SWT Tenants Strategic Group

Wednesday, 15th January, 2020, 6.00 pm

The John Meikle Room - The Deane House

Members: Alex Akhigbemen, Jessie Bunn, Dennis Galpin, Kevin Hellier, Ivor Hussey, Janet Lloyd and Francesca Smith

Agenda

JAMES HASSETT
CHIEF EXECUTIVE

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Somerset West and Taunton

Strategic Tenants Board – 15 January 2020
Scrutiny Committee – 20 January 2020

Housing Revenue Account (HRA) Budget Estimates 2020/21 (Including Rent Setting and Fees and Charges)

This matter is the responsibility of Executive Councillor Francesca Smith

Report Author: Kerry Prisco, Finance Specialist

1 Executive Summary

1.1 This report updates Members on the proposed HRA Annual Revenue Budget and Capital Programme for 2020/21, the proposed Rent Setting for the average weekly rent for 2020/21 and the proposed Fees and Charges for 2020/21.

1.2 The proposals included in this report would enable the Council to set a balanced budget for the HRA for 2020/21.

2 Recommendations

2.1 Members are invited to consider and support the following proposed recommendations to the Executive and Full Council:

2.2 In accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the Dwelling Rent for 2020/21 for existing tenants will be an increase of CPI+1% to the average weekly rent, from £80.87 per week to £83.05 per week.

2.3 In accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the Dwelling Rent for 2020/21 for new tenants only will be an increase of CPI+1% plus an additional 5% for general needs to the average weekly rent, from £80.87 per week to £87.21 per week.

2.4 In accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the Dwelling Rent for 2020/21 for new tenants only will be an increase of CPI+1% plus an additional 10% for sheltered/supported and extra care dwelling rents to the average weekly rent, from £80.87 per week to £91.36 per week.

2.5 To increase non-dwelling rent and service charges in line with national policy by CPI+1% for 2020/21, with the exception of garages for private and shared ownerships tenants which would increase from £10.32 (including VAT) to £12.00 (including VAT).

2.6 To approve the HRA Annual Revenue Budget for 2020/21.

2.7 To approve the HRA Capital Programme for 2020/21.

3 Risk Assessment

3.1 The purpose of this section is to highlight the key external risks that may pose a threat to the successful delivery of the HRA 2020 Business Plan. The Council will need to be alert to the following issues:

3.2 Welfare Reform: The HRA has already taken steps to try and prevent loss of income where possible. The potential impact of existing and further welfare reform measures will need careful management in order to protect our rental income. Universal Credit remains the greatest potential risk to our income for us and most other providers.

3.3 Exiting the EU: The process of exiting the European Union remains in a state of uncertainty about what is exactly going to happen. This could affect the cost of goods/materials, services, development and funding.

3.4 Housing Policy: On the 14 August 2018 the government published its Social Housing Green Paper in response to the tragedy at Grenfell Tower. Whilst the initial consultation has now closed, we are still awaiting the outcome of this consultation and any regulatory changes that this may bring.

3.5 Independent Review of Building Regulations and Fire Safety: The final report sets out over 50 recommendations for government as to how to deliver a more robust regulatory system to ensure that the buildings residents live in are safe and remain so. We are awaiting the final regulatory changes, but know that the Council will need to respond to the evolving requirements following the tragedy at Grenfell Tower and incorporate any financial impacts into the Business Plan once known.

3.6 The Regulator of Social Housing has published (October 2019) their Sector Risk Profile[1] highlighting the common strategic and operational risks that pose a threat to housing providers.

4 Background

4.1 The purpose of this report is to present the proposed Housing Revenue Account (HRA) Annual Budget and Capital Programme for 2020/21, as well as the Rent Setting and the Fees and Charges proposals for 2020/21.

4.2 The HRA is a ring fenced account used to manage the Council's housing stock of some 5,700 properties, with the Council acting as the Landlord.

4.3 In April 2012, under the Localism Act 2011, the HRA (under the administration of Taunton Deane Borough Council (TDBC)) moved away from a national subsidy system (which required an annual payment from the HRA to Central Government) to become 'self-financing'. This enabled the Council to retain all rental income to meet the costs of managing and maintaining the housing stock, as well as meeting the interest payments and repayment of debt. As part of the self-financing agreement, a one-off payment of £85.198m was made to Government.

4.4 In order to manage the freedoms gained by the HRA through self-financing, a new 30-Year Business Plan (2012-2042) was introduced. This set out the Council's overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities.

4.5 The HRA Business Plan has been reviewed and updated annually since 2012, with a full review undertaken in 2016. In response to recent changes in national policies and local aspiration, another full and comprehensive 30-year Business Plan from 2020/21 onwards has recently been undertaken, with the support of consultants Savills, and can be found as a separate report called "HRA Business Plan Review". The key changes in revenue budget from 2019/20 to 2020/21 are summarised from paragraph 5.6 below.

4.6 The HRA continues to face a number of risks and uncertainties, many of which could be significant but the actual financial impact is not yet known. These are discussed in section 3 above.

4.7 As part of the self-financing agreement, an individual housing revenue borrowing cap of £116m was implemented for TDBC. This meant that the HRA was unable to exceed a capital borrowing requirement of £116m within the HRA Business Plan. In October 2018 this borrowing cap was officially removed.

5 The HRA 2020 Business Plan and Annual Revenue Budget for 2020/21

5.1 The 2020 Business Plan review was undertaken as a direct result of a number changes in both national policies and local aspiration; we have seen the debt cap removal in October 2018, the introduction of the Regulator of Social Housing's new Rent Standard

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/848158/Sector_Risk_Profile_2019.pdf

from April 2020 and a new Somerset Housing Strategy published in March 2019. The Grenfell tragedy has prioritised landlord compliance such as fire and safety, the declaration of a climate emergency and a new leadership aspiration to build 1000 new homes in 30 years.

5.2 The HRA 2020 Business Plan review was undertaken to assess the affordability and viability of these aspirational schemes and the financial impact of regulatory changes, to determine what schemes could actually be delivered and when.

5.3 The current assumptions within the Business Plan indicate that the new build aspirations are affordable and viable but require the maximisation of future rental income through the application of options available within the boundaries of national policy, as this will require significant capital investment and borrowing over the next 10 years.

5.4 The HRA 2020 Business Plan aims to deliver 1,000 new homes over the next 30 years with a net gain of 400 homes as a result of tenants purchasing their homes through estimated RTB sales.

5.5 In response to the HRA 2020 Business Plan, table 1 below provides a summary of the main proposed changes to the annual revenue budget estimates from 2019/20 to 2020/21.

5.6 A summary of the overall HRA Revenue Budget for 2020/21 and 5-year Medium Term Financial Plan (MTFP), as a result of planned changes within the HRA 2020 Business Plan and other changes, is included in Appendix A.

<u>Table 1: HRA Budget Setting 2019/20 to 2020/21 Changes</u>

	Reference Paragraph	**£'000**
Original Budget 2019/20 – balanced budget		
<u>Income</u>	5.8	(555)
<u>Service Expenditure</u>		
Repairs & Maintenance	5.11	(10)
Grounds Maintenance	5.12	78
Insurance	5.13	(145)
Management Costs – salaries	5.14	1,533
Management Costs – other	5.18	(97)
Efficiency Savings	5.19	(100)
<u>Central Costs / Movement in Reserves</u>		
Provision for Bad Debt	5.20	120
Interest Payable	5.22	126
Interest Receivable	5.24	70
Provision for Depreciation	5.25	229
Provision for Repayment of Borrowing	5.27	0

Revenue Contribution to Capital (SHDF)	5.28	(1,170)
Movement in Reserves	5.29	(79)
Proposed Original Budget for 2020/21 i.e. net transfer to reserves		**0**

5.7 The main changes include:

5.8 **Rental Income**: between April 2016 and March 2020 all social housing landlords were required to reduce the rent payable by tenants by 1% each year in accordance with the Welfare Reform and Work Act 2016 Social Rent Reduction. The introduction of the Regulator of Social Housing's new Rent Standard from April 2020 states that social housing landlords can now increase the rent payable by tenants by CPI+1% annually for a period of five years. This rate also applies to service charges. More information can be found in section 6 below.

5.9 It is also being proposed to apply "rent flexibility" from April 2020 which could generate approximately £100k in the first year. However the financial impact is not being budgeted for until 2021/22 due to the application of this rent flexibility to new tenants only.

5.10 This also includes a realignment of the RTB Admin Grant and GF Contribution under 'income' instead of 'expenditure'.

5.11 **Repairs & Maintenance**: an additional £50k has been included for Standard Assessment Procedure (SAP) energy performance certificates and stock validation as well as £42k to service 600 air source heat pumps. The repairs and maintenance service is also hoping to achieve a reduction in cost of £50k from contract savings and another £52k cost saving through the capitalisation of scaffolding costs.

5.12 **Grounds Maintenance Service Charges**: Tenants pay a weekly service charge towards the costs of maintaining the grounds around the area within which they live, for example grass cutting, shrub pruning, weeding, etc. The Service Level Agreement (SLA) for 2020/21 has been increased to £778k in line with the increase in the proposed Grounds Maintenance Service Charge from £1.90 to £1.95 per week.

5.13 **Insurance**: following an authority wide re-tender exercise for insurance premiums the new authority has been successful at significantly reducing their annual premiums. It is estimated that a saving against budget of £145k will be seen across the HRA including leaseholders, shops and meeting halls.

5.14 **Management Costs – salaries**: Following the Council decision to establish a structure of four Directorates, a new Housing staff structure will be implemented. Whilst most roles will "lift and shift" from the current structure some vacancies will arise where we require a new focus to meet the housing business objectives. The new structure contains growth and new emphasis in relation to development and regeneration to meet our current and future aspirations, along with landlord safety and compliance, tenant engagement and customer experience, performance and finance.

5.15 The Housing Directorate staff structure will incorporate direct staff costs relating to both the HRA and the general fund (GF) homeless function. The HRA will also receive the benefit of central support services delivered by staff in the GF, such as procurement, accounts payable, facilities management, HR/Payroll and finance, etc. The HRA will fund a proportion of these costs for the central support services received.

5.16 As reported to Full Council on the 3rd December 2019, the Council's leadership team identified ongoing financial pressures in order to protect service standards and maintain capacity whilst completing the safe delivery of expected service process efficiencies and greater customer access to self-service. The HRA will need to take on a share of these transition and service resilience cost pressures in year 1, but will see a cost reduction going forwards as the Council works to deliver the service process efficiencies. The HRA will also need to fund a share of the temporary staff delivering the corporate change programme.

5.17 In table 1 above you can see an increase in budget of £1.533m relating to staffing costs for 2020/21 with table 2 below providing a breakdown of this cost and high level projections for future years.

Table 2: HRA Staffing Costs for 2020/21 and Future Year Projections

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Directorate - HRA Direct Staff Costs		6,323	6,481	6,643	6,809	6,979
Housing Directorate - GF Direct Staff Costs		960	984	1,009	1,034	1,060
Central Support Service Costs		845	866	888	910	933
Central Support Service Costs - One Off		315	-	-	-	-
Central Support Service Costs - Change Programme		140	72	-	-	-
	7,050	**8,583**	**8,403**	**8,539**	**8,753**	**8,972**
Inflation @ 2.5%			205	208	213	219

5.18 **Management Costs – other:** there has been some reduction in budget requirements through the reassessment of budget needs across tenancy and management delivering savings of £97k.

5.19 **Efficiency Savings**: an efficiency target of £100k in 2020/21 rising to £150k per year from 2021/22 has been included within the Business Plan, as we aspire to drive forward improvements in service delivery to realise cash benefits. We have "lean" reviews

underway in the “big three” processes of income management, voids and response repairs. With more reviews planned.

5.20 **Change in Provision for Bad Debt**: the previous two iterations of the Business Plan, in 2012 and 2016, made a provision at 2% for the expectation that the changes in Welfare Reform would result in increased levels of non-payment of rent and service charges. Whilst new claimant’s moved to the new Universal Credits scheme from 2016, the migration of existing claimants has experienced continued delays. It is also worth noting that the Universal Credit scheme pays claimants in arrears and not in advance, as we currently expect our rental payments to be made.

5.21 The 2020 Business Plan includes a new two year provision at 0.75% (£180k in 2020/21) of dwelling rental income, dropping to 0.5% thereafter, to mitigate the financial risk associated with a possible increase in unrecoverable rental income due to the forthcoming “managed migration” to the Universal Credits scheme that is indicated to be completed by March 2023. Provision for bad debt is a year-end accounting adjustment that cannot be forecast with certainty prior to closing the final accounts. Any un-used provision for bad debt will be transferred into an earmarked reserve at the end of the year to manage any further timing differences in the implementation of the Universal Credits scheme.

5.22 **Interest Payable**: The majority of existing external borrowing is based on fixed interest rates for the term of the loan, with only two loans based on variable rates of interest. Therefore we are able to predict the interest payment for these elements with a high degree of certainty. The HRA has also increased internal borrowing from the General Fund which is charged at the average borrowing rate across the authority. The estimated budget for 2020/21 is £2,744,700 which is an increase of £125,900.

5.23 The HRA is investigating taking on additional external borrowing to fund the North Taunton regeneration scheme to reduce internal borrowing. The Section 151 Officer is seeking advice from Arlingclose, the Council’s Treasury advisors, to identify the optimum route that minimises debt costs and risk to finance these loans. Consequently budgets will be revised during the year to accommodate this cost with funding available, for example from repayment of borrowing.

5.24 **Interest Receivable**: with internal borrowing exceeding investments there is no expectation to obtain any interest receivable payments.

5.25 **Provision for Depreciation**: Depreciation is transferred to the Major Repairs Reserve (MRR) and is used to fund the capital programme and/or repay debt. From 2017/18 depreciation has been required to be included within the HRA accounts on a component accounting basis. This means depreciation will need to be calculated on each of the major components of each house e.g. kitchen, bathroom, rather than being based on the Major Repairs Allowance (MRA), an estimation of the works needed to maintain the stock in good condition.

5.26 Depreciation is a year-end accounting adjustment that cannot be forecast with certainty prior to closing the final accounts. The estimated depreciation for 2020/21 is based on

those calculations made for 2018/19 plus an allowance for sales and purchases during the year. This is an increase of £227,580.

5.27 **Provision for Repayment of Borrowing**: The current voluntary revenue provision (VRP) to repay debt is £1.821m. The Business Plan proposes to continue to use this amount to reduce future capital financing requirements for the next 10 years. Thereafter all surplus funds will be prioritised to repay debt at the earliest opportunity.

5.28 **Revenue Contribution to Capital**: a revenue budget of £1.17m has previously been used to help fund the Social Housing Development Capital Schemes. It is proposed to remove a budgeted revenue allocation entirely as a source of funding for capital schemes in order to provide more revenue resources for direct service delivery capacity.

5.29 **Movement in Reserves**: the social housing development fund earmarked reserve will be used to fund the development team ahead of becoming part of the base budget.

5.30 Other changes not directly influenced by the Business Plan include:

5.31 **Minimum general reserve balance**: under the Council's wider Financial Strategy the Executive has agreed a new minimum Operational Target of £2.4m and a new minimum Financial Resilience Target of £1.8m, for the HRA general reserve balance. Remaining at or above these targets provides added financial resilience to risks such as bad debt, if needed.

5.32 **Inflation:** Staffing costs have been inflated by 2.5% (0.5% for increments and 2% for pay inflation). Income has been inflated at Consumer Price Index (CPI) plus 1% where CPI is 1.7% at September 2019.

6 Income

6.1 Dwelling Rental Income (including Shared Ownership)

6.1.1 The Government introduced the Welfare Reform and Work Act 2016 Social Rent Reduction, which required all social housing landlords to reduce the rent payable by tenants by 1% each year for 4 years between April 2016 and April 2019 (excluding shared ownership homes and temporary accommodation). This superseded the Government's previous 10 year rent increase policy implemented in April 2015.

6.1.2 On 26 February 2019 the Ministry of Housing, Communities and Local Government confirmed that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020. The September 2019 CPI figure is 1.7% as published by the Office for National Statistics on the 16 October 2019.

6.1.3 The Regulator of Social Housing has now issued a new Rent Standard for 2020 under the direction of the Government. This new Rent Standard will now apply to all housing associations, whereas previously Local Authorities were excluded from such standards.

6.1.4 A separate Rent Setting Policy, covering the content and those elements proposed to be adopted by the Council contained within the Regulator of Social Housing's Rent Standard 2020, is also being presented to the Strategic Tenants Board and the Council to recommend the Dwelling Rental Income and Shared Ownership Rent for 2020/21, as part of the HRA 2020 Business Plan report.

6.1.5 The Rent Setting Policy recommends that social rents for existing tenancies will be reviewed annually and any increases will not exceed the limit of Consumer Price Index (CPI) plus 1% for 5 years from April 2020.

6.1.6 *Therefore in accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the recommended Dwelling Rent for 2020/21 <u>for existing tenants</u> will be an increase of CPI+1% to the average weekly rent, from £80.87 per week to £83.05 per week.*

6.1.7 The new Rent Standard also provides the option to apply a one-off rent flexibility allowance to increase rents further. Therefore, in addition to applying CPI+1%, the Council's new Rent Setting Policy provides an additional option to apply this one-off increase of 5% on general need and 10% on sheltered/supported housing. This would be applied to rents for new tenants only. This would provide an estimated additional income of £100k per year, which we would budget to see the benefit of this from 2021/22 onwards.

6.2 *Therefore in accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the recommended Dwelling Rent for 2020/21 <u>for new tenants only</u> will be an increase of CPI+1% plus an additional <u>5% for general needs</u> to the average weekly rent, from £80.87 per week to £87.21 per week.*

6.3 *Therefore in accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the recommended Dwelling Rent for 2020/21 <u>for new tenants only</u> will be an increase of CPI+1% plus an additional <u>10% for sheltered/supported and extra care</u> dwelling rents to the average weekly rent, from £80.87 per week to £91.36 per week.*

6.3.1 Whilst in the past the Council did not apply such tolerances, the Council now has an increasingly important role to play in providing great homes for local communities. This will require having the necessary rental income with which to fund the maintenance and management of existing homes, whilst also supporting the delivery of new homes and to supporting tenants within their communities. This is emphasised and explained further within the Business Plan and Rent Policy.

6.3.2 This ability to increase rents also enables the Council to play catch-up following the last 4 years imposed 1% reduction in rents. Table 3 below shows what the average weekly rent would have been if rents had been increased by 1% or 2% each year from a base line of 2015/16 (e.g. before the 4 year 1% rent reduction was imposed).

Table 3 – Average Weekly Rents Comparison

	Baseline	1% reduction each year for 4 years				CPI+1% for 5 years				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2020/22	2020/23	2020/24	2020/25
Actual / Proposed	84.15	83.32	82.50	81.68	80.87	83.05	85.30	87.60	89.96	92.39
If increased by 1%	84.15	85.00	85.85	86.70	87.57	88.45	89.33	90.22	91.13	92.04
If increased by CPI at 2%	84.15	85.84	87.55	89.30	91.09	92.91	94.77	96.67	98.60	100.57

6.3.3 Therefore where options are presented to increase rents within the boundaries of national policies these should be considered carefully. These decisions will have a long term impact on the 30-year Business Plan, with regards to the affordability of operating the service, planned capital investment, and meeting debt repayment obligations.

6.3.4 **Void Loss**: Rent lost through void periods continue to be lower than the 2% allowed in the original Business Plan. Therefore it has been deemed appropriate to reduce the expected void rate to 1.25% for a five year period, reducing to 1% thereafter, and to also consider voids as a result of regeneration needs.

6.4 Non-Dwelling Rental Income and Service Charges Income

6.4.1 This incorporates income from non-dwelling rents (mainly garages but also shops, land access and meeting halls), charges for services and facilities, and contributions to HRA costs from leaseholders and council tenants. This accounts for approximately 8% (c£2m) of total HRA income.

6.4.2 **Service Charges**: Housing Service Charges are made to housing tenants for the services that they use. Service Charges are set locally each year and are in addition to the Rent Charges.

6.4.3 Charges to leaseholders will continue to be based on actual costs incurred.

6.4.4 The Government issued a direction to the Regulator of Social Housing to set a new Rent Standard to be effective from April 2020. The proposed Policy Statement recommends registered providers should endeavour to keep increases for service charges within the limit on rent changes, of CPI+1%, to help keep charges affordable. The September 2019 CPI figure is 1.7% as published by the Office for National Statistics on the 16 October 2019.

6.4.5 The Council is proposing to increase service charges by CPI+1% for 2020/21, as shown in Appendix B - Table 1 and 2, to ensure they remain affordable for the tenants.

6.4.6 **Garage Rents**: The proposal is to increase garage rents for private tenants and owner occupier so that they are in line with the open market value rental rate at £12 (including VAT) per week for 2020/21. Thereafter, these will be increased on an annual basis using CPI+1%. The increase for garage rents for council tenants will be CPI+1%. Please see Appendix B - Table 3.

6.4.7 This means for council tenants the weekly rent will increase from £6.37 per week to £6.54 per week – an increase of £0.17 per week or 2.7% (last year 3.3%). For private tenants and owner occupiers the weekly rent will increase from £10.32 (including VAT) per week to £12 per week (including VAT) – an increase of £1.68 per week or 16.3% (last year 3.3%). This equates to additional income of approximately £54k.

6.4.8 **Meeting Halls**: The fees levied for 2020/21 for meeting room hire will be increased by CPI+1% and then rounded to the nearest 10p as requested by tenants during feedback provided in 2017/18. Please see Appendix B - Table 4.

6.4.9 **Guest Rooms**: The fees levied for 2020/21 for meeting room hire will be increased by CPI+1% and then rounded to the nearest 50p as requested by tenants during feedback provided in 2017/18. Please see Appendix B - Table 5.

6.4.10 **Temporary Accommodation:** The fee for temporary accommodation is broken down into two elements: the licence fee and the service charge. The proposed licence fee and service charge for 2020/21 are summarised in Appendix B – Table 6.

6.4.11 **Licence Fee**: Whilst the Housing Benefit (HB) subsidy is regulated, the amount social landlords can charge for temporary accommodation is not. Temporary accommodation is also exempt from the new Rent Standard. The proposal for 2020/21 is to continue setting the temporary accommodation licence fee at 100% of the permitted Local Housing Allowance (LHA) ordinary rate as of April 2020.

6.4.12 The LHA for 2020/21 will not be published until approximately January 2020, so therefore the rates shown in table 6 state the current 2019/20 LHA rates and these will change in accordance with the rates officially published by the LHA.

6.4.13 This will result in an increase of £1.56 per week on a 3 bedroom, a £0.98 per week on a 2 bedroom and a £0.12 per week increase on either a 1 bedroom or studio.

6.4.14 **Service Charge**: The proposal for 2020/21 is to increase service charges by CPI+1%.

6.4.15 **Exceptions**: Charges for properties not on mains sewerage. These properties charges for sewerage will be increased in line with the Wessex Water increases for 2020/21 once known. Wessex Water rates for sewerage standing charge per annum and poundage charges are used in the system calculation. For 2019/20 these are £7.00 per annum for unmetered sewerage standing charge and £1.6379 for the poundage charge payable per £ of rateable value of the property. Wessex Water will publish their new charges in February 2020 (available from their website) for 2020/21.

7 Housing Revenue Account Capital Programme for 2020/21

7.1 The HRA 2020 Business Plan proposes significant levels of capital investment to deliver the aspiration of 1000 new homes within the next 30 years whilst maintaining a decent homes standard.

7.2 The HRA Capital Programme for 2020/21, that will deliver the capital investment proposed within the Business Plan, is shown in table 4 below.

7.3 The 5-Year HRA Capital Programme from 2020/21 to 2024/25, that will deliver the capital investment proposed within the Business Plan, is shown in Appendix C.

7.4 This report does not include social housing development schemes that have been previously approved where the spending is planned to be incurred in 2020/21 onwards, for example North Taunton Regeneration.

Table 4: HRA Capital Programme for 2020/21

Capital Investment	**Total Cost £000**
Major Works	5,379
Improvements	2,150
Related Assets	100
Exceptional Extensive	350
Disabled Adaptations	300
Vehicles	121
ICT	546
Social Housing	6,898
Total Proposed HRA Capital Programme 2020/21	**15,844**

7.5 The estimated capital investment per scheme and the scheme itself is explained in more detail below. Whilst Officers have estimated the planned spend based on information currently available to them, these estimates are subject to change depending on contract negotiations, contractor availability, demand on the business, the condition of voids returned to the council and changing business priorities. Therefore any changes to the profile of spend between schemes will be subject to approval by the Housing Director and the Housing Portfolio Holder, and reported as part of the 4-monthly budget monitoring reports.

7.6 It is proposed that the HRA Capital Programme for 2020/21 shown above in table 4 will be funded from an appropriate combination of Major Repairs Reserves (from depreciation), revenue contributions (RCCO), capital receipts (Right to Buy), capital grants and borrowing.

7.7 A summary of the estimated funding profile for the 2020/21 capital programme is shown in the table 5 below. The final funding profile will be agreed by the Section 151 Officer as per the financial procedure rules.

Table 5: Capital Investment Funding Estimates

Capital Investment	Total Funding £000
Major Repairs Reserve	6,759
Revenue (RCCO)	0
Capital (RTB) Receipts	2,069
Capital Grant Receipts	187
Borrowing	6,829
TOTAL Funding	**15,844**

7.8 **Major Works**

7.8.1 These schemes will be focusing on ensuring that a decent homes standard is maintained and that the housing stock major components are replaced periodically as per our capital works programme for 2020/21. This will also include unplanned major works on voids where the property is returned in a poor condition and requires a full re-work ahead of the capital works programme.

7.8.2 The Major Works capital programme will be broken down into component schemes, with table 6 below showing the estimated amount to be spent on each scheme.

Table 6: Major Works

Capital Scheme	Total Cost £000
Kitchens	100
Bathrooms	100
Roofing	50
Windows	1,000
Heating (Open Vented)	1,050
Doors	100
Fasciae and Soffits	750
Door Entry Systems	400
Voids Kitchens and Bathrooms	150
Drainage	50
Scaffolding	979
Heating for Warmer Homes	262
Insulation	388
Total	**5,379**

7.9 **Improvements**

7.10 The Improvements capital programme will be focusing on ongoing fire safety works and ensuring all housing stock continues to adhere to the fire safety regulations. The one-off fire safety works will focus on the replacement of key components.

7.10.1 The Improvements capital programme will be broken down into component schemes, with table 7 below showing the estimate amount to be spent on each scheme.

Table 7: Improvements

Capital Scheme	Total Cost £000
Fire Safety (ongoing)	150
Fire Safety (one off)	2,000
Total	**2,150**

7.11 **Related Assets**

7.11.1 The Council also owns a number of related assets in addition to the housing stock. These include garages, meeting / community halls and shops. The proposed capital investment of £100k will ensure that these assets are maintained as required.

7.12 **Exceptional Extensive Works**

7.12.1 This capital investment of £350k will be used primarily for asbestos removal and works to the Council's non-traditional properties.

7.13 **Disabled Facilities and Aids and Adaptations**

7.13.1 This is an annual recurring budget for small and large scale home aids and adaptations in tenants' homes where there are mobility issues. This budget is demand led by requests from tenants or through recommendations by occupational therapists or other healthcare professionals. Applications are made through the Somerset West Private Sector Housing Partnership.

7.13.2 The demand for adaptations has been historically lower than budget and provision has been made in the 2020 Business Plan to reduce this to £300k per annum. This will be achieved with a number of steps being taken, such as moving towards more cost effective installations of wet floor shower rooms through a new fixed price contract; switching from concrete ramps to better value metal modular ramps; and a move toward stairlift loans and recycling, rather than purchases. These measures will ensure that the service stays within reduced budgets without impacting tenants.

7.14 **Vehicles**

7.14.1 The service uses a combination of both owned and leased vehicles depending on the complex nature of the vehicle requirements, to deliver services to our tenants. This capital investment of £121k per year is to cover the replacement cost of owned vehicles on a cyclical basis.

7.15 **IT Systems and Software Improvements**

7.15.1 There are a number of business critical IT systems and software applications used to run the HRA. These include Academy, Open Contractor, Codeman, Abritas and e5. This capital investment of £546k is to support the Housing Technology Programme which is planning to deliver the replacement of Academy into the Open Housing as well as the

implementation of Open Assets.

7.15.2 The HRA will also need to fund a share of the future corporate technology change programme which includes renewing contracts / licence agreements and upgrading to Microsoft 365, as well as e5 contractual upgrades and the implementation of new accounts payable invoicing software.

7.15.3 All of the above will also require IT infrastructure upgrades to add additional server capacity into the data centre to allow us to create the new services that these projects required.

7.16 **Social Housing Development**

7.16.1 A budget of £6.898m has been included within the capital programme as a back stop to ensure that we are able to meet our total spend requirements for 2020/21 under the RTB "1-4-1 Agreement" (explained in section 9 below). This would be funded 30% from retained RTB capital receipts.

