

Report of the Section 151 Officer and Director of Place

Council – 25 February 2016

HOUSING REVENUE ACCOUNT (HRA) REVENUE BUDGET 2016/17

Purpose:	This report proposes a Revenue Budget for 2016/17 and a rent increase for properties within the HRA.
Policy Framework:	None.
Reason for Decision:	To agree a revenue budget as indicated and a rent increase for 2016/17.
Consultation:	Cabinet Members, Finance, & Legal
Recommendations:	<p>The following budget proposals be approved:</p> <p>a) Rents to be increased in line with the Welsh Government rent setting policy as detailed in section 4.</p> <p>b) Fees, charges and allowances are approved as outlined in section 4.</p> <p>c) The revenue budget proposals as detailed in section 4 are recommended to Council for approval.</p>
Report Author:	Aimee Dyer / David Evans
Finance Officer:	Aimee Dyer
Legal Officer	Tracey Meredith
Access to Services Officer	Phil Couch

1. Introduction

1.1 The setting of the revenue budget has to take account of the following issues and factors:-

- the requirement to achieve the Welsh Housing Quality Standard (WHQS);
- future income and expenditure trends;
- increases in rent in line with the rent policy;
- the effect on tenants of rent increases;

1.2 The proposals in this report are based on the objective of maximising the resources available for investment in the housing stock to make progress in achieving the WHQS.

2. Projected Revenue Outturn 2015/16

- 2.1 An updated assessment of forecast spending in 2015/16 is subject to a separate report on this agenda. This forecasts an underspend of £0.45m; comprising an increase in fees for Capital Works (£0.2) plus a reduction in borrowing costs (£0.4m) due to the use of more Capital Receipts. These have been offset by a slight fall in rent income (£0.15m).

3. Housing Revenue Account Subsidy (HRAS) and HRAS settlement

- 3.1 In April 2015 the exit from the Housing Revenue Account Subsidy System (HRAS) took place. This ended the old system of negative subsidy payments and replaced it with a one off settlement debt of £73.6m.

4. Revenue Budget Proposals 2016/17

4.1 Overview

- 4.1.1 There is a projected surplus on the HRA next year of £19.9m. This surplus together with the planned use of reserves will contribute towards the capital programme which is planned to increase from an original programme in the current year of £49.3m to £55m next year. This increase is for further investment in WHQS and a provision has been made for the More Homes Programme.

- 4.1.2 The main changes from 2015/16 are an increase in capital charges as a result of the repayment of principal of the Housing Subsidy system settlement debt and the additional cost of borrowing to support achievement of the WHQS of £1.6m. The main changes to funding/income are an increase in rent and other income of £1.8m mainly arising from the proposed rent increases and an increase in the planned use of reserves of £1.6m to fund the proposed capital programme for 2016/17.

- 4.1.3 There have been some changes to the revenue repairs budget, comprising an increase in day-to-day, voids and general repairs of £0.35m and a reduction in painting and minor works of £0.29m. However, expenditure in minor works will now be funded through the Capital budget.

- 4.1.4 The main changes from the 2015/16 budget are shown in the following table:-

Item	£000
Increase in capital financing charges	1,600
Increase in revenue contribution to capital programme	1,600
Changes to Revenue Repairs Budget	60
1% pay award and impact of NI Contributions	150
Additional income including a 4.00% rent increase	-1,819
Increase in contribution from reserves	-1,591

4.2 Rent Income

- 4.2.1 The target average rent per week for Swansea provided by the Welsh Government under the rent setting policy which was introduced in April 2015 is set out in the following table. The WG figures are based on a 52 week period. However, the Council has traditionally charged rents over 50 weeks allowing two

weeks during the year when rent is not collected. The equivalent 50 week average is also provided.

	Lower Band (i.e. mid point – 5%)	Mid Point	Higher Band (i.e. mid point + 5%)
WG weekly figures (based on 52 weeks)	£78.75	£82.89	£87.03
50 week equivalent	£81.90	£86.21	£90.52

4.2.2 In February 2015, Council agreed to maximise the available rent income by using the full transitional increase allowable under the WG policy until such time that the upper band limit is reached.

4.2.3 After applying the national increase of 1.4% plus the full transitional increase, the average rent for 2016/17 will be £83.19 (based on 50 weeks). This is an average increase of £3.20 (4%) per week.

4.3 *Inflation*

Provision has been included in the budget for a 1% annual pay increase from April 2016. In addition, budgets have been amended to reflect changes in employer's contributions for National Insurance. Other budgets, in particular repairs and maintenance and utility costs have been based on the latest prices.

4.4 *Capital Financing Charges*

Additional Capital financing charges will arise in 2016/17 as a result of the HRAS settlement borrowing and additional borrowing to finance WHQS improvements.

4.5 *Fees, Charges and Allowances*

General fees, charges and allowances are increased in line with the agreed rent increase or in line with the inflation provision set out in 4.3 above. If the recommendations relating to the rent increase are approved then these rent related items will increase by 4% and other charges by 1%.

4.6 *Contributions to the Capital Programme*

The additional income and net reduction as a result of the elimination of the subsidy system enables a contribution of £19.9m to the capital programme. A further £5.8m from reserves will also be utilised in supporting the capital programme.

5. **Risks and Uncertainties**

5.1 The main risk and uncertainty for next year is the ongoing impact of welfare reform measures, such as the potential increase in number of tenants in receipt of universal credit on the level of income.

6. **Reserves**

6.1 The HRA balance at the start of this year was £17.1m and at the end of the current year it is estimated to be £13.2m. It is proposed that £5.8m is used next year to finance capital expenditure. The reserves position is detailed in Table B.

7. Equality Impact Assessments

- 7.1 Proposals for changing levels of funding in specific areas have been subject to a screening process. Service managers have considered the implications of proposed budgetary decisions and believe that the proposed budget protects the most vulnerable and will not disproportionately impact on protected groups. EIA Screening has been undertaken.

8 Legal Implications

- 8.1 Tenants will need to be notified of the proposed increase in accordance with the provisions of section 102 of the Housing Act 1985. Section 102 b) states that variation of the Rent shall be carried out in accordance with the provisions of the Tenancy Agreement. Section 2.6 of the Council's Tenancy Agreement states that Tenants must be given 4 weeks notice before any Rent change.

<p>Appendix: Table A: Summarised HRA 2015/16 to 2016/17 Table B: Movement in Balances 2015/16 to 2016/17</p>

Background Papers: None

Table A: Summarised HRA 2015/16 to 2016/17

Classification	Budget 2015/16	Budget 2016/17
	£'000	£'000
<u>Expenditure</u>		
Management and Maintenance	28,163	28,360
Capital Charges	8,277	9,883
Revenue Funding for capital schemes	24,093	25,700
Negative subsidy	0	0
Total Expenditure	60,533	63,943
<u>Income</u>		
Rents and other income	56,343	58,162
Use of balances	4,190	5,781
Total Income	60,533	63,943

Table B: Movement in Balances 2015/16 to 2016/17

Description	£000's
Actual balance at 1 st April 2015	17,135
Budgeted use 2015/16	-4,190
Budgeted balance 31st March 2016	12,945
Forecast use 2015/16	-3,938
Forecast balance 31st March 2016	13,197
Budgeted use 2016/17	-5,781
Forecast balance 31st March 2017	7,416