

FAREHAM

BOROUGH COUNCIL

Report to Housing Tenancy Board

Date **26 January 2015**

Report of: **Director of Finance and Resources**

Subject: **HOUSING REVENUE ACCOUNT INCLUDING HOUSING CAPITAL
PROGRAMME FOR 2015/16**

SUMMARY

The Board is asked to consider the proposed spending plans for the housing revenue account services, so that the Board's comments can be forwarded to the Executive for consideration at its meeting on 2 February 2015.

RECOMMENDATION

That the Board recommend to the Executive that:-

- a) Individual rents increases be approved for Council Dwellings with effect from 6 April 2015;
- b) Rents for Council garages to be increased by 5% with effect from 6 April 2015;
- c) Discretionary fees & charges to be increased to provide an increase of 5%, where possible, with effect from 6 April 2015;
- d) The revised budget for 2014/15 be approved;
- e) The base budget for 2015/16 be approved;
- f) The capital programme and financing for 2014/15 to 2018/19 be approved; and
- g) Annual budgets and assumptions are set with the aim of ensuring sufficient surpluses are held to repay debt on the maturity of each loan.

INTRODUCTION

1. This report brings together the revenue and capital spending plans for 2014/15 and 2015/16 for the Board to consider. On 6 October 2014, the Executive approved the Council's Finance Strategy for 2015/16 and later years. The budget guidelines contained within the Strategy have been used as a basis for the Housing Revenue Account (HRA) spending plans.

CAPITAL PROGRAMME - APPENDIX A

2. The five year capital programme has been updated and is summarised in the following table. More details of the capital schemes and its financing can be found in Appendix A.

Year	£'000
2014/15	7,351
2015/16	11,232
2016/17	3,207
2017/18	2,240
2018/19	2,375
	<u>26,405</u>

3. The financing of the capital programme is mainly from the Major Repairs Reserve, Revenue Contributions to Capital, external grants, and 1:4:1 receipts from Right-to-Buy (RTB) sales.
4. The major schemes in 2015/16 and 2016/17 are the construction of 16 flats in Palmerston Avenue, 6 houses in Coldeast Close and a new sheltered scheme at the former Coldeast site plus improvements to existing stock.
5. Following the changes to the Right-to-Buy scheme, we are required to utilise retained 1:4:1 RTB receipts to increase our housing stock. Such proceeds must represent no more than 30% of the cost of acquisition or new build with the balance being met from revenue reserves or borrowing and to use the monies within three years of being received. It is intended not to borrow for this purpose.
6. Now that we are using our own staff for building repairs, there is a requirement to purchase vehicles for the team. It is anticipated that these will be replaced on a rolling five year programme.

REVENUE BUDGETS

7. The following tables summarise the base and revised budgets for 2014/15 and the base budget for 2015/16, of the HRA and its Repairs Account.
8. Until this year, we have maintained a fixed year-end balance on the Repairs Account of £1,800,000. This balance has existed for many years and has not been called upon. The purpose of the reserve was to protect the revenue account from fluctuations in the level of repairs. It is now intended to reduce the year-end balance to £1,000,000 at the end of 2014/15 and £500,000 at the end of 2015/16 which will have the effect of a reduced transfer from the Housing Revenue Account for the next three years.

	Base Budget 2014/15 £000s	Revised Budget 2014/15 £000s	Base Budget 2015/16 £000s
Housing Revenue Account			
Income from service	-12,120	-11,983	-12,268
Expenditure on service	6,962	4,881	5,086
Net cost of service	-5,158	-7,102	-7,182
Interest paid and received	1,721	1,735	1,702
Revenue contribution to capital expenditure etc.	3,852	4,776	5,836
Surplus (-ve) / deficit	415	-591	356
Opening Balance	-4,908	-4,118	-4,709
Closing Balance	-4,493	-4,709	-4,353
Housing Repairs Account			
Income	-1,679	-874	-1,081
Expenditure	1,679	1,674	1,581
(Surplus) / deficit	0	800	500
Opening balance	-1,800	-1,800	-1,000
Closing balance	-1,800	-1,000	-500
Overall closing balance	-6,293	-5,709	-4,853

