

Report of:	Head of Finance and Head of Housing and Partnerships
Contact Officer:	Bob Kean Nirmal Samrai
Telephone No:	01543 464334 01543 464210
Portfolio Leader:	Housing
Key Decision:	No
Report Track:	Cabinet: 25/02/18 Council: 07/02/18

**CABINET
25 JANUARY 2018
HOUSING REVENUE ACCOUNT CAPITAL PROGRAMMES 2017-18 TO 2022-23**

1 Purpose of Report

- 1.1 To review the 2017-18 HRA Capital Programme.
- 1.2 To refresh the Housing Revenue Account Capital Programme budgets for the period 2018-19 to 2019-20 and introduce the 2020-21 to 2022-23 Capital Programme.
- 1.3 To determine a proposed five year Housing Revenue Account Capital Programme for consideration by Council on 7 February 2018.

2 Recommendations

- 2.1 That the estimated availability of Housing Revenue Account capital resources for the period 2018-19 to 2022-23 (as set out in Appendix 1) be noted.
- 2.2 To note that the programme now includes an allocation of £12million for new social housing.
- 2.3 That options to increase social housing based upon the housing needs of the district and land availability are developed and are the subject of a separate report to Cabinet as soon as practically possible.
- 2.4 That Council, on 7 February 2018, is recommended to approve the five year Housing Revenue Account Capital Programme for the period 2018-19 to 2022-23 (as set out in Appendix 2).

3 Key Issues and Reasons for Recommendation

- 3.1 This report considers the draft proposed five year HRA Capital Programme for the period 2018-19 to 2022-23, together with the forecast outturn for 2017-18, compiled within the financial framework provided by the Approved HRA Business Plan.
- 3.2 Details of the estimated availability of HRA capital resources during the five year period are set out in Appendix 1, whilst a five year HRA Capital Programme is set out in Appendix 2.
- 3.3 A comparison of estimated resource availability with the proposed HRA capital expenditure programmes is also set out below:

Table1: Uncommitted Resources 2017-18 to 2022-23						
	<u>17-18</u> £000's	<u>18-19</u> £000's	<u>19-20</u> £000's	<u>20-21</u> £000's	<u>21-22</u> £000's	<u>22-23</u> £000's
Net Resources B/F	3,359	480	395	2,959	2,768	2,768
New Resources	7,755	7,830	8,541	5,769	5,649	5,677
Total Resources:	11,114	8,310	8,936	8,728	8,417	8,445
Less:	10,634	7,915	5,977	5,960	5,649	5,677
Expenditure Resources C/F	480	395	2,959	2,768	2,768	2,768

- 3.4 In addition to the above, the voluntary Minimum Revenue Provision (Debt Repayment) set aside from 2017-18 will by 2022-23 have effectively created a headroom in capital financing of £9.672 million that can be used in the medium term to supplement resources available without impacting upon long term sustainability.
- 3.5 The use of the Minimum Revenue Provision headroom together with the uncommitted capital resources provides in excess of £12.0 million for new council build /estate regeneration.

4 Relationship to Corporate Priorities

- 4.1 The proposed HRA budgets would contribute to the following strategic objectives, which form part of the Housing Portfolio section within the 2018-19 "More and Better Housing" Priority Delivery Plan, i.e.
- (i) Increase the supply of affordable housing.
 - (ii) Improving the Council's social housing stock.

5 Report Detail

- 5.1 Cabinet on 10 December 2015 approved a revised Housing Revenue Account Business Plan for the continued implementation of the devolved HRA “self financing system “ that covered the five year period 2015-16 to 2019-20.
- 5.2 Cabinet at its meeting on the 19 January 2017 noted that a revised HRA Business Plan and revised 5 year projection will be produced during 2017-18 following details of the High Value Payment being published and its impact determined. However details of the threshold for such a payment are still awaited and are not now likely to be implemented until 2019-20. The Revenue Budget retains the status quo for 2018-19 awaiting such details with the void provision thereafter being maintained at 2% to mitigate the potential impact of this change.
- 5.3 The recommendations as contained in the initial report above provided a Balanced Budget to 2019-20 and provided the financial framework within which now the capital programme budgets are determined for the period 2018-19 to 2022-23.
- 5.4 This report considers the formulation of a proposed five year HRA Capital Programme for consideration by Council on 7 February 2018.

