Central Bedfordshire Council

Executive **5 February 2019**

Budget for the Housing Revenue Account (Landlord Business Plan)

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This report relates to a decision that is Key

Purpose of this report

The report sets out the Housing Revenue Account (HRA) Landlord Business Plan Budget for 2019/20. It sets out proposals that respond to legislative and Government policy changes, in particular the removal of the Debt Cap; make best use of the investment potential; mitigate pressures in the Council’s General Fund (GF); and align to the debt strategy in the context of long term Business Planning and Investment.

RECOMMENDATIONS

The Executive is asked to:

1. **note the HRA’s debt portfolio and interest payments due in 2018/19.**

Recommend to Council to:

1. **approve plans for additional borrowing of £35M over the MTFP period, to be used for the building of new affordable housing;**

2.	**note the recent updates to legislative changes relating to Housing Finance and their impact on the Landlord Business Plan;**
3.	**approve the Landlord Business Investment Plan, which proposes HRA investment throughout the Council area;**
4.	**approve the HRA Revenue Budget for 2019/20 and the Landlord Business Plan summary at Appendix A and B;**
5.	**approve the 2019/20 to 2022/23 HRA Capital Programme at Appendix C; and**
6.	**approve the average rent decrease of 1% for Council tenancies for 2019/20 in line with the national rental decrease as per Government legislation.**

Overview and Scrutiny Comments/Recommendations

1. Corporate Resources Overview and Scrutiny Committee considered the budget proposals at their meeting on 31 January 2019. Comments are included in Appendix J to the General Fund Revenue Medium Term Financial Plan (MTFP).

Executive Summary

2. The Council's Housing Revenue Account remains in a strong financial position, as we approach the end of the seventh financial year since the introduction of Self Financing. Reserves of circa £22.5M are predicted for this financial year end. Several Government policies have been revised, removing uncertainty from the Business Plan. Government have also recently made the momentous decision to remove the Debt Cap, giving the Council an opportunity to increase its development aspirations.

3. Government legislation requires a further year of social rent reductions. However, it has been confirmed that for the following 5 years rents will rise by the Consumer Prices Index (CPI) + 1%. Revenue efficiencies in 2019/20 of £0.561M have been identified to mitigate the effect of reduced income. The recent policy of acquiring properties has helped to offset properties sold through the Right to Buy (RtB), maintaining the level of HRA stock and counteracting the reduction in rental income.

4. There is an investment focus on delivering Independent Living solutions, to address demographic pressures and enable efficiencies to GF Social Care budgets. Houghton Regis Central is the largest new build project within the HRA Investment Plan, with a start on site anticipated in the spring of 2019. The Investment Plan makes provision to maintain and modernise existing stock and estates (£53M over 6 years), with a further £117M available for new build, acquisition and regeneration. At the same time there is a strategic approach to sophisticated asset management that considers each asset on its merits for extension, adaptation or even disposal.

5. It is proposed that the Council seizes the opportunities provided by the removal of the Debt Cap, which has been the primary restriction on Local Authorities delivering additional affordable housing, over and above new affordable homes secured through the Planning system. The longer term investment strategy is being reviewed, in light of this opportunity. A number of potential schemes have been identified for development, that would require an amount of new borrowing, estimated at £35M over the MTFP period. Indicative amounts of future borrowing have been identified in the Business Plan, up to a total of a further £110M spread evenly over a further 11 years (£10M per annum). As with the new build development undertaken to date (83 apartments at Priory View, 6 properties at Creasey Park in Dunstable, and 2 houses in Biggleswade), and plans for the 168 apartments at Houghton Regis Central, there will be an emphasis on considered development, and a sustained commitment to quality.

Budget Objectives

6. The primary objectives of the 2019/20 Budget are:

- To reflect the financial implications of the previously announced rent reduction;
- To review long term assumptions concerning inflation on rental income and revenue expenditures, setting these in the Business Plan at the estimated CPI+1% from year 2 for rental income, and year 5 for revenue expenditures. Debt interest rates have been assumed at 3.5% from year 6 (based on the latest forecasts);
- To take into account the items above, producing a sustainable Business Plan which enables the Housing Service to achieve the objectives within the Housing Asset Management Strategy (HAMS), maintaining investment in the existing stock, yet expanding the new build programme and promoting regeneration;
- To maintain a realistic level of expenditure on management services including tenancy support to vulnerable people within our community;
- To maintain HRA Balances at £2.0M, with a further contingency of £0.2M in the Major Repairs Reserve (MRR), this additional contingency being immediately available to address one off emergencies such as the provision of temporary accommodation and repairs required in the event of fire or other major incident;
- An ongoing commitment to value for money, underpinned by strong performance: delivering reduced unit costs, increased income and enhanced business efficiency, through technologically enabled services and business process review.

7. The Budget is based upon a range of economic, financial, operational and external assumptions that are presented separately in Appendix D.

Background

8. The HRA Budget incorporates priorities to maintain the existing assets with opportunities for new investment. A similar balance is sought between the Council's strategic priorities and tenant aspirations for improvement. In developing the HRA Budget, the strategy is to align tenant objectives with the Council's priorities. The Budget for 2019/20 sits within the context of the 30 year Business Plan and so strikes a balance between current and future expenditure and income.

9. The Business Plan includes annual budgets for the HRA Capital and Revenue programmes, incorporating management and maintenance costs and sums set aside for capital investment, both in the existing stock and new build or properties acquired. The Capital programme is financed from revenue contributions, Reserves, and capital receipts retained after housing pooling. An explanation of the pooling system is given under External Assumptions in Appendix D.

10. The brought forward balance of unapplied Capital Receipts was £8.145M as at 1 April 2018. The balance for other HRA reserves was £28.97M as at 1 April 2018, split between contingencies of £2.2M, an Independent Living Development Reserve (ILDR) of £20.5M, a Strategic Reserve (SR) of £6.141M and a Life Cycle Replacement Reserve (LCRR) of £0.129M. The LCRR is comprised of leaseholder contributions to future capital replacement works at Priory View.

11. By not repaying principal debt in the first 5 years following the self-financing settlement (2012), the Council has been able to use annual surpluses to build substantial Reserves. This has enabled a major investment strategy, supported by the use of Right to Buy (RtB) receipts, that addresses the aspirations of existing tenants whilst expanding our offer to residents across the whole Council area. A modest initial repayment of principal debt (£0.1M) occurred in 2017/18.

Self Financing Loan Portfolio and Debt Strategy

12. **Table 1** below shows the constituent loans and interest rates applicable in 2018/19:

Loan Type	Amount £M	Maturity Date	Rate %	Annual interest payment £M
Fixed	20.000	2024	2.70	0.540
Fixed	20.000	2026	2.92	0.584
Fixed	20.000	2028	3.08	0.616
Fixed	20.000	2030	3.21	0.642
Fixed	20.000	2032	3.30	0.660
Fixed	20.000	2034	3.37	0.674
Variable	44.895	2022	0.86 (variable)	0.385
TOTAL	164.895		2.49 (average)	4.101

13. All loans have been taken on a maturity (interest only) basis. This approach enables money to be released, for investment purposes, in the early years of the Plan, without the need for principal debt repayments. The Council has saved a significant sum in the current financial year by taking 27% of its debt portfolio on a variable basis, as that rate has been confirmed at an average of 0.86% for the year. This is considerably lower than any of the fixed rate debt.

