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| DECISION-MAKER: | CABINET COUNCIL | | |
| SUBJECT: | HOUSING REVENUE ACCOUNT BUDGET REPORT AND BUSINESS PLAN | | |
| DATE OF DECISION: | 15 FEBRUARY 2017 (CABINET) 15 FEBRUARY 2017 (COUNCIL) | | |
| REPORT OF: | CABINET MEMBER FOR HOUSING AND ADULT CARE | | |
| <u>CONTACT DETAILS</u> | | | |
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| STATEMENT OF CONFIDENTIALITY | |
| None | |
| BRIEF SUMMARY | |
| <p>The national self-financing regime for the Housing Revenue Account (HRA) was introduced in April 2012. The budgets in this report have been prepared using these arrangements, which include a requirement to prepare and publish a rolling 30 year HRA Business Plan covering both capital and revenue expenditure projections.</p> <p>The report sets out the 2017/18 revenue budget for all of the day to day services provided to Council tenants in the city and the HRA Business Plan for the period 2017/18 to 2046/47. It includes the proposed changes in rents, service charges and other charges to council tenants from 1 April 2017.</p> | |
| RECOMMENDATIONS: | |
| CABINET | |
| (i) | To consider the report and agree that the recommendations, as set out below, be made to Council at the meeting on 15 February 2017. |
| COUNCIL | |
| (i) | To thank the Tenant Resources Group for their input to the capital and revenue budget setting process and to note their endorsement of the recommendations set out in this report and also the broad support for the proposals received at the Tenants' Winter Conference. |
| (ii) | To approve that, from 1 April 2017, a standard decrease should be applied to all dwelling rents of 1.0%, as set out in paragraph 18 of this |

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| | | report, equivalent to an average decrease of £0.86 per week in the current average weekly dwelling rent figure of £86.20. |
| | (iii) | To note the following weekly service charges from 1 April 2017 based on a full cost recovery approach: <ul style="list-style-type: none"> • Digital TV £0.42 (unchanged from 2016/17) • Concierge monitoring £1.20 (unchanged from 2016/17) • Tower Block Warden £4.97 (unchanged from 2016/17) • Cleaning service in walk-up blocks £0.63 (unchanged from 2016/17). |
| | (iv) | To note the weekly service charges for supported accommodation from 1 April 2017: <ul style="list-style-type: none"> • Call Monitoring Charge - £1.25 (unchanged from 2016/17) • Careline Silver - £3.00 (unchanged from 2016/17) • Careline Gold - £4.25 (unchanged from 2016/17) |
| | (v) | To note that the charges to Council tenants for garages and parking spaces for 2017/18 will increase by 1% in line with CPI as at September 2016. |
| | (vi) | To approve the Housing Revenue Account Revenue Estimates as set out in the attached Appendix 1. |
| | (vii) | To approve the 30 year Business Plans for revenue and capital expenditure set out in Appendices 2 and 3 respectively. |
| | (viii) | To note the HRA Business Plan - Planning Assumptions, as set out in Appendix 4. |
| | (ix) | To note that rental income and service charge payments will continue to be paid by tenants over a 48 week period. |

REASONS FOR REPORT RECOMMENDATIONS

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| 1. | The Council's Constitution sets out the process to be followed in preparing the Council's budget. This process includes a requirement for the Executive to formally submit their budget proposals for the forthcoming year to Council. The budget proposals in this report cover the HRA revenue budget and the 30 year Business Plan. |
| 2. | In March 2012 the HRA paid a one-off levy to Government of approximately £74,000,000, known as the 'debt settlement', to buy its way out of the subsidy system and stop the need for annual payments. The introduction of the self-financing regime for HRA finances in April 2012 brought with it a requirement for long term business planning. This report also sets out in financial terms the HRA Business Plan for the next 30 years. |

