Executive Report

Report of Executive Head of Housing and Health

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Housing Revenue Account 2015–16 Budget

Executive Summary

The updated Housing Revenue Account (HRA) Business Plan, approved by the Executive on 25 November 2014 sets the framework for the proposed budget outlined in this report for recommendation to Council on the 11 February 2015.

The report includes detailed HRA revenue budgets for 2015-16, a ten-year revenue budget projection and the Housing Investment Capital Programme. These are based on the assumptions set out in the approved business plan.

The ten-year projection indicates the revenue account is consistently able to generate around £11 million per annum in contributions for future capital investment, in either the existing stock or the provision of new units. The ten-year budget projection reflects the current Business Plan, attaching a lower priority to the repayment of debt principal inherited as part of the self-financing HRA settlement.

We are proposing that weekly rents are increased by 2.2% and that we implement a local rent convergence scheme. Agreement is also sought to a capital investment programme totalling £12.5 million. The report includes details of the various fees and charges proposed for other HRA services.

Recommendation to Council

The Executive is asked to recommend to Council:

(1) That the HRA revenue budget, as set out in **Appendix 1**, be approved.

(2) That the rent of Council owned dwellings be increased by 2.2% with effect from 6 April 2015, to be adjusted so as to comply with the local rent convergence policy by applying locally specified caps and limits.

(3) That the fees and charges for HRA services specified in **Appendix 2** be approved.

(4) That the Housing Investment Programme set out in **Appendix 5** (current approved and provisional schemes), and as amended to include such new bids as may be approved by the Executive at its meeting on 20 January 2015, be approved.

Recommendation to Executive

Subject to Council approving the budget on 11 February 2015:

(1) That the projects forming the HRA major repair and improvement programme set out in **Appendix 3** be approved.

(2) That the new capital proposals in respect of the new build schemes at Willow Way (NB01), various garage sites (NB02) and The Homestead (NB03) set out in **Appendix 4** to this report be added to the Housing Investment approved programme, and that the Executive Head of Housing and Health be authorised to implement the schemes.

(3) That the transfer of £1.9 million in respect of the Slyfield Green scheme (Corporation Club) from the provisional Housing Investment capital programme to the approved capital programme be approved, and that the site be appropriated to the HRA from the General Fund.

(4) That a capital supplementary estimate of £250,000 be approved in respect of the Slyfield Green scheme to enable the new build scheme to be progressed.

(5) That the equity share repurchase and cash incentive schemes in **Appendix 5** be approved.

(6) That the Executive Head of Housing and Health be authorised in respect of the approved schemes set out in **Appendix 3, 4 and 5**:

  (i) to make all necessary arrangements to implement all the schemes, including acquisitions and disposals for assembling sites and obtaining all necessary consents (including planning permission where appropriate), and procurement of contractors and development partners;

  (ii) to agree provision for decommissioning and preparation of sites; and

  (iii) in consultation with the Lead Councillor for Housing and Social Welfare to reallocate funding between approved schemes to make best use of the available resources

<u>Reasons for Recommendation:</u>
To enable the Council to set the rent increase for HRA property and associated fees and charges, along with authorising the necessary expenditure to implement the HRA Business Plan approved by the Executive on the 25 November 2014.

1. Purpose of Report

1.1 This report provides a position statement on the 2015-16 draft budget and makes recommendations to the Executive on the budget and proposed rent increase.

2. Corporate Plan

2.1 The budget underpins the delivery of our Corporate Plan.

3. Background

3.1 The self-financing arrangements introduced in 2012, enable the Council to manage its social housing service in the broadest sense. The Executive agreed at its meeting on 25 November 2014 an updated HRA Business Plan. This sets out our ambitions and priorities for the service.

3.2 The Executive reaffirmed its view that the provision of more affordable homes is a greater priority than the repayment of the outstanding HRA debt. In making this decision, it took account of any effect this would have on the long-term viability of the HRA. The proposed revenue and capital budgets will enable us to deliver on the priorities set out in the plan.

3.3 The total HRA debt stands at £197.2 million. It is projected that the interest charge for 2015-16 will be approximately £5,250,000. No provision is included in the budget for the repayment of debt during 2015-16 in line with the Executive's decision that debt repayment is not a priority.

3.4 The HRA continues to operate in a challenging environment. The national picture, influenced by events in Europe and other world economies remains uncertain.

3.5 The pressure to address the national deficit continues with the government seeking to achieve significant reductions in public sector expenditure. This will affect our tenants as a number of Welfare Reform changes are introduced. It seems inevitable that this will not be the last round of public spending cuts, whichever party wins the next general election.

4. HRA Revenue Budget 2015-16

<u>Assumptions</u>

4.1 The revenue budget for 2015-16 is constructed around a number of key assumptions. The most important are set out in the table below:

Item	Assumption
Opening stock	5,070 units of accommodation
HRA Debt	£197.2 million
Borrowing rate 2015-16	2.70%
Rent increase (based on CPI)	Rising incrementally to 3.3% by 2018-19
Rent increase mechanism	DCLG formula with local rent convergence policy
Garage income increase	1%

Item	Assumption
Bad debt provision 2015-16	£150,000 increasing to £300,000 by 2018-19
Void rate	1%
Service charge increases	Linked to inflation on repair/maintenance headings
Housing units lost through Right to Buy (RTB)	15 per annum
Retained receipts	Held in reserves
HRA ring fence	Policy of strong ring fence continues
Debt repayment	No provision made for the repayment of debt
Operating balance	£2.5 million

Summary of Revenue Account Budget 2015-16

4.2 The table below summarises the proposed 2015-16 revenue budget, which reflects our current Treasury Management Strategy – in effect an interest only mortgage rather than a repayment mortgage. The timing of debt repayment will largely be a treasury management decision taking into account the overarching objectives of the Business Plan.

Expenditure	£
Management and maintenance	10,202,260
Interest payments	5,250,000
Depreciation	5,678,000
Contribution to reserves from surplus	10,954,730
Other items	550,760
	32,635,750
Income	
Rents – dwellings	(29,950,000)
Rents – other	(1,108,930)
Service charges	(967,690)
Supporting people funding	(300,000)
Miscellaneous income	(309,130)
	(32,635,750)

4.3 Based on the assumptions contained in the approved Business Plan and detailed in paragraph 4.1, the HRA will have an operating surplus of £10.95 million for 2015-16. The size of the surplus reflects a number of factors:

- the prevailing borrowing rate
- the decision not to make debt repayments
- the impact of historically high levels of investment in the stock over past years maintaining stock condition
- low void rates and good income collection performance
- strong rental stream with many properties at or close to target rent levels

Expenditure

4.4 The main headings are summarised below:

Subjective Heading	2014-15 Budget	2015-16 Budget
	£	£
General Management	5,139,540	5,130,370
Responsive and planned maintenance	4,944,090	5,071,890
Interest payable	5,100,000	5,250,000
Depreciation	5,293,520	5,678,000
Cost of democracy	229,460	239,340
Rent Rebate Subsidy Limitation charge	30,000	0

4.5 **General Management**: Budgeted expenditure on delivering continuing HRA services is approximately 0.2% lower in cash terms following a restructuring in Housing Advice. The implications of the pay and grading review are included in the draft estimate.

4.6 **Repairs and maintenance:** Budgeted expenditure on revenue-funded works is approximately 2.6% higher in cash terms. The headline increase is modest, as the budget has been reviewed to reflect historic levels of expenditure. Consequently, it masks the inflationary pressure that has developed in construction industry tender prices. There are growing skilled labour shortages coupled with above inflation increases in the materials supply chain. At the same time, demand for construction related services is growing. This price pressure is acknowledged in the assumptions used in the ten-year budget projection detailed in **Table 1**.

4.7 **Interest payable:** Approximately 75% of the loan portfolio consists of fixed interest loans, whilst the remaining portfolio is on a variable rate arrangement. Although the variable rate loans are subject to prevailing market conditions, it is likely that interest rates will remain stable in the short to medium term. The table below sets out our current loan portfolio.