7.16.2 This equates to approximately 42 new social housing units and directly delivers on the aspiration for an additional 500 homes in the next 10 years

7.16.3 There are a number of individual social housing schemes that are currently being developed. As individual schemes are presented to Full Council for approval, the need for the notional amount of £6.898m would reduce as RTB spend is met through specific schemes.

8 HRA Borrowing

8.1 In 2012 the Council took out additional external borrowing of £85.198m as part of the self-financing settlement with the Government. This meant that the total debt owed by the HRA at the start of self-financing was £99.649m (which included £9m of pre self-financing loans and £5.451m of internal borrowing).

8.2 As part of the self-financing agreement, an individual housing revenue borrowing cap of £116m was implemented for TDBC. This meant that the HRA was unable to exceed capital borrowing of £116m within the HRA Business Plan. Although the Government abolished the HRA Debt Cap in October 2018, it is proposed to set a prudent debt cap for the HRA.

8.3 The total capital borrowing requirement (debt balance) owed by the HRA at the start of 2019/20 was £103m.

8.4 The HRA 2020 Business Plan assumes that there will be a significant increase in new borrowing over the next 10 years to meet the increased ambitions for capital investment. This will result in additional cost pressures to cover the financing of this new investment and refinancing of existing loans.

8.5 The budgeted annual provision of £1.821m for the repayment of debt will be used to repay existing debt, finance any new external borrowings as required or to reduce the year-on-year capital financing requirement. Any surplus funds from the revenue account will be used to protect reserves in the first instance but will then be used to reduce future

capital financing requirements.

8.6 Whilst this report is focusing on the budget for year 1 of the HRA 2020 30-Year Business Plan, it is important to consider the impact that decisions taken now have on the entirety of the plan, for example the cumulative impact of future rental income and the future financing requirements of borrowings.

8.7 The one-off application of the rent flexibility allowance for new tenants only, if approved, will provide more headroom against our internal debt cap which means that there is less risk and more interest cover available, and enables the Business Plan to deliver the new build aspirations and reduce debt back down to approximately £129m over the 30 years.

8.8 The S151 Officer is working with Arlingclose, the Council's Treasury advisors, on how best to refinance the existing loans as they fall due over the next 10 years and how to take out new external borrowing to fund approved schemes such as the North Taunton Regeneration scheme, in a way that minimises debt costs and risk.

8.9 The funding and cash flow implications of the HRA 2020 Business Plan will be managed in line with the Council's Capital, Investment and Treasury Strategies which is approved alongside the annual budget each year.

9 Right to Buy (RTB) Receipts

9.1 The RTB scheme is a government scheme that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The scheme saw the maximum discount increase significantly in 2012 to up to £75,000 followed by a steady increase year on year to up to £82,800 in April 2019.

9.2 Taunton Deane Borough Council signed up to a "1-4-1 Agreement" with the Treasury/MHCLG to retain a higher proportion of RTB the additional receipts on the proviso, and agreed that these receipts would be used to fund new social housing. This agreement continues now under SWT until such time as the Council decides to opt out. Only a small percentage of receipts from RTB sales are retained by the Council. These additional RTB receipts can only account for 30% of spend on new social housing costs, with the remaining 70% coming from other funds such as revenue funding or borrowing.

9.3 The RTB receipts cannot be used in the same scheme as other Government funding such as grants from Homes England. They must also be spent within three years of the capital receipt, or must be returned to Government with interest at 4% over base rate from the date of the original receipt. Receipts can be returned to Government in the quarter in which they are received with no interest payable.

9.4 Alternatively, the 30% RTB funding could be granted to and used by Housing Associations in the area, providing they meet the same match funding requirements. The new housing doesn't need to be provided by the Council.

9.5 To date, the Council has successfully spent all of their retained 1-4-1 receipts resulting in no returns being made to the Treasury/MHCLG.

9.6 **RTB Receipts Year to Date**: Table 8 below shows the number of RTB sales, the total (capital) receipts received under the new RTB discount scheme, the Council retained 1-4-1 receipts to be used for new social housing, and the total amount that would need to be spent by the Council in order to fully retain them.

Table 8: Right to Buy Receipts

	Total 2012/13	Total 2013/14	Total 2014/15	Total 2015/16	Total 2016/17	Total 2017/18	Total 2018/19
Sales	37	47	35	38	44	53	34
Total Receipts (£k)	2,330	2,705	2,317	2,666	3,568	3,971	2,576
1-4-1 Receipts (£k)	1,234	1,230	1,005	1,193	1,864	2,069	1,149
1-4-1 Receipts Spend - Per Year (£k)				1,234	1,230	1,005	1,193
Match Funding Spend - Per Year (£k)				2,879	2,871	2,345	2,783
Total Spend Required - Per Year (£k)	**-**	**-**	**-**	**4,112**	**4,102**	**3,350**	**3,976**
Total Spend Required - Cumulative (£k)	-	-	-	4,112	8,214	11,563	15,539
Average number of units per year				25	25	20	24

	Total 2019/20	Total 2020/21	Total 2021/22	Total 2022/23
Sales	35	32	32	32
Total Receipts (£k)	2,317	2,576	2,576	2,576
1-4-1 Receipts (£k)	1,005	1,149	1,149	1,149
1-4-1 Receipts Spend - Per Year (£k)	1,864	2,069	1,149	1,005
Match Funding Spend - Per Year (£k)	4,349	4,829	2,681	2,345
Total Spend Required - Per Year (£k)	**6,213**	**6,898**	**3,830**	**3,350**
Total Spend Required - Cumulative (£k)	21,752	28,650	32,480	35,829
Average number of units per year	38	42	23	20

[Note that the grey data is estimated.]

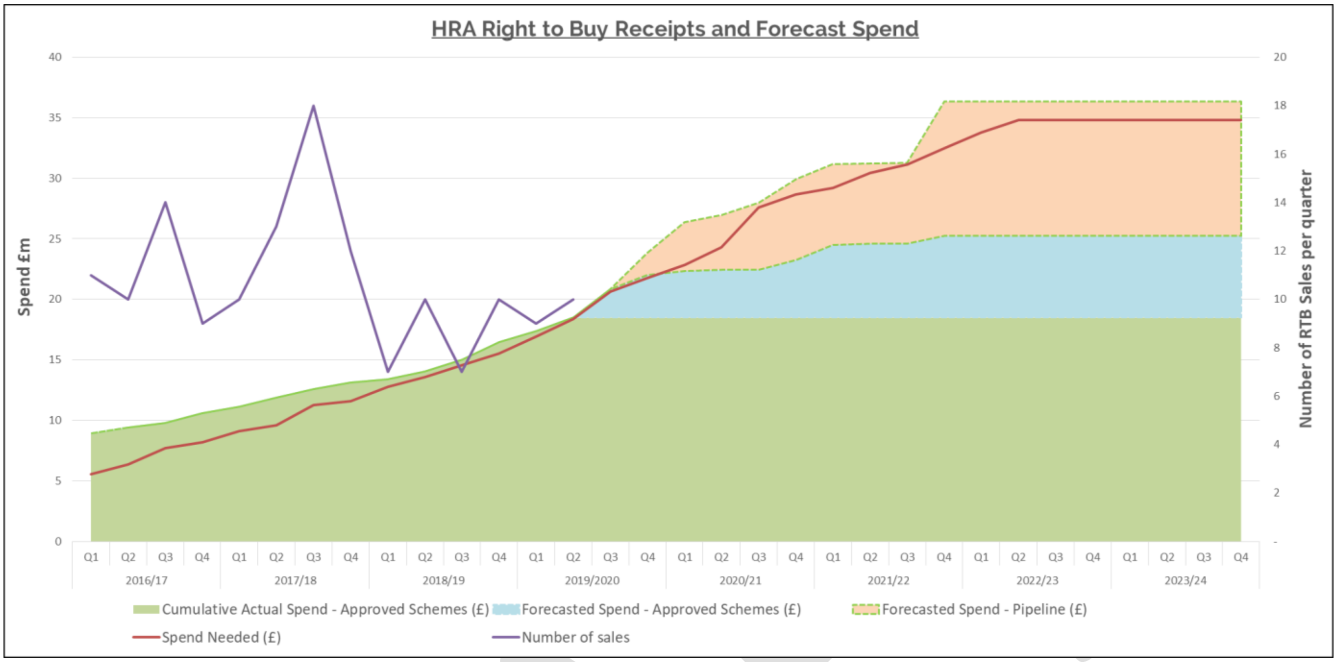
9.7 **Forecast Spend of RTB Receipts**: The spend year to date and the current forecast spend can be shown in graph 1 below. The estimated spend on approved schemes, such as Outer Circle and Laxton Road, together with additional open market buybacks, will be sufficient to meet the RTB match funding requirements to quarter 4 of 2019/20.

9.8 Looking forwards over the next three years, there are a number of new build and off-the-shelf buybacks being investigated that, if approved by Full Council, together with a minimal amount of open market buybacks, will see our RTB match funding requirements achieved for the next three years.

9.9 This will support the aspiration for an additional 1000 homes in the next 30 years, being able to achieve this with 30% match funding from RTB Receipts, whilst ensuring we do not have to return our RTB receipts (plus interest) back to the Government.

9.10 However this will require significant borrowing, which is now possible since the removal of the debt cap, and will have to be managed carefully within the overall 2020 Business Plan to ensure that the revenue account can fund the interest payments and principal loan repayment.

Graph 1: Right to Buy Receipts and Forecast Spend



10 Links to Corporate Strategy

10.1 The budget proposals for 2020/21 have been prepared in line with the HRA 2020 Business Plan and newly adopted Corporate Strategy[2].

11 Finance / Resource Implications

11.1 This is a finance report and therefore no further finance comments are required.

12 Legal Implications

12.1 The HRA is governed by the following legislations:

- Housing Act 1985 (Part II)
- Housing Act 1988
- Local Government and Housing Act 1989 (section 74)
- Local Government Act 2003
- Localism Act 2011

12.2 The introduction of the Local Government and Housing Act 1989 meant that the HRA was now required to become a 'ring-fenced' account, completely separated from the GF. As a consequence local authorities can only include items in the HRA for which there is statutory provision, and transfers of income and expenditure between the HRA and the General Fund are only allowed in very specific circumstances. In essence, rents cannot be subsidised by transfers from the General Fund, and Council Tax cannot be subsidised by transfers from the HRA.

[2] https://www.somersetwestandtaunton.gov.uk/your-council/corporate-strategy/

12.3 The introduction of the Localism Act 2011 reformed local authority housing financing with the abolition of the national subsidy system and a move to 'self-financing' from April 2012. This meant that local authority housing revenue accounts are able to retain all rental income to meet the costs of managing and maintaining their housing stock.

13 Climate and Sustainability Implications

13.1 As part of the HRA 2020 Business Plan review a "Strategic Asset Investment Proposal For Housing In Relation to Achieving Affordable Warmth & Carbon Neutrality (Retrofit Strategy)" report was commissioned. This report was produced to inform the Council on how they could achieve carbon neutrality within the housing stock by 2050 as recommended within the "SWT Carbon Neutrality and Climate Resilience Plan".

13.2 As part of the Major Works capital programme, the HRA will be looking to replace components in a thermally efficient way where possible, for example installing air source heat pumps, external wall insulation and thermally efficient windows.

14 Safeguarding and/or Community Safety Implications

14.1 The HRA has an ongoing responsibility for the safeguarding of vulnerable people within its communities. There are no changes proposed within this report.

15 Equality and Diversity Implications

15.1 The Housing Specialist has assessed the proposals presented within this report as driven by the HRA 2020 Business Plan and Rent Policy. An equality impact assessment form can be found in Appendix D.

16 Social Value Implications

16.1 Our approach to social value will encompass the full procurement and commissioning cycles, service planning and review, decision making and policy development as described in the Council's Social Value Statement (Social Value within Procurement - June 2018).

17 Partnership Implications

17.1 The HRA budget includes significant expenditure on services provided by MIND, citizen's advice, Inspire to Achieve, Taunton East Development Trust, North Taunton and Wiveliscombe Area partnership.

18 Health and Wellbeing Implications

18.1 None for the purposes of this report. Any relevant information and decisions with regard to health and wellbeing will be reported as these emerge through the financial planning process.

19 Asset Management Implications

19.1 This report includes a section relating to the capital programme for 2020/21 and therefore no further comments are required.

20 Data Protection Implications

20.1 None for the purposes of this report.

21 Consultation Implications

21.1 Consultation will be undertaken with tenants through the Strategic Tenants Board.

22 Scrutiny Comments / Recommendation(s)

22.1 Due to the timing of publishing the report for the Executive Committee meeting on 22 January, a verbal update will be provided on any comments and/or recommendations arising from the Strategic Tenants Board and Scrutiny Committee.

Democratic Path:

Committee / Board	Yes / No	Date
Informal Executive	Yes	6 Jan 2020
Strategic Tenants Board	Yes	15 Jan 2020
All Members Briefing	Yes	16 Jan 2020
Scrutiny	Yes	20 Jan 2020
Executive	Yes	22 Jan 2020
Full Council	Yes	19 Feb 2020

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	HRA Revenue Budget and Medium Term Financial Plan
Appendix B	Proposed Fees and Charges 2020/21
Appendix C	Five Year Capital Programme
Appendix D	Equality Impact Assessment Form

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APPENDIX A

HRA Revenue Budget for 2020/21 and Medium Term Financial Plan

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Dwelling Rents	(24,013)	(24,225)	(24,979)	(25,779)	(26,558)	(27,442)
Non Dwelling Rents	(649)	(719)	(734)	(750)	(765)	(781)
Service Charges	(1,424)	(1,457)	(1,495)	(1,534)	(1,574)	(1,615)
Other Income	(132)	(371)	(366)	(361)	(355)	(354)
Total Income	**(26,217)**	**(26,773)**	**(27,575)**	**(28,423)**	**(29,252)**	**(30,192)**
Expenditure						
Repairs and Maintenance	3,549	3,617	3,722	3,796	3,872	3,950
Management	8,492	7,649	7,834	8,023	8,216	8,415
Rents and Rates	484	320	328	336	345	354
Special Management	1,187	3,394	3,079	3,076	3,147	3,220
Bad Debt Provision	60	180	186	128	131	135
Debt Management Expenses	9	-	-	-	-	-
Total Expenditure	**13,780**	**15,160**	**15,148**	**15,359**	**15,712**	**16,074**
Other Expenditure						
Depreciation - dwellings	6,346	6,790	6,920	7,053	7,189	7,327
Depreciation - non dwellings	176	210	214	217	220	223
RCCO	250	-	-	-	-	-
Contribution to CDC	229	229	229	229	229	229
Interest Payable	2,619	2,745	3,877	4,124	4,353	4,503
Investment Income	(70)	-	-	-	-	-
Social Housing Development Func	1,170	-	-	-	-	-
Provision for repayment of debt	1,821	1,821	1,187	1,441	1,550	1,836
Movement in Reserves	(104)	(183)	-	-	-	-
Total Other	**12,437**	**11,613**	**12,427**	**13,065**	**13,540**	**14,119**
Total - (surplus) / deficit	**-**	**-**	**-**	**-**	**-**	**-**

APPENDIX B

Proposed Fees and Charges 2020/21

Displayed below is the table of fees and charges, comparing 2019/20 to 2020/21 indicative prices (CPI of 1.7% + 1% has been applied).

Housing Service Charges		**Actual 2019/20**	**% increase**	**Actual 2020/21**
Table 1: Service Charges (VAT not applicable) – Per Week				
Communal areas		£0.65	CPI+1%	£0.67
Grounds maintenance		£1.90	CPI+1%	£1.95
Heating charge (Broomfield House only)		£5.23	CPI+1%	£5.37
Laundry charge (Broomfield House only)		£1.59	CPI+1%	£1.63
Table 2: Combined Service Charges (VAT not applicable) – Per Week				
Sheltered Housing Service Charge		£11.96	CPI+1%	£12.28
Sheltered Piper Charge		£5.05	CPI+1%	£5.19
Extra Care Housing Service Charge		£22.44	CPI+1%	£23.05
Extra Care Piper Charge		£5.84	CPI+1%	£6.00
Table 3: Garage Rents - Per Week				
Council Tenants (VAT not applicable)		£6.37	CPI+1%	£6.54
Private Tenants and Owner Occupiers (exc. VAT)		£8.60	16.3%	£10.00
Private Tenants and Owner Occupiers (inc. VAT)		£10.32	16.3%	£12.00
Table 4: Hire Charges for Sheltered Scheme Meeting Halls (ex VAT)				
First hour		£10.80	CPI+1%	£11.10
Each half hour thereafter		£5.40	CPI+1%	£5.60
6 hours plus		£64.40	CPI+1%	£66.20
Total charge for residents in a scheme and community organisations		£14.80	CPI+1%	£15.20
Table 5: Hire Charges for Sheltered Scheme Guest Rooms (ex VAT) **Tauntfield, Middleway, Hope Corner Lane, Kilkenny and Lodge**				
No. of nights per person -1st night per person per night		£22.00	CPI+1%	£23.00
No. of nights per person -2		£32.00	CPI+1%	£33.00
No. of nights per person -3		£43.00	CPI+1%	£44.50
No. of nights per person -4		£54.00	CPI+1%	£55.50
No. of nights per person -5		£64.00	CPI+1%	£66.00
No. of nights per person -6		£75.50	CPI+1%	£78.00
No. of nights per person -7		£86.00	CPI+1%	£88.50

APPENDIX B (CONT.)

Table 6: Temporary Accommodation (rent per day, VAT not applicable)	**Daily Service Charge 2019/20**	**Gross Daily Licence Fee & Service Charge 2019/20**	**Daily Service Charge 2020/21**	**Gross Daily Licence Fee & Service Charge 2020/21**
9b School Road (2 bedroom)	£1.00	£17.31	£1.03	£18.29
57 Priory (3 bedroom)	£1.26	£20.54	£1.29	£22.10
40 Humphreys Road (2 bedroom)	£1.00	£17.31	£1.03	£18.29
1 Gay Street (2 bedroom)	£1.00	£17.31	£1.03	£18.29
10 Duke Street (3 bedroom)	£1.26	£20.54	£1.29	£22.10
12 Moorland Close annex (1 bedroom)	n/a	n/a	£0.77	£13.92
Outer Circle				
96 Outer Circle (2 bedroom)	£1.00	£17.31	£1.03	£18.29
113 (studio)	£0.75	£13.80	£0.77	£13.92
113a (studio)	£0.75	£13.80	£0.77	£13.92
115 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
115a (3 bedroom)	£1.26	£20.54	£1.29	£22.10
119 (studio)	£0.75	£13.80	£0.77	£13.92
119a (studio)	£0.75	£13.80	£0.77	£13.92
Snedden Grove				
Unit 1 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 2 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 3 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 4 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
Unit 5 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
Unit 6 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 7 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
Unit 8 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Wheatley Crescent				
5a (2 bedroom)	£1.00	£17.31	£1.03	£18.29
30 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
32 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
34 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
36 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
Howard Road (Magna)				
43a (1 bedroom)	n/a	£13.05	n/a	£13.15
43b (1 bedroom)	n/a	£13.05	n/a	£13.15
43c (1 bedroom)	n/a	£13.05	n/a	£13.15
43d (1 bedroom)	n/a	£13.05	n/a	£13.15

Discounts
Discounts do not apply to service charges.

APPENDIX C

HRA Five Year Capital Programme from 2020/21

HRA Capital Programme	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Major Works	5,379	5,379	5,379	5,379	5,379
Improvements / Fire Safety	2,150	150	150	150	150
Related Assets	100	100	100	100	100
Exceptional Extensive	350	350	350	350	350
Disabled Adaptations	300	300	300	300	300
Vehicles	121	121	121	121	121
ICT	546	-	-	-	-
Total	**8,946**	**6,400**	**6,400**	**6,400**	**6,400**

APPENDIX D

Equality Impact Assessment Form

Somerset Equality Impact Assessment

Organisation prepared for	Somerset West and Taunton Council		
Version	1	**Date Completed**	January 2020

Description of what is being impact assessed

Somerset West and Taunton Council (SWT) Housing Revenue Account (HRA) Business Plan 2020 – 2050

The strategic objectives of the business plan are to: Deliver more new homes; Provide great customer service; and Improve existing homes and neighbourhood.

HRA budget setting 2020/21

The HRA budget setting report enables the council to set a balanced budget for 2020/21 that reflects SWT's HRA business plan and takes into account councillor's priorities. The report provides an overview of the finances for the HRA. It covers both HRA revenue and housing capital spending, highlighting the inter-relationships between the two.

Council housing rent setting policy from April 2020 for a period of up to 5 years

To ensure continued investment in the management, maintenance and development of council housing stock to ensure the needs of existing and potential tenants are met, and to provide enhanced support for families and communities experiencing hardship.

HRA fees and charges for 2020/2021

To increase the fees and charges from April 2020 for the HRA to ensure sufficient financial resources are in place to deliver the services.

Evidence

What data/information have you used to assess how this policy/service might impact on protected groups? Sources such as the Office of National Statistics, Somerset Intelligence Partnership, Somerset's Joint Strategic Needs Analysis (JSNA), Staff and/ or area profiles,, should be detailed here

Data:

Major changes in national housing finance and housing policy – 2019/20

Somerset West and Taunton's Corporate Strategy 2020 – 2024

The most current available data on our tenants and our housing stock.

(Note: Further work will continue in this area as tenant engagement resources are increased)

Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?

Engagement:

Consultation and regular meetings with the SWT Tenants Strategic Board during 2019/20

Wider engagement with councillors in the development of the HRA Business Plan 2020–2050 throughout 2019/20

Analysis of impact on protected groups				
The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.				
Protected group	**Summary of impact**	**Negative outcome**	**Neutral outcome**	**Positive outcome**
Age	People will benefit from the overall investment in council housing. The increased choice of affordable housing type, size and tenure provides housing options for all age groups. Improvements in energy efficiency will help to protect tenants, whatever their age or the hardships they experience, from fuel poverty. The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services. Note: A total of 3,265 (58%) of our existing tenants are in receipt of help with housing costs i.e. Housing Benefit or Universal Credit. The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.	☐	☒	☒

	Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing.			
Disability	People will benefit from the overall investment in council housing. Specific provision for a range of new adapted properties will be made to provide a housing choice for those with a disability. Eligible tenants will particularly benefit from the provision of disabled adaptations (major and minor) to existing council housing.	☐	☐	☒
Gender reassignment	People will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Marriage and civil partnership	People will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Pregnancy and maternity	People will benefit from the overall investment in council housing. Within the business plan there is potential for investment in better quality and additional family housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒

Race and ethnicity	People will benefit from the overall investment in council housing. Wider tenant participation and engagement will increase the proportion of tenants providing feedback to inform service improvements. Any proposed re-development of the housing stock could potentially have a negative impact on a specific group of tenants, depending upon the location. Communication about the business plan may not fully reach those for whom English is not their first language.	☒	☒	☒
Religion or belief	People will benefit from the overall investment in council housing. Developing and supporting staff to provide great customer service will ensure appropriate and sensitive services are delivered to the religious or belief requirements of tenants. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Sex	People will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Sexual orientation	People will benefit from the overall investment in council housing. Investment in our communities will ensure information about our services is accessible so that people can benefit from all our activities. People experiencing alarm, distress and harassment will benefit from investment being made into providing great customer services which will be community inclusive.	☐	☐	☒

	There is not expected to be any particular negative impact on this specific group.			
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	Property lettings will be allocated via the choice based lettings system - Homefinder Somerset, which has equality and diversity policies in place to ensure protected groups are not disadvantaged. The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services. The application of rent tolerances for certain individual properties will take account of local factors and concerns, in consultation with tenants. To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income: • Publish clear information on rent which helps tenants to manage their own finances; • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim.	☐	☒	☒

	The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.			

Negative outcomes action plan
Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing. We will communicate with all tenants to explain any significant changes affecting them and what we are investing in.	2020 - ongoing	Case Management Leads	Regular meetings and wider engagement with stakeholders.	☐
There is potential to alienate specific ethnic groups when housing is identified for regeneration/redevelopment. We will consider re-supply of appropriate housing to meet the needs of ethnic groups as part of any future regeneration/ redevelopment.	2020 - ongoing	Development and Regeneration Lead	Regular meetings and wider engagement with stakeholders.	☐
Those for whom English is not their first language are not made fully aware of changes. We will offer translation of communication into alternative languages. We will engage with minority groups using existing tenant involvement channels.	2020 - ongoing	Case Management Leads	Regular meetings and wider engagement with stakeholders.	☐
There is potential to alienate religious or belief groups when housing is identified for regeneration/redevelopment. We	2020 - ongoing	Development and	Regular meetings and	☐

will consider re-supply of appropriate housing to meet the needs of any religious or belief groups as part of any future regeneration/redevelopment scheme.		Regeneration Lead	wider engagement with stakeholders.	
The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into in our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services. To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income: • Publish clear information on rent which helps tenants to manage their own finances; • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim.	2020 – onging	Case Management Leads	Regular meetings and wider engagement with stakeholders.	☐
As the report states, it is acknowledged that there may be an increase in the level of rent arrears. The proposed budgets for rental income in 2020/21 make a provision for an increase in arrears/bad debt.	2020/21	Case Management Lead – Finance	Regular meetings. Annual review of the HRA financial model.	

The impact of both investment prioritisation and improvements to service delivery will be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan.	2021 – ongoing	Director of Housing	Annual review of the HRA business plan.	

If negative impacts remain, please provide an explanation below.

Completed by:	Stephen Boland
Date	7th January 2020
Signed off by:	
Date	January 2020
Equality Lead/Manager sign off date:	
To be reviewed by: (officer name)	Stephen Boland
Review date:	31st March 2021

Somerset West and Taunton

SWT Housing – Great Homes for Local Communiti

Somerset West and Taunton

Housing Revenue Account Business Plan

2020 - 2050

Somerset West and Taunton

SWT Housing – "Great Homes for Local Communities"

Corporate Strategy:

A district that offers a choice of good quality homes for our residents whatever their age and income, in communities where support is available for those who need it.

SWT Housing:

Our homes will be safe and secure and we will build many more in which our tenants will thrive. To do this we will develop a great team to provide excellent and modern services. We will compare ourselves with the best and match their performance, and seek to win awards to recognise our progress and give assurance we are doing a good job. We will work hard to deliver the following priorities…..

SWT Housing - Our Priorities

work and resources will be directed to help people to lead healthy and ling lives and even more people to access better homes in Somerset West Taunton by:

- Delivering more new homes
- Providing great customer service
- Improving our existing homes and neighbourhoods

Somerset We
and Taunton

livering more new homes

urpose is to run a highly efficient business to enable us to build more new homes

vill:

- **eliver 1000 new homes over the next 30 years**
- **uild new homes that will help to combat climate hange through their fabric and design.**
- **nplement exemplar regeneration in North aunton.**
- **corporate further regeneration into our new uild programme targeting the worst performing ock.**
- **upport the development of new homes in our ral communities.**

Our customers will:

- Have greater choice and access to new social a affordable housing in the Council's area.
- When having their community regenerated hav opportunities to relocate or move back into nev homes which will be more comfortable and che to run.

Somerset We
and Taunton

oviding great customer service

urpose is to ensure our customers consistently experience great service and community su

ill:

ove customer satisfaction through stronger esses and clear responsibility and ownership.

e it easier for our customers to engage with us and ss the information they need, through introducing promoting new technology and offering a wide ce of access options

re the voices of our customers are heard and ence the service we offer, by improving how tenants easeholders are engaged and represented

ove how we keep our customers updated on what is ening and how we are performing and ensure there ffective routes for customers to contact us and know view will be taken into account.

de enhanced support for families and communities riencing hardship

Our customers:

- Can expect their needs to be resolved quickly, efficier and with care and be able to self serve for an increasir range of services.
- Will receive prompt acknowledgement and action if th do not go to plan.
- Will be supported to manage their tenancy.
- Feel well informed about what is going on and know where to go to have their say and confidence this will heard.
- Will need to play their part by looking after their home paying their rent and helping us to build strong neighbourhoods.

Somerset We
and Taunton

roving our existing homes and neighbourhoods.

urpose is to invest in homes and the places where people want to live

ill:

tinue to invest in the safety of our homes

estigate ways to increase our investment in the rgy efficiency of existing stock.

k after our estates and ensure the service rge is spent wisely, we will investigate ways to ter manage our open spaces to reduce our bon footprint and support nature.

Our customers can expect:

- To live in good quality homes where they feel sa warm and secure and where they can thrive.
- Their communities to be attractive places where choose to live, work and stay.
- To live in homes that are cheaper to run and that reduces our impact on the environment.

Somerset We
and Taunton

Somerset West and Taunton Council

Housing Revenue Account Rent Setting Policy from April 2020

Policy number	1.0
Title	Housing Revenue Account Rent Setting Policy from April 2020
Author	Stephen Boland
Responsible Officer	Stephen Boland
Equality Impact Assessment	7th January 2020
Date agreed by Tenant Services Management Board	15th January 2020
Date agreed by Housing Portfolio Holder	
Council approval date	
Next review date	Nov 2025
Version	1.0

Contents:

1.0 Introduction

This policy sets out how Somerset West and Taunton (the Council) will calculate and charge rent from April 2020 for its Housing Revenue Account (HRA) owned properties and also complies with the Rent Standard April 2020 (part of the regulatory framework for social housing in England).

