



CABINET: 9 January 2018

**EXECUTIVE OVERVIEW &
SCRUTINY COMMITTEE:
25 January 2018**

Report of: Director of Housing and Inclusion and Borough Treasurer

Relevant Portfolio Holder: Cllr J. Forshaw

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SUBJECT: HOUSING ACCOUNT – REVENUE AND CAPITAL PROGRAMME

Wards Affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To provide a summary of the Housing Account's financial position.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the financial position be noted and consideration given to the budget matters set out in this report.

2.2 That the use of the Director of Housing and Inclusion's delegated authority in relation to rent and service charge changes be noted and endorsed.

2.3 That this report be used for consultation purposes prior to the Council considering this matter in February 2018.

2.4 That the Housing Portfolio Holder be given delegated authority to submit firm proposals to Council on 28 February 2018 to enable the budget to be set.

2.5 That call in is not appropriate for this item as it is to be submitted to the next meeting of the Executive Overview and Scrutiny Committee on 25 January 2018.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

3.1 That the budget position be considered and that any comments agreed by the Committee be submitted to the Housing and Landlord Services Portfolio Holder in advance of the Council meeting to be held on 28 February 2018.

4.0 BACKGROUND

- 4.1 The Council must set a budget for its Housing Revenue Account (HRA) before the start of each financial year, and this budget will set out the financial basis for the delivery of services. The budget that is set must enable Council and tenant priorities to be delivered but must also be affordable. In addition it should comply with best practice requirements on budget setting and meet statutory and accounting regulations.
- 4.2 The financial year 2018-19 represents year three of the government's four year rent setting policy to reduce social housing rents by 1% per annum to 2020. This policy continues to progressively add pressure to the HRA over this period, however, the Policy Options agreed by Council in July 2016 and October 2016 have delivered sufficient savings and efficiencies to secure the HRA's financial position over the medium term.

5.0 RENTAL INCOME

- 5.1 As a consequence of the government policy highlighted in paragraph 4.2 and in line with our standard practice, the Director of Housing and Inclusion will use her delegated authority to reduce rent levels by 1% from April 2018 for all properties.
- 5.2 The Government have recently announced that for the five year period from 2020-21 to 2024-25 rent policy will revert to the previous approach of allowing an increase of CPI plus 1% per year. This will aid business planning in the medium term by providing more certainty, ensuring that the real value of rent levels is maintained and provides funds for further investment in the housing stock.
- 5.3 Rental income is the main funding source for the Housing Account. The 2018-19 rent reduction means that the overall level of rental income will reduce next year, although there are a number of other factors that will influence this position including:
- The number of properties within the Housing Stock which will be influenced by Right to Buy Council house sales (which is outside the Council's control), the number of homes built or purchased, and the number of homes demolished as part of revival and development projects
 - Void levels and the time it takes to re-let can have an adverse impact on income levels. It is estimated that void levels will continue at their existing 2% level into 2018-19
 - The full roll out of Universal Credit from December 2017 will affect relevant tenant's income and how their housing costs are paid, and consequently this may affect their ability to pay their rents. This is likely to have a negative

impact on collection rates and levels of bad debts, and consequently this is an area that will need to continue to be monitored closely to assess its impact.

- 5.4 Government have recently announced that the Local Housing Allowance – a cap on the total value of housing costs that can be paid by benefits – will not be applied to social housing. There are no firm details yet as to exactly what this will mean in practice but it is welcome news for council house residents and for the HRA.

6.0 OTHER CHARGES

- 6.1 A general principle is applied to service charges that they should be calculated to ensure that they are sufficient to recover the cost of service provision. In keeping with this principle it is proposed to increase the general level of service charges next year by 4.0% (based on the September CPI rate of 3.0% plus 1.0% in line with our standard practices).

- 6.2 There will be a number of exceptions to this general approach including:

- An analysis of Leaseholder service charges identified that the costs of service provision were being under-recovered. In February 2016 it was agreed to implement service charge increases in a phased manner over a 3 year period to rectify this position, and 2018-19 will be the third year of this approach. Review of leaseholder service charges is an annual activity which will continue as a matter of good practice
- Gas prices for West Lancashire BC reduced in 2017-18 by 8-10% In 2018-19 the level of heating charges to residents will therefore be reduced by 10%
- Work on the Garage Strategy has been carried out during 2017-18 and continues into 2018-19, and garage rents will therefore be increased by 3%, (CPI), after having been frozen for a number of years.

