LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

Cabinet

Tuesday, 16 January 2018

The following reports were received too late to be included on the main agenda for this meeting and were marked 'to follow'. They are now enclosed, as follows:

Agenda Item Number	Page	Title
8	1 - 16	BUDGET AND POLICY FRAMEWORK UPDATE 2018-22 - GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME
		(Cabinet Member with Special Responsibility Councillor Whitehead)
9	17 - 46	BUDGET & POLICY FRAMEWORK UPDATE 2018-22 - HOUSING REVENUE ACCOUNT AND CAPITAL PROGRAMME
		(Cabinet Member with Special Responsibility Councillor Warriner)

Agenda Item 8

CABINET

Budget and Policy Framework Update 2018 to 2022 – General Fund Revenue Budget and Capital Programme 16 January 2018

Report of Chief Officer (Resources)

PURPOSE OF REPORT					
To provide information on the latest budget position for current and future years, to inform Cabinet's budget and policy framework proposals and to allow it to make final recommendations to Council regarding council tax levels for 2018/19.					
Key Decision	X	**Non-Key Decision**		**Referral**	
Date of notice of forthcoming key decision	18 December 2017				
This report is public.					

OFFICER RECOMMENDATIONS:

1. **That the 2017/18 Revised Budget be referred on to Budget Council for approval, with the net overspending of £222K being met from Balances.**

2. **That Cabinet makes recommendations to Council regarding City Council tax increases for 2018/19 and targets for future years, subject to Government finalising local referendum thresholds.**

3. **That Cabinet makes recommendations regarding its initial budget proposals for the period from 2018/19 onwards, in line with its budget strategy.**

4. **That the resulting budget position for 2018/19 onwards, together with Cabinet's detailed proposals, be referred on to Council for initial consideration as well as being presented for scrutiny by Budget and Performance Panel, in order that any feedback can be provided to Cabinet at its February meeting.**

1 **INTRODUCTION AND STRATEGIC CONTEXT**

1.1 In strategic terms, the main challenge of budget setting is to match priorities and corporate planning objectives against what is affordable financially. Local Government continues to face major funding reductions year on year, meaning that it needs to innovate and modernise, if it is to minimise the impact on future service provision for communities.

1.2 This report covers the financial implications of that work to date and the recent announcement of the provisional Local Government Finance Settlement, and gives an update on other key elements of budget setting in order that Cabinet can develop further its budget proposals.

2 GENERAL FUND BUDGET: SUMMARY POSITION

2.1 The table below pulls together the latest draft budget position, allowing for various base budget changes and other matters as outlined in sections 3 to 6 of this report. Figures for future years are still subject to change. Favourable variances are shown in brackets, whereas adverse variances are not. A more comprehensive summary is included at ***Appendix A***.

	2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**
Net Spending / draft budget forecasts as reported in December:	**16,105**	**16,400**	**17,003**	**18,755**	**19,523**
Further Base Budget Changes:					
Pay Offer	-	191	496	668	774
Salt Ayre Spa - Reduction in Net Income		95	62	36	-
Recovery of Revenues Court Costs - Additional Income	-	(60)	(61)	(62)	(63)
Additional New Homes Bonus Grant	-	(232)	(448)	(548)	(348)
Other Net Changes	(44)	(123)	(116)	(123)	(132)
Updated Draft Budget Forecasts **(Prior to any savings or growth proposals)**	**16,061**	**16,271**	**16,936**	**18,726**	**19,754**
Combined Government Funding and other financing adjustments per December Cabinet	(7,216)	(6,732)	(6,192)	(6,144)	(6,309)
Impact of Provnl. Finance Settlement on Business Rates Funding Assumptions	-	(392)	(336)	(323)	(305)
Updated Council Tax Requirements **(Prior to any savings or growth proposals)**	**8,845**	**9,147**	**10,408**	**12,259**	**13,140**
Resulting in: **Estimated Budget Deficit/Savings Requirements**	**222**	**125**	**1,046**	**2,551**	**3,103**

2.2 A number of key points are highlighted:

- In December, the National Employers for Local Government made a two-year pay offer based on a 2% per year increase to higher graded staff, but also providing for higher increases and some restructuring of the lower end of the pay scale, in recognition of the introduction of the National Living Wage. The Employers' offer adds further significant pay pressure and also reiterates the need for the Council to address the outstanding pay and grading review.

- Following the opening of the Spa at Salt Ayre, net income forecasts have been reassessed, leading to the reductions as set out in the table. The changes arise following an analysis of trends during the period from opening in October 2017 to date. Whilst it is very early to consider reducing the original predictions it is considered prudent to enable realistic income targets to be achieved alongside implementing more robust performance measures for staff. A more detailed update will be provided as part of the Quarter 3 monitoring report, which is currently being produced.

- Income projections to cover court costs (in connection with local taxation recovery) have also been reviewed, to reflect charging policy and recent experience. Additional income is now forecast.

- The budget projections take account of the latest information or assumptions on various Government funding streams, and these have had a substantial positive impact on budget expectations. The main issues arising are expanded on in section 3 of this report. From around 2020 onwards, changes to local authority responsibilities and various specific funding streams are still expected as part of the overhaul of the local government finance system, but it is not clear what the potential impact might be, or when any changes might be implemented.

- Various other base budget adjustments have been made, to reflect the estimated costs and income for current operations and policies.

- Regarding planning fees, Government has very recently confirmed that the 20% increase will be implemented this month, and proposals regarding this will be reported through in February. The budget projections make no assumptions regarding any additional income, or its usage.

- Finally, as yet no assumptions have been made regarding Cabinet's proposals for balancing the budget, or for the review of provisions and reserves more generally.

2.3 Cabinet is requested to refer the resulting 2017/18 revised budget to Budget Council for approval. The net overspending of £222K represents 1.4% of the original net revenue budget.

2.4 Looking forward, in terms of council tax the budget forecasts assume a £5 year on year increase in line with current approved strategy. Options for council tax are set out in section 6 of this report.

2.5 The draft budget for 2018/19 currently stands at £16.271M, which is slightly higher than the original MTFS projection, but the funding changes coming through from the provisional Settlement more than offset that increase. After allowing for the Settlement, the budget deficit in next year is currently estimated at £125K, which represents an improvement of £387K from the MTFS position.

2.6 Thereafter, financial forecasts deteriorate. A savings requirement of £1.046M is forecast for 2019/20, rising to £3.103M by 2021/22.

2.7 To help tackle that outlook, there is a four-year focus for this budget strategy; it is not simply about balancing next year. Looking ahead, an annual savings target still in excess of £3M, coupled with the huge uncertainties around future local government finance reforms and in the context of other major national uncertainties such as those surrounding Brexit, poses an enormous challenge for the authority.

2.8 As was reported last year, budget deficits of that magnitude will not be addressed simply through efficiencies, income generation and trimming of services. Fundamental changes are needed to modernise and transform the Council, and very difficult decisions are needed to focus on what really is of high priority - and what isn't.

2.9 Whilst the Council does currently have a number of significant reserves and Balances available to it, these can only help during the period of transition and they do not provide a medium term or permanent solution. The Balances position is outlined later in section 4 of this report.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 General Matters

3.1.1 Further to the Chancellor's Autumn Budget published on 22 November, the provisional Local Government Finance Settlement was announced on 19 December 2017 for consultation until 13 January. Detailed information and briefings are available on the various websites (**www.gov.uk** or **www.lga.gov.uk**). This section provides an overview of Government funding matters for Members' information.

3.1.2 As expected, the provisional Settlement sets out figures for Revenue Support Grant (RSG) and baseline Business Rates to 2019/20, in line with the multi-year Settlement offer recently confirmed by Government. That helps to give some certainty going forward, at least in the medium term, but the Settlement did include other changes that were not anticipated. The significant ongoing funding reductions built in should not be overlooked, but nonetheless the provisional Settlement was better than expected.

3.1.3 To demonstrate those points the headline Settlement figures to 2019/20 are provided overleaf, together with updated Officer assumptions made for the years thereafter. Government has restated its intention to introduce major reforms to local government finance from 2020/21 onwards, now based on:

- 75% business rates retention, rather than 100% as previously planned; and
- a Fair Funding Review to address local authority relative spending needs and resources.

3.1.4 A new technical consultation document has been issued on the funding review, and Government has extended the number of pilots to be run on 100% rates retention, to inform the shape of future arrangements. As reported previously, reforming local government finance is a massively complex task, especially when factoring in the review of local government responsibilities and needs/funding redistribution. Government's long-stated aims were for the reforms to be 'fiscally neutral' with implementation 'by the end of this Parliament'. There are significant risks of slippage, or the review not being completed, and/or of future Settlements being radically different to the forecasts shown below, especially from 2020/21 onwards.

Funding Forecasts	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**
Provisional Settlement:				
Revenue Support Grant (RSG)	941	200	0	0
Business Rates (Baseline Funding)	5,518	5,641	5,765	5,892
Settlement Funding Assessment	**6,459**	**5,841**	**5,765**	**5,892**
Year on Year Reductions/(Increase) in SFA (per Settlement):	*£503K 7.2%*	*£618K 9.6%*	*£76K 1.3%*	*(£127K) (2.2%)*
Reduction in SFA, comparing 2017/18 and 2021/22: £1.070M or 15.4%				
As Compared to the Approved MTFS: (March 2017)				
SFA Reductions against MTFS Forecasts	**12**	**85**	**115**	**n/a**
Other Business Rates Adjustments – *Tariff & Safety Net*	**(404)**	**(421)**	**(438)**	**n/a**
Overall Improvement against MTFS Forecasts	**(392)**	**(336)**	**(323)**	**n/a**

3.1.5 When compared to the current MTFS, the overall improvement in prospects is mainly due to some adjustments proposed by Government in relation to the rating revaluation, which was implemented on 01 April 2017.

3.1.6 The proposed methodology for the changes works to the Council's advantage, meaning that the Council should be in a position to increase its forecasts for net retained business rates. Members may recall that because of the huge volatility experienced in the rating income collectable across the district, of late the Council has not been able to budget income at the higher baseline level as set out in the Settlement. Instead, its income forecasts have been based on the lower safety net threshold (set by Government at 92.5% of baseline, it being the guaranteed minimum income level retainable by the Council).

3.1.7 Work is underway to assess fully the impact of the Settlement and rating income estimates; councils have a statutory date of 31 January by which certain calculations must be completed and information provided to Government.

3.1.8 That work will also review the extent to which any rating windfalls from last year's outturn might be realised, as well as confirming prospects for the current year and future years – it is possible that some financial benefit might be gained in this year.

3.1.9 In the meantime, it is reasonable to expect that from 2018/19, the Council can budget rating income at the Government-set baseline level, rather than the lower safety net.

Allowing for other adjustments, this improves the Council's annual budgetary position by well over £300K per year.

3.1.10 If these expectations hold good in the coming weeks, there would still be the future risk that if a major down turn in income arises (for example, from a power station outage), then the Council would fall back to safety net. The in-year risk would be managed through the forthcoming review of provisions and reserves, to be reported to Cabinet in February, alongside the outcome of the current work on business rates.

3.1.11 The budget also provides for extra retained rates income in relation to various renewable energy schemes. The estimates are currently the same as those reported in December.

3.1.12 Any further changes to business rate income forecasts will be reported in February, following the completion of statutory estimates and returns to Government due at the end of this month.

3.2 **New Homes Bonus**

3.2.1 The Settlement included significant announcements regarding New Homes Bonus and importantly, Government has decided not to implement all of its further proposed changes to the methodology. This is advantageous to the City Council.

3.2.2 Unfortunately, however, there is still no clarity on the long-term future of the NHB scheme for new housing growth after 2019/20. If it does continue, there is the risk that less resources will be allocated in future, with more funds being diverted into other areas (such as adult social care, as announced in last year's Settlement).

3.2.3 Recognising these risks, but also recognising that originally, much of the funding allocated through NHB was top-sliced from RSG (and everything remaining equal, those funds should flow back to local government in some form if NHB is discontinued), then for now it is assumed that new NHB allocations will continue beyond 2019/20, but that any new annual awards would amount to about 50% of current levels.

