

## HOUSING REVENUE ACCOUNT BUDGET AND HOUSING PUBLIC SECTOR CAPITAL EXPENDITURE PROGRAMME 2019/20

### 1 INTRODUCTION

- 1.1 This report sets out the proposed Housing Revenue Account (HRA) budget, the proposed rent levels and other charges, the maintenance programme and a proposed Housing Public Sector Capital Programme for 2019/20.
- 1.2 The proposed budgets for 2019/20 will be considered by tenants at the Tenant Involvement Group Day on 18 January 2019. Their comments will be set out in paragraph 10 of the report to the Cabinet.
- 1.3 The proposed HRA budget is attached as **Appendix 1**. Cabinet is required to recommend budgets for consideration at Council on 25 February 2019.

### 2 KEY ISSUES

- 2.1 Members are asked to consider a number of financial issues for 2019/20.
- 2.2 **Housing Rents**
  - 2.2.1 The report identifies a proposed social rent reduction of 1%, in line with the Government's current requirement. It is the final year of the required reductions and current indications are that annual increases of CPI +1% may be applied for a 5 year period from 2020/21.
  - 2.2.2 Following the rent reduction, average weekly rents will be £97.93 for 2019/20. The actual reduction will vary by property, but will amount to an average reduction of £0.98 per week.
- 2.3 **Service Charges – Hostels & Older Persons Accommodation**
  - 2.3.1 The primary aim when reviewing and setting service charges is to ensure that relevant costs are fully recovered from those who benefit from them. As previously advised to tenants, a detailed review of expenditure budgets and charges at all sites has been carried out for 2019/20 and is the subject of a separate report on this agenda.
  - 2.3.2 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 communal facilities available.

## 2.4 Garage Rents

2.4.1 Garage rents have remained unchanged since April 2014 and it is therefore proposed that rents are increased by 40p per week (4%) to £10.40 per week, plus VAT where applicable.

## 2.5 Planned Maintenance & Improvement Works

2.5.1 The report proposes total budgetary provision of £8.095 million for planned maintenance and improvement works to houses and estates. Details of the proposed works for 2019/20 and an indication of proposals for the following four years are set out in Appendix 2.

# 3 HRA INCOME 2019/20

3.1 Estimated total income for 2019/20 is £210,000 higher than the original budget for 2018/19. The income variations from the 2018/19 approved budget are set out below:

	£000	Paragraph
Dwelling Rents	(209)	3.2
Non Dwelling Rents	(59)	3.3
Service Charges	58	3.4
Other Income	0	3.5
<b>Total</b>	<b>(210)</b>	

3.2 **Dwelling Rents (£209,000)** – The proposed budget for 2019/20 includes the benefit of £490,000 arising from the year including 53 rent debit weeks but this is partially offset by the £257,000 effect of the 1.0% rent reduction proposed in paragraph 2.2 and a £24,000 net rent reduction from increased voids and movements in stock numbers.

3.3 **Non Dwelling Rents (£59,000)** – This income is derived from garages and rents of other housing land. The increase reflects the impact of £15,000 additional income from the 53 week rent debit year, £29,000 from the proposed garage rent increase and £15,000 additional income principally from reduced garage voids arising during 18/19.

3.4 **Service Charges £58,000** – Anticipated income will reduce by £71,000 following the service charge review considered elsewhere on this agenda but the impact is offset in 2019/20 by £13,000 arising from the 53 week rent debit impact. The income loss is matched by reduced expenditure budgets within Supervision and Management Special Services (para 4.4).

3.5 **Other Income £0** – Reduced interest earnings of £18,000 following the utilisation of capital receipts and the Acquisitions and Development Reserve to part fund the capital programme during 2018/19 and 2019/20 are offset by an increase of £11,000 in the shared amenities contribution and additional income

of £7,000, principally from non-residential licence fees within older persons accommodation.

#### 4 HRA EXPENDITURE 2019/20

- 4.1 Budgeted expenditure for 2019/20 is £210,000 higher than the approved budget for 2018/19. The major variations are set out below:

	£000	Paragraph
Cyclical Maintenance	( 92)	4.2
General Management	611	4.3
Special Services/Homeless Assistance	(47)	4.4
Capital Financing Costs	(72)	4.5
Other	1	
Operating Expenditure	401	
Contribution to Capital - Supporting Housing Strategy	(191)	4.6
<b>Total</b>	<b>210</b>	

- 4.2 **Cyclical Maintenance (£92,000)** – Efficiency savings in the cyclical maintenance programme have enabled the budget to be reduced by £92,000 and funding transferred to the supervision and management budget to finance two stock condition surveyors.
- 4.3 **General Management £611,000** - Supervision and Management budgets will increase by £611,000 due to pay and prices increases of £206,000, £327,000 for additional estate management, maintenance, stock condition, fire safety and housing development staffing and additional corporate cost allocations of £87,000, offset by savings of £9,000 in various other staffing, premises and supplies and services budgets.
- 4.4 **Special Services/Homeless Assistance (£47,000)** – A reduction in budgets of £84,000, including staff allocations, following the service charge review, are offset by increases in costs of £33,000 due to pay and prices increases and £4,000 in net other costs. The reduction in service charge related budgets is matched by reductions in service charge income (para 3.4).
- 4.5 **Capital Financing Costs (£72,000)** – Interest costs have reduced by £72,000 due to the repayment of the second £4.1 million instalment of the settlement loan in March 2019.
- 4.6 **Contribution to Capital - Supporting Housing Strategy (£191,000)** – Any operating surplus is invested into the Housing Capital Programme. For 2019/20 this contribution is estimated at £9.225 million, a reduction of £191,000 from 2018/19. The reduction contras all of the other budget movements detailed earlier in this report.

