

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 1 February 2016

Portfolio:	Policy and Resources
Subject:	Housing Revenue Account Budget and Capital Plans 2016/17
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 2015/16, the base budgets, rent increases and fees and charges for 2016/17 and the capital programme with its financing for the years 2015/16 to 2019/20.

Executive summary:

The Executive recommended and the Council approved, in February 2015, the base budget and rent increase for 2015/16, for Housing Revenue Account (HRA) services.

This report sets out the Housing Revenue Account revised budget for 2015/16 and base budget for 2016/17 along with the capital programme and financing for the years 2015/16 to 2019/20. The report examines the issues affecting the Housing Revenue Account including rent changes with effect from 4 April 2016.

Council budgets are susceptible to change in the level of expenditure and income caused by factors 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 that:

- (a) rents be approved for Council Dwellings as set out in paragraph 10 with effect from 4 April 2016;
- (b) rents for Council garages be increased by 5% with effect from 4 April 2016;
- (c) discretionary fees and charges be increased to provide a minimum increase of 5%, where possible, with effect from 4 April 2016;
- (d) the revised budget for 2015/16 be approved;

- (e) the base budget for 2016/17 be approved;
- (f) the capital programme and financing for 2015/16 to 2019/20 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 2016/17.

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 2 February 2015 – Housing Revenue Account Spending Plans including Capital Programme 2015/16
- (b) Executive 13 July 2015 – General Fund and Housing Revenue Account Outturn 2014/15
- (c) Executive 12 October 2015 – Medium Term Finance Strategy
- (d) HRA 30 year Business Plan
- (e) [DCLG - Guidance on Rents for Social Housing](#) May 2014
- (f) [Summer Budget July 2015](#)
- (g) [Draft Welfare Reform and Work Bill](#)

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	1 February 2016
Subject:	Housing Revenue Account Spending Plans including the Capital Programme for 2016/17
Briefing by:	Director of Finance and Resources
Portfolio:	Policy and Resources

INTRODUCTION

1. This report brings together the revenue and capital spending plans for 2015/16 and 2016/17 for the Executive to consider. On 12 October 2015, 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
2015/16	10,353
2016/17	6,621
2017/18	2,475
2018/19	2,715
2019/20	2,625
	<u>24,789</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 2015/16 and 2016/17 are the constructions of 16 flats in Palmerston Avenue (Stevenson Court), 6 houses in Coldeast Close, and the new sheltered scheme at Coldeast (Sylvan Court) plus improvements to existing stock.

REVENUE BUDGETS

5. The following table summarises the base and revised budgets for 2015/16 and the base budget for 2016/17, of the Housing Revenue Account and Housing Repairs Account. Further details can be found in the attached Appendices B and C.

	Base Budget 2015/16 £000s	Revised Budget 2015/16 £000s	Base Budget 2016/17 £000s
Housing Revenue Account			
Income from service	-12,268	-12,314	-12,316
Expenditure on service	5,085	6,978	7,061
Net cost of service	-7,183	-5,336	-5,255
Interest paid and received	1,702	1,716	1,711
Revenue contribution to capital expenditure etc	3,672	614	1,358
Surplus(-)/deficit	-1,809	-3,006	-2,186
Opening Balance	-4,709	-4,870	-5,212
Transfer to Capital Dev Fund	2,164	2,164	2,164
Transfer to Repairs Reserve	0	500	0
Closing Balance	-4,354	-5,212	-5,234
Housing Repairs Account			
Income	-1,081	-2,928	-2,973
Expenditure	1,581	2,928	2,973
Surplus (-)/ Deficit	500	0	0
Opening Balance	-1,000	-1,000	-1,500
Transfer form HRA Reserve	0	-500	0
Closing Balance	-500	-1,500	-1,500
Overall closing balance	-4,854	-6,712	-6,734

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, so as 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. To be enforceable, this must be provided for in legislation. This is included in the Welfare Reform and Work Bill that is currently being progressed through Parliament.
9. As currently drafted in the Bill, rents on low cost home ownership accommodation are excluded from this direction. The Council has 60 homes (shared-owner) that are of this classification.
10. It is proposed that:
 - (a) Rents for Shared-Ownership properties will increase by CPI + 1% and
 - (b) Dwellings owned 100% by the Council will decrease by 1%
11. Under Housing Benefit reforms, of the 1,533 (1,504 in 2014/15) tenants who receive housing benefit, 133 (114) are under-occupying. 87 (99) are affected by a 14% reduction in housing benefit and 16 (15) by a 25% reduction. 30 have an exemption say for being of pensionable age.
12. Rents for Council garages are not covered by the Governments direction applying to dwellings. It is proposed that garage rents for 2016/17 increase by 5%.
13. Examples of proposed rents can be seen in Appendix D.

