

DRAFT 2019/20 HOUSING REVENUE ACCOUNT (HRA) BUDGET

Cabinet Members Cllr Peter Hare-Scott, Cllr Ray Stanley
Responsible Officers Andrew Jarrett, Deputy Chief Executive (S151)
Andrew Pritchard, Director of Operations

Reason for Report: To consider options available in order for the Council to set a balanced budget for 2019/20 and agree a future strategy for further budgetary planning for 2020/21 onwards.

RECOMMENDATION: To consider the draft budget proposals for 2019/20 and note the proposed balanced position at this time.

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

Financial Implications: The Housing Revenue Account currently has a balanced budget for 2019/20.

Legal Implications: None directly arising from this report, although there is a legal obligation to balance the budget.

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: There are none identified.

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 2019/20 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 2019/20.

2.0 Key issues

Right to Buy Property Sales

- 2.1 Central Government has imposed a Right to Buy (RTB) policy on local authority landlords which provides an incentive to tenants to exercise their right to buy.
- 2.2 What a tenant pays when they exercise their Right to Buy varies, but the discount from the market rate can be significant¹. The Council only retains a portion of any sale value, with the balance returned to Central Government. If we fail to spend sufficient funds on building new homes during the three years following the sale of that property, a further part of the original sales proceeds retained by the HRA are 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 2019/20 is the fourth and final year of this policy. We will increase rents in 2020/21 by CPI plus 1%, which conforms to the previous rent policy.

Other income

- 2.4 It is proposed to increase garage rents from their current rate of £11.10 per week by CPI plus 1% in line with the future rent increase policy, although as this is currently a proposal, this increase is not reflected in the HRA MTFP.
- 2.5 It is proposed to increase ground rents by £25 per annum to bring them to £250 per annum. This will help mitigate increasing costs in maintaining our Housing Stock.

Direct Labour Operations (DLO) carrying out non HRA-works

- 2.6 Following the draft budget circulated in November, the following changes are proposed:
 - 2.6.1 HRA Shop Units – reduced rental income forecast slightly to factor in potential under-occupancy
 - 2.6.2 Revenue contribution to capital – nothing budgeted therefore removed.
 - 2.6.3 Increased investment returns by £24k.
 - 2.6.4 Other income budget has been reduced by £12k to reflect current performance – Wayleaves (Deeds of easement).

- 2.6.5 The vehicle budget has increased by £19k in advance of a potential move from capital purchase to lease arrangement.
- 2.6.6 Slight adjustment to the establishment: inclusion of 0.7 FTE Recharge Officer.
- 2.6.7 A feasibility study to assess mid to long term housing maintenance liability will start in 2019/20; a budget of £250k has been included to cover this amount.
- 2.6.8 Amount transferred to the Housing Maintenance Fund has reduced by £654k to £796k.
- 2.6.9 Recharges made to the HRA by the General Fund will increase by £62k (see 2.7 below).
- 2.7 In addition to these changes, a review of the way in which the costs of Grounds Maintenance works are charged to the HRA has been undertaken. This has involved a review of the Bill of Quantities, operating procedures and billing methodology. This has resulted in a proposed increase of £99k to the Grounds Maintenance recharge to the HRA. This increase will be mitigated in part by a reduction in the recharge from the General Fund support service of £37k.

1. Right to Buy discounts range from 35%-70% on a house and 50%-70% on a flat
2. OBR, Economic and Fiscal Outlook, CM 9088, July 2015, para 3.84

3.0 Recommendation

- 3.1 It is recommended that Members consider the proposals for this draft HRA budget along with the details laid out in this report.

4.0 Conclusion

- 4.1 This report has set out a proposed balanced budget for the HRA for 2019/20, with appendices attached showing the following.
 - 4.1.1 The overall makeup of the budget at summary level
 - 4.1.2 The proposed rent for 2019/20
 - 4.1.3 The proposed fees and charges for 2019/20
 - 4.1.4 An extract from the Planned and Cyclical Maintenance budget

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Circulation of the report: Cabinet members, Leadership Team and relevant service managers