

DRAFT 2020/21 HOUSING REVENUE ACCOUNT (HRA) BUDGET

Cabinet Member Cllr Alex White, Cllr Simon Clist
Responsible Officer Andrew Jarrett, Deputy Chief Executive (S151)

Reason for Report: This report provides an estimate of the budget required for the operation of the Housing Revenue Account (HRA) in 2020/21. It includes a proposal on the rent increase and a schedule of other fees and charges.

RECOMMENDATION: That the PDG recommend to Cabinet to agree the rent increase proposed and the other budget proposals for 2020/21.

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

Financial Implications: A balanced and realistic budget must be set for 2020/21 in order to maintain a sustainable Housing Revenue Account with adequate investment for necessary maintenance.

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.

Climate Change Assessment: The allocation of resources will impact upon the Council's ability to implement/fund new activities linked to climate change, as the MTFP sets the broad budgetary framework for the Council over the coming years.

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 2020/21 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 2020/21.

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 significant. 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 proposal

- 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. It is notable that the previous rent reduction imposed by Central government have cost the authority in the region of £2m. The budget proposed for 2020/21 reverts to our previous policy of increasing rents by up to CPI plus 1%, which will result in a maximum increase of 2.7%. Please note that, according to Central Government, Formula Rent is the maximum amount of rent that properties on social rent are to be charged.

Other Fees & Charges

- 2.4 It is proposed to increase garage rents from their current rate of £11.10 to £11.60 per week (calculated on a 48 week basis).
- 2.5 It is proposed to increase ground rents by £25 per annum to bring them to £275 per annum. This will help mitigate increasing costs in maintaining our Housing Stock.

HRA Reserve

- 2.6 It is anticipated that the HRA reserve balance will stand at approximately £2m at the beginning of 2020/21. There is no plan to utilise the reserve to fund revenue expenditure.

Direct Labour Operation (DLO) carrying out non DLO works

- 2.7 For 2020/21 the DLO have budgeted to transfer £1.2m of their costs to other areas as well as undertaking £600k 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 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 2020/21, 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 2020/21

4.1.3 The proposed fees and charges for 2020/21

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 Group managers