
2017/18 Housing Revenue Account (HRA) – Budget & Rent Setting

SYNOPSIS

This report sets out the HRA budget for 2017/18, as recommended by One Corby Policy Committee on 7th February 2017. An average rents reduction of 1% is recommended, in line with government policy as and reported to OCPC earlier this month. The budget shows a balanced and sustainable position in line with the Medium Term Financial Strategy, albeit with a significantly reduced contribution to the Capital Programme.

1. Relevant Background Details

The Budget for 2017/18 now presented for approval represents the culmination of a process that has involved Members, Officers, and a period of public consultation. This budget, and the recommended average rent reduction of 1%, was approved by One Corby Policy Committee on 7th February 2017.

2. Report

Proposed Service Budgets 2017/18

The proposed budget for 2017/18 for the HRA is detailed in Appendix A, and shows a net surplus of £58k. This is roughly in line with the amount allowed for within the MTFs.

However, this is only the case because £700k has been removed from the annual contribution to the capital programme. Further similar reductions will also be made in each of the next 3 years and ultimately this will affect the long term viability of the stock.

Changes from 2016/17 Approved Budget

The net reduction in expenditure of £4k from 2016/17 is made up of a significant number of variances. A schedule of these is set out in Appendix B and summarised in the table below.

	£'000
Inflation and Other Cost Increases	77
Unavoidable Growth & Spending Pressures	80
Efficiency & Other Savings	(774)
Changes in Income Volumes	200
Technical Adjustments	303
Total Variances	(4)

The growth proposals included in Appendix B represent a net increase of 2 full time equivalent posts, one of which is for a Development Programme Manager and one is for a temporary Policy Officer for 18 months. The proposals are heavily influenced by the One Corby priorities and support the aim of maintaining regeneration and growth.

Changes in Rental Income

Following their re-election in May 2015, the Government introduced a requirement to reduce rents by 1% for each of the next 4 years.

In order to fund this, the HRA has had to reduce its contribution to the Housing Capital Programme by £700k per annum for each of the 4 years in our medium term forecasting. This decision has therefore removed £10m of our funding over the next 5 years and £80m over the next 30 years.

Whilst in theory this shortfall could be met from making revenue savings or cuts and thereby reducing the provision of service within the housing function, the more likely action is to reduce the stock investment and the £5.3m per annum capital programme that is fully funded from the HRA. The £5.3m has originally been earmarked to make up the approximate £160m of investment required in the stock over the next 30 years. However, in the absence of any other obvious areas to make cuts of this nature, the housing capital programme has been reduced in line with the reduction in housing rents funding. This is in line with a report on prioritising capital expenditure was presented to OCP in October 2015.

The current average rent for Corby tenants is around £80 per week. This is the lowest in the County and approximately £6 a week less than the average. It should also be noted that over half of tenants receive full housing benefit.

HRA Balances & Risks

The projected level of HRA balances in hand at the end of 2016/17 is around £12.2m. This includes a general reserve of £2.8m that is above the prudent minimum of £800k. It is proposed that this level of reserves is maintained in order to address any medium-term risks to the ongoing viability of the HRA. The most significant of these are the introduction of future government initiatives, the need to repay borrowing and the ongoing capital investment required in the stock over the next 30 years.

The £12.2m also includes a Borrowing Repayment Reserve of £3.6m. This will increase each year through a budgeted revenue contribution, so that the £71m of borrowing undertaken to buy the stock from the government in 2012 can be repaid over the next 30 years.

The other main reserves that make up the £12.2m are a Right to Buy Reserve of £3.7m and a Housing Stock Reserve of £2.1m. These will be utilised for specific long term capital works that will increase housing stock numbers.

Options/Other Factors to Consider

Following several years of sustained housing growth, recent government announcements mean that for future years the financial situation will remain challenging and it is widely accepted that we may have to stop providing the level and range of services that we currently do. In particular, the funding of the Capital Programme will reduce and therefore members will need to give consideration to which schemes will be given the most priority in respect of this.

3. Issues to be taken into account:

Policy Priorities

Budgetary savings and expenditure should be clearly linked to the Council's One Corby priorities.

Financial/Risks

These are referred to within the report. There is a statutory requirement to set a balanced budget in 2017/18 in line with the requirements of the Medium Term Financial Strategy.

Performance Information

Heads of Service are charged with delivering service improvements included in their service plan within the budgets allocated.