3.2.4 Based on the above assumptions, the following table highlights the estimated NHB now built into the budget projections.

	NHB Estimate per MTFS £'000	NHB Updated Forecasts £'000	Improvement £'000
2017/18	1,854	1,854	-
2018/19	1,417	1,649	(232)
2019/20	1,360	1,808	(448)
2020/21	824	1,372	(548)
2021/22	n/a	1,172	n/a

3.2.5 For February the Council's core NHB planning assumptions may be updated again, if better information becomes available.

4 PROVISIONS AND RESERVES (INCLUDING UNALLOCATED BALANCES)

4.1 Provisions and reserves (as set out at ***Appendix B***) help the Council to deliver against its corporate priorities and manage the many financial risks it faces. A summary of these funds is shown below.

	31 March 18 £'000	Forecast Net Use during Year £000's	**31 March 19 £'000**	Forecast Net Use during Year £000's	**31 March 20 £'000**
General Fund Balances	(4,668)	-	(4,668)	-	(4,668)
Earmarked Reserves	(4,687)	262	(4,425)	200	(4,225)
TOTAL	**(9,355)**	**262**	**(9,093)**	**200**	**(8,893)**

4.2 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and balances. This will be formalised in February, once full budget proposals are known. This will allow the s151 Officer to consider fully whether there are any major shifts in financial risk attached.

4.3 In terms of the position to date, key points are as follows.

4.3.1 General Fund Balances

After allowing for this year's forecast net overspending, balances would amount to £4.668M by 31 March 2018. If advice on the existing minimum balance of £1.5M remains unchanged and the current year's outturn is as expected, surplus balances in the region of £3M would be available to support future years' budgets and provide capacity to help take the organisation forward.

These matters will be explored further in the coming weeks. As a recap and drawing on the Council's existing Medium Term Financial Strategy (MTFS), in broad terms the working principle is that surplus Balances would be used to help manage the risks, lead-in times and up-front investment costs associated with implementing savings measures.

4.3.2 Earmarked Reserves

Various changes have been made to the transfers to and from these reserves in line with their current authorised use and as such, they are budget neutral. More substantial changes may be made in February. In particular, the Authority continues to hold substantial balances in the Invest to Save (£1.5M) and Restructuring (£0.5M). Advice on the adequacy and use of such reserves will also be influenced by Cabinet's budget proposals.

5 GENERAL FUND CAPITAL PROGRAMME

5.1 Since December Cabinet, there have been a few comparatively minor changes made to the overall draft capital programme, mainly to reflect pricing/inflationary changes and external funding. The resulting draft capital position is summarised as follows and a more detailed statement is included at ***Appendix C***, for Cabinet's consideration.

	Gross Programme £'000	Change in Underlying Borrowing Need: CFR £'000
Original 4-Year Programme (2017/18 to 2020/21)	**25,192**	**11,552**
Changes reported to Cabinet 05 December	5,469	1,776
Further Changes:		
Bins & Boxes – Lease Buy-Out	50	50
Car Park Improvements	14	-
Disabled Facilities Grants	164	-
West End Properties – Top-Up Grants	11	-
Heysham Pool Grant *(Cabinet 05 Dec 2017)*	36	-
ICT Renewals	33	33
Reduction in estimated funding from capital receipts	-	61
Total Changes	**5,777**	**1,920**
Resulting 5-Year Draft Programme (to 2021/22)	**30,969**	**13,472**

5.2 In due course there may other changes to consider with regard to the capital programme, linked to the development of Cabinet's budget proposals.

5.3 Furthermore, planned regulatory changes are likely to have bearing on strategic capital planning and investment; these were touched on in the recent Canal Corridor North report to Council. There are four aspects likely to change:

- Statutory Guidance on Local Authority Investments
- Statutory Guidance on Minimum Revenue Provision (i.e. capital financing changes)
- The Prudential Code for Capital Finance (including borrowing)
- The Treasury Management Code of Practice

5.4 Whilst these changes were planned to come into effect from the start of 2018/19, both Government and the Chartered Institute of Public Finance and Accountancy are understood to appreciate the impracticalities of this. It is therefore anticipated that a phased implementation would be acceptable. A further update will be provided in February.

6 LOCAL TAXATION

6.1 Collection Fund Position

6.1.1 The Collection Fund is the account into which all council tax and business rate income is payable, and from which precepts and other relevant payments are made to the

County, Police, Fire and the City Council's own General Fund, as well as to Government for its share of business rates.

6.1.2 Legislation requires that separate estimates of any surpluses or deficits on the Collection Fund are made each year for council tax (15 January) and business rates (by 31 January).

6.1.3 Council tax income (i.e. the amount collectable) continues to rise in year. The increase is the net result of all the various changes that occur in the tax base, be they in relation to new homes being built, empty properties coming back into use, changes in LCTS awarded from that budgeted, and the myriad of other banding, discount and exemption changes that occur on a daily basis. Furthermore, actual collection is holding up reasonably well.

6.1.4 These factors account for the previously estimated surplus of around £150K on the council tax Collection Fund, based on Quarter 2 monitoring. That was prior to the recent flooding incident, however. The financial support provided to relevant affected households is expected to negate (or at least significantly reduce) the surplus previously forecast. Figures will be finalised in line with statutory requirements.

6.1.5 It is well documented that for business rates, the calculation of any surplus or deficit is more complicated primarily because of the impact of appeals. The 2017 revaluation added further complexities and opens up new risks; at this time the City Council has no firm information regarding outstanding appeals, for example. Nonetheless, the Collection Fund estimated position must be determined in line with the 31 January statutory deadline, and for reporting to Cabinet in February.

6.2 **Council Tax: Options**

6.2.1 Under the Localism Act, if an authority's council tax increase exceeds the principles set by the Secretary of State, then it must hold a local referendum.

6.2.2 As part of the provisional Settlement, Government has proposed changes to the thresholds for various types of authorities. In very simple terms this means that the following Band D council tax increases are permitted, without having to hold a referendum:

- Shire districts (Including the City Council): up to 2.99% or £5, whichever is the greater;
- Authorities with adult social care responsibilities: up to 5.99%;
- Police and Crime Commissioners: up to £12;
- Most other authorities (including Fire): up to 2.99%

6.2.3 The changes provide a little more flexibility for the Council to increase its council tax rate. Should it wish to apply the maximum increase to help protect future service provision for the district, for 2018/19 an increase of 2.99% would increase the City Council's tax rate from £213.97 to £220.37(subject to rounding) for a Band D property.

6.2.4 The increase amounts to £6.40 or put another way, around 12 pence per week. The Council has very recently confirmed its Localised Council Tax Support Scheme for next year, which provides up to full support to cover any increase and this helps mitigate the impact on low-income households.

6.2.5 For years beyond 2018/19, Government has not published any specific thresholds, but it has said that it would review them in light of general inflationary pressures. Working assumptions are that a 2.99% threshold would continue to apply,

6.2.6 Drawing on the relevant points above, three basic options for council tax are presented, to demonstrate the impact of tax decisions. A 1% change in council tax would generally have around an £88K impact on the budget.

Council Tax Basic Options	2018/19	2019/20	2020/21	2021/22
Option 1: Retain existing strategy: Maintain a steady increase of £5 per year to help protect service delivery, subject to confirmation of future referendum thresholds *Resulting Band D Tax Rate*	*£213.97*	*£218.97*	*£223.97*	*£228.97*
% Increase	*2.4%*	*2.3%*	*2.3%*	*2.2%*
Net Savings Requirement	***£125K***	***£1.046M***	***£2.551M***	***£3.103M***
Option 2: Maximise future increases to help protect service provision, subject to confirmation of future referendum thresholds *Resulting Band D Tax Rate*	*£213.97*	*£220.37*	*£226.96*	*£233.75*
% Increase	*2.99*	*2.99*	*2.99*	*2.99*
Additional Income compared to Option 1	***(£58K)***	***(£125K)***	***(£203K)***	***(£290K)***
Resulting Net Savings Requirement	***£67K***	***£921K***	***£2.348M***	***£2.813M***
Total Additional Income over the 4-year period				***£676K***
Option 3: Freeze council tax year on year, increasing the pressure to make savings on service delivery *Resulting Band D Tax Rate*	*£213.97*	*£213.97*	*£213.97*	*£213.97*
Income Loss compared to Option 1	***£206K***	***£418K***	***£636K***	***£858K***
Resulting Net Savings Requirement	***£331K***	***£1.464M***	***£3.187M***	***£3.961M***
Total Income Loss over the 4-year period				***£2.118M***

6.2.7 The table shows that:

- increasing council tax rates to 2.99% would generate extra income of £67K in next year, and year on year the additional income would increase. By 2021/22, the estimated annual increase in income would amount to £290K, giving total additional income of £676K over the four year period.

- Conversely, a council tax freeze would lose income of just over £200K in 2018/19, and this loss would continue to grow by a similar amount each year thereafter, for as long as rates continued to be frozen. If continued, by 2021/22 annual lost income would have increased to an estimated £858K. Across the whole four-year period, lost income would total over £2M.

6.2.8 In reality there are numerous other targets that may be considered for the period. Other options can be modelled, and Cabinet is requested to indicate in advance of the meeting if it requires this to be done.

6.2.9 Cabinet is now requested to decide what level of council tax increase to recommend for next year and what targets to propose for 2019/20 onwards. In doing so, Cabinet is advised to consider:

– the council tax threshold, above which a local referendum must be held;

– subsequent years' general Government funding reductions and the need to make huge savings in future;

– financial sustainability. In short, it is not possible to keep tax increases lower than planned, without increasing the budget shortfalls in 2018/19 and beyond. More savings cannot be delivered without having greater adverse impact on services and communities.

6.2.10 Cabinet is reminded that its council tax recommendation to Council for 2018/19 will be final, subject to Government's confirmation of the threshold. Targets for 2019/20 and beyond will be reviewed in future years, in accordance with the Medium Term Financial Strategy (MTFS).

7 BALANCING THE BUDGET: CABINET'S BUDGET PROPOSALS

7.1 Alongside council tax, Cabinet is requested to make recommendations regarding its supporting budget proposals for initial consideration by Council, in line with the updates to budget strategy approved by Cabinet at its meeting in December. As part of that overall strategy, Officers have identified various potential savings and other budget options and they have been presented informally to Cabinet's Briefings.

7.2 Cabinet's budget proposals should seek to put in place measures to balance the medium term budget as far as possible, but there will be another opportunity at the February meeting to make some further changes. Importantly, the Council has a statutory obligation to set a balanced budget for 2018/19.

7.3 It is also important to appreciate that any decisions taken during this budget on recurring items will have a bearing in future years, and so emphasis should be on securing recurring annual savings, rather than one-off measures. This is reflected in the current financial strategy, as is the Council's position on redirection of resources or growth, which is quoted below. Cabinet is advised to take account of this in considering any growth requests.

Redirection of Resources ("Growth")
Any growth in a particular area will only be considered if it meets either of the following conditions:

- *it is needed to meet statutory service standards; or*

- *it is essential to meet a key objective within Corporate Plan proposals arising…., for which there are no alternative providers or sources of funding available* ***and*** *sufficient progress has been made in adopting plans for addressing the medium to longer term budget deficit, so as to consider any growth proposal affordable and sustainable in the medium to long term. This applies particularly to any recurring or high cost one-off growth proposals.*

7.4 Linked to this, the s151 Officer advises Cabinet (as she will advise Council) to work within existing financial strategy constraints and the approved budget strategy, to avoid adding unnecessary extra pressure onto the ongoing budget.

7.5 Separately, as touched on earlier there are a small number of items where the Council already has a specific commitment to consider various issues (good examples being Job Evaluation and Canal Corridor). Cabinet is advised to take into account such matters when developing its budget proposals.

7.6 Once Cabinet's budget proposals are determined they will be reflected in the draft Corporate Plan, for Council's due consideration. Similarly the s151 Officer's formal advice will be finalised.

