

CABINET – 3 FEBRUARY 2016

RESIDENT INVOLVEMENT DEVELOPMENT DAY- 22 JANUARY 2016

HOUSING REVENUE ACCOUNT BUDGET AND HOUSING PUBLIC SECTOR CAPITAL EXPENDITURE PROGRAMME 2016/17

1 INTRODUCTION

- 1.1 This report sets out a proposed Housing Revenue Account (HRA) budget and a proposed Housing Public Sector Capital Programme for 2016/17. The Cabinet is required to recommend budgets for consideration by the Council at their meeting on 22nd February 2016.
- 1.2 The budgets for 2016/17 are the fifth year of the HRA self financing system. The first £4.1 million 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 2016/17 were considered by tenants at the Resident Involvement Development Day on 22 January 2016. Comments from the group will be presented orally at the Cabinet meeting.
- 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 2016/17.
- 2.2 **Housing Rents**
 - 2.2.1 The report identifies a rent reduction of 1% in line with the Government's current requirement.
 - 2.2.2 It is proposed that average weekly rents are reduced to £100.96 for 2016/17. The actual reduction would vary by property, but would amount to an average reduction of £1.02 per week.
- 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 current service charge levels are increased by 2.0% 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 them. It is proposed that current

service charge levels are increased by 2.0% 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 (£10 plus VAT for non-HRA tenants) as this appears to maximise income at an acceptable fee.

3 HRA INCOME 2016/17

3.1 Estimated total income for 2016/17 is £53,000 lower than the original budget for 2015/16. The income variations from the 2015/16 approved budget are set out below:

| | £000 | Paragraph |
|--------------------|-----------|-----------|
| Dwelling Rents | 63 | 3.2 |
| Non Dwelling Rents | 28 | 3.3 |
| Service Charges | (29) | 3.4 |
| Other Income | (9) | 3.5 |
| Total | 53 | |

3.2 **Dwelling Rents £63,000** – The proposed budget for 2016/17 includes the £266,000 effect of the 1.0% rent reduction proposed in paragraph 2.2, but the reduction is offset by the anticipated ongoing impact of current 2015/16 rent income estimates, which are £203,000 higher than the original 2015/16 budget. This is due to an improvement of circa 25% in vacant property turnaround times, the re-letting of dwellings at Cranleigh Paddock and a general increase in income due to a greater number of properties than was budgeted for.

3.3 **Non Dwelling Rents £28,000** – This income is derived from garages and rents of other housing land. The decrease reflects the current 2015/16 rent income estimates, which are less than the original budget due to increased garage voids arising from less demand or deliberate decisions not to let, in order to facilitate new development.

3.4 **Service Charges (£29,000)** – Service charges are set in order to cover the costs incurred. This increase principally reflects the proposed increases set out in paragraph 2.3.

3.5 **Other Income (£9,000)** – This is principally due to increased income arising from the administration element deducted from capital receipts from Right to Buy Sales.

4 HRA EXPENDITURE 2016/17

4.1 The budgeted expenditure for 2016/17 is £1.409 million higher than the approved budget for 2015/16. The major variations are set out below:

| | £000 | Paragraph |
|--|--------------|-----------|
| Reactive Maintenance | 241 | 4.2 |
| Supervision and Management/Rent, Rates, Taxes and other charges | (18) | 4.3 |
| Capital Financing Costs | 2 | 4.4 |
| Contribution to Capital Supporting Housing Strategy | 1,184 | 4.5 |
| Total | 1,409 | |

4.2 **Reactive Maintenance £241,000** – The reactive maintenance budget has been increased by £51,000 to take account of inflationary increases. In addition £190,000 of staffing costs that had previously been shown in supervision and management costs will in future be added as oncosts to the costs of individual jobs and therefore appear as part of reactive maintenance expenditure.

4.3 **Supervision and Management / Rent, Rates, Taxes and Other Charges (£18,000)** – Supervision and Management costs will reduce by £190,000 due to the switch of some employee costs to the reactive maintenance budget. This budget virement is however offset by additional costs of £172,000, principally due to inflationary increases of £156,000, including changes in National Insurance, and increased dwellings' insurance costs of £20,000.

4.4 **Capital Financing Costs £2,000** – There is a £2,000 increase in the Housing Revenue Account's contribution to the Council's debt and investment management costs.

4.5 **Contribution to Capital Supporting Strategy £1.184 million** – In 2015/16 the full £12.483 million Housing Public Sector Capital Programme was budgeted to be financed from revenue resources. As detailed in Section 7 a larger capital programme is proposed for 2016/17. The maximum resources available from revenue to finance the programme, resulting in a balanced Housing Revenue Account for the year, are £13.667 million. This is £1.184 million more than in 2015/16.

