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| <b>HOUSING REVENUE ACCOUNT</b> |
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**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

|  | 2014/15        | 2015/16        | 2015/16        | 2016/17        |
|--|----------------|----------------|----------------|----------------|
|  | £              | Budget         | Revised        | Estimate       |
|  | £              | £              | Budget         | £              |
| <b>EXPENDITURE</b>                       |                |                |                |                |
| Management                               | 1,407          | 1,536          | 1,605          | 1,580          |
| Repairs and maintenance                  | 1,022          | 1,326          | 1,354          | 1,351          |
| Debt Management                          | 8              | 16             | 10             | 10             |
| Depreciation (MRA cont.)                 | 1,184          | 1,185          | 1,185          | 1,214          |
| Provision for Bad Debts                  | 35             | 89             | 89             | 128            |
| <b>Gross Expenditure</b>                 | <b>3,656</b>   | <b>4,152</b>   | <b>4,243</b>   | <b>4,283</b>   |
| <b>INCOME</b>                            |                |                |                |                |
| Rents - Dwelling                         | (4,882)        | (5,037)        | (5,037)        | (4,982)        |
| Rents - Non Dwellings                    | (87)           | (84)           | (84)           | (85)           |
| Charges for Services and Facilities      | (203)          | (130)          | (130)          | (98)           |
| <b>Gross Income</b>                      | <b>(5,172)</b> | <b>(5,251)</b> | <b>(5,251)</b> | <b>(5,165)</b> |
| Interest payable                         | 539            | 589            | 539            | 554            |
| Interest Receivable                      | (23)           | (15)           | (15)           | (15)           |
| Revenue Contribution to Capital          | 174            | 1,871          | 2,615          | 494            |
| Transfers to/(from)                      |                |                |                |                |
| Reserves                                 | 0              | 0              | 0              | 0              |
| Total Capital Charges and Appropriations | 690            | 2,445          | 3,139          | 1,033          |
| (Surplus)/Deficit for the Year           | <b>(826)</b>   | <b>1,346</b>   | <b>2,131</b>   | <b>151</b>     |
| <b>Opening Balances</b>                  |                |                |                |                |
| Housing Revenue Account                  | (1,897)        | (2,723)        | (2,723)        | (592)          |
| Major Repairs Reserve                    | (1,012)        | 0              | 0              | 0              |
| Regeneration Reserve                     | (500)          | (500)          | (500)          | (355)          |
| Bad Debt Provision                       | (85)           | (120)          | (120)          | (209)          |
| <b>Closing Balances</b>                  |                |                |                |                |
| Housing Revenue Account                  | (2,723)        | (1,377)        | (592)          | (441)          |
| Major Repairs Reserve                    | 0              | 720            | 984            | (29)           |
| Regeneration Reserve                     | (500)          | (500)          | (355)          | (200)          |
| Bad Debt Provision                       | (120)          | (209)          | (209)          | (337)          |

## **Service Statistics**

| Service Statistics          | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|-----------------------------|---------|---------|---------|---------|---------|---------|
| Average Number of Dwellings | 1,244   | 1,241   | 1,238   | 1,235   | 1,232   | 1,229   |
| Housing Rent                |         |         |         |         |         |         |
| Rent per dwelling           | 76.91   | 78.65   | 77.86   | 77.08   | 76.31   | 75.55   |
| Unpooled Service Charge     | 1.30    | 1.35    | 1.36    | 1.40    | 1.43    | 1.47    |
| Total Rent                  | 78.21   | 80.00   | 79.22   | 78.48   | 77.74   | 77.02   |
| Rent per standard garage    | 6.10    | 6.24    | 6.31    | 6.47    | 6.63    | 6.79    |

