



HOUSING REVENUE ACCOUNT BUDGET AND HOUSING PUBLIC SECTOR CAPITAL EXPENDITURE PROGRAMME 2015/16

1 INTRODUCTION

- 1.1 This report sets out a proposed Housing Revenue Account (HRA) budget and a proposed Housing Public Sector Capital Programme for 2015/16. The Cabinet is required to recommend budgets for consideration at the meeting of the Council on 23 February 2015.
- 1.2 The budgets for 2015/16 are the fourth year of the HRA self financing system. The first £4.1m instalment of principal repayment of the settlement loan is due to be made in 2017/18 and will reduce the spending resources available in that year.
- 1.3 The proposed budgets for 2015/16 were considered by tenants at the Housing Policy Focus Group on 13 January 2015.
- 1.4 The proposed HRA budget is attached as **Appendix 1**.

2 KEY ISSUES

- 2.1 Members are asked to consider a number of financial issues for 2015/16.
- 2.2 **Housing Rents**
 - 2.2.1 The report identifies a rent increase in line with the Government's current guideline increase of CPI + 1%.
 - 2.2.2 It is proposed that average rents are increased to £101.96 for 2015/16. The actual rise would vary by property, but would amount to an average increase of £2.25 or 2.2% over the current average.
- 2.3 **Hostels – Service Charges**
 - 2.3.1 The primary aim when reviewing and setting the service charge for hostels is to ensure that relevant costs are fully recovered from those who benefit from them. It is proposed that the current service charge levels are increased by 2.2% as this follows government guidance and aims to fully recover the costs incurred.

2.4 Older Persons' Support Service – Service Charges

2.4.1 The primary aim when reviewing and setting the service charge for Older Persons' Support Service tenants is to ensure that relevant costs are fully recovered from those who benefit from the service. It is proposed that current service charge levels are increased by 2.2% as this follows government guidance and aims to fully recover the costs incurred.

2.4.2 As with rents, the service charge payable by individual users varies according to their property and other factors, such as whether utilities costs are included and the level of service received.

2.5 Garage Rents

2.5.1 It is proposed that garage rents remain unchanged at the current weekly level of £10 as this appears to maximise income at an acceptable fee.

3 HRA INCOME 2015/16

3.1 The estimated total income for 2015/16 is £540,000 higher than the original budget for 2014/15. The income variations from the 2014/15 approved budget are set out below:

	£000	Paragraph
Dwelling Rents	491	3.2
Non Dwelling Rents	(26)	3.3
Service Charges	22	3.4
Interest Receivable	47	3.5
Other Income	6	3.6
	<u>540</u>	

3.2 **Dwelling Rents £491k** – The proposed budget for 2015/16 includes the £569,000 effect of the average 2.2% rent increase proposed in paragraph 2.2 and takes account of current 2014/15 rent income estimates, which are £29,000 less than the original 2014/15 budget.

3.3 **Non Dwelling Rents (£26k)** – This income is derived from garages and rents of other housing land. This decrease is due to the current 2014/15 rent income estimates relating to increased garage voids through less demand or deliberate decisions not to let in order to facilitate new development.

3.4 **Service Charges £22k** – Service charges are set in order to cover the costs incurred. This rise is due to the average 2.2% increase proposed in paragraph 2.

3.5 **Interest Receivable £47k** – This is caused by increased balances being held and changes in regulations regarding capital receipts.

3.6 **Other Income £6k** – This includes a new licence agreement and reduced income from unscheduled rechargeable repairs.

4 HRA EXPENDITURE 2015/16

4.1 Budgeted expenditure for 2015/16 is £143,000 higher than the approved budget for 2014/15. The major variations are set out below:

	£000	Paragraph
Cyclical/Disabled Facilities/Reactive Maintenance	123	4.2
Supervision and Management/Rent, Rates, Taxes and other charges	140	4.3
Rent Rebates	(220)	4.4
Provision for Bad Debts	50	4.5
Contribution to Capital supporting Housing Strategy	50	4.6
	<u>143</u>	

4.2 **Cyclical/Disabled Facilities/Reactive Maintenance £123k** – To maintain the quality of our Housing stock it is proposed to increase the reactive maintenance budget by £98,000 to £2.55 million. This is an historical 4% inflationary annual increase. The cyclical maintenance budget has been increased by £25,000 to £1.472 million. This is due mainly to an increase in appliance servicing.