14. The current expectation in financial markets is for rates to remain low in the short to medium term (1 to 4 years), and for longer term debt (30 years) to be available for the Council to borrow at an average rate of circa 3.5%. However, interest rates are difficult to predict. Due to the size of the variable proportion of the debt, relatively minor increases in rates could have a significant impact, for example a 1% increase in the variable interest rate would incur an additional £0.449M cost per year.

15. It is worth considering the risk of interest rate increases when the Council comes to refinance some or all of the £120M of fixed rate debt maturing from 2024 onwards. It is unlikely that the Council will achieve the preferential interest rates available at the time of the 2012 Self Financing settlement. The Business Plan anticipates a gradual increase in the average interest rate so that by 2024/25 the average rate is 3.5%, and that this rate continues throughout the rest of the 30 year Plan period.

16. In his 2017 Budget, the Chancellor announced that Local Authorities could bid for a total pot of £1Bn of additional debt; the scheme involved Councils committing to specific timeframes for drawing down and spending the amounts borrowed. Bids were submitted in September 2018 and the scheme was hugely over-subscribed. In a surprise declaration, on the 3 October 2018, the Prime Minister announced the entire removal of the HRA Debt Cap. As a result, the Council is no longer limited to a level of borrowing equivalent to the Self Financing Determination of £164.995M.

17. The removal of the Cap allows the Council to borrow as much as it wants to, over any timeframe, provided new borrowing complies with the existing Prudential Code and the new funding is reserved for the building of new homes (as opposed to investment in existing stock). Prior to the announcement in October the Council had identified 8 schemes on Council owned land, and bid for £37.4M of additional borrowing out of the pot of £1Bn (£500M of which was available outside of London).

18. Whilst the bidding process has now been discarded, the work undertaken over the last 6 months will prove invaluable in bringing forward development, not just on the 8 sites in the bid but in another circa 20 other sites which for various reasons were not as easily realisable as the top 8 (for example many were not in Council ownership). Officers from Housing worked closely with colleagues in Assets, Planning, Housing Strategy and Finance, establishing strong working relationships that give the Council the capability to radically re-assess its development potential.

19. This is a momentous opportunity, but one that was not anticipated. A longer term strategy is required to consider the extent of housebuilding and borrowing that the Council wishes to undertake. Development in the modern era is challenging, with limited land supply, planning constraints, recent inflation in the construction market and a skills shortage.

The new borrowing freedoms will be embraced, to a lesser or greater extent, by other Councils, so there will be more demand for construction services which could drive up cost and make procurement more challenging.

20. Balanced against this is the likelihood, over future years, of an increasing prevalence of modern methods of construction, where significant elements of the process are dealt with at offsite manufacturing plants. This approach reduces reliance on tradesman on site, and could reduce completion timeframes and costs. These considerations lie outside the scope of this report, but at the dawn of a new era for social housing finance, it is proposed that the Business Plan is updated with a longer term commitment to additional housebuilding financed by borrowing.

21. The Council had already submitted a bid for £37.4M of borrowing, based on schemes with a total cost of £49.5M. The additional £12.1M was to be financed from a mixture of retained one for one receipts and grant bids from Homes England. Prudent estimations of build cost and ongoing maintenance, management, and capital spend, have been built into development appraisals, and all the schemes deliver good payback periods and positive Net Present Value (NPV). Each scheme has unique characteristics and variables, and these were high level assessments prior to detailed design and planning approvals, but the appraisals indicated that circa 300 additional units of affordable housing could be delivered.

22. Schemes will progress at different rates, depending upon site characteristics and the type of housing being delivered. Based on work undertaken for the bid, it is proposed that £40M of additional borrowing is taken out over a 4 year period from 2020/21 to deliver new housing broadly in line with the borrowing bid proposals. As further appraisal and design work is carried out it may transpire that some of the original 8 sites are not progressed, or development proposals are amended. The Council will take the opportunity to progress the other sites it is aware of, and others that will materialise, so that it has potential substitutions available, but also with a view to further borrowing funded development beyond the initial 4 year period.

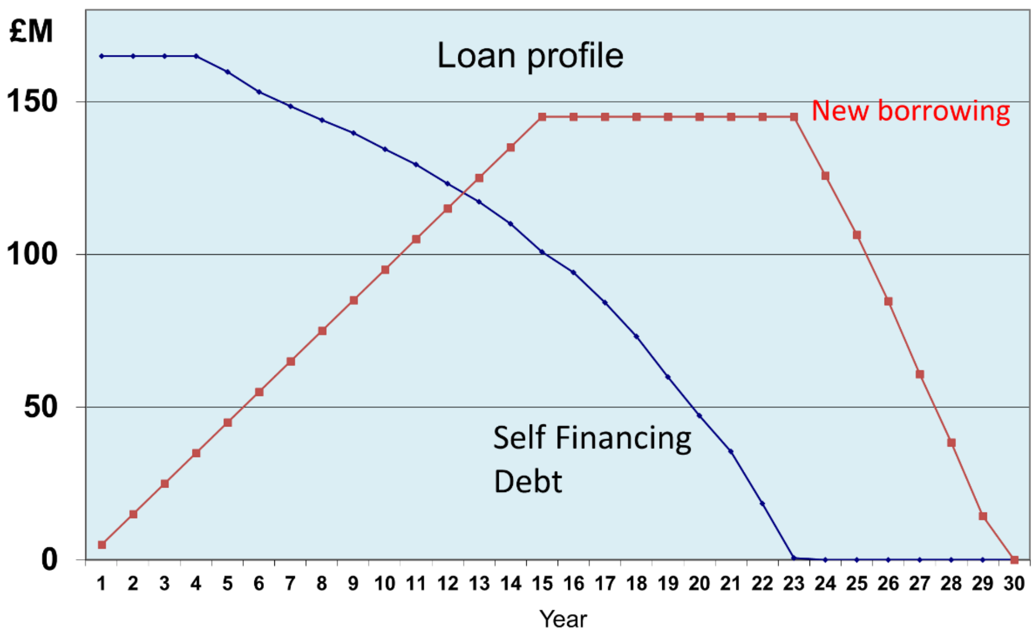
23. There is a further opportunity to increase the Council’s stock of housing in the first year of the MTFP period. Allowing for the plans for revenue and capital expenditure outlined elsewhere in this report, it is forecast that £7M of Reserves will be available for use in 2019/20, whilst still maintaining the minimum level of contingency of £2.2M identified in the Budget Objectives. In addition, it is proposed that £5M of the 2019/20 anticipated spend at the Houghton Regis Central project is financed by borrowing, freeing up an equivalent amount for use elsewhere in the HRA Capital programme. It is proposed that this additional £12M is utilised to purchase properties that are either available on the open market, currently under construction, or with an imminent start on site. This approach enhances an existing and highly successful acquisition strategy, which is meeting current housing need pressures in the short term, that is referred to in more detail later on in this report.