FEES AND CHARGES

14. The current fees and charges for the HRA and the proposed charges for 2016/17 are set out in Appendix E. The proposed discretionary fees have been increased where possible to achieve a 5% increase.
15. 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

16. 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.
17. The Government is proposing 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.

18. The Government is also intending to require 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. The additional income earned will be required to be paid to HM Treasury and not be retained by the Council. This will place an additional administrative burden on the Council which may require the addition of a new post. At the time of writing this report, full details are not available.

Examples of potential and actual changes	Effect on expenditure in years £000s	Effect on income in year £000s
Change in rent policy to decrease rents by 1% pa		-£111
Loss of income if void rate rises to 4% from 1.73 %		-£25
Cost of checking those households with income greater than £30,000pa	£37	
Loss of rent on having to dispose of vacant high value dwellings-say 5% of stock		-£55
Increase of 2.5% on non-staff costs	£96	
Increase of 10% in cost of repairs	£500	

CONCLUSION

19. The Executive will be asked to approve the following recommendations to Full Council:
- (a) Rents be approved for Council Dwellings with effect from 4 April 2016;
 - (b) Rents of Council garages to be increased by 5% with effect from 4 April 2016;
 - (c) Discretionary fees & charges to be increased to provide an increase of 5% where possible, with effect from 4 April 2016;
 - (d) The revised budget for 2015/16 be approved;
 - (e) The base budget for 2016/17 be approved;
 - (f) The capital programme and financing for 2015/16 to 2019/20 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:

Reference Papers

- (a) Executive 2 February 2015 – Housing Revenue Account Spending Plans including Capital Programme 2015/16
- (b) Executive 13 July 2015 – General Fund and Housing Revenue Account Outturn 2014/15
- (c) Executive 12 October 2015 – Medium Tern Finance Strategy
- (d) HRA 30 year Business Plan
- (e) [DCLG - Guidance on Rents for Social Housing](#) May 2014
- (f) <https://www.gov.uk/government/publications/summer-budget-2015/summer-budget-2015>
- (g) [Draft Welfare Reform and Work Bill](#)

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

APPENDIX A

CAPITAL PROGRAMME AND FINANCING	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
CAPITAL PROGRAMME:					
Improvements to occupied stock	2,150	2,150			
Improvements to void stock	500	500			
Converting front gardens for car parking	50	25	25	25	25
Vehicle - new and replacement	40			90	
Garage purchases	31				
Mobility Scooter Storage	20				
Housing Acquisitions	1,020	650			
New Build Schemes					
Coldeast Close	956				
Stevenson Court	1,431	200			
Bridge Road		1,000			
Collingwood Court	780				
Sylvan Court	3,375	2,096			
Total resources still to be allocated			2,450	2,600	2,600
TOTAL	10,353	6,621	2,475	2,715	2,625
FINANCED BY:					
Major Repairs Reserve	4,288	1,408	1,324	1,324	1,324
Revenue contribution from HRA	614	1,358	1,151	1,391	1,301
1:4:1 Receipts	138	195			
Grants and Contributions	313	1,160			
Capital Development Fund	5,000	2,500			
Total Financing	10,353	6,621	2,475	2,715	2,625

APPENDIX B

HOUSING REVENUE ACCOUNT (HRA) BUDGETS

	Base 2015/16	Revised 2015/16	Base 2016/17
	£000s	£000s	£000s
Income			
Rents - Dwellings	-11,120	-11,200	-11,100
Rents - Garages	-248	-257	-284
Rents - Other	-21	-30	-30
Service Charges (Wardens, extra assistance, heating)	-584	-548	-564
Cleaning	-126	-117	-172
Grounds Maintenance	-81	-81	-85
Other Fees and Charges	-23	-16	-16
Leaseholder Service Charges & Insurance	-65	-65	-65
Total Income	-12,268	-12,314	-12,316
Expenditure - see next page for detail			
General Administrative Expenses	1,523	1,504	1,536
Corporate & Democratic Core	54	54	53
Corporate Management	105	85	87
Communal Heating Services	75	70	66
Communal Lighting	29	26	25
Rents, Rates & Other Taxes	59	57	52
Communal Cleaning	127	147	170
Grounds Maintenance	200	201	204
Sheltered Housing Service	543	485	493
HRA Legal Fees	-2	0	0
Sub-total of management costs	2,713	2,629	2,686
Contribution to Repairs Account	1,039	2,922	2,955
Bad Debts Provision	0	13	13
Bad Debts Written off	50	50	50
Depreciation	1,240	1,324	1,324
Debt Management Expenses	43	39	33
	5,085	6,977	7,061
Net income from service	-7,183	-5,338	-5,255

