

TITLE	Housing Revenue Account Budget 2020/21
FOR CONSIDERATION BY	The Executive on Thursday, 20 February 2020
WARD	None Specific;
LEAD OFFICER	Director Locality and Customer Services – Sarah Hollamby
LEAD MEMBER	Executive Member for Finance and Housing - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

Ensure sound finances and value for money in providing housing services for council tenants.

RECOMMENDATION

That the Executive approve and recommend to Council:

- 1) The Housing Revenue Account budget;
- 2) Council house dwelling rents be increased by 2.70% effective from April 2020 in line with the Welfare Reform and Work Act 2015;
- 3) Garage rents be increased by 2.38% effective from April 2020 in line with Council fees and charge;
- 4) Shared Equity Rents will be increased by 2.43% based on September RPI, effective from April 2020;
- 5) Tenant Service Charges are set in line with estimated costs;
- 6) The Housing Major Repairs (capital) programme for 2020/21 as set out in Appendix B;
- 7) Sheltered room guest charges for 2020/21 remain at £9.50 per night per room.

EXECUTIVE SUMMARY

The proposed Housing Revenue Account (HRA) for 2020/21 is set out for consideration and recommendation to Council. An indication of the budget for 2021/22 and 2022/23 is provided for information. Proposed 2020/21 rent levels for council housing and council owned garages are also set out for recommendation to Council. The budget takes account of forecast economic changes and movement in interest rates using relevant available information from various sources, including the Council's treasury management advisors.

Wokingham Borough Council's ability to utilise retained right to buy receipts will continue to be a challenge for the HRA. For 20/21, the HRA will need to borrow to help fund its 70% share of spend from revenue. Attention is drawn to the reducing level of reserves from £2.8m in 2019/20 to £1.0m in 2022/23. Officers are actively working to efficiently manage voids levels and effectively target expenditure.

BACKGROUND

HOUSING REVENUE ACCOUNT 2020/21

Housing Ring Fence

1. The Housing Revenue Account (HRA) is a ring-fenced fund. This means that the HRA must be self-financing and expenditure must be paid for by Council tenants through rent and service charges. HRA expenditure cannot be funded by council tax and similarly HRA income should not be used to pay for general fund services.

Rent Restructuring, Convergence, Housing Self Financing and the End of the Rental Reduction

2. For four years, commencing in 2016/17 the Government introduced a compulsory 1% reduction in Social and Affordable rents. There is no discretion in making this change and it applies to all council tenants. The 1% reduction was implemented in April 2016 will be followed by a further 1% cumulative reduction from April each year for the three years to 2019/20. For 20/21, the rent reduction has stopped and has been replaced with rental increases of CPI + 1% (for 20/21 equals 2.70%), although the Council will continue increasing rents to target rent when properties are re-let whilst still maintaining the compulsory rental changes. Target rent is a calculation by Government to ensure all properties of a similar nature (e.g. location, no. of bedrooms) have similar rent levels for tenants.
3. The Council has prepared a 30-year business plan for the HRA. The allocated debt is based on a notional valuation of the Council's housing stock and a 30 year notional business plan of income and expenditure. The HRA will incur an annual interest charge and principal debt repayment over the first twenty three years of the plan. Over the next three years a further £7.6m of debt is to be repaid. The estimated debt as at the 31st March 2023 is £85m, this includes a new loan to be taken out in 2020/21 to fund the 70% expenditure needed for the use of RTB receipts and loans to fund future years capital budgets. Revenue budget provision is included under the HRA principal repayments line in Appendix C for this debt.
4. The council's 30 year business plan is being reviewed and updated to reflect known changes including the rent policy issues highlighted above. The business plan includes the following:-
 - a. The HRA business plan will be reviewed during 2020/21 to explore what options are affordable in light of the borrowing changes. Any decisions on future borrowing will follow the prudential borrowing rules set out in the Treasury Management Strategy.
 - b. The Council is reviewing its appetite for debt in light of legislative changes and the removal of the borrowing cap for local authorities.
 - c. The HRA Capital Programme for 2020/21 will be £6.8m plus any carry forwards from 2019/20, followed by £6.9m in 2021/22 and £7.1m in 2022/23. The programme now includes the requirements to utilise the retained right to buy receipts.

d. Rental income will be based on government requirements for an increase of 1% + Consumer Price Inflation (CPI) in future years.

Garage Rents

5. It is proposed to increase garage rents by 2.38% for 2020/21 in line with the council wide increase to fees and charges.

Shared Equity Rents

6. It is proposed to increase shared equity rents by 2.43% based on September RPI, effective from April 2020.

2020/21 Budget Assumptions & Risks

7. The 2020/21 budget includes expenditure of £3.1m for repairs and maintenance and a revenue contribution of £0.5m to capital to help fund the capital investment programme.

Housing Major Repairs (Capital Programme)

8. The Council is required to fund major repairs from the rental income. The intention over the 30 year business plan is to generate additional resource to help the Council meet the decent homes standard and also to invest further in the redevelopment and regeneration of the council's housing stock.

The breakdown of the funding of the £6.8m capital expenditure in 2020/21 is:

- a. Revenue contributions £0.5m,
- b. Major Repairs Reserve £3.4m
- c. Right to buy receipts £0.6m
- d. Borrowing £2.3m

The proposed Housing Capital Programme is shown at Appendix B.

Consultation

9. The draft budget submission has been considered by Corporate Leadership Team on the 21st January 2020, and the Tenants & Landlord Improvement Panel was advised on 23rd January 2020 that the budget report being finalised and the draft would be circulated on completion.

BUSINESS CASE

The Housing Revenue Account budget for 2020/21 is shown at Appendix C. The budget has been drawn up on a self-financing basis and reflects:

- Interest charge of £3.1m, depreciation of £3.4m and revenue contributions to capital of £0.5m as determined by the Council's 30-year business plan under the self-financing system.

- Management and repairs costs have reduced from £6.3m to £6.1m to reflect ongoing efficiencies in staffing and day to day expenditure. The projected HRA balance (see Appendix A) at 31 March 2021 will be £0.6m.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	See attached reports	Yes	Revenue and Capital
Next Financial Year (Year 2)	See attached reports	Yes	Revenue and Capital
Following Financial Year (Year 3)	See attached reports	Yes	Revenue and Capital

Other Financial Information

None

Stakeholder Considerations and Consultation

Budget proposals have be reported to the Tenants & Landlord Improvement Panel.

Public Sector Equality Duty

The specific projects and programmes of work will be assessed individually prior to implementation. Rent increases follow Government legislation.

List of Background Papers

Appendix A – Housing Revenue Account Reserves
 Appendix B – HRA Capital Budget
 Appendix C – HRA Revenue Budget

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