

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 6 February 2017

Portfolio:	Policy and Resources
Subject:	Housing Revenue Account Budget and Capital Plans 2017/18
Report of:	Director of Finance and Resources
Strategy/Policy:	Housing Strategy
Corporate Objective:	A balanced housing market

Purpose:

This report seeks Executive approval for the revised budget for 2016/17, the base budgets, rent increases and fees and charges for 2017/18 and the capital programme with its financing for the years 2016/17 to 2020/21.

Executive summary:

The Executive recommended and the Council approved, in February 2016, the base budget and rent increase for 2016/17, for Housing Revenue Account (HRA) services.

This report sets out the Housing Revenue Account revised budget for 2016/17 and base budget for 2017/18 along with the capital programme and financing for the years 2016/17 to 2020/21. The report examines the issues affecting the Housing Revenue Account including rent changes with effect from 3 April 2017.

Council budgets are susceptible to change in the level of expenditure and income caused by factors inside and outside the Council's control. A risk assessment has been carried out to indicate the effect on housing balances of changes in the level of expenditure and income. This can be used to estimate the account balances needed to provide a prudent level of reserves and a working balance.

Recommendation:

That the Executive agrees to recommend to Council that:

- (a) rents be approved for Council Dwellings as set out in paragraph 11 with effect from 3 April 2017;
- (b) rents for Council garages be increased by 6.2% with effect from 3 April 2017;
- (c) discretionary fees and charges be increased with effect from 3 April 2017;
- (d) the revised budget for 2016/17 be approved;
- (e) the base budget for 2017/18 be approved;
- (f) the capital programme and financing for 2016/17 to 2020/21 be approved; and
- (g) annual budgets and assumptions are set with the aim of ensuring sufficient surpluses are held to repay debt on the date of maturity of each loan.

Reason:

To allow the Council to approve the Housing Revenue Account budget for 2017/18.

Cost of proposals:

As detailed in the report.

Appendices:

- A: Capital Programme and Financing
- B: Housing Revenue Account Budget
- C: Housing Repairs Account
- D: Examples of Rent
- E: Fees and Charges

Background papers: None

Reference papers:

- (a) Executive 8 February 2016 – Housing Revenue Account Spending Plans including Capital Programme 2016/17
- (b) Executive 11 July 2016 – General Fund and Housing Revenue Account Outturn 2015/16
- (c) Executive 10 October 2016 – Medium Term Finance Strategy
- (d) HRA 30 year Business Plan
- (e) [DCLG - Guidance on Rents for Social Housing](#) May 2014

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	6 February 2017
Subject:	Housing Revenue Account Spending Plans including the Capital Programme for 2017/18
Briefing by:	Director of Finance and Resources
Portfolio:	Policy and Resources

INTRODUCTION

1. This report brings together the revenue and capital spending plans for 2016/17 and 2017/18 for the Executive to consider. On 10 October 2016, the Executive approved the Council's Finance Strategy for 2016/17 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

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
2016/17	7,473
2017/18	4,791
2018/19	4,556
2019/20	3,211
2020/21	3,224
	<u>23,255</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 sales (RTB).
4. The major schemes in 2016/17 and 2017/18 are the completing of 16 flats in Palmerston Avenue (Stevenson Court) and the new 36 unit sheltered scheme at Coldeast (Sylvan Court) plus improvements to existing stock.

REVENUE BUDGETS

5. The following table summarises the base and revised budgets for 2016/17 and the base budget for 2017/18, of the Housing Revenue Account and Housing Repairs Account.

	Base Budget 2016/17 £000s	Revised Budget 2016/17 £000s	Base Budget 2017/18 £000s
Housing Revenue Account			
Income	-12,324	-12,303	-12,578
Management and Finance	4,482	4,392	4,382
Repairs - Revenue	2,473	4,452	4,449
Improvements - Capital	2,682	2,999	3,636
HRA Surplus/Deficit	-2,687	-460	-111
Planned transfer to Reserves	2,164	0	0
Transfer to/from HRA Revenue Reserve	-523	-460	-111
Closing Balances			
HRA Revenue Reserve	-3,729	-4,167	-4,276
Repairs Reserve	-1,500	-1,500	-1,500
Major Repairs Reserve	-1,324	-7	-13
Capital Development Fund	-4,564	-869	0
1:4:1 Receipts	-523	-414	-263
Unspent Grants	0	-140	0
Total	-11,640	-7,097	-6,052