Loan Type	Principal	Remaining years	Rate
Variable	£45,000,000	7	0.85% (projected 2015-16)
Fixed	£2,070,000	6	3.60%
Fixed	£10,000,000	9	2.70%
Fixed	£10,000,000	10	2.80%
Fixed	£10,000,000	11	2.92%
Fixed	£10,000,000	12	3.01%
Fixed	£25,000,000	14	3.15%
Fixed	£25,000,000	17	3.30%
Fixed	£25,000,000	22	3.44%
Fixed	£15,000,000	26	3.49%
Fixed	£17,435,000	27	3.50%

4.8 **Depreciation:** To safeguard future rental streams, we need to ensure our properties and assets are properly maintained. This will involve the replacement of ageing components at the appropriate time.

In order to do so, it is important that we set aside adequate funds each year to meet future liabilities. The depreciation charge is one of the key mechanisms we use to do this. The proposed 2015-16 charge represents, in officers' view, a realistic amount having regard to the outcome of the stock condition survey.

The charge of £5,678,000 is considered both appropriate and affordable.

4.9 **Revenue growth bid:** One new revenue initiative totalling £25,000 is included in the 2015-16 estimates. The bid would provide an increased mechanical and electrical engineering capacity to respond to an increasingly complex regulatory regime, where the technology employed has become more sophisticated at an ever-increasing rate.

The existing team, whilst very experienced are having difficulty supporting in a timely way our capital investment programme. They cannot monitor the performance of our contractors working on our extensive property portfolio held in both the General Fund and the HRA. The team is closely involved in critical mitigation programmes covering Legionella, fire protection, mechanical handling and lifting equipment.

Their capacity to respond comprehensively to these issues has been identified in a review carried out by Internal Audit as insufficient. To reduce our risk exposure and ensure service continuity we are proposing to appoint an additional engineer to be funded jointly by the General Fund.

<u>Income</u>

Proposed rent increase

4.10 In accordance with the Business Plan approved by the Executive on 25 November 2014, we propose to use the national rent increase formulae to generate the 2015-16 rent increase. This uses the September CPI measure of inflation and produces a headline rent increase of 2.2% (CPI + 1%)

4.11 The Executive, in response to a request from the Joint Scrutiny committee, asked the HRA review group to consider whether we should introduce a local rent convergence policy to replace the national scheme. The government ended the national rent convergence policy in April 2014 earlier than originally planned, partly to reduce the pressure on its Housing Benefit budget.

4.12 The rent convergence policy established a target rent for each of our properties by reference to a national formula. This took into account factors such as property size and its location. The policy established an equitable and transparent framework to calculate social housing rents. In common with all other local authority landlords, existing and target rents for individual properties did not align.

4.13 A convergence process has been underway since 2002-03 to align individual property rents. The government has changed the date for completing the process on a number of occasions and decided earlier this year to halt the process completely for existing tenancies.

4.14 This means the inequalities that exist across our stock will now continue unless we implement a local scheme. We are in a better position than many councils with the majority of our rents close to the respective target rent.

4.15 The national scheme incorporates a damping mechanism to limit the maximum increase an individual tenant faces. However, a small number of tenants, purely for historic reasons, benefit from significantly lower rents than a neighbour in an identical property. It is hard to justify that this should continue over a long period or until the property is re-let. Conversely, other tenants are paying more than the target rent for their property and that is equally hard to justify.

4.16 The example below, based on identical two bedroom adjoining properties in Merrow demonstrates how the process of rent convergence has failed to completely address historic anomalies, and as a consequence the tenants are paying materially differing rents.

Current weekly rent £93.38	Target rent £127.35	Current weekly rent £122.33

4.17 The HRA review group met on 1 December to examine the inequalities that remain, because of the decision to end the national rent restructuring policy early, or that result from historic anomalies that the national policy had not fully addressed.

4.18 The HRA review group indicated its support for the introduction of a local rent convergence policy based on the national rent convergence policy, but amended to reflect local circumstances. The review group proposed a set of overarching principles that a new local rent policy will adhere to:

- a local rent convergence date of March 2019

- a system of locally implemented caps and limits would continue to be in place to protect tenants from large increases

- tenants currently paying more than the target rent will, over the convergence period, see a reduction in rent mirroring the speed of increase to tenants currently below target rent

- the local rent policy will remain consistent with the objectives of the national rent restructuring policy.

4.19 The indicative graphs below demonstrate what the local rent convergence will seek to achieve over the four-year convergence period:

Figure 1: Current rent distribution

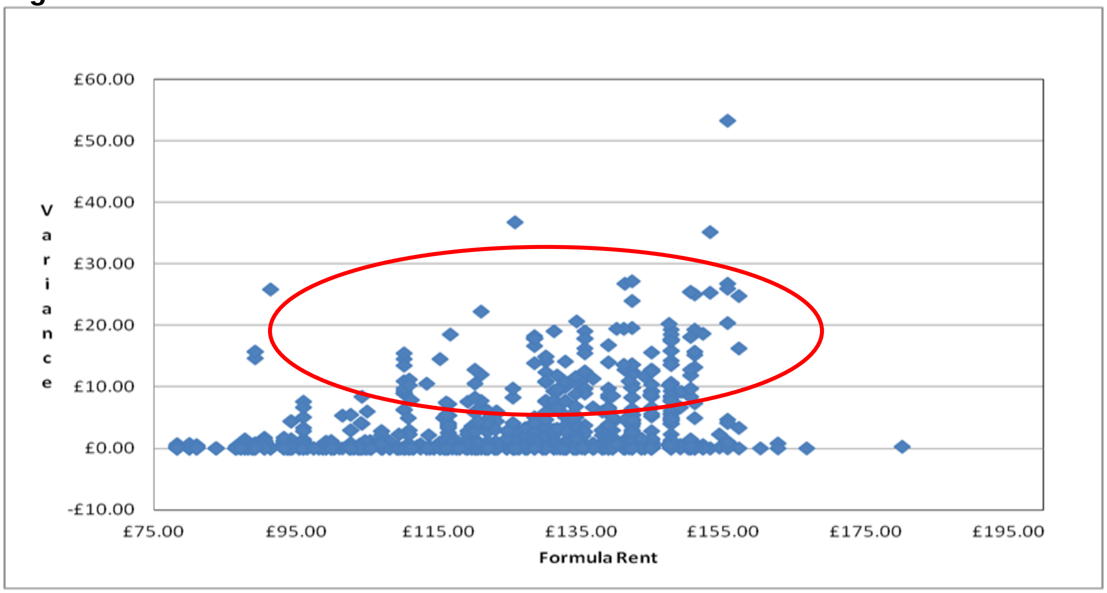
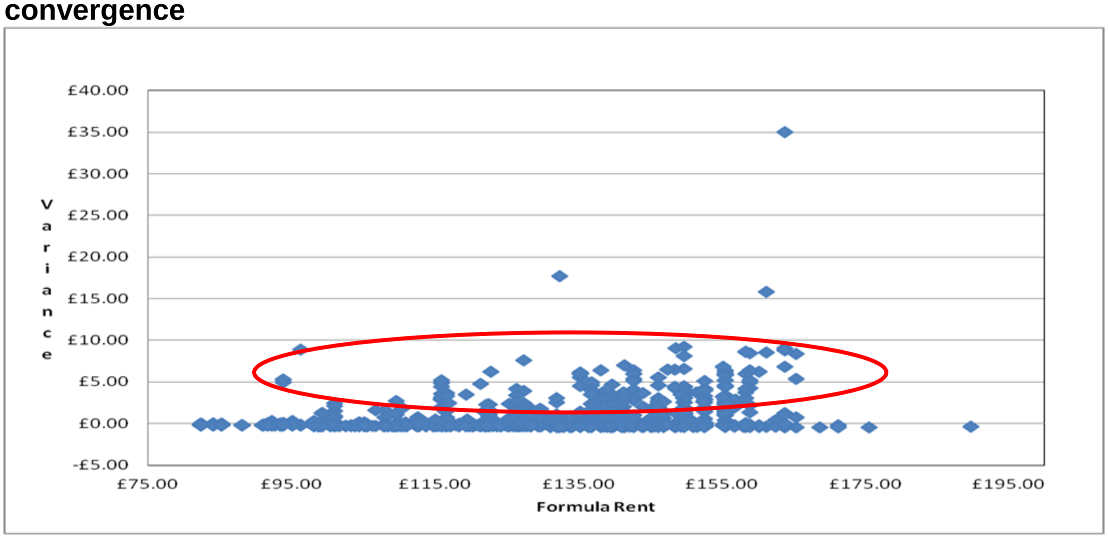


Figure 2: Anticipated rent distribution after four-year policy of local rent convergence



4.20 **Figure 1** shows the current distribution of our rents and highlights a number of tenancies (shown in the red oval) that are currently paying a rent which is significantly out of line with the target rent for the property. These outliers would over a period of four years move towards target rent as demonstrated graphically in **Figure 2** by the flattened oval.

