

HOUSING REVENUE ACCOUNT

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

	2015/16	2016/17 Budget	2016/17 Revised Budget	2017/18 Estimate
	£	£	£	£
EXPENDITURE				
Management	1,703	1,584	1,575	1,550
Repairs and maintenance	1,197	1,351	1,381	1,381
Debt Management	10	10	10	10
Depreciation (MRA cont.)	1,184	1,214	1,214	1,245
Provision for Bad Debts	31	128	128	119
Gross Expenditure	4,125	4,287	4,308	4,305
INCOME				
Rents - Dwelling	(4,953)	(4,982)	(4,965)	(4,875)
Rents - Non Dwellings	(84)	(85)	(85)	(87)
Charges for Services and Facilities	(133)	(101)	(102)	(103)
Gross Income	(5,170)	(5,168)	(5,152)	(5,065)
Interest payable	539	553	540	547
Interest Receivable	(11)	(15)	(6)	(6)
Revenue Contribution to Capital	1,895	494	1,356	0
Transfers to/(from) Reserves	0	0	0	219
Total Capital Charges and Appropriations	2,423	1,032	1,890	760
(Surplus)/Deficit for the Year	1,378	151	1,046	0
Opening Balances				
Housing Revenue Account	(2,724)	(1,346)	(1,346)	(300)
Major Repairs Reserve	0	0	0	0
Regeneration Reserve	(500)	(361)	(361)	(361)
Housing Levy	0	0	0	0
Bad Debt Provision	(120)	(151)	(151)	(279)
Closing Balances				
Housing Revenue Account	(1,346)	(1,195)	(300)	(300)
Major Repairs Reserve	0	0	0	0
Regeneration Reserve	(361)	(361)	(361)	(361)
Housing Levy	0	0	0	(219)
Bad Debt Provision	(151)	(279)	(279)	(398)

2. 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	1.35	1.36	1.37	1.41	1.44	1.48
Total Rent	78.26	80.01	79.23	78.49	77.76	77.03

3. 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 2.5% which is in line with the RPI for December 2016

	2016/17 Current Charge	2017/18 Proposed Charge		
	£	£		
<u>Garage Spaces</u>				
48 Week Basis	3.68	3.78		
52 Week Basis	3.40	3.49		
<u>Lock up Garages</u>				
48 Week Basis	6.81	6.98		
52 Week Basis	6.29	6.45		
<u>Caretaking Charge (Lower Rate)</u>				
48 Week Basis	2.89	2.96		
52 Week Basis	2.67	2.74		
<u>Caretaking Charge (Higher Rate)</u>				
48 Week Basis	5.89	6.04		
52 Week Basis	5.44	5.58		
<u>Heating and Hot Water Charges in Sheltered Schemes</u>				
		Increase for 2017/18		
		%		
Chartwell House, Oadby		2.5		
Marriott House, Oadby		2.5		
William Peardon Court, Oadby		2.5		

4. CAPITAL PROGRAMME

The councils housing capital programme covers improvements to the housing stock and works to meet the 'Decent Homes' target. A full list of programmed schemes for 2016/17 is contained in the table below. At present it is expected that the 2016/17 capital programme will be largely completed in this year.

(Continued overleaf)

Scheme Description	Programmed Schemes 2016/17
	£'000
Boulter Crescent Whole Unit Refurbishment	1,050
Central Heating	120
Door Entry Scheme	20
Front Doors	66
Car Hardstandngs	45
External Work Junction Rd	50
Concrete Repairs Chartwell Hse	72
Decent Homes Work	210
Major Adaptations	309
Orchard System Upgrade	10
Heating and Ventalation	1,759
CCTV scheme	3
Subsidence 27 Falmouth Rd	2
St Peters Path Subsidence	3
Communal Heating System William Peardon Court	3
Refurb Bathrooms William Peardon Court	130
Garage Block Churchill Close	10
Queen Street Whole Unit Refurbishment	67
Kings Dr/Gibson Cl Kitchens	119
King Street Retaining Wall	102
Countersthorpe Rd kichens/bathrooms	29
Kenilworth Drive	18
Bassett Street	40
Retentions	12
Elizabeth Ct Bin Store	9
Bennett Way Roof	2
Stock Condition Work - unprogrammed	0
Total Housing Capital Programme	4,260
Funding	
Major Repairs Reserve	1,214
Revenue Contribution to Capital	1,356
Borrowing	1,690
Total Funding	4,260

Due to the changes in government legislation and in particularly the 'Void Sales Levy', there is pressure and doubt on the Council's ability to fund large programmes. Also, there does not appear to be any relaxation on the upper limit of borrowing the Council is currently allowed and as a result it is recommended that the programme for 2017/18 should be able to be financed solely from the Council's in year Major Repairs Allowance which will be around £1.24million.

The programme will continue to promote decent homes and will accommodate the works at Elizabeth Court which have recently been approved. A detailed schedule of works which outlines how the £1.24m will be spent will be brought to members at a future committee.

5. HOUSING REVENUE ACCOUNT BUDGET BACKGROUND CONSIDERATIONS FOR THE REVENUE BUDGET CAPITAL PROGRAMME 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 2017/18 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 1% pay award will be implemented for 2016 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 £77.86 to £77.08 which equates to a drop in annual rental income of around £50,000. It is important to remember that this is a year on year decrease which will continue for this and a further two years. From 2020/21 onwards rents will resume increasing by CPI +1%.

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

	Current Weekly Rent	New Rent per week	Change Rent per week	Change	Property Type
	£	£	£	%	
Highest Rent	97.10	96.13	- 0.97	-1%	3 Bed House
Lowest Rent	57.91	57.33	- 0.58	-1%	Bedsit
Average Rent	77.86	77.08	- 0.78	-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 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. The inference is that Council's will be forced either to sell high value void properties or extend their borrowing levels to meet the levy. The levy is likely to come into force from 2018/19.

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. It is planned that the Council will need to borrow a further £2million pounds in 2016/17 to finance its planned capital programme. The Council currently operates separate loans pools for HRA and General Fund a situation which be reviewed regularly to gain the most efficient use of its resources.

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 and borrowing. Total borrowing will be restricted by the self-financing debt cap, of £21.769m. It is not envisaged that any borrowing will be required in 2017/18.

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 2016 was £151,000. A provision for bad debts is made in respect of both former tenant arrears and current tenants. The Council has included £119,000 in the 2017/18 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.

General Fund Recharges

As part of challenging all budgets regular reviews take 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 2.5%, 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.