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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| 3. | The proposals in this report follow the key principles established in the HRA self-financing report approved by Council on 16 November 2011 and amended in subsequent budget reports. They are consistent with the views of tenant representatives expressed at various meetings during the preparations for HRA self-financing. More recently, these matters have been discussed at the monthly meetings of the Tenant Resources Group and at the Tenants' Winter Conference. Alternative options are not therefore supported. |
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| DETAIL (Including consultation carried out) | |
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| <u>Background</u> | |
| 4. | The HRA records all the income and expenditure associated with the provision and management of Council owned homes in the City. This account funds a significant range of services to 16,252 homes for Southampton tenants and their families and to 1,923 homes for leaseholders. This includes housing management, repairs and improvements, welfare advice, supported housing services, neighbourhood wardens and capital spending on Council properties. |
| 5. | <p>The services provided within the HRA and the expenditure incurred contribute significantly to the Council achieving its priority outcomes of:</p> <ul style="list-style-type: none"> • Southampton is a city with strong and sustainable economic growth; • Children and young people in Southampton get a good start in life; • People in Southampton live safe, healthy, independent lives; and • Southampton is a modern, attractive city where people are proud to live and work. <p>The outcome plans can be seen as an Appendix to the Council's Medium Term Financial Strategy 2017/18 to 2020/21 report. All expenditure and savings decisions need to be taken with these priorities in mind.</p> |
| 6. | This report sets out the HRA revenue budgets for 2017/18 and the 30 year HRA business plan covering the period 2017/18 to 2046/47. The proposed changes to rents and other charges are an integral part of the revenue estimates for 2017/18. |
| <u>The HRA Business Plan Priorities</u> | |
| 7. | The HRA Business Plan forms a fundamental part of a number of Council strategies, including the Medium Term Financial Strategy, to ensure plans are affordable and budgets set within the strategies' parameters. |
| 8. | <p>The Business Plan supports the City Council Strategy 2014-17 – Good Quality and Affordable Housing. Resources are prioritised to the investment in improving the quality of accommodation and provide more affordable housing through the business plan headings as follows:</p> <ul style="list-style-type: none"> • Safe, wind and weather tight; • Warm & Energy Efficient; • Modern facilities within the home; • Well maintained communal facilities; • Estate Regeneration & New Build. <p>The Council is required to maintain its homes in accordance with the Homes and Communities Agency Regulatory Standard. This includes ensuring that Council owned homes continue to meet the Decent Homes Standard as well as ensuring we meet all our statutory compliance obligations as laid down in various regulations and legislation e.g. gas safety, electrical regulations, fire risk assessments, control of asbestos etc.</p> |
| 9. | In addition to the physical accommodation the Council's Housing Service plays a key role in two other elements of the City Council Strategy: |

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| | <ul style="list-style-type: none"> • Prevention and Early Intervention; and • Protecting Vulnerable People. <p>Work to support these elements of the Strategy are prioritised under the headings that follow in the points below.</p> |
| <u>Tenancy Sustainment</u> | |
| 10. | <p>The Council recognises that a settled home is a fundamental building block to independence and quality of life. Families and individuals who experience a housing crisis are often suffering wider issues which require the intervention of wider Council or Health services. Therefore maintaining a settled home by sustaining a tenancy either in the social or private rented sector supports better life chances for the individual and household including better health outcomes, educational attainment and reduced demand for social care services.</p> <p>Housing Services is therefore committed to supporting:</p> <ul style="list-style-type: none"> • Homelessness prevention; • Minimising tenancy failure; • Safeguarding vulnerable adults and children; and • The 'Families Matter' programme. <p>By supporting the above the HRA is contributing to the Council achieving its priority outcomes</p> |
| <u>Housing and well-being</u> | |
| 11. | <p>Housing Services supports some of the most vulnerable residents in the City from those who are Street Homeless through to Elderly Vulnerable residents in Extra Care Housing. By working with vulnerable groups through a 'Housing Plus' approach Housing can prevent or delay recourse to expensive social care or health services and help reduce crime and offending.</p> <p>Housing Services is therefore committed to supporting:</p> <ul style="list-style-type: none"> • Outreach and support services helping residents self-manage, avoid crisis to remain healthy for longer; • Adaptations and Telecare Services enabling more people to live independently in their own homes for longer; • Investment in Housing with care accommodation reducing demand for high cost residential and nursing care; and • Community investment through Neighbourhood Wardens, Decent Neighbourhoods projects and Community Engagement to support active and vibrant communities where residents feel safe. <p>These services contribute significantly to ensuring People in Southampton live safe, healthy, independent lives</p> |
| <u>Business Planning Principles</u> | |
| 12. | <p>A report to Council on 16 November 2011 approved the key principles that were to be adopted in the preparation of the HRA budget and Business Plan. Some additions and amendments were made in subsequent budget reports and the agreed principles are set out below.</p> |
| <u>Borrowing Headroom</u> | |
| 13. | <p>The HRA must work within Government borrowing restrictions that have imposed</p> |