4.21 The implementation of a local rent convergence policy in 2015-16 will generate a small increase in rental income of 0.2% (£60,000 per annum). A small number of tenants will see larger increases in order to bring them in line with the majority of tenants who are already paying rents closer to target rent for their property.

4.22 The tables below shows a breakdown of the increases that will result in an actual average rent increase of 2.43%. 50% of tenants will see increases of no more than the national rent increase formula of CPI + 1% = 2.2%.

RENT INCREASE DISTRIBUTION £/p

No. of Tenants

2	Less than £0.00
3	Between £0.00 and £1.00
1037	Between £1.01 and £2.00
3041	Between £2.01 and £3.00
605	Between £3.01 and £4.00
134	Between £4.01 and £5.00
22	Between £5.01 and £6.00
127	Between £6.01 and £7.00
11	Between £7.01 and £8.00
46	Between £8.01 and £9.00

RENT INCREASE DISTRIBUTION %

No. of Tenants

2	Less than 0%
3	Between 0% and 1%
2543	Between 1.01% and 2.2%
2096	Between 2.21% and 3%
152	Between 3.01% and 4%
43	Between 4.01% and 5%
112	Between 5.01% and 6%
21	Between 6.01% and 7%
36	Between 7.01% and 8%
12	Between 8.01% and 9%
2	Between 9.01% and 10%
6	Greater than 10%

Housing Benefit and Limit Rent

4.23 The proposed rent increase will not affect approximately 25% who are currently in receipt of full Housing Benefit. A further 30% are currently in receipt of partial Housing Benefit.

4.24 The government reimburses housing benefit costs up to and including a specific level. The cost of any housing benefit above this level falls back onto the HRA and, in effect, other tenants. This cap is referred to as the ‘limit rent’ and is designed to protect the government against large increases in the bill for housing benefit arising from local decisions. In 2015-16, our actual average rent is projected to be below the limit rent, so we will be able to recover all of the housing benefit costs incurred.

4.25 The limit rent set by the Department for Communities and Local Government (DCLG) is now uplifted annually by reference to the CPI index. The introduction of a local rent convergence policy will mean that the gap between our actual average rent and limit rent will narrow. Sufficient headroom exists for us to pursue this policy without a Rent Rebate Subsidy Limitation (RRSL) charge being incurred.

Welfare Reform

4.26 The first significant Welfare Reform was introduced in April 2013, when tenants of working age, who were considered to be under-occupying their accommodation saw a reduction in their housing benefit of either 14% for the under-occupation of one bedroom, or 25% for the under-occupation of two or more bedrooms. The introduction of this benefit change has seen cumulative rent arrears for this group rise increase both nationwide and locally. We are not seeing arrears build at the same rate as many social landlords. There are, however, a relatively small number of households who are having difficulty responding to the changes.

	Number of tenants impacted by under-occupation	Number of tenants in rent arrears	Percentage of tenants impacted by under-occupation in rent arrears
At 1 April 2013	344	89	26%
At end Sept 2014	272	123	45%

4.27 The Department for Work and Pensions have revised their original roll-out programme for the introduction of Universal Credit. The new benefit rolls a number of existing benefits into a single monthly payment. Key elements are being delayed by around two years. Under the latest schedule, implementation will start across all local authority areas during 2016 for new claimants. The majority of the remaining claimants will be migrated to Universal Credit during 2018 and 2019. There remains considerable uncertainty around the programme. We anticipate further revisions to the programme and await details on how it will be implemented in practice.

4.28 Whilst it is difficult to predict with accuracy what the impact will be, early indications are that a sizeable proportion of tenants may struggle under Universal Credit to either manage their financial affairs or to engage with the new system. The changes coupled with the general economic situation will be particularly challenging for our more vulnerable tenants. Consequently, collection costs and arrears are likely to increase across the sector.

4.29 A provision for bad debt charge of £150,000 is included in the estimates. This charge will be kept under review with the ten-year projection shown in **Table 1** assuming that this will rise to £300,000 by 2018-19**.** The additional income collection resource agreed as part of the 2014-15 revenue budget has yet to be utilised, but remains available to respond to any changing or evolving requirements.

<u>Right to Buy sales (RTB)</u>

4.30 RTB activity has increased significantly over the last six months. Contributory factors include easier access to loan finance and the increase in the maximum discount allowance to £75,000.

4.31 The table below outlines activity as of 8 January 2015.

Activity	**Number**
Properties – sold since 1 April 2014	31
Properties – offers issued following valuation	34
Properties – applications being processed	12

4.32 Under the government's one-for-one replacement scheme, we are able to retain the majority of the capital receipt provided it is re-invested in additional affordable housing or regeneration schemes within three years. Only a third of the cost can be financed from this source – we must finance the balance from capital receipts or other sources including reserves accruing from the appropriation of revenue account surpluses. Our current development plan fully commits the one-for-one retained receipts we have accumulated to date. The ambitions we have to increase the stock will fully utilise the receipts we are anticipating in future years.

4.33 On current levels of activity, we project a net loss of units to be in the region of 15 units per year. Our new build programme is mitigating the impact of the on-going Right to Buy programme.

4.34 Increasing sales has three negative impacts. It:

- reduces the number of affordable homes
- removes the long term positive contribution each property makes to our annual surplus
- increases the unit costs of managing and maintaining properties. Invariably tenants buy the better properties.

HRA Borrowing Cap

4.35 As part of the self-financing settlement, the government set each individual local authority Housing Revenue Account a debt cap. The difference between this debt cap and the actual debt held by the HRA is referred to as "headroom".

4.36 Guildford's was one of a few HRAs whose debt cap offered no "headroom"; this means that we are unable to borrow additional monies to support housing investment without specific government consent. Consequently, we are currently financing our new build schemes from rental streams, qualifying capital receipts, revenue savings or HRA reserves.

4.37 The Chancellor announced last year a new HCA scheme that allows the overall local authority Housing Revenue Account borrowing limits (debt cap) to be increased by £300 million. We successfully bid against this fund for the scheme at the old Corporation Club site at Slyfield Green and we can increase our debt cap by £360,000 in 2016-17.

4.38 Unfortunately, the HCA scheme unhelpfully limits the average contribution through this scheme to around £30,000 per unit with the balance having to be funded from reserves. We cannot use right to buy receipts generated under the one for one replacement scheme to fund a project which is also funded through the HRA Borrowing scheme. Unless the government relaxes the rules, the scheme is of limited value to us.

Ten-year revenue budget projection

4.39 The following key assumptions form the basis of the ten-year projection of revenue surplus shown below in **Table 1**. These assumptions reflect the emerging issues identified earlier in the report.

