

additional papers 1



Executive Committee

Tue 6 Feb
2018
7.00 pm

Committee Room Two
Town Hall
Redditch



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Executive

Tuesday, 6th February, 2018

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

Cllrs:	Bill Hartnett (Chair)	Brandon Clayton
	Greg Chance (Vice-Chair)	John Fisher
	Joe Baker	Mark Shurmer
	Juliet Brunner	Pat Witherspoon
	Debbie Chance	

8. HRA Initial Budget 2018/19 - 2020/21 (Pages 1 - 8)

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COMMITTEE**

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HOUSING REVENUE ACCOUNT BUDGET 2018/19

Relevant Portfolio Holder	Councillor Mark Shurmer, Portfolio Holder for Housing
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Director Finance & Resources Judith Willis, Head of Community Services
Wards Affected	All Wards
Ward Councillor Consulted	N/A
Key Decision	

1. SUMMARY OF PROPOSALS

To present Members with the Initial Budget for the Housing Revenue Account and the proposed dwelling rents for 2018/2019.

2. RECOMMENDATIONS

The Committee is asked to **RECOMMEND** that

- 1) the draft 2018/2019 Budget for the Housing Revenue Account attached to the report at Appendix A be approved;
- 2) the budget projection for 2018/19 incorporating the 1% rent reduction be approved;
- 3) the actual average rent decrease for 2018/2019 be 1%;
- 4) that a capital budget of £150k be approved for a stock condition survey to be carried out
- 5) that £0.876k be transferred from the general reserve in 2018/19 to fund the future HRA revenue budgets
- 6) that £5.1m be transferred from the Major Repairs Reserve to fund the HRA capital programme.

3. KEY ISSUES

Financial Implications

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- 3.1 This report only considers those items included in the Housing Revenue Account (HRA). General Fund items will be considered separately when setting the Council Tax.
- 3.2 The rent increase that would have applied in 2018/19, if it were not for the Welfare Reform and Work Act 2016, would have been 4%, September CPI plus 1% which would have generated over £900k additional income to fund the Housing Service.
- 3.3 As members are aware the system of housing revenue account subsidy ceased on the 31st March 2012 and was replaced with a devolved system of council housing finance called self-financing. The proposal in the form of a financial settlement meant a redistribution of the 'national' housing debt. This resulted in the Council borrowing £98.9m from the Public Works Loan Board.
- 3.4 Self-financing has placed a limit (Debt Cap) on borrowing for housing purposes at the closing position for 2011/12. This is set at £122.2m. The figures at Appendix A allow for the payment of interest on this sum. It is worth advising members that the Government have announced a policy of lifting this cap and enabling Councils in high need to bid for additional borrowing from 2019/20.
- 3.5 The Welfare Reform and Work Act 2016 set out that rents within the social housing sector are to be decreased by 1% each year for 4 years commencing on 1st April 2016. This decrease is to take place on the 1st April for 2016, 2017, 2018 and 2019. 2018/19 will be the third year of a 1% rent reduction.
- 3.6 There has also been an increased number of right to buy sales reducing rent income to the HRA, which is set to continue.

2018/19

- 3.7 For 2018/19, based on the legislative changes, the actual average rent decrease for 2018/19 will be 1%. The average rent on a 52 week basis will be £77.80 for 52 weeks or £84.29 on a 48 week basis. This compares to the average for 2017/18 on a 52 week basis of £78.59 and £85.14 on a 48 week basis. See Appendix B for examples of rent by property type.
- 3.8 The impact of the 1% rent reduction over four years has a significant negative impact on the HRA. The HRA projected budget for 2018/19 has been included in Appendix A. This identifies that reserves will be required to balance the account.

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- 3.9 New housing stock purchased through the right to buy one for one replacement scheme will help balance the account and work is currently being undertaken to explore the extent that this can be maximised.

