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Our Ref: DS
Your Ref:

Date: 21 December 2017

Dear Councillor,

Housing and Community Services Committee

A Meeting of the **Housing and Community Services Committee** will be held in the **Council Chamber (Special)**, on **Tuesday, 09 January 2018 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**
Councillor Hewlett (Chairman), Councillor Smith (Vice-Chairman) and Councillors Billings, Coe, Mrs Coyle, Grant, MacPherson, Muller and Mrs Wyatt

Labour Group
Councillors Rhind, Richards, Shepherd and Taylor

AGENDA

Open to Public and Press

- 1** Apologies and to note any Substitutes appointed for the Meeting.
- 2** To note any declarations of interest arising from any items on the Agenda
- 3** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 4** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 5** CHANGES TO THE HOUSING STOCK **3 - 5**
- 6** SERVICE BASE BUDGETS 2018-19 **6 - 25**
- 7** HOUSING REVENUE ACCOUNT BUDGET, FINANCIAL PLAN and PROPOSED RENT 2018-19 **26 - 40**

Exclusion of the Public and Press:

- 8** The Chairman may therefore move:-
That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 9** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 10** HEALTH PARTNERSHIP MANAGER & PARK LIFE OFFICER

REPORT TO:	HOUSING AND COMMUNITY SERVICES COMMITTEE: SPECIAL - BUDGET	AGENDA ITEM: 5
DATE OF MEETING:	9th JANUARY 2018	CATEGORY: DELEGATED/ RECOMMENDED OPEN
REPORT FROM:	KEVIN STACKHOUSE STRATEGIC DIRECTOR (CORPORATE RESOURCES)	
MEMBERS' CONTACT POINT:	MARTIN GUEST martin.guest@south-derbys.gov.uk 01283 595940	DOC:
SUBJECT:	CHANGES TO THE HOUSING STOCK	REF:
WARD(S) AFFECTED:	SWADLINCOTE AND ETWALL	TERMS OF REFERENCE: HCS01

1.0 Recommendations

- 1.1 That the changes to the housing stock identified in the report and the planned actions to deliver these are noted.

2.0 Purpose of Report

- 2.1 To update Members on work to make minor changes to the size and type of the Council's Housing stock.
- 2.2 To outline the proposed conversion of the office at Carnegie House to create a one bedroom unit which will be used for temporary accommodation, this will complete the conversion of flats at 75 to 89 Alexandra Road, Swadlincote.
- 2.3 To outline the proposed conversion of two first floor bedsits at Pear Tree Court to two one bedroom flats.

3.0 Detail

Carnegie House

- 3.1 The Council purchased from Metropolitan Housing Association the 8 x 1-bed block of flats at 75 to 89 Alexandra Road, Swadlincote following a report to this Committee on the 12th January 2016. The original permission to buy this development and carry out this work is shown in the minutes detailed below.

'Members sanctioned the purchase of the former Mother and Baby unit on Alexandra Road, Swadlincote, at a cost of £130,500, using funds already allocated within the Phase 1 budget for the acquisition of properties'

- 3.2 As part of this redevelopment of the Alexandra Road, Mother and Baby Unit, the Council created eight units of which three were temporary accommodation and five were one bedroom flats which have since been let to those in Housing Need from on our Housing Register.
- 3.3 The initial redevelopment of the site did not include the conversion of this office space to temporary accommodation. It is now proposed that we convert the office into a one bedroom flat for temporary accommodation to increase the Council's stock for those who the Council owe a homeless duty. This will reduce our reliance on temporary bed and breakfast provision and provide more stable accommodation for those vulnerable and in the greatest need of rehousing.
- 3.4 The Council has drawn up plans to now undertake this conversion of the office. The project will be fully specified. The Council will then be looking at the potential to deliver this through our in-house Direct Labour Organisation (DLO) to reduce the cost of the project. If this is not feasible, then the Council will then be going out to the market to procure this work in line with its Procurement Framework. The cost of the works has been budgeted at up to £12,000 and this will be delivered within existing capital budgets
- 3.5 Given the nature of this accommodation it will be necessary to make an application to Planning for a change of use from office accommodation to residential use and this will be done in due course as part of the procurement process.
- 3.6 This conversion will increase the Council's stock by one dwelling and will generate a potential additional rental income against a rent of £74.75 per week, which equates to £3,887 per annum.

Pear Tree Court

- 3.7 The Council has two hard to let first floor bedsits (Numbers 15 and 19) which remain at Pear Tree Court, Etwall. There has been little to no interest in these properties off the waiting list due to the type and location of these properties. This creates issues for the Council to address including a reduction in the rental income stream.
- 3.8 To address these concerns, the Council has developed plans to convert these bedsits on a one to one basis to one bed flats. This is possible with the existing layout which offers an opportunity to create one bedroom flats. This conversion will make these properties more lettable for potential applicants and will also increase the amount of potential rental income the Council can realise. These properties will command a higher rent increasing from £60.00 to £71.56 per week. This would result in a potential annual income of £7,442 when fully let, and bringing in an additional £1,202, than if these properties were let as bedsits.
- 3.9 The project will be fully specified and the Council will then be looking at the potential to deliver this through our in-house DLO to reduce the cost of the project. If this is not feasible, the Council will then be going out to the market to procure this work in line with the Council's Procurement Framework. The cost of these works has been budgeted at up to £15,000 per property and this will be delivered within existing capital budgets

- 4.1 Any financial costs to complete this work will be contained within the current housing capital programme.
- 4.2 The changes to this stock will have the potential to bring in additional rental income as outlined in the report.

5.0 Corporate Implications

- 5.1 One of the aspirations contained within the Council's Housing Strategy is to deliver against the Strategic Outcome:

HS01 – Improving access to and supply of housing

HS Objective 01c - Unlock the potential of empty homes and minimise voids

HS Objective 01d - Make the best use of existing housing stock

To do this the Council continues to review and update its stock so that it meets the needs and requirements of current and future tenants. These changes to our stock will enable us to increase the number of available units for affordable housing to support those faced with homelessness through the provision of our own temporary accommodation. It will also provide more accessible lettable units for those on our current waiting list.

6.0 Community Implications

- 6.1 Increasing our housing stock and improving the lettable of our existing stock directly impacts on Council tenants and those in need of housing; however it can also impact on the planning, public health and healthcare sector as well as the wider communities of South Derbyshire.

REPORT TO:	HOUSING AND COMMUNITY SERVICES COMMITTEE: SPECIAL – BUDGET	AGENDA ITEM: 6
DATE OF MEETING:	9th JANUARY 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2017-18/budget
SUBJECT:	SERVICE BASE BUDGETS 2018 / 2019	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: HCS

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2018/19 for the Committee's Services as detailed in **Appendix 1** are considered and referred to the Finance and Management Committee for approval.
- 1.2 That the proposed fees and charges as detailed in **Appendix 2** for 2018/19 are considered and approved.
- 1.3 That consideration is given to the level of any increase in Grants to Voluntary Bodies in 2018/19.

2.0 Purpose of Report

- 2.1 As part of the annual financial planning cycle, the report details the Committee's proposed base budget for 2018/19, with a comparison to the current year 2017/18. This includes an overview of the Committee's main spending areas.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2018/19 subject to the Council's overall medium-term financial position. This will be considered by the Finance and Management Committee during the coming month.
- 2.3 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for the next financial year, 2018/19.

3.0 Summary and Overview

- 3.1 The Committee is responsible for some large spending areas, in particular on leisure, recreational facilities, community development and private sector (General Fund) housing.

External Funding

- 3.2 A large part of the Committee's annual spending on community development, crime prevention, together with sport, health and homelessness prevention, is delivered in partnership with other agencies. Expenditure is financed in part from their contributions which can in turn be reliant on specific central government funding.
- 3.3 This funding is not necessarily available from year to year. The Council maintains specific reserves which hold funding awarded in previous years and is drawn down to meet projects and costs on a yearly basis. Some of this funding is not always replaced each year and expenditure is adjusted accordingly.
- 3.4 Although the Council still has access to longer term funding, this is finite unless replaced. Consequently, some budgets in these services could come under pressure in future years and this will be kept under review. This is detailed later in the report.
- 3.5 Furthermore, some expenditure on parks and the maintenance of open spaces is supplemented by drawing down commuted sums received as part of residential developments. Although current funds will support expenditure for several more years, this funding is also finite and will eventually end if not replaced. This will also be kept under review.

