Cabinet 22 January 2018

Report title: HRA Business Plan, Rent and Service Charge setting report

Wards: All

Report Authorised by: Strategic Director for Neighbourhoods and Growth: Sue Foster

Portfolio: Deputy Leader of the Council (Finance and Resources): Councillor Imogen Walker

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Report summary

This report sets out the proposals for the Housing Revenue Account (HRA) budget, rents and service charges for the 2018/19 rent year. These proposals have been developed in discussion with Housing Management and in consultation with the Cabinet Member for Housing and Environment. They have also been shared with Tenants Assembly on 27 November 2017. In the future this report will also be presented to Sheltered Housing Forum.

Finance summary

This report deals with rent, tenant service charges and other charges; therefore the financial implications are included in the main body of the report.

Recommendations

1. To note the approach to setting tenant and leasehold service charges, garage, shed and parking charges.

2. To note the reduction in rents of 1%, as set out in the Welfare Reform and Work Act 2016.

3. To note the October 2017 forecast position as detailed in paragraph 2.1

4. To agree the proposed growth and savings for 2018/19 as set out in paragraphs 2.8 – 2.9 and Appendix 3.

5. To agree the HRA Budget for 2018/19 as set out in Appendix 4.

1. Context

1.1 Each year local housing landlords must set rents and budgets for the forthcoming financial year and provide each individual tenant with statutory notice of any proposed rent change. This report sets out proposals regarding the budget, rents, service charges and other charges to tenants for the 2018/19 rent year.

1.2 Over the past few years, service charges have gone down as a result of efficiencies driven by the Council. This has resulted in savings for the residents.

1.3 The HRA is the ring-fenced rent account that funds the Council's activity as a landlord. Tenant focused services arising from the Council's role as landlord, are delivered through Housing Management.

1.4 The Council is required by law to avoid budgeting for a deficit on the HRA (Local Government & Housing Act 1989, section 76). This means that the budget must not be based on total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of reserves; a minimum of between 5% and 10% of turnover is good practice and this provides a contingency against unforeseen events and known risks. The external auditor will review the level of reserves in forming a view on the overall standard of financial management in the Council.

1.5 In December 2010 the Government published the Localism Bill which included plans to abolish the then current subsidy system supporting the HRA and move to a model known as "self-financing". Under Government guidelines, the objectives of the change are to give local authorities the incentives and flexibility to manage stock more efficiently over a longer term, as well as seeking to provide greater transparency for tenants in the relationship between the rent a landlord collects and the services it provides.

1.6 This self-financing model is now in place and has moved the arrangements for managing debt for the current housing stock from being held nationally and charged on a nominal basis to the local HRA managed by the Council. This is based on a calculation of the level of debt that the landlord/Council can support based on a valuation of the housing stock at the time of the settlement, along with assumptions regarding total rental income to be generated and expenditure required to support this housing stock.

1.7 A key feature of the self-financing model is that landlords can borrow against the value of the housing stock in order to invest in improvements to that stock. This borrowing must be financed from HRA income and so introduces risks and opportunities for managing resources in this area. As local authority borrowing is included in the national Public Sector Borrowing Requirement, it must be affordable both nationally and locally. A total borrowing limit has therefore been set for each landlord, which for Lambeth is £408m.

1.8 Lambeth had expected to borrow the full amount of funding available to invest in the housing stock. This is managed through the Housing Investment Strategy and seeks to deliver the Lambeth Housing Standard (LHS) across the borough over a period of time. The Welfare Reform and Work Act 2016 and more specifically the rent reduction of 1% each year for four years means that the utilisation of borrowing up to the limit is now unlikely due to affordability.

1.9 It is expected that by the end of 2017/18, the investment to deliver the LHS standard across the Borough will have totalled £480m and will have led to a total of 26,632 tenanted and leasehold homes being brought up to the standard. Within this total there are 8,460 more homes that have already been brought up to Decent Homes Standard (DHS) than were included in the estimated total programme.

1.10 The self-financing arrangements have led to the development of a 30-year business plan supporting the delivery of the HRA under the new arrangements. This makes assumptions regarding the level of income available based on the expected levels of rent and the key risks facing housing service delivery within this timeframe. The main areas of this are the management and timing of debt use, affordability and the impact of changes as Government policies are enacted.