24. The housing stock is in good condition, and demand for social housing is very high and unlikely to abate, even if there was to be a reasonable amount of additional supply nationally.

The value of the housing stock was recently assessed (31 December 2017) at circa £425M (based on Existing Use Value as Social Housing). Against the current borrowing of £165M, this equates to a current debt ratio of 39%, which for a landlord business is relatively low. There is therefore a capacity within the Plan to take on significant additional borrowing, particularly as this would in turn increase the overall number of units and therefore the asset valuation.

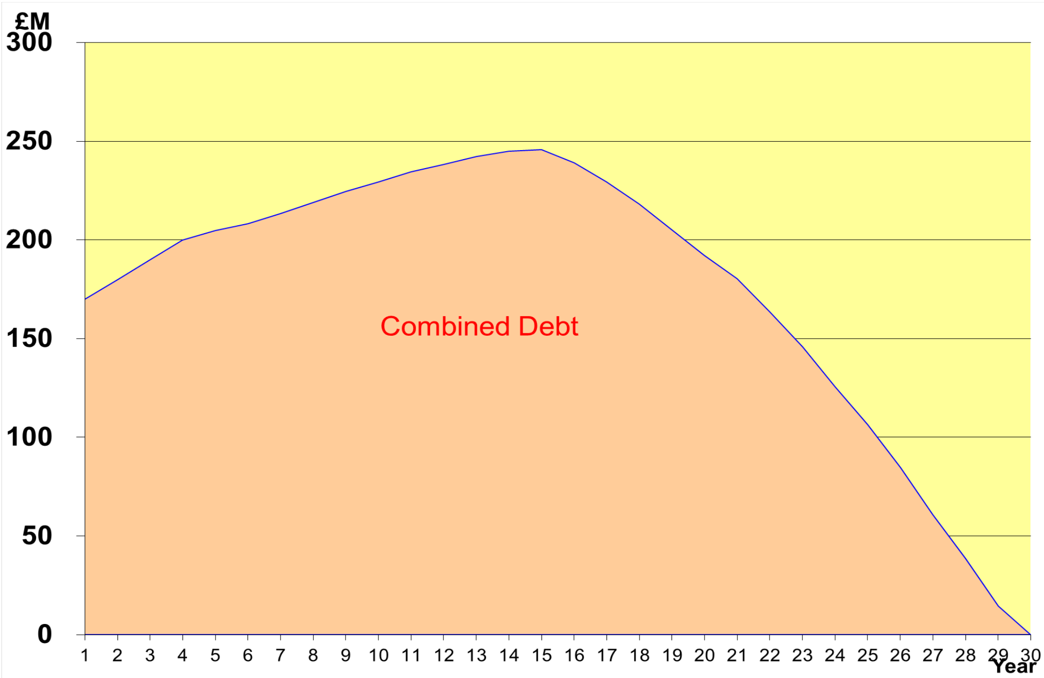
25. For the period beyond 2023/24, it is difficult at this early stage to determine what amounts will be required and at which points in the Business Plan. As a measure of the Council's commitment to deliver additional affordable housing, and taking into account the leverage available within the Business Plan, indicative further borrowing of £10M per annum for 10 years has been shown in the Plan. Details on unit types are still to be finalised, but it has been prudently assumed that this level of additional investment could deliver an additional 70 homes per annum.

26. Since Self Financing was introduced there has always been an aspiration to model the Plan in such a way that debt repayment was achievable within the 30 year Plan period. In last year's MTFP report the Self Financing debt was shown as repaid by year 26 of that Plan, which equated to 2043/44. The current version of the Plan has been designed so that the Self Financing element (£164.895M) of the debt is prioritised for repayment, even whilst the new borrowing is being taken out. The graph below is extracted from the Plan and shows repayment of new borrowing taking place once the Self Financing debt is fully repaid, from year 24, 2042/43:



27. The graph illustrates that, if the Council did not take any further additional borrowing out after year 15, it would be possible to fully repay the new borrowing by the end of the 30 year period. This is due to the fact that the existing Plan (before the new borrowing) was debt free from year 26, and by that stage net surpluses become very large (circa £150M over those last 5 years), which helps to pay down the new debt very quickly in those years.

In practical terms, it would be unlikely that the Council would repay debt at the same time as taking on new debt as shown above, therefore the debt profile would be more likely to resemble the profile shown below:



28. The analysis above has been undertaken to demonstrate the underlying strength of the Business Plan, and the potential to undertake substantial additional borrowing to deliver new affordable housing over the longer term whilst still having the capability to fully repay debt over the Plan period. This report seeks approval for borrowing plans for the MTFP, over which time £35M of new borrowing is proposed.

29. Careful consideration will be given to the proportion of new borrowing that is funded from variable rate as opposed to fixed rate borrowing, so that a ratio is chosen that accords with the Council's Treasury Management Strategy, and balances the flexibility and reduced revenue costs resulting from lower interest rates on variable debt against the security of longer term fixed rate borrowing. Risks related to the HRA Debt Strategy are reviewed in the Risk Management section of this report.

Housing Investment Plan

30. The Investment Plan is a 6 year budget projection for the HRA Capital programme. The HRA is forecast to have sufficient funds available to undertake approximately £134M of additional investment, over and above that required to maintain the stock in good condition (circa £36M), in the next 6 years. A proportion of this expenditure is likely to be funded by receipts from sales and/or investment by Homes England (HE), with another element (£55M) potentially funded by borrowing. The Tenant Investment Panel (TIP) has been consulted, to ensure they are supportive of the proposed split of funding between Stock Protection and Future Investment.

31. Whilst recent stock condition surveys give assurance that our portfolio of Council housing is generally in good condition, there are areas where the stock would benefit from modernisation, or improvement. The Sheltered Housing Review, undertaken in partnership with tenants, has revealed that several sheltered schemes require additional investment. Therefore, a total of £1.751M has been provisionally allocated within the Stock Protection programme over 6 years.

32. There are opportunities to improve car parking on many estates and to enhance the estates including communal green spaces surrounding blocks. £1.538M of expenditure is earmarked against these projects over 6 years. The window replacement programme targets flats or houses where the current double glazed units are reaching the end of their useful life. The properties will be improved by replacing these units with modern windows that provide a greater degree of thermal and noise insulation. £1.172M has been set aside for these works over 6 years.

33. The other significant areas of spend within the Stock Protection budgets relate to rolling programmes of works: Central Heating installations (£5.266M), Kitchen and Bathroom replacement (£4.66M), Roof Replacement (£2.777M), Aids and Adaptations to properties to help sustain tenancies (£2.687M), an Energy Conservation programme (£2.564M) which will improve insulation at many of the Council's least thermally efficient homes, and Door Replacements (£2.521M).

34. In this year's programme there is an additional project line for Soffit and Fascia replacement, targeted at replacing wooden fascias with plastic alternatives, which should deliver savings to future revenue expenditure from reduced external decoration costs. This is a 4 year project budgeted at £3.014M. In total £25.739M is set aside for Stock Protection over 4 years, rising to £36.503M over 6 years.

