HOUSING REVENUE ACCOUNT

1. SUMMARY

The Housing Revenue Account includes income 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.

	2016/17 Actual £	2017/18 Budget £	2017/18 Budget £	2018/19 Proposed Budget £
EXPENDITURE				
Management	1,668	1,536	1,530	1,543
Repairs and maintenance	1,236	1,381	1,396	1,414
Council Tax	19	9	9	9
Debt Management	10	10	10	10
Depreciation (MRA cont.)	1,212	1,245	1,245	1,273
Provision for Bad Debts	7	119	119	109
Gross Expenditure	4,152	4,300	4,309	4,358
INCOME				
Rents - Dwelling	(4,867)	(4,783)	(4,783)	(4,699)
Rents - Non Dwellings	(74)	(87)	(87)	(87)
Charges for Services and Facilities	(186)	(190)	(190)	(198)
Gross Income	(5,127)	(5,060)	(5,060)	(4,984)
Interest payable	539	547	564	579
Interest Receivable	(7)	(7)	(5)	(5)
Revenue Contribution to Capital	1,356	0	133	0
Transfers to/(from) Reserves	0	220	192	52
Total Capital Charges and Appropriations	1,888	760	884	626
(Surplus)/Deficit for the Year	913	0	133	0
Opening Balances				
Housing Revenue Account	(1,346)	(433)	(433)	(300)
Major Repairs Reserve	0	0	0	0
Regeneration Reserve	(361)	(361)	(361)	(351)
Housing Levy	0	0	0	(192)
Bad Debt Provision	(152)	(159)	(159)	(278)
Closing Balances				
Housing Revenue Account	(433)	(433)	(300)	(300)
Major Repairs Reserve	0	0	0	0
Regeneration Reserve	(361)	(361)	(351)	(351)
Housing Levy	0	(220)	(192)	(244)
Bad Debt Provision	(159)	(278)	(278)	(387)

Service Statistics

Service Statistics	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Average Number of Dwellings	1,238	1,230	1,220	1,210	1,200	1,190
Housing Rent						
Rent per dwelling	78.65	77.86	77.08	76.31	75.55	77.44
Unpooled Service Charge	1.37	1.39	1.42	1.47	1.51	1.55
Total Rent	80.02	79.25	78.50	77.78	77.06	78.98

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 3.8% which is in line with the CPI+1% for September 2017

	2017/18 Current Charge £	2018/19 Proposed Charge £
Garage Spaces		
48 Week Basis	3.78	3.92
52 Week Basis	3.49	3.62
Lock up Garages		
48 Week Basis	6.98	7.25
52 Week Basis	6.45	6.70
Caretaking Charge (Lower Rate)		
48 Week Basis	2.96	3.07
52 Week Basis	2.74	2.84
Caretaking Charge (Higher Rate)		
48 Week Basis	6.04	6.27
52 Week Basis	5.58	5.79

Heating and Hot Water Charges in Sheltered Schemes	Increase for 2018/19 %
Chartwell House, Oadby	3.8
Marriott House, Oadby	3.8
William Peardon Court, Oadby	3.8
Mobility Scooter Garaging	NIL

3. CAPITAL PROGRAMME

The Council's housing capital programme covers improvements to housing stock and works to meet the 'Decent Homes' target. A full list of programmed schemes for 2018/19 is contained in the table below. At present it is expected that the 2017/18 capital programme will be largely completed in this year.