8 DETAILS OF CONSULTATION

8.1 Cabinet's budget proposals are due to be considered by Budget and Performance Panel at its meeting on 23 January, prior to February Council. Thereafter, various internal and public sessions are being planned, covering both corporate planning and budget proposals.

9 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

9.1 Options are dependent very much on Members' views on spending priorities balanced against council tax levels. As such, a full options analysis could only be undertaken once any alternative proposals are known and it should be noted that Officers may require more time to do this. Outline options are highlighted below, however.

- Regarding council tax, the basic options are set out at section 6 of the report. Other alternative options can be modelled at Cabinet's request.

- With regard to including savings and growth options to produce a budget in line with preferred council tax levels, any proposals put forward by Cabinet should be considered affordable, alongside the development of priorities. Emphasis should be very much on the medium to longer-term position.

9.2 Under the Constitution, Cabinet is required to put forward budget proposals for Council's consideration, in time for them to be referred back as appropriate. This is why recommendations are required to feed into the Council meeting in early February, prior to the actual Budget Council in March.

10 OFFICER PREFERRED OPTION AND COMMENTS

10.1 Generally Officer preferred options are reflected in the recommendations, with the exception of council tax.

10.2 In view of the level of savings still needed in future years, the ongoing impact that council tax decisions have, the Council's current financial strategy, its ambition for the district and the fact that the Council is not yet clear about how and when it will achieve a financially sustainable budget, the Officer preferred option for council tax is to increase year on year increases up to the referendum thresholds (i.e. 2.99% for next year), subject to confirmation of those limits. Ultimately, however, the setting of council tax is a matter for Members.

11 CONCLUSION AND IMPLICATIONS FOR THE FUTURE

11.1 The Council's financial challenges continue and in order to protect its future sustainability, as well as balancing next year's budget, the Council must put in place transformational plans and building blocks to address its forecast medium to longer term deficit, building in flexibility to respond to any major changes in its outlook – there are still some fundamental uncertainties around this, linked to the timing and outcome of Government's planned finance reforms.

RELATIONSHIP TO POLICY FRAMEWORK
The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability etc)
See ***Appendix D*** for equality impact assessment.
There are no other implications directly arising in terms of the corporate nature of this report – any implications would be as a result of specific decisions on budget proposals affecting service delivery, etc.

FINANCIAL AND OTHER RESOURCE IMPLICATIONS
As set out in the report.

SECTION 151 OFFICER'S COMMENTS
The section 151 Officer has prepared this report, and her comments and advice are reflected accordingly. Her advice on all relevant matters will be expanded upon once Cabinet's budget proposals are known.

LEGAL IMPLICATIONS
Legal Services have been consulted and have made no comments.

MONITORING OFFICER'S COMMENTS
The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS None. Any public background information is already available through previous reports or the Government website**.**	**Contact Officer: Nadine Muschamp** **Telephone: 01524 582117** **E-mail:nmuschamp@lancaster.gov.uk**

General Fund Revenue Budget Projections 2017/18 to 2021/22

For consideration by Cabinet 16 January 2018

BUDGET PROJECTIONS

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000 *NEW*
Original Revenue Budget / Forecast	**15,839**	**16,200**	**16,481**	**17,887**	**19,523**
Changes to Budget Projection - Cabinet 05 December	266	200	522	868	
Base Budget Changes after Cabinet 05 December					
Pay Award		191	496	668	774
Salt Ayre Leisure Centre - Net Spa Income		95	62	36	0
Revenues - Court Costs		(60)	(61)	(62)	(63)
New Homes Bonus Grant		(232)	(448)	(548)	(348)
Other net changes across all services	(44)	(123)	(116)	(123)	(132)
General Fund Revenue Budget	**16,061**	**16,271**	**16,936**	**18,726**	**19,754**
Settlement Funding Assessment:					
Revenue Support Grant	(1,605)	(941)	(200)	0	0
Retained Business Rates - Baseline Funding	(5,357)	(5,518)	(5,641)	(5,765)	(5,892)
Business Rates - Safety Net Adjustment	401				
Business Rates - Tariff Adjustment	280	300	307	313	320
Renewable Energy Income	(935)	(965)	(994)	(1,015)	(1,042)
Estimated Collection Fund Surplus	-	0	-	-	-
Council Tax Requirement	**8,845**	**9,147**	**10,408**	**12,259**	**13,140**
Estimated Council Tax Income - (Based on current MTFS of £5 per year)	**8,623**	**9,022**	**9,362**	**9,708**	**10,037**
Latest Base Budget Deficit	**222**	**125**	**1,046**	**2,551**	**3,103**
Original MTFS Savings Requirement	***-***	***512***	***994***	***2,103***	
Change	***+222***	***(387)***	***+52***	***+448***	

BALANCES

General Fund Unallocated Balance	£M
Original Projected Balance as at 31 March 2017	**(4.476)**
Budgeted Contribution	(0.165)
2016/17 Actual Underspend	(0.249)
2017/18 Forecast Overspend	+0.222
Projected Balance as at 31 March 2018	**(4.668)**
Less Agreed Minimum Level of Balances	**1.500**
Available Balances	**(3.168)**

General Fund Reserves Statement (Including Unallocated Balances)

For consideration by Cabinet 16 January 2018

	31 March 2017	From Revenue	To / (From) Capital	To Revenue	31 March 2018	From Revenue	To / (From) Capital	To Revenue	31 March 2019	From Revenue	To / (From) Capital	To Revenue	31 March 2020	From Revenue	To / (From) Capital	To Revenue	31 March 2021	From Revenue	To / (From) Capital	To Revenue	31 March 2022
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	(4,725,029)			57,100	(4,667,929)				(4,667,929)				(4,667,929)				(4,667,929)				(4,667,929)
Earmarked Reserves:																					
Business Rates Retention	(381,458)			381,458	0																
Budget Support		(1,000,000)	0	367,800	(632,200)	0	0	134,900	(497,300)	0	0	62,600	(434,700)	0	0	44,900	(389,800)	0	0	46,600	(343,200)
Canal Corridor		(400,000)	0	283,000	(117,000)	0	0	79,000	(38,000)	0	0	38,000	0	0	0	0	0	0	0	0	0
Capital Support	(451,510)	(81,300)	137,000	0	(395,810)	0	99,000	0	(296,810)	0	0	0	(296,810)	0	0	0	(296,810)	0	0	0	(296,810)
Corporate Property	(417,506)	(99,000)	59,000	63,000	(394,506)	0	0	15,000	(379,506)	0	0	0	(379,506)	0	0	0	(379,506)	0	0	0	(379,506)
Economic Growth		(500,000)	0	264,900	(235,100)	0	0	121,700	(113,400)	0	0	93,200	(20,200)	0	0	0	(20,200)	0	0	0	(20,200)
Elections	(40,000)	(40,000)	0	0	(80,000)	(40,000)	0	0	(120,000)	(40,000)	0	160,000	0	(40,000)	0	0	(40,000)	(40,000)	0	0	(80,000)
Homelessness	(94,475)	(6,600)	0	0	(101,075)	(6,600)	0	0	(107,675)	(10,100)	0	0	(117,775)	(10,100)	0	0	(127,875)	(10,100)	0	0	(137,975)
Invest to Save	(1,820,257)	314,300	0	0	(1,505,957)	0	0	0	(1,505,957)	0	0	0	(1,505,957)	0	0	0	(1,505,957)	0	0	0	(1,505,957)
Local Plan	(150,293)	0	0	94,600	(55,693)	0	0	55,693	0	0	0	0	0	0	0	0	0	0	0	0	0
Morecambe Area Action Plan	(29,430)	0	0	7,800	(21,630)	0	11,000	0	(10,630)	0	0	0	(10,630)	0	0	0	(10,630)	0	0	0	(10,630)
Renewals Reserves	(857,100)	(479,300)	623,000	264,700	(448,700)	(479,300)	270,000	74,900	(583,100)	(479,300)	228,000	127,400	(707,000)	(479,300)	63,000	29,200	(1,094,100)	(479,300)	60,000	29,200	(1,484,200)
Restructure	(550,125)	(19,000)	0	49,800	(519,325)	0	0	0	(519,325)	0	0	0	(519,325)	0	0	0	(519,325)	0	0	0	(519,325)
S106 Commuted Sums - Open Spaces	(76,513)	0	0	20,900	(55,613)	0	0	16,600	(39,013)	0	0	15,600	(23,413)	0	0	11,800	(11,613)	0	0	11,800	187
S106 Commuted Sums - Affordable Housing	(231,500)				(231,500)				(231,500)				(231,500)				(231,500)				(231,500)
S106 Commuted Sums - Highways, Cycle Paths etc.	(332,141)	594,100	0	8,300	270,259	(350,000)	254,000	6,700	180,959	(150,000)	0	154,400	185,359	0	0	0	185,359	0	0	0	185,359
Welfare Reforms	(265,571)	0	0	172,000	(93,571)	0	0	0	(93,571)	0	0	0	(93,571)	0	0	0	(93,571)	0	0	0	(93,571)
Reserves Held in Perpetuity:																					
Graves Maintenance	(22,200)				(22,200)				(22,200)				(22,200)				(22,200)				(22,200)
Marsh Capital	(47,700)				(47,700)				(47,700)				(47,700)				(47,700)				(47,700)
Total Earmarked Reserves	(5,767,779)	(1,716,800)	819,000	1,978,258	(4,687,321)	(875,900)	634,000	504,493	(4,424,728)	(679,400)	228,000	651,200	(4,224,928)	(529,400)	63,000	85,900	(4,605,428)	(529,400)	60,000	87,600	(4,987,228)
Total Combined Reserves	(10,492,808)				(9,355,250)				(9,092,657)				(8,892,857)				(9,273,357)				(9,655,157)

Appendix B

Appendix C

General Fund Capital Programme

For consideration by Cabinet 16 January 2018

Service / Scheme	2017/18 Gross Budget	2017/18 External Funding	2017/18 Net Programme	2018/19 Gross Budget	2018/19 External Funding	2018/19 Net Programme	2019/20 Gross Budget	2019/20 External Funding	2019/20 Net Programme	2020/21 Gross Budget	2020/21 External Funding	2020/21 Net Programme	2021/22 Gross Budget	2021/22 External Funding	2021/22 Net Programme	5 YEAR PROGRAMME Total Gross Programme	5 YEAR PROGRAMME Total External Funding	5 YEAR PROGRAMME Total Net Programme
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Environmental Services																		
Vehicle Renewals	2,105,000		2,105,000	1,234,000		1,234,000	1,371,000		1,371,000	1,886,000		1,886,000	515,000		515,000	7,111,000	0	7,111,000
Bins & Boxes Scheduled Buy-Outs	100,000		100,000			0			0			0			0	100,000	0	100,000
Car Parks Improvement Programme	110,000		110,000			0			0			0			0	110,000	0	110,000
Happy Mount Park - Pathway Replacements	0		0			0	112,000		112,000			0			0	112,000	0	112,000
Bay Cottage Play Area	47,000	(40,000)	7,000			0			0			0			0	47,000	(40,000)	7,000
CCTV	85,000		85,000			0			0			0			0	85,000	0	85,000
Grosvenor Park Play Area	54,000	(54,000)	0			0			0			0			0	54,000	(54,000)	0
Health and Housing																		
Disabled Facilities Grants	1,103,000	(1,103,000)	0	3,179,000	(3,179,000)	0	1,607,000	(1,607,000)	0	1,607,000	(1,607,000)	0	1,607,000	(1,607,000)	0	9,103,000	(9,103,000)	0
Residual Adactus Top Up Grant	11,000		11,000			0			0			0			0	11,000	0	11,000
Heysham School Capital Funding	36,000		36,000			0			0			0			0	36,000	0	36,000
Salt Ayre Sports Centre - Redevelopment	1,251,000		1,251,000			0			0			0			0	1,251,000	0	1,251,000
Regeneration and Planning																		
Sea & River Defence Works & Studies	4,483,000	(4,483,000)	0	204,000	(204,000)	0	3,000	(3,000)	0	3,000	(3,000)	0	3,000	(3,000)	0	4,696,000	(4,696,000)	0
Amenity Improvements (Morecambe Promenade)	10,000		10,000	14,000		14,000			0			0			0	24,000	0	24,000
Lancaster Square Routes	0		0	45,000	(26,000)	19,000			0			0			0	45,000	(26,000)	19,000
Morecambe THI2: A View for Eric	51,000	(39,000)	12,000	525,000	(399,000)	126,000			0			0			0	576,000	(438,000)	138,000
MAAP Improving Morecambe's Main Streets	294,000		294,000	148,000		148,000	300,000		300,000			0			0	742,000	0	742,000
Lancaster District Empty Homes Partnership	60,000		60,000	89,000		89,000			0			0			0	149,000	0	149,000
Bay Arena Improvements	11,000	(8,000)	3,000	0		0			0			0			0	11,000	(8,000)	3,000
Cable Street Christmas Lights	0		0	30,000		30,000			0			0			0	30,000	0	30,000
S106 Highways Works	0		0	200,000		200,000			0			0			0	200,000	0	200,000
Resources																		
ICT Systems, Infrastructure & Equipment	478,000		478,000	320,000		320,000	143,000		143,000	389,000		389,000	250,000		250,000	1,580,000	0	1,580,000
Corporate Property Works	1,361,000		1,361,000	2,794,000		2,794,000			0			0			0	4,155,000	0	4,155,000
Energy Efficiency Works	393,000		393,000	348,000		348,000			0			0			0	741,000	0	741,000
GENERAL FUND CAPITAL PROGRAMME	12,043,000	(5,727,000)	6,316,000	9,130,000	(3,808,000)	5,322,000	3,536,000	(1,610,000)	1,926,000	3,885,000	(1,610,000)	2,275,000	2,375,000	(1,610,000)	765,000	30,969,000	(14,365,000)	16,604,000