The Council's Overall Financial Position

- 3.6 The Council's MTFP was reviewed and updated in October 2017. In principle, the overall position on the General Fund has not changed fundamentally over the last year. The current level of the General Fund Reserve remains healthy and is projected to remain so over the next 3 to 4 years based on current forecasts.
- 3.7 However, the continuing issue is the projected budget deficit over the medium-term from 2019/20 when the impact of the reduction in core funding takes effect. Although the current level of reserves can be used to meet the projected deficit, this is not a sustainable solution in the longer-term. The MTFP continues to assume that base budget expenditure will increase year-on-year but overall core funding will reduce.
- 3.8 The Finance and Management Committee will consider the detail of the overall financial position on 11th January, including proposals from this Committee.
- 3.9 Therefore, it is important that the Committee scrutinises its spending base closely to identify potential budget savings and carefully examines any areas

where there are cost pressures, together with any proposals to increase spending.

Summary of Expenditure

3.10 The following table provides an overall summary at service level of the Committee's net revenue expenditure.

Summary of Net Revenue Expenditure	Approved Budget 2017/18 £	Proposed Budget 2018/19 £	Change £
Community Development and Support	547,471	561,821	14,351
Leisure Centres and Community Facilities	455,738	573,484	117,747
Parks and Open Spaces	650,272	669,939	19,667
Private Sector Housing	387,025	413,077	26,052
Recreational Activities	144,901	153,753	8,852
Total Net Expenditure	2,185,406	2,372,074	186,668

3.11 The above table shows that the Committee's net expenditure is estimated to increase overall between 2017/18 and 2018/19 by £186,668. Detail of the changes within each service area is listed in **Appendix 1**. A summary of changes is shown in the following table.

Changes in Base Budget 2017/18 to 2018/19	£'000
Transfer of Staff Responsibilities from HRA to GF	37
Other Staffing Costs	35
Etwall Leisure Centre Additional Costs	17
Flexible Support Grant	-91
Additional Costs Associated to Homeless Reduction Act 2017	76
Approved Changes	74
Reduced Income Budget for Travellers Site	5
Additional Changes	5
Change in Service Expenditure	79
Add: Depreciation	108
Base Budget Increase	187

3.12 Excluding the increase in Depreciation, which is an accounting adjustment and not a cost to the Council, the increase in actual expenditure based on the proposed budgets, is £79k. Of the £79k increase, known expenditure of £74k has previously been reported to Committee. The main reasons for the variances are detailed in the following sections.

Transfer of Staff between General Fund and HRA

3.13 Strategic Housing recruitment and changes to role responsibilities has resulted in an additional cost pressure to the General Fund which was previously picked up by the HRA.

3.14 The duties of the role cannot be fully funded by the HRA due to the ring-fence and therefore 75% of this role is now a General Fund responsibility. This was

reported to Finance and Management Committee as part of the Quarterly Monitoring in November.

Other Staffing Costs

3.15 Changes to other staffing areas are summarised in the following table and further detail is given below.

Other Staffing Costs	£'000
Incremental Pay Rises	8
Establishment Increase for Disabled Adaptations	27
County Council Funding for Disabled Adaptations Post	-27
Expired Short-Term Post	-11
Posts Transferred from Environmental & Development Services	38
Total Other Staffing Changes	35

3.16 All posts on the Council's Establishment are budgeted for in full during the budget round. There is 1 post within Housing and Community Services on a fixed-term contract that expires on 31st March 2018. This post has been considered in the budget and has reduced the Establishment cost by £11k

3.17 A transfer of staff from Environmental and Development to Housing and Community Services approved in April 2017 has increased staffing costs by £38k. The corresponding decrease in costs is to be reported to the Environmental and Development Services Committee during the Budget round.

3.18 The Establishment has increased by 1 fixed-term post after approval in October 2017 for support on Disabled Adaptations. This increased cost is £27k but is fully funded by Derbyshire County Council.

3.19 Incremental salary rises have increased Establishment costs by £8k. This cost has been included within the MTFP.

Grant Funding and the Homeless Reduction Act 2017

3.20 Funding has been secured from DCLG for Flexible Support for 2018/19 of £90,506. This is as a result of the impact of implementing changes in the homelessness service due to the Homeless Reduction Act 2017.

3.21 The impact was reported to Members in October and the budgeted establishment has been increased by 2 fixed-term posts and new software is to be purchased at a total cost of £76k. This additional cost is to be funded through the Flexible Support Grant.

Etwall Leisure Centre

3.22 A life cycle costing analysis of the Leisure Centre has been conducted and the results reported to the Joint Management Committee in September 2017. The repairs and maintenance budget for 2018/19 has been increased by £5k to ensure there is enough set-aside each year for general maintenance.

3.23 Derbyshire County Council have ceased funding the Leisure Centre from 2018/19 which is a reduction in income of £23k. As a result of this and the increase in the repairs and maintenance budget, John Port School will make an increased contribution of £11k in 2018/19. After accounting for the additional contribution from John Port School, the net cost to the Council is £17k.

Depreciation

3.24 Depreciation charges are reversed out in Finance Committee on consolidating the Council's budget. They reflect charges for using capital assets in service delivery in accordance with accounting regulations. The increase relates to a revised valuation for Green Bank Leisure Centre. There is no impact on actual spending levels.

Income

3.25 There is no significant increase or decrease in any one service area. Relatively small increases and reductions in budgeted income have been applied for Cemeteries, Grounds Maintenance and Parks to reflect current demand and usage.

Earmarked Reserves

3.26 Some spending is financed by drawing down earmarked reserves. After taking account of these amounts, the estimated balance on the relevant reserves is shown in the following table.

Community Services Earmarked Reserves	Balance b/fwd 01/04/17	Estimated drawdown 17/18	Estimated drawdown 18/19	Estimated balance 31/03/19
Homeless Prevention	88,598	-35,000	0	53,598
Schools Sport Partnership	203,649	-94,598	-100,134	8,917
New Play Equipment	3,577	0	0	3,577
Leisure Maintenance	1,000	0	0	1,000
Young Peoples Cultural Partnership	8,980	0	0	8,980
Crime and Disorder Partnership	332,336	-67,975	-47,368	216,993
Youth Engagement Partnership	579,852	-99,224	-95,322	385,306
Get Active in the Forest Partnership	43,973	-15,003	-12,645	16,325
Public Open Space - Commuted Sums	1,295,584	-34,514	-30,514	1,230,556
Swadlincote Woodlands	50,774	0	0	50,774
Maurice Lee Park Development Fund	23,012	0	0	23,012
Total Earmarked Reserves	2,631,335	-346,314	-285,983	1,999,038

3.27 The estimated drawdowns are included in the appropriate cost centres in the Committee's budget.

3.28 At this stage, none of the Reserves include any further income from external contributions although, based on past years, it is likely that some will be received.

3.29 Based on current projections, the School Sports Partnership will run out of reserves in 2018/19 and Get Active in the Forest in 2019/20 if additional external funding isn't sourced. The position presented is a worst case scenario and in the last two financial years sums have been contributed to these reserves and no drawdown has been necessary. This is being kept under review.

4.0 Detail

4.1 The Committee's budgets by service area are detailed in **Appendix 1**.

Basis of the Budget

4.2 Budgets are generally calculated on a "no increase basis," i.e. they are maintained at the same level as the previous year adjusted only for known changes, price increases and variations due to contractual conditions, etc.

4.3 In addition, budgets are also subject to a base line review which is used to justify proposed spending. This process places responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner. This is supported by the Financial Services Unit, who analyse recent trends across services compared to current budgets.

On-going Service Provision

4.4 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).

4.5 The full year effects of previous year's restructures and budget savings have been included, with any non-recurring items removed.

Changes in Pay

4.6 A pay award is not included within the Base Budget at this stage as discussions are still on-going between the Local Government Unions and the National Employers. The MTFP includes a provision of 2% for a potential increase.

Inflation

4.7 The base budget for 2017/18 has been uplifted by inflation/indexation where this applies, for example contract obligations.

4.8 Clearly, some base costs will be subject to inflation during future years and in some cases it will be "unavoidable," for example employee costs, when national pay increases are approved.

Increase in Grants provided to Support Voluntary Bodies

4.9 As part of the annual Budget Round, the Committee gives consideration to increasing the base contribution grants to recognise inflationary pressures. Increases in recent years have been as follows:

- 2017/18 – 1.0%
- 2016/17 – 2.0%
- 2015/16 – 2.3%
- 2014/15 – 2.0%
- 2013/14 – 2.6%
- 2012/13 – No increase

4.10 Latest inflation rates show CPI running at 3.0%. The Government’s Autumn Statement forecasts CPI inflation falling to 2.0% by the end of 2018/19. The Council’s MTFP currently provides for a 2% increase.

