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:

Average rent (excluding sheltered and supported properties) of £71.69 for 2017/18 (representing a 1% year on year reduction).	Average rent for sheltered and supported properties of £66.97 for 2017/18 (generally to take them to 'formula rent').
For 2018/19 to 2019/20 onwards average rents will reduce by 1% per year.	
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).	

** *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