Financing :	2017/18	2018/19	2019/20	2020/21	2021/22	5 Year Total
Capital Receipts	(1,081,000)	0	0	0	0	(1,081,000)
Direct Revenue Financing	(146,000)	(3,000)	0	0	0	(149,000)
Earmarked Reserves	(767,000)	(634,000)	(378,000)	(63,000)	(60,000)	(1,902,000)
Increase / (Reduction) in Capital Financing Requirement (CFR) (Underlying Change in Borrowing Need)	4,322,000	4,685,000	1,548,000	2,212,000	705,000	13,472,000

 Agenda Item 9

CABINET

Budget and Policy Framework Update 2018 to 2022 – Housing Revenue Account and Capital Programme

16 January 2018

Joint Report of Chief Officer (Health and Housing) and Chief Officer (Resources)

PURPOSE OF REPORT					
This report provides an update on the council housing budgetary position and seeks Cabinet's decisions on council housing rent levels for 2018/19 and targets for future years. It also seeks approval of Cabinet's supporting revenue budget and capital programme proposals for referral on to Budget Council, in order to complete the HRA budget setting process for 2018/19.					
Key Decision	**X**	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision	**18 December 2017**				
This report is public.					

RECOMMENDATIONS OF COUNCILLOR WARRINER:

1 **That the Housing Revenue Account Revised Budget for 2017/18, as set out at Appendix A, be referred on to Council for approval, with the net overspending of £387K being met from Balances.**

2 **That the minimum level of HRA unallocated balances be retained at £500,000 from 01 April 2018, and that the full Statement on Reserves and Balances as set out at Appendix E be endorsed and referred on to Budget Council for approval.**

3 **That council housing rents be set in accordance with statutory requirements as follows:**

- **for general properties let as at 01 April 2018, average rent be set at £71.27 for 2018/19, representing a reduction of 1% from the previous year;**

- **for sheltered and supported housing properties let as at 01 April 2018, average rent be set at £66.31 for 2018/19, representing a reduction of 1% from the previous year;**

- **for 2019/20 for the above categories of properties, further average rent reductions be set at 1%; and**

- **for any relevant property becoming vacant the following policy be re-affirmed, in that they be re-let at the higher 'formula rent' less the relevant cumulative % reduction applicable (i.e. generally 3% for 2018/19 rising to 4% in 2019/20).**

4 **That beyond 2019/20, it be noted that the HRA Business Plan forecasts assume that council housing rents will be increased by the Consumer Price Index (CPI) plus 1% year on year, in line with the announcement made by Government in October 2017, but that this is still subject to annual review and any future determinations that may be issued by Government from time to time.**

5 **That the Repairs and Maintenance Service (RMS) Development Plan (c£117K) as set out at Appendix B be funded from the HRA ICT Replacement Reserve during 2017/18 and 2018/19, subject to:**

- **any ongoing annual software/mobile technology costs being funded from revenue efficiency savings, noting that the position is assumed to be (at least) cost neutral at this stage; and**

- **a separate report being presented back to Cabinet in Autumn 2018 on the expected outcomes (including net efficiency savings) from the Plan, to inform the 2019/20 budget.**

6 **That the costs associated with the interim RMS Manager post (c£96K) be funded from the Business Support Reserve, and that delegated authority be granted to the Chief Officer (Environment), in consultation with the Chief Officer (Resources), to allocate up to a further £25,000 should there be a need for extension into 2018/19, prior to permanent recruitment.**

7 **That the savings and growth proposals as set out at Appendix C be included in Cabinet's budget proposals for referral on to Council, subject to the following:**

- **any future support to the Marsh Community Centre (beyond 2018/19) being determined as part of the ongoing Voluntary, Community and Faith Sector (VCFS) Commissioning of Service review alongside the Ridge Community Centre;**

- **the capital investment for the conversion of redundant shops and former manager dwellings, together with the construction of new garages, being met from the Business Support Reserve; and**

- **any other net costs associated with the savings and growth proposals being met from unallocated Balances during the period to 2020/21, ahead of the HRA moving into projected surplus in 2021/22.**

8 **That subject to the above, the resulting Housing Revenue Account budget for 2018/19 onwards, as set out at Appendix A, together with the resulting Capital Programme as set out at Appendix F, be referred on to Budget Council for approval.**

9 **That the above recommendations for the Housing Revenue Account be reflected within the Council's draft Medium Term Financial Strategy (MTFS) as appropriate.**

1 **Introduction**

1.1 The Council is required under statutory provisions to maintain a separate ring-fenced account for the provision of local authority housing, known as the Housing Revenue Account (HRA). This covers the maintenance and management of the Council's housing stock.

1.2 This report sets out the rent setting policy and the latest position with regards to the HRA 30 year Business Plan, covering both revenue and capital budgets, and the associated level of reserves and balances. It seeks approval for rent levels and various other budget matters, with referral on to Budget Council as appropriate. The draft MTFS will also be updated to reflect Cabinet's HRA budget proposals.

STRATEGIC CONTEXT: RENT POLICY AND BUSINESS PLANNING

2 **Current Rent Setting Policy**

2.1 As referred to in previous reports, prior to 2016/17 the Council's medium-term rent policy for council housing was based on target average rent increases of 3% year on year. The aim of the policy was to strike a balance between keeping rents affordable, managing financial risks, and increasing and improving council housing provision.

2.2 Through the Welfare Reform and Work Act 2016, the Government removed the ability of the Council to determine its own rent policy. As a consequence, from 2016/17 to 2019/20 most property rents must reduce by 1% year on year, except where properties become vacant and their rents are below what is referred to as 'formula rent'. In these circumstances, the rents to be charged for new tenancies can increase up to the formula rent level, less the cumulative 1% year on year reduction.

2.3 The council's current rent policy for council housing is summarised as follows:

<table>
<tr><td>Average rent (excluding sheltered and supported properties) of £71.69 for 2017/18 (representing a 1% year on year reduction).</td><td>Average rent for sheltered and supported properties of £66.97 for 2017/18 (generally to take them to 'formula rent').</td></tr>
<tr><td colspan="2">For 2018/19 to 2019/20 onwards average rents will reduce by 1% per year.</td></tr>
<tr><td colspan="2">Following relevant properties becoming vacant, they will be re-let at 'formula rent' less the relevant cumulative % reduction applicable (i.e. generally -1% for 2016/17 rising to -4% in 2019/20).</td></tr>
</table>

** *Note that the above figures are presented on a 52-week basis.*

2.4 In line with that context, for 2018/19 Cabinet is now required to set average council housing rents at £71.27 for general properties and £66.31 for sheltered and supported properties, and to determine its supporting budget proposals for referral on to Budget Council. Legislation means that there are no other options for Cabinet regarding rent levels. The statutory notice of rent variations will be issued to tenants by 01 March.

2.5 The average rent levels for next year take account of the impact of re-lets during the course of this year (meaning that the proposed figures do not simply reflect a 1% reduction in cash terms when compared with the current year's average rents).

2.6 In terms of garage rents, there are no changes proposed to current policy for next year and therefore these will continue to increase by inflation plus £1, in line with the approach adopted a year ago.

2.7 For information, 2018/19 will be a 52 week rent year, which will be collected over the standard 48 weeks with 4 non-collection weeks.

3 Future Prospects for Rent Policy

3.1 Very recently Government, having promised in its Housing White Paper (February 2017) to deliver a rent policy for social landlords beyond 2020, has clarified to some degree its policy intentions for 2020/21 onwards. From then on - or at least for a five-year period – local authorities should be able to revert to increasing general average rents year on year by inflation (based on the Consumer Price Index (CPI)) plus 1%. For forecasting purposes this equates to a 3.2% year on year increase, being 1.2% higher than the 2% provided for in previous forecasts. Coupled with other transformational and efficiency measures, it should give more flexibility regarding the service and its future financial sustainability and has been welcomed within the social housing sector more generally.

3.2 The Government has also announced that Local Housing Allowance (LHA) rates will not be applied to supported housing, nor will they be applied to general needs social housing. Intentions regarding other previous policy announcements, such as charging higher rents for those tenants on high incomes and selling off high value properties, are still on hold and not yet clear.

3.3 With regard to supported housing more specifically, Government has recently proposed a new funding model to include a 'Sheltered Rent' from 2020/21 onwards – for those in sheltered and extra care housing.

3.4 The Sheltered Rent approach would mean that the Government would set an overall cap on the amount that providers can charge in gross eligible rent (rent inclusive of eligible service charges) on each unit of sheltered or extra care provision. As the setting of service charges currently falls outside of rent setting constraints, this could affect the ability of the Council to recover (through service charges) all of its costs associated with sheltered and supported housing going forward.

3.5 The final details should be announced in the spring of 2018. Any implications will be reviewed and reported during 2018/19, together with any indicative implications arising from Government's future social housing rent policy more generally. Considerable uncertainty still exists regarding long term prospects.

4 30 Year Business Plan

4.1 The Council is required to maintain a 30 year Business Plan to ensure and demonstrate the viability of the Housing Revenue Account. In essence it indicates whether, over the longer term, the level of rental and other income should be sufficient to cover the cost of maintaining the existing stock, whilst also covering all other costs such as debt repayment, administration costs etc.

4.2 The restrictions on rent setting brought about by the Welfare Reform and Work Act were estimated to cost the Council around £90M over the life of the 30-year business plan – requiring an efficiency-drive from the service and raising questions over the viability of any new build plans.

4.3 The recent Government announcements on rent policy help improve the outlook considerably, although there is still clearly much uncertainty, and therefore risk, surrounding long term projections.

4.4 Taking account of the work that has been done to date, the following table sets out the latest position for the business plan, represented by the level of unallocated balances and the Business Support Reserve (BSR). It compares the position back in March 2017 to projections as at January this year.

