

CABINET – 7 FEBRUARY 2018

HOUSING REVENUE ACCOUNT BUDGET AND HOUSING PUBLIC SECTOR CAPITAL EXPENDITURE PROGRAMME 2018/19

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 2018/19.
- 1.2 The budgets for 2018/19 are the sixth year of the HRA self-financing system. The second £4.1 million instalment of principal repayment of the settlement loan is due to be made in March 2019, in accordance with the Acquisitions and Development Strategy approved by Cabinet in November 2016.
- 1.3 The proposed budgets for 2018/19 were considered by tenants at the Tenant Involvement Group Day on 19 January 2018. Their comments are set out in paragraph 10 of this report.
- 1.4 The proposed HRA budget is attached as **Appendix 1**. Cabinet is required to recommend budgets for consideration at Council on 26 February 2018.

2 KEY ISSUES

- 2.1 Members are asked to consider a number of financial issues for 2018/19.
- 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. A further 1% reduction is due in 2019/20 but 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 £99.03 for 2018/19. The actual reduction will vary by property, but will amount to an average reduction of £1.00 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. For 2018/19 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 for both hostels and older persons' accommodation.
 - 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 service received.

2.3.3 As previously reported to tenants a full review of services provided and specific service charges will be carried out during 2018/19.

2.4 Garage Rents

2.4.1 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.

2.5 Planned Maintenance & Improvement Works

2.5.1 The report proposes total budgetary provision of £7.472 million for planned maintenance and improvement works to houses and estates. Details of the proposed works for 18/19 and an indication of proposals for the following four years are set out in Appendix 2.

3 HRA INCOME 2018/19

3.1 Estimated total income for 2018/19 is £252,000 lower than the original budget for 2017/18. The income variations from the 2017/18 approved budget are set out below:

	£000	Paragraph
Dwelling Rents	323	3.2
Non Dwelling Rents	(19)	3.3
Service Charges	11	3.4
Other Income	(63)	3.5
Total	252	

3.2 **Dwelling Rents £323,000** – The proposed budget for 2018/19 includes the £260,000 effect of the 1.0% rent reduction proposed in paragraph 2.2 and £63,000 for the loss of properties at Cranleigh Paddock. In addition, additional income of £32,000 from improved void performance is matched by reduced income from the net movement in property numbers during 2017/18.

3.3 **Non Dwelling Rents (£19,000)** – This income is derived from garages and rents of other housing land. The increase reflects the current 2017/18 rent income estimate, which is more than the original budget, predominantly due to reduced garage voids arising from greater demand.

3.4 **Service Charges £11,000** – Service charges are set in order to cover the costs incurred. This decrease principally reflects the impact of the loss of properties at Cranleigh Paddock.

3.5 **Other Income (£63,000)** – This is principally due to £51,000 additional interest earnings following the recent bank base rate increase and an increase in the Shared Amenities Contribution (£11,500), following additional estate management costs included within Supervision and Management costs in paragraph 4.4 below.

4 HRA EXPENDITURE 2018/19

- 4.1 Budgeted expenditure for 2018/19 is £252,000 lower than the approved budget for 2017/18. The major variations are set out below:

	£000	Paragraph
Reactive Maintenance	(117)	4.2
Disabled Facilities Adaptations	(700)	4.3
Supervision and Management	280	4.4
Rents, Rates, Taxes and Other Charges	16	4.5
Capital Financing Costs	(56)	4.6
Operating Expenditure	(577)	
Contribution to Capital - Supporting Housing Strategy	325	4.7
Total	(252)	

- 4.2 **Reactive Maintenance (£117,000)** – In 2017/18 and recent previous years staffing costs for Maintenance Operative Officers were accounted for as an oncost to the cost of works and were chargeable to the Reactive Maintenance works budget. From 2018/19 these costs will be removed from the oncost and will instead be charged as an allocation to Supervision and Management costs. The reactive maintenance budget reduction will therefore be matched by a Supervision and Management budget increase (para 4.4).
- 4.3 **Disabled Facilities Adaptations (£700,000)** – The Disabled Facilities budget has been transferred from the Housing Revenue Account to the Housing Capital Programme to ensure optimum use of Government Grant funding. This will also ensure consistent accounting treatment with the Private Sector Disabled Facilities Grant budget programme.
- 4.4 **Supervision and Management £280,000** – Supervision and Management budgets will increase by £280,000 due to pay and prices increases of £135,000, £117,000 from the budget virement from Reactive Maintenance, £38,000 from increased property insurance costs and £85,000 from the Council's Asset Investment Programme, offset by savings of £95,000 in various staffing, premises and supplies and services budgets.
- 4.5 **Rents, Rates, Taxes and Other Charges £16,000** – This increase is largely due to increased Council Tax payments on vacant dwellings.
- 4.6 **Capital Financing Costs (£56,000)** – Interest costs have reduced by £61,500 due to the repayment of the first £4.1 million instalment of the settlement loan in March 2017. This is offset by an increase of £5,500 in other prescribed interest charges due to the recent increase in the bank base rate.
- 4.7 **Contribution to Capital - Supporting Housing Strategy £325,000** – As current HRA reserves are considered to be at a prudent level any operating surplus is invested into the Housing Capital Programme. For 2018/19 this contribution is estimated at £9.416 million, an increase of £325,000 from 2017/18. The increase 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 2017 was £1.00 million. The original 2017/18 HRA budget showed a break-even position for the year. During 2017/18 the following net budget savings totalling £681,000 have occurred or are forecast. In accordance with current policy these will be transferred to the Acquisitions and Development Reserve.