Legal

No specific issues to highlight.

Human Rights, Equalities, Community Safety, Sustainability

Consideration will need to be given to the impact of the changes on all the above statutory and policy priority areas.

4. Conclusion

The recommended average reduction in Housing Rents of 1% is in line with the Governments rent setting policy and something that we have no control over.

The proposed budget for 2017/18 shows a balanced and sustainable position in line with the Medium Term Financial Strategy (MTFS), albeit with a reduced investment in Housing Stock as a result of rent reductions.

5. Recommendations

That Full Council:

- (i) Approve the Budget for 2017/18 set out in Appendix A; and
- (ii) Approve an Average Rent Reduction of 1% for 2017/18.

Background Papers

2017/18 Budget Working Papers

MTFS Working Papers

Consultations

Public consultation on budget proposals was undertaken through December and January with a closing date of 6th January 2017. This included writing to each Parish Council, press articles and public feedback through the Council's website. No responses have been received in relation to the HRA.

List of Appendices

Appendix A – HRA Proposed Budget Summary 2017/18

Appendix B - Variance Analysis 2016/17 to 2017/18

Wards

All

Officer to Contact

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HRA Proposed Budget 2017/18

Appendix A

Service	2016/17 Original Budget Gross Expenditure	2016/17 Original Budget Gross Income	2016/17 Original Budget Net	2017/18 Original Budget Gross Expenditure	2017/18 Original Budget Gross Income	2017/18 Original Budget Net	Variance between Years (Net)
	£	£	£	£	£	£	£
Responsive Repairs	5,487,544	(1,608,320)	3,879,224	5,467,189	(1,615,110)	3,852,079	(27,145)
Preplanned Maintenance	1,941,919	(650,920)	1,290,999	1,961,039	(650,920)	1,310,119	19,120
General Management	5,491,272	(764,600)	4,726,672	5,517,690	(549,430)	4,968,260	241,588
Sheltered Housing	588,322	(390,450)	197,872	529,777	(366,520)	163,257	(34,615)
Hostels/Singles Accomodation	103,426	(94,770)	8,656	104,191	(83,990)	20,201	11,545
Community/Emergency Alarms	257,128	(73,540)	183,588	267,320	(64,000)	203,320	19,732
Other Services - Communal Flats Services	199,065	(210,870)	-11,805	200,569	(217,050)	(16,481)	(4,676)
Other/Technical	8,516,110	(107,564)	8,408,546	8,060,110	(90,861)	7,969,249	(439,297)
Income	207,652	(18,945,480)	(18,737,828)	224,292	(18,752,130)	(18,527,838)	209,990
Housing Revenue Account Total	22,792,438	(22,846,514)	(54,076)	22,332,177	(22,390,011)	(57,834)	(3,758)

<u>Variance Analysis</u>		£	£
2016/17 Approved Budget		(54,075)	
2017/18 Draft Estimate		(57,834)	
Increase/(Decrease) from 2016/17 to 2017/18		(3,759)	
<u>Inflation & Other Cost Increases/Decreases</u>			
Pay awards		46,884	
Increments		24,848	
Pensions		48,000	
National Insurance		5,312	
Increase Employers Pension Contribution		120,789	
Decrease Pension Deficit		(168,956)	
			76,877
<u>Unavoidable Growth/Spending Pressures</u>			
General Insurance Recharges		41,930	
Repair and Maintenance Cost Increases		18,760	
Central Heating Contract inflationary impact		20,000	
Pension Auto Enrolment (as per MTFS)		30,000	
Development Manager/Policy Officer		80,000	
			190,690
<u>Efficiency and Other Savings</u>			
Reduction in Capital Contribution		(700,000)	
Premises Cost Savings		(49,120)	
General Supplies/Services Cost Savings		(25,141)	
			(774,261)
<u>Changes In Income Volumes</u>			
Dwelling Rental Income reduction		191,150	
Service Charge Income Reduction		21,810	
Misc Minor Income Changes		(12,550)	
			200,410
<u>Technical Adjustments</u>			
Provision for Debt Repayment (as per MTFS)		150,000	
Interest on Borrowing (as per MTFS)		63,000	
Loss of Interest on Balances		18,200	
Support Services (as per MTFS)		71,325	
			302,525
Variance between 16/17 Approved & 17/18 Draft Estimate			(3,759)