35. Future Investment schemes incorporate new build projects, acquisitions of properties and stock remodelling schemes. In previous years there have been separate project lines for site development and garage site development, but as these were relatively small budgets related to existing sites it is proposed that they are subsumed within the Stock Remodelling project line. This budget will be used to convert and improve existing Council properties, for example the former care home in Shefford, The Birches, which has been transferred from the Council's General Fund (GF) to the HRA, and will provide transitional family accommodation, saving the GF the cost of providing private Transitional Accommodation (TA).

36. Other sites that will benefit from remodelling works include Puddlehill (formerly the Vicarage) in Houghton Regis, which adjoins the Council's Bedford Court facility. This is currently a 5 bedroom house that will be converted to provide a 5 bed House in Multiple Occupation (HMO) and 8 additional flats. Works are also required to the Red House in Houghton Regis, which is a listed, historical building; as a result, the materials and specification of the refurbishment must accord with good conservation practice and be approved by the Council's Planning Service.

37. Analysis of trends and demand has revealed that there is an under-provision of social housing for larger families, so there is another workstream within Stock Remodelling targeted at the conversion of 3 bed to 4 bed homes.

This conversion would only take place when a property becomes void, in an area identified as lacking in 4 bed accommodation, and where the property lends itself to the conversion works required. This forms part of an “active asset management” approach that the Housing Service has adopted, and continues to refine, based on evolving demand and supply of all social housing in the Council area. Over the 6 years of the Investment Plan £16.584M is proposed for Stock Remodelling.

38. A contractor has recently been appointed to deliver the Independent Living scheme in Houghton Regis (currently referred to as Houghton Regis Central). The scheme will comprise 168 apartments with support facilities, a restaurant and bar, retail units, café, reablement suites, associated landscaping and parking. Start on site is due to commence in February 2019. Grant from Homes England (HE) is forecast at £3.12M, the majority of which will be received at start on site. Net expenditure of £31.792M has been provided over the MTFP within the Investment Plan. It is proposed to partially finance this from £5M of new borrowing in 2019/20.

39. The scheme has been modelled on the basis that 71 (42%) of the apartments are made available for shared ownership. For the first time in the history of the Council’s HRA it is proposed to build 26 units (16%) for outright sale. The remaining 71 units (42%) are to be let at an affordable rent. The advantage of this approach is that a large proportion of the initial cost can be recycled quickly (enabling continued investment in future years), with current estimates (which will vary depending upon actual valuations and percentages purchased at the time) suggesting circa £20M of the net cost of £31.792M could be recycled in this way.

40. With the removal of the Debt Cap, the Business Plan is no longer reliant upon sale receipts at new build schemes, as it could conceivably take out new borrowing to replace part of these receipts if there was a greater need for affordable rented properties instead. The Council has limited experience of offering shared ownership; whilst the Priory View experience (31 shared ownership apartments) has been positive, the target of 71 apartments at Houghton Regis for shared ownership, with a further 26 for outright sale, is a significant increase in aspiration.

41. Removal of the Debt Cap gives a degree of additional flexibility, and an opportunity to adjust the strategy if the shared ownership units do not attract the target market (local residents), or demand has changed. A key part of the project is to target Council residents with an emerging care need, to alleviate demand on future residential care budgets, so this should be taken into consideration when determining the final split between affordable rented and shared ownership.

42. The Sheltered Housing Review identified several schemes that require modernisation. Proposals for redevelopment of Crescent Court in Toddington were approved in 2016/17, but at the time of last year’s MTFP report the project was being reviewed. As a structure the building is sound, and whilst not ideally suited as older people’s accommodation it could deliver other accommodation solutions. In demolishing the existing building and creating a new scheme the 21 existing units would be lost to be replaced by 45 units. With a scheme cost of £9.5M this does not deliver the greatest return on investment, certainly in terms of additionality (24 units), and therefore it is no longer proposed as a Future Investment project.

43. The future of Crescent Court, Toddington is being reviewed, in line with previous Executive resolutions. Generally, there is no difficulty in letting properties at the site, due its excellent location and the Toddington amenities, but the nature of the building (narrow corridors and relatively small properties) limits the suitability of this building in terms of occupation by older people. It is proposed that the long-standing commitment to the re-provision of older persons' accommodation in Toddington is maintained. A potential site is currently being explored (and is highly likely to come forward), but for the time being an indicative figure of £10M has been allocated, spread evenly over years 2 and 3 of the MTFP, to deliver an older persons housing scheme in Toddington as an alternative to Crescent Court. This is a cost effective approach that minimises disruption for existing residents.

44. HE had approved a bid for grant funding of £1.35M at Crescent Court, based on £0.03M per unit. Options to bring forward substitute bids are being explored, with budget provision allocated in the New Build and Acquisitions project line. The current round of HE Shared Ownership and Affordable Homes funding has a deadline for completions of March 2022, so the Council should be able to deliver the units, draw down the funding and maintain the successful and mutually beneficial relationship it has enjoyed with HE over a number of years.

45. The Brook, in Houghton Regis, will be a development of a 20 unit, 3 storey supported bedsit accommodation scheme that can be used for a variety of client groups, for example single homeless entitled to emergency TA, and let on an affordable or social rent basis. Planning approval is anticipated in the current financial year, with slippage anticipated for most of the 2018/19 budget into 2019/20. The additional budget requirement for 2019/20 is £0.665M.

46. Potton Road, Wrestlingworth, is an 8 unit scheme (a mixture of 2 shared ownership and 6 affordable rented houses). This scheme is a rural exception site, so is only eligible for development as the housing proposed is affordable and required by members of the local community. Slippage is anticipated for the majority of the 2018/19 budget into 2019/20. The additional budget requirement for 2019/20 is £0.75M, with £0.1M funded by the use of commuted section 106 monies.

47. Further to the analysis of debt strategy earlier in this report, £33M has been allocated to Borrowing Funded schemes over years 2-4 of the MTFP, with £10M of this amount provisionally earmarked for an Older Persons' scheme at Toddington. This is funded by £10M of borrowing in each year and use of one for one receipts (estimated at £1M per year). The £33M is net of potential grant funding from HE. Whilst it is envisaged that each scheme will use either HE or one for one receipts it is impossible at this early stage to list all schemes individually, or to know which scheme will secure HE grant funding or utilise one for one receipts. Over time this high level estimate will be refined, once a clear strategy is in place and individual schemes are progressed. Where funding is sought from HE, it can be secured via a process known as "Continuous Market Engagement" (CME), which enables bids to be made for existing HE programmes, such as their Shared Ownership and Affordable Homes Programme 2016-2021.

48. For the 2018/19 Future Investment programme Council approved the proposal to defer debt repayment, and to use the funds originally earmarked for debt repayment to acquire properties on the open market. This accelerated an existing initiative that had enabled the Council to purchase 17 properties in the 3 preceding financial years. Purchasing properties in this way has several advantages. The purchase can be part funded (30%) by the use of RtB receipts retained for one for one replacement (see Appendix D). After any necessary conversion the properties can be used to supply accommodation for vulnerable clients presenting as homeless, thereby saving GF expenditure on costly TA where only a proportion of the rent would be paid for by Housing Benefit. Purchasing properties also offsets some of the reduction in the Council's housing stock occurring as a result of RtB.