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Rental income	+2.5%	+3.0%	+3.3%	+3.3%	+3.3%	+3.3%	+3.3%	+3.3%	+3.3%
Non-Rental income	+1.0%	+1.0%	+1.0%	+1.0%	+1.0%	+1.0%	+1.0%	+1.0%	+1.0%
Management Expenditure	+3.5%	+3.5%	+3.5%	+3.5%	+3.5%	+3.5%	+3.5%	+3.5%	+3.5%
Responsive and cyclical repair	+4.5%	+4.5%	+5.0%	+5.0%	+5.0%	+5.0%	+5.0%	+5.0%	+5.0%
Movement in stock numbers (net)	+60 units	-15 units	-15 units	-15 units	-15 units	-15 units	-15 units	-15 units	-15 units

HOUSING REVENUE ACCOUNT PROJECTIONS 2015-16 to 2024-25 (includes approved new build schemes) **TABLE 1**

Guildford Borough Council

Year	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
£'000										
INCOME:										
Rental Income	-29,950	-30,600	-31,820	-32,770	-33,750	-34,760	-35,810	-36,890	-38,010	-39,160
Service Charges	-968	-1,000	-1,030	-1,060	-1,090	-1,120	-1,150	-1,180	-1,220	-1,260
Non-Dwelling Income	-1,109	-1,120	-1,130	-1,140	-1,150	-1,160	-1,170	-1,180	-1,190	-1,200
Grants & Other Income	-608	-510	-510	-430	-430	-360	-360	-300	-300	-250
Total Income	**-32,635**	**-33,230**	**-34,490**	**-35,400**	**-36,420**	**-37,400**	**-38,490**	**-39,550**	**-40,720**	**-41,870**
EXPENDITURE:										
General Management	3,232	3,350	3,470	3,590	3,720	3,850	3,980	4,120	4,260	4,410
Special Management	2,138	2,210	2,290	2,370	2,450	2,540	2,630	2,720	2,820	2,920
Other Management	420	430	450	470	490	510	530	550	570	590
Bad Debt Provision	150	150	275	300	300	300	300	300	300	300
Responsive & Cyclical Repairs	5,071	5,300	5,540	5,820	6,110	6,420	6,740	7,080	7,430	7,800
Total Revenue Expenditure	**11,011**	**11,440**	**12,025**	**12,550**	**13,070**	**13,620**	**14,180**	**14,770**	**15,380**	**16,020**
Interest Paid & Administration	5,250	5,350	5,375	5,400	5,450	5,500	5,500	5,500	6,000	6,000
Interest Received	-259	-275	-330	-400	-500	-500	-500	-500	-500	-500
Depreciation	5,678	5,930	6,260	6,570	6,900	7,250	7,610	7,990	8,390	8,810
Net Operating Income	**-10,955**	**-10,785**	**-11,160**	**-11,280**	**-11,500**	**-11,530**	**-11,700**	**-11,790**	**-11,450**	**-11,540**
APPROPRIATIONS:	0	0	0	0	0	0	0	0	0	0
Revenue Contribution to Reserves	10,880	10,710	11,085	11,205	11,425	11,455	11,625	11,715	11,375	11,465
Revenue Contribution to Capital	75	75	75	75	75	75	75	75	75	75
Total Appropriations	**10,955**	**10,785**	**11,160**	**11,280**	**11,500**	**11,530**	**11,700**	**11,790**	**11,450**	**11,540**

4.40 The table above shows that projected operating surpluses remain constant over the medium term, financing a substantial development programme. However, this needs balancing against a rapidly changing financial environment and the changes likely to flow from Welfare Reform, right-to-buy and other changes, which pose a real threat to our income.

The business plan is most sensitive to the following assumptions:

- income trends
- inflation rates
- cost of debt
- capital investment
- right to buy sales.

The table below sets out the impact of changes to these key assumptions.

Assumption	Change	Impact – 10 year cashflow
Rent inflation rate	+1%	£16.8 million increase
	-1%	£16.0 million decrease
Revenue cost inflation	+1%	£6.3 million decrease
	-1%	£5.9 million increase
Borrow rate	+1%	£4.5 million increase
	-1%	£4.5 million decrease
Right to Buy sales	+ 15/yr	£4.5 million decrease
Income from rent foregone	+ 30/yr	£9.0 million decrease

4.41 The degree to which a development programme can be financed will largely be determined by a continued willingness to attach a lower priority to debt repayment coupled with a proactive policy to release land for such purposes.

HRA Capital Programme and Reserves

4.42 There are four potential strands forming our HRA capital programme under the self-financing regime. In the past, not all have been viable options but that position has changed. The four strands are:

- replacing ageing components such as roofs and kitchens
- improving and enhancing existing properties – for example, installing double glazing
- stock rationalisation – the most common example to date being the decommissioning of outdated sheltered units
- expansion – the provision of new additional affordable homes.

4.43 The funding sources enabling us to deliver a capital programme are as follows:

- HRA rental stream
- Capital receipts generated from the disposal of HRA assets including land
- HRA reserves
- HRA approved borrowing.

4.44 The HRA has built up significant revenue reserves and, as at 31 March 2015, are estimated to be in the region of £45.7 million – excluding capital receipts. These can be used for any HRA related purpose. It is proposed that these reserves are set aside to support the major repairs and improvements and new build programme. The HRA also has useable capital receipts, generated from the sale of HRA land and housing assets. The balance of useable capital receipts is expected to be over £21 million as at 31 March 2015. These funds can only be used to support capital expenditure.

4.45 A combination of useable one-for-one receipts and the new build reserve are funding the existing approved new build schemes at Lakeside Close, Ash Vale- New Road Gomshall and the recently completed scheme at Wyke Avenue, Normandy.

4.46 The table below shows the cumulative reserves that can support the business plan – they reflect only approved new build projects and the decision not to repay debt:

Year ending	Reserve for future capital works	New Build Reserve	**Total**	Usable capital receipts	Usable Capital Receipts (one-for-one receipts) 1	Usable Capital Receipts (HRA debt repayment)	**Total usable capital receipts**	**Total reserves/receipts**
	£000	£000	**£000**	£000	£000	£000	**£000**	**£000**
31-Mar-15	24,614	21,161	**45,775**	18,643	2,004	1,608	**22,255**	**68,030**
31-Mar-16	20,352	22,705	**43,057**	17,887	-2,194	2,027	**17,720**	**60,777**
31-Mar-17	21,165	26,936	**48,101**	17,371	-2,946	2,465	**16,890**	**64,991**
31-Mar-18	21,978	32,686	**54,664**	16,855	-3,184	2,914	**16,585**	**71,249**
31-Mar-19	22,791	41,216	**64,007**	16,339	-2,259	3,375	**17,455**	**81,462**
31-Mar-20	23,604	50,141	**73,745**	15,828	-1,236	3,848	**18,440**	**92,185**

4.47 One-for-one receipts are being applied to current and proposed new build schemes to minimise the risk of repayment. By March 2016, we will hold a negative one-for-one reserve. This will enable the retention of future one-for-one receipts, with a reduced risk of repayment, pending the identification of new sites [1]

4.48 Future development projects will be funded from the useable capital receipts and new build reserve totalling £68.5 million. This includes £50 million in respect of the redevelopment of the Slyfield site.

4.49 Based on an analysis of our stock condition data and taking into account our tenants' priorities, we are proposing to maintain investment on repairing and maintaining our existing properties broadly at 2014-15 levels.

4.50 Much of our planned investment focuses on maintaining our asset base in good condition. Appendix 3 details a draft programme.

[1] The Council has entered into an agreement with the Secretary of State whereby it is allowed to retain an element of the capital receipts that it receives from Right to Buy sales. Under the terms of the agreement these receipts must be used to finance up to 30% of the cost of replacement social housing within three years, otherwise the retained receipts must be repaid to the Department for Communities & Local Government (DCLG) with interest.

4.51 **Appendix 5** details three additional new affordable homes developments at Willow Way, Guildford – The Homestead, Guildford and a number of small garage sites. These schemes are to be transferred to the approved capital programme. Planning permission is in place for the Homestead along with the majority of garage sites, whilst a planning application has been submitted for the proposed Willow Way development.

4.52 Authority is sought to transfer the equity share repurchase and cash incentives schemes for 2015-16 currently shown on the provisional capital scheme list of **Appendix 6** to the approved programme list.

5. Robustness of the Budget and Adequacy of Reserves

5.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the budget and adequacy of the proposed financial reserves.

5.2 The budget process started in May 2014. Paragraph 4.1 details the assumptions used in the preparation of the 2015-16 budget.

5.3 Staffing costs have been included based on the Full Time Equivalents (FTEs) included in the approved establishment of 74.51.

5.4 Throughout the budget process, the Manager Director, Executive Heads of Service, the Leader and relevant Lead Councillors have been involved in what is considered to be a deliverable budget.

5.5 A prudent assessment of income has been made and only income that has a high level of certainty of being received is included within the budget. The 2015-16 budget includes a bad debt provision of £150,000 reflecting the economic climate and welfare reform. The level of operating balance remains unchanged at £2.5 million.

5.6 Service level risk assessments have been undertaken for both existing major areas of the budget and changes arising from the self-financing regime.

5.7 The corporate risks will be included in the corporate risk register, whilst service risk registers are available along with comprehensive guidance about how to identify and score risks.

