

Scrutiny November 2017

Issues to cover:

- **HRA Business Plan change 2012**
- **1% rent cuts:**
 - Impact on business plan
 - Actions needed to balance plan
 - Impact on new build viability / Derby Homes' surplus
- **Government policies on social housing:**
 - Positive / unclear / negative impacts coming
 - Focus on Higher Value Levy policy

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2012 Self Financing system introduced - £/week

- £3m a year more for major works / capital (~ 300 new homes so far)
- £1m+ reduction in management



Old budget



New budget

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Rent reductions announced 2015

1% a year for 4 years from 16/17 – 2 more years to go

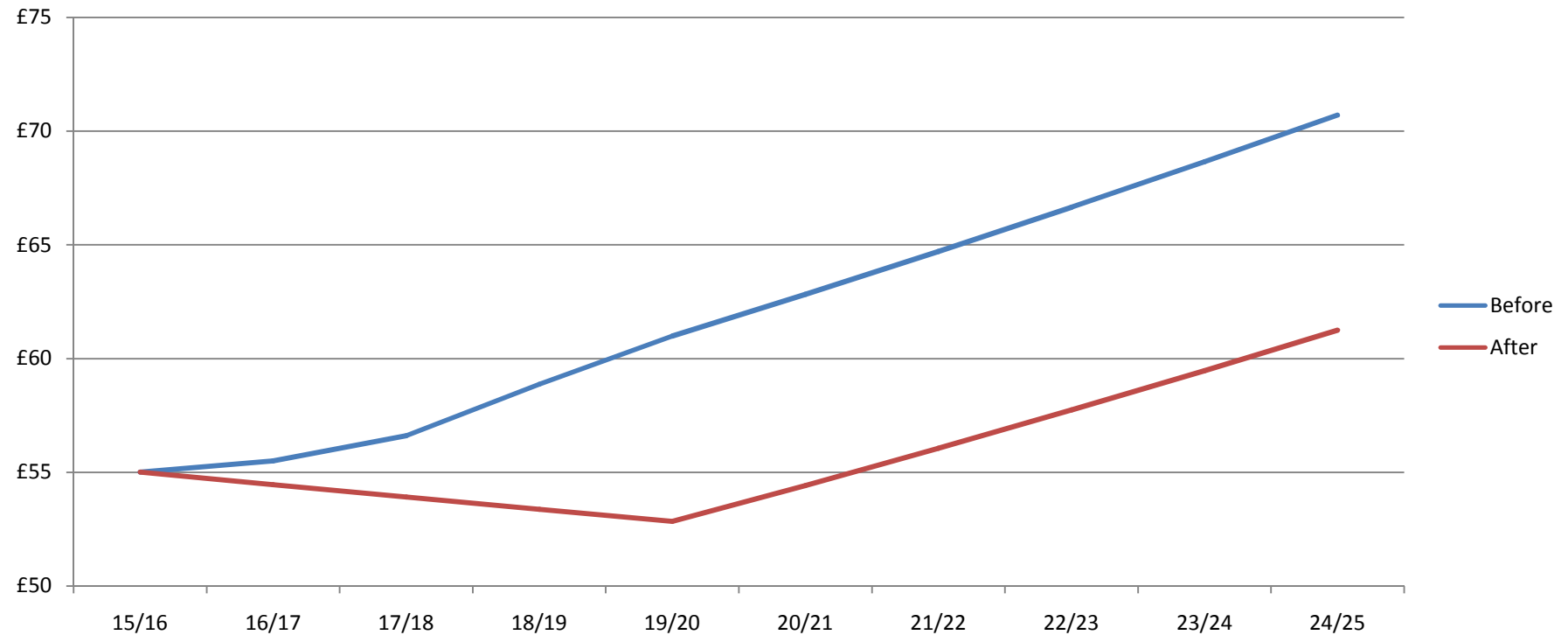
Translates to a loss of **13% of income (£8m a year / £12 a week per tenancy)**

Overall deficit **over £200m over 30 years**

Makes new homes more difficult to finance

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Rent income: before and after 4 years reductions - £m



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Rent reductions 1% a year for 4 years



Actions to balance HRA in 16/17:

- Lower inflation: RPI-CPI / voids(2% to 1%) **~£125m**
- Reduced capital maintenance budget 15% (efficiency gains / lower costs) **~£21m**
- Reduced Estates Pride spending **~£11m**
- Reduced Derby Homes' fee **~£47m (& CPI switch)**

These rebalanced the HRABP over the 30 years



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Makes new homes more difficult to finance

Previously –

30% costs = RTB 141 funding

70% costs met by borrowing funded by future net rents

Now

70% * 87% (13% less) = 60% met by future net rents

30% RTB funding

10% shortfall – need funding to be 40% for social rent

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17/18 : some services were under threat of closure for lack of funding: – DH Board agreed to take on:

- Housing Options & Derby Advice
- Domestic Violence grant
- Milestone House costs
- Increased charges for services provided by DCC

These total about £1m a year more than previously & reduce DH's surplus

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Derby Homes Key figures	Actual £'000 15/16	Actual £'000 16/17	Budget £'000 17/18
Turnover £m	37	38	39
Operational Surplus £m	3.0	2.0	0.8
Surplus % Turnover	8.2	5.3	2.0
Council Homes managed	13,307	13,149	13,015
Derby Homes properties owned	84	90	98



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Government Policy impacts on HRABP since 2016:

Positive for HRA:

‘Higher Income’ Rents – not implemented

Future Rent policy – now CPI plus 1% for 2020-25

Mostly positive for HRA:

Local Housing Allowance cap 2019 – now a new

Supported Housing consultation for 2020 instead

Negative for HRA:

Higher Value Sales – not dropped (yet?)

Welfare Reform – lower benefit levels for many tenants

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Government Policy impacts on HRABP:

Higher Value Sales

HRABP assumption :

not included in the plan -

if it goes ahead will probably have to sell some homes to pay the levy.

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‘Higher Value’ Council homes to be sold:

‘Thresholds’ are critical

Likely to be set at LA level ?

For Derby:

	Election 2015	Likely Value (Derby, >av)
Beds	£000	£000
1	105	89
2	145	110
3	175	130
Number (now)	~ 20	~1000
Turnover?	3%	3%
Possible Levy?	£100k?	£5m?

Hoping it goes away.....

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Possible new policy on HRA debt cap?

Lifting the debt cap – what impact might it have?

Increased potential financial capacity to build new homes
BUT

Lower rents (-1% for 4 years) mean more difficult.

Current average in plan over 30 years	= 50 a year
Lift Debt cap only	= ~80 a year
Lift debt cap and CPI +1% rent >2025	=145 a year

Would still need land on which to build

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Conclusions

1% rent cut has permanently reduced HRA financial capacity by **£8m**

Right to Buy on new homes and Higher Value sales still a risk

Rent certainty until 2025 – positive – perhaps shifting attitude?

Losing 170 homes (1.3%) a year through RTB

If CPI + 1% for longer (& debt cap lifted) - more homes possible