



## Hinckley & Bosworth Borough Council

### FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

Joint Scrutiny Commission / Finance and Performance Scrutiny Council	1 February 2018 22 February 2018
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WARDS AFFECTED: ALL WARDS

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### HOUSING REVENUE ACCOUNT BUDGET 2018/19

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#### Report of Head of Finance

#### 1. PURPOSE OF REPORT

- 1.1 To seek approval of the 2018/19 Housing Revenue Account (HRA) budget, including the Housing Repairs Account.

#### 2. RECOMMENDATION

- 2.1 That Council approve the Rent Policy for 2018/19 as set out in paragraph 3.4 to 3.7.
- 2.2 That Council approve:
- The revised Housing Revenue and Housing Repairs Account budgets for 2017/18 shown in Appendix 1 and Appendix 2.
  - The Housing Revenue and Housing Repairs Account budgets for 2018/19 shown in Appendix 1 and Appendix 2.
  - The proposed movement in reserves shown in Appendix 3.

#### 3. BACKGROUND TO THE REPORT

- 3.1 The budgets covered by this report relate to the Council's responsibilities as the landlord of around 3,340 dwellings. The Housing Revenue Account is the ring fenced account which presents financial performance for the following activities:
- Income from dwelling rents and associated charges, e.g. utilities.
  - Supervision & Management (General), e.g. allocations housing register, rent collection, tenant consultation
  - Supervision & Management (Special) e.g. sheltered schemes, hostel, roads, paths, fences and grounds, which are not part of an individual property.
  - Housing Repairs & Maintenance, which has a separate account and deals with the maintenance of individual properties.

- 3.2 The Council, as landlord to properties within the Housing Revenue Account is required to review rent levels and advise tenants of their rent for the forthcoming year ahead as part of the budget setting process.
- 3.3 The introduction of the Housing and Planning Act and Welfare Reform Act, plus policy changes announced by Government have introduced a requirement for local authorities to sell high value voids to pay toward the extension of the right to buy scheme to housing associations. This is expected to have a significant impact on the HRA finances. However, to date we do not have details on how this will impact on the Council as DCLG have deferred the scheme until 2018/19 at the earliest. The Scheme is likely to require an upfront payment from the Council calculated by reference to the market value of their "high value" housing stock, rather than just paying over the proceeds of the actual sales, raising the possibility that should insufficient properties be sold, the HRA will have to fund the levy through other resources. This may also impact on the council's ability to meet the capital repayment of HRA loans as forecast in the HRA capital programme. This 2018/19 budget covers the revenue position for 2018/19 and does not include the impact of the high value voids issues, which will be included in the HRA business plan when finalised.

### **Rent setting**

#### **Policy from 2017/18**

- 3.4 On the 8 July 2015, as part of the summer budget, the government announced a revised rent policy which would apply for 3 years from 2017/18. The objective of this policy was to assist the public with their rental expenditure.
- 3.5 The policy is to reduce social housing rent by 1% for the next 2 years.
- 3.6 Based on the policy the rents have been calculated on the following:
- Social housing and supported housing rent will reduce by 1%.
  - Void loss assumption of 1.75%
  - Inclusion of New Properties (Southfield Road and Martinshaw Lane)
- 3.7 After factoring in the above the forecast rental income for 2018/19 is £12,691,926.

### **Budget summary**

- 3.8 The original Housing Revenue Account budget for 2017/18, revised budget for 2017/18 (based on September 2017 outturn) and the proposed budget for 2018/19 is set out in Appendix 1.
- 3.9 The original Housing Repairs Account budget for 2017/18, revised budgets for 2017/18 (based on September 2017 outturn) and the proposed budget for 2018/19 is set out in Appendix 2.

### **Revised 2017/18 Budget**

- 3.10 The original budgets for 2017/18 have, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements.

