East Suffolk Shadow Authority

Agenda item 6

SHADOW SCRUTINY

Monday 17 December 2018

HOUSING REVENUE ACCOUNT BUDGET (REP 19(SH))

EXECUTIVE SUMMARY

1. Under the Self-Financing regime, the future resources and spend of the Housing Revenue Account (HRA) are based on local decisions. This report outlines the HRA Income and Expenditure Budgets for the financial years 2019/20 to 2022/23. In addition to this, a summary of its reserves and balances is included. The HRA budgets are fully funded from existing HRA funds to meet the Council's HRA spending plans. This includes the capital investment programme and reserve balances as per the HRA Financial Business Plan. At this time there is no requirement for any additional borrowing.

2. The report provides details on the effects of the Welfare Reform Act 2012, the 1% decrease on Affordable and Social Housing Rent from 2016/17 to 2019/20, and Government guidance on Affordable and Social Housing Rent increases from 2020/21 onwards.

3. The Committee is asked to recommend that Shadow Council approves the:

   - HRA budget for 2019/20, and the indicative figures for 2020/21 to 2022/23;
   - Movements in HRA Reserves and Balances;
   - Reduction in the weekly housing rent of 1% for 2019/20, giving an average weekly rent of £83.05 over a 50 week collection year;
   - Service charges and associated fees for 2019/20; and
   - Changes affecting public and private sector housing and welfare also to be noted.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards within the District

Cabinet Members:	Councillor Chris Punt, Cabinet Member for Housing (Waveney) Councillor Richard Kerry, Cabinet Member for Housing (Suffolk Coastal) Councillor Bruce Provan, Cabinet Member for Resources (Waveney) Councillor Stuart Lawson, Cabinet Member for Resources (Suffolk Coastal)

Supporting Officer:	Simon Taylor Interim Chief Finance Officer and Interim S151 Officer (01394) 444570 simon.taylor@eastsuffolk.gov.uk

1 INTRODUCTION – STATUTORY FRAMEWORK

1.1 The Housing Revenue Account (HRA) reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for Local Authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenant rents, service charges and other income. The Council has a statutory responsibility to set a balanced HRA budget (i.e. all budgeted expenditure must be matched by income).

1.2 The Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016 made specific and significant provision for changes to the law affecting social housing providers with effect from April 2016. These changes included the statutory reduction of rents by 1% each year for four years (2016/17 to 2019/20), the higher-value levy on void sales (which has been shelved), and revisions regarding the granting of new social housing tenancies.

2 KEY ISSUES AND CONSIDERATIONS

2.1 For the first time in many years the Government implemented legislations regarding social rents, by the inclusion of sections within the Welfare Reform and Work Act 2016 compelling Councils and Housing Associations to reduce rents by 1% each year from April 2016 to April 2019 inclusive (i.e. 2016/17 to 2019/20). The move has been made by the Government in an attempt to help reduce the country's Housing Benefit bill.

2.2 Previous to this announcement, the HRA Financial Business Plan was modelled on an annual rent increase of 3.1%. By reducing the rents by 1%, the impact is a 4.1% decrease year on year, on the rental income forecast until 2019/20. This subsequently had a knock on affect on all future years thereafter. This had a significant impact on the HRA Financial Business Plan, reducing rental income by £7.7 million over the four year period alone.

2.3 Whilst the impact of the compulsory rent reduction for four years is contained within the existing parameters of the HRA, it has resulted in reduced funds available to invest in the new housing development and redevelopment programme. Any additional capital works have to be carefully considered, to maintain a balanced budget.

Higher Value Void Property Sales

2.4 The Housing and Planning Act 2016 contains sections setting out the Government's intention to require Local Authorities to remit sums equivalent to the value of sales of higher-value void properties. The Ministry of Housing, Communities and Local Government (MHCLG) intend to estimate this figure in advance and therefore Local Authorities could, if they were able, finance this by other means than void property sales. It is the Government's intention to part-fund the extension of Right to Buy to Housing Association tenants by this route.

2.5 In late November 2016 MHCLG indicated that since the voluntary Right to Buy extension has been supplanted as a policy priority by the need to prepare for the United Kingdom's exit from the European Union, the policy has been formally postponed to some future date. At this point, like most other Local Authorities, the Council's HRA has not set aside any budget for this, due to the uncertainties surrounding it. It is flagged as a potential future risk.

Right to Buy Scheme

2.6 In April 2012 the Government reinvigorated the Right to Buy (RTB) scheme by increasing the maximum discount available to 70% or £80,900 as at 6 April 2018, which ever is lower. This figure increases each year in line with inflation. In 2012 the Council entered into an agreement with the MHCLG to retain a share of its RTB receipts to reinvest in the provision of new affordable homes. The receipts used can only fund up to 30% of any investment into new affordable homes.