## 5 HRA RESERVE BALANCE

- 5.1 The HRA Reserve balance as at 1 April 2018 was £1 million; this is considered to be a prudent level.
- 5.2 The original 2018/19 HRA budget showed a break-even position for the year. During 2018/19 the following net budget savings totalling £1.097 million have occurred or are forecast. In accordance with current policy these will be transferred to the Acquisitions and Development Reserve.

	£000
Cyclical Maintenance (Cabinet August 2018)	(250)
Supervision and Management (Cabinet January 2019)	(32)
Contribution to Capital re Major Repairs (Cabinet January 2019)	(815)
<b>Total</b>	<b><u>(1,097)</u></b>

- 5.3 The proposed HRA budget for 2019/20 currently shows a break even position, resulting in no change to the reserve balance. The estimated Housing Revenue Account balance at 31 March 2019 and 31 March 2020 will therefore be £1 million.

## 6 CAPITAL PROGRAMME

- 6.1 The proposed Housing Public Sector capital expenditure programme for 2019/20 totals £19.415 million. The detailed programme and anticipated funding is set out below:

	Original 2018/19 £000	Latest 2018/19 £000	Original 2019/20 £000
<b>Proposed Expenditure</b>			
Planned Maintenance & Improvements	5,700	4,885	6,415
Environmental Enhancements	300	300	300
Older Persons' Schemes Alterations	250	250	300
Disabled Facilities Adaptations	750	690	700
Extensions to Property	200	200	150
New Build - Compton & Sarum	1,865	2,086	0
New Build - Stocklands	2,827	1,971	890
New Build - Other	80	30	320
Open Market Acquisitions	3,700	3,700	3,800
Other Land/Property Acquisitions and Works	2,880	5,139	6,540
<b>TOTAL</b>	<b><u>18,552</u></b>	<b><u>19,251</u></b>	<b><u>19,415</u></b>

<b>Funded by</b>			
Revenue	9,416	9,416	9,225
Capital Receipts	3,000	4,110	3,000
Acquisitions and Dev. Reserve	5,786	5,125	6,510
Government Grant	350	600	680
<b>TOTAL</b>	<b>18,552</b>	<b>19,251</b>	<b>19,415</b>

6.2 The proposed capital programme for 2019/20 budgets £11.850 million to be invested in additional homes. This is expected to markedly increase over the period post 2019/20 through to 2025/26, in line with the Council's new Housing Strategy, as covered in more detail in paragraph 6.3.

6.3 The Council's new Housing Strategy targets the delivery of 600 affordable homes covering the period 2018 - 2026. The delivery of the Housing Strategy to 2026 will seek to ensure ring-fenced Housing Revenue Account (HRA) resources are maximised to their full potential. The recent removal of the borrowing cap gives Local Authorities enhanced flexibilities in terms of playing a key part in the delivery of new affordable homes across the Country. Whilst modelling suggests that limited borrowing may be required to achieve the objectives set out within the strategy, it will be necessary to monitor progress over time. The Council should be prepared to consider any opportunities that arise, and the potential should be there to fund the delivery of new homes through borrowing as long as a sound financial viability appraisal confirms it is suitable to do so. The Council has a sound financial platform to build upon and the delivery of the Housing Strategy to 2026 will seek to further enhance the financial performance of the existing HRA. By venturing into new tenures, the financial performance of the HRA will improve, as additional rental income is made available for the essential maintenance and management of the Council's overall Portfolio and to fund more new affordable homes.

## **7 ENVIRONMENTAL IMPLICATIONS**

7.1 All products used in the repair, maintenance and improvement of Council homes are selected to ensure the minimum impact upon the environment and at the same time balance the need to improve the energy efficiency of tenants' homes in order to meet the requirement for thermal efficiency under the Decent Homes Standard.

## **8 CRIME AND DISORDER IMPLICATIONS**

8.1 Many aspects of work identified in this report will improve the security of tenants' homes.

## **9 EQUALITY AND DIVERSITY IMPLICATIONS**

9.1 All equality and diversity implications will be considered at every stage of the process of commissioning and carrying out planned maintenance, improvement and cyclical maintenance works. In addition any contractor used for works will

have been assessed, as part of the process in becoming an approved NFDC contractor, in respect of their adherence to equality and diversity principles.

## **10 TENANTS VIEWS**

- 10.1 To be added to the report to the Cabinet after the Tenants Involvement Group meeting on 18 January 2019.

## **11 PORTFOLIO HOLDER COMMENTS**

- 11.1 To be added following the meeting of this Panel and the Tenants' Involvement Group.

## **12 RECOMMENDATIONS**

### **For Housing Overview and Scrutiny Panel**

- 12.1 That the Panel consider the HRA budget and housing public sector capital expenditure programme for 2019/20.

### **For Cabinet**

- 12.2 That the Cabinet be asked to approve the proposed planned maintenance and improvement works programme for 2019/20 – 2023/24, as set out in Appendix 2.
- 12.3 That the Cabinet be asked to recommend to the Council that;
- i) the HRA budget as set out in Appendix 1 of this report be agreed;
  - ii) from 01 April 2019, a reduction in rents of 1% from the 2018/19 rent level, in accordance with Government requirements, be agreed;
  - iii) from 01 April 2019, hostel service charges in accordance with the service charge review be agreed;
  - iv) from 01 April 2019, older persons' accommodation service charges in accordance with the service charge review be agreed;
  - v) from 01 April 2019, an increase of 40p per week (plus VAT where applicable) in garage rents be agreed; and
  - vi) a 2019/20 Housing Capital Programme of £19.415m, as set out in paragraph 6.1 above, be agreed.

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**Background Papers:**

Published documents as referred to within this report.