

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 05 February 2018

Portfolio:	Policy and Resources
Subject:	Housing Revenue Account Budget and Capital Plans 2018/19
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 the Housing Revenue Account for 2017/18, the base budgets and rent increases for 2018/19 and the capital programme with its financing for the years 2017/18 to 2021/22.

Executive summary:

The Executive recommended and the Council approved, in February 2017, the base budget and rent increase for 2017/18, for Housing Revenue Account (HRA) services.

This report sets out the Housing Revenue Account revised budget for 2017/18 and base budget for 2018/19 along with the capital programme and financing for the years 2017/18 to 2021/22. The report examines the issues affecting the Housing Revenue Account including rent changes with effect from 2 April 2018.

The Council's Housing Strategy which include the strategy for the new Fareham Housing department is currently being prepared therefore the budget for 2018/19 will be reviewed again later in the year.

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:

- (a) rents be approved for Council Dwellings as set out in paragraph 10 with effect from 2 April 2018;
- (b) rents for Council garages be increased by 4.3% with effect from 2 April 2018;

- (c) the revised budget for 2017/18 be approved;
- (d) the base budget for 2018/19 be approved; and
- (e) the capital programme and financing for 2017/18 to 2021/22 be approved;

Reason:

To allow the Council to approve the Housing Revenue Account budgets for 2018/19.

Cost of proposals:

As detailed in the report.

Appendices:

- A: Capital Programme and Financing**
- B: Examples of Rent**
- C: Fees and Charges**
- D: Detailed Revenue Budgets**

Background papers: None

Reference papers:

- (a) Executive 6 February 2017 – Housing Revenue Account Spending Plans including Capital Programme 2017/18
- (b) Executive 10 July 2017 – General Fund and Housing Revenue Account Outturn 2016/17
- (c) Executive 8 January 2018 – Finance Strategy, Capital Programme, Revenue Budget and Council Tax – Appendix A Medium Term Finance Strategy
- (d) [DCLG - Guidance on Rents for Social Housing](#) May 2014

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BOROUGH COUNCIL

Executive Briefing Paper

Date:	05 February 2018
Subject:	Housing Revenue Account Budget and Capital Plans 2018/19
Briefing by:	Director of Finance and Resources
Portfolio:	Policy and Resources

INTRODUCTION

1. This report brings together the revenue and capital spending plans for the Housing Revenue Account for 2017/18 and 2018/19 for the Executive to consider. On 8 January 2018, the Executive approved the Council's Finance Strategy for 2017/18 and later years. The budget guidelines contained within the Strategy have been used as a basis for the Housing Revenue Account (HRA) spending plans.
2. It is noted that Council is currently preparing a new Housing Strategy which will include how the new Fareham Housing department will develop. It is therefore likely that the budget for 2018/19 will need to be revised later in the year.

CAPITAL PROGRAMME

3. 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
2017/18	2,584
2018/19	5,498
2019/20	4,283
2020/21	4,334
2021/22	3,327
Total	20,026

4. The capital improvements budget for 2017/18 has been revised down by £800,000 to reflect the reduction in planned capital works. The following schemes planned for 2017/18 have also been moved to 2018/19:
 - Housing development at Bridget Road
 - Heating at Garden Court

- Fire alarm replacement at Frosthole Close
 - Footpath and resurfacing repairs
5. The financing of the capital programme is mainly from the Major Repairs Reserve, Revenue Contributions to Capital, the Capital Housing Development Fund and 1:4:1 Capital Receipts from Right to Buy sales.
 6. The major schemes in 2017/18 and 2018/19 are 5 new units at 123 Bridge Road, acquisitions of existing houses and improvements to existing stock.

REVENUE BUDGETS

7. The following table summarises the base and revised budgets for 2017/18, and the base budget for 2018/19, of the Housing Revenue Account. A more detailed breakdown is provided in Appendix D.