2.7 From April 2012 the number of properties sold through the RTB scheme has steadily increased. In 2012/13 only 9 properties were sold through the scheme, compared to 30 in 2017/18. Future year estimates are 30 per annum in line with recent years.

2.8 The implications of RTB sales is a reduction in dwelling rents received. The annual income lost through RTB sales in 2017/18 is £129k, adding to the importance of increasing the HRA housing stock. These are taken into account when setting the dwelling income budgets.

3 WELFARE REFORM

3.1 The Welfare Reform Act 2012 introduced major changes to the way people receive housing benefit and other welfare benefits which present new risks to HRA income collection from tenants.

Universal Credit

3.2 The welfare reform introduced Universal Credit. This is to replace most existing working-age benefits with a single payment made directly to the claimant. The new Universal Credit will also limit the total amount of benefit a household can claim. As a result of this change there is a high risk that income previously guaranteed to the HRA may now not be collected.

3.3 Universal Credit is a new single payment for working age people who are looking for work or on a low income. It replaces Housing Benefit, Working Tax Credit, Child Tax Credit, Income Support, Income based Jobseekers Allowance and Income related Employment and Support Allowance. It has been rolled out across the country and was introduced in our area in March 2015. The introduction initially only applied to people that were single and would have previously applied for Jobseekers Allowance.

3.4 On 17 October 2018, the final three Jobcentres affecting the East Suffolk area became Universal Credit Full Service Jobcentres - Felixstowe, Leiston and Woodbridge. This means that all postcodes within East Suffolk area are now covered by Universal Credit Full Service.

3.5 Universal Credit has given cause for concern with landlords nationally. Landlords, including Local Authorities who were once guaranteed income, now have to rely on claimants to make payments. Measures (see section 3.10) are being implemented to monitor and improve the effects of Universal Credit.

3.6 From April 2018, claimants wait time, have reduced from 6 weeks to 5 weeks. If they are already receiving Housing Benefits, they will continue to receive this for the first 2 weeks of the claim process. This should help reduce pressure on tenants, and potentially have a positive impact on future rent arrears.

Under-Occupation Charge

3.7 The Welfare Reform Act also gave the Government power to introduce the new 'under-occupation charge'. This came into effect in April 2013. The criteria means that any working-age household deemed to be under-occupying their home receives a cut in their housing benefit (or Universal Credit). The cut is a fixed percentage of the housing benefit-eligible rent.

3.8 Government has set this at a 14% cut for one extra bedroom and a 25% cut for two or more extra bedrooms. This means in essence, for every £100 charged for rent, tenants will need to contribute £14 or £25 per week from their own resources. To help alleviate the pressure of this penalty, the Council's HRA offers the incentive of 'Cash-for-Moving'. This is a widely used scheme across Councils to encourage tenants to downsize. Tenants can bid for a smaller property on Gateway to Home-Choice, and if successful the tenant could receive up to £2,000 depending on the number of bedrooms given up. The scheme was in place before welfare reform to encourage better use of the housing stock.

Rent Arrears

3.9 In addition to the loss of rental income, there is growing concern regarding rent arrears. In 2015 the total Benefit cap was reduced from £26k to £20k. This, combined with the roll out of Universal Credit, the under occupancy charge, and other general factors relating to the economy, has increased the risk of rent not being collected.

3.10 Rent arrears as at 31 March 2018 were at £921k, compared to a £511k as at 31 March 2016. This is an increase of £410k in 2 years. This represents a strong correlation with the roll out of Universal Credit. Measures are being implemented to help manage the situation. A full time Universal Credit Officer is in post, helping claimants with their Universal Credit journeys. The Former Tenants Arrears officer post has recently been increased from a part time to full time post. Other measures are currently being implemented through the Digital Transformation Programme. This explores new approaches such as improved data collection, text messaging services to tenants, and new online portals for tenants to manage their rent accounts. New tenant sign ups now take place at the Marina Centre, combining the process with applying for Universal Credit, therefore reducing waiting times. Work is on going, to help manage the effects of Universal Credit, and in turn reducing rent arrears. This will continue to be monitored closely by the Tenants Services Manager.

4 SELF-FINANCING ARRANGEMENT

4.1 The Self-Financing regime was introduced in April 2012. The Council had to take on a significant amount of debt (£68 million) in exchange for not paying future Housing Subsidy. This change is anticipated to be beneficial to the HRA over the long-term. It also means the future resources and spend of the HRA are now based on local decisions.