4.11 Every 1% increase in the base level across all grants equates to approximately £3,000 per year in total.

4.12 The actual increase will be considered by the Finance and Management Committee as part of the Council’s overall Budget for 2018/19 and this Committee are requested to make an appropriate recommendation.

Risks

4.13 All Committee budgets have been reviewed and known changes to income and expenditure levels have been reflected in the proposed base budget for 2018/19 as detailed in the report. Other financial risks associated with the Committee’s services are identified in the following table.

Risk	Issue / Potential Effect	Mitigating Action
External Funding	As detailed in the report; several services reliant on external contributions and reserve funding.	Earmarked reserves maintained to spread expenditure over a number of years. These are currently estimated to remain at approximately £2.0m by 2019 as detailed in the report. It is considered that this will maintain existing services over the MTFP period to 2023, but clearly this will need to be kept under review.
Growth	The Council’s MTFP identifies “underlying cost pressures yet to surface” as a risk, due to pressure from residential development. It is considered that this is likely to impact on services such as parks and open space provision / maintenance.	A provision for growth has been set-aside in the MTFP and this is forecast to increase every year over the length of the Plan. In addition, the Council can currently rely on the Section 106 Reserve to meet additional costs. A review of Grounds Maintenance and the impact of District growth is currently being considered.

Proposed Fees and Charges 2018/19

4.14 **Appendix 2** provides a schedule of the proposed charges for the next financial year 2018/19, together with a comparison to the existing charge. All charges

are exclusive of VAT and where applicable, VAT is added at the appropriate rate in accordance with HMRC regulations.

4.15 A detailed review of fees and charges has been undertaken as part of this Budget Round. Where possible, charges have been increased to reflect inflation and the demand for services. The key points are detailed in the following sections.

4.16 As in recent years, increases are being proposed for Cemeteries, Parks and other leisure activities to cover inflation and additional costs of the services. These increases are generally 2% / 3% and are in line with recent Government forecasts for inflation in 2017/18.

Cemeteries

4.17 There have been 3 new charges introduced for 2018/19 further to an Internal Audit recommendation. The charges are for Extension to Grant of Right for 25 years for adult and ashes plots and are a pro rata of 50% of the current 50 year equivalent charge.

Housing Charges

4.18 A 2% increase in garage rents is being proposed.

4.19 For the fourth consecutive year, no increases are being proposed for Lifeline / Telecare Services. This follows a fundamental service review and change to the charging structure in 2014.

4.20 Increases in the annual charge and charge per call for the out of hours Homelessness Service are being proposed. The annual fee to be paid by the 7 local authorities that buy into our service is to be increased by £180.87 to £500 per annum and the charge per call by £1 per call to more closely reflect actual cost.

4.21 This increased charge still represents exceptional value for money for the 7 local authorities within the County as an alternative to setting up their own out of hours call out system. It will enable the Council to cover the cost of the standby charges paid to staff who participate in a 4 weekly rota to cover the out of hours calls.

4.22 Strategic Housing licensing fees for Traveller Sites have been increased by an average of 5% and are the first increases for 3 years. Issuing Immigration Certificates is a non-statutory function that has a proposed increase of £11.82 (9%) to £150.

Rosliston Forestry Centre

4.22 Charges applied at Rosliston Forestry Centre for lodge hire and activities, etc. are set by the Executive Board of the Partnership in accordance with the Business Plan for the Centre.

5.0 Financial Implications

5.1 As detailed in the report

6.0 Corporate Implications

6.1 There are no other legal, personnel or other corporate implications apart from any covered in the report.

7.0 Community Implications

7.1 The proposed budgets and spending under the responsibility of the Committee, provides the financial resources to enable many of the on-going services and Council priorities to be delivered to the local community.

8.0 Background Papers

8.1 None

BUDGET 2018/19

Housing & Community

		BUDGET			
£'s		2018/19	2017/18	VARIANCE	
ACT00	General Grants, Bequests & Donations	283,270	286,912	3,642	Adverse grant exp (£2.5k), conference exps (£1k)
CCD00	Community Centres	100,133	96,199	(3,934)	Adverse Depreciation (£2k), Salaries (£1k);
CEG00	Community Safety (Crime Reduction)	129,486	116,853	(12,633)	Service Assistant moved to Safer Communities
CEK00	Defences Against Flooding	47,795	47,734	(61)	
CPH20	Market Undertakings	(7,227)	(8,411)	(1,184)	Adverse insurance (£1k)
CCF10	Village Halls	8,365	8,184	(180)	
Community Development and Support		561,821	547,471	(14,351)	
CCA10	Arts Development & Support	13,510	13,580	70	
CCA40	Events Management	140,243	131,321	(8,922)	Apprentice moved here from CPL00; Events Assistant contract ends 31/3/18
Recreational Activities		153,753	144,901	(8,852)	
CCD20	Sports Development & Community Recreation	154,396	129,479	(24,918)	Grant income currently unconfirmed
CCD30	Indoor Sports & Recreation Facilities	355,207	252,301	(102,906)	County withdrawing Etwall funding (£22k); Adverse depreciation (£85k),
CCD40	Outdoor Sports & Recreation Facilities (SSP)	(0)	25	26	
CCA00	Melbourne Leisure Centre	2,327	2,317	(10)	
CCA50	Chestnut Avenue Community Facility	15,319	17,605	2,286	Favourable utilities (£3.4k), equipment purchase (£1.3k), licences (£1k); Adverse R&M (£4.5k)
CCD10	Get Active in the Forest	27,082	26,941	(140)	
CCD50	Playschemes	19,154	27,069	7,915	Favourable fee income (£3k), grant income (£2.5k)
Leisure Centres and Community Facilities		573,484	455,738	(117,747)	

CCE00	Ground Maintenance	345,305	327,735	(17,569)	Adverse depreciation (£21k); favourable internal recharge
CCE10	Countryside Recreation & Management	12,591	12,289	(303)	
CCE20	Allotments	(2,067)	(1,807)	260	
CCF20	Rosliston Forestry Centre	110,783	110,130	(653)	
CEA00	Cemeteries	9,304	6,946	(2,357)	Adverse trade waste (£2.5k)
CEA30	Closed Churchyards	6,816	5,726	(1,090)	Adverse R&M (£1k)
KJE70	Community Parks & Open Spaces	187,207	189,252	2,045	Favourable services professional fees (£2k)

Parks and Open Spaces

669,939 650,272 (19,667)

KGA00	Housing Strategy	105,187	73,468	(31,719)	75% Affordable Housing Officer now charged here from KGX10
CEE20	Housing Standards	78,627	77,454	(1,173)	Salary increments
KGE10	Administration of Renovation & Improvement Grants	40,387	35,833	(4,554)	Adverse prof fees (£1k), enhanced pension (£1k)
KGH10	Bed / Breakfast Accommodation	6,500	12,272	5,772	Favourable furniture purchases (£4k),
KGH30	Pre-tenancy Services	174,371	173,987	(383)	
KGX20	Housing Department Support Staff and Costs	23,708	35,422	11,714	New apportionment of Housing Services Manager post
KGT00	Travellers' Sites	(15,703)	(21,411)	(5,708)	Adverse income (£3k); County contribution reduced to balancing figure

Private Sector Housing

413,077 387,025 (26,052)

2,372,074 2,185,406 (186,668)

PROPOSED FEES & CHARGES 2018/19

VAT WILL BE CHARGED WHERE APPLICABLE AT THE APPROPRIATE RATE

CEMETERIES	Fee 2017/18 £:p	Proposed Fee 2018/19 £:p	Note
Grant of Right (Document giving the exclusive right of burial in a specified plot, for a period of fifty years) For an infant's grave(0-12 months)	Free	Free	Residents Only
Grant of Right (Document giving the exclusive right of burial in a specified plot, for a period of fifty years) For an infant's grave for a child's grave (between 12 months - 12 years)	Free	Free	Residents Only
Grant of Right (Document giving the exclusive right of burial in a specified plot, for a period of fifty years) For a child's grave (between 12 years - 16 years)	Free	Free	Residents Only
Grant of Right (Document giving the exclusive right of burial in a specified plot, for a period of fifty years) Adult grave 9' x 4' (for a coffin)	508.50	524.00	3% increase
Grant of Right (Document giving the exclusive right of burial in a specified plot, for a period of fifty years) Adult grave 10' x 5' (for a casket)	622.00	640.50	3% increase
Grant of Right (Document giving the exclusive right of burial in a specified plot, for a period of fifty years) Ashes plot 2' x 2'	245.00	252.00	3% increase
Extension to Grant of Right (Document giving the exclusive right of burial in a specified plot, for a further period of 25 years) Adult grave 9' x 4' (for a coffin)		262.00	New charge to be introduced following Audit recommendation
Extension to Grant of Right (Document giving the exclusive right of burial in a specified plot, for a period of 25 years) Adult grave 10' x 5' (for a casket)		320.00	New charge to be introduced following Audit recommendation
Extension to Grant of Right (Document giving the exclusive right of burial in a specified plot, for a period of 25 years) Ashes plot 2' x 2'		126.00	New charge to be introduced following Audit recommendation
Burials Infant, 0 - 12 months	Free	Free	Residents Only
Burials For a child's grave (between 12 months - 12 years)	Free	Free	Residents Only
Burials For a child's grave (between 12 years - 16 years)	Free	Free	Residents Only
Burials Adult- single depth grave	434.00	447.00	3% increase
Burials - double depth grave	400.50	412.50	3% increase