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| | <p>a debt cap of £199,600,000. In November 2011, Council agreed that a proportion of any 'borrowing headroom' will be retained as a contingency for any unforeseen or high risk short term issues that need to be supported. In February 2014, Council approved the principle that the HRA Business Plan should have minimum borrowing headroom of £6,000,000, at the time of its annual approval. This set a capital contingency at a level of approximately 3% of the overall debt cap. This is comparable to the minimum level of HRA revenue balances which, when set, equated to approximately 3% of the annual dwelling rent income. Amendments to the capital programme would then be required to ensure that the minimum headroom is restored for the next annual update of the Business Plan.</p> |
| <p><u>Dwelling Rents</u></p> | |
| 14. | <p>In October 2013 the Department for Communities and Local Government (DCLG) issued a consultation paper entitled 'Guidance on Rents for Social Housing' setting out in detail the Government's policy on rents from 2015/16 onwards. The principles in the paper were subsequently adopted as the Government's official guidance. The guidance stated that stock owning local authorities should increase rents by no more than the Consumer Price Index (CPI) plus 1.0%.</p> |
| 15. | <p>The Housing Revenue Account Business Plan, as agreed by Council in February 2015, used a rent model which followed the Government's rental formula. The budget included assumptions of the CPI figure through the 30 year business plan and therefore the approved budget and spending commitments were agreed based on the anticipated rental income that the increase would provide for over the next 30 years. These assumptions are updated annually based on long term financial assessments and reported to Cabinet and Council as part of the HRA Business Plan Budget report in February each year.</p> |
| 16. | <p>In their National Budget on 8 July 2015 the Government announced a number of proposals which are now contained within the Welfare Reform and Work Bill 2015/16 aimed at reducing the national welfare bill by £12bn a year. As part of the legislation the Government has imposed a 1.0% per annum reduction in the level of Social Rent charged by Local Authorities and Housing Associations to their tenants for a 4 year period from 2016 to 2020.</p> |
| 17. | <p>As a result of the proposals within the Welfare Bill, the new rental figures were applied to the business plan model approved in February 2015. These assumptions had the effect of both reducing the actual income within the HRA over the four years of the rental reduction, as well as the income over the duration of the business plan, as the Government Minister has announced the return to the rental formula previously in place. The reduction in Social Housing Rents had a significant impact on the HRA Business Plan. Based on the assumptions agreed by Council in February 2015 this had the impact of reducing the actual income within the HRA over the 4 years from 2016 to 2020 by £33M and over the 30 year business plan by £493M. The immediate shortfall was addressed through the range of savings proposals set out in the budget report of February 2016. Progress on the implementation of these savings is set out in paragraph 30 of this report.</p> |
| 18. | <p>This report recommends that, from 1 April 2017, a standard decrease should be applied to all dwelling rents of 1.0%, in line with the Welfare Reform and Work Act. This is equivalent to an average decrease of £0.86 per week in the current average weekly dwelling rent figure of £86.20.</p> |

