflect additional services which may not be provided to every tenant or which may be connected with communal facilities rather than to a particular occupation of a house or flat. Different tenants may receive different types of service reflecting their housing circumstances. All current service charges are reviewed annually to ensure full cost recovery and also to identify any service

efficiencies which can be offset against inflationary increases, to keep increases to a minimum. The proposed fees and service charges for 2016/17 are set out in Appendix 2.

3.9 The projected level of reserves at 31 March 2017 is also shown in Appendix 1.

HRA CAPITAL PROGRAMME 2016/17

3.10 The Housing Capital Programme seeks to provide substantial improvement to the council's housing stock and improve the quality of residents' lives in their homes. The implementation of the proposed programme will take account of all relevant best practice guidelines and has been informed from the draft Asset Management Strategy. The proposed programme for 2016/17 and the funding arrangements totalling £43.047 million are shown in Appendix 3. This programme does not include any re-profiling identified from the 2015/16 targeted budget monitoring.

3.11 The Capital Programme is a key part of implementing the main aims of the long-term asset management approach, which aims to maximise investment in homes and neighbourhoods to provide safe, good quality housing and support services, whilst also supporting new housing supply and financial viability for the HRA.

3.12 The council is committed to having robust arrangements in place to help ensure the health and safety of all of those using and visiting the council's assets, to a reasonable level. This is a key responsibility, and as such through the capital programme proposals it is ensured that the investment required is maintained and made available ahead of other investment decisions. This includes good practice procedures and resources to support the management of asbestos, fire risk, legionella, gas and electrical equipment, amongst others.

3.13 The Capital Programme targets investments that will ensure that the HRA maintains, and improves where possible, the quality of housing. The programme will support the delivery of the following commitments:

- To maintain 100% achievement of properties meeting the government's Decent Homes Standard and the local Brighton & Hove Standard over the medium term.
- To ensure that all homes are as suitable as practicable for the needs of their occupants, in line with council policy. For example, there is a substantial investment commitment to providing adaptations, and to reducing overcrowding in the programme.
- To continue working closely with residents to help increase levels of resident satisfaction with the quality of their home.

3.14 Additionally, based on feedback from residents on their priorities, the programme continues the long-term investment of upgrading and modernisation of passenger lifts serving blocks of flats. This programme has been very effective in helping many residents to be able to rely on their lift to be safe, comfortable, and reliable.

3.15 Helping residents to live in well-insulated, efficiently heated, healthy homes remains a key long-term commitment, which is supported through the capital programme. Past progress on achieving this has been consistently good, with national Standard Assessment Procedure (SAP) energy rating performance monitoring being used to benchmark these. Key investments that contribute to

these include installing high efficiency boilers, new doors, windows, insulation and renewable or community energy schemes, where appropriate.