30 Year Business Plan: Business Support Reserve and Unallocated Balances

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	30 Year Cumulative Total £'000
Business Support Reserve	8,364	8,364	8,364	8,364	8,364	7,497*
Unallocated Balances	1,992	2,042	1,666	1,090	617	2,380
Projections as at March 2017	**10,356**	**10,406**	**10,030**	**9,454**	**8,981**	**9,877**
Business Support Reserve	8,317	8,317	8,317	8,317	8,317	8,317
Unallocated Balances	1,717	1,618	1,381	1,372	1,673	60,734
Projections as at January 2018	**10,034**	**9,935**	**9,698**	**9,689**	**9,990**	**69,051**
Overall Movement Adverse / (Favourable)	**322**	**471**	**332**	**(235)**	**(1,009)**	**(59,174)**

**Note that prior to Government's recent announcement the BSR was needed to support the 30-year business plan projections as the unallocated balance dropped below £500K between 2022/23 (Year 10) and 2027/28 (Year 15). This is no longer the case under the proposed new rent policy and so BSR balances should remain fairly static, subject to allocations being made by Cabinet, e.g. to fund Savings and Growth and any future new build proposals, etc.*

4.5 Overall it can be seen that whilst there are some greater adverse pressures in the short term, the position by Year 30 shows a net improvement of around £59M, with the overall level of surplus resources now being projected to rise to around £69M.

4.6 This forecast improvement is driven primarily by Government's recent announcements on future rent policy. For simplicity, the business plan now assumes that rents will continue to increase by CPI plus 1% per year, for all years from 2020/21 onwards, but this is by no means certain as referred to earlier. The risks surrounding this assumption must be appreciated.

4.7 To demonstrate, should Government legislate to allow only CPI inflationary increases in rents from 2025/26 onwards (with no plusage), then the £69M projected surplus would reduce down to somewhere nearer £35M.

4.8 This would still be very positive compared with expectations a year ago, but it does highlight the extent to which future rent policy uncertainty drives business and financial planning uncertainties, and the need to keep core assumptions and expectations under review.

4.9 Furthermore, as reported through quarterly monitoring, the introduction of Universal

Credit within the district has also significantly increased the levels of rent arrears and risk levels to rent collection. There is likely to be a continuing negative impact on the ability to sustain future years' budgets if income recovery continues to deteriorate.

4.10 Drawing on the above business plan assumptions, underlying rent policy and operational matters, more details of Council's Housing's revenue and capital position are provided in the following sections, to help inform Cabinet's budget proposals.

COUNCIL HOUSING BUDGET PROPOSALS

5 **2017/18 Revised Budget**

5.1 Following the review of the current year's operations a net deficit of £221K is now forecast, which when compared with the £166K surplus originally forecast, it represents a net overspending of £387K in-year. A summary statement is set out at ***Appendix A*** and the main variations are shown below. This focuses on the bottom-line variances, excluding any notional charges:

SUMMARY OF MAIN 'CASH' VARIANCES ON HRA	**£'000**
Operational Variances: (+)Adverse / (Favourable)	
Increased spend on Repairs and Maintenance	+478
Reduced Dwelling Rental Income	+184
Increase in Bad Debt Provision	+37
Net Investment / Loan Interest	(46)
Net Increase in Revenue Financing of Capital Programme (either directly or from reserves)	+80
Other Minor Variances	+24
Sub-total	+757
Review of Reserves (see section 6)	
Net Reduction in transfer to Major Repairs Reserve	(68)
Net Increase in transfers from other Earmarked Reserves	(302)
Net Deterioration / Overspending for Year	**+387**

5.2 A number of key points are highlighted:

- There has been an additional cost (c£257K) on repair and maintenance mainly relating to the re-instatement of empty homes to a lettable standard. New management practices have been implemented to deal with bringing empty homes (i.e. voids) back into use more effectively, with quicker turnaround times, and the backlog of empty properties from the previous year is now being managed at a significantly reduced level. Further work to improve the end to end approach is taking place to deliver even greater improvements. However, this year has also seen a large increase in the number of voids generally and a combination of both of these factors has led to the increased budgetary pressure.

- Original revenue projections for dwelling rental income were based on an average void loss of 1.9% per annum. Latest projections indicate that 512 void properties will be processed during 2017/18 (including the reduction of the prior year backlog of 43 properties). This equates to an average rate of 3.2% in the current year, which is a significant increase and re-iterates the need for a thorough review of the current voids management.

- A continuing review of how the repair and maintenance of council housing stock is delivered in the most efficient, effective and economical way will also look to reduce ongoing maintenance costs, as there is still more work to be undertaken in this area. A development programme is outlined at ***Appendix B*** and it is proposed that this be funded from the ICT Replacement Reserve. Alongside this, other external support is being commissioned under Officer delegated authority to take forward lean systems thinking, specifically to help tackle voids, and this too will be funded from the Reserve at an estimated cost of £35K.

- To help drive these improvements, the vacant Repairs and Maintenance Service (RMS) manager post is currently being backfilled through an interim agency arrangement until 31st March 2018, at a gross cost of £96K and this forms part of the overall R&M increase shown in the table above. In turn it is proposed that those agency costs are funded from the Business Support Reserve, and this too is reflected in the table and in the report's recommendations. It is also proposed that additional financing scope up to a further £25K be delegated to the Chief Officer (Environment), in consultation with the Chief Officer (Resources) should there be a need to extend the interim arrangement, pending a permanent appointment, and in the event that compensating operational savings cannot be identified from other budgeted activities. Arrangements will be put in place to ensure that the focus on transforming delivery and performance is maintained, in order to achieve the necessary operational and financial outcomes.

- In terms of provisions, the annual contribution to the bad debts provision has increased slightly from those planned a year ago (linked to the introduction of Universal Credit) and it will continue to be closely monitored.

- Regarding capital financing and other reserves, the variances reflect any slippage and other financing adjustments, drawing on the capital programming proposals outlined in the later sections of this report.

5.3 Taking account of the variances outlined above, and the £112K underspending from 2016/17, HRA Balances at the end of this year are expected to be around £275K lower than originally forecast, as shown in the following table:

		2017/18 Revised Budget £'000	
Original Estimated Balances as at 01 April 2017			(1,825)
Less:	Original Budgeted Surplus for 2017/18		(166)
Original Forecast Balances as at 31 March 2018			**(1,991)**
Add back:	Underspending in 2016/17, at outturn	(112)	
Less:	Net Overspending now forecast in 2017/18	387	
Net Reduction in Forecast Balances during the year			**275**
Updated Forecast Balances as at 31 March 2018			**(1,716)**
Surplus Balances (above current minimum £500K)			**(1,216)**

5.4 Cabinet is recommended to refer the HRA Revised Budget for 2017/18 to Council as set out at ***Appendix A*** for approval.

6 2018/19 Budget and Future Years Projections

6.1 The draft budget has now been prepared for 2018/19 together with projections to 2021/22, in line with the basic 4 year revenue planning horizon for General Fund. The budgets are set out in line with Accounting Requirements and they take account of the usual pay and price inflation assumptions. Specific aspects of the budget are outlined in more detail below.

- Provision continues to be made for repayment of the self-financing debt over the next 24 year period, noting that the principal sum outstanding as at 31 March 2018 will be £25M (compared with the £31.2M debt taken on at the settlement date). No provision has been made as yet in respect of the £15.3M HRA share of earlier years' debt, but this is the same approach that applied under the former subsidy system.

- Actions arising from the ongoing review of how council houses are repaired and maintained may well have investment implications going forward, but on the basis that any such needs should be more than offset by the efficiency savings to be generated. Once the review is completed, the outcome and financial implications will be reported through for consideration as necessary, and fed into the next update of the HRA budget and Business Plan. This review is very important, not least to help avoid any overspendings as expected in the current year, and also to help improve the service to tenants.

7 Savings and Growth

7.1 Alongside setting council housing rents, Cabinet is also requested to make recommendations regarding a number of invest to save and growth proposals for consideration by Council. In considering any growth requests, Cabinet is advised to take account of the current MTFS, which states that any 'growth in a particular area will only be considered if it meets either of the following conditions:

- *it is needed to meet statutory service standards; or*

- *it is essential to meet a key objective within Corporate Plan proposals, for which there are no alternative providers or sources of funding available* ***and*** *sufficient progress has been made in adopting plans for addressing the medium term budget deficit, so as to consider any growth proposal affordable and sustainable in the medium to long term. This applies particularly to any recurring or high cost one-off growth proposals.'*

7.2 Through the business planning process the following issues / needs have been identified:

- Development and implementation of a marketing strategy to rebrand council housing to become 'housing of choice';
- Continue with aspirations for new build council housing to meet demand and investigate alternative vehicles for delivery;
- Protect current income and increase going forward through reducing empty home turnover and improvements to the 'end to end' lettings process to generate efficiencies (i.e. lean thinking);
- Continue to improve the effectiveness and efficiency of the Repairs and Maintenance Service (RMS) through investment in technology to extend mobile

working;

- Improve tenancy management and support by increasing capacity in early intervention and prevention to support tenants struggling with maintaining tenancies, debt (impact of Universal Credit) and promote pathways into employment.
- Continue with existing support to community centres, ahead of a wider VCFS review.

7.3 Strategies are being developed to enable implementation to address these issues and have informed the savings and growth proposals being put forward as attached at ***Appendix C,*** with the following table showing the individual net financial impact on the 30-year Business Plan:

Combined Business Support Reserve (BSR) and Unallocated Balance	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**30 Year Cumulative Total £'000**
Projections as at January 2018	**(9,935)**	**(9,698)**	**(9,689)**	**(9,990)**	**(69,051)**
To be funded from BSR					
Conversion of Former Scheme Manager Dwellings	150	(3)	(6)	(6)	(17)
Conversion of Redundant Shop	65	(3)	(3)	(4)	(43)
New Garages - Carnforth	41	(10)	(10)	(11)	(307)
To be funded from Revenue Account / Unallocated Balances					
Income Management Officer	21	28	30	31	1,072
Household Intervention Officer	21	30	32	33	1,146
Marsh Community Centre	14	0	0	0	14
In-Year Change	**312**	**42**	**43**	**43**	**1,865**
Cumulative YoY Change	**312**	**354**	**397**	**440**	**1,865**
Updated Projections	**(9,623)**	**(9,344)**	**(9,292)**	**(9,550)**	**(67,186)**

7.4 The table shows that overall the proposals will reduce the 30 year business plan by around £1.9M. This is due to the proposals being funded directly from either the BSR or Unallocated Balances and after allowing for associated investment interest forgone. It should be noted that the rental income shown above for the proposed conversion of dwellings is the marginal additional income only, hence why it appears very low, as the business plan already takes account of baseline income potential from their existing use.

8 Provisions, Reserves and Balances

8.1 The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Chief Officer (Resources) takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account;

assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in ***Appendix D***.

8.2 After reviewing the Housing Revenue Account and General Fund in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer advises maintaining the minimum level of HRA Balances at £500K from 01 April 2018 to support the budget forecasts, as part of the overall medium term financial planning for the HRA.

8.3 The Business Support Reserve has a current unallocated balance of £8.3M, noting that this will reduce to just over £8M if the various budget proposals are approved. Restrictions on rent setting brought about by Government had required an efficiency-drive from the service and raised questions over the viability of any new-build plans. Whilst Government's intentions on charging higher rents for those tenants on high incomes and selling off high value properties are still on hold and not yet clear, Government's recent clarity on its intentions regarding rent policy for 2020/21 onwards (at least for a period of 5 years) coupled with other transformational and efficiency measures, means that the Council should have more flexibility regarding the service and its future financial sustainability, noting that the first call on the BSR will still be required to support existing commitments over the lifetime of the 30-year business plan.

8.4 There has been less call on the Major Repairs Reserve than originally assumed, mainly due to more capital receipts being received and applied as a result of increased Right to Buys and also use of earmarked reserves for specific schemes.

8.5 In terms of using the ICT Replacement Reserve to implement the RMS Development Programme and a Lean Systems approach for voids, it is currently projected that after allowing for that investment, there would be c£560K left as at 31st March 2019, to support further developments. It is proposed to rename the reserve ICT and Systems Improvement Reserve, to reflect better its actual use, which is wider than technology replacement.

8.6 A more detailed review of other earmarked reserves will be needed in future, in particular following implementation of Government's plans for its new funding model for Sheltered Housing, with plans for this to be undertaken during 2018/19 to inform future levels.