1.11 The 2018/19 financial proposals are set under the self-financing arrangements along with the initiatives set out in the Welfare Reform and Work Act 2016 and the key risks and opportunities arising from this are reflected in the plans along with local developments for driving forward change against local priorities.

2. Proposal and Reasons

2.1 *Current HRA position*

2.1.1 The HRA's current 2017/18 financial position is adequate following the changes made in the budget setting process to manage the ongoing impact of rent reduction. The 2016/17 outturn position was £10.7m in general reserves, in line with that reported in the previous financial year. There is also an earmarked reserve of £9.3m for capital (for future investment in stock.)

2.1.2 The October monitor is forecasting an Underspend of £678,000. The summary position is as follows:

	Budget to date £'000	Actual to date £'000	Variance to date £'000	FY budget £'000	FY forecast £'000	FY variance £'000	FY variance %
Housing Services	37,363	30,631	(6,732)	64,051	60,122	(3,929)	(6.1)
Central HRA	(46,174)	(100,797)	(54,623)	(79,156)	(80,100)	(944)	(1.2)
Strategic Programmes	8,811	10,448	1,637	15,105	19,300	4,195	27.8
TOTAL HRA	**-**	**(59,718)**	**(59,718)**	**-**	**(678)**	**(678)**	**n/a**

2.1.3 There are several factors that are driving the forecasted underspend. Within Housing Services there are projected underspends against budget within the responsive repairs service as a result of driving value for money from the contracts having negotiated better terms and a bulk discount reducing the costs to the repairs budget. Rental income is also higher than budgeted as a resulted of reduced right to buys and the Governments high value voids proposal not coming to fruition, both of which were built into the budgets. These underspends are being offset by additional unbudgeted Fire Risk Assessment works, historical income targets within planned maintenance which will not be achieved and expenditure that was not accrued for in the previous year. The net effect of these variances is a £678,000 underspend.

2.2 ***HRA budget setting 2017/18***

2.2.1 The approach to HRA budget setting focuses on three separate areas for 2017/18:

- expected income and proposals on rent and service charge levels;
- expenditure plans that reflect local priorities and the impact of the self-financing business model on service delivery; and,
- the reserves and provisions needed to ensure that the HRA is delivering strong financial performance over a longer period of time.

2.2.2 Each of these is discussed in turn with the proposed approach for each set out.

2.3 ***Income budget setting***

2.3.1 The HRA receives income from tenant rents and service charges levied on tenants and leaseholders. The approach for each of these will be addressed separately.

2.3.2 The self-financing HRA remains governed by guidelines on rent setting for tenants. The council no longer has flexibility on the approach to rent setting due to the legislation introduced as part of the Welfare Reform and Work Act 2016. Rents will reduce annually by 1% over the four year period 2016/17 – 2019/20. This means that the average rent for 2017/18 will be £106.93 per week. This is expected to create a gap between previously budgeted rental income (at CPI plus 1%) of £11.4m over four years. The total shortfall in rental income over that period would be £28.5m.

2.3.3 Income from rents is a key driver of the total income available to the HRA, making up approximately 77% of the total income budget in 2017/18. The approach and policy for rent therefore affects the resources available to re-invest in expenditure plans across the HRA to deliver the outcomes outlined in the HRA business plan for all tenants.

2.3.4 Expectations for income, and therefore the rent budget, are driven by three key elements:

- expected stock levels for 2018/19;
- the 1% reduction on the 2017/18 actual rents charged; and,
- the resourcing needs outlined in the HRA Business Plan.

2.3.5 For 2018/19, the average stock level across Lambeth is expected to be 23,892 properties. This is based on known changes to the current stock profile of 23,936 (as at 1 April 2017) including adjustments for projected Right to Buy sales and disposals.

2.3.6 The reduction in rents will mean that, on an ongoing basis, the HRA would be reliant on reserves to balance the budget, which is not sustainable. Further action is therefore required to reduce expenditure by identifying efficiencies within existing budgets and where possible, minimising the impact on services delivered to tenants and leaseholders. However it is likely that there will be some impact on services resulting from the loss of income.

2.3.7 HRA business planning has always been based on building up reserves to a level that will support the delivery of the LHS programme and the ongoing investment in the stock beyond that, as well as protecting tenants from unexpected changes of circumstances in the future.