5.8 The overarching HRA business plan is reviewed annually to reflect the changing financial environment in which it needs to operate and to ensure the business plan remains fit for purpose. The HRA will continue to need to balance tenant needs and expectations in the context of its financial situation.

5.9 The value of all housing related reserves as at 1 April 2015 is projected to be around £68 million. The estimated value of all HRA reserves for the period up to 31 March 2020 is shown in paragraph 4.46. The HRA has a significant level of reserves and working balance.

6. Legal Implications

6.1 The HRA is a separate account that all local authorities with housing stock are required to maintain. This account contains all transactions relating to local authority-owned housing. The Local Government and Housing Act 1989 prohibits the Council operating its HRA at a deficit. The proposed balanced budget meets this obligation.

6.2 Notices of any increase in rent have to be sent to tenants at least 28 days in advance of the new charges coming into effect.

7. Human Resource Implications

7.1 An additional post arising from the revenue growth bid outlined in paragraph 4.9.

8. Conclusion

8.1 The proposed HRA revenue budget not only meets our obligation to deliver a balanced budget but also delivers opportunities to improve services to tenants. It also enables the Council to provide new affordable homes at a time when access to housing is increasingly difficult.

8.2 The proposed HRA capital programme sets out to maintain and improve our existing assets. It is essential we do so, not only to meet our regulatory obligations but also to safeguard future income streams.

9. Background Papers

- Outline budget book 2014-15
- HRA Business Plan 2015 – 2045
- HRA Business Plan 2015 – 2045 - Executive Report: 25 November 2014

10. Appendices

Appendix 1: HRA Revenue Budget
Appendix 2: HRA Fees and Charges
Appendix 3: HRA Investment Programme
Appendix 4: Asset management plan – major investments – Projects
Appendix 5: Housing investment programme, resources and funding statement

HOUSING REVENUE ACCOUNT SUMMARY - DRAFT ESTIMATE 2015-16 **Appendix 1**

2012-13 Actual £	2013-14 Actual £	Analysis	2014-15 Estimate £	2015-16 Estimate £
		Borough Housing Services		
568,592	619,866	Income Collection	648,040	661,790
785,286	843,093	Tenants Services	931,670	939,630
102,278	113,767	Tenant Participation	137,660	142,050
87,713	97,703	Garage Management	87,370	70,560
77,587	65,759	Elderly Persons Dwellings	74,930	70,720
517,059	580,019	Flats Communal Services	424,750	435,160
478,318	467,195	Environmental Works to Estates	516,460	504,530
4,421,766	4,652,110	Responsive and Planned Maintenance	4,944,090	5,071,890
92,577	112,036	SOCH and Equity Share Administration	113,620	117,950
7,131,176	**7,551,548**		**7,878,590**	**8,014,280**
		Strategic Housing Services		
263,323	353,591	Advice, Registers & Tenant Selection	357,350	355,550
178,117	192,029	Void Property Management & Lettings	201,360	194,780
5,478	5,284	Homelessness Hostels	8,340	7,630
214,507	207,779	Supported Housing Management	221,200	209,350
249,768	363,684	Strategic Support to the HRA	524,370	473,310
911,192	**1,122,367**		**1,312,620**	**1,240,620**
		Community Services		
833,169	869,297	Sheltered Housing	892,420	947,360
		Other Items		
5,312,572	5,678,019	Depreciation	5,293,520	5,678,000
(927,364)	(8,698,062)	Impairment	0	0
93,391	98,512	Debt Management	99,800	105,110
85,686	43,550	Rent Rebates	30,000	0
17,712	0	Negative Subsidy (Housing Element)	0	0
0	0	*Proposed Growth Bid*	0	25,000
99,960	104,418	Other Items	411,090	440,480
13,557,494	**6,769,649**	**Total Expenditure**	**15,918,040**	**16,450,850**
(30,098,893)	(31,114,850)	Income	(31,980,700)	(32,635,750)
(16,541,399)	**(24,345,201)**	**Net Cost of Services(per inc & exp a/c)**	**(16,062,660)**	**(16,184,900)**
233,656	**243,784**	HRA share of CDC	**229,460**	**239,340**
(16,307,743)	**(24,101,417)**	**Net Cost of HRA Services**	**(15,833,200)**	**(15,945,560)**
(109,343)	(146,990)	Investment Income	(113,190)	(259,170)
5,117,458	5,034,635	Interest Payable	5,100,000	5,250,000
(11,299,628)	**(19,213,772)**	**Deficit for Year on HRA Services**	**(10,846,390)**	**(10,954,730)**
0	0	Amortised Premiums and Discounts	0	0
0	0	REFCUS - Revenue expenditure funded	75,000	75,000
17,400	0	VRP - Voluntary Revenue Provision (grav	0	0
2,500,000	2,500,000	Contrib to/(Use of) RFFC	2,500,000	**2,500,000**
7,693,094	7,923,234	Contrib to/(Use of) New Build Reserve	8,271,390	**8,379,730**
0		Government Grants deferred re Dep'n	0	0
161,770	99,140	Tfr (fr) to Pensions Reserve	0	0
927,364	8,698,062	Tfr (from)/to CAA re: Impairment/Revalua	0	0
	(3,664)	Tfr (from)/to CAA re: Intangible assets	0	0
	0	Tfr (from)/to CAA re: Debt settlement	0	0
	(3,000)	Tfr (from)/to CAA re: rev. inc. from sale of	0	0
0	0	Tfr (from)/to Other reserves	0	0
0	**0**	**HRA Balance**	**0**	**0**
(2,500,000)	(2,500,000)	Balance Brought Forward	(2,500,000)	(2,500,000)
(2,500,000)	**(2,500,000)**	**Balance Carried Forward**	**(2,500,000)**	**(2,500,000)**

2012-13 Actual £	2013-14 Draft Actual £	Analysis	2014-15 Estimate £	2015-16 Estimate £
		Income		
(27,476,381)	(28,421,590)	Rent Income - Dwellings	(29,219,600)	(29,950,000)
(200,065)	(196,591)	Rent Income - Rosebery Hsg Assoc	(203,870)	(228,000)
(276,477)	(167,382)	Rents - Shops, Buildings etc	(168,930)	(168,930)
(664,778)	(683,196)	Rents - Garages	(705,000)	(712,000)
(28,617,701)	**(29,468,759)**	**Total Rent Income**	**(30,297,400)**	**(31,058,930)**
0	0	Major Repairs Allowance	0	0
(364,761)	(356,395)	Supporting People Grant	(340,710)	(300,000)
(902,571)	(924,438)	Service Charges	(1,005,790)	(967,690)
(621)	0	Contributions	(9,990)	0
(11,955)	(13,532)	Legal Fees Recovered	(14,160)	(14,000)
(1,164)	(1,188)	Council Tax Recovered	(1,250)	(1,250)
(38,403)	(60,160)	Service Charges Recovered	(58,250)	(57,050)
(161,718)	(290,377)	Miscellaneous Income	(253,150)	(236,830)
(30,098,893)	**(31,114,850)**	**Total Income**	**(31,980,700)**	**(32,635,750)**

