

HOUSING REVENUE ACCOUNT 2019/20

1. SUMMARY

The Housing Revenue Account includes and expenditure associated with the Council's function as a social housing landlord. The items that can be debited and credited to the account are determined by statute

	2018/19 Budget	2018/19 Rev Budget	2019/20 Proposed Budget
	£	£	£
EXPENDITURE			
Management	1,543	1,815	1,757
Repairs and maintenance	1,414	1,289	1,256
Council Tax	9	9	15
Debt Management	10	10	10
Depreciation (MRA cont.)	1,273	1,273	1,305
Provision for Bad Debts	109	109	109
Gross Expenditure	4,358	4,505	4,452
INCOME			
Rents - Dwelling	(4,699)	(4,699)	(4,620)
Rents - Non Dwellings	(87)	(87)	(89)
Charges for Services and Facilities	(198)	(198)	(202)
Gross Income	(4,984)	(4,984)	(4,911)
Interest payable	579	556	562
Interest Receivable	(5)	(10)	(12)
Revenue Contribution to Capital	0	0	0
Transfers to/(from) Reserves	52	0	0
Total Capital Charges and Appropriations	626	546	550
(Surplus)/Deficit for the Year	0	67	91
Opening Balances			
Housing Revenue Account	(645)	(645)	(578)
Major Repairs Reserve	0	0	0
Regeneration Reserve	(361)	(361)	(361)
Housing Levy	(192)	(192)	(140)
Universal Credit Reserve	(140)	(140)	(140)
Bad Debt Provision	(141)	(141)	(250)
Closing Balances			
Housing Revenue Account	(645)	(578)	(487)
Major Repairs Reserve	0	0	0
Regeneration Reserve	(361)	(361)	(361)
Housing Levy	(244)	(140)	(140)
Universal Credit Reserve	(140)	(140)	(140)
Bad Debt Provision	(250)	(250)	(359)

Service Statistics

	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Average Number of Dwellings	1,225	1,215	1,205	1,195	1,185	1,175
Housing Rent						
Rent per dwelling	77.80	77.02	76.25	75.49	78.13	80.87
Unpooled Service Charge	1.39	1.42	1.47	1.52	1.57	1.63
Total Rent	<u>79.19</u>	<u>78.44</u>	<u>77.73</u>	<u>77.01</u>	<u>79.71</u>	<u>82.50</u>

2. SPECIFIC CHARGES

In addition to Dwelling Rents the HRA makes charges for other associated services offered to tenants. It is proposed that these increase by 3.2% which is in line with the CPI+1% for September 2018.

	2018/19 Current Charge £	2019/20 Proposed Charge £
<u>Garage Spaces</u>		
48 Week Basis	3.92	4.05
52 Week Basis	3.62	3.74
<u>Lock up Garages</u>		
48 Week Basis	7.25	7.48
52 Week Basis	6.70	6.91
<u>Caretaking Charge (Lower Rate)</u>		
48 Week Basis	3.07	3.17
52 Week Basis	2.84	2.94
<u>Caretaking Charge (Higher Rate)</u>		
48 Week Basis	6.27	6.47
52 Week Basis	5.79	5.98
<u>Heating and Hot Water Charges in Sheltered Schemes</u>		Increase for 2019/20 %
Chartwell House, Oadby		3.2
Marriott House, Oadby		3.2
William Peardon Court, Oadby		3.2
Mobility Scooter Garaging		3.2

3. CAPITAL PROGRAMME

The Council's housing capital programme covers improvements to the housing stock and works to meet the 'Decent Homes' target. The Housing Capital Programme will total £1.5million of new schemes the detail of which will be reported to members for approval at a future committee. Any unspent balances or unfinished schemes will be determined at year end and brought to members to carry forward in the July cycle of meetings.

4. HOUSING REVENUE ACCOUNT BUDGET BACKGROUND CONSIDERATIONS FOR THE REVENUE BUDGET CAPITAL PROGRAMME 2019/20

BACKGROUND CONSIDERATIONS

This provides commentary on the background considerations and key issues on which the draft budget and forward forecast have been prepared. It also summarises the overall financial position. The structure of this commentary is as follows:

1. Basis for preparation of the draft budget.
2. Rent Policy
3. Changes in Stock Levels
4. Treasury Management
5. HRA Capital Programme
6. Other budget considerations

1. Basis for preparation of the draft budget and forward forecast

The revenue budget for 2019/20 sets out the costs of delivering current levels of service while taking into account the effect of current government legislations regarding changes to housing finance including an annual reduction in dwelling rent of 1% to assist in reducing the total welfare bill

The budget has been set assuming that a 2% pay award will be implemented for 2018 and that upward inflation will be 2.5%

2. Rent Policy

2016/17 saw the start of a four year annual decrease in rent levels of 1% per annum. Currently a 1% decrease in all households rent will move the average rent for a property from £76.25 to £75.49 which equates to a drop in annual rental income of around £50,000. It is important to remember that this has been a year on year decrease, however 2019/20 is the final year which is affected by this policy. From 2020/21 onwards rents will resume increasing by CPI +1%.