4.2 A 30 year financial business model is used to support the delivery of the HRA under the Self-Financing regime. It makes assumptions regarding the level of income available and the key risks facing the housing service delivery within this timeframe. It programmes in the years the Council expects to pay back the current borrowing, whilst delivering the needs of the service.

4.3 The HRA funds the costs of borrowing for the initial debt settlement. The Council has chosen to incorporate this debt into the Council's overall borrowing portfolio, creating a single pool and charging interest to the HRA in proportion to the debt it holds.

4.4 Self-Financing must not jeopardise the Government's priority to bring borrowing under control. It will give Council landlords direct control over a very large rental income stream, so borrowing financed from this income must be affordable within national fiscal policies as well as locally. Therefore, a limit was placed on the total housing debt that each Local Authority could support from its HRA. Waveney's HRA limit was placed at £87.26 million.

4.5 On the 3 October 2018, it was announced by Central Government that the HRA borrowing cap was to be 'scrapped'. It was officially removed on the 30 October 2018 by Central Government issuing a determination revoking previous determinations that specified a local authority's limits on indebtedness. Nationally the borrowing cap was considered to be tight in comparison to the value of the housing stocks Local Authorities hold. e.g. The Council's HRA housing stock has a market value of £525 million, compared to a borrowing cap of £87.26 million.

4.6 The total debt for the Council's HRA is currently at £76 million (£68 million from the self-financing settlement and £8 million pre Self-Financing). The HRA spending plans, including its capital investment programme, are currently fully funded from existing resources. Therefore, at this time, there is no need to make use of any additional borrowing.

4.7 Under Self-Financing, Local Authorities now have the opportunity with greater certainty to adopt a more strategic, long term approach to ensure that housing needs are met, that the housing stock is maintained, and where possible additional homes are provided. The Council has used this strategic approach to introduce the Housing Development and Redevelopment Programme.

5 HRA 2019/20 TO 2022/23 BUDGETS

5.1 The following table summarises the 2019/20 budgets through to 2022/23. A brief description to each heading can be found in Appendix A.

	2018/19 Original £000	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000
Income					
Dwelling Rent	(18,709)	(18,765)	(19,492)	(20,304)	(21,143)
Non-Dwelling Rent	(183)	(181)	(185)	(189)	(193)
Service & Other Charges	(1,283)	(1,208)	(1,218)	(1,229)	(1,239)
Leaseholders Charges for Services	(10)	(10)	(10)	(10)	(10)
Contribution towards Expenditure	(33)	(33)	(33)	(33)	(33)
Reimbursement of Costs	(74)	(270)	(269)	(269)	(269)
Interest Income	(93)	(96)	(88)	(90)	(96)
Total Income	**(20,385)**	**(20,563)**	**(21,295)**	**(22,124)**	**(22,983)**
10% of total income	**(2,039)**	**(2,056)**	**(2,130)**	**(2,212)**	**(2,298)**
Expenditure					
Repairs & Maintenance	3,765	4,161	4,171	4,252	4,302
Supervision & Management	3,194	3,090	3,106	3,183	3,257
Special Services	1,540	1,908	1,949	1,977	1,999
Rents, Rates and other Charges	84	86	87	87	87
Movement in Bad Debt Provision	(8)	(26)	37	35	37
Contribution to CDC & Pension Backfunding	616	650	655	660	665
Capital Charges	3,467	3,736	4,068	4,384	4,627
Interest Charges	2,270	2,275	2,295	2,310	2,310
Revenue Contribution to Capital	5,381	5,120	6,050	4,688	4,623
Transfer to Earmaked Reserves	1,000	-	-	-	500
Total Expenditure	**21,309**	**21,000**	**22,418**	**21,576**	**22,407**
Movement in the HRA balance	**924**	**437**	**1,123**	**(548)**	**(576)**
HRA Balance carried forward	**(4,013)**	**(3,576)**	**(2,453)**	**(3,001)**	**(3,577)**

5.2 The table demonstrates a healthy HRA working balance. The carry forward balance from 2017/18 was £4.013 million, nearly double the requirement. Best practice is considered to have a minimum working balance that approximates to 10% of the total income received in one year. The balance is planned to be drawn down between 2018/19 and 2020/21, to make best use of the funds, but remaining well above the required 10% minimum.

6 RENTS, SERVICES AND OTHER CHARGES

6.1 Rents have had a compulsory decrease of 1% between 2016/17 and 2019/20. This has been reflected through previous year's budgets. From 2020/21, rents can increase by CPI +1% for the following five years. CPI is currently at 2.2%. The HRA Financial Business Plan is taking a prudent approach to budgeting dwelling income for this period, forecasting an initial increase of 3%, dropping to a consistent 2% thereafter.