49. Unmet housing need and homelessness are increasing in Central Bedfordshire, caused mainly by affordability problems and limited supply of rented housing at or below Local Housing Allowance (LHA) limits. The situation arises from what Government has called a 'broken housing market'. The Government has also broadened the scope of eligibility from April 2018 for local authority assistance through the Homelessness Reduction Act. The size of potential new demand is difficult to predict, but it is likely to be substantial.

50. Purchasing properties to use for TA is part of a wider strategy targeted at addressing homelessness by increasing affordable housing delivery via section 106 agreements, achieving greater delivery on our own land assets, and maximising our nomination rights. Some of these measures will take time to deliver results, but buying properties in the meantime provides increased social housing immediately (subject to time required for refurbishment or conversion if needed). In the year to October 53 properties have been purchased, with a similar number expected to complete before the year end, at a total forecast cost for the year of £13.229M. This programme has been hugely successful in meeting local housing need quickly and providing system resilience (and GF savings) in the face of increasing demand.

51. For the new MTFP period, it is proposed that the New Build and Acquisitions project line is predominantly used to finance the development of substitute sites for Crescent Court, so that the Council can achieve its HE allocation of grant. Whilst this year's programme of acquisitions has been successful in reducing TA expenditure, the majority of the purchases have been 3 and 4 bedroom houses, rather than larger properties (such as hotels or offices that can be converted to provide multiple units and therefore deliver lower per unit costs). This reflects the fact that the larger buildings are rarely available in the Central Bedfordshire area.

52. The new borrowing freedom has enabled the Council to adjust its strategy for financing new build projects and for maintaining substantial Reserves in excess of contingency. By financing £5M of the spend at Houghton Regis Central from borrowing, and using £7M of other available Reserves, £12M is now available to continue the successful acquisitions approach undertaken in 2018/19. Developments of flats, or homes that can accommodate multiple occupancy, will be prioritised for purchases so that the greatest number of units can be delivered, in order to address local need.

In addition, there are also likely to be opportunities for the Council to transfer other buildings from the GF (similar to Franklin House and the Birches) and remodel those buildings to provide a large number of units for transitional accommodation, as it has done at Greenacre in Dunstable (42 units) and is currently doing at the Birches in Shefford (17 units, more targeted at families). Such transfers would be funded from the Stock Remodelling project line.

53. As the Council's Landlord Business continues to grow and enhance its portfolio, consideration should be given to the best use of each one of its properties. Whilst a recent cash flow analysis revealed that every property is capable of delivering a positive net present value, there are a number of homes, often spread out across village locations, that are not able to address the needs of many of our clients (for example they are not near important amenities or employment opportunities).

54. These are often valuable assets in desirable locations, where surrounding properties have been sold under the RtB. As part of a coordinated policy of "active asset management" it is proposed that as such properties become void consideration is given to selling them. As vacant properties they would not be liable to the RtB, meaning the Council could retain the full receipt and put this towards other development or acquisitions, whilst reducing the requirement to manage and maintain units that are at some distance from the larger concentrations of stock.

55. Over the MTFP period, the amount proposed to fund new build, acquisitions and regeneration is £87.7M, inclusive of Houghton Regis Central. A further £29.6M of expenditure on these programmes is proposed for years 5 and 6. When combined with plans for expenditure on stock protection and new funding for existing stock, the Investment Plan totals £125.4M over 4 years, with a further £45M proposed for years 5 and 6. At a time where housing supply is constrained, this investment will enhance and increase the housing stock, whilst being aligned to and supporting the achievement of all of the Council's strategic priorities.

Housing Revenue Account Business Plan & Reserves

56. **Table 2** below shows a summary of the Plan for the period of the Council's MTFP.

£M	2019/20	2020/21	2021/22	2022/23
Income	(30.2)	(31.8)	(33.5)	(35.2)
Spending on Revenue	17.5	17.9	18.0	18.1
Direct Revenue Financing*	4.6	1.2	0.8	2.7
Debt costs (interest)	4.3	4.5	4.8	5.1
Debt repayment (principal)	0	0	0	0
Efficiency Savings	(0.6)	(0.4)	(0.2)	0
Contribution to ILDR**	0	8.1	6.6	4.7
Contribution to SR***	4.3	0.5	3.3	4.4

Contribution to LCRR****	0.1	0.0	0.2	0.2
Net Balance	**0.0**	**0.0**	**0.0**	**0.0**

* Financing of Capital programme by Revenue
** Independent Living Development Reserve
*** Strategic Reserve **** Life Cycle Replacement Reserve

57. **Table 3** below shows a summary of the balances forecast to be available in Reserves as at 1 April 2019, together with transfers to and from Reserves:

£M	2019/20	2020/21	2021/22	2022/23
ILDR				
Balance b/fwd	6.0	0	0.0	1.0
Contributions to Reserve	0	8.1	6.6	4.7
Allocations from Reserve	(6.0)	(8.1)	(5.6)	(5.7)
Balance c/fwd	**0.0**	**0.0**	**1.0**	**0.0**
Strategic				
Balance b/fwd	14.1	0	0.1	0.6
Contributions to Reserve	4.3	0.5	3.3	4.4
Allocations from Reserve	(18.4)	(0.4)	(2.8)	(3.0)
Balance c/fwd	**0.0**	**0.1**	**0.6**	**2.0**
Life Cycle Replacement				
Balance b/fwd	0.2	0.3	0.3	0.5
Contributions to Reserve	0.1	0.0	0.2	0.2
Allocations from Reserve	0	0	0	0
Balance c/fwd	**0.3**	**0.3**	**0.5**	**0.7**
Major Repairs				
Balance c/fwd	**0.2**	**0.2**	**0.2**	**0.2**
HRA Balances				
Balance c/fwd	**2.0**	**2.0**	**2.0**	**2.0**
TOTAL c/fwd	**2.5**	**2.6**	**4.3**	**4.9**

HRA Debt

58. The HRA Business turnover, or annual rent debit (before void loss), was £32.095M in 2017/18 (£31.845M in 2016/17). Total current and former tenant arrears were £1.062M at the year end (£0.950M in 2016/17), with current arrears at £0.437M or 1.4% of the annual rent debit (£0.437M or 1.37% at March 2017). The figure of 1.4% is a 0.4% positive variance against a target of 1.8%. Former tenant arrears (FTA) were £0.625M, or 1.9% of the annual rent debit, against a target of 1.5% (£0.513M or 1.61% at March 2017).

59. A significant proportion of the current tenant arrears (£0.273M or 62%) were less than 8 weeks old, and generally relate to minor timing issues between rents becoming due and payments being made. With the background of welfare reform, the Housing Operations Team have implemented a pro-active approach to managing the impact on rent arrears, known as Tenancy Sustainment. This includes early intervention; ‘Right-sizing’ where appropriate; enabling moves to happen; increased contact with our residents; supporting tenants in making the right decisions regarding payment of rent; and strong enforcement action when needed.