8.7 In terms of provisions, the annual contribution to the bad debts provision has increased slightly from those planned a year ago based on current activity, noting that the full impact of welfare reforms (Universal Credit) has still not fully hit the HRA budget and so will need to continue to be closely monitored.

8.8 Draft statements on all reserves are attached at ***Appendix E (i)*** and ***Appendix E (ii)***. Levels are viewed as adequate for the period covered, but will need to be reviewed in more detail as highlighted above. Cabinet is asked to endorse this information, with the Statement being referred on to Council as part of the HRA budget proposals.

9 Capital Programme 2017/18 to 2021/22

9.1 The Council has a statutory duty to ensure that all of its council housing stock meets all regulatory requirements including the Decent Homes Standard. Originally adopted in 2004, the 'Lancaster' standard for the maintenance of its housing stock is no longer significantly different from the current regulatory requirements.

9.2 In capital investment terms, the aim is to establish a sound long-term investment programme, which identifies the indicative investment needed to maintain the housing stock over the 30-year business planning period, taking account of the adopted Lancaster standard. The financing of this investment is then incorporated back into the HRA business plan, to establish (and address) its affordability and viability.

9.3 ***Appendix F*** sets out the overall capital programme for consideration by Cabinet and referral on to Council. The programme has been rolled on a year to cover the period to 2021/22 and more details are provided in the sections below.

10 2017/18 Revised Capital Programme

10.1 The 2017/18 Council Housing Capital Programme was set at £4.077M by Council on 01 March 2017.

10.2 This programme has since been adjusted to incorporate procurement savings and other projected variances totalling £371K as follows:

- £96K Procurement savings as a direct result of receiving lower than estimated tenders for Door Replacement and Re-roofing works.
- £137K reduction for less than expected take-up of kitchen and bathroom replacement than programmed
- £138K reduction for environmental improvements, mainly postponement of Ripley Court remodelling to bring forward the existing programme of fire precaution and associated improvement works in consultation with the Lancashire Fire and Rescue Services following the Grenfell Tower tragedy (see below)

10.3 Additional expenditure totalling £498K has also been added to the capital programme as follows:

- £100K for Disabled Adaptations approved but not completed during 2016/17
- £120K for fire precaution and associated works to communal areas of high rise flats at Mainway
- £278K capitalisation of major voids expenditure

10.4 The revised 2017/18 Capital programme, which now totals £4.204M, is included in Appendix F for Members' approval.

11 2018/19 to 2021/22 Capital Programme

11.1 Future years' programmes are set in line with the HRA Business Plan wherever possible. In support of this, work continues to be undertaken to assess the requirement needs of the existing council housing stock and this has been fed into the 30-year Business Plan. A review of the Capital Investment Programme has been undertaken and is ongoing. The draft programme included at Appendix F should enable the housing stock to continue to be maintained to the appropriate standards; meeting the council's obligations under Decent Homes, and compliance with statutory regulation.

11.2 In terms of future investment, due to previous uncertainty surrounding further Government proposals, no assumptions on future new build have been included in the current programme.

11.3 Government has also recently announced that it intends to bring forward a Green Paper on the future of social housing. At this moment in time there are no details or timetable but this could clearly have an influence on the Council's future strategies to provide more social housing in the district.

11.4 As previously reported Officers have been moving some schemes forward, i.e. the two schemes at Carnforth are being progressed to full planning approval, and the conversion of other buildings is provided for within the budget proposals referred to earlier, but work on all other schemes is still on hold for now. Cabinet's approval would be sought to progress any further developments. Based on Government's recent proposal for rent setting from 2020/21, it is more feasible for other options to be explored in terms of how the Council might seek to help increase housing stock, within (or alternatively outside of) the HRA. Complex matters such as this need careful consideration, hence they are likely to be put forward for consideration either as part of the 2018/19 mid-year review or 2019/20 budget planning. By then, more might be known regarding the Government's intended Green Paper.

11.5 Taking account of the above points, the total draft five year programme for 2017/18 onwards now stands at £21.280M, the majority of which will be financed from revenue sources. There is no prudential borrowing requirement. The HRA is therefore in a reasonable position financially, subject to further Government announcements and noting that consideration of any future capital investment must still ensure that long-term financial sustainability is not compromised.

12 Details of Consultation

12.1 The headlines from the draft Revenue Budget and Capital Programme were presented to the District Wide Tenants' Forum on 3 January prior to the Cabinet meeting. A summary of the Forum's views is provided below

The Direct Wide Tenants' Forum have been presented with the headline information from the HRA Report and were very supportive of the budget recommendations being put forward welcoming the additional tenant support being proposed. The Forum supported the current capital programme plans and there was also a debate about the opportunity to review the capital programme in future years to look further at reducing the costs of use of the home particularly from an energy perspective. The Forum was informed that it was proposed within the council housing business plan to further review the HRA's asset management strategy, and this element would be looked at.

The Forum noted the 1% rent reduction to 2020 and the Government's recently announced rent policy from 2020 of increases for CPI plus 1 %, and also the introduction of the concept of a "Sheltered Rent".

The Forum also expressed the view that more should be done to publicise the good work the Council does through its provision of its council housing services.

13 Options and Options Analysis (including risk assessment)

13.1 There is currently no other alternative available in respect of 2018/19 housing rent setting, given legislative requirements.

13.2 With regard to the revenue budget generally, Cabinet could consider other proposals that may influence spending in current and future years, as long their financing is considered and addressed.

13.3 The options available in respect of the minimum level of HRA balances are to retain the level at £500,000 in line with the advice of the Section 151 Officer, or adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting and it could have implications for the Council's financial standing, as assessed by its external auditor.

13.4 With regards to the savings and growth proposals as set out in section 7 of the report, Cabinet should consider the costs and benefits of the proposals and whether they are affordable, in particular over the medium to longer term.

13.5 The options available in respect of the Capital Programme are:

i) To approve the programme in full, with the financing as set out;
ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.

13.6 Any risks attached to the above would depend very much on what measures Members proposed, and their impact on the council housing service and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

14 Officer Preferred Option (and comments)

14.1 The relevant Officer preferred options are to:

- Set housing rent levels in line with Government legislation.
- Approve / refer on the provisions, reserves and balances position (and their use) as set out.
- Approve / refer on the revenue budgets and capital programme, allowing for Cabinet's recommendations regarding specific savings and growth proposals.

RELATIONSHIP TO POLICY FRAMEWORK The budget represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.
CONCLUSION OF IMPACT ASSESSMENT **(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)** No significant implications directly arising. Equality impact assessments are available as background documents.
LEGAL IMPLICATIONS As referred to in the report; there are no other specific legal implications arising.
FINANCIAL IMPLICATIONS As set out in the report.
OTHER RESOURCE IMPLICATIONS **Human Resources:** The Council will deal with all relevant matters in relation to the staffing restructure of the service in line with legislation and its own internal policies and procedures. **Information Services:** There are no direct implications arising out of this report. **Property:** There are no other direct implications arising out of this report.

Open Spaces: There are no direct implications arising out of this report.
SECTION 151 OFFICER'S COMMENTS The s151 Officer has contributed to this report, which is in her name in part (in her capacity as Chief Officer (Resources).
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS Equality Impact Assessments.	**Contact Officer:** Nadine Muschamp/Suzanne Lodge **Telephone:** 01524 582117 / 582701 **E-mail:** nmuschamp@lancaster.gov.uk **Ref:** n/a

Appendix A

HOUSING REVENUE ACCOUNT BUDGET

For Consideration by Cabinet 16 January 2018

	2017/18 Budget £	2017/18 Revised £	2018/19 Budget £	2019/20 Forecast £	2020/21 Forecast £	2021/22 Forecast £
INCOME						
Rental Income - Council Housing (Gross)	(13,515,300)	(13,331,100)	(13,336,700)	(13,531,700)	(13,747,400)	(14,202,700)
Rental Income - Other (Gross)	(253,100)	(250,700)	(278,000)	(301,200)	(306,000)	(310,900)
Charges for Services & Facilities	(1,487,400)	(1,460,500)	(1,496,600)	(1,532,200)	(1,568,300)	(1,602,300)
Grant Income	(7,700)	(7,700)	(7,700)	(7,700)	(7,700)	(7,700)
Contributions from General Fund	(101,000)	(100,800)	(103,200)	(105,600)	(108,100)	(110,600)
Total Income	**(15,364,500)**	**(15,150,800)**	**(15,222,200)**	**(15,478,400)**	**(15,737,500)**	**(16,234,200)**
EXPENDITURE						
Repairs & Maintenance	4,875,700	5,353,700	5,097,500	5,157,100	5,241,300	5,369,300
Supervision & Management	3,013,800	2,992,400	3,099,100	3,176,400	3,286,700	3,363,800
Rents, Rates, Taxes & Other Charges	200,000	203,600	212,700	230,400	247,800	265,300
Increase in Provision for Bad and Doubtful Debts	159,200	196,600	181,800	183,800	186,100	188,500
Depreciation & Impairment of Fixed Assets	2,082,900	2,765,300	2,601,200	2,601,200	2,587,400	2,587,400
Debt Management Costs	1,100	1,100	1,100	1,100	1,100	1,100
Total Expenditure	**10,332,700**	**11,512,700**	**11,193,400**	**11,350,000**	**11,550,400**	**11,775,400**
NET COST OF HRA SERVICES	**(5,031,800)**	**(3,638,100)**	**(4,028,800)**	**(4,128,400)**	**(4,187,100)**	**(4,458,800)**
Interest Payable & Similar Charges	1,937,100	1,921,400	1,883,700	1,845,900	1,807,800	1,769,500
Amortisation of Premiums & Discounts	0	0	0	0	0	0
Capital Grants and contribution receivable	(21,000)	(22,000)	(2,000)	(15,000)	0	0
Interest & Investment Income	(7,400)	(37,400)	(76,600)	(114,700)	(153,300)	(153,300)
Past Service Pension Cost	152,000	163,000	169,400	177,800	232,400	231,900
Self Financing Debt Repayment	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400
(SURPLUS) OR DEFICIT FOR THE YEAR	**(1,929,700)**	**(571,700)**	**(1,012,900)**	**(1,193,000)**	**(1,258,800)**	**(1,569,300)**
Adjustments to reverse out Notional Charges included above	21,000	22,000	2,000	15,000	0	0
Transfers to/(from) Major Repairs Reserve	1,525,300	775,000	971,100	1,231,100	1,099,100	1,101,100
Transfers to/(from) Earmarked Reserves	17,500	(284,400)	(86,500)	64,000	68,600	67,600
Capital Expenditure funded from Revenue Reserves	200,000	280,000	225,000	120,000	100,000	100,000
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	**(165,900)**	**220,900**	**98,700**	**237,100**	**8,900**	**(300,600)**
SAVINGS PROPOSALS:						
Conversion of Former Scheme Manager Dwellings	0	0	0	(2,700)	(5,600)	(5,800)
Conversion of Redundant Shop	0	0	0	(3,200)	(3,300)	(3,500)
New Build - Garages	0	0	(4,500)	(10,000)	(10,300)	(10,500)
TOTAL SAVINGS	**0**	**0**	**(4,500)**	**(15,900)**	**(19,200)**	**(19,800)**
GROWTH PROPOSALS:						
Income Management Officer	0	0	20,500	28,000	29,500	30,700
Household Intervention Officer	0	0	21,000	29,900	31,600	32,900
Marsh Community Centre Grant	0	0	14,400	0	0	0
TOTAL GROWTH	**0**	**0**	**55,900**	**57,900**	**61,100**	**63,600**
UPDATED TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	**(165,900)**	**220,900**	**150,100**	**279,100**	**50,800**	**(256,800)**
Housing Revenue Account Balance brought forward	(1,825,465)	(1,937,602)	(1,716,702)	(1,566,602)	(1,287,502)	(1,236,702)
HRA BALANCE CARRIED FORWARD	**(1,991,365)**	**(1,716,702)**	**(1,566,602)**	**(1,287,502)**	**(1,236,702)**	**(1,493,502)**

Appendix B

2017/18 PROPOSAL – RMS DEVELOPMENT PLAN

PROPOSED USE OF ICT REPLACEMENT RESERVE

Service / Policy Area

Repairs & Maintenance Service (RMS) within Environmental Services undertaking the delivery of maintenance and investment services to Council Housing Stock managed through Health & Housing

Brief Description of Budget Option

RMS Development Plan is a suite of projects looking at enhancing service delivery and operational efficiency of RMS. These focus around :-
An upgrade and extension of the current RMS TOTAL System and Total Mobile Working Solutions
An upgrade to existing, and extending the use of, mobile devices
Provision of a replacement Asset Management System
A range of projects to ensure the efficient use of the new capacity such as: Reviewing Van Stocks, operational "Patches" for operatives, Use of SMS and Email Alerts, Review & extending use of Schedule of Rates to deliver and manage the service.
Funding is proposed from earmarked ICT Replacement Reserve within the Housing Revenue Account.

