EASTBOURNE
Borough Council
www.eastbourne.gov.uk

Appendix 8b
to the council budget and setting of the council tax for 2017/18 report

Minute extracts

Meeting: **Cabinet**

Date: **8 February 2017**

*72 Housing revenue account (HRA) budget and rent setting 2017/18 and HRA capital programme 2016/20.

72.1 Cabinet considered the report of the deputy chief executive (and chief finance officer) and director of service delivery in respect of the rents, service charges and heating costs to be set for all of the council's housing tenants. The report outlined the revenue account budget proposals for 2017/18 and housing capital programme 2017/20 and arrangements for agreeing Eastbourne Homes Limited's (EHL) management fee and delivery plan. The report reflected the recommendations made by Eastbourne Homes Limited in relation to the increase in rent levels, service and other charges.

72.2 The HRA was a statutory ring-fenced account that represented all landlord functions. The HRA was required to be self-financing, which meant that expenditure had to be entirely supported from rental and other income. The main tool for the future financial management of the HRA was the 30-year business plan.

72.3 The business plan was last reported to cabinet in December 2015 and at that time outlined the financial implications of the Housing and Planning Act 2016 and the Welfare Reform and Work Act 2016. This included the proposals for a 4 year 1% decrease in rents, pay to stay and high value council house levy. The business plan had since been updated to reflect the 2016/17 approved budget. At the time the business plan had been updated there was still considerable uncertainty over the pay to stay and high value council house levy. A ministerial statement made on 21 November 2016 announced that the government had reviewed the pay to stay policy and decided that it would not be introduced on a compulsory basis as originally planned.

72.4 The budget proposals did not include the impact of the high value council house levy, as the government had not yet issued any consultation proposals or a start date on which to model potential impacts. Government messages on this policy had been mixed, but it would appear unlikely that this would be implemented before the end of this financial year. The impacts of this policy were substantial and should the government bring forward proposals, the business plan would be updated and reported back to members.

72.5 The HRA revenue budget (appendix 1 to the report) had been produced based on the policies set out in the HRA 30-year business plan and showed an overall surplus of £449,000 for 2016/17. The budget was performing better than expected due to various initiatives to control expenditure, including a reduction in the management fee payable to EHL, lower than anticipated interest rates and higher rental income from affordable rents. The 30 year business plan and the HRA budget policy allowed for a contribution into the housing regeneration and investment reserves to meet future major works demands and other strategic housing related outcomes. This was set at £924,000 for 2016/17, and £500,000 for 2017/18. This would be reviewed again when the business plan was updated in the autumn. The major repairs reserve was funded from cash backed depreciation of £4m plus inflation per year and was expected to break-even in the short term, but should start to exceed capital spending requirements in the medium term, in order to provide sufficient resources to fund the demands of the asset management plan in the longer term.

72.6 The HRA debt outstanding at 31 March 2016 was £41m, rising to £42.9m by 31 March 2018; the maximum borrowing permitted under the self-financing settlement. The majority of the new borrowing of £1.5m would be completed by 31 March 2017 and would be external debt at fixed interest rates, leaving just a balance of £0.4m to be taken in 2017/18. The increase in borrowing was to support the housing and economic development programme (HEDP). The additional interest payable from this borrowing would be funded from the additional rental as the properties are let. The council's treasury management advisors were predicting that the current low levels of interest rates would continue into 2017/18 and the interest budget had been prepared on this basis.

72.7 The original 30-year business plan had assumed that from 2016/17 to 2028/29 an average debt repayment of £2.8m per annum would be funded from the HRA. This was no longer viable due the rent decrease and other government housing initiatives, however, if possible when opportunities arose consideration would be given to using any surplus funds for the repayment of debt or to be used to reinvest in housing properties in lieu of new borrowing.

72.8 The HRA outturn for 2016/17 was expected to deliver a £426,000 surplus, a positive variance of £133,000 over the original budget. This was mainly as a result of the decrease in the take up of the under occupation scheme, a reduction in the provision required for bad debts and the net effect of the new support people charge. The HRA business plan was based on a policy for a minimum level of HRA balance of £1m to maintain a prudent level of reserve to ensure that the HRA remained sustainable in the longer term and was able to deal with any risks posed by the current economic climate.

72.9 The Welfare Reform and Work Act 2016 required that rents on social housing properties be reduced by 1% a year for a four year period from 2016/17. Rents for shared ownership properties were excluded, however, the terms of the lease for these properties linked rents to the social rented properties and a 1% reduction would be applied to these properties.

72.10 For properties in shared blocks these charges covered common services such as communal heating, lighting, equipment maintenance contracts, cleaning and grounds maintenance. In older persons sheltered accommodation the charges additionally included on-site co-ordinators, lift maintenance contracts, communal furniture and carpets maintenance and internal redecorations. These costs were charged separately from the rent. For general needs properties in blocks the proposed average service charge increase was 2.49% to ensure that costs relating to communal areas are fully recovered. To ensure that tenants did not experience an extreme rise in service charges any individual block increase would be capped at 10%. For retirement court properties in blocks, the average service charge increase would be 7.14% to ensure that costs relating to communal areas were fully recovered. This was an average increase in costs of £2.72 per unit, per week.