6.2 Other factors are also taken into consideration when calculating the dwelling rent budget. Such as disposals through Right to Buys (RTB), reconversions, new build developments and changes from social to affordable rents through re-lets.

6.3 The Government expects the majority of new properties to be let at affordable rent values. Affordable rent allows the Council to set rents at a level that are typically higher than social rents. The intention behind this flexibility is to enable Local Authorities to generate additional capacity for investment in new affordable homes. The Council is applying affordable rents to new or re-let properties and is able to do so as it has an agreement in place with the Secretary of State. The agreement allows the Council to retain RTB receipts for investment in new affordable rented homes.

6.4 The average weekly rent as at the end of September is £83.89, based on a 50 week collection year. The estimated average weekly rent for 2019/20 is £83.05, a reduction of £0.84 between 2018/19 and 2019/20.

6.5 Tenants pay for the full 52 weeks rent, but over a 50 week period. The two 'rent free' weeks commence over the Christmas period. The aim is to help tenants during an expensive time of year. It also gives tenants who are in arrears the opportunity to 'catch up' by continuing to pay over these two weeks.

Service Charges

6.6 Service charges are those charges payable by tenants to reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities, e.g. heating services and communal facilities in sheltered accommodation (Grouped Homes).

6.7 Under the Self-Financing regime, Councils can review their service charges annually. Service charges should be sufficient to cover the cost of providing the service and are not governed by the same factors as rents. Therefore not all service charges will necessarily increase each year, they will replicate the cost of the service provided.

6.8 The proposed service charges for 2019/20 are set out in Appendix B of this report. The costs of providing the services have been reviewed and set at a level to ensure that the costs are recovered. The HRA does not make a profit on the service charges, these are purely to recover HRA costs.

6.9 Many of the service charges, outlined in Appendix B will not increase in 2019/20. This is due to contracts that run for more than one year for a fixed price, or new contracts have been tendered resulting in reduced costs.

6.10 Grouped Home service charges relate to services provided to sheltered schemes and communal utility costs. The proposed general service charge for grouped homes for 2019/20 is set at an average weekly charge of £13.87 based on a 50 week collection year. This is an increase of £0.47 compared to 2018/19. The new charge reflects the increase in costs to providing the service.

6.11 The average heating charge is set to reduce in 2019/20. The 2019/20 average Grouped Homes heating charge is £12.84 based on a 50 week collection year. This is an average weekly decrease of £1.47 compared to 2018/19. During early 2018 when 2018/19 budgets were set, there were difficulties with receiving accurate bills from the utility providers. This has since been resolved, and resulted in a decrease for 2019/20.

6.12 Garage rents are also set out in Appendix B. Garage rents are also collected on a 50 week collection period. For 2019/20 tenant's garage rents will increase from £6.42 to £7.00, an increase of £0.58 on the 2018/19 charge. The non-tenant garage rent will increase from £9.42 (Inclusive of VAT) to £10.00, an increase of £0.58 on the 2018/19 charge.

7 REPAIRS AND MAINTENANCE

7.1 The HRA repairs and maintenance (R & M) programme is split between capital and revenue. Revenue costs are to be funded from the revenue income derived from rents, whilst capital will be funded from the Major Repairs Reserve (MRR).

7.2 The repairs and maintenance revenue budget for 2019/20 has been set at £4.161 million, compared to £3.765 million in the 2018/19 budget. An analysis of the R & M revenue budget is set out in Appendix C. The £396k increase is due to a combination of things. £110k growth in rechargeable works (this is covered by the additional income within 'Reimbursement of costs'), the remaining £286k relates to increased staff and material cost, increase in costs relating to new health and safety measures, increased investment in fire risk, and change in budget from Capital to Revenue.

7.3 The amounts included in the repairs and maintenance revenue budget are deemed sufficient to allow the Council to carry out all necessary major works and to maintain the decent homes standard in all its properties.

HRA Capital Programme

7.4 The HRA capital programme forms part of the Council's overall capital programme, which is presented to Cabinet and Council at the same meeting as the HRA Budget Report. The HRA capital programme consists of capital budgets for housing repairs, project development and the housing development programme.

7.5 The HRA capital programme will be funded via the rental income it retains, the Major Repairs Reserve (MRR), Right-to-Buy (RTB) receipts, external funding and capital receipts held. Details of the MRR are set out in paragraph 9.2. Funding of the repairs and maintenance aspect of the capital programme is through the MRR. The 2019/20 HRA capital programme is partly funded by DRF, which totals £5.120 million. This represents £1.401 million towards housing projects and redevelopment and £3.719 million on the housing development programme.