Proposed Implementation Date: Various 17/18 to18/19 Estimated Lead-In: Base projects ready to commence

Service Impact – External/Community Impact (including impact on Corporate Priorities)

This upgrades our existing system, retaining and extending its robustness and resilience and adds functionality
Additional functionality unlocks service improvement and efficiencies. For example:
Alerts will reduce abortive visits and failed appointments
Schedule of Rates (SoR's) improve productivity, enhance management understanding and control of the business and will streamline administrative and back office functions
Mobile working implemented to date unlocked 15% extra productivity and better service to tenants and is being extended.
Review of Van Stocks and Operational Areas will add to more effective use of operatives on site.

Other Issues – e.g. Impact on internal services, potential risks etc.

The ICT systems & technology are widely used and established within Social Housing sector.
Internal services have been involved in developing the plan and have provisionally agreed the support required. Lean systems development regarding voids is also to be commissioned, alongside the above proposal.

Estimated Costs

	2017/18 £	**2018/19 £**	**2019/20 £**	**2020/21 £**
Consultancy Costs	19,500	0	0	0
Hardware Costs	12,200	22,100	9,200	9,200
Software Costs	35,000	28,200	18,300	18,300
Minimum efficiency savings to be achieved against the budget from new working practices	0	0	(27,500)	(27,500)
Total	**66,700**	**50,300**	**0**	**0**

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: HRA Property Conversion - former scheme managers' houses to sheltered flats

To bring back into use long term empty properties to address housing demand and increase rental income to the HRA.
Conversion into flats of former scheme manager houses at: 14 Altham Walk and 21 Melling House to create 4 flats. The houses are currently empty, due to their positions on the respective schemes. The newly converted flats would be let as sheltered units.
Council housing tenants, resident, and the Council. The benefits are the provision of additional social housing units for both current and future tenants, and residents of the district. In addition these works will bring an increase income to the HRA. There are no perceived detrimental impacts arising from these proposals.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐
OTHER:

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Annual Rental Income (Marginal Impact)	0	(2,700)	(5,600)	(5,800)
Total	**0**	**(2,700)**	**(5,600)**	**(5,800)**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 19 months **IMPLEMENTATION DATE**: October 2019

SCHEME INVESTMENT NEEDED: £150,000 **PAYBACK:** see finance comments below

CAPITAL/REVENUE: Capital - maximum capital cost of converting properties - to be funded from the HRA Business Support Reserve.

BASIS OF INCOME PROJECTIONS: Based on existing comparable rent levels and projected increases.

BASIS OF COST PROJECTIONS: Construction costs based on recent similar projects.

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
The key risk is the lack of take up, although this should be mitigated by existing demand.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: Will be managed through the HRA capital programme by RMS. Input will be required from Resources – finance and property group, Legal, and Planning.

FINANCE / S151 COMMENTS:

The properties to which this request relates are listed as ‘general needs’ and revenue estimates in respect of gross rental income include the above properties as ‘rented’. However, these properties are currently vacant due to their proximity to sheltered accommodation, and following the vacation by the previous scheme managers, a management decision has been taken to not offer these properties for tenancy. The proposal changes the lettings from ‘general needs’ to ’sheltered’ and so it should be noted that the estimated gross rent collectable from the converted properties of £14K per annum would provide a payback period of 11 years. Whilst this seems higher than the normal payback period for capital investment, the proposal should be considered in terms of the ‘whole life’ cycle of the asset and also taking into account its expected life expectancy (i.e. around 40 years). The proposal would also mitigate any potential future R&M costs associated with a vacant property.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: HRA Property Conversion - Redundant shop unit to flat

To bring back into use long term empty properties to address housing demand and increase rental income to the HRA.
Conversion and development of redundant shop unit at 9 Beech Avenue into a 1 bed flat.
Council housing tenants, resident, and the Council. The benefits are the provision of additional social housing units for both current and future tenants, and residents of the district. In addition these works will bring an increase income to the HRA. There are no perceived detrimental impacts arising from these proposals.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐

OTHER:

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Annual Rental Income	0	(3,200)	(3,300)	(3,500)
Total	**0**	**(3,200)**	**(3,300)**	**(3,500)**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 13 months **IMPLEMENTATION DATE**: April 2019

SCHEME INVESTMENT NEEDED: £65,000 **PAYBACK:** 17 years (see finance comment below)

CAPITAL/REVENUE: Capital - maximum capital cost of converting properties - to be funded from the HRA Business Support Reserve.

BASIS OF INCOME PROJECTIONS: Based on existing comparable rent levels and projected increases.

BASIS OF COST PROJECTIONS: Construction costs based on recent similar projects.

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
The key risk is the lack of take up, although this should be mitigated by existing demand.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: Will be managed through the HRA capital programme by RMS. Input will be required from Resources – finance and property group, Legal, and Planning.

FINANCE / S151 COMMENTS: Whilst the payback period seems very high, due to the current structure, it is not possible for demolition and so the only real operational consideration is to bring the vacant shop back into housing use, resulting in net increased income over the longer term. The proposal should also be considered in terms of the 'whole life' cycle of the asset, taking into account its expected life expectancy (i.e. around 40 years). The proposal would also mitigate any potential future R&M costs associated with a vacant property.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: New Garages

The Council manages just over 400 garages within the HRA. The proposal is to build 18 new garages on an existing garage site at Carnforth.
In January 2017 Cabinet established a rent setting policy for garages within the HRA:
"That for 2017/18, all garage rents be increased by the Consumer Price Index (CPI) plus £1, with an additional CPI + £1 increase in each subsequent year until 2019/20, with CPI increases thereafter."
Garage rents are outside Government rent controls, and there is potential to increase the number of garages to let within the HRA to meet specific demands. There is an existing demand at Carnforth and this proposal will also contribute to facilitating the potential new build housing proposal.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐
OTHER:

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Annual Rental Income	(4,500)	(10,000)	(10,300)	(10,500)
Total	**(4,500)**	**(10,000)**	**(10,300)**	**(10,500)**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 7 months **IMPLEMENTATION DATE**: October 2018

SCHEME INVESTMENT NEEDED: £45,000 **PAYBACK:** 5 years

CAPITAL/REVENUE: Capital - based on a cost of £2,500 per Garage = 18 * £2,500. To be funded from HRA Business Support Reserve.

BASIS OF INCOME PROJECTIONS: Based on existing garage levels and projected increases

BASIS OF COST PROJECTIONS: Construction costs based on recent similar projects

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
The key risk is the lack of take up, although this should be mitigated by existing demand.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: Will be managed through the HRA capital programme by RMS.

2018 to 2022 BUDGET PROCESS
GROWTH/REDIRECTION PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: Additional Income Management Officer

The introduction of the Income Manager to lead on managing the income management team has highlight further need to increase capacity to improve income collection rates in response to growing casework from the continuing roll out of Universal Credit (UC), and review of the services.

The District is a 'full service' authority for UC, which means that we are one of the first to experience the full online UC service. This has left the Council and tenants on UC exposed to substantial challenges. As a local authority landlord we have always performed strongly around income management, featuring within the top quartile of performance nationally for many years. In the past 12-18 months we have seen an increase in workload, and in the complexity of arrears casework. As of 6/11/17 rent arrears are up by 33% compared to the same period in 2016, and by 84% compare to November 2015. Rent arrears cases (the number of tenants in arrears) have increased from 1,179 in November 2015, to 1,625 in 2016, and 1,819 in 2017.

It is proposed that a further Income Management Officer is appointed to address this increasing case load and provide capacity to undertake more preventative work; providing increased and much needed capacity to provide advice and support to tenants around arrears, benefits, budgeting, and signposting to other services. In addition to this we have reviewed our arrears management processes and our systems and have identified a need to streamline them to provide further capacity to undertake preventative work.

ESTIMATED REVENUE COSTS / (SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Income Management Officer (G3)	16,900	24,300	25,700	26,800
Northgate OHMs Arrears Express	2,400	2,500	2,600	2,700
Northgate OHMs SMS Integration	1,200	1,200	1,200	1,200
Total	**20,500**	**28,000**	**29,500**	**30,700**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 4 months **IMPLEMENTATION DATE:** July 2018

REDIRECTION FROM OTHER BUDGETS: No other alternative budget can be identified

PERFORMANCE MEASURES/OUTPUTS: Will contribute to improving existing KPIs on income management and tenancy sustainment

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: None currently identified

2018 to 2022 BUDGET PROCESS
GROWTH/REDIRECTION PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: Additional Housing Intervention Officer

The introduction of two Household Intervention Officers in to the housing management team has proved invaluable in providing a capability and capacity to provide additional tenancy and household support to encourage tenant independence, improve tenancy sustainment. The Household Intervention Officers have been able to get to grips with a household's issues and work with them utilising a mix of methods that support and challenge, joining up local services to deal with each household's issues as a whole rather than responding to each one independently.

The two officers have dealt with over 60 cases since July 2017 with 36 different types of support provided, 57 cases opened and support offered, 3 only cases being unable to be taken on due cases non engagement. 23 cases closed with satisfactory outcomes. Example include: ensuring rent payments in place (direct debit or managed payment), UC claims established, utility bills managed, benefit applications completed (UC/ PIP), crisis grant application processed, clearance and maintenance of home conditions (hoarders), food bank parcels obtained, furniture and basic home items obtained via charity donations/partnership working, and securing arrears payments in place to sustain tenancy.

What this work has established is that there is a growing casework that need supporting, and that with support changes can be made to individual tenants' lives. Approval is being sought to increase the capacity to undertake this work with the introduction of a further Household Intervention Officer.

ESTIMATED REVENUE COSTS / (SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Household Intervention Officer (G4)	21,000	29,900	31,600	32,900
Total	**21,000**	**29,900**	**31,600**	**32,900**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 4 months **IMPLEMENTATION DATE:** July 2018

REDIRECTION FROM OTHER BUDGETS: No other alternative budget can be identified

PERFORMANCE MEASURES/OUTPUTS: Will contribute to improving existing KPIs on income management and tenancy sustainment

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: None currently identified

2018 to 2022 BUDGET PROCESS
GROWTH/REDIRECTION PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: Marsh Community Centre

It is proposed that the Marsh Community Centre funding continues for 2018/19 and that the grant amount of £14.4K (including inflation) is funded from Unallocated Balances with any future support being determined as part of the ongoing Voluntary and Community Faith Sector Commissioning of Service review alongside the Ridge Community Centre.

The Council is looking to continue to support residents in the use of the Community Centre as a community space for local voluntary and community organisations e.g. clubs, activities and meetings.

ESTIMATED REVENUE COSTS / (SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Community Development Grant	14,400	0	0	0
Total	**14,400**	**0**	**0**	**0**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 1 month **IMPLEMENTATION DATE**: April 2018

REDIRECTION FROM OTHER BUDGETS: No other alternative budget can be identified

PERFORMANCE MEASURES/OUTPUTS: Performance managed through a Service Level Agreement.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: No additional support or programming requirements.