	Base 2015/16 £000s	Revised 2015/16 £000s	Base 2016/17 £000s
Net income from service	-7,183	-5,338	-5,255
Interest Payable	1,838	1,852	1,842
Interest earned on internal balances	-136	-134	-131
Net operating income	-5,481	-3,620	-3,544
Revenue contribution to capital	3,672	614	1,358
(Surplus)/Deficit for year	-1,809	-3,006	-2,186
Housing Revenue Account balance			
Balance brought forward	-4,709	-4,870	-5,212
Surplus/(Deficit) for year	-1,809	-3,006	-2,186
Transfer to Capital Fund	2,164	2,164	2,164
Transfer to Repairs Reserve	0	500	0
Balance carried forward	-4,354	-5,212	-5,234

FURTHER BREAKDOWN OF EXPENDITURE

	Base 2015/16 £000s	Revised 2015/16 £000s	Base 2016/17 £000s
General Administrative Expenses			
Corporate & Democratic Core	54	54	53
Corporate Management	105	85	88
Employees	740	712	662
Premises	107	85	93
Transport-related expenditure	19	19	19
Supplies and Services	98	93	178
Contract Services	49	40	40
Internal Support	517	563	551
Income	-7	-8	-8
	1,682	1,643	1,676
Communal Heating Services			
Premises	75	70	66
	75	70	66
Communal Lighting			
Premises	29	26	25
	29	26	25
Communal Cleaning			
Employees	39	50	51
Premises	86	94	116
Internal Support	2	2	2
	127	147	170
Grounds Maintenance			
Employees	14	13	14
Premises	160	162	164
Internal Support	26	26	26
	200	201	204
Sheltered Housing Service			
Employees	457	410	418
Premises	42	44	44
Transport	14	13	14
Supplies and Services	17	8	7
Internal Support	14	10	10
	543	485	493
Other Communal Services			
Premises	37	34	34
Supplies and Services	22	23	18
	59	57	52

APPENDIX C**HOUSING REPAIRS ACCOUNT****Expenditure****Day to Day**

	Base 2015/16	Revised 2015/16	Base 2016/17
	£000s	£000s	£000s
Response Repairs	1,151	1,115	1,100
Works to void properties	0	500	500
Other works	424	1,313	1,373
Administration - supplies	6	0	0
	1,581	2,928	2,973

Income

Contribution from HRA	-1,039	-2,922	-2,955
Fees & charges	-42	-6	-18
Total income	-1,081	-2,928	-2,973
Balance brought forward	-1,000	-1,000	-1,500
Surplus/Deficit(-) for year	500	0	0
Tfr from HRA	0	-500	0
Balance carried forward	-500	-1,500	-1,500

APPENDIX D

HRA EXAMPLES OF RENT

	Property type	2015/16 Actual Rent	2016/17 Proposed Rent	Decrease £ p.w.	Decrease % p.w.
Foster Close	1 Bed Flat	£81.14	£80.33	-£0.81	-1.00%
Grebe Close	2 Bed Bungalow	£110.07	£108.97	-£1.10	-1.00%
Addison Road	2 Bed House	£105.75	£104.69	-£1.06	-1.00%
Foxbury Grove	2 Bed Flat	£92.31	£91.39	-£0.92	-1.00%
Garden Court	1 Bed Maisonette	£81.14	£80.33	-£0.81	-1.00%
Sicily House	2 Bed Maisonette	£89.56	£88.66	-£0.90	-1.00%
Fairfield Avenue	3 Bed House	£107.27	£106.20	-£1.07	-1.00%
Garden Court	3 Bed Flat	£103.37	£102.34	-£1.03	-1.00%
Churchill Close	3 Bed House (shared owner)	£81.18	£81.91	£0.73	0.90%
Foster Close	4 Bed House	£122.59	£121.36	-£1.23	-1.00%

Average for total
stock

£92.84 £91.94 -£0.90 -0.97%

Garages

£10.31 £10.83 £0.52 5%

FEES AND CHARGES 2016/17

<u>Discretionary Charges</u>	Existing Charge inc VAT	Proposed Charge incl VAT	Increase
Sheltered Accommodation - Guest Room Charge			
Collingwood Court - per room	£20.00	£21.00	5.0%
Sylvan Court - per room	n/a	£21.00	n/a
Guest Room Charge - single occupancy per night	£7.70	£8.10	5.2%
Guest Room Charge - per couple per night	£11.00	£11.60	5.5%
Leasehold properties			
Rechargeable Repairs to Leasehold properties	These annual charges are made in advance on the basis of estimated costs. Once the actual cost is known, a retrospective adjustment is made.		
Right to Buy properties			
Recharge of Officer time in agreeing retrospective consent to freeholders	£83.40	£87.60	5.0%
<u>Statutory Charge</u>			
Leasehold properties			
Legal and administration fees in connection with granting a service charge loan	£100.00	£100.00	0%