The purpose of this rent setting policy is to:

- Ensure that the setting and management of rents is clear and easy to understand;
- Ensure that the Council adheres to legislation and regulations when setting rents for HRA properties;
- Help the Council to plan for future investment in services, existing housing stock and new build properties;
- Establish how rents are varied annually; and
- Ensure that all tenants are made aware of the weekly rent payment due to the Council in respect of their property both at the beginning of their tenancy and when it is reviewed in April every year.

The Council strives to ensure that its rents are affordable to tenants, while raising sufficient funds to manage and maintain its properties to a high standard, build new properties, deliver relevant services, and meet the commitments of the HRA Business Plan, within constraints of government policy.

It is the responsibility of the Council to review and adjust HRA rents on an annual basis and this forms part of the Council’s budget and policy framework.

The Director of Housing has responsibility for ensuring that all associated processes are followed, including compliance with legislation and directions from Government on the setting of rents. This responsibility is delegated to appropriate officers in the housing service.

This policy does not apply to service charges that contribute to the overall charge for a property. These service charges are calculated separately.

This policy does not apply to certain categories of property in the Council’s HRA. These exempt categories of property are:

- Temporary social housing; and
- Shared ownership housing.

Note: The Council part owns a small number of shared ownership properties. Rents on these properties are, and will continue to be governed by rental agreements with tenants, specific to their properties.

2.0 Background information

In 2016 Government required councils to reduce rents by 1% against the 2015 levels for 4 years (part of the Welfare Reform and Work Act 2016). For the council, this step essentially removed £185M from its 30 year business plan.

From 2020 Government has restored the rent policy and regulatory arrangements that were in place before the 2016 rent reduction came into effect.

The Regulator of Social Housing's new Rent Standard from April 2020 reverts back to the original social formula rate for a period of 5 years. All affordable rate rents are to be reviewed annually with any increases set so as not to exceed a limit of Consumer Price Index (CPI) plus 1%.

3.0 Types of rent

The Council operates two rent types for its social accommodation under this policy:

- Social rent is set with reference to the social formula rate; and
- Affordable rent is set at a proportion of the market rate.

3.1 The new Rent Standard - 2020 limit

In the year following the end of the social rent reduction period i.e. 2020/21 the maximum weekly rent for an existing tenant is the 2020 limit. In the 4 years that follow i.e. years 2 – 5 formula rates will be applied. The formula for calculating the 2020 limit applies to both social rent and affordable rent housing.

The "2020 limit" means the amount that is found by:

a. Determining the average weekly rent for the tenant's accommodation in the fourth relevant year specified in section 23(6) of the Welfare Reform and Work Act 2016, and

b. Increasing that amount by CPI + 1%

c. In the above paragraph an "average weekly rent" means:

    i. In a case where the weekly rent changes because the accommodation is re-let after the start of the fourth year, the weekly rent payable by that tenant for that accommodation in respect of the most recent period for which rent was payable at that changed rate provided that that change complies with the requirements of the of the social housing provisions of the Welfare Reform and Work Act 2016 and any Regulations made under those provisions; or

ii. In any other case, the average weekly rent payable by the tenant of that accommodation in respect of the fourth year.

3.2 Social rent

- Existing tenant or existing tenant – new tenancy agreement

In accordance with the measures set out in the Government's Direction on the Rent Standard (Feb 2019), the Government's policy statement on rents for social housing (Feb 2019) and the Regulator of Social Housing's Rent Standard 2020, social rents for existing tenancies will be reviewed annually. Any increases will not exceed the limit of Consumer Price Index (CPI) plus 1% from April 2020 up to the year 2025. The social rent will be subject to a rent cap.

- New tenant

When a social rent property is let to a new tenant, the rent will be set at the social rent formula rate level, exclusive of any service charges and will include an upward tolerance i.e. rent flexibility, subject to a rent cap (see below).

- Rent flexibility level

  The Rent Standard April 2020 allows an upward tolerance on individual social formula rate rents of 5% on general needs and 10% on sheltered and supported housing. This is the limit of the rent flexibility level.

  We will apply this flexibility in full and our social formula rate rents will be 5% higher for general needs and 10% higher for sheltered and supported housing than the level established under the prescribed calculation.

  We have consulted with our tenants' strategic board and ensured there is a clear rationale for doing so which takes into account local circumstances and affordability.

  A copy of the record of the consultation can be found in Appendix 1.

  If the rent for a property of an existing tenant exceeds the rent flexibility level, the existing tenant's rent will be governed by an increase of not more than CPI in any year. Where such a property comes up for re-let, the new rent will not exceed social formula rate (plus the rent flexibility level – if applied).

- Annual rent review

  Social rents will be reviewed and adjusted annually during the course of a tenancy and will be in line with Government policy on rents for social housing.

3.3 Affordable rent

- Existing tenant or existing tenant – new tenancy agreement

  In accordance with the measures set out in the Government's Direction on the Rent Standard (Feb 2019), the Government's policy statement on rents for social housing (Feb 2019) and the Regulator of Social Housing's Rent Standard 2020, affordable rents for existing tenancies will be reviewed annually and any increases will not exceed the limit of CPI +1% from April 2020 up to the year 2025.

  Note: 'Existing tenant' in this context means an existing tenant of the specific property concerned.

- New property

  The Council wishes to retain flexibility over setting affordable or social rents to ensure homes are truly affordable to those in housing need whilst ensuring new housing schemes are financially viable.

  The Council has the option to charge an affordable rent for all new build properties. Affordable rents are set at up to 80% of the market rate inclusive of service charges. Affordable rents need to be periodically rebased to ensure they continue to reflect the market rent.

  The market rate will vary from property to property, but cannot exceed 80% of the equivalent market rent for the property. In determining the market rate, we will consider affordability in the local area and viability of any new build housing schemes. The market rate will typically range between 60% and 80%.

  We will not set an affordable rent at a level lower than the equivalent social rent, exclusive of service charges, for the property. If the social formula rent is higher than 80% of the weekly market rent (inclusive of service charges) for the tenant's accommodation, the maximum weekly rent is social formula rent, and would be exclusive of service charges.

  Any decision to apply an affordable rent at less than 80% of market rate will be made after completion of an affordability and viability review and will be subject to approval by the Director of Housing.

  We will not set the combined rent and eligible service charge for an affordable rent at a level higher than the relevant local housing allowance for the property.

- New tenant

  The Council will rebase the affordable rent, using a new market valuation, when letting a property to a new tenant. Thus ensuring that the property continues to reflect the market rent.

  The Council may change the market rate percentage. This requirement, which overrides the annual rent increase limit, is designed to ensure that the rent set at the beginning of each new tenancy is no higher than 80% of the market rent.

  We will not set an affordable rent for a new tenant at a level lower than the equivalent social rent, exclusive of service charges, for the property. If the social formula rent is higher than 80% of the weekly market rent (inclusive of service charges) for the new tenant's accommodation, the maximum weekly rent is social formula rent, and would be exclusive of service charges.

  Any decision to apply an affordable rent at less than 80% of market rate will be made after completion of an affordability and viability review and will be subject to approval by the Director of Housing.

  We will not set the combined rent and eligible service charge for an affordable rent at a level higher than the relevant Local Housing Allowance rates for the property.

- Annual rent review

  Affordable rents will change in the course of the tenancy in line with the annual rent charge determined by Government. Rents will not be rebased or refactored during the tenancy term.

4.0 Garages

Garage rents are not subject to central government directives. The Council will set the rental charge of garages annually; this will be approved at Full Council under a separate reporting cycle.

5.0 Pay to stay

The Council has the discretion to charge higher income social tenants a rent equivalent to full market rent; this model is known as Pay-to-Stay. The Council does not currently operate nor wish to implement the model.

6.0 Notification to tenants

The Council will set rents annually by giving tenants at least 28 calendar days notification of a variation to their rent charge. This is in accordance with the terms of their tenancy agreement and legislation.

The Council will record rent data on its housing management system. All of the Council's key performance indicators related to rent will be closely monitored and reported against routinely through the Council's performance management framework.

7.0 Notification to the Regulator of Social Housing

The Council will communicate with the Regulator in an accurate and timely manner providing all data and information required in respect of compliance with the Rent Standard 2020.

8.0 Review of this policy

This policy will be reviewed in five years, unless legislative or regulatory changes require an earlier review. It is envisaged that the next review will be carried out for the 2024/25 rent year.

Glossary of terms

Affordable rent

A tenure introduced by the Government to charge rents up to 80% of market rates, inclusive of service charges.

Consumer price index

A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

Housing Revenue Account

A ring fenced account held by local authorities funded by rents to provide landlord services.

Market rent

The amount of rent that can be expected for the use of a property, in comparison with similar properties in the same area, calculated using the Royal Institution of Chartered Surveyors approved valuation methods.

Shared ownership

Part rent/ part buy housing schemes.

Social formula rate

A formula to enable social landlords to set rents at a level that allows them to meet their obligations to their tenants, maintain their stock and continue to function as financially viable organisation. The formula-based approach is to ensure that similar rents are paid for similar social rent properties. The basis for the calculation of a social formula rate rent is:

- 30% of a property’s rent is based on relative property values;

- 70% of a property’s rent is based on relative local earnings; and

- A bedroom factor is applied so that, other things being equal, smaller properties have lower rents.

Rent caps

A maximum ceiling on the social formula rate rent set by Government.

Rent caps apply as a maximum ceiling on the social formula rate rent, and depend on the size of the property. Where the formula rate rent would be higher than the rent cap, the rent cap will be used instead.

The formula rate rent caps for 2019/20 have been set by Government and will increase by CPI (at September of the previous year) plus 1.5% each year.

In the case of an existing tenant whose social formula rate rent is above the rent cap the property will continue to be governed by the CPI plus 1% annual rent change. However, where such a property comes up for re-let, the new rent will be set at up to the rent cap level.

Rent flexibility level

Flexibility to set rents at up to 5% above social formula rate rent on general needs housing and up to 10% for sheltered and supported housing. In applying the flexibility a housing provider should ensure there is a clear rationale for doing so which takes into account local circumstances and affordability.

References

Legislation and Guidance:

- Secretary of State for Housing, Communities and Local Government – The Direction on the Rent Standard. Feb 2019 (final form).

- Ministry of Housing Communities and Local Government: Policy statement on rents for social housing. Feb 2019 (final form).

- Regulator of Social Housing Rent Standard. April 2020 (Decision statement).

APPENDIX 1

Record of the consultation with our tenants on the new rent setting policy

The government's policy statement on rents for social housing recognises that registered housing providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants. As a result, the policy statement contains flexibility for registered housing providers to set rents at up to 5% above formula rent for general needs housing (10% for sheltered/supported housing). If applying this flexibility, registered housing providers should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability.

Somerset West and Taunton's new rent setting policy states that it will apply this flexibility in full and our social formula rate rents will be 5% higher for general needs and 10% higher for sheltered and supported housing than the level established under the prescribed calculation.

The council has an increasingly important role to play in housing and having the necessary rental income with which to maintain and manage existing homes, support the delivery of new homes and invest in a range of enabling activities will be a great benefit to the council, its tenants and local communities.

The council's use of rental income is subject to the Housing Revenue Account (HRA) ring fence which prevents council rents from subsidising council tax and the council's General Fund. The rental income generated through the council's new rent setting policy is to be used to deliver its future plan:

- Invest in building more desperately needed new homes:

  We will deliver over 1000 new homes over the next 30 years through a range of housing options to support our vision.

  Within the Somerset West and Taunton area 4,408 (at 07/11/19) households have applied and are waiting for housing on the council's register for accommodation (Homefinder Somerset), representing 40% of total applicants registered. Between 1 January and 30 October 2019 a total of 119,112 bids for accommodation were placed by 7,801 households on homes across Somerset. For the Somerset West and Taunton area, of the 141 homes advertised during July to September 2019, the average number of bids received per property was 82. The highest number of bids received 296 was for a 1 bed bungalow in the centre of Taunton.

- Make significant investment into carrying out major repairs and improvements to existing homes:

  We will be making significant investments to provide energy efficient housing for our tenants that are both affordable and warm to live in.

Recognising the importance of decent accessible homes for people with support needs we will enhance our current sheltered housing stock so that people living in their homes are safe and well. We will invest in disabled adaptions to support people to remain living in their home. Such works will aid the viability of our existing sheltered housing schemes.

- Invest in activities that support tenants and communities:

  To help tenants sustain their tenancies we will continue to invest in improving access to debt and welfare benefit advice, employment and training.

  To prevent tenancy breakdown and promote independent living we will continue to invest in mental health and well-being support services.

  Where we have council housing we will invest in a range of local projects and groups that have a positive impact, enabling our tenants and communities to thrive.

Somerset West and Taunton Council's Tenants' Strategic Board at their meeting on the 15th January 2020 were consulted on applying rent flexibility to individual social formula rents (on the re-letting of a property to a new tenant). The Board were provided with a table of information on the amounts of increases, with comparisons being made with other rents available in the local area. Information on the Local Housing Allowance rates was also provided.

At their meeting on the 15th January 2020 the Tenants' Strategic Board approved/did not approve the applying of rent flexibility levels to social formula rate rents.

*Governance Team to populate Report number: Report Number: SWT */19*

Report Version No:	***Version 5***
REPORT SIGNED OFF BY?	***Date:***
1) Service Manager	*YES/~~NO/TBC~~ –*
2) Legal	*YES/~~NO/TBC~~ –*
3) Finance/s151	*YES/~~NO/TBC~~ –*
4) Head of Function/SLT	*YES/~~NO/TBC~~ –*
5) Governance Team	*YES/NO/TBC – dd/mm/yyyy*

Somerset West and Taunton Council

Tenants Strategic Board 15th January 2020
Scrutiny Committee 20th January

Housing Revenue Account (HRA) - Business Plan Review
This matter is the responsibility of Executive Councillor Member Francesca Smith

Report Authors: James Barrah –Director of Housing
Kerry Prisco – Finance Specialist
Paul Fitzgerald – Strategic Finance Advisor and Section 151 Officer
Stephen Boland – Housing Specialist

1 Executive Summary / Purpose of the Report

1.1 The Housing Revenue Account (HRA) Business Plan contains the financial model of the service for the next 30 years. A number of largely external changes has meant that a full refresh of the Business Plan is necessary. This report identifies the changes and the impact of these. The report also sets out a new vision for the Housing Service and plans for growth in the number of new homes we plan to build. Lastly the report also proposes a new rent policy following the end of a period of four years of imposed rent reduction, this will provide a refreshed income position on which to build future plans set out in this report.

1.2 Officers have worked with external housing and business planning advisers Savills to create a new structure and approach to modelling future financial planning. The proposed Business Plan represents the current established position, it also incorporates assumptions concerning future projected substantial growth and gearing primarily to invest in new homes, that have been accommodated within the plan. This substantially increased level of investment is possible due to the imposed debt cap on the business having been removed, and so represents higher levels of investment and borrowing than the service has previously undertaken. This creates substantial opportunity to do more, but also will increase risk, factors which will need to be balanced carefully by the Council in the coming years.

1.3 In summary, the assumptions made within the business plan are prudent without being excessively restrictive; they provide for inflation on income and costs at prevailing rates which are aligned, allow a considerable investment in existing stock, a substantial investment in new homes leading to a net increase in properties, whilst debt forecast at elevated levels to today at the end of 30 years. The peak debt of the plan is £164.4 million in year 11, which would not have been possible under the previous HRA regime with a debt cap of £115.8million.

2 Recommendations

For the Tenants Strategic Board and Scrutiny Committee to comment on the report. (It is envisaged that the recommendation for the Executive will be:)

Executive recommends to Council to:

2.1 Approve the revised 30 year Housing Revenue Account (HRA) Business Plan as set out in this report.

2.2 Approve the proposed vision for the Housing service along with three new service Objectives.

2.3 Approve the proposed Housing Revenue Account Rent Setting policy 2020.

3 Risk Assessment

3.1 A review of key sensitivities and stress testing of the proposed plan is contained in section 16 of this report.

4 Background and Full details of the Report

4.1 Somerset West and Taunton Council owns and manages affordable housing of over 5700 homes mostly at social rent levels. This “business” within the Council has a turnover of £26M. Income is derived mostly from rents from our tenants but also from service charges and other fees. Expenditure is made up of Council staff delivering services to tenants along with repairs and maintenance and other improvements to existing homes and investment in new much needed homes, and the repayment of borrowing.

4.2 The finances of our Housing Service is held within a ringfenced account called the Housing Revenue Account (HRA) which is separate from all other Council finances in that the money is only to be used for providing services to tenants.

4.3 In 2012 the Council moved away from a national subsidy system, which meant an annual payment from the HRA to central government, to be 'self-financing'. As part of the self-financing agreement, a mandatory one-off payment of £85.12m was made to government, in return for being able to retain all income locally to manage and maintain the housing stock. The total debt in the HRA at the start of self-financing was £99.7m. Financially this was a positive step for the Council and it released more resources to be invested locally on additional services and new homes.

4.4 In order to manage the freedoms gained by the HRA through self-financing, a new 30 year Business Plan (2012-2042) was introduced. This set out the Council's overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities. The HRA Business Plan has been reviewed and updated regularly since 2012, but recently there have been many changes in national policies and local aspiration that means a full update of the Business Plan is once again required.

5 Changes in our operating environment.

5.1 **Debt Cap removal.** Since 2012 the HRA has been subject to an imposed notional debt cap, essentially setting a limit on the borrowing the service could undertake which provided a constraint on growth of the service in terms of investment in new homes. The HRA debt cap was £116M. Following many years of lobbying by the sector, the debt cap has now been removed, which heralds a new era of growth opportunity, as the business can afford to prudently borrow significantly more to allow more investment in existing and new homes.

5.2 **Rent Reduction.** The Council along with all Registered Providers (RPs) of social housing was subject to a four year period of enforced rent reduction. This step imposed in 2016 essentially removed £185M from the 30 year business plan at this time. Measures were taken at this stage to reduce costs and manage this reduction in revenue whilst continuing to invest in our properties and in services for tenants. The period of rent reduction is now at an end and this gives the opportunity to once again apply appropriate and modest rent increases to ensure the business keeps track of increases in its operating costs. This issue is addressed in more detail later in the report.

5.3 **Post Grenfell issues**. The Grenfell tragedy continues to rightly have a profound impact on the housing sector ensuring that improvements to how housing stock is maintained and managed are implemented. Key themes around investment in landlord compliance issues, scrutiny and regulation of social landlords and ensuring that resident's voices are heard and acted on are key drivers. These issues feature in the thinking behind some of the changes proposed in this report, particularly around roles and responsibilities in a new Housing Structure.

5.4 **Climate Change and Fuel Poverty.** The Council has declared a climate emergency, we also know that many of our tenants struggle to be able to afford to heat their homes, particularly as many of our homes are hard to heat due to poor thermal performance. The ability of the HRA to invest in communities especially with regard to the built infrastructure creates an opportunity for funding to be targeted at these issues.

6 Housing Vision and Objectives

6.1 We have created a new vision statement for the housing service to amplify the ambition of the Councils new Corporate Plan, which gives Housing a greater corporate focus. We are also proposing new service objectives and supporting customer commitments to describe how we will deliver these priorities. This will be supported by a new Comprehensive Service Action Plan. A summary of the new vision and objectives is set out below, the full document is attached at Appendix 1.

6.2 SWT Housing – "Great Homes for Local Communities"

6.3 Corporate Strategy:

"A district that offers a choice of good quality homes for our residents whatever their age and income, in communities where support is available for those who need it."

6.4 SWT Housing:

"Our homes will be safe and secure and we will build many more in which our tenants will thrive. To do this we will develop a great team to provide excellent and modern services. We will compare ourselves with the best and match their performance, and seek to win awards to recognise our progress and give assurance we are doing a good job. We will work hard to deliver the following objectives….."

6.5 SWT Housing - Our Objectives Our work and resources will be directed to help people to lead healthy and fulfilling lives and even more people to access better homes in Somerset West and Taunton by:

1. **Delivering more new homes**
   Our purpose is to run a highly efficient business to enable us to build more new homes.
2. **Providing great customer service**
   Our purpose is to ensure our customers consistently experience great service and community support.
3. **Improving our existing homes and neighbourhoods**
   Our purpose is to invest in homes and the places where people want to live.

7 Rental Income

7.1 <u>A new Somerset West and Taunton rent setting policy from April 2020.</u>

In 2016 Government required councils to reduce rents by 1% against the 2015 levels annually for 4 years (part of the Welfare Reform and Work Act 2016). This, time limited, rent reduction meant significantly less money with which to manage and maintain properties and provide services to tenants. In the Summer Budget 2015 the Government's Impact Assessment of this policy change estimated that by the end of the 4 year reduction period average rents will be 12% lower than they would have been had the existing rent formula of Consumer Price Index (CPI) plus 1% continued to apply throughout the period.

Table 1 below sets out the impact on our rental levels of the rent reduction period and a comparison with rents that are now proposes.

Table1

	Baseline	1% reduction each year for 4 years				CPI+1% for 5 years				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2020/22	2020/23	2020/24	2020/25
Actual / Proposed	84.15	83.32	82.50	81.68	80.87	83.05	85.30	87.60	89.96	92.39
If increased by 1%	84.15	85.00	85.85	86.70	87.57	88.45	89.33	90.22	91.13	92.04
If increased by CPI at 2%	84.15	85.84	87.55	89.30	91.09	92.91	94.77	96.67	98.60	100.57

From 2020 Government has restored the rent policy and regulatory arrangements that were in place before the 2016 rent reduction came into effect.

7.2 The Regulator of Social Housing's new Rent Standard from April 2020 reverts back to the original social formula rate with increases not exceeding the limit CPI plus 1% for a period of 5 years. All affordable rate rents are to be reviewed annually with any increases set so as not to exceed a limit of CPI plus 1%. The Rent Standard also includes the continued ability for landlords to apply rent flexibility, which as set out below the Council now intends to implement.

7.3 In addition to applying the above inflationary plus 1% increase the Council's own new rent setting policy is proposing to apply an upward tolerance (rent flexibility), on an individual basis, to new social formula rents (new tenants only) of 5% on general needs and 10% on sheltered/supported housing. In the past the Council has not applied such tolerances, however, the Council has an increasingly important role to play in housing and having the necessary rental income with which to maintain and manage existing homes, support the delivery of new homes and invest in a range of enabling activities will be a great benefit to the council, its tenants and local communities.

7.4 Note: 3265 (58%) of our tenants are in receipt of Housing Benefit and Universal Credit (where available) this will help mitigate the impact of rent increases on households. (For Sheltered Housing resident and Extra Care residents this percentage increases to 75% and 83% respectively).

7.5 The Council's use of rental income is subject to the Housing Revenue Account (HRA) ring fence which prevents council rents from subsidising council tax and the General Fund. The rental income generated through the Council's new rent setting policy is to be used to deliver its future plan:

7.6 Invest in building more desperately needed new homes:

- We will deliver over a 1000 new homes over the next 30 years, the life of the plan, through a range of housing options to support our vision.

Within the Somerset West and Taunton area 4,408 (at 07/11/19) households have applied and are waiting for housing on the council's register for accommodation (Homefinder Somerset). Between 1 January and 30 October 2019 a total of 119,112 bids for accommodation were placed by 7,801 households on homes across Somerset. For the Somerset West and Taunton area, of the 141 homes advertised during July to September 2019, the average number of bids received per property was 82. The highest number of bids received 296 was for a 1 bed bungalow in central Taunton.

7.7 Make significant investment into carrying out major repairs and improvements to existing homes:

- Recognising the importance of decent accessible homes for people with support needs we will enhance our current sheltered housing stock so that people living in their homes are safe and well. We will invest in disabled adaptions to support people to remain living in their home. Such works will aid the viability of our existing sheltered housing schemes.

- Help disabled customers with adaptations or to find a more suitable property.

7.8 Invest in activities that support tenants and communities:

- To help tenants sustain their tenancies we will continue to invest in improving access to debt and welfare benefit advice, skills development and training.

- We are committed to tackling anti-social behaviour in the neighbourhoods for which we are responsible and will make investment in services that will support our tenants and communities where these incidents occur.

- To prevent tenancy breakdown and promote independent living we will continue to invest in mental health and well-being support services.

- Where we have council housing we will invest in a range of local projects and groups that have a positive impact, enabling our tenants and communities to thrive.

The Council has the power and duty to set its own rent. Dwelling rents for more than 5,700 properties provide annual income of over £24m for the HRA .The tables below show the various rents for 2020/21 calculated from the formula. The tables also show the effect of the proposed increases.

Table 2: Social Rents - General Needs

Social Rents - General Needs								
	FY 2019/20	**FY 2020/21**						
Property Bedroom Size	Social Rent Rate (GN)	Social Rent Rate (GN)	**Difference:** Social rent 2019/20 (GN) **verses** Social rent 2020/21 (GN) - £'s	Social rent including flexibility level 2020/21 (GN) – **relets only**	**Difference:** Social rent 2020/21 (GN) **verses** Social rent 2020/21 including flexibility level (GN)		Rent Cap 2019/20	LHA Rate 2019/20
		Sept CPI+1%		General Needs (GN) @ 5%				
1 and bedsits	73.23	75.20	1.98	78.96	3.76		141.43	92.05
2	79.98	82.14	2.16	86.24	4.11		149.74	120.82
3	88.91	91.32	2.40	95.88	4.57		158.06	145.67
4	99.34	102.02	2.68	107.12	5.10		166.37	184.11
5	116.93	120.08	3.16	126.09	6.00		174.69	
6 or more	158.84	163.13	4.29	171.29	8.16		183.00	

<u>Table 3: Social Rents - Sheltered Housing</u>

Social Rents - Sheltered Housing (including Extra care)								
	FY 2019/20	**FY 2020/21**						
Property Bedroom Size	Social Rent Net Rate (GN)	Social Rent Net Rate (GN)	**Difference:** Social rent gross 2019/20 (GN) **verses** Social rent gross 2020/21 (GN) - £'s	Social rent gross including flexibility level 2020/21 (GN) – **relets only**	**Difference:** Social rent gross 2020/21 (GN) **verses** Social rent gross 2020/21 including flexibility level (GN)		Rent Cap 2019/20	LHA Rate 2019/20
		Sept CPI+1%		Sheltered Housing (SH) @ 10%				
1 and bedsits	73.23	75.20	1.98	82.72	7.52		141.43	92.05
2	79.98	82.14	2.16	90.35	8.21		149.74	120.82
3	88.91	91.32	2.40	100.45	9.13		158.06	145.67
4	99.34	102.02	2.68	112.22	10.20		166.37	184.11
5	116.93	120.08	3.16	132.09	12.01		174.69	
6 or more	158.84	163.13	4.29	179.44	16.31		183.00	

7.9 Even with the proposed rent increases the Council's rents are among the lowest in the Taunton Deane area. For example the Council's average rent was £80.87 in 2019/20 compared to an estimated rent of £94.19 in 2019/20 for Housing Associations based on 2017/18 data.

7.10 Appendix 2 of this report contains a proposed rent policy for 2020-2025. It describes in more detail the how Somerset West and Taunton Council is proposing to calculate and charge rent from April 2020 for its HRA owned properties.

8 Management Costs

8.1 Following the Council decision to establish a structure of four Directorates, a new Housing staff structure will be implemented. Whilst most roles will "lift and shift" from the current structure some vacancies will arise where we require a new focus to meet the housing business objectives. The new structure contains growth and new emphasis in relation to development and regeneration to meet our current and future aspirations in this regard, along with landlord safety and compliance, tenant engagement and customer experience, and performance and finance to oversee a more highly geared business.

8.2 The Housing Directorate staff structure will incorporate direct staff costs relating to both the HRA and the General Fund (GF), the latter in relation to the Homelessness function. The HRA will also receive the benefit of central support services delivered by staff in the GF, such as procurement, accounts payable, facilities management, HR/Payroll, etc. The HRA will fund a proportion of these costs for the central support services received.

8.3 As reported to Full Council on the 3rd December 2019, the Council's leadership team identified ongoing financial pressures in order to protect service standards and maintain capacity whilst completing the safe delivery of expected service process efficiencies and greater customer access to self-service. The HRA will need to take on a share of these transition and service resilience cost pressures in year 1, but will see a cost reduction going forwards as the Change Programme drives forward to deliver the service process efficiencies and demand management benefits anticipated.

8.4 We have also added an efficiency target of £150k as we aspire to driving improvements in the service to realise cash benefits. We have three Lean reviews underway in the "big three" processes of income management, voids and response repairs. With more reviews planned.

9 Stock Capital Investment.

9.1 As part of the business plan review we have undertaken a review of the current stock investment data. This results in a refresh of our 30 year capital investment requirements. Adjustments have been made for example for the stock that will be removed because of the North Taunton project. The stock investment of £159.1million, is an average £28,032 per property over 30 years, is in line with benchmarks for similar authorities. This data drives the planning for our Major Works capital programme.