The table below shows how this will affect rent levels in the Borough

	Current Weekly Rent	New Rent per week	Change Rent per week	Change	Property Type
	£	£	£	%	
Highest Rent	95.17	94.22	- 0.95	-1%	3 Bed House
Lowest Rent	56.76	56.19	- 0.57	-1%	Bedsit
Average Rent	76.25	75.49	- 0.76	-1%	

3. Changes in Stock Levels

Since the raising in the discount levels for Right to Buys the Council has seen a pickup in sales to tenants over the last two years. Further changes to government policy through the Housing and Planning Bill also threaten stock levels.

There is a risk that stock losses do not follow the pattern assumed in the budget and forecast. This could mean that either savings in costs are made ahead of time or that they are not made in time. The Council's Finance and Housing teams will monitor the developments in this area very closely.

4. Treasury Management

The self financing settlement involved the Council taking on £18.114m of borrowing. The interest costs on this borrowing consume a significant proportion of the HRA's resources and the management of these is therefore critical to the HRA budget. Since then the Council has borrowed £1.5m with the HRA borrowing cap lifted last year the Council will have greater flexibility around financing capital works. It is important to remember any borrowing needs to be costed and affordable to the revenue budget.

When taking out financing the Council needs to factor the cost of borrowing into its revenue budget the UK has recently seen an unprecedented period of low interest rates. Interest rates have remained low with significant rises unlikely. Interest rate risk is fully borne by the Council and to mitigate this risk the vast majority of the HRA's borrowing is for a fixed term at a fixed rate. The finance team will keep a close eye on the likely trajectory of interest rates over the next 12 months particularly once the uncertainty surrounding 'Brexit' starts to clear.

The original 30 year business plan provides the repayment of HRA debt over its life. In the first five years of the plan resources were required to fund the demands of the asset management strategy, therefore repayment was structured to begin from 2020 onwards. However due to changes in Government Policy described in section 3 above the Council will not be able to start repaying debt as planned but instead will be forced to restructure the debt in a more beneficial way.

5. HRA Capital Programme

The capital programme will continue to balance the need to maintain decent homes and other priorities such as health and safety, aids and adaptations, sustainability, energy efficiency and meeting tenants' aspirations. The 2019/20 programme will see the original cycle of repairs coming to an end at which point a new 30 Year Asset Management Strategy will be drawn up. Work on collecting the data for the plan is now concluding with the plan being available to assist in drawing up the 2019/20 programme and beyond. The cycle of works identified in the plan will be funded by the MRA and the Regeneration Reserve. Careful planning of the capital programme will be needed, bearing in mind the uncertainty of Government Policy, to ensure that it not only meets the needs of the tenants but is also affordable and sustainable.

6. Other Budget Considerations

Provision for Uncollectible Debts and Collection Costs

The provision for uncollectible debts at 31 March 2018 was £141,000. A provision for bad debts is made in respect of both former tenant arrears and current tenants. The Council included £109,000 in the 2018/19 budget and included £109,000 in 2019/20 for further provision against write-offs of bad debt. This is considered to be a prudent measure against a back drop of the Government's policy of Welfare Reform with Universal Credit going to 'full service' in June 2018.

In order to guard against the effect of Universal Credit the Council set up a special reserve that it could draw on to take whatever corrective action was needed to keep debt under control.

General Fund Recharges

In the light of accounting practices relating to recharges in the Council's accounts, recharges to the HRA will be reassessed in 2019/20 to make sure that these are correct and fair.

Service Charges

Tenant's service charges for 2019/20 have been increased by 3.2%, which is the same increase as applied garage rents and other miscellaneous charges.

30-year HRA Business Plan

Integral to the transition from the subsidy system to the self-financing regime, and underpinning both the self-financing debt calculation and Council HRA planning, has been the development of a 30 year business plan and full update of which will be brought to Council once the '30 Year Asset Management Plan' is complete and full the impact of current changes to Government Policy is known.