Appendix D

2018/19 BUDGET
HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 16 JANUARY 2018

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

RISK AREA	NOTES/DETAILS
Self financing	The Government policy changes within the Welfare Reform and Work Act and the Housing and Planning Act continues to present significant challenges and future financial risks to the council's HRA removing local discretion to set rent levels. Under Part VI of the Local Government and Housing Act 1989 a local authority has duty to keep a HRA as a ring fenced account and has a duty to ensure that it does not go into deficit. To help mitigate those risks, robust business and financial planning arrangements need to be maintained that take into account service budgetary needs, debt financing, stock condition, and ongoing Government social housing rent policy.
Rent policy	The Council had set a local rent policy which supported the future investment needs of its HRA housing stock, and enabled the Council to consider council housing in a wider regeneration context. The Council's rent setting policy is based on Government rent policy guidelines and the freedoms introduced under the self-financing regime in 2011.The Council remains committed to maintaining decent homes, and aspires to build and acquire new homes to meet local needs. The original rent policy supported the debt settlement for self-financing, and future financing of the HRA through rent increases of RPI + 1%. The Government subsequently issued guidelines that from 2015 onwards for rents to increase by CPI (at September of the previous year) + 1% annually, for ten years. In May 2015 the Government announced that it was going to statutorily limit rents for the next 4 years commencing 2016/17 and statutorily impose rent decreases of 1% per annum. This created substantial financial sustainability risks for the HRA, and undermined the business case for new build. On 4 October 2017 the Government announced it would maintain statutory control over rent increases and that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020. The 30 year HRA business plan has been revised to reflect that rents from 01 April 2020 will rise on this basis. Whilst this change helps to address viability risks, there is still considerable uncertainty regarding prospects for 2025/26 onwards and the above history highlights that Government policy can change significantly. These risks will need to be considered and Government plans kept under review, to inform future decision-making.
Income recovery	The welfare reform agenda and in particular, the introduction of Universal Credit within the district has resulted in significantly increased the levels of rent arrears and risk to levels to rent collection. There will be continuing negative effect on the ability to sustain future years' budgets if income recovery continues to deteriorate. Adequate Bad Debts provisions will be provided for within the HRA, and the level is kept under regular review. To mitigate against these increased risks the income management team is to be again further strengthened to maximise recovery of income, and other additional resources are to be put in place to work with households who are facing increasing financial challenges.
Void levels	Management of voids remains an increasing priority to ensure that rent loss through voids is minimised. Should turnover increase greater allowance may need to be made within the budget for loss of rental income due to voids. Additional resources have been approved to better co-ordinate the management of voids to mitigate against this risk and to achieve a reduction income losses due to voids.

Appendix D

Reduced demand	Overall demand across the council housing stock is monitored and informs the asset management plans. Demand for council housing remain high for one and two bedroom properties, however demand for family housing is currently limited. These has also been evidenced in the recent local housing needs survey. The demand profile continues to inform the Council's decision to give priority to building one bedroom accommodation in any new build programme or acquisition scheme.
Stock reductions	The rate of RTB sales in 2017/18 has increased but is still relatively low compared to historic levels of sales. The Government has put on hold its proposed policy of sale of higher value council homes as they become vacant until at least 2019/20, and it is unclear whether the policy will be implemented thereafter. Any sales lead to future projected rental income levels being reduced, but many costs are fixed, resulting in an adverse impact on the revenue position. On the other hand, low sales levels also lead to lower levels of capital receipt. Significant increase in RTB sale would reduce rental streams that would lead to deterioration in the HRA budgetary position, and the viability of the HRA, unless measures could be taken to reduce costs within the HRA.
Additional capital requirements	Legislation, changes in health and safety standards or the discovery of previously unknown defects may require additional capital expenditure. The Council has increased its expenditure on fire precaution works, asbestos management, and the managing the risk of legionella. The Council still need to ensure the asset register and asset management plans correctly identify the investment needs and programmes. Any requirements identified will be reviewed and reflected in the 30 year HRA Business Plan.
Major disasters	The district has been subject to two severe weather events within the last two years. Major disasters are generally covered by insurance. The Government also provides support for uninsurable losses incurred by local authorities through the Bellwin scheme.
Effect of Legislation /Regulation	Implications of new legislation / regulation or changes to existing legislation / regulation can present significant new financial risks. The legislative programme of Government continues to present significant new financial challenges and risks to the Council's HRA. The Government is introducing a "Sheltered Housing Rent" which will set an overall cap on the amount that the Council can charge in gross eligible rent (rent inclusive of eligible service charges) on each unit of sheltered or extra care provision. The Government will also cap annual increases. Depending on future reforms, corrective actions may need to be taken to avoid the HRA going into deficit in future years.
Other events	Continuing reductions in services in other sectors such and health and social care are presenting increased demands and risks to the Council as a social landlord. In response to these challenges the Council is redesigning its housing management services to support tenants' health and social needs.

Appendix E (i)

HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT
For Consideration by Cabinet 16 January 2018

	Balance as at 31/03/17	Contributions			Balance as at 31/03/18	Contributions			Balance as at 31/03/19	Contributions			Balance as at 31/03/20	Contributions			Balance as at 31/03/21	Contributions			Balance as at 31/03/22
		To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve		
			To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
HRA General Balances	1,937,602			(220,900)	1,716,702			(150,100)	1,566,602			(279,100)	1,287,502			(50,800)	1,236,702	256,800			1,493,502
Earmarked Reserves:																					
Business Support Reserve	8,436,881			(119,700)	8,317,181		(260,000)		8,057,181				8,057,181				8,057,181				8,057,181
Major Repairs Reserve		3,540,300	(3,540,300)			3,832,300	(3,832,300)			3,832,300	(3,832,300)			3,686,500	(3,686,500)			3,688,500	(3,688,500)		
Flats - Planned Maintenance	667,596	133,000	(200,000)	(37,500)	563,096	133,000	(200,000)	(23,200)	472,896	133,000	(120,000)	(23,200)	462,696	133,000	(100,000)	(23,200)	472,496	133,000	(100,000)	(23,200)	482,296
ICT and Systems Improvement	601,942	57,000		(101,800)	557,142	57,000		(50,300)	563,842	57,000			620,842	57,000			677,842	57,000			734,842
Office Equipment Reserve	39,009				39,009				39,009				39,009				39,009				39,009
Sheltered - Equipment	303,529	26,000		(14,300)	315,229	23,500		(56,300)	282,429	20,600		(49,800)	253,229	15,400		(44,100)	224,529	12,700		(34,400)	202,829
Sheltered - Planned Maintenance	215,449	51,900	(80,000)	(25,000)	162,349	46,800	(25,000)	(15,500)	168,649	41,300		(15,500)	194,449	30,600		(15,500)	209,549	25,300		(15,500)	219,349
Sheltered Support Grant Maintenance	445,075	26,000			471,075	23,500			494,575	20,600			515,175	15,400			530,575	12,700			543,275
Total Earmarked Reserves	10,709,480	3,834,200	(3,820,300)	(298,300)	10,425,080	4,116,100	(4,317,300)	(145,300)	10,078,580	4,104,800	(3,952,300)	(88,500)	10,142,580	3,937,900	(3,786,500)	(82,800)	10,211,180	3,929,200	(3,788,500)	(73,100)	10,278,780

Provision	
Bad Debt	522,138

RESERVES AND PROVISIONS- For Consideration by Cabinet on 16 January 2018

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Capital Reserves					
Major Repairs Reserve (MRR)	Set up following the introduction of Resource Accounting in the HRA. Credited with the amount of depreciation charged to the HRA and topped up with additional funds required to finance the capital programme in-year.	Use of reserve to be determined and reported by Chief Officer (Resources) (or her nominated representative). Can be applied to capital improvements to HRA housing stock (specifically excluding demolition) and, additionally from 1st April 2004, repayment of HRA debt and credit liabilities (including premia on early repayment of PWLB loans).	**Health & Housing /Resources**	**Budget & Outturn**	**To provide in-year funding for the capital programme as budgeted.**
Business Support Reserve (BSR)	Established to provide support to additional business plan commitments and planned investment opportunities.	Use of the reserve to be approved by Cabinet. Contributions to the reserve to be approved annually as part of the budget.	**Health & Housing /Resources**	**Budget & Outturn**	**Retain as budgeted, noting that the first call will be to support the business plan.**

RESERVES AND PROVISIONS- For Consideration by Cabinet on 16 January 2018

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Revenue Reserves					
Flats – Planned Maintenance Reserve	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in flats.	**Health & Housing /Resources**	**Budget & Outturn**	**Retain as budgeted.**
IT Replacement	Established to fund future ICT systems and equipment replacement.	To be applied to future replacements and system / process improvements.	**Health & Housing /Resources**	**Budget & Outturn**	**Retain as budgeted, but rename as ICT and Systems Improvement Reserve, to reflect better its application.**
Office Equipment Reserve	Established to fund purchases of major office furnishings.	Used to fund ad-hoc purchases of major office furnishings resultant from health & safety legislation and risk assessments (desk, chairs, cabinets etc) and minor office equipment items.	**Health & Housing /Resources**	**Budget & Outturn**	**Retain as budgeted**
Sheltered Equipment Reserve	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes.	**Health & Housing /Resources**	**Budget & Outturn**	**Retain as budgeted.**

RESERVES AND PROVISIONS- For Consideration by Cabinet on 16 January 2018

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Sheltered – Planned Maintenance	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	**Health & Housing /Resources**	**Budget & Outturn**	**Retain as budgeted.**
Sheltered – Support Grant Maintenance	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges, but classed as Support Costs under County Guidelines.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	**Health & Housing /Resources**	**Budget & Outturn**	**Retain as budgeted.**

Use of all reserves with the exception of the BSR and MRR to be approved by Chief Officer (Health and Housing) in consultation with the Chief Officer (Resources) (or her nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Provisions					
Bad Debts	This provision is used to provide cover for all Housing Revenue Account bad and doubtful debts.	Contributions are determined at budget setting and outturn, based on assessment of the level of debt outstanding. Write offs are charged against the provision during the year.	**Resources**	**Budget & Outturn**	**As reflected in the report.**

The Bad Debt provision will be applied by the Chief Officer (Resources) (or her nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

Appendix F

Council Housing 5 Year Capital Programme
For Consideration by Cabinet 16 January 2018

	2017/18 Original £000	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	TOTAL £000
EXPENDITURE							
Adaptations	250	350	250	250	250	250	1,350
Energy Efficiency/Boiler Replacement	655	655	635	610	725	570	3,195
Internal Refurbishment	957	820	1,032	957	957	957	4,723
External Refurbishment	475	423	632	411	616	581	2,663
Environmental Improvements	646	508	405	657	590	380	2,540
Re-roofing/Window Renewals	854	810	641	985	315	302	3,053
Rewiring	60	60	86	49	84	54	333
Lift Replacements	-	-	70	-	120	120	310
Fire Precaution Works	180	300	180	180	155	180	995
Housing Renewal and Renovation	-	278	230	230	350	770	1,858
Growth:							
Conversion of Former Scheme Manager Dwellings	**-**	**-**	**150**	**-**	**-**	**-**	**150**
Conversion of Redundant Shop	**-**	**-**	**65**	**-**	**-**	**-**	**65**
New Garages	**-**	**-**	**45**	**-**	**-**	**-**	**45**
TOTAL EXPENDITURE	**4,077**	**4,204**	**4,421**	**4,329**	**4,162**	**4,164**	**21,280**
FINANCING							
Capital Receipts	266	380	380	380	380	380	1,900
Contributions	21	22	2	15	-	-	39
Earmarked Reserves	200	280	225	120	100	100	825
Funding of Growth from Business Support Reserve	**-**	**-**	**260**	**-**	**-**	**-**	**260**
Major Repairs Reserve	3,590	3,522	3,554	3,814	3,682	3,684	18,256
TOTAL FINANCING	**4,077**	**4,204**	**4,421**	**4,329**	**4,162**	**4,164**	**21,280**
SHORTFALL/(SURPLUS)	**0**	**0**	**0**	**0**	**0**	**0**	**0**