Burials - surcharge for a casket	118.50	122.00	3% increase
Burials - common grave	402.50	414.50	3% increase
Burials For any burial after the first	388.50	400.00	3% increase
Burial of cremated remains in an ashes plot (infant, 0 - 12 months)	Free	Free	Residents Only
Burial of cremated remains in an ashes plot (child, 12 months plus to 12 years)	Free	Free	Residents Only
Burial of Cremated remains in ashes plot (child 12 years - 16 years)	Free	Free	Residents Only
Burial of cremated remains in an ashes plot (adult)	117.00	120.50	3% increase
Strewing of ashes (if carried out by SDDC staff)	68.00	70.00	3% increase
Strewing of ashes (if not carried out by SDDC staff)	58.00	60.00	3% increase
All Grant of Right/Burial fees listed above are treble for non-residents of the District			
Monuments A flat stone NB: not permitted in lawned cemeteries	106.50	110.00	3% increase
Monuments A headstone or footstone, not exceeding 2' in height	192.00	198.00	3% increase
Monuments A headstone or footstone, exceeding 2' in height	211.50	218.00	3% increase
Monuments Kerbstones or border stones, for a space not exceeding 6'6" x 3' (not permitted in lawned cemeteries)	211.50	218.00	3% increase
Monuments A vase, not exceeding 18" in height	73.00	75.00	3% increase
Monuments For any inscription after the first, on any form of monument	106.50	110.00	3% increase
Monuments Supply only of 7" x 5" wall plaque (Etwall Cemetery only), inclusive of inscription up to 70 letters	286.00	286.00	
Replacement of Memorial Stone	106.50	110.00	3% increase
Exhumation	955.00	984.00	3% increase
Search of records, including copy of entry	22.00	25.00	
Slabbing or sealing a grave	107.00	110.00	3% increase
Alterations to coffin size once shoring is in place	65.50	67.50	3% increase
Transfer of ownership of Grant of Right	30.00	30.00	
Saturday funeral for child between 12 months and 16 years (in addition to the Grant of Right)	234.50	240.00	2% increase
Saturday funeral (in addition to the Grant of Right) for person whose age exceeds 16 years	698.50	720.00	3% increase
Sunday/Bank Holiday funeral for a child between 12 months and 16 years (In addition to the grant of right)	307.50	316.00	3% increase

Sunday/Bank Holiday funeral (in addition to the Grant of Right) for person whose age exceeds 16 years	868.00	894.00	3% increase
Grants for Closed Church Yards	344.50	344.50	
HOUSING SERVICES	Fee 2017/18 £:p	Proposed Fee 2018/19 £:p	Note
Homelessness			
Bed and Breakfast - recharge per week			
Each adult	Actual Cost	Actual Cost	
Each child under 16	Actual Cost	Actual Cost	
Homelessness			
Out of Hours Calls			
Yearly charge	319.13	500	More closely reflects actual cost
Cost per call taken	3.00	4.00	More closely reflects actual cost
Supported Housing			
Hire of Communal Lounges (per 1/2 day session)			
Sheltered housing schemes	10.00	10.00	
Commercial rate	50.00	50.00	
Use of guest bedroom per night	15.00	20.00	
Lifelines			
Registered disabled persons - Installation	0.00	0.00	
Registered disabled persons - Lifeline Monitoring per week	2.00	2.00	
Registered disabled persons - Lifeline equipment rental per week (includes monitoring)	5.10	5.10	
Other persons - Installation	Defunct	Defunct	
Other persons - Monitoring per week	3.00	3.00	
Other persons - Rental per week (includes monitoring)	5.00	5.00	
Monthly Basic Telecare package monitoring charge	21.67	21.67	
Telecare installation - private resident	50.00	50.00	
Monthly 1st year instalment charge installation and monitoring	33.60	33.60	
Telecare - Monthly 1st year instalment charge, rental and monitoring	25.84	25.84	

Monitoring & Support level 1 - Monitoring only	3.00	3.00	
Monitoring & Support level 2 - Monitoring only	9.00	9.00	
Monitoring & Support level 3 - Monitoring only	12.00	12.00	
Monitoring & Support level 4 - Monitoring only	20.00	20.00	
Monitoring & Support level 1 - Daily visit	20.00	20.00	
Monitoring & Support level 2 - 2 visits per week	12.00	12.00	
Monitoring & Support level 3 - 1 visit per week	9.00	9.00	
Monitoring & Support level 4 - 1 visit per fortnight	6.00	6.00	
Monitoring & Support level 5 - 1 visit per month	5.00	5.00	
Monitoring & Support level 6 - 1 visit per week	4.00	4.00	
Monitoring & Support level 7 - 1 monitoring only	3.00	3.00	
Garages			
Rent per week - Council Tenants - Garage in Proximity to Rented Property	8.70	8.87	2% increase
Rent per week - Council Tenants - Garage in Proximity to Rented Property (Chatsworth Road)	10.16	10.36	2% increase
Rent per week - All other circumstances	8.70 or 10.16 + 20% VAT	8.87 or 10.36 + 20% VAT	2% increase
Garage Plots			
Rent per annum - Council Tenants - Plot in Proximity to Rented Property	1.12	1.14	2% increase
Rent per annum - All other circumstances	1.12 + 20% VAT	1.14 + 20% VAT	2% increase
Miscellaneous Housing			
Heating - Council Tenants (Pear Tree Court communal)	2.10	4.00	Incremental increases to achieve £7.00 in 2021/22 to reflect actual
Management Fee - Tenants (B&B)	60.00	60.00	
Insurance - Council Tenants	varies - £0.59 to £5.56	varies - £0.59 to £5.56	
Statutory Notices			
Housing Act 2004 S.49			
Recovery of administrative and other expenses incurred in taking enforcement action	Actual Cost	Actual Cost	
STRATEGIC HOUSING			
Issue of Immigration Certificates	138.18	150.00	Non statutory function

Application for new licence	347.00	364.35	First increase for 3 years
Additional application fee per pitch in excess of 1	£5.57 per pitch	£6.00 per pitch	First increase for 3 years
Amendment of licence	194.00	204.00	First increase for 3 years
Transfer of licence	141.00	148.00	First increase for 3 years
Annual fee	196.00	206.00	First increase for 3 years
Additional annual fee per pitch in excess of 1	£6.92 per pitch	£7.00 per pitch	First increase for 3 years
Deposit, vary or delete site rules	123.00	129.00	First increase for 3 years
Enforcement costs relating to caravan sites based on actual officer time	£42 per hour	£42 per hour	
Licensing of Houses in Multiple Occupation	659.66	693.00	First increase for 3 years
Interest charges applied to outstanding enforcement debts, for example works in default	3.06%	3.06%	
Housing Standards Enforcement costs based on actual officer time	Manager £49 / hour, EHO £42 / hour, Assistant £31 / hour	Manager £49 / hour, EHO £42 / hour, Assistant £31 / hour	
LEISURE ACTIVITIES	Fee 2017/18 £:p	Proposed Fee 2018/19 £:p	Note
Get Active, Hire of Sports Equipment and Facilities			
Get active in the forest Tai Chi	3.00-3.50	3.75	To increase in line with inflation / not increased in a few years
Get active in the forest Senior Cycling - incl bike hire	3.00-5.00	3.25	To increase in line with inflation / not increased in a few years
Get active in the forest Senior Cycling - excl bike hire	1.50	1.60	To increase in line with inflation / not increased in a few years
Get active in the forest Nordic Walking - incl poles	3.00	3.25	To increase in line with inflation / not increased in a few years
Get active in the forest Nordic Walking - excl poles	1.50	1.60	To increase in line with inflation / not increased in a few years
Get active in the forest Walks	Free to £3.50	Free to 4.00	To increase in line with inflation / not increased in a few years