7.6 The Private Sector Housing Team continues to work hard, improving some of the most vulnerable stock in the District and ensuring that Disabled Facilities Grants are delivered to those who need such works to enable them to stay in their own home. These funds are provided by central Government with the HRA paying the cost of such works for its own council properties.

8 SPECIAL SERVICES

8.1 Special Services are made up of costs for Sheltered Schemes, Warden Services, Redevelopment and the New Build Programme. As the Redevelopment and New Build Programmes pick up pace, the associated revenue costs also increase. These costs include architect fees, consultant's fees, and staffing.

9 HRA BALANCES AND RESERVES

9.1 The HRA has five Reserves as well as the HRA revenue working balance (see paragraph 5.2 for details on the revenue working balance). Appendix D shows the movement and balances of these reserves for the budget period 2018/19 to 2022/23.

9.2 Taking the Welfare Reform Act 2012 into account, the Council established an HRA Hardship Reserve in 2012/13 with a fund of £500k, recognising the unexpected and exceptional difficulties tenants might face arising from these changes. This reserve is to 'top up' the Discretionary Housing Payment (DHP) by the value used by HRA tenants, if it was to reach 100% spend level. As yet, this has not been required. With increased DWP grant in recent years, it is unlikely to be required in 2018/19. However, the reserve will remain, in case it is required for future years. If any funds are to be transferred, it would require approval by the Secretary of State.

9.3 Following the introduction of the Self-Financing on 1 April 2012 and to meet changes in Accounts and Audit Regulations from 2012/13, depreciation charged to the HRA is no longer in the movement on the HRA statement. Instead, the depreciation charged to the HRA is credited to the Major Repairs Reserve (MRR). The MRR can be used to repay the principal elements of the HRA debt, as well as to finance capital expenditure on our existing dwelling stock. There are plans to use the MRR to part fund the capital programme in each year from 2018/19 onwards, whilst still increasing its balances to service future year's debt repayments. The balance as at 31 March 2023 is projected to be a healthy £5.631 million, after paying the first instalment of £10.766 million borrowing that is due in 2021/22.

9.4 The viability of the Self-Financing regime depends ultimately on the Council acting prudently and in doing so, setting sufficient sums aside to begin to meet its future liabilities. The transfer of funds to the Debt Repayment Reserve gives the Council flexibility around its future decisions for repaying the debt. The balance as at 31 March 2023 is forecasted to be £10.5 million. This is planned to pay the second substantial borrowing instalment of £10 million in 2026/27. Future debt repayment instalments will be funded by both the Debt Repayment Reserve and the MRR.

9.5 At the 31 March 2018 the Council's housing stock totalled 4,435. Between 31 March 2018 and the 30 November 2018 there have been 15 RTB sales, 3 disposals, and the addition of 16 new build properties. This brings the current housing stock to 4,433.

10 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?

10.1 The HRA Budget directly supports the Councils aim of Financial Self Sufficiency. With balanced budgets, and the ability to pay off its current debt, it demonstrates its ability to be self sufficient.

10.2 In addition to demonstrating self sufficiency, the budget provides the finances to contribute to a number of the East Suffolk Business Plan action points, including specifically, 'Increase the number of new Council Houses', and 'Increase the opportunities and number of affordable homes'.

11 FINANCIAL AND GOVERNANCE IMPLICATIONS

11.1 The HRA Self-Financing regime transfers the financial risk to the Council. The HRA manages this risk through prudent budgeting, careful financial management and adoption of a rolling 30 year Financial Business Plan. The financial sustainability of the budget is managed by ensuring adequate funds are set aside to repay the debt and appropriate levels of working balances are available for any unforeseen costs. It also gives the HRA the opportunities to meet its business objectives whilst creating efficiencies and savings, giving added value for money.

12 OTHER KEY ISSUES

12.1 This report has been prepared having taken into account the results of an Equality Impact Assessment, a Sustainability Impact Assessment and a Partnership Impact Assessment, none of which have identified any other key issues.

12.2 The self-financing regime and the use of the 30 year financial business plan provides, long-term certainty over the Council's future investment decisions.

13 CONSULTATION

13.1 The proposed 1% rent decrease will be presented at the next Housing Benefit and Tenants Services Consultation Group in January 2019. Unfortunately as this is a mandatory Rent decrease there will be no options to challenge this.

14 OTHER OPTIONS CONSIDERED

14.1 There are no other options regarding the rent setting for 2019/20. All Local Authorities and Housing Associations must follow the 1% rent decrease set out under Section 21 of the Welfare Reform Act and Work Act. If the Council did not comply, it would risk the possibility of a legal challenge.