60. Full implementation of Universal Credit (UC) for Council tenants started in October 2018 and is being introduced in a phased roll out, with all Council postcodes being live by December 2018. A project group is in place, with dedicated resource to implementing the UC project work and contacting those affected. The early signs for most Authorities that have rolled out UC point to an expected increase in arrears of 4-6%. Team focus is income collection, but early signs of a worsening picture linked to UC and the Benefit Cap have not yet materialised.

61. Arrears will only become a cost to the HRA when they are written off, or when additional provision is made to allow for the possibility of bad debts being written off. The provision has increased steadily since 2013/14 to allow for the potential threats posed by Welfare Reform, increasing from £0.380M at year end 2012/13 to £0.685M at year end 2017/18. However, the efficiency savings related to the Tenancy Sustainment approach, and strong performance generally, has resulted in this provision being only partially utilised in recent years, with £0.051M written off in 2014/15, £0.015M in 2015/16, £0.051M in 2016/17, and £0.022M in 2017/18.

Business Efficiency and System Resilience

62. As well as financial uncertainties relating to interest rates, inflation on rents and expenditures, and the financial implications of Government legislation, there are risks to the Business Plan posed by potential problems with labour supply and supply chains within the Construction and Repairs/Maintenance sector. The Housing Service is reliant upon construction/maintenance contractors for repairs and capital works, and with such an ambitious new build programme the prevailing market conditions for these skills is a key element to achieving those aims.

63. A key component of the HRA efficiency programme (£0.145M over 2 years) relates to a new Repairs Delivery model that has been created by bringing together several contracts for day to day, cyclical and voids works, together with some of the capital improvement works. A single long term partnering arrangement has been devised as the basis of a modernised, digitised approach to the Repairs Service that is more sustainable, offers better value for money and overall provides a more responsive customer offer, to achieve objectives set out within the Housing Asset Management Strategy. The anticipated value in the first year of the contract is £7.05M, expected to increase to £12.5m per annum over future years as additional workstreams are added. Formal award of contract is expected to conclude in February 2019, followed by a mobilisation phase with the programme to begin from 1 July 2019.

64. A ‘self serve’ customer interface is being implemented, using First Touch apps aligned to ‘end to end’ system integration between contractor and Council systems.

A further £0.05M of efficiencies relate to savings achieved from digitalisation and First Touch technology. The aim is the creation of a lean, fit for purpose, mainly self service customer interface across all repairs operations; this is aligned to the creation of a sustainable model to deliver high quality repairs and servicing.

65. At the point of first contact with customers, whether our own tenants or customers presenting in housing need or homeless, the approach is ‘prevention’ led, whether through tenancy sustainment, or actions that extend the client’s existing housing arrangement. Efficiency savings of £0.06M have been identified from a tenancy sustainment approach, where housing officers are proactive in supporting vulnerable tenants to ensure they access the benefits they are entitled to, reducing the risk of arrears, bad debt provision and write off, or in the worst case eviction, which has both a legal cost but also a rent loss implication while properties are void.

66. In order to maximise the best use of our properties, there is a strategy to incentivise “Rightsizing” that encourages tenants who are under occupying properties to vacate larger homes and move to properties that will be easier to manage for them and more appropriate for their needs. This strategy helps to reduce arrears (caused for example by the spare room subsidy), and therefore reduces the risk of lost rental income. A further efficiency relates to reduced bad debt provision (£0.015M), reflecting the recent low level of write offs and strength of income collection.

67. £0.117M of efficiencies over the MTFP relate to business process review and management rationalisation. Improvements to technology (i-pads and the “First Touch” system) mean that tenants can be assisted with budgeting, repairs can be requested, and personal information updated whilst in the property, without the need to return to the office. This mind-set will help to eliminate waste by achieving the right result, on a first time basis. This is being achieved through a comprehensive modernisation approach that includes review and re-engineering of business processes to eliminate waste, embrace technological opportunities, and ensure the housing system is ‘fit for purpose’. It is this mentality that will facilitate system resilience in the face of growing complexity and demand.

68. A number of software systems have recently been implemented, which will improve the customer experience but also streamline process and reduce cost. The Keyfax system enables effective fault diagnosis of repair at the point of first notification, ensuring that the right operative (with the right skills for the job) can complete the order first time, eliminating failure demand and the need to re-visit. Dynamic Resource Scheduling (DRS) has now been implemented, meaning that all repair appointments are scheduled within Housing Systems, giving Council officers control of data and the customer experience, where before this had been handled by the contractor. These initiatives complement the “First Touch” system and new Repairs Delivery Model, to give a “wrap around” experience for the customer and greater oversight for Housing, enabling identified efficiencies to be achieved.

69. Over the MTFP period total efficiencies of £1.167M have been identified, with the greatest proportion of these efficiencies (£0.78M) resulting from income generation, primarily through rents and service charges achieved from the existing new build and acquisition programmes.

Additional income has also been modelled into the Business Plan for properties that will be built, initially from the £35M of borrowing proposed during the MTFP, and for indicative purposes based on the potential continuation of borrowing referred to in the Debt Strategy section above.

Rent Reduction

70. Rental and service charge income are the main funding sources for the HRA. The Business Plan has been adapted to accommodate the 1% reduction in rent for the first year of the MTFP, in accordance with legislation. In October 2017 The Government announced that from 2020 rents would rise by CPI + 1% for a five year period. For the purposes of the Business Plan it has been assumed that this approach will continue until the end of the Business Plan period. However longer term rent policy is unknown, so to mitigate the risk it has been assumed that inflation on management, maintenance and capital investment costs, from the end of the current MTFP period to the end of the 30 year Plan period, will also be at CPI + 1%. Historically rental inflation has usually exceeded inflation on expenditures, so this approach represents a prudent longer term basis for modelling.

71. The current policy, of a fixed rate increase/decrease to rents, interrupts the journey towards all tenants paying a rent for their home that is determined by a 'formula'. The 'formula' approach was designed so that there would eventually be parity between the rent paid at a Council property to a similar property in the same area owned by a Housing Association, as prior to 2001 a considerable gap had emerged. This approach to rent setting had already been diluted for 2015/16 as all rents increased by CPI+1%, regardless of whether a tenant was on the formula or the lower, transitional rent. For the 3 years between 2016/17 and 2018/19 rents have reduced by 1%. However re-lets continue to be made at formula rent, with 43% of tenants now paying a rent determined by the 'formula'. Whilst this figure is increasing every year, if the movement to formula rent only occurs at change of tenancy then it will take many years before all tenancies are at the formula rent.

72. Approximately 37% of all the Council's tenancies are funded entirely by Housing Benefit. This group will gain no benefit from the rent reduction. Whilst other tenants will benefit, this will lead to a widening of the gap between Council and Private Rented Sector (PRS) rents, where supply has not kept pace with demand and rent increases of circa 20% have occurred in the Central Bedfordshire area in the 3 years prior to 2018/19. Council rents are falling below 50% of private sector rents (depending on property size), but by 2020 it is likely that the gap between private sector and Council rents will have increased further. As affordability becomes an increasing issue in the PRS, demand for social housing is likely to increase.