Get active in the forest Schools Sessions	£65-75	70-80	To increase in line with inflation / not increased in a few years
Get active in the forest Out & Active - per day	£20 day	20.00	To increase in line with inflation / not increased in a few years
Get active in the forest Activity Days	Between £15-£20 per day per person	15-30	To increase in line with inflation / not increased in a few years
General Get active Sessions- which may from time to time run	Free-£5	Free to 10.00	To increase in line with inflation / not increased in a few years
Get active goes mobile		80-100	New for get active goes mobile provision. School educational and community offer
Parish Council Charge-sports mobile/2 hr/all inclusive	165.00	170.00	Inflation and staff cost increases
Parish Council Charge-play mobile/2 hr/all inclusive	160.00	165.00	Inflation and staff cost increases
Parish Council Charge-wheels mobile/2 hr/all inclusive	190.00	195.00	Inflation and staff cost increases
Parish Council Charge-Laser Games (£175.00) plus additional provision (wheels probably)	325.00	335.00	Inflation and staff cost increases
Parish Council Charge-Climbing wall/2 hr/all inclusive and or other new provision provided which replaces the Climbing wall	250.00	260.00	Inflation and staff cost increases
Parish Council-Sport and Play Combo	295.00	300.00	Inflation and staff cost increases
Parish Council-Wheels and Xtreme Mobile Combo	350.00	360.00	Inflation and staff cost increases
Parish Council-Friday Combo	490.00	500.00	Inflation and staff cost increases
General Hire Charge-normal including staff / hour * **	77.50	80-95	Inflation and staff cost increases
Coach education courses	£30-£160	30-160	Inflation and staff cost increases
Sports / Physical activity sessions- e.g. basketball / netball etc	Free-£5.00	Free to 5.00	
Travel-per staff member / hour	11.00	11.50	Inflation and staff cost increases
Travel per mile	0.50	0.50	
Pergamano Classes	4.50	4.50	

	Dependant on Performance	Dependant on Performance	
Glade Performances			
	Dependant on external funding, members, venue etc	Dependant on external funding, members, venue etc	
Dance classes/session			
Festival of Leisure			
Voluntary/Charity/Club fund raising stall - per M frontage for 1 day	6.60	6.80	3% increase
Voluntary/Charity/Club fund raising stall - per M frontage for 2 day	8.45	8.70	3% increase
Voluntary/Charity/Club information only stall - per M frontage for 1 day or 2 day	Free	Free	
Trade stall - per M frontage for 1 day	11.25	11.60	3% increase
Trade stall - per M frontage for 2 day	16.85	17.35	3% increase
Trade Stall - Information Only 4m stall (admin fee)	31.00	32.00	3% increase
Fairground 1-99m.sq. for 2 day	111.00	115.00	3% increase
Fairground 100-199m.sq. for 2 day	210.00	216.00	3% increase
Fairground 200-299m.sq. for 2 day	314.00	323.00	3% increase
Fairground 300-399m.sq. for 2 day	405.00	417.15	3% increase
Fairground 400+m.sq. for 2 day	501.00	516.00	3% increase
Travelling Fairs & Events			
Commons & Parks - Daily Charge - large fair	389.00	400.00	3% increase
Commons & Parks - Daily Charge - small fair	227.00	233.00	3% increase
Fairs - Returnable Deposit	1022.00	1,022.00	
Commons & Parks - Daily Charge - large circus	239.00	246.00	3% increase
Commons & Parks - Daily Charge - small Circus	200.50	206.50	3% increase
Circus - Returnable Deposit	607.50	607.50	
Commons & Parks - Charitable Organisations etc - Admin Cost	45.00	45.00	
Commons & Parks - Charitable Organisations etc - Returnable Deposit	190.00	190.00	
Parks			
Football - Grass Pitches - Seniors per Season	490.50	504.16	Equivalent to 11 matches - 3% increase

Football - Grass Pitches - Seniors per match (casual bookings)	44.58	45.83	3% increase
Football - Grass Pitches - Seniors per match (casual bookings) without changing	33.33	34.33	3% increase
Football - Grass Pitches - Juniors per Season with changing	229.00	237.50	Equivalent to 10 matches - 3% increase
Football - Grass Pitches - Juniors per Season without changing	133.00	137.50	Equivalent to 10 matches - 3% increase
Football - Grass Pitches - Juniors per match (casual bookings)	22.92	23.75	3% increase
Football - Grass Pitches - Juniors per match (casual bookings) without changing	13.33	13.75	3% increase
Netball – senior per match or hour	13.33	13.75	3% increase
Netball – junior per match or hour	6.66	6.88	3% increase
Bowling Green Season Ticket - Adult	40.00	41.20	3% increase
Bowling Green Season Ticket - Concession	24.50	25.25	3% increase
Bowling Green Casual - Adult per hour	2.33	2.42	3% increase
Bowling Green Casual - Concession per hour	1.33	1.38	3% increase
Hire of Greens - Adult matches	27.08	27.92	3% increase
Hire of Greens - Junior matches	16.25	16.88	3% increase
Hire of Greens - without pavilion	18.33	18.75	3% increase
Crazy Golf - Adults	1.79	1.83	3% increase
Crazy Golf - Juniors	0.95	1.00	3% increase
Other Services			
Allotment Rent	26.00	26.00	
Stall at Liberation Day	Nil	Nil	
Traffic Island Sponsorship (per year for 3 year sponsorship deal)	1,000.00	1,000.00	
SWADLINCOTE TOWN HALL	Fee 2017/18 £:p	Proposed Fee 2018/19 £:p	Note
Hire of Town hall - Off Peak (Mon-Fri 7am till 4pm) per hour	10.00	10.00	
Hire of Town hall - Peak (Mon-Fri 4pm till 10pm, Sat any time) per hour	15.00	15.00	
Hire of Town hall - Peak (Sun/Bank Holiday) 1st hour	22.50	22.50	
Hire of Town hall - Peak (Sun/Bank Holiday) per hour after 1st hour	15.00	15.00	
Hire of Town hall - After 10pm any day	25.00	25.00	

MIDWAY COMMUNITY CENTRE	Fee 2017/18 £:p	Proposed Fee 2018/19 £:p	Note
Hire of Sports Hall - Off Peak (Mon-Fri 7am till 4pm) per hour	10.00	10.00	
Hire of Sports hall - Peak (Mon-Fri 4pm till 10pm, Sat any time) per hour	15.00	15.00	
Hire of Sports hall - Peak (Sun/Bank Holiday) 1st hour	22.50	22.50	
Hire of Sports hall - Peak (Sun/Bank Holiday) per hour after 1st hour	15.00	15.00	
Hire of Sports hall - After 10pm any day	25.00	25.00	
Hire of Foyer Meeting Room Hall - Off Peak (Mon-Fri 7am till 4pm) per hour	10.00	10.00	
Hire of Foyer Meeting Room - Peak (Mon-Fri 4pm till 10pm, Sat any time) per hour	12.50	12.50	
Hire of Foyer Meeting Room - Peak (Sun/Bank Holiday) 1st hour	12.50	12.50	
Hire of Foyer Meeting Room - Peak (Sun/Bank Holiday) per hour after 1st hour	18.75	18.75	
Hire of Foyer Meeting Room - After 10pm any day	25.00	25.00	
Midway Community Centre - Use of full kitchen for catered functions (discretionary charge)	30.00	30.00	Charge only implemented if additional cleaning required following hire.

REPORT TO:	HOUSING AND COMMUNITY SERVICES COMMITTEE: SPECIAL - BUDGET	AGENDA ITEM: 7
DATE OF MEETING:	9th JANUARY 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2017-18/budget
SUBJECT:	HOUSING REVENUE ACCOUNT BUDGET, FINANCIAL PLAN and PROPOSED RENT 2018/19	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: HC 01

1.0 Recommendations

- 1.1 That Council House Rents are reduced by 1% for Tenants with effect from 1st April 2018 in accordance with provisions contained in the Welfare Reform and Work Act 2016.
- 1.2 That the proposed revenue income and expenditure for 2018/19, together with the 10-year Financial Plan for the Housing Revenue Account as detailed in **Appendix 1**, are considered and referred to the Finance and Management Committee for approval.
- 1.3 That the HRA is kept under review and measures identified to mitigate the financial risks detailed in the report and to maintain a sustainable financial position.