Housing Revenue Account - Fees and Charges **Appendix 2**

		2014-15 £ From 1 April 2014	2015-16 £ From 1 April 2015	Increase %
To be approved by Council				
Sheltered Units				
Guest Room Fees;				
Dray Court		16.20	16.90	4.3%
Japonica Court		17.80	18.50	3.9%
St Martin's Court		20.00	20.80	4.0%
St Martha's Court		19.70	20.50	4.1%
Tarragon Court		19.20	20.00	4.2%
Millmead Court		17.10	17.80	4.1%
Per subsequent night		At rate applicable for each court		
Function Room Hire				
Voluntary /Charity Organisations	- Per Hour	11.65	12.10	3.9%
	- Per Day	58.26	60.60	4.0%
Adult Education/Social Services	- Per Hour	13.99	14.50	3.7%
	- Per Day	87.40	91.00	4.1%
Social/Private Hire	- Per Hour	17.48	18.20	4.1%
	- Per Day	93.23	97.00	4.0%
Total charge				
Dray Court		62.43	65.53	5.0%
Japonica Court		67.21	65.98	-1.8%
St Martha's Court		61.38	63.59	3.6%
Millmead Court		60.85	61.21	0.6%
St Martin's Court		61.58	62.75	1.9%
Tarragon Court		56.63	60.25	6.4%
Friary House (61 flats)				
Heating, Electricity, Cleaning, Caretaking and Security Services		21.01	18.66	-11.2%
Garages (on Housing Estates) (*VAT is applied at the standard rate on private lets only*)				
High demand area (non residents)		17.40	17.57	1.0%
High demand area		10.60	10.70	0.9%
Elsewhere		8.70	8.78	0.9%
Castle Cliffe				
Gas and Electricity Charges - per week		13.80	12.82	-7.1%
Malthouse Court				
Caretaking, Cleaning, Gas and Electricity Charges - per week		13.03	12.82	-1.6%
Pound Court				
Electricity; Grounds Maintenance; Cleaning		7.20	5.41	-24.9%
Flats				
Where cleaning provided to communal areas;				
Three times per week		6.42	6.42	0.0%
Once per week		2.14	2.14	0.0%
Sandmore (Laundry and Communal Facilities)		5.35	4.47	-16.4%
Decorating charge *(Note: charge is per room)*		1.49	1.49	0.0%
Supported Housing				
William Swayne House;				
- Shared Accommodation		92.31	97.85	6.0%
- Self Contained bedsits		92.68	97.85	5.6%
- Self Contained flat		95.22	100.21	5.2%
William Swayne Place		29.47	30.23	2.6%
Dene Road		70.88	71.02	0.2%
79 York Road		28.59	28.72	0.5%
Caxtons		49.86	51.85	4.0%
Dene Court		65.76	66.67	1.4%
Sold Flats Service Charges - Solicitors' Enquiry				
Sales/purchases		117.00	121.50	3.8%
Remortgages		60.00	62.50	4.2%
Service Charge Management Fee		160.00	165.00	3.1%

2015-16 Asset Management Plan – Major Investments **Appendix 3**

Category	DHS	Project	Estimate
Schemes			
Retentions & Minor carry-forward		Retentions due together with minor carry forward from projects in progress up to 31 March 2015.	£35,000
Modern Homes			
Kitchens & Bathrooms *Various locations*	#	This area-based programme to provide modern kitchens, bathrooms and electrical installations is drawing to a close. This provision is targeted towards completing properties not included, for a variety of reasons, in the large-scale estate programmes. The works includes minor structural alterations to facilitate an improved layout. The main constraint will be achieving access to properties which did not participate in the main scheme.	£900,000
Void properties *Various locations*	#	The upgrading of kitchens, bathrooms and electrical installations in properties being re-let. This includes minor structural alterations where necessary.	£175,000
Doors & Windows			
Replacement windows *Various locations*	#	Replacement of single glazed windows with high efficiency units to properties largely in conservation areas.	£340,000
Structural			
Refurbishment of individual dwellings *Various locations*	#	Refurbishment and/or conversion of dwellings on an individual basis to enable them to be re-let, along with minor improvements.	£200,000
Repairs associated with structural movement *Various locations*	#	Provision to repair properties suffering from structural movement – a number will require partial underpinning.	£420,000
Roof Renewal *Various locations*	#	Ongoing programme to replace roof coverings that are reaching the end of their design life.	£750,000

Category	DHS	Project	Estimate
Energy Efficiency			
Boiler upgrade and associated works *Milmead Court, Guildford*	#	The replacement of the boilers with high efficiency units, improved heating controls and associated upgrade works to the heating and hot water system.	£95,000
Central heating upgrades *Various locations*	#	Upgrading existing central heating installations with high efficiency systems and improved cavity/wall insulation. Includes the phased renewal of storage heaters which are more than 20 years old.	£900,000
First Time Central Heating *Various locations*	#	One-off installation of first time central heating.	£15,000
Insulation upgrade to solid walled properties *Guildford Park and Westborough*	#	Improving the thermal efficiency of external, solid rendered walls by applying external insulating system.	£300,000
General			
Communal lighting upgrade *Various locations*		Upgrade the communal lighting due to the age of fittings.	£80,000
Disabled adaptations *Various locations*		Works to alter and/or adapt Council owned dwellings for the benefit of people with disabilities.	£600,000
Environmental improvements *Various locations*		General environmental improvements at sites to be agreed. All subject to resident consultation.	£100,000
External works programme		Initial phase of a programme to upgrade and repair external works – including boundary treatments, retaining walls and paths.	£150,000
Garage forecourts		Resurfacing of garage forecourts that are worn and presenting a user hazard, or run down appearance that detracts from our ability to let units.	£15,000
Improve fire detection and protection *Various locations*		Ongoing programme to deal with matters arising from fire risk assessments. This can include improved signage, lighting and enhanced levels of fire resistance.	£20,000

Category	DHS	Project	Estimate
Lift refurbishment *Sheltered units*		Continuation of a phased programme to replace older lifts at St Martin's Court, West Horsley and Dray Court, Guildford.	£130,000
Replacement of battery operated smoke detectors *Various*		Replacing battery operated smoke detectors with units hard wired into the dwelling and/or developments' electrical installation.	£60,000
Replacement of external soffits, fascias and gutters *Kingston Avenue, East Horsley and Hornhatch, Chilworth.*		Replacement of external soffits, fascias and gutters where asbestos containing materials make ongoing maintenance increasingly difficult.	£100,000
Water main renewal *North Road & Derwent Avenue Ash Vale*	#	Renewal of degrading water mains.	£30,000
Programme support		Programme support and development to support delivery of the HRA Business Plan. Includes allowance to fund design works necessary to address water penetration issues at our two high-rise blocks of flats.	£125,000
		Sub-total	**£5,540,000**
Stock condition allowance		Provisional allowance to fund works identified by the 2014 stock condition survey in consultation with the Lead Member for Housing and Social Welfare.	£460,000
		Total	**£6,000,000**

Notes:

i DHS – Decent Homes Standard.
ii # Works associated with the achievement of the Decent Homes Standard.
iii Subject to detailed site surveys and prevailing market conditions.
iv Slippage on 2014-15 programme is used to support the 2015-16 programme.

Appendix 4

HRA CAPITAL PROGRAMME – FUNDING BID

Scheme title	Willow Way, Bellfields – New affordable homes development (HRA – NB01)

Officer responsible for project	Philip O'Dwyer
Service Unit responsible for project	Neighbourhood and Housing Management Services
Project champion/Councillor (if applicable)	Cllr Creedy
Ward	Stoke

Description of project.

An affordable housing development on the site used as a garage site but no longer required. Location plan attached.

The site had outline planning consent for five dwellings and is currently being renewed. The bid will add the project to the list of Housing Revenue Account (HRA) provisional schemes.

Justification for project.

The existing garage site has reached the end of its useful life. A decision had been made prior to the HRA debt settlement to sell the site to a Housing Association, but for a number of operational reasons they did not proceed with the development. The new HRA financial arrangements now allow the Council to carry out the development itself.

The site is accessed through an area of social housing and if redeveloped for residential purposes, would provide a valuable addition to our housing stock.

The Council's Housing Needs Survey and Strategic Housing Market Assessment identifies a significant need for additional housing in the borough. The greatest need is for affordable housing. Completion rates of new homes in the borough has been very low.

We continue to lose around 15-20 units through the Right to Buy scheme.

The HRA Business Plan has, as one of its key objectives, the provision of more affordable homes. This project meets the investment criteria set out in the associated HRA development strategy.

This is a sustainable location for residential use. Providing affordable housing on this site will contribute towards the Council's key objectives, including those relating to development and society.

If the site is sold for residential purposes it is unlikely that any affordable housing would be provided on the site because of its size.

Implications if project not undertaken.

There are a number of implications should the project not be undertaken – these include:

- the site is underused and is unsightly
- the opportunity to provide additional residential units, particularly affordable housing in this area will be lost. The Council owns the site and therefore delivery of any scheme is more certain

being less reliant on commercial investment criteria

- delivery on a number of the our key objectives will be less certain – for example those relating to development and society
- greater pressure on land that has not previously been developed.

Options.

If used for affordable housing the main options are:

- direct development by the Council, funded through the Housing Revenue Account
- development through an investment vehicle and funded through the General Fund. The vehicle can take a number of forms with the Council having more or less control over it
- sale of the site to either a developer and/or a housing association with a contractual obligation to provide a specified number of affordable housing units. Any capital receipt will reflect the number of affordable housing units required, their tenure and the level of receipt sought. The housing association may seek grant funding from the Council.

