

HOUSING REVENUE ACCOUNT BUDGET AND HOUSING PUBLIC SECTOR CAPITAL EXPENDITURE PROGRAMME 2017/18

1 INTRODUCTION

- 1.1 This report sets out a proposed Housing Revenue Account (HRA) budget and a proposed Housing Public Sector Capital Programme for 2017/18. Cabinet is required to recommend budgets for consideration at Council on 20 February 2017.
- 1.2 The budgets for 2017/18 are the sixth 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, in accordance with the Acquisitions and Development Strategy approved by Cabinet in November 2016.
- 1.3 The proposed budgets for 2017/18 were considered by tenants at the Resident Involvement Development Day on 20 January 2017. Their comments are set out in paragraph 10 of this report.
- 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 2017/18.
- 2.2 **Housing Rents**
 - 2.2.1 The report identifies a proposed rent reduction of 1%, in line with the Government's current requirement.
 - 2.2.2 Following the rent reduction, average weekly rents will be £99.97 for 2017/18. The actual reduction will vary by property, but will amount to an average reduction of £1.01 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. In order to do so it is proposed that current service charge levels are increased by 1.25%.

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. For 2017/18 inflationary budgetary pressures have been offset by other budget savings and it is therefore proposed that service charge levels be retained at their current level.

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 2017/18

3.1 Estimated total income for 2017/18 is £194,000 lower than the original budget for 2016/17. The income variations from the 2016/17 approved budget are set out below:

	£000	Paragraph
Dwelling Rents	240	3.2
Non Dwelling Rents	(24)	3.3
Service Charges	(1)	3.4
Other Income	(21)	3.5
Total	194	

3.2 **Dwelling Rents £240,000** – The proposed budget for 2017/18 includes the £263,000 effect of the 1.0% rent reduction proposed in paragraph 2.2, but the reduction is partially offset by net additional income from the new properties at North Milton, the loss of properties at Cranleigh Paddock and the net movement in property numbers during 2016/17.

3.3 **Non Dwelling Rents (£24,000)** – This income is derived from garages and rents of other housing land. The increase reflects the current 2016/17 rent income estimates, which are more than the original budget due to reduced garage voids arising from greater demand.

3.4 **Service Charges (£1,000)** – Service charges are set in order to cover the costs incurred. This increase principally reflects the proposed hostel increase set out in paragraph 2.3.1.

- 3.5 **Other Income (£21,000)** – This is principally due to increased income arising from the administration element deducted from capital receipts from Right to Buy Sales (£6,500) and an increase in the Shared Amenities Contribution (£14,500), following additional grounds maintenance costs included within Supervision and Management costs in paragraph 4.4 below.

4 HRA EXPENDITURE 2017/18

- 4.1 Budgeted expenditure for 2017/18 is £194,000 lower than the approved budget for 2016/17. The major variations are set out below:

	£000	Paragraph
Disabled Facilities	191	4.2
Supervision and Management	95	4.3
Capital Financing Costs	4,096	4.4
Contribution to Capital Supporting Housing Strategy	(4,576)	4.5
Total	<u>(194)</u>	

- 4.2 **Disabled Facilities £191,000** – The annual Disabled Facilities budget has been set at £509,000 since 2014/15. Actual expenditure on these statutory adaptations, however, was £625,000 in 2014/15 and £703,000 in 2015/16. It is therefore proposed to increase the budget in 2017/18 by £191,000 to £700,000, to meet anticipated ongoing responsibilities.
- 4.3 **Supervision and Management £95,000** – Supervision and Management costs will increase by £95,000 due principally to pay and prices increases of £113,000 and £57,000 additional costs from the Council's Asset Maintenance and Replacement Programme, offset by savings of £73,000 from service reviews.
- 4.4 **Capital Financing Costs £4.096 million** – As referred to in paragraph 1.2 the first £4.1 million instalment of the Housing Settlement loan is due for repayment in 2017/18. This cost is marginally offset by a £4,000 reduction in estimated Debt and Investment Management Costs. .
- 4.5 **Contribution to Capital Supporting Strategy (£4.576 million)** – In 2016/17 £13.667 million of the Housing Public Sector Capital Programme was budgeted to be financed from revenue resources. In order to retain a balanced housing Revenue Account budget for 2017/18 the maximum resources available has reduced by £4.576 million to £9.091 million, due to the £4.1 million loan instalment repayment in paragraph 4.5 and the other net budget costs referred to in Sections 3 and 4.