5 HRA RESERVE BALANCE

5.1 The HRA Reserve balance as at 1 April 2015 was £1.014 million. The original 2015/16 HRA budget showed an estimated surplus of £1.462 million. During 2015/16 the following net budget savings totalling £93,000 have occurred or are forecast and will increase the estimated year end surplus to £1.555 million which, in accordance with current policy, will be transferred to the Acquisitions and Development Reserve.

| | |
|--|-------------|
| | £000 |
| 5.2 Dwelling rent income increase | (203) |
| Non Dwellings rent - Garages decrease | 28 |
| Dwellings insurance cost increase | 20 |
| Housing Repairs System Rephasing from 2014/15 | 30 |
| Grounds Maintenance Equipment Rephasing from 2014/15 | 17 |
| Revenue funding of Capital Programme | |
| New build/Acquisitions | 2,492 |
| North Milton Project Rephasing | (1,677) |
| Major Repairs Programme Rephasing | (800) |
| Total | (93) |

5.3 The proposed HRA budget for 2016/17 currently shows a break even position, resulting in no change to reserve balances. The estimated Housing Revenue Account balance at 31 March 2016 and 31 March 2017 will therefore be £1.014 million.

6 CAPITAL PROGRAMME 2016/17

6.1 The proposed Housing Public Sector capital expenditure programme for 2016/17 totals £16.536 million. The detailed programme and anticipated funding is set out below:

| | Original 2015/16 £000 | Latest 2015/16 £000 | Original 2016/17 £000 |
|--------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
| Proposed Expenditure | | | |
| Environmental Enhancements | 400 | 400 | 300 |
| Major Repairs | 5,083 | 4,283 | 5,720 |
| New Build / Acquisitions | 3,650 | 6,300 | 4,000 |
| North Milton New Build | 2,720 | 1,200 | 2,803 |
| North Milton Env. Enhancements | 430 | 300 | 1,613 |
| Compton & Sarum New Build | 0 | 41 | 1,700 |
| Extensions To Property | 150 | 150 | 150 |
| Older Persons Schemes Alterations | 0 | 0 | 250 |
| PV Panels Bannister Court | 50 | 50 | 0 |
| New Build Totton Flats | 0 | 50 | 0 |
| TOTAL | 12,483 | 12,774 | 16,536 |
| Funded by NFDC Resources | | | |
| Revenue | 12,483 | 12,774 | 13,667 |
| Capital Receipts | 0 | 0 | 1,000 |
| Acquisitions and Development Reserve | 0 | 0 | 1,869 |
| TOTAL | 12,483 | 12,774 | 16,536 |

6.2 The proposed capital programme for 2016/17 is £4.053 million greater than the original 2015/16 programme. The increase is mainly due to the inclusion of £1.7 million for a new build development of 35 dwellings at the Compton and Sarum House site in Totton, an additional £1.183 million for the North Milton Environmental Enhancements scheme, an increase of £637,000 in the Major Repairs Programme, an additional £350,000 for property acquisitions and the inclusion of £250,000 for alterations within Older Persons schemes.

- 6.3 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 2015/16 RTB sales have continued to be high with 25 properties expected to be sold by the end of the year. However, the Council's new build/acquisition programme should deliver 34 (30 acquisitions and 4 new build flats) new properties in 2015/16.
- 6.4 The capital spending power of the Council is limited by the availability of usable capital receipts, the level of Government Grants or Developers' Contributions, the ability to fund capital expenditure from revenue sources (HRA rents and reserves) 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 We are happy with the rent decreases and feel it represents great value for money for all tenants. We are very proud to have been involved in the void project which has helped increase the income collected this year.

We are fully supportive of the increased budget for the capital programme in 2016/17 which will ensure tenants continue to have a high standard of accommodation to live in, while still buying and building more homes for new tenants.

11 PORTFOLIO HOLDER COMMENTS

- 11.1 The recommendations contained in this report conform to the latest Government guidelines.
- 11.2 The fifth 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

That the Cabinet be asked to recommend to the Council:

- i) that the HRA budget as set out in Appendix 1 of this report be agreed;
- ii) that from 4 April 2016, a reduction in rents of 1% from the 2015/16 rent level, in accordance with Government requirements, be agreed;
- iii) that from 4 April 2016, an increase of 2% in hostel service charges be agreed;
- iv) that from 4 April 2016, an increase of 2% in older persons' accommodation service charges be agreed;
- v) that from 4 April 2016, no increase in garage rents be agreed; and
- vi) that a 2016/17 Housing Capital Programme of £16.536m, as set out in paragraph 7.1 above, be agreed.

Further Information:

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Background Papers:

Published documents as referred to within this report.