

COUNCIL – AGENDA ITEM 6

DATE OF MEETING: 6 FEBRUARY 2019

REPORT BY: COUNCILLOR BURGESS (CHAIRMAN OF THE COMMUNITY BOARD)

At its meeting on 23 January 2019 the Community Board considered a joint report and addendum of the Borough Treasurer and Housing Services Manager on the following item and made the following recommendation to Full Council.

BUSINESS PLAN UPDATE AND COUNCIL DWELLING RENTS 2019/2020 (ATTACHED AS APPENDIX 1)

RECOMMENDATION:

That the Community Board recommend to Council that:

- The revised HRA Business Plan extract (Appendix A) and associated 2018/19 Revised Budget and 2019/20 Budget (Appendix B) is agreed.
- That Council Dwelling rents decrease by 1% (an average of £0.79 per week). This is the final year of the four year reduction programme as detailed in the new national rent policy introduced in April 2016.
- The rent for older style garages is increased in line with inflation, as agreed in the Garage Renewal strategy and rent for non GBC tenants who have garages is increased by £1 per week.

APPENDIX 1

Board/Committee:	COMMUNITY BOARD
Date of Meeting:	23 JANUARY 2019
Title:	BUSINESS PLAN UPDATE AND COUNCIL DWELLING RENTS 2019/2020
Author:	BOROUGH TREASURER AND HOUSING SERVICES MANAGER
Status:	FOR RECOMMENDATION TO FULL COUNCIL

Purpose

This report considers the Housing Revenue Account (HRA) Business Plan including the revised 2018/19 budget and the 2019/20 budget including recommendations on rent levels for next year.

It also provides updates for members on the latest information with regard to policy changes that impact directly on local authority housing finance services.

Recommendation

That the Community Board recommend to Council that:

- The revised HRA Business Plan extract (Appendix A) and associated 2018/19 Revised Budget and 2019/20 Budget (Appendix B) is agreed.
- That Council Dwelling rents decrease by 1% (an average of £0.79 per week). This is the final year of the four year reduction programme as detailed in the new national rent policy introduced in April 2016.
- The rent for older style garages is increased in line with inflation, as agreed in the Garage Renewal strategy and rent for non GBC tenants who have garages is increased by £1 per week.

1.0 Background

- 1.1 The delivery of Housing is a key priority for the Council. The Housing Revenue Account resources are focused on delivering the efficient management and maintenance of existing council owned stock alongside building and acquiring new affordable housing. The Council's housing stock is comprised of 3116 tenanted and 308 leasehold properties as at 31 December 2018 and a rent roll of £14.3m for 2019/20.
- 1.2 Government published its Green Paper 'A new deal for social housing' in August 2018. The paper proposed fundamental reforms on the treatment of tenants and the services provided as well as setting out a commitment to build more homes that local people can afford including a new generation of council homes.
- 1.3 In support of the green paper a consultation paper entitled 'Use of

receipts from Right to Buy sales' was also issued in August. The consultation paper was set out in a question and response format. It considered timeframes, the funding cap, acquisition rules, tenure, and treatment of land costs, usage, and interest payments. The results of this consultation are still awaited.

- 1.4 A further consultation paper 'Rents for social housing from 2020-21' which was accompanied by a draft policy statement on rents for social housing was issued in September. Once again this was presented in the format of a question and response paper. The significant change to previous regulation is that local authority housing will now be included within the rent standard issued under direction from the MHCLG. The principle of formula rents will still apply and the direction applies to low cost rental accommodation only as defined in the Housing and Regeneration Act 2008. There was confirmation that from 2020 the Council will be able to increase rents annually by CPI +1%.

2.0 Report

- 2.1 An extract from the HRA Business Plan Financial Model detailing the predicted income and expenditure levels for the next 5 years has been included for reference at appendix A. Items that warrant specific mention are detailed in Paragraphs 2.2 and 2.3.

- 2.2 The Revised HRA budget for 2018/19 shows an overall increase in expenditure of £42,000 and an increase in budgeted income of £72,000 leading to an increase in net income of £29,000. The following adjustments have been made to the 2018/19 budget :

1. Rental, garage income and interest received shows an increase of £72,000
2. Additional costs increase of £265,000
3. Increase to the Housing Repairs Programme £127,000
4. Depreciation costs increase of £492,000
5. Revenue funding of capital programme reduced by £800,000. This will be carried forward to spend in 2019/20 as our asset management programme improvements develop.