10 Right to Buy (RTB) Receipts

10.1 The RTB scheme is a government scheme that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The scheme saw the maximum discount increase significantly in 2012 to up to £75,000 followed by a steady increase year on year to up to £82,800 in April 2019.

10.2 In 2012 Taunton Deane Borough Council signed up to a "1-4-1 Agreement" with the Treasury/MHCLG to retain a higher proportion of RTB the additional receipts on the proviso, and agreed that these receipts would be used to fund new social housing. This agreement continues now under SWT until such time as the Council decides to opt out. Only a small percentage of receipts from RTB sales are retained by the Council. These additional RTB receipts can only account for 30% of spend on new social housing costs, with the remaining 70% coming from other funds such as revenue funding or borrowing.

10.3 The RTB receipts cannot be used in the same scheme as other Government funding such as grants from Homes England. They must also be spent within three years of the capital receipt, or must be returned to Government with interest at 4% over base rate from the date of the original receipt. Receipts can be returned to Government in the quarter in which they are received with no interest payable.

10.4 Alternatively, the 30% RTB funding could be granted to and used by Housing Associations in the area, providing they meet the same match funding requirements. The new housing doesn't need to be provided by the Council.

10.5 To date, the Council has successfully spent all of their retained 1-4-1 receipts resulting in no returns being made to the Treasury/MHCLG.

a. **RTB Receipts Year to Date**: Table 4 below shows the number of RTB sales, the total (capital) receipts received under the new RTB discount scheme, the Council retained 1-4-1 receipts to be used for new social housing, and the total amount that would need to be spent by the Council in order to fully retain them.

Table 4: Right to Buy receipts

	Total 2012/13	Total 2013/14	Total 2014/15	Total 2015/16	Total 2016/17	Total 2017/18	Total 2018/19
Sales	37	47	35	38	44	53	34
Total Receipts (£k)	2,330	2,705	2,317	2,666	3,568	3,971	2,576
1-4-1 Receipts (£k)	1,234	1,230	1,005	1,193	1,864	2,069	1,149
1-4-1 Receipts Spend - Per Year (£k)				1,234	1,230	1,005	1,193
Match Funding Spend - Per Year (£k)				2,879	2,871	2,345	2,783
Total Spend Required - Per Year (£k)	**-**	**-**	**-**	**4,112**	**4,102**	**3,350**	**3,976**
Total Spend Required - Cumulative (£k)	-	-	-	4,112	8,214	11,563	15,539
Average number of units per year				25	25	20	24

	Total 2019/20	Total 2020/21	Total 2021/22	Total 2022/23
Sales	35	32	32	32
Total Receipts (£k)	2,317	2,576	2,576	2,576
1-4-1 Receipts (£k)	1,005	1,149	1,149	1,149
1-4-1 Receipts Spend - Per Year (£k)	1,864	2,069	1,149	1,005
Match Funding Spend - Per Year (£k)	4,349	4,829	2,681	2,345
Total Spend Required - Per Year (£k)	**6,213**	**6,898**	**3,830**	**3,350**
Total Spend Required - Cumulative (£k)	21,752	28,650	32,480	35,829
Average number of units per year	38	42	23	20

[Note that the grey data is estimated.]

Forecast Spend of RTB Receipts: The estimated spend on approved schemes, such as Outer Circle and Laxton Road, together with additional open market buybacks, will be sufficient to meet the RTB match funding requirements to quarter 4 of 2019/20.

b. Looking forwards over the next three years, there are a number of new build and off-the-shelf buybacks being investigated that, if approved by Full Council, together with a minimal amount of open market buybacks, will see our RTB match funding requirements achieved for the next three years.

c. This will support the aspiration for an additional 1000 homes in the next 30 years, being able to achieve this with 30% match funding from RTB Receipts, whilst ensuring we do not have to return our RTB receipts (plus interest) back to the Government.

d. However this will require significant borrowing, which is now possible since the removal of the debt cap, and will have to be managed carefully within the overall 2020 Business Plan to ensure that the revenue account can fund the interest payments and principal loan repayment.

11 Welfare Reform

11.1 The 2012 HRA Business Plan made a provision for Welfare Reform, as there was an expectation that the changes would lead to an increase in non-payment of rent and other charges. The Provision for Bad Debt was increased from 0.5% to 2% (c£500k) for three years.

11.2 The 2016 HRA Business Plan extended this provision to cover the delayed roll out of Universal Credit, again with the expectation that the changes would lead to an increase in non-payment of rent and other charges. The Provision for Bad Debt was maintained at 2% (c£500k) for a further three years.

11.3 Whilst new claimant's moved to the new Universal Credits scheme from 2016, the migration of existing claimants has experienced continued delays. It is also worth noting that the Universal Credit scheme pays claimants in arrears and not in advance, as we currently expect our rental payments to be made.

11.4 The 2020 Business Plan includes a new two year provision at 0.75% (£180k) of dwelling rental income, dropping to 0.5% thereafter, to mitigate the financial risk associated with a possible increase in unrecoverable rental income due to the forthcoming "managed migration" to the Universal Credit scheme that is indicated to be completed by March 2023.

11.5 Under the Council's wider Financial Strategy the Executive has agreed a new Operational Target of £2.4m for the minimum HRA general reserve balance. Remaining at or above this target provides added financial resilience to bad debt (and other) financial risk if needed.

12 Business Growth – Development of New Homes

12.1 The Business Plan has previously included significant annual contributions of £1m (from 2015/16) towards the development of housing schemes. In line with the introduction of a Development Strategy, the Business Plan in 2016 instead included an average annual addition of 15 dwellings, which would include a combination of new development, redevelopment and acquisitions. This level of investment was what was affordable at this time.

12.2 Since this time we have delivered 108 units via new build and over 50 acquisitions to date. This is an average of 20 units per year since self-financing in 2012.

12.3 However as described above the removal of the debt cap allows for more investment in housing growth, we aspire to do more, so are proposing a target of delivering 1000 new homes over the next 30 years, the life of this plan. In order to deliver this number of new homes (an increase of 140% of our current rate of development) will require us to diversify our new homes delivery approach, seek other forms of funding for example from Homes England and to cultivate an extensive new scheme pipeline.

12.4 This growth will require a significant increase in borrowing, which will place greater stress on the business, this is discussed in later sections of this report. The need for the business to drive efficiency, achieve consistent levels of strong performance across key processes and closely monitor new metrics will be vital to safely manage this higher level of gearing.

12.5 With this increased provision, but due to losses through RTB and regeneration of defective stock, the total stock numbers are set out in the table below:-

Table 5: Forecast General Needs Stock Numbers

Financial Year	2020/21	2021/22	2022/23	2023/24	2024/25	2025-2050
Opening Stock	5,750	5,747	5,730	5,724	5,755	5,761
RTB Sales	-32	-28	-24	-20	-19	-364
Demolition	-13	-12	-22	-11	-25	-79
Development Gains	42	23	40	62	50	832
Closing Stock	5,747	5,730	5,724	5,755	5,761	6,150
Net Gain Over 30 Years						400
Total Development Gains Over 30 Years						1,049

13 Treasury Management and Repayment of Borrowing

13.1 The Business Plan incorporates significant capital expenditure which is to be funded from capital receipts, the Major Repairs Allowance (depreciation charges reinvested in assets), revenue contributions to capital, capital grants and borrowing.

13.2 The funding and cash flow implications will be managed in line with the Council's Capital, Investment and Treasury Strategies which is approved alongside the annual budget each year.

13.3 Although the Government abolished the HRA Debt Cap established in 2012 (£115m) it is proposed to set a prudent debt cap for the HRA.

13.4 In the first 5 years of the business plan the Provisional Debt Cap is at £135m in Year 1 rising to £148m by Year 5 of the Plan. Then rising further in future years to a peak of £266m in Year 30. The cap will need to be kept under review and be adjusted to reflect performance against plan. It is proposed to use the Debt Cap as the Operational Boundary for Debt within the Capital Strategy. Allowing for some temporary refinancing or financing in advance of need (where it is prudent to do so for treasury purposes), it is proposed to set the Authorised Limit based on the Debt Cap + £20m.

Table 6 –HRA Borrowing Limits

Borrowing Limits for the HRA	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k	2023/24 Estimate £k	2024/25 Estimate £k
Debt Cap / Operational Boundary	135	135	135	139	148
Authorised Limit	155	155	155	159	168

13.5 The capital investment proposed within the plan forecasts a borrowing requirement rising year on year from £110m in 2020/21 (Yr1) to a peak of £164m in 2030/31 (Yr11), before reducing back to £129m by 2048/49 (Year 29). This forecast incorporates borrowing for projected capital investment spending and amounts set aside from revenue resources to repay debt based on affordable MRP costs, whilst maintaining reserves at the operational target.

13.6 Existing maturity loans undertaken in March 2012, as part of the transition to the HRA operating on a self-financing basis, are due to be redeemed each year between 2020 and 2030. In order to meet the capital financing requirement in the plan these loans will need to be refinanced. The business plan forecasts assume a degree of internal borrowing from HRA reserves and working capital cash balances. It will be necessary to utilise external borrowing facilities and the business plan is modelled on a basket of fixed term maturity loans only where needed to meet cash flow requirements, at an average interest rate of 3.5%. This is currently considered to be a prudent assumption for the business plan.

13.7 The Section 151 Officer will work with Arlingclose, the Council’s treasury advisor, to explore appropriate sources of finance which may include PWLB but other options such as banks and other capital markets will be explored to optimise debt costs and risk.

14 New Capacity Indicator

14.1 The proposition within this analysis is that, whilst there is theoretically now no limit to borrowing within the HRA, the existing asset and operating base generates a net income stream that does offer a logical limit on sustainable borrowing levels. In other words future operating surpluses created within the HRA can be used to fund the interest on additional borrowing.

We have utilised the Interest Cover Ratio (ICR) as the main metric for assessing capacity and is used to derive the provisional debt cap figure 3 below.

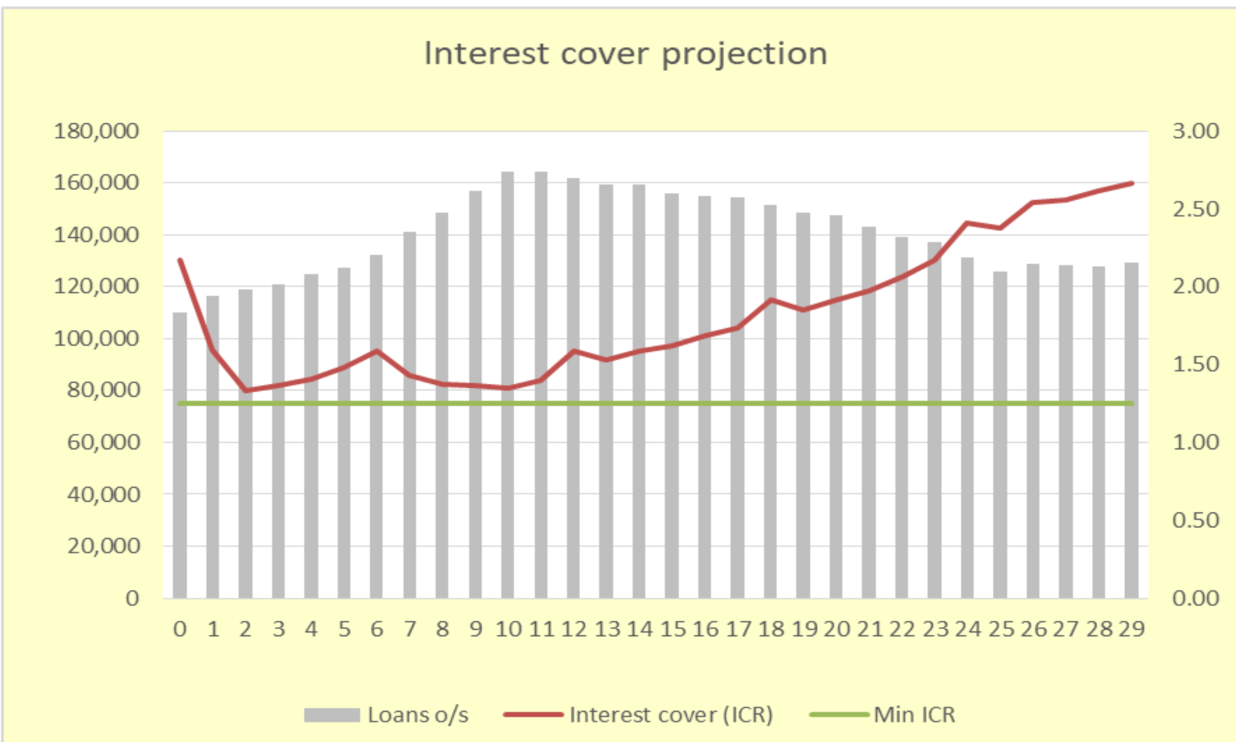
14.2 This is the ratio of operating surplus divided by interest costs, and represents the cover that the HRA has against its interest cost liabilities in any year; the ICR is set to a minimum which provides comfort that if there were a sudden drop in income or increase in operating costs, there would be sufficient headroom to continue to cover debt interest. For housing associations (HA), the usual definition of operating surplus is EBITDA (Earnings before Interest, Tax, Depreciation and Appropriations). Typical lending covenants vary between 1.10 and 1.50 depending on the size and nature of the HA, with 1.25 being a typical expectation.

14.3 Using the budgets for 2020.21 the ICR is forecast at 1.60 meaning that the HRA can cover the current interest charges with headroom for a further 60% of the value of interest charges (subject to other cost/income variances). By setting the minimum ICR at 1.25 the available headroom for additional interest is 28% of current interest charges or £0.762million. This translates to additional borrowing capacity of £32million.

14.4 As the plan does in fact increase the need to borrow in the short to medium term it utilises the borrowing capacity to the point where the ICR falls to 1.33 in 2021.22 but with the benefit of projected rent increases it rises to 1.37 and then gradually increases after year 10 to a ratio of 2.66 at the conclusion of the plan.

14.5 Therefore the borrowing projected in this plan is below the level of borrowing where the ICR is at the 1.25 minimum level set and is therefore forecast to remain within affordable limits. The chart below shows the annual ICR set against the minimum 1.25 and the actual borrowing forecast in the plan.

Figure 1: Interest Cover Projection



15 Financial Review and Appraisal

15.1 As described above there are a number of changes, driven by both internal and external factors, which have substantially impacted on the financial position of the Business Plan. Overall indications are that planned service and capital investment is affordable in the medium and long term providing actual performance remains similar to the assumptions made.

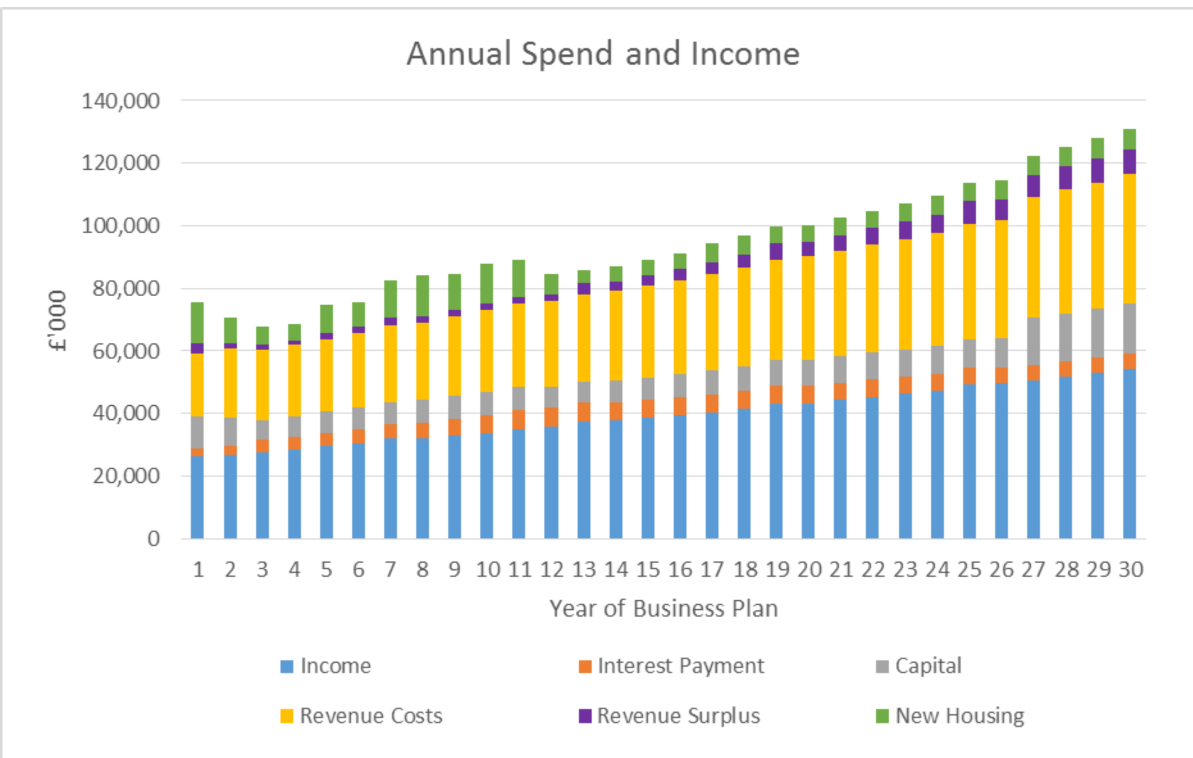
15.2 The increased ambitions for capital investment require a significant increase in borrowing over the next 10 years, taking advantage of the increased flexibility through the abolition of the debt cap. There is a clearly a related impact on overall debt costs which must be managed throughout the life of the business plan.

15.3 The strategy applied in the financial model is that HRA general balances will be maintained at the operation target level, with all available operating surpluses applied to meeting interest costs, protecting reserves balances, reducing capital financing requirements and debt repayment. This works on the principle that debt will be repaid at the earliest opportunity, which is a change to the current approach of a fixed annual debt repayment charge based on borrowing over 60 years. This approach should reduce total debt costs in the long run, benefiting the business plan.

15.3 The key underlying assumptions within the Business Plan are that rents and service charges will increase by CPI + 1% for the first five years (20/21 to 24/25) then reducing down to CPI (estimated at 2%) only thereafter, with expenditure inflating in line with government forecasts by 2% (management costs at 2.5%) and borrowing costs at 3.5%. These rates are only estimated and risk changing due to the global economic environment.

15.4 A summary of the projected annual expenditure and income is shown in graph below.

Figure 2 -Annual Expenditure and Income within the Business Plan



15.5 Income

The HRA is self-contained from the General Fund and fully funded in the main by rental and service charge income from tenants. Members need to consider the cumulative financial impact of their decisions surrounding the change in rental and service charge income year on year.

15.6 The new Rent Policy provides the option to make a one-off 5% or 10% increase in rents for new tenants which would provide an estimated additional income of £100k in year 1 assuming 450 new tenancies. Where options are presented to increase rents within the boundaries of national policies these should be considered in order to optimise income to meet the costs of operating the service and capital investment.

15.7 Rental income forecasts are based on prudent assumptions for rental growth and changes in housing stock both through RTB sales and additions through investment. There is not a direct like for like relationship between income and costs therefore material changes in income levels cannot necessarily be offset by managed changes in costs without affecting service standards.

15.8 Experience shows that housing income estimates can be susceptible to national policy changes, which can have a material impact on long term cash flows. The current business plan forecasts assume the current policy will be fully applied with rent increases returning to CPI only from April 2025.

15.9 Members are advised to carefully consider long term impact on the affordability of the business plan when making decisions regarding local rent policy and budgetary decisions, and also to note the inherent risk of interest rate volatility on income assumptions and related impact of affordability of planned spending and investment, and meeting debt repayment obligations.

15.10 It is good to see changes within the debt recovery team seeing immediate effects on recovering debts due from tenants thus reducing the financial risk and enabling a lower allowance for bad debt risk within income forecasts. This will clearly need to be carefully monitored to ensure prudent provisions are made each year.

15.11 Expenditure

15.12 The borrowing cap has been removed enabling the HRA to increase borrowing to fund the national and local ambitions to increase the provision of affordable homes. The overall 30-year Business Plan projects a total capital investment of c£159m on Major Works, £16m on exceptional and extensive works which primarily relate to asbestos removal and works to non-traditional properties, £9m on Disabled Adaptations, £6.5m on improvements and fire safety works, £3m on related assets and £3.6m on vehicles.

15.13 The Business Plan model suggests that this is viable and affordable, and that the HRA maintains a level of interest cover above 1.25% over the 30 years. To put this into context, the average interest cover for the Housing Association (HA) sector in 2018/19 typical lending covenants varying between 1.10 and 1.50 depending on the size and nature of the HA, with 1.25 being a typical expectation.

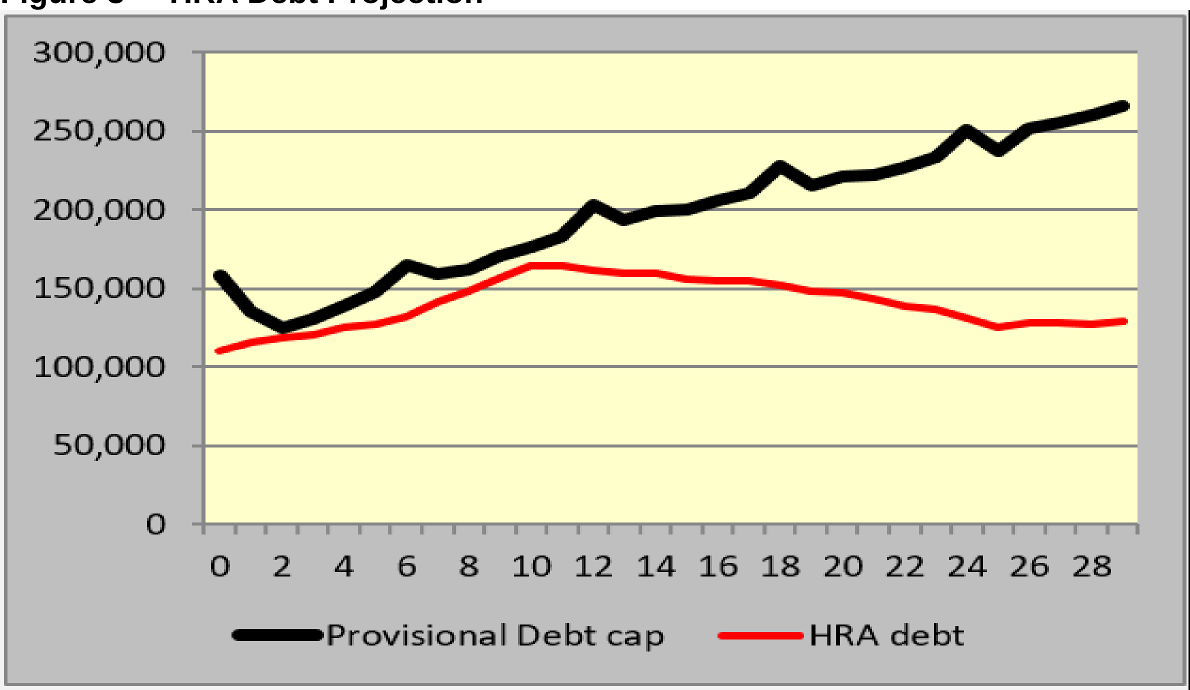
15.14 These ambitions will need to be managed closely to ensure that the interest cover is not breached and that the HRA revenue account can cope with the impact of financing debt, as current levels of surplus funds in earmarked reserves and general balances (minimum balances now at £2.4m to mitigate financial risk) are minimal.

15.15 The business plan assumes that there will be no net reduction in debt during the first 10 years (between 2020 and 2030) as capital investment grows and debt is increased, with the overall debt balance starting to reduce in 2030/31. However, revenue contributions to capital will still be made during the period reducing the requirement for additional borrowing.

15.16 Those loans maturing within the next 10 years total of £77.5m with an average interest rate of 2.49% (ranging from 0.92% to 3.21%). The current cost to finance these loans is approximately £2.122m, when refinanced at an assumed 3.5% this will create an additional cost pressure of c£589k. The Business Plan assumes that new borrowing will be at 3.5%, therefore for every £10m borrowed this creates an interest payable cost pressure of £350k. Options to reduce the capital financing costs / interest burden will be explored through the Council's treasury management arrangements.

15.17 After the peak in capital investment in 2029/30 (year 9), the Business Plan prioritises the repayment of debt at earliest opportunity, as seen by the reducing debt shown in graph below.

Figure 3 – HRA Debt Projection



15.18 The HRA is seeing increased demands from the increased costs of direct and shared support service staff, to fund a share of future corporate change programmes, increased interest costs and risk, and the increase in depreciation costs from the additional 1,000 homes over the next 30 years. The revenue account will need to realise cost efficiency savings (currently at £150k ongoing within the first 2 years) to redirect into other cost pressures. This ambition to find efficiency savings may have to be increased where possible to provide further headroom in order to deliver future ambitions such as carbon retrofit.

15.19 Reserves
The HRA 2020 Business Plan has, under the Council's wider Financial Strategy, agreed a new Operational Target of £2.4m for the minimum HRA general reserve balance to mitigate financial risk are minimal. The current levels (19/20) of general balances are in excess of £2.4m, though surpluses above this are minimal.

15.20 Earmarked reserves surpluses are also minimal with 50% of the 19/20 opening balances committed to be spent by 2021/22 and the other 50% committed to social housing development feasibility studies as part of the aspiration to build new homes. Whereas previous business plans projected large increases in reserves in the long term, the increased capital investment and related borrowing, and the priority to repay debt at the earliest opportunity means that reserves are projected to remain 'only' at the operational target throughout the life of the Plan.

16 Key Sensitivities and Stress Testing

16.1 The baseline Business Plan has been subject to a standard range of stress testing to test the sensitivity of the outputs to changes in key assumptions. These are summarised in the table below. It is important to understand what external influences could have on the plan.

16.2 The table below shows the key assumptions within the business plan before sensitivities are applied:

Table 7

CPI (Base Inflation)	2 throughout from 2021.22
Rents Inflation	CPI +1% 4 years from 2021.22 then CPI only
Service Charge Income	CPI +0.5% throughout from 2021.22
Non-Dwelling Income	CPI -0.5% throughout from 2021.22
Other Income	CPI only
Management Costs	CPI+0.5% throughout from 2021.22
Repairs Inflation	CPI only
Improvements	CPI only
Interest Rate	3.5% on new borrowing
Right To Buys	33 reducing to 11 gradually over a 30-year period
Buy-Back Values	£165,000 per unit (30% of total notional programme)
New Developments	£145,000 per unit (70% of total notional programme)

The table below compares a range of scenarios against the impact and the consequent impact on our ICR level.

Table 8 Key Sensitivities

	30 yr Reserves		Closing Debt		Min/Max ICR	
Baseline plan	**£4.3m**		**£129.1m**		**1.33 / 2.66**	
1.Inflation CPI - 1% / 3%	£3.2m	£5.6m	£156.4m	£95.9m	**1.22**/2.17	1.36/4.46
2.Management Costs	£4.3m		£108.2m		1.34/3.42	

& Service Charges increase CPI+0.25% pa			
3.Management Costs & Service Charges increase CPI+0.75% pa	£4.3m	£151.1m	1.29/2.17
4.Repairs & Investment increase CPI+1% pa	£4.3m	£220.2m	**1.25**/2.17
5.Repairs & Investment increase CPI+1% and Management Costs & Service Charges at 0.75% pa	£4.3m	£242.4m	**1.06**/2.17
6.Rents CPI+0.5% all years from 2024	£4.6m	£47.1m	1.33/8.6
7.Right to Buys at 20 per Year throughout	£4.3m	£119.6m	1.33/2.72
8.Interest Rate Increase 1%	£4.3m	£194.8m	**1.02**/2.17
9.Bad Debt Provision 1% of rents	£4.3m	£137.4m	1.31/2.47
10. Development & Buy Back Costs +10%	£4.3m	£153.0m	1.30/2.27

16.3 The main headlines from the tables are:

- The plan is generally resilient to changes in its key inflationary and expenditure drivers.
- The plan does not rely upon the management of revenue expenditure in line with rent income.
- The plan relies upon the management of the capital programme within the inflationary drivers provided.
- If rent policy was to be extended to CPI+1% increases in **all** years from 2020, including from 2024, the outlook for the plan would be much improved.

16.4 In sensitivity 1 where inflation is greater than the 2% factored in presents a more viable plan where forecast debt could be reduced to 74% of the projected level. Whilst a reduction in inflation has a negative impact to the plan where debt would increase by c21% and the ICR lowest point is 1.22, below the minimum 1.25. For business planning purposes it is considered appropriate at this stage to assume that long-term inflation will be in-line with Government estimates of 2%.

16.5 In sensitivities 2&3 the plan demonstrates how reactive it is to increases above CPI for management costs, which form a major part of the overall HRA expenditure. By reducing the management increases to 0.25%+CPI the plan improves with greater comfort with the ICR well above the minimum mark and will lower residual debt. Increases the costs to 0.75%+CPI puts pressure on the plan with a higher closer debt by c17% and the lowest ICR close to the 1.25 minimum.