HRA MEDIUM TERM & 30 YEAR FINANCIAL FORECAST

- 3.16 The introduction of self financing in 2012 provided additional resources from the retention of all rental income and, through greater control locally, enabled longer term planning to improve the management and maintenance of council homes.
- 3.17 The medium term and 30 year forecast is provided in Appendix 4 along with the business planning assumptions used for income and expenditure.
- 3.18 Essentially although the financial plan shows that the HRA has healthy financial indicators to borrow to source funding for regeneration and development it is restricted by the self financing cap (or limit) on the amount of HRA borrowing permissible for capital investment by each local authority. This limit is currently set at £156.8m for Brighton & Hove and the outstanding debt reaches its peak in 2023/24 where the borrowing level is £147.4m leaving headroom of only £9.4m.
- 3.19 In addition to the debt cap, the reduction in rental income of 1% per annum (as detailed further in Appendix 4) will also restrict resources available for new build and regeneration so alternative options and delivery mechanisms for funding outside the HRA will be required alongside a review of priorities included in the financial plan.
- 3.20 There are also a number of uncertainties due to impending government legislation which may significantly impact on the long term health of the financial plan such as:
- Housing & Planning Bill – requirement to sell off high value homes when they become vacant with the capital receipts pooled by government and redistributed to Housing Associations.
 - Welfare Reform – roll out of universal credit, reduction in tax credits, single room rates for under 35's in social housing and benefit cap to £20,000 per annum, all of which will impact on tenants' ability to pay their rent.
 - Welfare Reform & Work Bill 2015 – proposal that households earning more than £30,000 per annum will be subject to rents charged at market rate. This may result in an increase in right to buys, greater administration costs and possibly an increase in bad debts. Any additional rental income will not be retained by the council but returned to the Government for redistribution to Housing Associations to fund their RTB discounts.
 - Uncertainty of future rent policy after 2019/20.
- 3.21 The 30 year financial plan will be further updated in 2016 to reflect the impact of the changes resulting from government legislation, once the detail is known, and the 2016/17 budget proposals. This will enable a review of future opportunities for additional investment in existing housing stock and building new homes and also how the housing debt could be structured to accommodate these plans or possibilities.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The budget process allows all parties to engage in the scrutiny of budget proposals and put forward viable alternative budget proposals to Budget Council on 25 February 2016. Budget Council has the opportunity to debate both the proposals recommended by Policy & Resources Committee at the same time as any viable alternative proposals.
- 4.2 The Welfare Reform and Work Bill 2015/16 will set a statutory requirement to set the rents at 1% less than the previous year for 2016/17.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Involvement of our residents in service delivery and priorities is a key focus for Housing. Ongoing consultation with tenants and leaseholders takes place throughout the year in a number of forums and settings.
- 5.2 All Area Panel representatives and chairs have been sent a letter explaining the budget proposals. This summarised the various components including the details of the proposed savings and how the savings would be reinvested back into the service, the 1% rent reduction and advised on contact details if further information or clarification was sought.
- 5.3 Residents and leaseholders have helped shape the Asset Management Strategy through a series of discussion events chaired by the interim Head of Housing, with their views forming a key part of the strategic direction of future services and investment. Separate consultation sessions were held with leaseholders, residents in houses, and residents in flats.
- 5.4 Generally, feedback from the consultation sessions included wanting to prioritise investment in the exterior repair of buildings and common parts, such as decorations in stairwells and lighting, with the aim of achieving a more consistent standard across the city. This is now being reflected and supported through the capital programme proposals. Additionally, at a more strategic level, feedback was that generally the focus for investment should be mainly on improving the quality of the existing housing stock, and ensuring that all housing should be of a good standard, and well insulated, to help with fuel costs. The draft Asset Management Strategy overview was also presented and discussed at the November Home Service Improvement Group meeting. The Asset Management Strategy will be considered by Area Panels early in the new year.
- 5.5 Feedback from City Assembly and Area Panels has in the past led directly to prioritisation of budgets, including bringing forward significant additional investment in the lift programme. Input from various service improvement groups has also contributed to various savings considerations, for example suggestions from Tenancy Group will lead to reduced expenditure on fly tipping. The Business & Value for Money service improvement group have reviewed potential income streams for Housing including maximising commercial rents.
- 5.6 The Home Group have also been involved in on-going discussions and review of the HRA capital programme. Members of this group sit on the Core Group who are closely involved in monitoring repairs budget linking directly to savings and budget proposals. The Home Group have also been closely involved in selection

of the proposed new gas contractor, with residents assessing their approach to engaging with customers and managing communications.

- 5.7 In addition to the consultation detailed above, at the request of Housing & New Homes Committee a further consultation exercise was undertaken on 26 January 2016 with Tenant Representatives and interested elected parties. This consultation provided attendees with the opportunity to ask any questions on the revenue and capital budget proposals and to provide feedback on the key issues and priorities including their thoughts on future consultation for the 2017/18 Budget. The key themes of the feedback are detailed in Appendix 5.
- 5.8 All leaseholders have been, or will be, consulted about individual contracts carried out as part of the programme in full compliance with the Commonhold and Leasehold Reform Act 2002.

6. CONCLUSION

- 6.1 The Local Government and Housing Act 1989 requires each local authority to formulate proposals relating to income from rent and charges, expenditure on repairs, maintenance, supervision and management, capital expenditure and any other prescribed matters in respect of the HRA. In formulating these proposals using best estimates and assumptions, the Authority must set a balanced account. This budget report provides a capital programme, breakeven revenue budget and recommends rent proposals in line with current government guidance.
- 6.2 This report also provides the latest medium and long term forecast for the HRA. However there are a number of uncertainties due to impending government legislation which mean that the current forecasts should be treated with caution.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The financial implications are contained within the main body of the report.

Finance Officer Consulted: Sue Chapman *Date: 11/12/15*

Legal Implications:

- 7.2 Paragraphs 3.2 and 6 of the report set out the legal requirements for the Housing Revenue Account. In its role as landlord, the Council has statutory and contractual obligations to maintain the structure of, and installations in, its housing stock. The HRA Capital Programme and Funding measures outlined in Appendix A will assist the council in fulfilling those obligations. The Council must take the Human Rights Act into account when making decisions but it is not considered that any individual's Human Rights Act rights would be adversely affected by the recommendations in the report.

Lawyer Consulted: Liz Woodley *Date: 15/12/15*

Equalities Implications:

- 7.3 The HRA budget funds services to people with special needs resulting from age, vulnerability or health. All capital programme projects undertaken include full consideration of various equality issues and specifically the implications of the Equality Act. To ensure that the equality impact of budget proposals are fully considered as part of the decision making process, equality impact assessments have been developed on specific areas where required.

Sustainability Implications:

- 7.4 The HRA budget will fund a range of measures that will benefit and sustain the local environment. This capital programme supports the affordable warmth and fuel poverty strategy brought forward from Public Health. Housing is a key contributor to the Carbon Emissions reductions commitments and will help to reduce the number of residents affected by fuel poverty and rising energy costs.
- 7.5 Project briefs are issued on all capital projects and require due consideration of sustainability issues, including energy conservation and procurement of materials from managed and sustainable sources.