14.2 The impact of the loss of income through the mandatory rent decrease between 2016/17 and 2019/20 has resulted in reduced funding available for the Capital Programme. Although challenging, the HRA can demonstrate its ability to fund the current housing developments committed, while still paying back current borrowing by year 30 of the Financial Business Plan. The HRA has the option to borrow additional funds for future projects, as the borrowing cap has been removed, but the affordability of taking any additional borrowing would need to be assessed. At this time there is no need to make use of any additional borrowing.

14.3 The Government has advised that from 2020/21 to 2024/25 Local Authorities will be allowed to increase rents by CPI +1%. Therefore the HRA could budget to increase rents in 2020/21 by approximately 3-4% each year. A prudent approach has been taken and rental income has been increased by 3% in 2020/21 to 2022/23 and 2% onwards. If the Government were to reduce rents again at any point in the future, it would have a significant impact on the HRA’s ability to pay back the current borrowing levels whilst providing the existing level of service and Housing Development Programme as currently planned. Officers continually monitor this risk closely.

15 REASON FOR RECOMMENDATIONS

15.1 To bring together all relevant information to enable Members to review, consider and comment upon the Council’s Housing Revenue Account budgets before making recommendations to the Shadow Council on 28 January 2019.

15.2 To advise Members of the wider housing and welfare changes that will impact on future service delivery.

RECOMMENDATIONS

1. That, having reviewed and commented upon (a), (b), (c) and (d) below, that each be

recommended to Shadow Full Council for approval:

(a) The Housing Revenue Account Budget for 2019/20, and the indicative figures for 2020/21 to 2022/23;

(b) Movements in Reserves and Balances;

(c) Weekly housing rent decrease of 1% for 2019/20, giving an average weekly rent of £83.05 over a 50 week collection period; and

(d) Service Charges and associated fees for 2019/20.

2. That changes affecting public and private sector housing and welfare be noted.

APPENDICES	
Appendix A	Summary of headings on HRA Chart of Accounts
Appendix B	HRA Service and other charges
Appendix C	HRA Repairs and Maintenance Revenue Budgets
Appendix D	HRA Balance and Reserve Summary
Appendix E	HRA Budget Key Assumptions

BACKGROUND PAPERS - None

SUMMARY OF HEADINGS ON HRA CHART OF ACCOUNTS

Income;

- **Dwelling Rent**; Rental income from Tenants for housing (Including Housing Benefits).
- **Non-Dwelling Rent**; Rental income for Garages, and any other assets rented out by the HRA.
- **Services and other Charges**; Service Charges and non specific income.
- **Leaseholders charges for services**; Recharges to Leaseholders for works and services.
- **Contributions towards expenditure**; External contributions towards expenditure.
- **Reimbursement of costs**; Rechargeable works to a third party.
- **Interest Income**; Interest received on Cash Balances held by the HRA.

Expenditure;

- **Repairs and Maintenance;** General Repairs and Maintenance to all housing stock.
- **Supervision and Management;** Costs associated with running the HRA, e.g. Tenants Services, office based staff, IT etc.
- **Special Services;** Sheltered Schemes, Warden costs, property acquisitions, redevelopment and new development costs.
- **Rents, Rates and other Charges;** Council Tax charges for void properties.
- **Movement in Bad Debt Provision;** Bad Debt Provision is to hold funds to cover debt (arrears) that are unlikely to be recovered by the HRA. The current Bad Debt Provision is £690k.
- **Contribution to CDC & Pension Back funding;** CDC is Corporate & Democratic Core costs. e.g Audit Fees, Bank Fees, and Members expenses. This is the HRA's contribution towards these and pension back funding.
- **Capital Charges;** Depreciation charged to HRA assets. (This is transferred to the Major Repairs Reserve. This can then fund Capital work or contribute to paying down the debt).
- **Interest Charges;** The interest payments relating to the £75.97 million borrowings the HRA has.
- **Revenue contribution to Capital;** Capital Expenditure is large repairs work such as 'replacing a kitchen', or building new properties. These are funded from either the HRA 'Revenue

Contribution', receipts held through the sale of assets (e.g. Right to Buy properties), or other reserves and contributions.

- **Transfer to Earmark Reserves;** The HRA has a number of Reserves, but the one used most frequently is the debt repayment reserve. Money is transferred to this reserve each year to pay off the £75.97 million debt held by the HRA.

REP 19 (SH) APPENDIX B

HRA SERVICE AND OTHER CHARGES

The following charges are based on a 50 week collection year. Under current policies, the following increases in charges are proposed for 2019/20.