4.3 **Supervision and Management recharges/Rent, Rates, Taxes and other £140k** – Supervision and Management recharges are budgeted to increase by £140,000 in 2015/16. This is principally due to pay and prices increases.

4.4 **Rent Rebates (£220k)** – The proposed rent level of £101.96 for 2015/16 will be less than the estimated limit rent level of £102.24 (2014/15 limit of £100.04 increased by 2.2% (CPI at September 2014 1.2% + further 1% as per rent setting guidance) used in the calculation of Government Subsidy receivable on rent rebates. This will mean no contribution from the HRA to the General Fund as there will no longer be any subsidy shortfall.

4.5 **Provision for Bad Debts £50k** – This has been increased by £50,000 to reflect recent trends and provision for anticipated additional arrears following the introduction of benefit changes in 2014/15 and 2015/16.

4.6 **Contribution to Capital supporting Housing Strategy £50k** – Section 6 of this report sets out the proposed capital programme for 2015/16. The programme is fully funded from revenue contributions.

5 HRA RESERVE BALANCE

5.1 The HRA Reserve balance as at 1.4.14 was £1.219m. The original 2014/15 HRA budget showed an estimated surplus of £1.065m. During 2014/15 the following budget variances totalling £829,000 have occurred or are forecast and will reduce the estimated year end surplus to £236,000.

5.2	Dwelling rent decrease	29k
	Non Dwellings rent - Garages decrease	25k
	Non Dwellings rent - New licence fee	-17k
	Revenue funding of Capital Program	
	New build/Acquisitions	1,000k
	Cyclical maintenance savings	-100k
	Reactive maintenance overspend	100k
	Extension to property budget unused	-40k
	Major repairs decrease	-143k
	Acquisitions rephasing from 2013/14	195k
	Rent Rebates	-220k
	Total	829k

5.3 The proposed HRA budget for 2015/16 currently shows an estimated surplus of £1.462m. In accordance with the policy introduced last year to retain the HRA working balance at £1m the estimated surpluses for 2014/15 and 2015/16 will be transferred to the Acquisitions/Development Reserve.

6 CAPITAL PROGRAMME

6.1 The proposed detailed Housing Public Sector capital expenditure programme and funding is set out below:

	Original 2014/15 £000	Latest 2014/15 £000	Original 2015/16 £000	Original 2016/17 £000	Original 2017/18 £000
Proposed Expenditure					
Environmental Enhancements	440	440	400	200	200
Major Repairs	5,143	5,000	5,083	5,200	5,200
New Build / Acquisitions	6,000	7,765	3,650	4,112	2,700
North Milton New Build	680	160	2,720	1,260	0
North Milton Env. Enhancements	120	70	430	1428	0
New Build-Totton Flats	645	645	0	0	0
Extensions To Property	50	10	150	50	50
Photovoltaic Panels-Bannister Court	0	0	50	0	0
TOTAL	13,078	14,090	12,483	12,250	8,150
Funded by NFDC Resources					
HRA Revenue Contribution	12,433	13,445	12,483	12,250	8,150
Capital Receipts	645	645	0	0	0
TOTAL	13,078	14,090	12,483	12,250	8,150

6.2 The proposed capital programme for 2015/16 totals £12.483 million, a decrease of £595,000 from the 2014/15 original programme. This is principally due to the completion of the Totton Flats new build scheme in 2014/15 (£645,000). The Major Repairs budget has decreased by £60k over the prior year.