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| <u>Service Charges</u> | |
| 19. | The November 2011 Council report approved the recalculation of all service charges to ensure that they were set to fully recover the costs of the service, but not produce a surplus. Delegated authority was given to the Head of Housing Services, now the Service Director Adults, Housing and Communities, following consultation with the Cabinet Member for Housing, to approve the annual revision to service charges within the policy parameters agreed by Council. |
| <u>Garages and Parking Spaces</u> | |
| 20. | In February 2015 it was agreed to move to an increase based on the September CPI figure, rather than the Retail Price Index (RPI) figure. As for service charges, delegated authority to approve the revised charge is with the Service Director Adults, Housing and Communities. |
| <u>HRA Revenue Revised Forecast 2016/17</u> | |
| 21. | The revised forecasts for 2016/17, which are based on month 9 revenue monitoring, are set out in Appendix 1. The balance for the end of 2015/16 was expected to be above the minimum level of £2,000,000 that was set under self-financing. For 2016/17 there was a surplus of £1,000,000 budgeted to reflect that the savings proposals implemented in 2016/17 would represent 2 years and would enable a balanced budget to be set in 2017/18 and maintain balances to the minimum level of £2,000,000. |
| <u>Responsive Repairs</u> | |
| 22. | <p>Good progress has been made in restructuring the Housing Operations team across the four elements of trade staff and management restructuring, void efficiencies and reductions in fleet usage. However, the reduced staffing structure was not fully implemented until June 2016 leading to a forecast over spend.</p> <p>In addition, the new materials contract, signed in November 2016, will take time to realise the full potential for savings. There is a forecast adverse variance of £1,490,900. This overspend should be seen in the context of a reduction in budget of £2,750,000 across the Housing Operations and Repairs service since 2015/16. Although management have been working towards reducing this adverse variance through the remainder of the year, compensating in year savings have been found to bring the overall HRA into balance. The full staff and materials savings for 2017/18 onwards are expected to be achieved as described in paragraph 34.</p> |
| <u>Supervision & Management</u> | |
| 23. | <p>The continuing downward trend in current tenant arrears has led to a reduction of £300,000 in the required yearly contribution to the bad debt provision.</p> <p>In light of the budget pressures elsewhere in the HRA, budgets previously held for discretionary funding of ad-hoc projects, totalling £95,000, will not be spent.</p> |
| <u>Interest Repayments</u> | |
| 24. | The latest re-evaluation of the capital programme from 2015/16 to 2016/17 has resulted in a reduction in the borrowing requirement. This short term movement in the borrowing requirement has reduced the financing cost charged to revenue for 2016/17 by £1,304,900. |

| <u>Tenants Service Charges</u> | |
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| 25. | A budget proposal to introduce a revised charging model for Community Alarm customers will not now be implemented due to Housing Benefit restrictions and potential future changes in Supporting People income resulting in an adverse variance of £200,000. There is currently a consultation on the funding for Supported Housing from 2019/20 onwards. The results of this will need to be reflected in future HRA Business Plans. |
| <u>Leaseholder Service Charges</u> | |
| 26. | There is a forecasted increase in income this year of £309,000 due to a realignment of budgets in the year increasing the level of major capital works to our blocks with leaseholders. The Business Plan assumes this will return to original levels in 2017/18. |
| <u>HRA Revenue Budget 2017/18</u> | |
| 27. | The HRA Business Plan approved at February 2016 Council made certain assumptions about the level of rental income that would be received over 30 years based on legislation in the Welfare Reform and Work Act and other Government guidance. |
| 28. | The February 2016 report outlined a list of HRA budget proposals that were put forward for consultation in November 2015 with a description of each proposal and its impact. The majority of these budget proposals have been implemented during 2016/17 and their full value will be reflected in 2017/18. |
| 29. | Within these proposals was an additional ongoing saving of £120,000 from 2017/18 from the closure of the cash collection facility at Shirley Housing Office which has been factored into the 2017/18 budgets. Officers have been speaking to people who use the facility at Shirley to advise them of the alternatives when the facility is scheduled to close at the end of March 2017. The impact on the cost of the central cash office and the level of debt will be monitored closely during the year. Additionally, a restructure of the Policy & Projects team, absorbing staff into other service teams, will enable the deletion of the manager post from the start of 2017/18, creating an ongoing saving of £47,400. |
| 30. | The sum of the proposals implemented in 2016/17 will create a further addition to balances of £1,000,000 increasing the overall balances to £3,000,000 for the start of 2017/18. These savings proposals and the additional surplus will be sufficient to enable a £1M draw from HRA balances thus balancing the budget for 2017/18. Significant further savings will have to be found in subsequent years and the HRA Business Plan includes further revenue savings targets of £3,939,000 in 2018/19, rising to £7,842,000 in 2019/20. It should be noted that the level of savings required to meet the reduction in income from the 1% rent reduction are significant. Such revenue savings are unlikely to be achieved through efficiencies alone. Work to bridge the gap is already underway and below are details of plans that will be solidified during 2017/18 with a view to meeting the targets in those years. |
| 31. | The proposals for meeting the savings requirement will come forward in line with the Council's General Fund Revenue Budget Setting Timetable, to ensure implications between the General Fund and HRA are accounted for. This will also ensure the HRA proposals can form a part of the Councils consultation on budget proposals. |
| 32. | Having set out and now implemented a two year vision in the previous year's budget, the plans below will be assessed further to create savings for the third |