	Average Weekly Charge 2018/19 £	Average Proposed Weekly Charge 2019/20 £	Average Weekly Increase £
Grouped Homes Service Charges:			
General Service Charge	13.40	13.87	0.47
Heating Charge	14.31	12.84	-1.47
Communal Water Charge	2.85	2.85	0.00
Support Charge	3.33	3.33	0.00
Gas Service Charge	2.30	2.30	0.00
Laundry	3.90	3.90	0.00

	Weekly Charge 2018/19 £	Proposed Weekly Charge 2019/20 £	Weekly Increase £
Caretaker:			
St Peter's Court	5.19	5.50	0.31
Dukes Head Street	3.79	4.10	0.31
Chapel Court	2.70	3.00	0.30
Servicing:			
Gas Central Heating System	2.30	2.10	-0.20
Electric Central Heating System (Wet Systems)	2.30	1.60	-0.70
Solid Fuel Central Heating System	2.38	2.36	-0.02
Gas Fire	0.40	0.50	0.10
Ecodan Central Heating System Air Source Heat Pump	2.50	2.30	-0.20
Septic Tank Emptying/Servicing	5.03	5.18	0.15
Flue Maintenance	2.38	2.36	-0.02
Grounds Maintenance	1.38	1.38	0.00
Other:			
Communal Area Cleaning Service	0.50	0.52	0.02

	Weekly Charge 2018/19 £	Proposed Weekly Charge 2019/20 £	Weekly Increase £
Garage Rents:			
Tenants	6.42	7.00	0.58
Non Tenants (net of VAT)	7.85	8.33	0.48

HRA REPAIRS & MAINTENANCE REVENUE BUDGETS

	2018/19 Approved Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget
Responsive Maintenance	**£**	**£**	**£**	**£**	**£**
Jobbing Repairs	1,186,700	1,345,700	1,370,000	1,404,400	1,428,000
Tenant Allowances	50,000	50,000	50,000	50,000	50,000
Disabled Adaptations (See note 1 below)	80,000	190,000	190,000	190,000	190,000
Environmental Works	5,000	5,000	5,000	5,000	5,000
Fire Fighting Equipment and Detection	14,500	22,500	18,000	18,000	18,000
Door Porter and Security Systems	16,000	17,000	18,000	18,000	18,000
Solid Fuel and Heating repairs (See Note 2 below)	14,000	41,000	14,000	14,000	14,000
Emergency Lighting	7,000	7,000	7,000	7,000	10,000
Drainage and Pumping Stations	5,000	5,000	5,000	5,000	5,000
Insurance / Misc. - expenditure (See note 3 below)	17,000	17,000	17,000	17,000	17,000
Rechargeable Works - Incl's Leaseholder Properties	25,000	25,000	25,000	25,000	25,000
Relet Repairs (Voids) (See note 4 below)	873,500	903,000	903,000	913,000	923,000
Lifts	6,000	8,000	8,000	8,000	8,000
Roof and PVC Panelling Cleaning	36,000	36,000	37,000	37,000	39,000
External Decoration (See note 4 below)	114,100	115,000	120,000	120,000	130,000
Loft Insulations	5,000	5,000	5,000	5,000	5,000
Servicing Contracts & Repairs	563,000	561,500	564,000	564,000	565,000
Asbestos - removal	80,000	80,000	80,000	80,000	80,000
Asbestos - Testing	85,500	95,000	95,000	95,000	95,000
Legionella	3,000	6,000	6,000	6,000	6,000
Electrical Testing & Repairs	100,000	100,000	100,000	100,000	100,000
Communal Areas	56,200	57,000	58,000	60,000	60,000
Total Responsive Maintenance	**3,342,500**	**3,691,700**	**3,695,000**	**3,741,400**	**3,791,000**

Planned Maintenance	**£**	**£**	**£**	**£**	**£**
Bathrooms (See note 5 below)	0	40,000	40,000	50,000	50,000
Chimneys	30,000	30,000	30,000	30,000	30,000
External Walls	25,000	25,000	25,000	30,000	30,000
Canopy / Porches (See note 6 below)	12,000	6,000	6,000	6,000	6,000
Paths / Hardstanding	218,200	230,000	235,000	245,000	245,000
Boundary / Retaining Walls	22,200	23,000	25,000	30,000	30,000
Outbuildings	35,000	35,000	35,000	40,000	40,000
Structural/Damp/Drainage/etc	80,000	80,000	80,000	80,000	80,000
Total Planned Maintenance	**422,400**	**469,000**	**476,000**	**511,000**	**511,000**

Total HRA Housing Repairs	**3,764,900**	**4,160,700**	**4,171,000**	**4,252,400**	**4,302,000**

Notes:

Note 1 - The Housing team now complete Disabled adaption works for the Private Sector Housing team. Income is received for this works, counteracting the increase in costs.