	Base Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Base Budget 2018/19 £'000
Income	-12,578	-12,594	-12,497
Management and Finance	4,382	4,504	4,489
Revenue Repairs	4,449	3,571	3,709
Capital Improvements	3,636	2,475	3,024
Surplus(-)/Deficit	-111	-2,044	-1,275
Planned Transfer to Debt Repayment Fund	0	1,140	1,140
Transfer of Balance to Revenue Reserve	-111	-904	-135

8. The revised budget for 2017/18 for revenue repairs has been reduced to reflect the projected decrease in repairs costs for this year which is expected to be sustained in 2018/19. There are a number of factors which have been affecting the decrease in costs such that the number of appointments for the responsive repairs service have decreased from an average of 60 to 45 appointments a day. For example, improvements are being made when properties become void which are resulting in fewer demands for work earlier in the tenancy.
9. The proposed budgets also include a clear set aside of reserves to repay the £40 million housing debt taken on in 2012 when the government changed the national subsidy scheme to a self-financing scheme. This debt becomes repayable in 40 to 50 years.
10. A summary of all the reserves projected to be at the end 2017/18 is set out below:

Reserve	Purpose of Reserve	2016/17 Closing Balance £'000	2017/18 Transfers In £'000	2017/18 Transfers Out £'000	2017/18 Closing Balance £'000
HRA Revenue Reserve	To fund unexpected operating costs	2,441	904	0	3,345
Exceptional Expenditure Reserve	To fund any exceptional demands upon expenditure	1,500	0	0	1,500
Major Repairs Reserve	To fund capital expenditure on HRA assets	6	1,569	-1,575	0
Capital Housing Development Fund	To fund new developments	3,520	0	0	3,520
Debt Repayment Fund	To repay debt	0	1,140	0	1,140
Leaseholder Reserve	To fund major repairs on blocks containing leasehold properties	160	0	0	160
1:4:1 Receipts	To fund 30% of costs of new acquisitions	835	500	-102	1,233
Total Reserves		8,462	4,113	-1,677	10,898

RENTS

11. 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.
12. For 2016/17, rents for low cost home ownership accommodation (shared-owner) and sheltered housing were excluded from this direction. However, for 2017/18 and 2018/19, it is only shared owner properties that are excluded from this direction.
13. It is therefore proposed that the following rent changes are applied:
 - (a) Rents for shared-ownership properties increase by CPI (3%) plus 1%.
 - (b) General needs and sheltered housing dwellings decrease by 1%.
14. Rents for Council garages are not covered by the Government's direction applying to dwellings. It is therefore proposed that garage rents for 2018/19 increase by 50p per week (4.3%).
15. Examples of proposed rents can be seen in Appendix B and the effect on the total rents collected can be seen in Appendix D.

FEES AND CHARGES

16. The current fees and charges for the HRA and the charges for 2018/19, approved at the 8 January 2018 Executive, are set out in Appendix C.

17. 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

18. The following list of potential risks indicates that it is essential to preserve the account balance held for the Housing Revenue Account. Reserves are held so the Council can:
- Continue to manage and maintain homes
 - Improve and redevelop estates
 - Cover any unexpected expenditure
 - Take advantage of new opportunities to meet housing needs
 - Repay the debt
 - Meet the challenges of any change in Government policy
19. Key risks include changes to the rent policy, an increase in void properties and an increase in the cost of repairs. In particular, 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.
20. However, in October 2017 the government announced that their social housing rent policy is likely to be that increases will be permitted but should be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.

Examples of Potential and Actual Changes	Effect on Expenditure in Year £'000	Effect on Income in Year £'000
Change in rent policy to decrease rents by 1%		-110
Loss of income if void rate rises to 2.5% from 1.26%		-138
Increase of 2.5% on non-staff costs	81	
Increase of 10% in the number of void properties	140	
Increase on rent arrears by 10%	47	
Increase of 10% in cost of repairs and improvements	710	

Enquiries:

For further information on this report please contact Caroline Hancock (Ext 4589)

CAPITAL PROGRAMME AND FINANCING

	Original 2017/18 £'000	Revised 2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Improvements to Existing Stock							
Improvements	1,925	1,225	2,025	2,094	2,165	2,241	9,750
Improvements to void stock	700	700	700	724	748	775	3,647
Modifications	275	275	275	278	281	286	1,395
Heating at Garden Court	150	-	150	-	-	-	150
Frosthole Close Fire Alarm Replacement	100	-	100	-	-	-	100
Footpath and Surface Repairs	110	-	110	-	-	-	110
Conversion of Front Gardens for Parking	25	25	25	25	25	25	125
Mobility Scooter Storage	-	19	-	-	-	-	19
Acquisitions and New Build							
Acquisitions	506	340	1,113	1,072	1,115	-	3,640
123 Bridge Road Development	1,000	-	1,000	-	-	-	1,000
Vehicles	-	-	-	90	-	-	90
Total	4,791	2,584	5,498	4,283	4,334	3,327	20,026
Financed By:							
Improvements							
Revenue Contribution from HRA	1,875	669	676	1,552	1,650	1,758	7,445
Major Repairs Reserve	1,410	1,575	1,569	1,569	1,569	1,569	7,851
Acquisitions and New Build							
Revenue Contribution from HRA	311	238	779	840	781	-	2,638
1:4:1 Capital Receipts	152	102	334	322	335	-	1,092
Grants and Contributions	140	-	140	-	-	-	140
Capital Development Fund	903	-	2,000	-	-	-	860
Total Financing	4,791	2,584	5,498	4,283	4,334	3,327	20,026