16.6 An increase in repair and capital costs year on year would also impact on the plan significantly against the backdrop of CPI only rent increases in the longer-term as demonstrated in sensitivity 4. The Council would to review the delivery of the repairs service but also could reduce the level of its future development programme to compensate. It would be most likely that if such costs increase the impact would likely to be national rather than locally and therefore pressure from the housing sector would probably result in rent increases above CPI to compensate. This sensitivity does cause the lowest ICR to equal the minimum level of 1.25.

16.7 In sensitivity 5 we have demonstrated a worst case scenario of both management costs and repairs increasing as per sensitivities 3 & 4 combined, with the ICR lowest point well below the minimum ICR.

16.8 Obviously rent increases above will bring a huge benefit to the HRA which rather than using entirely for debt repayment could be used to facilitate further borrowing for additional house building and acquisition as demonstrated in sensitivity 6.

16.9 The increase of right to buys does impact upon the plan in that there is a loss of rental income as shown in sensitivity 7 but also increased sales provides for more right to buy receipts to be facilitate subsidising the development programme.

16.10 A key risk to the plan is the cost of borrowing as shown in sensitivity 8 where an increase of 1% causes the lowest ICR to go below the minimum level. It is likely that new borrowing will be at fixed rates determined at the point of drawdown to provide protection against future increases. The business plan will become an important tool in determining if the new build programme could be afforded in light of higher interest costs.

16.11 In sensitivity 9 an increase in the level of bad debts has a negative impact to the plan but does not impact upon the minimum ICR.

16.12 Sensitivity 10 shows that a 10% increase to the allowance for buy-backs and cost of new development will have an adverse impact on long-term borrowing.

16.13 With regards to the above sensitivities there are mitigating factors that the Council can apply, for example reducing the level of new builds and acquisitions, in the face of adverse impacts from scenarios identified above.

17 Achieving Affordable Warmth & Carbon Neutrality

17.1 The UK has committed to reduce greenhouse gas emissions and have set legally binding targets to achieve net zero emissions by 2050. Somerset West & Taunton Council (SWT) have published their draft framework “SWT Carbon Neutrality and Climate Resilience Plan”. The Housing service has drafted a strategy which sets the ambition and initial focus for the Housing service and would be intended to support the corporate framework with a strategic approach for achieving these objectives within the managed housing portfolio of SWT. In summary we would seek to provide low carbon, energy efficient housing for our tenants, that are both affordable and warm to live in and in doing so we will aim to achieve net zero emissions in our housing stock by 2050. This will also provide the platform required to eradicate fuel poverty. We would do this by delivering a package of affordable warmth retrofit works to our properties.

17.2 However in order to achieve this alongside our ongoing Decent Homes capital programme a further investment commitment is required, to date it has not been possible to safely develop this capacity in the business plan. However officers will continue to work on this issue and investigate how we might fund such works and report back to members in due course and as a priority.

18 Links to Corporate Strategy

a. The Housing Revenue Account compliments the Council's Corporate Strategy 2020 - 2024 - Homes and Communities – to offer a choice of good quality homes for our residents, whatever their age and income, in communities where support is available for those in need.

b. As set out above the service will significantly increase the number of affordable homes in the District, alongside substantial investment in existing homes and providing essential support to our residents many of whom experience significant hardship.

19 Legal Implications

No direct implications arising from this report.

20 Safeguarding and/or Community Safety Implications

None directly relating to this report.

21 Equality and Diversity Implications

An Equality Impact Assessment (EIA) and some associated actions has been included at Appendix 3.

22 Social Value Implications

Social Value forms an important part of the selection criteria for the procurement of works in particular, the Housing Service will continue to seek ways in which its investment can have the widest possible reach.

23 Partnership Implications

The Housing service will continue to work with key partners to deliver its objectives and benefit our communities.

24 Health and Wellbeing Implications

The Housing service makes a substantial contribution to improving community health and wellbeing.

25 Asset Management Implications

A review of Asset data has been included in the main body of this report for the purposes of future investment planning. The Housing (HRA) Asset Management Strategy 2016 reflects the challenges the Council faces and improving its focus on value for money for the Council and for our residents:

- **To promote sustainable local communities** through coordinated capital investment and housing management.

- **To work closely with residents** to ensure that their homes meet their needs and aspirations.

- **To invest in stock**, to achieve good quality and environmental standards and to ensure that all statutory obligations are met.

- **To ensure that stock secures and strengthens the financial viability** of the business plan and safeguards its long term future and the income stream it generates.

- **Deliver Value for Money** through targeting investment where it will have the best financial and social return.

- **To carry out options appraisals** on stock that does not meet the above criteria, exploring the widest range of alternative options to improve outcomes for residents and for our business plan.

- **To deliver investment programmes in an effective way**, achieving agreed quality and value for money.

26 Data Protection Implications

None directly from this report.

27 Consultation Implications

No external consultation implications.

28 Scrutiny Comments / Recommendation(s)

Democratic Path

- **Tenants Strategic Board – 15 January 2020**
- **Scrutiny Committee – 20 January 2020**
- **Executive – 22 January 2020**
- **Full Council – 19 February 2020**

Reporting Frequency: ☐ **Once only** ☐ **Ad-hoc** ☐ **Quarterly**

☐ **Twice-yearly** ☐ **Annually**

List of Appendices (delete if not applicable)

Appendix 1	Housing Vision Statement - PPT
Appendix 2	SWT Proposed Rent Policy
Appendix 3	Equalities Impact Assessment

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*Governance Team to populate Report number: Report Number: SWT */19*

Report Version No:	**1/2/3/4/5 etc.**
REPORT SIGNED OFF BY?	**Date:**
1) Service Manager	**YES**~~/NO/TBC – dd/mm/yyyy~~
2) Legal	~~YES/~~**NO**~~/TBC – dd/mm/yyyy~~
3) Finance/s151	**YES**~~/NO/TBC – dd/mm/yyyy~~
4) Head of Function/SLT	**YES**~~/NO/TBC – dd/mm/yyyy~~
5) Governance Team	**YES**~~/NO/TBC – dd/mm/yyyy~~

Somerset West and Taunton

Strategic Tenants Board – 15 January 2020
Scrutiny Committee – 20 January 2020

Housing Revenue Account (HRA) Budget Estimates 2020/21 (Including Rent Setting and Fees and Charges)

This matter is the responsibility of Executive Councillor Francesca Smith

Report Author: Kerry Prisco, Finance Specialist

1 Executive Summary

1.1 This report updates Members on the proposed HRA Annual Revenue Budget and Capital Programme for 2020/21, the proposed Rent Setting for the average weekly rent for 2020/21 and the proposed Fees and Charges for 2020/21.

1.2 The proposals included in this report would enable the Council to set a balanced budget for the HRA for 2020/21.

2 Recommendations

2.1 Members are invited to consider and support the following proposed recommendations to the Executive and Full Council:

2.2 In accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the Dwelling Rent for 2020/21 for existing tenants will be an increase of CPI+1% to the average weekly rent, from £80.87 per week to £83.05 per week.

2.3 In accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the Dwelling Rent for 2020/21 for new tenants only will be an increase of CPI+1% plus an additional 5% for general needs to the average weekly rent, from £80.87 per week to £87.21 per week.

2.4 In accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the Dwelling Rent for 2020/21 for new tenants only will be an increase of CPI+1% plus an additional 10% for sheltered/supported and extra care dwelling rents to the average weekly rent, from £80.87 per week to £91.36 per week.

2.5 To increase non-dwelling rent and service charges in line with national policy by CPI+1% for 2020/21, with the exception of garages for private and shared ownerships tenants which would increase from £10.32 (including VAT) to £12.00 (including VAT).

2.6 To approve the HRA Annual Revenue Budget for 2020/21.

2.7 To approve the HRA Capital Programme for 2020/21.

3 Risk Assessment

3.1 The purpose of this section is to highlight the key external risks that may pose a threat to the successful delivery of the HRA 2020 Business Plan. The Council will need to be alert to the following issues:

3.2 Welfare Reform: The HRA has already taken steps to try and prevent loss of income where possible. The potential impact of existing and further welfare reform measures will need careful management in order to protect our rental income. Universal Credit remains the greatest potential risk to our income for us and most other providers.

3.3 Exiting the EU: The process of exiting the European Union remains in a state of uncertainty about what is exactly going to happen. This could affect the cost of goods/materials, services, development and funding.

3.4 Housing Policy: On the 14 August 2018 the government published its Social Housing Green Paper in response to the tragedy at Grenfell Tower. Whilst the initial consultation has now closed, we are still awaiting the outcome of this consultation and any regulatory changes that this may bring.

3.5 Independent Review of Building Regulations and Fire Safety: The final report sets out over 50 recommendations for government as to how to deliver a more robust regulatory system to ensure that the buildings residents live in are safe and remain so. We are awaiting the final regulatory changes, but know that the Council will need to respond to the evolving requirements following the tragedy at Grenfell Tower and incorporate any financial impacts into the Business Plan once known.

3.6 The Regulator of Social Housing has published (October 2019) their Sector Risk Profile[1] highlighting the common strategic and operational risks that pose a threat to housing providers.

4 Background

4.1 The purpose of this report is to present the proposed Housing Revenue Account (HRA) Annual Budget and Capital Programme for 2020/21, as well as the Rent Setting and the Fees and Charges proposals for 2020/21.

4.2 The HRA is a ring fenced account used to manage the Council's housing stock of some 5,700 properties, with the Council acting as the Landlord.

4.3 In April 2012, under the Localism Act 2011, the HRA (under the administration of Taunton Deane Borough Council (TDBC)) moved away from a national subsidy system (which required an annual payment from the HRA to Central Government) to become 'self-financing'. This enabled the Council to retain all rental income to meet the costs of managing and maintaining the housing stock, as well as meeting the interest payments and repayment of debt. As part of the self-financing agreement, a one-off payment of £85.198m was made to Government.

4.4 In order to manage the freedoms gained by the HRA through self-financing, a new 30-Year Business Plan (2012-2042) was introduced. This set out the Council's overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities.

4.5 The HRA Business Plan has been reviewed and updated annually since 2012, with a full review undertaken in 2016. In response to recent changes in national policies and local aspiration, another full and comprehensive 30-year Business Plan from 2020/21 onwards has recently been undertaken, with the support of consultants Savills, and can be found as a separate report called "HRA Business Plan Review". The key changes in revenue budget from 2019/20 to 2020/21 are summarised from paragraph 5.6 below.

4.6 The HRA continues to face a number of risks and uncertainties, many of which could be significant but the actual financial impact is not yet known. These are discussed in section 3 above.

4.7 As part of the self-financing agreement, an individual housing revenue borrowing cap of £116m was implemented for TDBC. This meant that the HRA was unable to exceed a capital borrowing requirement of £116m within the HRA Business Plan. In October 2018 this borrowing cap was officially removed.

5 The HRA 2020 Business Plan and Annual Revenue Budget for 2020/21

5.1 The 2020 Business Plan review was undertaken as a direct result of a number changes in both national policies and local aspiration; we have seen the debt cap removal in October 2018, the introduction of the Regulator of Social Housing's new Rent Standard

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/848158/Sector_Risk_Profile_2019.pdf

from April 2020 and a new Somerset Housing Strategy published in March 2019. The Grenfell tragedy has prioritised landlord compliance such as fire and safety, the declaration of a climate emergency and a new leadership aspiration to build 1000 new homes in 30 years.

5.2 The HRA 2020 Business Plan review was undertaken to assess the affordability and viability of these aspirational schemes and the financial impact of regulatory changes, to determine what schemes could actually be delivered and when.

5.3 The current assumptions within the Business Plan indicate that the new build aspirations are affordable and viable but require the maximisation of future rental income through the application of options available within the boundaries of national policy, as this will require significant capital investment and borrowing over the next 10 years.

5.4 The HRA 2020 Business Plan aims to deliver 1,000 new homes over the next 30 years with a net gain of 400 homes as a result of tenants purchasing their homes through estimated RTB sales.

5.5 In response to the HRA 2020 Business Plan, table 1 below provides a summary of the main proposed changes to the annual revenue budget estimates from 2019/20 to 2020/21.

5.6 A summary of the overall HRA Revenue Budget for 2020/21 and 5-year Medium Term Financial Plan (MTFP), as a result of planned changes within the HRA 2020 Business Plan and other changes, is included in Appendix A.

Table 1: HRA Budget Setting 2019/20 to 2020/21 Changes

	Reference Paragraph	**£'000**
Original Budget 2019/20 – balanced budget		
Income	5.8	(555)
Service Expenditure		
Repairs & Maintenance	5.11	(10)
Grounds Maintenance	5.12	78
Insurance	5.13	(145)
Management Costs – salaries	5.14	1,533
Management Costs – other	5.18	(97)
Efficiency Savings	5.19	(100)
Central Costs / Movement in Reserves		
Provision for Bad Debt	5.20	120
Interest Payable	5.22	126
Interest Receivable	5.24	70
Provision for Depreciation	5.25	229
Provision for Repayment of Borrowing	5.27	0

Revenue Contribution to Capital (SHDF)	5.28	(1,170)
Movement in Reserves	5.29	(79)
Proposed Original Budget for 2020/21 i.e. net transfer to reserves		**0**

5.7 The main changes include:

5.8 **Rental Income**: between April 2016 and March 2020 all social housing landlords were required to reduce the rent payable by tenants by 1% each year in accordance with the Welfare Reform and Work Act 2016 Social Rent Reduction. The introduction of the Regulator of Social Housing's new Rent Standard from April 2020 states that social housing landlords can now increase the rent payable by tenants by CPI+1% annually for a period of five years. This rate also applies to service charges. More information can be found in section 6 below.

5.9 It is also being proposed to apply "rent flexibility" from April 2020 which could generate approximately £100k in the first year. However the financial impact is not being budgeted for until 2021/22 due to the application of this rent flexibility to new tenants only.

5.10 This also includes a realignment of the RTB Admin Grant and GF Contribution under 'income' instead of 'expenditure'.

5.11 **Repairs & Maintenance**: an additional £50k has been included for Standard Assessment Procedure (SAP) energy performance certificates and stock validation as well as £42k to service 600 air source heat pumps. The repairs and maintenance service is also hoping to achieve a reduction in cost of £50k from contract savings and another £52k cost saving through the capitalisation of scaffolding costs.

5.12 **Grounds Maintenance Service Charges**: Tenants pay a weekly service charge towards the costs of maintaining the grounds around the area within which they live, for example grass cutting, shrub pruning, weeding, etc. The Service Level Agreement (SLA) for 2020/21 has been increased to £778k in line with the increase in the proposed Grounds Maintenance Service Charge from £1.90 to £1.95 per week.

5.13 **Insurance**: following an authority wide re-tender exercise for insurance premiums the new authority has been successful at significantly reducing their annual premiums. It is estimated that a saving against budget of £145k will be seen across the HRA including leaseholders, shops and meeting halls.

5.14 **Management Costs – salaries**: Following the Council decision to establish a structure of four Directorates, a new Housing staff structure will be implemented. Whilst most roles will "lift and shift" from the current structure some vacancies will arise where we require a new focus to meet the housing business objectives. The new structure contains growth and new emphasis in relation to development and regeneration to meet our current and future aspirations, along with landlord safety and compliance, tenant engagement and customer experience, performance and finance.

5.15 The Housing Directorate staff structure will incorporate direct staff costs relating to both the HRA and the general fund (GF) homeless function. The HRA will also receive the benefit of central support services delivered by staff in the GF, such as procurement, accounts payable, facilities management, HR/Payroll and finance, etc. The HRA will fund a proportion of these costs for the central support services received.

5.16 As reported to Full Council on the 3rd December 2019, the Council's leadership team identified ongoing financial pressures in order to protect service standards and maintain capacity whilst completing the safe delivery of expected service process efficiencies and greater customer access to self-service. The HRA will need to take on a share of these transition and service resilience cost pressures in year 1, but will see a cost reduction going forwards as the Council works to deliver the service process efficiencies. The HRA will also need to fund a share of the temporary staff delivering the corporate change programme.

5.17 In table 1 above you can see an increase in budget of £1.533m relating to staffing costs for 2020/21 with table 2 below providing a breakdown of this cost and high level projections for future years.

Table 2: HRA Staffing Costs for 2020/21 and Future Year Projections

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing Directorate - HRA Direct Staff Costs		6,323	6,481	6,643	6,809	6,979
Housing Directorate - GF Direct Staff Costs		960	984	1,009	1,034	1,060
Central Support Service Costs		845	866	888	910	933
Central Support Service Costs - One Off		315	-	-	-	-
Central Support Service Costs - Change Programme		140	72	-	-	-
	7,050	**8,583**	**8,403**	**8,539**	**8,753**	**8,972**
Inflation @ 2.5%			205	208	213	219

5.18 **Management Costs – other:** there has been some reduction in budget requirements through the reassessment of budget needs across tenancy and management delivering savings of £97k.

5.19 **Efficiency Savings**: an efficiency target of £100k in 2020/21 rising to £150k per year from 2021/22 has been included within the Business Plan, as we aspire to drive forward improvements in service delivery to realise cash benefits. We have "lean" reviews

underway in the "big three" processes of income management, voids and response repairs. With more reviews planned.

5.20 **Change in Provision for Bad Debt**: the previous two iterations of the Business Plan, in 2012 and 2016, made a provision at 2% for the expectation that the changes in Welfare Reform would result in increased levels of non-payment of rent and service charges. Whilst new claimant's moved to the new Universal Credits scheme from 2016, the migration of existing claimants has experienced continued delays. It is also worth noting that the Universal Credit scheme pays claimants in arrears and not in advance, as we currently expect our rental payments to be made.

5.21 The 2020 Business Plan includes a new two year provision at 0.75% (£180k in 2020/21) of dwelling rental income, dropping to 0.5% thereafter, to mitigate the financial risk associated with a possible increase in unrecoverable rental income due to the forthcoming "managed migration" to the Universal Credits scheme that is indicated to be completed by March 2023. Provision for bad debt is a year-end accounting adjustment that cannot be forecast with certainty prior to closing the final accounts. Any un-used provision for bad debt will be transferred into an earmarked reserve at the end of the year to manage any further timing differences in the implementation of the Universal Credits scheme.

5.22 **Interest Payable**: The majority of existing external borrowing is based on fixed interest rates for the term of the loan, with only two loans based on variable rates of interest. Therefore we are able to predict the interest payment for these elements with a high degree of certainty. The HRA has also increased internal borrowing from the General Fund which is charged at the average borrowing rate across the authority. The estimated budget for 2020/21 is £2,744,700 which is an increase of £125,900.

5.23 The HRA is investigating taking on additional external borrowing to fund the North Taunton regeneration scheme to reduce internal borrowing. The Section 151 Officer is seeking advice from Arlingclose, the Council's Treasury advisors, to identify the optimum route that minimises debt costs and risk to finance these loans. Consequently budgets will be revised during the year to accommodate this cost with funding available, for example from repayment of borrowing.

5.24 **Interest Receivable**: with internal borrowing exceeding investments there is no expectation to obtain any interest receivable payments.

5.25 **Provision for Depreciation**: Depreciation is transferred to the Major Repairs Reserve (MRR) and is used to fund the capital programme and/or repay debt. From 2017/18 depreciation has been required to be included within the HRA accounts on a component accounting basis. This means depreciation will need to be calculated on each of the major components of each house e.g. kitchen, bathroom, rather than being based on the Major Repairs Allowance (MRA), an estimation of the works needed to maintain the stock in good condition.

5.26 Depreciation is a year-end accounting adjustment that cannot be forecast with certainty prior to closing the final accounts. The estimated depreciation for 2020/21 is based on

those calculations made for 2018/19 plus an allowance for sales and purchases during the year. This is an increase of £227,580.

5.27 **Provision for Repayment of Borrowing**: The current voluntary revenue provision (VRP) to repay debt is £1.821m. The Business Plan proposes to continue to use this amount to reduce future capital financing requirements for the next 10 years. Thereafter all surplus funds will be prioritised to repay debt at the earliest opportunity.

5.28 **Revenue Contribution to Capital**: a revenue budget of £1.17m has previously been used to help fund the Social Housing Development Capital Schemes. It is proposed to remove a budgeted revenue allocation entirely as a source of funding for capital schemes in order to provide more revenue resources for direct service delivery capacity.

5.29 **Movement in Reserves**: the social housing development fund earmarked reserve will be used to fund the development team ahead of becoming part of the base budget.

5.30 Other changes not directly influenced by the Business Plan include:

5.31 **Minimum general reserve balance**: under the Council's wider Financial Strategy the Executive has agreed a new minimum Operational Target of £2.4m and a new minimum Financial Resilience Target of £1.8m, for the HRA general reserve balance. Remaining at or above these targets provides added financial resilience to risks such as bad debt, if needed.

5.32 **Inflation:** Staffing costs have been inflated by 2.5% (0.5% for increments and 2% for pay inflation). Income has been inflated at Consumer Price Index (CPI) plus 1% where CPI is 1.7% at September 2019.

6 Income

6.1 Dwelling Rental Income (including Shared Ownership)

6.1.1 The Government introduced the Welfare Reform and Work Act 2016 Social Rent Reduction, which required all social housing landlords to reduce the rent payable by tenants by 1% each year for 4 years between April 2016 and April 2019 (excluding shared ownership homes and temporary accommodation). This superseded the Government's previous 10 year rent increase policy implemented in April 2015.

6.1.2 On 26 February 2019 the Ministry of Housing, Communities and Local Government confirmed that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020. The September 2019 CPI figure is 1.7% as published by the Office for National Statistics on the 16 October 2019.

6.1.3 The Regulator of Social Housing has now issued a new Rent Standard for 2020 under the direction of the Government. This new Rent Standard will now apply to all housing associations, whereas previously Local Authorities were excluded from such standards.

6.1.4 A separate Rent Setting Policy, covering the content and those elements proposed to be adopted by the Council contained within the Regulator of Social Housing's Rent Standard 2020, is also being presented to the Strategic Tenants Board and the Council to recommend the Dwelling Rental Income and Shared Ownership Rent for 2020/21, as part of the HRA 2020 Business Plan report.

6.1.5 The Rent Setting Policy recommends that social rents for existing tenancies will be reviewed annually and any increases will not exceed the limit of Consumer Price Index (CPI) plus 1% for 5 years from April 2020.

6.1.6 *Therefore in accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the recommended Dwelling Rent for 2020/21 <u>for existing tenants</u> will be an increase of CPI+1% to the average weekly rent, from £80.87 per week to £83.05 per week.*

6.1.7 The new Rent Standard also provides the option to apply a one-off rent flexibility allowance to increase rents further. Therefore, in addition to applying CPI+1%, the Council's new Rent Setting Policy provides an additional option to apply this one-off increase of 5% on general need and 10% on sheltered/supported housing. This would be applied to rents for new tenants only. This would provide an estimated additional income of £100k per year, which we would budget to see the benefit of this from 2021/22 onwards.

6.2 *Therefore in accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the recommended Dwelling Rent for 2020/21 <u>for new tenants only</u> will be an increase of CPI+1% plus an additional <u>5% for general needs</u> to the average weekly rent, from £80.87 per week to £87.21 per week.*

6.3 *Therefore in accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the recommended Dwelling Rent for 2020/21 <u>for new tenants only</u> will be an increase of CPI+1% plus an additional <u>10% for sheltered/supported and extra care</u> dwelling rents to the average weekly rent, from £80.87 per week to £91.36 per week.*

6.3.1 Whilst in the past the Council did not apply such tolerances, the Council now has an increasingly important role to play in providing great homes for local communities. This will require having the necessary rental income with which to fund the maintenance and management of existing homes, whilst also supporting the delivery of new homes and to supporting tenants within their communities. This is emphasised and explained further within the Business Plan and Rent Policy.

6.3.2 This ability to increase rents also enables the Council to play catch-up following the last 4 years imposed 1% reduction in rents. Table 3 below shows what the average weekly rent would have been if rents had been increased by 1% or 2% each year from a base line of 2015/16 (e.g. before the 4 year 1% rent reduction was imposed).

Table 3 – Average Weekly Rents Comparison

	Baseline	1% reduction each year for 4 years				CPI+1% for 5 years				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2020/22	2020/23	2020/24	2020/25
Actual / Proposed	84.15	83.32	82.50	81.68	80.87	83.05	85.30	87.60	89.96	92.39
If increased by 1%	84.15	85.00	85.85	86.70	87.57	88.45	89.33	90.22	91.13	92.04
If increased by CPI at 2%	84.15	85.84	87.55	89.30	91.09	92.91	94.77	96.67	98.60	100.57

6.3.3 Therefore where options are presented to increase rents within the boundaries of national policies these should be considered carefully. These decisions will have a long term impact on the 30-year Business Plan, with regards to the affordability of operating the service, planned capital investment, and meeting debt repayment obligations.

6.3.4 **Void Loss**: Rent lost through void periods continue to be lower than the 2% allowed in the original Business Plan. Therefore it has been deemed appropriate to reduce the expected void rate to 1.25% for a five year period, reducing to 1% thereafter, and to also consider voids as a result of regeneration needs.

6.4 Non-Dwelling Rental Income and Service Charges Income

6.4.1 This incorporates income from non-dwelling rents (mainly garages but also shops, land access and meeting halls), charges for services and facilities, and contributions to HRA costs from leaseholders and council tenants. This accounts for approximately 8% (c£2m) of total HRA income.

6.4.2 **Service Charges**: Housing Service Charges are made to housing tenants for the services that they use. Service Charges are set locally each year and are in addition to the Rent Charges.

6.4.3 Charges to leaseholders will continue to be based on actual costs incurred.

6.4.4 The Government issued a direction to the Regulator of Social Housing to set a new Rent Standard to be effective from April 2020. The proposed Policy Statement recommends registered providers should endeavour to keep increases for service charges within the limit on rent changes, of CPI+1%, to help keep charges affordable. The September 2019 CPI figure is 1.7% as published by the Office for National Statistics on the 16 October 2019.

6.4.5 The Council is proposing to increase service charges by CPI+1% for 2020/21, as shown in Appendix B - Table 1 and 2, to ensure they remain affordable for the tenants.

6.4.6 **Garage Rents**: The proposal is to increase garage rents for private tenants and owner occupier so that they are in line with the open market value rental rate at £12 (including VAT) per week for 2020/21. Thereafter, these will be increased on an annual basis using CPI+1%. The increase for garage rents for council tenants will be CPI+1%. Please see Appendix B - Table 3.

6.4.7 This means for council tenants the weekly rent will increase from £6.37 per week to £6.54 per week – an increase of £0.17 per week or 2.7% (last year 3.3%). For private tenants and owner occupiers the weekly rent will increase from £10.32 (including VAT) per week to £12 per week (including VAT) – an increase of £1.68 per week or 16.3% (last year 3.3%). This equates to additional income of approximately £54k.

6.4.8 **Meeting Halls**: The fees levied for 2020/21 for meeting room hire will be increased by CPI+1% and then rounded to the nearest 10p as requested by tenants during feedback provided in 2017/18. Please see Appendix B - Table 4.

6.4.9 **Guest Rooms**: The fees levied for 2020/21 for meeting room hire will be increased by CPI+1% and then rounded to the nearest 50p as requested by tenants during feedback provided in 2017/18. Please see Appendix B - Table 5.

6.4.10 **Temporary Accommodation:** The fee for temporary accommodation is broken down into two elements: the licence fee and the service charge. The proposed licence fee and service charge for 2020/21 are summarised in Appendix B – Table 6.

6.4.11 **Licence Fee**: Whilst the Housing Benefit (HB) subsidy is regulated, the amount social landlords can charge for temporary accommodation is not. Temporary accommodation is also exempt from the new Rent Standard. The proposal for 2020/21 is to continue setting the temporary accommodation licence fee at 100% of the permitted Local Housing Allowance (LHA) ordinary rate as of April 2020.

6.4.12 The LHA for 2020/21 will not be published until approximately January 2020, so therefore the rates shown in table 6 state the current 2019/20 LHA rates and these will change in accordance with the rates officially published by the LHA.

6.4.13 This will result in an increase of £1.56 per week on a 3 bedroom, a £0.98 per week on a 2 bedroom and a £0.12 per week increase on either a 1 bedroom or studio.

6.4.14 **Service Charge**: The proposal for 2020/21 is to increase service charges by CPI+1%.

6.4.15 **Exceptions**: Charges for properties not on mains sewerage. These properties charges for sewerage will be increased in line with the Wessex Water increases for 2020/21 once known. Wessex Water rates for sewerage standing charge per annum and poundage charges are used in the system calculation. For 2019/20 these are £7.00 per annum for unmetered sewerage standing charge and £1.6379 for the poundage charge payable per £ of rateable value of the property. Wessex Water will publish their new charges in February 2020 (available from their website) for 2020/21.

7 Housing Revenue Account Capital Programme for 2020/21

7.1 The HRA 2020 Business Plan proposes significant levels of capital investment to deliver the aspiration of 1000 new homes within the next 30 years whilst maintaining a decent homes standard.