- 3.11 Appendix 1 identifies an additional net pressure in the year of £102,324 for the HRA to year end. This is mainly due to a reduction in rental income due to additional right to buy sales. This will result in an estimated HRA balance as at 31/3/2018 being £758,585. In 2018/19 the estimated contributions to the regeneration reserve will be reduced to ensure that HRA balance equates to around £250 per property).
- 3.12 In addition, Appendix 2 summarises the Housing Repairs Account to year end. After allowing for in year budget movements it is estimated that the repairs balance will be £41,837 lower compared against an original budgeted balance of £190,689. This is primary due to additional repairs costs.

## **2018/19 Budget**

### Service Priorities and links to other documents

- 3.13 The 2018/19 budget has been created with clear links to the Council's strategic and service objectives.
- 3.14 In addition to the Corporate Plan, the overarching strategic document for the HRA is the HRA Investment Plan which was approved by Council in July 2013. The key objectives for future housing provision outlined in this document were taken into account in producing both the revenue and capital HRA budgets. These are as follows:
- Continue to invest in existing stock to maintain good quality homes
  - Invest in new build schemes/acquire affordable housing to increase the amount of affordable housing available.
  - Refurbishment/regeneration of stock which no longer meets needs.
  - Environmental improvements to estates to ensure they are clean and safe.
  - Invest in service delivery
  - Develop and maintain effective engagement with tenants.
  - The HRA Investment Strategy.

### Budget Assumptions and the Budget Strategy

- 3.15 The 2018/19 Housing Revenue Budget has been prepared following a robust process outlined in the 2017/18 Budget Strategy.
- 3.16 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. For contractual commitments, an inflation rate of 3.9% has been used, unless otherwise specified within the terms of the specific contract.
- 3.17 The salaries and wages budgets form one of the most significant elements of the revenue budget. For pay costs, the 2018/19 estimates includes the agreed 2% pay increase as outlined in the Employers Pay Offer in December 2017. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% has been applied to posts to reflect the savings. This rate is unchanged from the prior year.

### Housing Repairs budgets 2018/19

- 3.18 The housing repairs operational budgets (Planned and Responsive repairs) have been prepared taking into account forecast need and the capacity for this to be delivered in 2018/19.
- 3.19 Programmed and Responsive repairs budgets have been increased inline with inflation. The reduction in supplies and services costs is due to a reduction in the Asbestos surveys budget. Overall the Account is expected to make a slight operating surplus of £12,245 in the year which will mean a forecast balance of £161,097 as at 31<sup>st</sup> March 2019.

### Working balances

- 3.20 The Council has the following policies relating to levels of balances and reserves in the HRA:
- Maintain HRA balances (non earmarked) of £250 per property by the 31<sup>st</sup> March 2019. For 2017/18, this equates to minimum balance of £835,000 based on 3,340 properties.
  - Maintain a breakeven position within the Housing Repairs Account with all surpluses transferred to earmarked reserves.
  - Where possible, all actual service under-spends and excess balances should be transferred to earmarked reserves to plan for specific future costs or financial risks.
  - There should be no direct contribution from revenue to capital except for specific identified projects.
- 3.21 The projected movement of the Housing Revenue Account balance is detailed below and indicates that sufficient balances are forecast as at 31<sup>st</sup> March 2018 based on the minimum balance thresholds outlined in 3.20. Required transactions to achieve minimum balances for 2017/18 will be considered as part of the outturn process. <sup>1</sup>

	2017/18	2017/18	2018/19
	ORIGINAL	LATEST	ORIGINAL
	ESTIMATE	ESTIMATE	ESTIMATE
	£	£	£
Opening Balance at 1st April	(841,995)	(870,000)	(758,585)
Closing Balance at 31st March	(832,904)	(758,585)	(840,975)

- 3.22 The Housing Repairs Account balance is forecast as follows:

	2017/18	2017/18	2018/19
	ORIGINAL	LATEST	ORIGINAL
	ESTIMATE	ESTIMATE	ESTIMATE
	£	£	£
Opening Balance at 1st April	(357,688)	(441,980)	(148,852)
Closing Balance at 31st March	(190,689)	(148,852)	(161,097)