Any other Significant Implications:

- 7.6 Financial risks have been assessed throughout the development of the council's HRA annual budget and 30 year financial model. A number of key sensitivities and scenarios are modelled to ensure that the service understands the business impact of decision making and include areas such as:
- Impacts of the government's Housing & Planning Bill and Welfare Reform legislation;
 - Inflationary risk where expenditure inflation is greater than income, particularly with the current reduction in rental income over the next four years;
 - Managing interest rate fluctuations and the debt portfolio;
 - Long term capital and maintenance responsibilities compared with available resources;
 - Balancing regeneration and redevelopment needs with tenants priorities.

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1: HRA Revenue Forecast Outturn 2015/16 and Budget 2016/17
2. Appendix 2: Fees and Service Charges 2016/17
3. Appendix 3: Capital Programme and Funding 2016/17 – 2019/20
4. Appendix 4: HRA Medium Term Financial Strategy & 30 Year Financial Forecast
5. Appendix 5: Consultation feedback from Area Panel representatives (26 January 2016)

Documents in Members' Rooms

None

Background Documents

1. 2016/17 Housing Revenue Account Working Papers

	2015-16	2015-16	Budget Changes				2016-17
	Forecast Outturn (1) £'000	Adjusted Budget £'000	Inflation (2) £'000	Savings (3) £'000	Service Pressures (4) £'000	Other Changes (5) £'000	Original Budget £'000
SUBJECTIVE ANALYSIS							
Employee	7,913	8,320	81	(453)	259	21	8,228
Premises - Repairs	10,538	11,146	85	(300)	0	(327)	10,604
Premises - Other	2,742	2,838	27	(84)	42	87	2,910
Transport	133	146	1	(19)	0	7	135
Contribution to Bad Debt Provision	394	324	0	0	50	0	374
Supplies & Services	2,434	2,420	17	(51)	100	163	2,649
Third Party Payments	135	183	4	(30)	0	0	157
Support Services - From Other Departments	2,478	2,515	0	(351)	0	(70)	2,094
Direct Revenue Funding	23,819	22,768	0	0	0	887	23,655
Capital Financing Costs	8,236	8,341	0	0	0	22	8,363
Total Expenditure	58,822	59,001	215	(1,288)	451	790	59,169
Rents Dwellings	(51,249)	(51,089)	0	0	696	0	(50,393)
Rents Car Parking / Garages	(869)	(938)	0	0	46	(100)	(992)
Commercial Rents	(531)	(537)	(11)	0	0	0	(548)
Service Charges	(6,710)	(6,098)	(26)	(105)	20	(677)	(6,886)
Other Income, Recharges & Interest	(337)	(339)	(6)	0	0	(5)	(350)
Total Income	(59,696)	(59,001)	(43)	(105)	762	(782)	(59,169)
DEFICIT / (SURPLUS)	(874)	0	172	(1,393)	1,213	8	0
OBJECTIVE ANALYSIS							
Capital Financing	32,022	31,077	0	0	0	908	31,985
Head of Housing	3,481	3,491	3	(241)	2	(8)	3,247
Head of Regeneration	227	290	3	(37)	5	4	265
Housing Strategy	536	524	5	0	140	(4)	665
Housing Support	245	257	3	0	3	(1)	262
Income, Inclusion & Improvement	(50,415)	(49,547)	8	(385)	884	(614)	(49,654)
Property & Investment	11,500	12,024	86	(358)	21	(201)	11,572
Tenancy Services	1,530	1,884	64	(372)	158	(76)	1,658
DEFICIT / (SURPLUS)	(874)	0	172	(1,393)	1,213	8	0

Notes:

- (1) Significant variances in the Targeted Budget Management Forecast Outturn as at Month 9 for 2015/16 are shown in the table below:

HRA Forecast Outturn as at Month 9	£'000
Vacancy management savings throughout the service are partly offset by additional costs in relation to Homemove and Adaptations staff attributable as chargeable to the HRA	(453)
The spend on routine repairs has reduced due to a reduction in the number of council dwellings and also in the increased levels of capital investment over the past few years	(571)
A review of the funding of the capital programme, in light of the overall revenue forecast underspend, has resulted in an increased contribution of £1.100m from revenue surpluses to fund the capital programme rather than undertaking borrowing. This is partly offset by reduced interest charges of £0.105m	995
Rents are forecast to overachieve the income budget	(85)
Leaseholder Services and Major Works are forecast to overachieve income by £0.661m due to the timing of capital works meaning more was rechargeable in 2015/16 than was estimated	(661)
Forecast underspend for the tenants transfer incentive scheme	(50)
Other minor underspends	(49)
TBM Month 9 Variance	(874)

- (2) Inflation of 1% Inflation has been applied to Direct Employees, Premises, Transport and Supplies & Services. All income budgets are zero-based (that is they are recalculated each year rather than changing incrementally) and therefore charges are estimated based on known increases in costs or inflation.