Based on the available information, the HRA is best placed to carry out the affordable housing development directly.

Consents required:	Yes/no		Yes/no
Planning Permission required?	Yes	Building Regulations required?	Yes
Any other consent required? (provide details)	The project will require a number of other consents from various statutory agencies, utilities and possibly adjoining land owners.		

Estimated Gross Cost 2015-16 to 2019-20:
The capital programme covers five financial years. You must provide estimates on a realistic basis, allowing for lead-in time, procurement issues etc, in the financial years as appropriate.

	2015-16 £000	**2016-17 £000**	**2017-18 £000**	**2018-19 £000**	**2019-20 £000**	**Total £000**
		800	175	25		
	This is a very much an initial outline estimate and more detailed design work is needed to increase its accuracy. Initial estimate is for 5 units - £1 million. The feasibility study work will need to be funded ahead of the final decision on the scheme and will initially be met from the approved Housing capital programme.					

Expected useful life of the asset
Where the expected lives of each significant component of the asset are different (for example buying a property with a flat roof) you must estimate both the useful lives and cost of replacing each component part (please add additional components where applicable). Please only include major components.

	Basis of Estimate	Estimated Value (£)	Estimated Life (yrs)
Dwellings	Current costs		75
Infrastructure	Current costs		60

HRA CAPITAL PROGRAMME – FUNDING BID

Scheme title	Various garage sites – New affordable homes development (HRA – NB02)

Officer responsible for project	Philip O'Dwyer
Service Unit responsible for project	Neighbourhood and Housing Management Services
Project champion/Councillor (if applicable)	Cllr Creedy
Ward	Various

Description of project.

Small affordable housing developments on a number of sites used as a garage sites but no longer required. Included within this are garage blocks at Great Goodwin Drive, Merrow, Pond Meadow, Park Barn and Rowan Close, Bellfields.

The sites are the subject of a planning application or shortly will be. The bid will add the projects to the list of Housing Revenue Account (HRA) provisional schemes.

Justification for project.

The existing garage sites have reached the end of their useful life. The sites are accessed through areas of social housing and if redeveloped for residential purposes will provide a valuable addition to our housing stock.

The Council's Housing Needs Survey and Strategic Housing Market Assessment identifies a significant need for additional housing in the borough. The greatest need is for affordable housing. Completion rates of new homes in the borough has been very low.

We continue to lose around 15-20 units through the Right to Buy scheme.

The HRA Business Plan has as one of its key objectives the provision of more affordable homes. This project meets the investment criteria set out in the associated HRA development strategy.

The sites are considered to be sustainable locations for residential use. Providing affordable housing on this site will contribute towards the Councils key objectives, including those relating to development and society.

If the sites are sold for residential purposes, it is unlikely that any affordable housing would be provided on the sites because of its size.

Implications if project not undertaken.

There are a number of implications should the project not be undertaken – these include:

- the sites are underused and some are unsightly
- the opportunity to provide additional residential units, particularly affordable housing in this area will be lost. The Council own the sites and therefore delivery of any scheme is more certain being less reliant on commercial investment criteria
- delivery on a number of the our key objectives will be less certain – for example, those relating to

development and society
- greater pressure on land that has not previously been developed

Options.

If used for affordable housing the main options are:

- direct development by the Council, funded through the Housing Revenue Account

- development through an investment vehicle and funded through the General Fund. The vehicle can take a number of forms with the Council having more or less control over it

- sale of the sites to either a developer and/or a housing association with a contractual obligation to provide a specified number of affordable housing units. Any capital receipt will reflect the number of affordable housing units required, their tenure and the level of receipt sought. The housing association may seek grant funding from the Council.

Based on the available information, the HRA is best placed to carry out the affordable housing development directly.

Consents required:	Yes/no		Yes/no
Planning Permission required?	Yes	Building Regulations required?	Yes
Any other consent required? (provide details)	The project will require a number of other consents from various statutory agencies, utilities and possibly adjoining land owners.		

Estimated Gross Cost 2015-16 to 2019-20:
The capital programme covers five financial years. You must provide estimates on a realistic basis, allowing for lead-in time, procurement issues etc, in the financial years as appropriate.

	2015-16 £000	**2016-17 £000**	**2017-18 £000**	**2018-19 £000**	**2019-20 £000**	**Total £000**
		1000	1350	150		
	This is a very much an initial outline estimate and more detailed design work is needed to increase its accuracy. The feasibility study work will be needed to be funded ahead of the final decision on the scheme and will initially be met from the approved Housing capital programme.					

Expected useful life of the asset
Where the expected lives of each significant component of the asset are different (for example buying a property with a flat roof), you must estimate both the useful lives and cost of replacing each component part (please add additional components where applicable). Please only include major components.

	Basis of Estimate	Estimated Value (£)	Estimated Life (yrs)
Dwellings	Current costs		75
Infrastructure	Current costs		60

HRA CAPITAL PROGRAMME – FUNDING BID

Scheme title	The Homestead, Guildford – New affordable homes development (HRA – NB03)
Officer responsible for project	Philip O'Dwyer
Service Unit responsible for project	Neighbourhood and Housing Management Services
Project champion/Councillor (if applicable)	Cllr Creedy
Ward	Holy Trinity

Description of project.

A small affordable housing development within the grounds of The Homestead, an old Victorian house converted into self-contained flats.

The site is the subject of a planning application made in September 2014. The bid will add the projects to the list of Housing Revenue Account (HRA) provisional schemes.

Justification for project.

The extensive grounds are surplus to requirements and offer the potential for a small development of three houses. The site is accessed through the existing social housing site and a small residential development will provide a valuable addition to our housing stock.

The Council's Housing Needs Survey and Strategic Housing Market Assessment identifies a significant need for additional housing in the borough. The greatest need is for affordable housing. Completion rates of new homes in the borough has been very low.

We continue to lose around 15-20 units through the Right to Buy scheme.

The HRA Business Plan has as one of its key objectives the provision of more affordable homes. This project meets the investment criteria set out in the associated HRA development strategy.

The site is a sustainable locations for residential use. Providing affordable housing on this site will contribute towards the Council's key objectives, including those relating to development and society.

If the site is sold for residential purposes, it is unlikely that any affordable housing would be provided on the site because of its size.

Implications if project not undertaken.

There are a number of implications should the project not be undertaken – these include:

- the site is underused
- the opportunity to provide additional residential units, particularly affordable housing in this area will be lost. The Council own the sites and therefore delivery of any scheme is more certain being less reliant on commercial investment criteria
- delivery on a number of the our key objectives will be less certain – for example, those relating to development and society
- greater pressure on land that has not previously been developed.

Options.
If used for affordable housing the main options are: • direct development by the Council, funded through the Housing Revenue Account • development through an investment vehicle and funded through the General Fund. The vehicle can take a number of forms with the Council having more or less control over it • sale of the sites to either a developer and/or a housing association with a contractual obligation to provide a specified number of affordable housing units. Any capital receipt will reflect the number of affordable housing units required, their tenure and the level of receipt sought. The housing association may seek grant funding from the Council. Based on the available information, the HRA is best placed to carry out the affordable housing development directly.

Consents required:	Yes/no		Yes/no
Planning Permission required?	Yes	Building Regulations required?	Yes
Any other consent required? (provide details)	The project will require a number of other consents from various statutory agencies, utilities and possibly adjoining land owners.		

Estimated Gross Cost 2015-16 to 2019-20:
The capital programme covers five financial years. You must provide estimates on a realistic basis, allowing for lead-in time, procurement issues etc, in the financial years as appropriate.

	2015-16 £000	**2016-17 £000**	**2017-18 £000**	**2018-19 £000**	**2019-20 £000**	**Total £000**
	250	235	15			
	This is a very much an initial outline estimate and more detailed design work is needed to increase its accuracy. The feasibility study work will need to be funded ahead of the final decision on the scheme and will initially be met from the approved Housing capital programme.					

Expected useful life of the asset
Where the expected lives of each significant component of the asset are different (for example buying a property with a flat roof) you must estimate both the useful lives and cost of replacing each component part (please add additional components where applicable). Please only include major components.