## **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 1.1 % which is in line with CPI +1%.

|  | 2015/16<br>Current<br>Charge | 2016/17<br>Proposed<br>Charge |  |  |
|--|------------------------------|-------------------------------|--|--|
|  | £                            | £                             |  |  |
| <b><u>Garage Spaces</u></b>  |                              |                               |  |  |
| 48 Week Basis  | 3.66                         | 3.68                          |  |  |
| 52 Week Basis  | 3.38                         | 3.40                          |  |  |
| <b><u>Lock up Garages</u></b>  |                              |                               |  |  |
| 48 Week Basis  | 6.76                         | 6.81                          |  |  |
| 52 Week Basis  | 6.23                         | 6.29                          |  |  |
| <b><u>Caretaking Charge (Lower Rate)</u></b>                         |                              |                               |  |  |
| 48 Week Basis  | 2.92                         | 2.96                          |  |  |
| 52 Week Basis  | 2.70                         | 2.73                          |  |  |
| <b><u>Caretaking Charge (Higher Rate)</u></b>                        |                              |                               |  |  |
| 48 Week Basis  | 5.84                         | 5.90                          |  |  |
| 52 Week Basis  | 5.39                         | 5.45                          |  |  |
| <b><u>Heating and Hot Water Charges<br/>in Sheltered Schemes</u></b> |                              |                               |  |  |
|  |                              | Increase for<br>2016/17       |  |  |
|  |                              | %                             |  |  |
| Chartwell House, Oadby   |                              | 1.1                           |  |  |
| Marriott House, Oadby  |                              | 1.1                           |  |  |
| William Peardon Court, Oadby   |                              | 1.1                           |  |  |

### **3 CAPITAL PROGRAMME**

The councils housing capital programme covers improvements to the housing stock and works to meet the 'Decent Homes' target.

2013/14 saw the Council move to a 'whole unit refurbishment' strategy when implementing major replacement programmes. The Boulter Crescent Estate was chosen as the first of these due to its age, built around 1972, and because it has not been part of the current replacement programme which is now coming to an end in June 2016.

| <b>Scheme Description</b>                 | <b>2014/15<br/>Actual</b> | <b>2015/16<br/>Budget</b> | <b>2015/16<br/>Revised<br/>Budget</b> | <b>2016/17<br/>Estimates</b> |
|---|---------------------------|---------------------------|---------------------------------------|------------------------------|
|   | £'000                     | £'000                     | £'000                                 | £'000                        |
| Boulter Crescent Whole Unit Refurbishment | 1,820                     | 3,447                     | 2,855                                 | 3,743                        |
| Central Heating                           | 273                       | 0                         | 218                                   | 0                            |
| Kitchens and bathrooms                    | 0                         | 0                         | 0                                     | 0                            |
| Heating Ventilation and Insulation        | 31                        | 0                         | 83                                    | 0                            |
| Front and Rear Doors                      | 0                         | 0                         | 95                                    | 0                            |
| Decent Homes Work                         | 22                        | 0                         | 77                                    | 0                            |
| Car Hardstandings                         | 17                        | 0                         | 47                                    | 0                            |
| Major Adaptations                         | 83                        | 0                         | 160                                   | 0                            |
| Fire Safety Work                          | 0                         | 0                         | 61                                    | 0                            |
| CCTV Scheme                               | 0                         | 30                        | 25                                    | 5                            |
| Subsidence Work                           | 76                        | 0                         | 125                                   | 0                            |
| Software up grade                         | 49                        | 53                        | 53                                    | 25                           |
| Grant for Social Housing                  | 160                       | 0                         | 0                                     | 0                            |
| New Housing Initiatives                   | 0                         | 300                       | 155                                   | 146                          |
| Stock Condition Work - unprogrammed       | 0                         | 0                         | 0                                     | 0                            |
| <b>Total Housing Capital Programme</b>    | <b>2,531</b>              | <b>3,830</b>              | <b>3,954</b>                          | <b>3,919</b>                 |
| <b>Funding</b>                            |                           |                           |                                       |                              |
| Major Repairs Reserve                     | 2,197                     | 1,185                     | 1,185                                 | 1,214                        |
| Revenue Contribution to Capital           | 174                       | 2,068                     | 2,615                                 | 494                          |
| Capital Receipts                          | 160                       | 0                         | 46                                    |                              |
| Regeneration Reserve                      | 0                         | 300                       | 108                                   | 146                          |
| Borrowing                                 | 0                         | 277                       | 0                                     | 2,065                        |
| <b>Total Funding</b>                      | <b>2,531</b>              | <b>3,830</b>              | <b>3,954</b>                          | <b>3,919</b>                 |
|   |                           |                           |                                       |                              |
|   |                           |                           |                                       |                              |

## **4 HOUSING REVENUE ACCOUNT BUDGET BACKGROUND CONSIDERATIONS FOR CAPITAL PROGRAMME 2014/15 INCLUDING THREE-YEAR FORWARD FINANCIAL FORECAST TO 2017/18**

### **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
7. Summary of variances from previous budget forecast

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

The revenue budget for 2016/17 sets out the costs of delivering current levels of service while including losses of funding such as Supporting People Grant.