2.4 ***Hostel rents***

2.4.1 Hostel rents will reduce by 1% the same percentage as tenant rents. There was an exemption put in place by Government for 2016/17 and covers the period of tenanted rent reductions. In 2018/19 the Council will continue to apply the 1% discount, the rationale being that its impact is immaterial on the HRA as a whole and the cost of administration would be prohibitive.

2.5 ***Tenant service charges***

2.5.1 Tenant service charges are not affected by the rent setting policy. Discussions with tenants and Members over recent years have highlighted the need for greater transparency in this area and there is now an expectation that service charges to tenants will reflect costs incurred. A summary of changes to service charges (supported by Tenants' Assembly) is shown in Appendix 1.

2.5.2 There are no significant changes proposed to service charges for 2018/19. Overall there have been small reductions in the majority of charges, reflecting efficiencies and cost savings within the Council. Overall, common service charges are reducing by 2.37%, heating and hot water by 4.9% and specific service charges are reducing by 1.88%.

2.5.3 A review of garage and shed charges was undertaken in 2016/17, benchmarking Lambeth's charges at this time with that of neighbouring London boroughs and the average commercial rent for garages and sheds in Lambeth. As a result there were significant increases in the weekly charge for these services in 2017/18 and no further changes have been proposed for 2018/19. Details of these charges are shown in Appendix 2.

2.5.4 Parking charges on Estates will remain the same for 2018/19. Details of these charges are shown in Appendix 2.

2.6 ***Leasehold service charges***

2.6.1 In line with tenant service charges, leasehold service charges are required to be transparent and reflect the actual cost of the services incurred. It is recommended to set leaseholder service charges in line with actual expenditure plans as per the approach in previous years. This means that service charges will be based on 2017/18 expenditure levels, with estimates issued around April 2018 and final charges for 2018/19 being confirmed by September 2018.

2.7 ***Expenditure budget setting***

2.7.1 As a result of the rent reduction and the impact of stock losses, the overall budget for the HRA is expected to reduce in 2018/19 and continue to do so in 2019/20. As a result of this, expenditure budgets will also need to be reduced in line with the income.

2.7.2 Extensive work to estimate the lifecycle costs of maintaining the housing stock over 30 years at LHS standards has been completed. This equates to approximately £34.5m annual capital investment required post LHS.

2.7.3 Where service delivery plans have changed, the budget setting process must reflect the subsequent impact on resources and also recognise known risks for the HRA and ensure there are adequate balances in place. The following risks and opportunities within the HRA are being considered, reflecting changes in service delivery and legislative changes as well as efficiency savings. A summary is available in Appendix 3. Any overall efficiencies and savings will be reinvested in reserves to maintain the HRA's financial health moving forwards.

2.8 ***Proposed growth – £5.678m***

2.8.1 **Rent Reduction –** To reflect the reduction in rent expected for 2018/19 as a result of the rent reduction and the impact of stock loss, the income budget needs a growth item of £1.593m to reduce it to the new level.

2.8.2 **Service Charge Income Budgets** – Tenanted service charges have largely decreased for 2018/19. The reductions are very small, lead to a reduction in income budget and therefore a growth item of £0.035m.

2.8.3 **Inflationary Uplift to 'Other Expenditure' Budgets** – To reflect the unavoidable inflationary increases in costs for items such as Insurance and Council Tax for void properties we need to include a growth item of £0.110m.

2.8.4 **Depreciation** – Reflecting the fact that the DHS / LHS works are now partially complete, the depreciation charge to the HRA has now increased and therefore requires a growth item of £2.207m.

2.8.5 **Increase in Bad Debt Provision** – Despite a decrease in stock numbers and rent reductions, the provision for bad debt has increased to take account of the potential impact of the introduction of the welfare reform act. As a result there is a growth item of £1.733m

2.9 ***Proposed savings – £5.678m***

2.9.1 **Leaseholder Service Charge Income Budgets** – Leaseholder service charges are budgeted to increase slightly in 2018/19 as a result of small increases in both the number of properties and average service charges for 2018/19. This leads to a saving of £0.043m.