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| | <p>year of the 1% social rent reduction.</p> <p>The vision for bridging the gap in years 2018/19 and potentially 2019/20 are set out below and these ideas will be developed prior to consultation during 2017/18:</p> <ul style="list-style-type: none"> • Removal of the Tenants Incentive Scheme to downsize; • Restructure in the Local Housing Office (LHO) teams that could result in a review of staff in LHO & Neighbourhood Warden Teams; • Review of HRA charges from General Fund areas, where corresponding savings in the General Fund can be made, to enable the cost reduction to be realised. • Reduction in the revenue contribution to the capital programme and a review of alternative sources of funding available; • Consideration of all other service costs, staffing and non-staffing in the HRA. |
| 33. | The original estimates for 2017/18 are set out for approval in Appendix 1. The main issues that need to be considered in setting the revenue budget are detailed below. |
| <u>Responsive Repairs</u> | |
| 34. | The reorganisation of the Housing Operations Team was completed in June 2016 and this team will be able to use the new materials processes now that SCC has signed the material contract with our new supplier. This supplier will operate from our new depot site and will bring efficiencies in procurement time and cost, delivering a better deal for tenants. |
| <u>Housing Investment</u> | |
| 35. | The budget of £5,183,600 for 2017/18 is £402,300 (8.4%) higher than for 2016/17, principally due to an increase in the demand for electrical testing (£352,500) as well as the requirement for a new budget for gutter and downpipe cleaning which will reduce the need for capital gutter and downpipe replacement schemes. |
| <u>Supervision and Management</u> | |
| 36. | The budget of £21,945,000 for 2017/18 is £1,319,400 (6.4%) higher in comparison with the original estimate for 2016/17. This reflects increasing budgets for inflation, staff increments, system maintenance and waste collection charges. |
| <u>Interest & Principal Repayments</u> | |
| 37. | Interest & principal repayments vary due to the level of borrowing required to fund the HRA Capital Programme and the loans maturing during the year. |
| <u>Dwelling Rents</u> | |
| 38. | For 2017/18 rents have been calculated using the basis set out in paragraph 16. The income from dwelling rents is expected to be £1,047,300 lower in 2016/17, compared to the original estimate for 2016/17. This is principally due to the reduction of 1.0% in rents in line with Government proposals (£725,200). The balance reflects the lower number of properties due to Right to Buy sales. |
| <u>Service Charges</u> | |

