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| Policy, Finance and Development Committee | Tuesday, 02 February 2016 | Matter for Information and Decision |
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Title: Draft HRA Budget and Housing Capital Programme 2016/17

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1. Introduction

- 1.1. This report provides the committee with an update on progress in implementing the Housing Revenue Account (HRA) 30 year business plan.
- 1.2. Since approval of the business plan by Service Delivery Committee, the plan has been updated and regularly reported to the Policy Finance and Development Committee.
- 1.3. An update to the HRA business plan was approved in October by this committee. No further update has been commissioned due to the uncertainty of current government policy and its impact on the HRA. Once the Government has fully informed the Council of the financial impact of these changes a further update will be made.

2. Recommendations

That Members:-

- 2.1. Recommend to Council a 1% rent decrease in dwellings rent as detailed below in Section 4 of this report.
- 2.2. Recommend to Council a 1.1% rent increase in service charges and garages rent as detailed below in Section 5 of this report.

3. Information

- 3.1. The new financial regime for Local Authority Housing came into force in 2013/14 giving local authorities more control over their housing stock's finances, particularly in relation to the retention of rental income and the raising of funding for capital investment.
- 3.2. There are a number of changes to Central Government policy which will impact on the HRA going forward.
- 3.3. The Government through the July Budget brought in significant changes to legislation which will adversely affect income streams within the HRA and therefore the stability of its business plan. These include:
 - a) A new rent policy which will see rents reducing by 1% per annum for the next four years.
 - b) The impact of the Housing and Planning Bill which sees Right to Buy being brought into the Housing Association sector and the introduction of a levy on Councils, based on stock values as well as the moving of higher earning

tenants to market rent.

- 3.4.** The Government is currently collecting information from Council's relating to the open market value of its stock and the and time each property remains void. This is likely to form the basis of the charge that the Government will make on Councils. At present it is too early to predict how large this charge will be but it is conceivable that it will severely impinge on the Council's future capital programme.

4. Rent Levels 2016/17

- 4.1.** As stated rent levels will decrease for 2016/17. Currently a 1% decrease in all households rent will move the average rent for a property from £78.65 to £77.86 which equates to a drop in annual rental income of around £50,000.
- 4.2.** The range covered by the new rent levels are listed below.

| | Weekly Rent | Weekly Rent | Decrease per week | Change | Property Type |
|--------------|----------------|----------------|----------------------|--------|-----------------|
| | £ | £ | £ | % | |
| Highest Rent | 98.08 | 97.10 | 0.98 | 1% | 3 Bedroom House |
| Lowest Rent | 58.49 | 57.91 | 0.58 | 1% | Bedsit |
| Average Rent | 78.65 | 77.86 | 0.79 | 1% | |

- 4.3.** The HRA Business Plan update taken to the Policy, Finance and Development Committee in October 2015 demonstrated that the business plan was still viable although working HRA balances would drop to their minimum sustainable level and remain there until around 2023.

5. Service Charges and Garage Rents

- 5.1.** Non dwelling rents are not subject to the rent reduction described in part 4 of this report and as a result it is recommended that they are increased by CPI +1% in line with previous the rent and charging policy. The Council recommends using September 2015's CPI which is in line with former rent policy. It is therefore recommended that Service charges and garage rents are increased by 1.1% as listed below:

(Continued overleaf)

| | 2015/16 Current Charge | 2016/17 Proposed Charge |
|--|---------------------------------------|--|
| | £ | £ |
| <u>Garage Spaces</u> | | |
| 48 Week Basis | 3.65 | 3.68 |
| 52 Week Basis | 3.37 | 3.40 |
| | | |
| <u>Lock up Garages</u> | | |
| 48 Week Basis | 6.75 | 6.81 |
| 52 Week Basis | 6.23 | 6.29 |
| | | |
| <u>Caretaking Charge (Lower Rate)</u> | | |
| 48 Week Basis | 2.86 | 2.89 |
| 52 Week Basis | 2.64 | 2.67 |
| | | |
| <u>Caretaking Charge (Higher Rate)</u> | | |
| 48 Week Basis | 5.84 | 5.89 |
| 52 Week Basis | 5.39 | 5.44 |
| | | |
| <u>Heating and Hot Water Charges in Sheltered Schemes</u> | | Increase for 2016/17 |
| | | % |
| Chartwell House, Oadby | | 1.1 |
| Marriott House, Oadby | | 1.1 |
| William Peardon Court, Oadby | | 1.1 |
| | | |

6. Capital Programme

- 6.1.** The Council will continue to bring its stock up to the Decent Homes Standard through its whole unit refurbishment strategy. It is currently estimated that there will be considerable slippage (around £1.4million) of the 2015/16 programme into 2016/17. This will bring the 2016/17 programme to £3.9million, which will be funded by the continuation of the Major Repairs Allowance (MRA), Revenue Contributions and around £2million of borrowing. Further details of the 2016/17 Capital Programme are included in the Draft Budget report elsewhere on this agenda.
- 6.2.** At present it is unknown if the government will continue the MRA beyond the transitional five year period set out in the Self Financing Agreement and assumed in the Business Plan. Unless this arrangement continues or a similar satisfactory arrangement is put into place then future capital works will be severely hampered.

Background Documents:-

None.

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| Implications | |
|---------------------|---|
| Financial | Implications contained in the report. |
| Legal | No significant implications. |
| Risk | CR9 – Economy. CR1 - Decreasing financial resources. |
| Equalities | No significant implications. |