- 2.3 The budget for 2019/20 shows an increase in rental income of £156,000 taking into account the 1% decrease in rents but due to 2019/20 being a 53 week year. Management costs have reduced slightly from the 2018/19 revised figure and are at £3,912m. Repairs and maintenance costs are reduced by £49,000 to £4,524m.

Below is a summary of some of the major points extracted from the financial model.

- a) The removal of the High Value Voids levy from the model has enabled investment in HRA stock to remain at a similar level to 2017/18 (£7.3m) and for a predicted surplus of £852,000 to transfer to the Major Repairs Reserve to provide funding for major repairs, new build and loan repayments. The requirement to fund 70% of our 1-4-1 receipts expenditure which totals £1,950,000 during the next two years, makes it essential that balances are maintained within this reserve. The investment in HRA stock will increase to £8.162m in 2019/20 para 2.2 (5) refers.
- b) The HRA Business Plan has loans of approximately £13m which are due for repayment between March 2019 and March 2023. Decisions on whether to repay or refinance maturing loans are taken as they fall due.
- c) The long term sustainability of the HRA Business Plan was helped by the commitment to return to the CPI +1% rent increase for 5 years from 2020.

2.4 1 property has been purchased off the open market exercising delegated Authority under Paragraph 2.7 of Part 3, Schedule 10 of the Council's Constitution. One 2 bedroom flat, 9 Kielder Grove totalling £130,000 was funded 30% by 1-4-1 retained receipts and 70% from reserves. The property was deemed as meeting our current Housing Needs.

3.0 Housing Revenue Account (HRA) (see Appendix B)

3.1 The revised Repairs and Maintenance budget for 2018/19 is £4,573,000 an increase of £136,000 on the original budget. The Repairs and Maintenance budget for 2019/20 is £4,524,000.

3.2 It is anticipated that the HRA balance will remain at its current level of £991,000 for 2018/19, with an additional balance of £852,000 set aside to the Major Repairs Reserve/New Build/Loan Repayment Reserve.

3.3 It is anticipated that the HRA balance will continue to remain at £991,000 for 2019/20. A surplus of approximately £67,000 is budgeted to be transferred to the Major Repairs/New Build/Loan Repayment Reserve in 2019/20. The 1% rent reduction enters its final year next year although 2019/20 is a 53 week rent year and this increases the rental income by £156,000. The increased commitment to building new homes and requirement to utilise our additional 1-4-1 receipts necessitates the need for reserve levels to be maintained.

4.0 HRA Capital Programme

- 4.1 The original HRA Capital Programme for improvements to housing stock in 2018/19 was £3,300,00 and the revised budget for 2018/19 is £2,700,000 a reduction of £600,000. The budget for 2019/20 is £4,000,000 this is an increase on the original budget of 2018/19 of £700,000.
- 4.2 The revised HRA Capital programme has also set aside £602,000 in 2018/19 for the purchase of properties and a further £826,000 in 2019/20.

5.0 Rent Level Proposals

- 5.1 From April 2016 Social Housing rents have been set a target of an annual 1% reduction to last for 4 years. From April 2020 rents will start to increase again at the rate of CPI plus 1% (2.3d). The current CPI projection for 20/21 is 2%
- 5.2 The average rent is currently at £80.40 per week (exc hostels) and this is set to reduce to £79.61 for 2019/20. An analysis of the numbers of different stock types and corresponding new rental levels is detailed in Appendix C.
- 5.3 Rents will decrease by 1% which equates to £0.79 a week on average. This will constitute an average saving of £41 per annum for the tenants of Gosport. It is proposed that service charges for tenants will continue to be determined at a level that enables the Council to recover the cost of the services provided.
- 5.4 It is proposed to increase rent levels for older style garages in line with inflation as previously agreed in the Garage Renewal strategy and to increase the charge for non GBC tenants by a further £1 per week. New style garages will remain at their current rent level for GBC tenants.