7.2 The HRA Capital Programme for 2020/21, that will deliver the capital investment proposed within the Business Plan, is shown in table 4 below.

7.3 The 5-Year HRA Capital Programme from 2020/21 to 2024/25, that will deliver the capital investment proposed within the Business Plan, is shown in Appendix C.

7.4 This report does not include social housing development schemes that have been previously approved where the spending is planned to be incurred in 2020/21 onwards, for example North Taunton Regeneration.

Table 4: HRA Capital Programme for 2020/21

Capital Investment	**Total Cost £000**
Major Works	5,379
Improvements	2,150
Related Assets	100
Exceptional Extensive	350
Disabled Adaptations	300
Vehicles	121
ICT	546
Social Housing	6,898
Total Proposed HRA Capital Programme 2020/21	**15,844**

7.5 The estimated capital investment per scheme and the scheme itself is explained in more detail below. Whilst Officers have estimated the planned spend based on information currently available to them, these estimates are subject to change depending on contract negotiations, contractor availability, demand on the business, the condition of voids returned to the council and changing business priorities. Therefore any changes to the profile of spend between schemes will be subject to approval by the Housing Director and the Housing Portfolio Holder, and reported as part of the 4-monthly budget monitoring reports.

7.6 It is proposed that the HRA Capital Programme for 2020/21 shown above in table 4 will be funded from an appropriate combination of Major Repairs Reserves (from depreciation), revenue contributions (RCCO), capital receipts (Right to Buy), capital grants and borrowing.

7.7 A summary of the estimated funding profile for the 2020/21 capital programme is shown in the table 5 below. The final funding profile will be agreed by the Section 151 Officer as per the financial procedure rules.

Table 5: Capital Investment Funding Estimates

Capital Investment	Total Funding £000
Major Repairs Reserve	6,759
Revenue (RCCO)	0
Capital (RTB) Receipts	2,069
Capital Grant Receipts	187
Borrowing	6,829
TOTAL Funding	**15,844**

7.8 **Major Works**

7.8.1 These schemes will be focusing on ensuring that a decent homes standard is maintained and that the housing stock major components are replaced periodically as per our capital works programme for 2020/21. This will also include unplanned major works on voids where the property is returned in a poor condition and requires a full re-work ahead of the capital works programme.

7.8.2 The Major Works capital programme will be broken down into component schemes, with table 6 below showing the estimated amount to be spent on each scheme.

Table 6: Major Works

Capital Scheme	Total Cost £000
Kitchens	100
Bathrooms	100
Roofing	50
Windows	1,000
Heating (Open Vented)	1,050
Doors	100
Fasciae and Soffits	750
Door Entry Systems	400
Voids Kitchens and Bathrooms	150
Drainage	50
Scaffolding	979
Heating for Warmer Homes	262
Insulation	388
Total	**5,379**

7.9 **Improvements**

7.10 The Improvements capital programme will be focusing on ongoing fire safety works and ensuring all housing stock continues to adhere to the fire safety regulations. The one-off fire safety works will focus on the replacement of key components.

7.10.1 The Improvements capital programme will be broken down into component schemes, with table 7 below showing the estimate amount to be spent on each scheme.

Table 7: Improvements

Capital Scheme	Total Cost £000
Fire Safety (ongoing)	150
Fire Safety (one off)	2,000
Total	**2,150**

7.11 **Related Assets**

7.11.1 The Council also owns a number of related assets in addition to the housing stock. These include garages, meeting / community halls and shops. The proposed capital investment of £100k will ensure that these assets are maintained as required.

7.12 **Exceptional Extensive Works**

7.12.1 This capital investment of £350k will be used primarily for asbestos removal and works to the Council's non-traditional properties.

7.13 **Disabled Facilities and Aids and Adaptations**

7.13.1 This is an annual recurring budget for small and large scale home aids and adaptations in tenants' homes where there are mobility issues. This budget is demand led by requests from tenants or through recommendations by occupational therapists or other healthcare professionals. Applications are made through the Somerset West Private Sector Housing Partnership.

7.13.2 The demand for adaptations has been historically lower than budget and provision has been made in the 2020 Business Plan to reduce this to £300k per annum. This will be achieved with a number of steps being taken, such as moving towards more cost effective installations of wet floor shower rooms through a new fixed price contract; switching from concrete ramps to better value metal modular ramps; and a move toward stairlift loans and recycling, rather than purchases. These measures will ensure that the service stays within reduced budgets without impacting tenants.

7.14 **Vehicles**

7.14.1 The service uses a combination of both owned and leased vehicles depending on the complex nature of the vehicle requirements, to deliver services to our tenants. This capital investment of £121k per year is to cover the replacement cost of owned vehicles on a cyclical basis.

7.15 **IT Systems and Software Improvements**

7.15.1 There are a number of business critical IT systems and software applications used to run the HRA. These include Academy, Open Contractor, Codeman, Abritas and e5. This capital investment of £546k is to support the Housing Technology Programme which is planning to deliver the replacement of Academy into the Open Housing as well as the

implementation of Open Assets.

7.15.2 The HRA will also need to fund a share of the future corporate technology change programme which includes renewing contracts / licence agreements and upgrading to Microsoft 365, as well as e5 contractual upgrades and the implementation of new accounts payable invoicing software.

7.15.3 All of the above will also require IT infrastructure upgrades to add additional server capacity into the data centre to allow us to create the new services that these projects required.

7.16 **Social Housing Development**

7.16.1 A budget of £6.898m has been included within the capital programme as a back stop to ensure that we are able to meet our total spend requirements for 2020/21 under the RTB "1-4-1 Agreement" (explained in section 9 below). This would be funded 30% from retained RTB capital receipts.

7.16.2 This equates to approximately 42 new social housing units and directly delivers on the aspiration for an additional 500 homes in the next 10 years

7.16.3 There are a number of individual social housing schemes that are currently being developed. As individual schemes are presented to Full Council for approval, the need for the notional amount of £6.898m would reduce as RTB spend is met through specific schemes.

8 **HRA Borrowing**

8.1 In 2012 the Council took out additional external borrowing of £85.198m as part of the self-financing settlement with the Government. This meant that the total debt owed by the HRA at the start of self-financing was £99.649m (which included £9m of pre self-financing loans and £5.451m of internal borrowing).

8.2 As part of the self-financing agreement, an individual housing revenue borrowing cap of £116m was implemented for TDBC. This meant that the HRA was unable to exceed capital borrowing of £116m within the HRA Business Plan. Although the Government abolished the HRA Debt Cap in October 2018, it is proposed to set a prudent debt cap for the HRA.

8.3 The total capital borrowing requirement (debt balance) owed by the HRA at the start of 2019/20 was £103m.

8.4 The HRA 2020 Business Plan assumes that there will be a significant increase in new borrowing over the next 10 years to meet the increased ambitions for capital investment. This will result in additional cost pressures to cover the financing of this new investment and refinancing of existing loans.

8.5 The budgeted annual provision of £1.821m for the repayment of debt will be used to repay existing debt, finance any new external borrowings as required or to reduce the year-on-year capital financing requirement. Any surplus funds from the revenue account will be used to protect reserves in the first instance but will then be used to reduce future

capital financing requirements.

8.6 Whilst this report is focusing on the budget for year 1 of the HRA 2020 30-Year Business Plan, it is important to consider the impact that decisions taken now have on the entirety of the plan, for example the cumulative impact of future rental income and the future financing requirements of borrowings.

8.7 The one-off application of the rent flexibility allowance for new tenants only, if approved, will provide more headroom against our internal debt cap which means that there is less risk and more interest cover available, and enables the Business Plan to deliver the new build aspirations and reduce debt back down to approximately £129m over the 30 years.

8.8 The S151 Officer is working with Arlingclose, the Council's Treasury advisors, on how best to refinance the existing loans as they fall due over the next 10 years and how to take out new external borrowing to fund approved schemes such as the North Taunton Regeneration scheme, in a way that minimises debt costs and risk.

8.9 The funding and cash flow implications of the HRA 2020 Business Plan will be managed in line with the Council's Capital, Investment and Treasury Strategies which is approved alongside the annual budget each year.

9 Right to Buy (RTB) Receipts

9.1 The RTB scheme is a government scheme that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The scheme saw the maximum discount increase significantly in 2012 to up to £75,000 followed by a steady increase year on year to up to £82,800 in April 2019.

9.2 Taunton Deane Borough Council signed up to a "1-4-1 Agreement" with the Treasury/MHCLG to retain a higher proportion of RTB the additional receipts on the proviso, and agreed that these receipts would be used to fund new social housing. This agreement continues now under SWT until such time as the Council decides to opt out. Only a small percentage of receipts from RTB sales are retained by the Council. These additional RTB receipts can only account for 30% of spend on new social housing costs, with the remaining 70% coming from other funds such as revenue funding or borrowing.

9.3 The RTB receipts cannot be used in the same scheme as other Government funding such as grants from Homes England. They must also be spent within three years of the capital receipt, or must be returned to Government with interest at 4% over base rate from the date of the original receipt. Receipts can be returned to Government in the quarter in which they are received with no interest payable.

9.4 Alternatively, the 30% RTB funding could be granted to and used by Housing Associations in the area, providing they meet the same match funding requirements. The new housing doesn't need to be provided by the Council.

9.5 To date, the Council has successfully spent all of their retained 1-4-1 receipts resulting in no returns being made to the Treasury/MHCLG.

9.6 **RTB Receipts Year to Date**: Table 8 below shows the number of RTB sales, the total (capital) receipts received under the new RTB discount scheme, the Council retained 1-4-1 receipts to be used for new social housing, and the total amount that would need to be spent by the Council in order to fully retain them.

Table 8: Right to Buy Receipts

	Total 2012/13	Total 2013/14	Total 2014/15	Total 2015/16	Total 2016/17	Total 2017/18	Total 2018/19
Sales	37	47	35	38	44	53	34
Total Receipts (£k)	2,330	2,705	2,317	2,666	3,568	3,971	2,576
1-4-1 Receipts (£k)	1,234	1,230	1,005	1,193	1,864	2,069	1,149
1-4-1 Receipts Spend - Per Year (£k)				1,234	1,230	1,005	1,193
Match Funding Spend - Per Year (£k)				2,879	2,871	2,345	2,783
Total Spend Required - Per Year (£k)	**-**	**-**	**-**	**4,112**	**4,102**	**3,350**	**3,976**
Total Spend Required - Cumulative (£k)	-	-	-	4,112	8,214	11,563	15,539
Average number of units per year				25	25	20	24

	Total 2019/20	Total 2020/21	Total 2021/22	Total 2022/23
Sales	35	32	32	32
Total Receipts (£k)	2,317	2,576	2,576	2,576
1-4-1 Receipts (£k)	1,005	1,149	1,149	1,149
1-4-1 Receipts Spend - Per Year (£k)	1,864	2,069	1,149	1,005
Match Funding Spend - Per Year (£k)	4,349	4,829	2,681	2,345
Total Spend Required - Per Year (£k)	**6,213**	**6,898**	**3,830**	**3,350**
Total Spend Required - Cumulative (£k)	21,752	28,650	32,480	35,829
Average number of units per year	38	42	23	20

[Note that the grey data is estimated.]

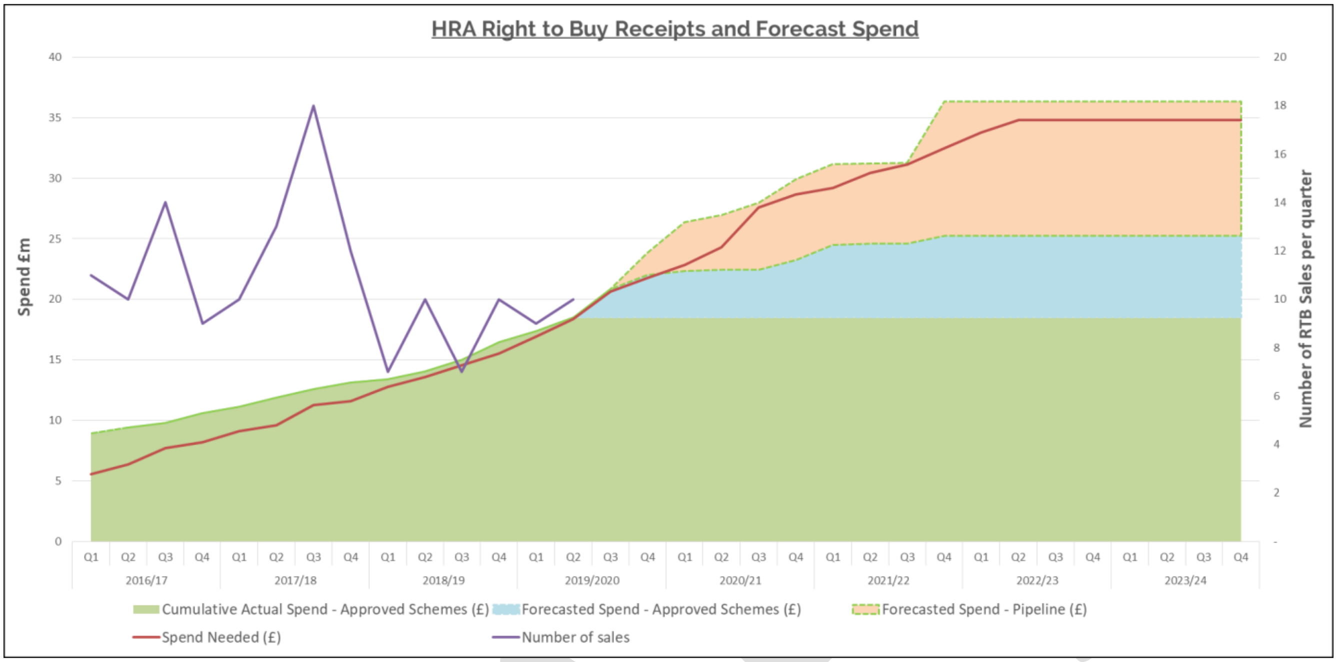
9.7 **Forecast Spend of RTB Receipts**: The spend year to date and the current forecast spend can be shown in graph 1 below. The estimated spend on approved schemes, such as Outer Circle and Laxton Road, together with additional open market buybacks, will be sufficient to meet the RTB match funding requirements to quarter 4 of 2019/20.

9.8 Looking forwards over the next three years, there are a number of new build and off-the-shelf buybacks being investigated that, if approved by Full Council, together with a minimal amount of open market buybacks, will see our RTB match funding requirements achieved for the next three years.

9.9 This will support the aspiration for an additional 1000 homes in the next 30 years, being able to achieve this with 30% match funding from RTB Receipts, whilst ensuring we do not have to return our RTB receipts (plus interest) back to the Government.

9.10 However this will require significant borrowing, which is now possible since the removal of the debt cap, and will have to be managed carefully within the overall 2020 Business Plan to ensure that the revenue account can fund the interest payments and principal loan repayment.

Graph 1: Right to Buy Receipts and Forecast Spend



10 Links to Corporate Strategy

10.1 The budget proposals for 2020/21 have been prepared in line with the HRA 2020 Business Plan and newly adopted Corporate Strategy[2].

11 Finance / Resource Implications

11.1 This is a finance report and therefore no further finance comments are required.

12 Legal Implications

12.1 The HRA is governed by the following legislations:

- Housing Act 1985 (Part II)
- Housing Act 1988
- Local Government and Housing Act 1989 (section 74)
- Local Government Act 2003
- Localism Act 2011

12.2 The introduction of the Local Government and Housing Act 1989 meant that the HRA was now required to become a 'ring-fenced' account, completely separated from the GF. As a consequence local authorities can only include items in the HRA for which there is statutory provision, and transfers of income and expenditure between the HRA and the General Fund are only allowed in very specific circumstances. In essence, rents cannot be subsidised by transfers from the General Fund, and Council Tax cannot be subsidised by transfers from the HRA.

[2] https://www.somersetwestandtaunton.gov.uk/your-council/corporate-strategy/

12.3 The introduction of the Localism Act 2011 reformed local authority housing financing with the abolition of the national subsidy system and a move to ‘self-financing’ from April 2012. This meant that local authority housing revenue accounts are able to retain all rental income to meet the costs of managing and maintaining their housing stock.

13 Climate and Sustainability Implications

13.1 As part of the HRA 2020 Business Plan review a “Strategic Asset Investment Proposal For Housing In Relation to Achieving Affordable Warmth & Carbon Neutrality (Retrofit Strategy)” report was commissioned. This report was produced to inform the Council on how they could achieve carbon neutrality within the housing stock by 2050 as recommended within the “SWT Carbon Neutrality and Climate Resilience Plan”.

13.2 As part of the Major Works capital programme, the HRA will be looking to replace components in a thermally efficient way where possible, for example installing air source heat pumps, external wall insulation and thermally efficient windows.

14 Safeguarding and/or Community Safety Implications

14.1 The HRA has an ongoing responsibility for the safeguarding of vulnerable people within its communities. There are no changes proposed within this report.

15 Equality and Diversity Implications

15.1 The Housing Specialist has assessed the proposals presented within this report as driven by the HRA 2020 Business Plan and Rent Policy. An equality impact assessment form can be found in Appendix D.

16 Social Value Implications

16.1 Our approach to social value will encompass the full procurement and commissioning cycles, service planning and review, decision making and policy development as described in the Council’s Social Value Statement (Social Value within Procurement - June 2018).

17 Partnership Implications

17.1 The HRA budget includes significant expenditure on services provided by MIND, citizen’s advice, Inspire to Achieve, Taunton East Development Trust, North Taunton and Wiveliscombe Area partnership.

18 Health and Wellbeing Implications

18.1 None for the purposes of this report. Any relevant information and decisions with regard to health and wellbeing will be reported as these emerge through the financial planning process.

19 Asset Management Implications

19.1 This report includes a section relating to the capital programme for 2020/21 and therefore no further comments are required.

20 Data Protection Implications

20.1 None for the purposes of this report.

21 Consultation Implications

21.1 Consultation will be undertaken with tenants through the Strategic Tenants Board.

22 Scrutiny Comments / Recommendation(s)

22.1 Due to the timing of publishing the report for the Executive Committee meeting on 22 January, a verbal update will be provided on any comments and/or recommendations arising from the Strategic Tenants Board and Scrutiny Committee.

Democratic Path:

Committee / Board	Yes / No	Date
Informal Executive	Yes	6 Jan 2020
Strategic Tenants Board	Yes	15 Jan 2020
All Members Briefing	Yes	16 Jan 2020
Scrutiny	Yes	20 Jan 2020
Executive	Yes	22 Jan 2020
Full Council	Yes	19 Feb 2020

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	HRA Revenue Budget and Medium Term Financial Plan
Appendix B	Proposed Fees and Charges 2020/21
Appendix C	Five Year Capital Programme
Appendix D	Equality Impact Assessment Form

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APPENDIX A

HRA Revenue Budget for 2020/21 and Medium Term Financial Plan

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Dwelling Rents	(24,013)	(24,225)	(24,979)	(25,779)	(26,558)	(27,442)
Non Dwelling Rents	(649)	(719)	(734)	(750)	(765)	(781)
Service Charges	(1,424)	(1,457)	(1,495)	(1,534)	(1,574)	(1,615)
Other Income	(132)	(371)	(366)	(361)	(355)	(354)
Total Income	**(26,217)**	**(26,773)**	**(27,575)**	**(28,423)**	**(29,252)**	**(30,192)**
Expenditure						
Repairs and Maintenance	3,549	3,617	3,722	3,796	3,872	3,950
Management	8,492	7,649	7,834	8,023	8,216	8,415
Rents and Rates	484	320	328	336	345	354
Special Management	1,187	3,394	3,079	3,076	3,147	3,220
Bad Debt Provision	60	180	186	128	131	135
Debt Management Expenses	9	-	-	-	-	-
Total Expenditure	**13,780**	**15,160**	**15,148**	**15,359**	**15,712**	**16,074**
Other Expenditure						
Depreciation - dwellings	6,346	6,790	6,920	7,053	7,189	7,327
Depreciation - non dwellings	176	210	214	217	220	223
RCCO	250	-	-	-	-	-
Contribution to CDC	229	229	229	229	229	229
Interest Payable	2,619	2,745	3,877	4,124	4,353	4,503
Investment Income	(70)	-	-	-	-	-
Social Housing Development Func	1,170	-	-	-	-	-
Provision for repayment of debt	1,821	1,821	1,187	1,441	1,550	1,836
Movement in Reserves	(104)	(183)	-	-	-	-
Total Other	**12,437**	**11,613**	**12,427**	**13,065**	**13,540**	**14,119**
Total - (surplus) / deficit	**-**	**-**	**-**	**-**	**-**	**-**

APPENDIX B

Proposed Fees and Charges 2020/21

Displayed below is the table of fees and charges, comparing 2019/20 to 2020/21 indicative prices (CPI of 1.7% + 1% has been applied).

Housing Service Charges		**Actual 2019/20**	**% increase**	**Actual 2020/21**
Table 1: Service Charges (VAT not applicable) – Per Week				
Communal areas		£0.65	CPI+1%	£0.67
Grounds maintenance		£1.90	CPI+1%	£1.95
Heating charge (Broomfield House only)		£5.23	CPI+1%	£5.37
Laundry charge (Broomfield House only)		£1.59	CPI+1%	£1.63
Table 2: Combined Service Charges (VAT not applicable) – Per Week				
Sheltered Housing Service Charge		£11.96	CPI+1%	£12.28
Sheltered Piper Charge		£5.05	CPI+1%	£5.19
Extra Care Housing Service Charge		£22.44	CPI+1%	£23.05
Extra Care Piper Charge		£5.84	CPI+1%	£6.00
Table 3: Garage Rents - Per Week				
Council Tenants (VAT not applicable)		£6.37	CPI+1%	£6.54
Private Tenants and Owner Occupiers (exc. VAT)		£8.60	16.3%	£10.00
Private Tenants and Owner Occupiers (inc. VAT)		£10.32	16.3%	£12.00
Table 4: Hire Charges for Sheltered Scheme Meeting Halls (ex VAT)				
First hour		£10.80	CPI+1%	£11.10
Each half hour thereafter		£5.40	CPI+1%	£5.60
6 hours plus		£64.40	CPI+1%	£66.20
Total charge for residents in a scheme and community organisations		£14.80	CPI+1%	£15.20
Table 5: Hire Charges for Sheltered Scheme Guest Rooms (ex VAT) **Tauntfield, Middleway, Hope Corner Lane, Kilkenny and Lodge**				
No. of nights per person -1st night per person per night		£22.00	CPI+1%	£23.00
No. of nights per person -2		£32.00	CPI+1%	£33.00
No. of nights per person -3		£43.00	CPI+1%	£44.50
No. of nights per person -4		£54.00	CPI+1%	£55.50
No. of nights per person -5		£64.00	CPI+1%	£66.00
No. of nights per person -6		£75.50	CPI+1%	£78.00
No. of nights per person -7		£86.00	CPI+1%	£88.50

APPENDIX B (CONT.)

Table 6: Temporary Accommodation (rent per day, VAT not applicable)	**Daily Service Charge 2019/20**	**Gross Daily Licence Fee & Service Charge 2019/20**	**Daily Service Charge 2020/21**	**Gross Daily Licence Fee & Service Charge 2020/21**
9b School Road (2 bedroom)	£1.00	£17.31	£1.03	£18.29
57 Priory (3 bedroom)	£1.26	£20.54	£1.29	£22.10
40 Humphreys Road (2 bedroom)	£1.00	£17.31	£1.03	£18.29
1 Gay Street (2 bedroom)	£1.00	£17.31	£1.03	£18.29
10 Duke Street (3 bedroom)	£1.26	£20.54	£1.29	£22.10
12 Moorland Close annex (1 bedroom)	n/a	n/a	£0.77	£13.92
Outer Circle				
96 Outer Circle (2 bedroom)	£1.00	£17.31	£1.03	£18.29
113 (studio)	£0.75	£13.80	£0.77	£13.92
113a (studio)	£0.75	£13.80	£0.77	£13.92
115 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
115a (3 bedroom)	£1.26	£20.54	£1.29	£22.10
119 (studio)	£0.75	£13.80	£0.77	£13.92
119a (studio)	£0.75	£13.80	£0.77	£13.92
Snedden Grove				
Unit 1 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 2 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 3 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 4 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
Unit 5 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
Unit 6 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 7 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
Unit 8 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Wheatley Crescent				
5a (2 bedroom)	£1.00	£17.31	£1.03	£18.29
30 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
32 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
34 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
36 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
Howard Road (Magna)				
43a (1 bedroom)	n/a	£13.05	n/a	£13.15
43b (1 bedroom)	n/a	£13.05	n/a	£13.15
43c (1 bedroom)	n/a	£13.05	n/a	£13.15
43d (1 bedroom)	n/a	£13.05	n/a	£13.15

Discounts
Discounts do not apply to service charges.

APPENDIX C

HRA Five Year Capital Programme from 2020/21

<u>**HRA Capital Programme**</u>	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Major Works	5,379	5,379	5,379	5,379	5,379
Improvements / Fire Safety	2,150	150	150	150	150
Related Assets	100	100	100	100	100
Exceptional Extensive	350	350	350	350	350
Disabled Adaptations	300	300	300	300	300
Vehicles	121	121	121	121	121
ICT	546	-	-	-	-
Total	**8,946**	**6,400**	**6,400**	**6,400**	**6,400**

APPENDIX D

Equality Impact Assessment Form

Somerset Equality Impact Assessment

Organisation prepared for	Somerset West and Taunton Council		
Version	1	**Date Completed**	January 2020
Description of what is being impact assessed			

<u>Somerset West and Taunton Council (SWT) Housing Revenue Account (HRA) Business Plan 2020 – 2050</u>

The strategic objectives of the business plan are to: Deliver more new homes; Provide great customer service; and Improve existing homes and neighbourhood.

<u>HRA budget setting 2020/21</u>

The HRA budget setting report enables the council to set a balanced budget for 2020/21 that reflects SWT's HRA business plan and takes into account councillor's priorities. The report provides an overview of the finances for the HRA. It covers both HRA revenue and housing capital spending, highlighting the inter-relationships between the two.

<u>Council housing rent setting policy from April 2020 for a period of up to 5 years</u>

To ensure continued investment in the management, maintenance and development of council housing stock to ensure the needs of existing and potential tenants are met, and to provide enhanced support for families and communities experiencing hardship.

HRA fees and charges for 2020/2021

To increase the fees and charges from April 2020 for the HRA to ensure sufficient financial resources are in place to deliver the services.

Evidence

What data/information have you used to assess how this policy/service might impact on protected groups? Sources such as the Office of National Statistics, Somerset Intelligence Partnership, Somerset's Joint Strategic Needs Analysis (JSNA), Staff and/ or area profiles,, should be detailed here

Data:

Major changes in national housing finance and housing policy – 2019/20

Somerset West and Taunton's Corporate Strategy 2020 – 2024

The most current available data on our tenants and our housing stock.

(Note: Further work will continue in this area as tenant engagement resources are increased)

Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?

Engagement:

Consultation and regular meetings with the SWT Tenants Strategic Board during 2019/20

Wider engagement with councillors in the development of the HRA Business Plan 2020–2050 throughout 2019/20

Analysis of impact on protected groups				
The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.				
Protected group	**Summary of impact**	**Negative outcome**	**Neutral outcome**	**Positive outcome**
Age	People will benefit from the overall investment in council housing. The increased choice of affordable housing type, size and tenure provides housing options for all age groups. Improvements in energy efficiency will help to protect tenants, whatever their age or the hardships they experience, from fuel poverty. The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services. Note: A total of 3,265 (58%) of our existing tenants are in receipt of help with housing costs i.e. Housing Benefit or Universal Credit. The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.	☐	☒	☒

	Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing.			
Disability	People will benefit from the overall investment in council housing. Specific provision for a range of new adapted properties will be made to provide a housing choice for those with a disability. Eligible tenants will particularly benefit from the provision of disabled adaptations (major and minor) to existing council housing.	☐	☐	☒
Gender reassignment	People will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Marriage and civil partnership	People will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Pregnancy and maternity	People will benefit from the overall investment in council housing. Within the business plan there is potential for investment in better quality and additional family housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒

Race and ethnicity	People will benefit from the overall investment in council housing. Wider tenant participation and engagement will increase the proportion of tenants providing feedback to inform service improvements. Any proposed re-development of the housing stock could potentially have a negative impact on a specific group of tenants, depending upon the location. Communication about the business plan may not fully reach those for whom English is not their first language.	☒	☒	☒
Religion or belief	People will benefit from the overall investment in council housing. Developing and supporting staff to provide great customer service will ensure appropriate and sensitive services are delivered to the religious or belief requirements of tenants. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Sex	People will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Sexual orientation	People will benefit from the overall investment in council housing. Investment in our communities will ensure information about our services is accessible so that people can benefit from all our activities. People experiencing alarm, distress and harassment will benefit from investment being made into providing great customer services which will be community inclusive.	☐	☐	☒

	There is not expected to be any particular negative impact on this specific group.			
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	Property lettings will be allocated via the choice based lettings system - Homefinder Somerset, which has equality and diversity policies in place to ensure protected groups are not disadvantaged. The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services. The application of rent tolerances for certain individual properties will take account of local factors and concerns, in consultation with tenants. To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income: • Publish clear information on rent which helps tenants to manage their own finances; • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim.	☐	☒	☒

	The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.			