Estimated Availability of HRA Capital Resources

- 5.5 Details of the estimated availability of HRA capital resources for the period 2018-19 to 2022-23 are set out in Appendix 1. These are in accordance with the assumptions in the Business Plan with subsequent adjustments to reflect:-
- (i) The anticipated outturn in respect of the 2017-18 HRA Capital Programme;
 - (ii) Amendments to the revenue contribution to capital outlay following the detailed budget formulation work in respect of the Housing Revenue Account.
- 5.6 No material changes arise in relation to the 2017-18 capital programme subject to certain expenditure slipping into 2018-19. The 2018-19 budget however includes additional resources for the
- Replacement of Central Heating £615,000- additional provision for boiler replacements including transfer from electric heating to gas as applicable.

Whereas the 2019-20 programme seeks £138,000 contribution as above combined with an additional £100,000 for the replacement of Housing services Vehicles.

- 5.7 The HRA Revenue Budget, included elsewhere on the Agenda, includes the following Revenue Contributions to Capital Outlay during the three year programme period, with figures extrapolated to 2022-23 :-

Table2: Revenue Contribution to Capital Outlay 2017-18 to 2022-23					
<u>2017-18</u> <u>£'000</u>	<u>2018-19</u> <u>£'000</u>	<u>2019-20</u> <u>£'000</u>	<u>2020-21</u> <u>£'000</u>	<u>2021-22</u> <u>£'000</u>	<u>2022-23</u> <u>£'000</u>
3,631	3,020	2,218	2,452	2,316	2,328

- 5.8 The increase in Revenue Contribution to Capital Outlay and other minor variations results in Available Capital resources as at 31 March 2023 amounting to £2.768 million an increase of £2.473 million as compared to the Interim Business Plan.
- 5.9 Council, in accordance with the HRA Business Plan, has been setting aside a voluntary Minimum Revenue Provision (MRP) / provision for repayment of debt with effect from the 2017-18 budget. There is no mandatory requirement to provide such a set aside although the provision effectively shows that the HRA is sustainable in the long term.
- 5.10 The annual provision however effectively reduces the HRA Capital Financing Requirement and therefore increases the headroom or potential for borrowing. The total debt an authority can undertake at any one time is limited or capped to the self financing debt, as amended by supported borrowing permissions from the Government.
- 5.11 The repayment of debt will reduce the capital financing charges or revenue cost of the HRA however the profile of debt with the exception of £2.6million which matured this year is a minimum of 6 years away with the self financing loan itself not maturing until 2062. To this end the MRP can be used to supplement the capital programme with no additional cost in the short term or to the long term sustainability of the HRA Business Plan.

Table 3: Annual Minimum Revenue Provision set aside 2017-18 to 2022-23						
<u>2017-18</u> <u>£'000</u>	<u>2018-19</u> <u>£'000</u>	<u>2019-20</u> <u>£'000</u>	<u>2020-21</u> <u>£'000</u>	<u>2021-22</u> <u>£'000</u>	<u>2022-23</u> <u>£'000</u>	<u>TOTAL</u> <u>£'000</u>
1,556	1,556	1,640	1,640	1,640	1,640	9,672

- 5.12 The use of the MRP headroom together with the uncommitted capital resources provides £12.439 million for new council build / estate regeneration and enhancements to the existing programme.
- 5.13 It is therefore recommended that options to increase social housing based upon the housing needs of the district and land availability are developed and are the subject of a separate report to Cabinet as soon as practically possible.

HRA Capital Programme 2018-19 to 2020-21

- 5.14 A proposed HRA Capital Programme for 2018-19 to 2022-23 is set out in Appendix 2. This is in accordance with the capital expenditure programme within the revised Business Plan with subsequent adjustments to account for the anticipated outturn in respect of the 2017-18 HRA Capital Programme.

5.15 The proposed programme will deliver:-

- (i) The continuation of the following planned maintenance programmes:-
 - * External and Environmental Works
 - * Kitchen and bathroom replacement.
 - * Electrical upgrading.
 - * Central heating upgrading.
 - * Window refurbishment and double glazing programme
- (ii) The provision of Council houses.

5.16 Details of the dwelling outputs (in terms of completions) which will result from the implementation of the proposed HRA Capital Programme are set out below. Details for 2021-22 and 2022-23 will be provided following the outcome of the stock Condition Survey to be undertaken in 2018-19:-

Table 4: Number of completions 2018-19 to 2020-21				
	<u>Number of Dwellings</u>			
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>Total</u>
External and Environmental Works	725	700	890	2,315
Kitchen Replacement	65	125	120	310
Bathroom Replacement	120	120	110	350
Central Heating Improvements	450	425	400	1,275
Electrical Upgrades	550	550	500	1,600
Window Refurbishment and Double Glazing	20	20		40
Provision of additional Council Dwellings	39			39
Fire Assessments	50	50	50	150

6 Implications

6.1 Financial

The financial implications have been referred to throughout the report.