2.9.2 **Increase in Non-Dwelling Rent Income –** Rents for commercial properties are excluded from the Government imposed 1% rent reduction and as a result an inflationary charge of CPI +1%

has been budgeted for, resulting in additional income of £0.212m. No increases have been made to garage and shed charges which were the subject of significant increases in 2017/18.

2.9.3 **Direct Revenue Financing of capital** – In 2017/18, as a result of reworking the delivery and financing of the LHS works, there is a requirement for an increased revenue contribution to the Programme. This is not required in 2018/19 when the programme will be smaller, resulting in a saving of £3.348m.

2.9.4 **Debt Charges –** As a result of the delivery of the LHS Programme, the HRA has taken on increased levels of borrowing, which leads to increased interest charges to the HRA. Offset against this however is the fact that whilst the LHS is being delivered, the HRA is taking an MRP 'holiday' to reduce the pressure on the short-term budget. The net effect of these adjustments is a saving of £0.956m

2.9.5 **Interest on Balances** – As a result of the budgeted contribution to reserves for 2018/19, it is expected that there will be a small increase in interest on balances, totalling a saving of £0.013m.

2.9.6 **Efficiencies and Other Savings across expenditure budgets –** As a result of the imposed rent reduction and a requirement to make a contribution to reserves to ensure future balances remain over the £10m agreed threshold, there is a requirement to make savings to balance the HRA. A saving of £1.106m is expected from efficiencies and other options across the wider Housing and non-housing HRA expenditure budgets. Detailed proposals for these savings are currently being worked up.

2.10 ***Capital budgets***

2.10.1 The full LHS programme was estimated at £490m in 2012, but has subsequently increased. Approximately £480m will have been invested in LHS works by the end of 2017/18. As a result of the reduced financial circumstances of the HRA, there has been a need to re-profile the remaining programme, with £35m earmarked for 2018/19 and the remainder, (estimated at £71m) to be delivered in the subsequent two years. Overall an investment of £586m will have been made in bringing properties up to Lambeth Homes Standard by the end of 2020/21.

2.11 ***Future reserves***

2.11.1 General HRA reserves are currently maintained at a minimum balance of £10m and the HRA business plan reflects this where possible across the 30 years. Holding general reserves of between 5% and 10% of HRA turnover is prudent. This would mean balances of between £8.36m and £16.73m based on the proposed 2018/19 budget. Consideration needs to be given to the level of general reserves in light of the loss of rental income to the HRA. As at 31 March 2017 the balance was £10.7m and this is anticipated to increase to £14.3m as of 31 March 2018. This contribution will help to smooth out spend in the subsequent years. The forecast is that, by 31 March 2018, we will hold reserves of £18.6m.

3. Finance

3.1 Members' legal obligations are set out in Section 4 of this report which should be read in conjunction with the Director of Finance's (s151 officer) comments.

3.2 Members must be aware that the calculation of the HRA budget is, in its simplest form, dependent on three main factors. These are:

- the structural HRA growth and savings;
- the level of rents, services charges and related HRA income; and,
- the level of HRA balances.

3.3 Growth and savings are ultimately a matter of political judgement, to reflect the priorities of the Administration, having due regard to the professional advice of housing officers regarding matters such as service needs, changes to government legislation, stock surveys and other unavoidable pressures. Members in particular should be satisfied that the budget set in 2018/19 is a sustainable one, that in effect deals with the risks and pressures that are known and identified in this report. Members should be aware that estimates, by their very nature, may vary.

3.4 As a result of the announcement in the Summer Budget 2015, there is no discretion over the level at which rent is set for 2018/19, (and for the following year), whereas in previous years, this would have been a matter of political judgement, having due regard to the professional advice of officers, and in particular the advice of the s151 officer. Members should be aware that the Director of Finance's advice and preference is to have a minimum level of general balances within the HRA of £10m to be able to manage future risks and pressures.

4. Legal and Democracy

4.1 Section 21 of the Housing Act 1985 provides the Council with powers for the general management, regulation and control of its dwelling stock.

4.2 Section 111 of the Local Government Act 1972 provides powers for a local authority to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

4.3 Section 24 of the Housing Act 1985 states that the Council may make such reasonable charges as it determines for the tenancy or occupation of its dwellings and that it must review rents from time to time and make such changes as circumstances require. Further, Section 24(3) provides that when the Council exercises its function under that section it "shall have regard in particular to the principle that the rents of houses of any class or description should bear broadly the same proportion to private sector rents as the rents of houses of any other class or description".