- (3) Savings include:

Savings	£'000
Tenancy Management and Services staff efficiencies (7.85fte) and full year effect of 2015/16 savings in Property & Investment	(291)
Estate Regeneration team service redesign	(30)
Reduction in agency costs from end of back scanning project	(125)
Responsive Repairs savings (achieved in 2015/16) from increased proactive investment in stock and a reduction the number of homes	(300)
Gas contract – reduction in consumption coupled with a reduction in the unit price for gas from October 2015	(93)
Consultancy/Professional Services and Supplies	(95)
Reduction in general fund support services charges (£0.129m), community grants (£0.145m) & funding for Play Bus Service (£0.080m)	(354)
Intensive Housing Management Service Charge income	(105)
Total Savings	(1,393)

(4) Service Pressures include:

Service Pressures	£'000
Homemove and Adaptations staff costs attributable to the HRA	140
Increase in Employers Pay Contributions	119
The unit cost of electricity is estimated to increase by 22% in April 2016. (Partially offset by recovery from service charges)	42
Impact of Welfare Reforms - increased contribution to bad debt provision and Discretionary Housing Payments	150
Reduction in rental income (mainly from the 1% reduction in rents)	696
Other minor income pressures	66
Total Service Pressures	1,213

(5) Other Changes include:

Other Changes	£'000
Accounting adjustment - reallocation of Mears overheads costs from revenue responsive repairs to capital schemes	(300)
Park Royal Leasehold Service Charge payments for management and maintenance	130
Additional Direct Revenue Funding – increase in revenue surpluses to fund the capital programme	887
Estimated Increase in Leaseholders Service Charges for major works	(698)
Other minor variances	(11)
Total Other Changes	8

PROJECTED RESERVES AT 31 MARCH 2017

Description	Balance at 1 April 2015 £'000	Projected Balance at 31/3/2016 £'000	Projected Balance at 31/3/2017 £'000	Use
Revenue reserves - Working Balance	3,000	3,000	3,000	Retained to cover unforeseen pressures in year
Usable revenue reserves	2,228	2,002	1,731	Available for use
Capital Reserves	463	0	0	Fund 2015/16 Capital Programme.
Estate Development Reserves	599	599	500	Unspent budget allocation from previous years.
HRA Auto Meter Reads Reserve	45	45	45	Available to fund costs of AMR's.
HRA - Renewable Energy Projects	397	0	0	Fund 2015/16 Capital Programme.
Restructure Redundancy Reserve	388	388	388	Earmarked reserves.

All fees and service charges are reviewed annually to ensure full cost recovery and also to identify any service efficiencies that can be offset against inflationary increases to keep increases to a minimum. Proposed fees and service charges for 2016/17 are detailed below.

Service Charges Eligible for Housing Benefit:

Eligible for Housing Benefit	Number of Tenants Affected	Approx. Number not Eligible for HB	2015/16 Average Weekly Charge	2016/17 Average Charge £	2016/17 Average increase/ (decrease) per week £ / %	Comments
Grounds Maintenance	5,550	1,530	£0.66	£0.67	£0.01 2%	Contractual increase from City Parks
Communal cleaning	5,739	1,689	£2.78	£2.78	Nil	Full cost recovery without increasing charges because of efficiencies made within this service.
TV Aerials	5,673	1,578	£0.76	£0.76	Nil	No change
Seniors Housing – common ways	854	108	£8.84	£9.46	£0.62 7%	Increases reflect improved new fire alarm contract, revised cleaning contract and estimated increases in electricity costs of 22 % reflecting the end of a 3 year fixed term contract. Increases will be capped at £2 per week and those four blocks with increases calculated above £2 will be reviewed further.
Seniors Housing - laundry	828	92	£1.33	£2.00	£0.67 50%	New contract pending, estimated charge but maybe subject to slight variation once further information is available.
Video Entry	12	3	£0.96	£0.96	Nil	No change.
Seniors Intensive Housing Management	817	94	£17.49	£19.92	£2.43 13.9%	As agreed in 14/15 budget report – 3rd phase of new charge.
Electricity – communal ways	5,368	1,614	£1.01	£1.11	£0.10 9.9%	Based on 22% increase in average unit price for electricity and new estimates for consumption. Tenants will see larger or smaller increases, depending on consumption in their block.
Lift Servicing and maintenance	2,383	580	£0.85	£0.77	(£0.08) (9.4%)	An increase in lift installations (with 3 year warranties) has resulted in fewer repairs and vandalism works.