Note 2 - One off upgrade to Flue support in 2019/20.

Note 3 - Any costs incurred though insurance, there will be insurance claim income to contra against it.

Note 4 - Increase spend on voids to speed up turn around to re-let.

Note 5 - Reduced Capital budget for Bathrooms, and set up Revenue budget for Bathrooms. Nil effect to HRA.

Note 6 - Replacing old concrete canopies with new fiberglass ones. Less concrete canopies left to replace.

HRA BALANCE AND RESERVE SUMMARY

HRA WORKING BALANCE

	Closing Balance 31/03/18 £'000	*2018/19 Movements*		Closing Balance 31/03/19 £'000	*2019/20 Movements*		Closing Balance 31/03/20 £'000	*2020/21 Movements*		Closing Balance 31/03/21 £'000	*2021/22 Movements*		Closing Balance 31/03/22 £'000	*2022/23 Movements*		Closing Balance 31/03/22 £'000
		Transfers In £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000	
HRA Working Balance	**-4,937**	0	924	**-4,013**	0	437	**-3,576**	0	1,123	**-2,453**	-548	0	**-3,001**	-576	0	**-3,577**
10% Requirement	**-2,047**			**-2,039**			**-2,055**			**-2,130**			**-2,212**			**-2,298**

HRA EARMARKED RESERVES

	Closing Balance 31/03/18 £'000	*2018/19 Movements*		Closing Balance 31/03/19 £'000	*2019/20 Movements*		Closing Balance 31/03/20 £'000	*2020/21 Movements*		Closing Balance 31/03/21 £'000	*2021/22 Movements*		Closing Balance 31/03/22 £'000	*2022/23 Movements*		Closing Balance 31/03/22 £'000
		Transfers In £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000	
Debt Repayment Reserve	**-9,000**	-1,000	0	**-10,000**	0	0	**-10,000**	0	0	**-10,000**	0	0	**-10,000**	-500	0	**-10,500**
Hardship Reserve	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**
MMI Reserve	**-66**	0	0	**-66**	0	0	**-66**	0	0	**-66**	0	0	**-66**	0	0	**-66**
Impairment/Revaluation Reserve	**-256**	0	0	**-256**	0	0	**-256**	0	0	**-256**	0	0	**-256**	0	0	**-256**
Acquisition & Development Reserve	**-1,000**	0	960	**-40**	0	40	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Total HRA Earmarked Reserves	**-10,822**	-1,000	960	**-10,862**	0	40	**-10,822**	0	0	**-10,822**	0	0	**-10,822**	-500	0	**-11,322**

HRA CAPITAL RESERVE

	Closing Balance 31/03/18 £'000	*2018/19 Movements*		Closing Balance 31/03/19 £'000	*2019/20 Movements*		Closing Balance 31/03/20 £'000	*2020/21 Movements*		Closing Balance 31/03/21 £'000	*2021/22 Movements*		Closing Balance 31/03/22 £'000	*2022/23 Movements*		Closing Balance 31/03/22 £'000
		Transfers In £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000		*Transfers In* £'000	*Transfers Out* £'000	
HRA Major Repairs Reserve	**-19,099**	-3,440	2,903	**-19,636**	-3,716	8,232	**-15,120**	-4,047	4,560	**-14,607**	-4,362	14,436	**-4,534**	-4,606	3,510	**-5,631**

HRA BUDGET KEY ASSUMPTIONS

The following key assumptions have been made in

Income	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Dwelling rents annual increase	-1.0%	3.0%	3.0%	3.0%
Allowance for voids - % of total rent roll	1.3%	1.3%	1.3%	1.3%
Garage rents annual increase *	7.6%	3.0%	3.0%	3.0%
Charges for Services & Facilities annual increase	1.00%	1.00%	1.00%	1.00%
Write-off allowance	£100,000	£100,000	£100,000	£100,000
Number of dwellings lost through Right To Buys (RTB's)	30	30	30	30
Number of new dwellings added to the stock	23	51	50	50
Average interest rate on HRA balances	0.66%	0.66%	0.66%	0.66%
Expenditure				
Bad Debt Provision - % of total income	4.33%	4.33%	4.33%	4.33%
Average interest rate on variable debt	1.00%	1.25%	1.25%	1.25%

* 2019/20 Increase high due to the small values charged.