### Reserves

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<sup>1</sup> ( x ) Relates to credit/positive balances

- 3.23 Appendix 3 provides a summary of earmarked HRA reserves, together with estimated movements during 2017/18 and 2018/19. Based on these calculations, it is estimated that the Council will hold £9,404,778 in earmarked HRA reserves as at 31 March 2018 and £6,769,307 at 31<sup>st</sup> March 2019. This amount excludes any “unapplied grants and contributions” which are treated as earmarked reserves in accordance with accounting regulations but relate to specific grants where conditions have not yet been met.

The following transfers to reserves require approval by Council:

<b>Reserve</b>	<b>Transfer £</b>	<b>Use</b>
<b>2017/18</b>		
Piper Alarm Reserve	10,400	Reserve set aside for additional costs that may be incurred on provision of the Control Centre service.
Regeneration Reserve	2,565,000	This reserve has been set up to fund the implementation of the Housing Investment Plan. The transfer to reserves has been funded by both the HRA and the Housing Repairs Account.
Pension Reserve	3,520	This reserve has been set aside to fund any future pension liability for the HRA.
Major Repairs Reserve	£1,458,550	This amount together with the depreciation budget will be set aside to fund capital expenditure. (This entry is now required to a change in accounting regulations).
<b>2018/19</b>		
Piper Alarm Reserve	10,400	Reserve set aside for additional costs that may be incurred on provision of the Piper Alarm service. This service is currently under review by the Council
Regeneration Reserve	2,055,700	This reserve has been set up to fund the implementation of the Housing Investment Plan. The transfer to reserves has been funded by both the HRA and the Housing Repairs Account.
Pension Reserve	3,520	This reserve has been set aside to fund any future pension liability for the HRA.
Major Repairs Reserve	£898,349	This amount together with the depreciation budget will be set aside to fund capital expenditure. (This entry is now required to a change in accounting regulations).

- 3.24 It is proposed that HRA reserves will only be used for capital purposes in 2017/18. Full details are included in the Capital Programme.

#### HRA Business Plan

- 3.25 The HRA Business and Investment plan outlines how the HRA business will deliver services and capital projects over a 30 year period. The plan has been updated to reflect the budget for 2018/19 and the current affordable housing programme which is included within the capital programme report.

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

4.1 Report will be taken in open session

5. FINANCIAL IMPLICATIONS [IB]

5.1 Contained in the body of the report

6. LEGAL IMPLICATIONS [AR]

6.1 This budget is drawn up and approved in accordance with the Statutory requirements as to the keeping of a Housing Revenue Account (HRA), as contained in the Local Government and Housing Act 1989 ('the Act'). It is a duty of each local authority to approve its HRA budget in the January and February immediately before the commencement of the financial year to which it relates.

6.2 The provisions include a duty, under Section 76 of the Act, to budget to prevent a debit balance on the HRA and to implement and review the budget. The Account must relate to the income of the authority for the year from rents and other charges in respect of houses and other property within their Housing Revenue Account and the expenditure of the authority for the year in respect of the repair, maintenance, supervision and management of such property and any other requirements of the Secretary of State.

7. CORPORATE PLAN IMPLICATIONS

7.1 The proposed budgets will allocate resources to enable the Council to achieve its objectives for its own housing stock

8. CONSULTATION

8.1 Relevant council officers have been consulted in the preparation of the budgets.

8.2 A full consultation exercise on priorities for Housing Investment was conducted in 2013/2014, the results of which were considered in preparation of the Housing Investment Plan,

9. RISK IMPLICATIONS

9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner

That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	<p>A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.</p> <p>The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.</p> <p>Sufficient levels of reserves and balances are maintained to ensure financial resilience</p>	A Wilson
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## 10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

- 10.1 The budget will allow management and maintenance of Council Properties throughout the Borough.

## 11. CORPORATE IMPLICATIONS

- 11.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

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Background papers: Civica Reports

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