	Basis of Estimate	Estimated Value (£)	Estimated Life (yrs)
Dwellings	Current costs		75
Infrastructure	Current costs		60

GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2014-15 to 2019-20: HRA APPROVED PROGRAMME

APPENDIX 5

	Project Budget £000	2013-14 Actual £000	Project Spend at 31-03-14 £000	2014-15 Estimate £000	2014-15 Projected Outturn £000	2015-16 Estimate £000	2016-17 Estimate £000	2017-18 Estimate £000	2018-19 Estimate £000	2019-20 Estimate £000	Total Project Exp £000
Acquisition of Land & Buildings	0	0	0	2,500	0	4,000					4,000
New Build											
Lakeside Close, Ash	5,100	376	381	1,775	1,844	2,747	128	0	0	0	5,100
New Road, Gomshall	4,250	728	744	1,475	1,475	1,925	106	0	0	0	4,250
Wyke Avenue	505	74	76	305	429	0	0	0	0	0	505
Guildford Park	75	0	0	75	0	75	0	0	0	0	75
Slyfield Green	100	0	0	100	100	0	0	0	0	0	100
Various small sites & feasibility/Site preparation	1,000	0	0	1,000	1,000	0	0	0	0	0	1,000
Schemes to promote Home-Ownership											
Equity Share Re-purchases	annual	464	annual	250	250						annual
Major Repairs & Improvements											
Retentions & minor carry forwards	annual	0	annual	30	30						annual
Kitchens & Bathrooms	annual	4,692	annual	3,000	3,000						annual
Doors and Windows	annual	244	annual	250	250						annual
Structural	annual	89	annual	900	900						annual
Energy efficiency: Central heating	annual	1,501	annual	1,815	1,815						annual
General	annual	8	annual	1,005	5						annual
Grants											
Cash Incentive Scheme	annual	0	annual	75	75						annual
TOTAL APPROVED SCHEMES	0	8,176	1,201	14,555	11,173	8,747	234	0	0	0	15,030

GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2014-14 to 2017-18: HRA PROVISIONAL PROGRAMME

APPENDIX 5

	Project Budget £000	2013-14 Actual £000	Project Spend at 31-03-14 £000	2014-15 Estimate £000	2014-15 Budget Changes	2014-15 Projected Outturn £000	2015-16 Estimate £000	2016-17 Estimate £000	2017-18 Estimate £000	2018-19 Estimate £000	2019-20 Estimate £000	Total Project Exp £000
Acquisition of Land & Buildings	3,000	0	0	6,000	0	0	6,000	0	0	0	0	6,000
New Build												
Fire Station/Ladymead	1,195	0	0	1,155		0	1,195	0	0	0	0	1,195
Guildford Park	8,925	0	0	0		0	675	4,000	4,000	250	0	8,675
Slyfield Green	1,900	0	0	0		0	400	1,450	50	0	0	1,900
Schemes to promote Home-Ownership												
Equity Share Re-purchases	annual		annual				250	250	250	250	250	annual
Major Repairs & Improvements												
Major Repairs & Improvements			annual				7,000	7,000	7,000	7,000	7,000	annual
Retentions & minor carry forwards			annual									annual
Modern Homes: Kitchens and bathrooms			annual									annual
Doors and Windows			annual									annual
Structural			annual									annual
Energy efficiency: Central heating			annual									annual
General			annual									annual
Grants												
Cash Incentive Scheme	annual		annual				75	75	75	75	75	annual
Total Expenditure to be financed	15,020	0	0	7,155	0	0	15,595	12,775	11,375	7,575	7,325	17,770

GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2014-15 to 2018-19: HRA RESOURCES AND FUNDING STATEMENT

APPENDIX 5

	2013-14 Actual £000	2014-15 Estimate £000	2014-15 Projected Outturn £000	2015-16 Estimate £000	2016-17 Estimate £000	2017-18 Estimate £000	2018-19 Estimate £000	2019-20 Estimate £000
EXPENDITURE								
Approved programme	8,176	14,555	11,173	8,747	234	0	0	0
Provisional programme	0	7,155	0	15,595	12,775	11,375	7,575	7,325
Total Expenditure	**8,176**	**21,710**	**11,173**	**24,342**	**13,009**	**11,375**	**7,575**	**7,325**
FINANCING OF PROGRAMME								
Capital Receipts	404	250	250	250	250	250	250	250
Contribution from Housing Revenue a/c (re cash incentives)	0	75	75	75	75	75	75	75
Future Capital Programme reserve	1,428	1,706	0	6,762	1,687	1,687	1,687	1,687
Major Repairs Reserve	4,071	5,294	6,000	5,313	5,313	5,313	5,313	5,313
New Build Reserve	0	13,648	3,394	6,837	3,979	2,835	175	0
1-4-1 recepits	487	737	1,454	5,105	1,705	1,215	75	0
Grants and Contributions	4	0	0	0	0	0	0	0
Total Financing (= Total Expenditure)	**6,394**	**21,710**	**11,173**	**24,342**	**13,009**	**11,375**	**7,575**	**7,325**

RESERVES - BALANCES	2013-14 Actual £000	2014-15 Estimate £000	2014-15 Projected Outturn £000	2015-16 Estimate £000	2016-17 Estimate £000	2017-18 Estimate £000	2018-19 Estimate £000	2019-20 Estimate £000
Reserve for Future Capital Programme (U01035)								
Balance b/f	18,329	19,142	20,829	23,329	19,067	19,880	20,693	21,506
Contribution in year	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Used in year	0	(1,706)	0	(6,762)	(1,687)	(1,687)	(1,687)	(1,687)
Balance c/f	**20,829**	**19,936**	**23,329**	**19,067**	**19,880**	**20,693**	**21,506**	**22,319**
Major Repairs Reserve (U01036)								
Balance b/f	0	0	1,607	1,285	1,285	1,285	1,285	1,285
Contribution in year	5,678	5,294	5,678	5,930	6,260	6,570	6,900	7,100
Used in Year	(4,071)	(5,294)	(6,000)	(5,930)	(6,260)	(6,570)	(6,900)	(7,100)
Balance c/f	**1,607**	**0**	**1,285**	**1,285**	**1,285**	**1,285**	**1,285**	**1,285**
New Build Reserve (U01069)								
Balance b/f	7,670	13,474	15,593	21,161	22,705	26,936	32,686	41,216
Contribution in year	7,923	8,177	8,962	8,380	8,210	8,585	8,705	8,925
Used in Year	0	(13,648)	(3,394)	(6,837)	(3,979)	(2,835)	(175)	0
Balance c/f	**15,593**	**8,003**	**21,161**	**22,705**	**26,936**	**32,686**	**41,216**	**50,141**
Usable Capital Receipts: 1-4-1 receipts (T01011)								
Balance b/f	490	737	1,831	2,004	(2,194)	(2,946)	(3,184)	(2,259)
Contribution in year	1,828	0	1,627	908	953	977	1,000	1,023
Used in Year	(487)	(737)	(1,454)	(5,105)	(1,705)	(1,215)	(75)	0
Balance c/f	**1,831**	**0**	**2,004**	**(2,194)**	**(2,946)**	**(3,184)**	**(2,259)**	**(1,236)**

Note: a contribution to this reserve is dependent on the number of RTB sales in the year determined in the HRA self financing model. There are many variables to the calculation of the 1:4:1 contribution. As an estimate, I have used a model provided by Sector which is based on our assumption of RTB sales

Usable Capital Receipts - HRA Debt Repayment (T01010)	2013-14 Actual £000	2014-15 Estimate £000	2014-15 Projected Outturn £000	2015-16 Estimate £000	2016-17 Estimate £000	2017-18 Estimate £000	2018-19 Estimate £000	2019-20 Estimate £000
Balance b/f	319	716	1,061	1,608	2,027	2,465	2,914	3,375
Contribution in year	742	100	547	419	438	449	461	473
Used in Year	0	0	0	0	0	0	0	0
Balance c/f	**1,061**	**816**	**1,608**	**2,027**	**2,465**	**2,914**	**3,375**	**3,848**

Note: each RTB sale generates a contribution to this reserve toward debt repayment determined in the HRA self financing model. A small number of sales are anticipated each year.