6.2 Legal

None.

6.3 Human Resources

None.

6.4 Section 17 (Crime Prevention)

The proposed five year HRA Capital Programme 2018-19 to 2022-23 includes a number of schemes to reduce anti-social behaviour, including environmental and fencing improvements as part of the proposed External and Environmental Works Programme.

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

There are a number of risks associated with the inadequate management of the HRA Capital Programme. These risks are minimised by the Council's agreed Capital Expenditure Control Procedures which includes a requirement for regular monitoring including quarterly reports to Cabinet.

6.8 Equality & Diversity

The revised HRA Business Plan has been subject to an Equality Impact Assessment (EIA). As the proposed HRA Capital Programme for the period 2018-19 to 2022-23 has been formulated in accordance with the revised Business Plan, the Business Plan EIA also applies to the proposed five year Capital Programme.

The outcome of the Business Plan EIA is that it would have a positive impact for certain of the protected characteristics with no identified negative implications.

6.9 Best Value

None

7 Appendices to the Report

Appendix 1: Estimated Housing Revenue Capital Resources 2017-18 to 2022-23

Appendix 2: Housing Revenue Account Capital Programme 2017-18 to 2022-23

Previous Consideration

Interim Housing Revenue Account Business Plan Review	Cabinet	10 December 2015
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ESTIMATED AVAILABILITY OF HOUSING REVENUE ACCOUNT CAPITAL RESOURCES 2017-18 TO 2022-23

<u>Resource</u>	<u>2017-18</u> £000's	<u>2018-19</u> £000's	<u>2019-20</u> £000's	<u>2020-21</u> £000's	<u>2021-22</u> £000's	<u>2022-23</u> £000's	<u>Capital Programme</u>
Resources Brought Forward	3,359	480	395	2,959	2,768	2,768	2,768
Borrowing		1,015	3,022				9,672
RTB Sales (Allowable Attributable Debt)	450	390	390	390	390	390	
Section 106 monies	31						
Capital Receipts Other	109	55	55	55	55	55	
Revenue Contributions to Capital Outlay	3,631	3,020	2,218	2,452	2,316	2,328	
Major Repairs Allowance	2,800	2,836	2,856	2,872	2,888	2,904	
GBS LEP	375	210					
Transfer from Reserves:	19	72					
Affordable Housing Grant	340	232					
Total New Resources	7,755	7,830	8,541	5,769	5,649	5,677	9,672
Total Capital Resources	11,114	8,310	8,936	8,728	8,417	8,445	12,440
<u>Less Proposed Expenditure</u>	10,634	7,915	5,977	5,960	5,649	5,677	12,000
Agreed resources carried forward	480	395	2,959	2,768	2,768	2,768	440

APPENDIX 2**HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME**
2018-19 TO 2020-21

<u>Scheme</u>	<u>Forecast</u>		<u>Estimated Expenditure</u>				<u>Cap</u> <u>Prog</u>
	<u>Outturn</u>						
	<u>17-18</u> <u>£000's</u>	<u>18-19</u> <u>£000's</u>	<u>19-20</u> <u>£000's</u>	<u>20-21</u> <u>£000's</u>	<u>21-22</u> <u>£000's</u>	<u>22-23</u> <u>£000's</u>	
Demolition of Garages	28	89	20	20	20	20	
Moss Road	1,745	142					
Development of Former Garage Sites	2,800	1,622					
Disabled Facilities Works	532	389	396	404	412	421	
Right to Compensation (Tenants Improvements)		5	5	5	5	5	
⁵ Replacement of Kitchens	383	425	718	709	719	728	
Replacement of Bathrooms	896	474	486	450	456	462	
Replacement of Central Heating	1,068	1,495	1,451	1,451	1,407	1,359	
Void Properties	366	344	355	365	376	387	
External and Environmental Works	1,300	1,585	1,664	1,664	1,452	1,480	
Provision of Double Glazing	768						
Replacement of Social Alarms	19	72					
Upgrading of Electrical Systems	574	575	575	581	586	593	
Asbestos Testing and Removal	84	86	89	91	94	97	
Provision of Proposed Kerbs	19	29					
Resurfacing of Driveways	20	211					
Replacement of Housing Service Vehicles	32	81	100	100			
Contingency for unforeseen works		111	113	115	117	120	
Fire assessments		5	5	5	5	5	
Future Enhancements		175					
New Build							12,000
TOTAL:	10,634	7,915	5,977	5,960	5,649	5,677	12,000