- 6.3 Included within the overall 4 year spending programme is £6.068 million for a proposed new build (£4.140 million) / environmental enhancements (£1.928 million) project at North Milton Estate.
- 6.4 The Government introduced changes to the Right to Buy system in April 2012 primarily increasing the discounts to tenants with the intention of stimulating tenant home ownership. This has led to a marked increase in tenant interest regarding purchasing their properties and for 2014/15 RTB sales have continued to be high with 30 properties expected to be sold by the end of the year. However, the Council's new build/acquisition programme should deliver 43 (39 acquisitions at a cost of £7.765m and 4 new build flats in Totton) new properties in 2014/15.
- 6.5 The capital spending power of the Council is limited by the availability of usable capital receipts, the level of Government Grants, the ability to fund capital expenditure from revenue sources (HRA rents and balances) or through the use of borrowing.

7 ENVIRONMENTAL IMPLICATIONS

- 7.1 Although the services covered in this report clearly do have an impact on the Environment, this report focuses on the financial effect of the proposed HRA budgets and capital programme. There are no direct environmental implications arising from this report.

8 CRIME AND DISORDER IMPLICATIONS

- 8.1 There are no direct crime and disorder implications arising from this report.

9 EQUALITY AND DIVERSITY IMPLICATIONS

- 9.1 There are no direct equality and diversity implications arising from this report.

10 TENANTS VIEWS

- 10.1 The Tenants considered this report at the meeting of the Housing Policy Focus Group on 13 January 2015. They commented:

“We feel the proposed rent increase is quite lenient, especially when you consider what we get for our money. We support the slow and steady approach in how rent is being managed to meet Government guidelines. We agree with the recommendations in the full Housing Revenue Account report.”

11 PORTFOLIO HOLDER COMMENTS

- 11.1 The recommendations contained in this report conform to the latest government guidelines and the changes proposed are in line with other neighbouring authorities.

- 11.2 The fourth year of the self financing regime will provide significant funding for new affordable housing and this will help reduce our current housing waiting list.
- 11.3 The budget proposals will allow us to manage and maintain our existing housing stock to continued high standards and I support the overall proposals contained in the report.

12 RECOMMENDATIONS

12.1 That Cabinet recommend to Full Council approval of:

- i) the HRA budget as set out in Appendix 1 of this report including from 6 April 2015:
- a. an average increase in rents of 2.2% from the average 2014/15 rent level, in accordance with Government guidelines;
 - b. an increase of 2.2% in hostel service charges;
 - c. an increase of 2.2% in sheltered housing service charges
 - d. no increase in garage rents;
- ii) the HRA Capital Programme as set out in Section 6 of this report including:
- a. The 2015/16 Housing Capital Programme of £12.483m, as set out in paragraph 6.1 above; and
 - b. The North Milton Estate new build/environmental enhancements project (£6.068 million);

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Background Papers:

Published documents as referred to within this report.

HOUSING REVENUE ACCOUNT BUDGET

	2014/15	2015/16	Variation	Para
	£'000	£'000	£'000	
INCOME				
Dwelling Rents	-25,889	-26,380	-491	3.2
Non Dwelling Rents	-760	-734	26	3.3
Charges for Services & Facilities	-701	-723	-22	3.4
Contributions towards Expenditure	-51	-57	-6	3.6
Interest Receivable	-28	-75	-47	3.5
Sales Administration Recharge	-20	-20	0	3.6
Shared Amenities Contribution	-177	-177	0	3.6
TOTAL INCOME	-27,626	-28,166	-540	
EXPENDITURE				
Repairs & Maintenance				
Cyclical Maintenance	1,447	1,472	25	4.2
Disabled Facilities	509	509	0	4.2
Reactive Maintenance	2,450	2,548	98	4.2
Supervision & Management				
General Management	3,504	3,622	118	4.3
Special Services	1,211	1,228	17	4.3
Homeless Assistance	70	66	-4	4.3
Sale of Council Houses	117	126	9	4.3
Rents, Rates, Taxes and Other Charges	14	14	0	4.3
Rent Rebates	220	0	-220	4.4
Provision for Bad Debt	100	150	50	4.5
Capital Financing Costs	4,486	4,486	0	
Contribution to Capital supporting Housing Strategy	12,433	12,483	50	4.6
TOTAL EXPENDITURE	26,561	26,704	143	
HRA OPERATING SURPLUS(-)	-1,065	-1,462	-397	
Transfer to Acquisitions/Development reserve	1,065	1,462	397	