4.4 The apparent discretion available to the Council to determine rent levels is effectively controlled by Part VI of the Local Government and Housing Act 1989 which governs, inter alia, the Council's duties in relation to the HRA. In particular, Section 76 of the 1989 Act places a duty on the Council to secure that the HRA for any year does not show a debit balance. However, there is no absolute duty to prevent a debit balance as this may occur, for example, as a result of unforeseen circumstances. Any debit balance that does occur in any year must be carried forward within the ring-fenced HRA to the following year.

4.5 Section 76 requires the Council in the January or February preceding the relevant year to formulate proposals relating to (a) income from rents and other charges, and (b) the expenditure on repairs, maintenance, supervision and management of its houses. In formulating these proposals, the Council must secure that, on implementation, the HRA will not show a debit balance, assuming the following:

- that the best assumptions that they are able to make at that time as to all matters which may affect the amounts falling to be credited or debited to the HRA in the year prove to be correct; and,
- that the best estimates that they are able to make at that time of the amounts which, on those assumptions, will fall to be so credited or debited, also proves to be correct.

4.6 The Council is further obliged to keep the proposals referred to in this report under review to see if the requirement to avoid a debit balance continues to be satisfied during the year. In the event that the Council, on review, determines that this requirement will not be satisfied then the Council is, by virtue of Section 76(6), required to “make such revisions of the proposals as are reasonably practical towards securing that the proposals (as so revised) satisfy those requirements”. The duty in relation to “best assumptions and estimates” referred to in this report applies equally to such revised proposals.

4.7 Section 23 of the Welfare Reform and Work Act 2016 requires registered providers of social housing to secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months up until and including the year commencing the 1st April 2019.

4.8 Members are therefore required to satisfy themselves as to the “reasonable practicability” of adopting any particular proposals. Members should not reject any proposal without being able to demonstrate that they have fully considered it and are satisfied that the proposal in question would be inferior to the proposal they agree.

4.9 The provisions of Section 103 of the Housing Act 1985 require the Council to serve a notice of variation on its tenants if it wishes to vary the terms of tenancies, including any increase or decrease in rent and other charges. The notice of variation must be served at least four weeks before it is to take effect. Section 103(2) is concerned with the requirement to serve a preliminary notice on tenants which affords the opportunity for tenants to comment. However, this requirement does not apply to a variation (which includes both addition and diminution) of the rent, or of payments in respect of services or facilities provided by the landlord.

4.10 Similarly, the Council’s duties in relation to the consultation of tenants on matters of housing management, as set out in Section 105 of the Act, do not apply to rent levels, nor to charges for services or facilities provided by the authority.

4.11 When Members of the Cabinet consider whether to adopt the recommendations of this report, they will be exercising discretion within the constraints of the duties referred to above and should therefore have in mind the following principles of administrative law:

- the decision must be within the Council's powers;
- all relevant information and consideration, including the Council's fiduciary duty to the Council Tax payer, must be taken into account; and,
- all irrelevant considerations, including unauthorised purposes, must be ignored.

4.12 Pursuant to Part II of the Equality Act 2010, public authorities must, in the exercise of their functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and,
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

4.13 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment; pregnancy and maternity, race, religion and belief, sex and sexual orientation) and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and,
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

4.14 The Council is permitted by section 93 of the Local Government Act 2003 to charge for discretionary services provided that taking one financial year with another the income from charges for discretionary services does not exceed the cost of provision.

4.15 This proposed key decision was entered in the Forward Plan and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

4.16 The report falls under the portfolio of the Cabinet Member for Housing, but has also been completed in consultation with the Deputy Leaders.

5. Consultation and co-production

5.1 These proposals were discussed with relevant stakeholders at Tenants' Assembly, explaining that there was no discretion around the rent setting process and that service charges were set with the principle of cost recovery. This meeting took place on 27 November 2017 and information was then fed back to the Area Forums.