The budget has been prepared against the background of the Government's policy addressing the deficit in the national public finances while being watchful of recent changes to policy relating to rent levels and the financing of Housing Association 'Right to Buy'.

The budget has been set assuming that a 1% pay award will be implemented for 2016 and that upward inflation will be 1.1%

#### **2. Rent Policy**

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. This included a new rent policy which will see rents reducing by 1% per annum for the next four years.

The average rent decrease for Oadby and Wigston tenants based on the new proposals will be 1% for 2016/17, with actual rent decreases being in the range of £0.58 to £0.98 per week. The Average rent for 2016/17 will be £77.86

|              | <b>Current Weekly Rent</b> | <b>New Rent per week</b> | <b>Change Rent per week</b> | <b>Change</b> | <b>Property Type</b> |
|--------------|----------------------------|--------------------------|-----------------------------|---------------|----------------------|
|              | £                          | £                        | £                           | %             |                      |
| Highest Rent | 98.08                      | 97.10                    | - 0.98                      | -1%           | 3 Bed House          |
| Lowest Rent  | 58.49                      | 57.91                    | - 0.58                      | -1%           | Bedsit               |
| Average Rent | 78.65                      | 77.86                    | - 0.79                      | -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.

The Government is currently collecting information from Councils relating to the open market value of its stock and the 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. The inference is that Councils will be forced either to sell high value void properties or extend their borrowing levels to meet the levy.

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. In the interests of corporate efficiency, the Council will move to a combined loans pool for both HRA and General Fund in 2016/17. It is planned that the Council will need to borrow a further £2million pounds in 2016/17 to finance its planned capital programme.

Under the subsidy system the Government carried the risk of adverse movements in interest rates but under the self financing regime it is the Council that carries this risk. To mitigate this risk the vast majority of the HRA's borrowing is for a fixed term at a fixed rate.

The 30 year business plan provides the repayment of HRA debt over its life. However, because resources are required in the early years of the plan to fund the demands of the asset management strategy, repayment cannot begin until 2020. The HRA debt is therefore structured to mature from year 2020 onwards. However due to changes in Government Policy described in section 3 above it is likely 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 draft capital programme is funded from a combination of the major repairs allowance, revenue contributions to capital expenditure, utilisation of the Regeneration Reserve and borrowing. Total borrowing will be restricted by the self-financing debt cap, of £21.769m.

The future levels of Major Repairs Allowance (MRA) built into the draft capital programme are based upon the updated allowances used in the self-financing calculation. It reflects changes in inflation and stock numbers. 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

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. To this end, a 30 year Asset Management Strategy is being prepared, and this links into the 30 year HRA Business Plan through the Regeneration Reserve. The Regeneration Reserve will initially be used to help plug any funding gap in the Capital Programme but could be used in later years to repay debt or fund other priorities such as new housing initiatives. Careful planning of the capital programme will be needed, bearing in mind 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 2015 was £120,000. A provision for bad debts is made in respect of both former tenant arrears and current tenants. The Council has included £128,000 in the 2016/17 budget for further provisions 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.

### Supporting People Funding

The Supporting People agreement ended in September 2015 and the funding has now been removed from the budget.

### General Fund Recharges

As part of challenging all budgets a review has taken place of the recharges between the General Fund and the HRA. These consist of recharges of a proportion of both support service costs and corporate management costs based on estimate of the split in costs between the General Fund and the Housing Revenue Account

### Service Charges

Tenant's service charges for 2016/17 have been increased by 1.1%, 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 impact of current changes to Government Policy is known.