

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 8 February 2016

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Housing Revenue Account Budget and Capital Plans 2016/17</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Housing Strategy
<b>Corporate Objective:</b>	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 to recommend to Council 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

<b>Date:</b>	8 February 2016
<b>Subject:</b>	Housing Revenue Account Spending Plans including the Capital Programme for 2016/17
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	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.

<b>Year</b>	<b>£'000</b>
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.

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

## 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 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. It is proposed that:
  - (a) Rents for shared-ownership and sheltered housing properties will increase by CPI + 1% and
  - (b) General needs dwellings 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.

<b>Examples of potential and actual changes</b>	<b>Effect on expenditure in years £000s</b>	<b>Effect on income in year £000s</b>
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 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:** 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 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

<b>CAPITAL PROGRAMME AND FINANCING</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
<b>CAPITAL PROGRAMME:</b>					
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			
<b>New Build Schemes</b>					
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
<b>TOTAL</b>	<b>10,353</b>	<b>6,621</b>	<b>2,475</b>	<b>2,715</b>	<b>2,625</b>
<b>FINANCED BY:</b>					
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			
<b>Total Financing</b>	<b>10,353</b>	<b>6,621</b>	<b>2,475</b>	<b>2,715</b>	<b>2,625</b>



**APPENDIX B**

**HOUSING REVENUE ACCOUNT (HRA) BUDGETS**

	<b>Base 2015/16 £000s</b>	<b>Revised 2015/16 £000s</b>	<b>Base 2016/17 £000s</b>
<b>Income</b>			
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
<b>Total Income</b>	<b>-12,268</b>	<b>-12,314</b>	<b>-12,316</b>
<b>Expenditure - see next page for detail</b>			
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
<b>Sub-total of management costs</b>	<b>2,713</b>	<b>2,629</b>	<b>2,686</b>
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
	<b>5,085</b>	<b>6,977</b>	<b>7,061</b>
<b>Net income from service</b>	<b>-7,183</b>	<b>-5,338</b>	<b>-5,255</b>

	<b>Base 2015/16 £000s</b>	<b>Revised 2015/16 £000s</b>	<b>Base 2016/17 £000s</b>
<b>Net income from service</b>	<b>-7,183</b>	<b>-5,338</b>	<b>-5,255</b>
Interest Payable	1,838	1,852	1,842
Interest earned on internal balances	-136	-134	-131
<b>Net operating income</b>	<b>-5,481</b>	<b>-3,620</b>	<b>-3,544</b>
Revenue contribution to capital	3,672	614	1,358
<b>(Surplus)/Deficit for year</b>	<b>-1,809</b>	<b>-3,006</b>	<b>-2,186</b>
 <b>Housing Revenue Account balance</b>			
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	<b>-4,354</b>	<b>-5,212</b>	<b>-5,234</b>

**FURTHER BREAKDOWN OF EXPENDITURE**

	<b>Base 2015/16 £000s</b>	<b>Revised 2015/16 £000s</b>	<b>Base 2016/17 £000s</b>
<b>General Administrative Expenses</b>			
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
	<b>1,682</b>	<b>1,643</b>	<b>1,676</b>
<b>Communal Heating Services</b>			
Premises	75	70	66
	<b>75</b>	<b>70</b>	<b>66</b>
<b>Communal Lighting</b>			
Premises	29	26	25
	<b>29</b>	<b>26</b>	<b>25</b>
<b>Communal Cleaning</b>			
Employees	39	50	51
Premises	86	94	116
Internal Support	2	2	2
	<b>127</b>	<b>147</b>	<b>170</b>
<b>Grounds Maintenance</b>			
Employees	14	13	14
Premises	160	162	164
Internal Support	26	26	26
	<b>200</b>	<b>201</b>	<b>204</b>
<b>Sheltered Housing Service</b>			
Employees	457	410	418
Premises	42	44	44
Transport	14	13	14
Supplies and Services	17	8	7
Internal Support	14	10	10
	<b>543</b>	<b>485</b>	<b>493</b>
<b>Other Communal Services</b>			
Premises	37	34	34
Supplies and Services	22	23	18
	<b>59</b>	<b>57</b>	<b>52</b>

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

	<b>Base 2015/16 £000s</b>	<b>Revised 2015/16 £000s</b>	<b>Base 2016/17 £000s</b>
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
	<b>1,581</b>	<b>2,928</b>	<b>2,973</b>

**Income**

Contribution from HRA	-1,039	-2,922	-2,955
Fees & charges	-42	-6	-18
Total income	<b>-1,081</b>	<b>-2,928</b>	<b>-2,973</b>

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	<b>-500</b>	<b>-1,500</b>	<b>-1,500</b>

**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%
Sicity 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

	Existing Charge inc VAT	Proposed Charge incl VAT	Increase
<b><u>Discretionary Charges</u></b>			
<b>Sheltered Accommodation - Guest Room Charge</b>			
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%
<b>Leasehold properties</b>			
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.		
<b>Right to Buy properties</b>			
Recharge of Officer time in agreeing retrospective consent to freeholders	£83.40	£87.60	5.0%
<b><u>Statutory Charge</u></b>			
<b>Leasehold properties</b>			
Legal and administration fees in connection with granting a service charge loan	£100.00	£100.00	0%