RENTS

6. When the Council left the HRA Subsidy System in March 2012, rents were assumed to rise at a rate of RPI (as at end of September) + 0.5% plus £2 to achieve convergence by 2015/16.
7. The Spending Review of 2013 took away the ability for Local Authorities to increase rents (for tenants in situ) to achieve convergence by the said date. The Government's rent setting policy changed so that rents from 2015/16 should increase at the rate of CPI (as at end September) plus 1% for a period of ten years to give certainty to landlords.
8. In the Summer Budget of July 2015, the Government announced that Social Housing Rents will fall by 1% a year for four years from April 2016. This is provided for in legislation within the Welfare Reform and Work Bill.
9. For 16/17, rents for low cost home ownership accommodation (shared-owner) and sheltered housing are excluded from this direction. The Council has 60 shared-ownership homes and 645 sheltered housing homes.
10. For 17/18, it is only shared owner properties that are excluded from this direction.
11. It is proposed that:
- (a) Rents for shared-ownership properties will increase by CPI (1%) plus 1% and
 - (b) General needs and sheltered housing dwellings will decrease by 1%

12. Under Housing Benefit reforms, of the 1,490 tenants who receive housing benefit, 94 are under-occupying, 81 are affected by a 14% reduction in housing benefit and 13 by a 25% reduction. 14 have an exemption say for being of pensionable age.
13. Rents for Council garages are not covered by the Governments direction applying to dwellings. It is proposed that garage rents for 2017/18 increase by 6.2%.
14. Examples of proposed rents can be seen in Appendix B.

FEES AND CHARGES

15. The current fees and charges for the HRA and the proposed charges for 2017/18 are set out in Appendix C.
16. The statutory charge is subject to the control and advice of Government. The current level of charge has been set at the maximum allowed.

RISK ASSESSMENT

17. The following list of potential risks indicates that it is essential to preserve the account balance held for the HRA and Repairs Account. Reserves are held so that we can:
 - (a) Continue to manage and maintain homes;
 - (b) Improve and redevelop estates;
 - (c) Cover any unexpected expenditure;
 - (d) Take advantage of new opportunities to meet housing needs;
 - (e) Repay debt; and
 - (f) Meet the challenges of any change in Government policy.
18. The Government is proposing, from 2018/19, to require Local Authorities to give consideration to selling, on the open market, properties the Government consider to be of a high value as and when such properties become vacant. A proportion of proceeds of sale that relates to the debt attributable to such property will be retained by the Council. The balance of proceeds will be paid to Government to help fund Housing Associations who are now required to sell their property to tenants under Right-To-Buy. Should the Council decide not to sell such vacant properties it will be required to pay a sum to Government from its Housing Revenue Account in lieu of sale proceeds. At the time of writing this report, full details are not available.
19. In the Autumn Statement of 23 November 2016, the Government reversed its requirement for Local Authorities to review the annual income of its tenanted households and, where the household income is greater than £30,000 per year, to require the Authority to charge market rent rather than social rent.
20. Due to the increasing spend on repairing and improving the housing stock; sufficient surpluses are not available in year to put aside for future repayment of debt or investing in new stock.
21. If the Government further amend their current rent policy so that rents will continue to reduce post 2020, this will put further pressure on the HRA finances.

Examples of potential and actual changes	Effect on expenditure in year	Effect on income in year
Change in rent policy to decrease rents by 1% pa		-£111,000
Loss of income if void rate rises to 2.5% from 1.81 %		-£25,000
Loss of rent on having to dispose of vacant high value dwellings-say 2% of stock		-£250,000
Increase of 2.5% on non-staff costs	£96,000	
Increase of 10% in the number of voids	£79,000	
Increase of 10% in cost of repairs & improvements	£800,000	

CONCLUSION

22. The Executive will be asked to approve the following recommendations to Council:

- (a) Rents be approved for Council Dwellings with effect from 3 April 2017;
- (b) Rents of Council garages to be increased by 6.2% with effect from 3 April 2017;
- (c) Discretionary fees and charges to be increased with effect from 3 April 2017;
- (d) The revised budget for 2016/17 be approved;
- (e) The base budget for 2017/18 be approved;
- (f) The capital programme and financing for 2016/17 to 2020/21 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.