6. Risk management

It is essential that rent, service charges and other charges match projected expenditure. This is a legal and operational requirement. Within this, there are options for achieving this objective. There are financial risks associated with the reduction of rents imposed on the Council and the impact of stock loss on total income, that require savings to be delivered across the HRA. Those savings options that have been proposed will need to be monitored to ensure that they are being delivered on in a timely manner and do not cause an in-year or ongoing pressure to the HRA budget. The annual rent setting process is a major undertaking which affects all Lambeth tenants.

7. Equalities impact assessment

7.1 There is a rent reduction of 1% for 2018/19 as set out by Government in the Summer Budget 2015. As such all tenants will see a reduction in their rent for 2018/19 and will all benefit from it. The conclusion is that no further action is required as there is no negative impact on any particular group that needs to be mitigated.

8. Community safety

8.1 Section 17 of the Crime and Disorder Act 1998 imposes a general duty on local authorities, as follows: "Without prejudice to any other obligations imposed upon it, it shall be the duty of each authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all it reasonably can to prevent crime, disorder and substance misuse in its area." .The report sets out proposals on rent levels, service charges and other charges. The changes recommended are in relation to charging or non-front line expenditure reductions and there are no proposed changes to service levels for 2018/19 within this report. Therefore there are no direct community safety implications arising from this report. However any future changes to service levels, particularly if they relate to community safety sensitive services would require further evaluation pursuant to s17 of the Crime and Disorder Act 1998.

9. Organisational implications

9.1 Environmental
None.

9.2 Staffing and accommodation

None.

9.3 Procurement

None.

9.4 Health

None.

10. Timetable for implementation

Activity	**Date**
Tenants' Assembly	27 November 2017
Cabinet	22 January 2018

Audit Trail				
Name/Position	**Lambeth directorate/department or partner**	**Date Sent**	**Date Received**	**Comments in para:**
Councillor Jennifer Brathwaite, Cabinet Member	Cabinet Member for Housing & Environment	03/01/2018	04/01/2018	
Councillor Imogen Walker Deputy Leader	Deputy Leader for Finance & Resources	03/01/2018	04/01/2018	
Sue Foster, Strategic Director, Neighbourhoods & Growth	Neighbourhoods and Growth	18/12/2017	04/01/2018	
Neil Wightman Director – Housing Services	Neighbourhoods & Growth, Housing Management	18/12/2017	20/12/2017	Throughout
Rachel Sharpe Director – Strategic Housing, Regeneration & Communities	Neighbourhoods & Growth, Strategic Housing, Regeneration & Communities	18/12/2017		
Christina Thompson, Director of Finance	Finance, Corporate Resources	18/12/2017	20/12/2017	
Greg Carson, Principal Lawyer	Legal Services, Corporate Resources	07/12/2017	07/12/2017	4.1 to 4.14
Henry Langford, Senior Democratic Services Officer	Democratic Services, Corporate Resources	18/12/2017		

Report history

Original discussion with Cabinet Member	16.11.17
Report deadline	12.01.18
Date final report sent	11.01.18
Report no.	N/A
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	22.12.17
Key decision reasons	2. Expenditure, income or savings in excess of £500,000
Background information	Implementing Self-financing for Council Housing (DCLG, February 2011) (https://www.gov.uk/government/publications/implementing-self-financing-for-council-housing--2) Summer Budget 2015 (July 2015) (https://www.gov.uk/government/topical-events/budget-july-2015) Housing & Planning Act (May 2016) (http://www.legislation.gov.uk/ukpga/2016/22/contents/enacted/data.htm)
Appendices	Appendix 1 – Service Charges Appendix 2 – Parking, Garages & Sheds Proposals Appendix 3 – Proposed Growth and Savings Appendix 4 – HRA Budget

Appendix 1 – Service Charges

Charge	2017/18 (per week)	2018/19 (per week)	Movement (£)	Movement (%)
Common service charges				
Caretaking	£1.27	£0.94	(£0.33)	(26.0%)
Grounds maintenance	£1.38	£1.39	£0.01	0.7%
Estate cleaning	£6.40	£6.34	(£0.06)	(0.9%)
Communal lighting	£2.85	£2.94	£0.09	3.2%
Disinfestation	£0.77	£0.76	(£0.01)	(1.3%)
Subtotal	**£12.67**	**£12.37**	**(£0.30)**	**(2.4%)**
Specific service charges				
TV aerial	£0.26	£0.23	(£0.03)	(11.5%)
Concierge	£18.53	£18.03	(£0.50)	(2.7%)
CCTV	£2.42	£2.44	£0.02	0.8%
Door entry – audio	£1.53	£1.55	£0.02	1.3%
Door entry – video	£2.32	£2.34	£0.02	0.9%
Subtotal	**£25.06**	**£24.59**	**(£0.47)**	**(1.9%)**
Heating and hot water (average)	£11.01	£10.47	(£0.54)	(4.9%)
Grand total	**£48.74**	**£47.43**	**(£1.31)**	**(2.7%)**