6.0 Capital Improvements/Repairs and Maintenance

- 6.1 A breakdown of the expenditure on capital improvements and repairs and maintenance is included at appendix D to this report.
- 6.2 The table included at appendix D splits the expenditure into its capital and revenue headings and details the main areas of expenditure under each heading. The work priorities have been identified by the stock condition surveys undertaken.

7.0 Risk Assessment

- 7.1 Self-financing means that much of the risk involved with the upkeep, maintenance and management of council housing has moved from Central Government to Local Authorities. Therefore

the maintenance of the Major Repairs/New Build/Loan Repayment Reserve is considered essential.

This reserve provides for the future funding of HRA projects, including new build programmes, safeguarding non-insurable risks and allowing the Council to take the opportunity to carry out any special debt repayment (potentially leading to discounts) should the economic conditions favouring such measures arise; and is in addition to the HRA Working Balance.

- 7.2 The government's decision to reduce rents in social housing for 4 years from 2016/17 has had a significant impact on the budgeted reserve levels previously anticipated in the HRA Business Plan. Revenue account balances will continue to be maintained at their current levels but funds that had been budgeted to be transferred to the Major Repairs/New Build/Loan Repayment Reserve will be amended by the amounts as detailed in Appendix A.

8.0 Other Properties

- 8.1 There is one other property (Park Lodge) where the rent level is assessed in line with HRA properties. The proposal is to decrease the rent of this property in line with HRA properties.

9.0 Conclusion

- 9.1 This Report summarises the HRA budgets for 2018/19 and 2019/20 as well as the proposed rent decrease.

Financial Services comments:	As set out in the report
Legal Services comments:	The Council is under a duty to set a budget which prevents a debit balance arising on the Housing Revenue Account
Crime and Disorder:	Not applicable
Equality and Diversity:	No direct implications
Service Improvement Plan implications:	The HRA Business Plan is a Service Improvement Plan item
Corporate Plan:	More effective performance management, which includes making the best use of our assets, is a strategic priority in the Corporate Plan.
Risk Assessment:	As detailed in paragraph 7.
Background papers:	Garage Strategy (June 2009) /HRA Business Plan 2012-2042(Jan 2012) Business Plan Update Council Dwelling Rents 2018/19.
Appendices/Enclosures:	

Appendix A	HRA 30 Year Business Plan extract
Appendix B	HRA Budget
Appendix C	Rent Analysis Extract
Appendix D	Repairs budget
Report author/ Lead Officer:	Tim Hoskins Group Accountant Housing

APPENDIX A

HRA 30 YEAR BUSINESS PLAN EXTRACT						
	2018/19	2019/20	2020/21	2021/22	2022/23	Totals
REV						
Rental income	13,464,000	13,600,000	13,660,000	14,040,000	14,430,000	69,194,000
Service chgs	658,000	680,000	680,000	690,000	700,000	3,408,000
Voids	-259,000	-259,000	-260,000	-260,000	-265,000	-1,303,000
Garages	262,000	262,000	265,000	265,000	265,000	1,319,000
Other Income	435,000	437,000	440,000	440,000	440,000	2,192,000
Total Income	14,560,000	14,720,000	14,785,000	15,175,000	15,570,000	74,810,000
General	2,006,000	2,018,000	2,058,000	2,098,000	2,140,000	10,320,000
Special	1,918,000	1,894,000	1,946,000	1,985,000	2,024,000	9,781,000
Repairs	4,573,000	4,524,000	4,614,000	4,706,000	4,800,000	23,217,000
Other Expenditure	315,000	331,000	338,000	344,000	351,000	1,679,000
Total Expenditure	8,812,000	8,767,000	8,956,000	9,133,000	9,315,000	44,997,000
Interest Received	37,000	50,000	50,000	50,000	50,000	237,000
Capital Expenditure	-2,992,000	-3,991,000	-3,300,000	-3,500,000	-3,500,000	-17,283,000
Net Operating Income	2,793,000	2,012,000	2,579,000	2,592,000	2,805,000	12,767,000
Prudential borrowing						0
Loan Interest	1,901,000	1,900,000	1,920,000	1,960,000	1,990,000	9,671,000
loan repayment						
Debt management	41,000	42,000	45,000	48,000	50,000	226,000
MRR/New Build	852,000	67,000	614,000	584,000	765,000	2,871,000
Total Appropriations	2,794,000	1,998,000	2,579,000	2,592,000	2,805,000	12,768,000
Annual Cashflow						
Opening Balance						
Closing Balance						