5 HRA RESERVE BALANCE

- 5.1 The HRA Reserve balance as at 1 April 2016 was £1.043 million. The original 2016/17 HRA budget showed a break-even position for the year. During 2016/17 the following net budget savings and rephasings totalling £3.035 million have occurred or are forecast. In accordance with current policy these will be transferred to the Acquisitions and Development Reserve.

	£000	£000
Dwelling rent income reduction	40	
Garage rent income increase	(24)	
Right to Buy Administration Recharge	(20)	(4)
Revenue funding of Capital Programme		
Compton & Sarum New Build Rephasing	(1,600)	
Major Repairs Programme Rephasing	(1,720)	
North Milton Rephasings from 15/16	300	
Other Variations	(11)	(3,031)
Total		(3,035)

- 5.2 The proposed HRA budget for 2017/18 currently shows a break even position, resulting in no change to the reserve balance. The estimated Housing Revenue Account balance at 31 March 2017 and 31 March 2018 will therefore be £1.043 million.

6 CAPITAL PROGRAMME 2017/18

- 6.1 The proposed Housing Public Sector capital expenditure programme for 2017/18 totals £15.290 million. The detailed programme and anticipated funding is set out below:

	Original 2016/17 £000	Latest 2016/17 £000	Original 2017/18 £000
Proposed Expenditure			
Environmental Enhancements	300	300	300
Major Repairs	5,720	4,000	5,940
New Build / Acquisitions	4,000	4,000	3,500
North Milton New Build	2,803	2,968	0
North Milton Env. Enhancements	1,613	1,748	0
Compton & Sarum New Build	1,700	100	1,600
Stocklands New Build	0	0	500
Extensions To Property	150	120	150
Older Persons' Schemes Alterations	250	100	400
S106 Developments	0	100	2,900
TOTAL	16,536	13,436	15,290
Funded by			
Revenue	13,667	10,636	9,091
Capital Receipts	1,000	2,800	2,800
Acquisitions and Dev. Reserve	1,869	0	3,399
TOTAL	16,536	13,436	15,290

- 6.2 The proposed capital programme for 2017/18 reflects the Housing Buy- Back and Development Strategy approved by Cabinet in November 2016 and is £1.246 million less than the original 2016/17 programme. The reduction is principally due to the completion of the North Milton Environmental Enhancements project in 2016/17 (£1.613 million) offset by increases of £220,000 in Major Repairs expenditure and £150,000 in Older Persons' Schemes Alterations.
- 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 2016/17 RTB sales have continued to be high with 27 properties sold to date at 31 December 2016. However, the Council's new build/acquisition programme should deliver 42 (19 acquisitions, 21 new build and 2 remodelling) new properties in 2016/17.
- 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 Well written report and very explanatory. Tenants are very supportive of the way in which the HRA is being used, especially in these financially challenging times. It is encouraging to note that, although housing stock is lost because of the Right to Buy scheme, New Forest District Council continues to be able to increase the number of homes available. We agree with the recommendations made in this report.

11 PORTFOLIO HOLDER COMMENTS

- 11.1 I am happy with this report. In line with the Government's requirements we continue to reduce our rents by 1% each year.

12 RECOMMENDATIONS

12.1 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 3 April 2017, a reduction in rents of 1% from the 2016/17 rent level, in accordance with Government requirements be agreed;
- iii) that from 3 April 2017, an increase of 1.25% in hostel service charges be agreed;
- iv) that from 3 April 2017, no change in older persons' accommodation service charges be agreed;
- v) that from 3 April 2017, no increase in garage rents be agreed; and
- vi) that a 2017/18 Housing Capital Programme of £15.290m, as set out in paragraph 6.1 above, be agreed.

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Background Papers:

Published documents as referred to within this report.