Charge	2017/18 (per week)	2018/19 (per week)	Movement (£)	Movement (%)
Sheltered Housing				
Emergency Careline Service	£3.00	£3.00	£0.00	0.0%
Enhanced Housing Management	£13	£13	£0.00	0.0%

Appendix 2 – Parking, Garages & Sheds Proposals

Charge	2017/18 (per week)	2018/19 (per week)	Movement (£)	Movement (%)
Garages				
Category A – Tenants	£19.00	£19.00	£0.00	0.0%
Category B – Resident Leaseholders and Freeholders who pay service charges	£22.50	£22.50	£0.00	0.0%
Category C – Non-Residents and Freeholders who do not pay service charges	£36.00	£36.00	£0.00	0.0%
Category D – Blue Badge Holders	£0.00	£0.00	£0.00	0.0%
Category E – Council Interest Dispensations *	£0.00 - £36.00 **	£0.00 - £36.00 **	£0.00	0.0%
Sheds	£3.00	£3.00	£0.00	0.0%
Dedicated parking spaces – Tenants	£5.13	£5.13	£0.00	0.0%
Estate parking permit (per annum)	£31.79 **per annum**	£31.79 **per annum**	£0.00	0.0%
Visitors' parking (per day)	£1.50 **per day**	£1.50 **per day**	£0.00	0.0%

***** Garages that are currently let for either community use or under special arrangements due to non-uniform size

****** Level of charge to be agreed by Director of Housing Services

Estate based Freeholders who pay service charges are eligible for the discounted Leaseholder rates. All other Freeholders who do not pay a service charge will be liable for the full non-resident rate.

Appendix 3 – Proposed Growth and Savings

	Growth (£m)	Savings (£m)
Growth		
Reduction in rent, (adjusted for stock reductions)	£1.593m	
Inflationary uplift to 'other expenditure' budgets, (Insurance, Council Tax for voids etc.)	£0.110m	
Reduction in Service Charge income	£0.035m	
Increase in depreciation budget	£2.207m	
Increase in Bad Debt Provision	£1.733m	
Savings		
Increase in Leaseholder Service Charges		(£0.043m)
Additional income from non-dwelling rents		(£0.212m)
Reduction in direct revenue financing of Capital		(£3.348m)
Efficiencies and other savings in Management and Repairs budgets		(£1.106m)
Net reduction in debt charges (interest & MRP)		(£0.956m)
Adjustment to interest on balances budget		(£0.013m)
Totals	**£5.678m**	**(£5.678m)**

Appendix 4 – HRA Budget

	Revised Budget 2017/18 £000	Proposed budget 2018/19 £000
Income		
Dwelling rents (net)	131,905	130,312
Tenant service charges (net)	16,731	16,696
Leaseholder service charges	12,006	12,049
Non-dwelling rents (Commercial rents, parking and garage charges)	3,089	3,191
Other income (Hostels)	4,763	4,873
Interest on balances	40	53
	168,534	**167,174**
Expenditure		
Management (Housing Management services, TMO allowances, recharges from General Fund)	56,856	56,044
Services (Cost of other provided services such as estates cleaning)	13,548	13,819
Revenue repairs costs (cost for reactive and planned revenue maintenance costs)	29,451	29,968
Other expenditure (PFI charges, Premises Insurance, Council Tax and Business Rates for void properties, Thames Water payment (offset by income elsewhere))	9,007	9,141
Bad debt provision	2,749	4,482
Depreciation	26,796	29,003
Contribution to reserves	5,081	3,975
Direct revenue financing of capital	3,348	-
Debt charges (including MRP repayment)	21,698	20,742
	168,534	**167,174**