Extra rent week in 2019/20

Rent increases start 2020/21 at CPI +1% for 5 years.(CPI 2% in model)

APPENDIX B

	BUDGET 2018/2019 £000	REVISED 2018/2019 £000	BUDGET 2019/20 £000
HOUSING REVENUE ACCOUNT			
Expenditure			
Repairs & Maintenance	4,437	4,573	4,524
Supervision & Management	3,678	3,924	3,912
Rents ,Rates,Taxes and Other Charges	329	315	331
Depreciation,Impairment and Revaluation	3,300	2,992	3,992
Debt Management Costs	39	41	42
Total Expenditure	11,783	11,845	12,801
Income			
Dwelling Rents	(13,793)	(13,861)	(14,017)
Non Dwelling Rents	(248)	(265)	(265)
Charges For Services and Facilities	(467)	(434)	(437)
Total Income	(14,508)	(14,560)	(14,719)
Net Cost Of Services	(2,725)	(2,715)	(1,918)
Interest Payable & Similar Charges	1,929	1,901	1,900
Interest & Investment Income	(26)	(38)	(50)
NET HRA SURPLUS FOR YEAR	(822)	(852)	(67)
HRA Balance			
Balance B/fwd	991	991	991
Transfer to from HRA			
Balance C/F	991	991	991
NEW BUILD RESERVE			
Balance B/Fwd	3017	3,017	3,267
Transfer (to)or from HRA	822	852	67
Affordable Housing Purchases	581	602	826
Balance C/Fwd	3,258	3,267	2,508

APPENDIX C

Stock Count as at 3rd December 2018 (Excludes Agnew Family Centre and Barclay House)

Type/Bedroom	1	2	3	4	5	Grand Total
Bedsit	12					12
Bungalow	315	64	10			389
Flat	933	59	17			1009
House	10	300	830	78	1	1219
House with Extra Ground Floor bedroom		2	19	2		23
House with Garage Attached/on curtiledge			13			13
Maisonette	23	103	57	2		185
Sheltered Bedsit	13					13
Sheltered Bungalow	38					38
Sheltered Flat	125	6				131
Grand Total	1469	534	946	82	1	3032

Rent Decrease Amount in Numbers

Type	Bedrooms	£1 and Under	£2 and Under	Grand Total
Bedsit	1	12		12
Bungalow	1	315		315
Bungalow	2	64		64
Bungalow	3	10		10
Flat	1	933		933
Flat	2	58	1	59
Flat	3	17		17
House	1	10		10
House	2	285	15	300

House	3	820	10	830
House	4	59	19	78
House	5	1		1
House with Extra Ground Floor bedroom	2	2		2
House with Extra Ground Floor bedroom	3	17	2	19
House with Extra Ground Floor bedroom	4		2	2
House with Garage Attached/on curtiledge	3	13		13
Maisonette	1	23		23
Maisonette	2	102	1	103
Maisonette	3	57		57
Maisonette	4	2		2
Sheltered Bedsit	1	13		13
Sheltered Bungalow	1	38		38
Sheltered Flat	1	125		125
Sheltered Flat	2	6		6
Grand Total		2982	50	3032

Average Rent by Bedroom Size

Type/Bedrooms	1	2	3	4	5	Grand Total
Bedsit	61.05					61.05
Bungalow	75	83.31	91.84			83.38
Flat	69.22	81.76	84.7			78.56
House	75.4	86.05	90.93	98.13	95.16	89.13
House with Extra Ground Floor bedroom		85.51	98.31	104.35		96.06
House with Garage Attached/on curtiledge			93.89			93.89
Maisonette	71.36	80.42	83.77	94.01		82.39
Sheltered Bedsit	58.05					58.05
Sheltered Bungalow	70.16					70.16
Sheltered Flat	62.49					31.25
Grand Total	67.84	69.51	90.57	98.83	95.16	