Background Papers: None

Reference Papers

- (a) Executive 6 February 2016 – Housing Revenue Account Spending Plans including Capital Programme 2016/17
- (b) Executive 11 July 2016 – General Fund and Housing Revenue Account Outturn 2015/16
- (c) Executive 10 October 2016 – Medium Term Finance Strategy
- (d) HRA 30 year Business Plan
- (e) [DCLG - Guidance on Rents for Social Housing](#) May 2014

Enquiries: For further information on this report please contact Kevin Golledge, Corporate Accountant Ext 4331

APPENDIX A

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
CAPITAL PROGRAMME AND FINANCING					
CAPITAL PROGRAMME:					
Improvements to existing stock					
Improvements	2,300	2,025	2,025	2,094	2,167
Improvements to void stock	620	700	700	724	749
Modifications		275	275	278	283
Heating at Garden Court		150			
Footway repairs - Redlands Road		50			
Resurfacing garage area Hammond Road		60			
Mobility Scooter Storage	20				
Converting front gardens for car parking	75	25	25	25	25
Acquisitions & New Builds					
Acquisitions	423	506	1,531		
123 Bridge Road		1,000			
Stevenson Court	655				
Sylvan Court	3,380				
Vehicle - new and replacement				90	
TOTAL	7,473	4,791	4,556	3,211	3,224
FINANCED BY:					
Improvements					
Revenue contribution from HRA	1,582	1,875	1,608	1,704	1,807
Major Repairs Reserve	1,433	1,410	1,417	1,417	1,417
Acquisitions and New Builds					
Major Repairs Reserve					
Revenue contribution from HRA		311	1,268	90	
1:4:1 Receipts	127	152	263		
Grants and Contributions	300	140			
Capital Development Fund	4,031	903			
Total Financing	7,473	4,791	4,556	3,211	3,224

APPENDIX B

HRA EXAMPLES OF RENT

	Property type	2016/17 Actual Rent	2017/18 Proposed Rent	Decrease £ p.w.	Decrease % p.w.
Foster Close	1 Bed Flat	£81.87	£81.05	-£0.82	-1%
Grebe Close	2 Bed Bungalow	£102.40	£101.38	-£1.02	-1%
Collingwood Court	1 Bed Flat	£104.69	£103.64	-£1.05	-1%
Foxbury Grove	2 Bed Flat	£91.39	£90.48	-£0.91	-1%
Garden Court	1 Bed Maisonette	£81.87	£81.05	-£0.82	-1%
Sicily House	2 Bed Maisonette	£88.66	£87.77	-£0.89	-1%
Fairfield Avenue	3 Bed House	£106.20	£105.14	-£1.06	-1%
Garden Court	3 Bed Flat	£102.34	£101.32	-£1.02	-1%
Churchill Close	3 Bed House (shared owner)	£81.91	£83.56	£1.65	2%
Foster Close	4 Bed House	£121.36	£120.15	-£1.21	-1%

Average for total
stock

£91.18 £90.31 -£0.87 -0.95%

Garages

£10.83 £11.50 £0.67 6.2%

APPENDIX C

	Existing Charge inc	Proposed Charge incl	Increase
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Discretionary Charges

Sheltered Accommodation - Guest Room Charge

Collingwood Court - per room	£21.00	£22.60	7.6%
Sylvan Court - per room	£21.00	£22.60	7.6%

Guest Room Charge - single occupancy per night	£8.10	£8.70	7.4%
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Guest Room Charge - per couple per night	£11.60	£12.50	7.8%
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Leasehold properties

Rechargeable Repairs to Leasehold properties

These annual charges are made in advance on the basis of estimated

Right to Buy properties

Recharge of Officer time in agreeing retrospective consent to freeholders	£87.60	£100.00	14.2%
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Statutory Charge

Leasehold properties

Legal and administration fees in connection with granting a service charge loan	£100.00	£100.00	0%
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