| 39. | <p>The service charges for 2017/18 have been determined in accordance with the principles set out in paragraph 17. Where there has been no net increase in costs for existing services, as increases in staffing costs have been offset by reductions in other costs, the proposed weekly charges remain unchanged. A table of these proposed charges is shown below (based on 52 weeks).</p> <table border="1" data-bbox="344 376 1267 640"> <thead> <tr> <th data-bbox="344 376 1088 488">Description</th> <th data-bbox="1088 376 1267 488">Proposed weekly charge</th> </tr> </thead> <tbody> <tr> <td data-bbox="344 488 1088 524">Tower block warden charge</td> <td data-bbox="1088 488 1267 524">£4.97</td> </tr> <tr> <td data-bbox="344 524 1088 560">Concierge monitoring charge</td> <td data-bbox="1088 524 1267 560">£1.20</td> </tr> <tr> <td data-bbox="344 560 1088 595">Digital TV charge</td> <td data-bbox="1088 560 1267 595">£0.42</td> </tr> <tr> <td data-bbox="344 595 1088 640">Cleaning service in walk-up blocks</td> <td data-bbox="1088 595 1267 640">£0.63</td> </tr> </tbody> </table> | Description | Proposed weekly charge | Tower block warden charge | £4.97 | Concierge monitoring charge | £1.20 | Digital TV charge | £0.42 | Cleaning service in walk-up blocks | £0.63 |
|---|--|-------------|------------------------|---------------------------|-------|-----------------------------|-------|-------------------|-------|------------------------------------|-------|
| Description | Proposed weekly charge | | | | | | | | | | |
| Tower block warden charge | £4.97 | | | | | | | | | | |
| Concierge monitoring charge | £1.20 | | | | | | | | | | |
| Digital TV charge | £0.42 | | | | | | | | | | |
| Cleaning service in walk-up blocks | £0.63 | | | | | | | | | | |
| Service Charges for Supported Accommodation | | | | | | | | | | | |
| 40. | The Community Alarm charge for 2017/18 will remain unchanged at £1.25 per week over 52 weeks. | | | | | | | | | | |
| 41. | There was an increase in charges to private Careline customers in 2016/17 to £3.00 per week for Careline Silver and £4.25 per week for Careline Gold. These weekly charges remain unchanged for 2017/18. | | | | | | | | | | |
| Other Charges | | | | | | | | | | | |
| 42. | As the September 2016 CPI was 1.0%, the charges for garages and parking spaces will increase for 2017/18 by 1.0%. | | | | | | | | | | |
| <u>HRA Capital Budget 2014/15 to 2019/20</u> | | | | | | | | | | | |
| 43. | The HRA Capital Programme was last updated and approved in November 2016. These spending plans have now been reviewed to take account of the latest estimated costs and phasing of those schemes and the forecast change in resources. | | | | | | | | | | |
| 44. | The proposed February 2017 programme is shown in detail as part of the General Fund and Housing Revenue Account Capital Programmes 2016/17 to 2021/22 report. The changes in the overall programme are summarised by year in a table in that report as well as details of significant changes since the last update. The annual capital expenditure projections form the first 5 years of the 30 year Business Plan for major repairs and improvements (Appendix 3). | | | | | | | | | | |
| <u>HRA Business Plan 2017/18 to 2046/47</u> | | | | | | | | | | | |
| 45. | A 30 year HRA Business Plan has been prepared using the planning principles agreed in November 2011 and amended by the proposals in the subsequent budget reports. The summary for the revenue and capital budgets is set out in Appendices 2 and 3. Appendix 3 shows the use of £750,000 of Homes and Communities Agency funding and £1,300,000 of section 106 contributions in 2018/19 for Estate Regeneration. It also shows that borrowing is only required in the first four years of the Business Plan. Other key assumptions used in the updated plan are set out in Appendix 4. To ensure all Council plans are aligned these reflect the key planning assumptions set out in the Medium Term Financial Strategy. | | | | | | | | | | |
| 46. | <p>The main points to note are:</p> <ul style="list-style-type: none"> • All HRA debt can still be repaid over the 30 year life of the plan. • The capital spending plans still include provision to maintain and improve all existing dwellings and feature an increase in the level of planned expenditure in the early years that has been reflected in the updated | | | | | | | | | | |