7.0 DRAFT ESTIMATES AND CAPITAL INVESTMENT PROGRAMME

- 7.1 financial basis for how HRA service objectives will be achieved in the next year. The base assumptions used in the HRA Business Plan and for the HRA Estimates are detailed in Appendix A. The HRA Business Plan sets out projections of expenditure and income over a 30 year period to enable forward planning and long term investment decisions to be made. The HRA Estimates for 2018-19 then provide more detailed information that sets out the

- 7.2 The draft estimates for 2018-19 are shown in Appendix B and provide a provisional HRA budget for 2018-19 covering all areas of revenue expenditure and income. These estimates include increases in the base budget required to roll forward agreed service levels and the budget assumptions in appendix A, but do not allow for any service improvements. They also allow for reductions in rents and changes in service charges as highlighted above.

- 7.3 The draft HRA estimates reflect the following factors:

- Savings that will be delivered as part of the staff reorganisations that have been agreed this year have been included in the estimates. In addition, a savings target of £81,000, (2% of the staff budget) has been included in the estimates to reflect natural staff turnover and the substantial favourable employee variances that have been achieved in recent years
- The budget for response repairs has been reduced by £100,000 with a matching £100,000 increase in voids repairs to better match expenditure profiles on repairs

7.4 In addition to the roll over budget in continuing services, it is also important to consider new budget issues and areas for development. Appendix C comprises a list of budget issues that Officers have identified and that should be considered as part of the budget process. Members will need to carefully consider those options, and any others that emerge through the budget process and determine which proposals to include in the final budget to meet service objectives.

7.5 The current Capital Investment Programme for the next 5 years is shown in Appendix D and includes the factors below:

- Capital budget virements and reprofiling approved in December 2017 have been built into the estimates
- Reprofiling of the five year capital programme to reflect latest information and resourcing have been built into the estimates

7.6 Work on refreshing the stock condition information – a budget issue raised in Appendix C – will provide updated information that will allow the asset investment plan to be reworked during 2018-19. As a consequence it is anticipated that the five year budget may change significantly once this work has been completed. The programme also contains a number of other schemes that reflect Member and tenant priorities including the Beechtrees Revival Project and the Westec development scheme. The total value of the proposed programme is £13,199,000 in 2018-19 and this can be funded by a combination of revenue contributions, HRA borrowing, and capital receipts.

8.0 TOWARDS A BALANCED BUDGET POSITION AND LONG TERM PROSPECTS

8.1 The draft estimates contained in the appendices identify that there are additional funds of £xxx available for investment next year, before taking into account the new budget issues included at Appendix C.

8.2 Officers will work with Members from the political groups and will consult with tenants to consider this position and how these funds can be used. In looking at finalising the budget for next year consideration will need to be given to a number of different factors including:

- Tenants comments and feedback on the budget position
- The acceptance of the new budget issues set out in Appendix C
- Potential future developments in the Welfare Reform agenda
- The profiling of capital expenditure and borrowing across future financial years
- HRA reserves and balances

9.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

9.1 The Council with its Tenants wants to ensure that the future business plan allows properties to be brought up to a reasonable standard and that appropriate investment can be made at the appropriate time. Business plan modelling enables a well-informed investment plan to be developed in keeping with the requirements of an effective asset management strategy. The community strategy has highlighted that local people should receive good quality homes for a fair and appropriate rent, and these issues are considered through the business plan process.

10.0 RISK ASSESSMENT

10.1 The formal consideration and reporting of the budget estimates is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council. This process is resource intensive for both Members and Officers but ensures that a robust and achievable budget is set.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required. A formal Equality Impact Assessment will be produced when the Council agrees the budget at its meeting in February.

Appendices

Appendix A – HRA Business Plan Key Assumptions

Appendix B – Draft HRA Estimates

Appendix C – Budget Issues

Appendix D – Draft Capital Investment Plan

Appendix E - Minute of Cabinet (Executive Overview and Scrutiny Committee only)