2.0 Purpose of the Report

- 2.1 As part of the annual financial cycle, the report details the Housing Revenue Account's (HRA) base budget for 2018/19, with a comparison to the current year, 2017/18. In addition, the report details the updated 10-year financial projection for the HRA following a review during the annual budget round.
- 2.2 The report also sets out details of the proposed rent level for 2018/19 in accordance with the Welfare Reform and Work Act 2016.

3.0 Detail

The Position Entering the 2018/19 Budget Round

- 3.1 During 2017/18, the financial position of the HRA has been reviewed and updated to reflect changes to the on-going capital investment, together with the 2016/17 budget out-turn position.
- 3.2 The latest position reported in October 2017, estimated a surplus on the HRA in 2018/19 of £1,201k, increasing the HRA's General reserve to approximately £5.49m.
- 3.3 As previously reported, the longer-term financial position for the HRA was significantly changed in 2015 due to the Government legislating to reduce Council House rents by 1% per year to 2020. Consequently, planned capital expenditure was reduced in the 10-year financial plan to reflect this reduction in resources.

Formulating the 2018/19 Base Budget

- 3.4 Budgets are generally calculated on a "no increase basis," i.e. they are maintained at the same level as the previous year adjusted only for known changes, price increases and variations due to contractual conditions, etc.
- 3.5 In addition, budgets are also subject to a base line review which is used to justify proposed spending. This process places responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner. This is supported by the Financial Services Unit, who analyse recent trends across services compared to current budgets.

On-going Service Provision

- 3.6 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 3.7 The full year effects of previous year's restructures and budget savings have been included, with any non-recurring items removed.

Base Budget 2018/19

- 3.8 The HRA's Base Budget and longer-term financial projection up to 2027/28 is detailed in **Appendix 1**. A projection of this length is required for the HRA to ensure that future debt repayments and capital expenditure are affordable for the longer-term sustainability of the Council's housing stock.
- 3.9 The following table provides an overall summary the HRA's Net Operating Income position with a comparison to the approved 2017/18 budget.

Summary of HRA	Approved Budget 2017/18	Proposed Budget 2018/19	Change
	£	£	£
Rental income	-12,320,843	-12,165,641	155,202
Careline Provision	-150,610	-175,110	-24,500
Supporting People Grant	-240,000	-164,262	75,738
Non-Dwelling Income	-110,700	-120,700	-10,000
Bad Debt Provision	44,000	100,000	56,000
Supporting People	833,447	783,000	-50,447
Responsive	1,281,106	1,267,000	-14,106
Planned Maintenance	1,935,610	1,831,170	-104,440
Interest	1,771,688	1,797,575	25,887
General Management	1,789,756	1,891,000	101,244
Depreciation	3,417,058	3,754,263	337,206
Net Operating Income	-1,749,488	-1,201,705	547,783
Reversal of Depreciation Charge	-3,417,058	-3,754,263	-337,206
Capital Expenditure - Major Repairs	2,100,000	2,143,000	43,000
Disabled Adaptations	300,000	300,000	0
Asbestos and Health & Safety Surveys	100,000	100,000	0
Apprenticeship Levy	5,000	5,560	560
Potential Pay Award	0	34,771	34,771
Debt Repayment Provision	1,517,000	1,211,000	-306,000
Total Net Expenditure	-1,144,545	-1,161,637	-17,092

3.10 The above table shows that the HRA's Surplus is budgeted to increase by £17,092 between 2017/18 and 2018/19. This is broadly in line with the forecasted surplus reported in October of £1.2m. The main variances are detailed in the following sections.

Council House Rents

3.11 The overall change between 2017/18 and 2018/19 is an estimated reduction of £155k. This is due mainly to the application of the 1% statutory deduction to rents, which is detailed later in the report. After allowing for Council House Sales, the number of properties is expected to decrease from 3,006 in 2017/18 to 2,988 by the end of 2018/19. The MTFP assumes a loss of 18 properties per annum through right to buy and as at November 2017, 15 have been sold.

3.12 The following table shows the movement in the HRA housing stock over the past 3 years. During 2016/17 23 properties were sold under the Right to Buy Scheme, 20 properties were acquired and completion of phase 1 of new build increased the stock by an additional 45 properties.

Housing Stock Movements	Mar-16	Mar-17	To-date Nov-17	MTFP Estimate Mar-18
Houses	1,552	1,584	1,569	1,566
Flats	785	793	793	793
Bungalows	636	638	638	638
	2,973	3,015	3,000	2,997

Income from Careline Provision (Supporting People)

- 3.13 This has been increased by £25k to take account of the fact that uptake for the Service from Private Sector Housing customers is anticipated to increase.

Supporting People Grant

- 3.14 This is the contribution from the County Council. It has been confirmed that part of this funding will continue in 2018/19, detail of which is listed at 3.46. The reduction of £75k applied is due to a lower anticipated take up of the Service by Council House tenants as detailed later in the report.

Housing Restructure and General Fund Recharges

- 3.15 The Housing Restructure has been included within the Base Budget for 2018/19. This has generated savings of £97k for the year which is £5k lower than originally forecast in the Medium-Term Financial Plan (MTFP).
- 3.16 Due to the termination of the Shared Services Contract, the HRA has received a lower charge from the General Fund of £67k. The MTFP included a provision of £54k and so the savings here offset the reduced saving of the restructure.
- 3.17 The Senior Management Restructure has generated savings to the HRA of £20k. This has not been included within the MTFP at this stage pending the next review of the Council's structure by the Local Government Association. This was approved by the Finance and Management Committee on 30th November 2017.

Universal Credit

- 3.18 Due to the implementation of Universal Credit in November 2018, Rent Rebates payable to the HRA will reduce by an estimated £1.3m in 2018/19. Based on evidence elsewhere in the Country a negative impact to the HRA's cash flow could be significant and therefore an increase to the Bad Debt Provision of £56k is proposed.

Mobile Working and Software Upgrades

- 3.19 General upgrades to the Orchard Housing system are proposed at a cost of £90k for 2018/19. These upgrades will be carried out during the year to

coincide with the implementation of mobile working. An amount of £84k has previously been included within the MTFP for these works.

3.20 Delivering a first class repairs service was reported in April 2017 and highlighted the need to invest in the Direct Labour Organisation (DLO) to ensure we offer a better service to tenants. Within this report an amount of £75k was earmarked as required for the first stage of the review with the implementation of mobile working. This has been included in the Base Budget for 2018/19.

3.21 The implementation of mobile working is assumed to generate savings by reducing contractor spend and providing efficiencies with the work force. This has not been built into the Base Budget as the impact is still unknown at this stage.

Transfer of Staff from the HRA to the General Fund

3.21 Strategic Housing recruitment and changes to role responsibilities has resulted in a saving to the HRA.

3.22 The duties of the role cannot be fully funded by the HRA due to the ring-fence and therefore 75% of this role is now a General Fund responsibility. This was reported to Finance and Management Committee as part of the Quarterly Monitoring in November and has resulted in a reduced Establishment cost of £37k.

Debt Interest

3.23 Part of the existing debt portfolio includes £10m at a variable rate of interest. The budgets for 2017/18 and 2018/19 estimate an interest on this debt of 2.5% and 3% respectively.

3.24 There is currently some uncertainty in the economy on whether interest rates will increase over the next year. However, it is considered unlikely that rates will increase up to 3% by March 2019. Therefore, the cost of servicing debt is likely to be lower than budgeted, although this will be kept under review. A 1% variance in the rate equates to approximately £100,000 per year.

Depreciation

3.25 The increase is due to the revaluation of Council Dwellings in March 2018 which will be depreciated in accordance with accounting practice.

3.26 Depreciation is calculated on the existing use value and age of each property in the HRA. This is designed to ensure that the Council sets-aside sufficient resources to maintain and replace properties in future years.

3.27 The Council has an on-going capital programme and properties generally have a substantial useful life if maintained properly. Although the depreciation

charge is included as a cost charged in the net operating income of the HRA, it is reversed out when calculating the overall surplus or deficit on the HRA.

- 3.28 However, under accounting regulations, the annual amount of capital expenditure, plus sums set-aside to repay debt, need to be greater than the depreciation charge for the year. This is effectively testing that the Council is properly maintaining and financing the liabilities associated with its housing stock.
- 3.29 Where the depreciation charge is lower than actual capital expenditure/debt repayment, the HRA would be charged with the difference in that particular year. For 2018/19, expenditure is well in excess of depreciation.