Scheme Description	Programmed Schemes 2018/19	Narrative Comment
	£'000	
'Decent Homes' past refusals / missed	100,000	Based on 5 majors at an average cost of £20k
Central Heating and Boiler Replacements	100,000	Based on 50 boilers reactive / planned (about 4% of the Councils stock)
Major Adaptations	150,000	Dependant on referrals (assumes no building extensions)
Front and rear doors	20,000	Based on 40 standard doors
Car Hardstanding	20,000	Based on providing around 10 new facilities
William Peardon Court : Communal Heating System - Replacement	229,000	To be carried out in the summer of 2018 after being deferred from 17/18 programme.
Marriot House: Fire Safety Work + sprinkler system	200,000	Originally part of the 2017/18 programme, currently out to tender and deferred to 2018/19
Junction Road (convert maisonette to 2 homes)	100,000	Long term void that required gutting to shell and redesign. Will add one new property to the stock
Kitchen Replacement Programme	330,000	Estimated 60 kitchens subject to condition surveys currently being carried out. Works costs estimated at £5,500 each including all structural work
External Wall Insulation	45,000	4 further properties identified
Replace standard composite doors with fire doors in a similar style.	35,000	On walkways and in open stairwells, following fire safety reviews (where walked past to exit in the event of a fire). Phase 1 x 34 doors (all at Chartwell / Churchill Cl blocks)
Efficiency Savings to be found within programme	(56,000)	To be found in either 2017/18 programme or during 2018/19
Total Capital spend for year	1,273,000	

There is still a lack of clarity surrounding the changes in government legislation announced in particular the 'Void Sales Levy'. This has created pressure and doubt regarding the Council's ability to fund large programmes. Although there have been suggestions of a relaxation on the upper limit of borrowing, it is unlikely that the Council would be able to take advantage of this due to increased interest payments. It is recommended that the programme for 2018/19 should be able to be financed solely from the Council's in year Major Repairs Allowance which will be around £1.27million.

The programme will continue to promote decent homes and include major works at the Council's sheltered housing schemes. Work will also be done to convert a long term void at Junction Road into two properties which, if successful, could be repeated at similar properties on the same site. This would make those dwellings more desirable while increasing the Council's stock and rent base.

4. 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

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

The revenue budget for 2018/19 sets out the costs of delivering current levels of service while taking into account the effect of current government legislation 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 £77.08 to £76.31 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 year. 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	96.13	95.17	- 0.96	-1%	3 Bed House
Lowest Rent	57.33	56.76	- 0.57	-1%	Bedsit
Average Rent	77.08	76.31	- 0.77	-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 past two years. Further changes to government policy through the Housing and Planning Bill also threaten stock levels.

The Government has collected 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. It is not possible 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. Since the original announcement in 2015 the levy has been deferred and will not come into force until 2019/20 at the earliest

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 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 £1.1m with a further £1m needed to fund subsequent capital projects including the 2017/18 programme leaving a further £1.5m of borrowing headroom. It is not planned to make any further borrowing to fund capital in 2018/19.

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, however rates have risen slightly in the last quarter of 2017 and recent announcements from the Bank of England suggest that further rises will take place in the first half of 2018. 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 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 draft capital programme is funded wholly from the major repairs allowance. 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 2018/19.

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. It is assumed that this arrangement will continue throughout the life of the business plan.

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 2018/19 programme will see the original cycle of repairs coming to an end at which point a new a 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 tenants but is also affordable and sustainable.

6. Other Budget Considerations

Provision for Uncollectible Debts and Collection Costs

The provision for uncollectable debts at 31 March 2017 was £159,000. A provision for bad debts is made in respect of both former tenant arrears and current tenants. The Council included £119,000 in the 2017/18 budget and included £109,000 in 2018/19 for further provision against write-offs of bad debt. This is considered to be a prudent measure against a backdrop of the Government's policy of Welfare Reform with Universal Credit going to 'full service' in June 2018.

General Fund Recharges

As part of challenging all budgets, regular reviews of the recharges between the General Fund and the HRA are carried out. These consist of recharges of a proportion of both support service costs and corporate management costs based on an estimate of the split in costs between the General Fund and the Housing Revenue Account

Service Charges

Tenant's service charges for 2018/19 have been increased by 3.8%, 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, a full update of which will be bought to Council once the '30 Year Asset Management Plan' is complete and full the impact of current changes to Government Policy are known.