Service Charges & Fees Not Eligible for Housing Benefit

Not Eligible for Housing Benefit	Number of Tenants Affected	2015/16 Average Weekly Charge	2016/17 Average Charge £	2016/17 Average increase/ (decrease) per week £ / %	Comments
Communal heating – gas	1,070	£8.74	£7.89	(£0.85) (9.73%)	Based on estimated consumption for 16/17 and the new lower unit price for gas from October 2015.
Communal heating – electric	78	£8.92	£10.95	£2.03 22.7%	This increase is based on recovery of electricity costs for these two sites and an estimated increase of the cost of electricity of 22%. Residents in Elwyn Jones Court will see an increase of 24% and those in Broadfields, 7%.
Water	135	£3.68	£3.75	£0.07 2%	Based on recovery of costs and estimated increases by Southern Water of 2%.
Guest rooms	n/a	£8.80 per night	£15 per night	£6.20 70%	Increase to ensure cost recovery.
Garages & Car Parking Residents Non Residents	2,453	£8.95	£9.13	£0.18 2% 26%	Inflationary increase applied to residents charges. Non residents charges will be increased to recover business rates which are now payable for these spaces. Charges will vary depending on parking zones and associated business rates.
Mobility Scooter Storage	23	£2.50	£2.50	Nil	No change
Bicycle Storage	9	n/a	£1.50	n/a	New charge introduced for new build schemes based on estimated capital investment and future repair costs.

	Budget 2016/17	Provisional Budget 2017/18	Provisional Budget 2018/19	Provisional Budget 2019/20	Description
CAPITAL EXPENDITURE	£'000	£'000	£'000	£'000	
Improving Housing Quality					
Door Entry Systems & CCTV	677	697	622	409	Some door entry systems are near the end of their serviceable life, with spare parts difficult to source.
Water Tanks, Ventilation, Lighting & Lightning Protection & Fire Alarms	848	709	583	482	Projects help ensure safety and welfare for residents through a replacement and improvement programme.
Lifts	943	1,379	1,076	822	The lift replacement and upgrade programme is a long-term commitment to BHCC residents.
Fire Safety & Asbestos Management	400	374	364	341	Effectively managing the risks of both fire and asbestos materials is an ongoing need.
Minor Capital Works	221	222	262	264	Investment in smaller capital repairs across the HRA stock as well as car park and garages.
Roofing	1,232	1,245	1,253	1,262	Helps to extend the life of assets, improves insulation, and reduces responsive repairs.
Condensation & Damp Works	677	685	688	694	Welfare of residents is improved by tackling the causes of mould growth in properties
Major Structural Works	3,181	3,507	3,170	1,676	To maintain the structural and general external integrity of properties.
Major Empty Property Works	258	249	251	252	Extensive refurbishment of empty homes prior to re-letting.
Cyclical Decorations	3,923	3,585	2,855	2,752	External and common way repairs and decorations across the city help reduce ongoing costs.
Future Capital Projects	50	50	44	44	Specialist and other surveys to support future programmes.
Brighton & Hove Standard Works					
Dwelling Doors	431	436	401	404	Replacing doors to properties with secure and efficient design helps residents feel safer.
Kitchens & Bathrooms	1,725	1,682	1,629	1,578	This budget helps to ensure homes comply with the Brighton & Hove Standard.

	Budget 2016/17	Provisional Budget 2017/18	Provisional Budget 2018/19	Provisional Budget 2019/20	Description
Rewiring - Domestic/ Communal	1,786	1,806	1,690	1,579	Safe and reliable electrical installations and efficient lighting are supported from this budget.
Windows	1,355	1,245	1,253	1,262	Window replacement programmes improve energy efficiency, warmth and reduce ongoing repair costs.
Sustainability & Carbon Reduction					
Home Energy Efficiency & Renewables	521	253	253	254	Includes solar panels as well as other home energy efficiency and renewable projects.
Domestic/Communal Heating Improvements	2,022	2,956	2,956	2,957	Efficient and modern replacement heating systems reduce carbon emissions and residents fuel costs
Insulation Improvements	50	63	1,702	1,717	Also includes overcladding. Improving insulation levels in buildings reduces mould growth and heating costs.
Tackling Inequality					
Estate and Environmental Improvements	500	300	300	300	Residents are able to prioritise smaller projects through this continuing and well supported budget
Disabled Aids & Adaptations	1,150	1,150	1,150	1,150	This budget supports residents living in their homes for longer
Conversions & Extensions	739	747	752	757	Tackling overcrowding across the city is of key importance to ensure good quality housing
Conversions of existing bed- sits	1,216	1,080	1,077	1,086	Improving dwellings' layout in several seniors housing schemes will meet modern standards.
Other					
ICT Budget	50	80	50	50	Supports Housing IT projects
Total Investment in Existing Housing Stock	23,955	24,500	24,381	22,092	