73. It is proposed that rents are set in line with Government statute, a reduction of 1% for Central Bedfordshire Council tenants, for 2019/20. The proposed rent reduction will result in an average decrease per week of £1.07 from the 2018/19 average weekly rent of £107.29 to £106.22. At a time of significant investment in the Housing stock, amounting to £125M over the MTFP, the current level of rent and the proposed reduction represent excellent value for money for tenants.

The Void Levy and Funding for Supported Housing

74. Since the last HRA MTFP Budget report was composed, there has been a major shift in Government policy related to social housing. The most striking, and welcome, change is the recent removal of the Debt Cap, but there were a number of other policies and regulations that posed potential threats to funding streams and placed an element of doubt over surpluses and reserves that were predicted to materialise in the Business Plan. Whilst these uncertainties persisted they reduced some of the flexibility for the Plan to expand and realise its full potential.

75. The most significant concern related to the extension of RtB to Housing Association tenants. This involved offering qualifying Housing Associations tenants a discount, which stock retained Local Authorities would have funded, either from the sale of high value void properties or Reserves. The legislation did not force Authorities to sell high value voids, but made provision for Government to calculate "…the market value of the authority's interest in any high value housing that is likely to become vacant during the year…" and collect this payment less allowable costs. This was the greatest threat to the Business Plan, as the future take up of RtB from Housing Association tenants is unknown, so the amount required from the Authority could have ranged from tens of thousands of pounds, to millions, possibly for many years.

76. In its Green Paper of August 2018, "A New Deal for Social Housing", the Government made the following announcement:
"To increase councils' confidence to plan ambitious house building programmes, we are confirming in this Green Paper that the Government will not bring the Higher Value Assets provisions of the Housing and Planning Act 2016 into effect."
This is very welcome news, removing an unquantifiable drain on HRA resources. Elsewhere in the Green Paper Government reaffirm the view that Councils should "consider selling high value homes and using the funding to build more affordable housing". As referred to earlier in this report, this is acknowledged as a method to make the most of our asset base, potentially through void sales, as part of an "active asset management" approach. The Council can now pursue this without having to make provision for what was referred to in the sector as a "void levy".

77. In October 2017 Government launched a policy statement and consultation on the funding of Supported Housing. The statement proposed a new funding regime that was tailored to the 3 different types of supported housing. For sheltered and extra care housing a "Sheltered Rent" was envisaged from April 2020; this would take into account the higher cost of these types of housing compared to general needs housing. Meanwhile short term supported housing, such as TA, would be funded by a new ring-fenced grant to Local Authorities from 2020, based on current projections of future need. Longer term supported housing for working-age tenants (for example, housing for people with learning or physical disabilities or mental ill health) was to continue to be funded through Housing Benefit/Universal Credit.

78. Whilst the recognition that a differentiation was required for sheltered and extra care housing was well received, there was concern within the sector about how a "Sheltered Rent" would be calculated, particularly as it would be based on a "gross eligible rent" including eligible service charges. There was also a risk that the grant for short term supported housing would be insufficient to cover future need.

These issues were explored as part of the consultation, and in August 2018 Government stated “we are not convinced the proposed regulatory approach is the right step”. They have therefore decided to maintain Housing Benefit/Universal Credit for all supported housing, including sheltered, extra care and short-term accommodation.

HRA Capital Programme

79. The 2019/20 – 2022/23 HRA detailed Capital programme is attached at Appendix C. The programme is expected to be financed by: HE grant funding, contributions from retained rentals (revenue contributions), capital receipts from Right to Buy (RtB), capital receipts from shared ownership and outright sales, land sales, commuted Section 106 contributions, contributions from Reserves and new borrowing. A breakdown of financing is shown in Appendix A. The overall position on financing within the Housing Revenue Account is increasingly varied.

Engagement with Overview & Scrutiny Committee and Tenants

80. The HRA Budget report was presented to the Corporate Resources Overview and Scrutiny Committee on 31 January 2019. Consultation with the Tenant Investment Panel (TIP) over the Investment Plan occurred during the autumn of 2018, with full tenant approval of all project lines. The Budget and Investment Plan were presented to the Way Forward Panel, Supported Involved Residents Forum (SIRF) and TIP in January 2019. Feedback from these tenant groups is shown in Appendix A to the General Fund Revenue Medium Term Financial Plan (MTFP).

Council Priorities

81. The HRA Budget has been built to reflect the Housing Service’s core social purpose, to meet local housing need. The proposals support the Council’s priority to enhance Central Bedfordshire by providing great resident services, balancing regeneration aims with growth, through investment to promote economic benefit, employment and renewal. Improvements are focused on enhancing the wellbeing of the more vulnerable members of the community. The approach demonstrates and supports the journey towards a more efficient and responsive Council.

Corporate Implications

Legal Implications

82. Section 74 of the Local Government and Housing Act 1989 requires the Council to keep a separate ring fenced Housing Revenue Account. Section 75 and Schedule 4 of that Act deal with the items to be credited and debited to the Account, which by virtue of Section 76 must not go into deficit. Subsection 76(2) requires the Council during January or February of each year to formulate proposals in relation to the likely income and expenditure to the Account to secure that the Account for the year does not show a deficit.

83. Section 24 of the Housing Act 1985 provides that a local housing authority may make such reasonable charges as they may determine for the tenancy or occupation of their houses and that the authority shall from time to time review rents and make such changes, either of rents generally or of particular rents, as circumstances may require. Under subsection 24(5) a local housing authority must have regard in particular to any relevant standards set out for them under Section 193 of the Housing and Regeneration Act 2008. Section 193 gives the Regulator of Social Housing ('RSH') the power to set standards concerning amongst other things rent levels. To date the RSH has not set a rent level standard for the Council.

84. Section 23 of the Welfare Reform and Work Act 2016 provides that in relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing in England is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months. Subsection (6) sets out what is a 'relevant year' and makes clear that there are four relevant years commencing from 1st April 2016.

85. Section 102 of the Housing Act 1985 provides that a variation of tenancy conditions that relates to rent or to payments in respect of services provided by the landlord may be varied in accordance with a provision in the tenancy agreement.

86. This report makes proposals which are designed to fulfil the Council's duties as set out above and the Executive must be satisfied that the proposals are reasonable and achievable and will not result in a deficit to the HRA.

Financial Implications

87. These are set out within the report. The HRA Business Plan shows that rental income will exceed the anticipated costs of managing the stock over 30 years, which will provide annual surpluses that will create opportunities for new investment, whilst repaying existing Self Financing debt and new borrowing.

Equalities Implications

88. The Council has a statutory duty to promote equality of opportunity, eliminate discrimination, harassment and victimisation and foster good relations in respect of 9 characteristics: age, disability, gender reassignment, marriage/civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

89. Research recently published by the Equality and Human Rights Commission has highlighted that people at particular risk of homelessness include: lone parents, young care leavers, young offenders, ethnic minorities, Lesbian, Gay, Bisexual, Transgender (LGBT) young people, those with mental health conditions, women at risk of domestic abuse and ex-service personnel. Shelter estimates that around 128,000 children in Britain were homeless in 2017, the highest figure in a decade.