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| | <p>capital programme. This increase is a reflection of the backlog of improvements to tenants' homes, due to insufficient funding under the former HRA 'subsidy' system, which needed to be addressed under the self-financing regime.</p> <ul style="list-style-type: none"> • This investment can be achieved within the Government's borrowing limit of £199,600,000, also known as the 'debt cap'. Additionally, a reserve of at least £6,000,000 borrowing headroom is retained throughout. • The provision that is set aside for stock replacement, which will support the renewal of any of the existing dwellings that may be required over the next 30 years, remains at approximately £130,000,000. This provision has been phased between year 8 and year 30 of the plan. • In addition, the funding of over £10,000,000 for Citywide Estate Regeneration is retained and £7,700,000 is included to develop properties as part of Townhill Park Estate Regeneration • The revenue budget continues to meet minimum balances of £2,000,000 over the life of the plan. |
| 47. | <p>The HRA Business Plan has consistently shown revenue balances that increase above minimum levels within the 30 year period. This remains the case, and in the proposed updated plan for 2017/18 onwards the year 30 projected revenue balance will be increased to £26,345,000 compared to the equivalent figure of £18,757,000 in the previous approved plan. As previously reported, the main risk to the long term plan is that, if building inflation was to exceed general inflation over a prolonged period, this would have a significant adverse impact on HRA balances. Therefore the surpluses are liable to change annually, either favourably or not, and will reflect the annual review of stock investment needs and estimated unit rates. The predicted revenue surpluses now begin to significantly exceed minimum levels in 2021/22, compared to 2026/27 in the previous plan.</p> |
| Sensitivity Analysis | |
| 48. | <p>In order to show the sensitivity of the Business Plan to other changes, two independent sensitivity analyses have been undertaken to show the impact on the year 30 projected revenue balance of £26,345,000.</p> <ul style="list-style-type: none"> • If an extra 1% building inflation is added in years 2 and 3 of the Business Plan, the 30 year revenue position becomes a deficit of approximately £9,000,000; • If the rent increase is limited to CPI in years 4 to 8 of the plan, rather than CPI plus 1.0% as per current guidance, the 30 year revenue position becomes a deficit of approximately £40,000,000. <p>Therefore, it will be necessary to closely review and monitor the impacts of changes to any assumptions underlying the business plan so that the overall budget position can be maintained to support the investment in services and properties to meet the expectations of tenants and our regulatory requirements.</p> |
| The Housing and Planning Bill and other potential pressures | |
| 49. | <p>On 13th October 2015 the Government published the Housing and Planning Bill 2015/16. This bill sets out a number of proposed changes to Housing legislation which will impact on the current delivery of services to tenants and the resources required to do so. In summary, the main proposals likely to affect the HRA Business Plan are as follows:</p> |
| Sale of High Value Vacant Council Homes | |