APPENDIX D

Ref	Revenue	Budget 19/20
1	Responsive Repairs (Inc Hostels and Major Responses)	£2,020,000
2	Voids	£900,000
3	Bulk Waste	£120,000
4	Lifts Replacement and Repairs	£20,000
5	Estate Improvements (Inc Tennant Led Fencing & OAP Redecs)	£45,000
6	Cyclical (Inc Gas Servicing, External Painting, Compliance, PET, Equipment Testing & Keys	£1,112,000
	Total	£4,217,000
Ref	Capital	Budget 19/20
7	Asbestos (Survey & Removals)	£50,000
8	Fire Risk Assessment (Inc Associated Works & Testing	£50,000
9	Disabled Aid & Adaptions (Inc Major Repairs)	£400,000
10	Contingent Major Repairs (Inc Professional Fees)	£1,440,000
11	Energy Efficiency (Inc wall installation)	£5,000
12	Estate Capital (inc Additional Parking & Env Improvements)	£25,000
13	Roof Works (Inc Guttering)	£0
14	Window and Doors	£75,000
15	Kitchen & Bathrooms	£1,000,000
16	Electrical Upgrades (Including Smoke Alarms)	£400,000
17	Heating Upgrades	£500,000
18	Sheltered Scheme Improvements	£0
	Total	£3,945,000

**Community Board
23 January 2019
Addendum
Agenda item 6**

Paragraph 2.3

The budget for 2019/20 shows an increase in rental income of £156,000 taking into account the 1% decrease in rents but due to 2019/20 being a 53 week year. Management costs have reduced slightly from the 2018/19 revised figure and are at £3.912m. Repairs and maintenance costs are reduced by £49,000 to £4.524m.

- a) The removal of the High Value Voids levy from the model has enabled investment in HRA stock to remain at a similar level to 2017/18 (£7.3m) and for a predicted surplus of £852,000 to transfer to the Major Repairs Reserve to provide funding for major repairs, new build and loan repayments. The requirement to fund 70% of our 1-4-1 receipts expenditure which totals £1.9m during the next two years, makes it essential that balances are maintained within this reserve. The investment in HRA stock will increase to £8.162m in 2019/20 para 2.2 (5) refers.

Paragraph 3.1

The revised Repairs and Maintenance budget for 2018/19 is £4.573m an increase of £136,000 on the original budget. The Repairs and Maintenance budget for 2019/20 is £4.524m.

Paragraph 4.1

The original HRA Capital Programme for improvements to housing stock in 2018/19 was £3.3m and the revised budget for 2018/19 is £2.7m a reduction of £600,000. The budget for 2019/20 is £4m this is an increase on the original budget of 2018/19 of £700,000.

The above changes are for presentation only and do not have any material effect on the report.

	BUDGET 2018/2019 £000	REVISED 2018/2019 £000	BUDGET 2019/20 £000
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NEW BUILD RESERVE			
Balance B/Fwd	3017	3,017	3,267
Transfer (to)or from HRA	822	852	67
Affordable Housing Purchases	(581)	(602)	(826)
Balance C/Fwd	3,258	3,267	2,508

Appendix 3 – Minute Extract – Community Board, 23th January 2019

26. BUSINESS PLAN UPDATE AND COUNCIL DWELLING RENTS 2019/2020

Consideration was given to a report and addendum of the Borough Treasurer and Housing Services Manager considering the Housing Revenue Account (HRA) Business Plan including the revised 2018/19 budget and the 2019/20 budget including recommendations on rent levels for next year.

It also provided an update for members on the latest information with regard to policy changes that impact directly on local authority housing finance services.

Members were provided with an addendum for presentational purposes only.

In answer to a Member's question, the Board was advised that depreciation, impairment and revaluation had been reduced in the revised budget due to a reduction in capital financing for improvements to Housing stock due to a change in the capital allocations of the budget. The increase in 2019/20 was due to slippage of the capital expenditure into 2019/20 and the increase in depreciation costs.

RESOLVED: That the Community Board recommend to Council that:

- The revised HRA Business Plan extract (Appendix A) and associated 2018/19 Revised Budget and 2019/20 Budget (Appendix B) is agreed.
- That Council Dwelling rents decrease by 1% (an average of £0.79 per week). This is the final year of the four year reduction programme as detailed in the new national rent policy introduced in April 2016.
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