	Budget 2016/17	Provisional Budget 2017/18	Provisional Budget 2018/19	Provisional Budget 2019/20	Description
Building New Council Homes					
Brooke Mead Extra Care	4,355	0	0	0	Started on site in 2015/16, total scheme budget is £12.0m
Infill sites - Manor Place	1,292	0	0	0	South block due for completion Feb/March 2016; North block to start then; total scheme budget is £2.8m.
Garage Sites - Guinness	1,095	0	0	0	The majority of Garage Site schemes started on site in 2015/16, total scheme budget is £5.8m
Findon Road (Former Library)	8,100	5,000	0	0	Approved 2015/16, total scheme budget £14.1m
Design competition	1,000	0	0	0	Shortlisting completed, consultation in progress.
Feasibility & Design	250	0	0	0	Allows progression of future development projects.
Selsfield Drive	2,000	5,000	0	0	Feasibility approval expected in March 2016.
Wellsbourne	1,000	5,200	0	0	Planning decision expected in 2016.
Total Building New Homes	19,092	15,200	0	0	
TOTAL CAPITAL EXPENDITURE	43,047	39,700	24,381	22,092	
PROGRAMME FUNDING					
Direct Revenue Funding	23,655	24,871	24,381	22,092	Funding from revenue surpluses
Borrowing	12,892	10,549			Borrowing required mainly for new build development
HRA reserves	771	800			Useable revenue and capital reserves
Capital Receipts	4,349	3,300			Retained RTB receipts for new build
HCA Grant	1,200				HCA Grant for Brooke Mead
Energy Grants / Feed In Tariffs	180	180			Funding received to support sustainability and carbon projects.
TOTAL FUNDING	43,047	39,700	24,381	22,092	

Medium Term

The Medium Term Financial revenue position provides a cumulative surplus of £98.866m that can be used to support the delivery of the capital programme during this period. When compared to last years MTFS there is a significant reduction in the revenue surplus available due to the 1% reduction in rents, a total reduction of £14.15m over 4 years. However this has been partly mitigated by accumulated efficiency savings identified over the same period totalling of £8.214m (which are £1.393m in 2016/17, £0.557m in 2017/18, £0.357m in 2018/19 and £0.257m in 2019/20).

	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Expenditure				
Management & Service costs	15,409	15,338	15,235	15,286
Repairs and maintenance	10,604	10,706	10,874	11,146
Other costs	1,138	1,149	1,161	1,176
Borrowing costs	8,363	9,626	7,362	7,238
Total Expenditure	35,514	36,819	34,632	34,846
Income				
Rental Income	50,393	50,545	50,613	49,931
Service Charges (tenants)	3,441	3,510	3,580	3,652
Other Income	5,335	7,635	6,011	6,031
Total Income	59,169	61,690	60,204	59,614
Net Surplus	23,655	24,871	25,572	24,768
Allocated to:				
Direct Revenue Funding	23,655	24,871	24,381	22,092
Reserves	0	0	1,191	2,676

30 YEAR FINANCIAL FORECAST

Introduction

The introduction of self financing provided local authorities with the opportunity to develop longer term planning to improve the management and maintenance of council homes. The government's self financing valuation agreed at April 2012 was based on using the rent restructuring formula with increases set at RPI + ½% + £2 per week and was set at a level to provide a balanced business plan over the next 30 years.

Since then the Government has imposed two changes to the rent calculation which both result in significant reductions in future rental income. From April 2015, government guidance revised annual increases to Consumer Price Index (CPI) + 1%. This change removed the flexibility of social landlords to increase social rents each year by an additional £2 where rents were below target, resulting in lower annual rental increases over the long term. From April 2016, the Welfare Reform and Work Bill 2015/16 proposes that rents should be reduced by 1% per annum for the next 4 years (2016/17 to 2019/20). This proposed reduction in rents by 1% per annum will reduce resources by £14.1m over that four year period with a cumulative reduction in resources of £223m over 30 years when compared to previous business planning assumptions.

The current financial plan projections shown below continue to provide a balanced business plan but there is less opportunity than before for regeneration and new investment within the HRA due to the significant reductions in rental income projections. The current plan projections should also be viewed with caution due to the uncertainties from impending government legislation not yet modelled in the plan, which may significantly impact further on the long term health of the financial plan such as:

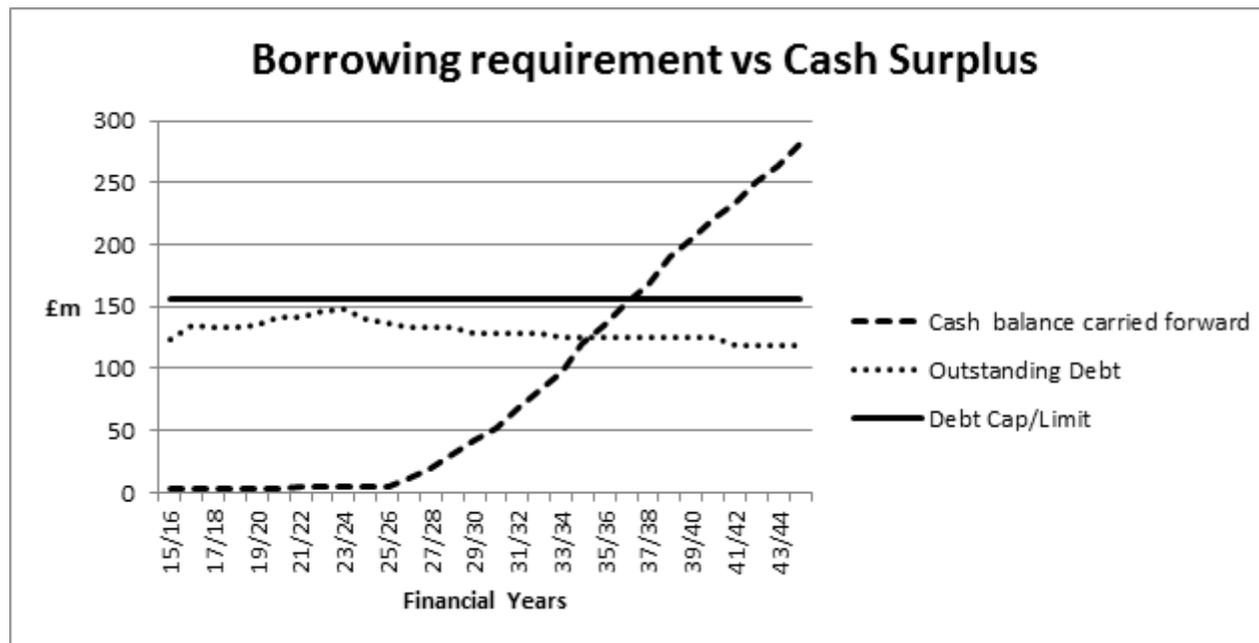
- Housing & Planning Bill – This bill includes a requirement to sell off high value homes when they become vacant and pay the capital receipt to government for redistribution. These properties are likely to be those that contribute most financially to the overall surpluses over 30 years. The full details of this scheme are not yet available to inform business planning.
- Welfare Reform & Work Bill 2015 – This bill includes a proposal that households earning more than £30,000 per annum will be subject to rents charged at market rate with the additional income being paid to central government for redistribution to Housing Associations. This may result in an increase in right to buys, greater administration costs and possibly an increase in bad debts. A significant reduction in the number of homes through increased right to buy sales may also include those properties that contribute most financially to the overall surpluses over 30 years.
- Welfare Reform – The roll out of universal credit, reduction in tax credits, single room rates for under 35's in social housing and reduction in benefit cap to £20,000 per annum will all impact on tenants ability to pay their rent. The assumptions used for bad debts and voids may need increasing resulting in a loss of projected income.
- Uncertainty of future rent policy after 2019/20. It is not clear at this stage whether the rent policy will revert to the previous policy of increases capped at CPI + 1% or something entirely different.

The 30 year financial plan will continue to be updated to reflect the impact of the changes resulting from government legislation and the 2016/17 budget proposals. This will enable a review of future opportunities for additional investment in existing housing stock and building new homes both within the HRA and through alternative delivery models.

Forecast

The net position of the financial forecast is shown in the graph below. The cash surplus over the period of the financial plan totals £284.4m. Assuming that no additional borrowing repayments are made over the life of the plan aside from those planned in the current loan schedule, the debt outstanding in year 30 is £119.2m. The cash surpluses equal outstanding debt by year 20 and this provides an indication that in the long term, based on current assumptions, the HRA maintains a balanced position with some surpluses.

Essentially, although the financial forecast shows that the HRA has healthy financial indicators to borrow to source funding for regeneration or development it is restricted by the self financing debt cap (or limit). This is a government restriction on the amount of HRA borrowing permissible for capital investment by each local authority. The cap for Brighton & Hove is £156.8m. The outstanding debt reaches its peak in 2023/24 where the borrowing level is £147.4m leaving headroom of only £9.4m. Therefore, alternative delivery models outside of the constraints of the HRA may need to be considered in the future alongside a review of priorities included in the financial plan.



Note: Cash balance carried forward is net revenue surpluses generated after funding the capital programme.

The 30 year financial forecast has been developed based on the following assumptions:

- A general inflation of CPI assumed as an average of 1.4% for years 2 to 10 and 2% thereafter.
- Revenue repairs and maintenance costs are assumed to increase by 2.5% throughout the plan.
- Right to buy sales are assumed to continue at an average of 40 sales per annum.
- The forecast currently includes approved schemes only, totalling 209 new homes. There is no allowance for any future regeneration schemes or new build schemes.
- The forecast assumes that all stock is fully maintained to the Brighton & Hove Standard with capital investment costs increasing by CPI with a 5% uplift in year 6.
- Rents are assumed to decrease by 1% per annum for the next four years and then revert to the previous policy of increases capped at CPI plus 1%. The CPI assumptions used provides total inflationary increases of an average of 2.6% for years 5-10 and 3% per annum for years 11-30.

The following table provides a summary of the 30 year income and expenditure flows.