90. In England, the proportion of households privately renting continues to increase steadily. Private renters spend 34% of household income on rent compared with 28% for social renters. Housing quality is poorer in the private rental sector: 27% of residences did not meet basic standards of health, safety and habitability in 2017 compared with 13% of residences in the social rented sector. The social housing sector provides accommodation for more at-risk groups than other sectors, due to the way housing is allocated. In 2015/16, half of households in the social rented sector in England had at least one member with a long-term illness or disability, higher than in private rented households (23%) and owner-occupied (29%).

91. Analysis of home ownership rates across Britain from 1961 to 2017 shows that people aged 30 or below in 2017 were half as likely to own their home compared with those born between 1946 and 1965 at the same age. Disabled people are demoralised and frustrated by the housing system, reporting a severe shortage of accessible houses across all tenures. Disabled people can experience serious deterioration in their mental wellbeing due to living in unsuitable accommodation.

92. The proposals outlined in this report will help to improve the housing prospects for a variety of vulnerable groups.

Risk Management

93. In considering the budget proposals, it is necessary to take account of the associated risks and in particular the budget planning assumptions contained within Appendix D attached. Any changes to these could impact on the financial position of the HRA Business Plan. Given the sudden and unexpected change in rent policy announced in the Emergency Budget of July 2015, there is always the risk that Government rent policy will be adjusted. However, the announcement that rent setting will return to CPI+1% for a 5 year period from 2020 does establish some partial reassurance that long term rent increases will be based on CPI +1%. As a result, rental income in the Business Plan has been assumed to rise at 3.5% per year from year 2 to year 30, equivalent to CPI at 2.5% + 1%. CPI has fluctuated dramatically over recent years, but 2.5% represents a longer, historical average.

94. Another key risk is in relation to the HRA Debt Strategy. The current average rate of interest on HRA debt is 2.49%. Increases to interest rates would have an immediate effect on the variable rate loans, and could have an impact on refinancing costs for the fixed rate loans that mature from 2024. Close monitoring of financial market conditions, allied to a consideration of principal debt repayment, is required to deliver a debt strategy that will support the Business Plan, particularly as additional borrowing is now proposed. The ratio of variable to fixed rate loans will be considered in the context of the Council’s Treasury Management Strategy.

95. There are risks that relate to income collection, arising from Welfare Reform, in particular the spare room subsidy and Universal Credit. The mitigation of the impact of the spare room subsidy is a proactive approach being taken to enable tenants to move. During the current year, 10 new tenancies have been created through enabling Mutual Exchanges and Transfers, so that people are able to secure accommodation that they can afford to occupy.

The Council is committed to being responsive, customer focussed, and supporting community self-reliance through provision of high quality housing management that mitigates risk in this area.

96. The Housing Service is informing tenants of Benefit changes, allocating additional staff resources to controlling arrears and supporting tenants to manage their income. The Housing Service performs well on income collection and re-letting properties. The Housing Service is getting closer to customers, having established the approach known as “tenancy sustainment”. Whilst this approach incurs some revenue costs, the approach is a benefit to tenants and saves money to the whole system, benefitting the Council as well as the Health system.

97. There is a further risk that future RtB sales will reach levels that adversely affect the Business Plan, by significantly reducing income streams. The Government is committed to helping those tenants with an aspiration to own their own home and, to further this aim, the discounts available under RtB were increased in April 2012. The current maximum discount is £80,900, and this rises each year in line with inflation. From July 2014 the maximum percentage discount for tenants living in houses increased from 60% to 70%, to provide parity with those purchasing their flats, and from May 2015 the qualifying period for RtB dropped from 5 to 3 years.

98. Whilst there has been an increase in RtB sales since 2012, with 33 sales in 2017/18 and 14 in the financial year up to the end of October 2018, this represents a small percentage of the stock of circa 5,200 rented homes. For further information, see Appendix D. From a strategic view, it is imperative that the replacement of homes sold through RtB is maintained through an ambitious new build and/or acquisition programme that maintains pace. The plans outlined in this report would ensure that the stock level would not only be sustained but could grow considerably.

99. There is a risk that the national economic situation could worsen, with potential consequences for labour supply and supply chains within the Construction and Repairs/Maintenance sector. This could result in increased costs for the repairs and Stock Protection programme, reducing surpluses and the Reserves that are currently forecast to materialise in the short and longer term. This would have an impact on the deliverability of Future Investment schemes currently identified as being funded from Reserves. If this situation was to arise these schemes would be reviewed, and could be delayed, removed from the programme, or funded by alternative means (further borrowing or additional Government grant).

100. It is possible that an adverse economic environment could lead to an impairment (reduction) in the value of the housing stock. Whilst this impairment would increase the debt ratio (currently 39%) there would be no impact on the resources available within the HRA, as impairment losses are reversed out of the Income and Expenditure Account into the Revaluation Reserve on the Balance Sheet. It is feasible that in an environment of house price reductions, newly built properties could be worth less than their build cost. This would only be an issue if the Council was planning to sell these properties. Whilst a large proportion of the apartments at Houghton Regis Central are earmarked for partial or outright sale there is flexibility for this to change, such that those apartments are made available for rent.

101. For new build properties financed from borrowing there is a risk, in this scenario, that the properties could be worth less than the debt incurred in building them (negative equity). Again this would only be a financial concern if the properties were to be sold, as debt repayments would be funded from rents received, and it would seem likely that in a difficult economic environment demand for affordable rented housing would at least continue at its current rate. In the longer term, experience suggests that negative housing market adjustments are reversed, so the properties would move into positive equity and the debt ratio would improve.

Community Safety

102. The options set out in the report provide opportunities to work with community safety partners to ensure the best outcomes. There is a pro-active approach to casework as well as close monitoring of performance, which ensures Anti Social Behaviour is well managed by the Housing Service and tenants and residents are able to enjoy a safe, comfortable and peaceful environment.

Sustainability

103. Investment in the housing stock and specifically the proposed mixed tenure, mixed use Independent Living scheme in Houghton Regis will contribute to regeneration across Central Bedfordshire and provide wider economic benefits and employment, as well as significant town centre impact. The overall increase in the housing stock helps to address a fundamental shortage of affordable housing in the south east.

Conclusion and next Steps

104. The Council's Housing offer remains strongly aligned to the Council's core social purpose. The HRA is a modern, growing business, operating efficiently by using technology, avoiding cost, and growing income and productivity. Operationally we are developing an expertise in sophisticated demand management, as we embrace the Homelessness Reduction Act and maintain a continued focus on tenancy sustainment. Changes to Government policy, particularly the scrapping of the Debt Cap, give the Council an enhanced opportunity to build on existing plans for regeneration, redevelopment and new build. The proposals in this report seek to exploit this new potential, whilst respecting the stewardship function that is an intrinsic responsibility of managing one of the Council's largest assets, its stock of housing.

Appendices

Appendix A: 30 year forecast of Housing Service capital and revenue expenditure; and also income, which is the summary of the Landlord Business Plan

Appendix B: Summary of the Business Plan for the period 2019-2025

Appendix C: 2019/20 – 2022/23 Housing Revenue Account (HRA) detailed Capital programme

Appendix D: HRA Budget Assumptions

Background Papers

None

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