

DRAFT 2018/19 HOUSING REVENUE ACCOUNT (HRA) BUDGET

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Andrew Jarrett, Director of Finance, Assets & Resources
Andrew Pritchard, Director of Operations

Reason for the report: To consider options available in order for the Council to set a balanced budget for 2018/19 and agree a future strategy for further budgetary planning for 2019/20 onwards.

RECOMMENDATION: To consider the draft budget proposals for 2018/19 and note the proposed balanced position at this time.

Relationship to the Corporate Plan: To deliver our Corporate Plan's priorities within existing financial resources.

Financial Implications: The Housing Revenue Account currently has a balanced budget for 2018/19.

It is a statutory requirement for the Local Authority to set a balanced budget each year.

Risk Assessment: Service Managers and Finance staff have assessed volatility in income and large contractor budgets, taking account of current and estimated future demand patterns. In addition prudent levels of reserves will also continue to be maintained.

Equality Impact Assessment: It is considered that the impact of this report on equality related issues will be nil.

1.0 Introduction

1.1 The HRA is a ring-fenced account within Mid Devon's financial accounting system. This means that a balanced budget must be set each year including all income and expenditure pertinent to the Council's landlord function and excluding all other income and expenditure (since this would be captured as part of the General Fund budget).

1.2 This report will set out management's proposals for a draft HRA budget for 2018/19 and members will see from Appendix 1 that, as it stands, the budget has been balanced and so nets to nil. The report will outline the key issues affecting the HRA today, along with how they impact on the setting of a budget for 2018/19. The report will go on to make recommendations to members to note its content and to highlight issues expected to affect the HRA in the future.

2.0 Key Issues

Right to Buy Property Sales

- 2.1 Central government have imposed a Right to Buy (RTB) policy on local authority landlords which is extremely generous to the tenant but which is detrimental to the running of an HRA. The result of this is of course that tenants are incentivised to exercise their right to buy and each time they do, our rent income reduces and the sale proceeds received are small.
- 2.2 At present, a tenant could pay as little as £30,000 for a £100,000 house. In such a case as this, the Council would retain only a portion of this as some of the money has to be returned to central government. If we then fail to spend sufficient funds on building new homes during the subsequent three years, still more of the sales proceeds have to be returned to central government.

Rent decrease

- 2.3 In 2015 central government announced that social and affordable rents would decrease by 1% each year for the four years from 2016/17 to 2019/20. The budget being set for 2018/19 is the second year of this policy and so there are two further years to run beyond this one. From 2020-2025, the pre-existing rent policy of increasing by CPI+1% annually will be reintroduced.
- 2.4 The difficulty this gives Mid Devon is that, whilst we currently have sufficient funds to carry out the day-to-day running of the service, we are not generating sufficient funds to build new homes at the rate that central government demands of us.

Other income

- 2.5 It is proposed to increase garage rents slightly by ten pence per week (0.9%) to £11.20. It is considered sensible to maintain such a minor increase since a larger one is likely to lead to a reduction in customer numbers.
- 2.6 Community alarms are set to be frozen a £3.76 per week since this is considered to be on a par with what competitors are charging. However, it is proposed to increase the charge made to former sheltered properties from £3.30 to £3.76 (13.9%) since this is essentially the same service being offered at a lower rate and it has been the intention to synchronise these charges so that all customers are paying a single rate.

Direct Labour Operation (DLO) carrying out non-DLO works

- 2.7 Each year any low demand periods experienced by our operatives are put to good use by carrying out works that might otherwise require Mid Devon to use an external contractor and so incur additional cost. In doing so, the Repairs team are able to transfer a significant amount of their costs to the relevant area and so reduce the overall DLO budget.
- 2.8 For 2018/19, the DLO have budgeted to transfer £1,062k of their costs to other areas as well as £600k of disabled adaptations work. This is a huge achievement as well as the obviously demanding task of maintaining an excellent repairs service.

3.0 Recommendation

- 3.1 It is recommended that members of the group consider the proposals for this draft HRA budget along with the details laid out in this report. It is also recommended that members note that this report proposes a balanced budget for 2018/19. This is positive in that it means that there are no savings yet to be found to balance the budget.
- 3.2 However, it should be noted that some items within the budget may change between now and the final budget being agreed by Full Council and these changes could come as a result of members suggestions, management proposals or central government instructions.

4.0 Future Issues

- 4.1 Universal Credit has been the biggest uncertainty in social housing for the last few years and continues to be so. It is not clear exactly what the impact of full transition will be for Mid Devon's landlord function but we do expect to see an impact during 2018/19 and there may be significant implications for budgets in future.
- 4.2 Following 2018/19, there will be one further year of the 1% rent decrease and then five years of increases at CPI+1%. After that, it is unclear what rent policy central government will set out for us to follow. Clearly, the costs of running the service will increase with inflation over the coming years and so it is hoped that rent collected will be sufficient to meet the needs of the service.

5.0 Conclusion

- 5.1 This report has set out a proposed balanced budget for the HRA for 2018/19, with appendices attached showing the following.
1. The overall makeup of the budget at summary level
 2. The proposed rent for 2018/19
 3. The proposed fees and charges for 2018/19
 4. An extract from the Planned & Cyclical Maintenance budget
- 5.2 It has been recommended above that members note the contents of this report and details of the proposed budget. A further set of proposals will be brought before this group in January 2018 prior to approval by Full Council in February 2018.

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Circulation of the Report:

Leadership Team, Elected Members and Group Managers