The Longer-term Financial Projection

- 3.30 Following the introduction of the self-financing framework for the HRA in 2012, this generated a surplus for the HRA as the Council was no longer required to pay a proportion (approximately 40%) of its rental income to the Government in accordance with a national redistribution framework.
- 3.31 This released resources, which in the early years of the Housing Business Plan, were available for capital investment in the existing stock, together with resources for New Build. Surpluses in later years are to be used to repay the debt that the Council inherited in return for becoming “self-financing” and to continue a programme of capital maintenance in future years.
- 3.32 The HRA budget and projection is based on the principles that the HRA will carry a minimum unallocated contingency of at least £1m as a working balance and that sufficient resources are set-aside in an earmarked reserve to repay debt as instalments become due.

HRA Reserves

- 3.33 The HRA has 4 separate reserves as detailed in the following table.

General Reserve	Held as a contingency with a minimum balance of at least £1m.
New Build Reserve	Accumulated Capital Receipts pending expenditure on building new properties. The financial model assumes that these are drawn down each year to finance New Build ahead of any further borrowing. Therefore, the carrying balance from year to year remains low.
Debt Repayment Reserve	Sums set-aside to repay debt; contributions to the Reserve started from 2016/17 in accordance with the debt repayment profile.
Major Repairs Reserve	A Capital Reserve with sums set-aside each year for future programmed major repairs on the housing stock.

The Updated Financial Position

- 3.34 Following the base budget review, the 10-year Financial Plan for the HRA has been reviewed and updated. This is detailed in **Appendix 1**. The overall position has worsened slightly compared to the previous forecast due to the slight increase of 0.5% on the potential pay award which has reduced the estimated surplus for 2018/19 by £39k.
- 3.35 The General Reserve remains above the statutory £1m for the duration of the 10-year projection. This is due to planned repairs being scaled down and the debt repayment provision being re-profiled to ensure sustainability of the HRA after the statutory 1% rent reduction.
- 3.36 After review of the capital programme, sums are being set-aside in the Major Repairs Reserve to ensure that future capital improvements can be funded. An update regarding profiling of the works over the next 30 years is to be reported during 2018/19.
- 3.37 Due to the completion of phase 1 of New Build, the Capital Receipts Reserve is set to increase each year due to capital receipts from the sale of houses under the Right to Buy Scheme. A review of New Build is currently underway with proposals regarding future development and acquisition to be reported during 2018.

Debt Repayments and Borrowing

- 3.38 The Council took on the management of debt valued at £58m in 2012. No additional borrowing has been required.
- 3.36 The following debt repayments are due over the life of the current financial plan:
- 2021/22 - £10m
 - 2023/24 - £10m
 - 2026/27 - £10m
- 3.37 The financial projection to 2026/27 shows that these repayments can be met. The next repayments are not then due until beyond 2030.

Key Variables and Assumptions

- 3.38 The Financial Plan is based on certain assumptions in future years regarding what are considered to be the key variables. These are summarised in the following table.

Cost inflation	2.5% per year. This is lower than the current level of inflation although some economic forecasts predict that a level of 2% could be seen in the medium-term. A provision of 2.5% in the short-term is considered prudent to reflect that prices for materials in the building industry tend to rise quicker than
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	average inflation.
Annual rent increases	A 1% reduction per year for 4 years (2016/17 to 2019/20) in accordance with the Welfare Reform and Work Act 2016. Thereafter, CPI + 1% giving 2.5% increases in 2020/21 and 2021/22 and 3% per year thereafter.
Council house sales – “Right to Buys”	18 in 2017/18 and 18 in 2018/19. Future years are based on targets set by the Government in calculating the self-financing settlement. These reduce incrementally per year eventually reaching 10 per year by 2026.
Interest Rates	Predominantly fixed; £10m variable debt at 2.5% in 2017/18 rising to 3% in 2018/19 until maturity in 2021/22.

Financial Risks

3.39 The main risks to the HRA are considered to be those as detailed in the following sections.

Future Rent Levels

3.40 The biggest risk in the Financial Plan is considered to be future rent levels. The rent level from 2016/17 to 2019/20 has been set in accordance with statutory requirements i.e. a 1% reduction for each of those years.

3.41 Beyond this, it has been confirmed that rents will return to the former calculation using CPI + 1%.

3.42 Clearly, the HRA is dependent on rental income (currently £12.1m per year) for its resources. Even small variations in rent changes (e.g. 0.5%) can have significant implications in monetary terms for the Financial Plan over the longer-term.

Right to Buys

3.43 A moderate decrease in current properties from sales continues to be built into the Budget and Financial Plan and this reflects the current level of sales. Therefore, the HRA will continue to generate resources for further New Build and capital works in the future, although on-going rental income is lost.

3.44 The main risk relates to a sudden surge in sales which has been apparent in recent years; although this generates capital, the loss in on-going rental income could have a much more adverse impact on the HRA.

Supporting People Grant

3.45 It has been assumed that this continues (cash limited) over the Financial Plan; However, this will be subject to policy decisions and directions from the County Council. There have been indications in recent years that this could be reduced from its current level and is currently subject to annual review.

- 3.46 The Council has received confirmation of funding from County Council to deliver the Older Persons Floating Support Service to 31st March 2019 at the current rate of £5.92 per week up to a maximum of 1,307 customers. We are currently well below the maximum number of customers with an uptake of 350 customers.
- 3.47 Funding from County Council for the Alarm and Telecare Monitoring Service is only confirmed until 31st March 2018 at the current rate of £2.60 per week for a maximum of 900 customers. We are however expecting this to be extended in March 2018 to 31st March 2019 in line with previous correspondence received from Derbyshire County Council. Our current take up of this service is 606 customers.
- 3.48 The Careline service proactively markets the alarms monitoring and floating support services that it offers. This is promoted in a variety of ways through leaflets, targeting tenants who would benefit from the service and looking at private customers who need this level of support. Over the next 12 months we will look to widen the marketing to support an increased number of vulnerable tenants and residents.
- 3.49 A wider review of Supported Housing funding has been launched recently by the Government which will hopefully provide more certainty for on-going service provision.

Impairment

- 3.50 Impairment is an accounting adjustment that reflects a sudden reduction in the value of an asset. An asset becomes impaired where a one-off event (e.g. fire, vandalism, etc.) causes significant damage or there is a significant change in market conditions, which reduces the value of the asset.
- 3.51 In accordance with accounting regulations, provision has to be made in an organisation's accounts for the loss in an asset's value through impairment. However, as with depreciation, this is purely an accounting exercise for local authorities. Impairment charges are reversed out of revenue accounts to ensure that it does not affect the "bottom line" and Rent (in the HRA's case) payable by Council Tenants.
- 3.52 The Government have been reviewing this accounting treatment to bring local authorities into line with other organisations in accordance with International Reporting Standards. This has been challenged by the relevant professional bodies.
- 3.53 Large impairment adjustments are rare. In addition, impairment needs to affect the wider asset base. For example, damage to one property would not affect the overall value of the Council's stock, which is currently valued at £122m in total.
- 3.54 Clearly however, if there was a wider event affecting many properties, this would lead to an impairment charge. It is considered that the most likely

scenario is a sudden fall in property values as this would affect the overall valuation of the stock. The potential for impairment charges could have serious implications for all housing authorities and this is why it has been challenged.

Changes in Central Government Policy

3.55 Although the HRA continues to operate under a self-financing framework, Central Government retain the power to change policy in many areas which can impact upon the Financial Projection.

Changes to Welfare Reform and Universal Credit (UC)

3.56 Universal Credit is due to be fully implemented in South Derbyshire in November 2018 but will not affect all Council Tenants. There is concern amongst housing professionals that changes could see a reduction in payment of rent and an increase in arrears.

3.57 Currently, Housing Benefit is paid directly to a tenant's Rent Account where this is due. In a system of Universal Credit, the benefit element is effectively paid direct to the Tenant. The Pilot Schemes and evidence locally suggests that this gives the potential for Tenants to default on their rent payments.

3.58 In order to mitigate against this risk, intervention may be necessary between the Landlord and the Tenant. This can place additional pressure on resources and increase the management costs in the HRA. As highlighted earlier in the report, an increase in the provision for bad debts has been proposed to mitigate the impact of this risk.

Rent Levels

3.58 As previously highlighted, the Council is now required to follow provisions contained in the Welfare Reform and Work Act 2016. This requires the Council to reduce current rents for tenants by 1% per year, between 2016/17 and 2020/21. The effect has been built into the HRA's Financial Plan.

3.59 The starting point for the 1% reduction is the rent level that existed on 8th July 2015, i.e. the date of Central Government's Budget which proposed the statutory provisions. However, this is different when voids are relet to new tenants.