Negative outcomes action plan
Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing. We will communicate with all tenants to explain any significant changes affecting them and what we are investing in.	2020 - ongoing	Case Management Leads	Regular meetings and wider engagement with stakeholders.	☐
There is potential to alienate specific ethnic groups when housing is identified for regeneration/redevelopment. We will consider re-supply of appropriate housing to meet the needs of ethnic groups as part of any future regeneration/ redevelopment.	2020 - ongoing	Development and Regeneration Lead	Regular meetings and wider engagement with stakeholders.	☐
Those for whom English is not their first language are not made fully aware of changes. We will offer translation of communication into alternative languages. We will engage with minority groups using existing tenant involvement channels.	2020 - ongoing	Case Management Leads	Regular meetings and wider engagement with stakeholders.	☐
There is potential to alienate religious or belief groups when housing is identified for regeneration/redevelopment. We	2020 - ongoing	Development and	Regular meetings and	☐

will consider re-supply of appropriate housing to meet the needs of any religious or belief groups as part of any future regeneration/redevelopment scheme.		Regeneration Lead	wider engagement with stakeholders.	
The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into in our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services. To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income: • Publish clear information on rent which helps tenants to manage their own finances; • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim. As the report states, it is acknowledged that there may be an increase in the level of rent arrears. The proposed budgets for rental income in 2020/21 make a provision for an increase in arrears/bad debt.	2020 – onging 2020/21	Case Management Leads Case Management Lead – Finance	Regular meetings and wider engagement with stakeholders. Regular meetings. Annual review of the HRA financial model.	☐

The impact of both investment prioritisation and improvements to service delivery will be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan.	2021 – ongoing	Director of Housing	Annual review of the HRA business plan.	

If negative impacts remain, please provide an explanation below.

Completed by:	Stephen Boland
Date	7th January 2020
Signed off by:	
Date	January 2020
Equality Lead/Manager sign off date:	
To be reviewed by: (officer name)	Stephen Boland
Review date:	31st March 2021

*Governance Team to populate Report number: Report Number: SWT */19*

Report Version No:	***1/2/3/4/5 etc.***
REPORT SIGNED OFF BY?	***Date:***
1) Service Manager	***YES***~~*/NO/TBC – dd/mm/yyyy*~~
2) Legal	~~*YES/*~~**NO**~~*/TBC – dd/mm/yyyy*~~
3) Finance/s151	***YES***~~*/NO/TBC – dd/mm/yyyy*~~
4) Head of Function/SLT	***YES***~~*/NO/TBC – dd/mm/yyyy*~~
5) Governance Team	***YES***~~*/NO/TBC – dd/mm/yyyy*~~

Somerset West and Taunton

Strategic Tenants Board – 15 January 2020
Scrutiny Committee – 20 January 2020

Housing Revenue Account (HRA) Budget Estimates 2020/21 (Including Rent Setting and Fees and Charges)

This matter is the responsibility of Executive Councillor Francesca Smith

Report Author: Kerry Prisco, Finance Specialist

1 Executive Summary

1.1 This report updates Members on the proposed HRA Annual Revenue Budget and Capital Programme for 2020/21, the proposed Rent Setting for the average weekly rent for 2020/21 and the proposed Fees and Charges for 2020/21.

1.2 The proposals included in this report would enable the Council to set a balanced budget for the HRA for 2020/21.

2 Recommendations

2.1 Members are invited to consider and support the following proposed recommendations to the Executive and Full Council:

2.2 In accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the Dwelling Rent for 2020/21 for existing tenants will be an increase of CPI+1% to the average weekly rent, from £80.87 per week to £83.05 per week.

2.3 In accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the Dwelling Rent for 2020/21 for new tenants only will be an increase of CPI+1% plus an additional 5% for general needs to the average weekly rent, from £80.87 per week to £87.21 per week.

2.4 In accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the Dwelling Rent for 2020/21 for new tenants only will be an increase of CPI+1% plus an additional 10% for sheltered/supported and extra care dwelling rents to the average weekly rent, from £80.87 per week to £91.36 per week.

2.5 To increase non-dwelling rent and service charges in line with national policy by CPI+1% for 2020/21, with the exception of garages for private and shared ownerships tenants which would increase from £10.32 (including VAT) to £12.00 (including VAT).

2.6 To approve the HRA Annual Revenue Budget for 2020/21.

2.7 To approve the HRA Capital Programme for 2020/21.

3 Risk Assessment

3.1 The purpose of this section is to highlight the key external risks that may pose a threat to the successful delivery of the HRA 2020 Business Plan. The Council will need to be alert to the following issues:

3.2 Welfare Reform: The HRA has already taken steps to try and prevent loss of income where possible. The potential impact of existing and further welfare reform measures will need careful management in order to protect our rental income. Universal Credit remains the greatest potential risk to our income for us and most other providers.

3.3 Exiting the EU: The process of exiting the European Union remains in a state of uncertainty about what is exactly going to happen. This could affect the cost of goods/materials, services, development and funding.

3.4 Housing Policy: On the 14 August 2018 the government published its Social Housing Green Paper in response to the tragedy at Grenfell Tower. Whilst the initial consultation has now closed, we are still awaiting the outcome of this consultation and any regulatory changes that this may bring.

3.5 Independent Review of Building Regulations and Fire Safety: The final report sets out over 50 recommendations for government as to how to deliver a more robust regulatory system to ensure that the buildings residents live in are safe and remain so. We are awaiting the final regulatory changes, but know that the Council will need to respond to the evolving requirements following the tragedy at Grenfell Tower and incorporate any financial impacts into the Business Plan once known.

3.6 The Regulator of Social Housing has published (October 2019) their Sector Risk Profile[1] highlighting the common strategic and operational risks that pose a threat to housing providers.

4 Background

4.1 The purpose of this report is to present the proposed Housing Revenue Account (HRA) Annual Budget and Capital Programme for 2020/21, as well as the Rent Setting and the Fees and Charges proposals for 2020/21.

4.2 The HRA is a ring fenced account used to manage the Council's housing stock of some 5,700 properties, with the Council acting as the Landlord.

4.3 In April 2012, under the Localism Act 2011, the HRA (under the administration of Taunton Deane Borough Council (TDBC)) moved away from a national subsidy system (which required an annual payment from the HRA to Central Government) to become 'self-financing'. This enabled the Council to retain all rental income to meet the costs of managing and maintaining the housing stock, as well as meeting the interest payments and repayment of debt. As part of the self-financing agreement, a one-off payment of £85.198m was made to Government.

4.4 In order to manage the freedoms gained by the HRA through self-financing, a new 30-Year Business Plan (2012-2042) was introduced. This set out the Council's overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities.

4.5 The HRA Business Plan has been reviewed and updated annually since 2012, with a full review undertaken in 2016. In response to recent changes in national policies and local aspiration, another full and comprehensive 30-year Business Plan from 2020/21 onwards has recently been undertaken, with the support of consultants Savills, and can be found as a separate report called "HRA Business Plan Review". The key changes in revenue budget from 2019/20 to 2020/21 are summarised from paragraph 5.6 below.

4.6 The HRA continues to face a number of risks and uncertainties, many of which could be significant but the actual financial impact is not yet known. These are discussed in section 3 above.

4.7 As part of the self-financing agreement, an individual housing revenue borrowing cap of £116m was implemented for TDBC. This meant that the HRA was unable to exceed a capital borrowing requirement of £116m within the HRA Business Plan. In October 2018 this borrowing cap was officially removed.

5 The HRA 2020 Business Plan and Annual Revenue Budget for 2020/21

5.1 The 2020 Business Plan review was undertaken as a direct result of a number changes in both national policies and local aspiration; we have seen the debt cap removal in October 2018, the introduction of the Regulator of Social Housing's new Rent Standard

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[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/848158/Sector_Risk_Profile_2019.pdf

from April 2020 and a new Somerset Housing Strategy published in March 2019. The Grenfell tragedy has prioritised landlord compliance such as fire and safety, the declaration of a climate emergency and a new leadership aspiration to build 1000 new homes in 30 years.

5.2 The HRA 2020 Business Plan review was undertaken to assess the affordability and viability of these aspirational schemes and the financial impact of regulatory changes, to determine what schemes could actually be delivered and when.

5.3 The current assumptions within the Business Plan indicate that the new build aspirations are affordable and viable but require the maximisation of future rental income through the application of options available within the boundaries of national policy, as this will require significant capital investment and borrowing over the next 10 years.

5.4 The HRA 2020 Business Plan aims to deliver 1,000 new homes over the next 30 years with a net gain of 400 homes as a result of tenants purchasing their homes through estimated RTB sales.

5.5 In response to the HRA 2020 Business Plan, table 1 below provides a summary of the main proposed changes to the annual revenue budget estimates from 2019/20 to 2020/21.

5.6 A summary of the overall HRA Revenue Budget for 2020/21 and 5-year Medium Term Financial Plan (MTFP), as a result of planned changes within the HRA 2020 Business Plan and other changes, is included in Appendix A.

Table 1: HRA Budget Setting 2019/20 to 2020/21 Changes

	Reference Paragraph	**£'000**
Original Budget 2019/20 – balanced budget		
Income	5.8	(555)
Service Expenditure		
Repairs & Maintenance	5.11	(10)
Grounds Maintenance	5.12	78
Insurance	5.13	(145)
Management Costs – salaries	5.14	1,533
Management Costs – other	5.18	(97)
Efficiency Savings	5.19	(100)
Central Costs / Movement in Reserves		
Provision for Bad Debt	5.20	120
Interest Payable	5.22	126
Interest Receivable	5.24	70
Provision for Depreciation	5.25	229
Provision for Repayment of Borrowing	5.27	0

Revenue Contribution to Capital (SHDF)	5.28	(1,170)
Movement in Reserves	5.29	(79)
Proposed Original Budget for 2020/21 i.e. net transfer to reserves		**0**

5.7 The main changes include:

5.8 **Rental Income**: between April 2016 and March 2020 all social housing landlords were required to reduce the rent payable by tenants by 1% each year in accordance with the Welfare Reform and Work Act 2016 Social Rent Reduction. The introduction of the Regulator of Social Housing's new Rent Standard from April 2020 states that social housing landlords can now increase the rent payable by tenants by CPI+1% annually for a period of five years. This rate also applies to service charges. More information can be found in section 6 below.

5.9 It is also being proposed to apply "rent flexibility" from April 2020 which could generate approximately £100k in the first year. However the financial impact is not being budgeted for until 2021/22 due to the application of this rent flexibility to new tenants only.

5.10 This also includes a realignment of the RTB Admin Grant and GF Contribution under 'income' instead of 'expenditure'.

5.11 **Repairs & Maintenance**: an additional £50k has been included for Standard Assessment Procedure (SAP) energy performance certificates and stock validation as well as £42k to service 600 air source heat pumps. The repairs and maintenance service is also hoping to achieve a reduction in cost of £50k from contract savings and another £52k cost saving through the capitalisation of scaffolding costs.

5.12 **Grounds Maintenance Service Charges**: Tenants pay a weekly service charge towards the costs of maintaining the grounds around the area within which they live, for example grass cutting, shrub pruning, weeding, etc. The Service Level Agreement (SLA) for 2020/21 has been increased to £778k in line with the increase in the proposed Grounds Maintenance Service Charge from £1.90 to £1.95 per week.

5.13 **Insurance**: following an authority wide re-tender exercise for insurance premiums the new authority has been successful at significantly reducing their annual premiums. It is estimated that a saving against budget of £145k will be seen across the HRA including leaseholders, shops and meeting halls.

5.14 **Management Costs – salaries**: Following the Council decision to establish a structure of four Directorates, a new Housing staff structure will be implemented. Whilst most roles will "lift and shift" from the current structure some vacancies will arise where we require a new focus to meet the housing business objectives. The new structure contains growth and new emphasis in relation to development and regeneration to meet our current and future aspirations, along with landlord safety and compliance, tenant engagement and customer experience, performance and finance.

5.15 The Housing Directorate staff structure will incorporate direct staff costs relating to both the HRA and the general fund (GF) homeless function. The HRA will also receive the benefit of central support services delivered by staff in the GF, such as procurement, accounts payable, facilities management, HR/Payroll and finance, etc. The HRA will fund a proportion of these costs for the central support services received.

5.16 As reported to Full Council on the 3rd December 2019, the Council's leadership team identified ongoing financial pressures in order to protect service standards and maintain capacity whilst completing the safe delivery of expected service process efficiencies and greater customer access to self-service. The HRA will need to take on a share of these transition and service resilience cost pressures in year 1, but will see a cost reduction going forwards as the Council works to deliver the service process efficiencies. The HRA will also need to fund a share of the temporary staff delivering the corporate change programme.

5.17 In table 1 above you can see an increase in budget of £1.533m relating to staffing costs for 2020/21 with table 2 below providing a breakdown of this cost and high level projections for future years.

Table 2: HRA Staffing Costs for 2020/21 and Future Year Projections

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Housing Directorate - HRA Direct Staff Costs		6,323	6,481	6,643	6,809	6,979
Housing Directorate - GF Direct Staff Costs		960	984	1,009	1,034	1,060
Central Support Service Costs		845	866	888	910	933
Central Support Service Costs - One Off		315	-	-	-	-
Central Support Service Costs - Change Programme		140	72	-	-	-
	7,050	**8,583**	**8,403**	**8,539**	**8,753**	**8,972**
Inflation @ 2.5%			205	208	213	219

5.18 **Management Costs – other:** there has been some reduction in budget requirements through the reassessment of budget needs across tenancy and management delivering savings of £97k.

5.19 **Efficiency Savings**: an efficiency target of £100k in 2020/21 rising to £150k per year from 2021/22 has been included within the Business Plan, as we aspire to drive forward improvements in service delivery to realise cash benefits. We have "lean" reviews

underway in the “big three” processes of income management, voids and response repairs. With more reviews planned.

5.20 **Change in Provision for Bad Debt**: the previous two iterations of the Business Plan, in 2012 and 2016, made a provision at 2% for the expectation that the changes in Welfare Reform would result in increased levels of non-payment of rent and service charges. Whilst new claimant’s moved to the new Universal Credits scheme from 2016, the migration of existing claimants has experienced continued delays. It is also worth noting that the Universal Credit scheme pays claimants in arrears and not in advance, as we currently expect our rental payments to be made.

5.21 The 2020 Business Plan includes a new two year provision at 0.75% (£180k in 2020/21) of dwelling rental income, dropping to 0.5% thereafter, to mitigate the financial risk associated with a possible increase in unrecoverable rental income due to the forthcoming “managed migration” to the Universal Credits scheme that is indicated to be completed by March 2023. Provision for bad debt is a year-end accounting adjustment that cannot be forecast with certainty prior to closing the final accounts. Any un-used provision for bad debt will be transferred into an earmarked reserve at the end of the year to manage any further timing differences in the implementation of the Universal Credits scheme.

5.22 **Interest Payable**: The majority of existing external borrowing is based on fixed interest rates for the term of the loan, with only two loans based on variable rates of interest. Therefore we are able to predict the interest payment for these elements with a high degree of certainty. The HRA has also increased internal borrowing from the General Fund which is charged at the average borrowing rate across the authority. The estimated budget for 2020/21 is £2,744,700 which is an increase of £125,900.

5.23 The HRA is investigating taking on additional external borrowing to fund the North Taunton regeneration scheme to reduce internal borrowing. The Section 151 Officer is seeking advice from Arlingclose, the Council’s Treasury advisors, to identify the optimum route that minimises debt costs and risk to finance these loans. Consequently budgets will be revised during the year to accommodate this cost with funding available, for example from repayment of borrowing.

5.24 **Interest Receivable**: with internal borrowing exceeding investments there is no expectation to obtain any interest receivable payments.

5.25 **Provision for Depreciation**: Depreciation is transferred to the Major Repairs Reserve (MRR) and is used to fund the capital programme and/or repay debt. From 2017/18 depreciation has been required to be included within the HRA accounts on a component accounting basis. This means depreciation will need to be calculated on each of the major components of each house e.g. kitchen, bathroom, rather than being based on the Major Repairs Allowance (MRA), an estimation of the works needed to maintain the stock in good condition.

5.26 Depreciation is a year-end accounting adjustment that cannot be forecast with certainty prior to closing the final accounts. The estimated depreciation for 2020/21 is based on

those calculations made for 2018/19 plus an allowance for sales and purchases during the year. This is an increase of £227,580.

5.27 **Provision for Repayment of Borrowing**: The current voluntary revenue provision (VRP) to repay debt is £1.821m. The Business Plan proposes to continue to use this amount to reduce future capital financing requirements for the next 10 years. Thereafter all surplus funds will be prioritised to repay debt at the earliest opportunity.

5.28 **Revenue Contribution to Capital**: a revenue budget of £1.17m has previously been used to help fund the Social Housing Development Capital Schemes. It is proposed to remove a budgeted revenue allocation entirely as a source of funding for capital schemes in order to provide more revenue resources for direct service delivery capacity.

5.29 **Movement in Reserves**: the social housing development fund earmarked reserve will be used to fund the development team ahead of becoming part of the base budget.

5.30 Other changes not directly influenced by the Business Plan include:

5.31 **Minimum general reserve balance**: under the Council's wider Financial Strategy the Executive has agreed a new minimum Operational Target of £2.4m and a new minimum Financial Resilience Target of £1.8m, for the HRA general reserve balance. Remaining at or above these targets provides added financial resilience to risks such as bad debt, if needed.

5.32 **Inflation:** Staffing costs have been inflated by 2.5% (0.5% for increments and 2% for pay inflation). Income has been inflated at Consumer Price Index (CPI) plus 1% where CPI is 1.7% at September 2019.

6 Income

6.1 Dwelling Rental Income (including Shared Ownership)

6.1.1 The Government introduced the Welfare Reform and Work Act 2016 Social Rent Reduction, which required all social housing landlords to reduce the rent payable by tenants by 1% each year for 4 years between April 2016 and April 2019 (excluding shared ownership homes and temporary accommodation). This superseded the Government's previous 10 year rent increase policy implemented in April 2015.

6.1.2 On 26 February 2019 the Ministry of Housing, Communities and Local Government confirmed that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020. The September 2019 CPI figure is 1.7% as published by the Office for National Statistics on the 16 October 2019.

6.1.3 The Regulator of Social Housing has now issued a new Rent Standard for 2020 under the direction of the Government. This new Rent Standard will now apply to all housing associations, whereas previously Local Authorities were excluded from such standards.

6.1.4 A separate Rent Setting Policy, covering the content and those elements proposed to be adopted by the Council contained within the Regulator of Social Housing's Rent Standard 2020, is also being presented to the Strategic Tenants Board and the Council to recommend the Dwelling Rental Income and Shared Ownership Rent for 2020/21, as part of the HRA 2020 Business Plan report.

6.1.5 The Rent Setting Policy recommends that social rents for existing tenancies will be reviewed annually and any increases will not exceed the limit of Consumer Price Index (CPI) plus 1% for 5 years from April 2020.

6.1.6 *Therefore in accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the recommended Dwelling Rent for 2020/21 <u>for existing tenants</u> will be an increase of CPI+1% to the average weekly rent, from £80.87 per week to £83.05 per week.*

6.1.7 The new Rent Standard also provides the option to apply a one-off rent flexibility allowance to increase rents further. Therefore, in addition to applying CPI+1%, the Council's new Rent Setting Policy provides an additional option to apply this one-off increase of 5% on general need and 10% on sheltered/supported housing. This would be applied to rents for new tenants only. This would provide an estimated additional income of £100k per year, which we would budget to see the benefit of this from 2021/22 onwards.

6.2 *Therefore in accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the recommended Dwelling Rent for 2020/21 <u>for new tenants only</u> will be an increase of CPI+1% plus an additional <u>5% for general needs</u> to the average weekly rent, from £80.87 per week to £87.21 per week.*

6.3 *Therefore in accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the recommended Dwelling Rent for 2020/21 <u>for new tenants only</u> will be an increase of CPI+1% plus an additional <u>10% for sheltered/supported and extra care</u> dwelling rents to the average weekly rent, from £80.87 per week to £91.36 per week.*

6.3.1 Whilst in the past the Council did not apply such tolerances, the Council now has an increasingly important role to play in providing great homes for local communities. This will require having the necessary rental income with which to fund the maintenance and management of existing homes, whilst also supporting the delivery of new homes and to supporting tenants within their communities. This is emphasised and explained further within the Business Plan and Rent Policy.

6.3.2 This ability to increase rents also enables the Council to play catch-up following the last 4 years imposed 1% reduction in rents. Table 3 below shows what the average weekly rent would have been if rents had been increased by 1% or 2% each year from a base line of 2015/16 (e.g. before the 4 year 1% rent reduction was imposed).

Table 3 – Average Weekly Rents Comparison

	Baseline	1% reduction each year for 4 years				CPI+1% for 5 years				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2020/22	2020/23	2020/24	2020/25
Actual / Proposed	84.15	83.32	82.50	81.68	80.87	83.05	85.30	87.60	89.96	92.39
If increased by 1%	84.15	85.00	85.85	86.70	87.57	88.45	89.33	90.22	91.13	92.04
If increased by CPI at 2%	84.15	85.84	87.55	89.30	91.09	92.91	94.77	96.67	98.60	100.57

6.3.3 Therefore where options are presented to increase rents within the boundaries of national policies these should be considered carefully. These decisions will have a long term impact on the 30-year Business Plan, with regards to the affordability of operating the service, planned capital investment, and meeting debt repayment obligations.

6.3.4 **Void Loss**: Rent lost through void periods continue to be lower than the 2% allowed in the original Business Plan. Therefore it has been deemed appropriate to reduce the expected void rate to 1.25% for a five year period, reducing to 1% thereafter, and to also consider voids as a result of regeneration needs.

6.4 **Non-Dwelling Rental Income and Service Charges Income**

6.4.1 This incorporates income from non-dwelling rents (mainly garages but also shops, land access and meeting halls), charges for services and facilities, and contributions to HRA costs from leaseholders and council tenants. This accounts for approximately 8% (c£2m) of total HRA income.

6.4.2 **Service Charges**: Housing Service Charges are made to housing tenants for the services that they use. Service Charges are set locally each year and are in addition to the Rent Charges.

6.4.3 Charges to leaseholders will continue to be based on actual costs incurred.

6.4.4 The Government issued a direction to the Regulator of Social Housing to set a new Rent Standard to be effective from April 2020. The proposed Policy Statement recommends registered providers should endeavour to keep increases for service charges within the limit on rent changes, of CPI+1%, to help keep charges affordable. The September 2019 CPI figure is 1.7% as published by the Office for National Statistics on the 16 October 2019.

6.4.5 The Council is proposing to increase service charges by CPI+1% for 2020/21, as shown in Appendix B - Table 1 and 2, to ensure they remain affordable for the tenants.

6.4.6 **Garage Rents**: The proposal is to increase garage rents for private tenants and owner occupier so that they are in line with the open market value rental rate at £12 (including VAT) per week for 2020/21. Thereafter, these will be increased on an annual basis using CPI+1%. The increase for garage rents for council tenants will be CPI+1%. Please see Appendix B - Table 3.

6.4.7 This means for council tenants the weekly rent will increase from £6.37 per week to £6.54 per week – an increase of £0.17 per week or 2.7% (last year 3.3%). For private tenants and owner occupiers the weekly rent will increase from £10.32 (including VAT) per week to £12 per week (including VAT) – an increase of £1.68 per week or 16.3% (last year 3.3%). This equates to additional income of approximately £54k.

6.4.8 **Meeting Halls**: The fees levied for 2020/21 for meeting room hire will be increased by CPI+1% and then rounded to the nearest 10p as requested by tenants during feedback provided in 2017/18. Please see Appendix B - Table 4.

6.4.9 **Guest Rooms**: The fees levied for 2020/21 for meeting room hire will be increased by CPI+1% and then rounded to the nearest 50p as requested by tenants during feedback provided in 2017/18. Please see Appendix B - Table 5.

6.4.10 **Temporary Accommodation:** The fee for temporary accommodation is broken down into two elements: the licence fee and the service charge. The proposed licence fee and service charge for 2020/21 are summarised in Appendix B – Table 6.

6.4.11 **Licence Fee**: Whilst the Housing Benefit (HB) subsidy is regulated, the amount social landlords can charge for temporary accommodation is not. Temporary accommodation is also exempt from the new Rent Standard. The proposal for 2020/21 is to continue setting the temporary accommodation licence fee at 100% of the permitted Local Housing Allowance (LHA) ordinary rate as of April 2020.

6.4.12 The LHA for 2020/21 will not be published until approximately January 2020, so therefore the rates shown in table 6 state the current 2019/20 LHA rates and these will change in accordance with the rates officially published by the LHA.

6.4.13 This will result in an increase of £1.56 per week on a 3 bedroom, a £0.98 per week on a 2 bedroom and a £0.12 per week increase on either a 1 bedroom or studio.

6.4.14 **Service Charge**: The proposal for 2020/21 is to increase service charges by CPI+1%.

6.4.15 **Exceptions**: Charges for properties not on mains sewerage. These properties charges for sewerage will be increased in line with the Wessex Water increases for 2020/21 once known. Wessex Water rates for sewerage standing charge per annum and poundage charges are used in the system calculation. For 2019/20 these are £7.00 per annum for unmetered sewerage standing charge and £1.6379 for the poundage charge payable per £ of rateable value of the property. Wessex Water will publish their new charges in February 2020 (available from their website) for 2020/21.

7 Housing Revenue Account Capital Programme for 2020/21

7.1 The HRA 2020 Business Plan proposes significant levels of capital investment to deliver the aspiration of 1000 new homes within the next 30 years whilst maintaining a decent homes standard.

7.2 The HRA Capital Programme for 2020/21, that will deliver the capital investment proposed within the Business Plan, is shown in table 4 below.

7.3 The 5-Year HRA Capital Programme from 2020/21 to 2024/25, that will deliver the capital investment proposed within the Business Plan, is shown in Appendix C.

7.4 This report does not include social housing development schemes that have been previously approved where the spending is planned to be incurred in 2020/21 onwards, for example North Taunton Regeneration.

Table 4: HRA Capital Programme for 2020/21

Capital Investment	**Total Cost £000**
Major Works	5,379
Improvements	2,150
Related Assets	100
Exceptional Extensive	350
Disabled Adaptations	300
Vehicles	121
ICT	546
Social Housing	6,898
Total Proposed HRA Capital Programme 2020/21	**15,844**

7.5 The estimated capital investment per scheme and the scheme itself is explained in more detail below. Whilst Officers have estimated the planned spend based on information currently available to them, these estimates are subject to change depending on contract negotiations, contractor availability, demand on the business, the condition of voids returned to the council and changing business priorities. Therefore any changes to the profile of spend between schemes will be subject to approval by the Housing Director and the Housing Portfolio Holder, and reported as part of the 4-monthly budget monitoring reports.

7.6 It is proposed that the HRA Capital Programme for 2020/21 shown above in table 4 will be funded from an appropriate combination of Major Repairs Reserves (from depreciation), revenue contributions (RCCO), capital receipts (Right to Buy), capital grants and borrowing.

7.7 A summary of the estimated funding profile for the 2020/21 capital programme is shown in the table 5 below. The final funding profile will be agreed by the Section 151 Officer as per the financial procedure rules.

Table 5: Capital Investment Funding Estimates

Capital Investment	Total Funding £000
Major Repairs Reserve	6,759
Revenue (RCCO)	0
Capital (RTB) Receipts	2,069
Capital Grant Receipts	187
Borrowing	6,829
TOTAL Funding	**15,844**

7.8 **Major Works**

7.8.1 These schemes will be focusing on ensuring that a decent homes standard is maintained and that the housing stock major components are replaced periodically as per our capital works programme for 2020/21. This will also include unplanned major works on voids where the property is returned in a poor condition and requires a full re-work ahead of the capital works programme.

7.8.2 The Major Works capital programme will be broken down into component schemes, with table 6 below showing the estimated amount to be spent on each scheme.

Table 6: Major Works

Capital Scheme	Total Cost £000
Kitchens	100
Bathrooms	100
Roofing	50
Windows	1,000
Heating (Open Vented)	1,050
Doors	100
Fasciae and Soffits	750
Door Entry Systems	400
Voids Kitchens and Bathrooms	150
Drainage	50
Scaffolding	979
Heating for Warmer Homes	262
Insulation	388
Total	**5,379**

7.9 **Improvements**

7.10 The Improvements capital programme will be focusing on ongoing fire safety works and ensuring all housing stock continues to adhere to the fire safety regulations. The one-off fire safety works will focus on the replacement of key components.

7.10.1 The Improvements capital programme will be broken down into component schemes, with table 7 below showing the estimate amount to be spent on each scheme.

