

# EXECUTIVE COMMITTEE

20<sup>th</sup> January 2015

## HOUSING REVENUE ACCOUNT INITIAL ESTIMATE 2015/16

Relevant Portfolio Holder	Councillor Mark Shurmer, Portfolio Holder for Housing
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Director Finance & Resources Liz Tompkin, Head of Housing
Wards Affected	All Wards
Ward Councillor Consulted	N/A
Non-Key Decision	

### 1. SUMMARY OF PROPOSALS

To present Members with the Initial Estimates for the Housing Revenue Account for 2015/2016 and the proposed dwelling rents for 2015/2016.

### 2. RECOMMENDATIONS

**The Committee is asked to RECOMMEND that**

- 1) the draft 2015/2016 Estimates for the Housing Revenue Account attached to the report at Appendix A, be approved;**
- 2) the actual average rent increase for 2015/2016 be 2.2% (1.2% CPI plus 1% as per government guidelines); and**
- 3) that £3m be transferred to a reserve as a Revenue Contribution to Capital to fund the future Capital Programme and repay borrowing.**

### 3. KEY ISSUES

#### Financial Implications

- 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 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 £98,929 million from the PWLB.

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- 3.3 Self-financing has placed a limit (Debt Cap) on borrowing for housing purposes at the closing position for 2011/12. This is set at £122,158,000. The figures at Appendix A allow for the payment of interest on this sum. This means that all future capital programmes will have to be funded from revenue contribution, capital receipts or grants.
- 3.4 Rent convergence was due to continue until 2015/16, however government policy has changed. In May 2014 Government produced a paper on Guidance on Rents for social Housing which signalled their change in policy. From 2015/16 rents in the social sector should increase by CPI plus 1% annually, rather than the previous formula of RPI + 1%. The move from RPI to CPI follows the office for national statistics' announcement in January 2013 that the formula used to produce the retail price index does not meet international standards.
- 3.5 Failure to increase the rents by the recommended amount will affect the authority's ability to manage the debt in line with the 30 year Business case that was agreed as part of self-financing. The capital programme for maintaining our stock at decent homes standards also requires a high level of investment which can only be achieved by increasing our rents.

### 2015/16

- 3.6 This section of the report outlines the major issues which have an impact upon the Housing Revenue Account budget setting process for 2015/16.
- 3.7 Based on the CPI figure for September 2014 of 1.2% and using the new government guide lines for calculating dwelling rents, the actual average rent increase for 2015/16 will be 2.2%. The average rent on a 52 week basis will be £80.23 or £86.91 on a 48 week basis. This compares to the actual average for 2014/15 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.

### Capital Resources

- 3.8 From the 1st of April 2004 capital receipts from the sale of housing land and dwellings have been subject to pooling, (75% of Right to Buy (RTB) receipts have to be paid to the Government for redistribution).
- 3.9 In April 2013 the government gave council's 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. In the case where these receipts are not used then the council

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will have to pay a fee back to the government for retaining them. This council has opted to retain the receipts.

- 3.10 Officers have estimated that in the short term the number of RTB sales for this Council will be around 40 per annum, generating around £600k in usable capital receipts.
- 3.11 The introduction of the Major Repairs Allowance from April 2001 provided the Council with additional capital resources. Following the introduction of self-financing the Council is able to continue to use this amount for a transitional period of 5 years. The figure has been adjusted for the reduction in stock and uplifted by CPI in line with the rents. The figure for 2015/16 is £5,834,171.
- 3.12 The Council has previously made transfers of monies from the HRA, when resources permit, to a reserve to fund future capital programmes. It is estimated that there will be sufficient resources in the HRA in 2015/16 to allow £3.m to be transferred in this way. With the introduction of a Debt Cap from 1st April 2012 these monies will be required to support the Housing Capital Programme. The approved capital programme for 2015/16 totals £7.48million.

Housing Repairs Account

- 3.13 The budgeted contribution to the Housing Repairs Account as shown at Appendix A is £4,682,986 for 2015/16, including inflationary increases where appropriate.

Right to Buy Scheme – Rent Income

- 3.14 In 2015/16 figures it is anticipated there will be the sale of 40 Council homes. However it is not likely to impact rental income due to the plans to 'buy back' properties and the mortgage rescue scheme which will increase the rental income.

Housing Revenue Account Balances

- 3.15 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 £600,000.
- 3.16 The figures shown in Appendix A indicate that the estimated balance carried forward at the 1st April 2015 will be £1,106,002 which will leave a working balance of £978,097 at the 31st March 2016.

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Legal Implications

- 3.17 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.

Service/Operational Implications

- 3.18 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 increase.

Customer/Equalities and Diversity Implications

- 3.19 The rents have been increased by the same percentage regardless of property size. The increase enables us to keep rents affordable also enabling the continuation of the capital programme investing in the councils housing stock.

**4. RISK MANAGEMENT**

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.

**5. APPENDICES**

Appendix A – Housing Revenue Account Budget 2015/16.  
Appendix B – Examples of rent by property type

**6. BACKGROUND PAPERS**

None.

**AUTHORS OF REPORT**

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