HRA EXAMPLES OF RENT

	Property Type	2017/18 Actual Rent £	2018/19 Proposed Rent £	Change per week £	Change per week %
Foster Close	1 Bed Flat	81.05	80.24	-0.81	-1.00
Grebe Close	2 Bed Bungalow	101.37	100.36	-1.01	-1.00
Collingwood Court	1 Bed Flat	103.64	102.60	-1.04	-1.00
Foxbury Grove	2 Bed Flat	90.47	89.57	-0.90	-1.00
Garden Court	1 Bed Maisonette	81.05	80.24	-0.81	-1.00
Sicity House	2 Bed Maisonette	87.77	86.89	-0.88	-1.00
Fairfield Avenue	3 Bed House	105.13	104.08	-1.05	-1.00
Garden Court	3 Bed Flat	101.31	100.30	-1.01	-1.00
Churchill Close	3 Bed House (shared owner)	83.54	86.88	3.34	4.00
Jubilee Court	4 Bed House	120.14	118.94	-1.20	-1.00
Average for total stock		90.31	89.56	-0.84	-0.93%
Garages		11.50	12.00	0.50	4.3

FEES AND CHARGES

	Notes	Fee 2017/18 £	Fee 2018/19 £	% Increase
Sales of Council Houses				
Maximum legal and administration fees in connection with granting a service charge loan	Statutory Charge	100.00	100.00	NIL
Recharge of Officer time in agreeing any consent to freeholders	Fee per occurrence	100.00	100.00	NIL
Repairs to Council Houses				
Abortive visit by Officer, Surveyor or Tradesman	Charge per visit	50.00	50.00	NIL
Rechargeable works	These will be assessed individually at the time the work is carried out.			
Sheltered Accommodation for the Elderly – Guest Room Charges				
Single occupancy per night	Inclusive of VAT	8.70	9.00	3.4
Per couple per night	Inclusive of VAT	12.50	13.00	4.0
Collingwood Court per room	Inclusive of VAT	22.60	23.00	1.8
Sylvan Court per room	Inclusive of VAT	22.60	23.00	1.8

DETAILED REVENUE BUDGET

	Base 2017/18 £'000	Revised 2017/18 £'000	Base 2018/19 £'000
Income			
Rents - Dwellings	-11,250	-11,250	-11,140
Rents - Garages	-317	-317	-330
Rents - Other	-18	-18	-18
Service Charges (Wardens, Extra Assistance, Heating)	-647	-647	-647
Cleaning	-179	-179	-179
Grounds Maintenance	-88	-88	-88
Other Fees and Charges	-32	-48	-48
Leaseholder Service Charges and Insurance	-47	-47	-47
	-12,578	-12,594	-12,497
Expenditure			
General Administrative Expenses	1,487	1,487	1,470
Corporate and Democratic Core	41	43	43
Corporate Management	85	81	73
Communal Heating Services	76	76	76
Communal Lighting	25	25	25
Rents, Rates and Other Taxes	57	-7	-7
Communal Cleaning	185	185	186
Grounds Maintenance	213	211	220
Sheltered Housing Service	514	576	576
Contribution to Repairs	4,307	3,571	3,709
Bad Debts Provision	13	13	13
Bad Debts Written off	50	50	50
Depreciation	1,417	1,569	1,569
Debt Management Expenses	39	35	35
	8,509	7,915	8,038
Net income from service	-4,069	-4,679	-4,459
Interest Payable	1,857	1,795	1,795
Interest Earned on Internal Balances	-118	-66	-66
Revenue Contribution to Capital	2,220	906	1,455
Surplus(-)/Deficit for Year	-111	-2,044	-1,275