Capital Resources

- 3.10 In April 2013 the Government gave local authorities the option to retain these receipts in agreement that they would be used to replace the sales with either new build, buy back of properties or purchase on the open market (new stock). In the case where these receipts are not used then the Council will have to pay a back the capital receipts to the Government together with interest at 4% above base rate. Redditch has opted to retain the receipts.
- 3.11 The transitional period for the Major Repairs Allowance expired at the end of 2016/17 and was replaced from 2017/18 by component depreciation. Component depreciation is similar to a sinking fund where money is set aside annually so that there is enough to replace key components when required. The key components being bathrooms, kitchens, roof, wiring, boiler, central heating system, windows and structure. This should ensure there are sufficient resources set aside to meet future investment requirements. The cost is built into the projection attached as Appendix A.

Housing Repairs Account

- 3.12 The budgeted contribution to the Housing Repairs Account (Repairs and Maintenance) as shown at Appendix A is £5.1m for 2018/19, including inflationary increases where appropriate.

Right to Buy Scheme - Rent Income

- 3.13 In 2017/18 41 council homes have been sold to date. The budget and three year forecast assumes 75 right to buys per annum and this equates to a rent loss of £200k per annum. Over three years the rent loss totals nearly £600k.

Housing Revenue Account Balances

- 3.14 The Section 151 Officer has previously advised Members on the minimum level of revenue balances to be maintained in lieu of unforeseen events affecting the Housing Revenue Account and the Council's housing stock. Members have previously approved the retention of a minimum balance of £600k.

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Legal Implications

- 3.15 Section 76 of the Local Government and Housing Act 1989 requires that the Council sets its budget relating to the Housing Revenue Account such that the account does not plan to be in a deficit position.
- 3.16 Section 21 of the Welfare and Reform Act 2016 requires 'In relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing in England is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months.'

Service/Operational Implications

- 3.17 The Council needs to approve the rents in a timely manner in order to allow officer time to notify the tenants of the annual rent. Tenants must have 28 calendar days' notice of any change to their rent charge.

Customer/Equalities and Diversity Implications

- 3.18 The rent decrease will be applied by the same percentage regardless of property size. The 2018/19 Budget provides for continuity of existing services. The equality and diversity implications of the changes will be evaluated and considered as part of the decision making process.

4. RISK MANAGEMENT

- 4.1 There is a risk to the HRA Capital Programme if sufficient resources do not exist within the Housing Revenue Account to provide funding now that the Council is unable to borrow to fund the housing capital programme.
- 4.2 The risk continues to be recorded in the Risk Register for the Council.

5. APPENDICES

Appendix A - Housing Revenue Account Budget 2018/19

6. BACKGROUND PAPERS

None.

AUTHOR OF REPORT

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HOUSING REVENUE ACCOUNT (HRA) - 2018/19

	2017/18 Budget £'000	2018/19 Budget £'000
<u>INCOME</u>		
Dwelling Rents	23,387	22,805
Non-Dwelling Rents	499	483
Tenants' Charges for Services & Facilities	591	648
Contributions towards Expenditure	54	18
Total Income	24,531	23,954
<u>EXPENDITURE</u>		
Repairs & Maintenance	5,037	5,187
Supervision & Management	7,353	8,542
Rent, Rates, Taxes & Other Charges	189	149
Provision for Bad Debts	400	400
Depreciation & Impairment of Fixed Assets	5,597	6,129
Interest Payable & Debt Management Costs	4,179	4,179
Total Expenditure	22,754	24,586
Net cost of Services	-1,778	632
Net Operating Expenditure	-1,778	632
Interest Receivable	-53	-36
Revenue Contribution to Capital Outlay (RCCO)	1,050	280
Transfer to/(from) general reserves	0	-876
Transfer to/(from) Earmarked Reserves	781	0
(Surplus)/Deficit on Services	0	0
<u>HOUSING REVENUE ACCOUNT BALANCE</u>		
Surplus as at beginning of year	1,476	1,476
Surplus/(deficit) for year	0	-876
Surplus as at end of year	1,476	600
<u>CAPITAL ACCOUNT</u>		
<u>Expenditure</u>		
Repairs & Maintenance Capital Programme		3,000
Disabled Adaptations		696
Environmental Improvements		375
Housing Growth (1-4-1 purchases)		1,902
		<u>5,973</u>
<u>Financing</u>		
Major Repairs Reserve (MRR)		-5,123
Direct Revenue Financing (RCCO)		-280
Right To Buy Receipts		-571
		<u>-5,973</u>

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