RENT INCREASES – APPENDIX B

9. Rents are set in line with the Government's rent setting policy. In the Spending Review of 2013, the Government announced its intention that social rents would increase by CPI +1% from 2015/16 - 2024/25. This was formalised in the Guidance on Rents for Social Housing issued by DCLG in May 2014. CPI as at end of September was 1.2%. Rents will therefore increase by 2.2%.
10. When we left the HRA Subsidy System, rents were assumed to continue to move towards convergence by 2015/16. The aforementioned Spending Review took away the ability for Local Authorities to increase rents, for tenants in situ, to achieve convergence by the said date.
11. To enable us to achieve convergence, we let vacant properties at Formula Rents.
12. Appendix B shows examples of proposed new rents.

FEES AND CHARGES - APPENDIX C

13. The current fees and charges for the HRA and the proposed charges for 2015/16 are set out in appendix C. The proposed discretionary fees have been increased wherever possible to achieve a 5% increase.
14. The statutory charge is subject to the control and advice of Government. The current level of charge has been set at the maximum allowed.

CONCLUSION

15. The Board is asked to review the revised budget for 2014/15, the base budget for 2015/16, the capital programme, the recommend increased to rents and charges and to consider whether it wishes to submit comments for consideration by the Executive.

Background Papers:

Reference Papers:

HRA 30 year Business Plan

Report to the Executive 6 October – Annual Review of the Council's Finance Strategy

[DCLG - Guidance on Rents for Social housing](#)

Enquiries:

For further information on this report please contact Kevin Golledge. (Ext 4331)

APPENDIX A

	2014/15	2015/16	2016/17	2017/18	2018/19
CAPITAL PROGRAMME AND FINANCING	£'000	£'000	£'000	£'000	£'000
Housing Improvements	2,047	2,150	2,182	2,215	2,260
Mobility Scooter Storage	20	20			
Converting front gardens for car parking	25	25	25	25	25
Collingwood Court	4,067	152			
Coldeast Sheltered		5,500			
Palmerston Avenue	200	1,713			
Allotment Road	100	900			
Stock Repurchase	790	772			
Garage purchase	22				
123 Bridge Road			1,000		
Vehicles	80				90
TOTAL	7,351	11,232	3,207	2,240	2,375
FINANCED BY:					
Revenue contributions to Capital	2,612	3,672	1,827	1,000	1,134
Major Repairs Reserve	4,287	1,240	1,240	1,240	1,240
1:4:1 Receipts	139	232			
Grants and Contributions	313	1,160	140		
Capital Fund		4,928			
TOTAL	7,351	11,232	3,207	2,240	2,374

FEES AND CHARGES 2015/16

	Existing Charge inc VAT	Proposed Charge inc VAT	Increase
<u>Discretionary Charges</u>			
Sheltered Accommodation for the Elderly			
Guest Room Charge – single occupancy per night	£7.35	£7.70	4.76%
Guest Room Charge - per couple per night	£10.50	£11.00	4.76%
Rechargeable Repairs to Council houses			
a) Abortive visit by Officer, Surveyor or Tradesman – Standard charge per visit	£42.50	£44.60	4.94%
b) Rechargeable works	These will be assessed individually at the time the work is carried out		
c) Service charges to purchasers of flats and maisonettes	These annual charges are made in advance on the basis of estimated costs. Once the actual cost is known, a retrospective adjustment is made.		
Recharge of Officer time in agreeing any consent to freeholders			
Fee per occurrence	£79.40	£83.40	5.04%
<u>Statutory Charge</u>			
Sale of Council Houses			
Legal and administration fees in connection with granting a service charge loan (statutory maximum of £100)	£100.00	£100.00	0.0%