3.60 There is now a mixture of rent levels that exist in the "self-financing" system which apply to existing and new tenants, together with those that apply to properties built or acquired as part of the New Build programme. These are detailed below:

- **The Base (Current) Rent:** This is the actual rent that applied in July 2015. For many tenants, this rent is lower than the "Formula Rent" that existed in the previous Rent Restructuring System. This rent will remain unless a property becomes void.

- **Formula Rent:** This was a rent level (target) set nationally as part of Central Government's Rent Restructuring Policy. Approximately 2/3rds of the Council's properties were below this Target and were being phased-in towards the Target over a 10-year period.

This phasing ended in 2014/15, although a Formula Rent for each property remains. Councils have the option to relet void properties to new tenants at the Formula Rent and this is part of the Council's Rent Policy. The Formula Rent is generally lower than Social Rents.

- **Social Rent:** This is determined by the Department for Communities and Local Government (DCLG). Generally, it reflects rents charged by Registered Social Landlords in the area. New Build properties have to be let at Social Rent levels, unless they have been partly funded by grant from the Homes and Communities Agency (HCA). In that case, properties need to be let at an "Affordable Rent." Void properties, when relet to new tenants, can also be let at Social Rent levels.
- **Affordable Rent:** This is 80% of the Market Rent and tends to be higher than Social Rents
- **Market Rent:** This is determined by the District Valuer and reflects rent levels in the private rented sector in the area.

Proposed Rent Levels 2018/19

3.61 In accordance with the statutory provisions, current rents (from whatever basis) will be reduced by 1%.

Effect on Individual Tenants

3.62 Having calculated rents for individual tenants, the average rent level for existing council tenants will reduce from £79.60 per week in 2017/18 to £78.81 in 2018/19, a reduction on average of 79p per week (1%).

Limit Rent

3.63 This is effectively a cap (set by the DWP each year) that the Council's average rent needs to stay below, to avoid a financial penalty through loss of benefit subsidy for rent rebates. However, New Build properties let at Affordable Rent levels are excluded from this Limit.

3.64 For 2017/18, the Council Limit Rent was set at £80.64 per week, which is above the Council's average rent of £79.60. The Limit Rent is still to be notified to the Council for 2018/19.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 There are no other legal, HR or other corporate implications apart from that considered in the report.

6.0 Community Implications

6.1 The proposed budgets within the HRA provide the financial resources to enable many of the on-going services and Council priorities associated with Council Housing to be delivered to its tenants.

7.0 Background Papers

7.1 None

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - JANUARY 2018

	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
	Approved MTFP £'000	Proposed Budget £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000
INCOME											
Rental Income	-12,381	-12,166	-12,315	-12,328	-12,581	-12,902	-13,233	-13,575	-14,195	-14,298	-14,677
Non-Dwelling Income	-111	-121	-120	-122	-125	-129	-132	-136	-140	-143	-147
Supporting People Grant	-200	-164	-164	-164	-164	-164	-164	-164	-164	-164	-164
Other Income	-176	-175	-175	-175	-175	-175	-175	-175	-175	-175	-175
Total Income	-12,868	-12,626	-12,774	-12,789	-13,045	-13,370	-13,704	-14,050	-14,674	-14,780	-15,163
EXPENDITURE											
General Management	1,790	1,891	1,935	1,981	2,028	2,075	2,124	2,174	2,225	2,278	2,331
Supporting People	833	783	804	825	848	871	895	920	947	974	1,003
Responsive	1,281	1,267	1,299	1,331	1,364	1,397	1,432	1,467	1,504	1,541	1,579
Planned Maintenance	1,971	1,831	1,876	1,921	1,968	2,016	2,065	2,115	2,167	2,219	2,273
Bad Debt Provision	44	100	123	123	126	129	132	136	142	143	147
Interest Payable & Receivable	1,762	1,798	1,798	1,798	1,798	1,498	1,498	1,228	1,228	1,228	927
Depreciation	3,417	3,754	3,730	3,716	3,703	3,689	3,676	3,664	3,654	3,644	3,634
Net Operating Income	-1,770	-1,202	-1,209	-1,094	-1,210	-1,695	-1,882	-2,346	-2,807	-2,753	-3,269
Reversal of Depreciation	-3,417	-3,754	-3,730	-3,716	-3,703	-3,689	-3,676	-3,664	-3,654	-3,644	-3,634
Capital Expenditure	1,500	1,543	1,588	1,635	1,683	1,392	1,433	1,477	1,516	1,547	1,182
Disabled Adaptations	300	300	300	300	300	300	300	300	300	300	300
Asbestos and Health & Safety Surveys	100	100	100	100	100	100	100	100	100	100	100
Debt Repayment	1,517	1,211	1,142	1,081	1,020	1,297	1,543	1,187	1,138	1,097	1,452

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - JANUARY 2018

	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
	Approved MTFP £'000	Proposed Budget £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000
Major Repairs Reserve	600	600	600	600	600	600	300	600	600	600	600
Apprenticeship Levy	5	6	6	6	6	6	6	6	6	6	6
Potential Pay Award	0	35	36	37	37	38	39	40	41	42	43
Reduction in GF recharges	-54	0	0	0	0	0	0	0	0	0	0
Restructure Costs/(Savings)	47	0	0	0	0	0	0	0	0	0	0
Pension Deficit	11	0	0	0	0	0	0	0	0	0	0
Orchard upgrade	0	0	0	0	0	0	0	0	0	0	0
Job Evaluation On-going Support Costs	5	0	0	0	0	0	0	0	0	0	0
Incremental Salary Increases	6	0	6	6	6	6	6	6	6	6	6
HRA (Surplus) / Deficit	-1,150	-1,162	-1,162	-1,046	-1,161	-1,645	-1,830	-2,293	-2,753	-2,698	-3,213
HRA Reserve B/fwd	-3,703	-4,603	-4,465	-4,177	-3,873	-3,683	-3,228	-2,258	-2,052	-1,505	-3,203
(Surplus) / Deficit for year	-1,150	-1,162	-1,162	-1,046	-1,161	-1,645	-1,830	-2,293	-2,753	-2,698	-3,213
Earmarked non-traditional properties	0	100	200	100	100	100	0	0	0	0	0
Transfer to Debt Repayment Reserve	250	1,200	1,250	1,250	1,250	2,000	2,800	2,500	3,300	1,000	1,000
HRA Reserve C/fwd	-4,603	-4,465	-4,177	-3,873	-3,683	-3,228	-2,258	-2,052	-1,505	-3,203	-5,415
Debt Repayment Reserve											
Balance B/fwd	-1,287	-3,054	-5,465	-7,857	-10,188	-2,458	-5,755	-98	-3,785	-8,223	-320
Depreciation balance	-1,517	-1,211	-1,142	-1,081	-1,020	-1,297	-1,543	-1,187	-1,138	-1,097	-1,452
Transfers to reserve	-250	-1,200	-1,250	-1,250	-1,250	-2,000	-2,800	-2,500	-3,300	-1,000	-1,000
Repayment of loan	0	0	0	0	10,000	0	10,000	0	0	10,000	0
Reserve C/fwd	-3,054	-5,465	-7,857	-10,188	-2,458	-5,755	-98	-3,785	-8,223	-320	-2,772

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - JANUARY 2018

	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
	Approved MTFP £'000	Proposed Budget £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000
Major Repairs Reserve											
Balance B/fwd	-1,267	-1,867	-2,567	-3,367	-4,067	-4,767	-5,467	-5,767	-6,367	-6,967	-7,567
Transfers to reserve	-600	-600	-600	-600	-600	-600	-300	-600	-600	-600	-600
Earmarked non-traditional properties	0	-100	-200	-100	-100	-100	0	0	0	0	0
Reserve Drawdown	0	0	0	0	0	0	0	0	0	0	0
Reserve C/fwd	-1,867	-2,567	-3,367	-4,067	-4,767	-5,467	-5,767	-6,367	-6,967	-7,567	-8,167
New Build Reserve											
Capital Receipts B/fwd	-393	-352	-827	-1,196	-1,563	-1,874	-2,183	-2,385	-2,584	-2,784	-2,983
Proposed Lullington Rd	699	0	0	0	0	0	0	0	0	0	0
HCA grant	-180	0	0	0	0	0	0	0	0	0	0
RTB Receipts in year	-478	-475	-369	-366	-312	-309	-202	-199	-199	-199	-199
Borrowing in year	0	0	0	0	0	0	0	0	0	0	0
Balance c/fwd	-352	-827	-1,196	-1,563	-1,874	-2,183	-2,385	-2,584	-2,784	-2,983	-3,182