

APPENDIX 3

HOUSING REVENUE ACCOUNT BUDGET AND COUNCIL HOUSE RENTS 2019/201. Introduction

The Housing Revenue Account (HRA) shows a projected surplus balance in hand at 31 March 2020 of £4,065,251.

There are no revenue developments for which approval is being sought in 2019/20.

2. Budget Changes

The following have been taken into account in the production of the overall budget position for 2019/20:

- The deletion of the Director of Housing, Leisure and Property Services post agreed at Policy and Performance Committee on 12 December 2018 (a reduction of £109,350)
- The restructure of the Housing Repairs and Housing Strategy sections of the Housing Department agreed at Policy and Performance Committee on 3 October 2018 (a reduction of £98,800)
- The restructure of the Housing Rents team agreed at Policy and Performance Committee on 12 December 2018 (an increase of £200,600)
- The April 2019 pay award (2% in most cases) less other establishment changes (a reduction of £5,250)
- No allowance has been made for inflation on prices in 2019/20 within the estimates (other than taken into account in detailed budgets).
- An increase of £130,000 in impairment of debtor costs due to an increase in the provision to take into account the likely impact of Universal Credit (£60,000) and an increase in the provision for debts relating to void repairs (£70,000).

3. Rent and charges proposals

On 8 July 2015 the Chancellor of the Exchequer announced an intention to bring in legislation to reduce rents paid by tenants in social housing by 1% per annum for four years from 2016. Rents were reduced by 1% in 2016/17, 2017/18 and 2018/19 in line with this policy and a further 1% reduction has been allowed for within the estimates submitted to the Housing Committee from 1 April 2019. Rents from 2020/21 are to increase by the consumer price index (CPI) plus 1%.

The budget for council house rental income in 2019/20 also takes account of the estimated number of Right to Buy sales based upon previous years as well as an estimate of the expected level of voids (ie. periods when properties are unoccupied). These changes in total have resulted in a reduction of £392,570 in the budget for council house rental income in 2019/20 when compared to 201/19.

Garage rents have increased over recent years to bring them into line with the rents being charged by other Councils in the East Midlands. The proposed increase of 3.4% from April 2019 based upon the September CPI rate of 2.4% plus an additional 1% is expected to produce additional income of approximately £24,670 in 2019/20.

4. Summary

The minimum working balance recommended on this account in 2019/20 is £1 million. To the extent that the predicted balance exceeds this, it is proposed to use any surplus resources to increase the revenue contribution towards financing the capital programme, thereby reducing the potential need for prudential borrowing by a similar amount.

The interest cost arising from any prudential borrowing to help finance the capital programme falls on the revenue account and is estimated at £2,456,200 in 2019/20. No additional borrowing is required for 2019/20 to fund the Housing capital programme as all expected capital costs can be met from revenue resources. A revenue contribution of £1,617,000 is anticipated in 2019/20.

It is recommended that a working balance of at least £1 million is maintained in future years to ensure that sufficient provision exists to meet unexpected needs. This is will be increasingly significant in terms of, for example, having sufficient funds available to meet the cost of potential new build properties and other commitments.