72.11 In May 2016, Supporting People withdrew their funding from the council's sheltered housing units. As a result of this, the on-site co-Ordinators service was at risk of not being able to continue the vital work within the sheltered housing blocks. Consultation had been carried out with residents, who voted to reduce the on-site co-ordinator service by 1 member of staff and pay an additional cost of £7.50 per unit per week, to keep the service running. Following the cabinet decision in March 2016, it was now recommended that the current support charge of £7.50 per unit per week remain at that level for 2017/18.

72.12 Heating costs for older persons sheltered accommodation were set in line with known price decreases predicted by the Department of Energy and Climate Control (DECC). It was recommended that the average charge decrease is 9.25%. This was an average decrease of 61p per week for tenants who paid these charges.

72.13 Water charges were also set in line with the known price decrease predicted by DECC and it was recommended that the average charge increase is 1.07%. This was an average increase of 5p per week for tenants who aid these charges.

72.14 Following the previous year's rent increases, garage void debt was slowly increasing and the number of garage voids continued to increase. A desk top appraisal completed by Eastbourne Homes Ltd showed that the rent currently being charged was sufficient to cover the annual garage repairs expenditure on a yearly basis. When benchmarking garage rent costs with other authorities, it was found that the garage rents that EBC charged were slightly above the average rent charged for garages amongst the other authorities. It was therefore recommended that no increase is applied to garage rents for 2017/18 in an effort to improve garage take-up.

72.15 Total budgeted expenditure on the HRA capital programme was planned at £4,206,300 for 2017/18. The major works element of the programme was in line with the asset management plan and the self financing business plan model with funding from the major repairs reserve. Cabinet had previously agreed a total budget of £14m for the housing and economic development programme (HEDP). All schemes were expected to be completed by the end of the current year, but any slippage to this programme would be re-profiled as part of the year end process. This programme would be funded from borrowing, capital receipts and Housing and Communities Agency (HCA) grant. This programme had now come to an end as there were no further HRA resources available, any new schemes would be undertaken by the Eastbourne Housing Investment Company.

72.16 The EHL management fee covered both operational and administration costs as well as cyclical maintenance. The revised fee for 2016/17 was £7,361,000. It was proposed that the management fee would remain the same in 2017/18; the Board of Eastbourne Homes Ltd was, however, considering whether it could be reduced.

72.17 The council was obliged to ensure that all tenants were given 28 days notice of any changes to their tenancy including changes to the rent they pay. The council's scrutiny committee had also noted the contents of the report at their meeting on 30 January 2017.

72.18* Resolved (budget and policy framework): That full council, at their meeting on 22 February 2017, be recommended to approve the following:

(a) The HRA budget 2017/18 and revised 2016/17, as set out in appendix 1 to the report;

(b) that social and affordable rents (including shared ownership) are decreased by 1% in line with the change in government policy;

(c) that service charges for general needs properties are increased by 2.49%;

(d) that service charges for older persons' sheltered accommodation are decreased by 7.14% to reflect a reduction in actual costs as well as notification of a reduction in heating and water costs;

(e) that the support charge for sheltered housing residents remains at £7.50 per unit, per week;

(f) that heating costs are set at a level designed to recover the estimated actual cost;

(g) that water charges are set at a level designed to recover the estimated cost of metered consumption;

(h) that garage rents are not increased this year to improve increasing garage voids;

(i) a scheme to move new garage tenancies to market rent values for the 2017/18 financial year is examined;

(j) that delegated authority be granted to the director of service delivery, in consultation with the lead cabinet members for community services and finance and the financial services manager to finalise Eastbourne Homes' management fee and delivery plan; and

(k) the HRA capital programme as set out in appendix 2 to the report.

Meeting: **Scrutiny**

Date: **30 January 2017**

24. Housing Revenue Account 2017/18.

Part extract only:

Queries were raised on the following points:

Garage Rents and voids – the Financial Services Manager advised that the reason for the voids was unknown; however it may be contributable to the poor state of repair in some areas. The Deputy Chief Executive advised that the Asset Management Plan would be undertaking a review of the current garage provision to consider the options available. The Financial Services Manager agreed to advise the committee regarding the number of Council owned garages following the meeting.

Eastbourne Homes Management fee – The Deputy Chief Executive advised that the fee had not changed for the last 6 years and that the fee not only covered the management and administration of the stock but repairs and maintenance of the housing stock. The HRA was benchmarked against other similar authorities including Wealden and Lewes. Eastbourne Homes were also included in the Joint Transformation Programme and the Board had agreed that staff would be shared between Eastbourne and Lewes to improve efficiency.

The recommendations were noted.

Local Democracy, 1Grove Road, Eastbourne, BN21 4TW
Tel (01323) 415021/415022 Fax (01323) 410322 Text Relay: 18001 01323 410000
E Mail: localdemocracy@eastbourne.gov.uk
www.eastbourne.gov.uk

der\P:\council\17.02.22\minute extracts HRA budget)