	£000
Disabled Facilities Adaptations	
Budget Underspend	(150)
Budget Transfer to Housing Capital Programme	(550)
Dwelling rent income reduction	63
Garage rent income increase	(19)
Service Charges	11
Interest Earnings	(36)
Total	(681)

5.2 The proposed HRA budget for 2018/19 currently shows a break even position, resulting in no change to the reserve balance. The estimated Housing Revenue Account balance at 31 March 2018 and 31 March 2019 will therefore be £1.000 million.

6 CAPITAL PROGRAMME 2018/19

6.1 The proposed Housing Public Sector capital expenditure programme for 2018/19 totals £18.552 million. The detailed programme and anticipated funding is set out below:

	Original 2017/18 £000	Latest 2017/18 £000	Original 2018/19 £000
Proposed Expenditure			
Planned Maintenance & Improvements	5,940	5,940	5,700
General Acquisitions	3,500	4,050	3,700
Compton & Sarum New Build	1,600	2,225	1,865
Stocklands New Build	500	100	2,827
Other New Build	0	10	80
Environmental Enhancements	300	300	300
Extensions To Property	150	20	200
Older Persons' Schemes Alterations	400	250	250
S106 New Build Acquisitions	2,900	2,550	2,880
Disabled Facilities Adaptations	0	550	750
TOTAL	15,290	15,995	18,552
Funded by			
Revenue	9,091	9,091	9,416
Capital Receipts	2,800	3,000	3,000
Acquisitions and Dev. Reserve	3,399	3,354	5,786
Government Grant	0	550	350
TOTAL	15,290	15,995	18,552

- 6.2 The proposed capital programme for 2018/19 reflects the Housing Buy- Back and Development Strategy approved by Cabinet in November 2016 and is £3.262 million more than the original 2017/18 programme. The increase is principally due to the phasing of the new build schemes at Stocklands and Compton & Sarum and the transfer of the Disabled Facilities Adaptations budget into capital from the Housing Revenue Account.
- 6.3 The Government introduced changes to the Right to Buy system in April 2013, 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 2017/18 RTB sales have continued to be high with 26 properties sold to date at 31 December 2017. However, the Council's new build/acquisition programme should deliver 19 (17 acquisitions and 2 remodelling) new properties in 2017/18 and significant progress has been made on the Compton & Sarum and Alexandra Road, Lymington schemes which will deliver 52 units in 18/19.
- 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 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 We feel that this is an excellent report, well laid out and self-explanatory. We are reassured that the Council is making excellent use of the HRA budget and the proposed plans offer good value for money. We also feel it is positive that the majority of maintenance work is being done in-house by skilled teams that can be trusted.

11 PORTFOLIO HOLDER'S COMMENTS

- 11.1 I am very pleased that the proposed budget will enable us to continue to manage and maintain our Council housing stock to high standards. We continue to fund a broad range of repairs and improvements and this investment ensures that our houses are in good repair and meet the Decent Homes Standard.
- 11.2 In line with the Government's requirements we continue to reduce our rents by 1% each year but I am pleased to see that there are indications that rent increases will be reinstated from 2020/21 to enable ongoing high standards of provision.
- 11.3 I fully support the report recommendations.

12 RECOMMENDATIONS

- 12.1 That the Cabinet be asked to approve the proposed planned maintenance and improvement works programme for 2018/19, as set out in Appendix 2, and recommend to the Council:
- i) that the HRA budget as set out in Appendix 1 of this report be agreed;
 - ii) that from 02 April 2018, a reduction in rents of 1% from the 2017/18 rent level, in accordance with Government requirements, be agreed;
 - iii) that from 02 April 2018, no change in hostel service charges be agreed;
 - iv) that from 02 April 2018, no change in older persons' accommodation service charges be agreed;
 - v) that from 02 April 2018, no increase in garage rents be agreed; and
 - vi) that a 2018/19 Housing Capital Programme of £18.552m, as set out in paragraph 6.1 above, be agreed.

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Background Papers:

Published documents as referred to within this report.