Table 7: Improvements

Capital Scheme	Total Cost £000
Fire Safety (ongoing)	150
Fire Safety (one off)	2,000
Total	**2,150**

7.11 **Related Assets**

7.11.1 The Council also owns a number of related assets in addition to the housing stock. These include garages, meeting / community halls and shops. The proposed capital investment of £100k will ensure that these assets are maintained as required.

7.12 **Exceptional Extensive Works**

7.12.1 This capital investment of £350k will be used primarily for asbestos removal and works to the Council's non-traditional properties.

7.13 **Disabled Facilities and Aids and Adaptations**

7.13.1 This is an annual recurring budget for small and large scale home aids and adaptations in tenants' homes where there are mobility issues. This budget is demand led by requests from tenants or through recommendations by occupational therapists or other healthcare professionals. Applications are made through the Somerset West Private Sector Housing Partnership.

7.13.2 The demand for adaptations has been historically lower than budget and provision has been made in the 2020 Business Plan to reduce this to £300k per annum. This will be achieved with a number of steps being taken, such as moving towards more cost effective installations of wet floor shower rooms through a new fixed price contract; switching from concrete ramps to better value metal modular ramps; and a move toward stairlift loans and recycling, rather than purchases. These measures will ensure that the service stays within reduced budgets without impacting tenants.

7.14 **Vehicles**

7.14.1 The service uses a combination of both owned and leased vehicles depending on the complex nature of the vehicle requirements, to deliver services to our tenants. This capital investment of £121k per year is to cover the replacement cost of owned vehicles on a cyclical basis.

7.15 **IT Systems and Software Improvements**

7.15.1 There are a number of business critical IT systems and software applications used to run the HRA. These include Academy, Open Contractor, Codeman, Abritas and e5. This capital investment of £546k is to support the Housing Technology Programme which is planning to deliver the replacement of Academy into the Open Housing as well as the

implementation of Open Assets.

7.15.2 The HRA will also need to fund a share of the future corporate technology change programme which includes renewing contracts / licence agreements and upgrading to Microsoft 365, as well as e5 contractual upgrades and the implementation of new accounts payable invoicing software.

7.15.3 All of the above will also require IT infrastructure upgrades to add additional server capacity into the data centre to allow us to create the new services that these projects required.

7.16 **Social Housing Development**

7.16.1 A budget of £6.898m has been included within the capital programme as a back stop to ensure that we are able to meet our total spend requirements for 2020/21 under the RTB "1-4-1 Agreement" (explained in section 9 below). This would be funded 30% from retained RTB capital receipts.

7.16.2 This equates to approximately 42 new social housing units and directly delivers on the aspiration for an additional 500 homes in the next 10 years

7.16.3 There are a number of individual social housing schemes that are currently being developed. As individual schemes are presented to Full Council for approval, the need for the notional amount of £6.898m would reduce as RTB spend is met through specific schemes.

8 HRA Borrowing

8.1 In 2012 the Council took out additional external borrowing of £85.198m as part of the self-financing settlement with the Government. This meant that the total debt owed by the HRA at the start of self-financing was £99.649m (which included £9m of pre self-financing loans and £5.451m of internal borrowing).

8.2 As part of the self-financing agreement, an individual housing revenue borrowing cap of £116m was implemented for TDBC. This meant that the HRA was unable to exceed capital borrowing of £116m within the HRA Business Plan. Although the Government abolished the HRA Debt Cap in October 2018, it is proposed to set a prudent debt cap for the HRA.

8.3 The total capital borrowing requirement (debt balance) owed by the HRA at the start of 2019/20 was £103m.

8.4 The HRA 2020 Business Plan assumes that there will be a significant increase in new borrowing over the next 10 years to meet the increased ambitions for capital investment. This will result in additional cost pressures to cover the financing of this new investment and refinancing of existing loans.

8.5 The budgeted annual provision of £1.821m for the repayment of debt will be used to repay existing debt, finance any new external borrowings as required or to reduce the year-on-year capital financing requirement. Any surplus funds from the revenue account will be used to protect reserves in the first instance but will then be used to reduce future

capital financing requirements.

8.6 Whilst this report is focusing on the budget for year 1 of the HRA 2020 30-Year Business Plan, it is important to consider the impact that decisions taken now have on the entirety of the plan, for example the cumulative impact of future rental income and the future financing requirements of borrowings.

8.7 The one-off application of the rent flexibility allowance for new tenants only, if approved, will provide more headroom against our internal debt cap which means that there is less risk and more interest cover available, and enables the Business Plan to deliver the new build aspirations and reduce debt back down to approximately £129m over the 30 years.

8.8 The S151 Officer is working with Arlingclose, the Council's Treasury advisors, on how best to refinance the existing loans as they fall due over the next 10 years and how to take out new external borrowing to fund approved schemes such as the North Taunton Regeneration scheme, in a way that minimises debt costs and risk.

8.9 The funding and cash flow implications of the HRA 2020 Business Plan will be managed in line with the Council's Capital, Investment and Treasury Strategies which is approved alongside the annual budget each year.

9 Right to Buy (RTB) Receipts

9.1 The RTB scheme is a government scheme that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The scheme saw the maximum discount increase significantly in 2012 to up to £75,000 followed by a steady increase year on year to up to £82,800 in April 2019.

9.2 Taunton Deane Borough Council signed up to a "1-4-1 Agreement" with the Treasury/MHCLG to retain a higher proportion of RTB the additional receipts on the proviso, and agreed that these receipts would be used to fund new social housing. This agreement continues now under SWT until such time as the Council decides to opt out. Only a small percentage of receipts from RTB sales are retained by the Council. These additional RTB receipts can only account for 30% of spend on new social housing costs, with the remaining 70% coming from other funds such as revenue funding or borrowing.

9.3 The RTB receipts cannot be used in the same scheme as other Government funding such as grants from Homes England. They must also be spent within three years of the capital receipt, or must be returned to Government with interest at 4% over base rate from the date of the original receipt. Receipts can be returned to Government in the quarter in which they are received with no interest payable.

9.4 Alternatively, the 30% RTB funding could be granted to and used by Housing Associations in the area, providing they meet the same match funding requirements. The new housing doesn't need to be provided by the Council.

9.5 To date, the Council has successfully spent all of their retained 1-4-1 receipts resulting in no returns being made to the Treasury/MHCLG.

9.6 **RTB Receipts Year to Date**: Table 8 below shows the number of RTB sales, the total (capital) receipts received under the new RTB discount scheme, the Council retained 1-4-1 receipts to be used for new social housing, and the total amount that would need to be spent by the Council in order to fully retain them.

Table 8: Right to Buy Receipts

	Total 2012/13	Total 2013/14	Total 2014/15	Total 2015/16	Total 2016/17	Total 2017/18	Total 2018/19
Sales	37	47	35	38	44	53	34
Total Receipts (£k)	2,330	2,705	2,317	2,666	3,568	3,971	2,576
1-4-1 Receipts (£k)	1,234	1,230	1,005	1,193	1,864	2,069	1,149
1-4-1 Receipts Spend - Per Year (£k)				1,234	1,230	1,005	1,193
Match Funding Spend - Per Year (£k)				2,879	2,871	2,345	2,783
Total Spend Required - Per Year (£k)	**-**	**-**	**-**	**4,112**	**4,102**	**3,350**	**3,976**
Total Spend Required - Cumulative (£k)	-	-	-	4,112	8,214	11,563	15,539
Average number of units per year				25	25	20	24

	Total 2019/20	Total 2020/21	Total 2021/22	Total 2022/23
Sales	35	32	32	32
Total Receipts (£k)	2,317	2,576	2,576	2,576
1-4-1 Receipts (£k)	1,005	1,149	1,149	1,149
1-4-1 Receipts Spend - Per Year (£k)	1,864	2,069	1,149	1,005
Match Funding Spend - Per Year (£k)	4,349	4,829	2,681	2,345
Total Spend Required - Per Year (£k)	**6,213**	**6,898**	**3,830**	**3,350**
Total Spend Required - Cumulative (£k)	21,752	28,650	32,480	35,829
Average number of units per year	38	42	23	20

[Note that the grey data is estimated.]

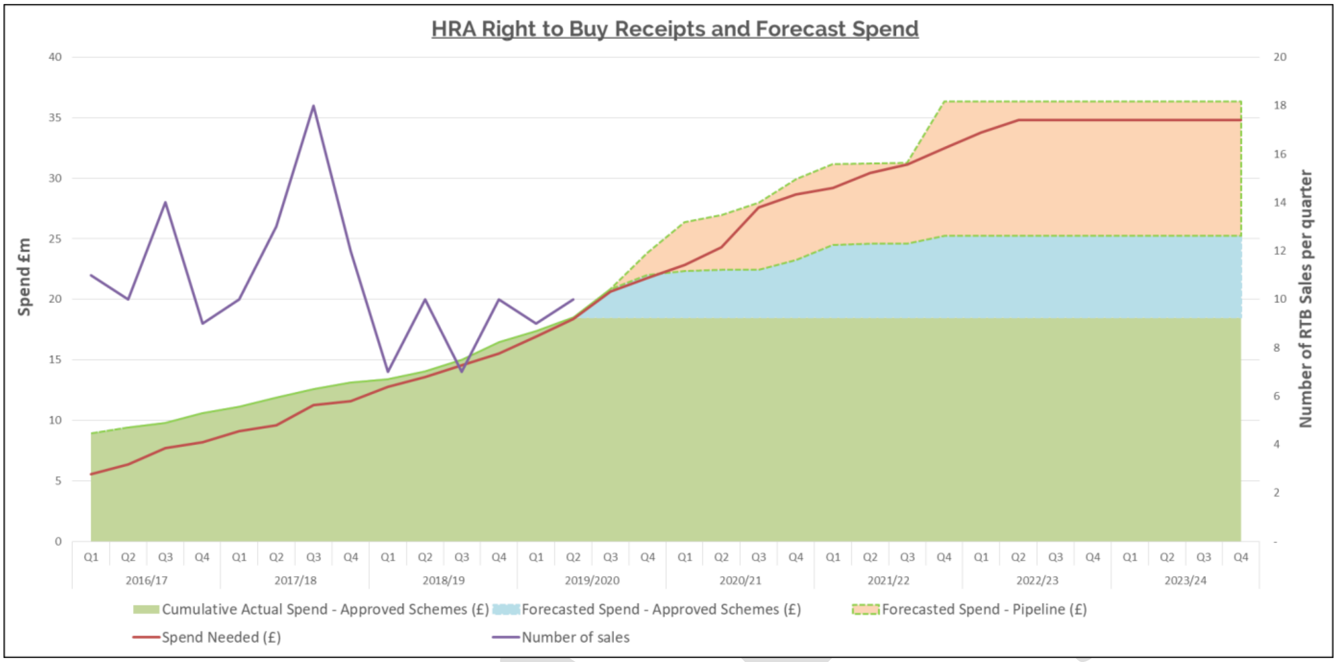
9.7 **Forecast Spend of RTB Receipts**: The spend year to date and the current forecast spend can be shown in graph 1 below. The estimated spend on approved schemes, such as Outer Circle and Laxton Road, together with additional open market buybacks, will be sufficient to meet the RTB match funding requirements to quarter 4 of 2019/20.

9.8 Looking forwards over the next three years, there are a number of new build and off-the-shelf buybacks being investigated that, if approved by Full Council, together with a minimal amount of open market buybacks, will see our RTB match funding requirements achieved for the next three years.

9.9 This will support the aspiration for an additional 1000 homes in the next 30 years, being able to achieve this with 30% match funding from RTB Receipts, whilst ensuring we do not have to return our RTB receipts (plus interest) back to the Government.

9.10 However this will require significant borrowing, which is now possible since the removal of the debt cap, and will have to be managed carefully within the overall 2020 Business Plan to ensure that the revenue account can fund the interest payments and principal loan repayment.

Graph 1: Right to Buy Receipts and Forecast Spend



10 Links to Corporate Strategy

10.1 The budget proposals for 2020/21 have been prepared in line with the HRA 2020 Business Plan and newly adopted Corporate Strategy[2].

11 Finance / Resource Implications

11.1 This is a finance report and therefore no further finance comments are required.

12 Legal Implications

12.1 The HRA is governed by the following legislations:

- Housing Act 1985 (Part II)
- Housing Act 1988
- Local Government and Housing Act 1989 (section 74)
- Local Government Act 2003
- Localism Act 2011

12.2 The introduction of the Local Government and Housing Act 1989 meant that the HRA was now required to become a 'ring-fenced' account, completely separated from the GF. As a consequence local authorities can only include items in the HRA for which there is statutory provision, and transfers of income and expenditure between the HRA and the General Fund are only allowed in very specific circumstances. In essence, rents cannot be subsidised by transfers from the General Fund, and Council Tax cannot be subsidised by transfers from the HRA.

[2] https://www.somersetwestandtaunton.gov.uk/your-council/corporate-strategy/

12.3 The introduction of the Localism Act 2011 reformed local authority housing financing with the abolition of the national subsidy system and a move to ‘self-financing’ from April 2012. This meant that local authority housing revenue accounts are able to retain all rental income to meet the costs of managing and maintaining their housing stock.

13 Climate and Sustainability Implications

13.1 As part of the HRA 2020 Business Plan review a “Strategic Asset Investment Proposal For Housing In Relation to Achieving Affordable Warmth & Carbon Neutrality (Retrofit Strategy)” report was commissioned. This report was produced to inform the Council on how they could achieve carbon neutrality within the housing stock by 2050 as recommended within the “SWT Carbon Neutrality and Climate Resilience Plan”.

13.2 As part of the Major Works capital programme, the HRA will be looking to replace components in a thermally efficient way where possible, for example installing air source heat pumps, external wall insulation and thermally efficient windows.

14 Safeguarding and/or Community Safety Implications

14.1 The HRA has an ongoing responsibility for the safeguarding of vulnerable people within its communities. There are no changes proposed within this report.

15 Equality and Diversity Implications

15.1 The Housing Specialist has assessed the proposals presented within this report as driven by the HRA 2020 Business Plan and Rent Policy. An equality impact assessment form can be found in Appendix D.

16 Social Value Implications

16.1 Our approach to social value will encompass the full procurement and commissioning cycles, service planning and review, decision making and policy development as described in the Council’s Social Value Statement (Social Value within Procurement - June 2018).

17 Partnership Implications

17.1 The HRA budget includes significant expenditure on services provided by MIND, citizen’s advice, Inspire to Achieve, Taunton East Development Trust, North Taunton and Wiveliscombe Area partnership.

18 Health and Wellbeing Implications

18.1 None for the purposes of this report. Any relevant information and decisions with regard to health and wellbeing will be reported as these emerge through the financial planning process.

19 Asset Management Implications

19.1 This report includes a section relating to the capital programme for 2020/21 and therefore no further comments are required.

20 Data Protection Implications

20.1 None for the purposes of this report.

21 Consultation Implications

21.1 Consultation will be undertaken with tenants through the Strategic Tenants Board.

22 Scrutiny Comments / Recommendation(s)

22.1 Due to the timing of publishing the report for the Executive Committee meeting on 22 January, a verbal update will be provided on any comments and/or recommendations arising from the Strategic Tenants Board and Scrutiny Committee.

Democratic Path:

Committee / Board	Yes / No	Date
Informal Executive	Yes	6 Jan 2020
Strategic Tenants Board	Yes	15 Jan 2020
All Members Briefing	Yes	16 Jan 2020
Scrutiny	Yes	20 Jan 2020
Executive	Yes	22 Jan 2020
Full Council	Yes	19 Feb 2020

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	HRA Revenue Budget and Medium Term Financial Plan
Appendix B	Proposed Fees and Charges 2020/21
Appendix C	Five Year Capital Programme
Appendix D	Equality Impact Assessment Form

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APPENDIX A

HRA Revenue Budget for 2020/21 and Medium Term Financial Plan

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Dwelling Rents	(24,013)	(24,225)	(24,979)	(25,779)	(26,558)	(27,442)
Non Dwelling Rents	(649)	(719)	(734)	(750)	(765)	(781)
Service Charges	(1,424)	(1,457)	(1,495)	(1,534)	(1,574)	(1,615)
Other Income	(132)	(371)	(366)	(361)	(355)	(354)
Total Income	**(26,217)**	**(26,773)**	**(27,575)**	**(28,423)**	**(29,252)**	**(30,192)**
Expenditure						
Repairs and Maintenance	3,549	3,617	3,722	3,796	3,872	3,950
Management	8,492	7,649	7,834	8,023	8,216	8,415
Rents and Rates	484	320	328	336	345	354
Special Management	1,187	3,394	3,079	3,076	3,147	3,220
Bad Debt Provision	60	180	186	128	131	135
Debt Management Expenses	9	-	-	-	-	-
Total Expenditure	**13,780**	**15,160**	**15,148**	**15,359**	**15,712**	**16,074**
Other Expenditure						
Depreciation - dwellings	6,346	6,790	6,920	7,053	7,189	7,327
Depreciation - non dwellings	176	210	214	217	220	223
RCCO	250	-	-	-	-	-
Contribution to CDC	229	229	229	229	229	229
Interest Payable	2,619	2,745	3,877	4,124	4,353	4,503
Investment Income	(70)	-	-	-	-	-
Social Housing Development Func	1,170	-	-	-	-	-
Provision for repayment of debt	1,821	1,821	1,187	1,441	1,550	1,836
Movement in Reserves	(104)	(183)	-	-	-	-
Total Other	**12,437**	**11,613**	**12,427**	**13,065**	**13,540**	**14,119**
Total - (surplus) / deficit	**-**	**-**	**-**	**-**	**-**	**-**

APPENDIX B

Proposed Fees and Charges 2020/21

Displayed below is the table of fees and charges, comparing 2019/20 to 2020/21 indicative prices (CPI of 1.7% + 1% has been applied).

Housing Service Charges		**Actual 2019/20**	**% increase**	**Actual 2020/21**
Table 1: Service Charges (VAT not applicable) – Per Week				
Communal areas		£0.65	CPI+1%	£0.67
Grounds maintenance		£1.90	CPI+1%	£1.95
Heating charge (Broomfield House only)		£5.23	CPI+1%	£5.37
Laundry charge (Broomfield House only)		£1.59	CPI+1%	£1.63
Table 2: Combined Service Charges (VAT not applicable) – Per Week				
Sheltered Housing Service Charge		£11.96	CPI+1%	£12.28
Sheltered Piper Charge		£5.05	CPI+1%	£5.19
Extra Care Housing Service Charge		£22.44	CPI+1%	£23.05
Extra Care Piper Charge		£5.84	CPI+1%	£6.00
Table 3: Garage Rents - Per Week				
Council Tenants (VAT not applicable)		£6.37	CPI+1%	£6.54
Private Tenants and Owner Occupiers (exc. VAT)		£8.60	16.3%	£10.00
Private Tenants and Owner Occupiers (inc. VAT)		£10.32	16.3%	£12.00
Table 4: Hire Charges for Sheltered Scheme Meeting Halls (ex VAT)				
First hour		£10.80	CPI+1%	£11.10
Each half hour thereafter		£5.40	CPI+1%	£5.60
6 hours plus		£64.40	CPI+1%	£66.20
Total charge for residents in a scheme and community organisations		£14.80	CPI+1%	£15.20
Table 5: Hire Charges for Sheltered Scheme Guest Rooms (ex VAT) **Tauntfield, Middleway, Hope Corner Lane, Kilkenny and Lodge**				
No. of nights per person -1st night per person per night		£22.00	CPI+1%	£23.00
No. of nights per person -2		£32.00	CPI+1%	£33.00
No. of nights per person -3		£43.00	CPI+1%	£44.50
No. of nights per person -4		£54.00	CPI+1%	£55.50
No. of nights per person -5		£64.00	CPI+1%	£66.00
No. of nights per person -6		£75.50	CPI+1%	£78.00
No. of nights per person -7		£86.00	CPI+1%	£88.50

APPENDIX B (CONT.)

Table 6: Temporary Accommodation (rent per day, VAT not applicable)	**Daily Service Charge 2019/20**	**Gross Daily Licence Fee & Service Charge 2019/20**	**Daily Service Charge 2020/21**	**Gross Daily Licence Fee & Service Charge 2020/21**
9b School Road (2 bedroom)	£1.00	£17.31	£1.03	£18.29
57 Priory (3 bedroom)	£1.26	£20.54	£1.29	£22.10
40 Humphreys Road (2 bedroom)	£1.00	£17.31	£1.03	£18.29
1 Gay Street (2 bedroom)	£1.00	£17.31	£1.03	£18.29
10 Duke Street (3 bedroom)	£1.26	£20.54	£1.29	£22.10
12 Moorland Close annex (1 bedroom)	n/a	n/a	£0.77	£13.92
Outer Circle				
96 Outer Circle (2 bedroom)	£1.00	£17.31	£1.03	£18.29
113 (studio)	£0.75	£13.80	£0.77	£13.92
113a (studio)	£0.75	£13.80	£0.77	£13.92
115 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
115a (3 bedroom)	£1.26	£20.54	£1.29	£22.10
119 (studio)	£0.75	£13.80	£0.77	£13.92
119a (studio)	£0.75	£13.80	£0.77	£13.92
Snedden Grove				
Unit 1 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 2 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 3 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 4 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
Unit 5 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
Unit 6 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Unit 7 (3 bedroom)	£1.26	£20.54	£1.29	£22.10
Unit 8 (2 bedroom)	£1.00	£17.31	£1.03	£18.29
Wheatley Crescent				
5a (2 bedroom)	£1.00	£17.31	£1.03	£18.29
30 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
32 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
34 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
36 (1 bedroom)	£0.75	£13.80	£0.77	£13.92
Howard Road (Magna)				
43a (1 bedroom)	n/a	£13.05	n/a	£13.15
43b (1 bedroom)	n/a	£13.05	n/a	£13.15
43c (1 bedroom)	n/a	£13.05	n/a	£13.15
43d (1 bedroom)	n/a	£13.05	n/a	£13.15

Discounts
Discounts do not apply to service charges.

APPENDIX C

HRA Five Year Capital Programme from 2020/21

HRA Capital Programme	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Major Works	5,379	5,379	5,379	5,379	5,379
Improvements / Fire Safety	2,150	150	150	150	150
Related Assets	100	100	100	100	100
Exceptional Extensive	350	350	350	350	350
Disabled Adaptations	300	300	300	300	300
Vehicles	121	121	121	121	121
ICT	546	-	-	-	-
Total	**8,946**	**6,400**	**6,400**	**6,400**	**6,400**

APPENDIX D

Equality Impact Assessment Form

Somerset Equality Impact Assessment

Organisation prepared for	Somerset West and Taunton Council		
Version	1	**Date Completed**	January 2020

Description of what is being impact assessed

Somerset West and Taunton Council (SWT) Housing Revenue Account (HRA) Business Plan 2020 – 2050

The strategic objectives of the business plan are to: Deliver more new homes; Provide great customer service; and Improve existing homes and neighbourhood.

HRA budget setting 2020/21

The HRA budget setting report enables the council to set a balanced budget for 2020/21 that reflects SWT's HRA business plan and takes into account councillor's priorities. The report provides an overview of the finances for the HRA. It covers both HRA revenue and housing capital spending, highlighting the inter-relationships between the two.

Council housing rent setting policy from April 2020 for a period of up to 5 years

To ensure continued investment in the management, maintenance and development of council housing stock to ensure the needs of existing and potential tenants are met, and to provide enhanced support for families and communities experiencing hardship.

HRA fees and charges for 2020/2021

To increase the fees and charges from April 2020 for the HRA to ensure sufficient financial resources are in place to deliver the services.

Evidence

What data/information have you used to assess how this policy/service might impact on protected groups? Sources such as the Office of National Statistics, Somerset Intelligence Partnership, Somerset's Joint Strategic Needs Analysis (JSNA), Staff and/ or area profiles,, should be detailed here

Data:

Major changes in national housing finance and housing policy – 2019/20

Somerset West and Taunton's Corporate Strategy 2020 – 2024

The most current available data on our tenants and our housing stock.

(Note: Further work will continue in this area as tenant engagement resources are increased)

Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?

Engagement:

Consultation and regular meetings with the SWT Tenants Strategic Board during 2019/20

Wider engagement with councillors in the development of the HRA Business Plan 2020–2050 throughout 2019/20

Analysis of impact on protected groups				
The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.				
Protected group	**Summary of impact**	**Negative outcome**	**Neutral outcome**	**Positive outcome**
Age	People will benefit from the overall investment in council housing. The increased choice of affordable housing type, size and tenure provides housing options for all age groups. Improvements in energy efficiency will help to protect tenants, whatever their age or the hardships they experience, from fuel poverty. The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services. Note: A total of 3,265 (58%) of our existing tenants are in receipt of help with housing costs i.e. Housing Benefit or Universal Credit. The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.	☐	☒	☒

	Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing.			
Disability	People will benefit from the overall investment in council housing. Specific provision for a range of new adapted properties will be made to provide a housing choice for those with a disability. Eligible tenants will particularly benefit from the provision of disabled adaptations (major and minor) to existing council housing.	☐	☐	☒
Gender reassignment	People will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Marriage and civil partnership	People will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Pregnancy and maternity	People will benefit from the overall investment in council housing. Within the business plan there is potential for investment in better quality and additional family housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒

Race and ethnicity	People will benefit from the overall investment in council housing. Wider tenant participation and engagement will increase the proportion of tenants providing feedback to inform service improvements. Any proposed re-development of the housing stock could potentially have a negative impact on a specific group of tenants, depending upon the location. Communication about the business plan may not fully reach those for whom English is not their first language.	☒	☒	☒
Religion or belief	People will benefit from the overall investment in council housing. Developing and supporting staff to provide great customer service will ensure appropriate and sensitive services are delivered to the religious or belief requirements of tenants. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Sex	People will benefit from the overall investment in council housing. There is not expected to be any particular negative impact on this specific group.	☐	☐	☒
Sexual orientation	People will benefit from the overall investment in council housing. Investment in our communities will ensure information about our services is accessible so that people can benefit from all our activities. People experiencing alarm, distress and harassment will benefit from investment being made into providing great customer services which will be community inclusive.	☐	☐	☒

	There is not expected to be any particular negative impact on this specific group.			
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	Property lettings will be allocated via the choice based lettings system - Homefinder Somerset, which has equality and diversity policies in place to ensure protected groups are not disadvantaged. The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services. The application of rent tolerances for certain individual properties will take account of local factors and concerns, in consultation with tenants. To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income: • Publish clear information on rent which helps tenants to manage their own finances; • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim.	☐	☒	☒

	The impact of both investment prioritisation and improvements to service delivery need to be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan on this specific group.			

Negative outcomes action plan
Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
Communications on any complex changes may disproportionately worry tenants in sheltered/supported housing. We will communicate with all tenants to explain any significant changes affecting them and what we are investing in.	2020 - ongoing	Case Management Leads	Regular meetings and wider engagement with stakeholders.	☐
There is potential to alienate specific ethnic groups when housing is identified for regeneration/redevelopment. We will consider re-supply of appropriate housing to meet the needs of ethnic groups as part of any future regeneration/ redevelopment.	2020 - ongoing	Development and Regeneration Lead	Regular meetings and wider engagement with stakeholders.	☐
Those for whom English is not their first language are not made fully aware of changes. We will offer translation of communication into alternative languages. We will engage with minority groups using existing tenant involvement channels.	2020 - ongoing	Case Management Leads	Regular meetings and wider engagement with stakeholders.	☐
There is potential to alienate religious or belief groups when housing is identified for regeneration/redevelopment. We	2020 - ongoing	Development and	Regular meetings and	☐

will consider re-supply of appropriate housing to meet the needs of any religious or belief groups as part of any future regeneration/redevelopment scheme.		Regeneration Lead	wider engagement with stakeholders.	
The rent setting policy and the increase to fees and charges will be applied across our housing stock. This increase in the gross rental charge for existing tenants and new tenants moving into in our housing will have a neutral effect on protected groups. The cost rise to tenants is a relatively modest one and follows four years of rent reductions for tenants. The rise will enable the council to continue to provide an excellent range of services. To help support tenants on low incomes the housing service will continue to provide a number of initiatives to enable them to manage their finances and maximise their income: • Publish clear information on rent which helps tenants to manage their own finances; • Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs; • Take action to raise the awareness of accessing a range of welfare benefits; and • Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim. As the report states, it is acknowledged that there may be an increase in the level of rent arrears. The proposed budgets for rental income in 2020/21 make a provision for an increase in arrears/bad debt.	2020 – onging 2020/21	Case Management Leads Case Management Lead – Finance	Regular meetings and wider engagement with stakeholders. Regular meetings. Annual review of the HRA financial model.	☐

The impact of both investment prioritisation and improvements to service delivery will be assessed in more detail as part of an annual planning process in order to identify more precisely the potential for both negative and positive of the business plan.	2021 – ongoing	Director of Housing	Annual review of the HRA business plan.	
If negative impacts remain, please provide an explanation below.				

Completed by:	Stephen Boland
Date	7th January 2020
Signed off by:	
Date	January 2020
Equality Lead/Manager sign off date:	
To be reviewed by: (officer name)	Stephen Boland
Review date:	31st March 2021