30 Year Forecast	Years 1 -5 £'000	Years 6-10 £'000	Years 11-20 £'000	Years 21 -30 £'000	Total £'000
Revenue expenditure:					
Management costs	56,897	58,259	131,421	154,355	400,932
Service costs	17,047	19,133	47,559	63,487	147,226
Repairs and maintenance	55,228	63,281	149,168	185,205	452,882
Other costs	5,844	6,186	14,343	17,484	43,857
Bad debt provision	1,955	1,991	4,273	4,638	12,857
Capital repayments	41,360	54,335	76,597	62,070	234,362
Total Expenditure	178,331	203,185	423,361	487,239	1,292,116
Revenue income:					
Rental income (net of voids)	252,347	265,374	644,311	834,224	1,996,256
Service charges	17,047	19,133	47,559	63,487	147,226
Other income	16,472	17,093	38,905	47,424	119,894
Leaseholder income	14,365	11,633	11,447	15,172	52,617
Total income	300,231	313,233	742,222	960,307	2,315,993
Net revenue income	121,900	110,048	318,861	473,068	1,023,877
Capital expenditure					
Capital investment	131,636	135,093	203,477	309,982	780,188
New build schemes	47,605	0	0	0	47,605
Total capital expenditure	179,241	135,093	203,477	309,982	827,793
Capital funding					
Other capital income	27,065	0	0	0	27,065
Borrowing	30,889	27,337	0	0	58,226
Revenue contribution to capital	121,900	110,048	318,861	473,068	1,023,877
Total funding	179,854	137,385	318,861	473,068	1,109,168
Opening HRA reserves	3,000	0	0	0	3,000
Cash surplus at year 30	3,613	2,292	115,384	163,086	284,375

Invest to save

- More support for downsizing.
- Deal with fraud both by tenants and contractors.
- More training for resident involvement.
- Sylvan Hall, cost benefit, routine inspections and clearing of gutters.
- Invest preventively to stop problems escalating and save money.

Housing stock suggested priorities

- Internal decoration.
- Better stock condition inspections and assessment of properties across the city.
- Challenges to maintaining old stock (balancing and deciding between maintaining old stock or demolish and rebuild), maintenance, as well as external 'Decent Homes'.
- Ageing stock, longer term costs more.
- Repairs, build quality, energy efficiencies, new tenancies.
- Provision for mobility scooters.
- Regular cleaning of roofs.

Tenancy

- Anti-social behaviour and benefit fraud need to be acted on as soon as possible.
- No secure tenancies for proven Anti Social Behaviour residents.
- Stick to 6 months tenancy start and act on complaints from neighbours within those 6 months.

Value for Money

- Cost of responsive repairs contract.
- Instigate proper procedures to protect money paid to contractors so no overpayments are made.
- Don't pay for jobs until work checked.
- Listen to tenants repair requests, make it easier to get a job done and have them checked before payment is made.
- Money wasted poor communication results in incorrect or incomplete repairs information / appointments.
- Right to buy should only be available to residents of 20 years or more.

- Bedroom tax – is it sustainable?
- Rents for fully employed household should be in line with general rents.
- Encourage leaseholders to purchase freehold where all occupiers are leaseholders.
- Keep community grants.
- Support playbus redirection.
- Object to redirection in EDB.
- Money wasted on unnecessary stripping of empty properties.
- Ensuring improvement in recharging.
- Refunds need to be faster.
- Guest room increase to £15 who has the money?
- More use of email.

Housing Supply

- New housing provision for specific age groups: 18+, elderly, families, disabled, care leavers, homeless.
- Common sense health and safety: consultation during planning for new builds.
- Nothing in the strategy about senior housing, more provision needed.
- Need for high quality sheltered schemes.
- Concern about the cost of new build 80% of market rent.
- Supply housing needed – and need to cultivate residents to take care of and improve the environment
- When giving planning permission make 100% sure that affordable and social housing is included.
- % increase of affordable housing.
- Request for new housing stock numbers.

Communication

- Asking residents for their feedback about property priorities regularly.
- There should be more consultation with individual Tenant Representative Associations.
- Reps are not informed about Estate Inspections in time; most of the information is online which is not accessible for some.
- Look at the basics and listen to the area reps.
- Complaints department needs to listen and act, complaints procedure takes too long.

- It looks and feels like the decisions have already been made, why are we here?
- This is not a consultation; we do not have enough time to talk issues through.

September 2016 consultation for 2017/18 Budget

- Smaller groups are good with more interactive exercises.
- Workshops with smaller groups.
- Break discussions down into smaller pieces with ongoing discussion.
- Please give lots of notice so more residents can be involved.
- Information to be given sooner to enable discussion / digestion.
- Welcome September idea for earlier involvement.
- Appreciate starting consultation in September.
- Better communications earlier.
- Paperwork beforehand.
- Signposting to reports.
- Better / earlier comments and sign post and support consultation in September.
- Compare with previous figures why things changed ie. Budget.
- Priorities of capital programme explained better.
- Compare previous years spend.
- Bigger venue.
- PA system.
- Time about right.
- Use the points from today.
- Include Vice Chairs and committee members.
- Consultation with all groups.
- Housing Management Consultative Sub Committee.