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| 50. | <p>The Government had previously announced a plan to require local authorities that have retained ownership of their stock to sell high value homes as they become vacant. It intended to use the receipts from these sales to fund the extension of the right to buy to housing association tenants and to create a Brownfield Development fund. The Bill would have enabled the Government to set out a definition of 'high value' homes and create a duty on local authorities to consider selling homes that meet this definition when they become vacant. The Bill would also have allowed the Government to estimate the amount of money it would expect each individual authority to receive, in each financial year, from sales of high value homes. Authorities would then be required to pay this amount to the Treasury. This plan has been postponed until 2018/19 at the earliest.</p> |
| <p>High Income Social Tenants; Mandatory Rents (Pay to Stay)</p> | |
| 51. | <p>The Government previously announced the requirement of council tenants with a higher income to pay a higher rent. The Government were to set out details of how increased rents would have been calculated. However, on the 21 November 2016 the Government announced that the mandatory pay to stay scheme would not be introduced. Councils will still have discretion over whether or not to implement higher rents for tenants with higher incomes. There are no plans to implement this in Southampton at the moment.</p> |
| <p><u>Lifetime Tenancies</u></p> | |
| 52. | <p>In December 2015 the Government introduced an amendment to the Housing Bill proposing a removal of the practice of granting Lifetime tenancies to tenants of affordable housing. The Government is proposing that lifetime tenancies are replaced with 'flexible tenancies' for a period between 2 and 5 years from 1 April 2017 for all new and transferring tenants with some limited exceptions, for example people with disabilities or with children. There will be a requirement on all landlords to review every new tenancy based on the length of the tenancy. The City Council currently lets on average around 1,100 homes each year. This will undoubtedly increase housing turnover. This review requirement will increase the administrative burden on the City Council as well as potentially increasing both the costs of managing empty properties and the lost rent whilst a property is empty. No provision is currently made for these potential costs. Further if certain property types or transferring tenants are not exempted it may have a direct impact on reducing tenants' ability to move to smaller accommodation such as supported housing and the Council's ability to let our Supported Housing or Housing with Care schemes to older residents. The Government has set up a working group of 20 Councils to look into how to implement these fixed term tenancies and guidance to be issued by the Government will provide more detail. There is also the potential for this to increase further the level of RTB applications. The current Business Plan assumptions allow for significant reductions in stock for the next 2 years and this will continue to be monitored closely.</p> |
| <p><u>Consultation</u></p> | |
| 53. | <p>The budget and business planning key principles were discussed with tenants at various meetings during the preparations for self-financing. More recently, these matters have been discussed at the monthly meetings of the Tenant Resources Group and at the Tenants' Winter Conference.</p> |

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| 54. | The Winter Conference was well-attended with 106 tenants and leaseholders from across the city present. There was broad support for the proposals in particular the ongoing higher levels of investment in tenants' and leaseholders' homes. |
| 55. | It is recommended that Members formally recognise and welcome the support and commitment of tenants and tenant representatives who have participated in this year's capital and revenue budget setting exercise which has been a particularly challenging process due to the level of changes currently proposed. |
| 56. | There has also been consultation with various officers within the Council and with our partners and this will continue as the capital and revenue initiatives in this report are developed to support the delivery of wider city objectives. |
| RESOURCE IMPLICATIONS | |
| <u>Capital/Revenue</u> | |
| 57. | These are in the body of the report. |
| <u>Property/Other</u> | |
| 58. | None. |
| LEGAL IMPLICATIONS | |
| <u>Statutory power to undertake proposals in the report:</u> | |
| 59. | Housing Act legislation provides the authority to increase rent and other associated or like charges. There are no specific legal implications arising from the overall budget proposals contained in this report. |
| 60. | The provision, maintenance and improvement of social housing by local authorities is authorised by various Housing Acts and other legislation. |
| 61. | The Localism Act 2011 gives the statutory basis for the HRA self-financing arrangements set out in this paper. |
| <u>Other Legal Implications:</u> | |
| 62. | None. |
| POLICY FRAMEWORK IMPLICATIONS | |
| 63. | The HRA forms part of the Council's Medium Term Financial Strategy and Model and should be read in conjunction with these documents. |

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| KEY DECISION? | Not applicable (Council decision) |
| WARDS/COMMUNITIES AFFECTED: | All |
| <u>SUPPORTING DOCUMENTATION</u> | |
| Appendices | |
| 1. | HRA Revenue Budget |
| 2. | HRA Business Plan – 30 year operating account |
| 3. | HRA Business Plan – 30 year major repairs and improvements financing |
| 4. | HRA Business Plan – Planning Assumptions |

Documents In Members' Rooms

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| 1. | None. | |
| Equality Impact Assessment | | |
| Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out. | | No |
| Privacy Impact Assessment | | |
| Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out. | | No |
| Other Background Documents | | |
| Other Background documents available for inspection at: | | |
| Title of Background Paper(s) | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) | |
| 1. | None. | |