



Report to the Executive for Decision 11 February 2013

Portfolio:	Policy, Strategy and Finance
Subject:	Housing Revenue Account Spending Plans, including the Capital Programme for 2013/14
Report of:	Director of Finance and Resources
Strategy/Policy:	Housing Strategy
Corporate	A balanced housing market
Objective:	

Purpose:

This report seeks Executive endorsement for the revised budget for 2012/13, the base budget, rent increases and fees and charges for 2013/14 and the capital programme and its financing for the years 2012/13 to 2016/17.

Executive summary:

The Executive recommended and the Council approved, in February 2012, the base budget and rent increase for 2012/13, for Housing Revenue Account services.

This report sets out the Housing Revenue Account revised budget for 2012/13 and base budget for 2013/14 along with the capital programme and its financing for the years 2012/13 to 2016/17. The report examines the issues affecting the Housing Revenue Account, including changes to housing benefit and the rent increase with effect from 1 April 2013.

The Government introduced a system of rent setting, common to local authorities and registered providers, based on relative property values and local earnings levels. The first stage of the restructuring was introduced in 2003/04, and there was, initially, a ten year period from April 2002 for convergence between local authorities and registered social landlords to be achieved. The period to converge rents is reviewed every year and they are now set to converge in 2015/16.

Council budgets are susceptible to changes in the level of expenditure and income caused by factors outside the Council's control. A risk assessment has been carried out to indicate the effect on housing balances of changes in the level of expenditure and income. This can be used to estimate the account balances needed to provide a prudent level of reserves and a working balance.

Recommendation:

- (a) individual rent increases in line with the rent restructuring model, be approved for Council dwellings with effect from 1 April 2013;
- (b) rents for Council garages be increased by 5% with effect from 1 April 2013;
- (c) discretionary fees and charges be increased to provide a minimum increase of 5% with effect from 1 April 2013;
- (d) the revised budget for 2012/13 be approved;
- (e) the base budget for 2013/14 be approved;
- (f) the capital programme and financing for 2012/13 to 2016/17 be approved; and
- (g) annual budgets and assumptions are set with the aim of ensuring sufficient surpluses are held to repay debt on the date of maturity of each loan.

Reason:

There is a legal requirement to set a budget for the Housing Revenue Account and also to set rent increases which will achieve rent restructuring and convergence over a period prescribed by Central Government.

Cost of proposals:

As detailed in the report.

Appendices:

- A:** Capital Programme and Financing
- B:** Housing Revenue Account Budget
- C:** Housing Repairs Account
- D:** Examples of Rent
- E:** Fees and Charges
- F:** Graph of Balances

Background papers:

Reference papers:

- (a) Executive 6 February 2012 - Housing Revenue Account Spending Plans including the Capital Programme 2012/13
- (b) Executive 16 July 2012 - Actual Housing Revenue Account Expenditure and Financing 2011/12
- (c) Executive 1 October 2012 - Annual Review of the Council's Finance Strategy



Executive Briefing Paper

Date: 11 February 2013

Subject: Housing Revenue Account Spending Plans, including the Capital Programme for 2013/14

Briefing by: Director of Finance and Resources

Portfolio: Policy, Strategy and Finance

INTRODUCTION

1. This report brings together the revenue and capital spending plans for 2012/13 and 2013/14. On 1 October 2012, the Executive approved the Council's Finance Strategy for 2013/14 and later years. The budget guidelines contained with the Strategy have been used as a basis for the Housing Revenue Account (HRA) spending plans.

CAPITAL PROGRAMME - APPENDIX A

2. The five year capital programme has been updated and is summarised in the following table. More details of the capital schemes and its financing can be found in Appendix A.

Year	£'000
2012/13	2,326
2013/14	5,333
2014/15	9,288
2015/16	1,782
2016/17	1,774
Total	<u><u>20,503</u></u>

3. The financing of the capital programme is mainly from the Major Repairs Reserve (MRR), external grants, Capital Fund and Revenue Contributions to Capital (RCCO). The major schemes in 2013/14 and 2014/15 are the new Collingwood House and potential purchase of a sheltered scheme at Coldeast.

REVENUE BUDGETS

4. The following tables summarise the base and revised budgets for 2012/13 and the base budget for 2013/14, the Housing Revenue Account and Housing Repairs Account. Further information can be found in Appendices B and C.

	Base Budget 2012/13 £000s	Revised Budget 2012/13 £000s	Base Budget 2013/14 £000s
HOUSING REVENUE ACCOUNT			
Income from service	-11,213	-11,230	-11,426
Expenditure on service	7,075	7,479	7,102
Net cost of service	-4,138	-3,751	-4,324
Interest and premiums	1,797	1,807	1,708
Revenue contribution to capital expenditure etc.	2,116	2,164	2,885
(Surplus) / deficit	-225	220	269
Opening Balance	-5,278	-4,813	-4,593
Closing Balance	-5,503	-4,593	-4,324
HOUSING REPAIRS ACCOUNT			
	Base Budget 2012/13 £000s	Revised Budget 2012/13 £000s	Base Budget 2013/14 £000s
Income	-1,677	-2,012	-1,680
Expenditure	1,677	2,012	1,680
(Surplus) / deficit	0	0	0
Opening balance	-1,800	-1,800	-1,800
Closing balance	-1,800	-1,800	-1,800
Overall closing balance	-7,303	-6,393	-6,124
Properties at 31 March	2,403	2,403	2,368
Average balance per property £'s	£3,039	£2,660	£2,586

5. The HRA budget for 2013/14 includes a further transfer of £2,164,000 into the Capital Fund that was set up in 2012/13 for the purpose of repaying debt and for reinvesting in existing or new stock.
6. The revised budget for 2012/13 includes expenditure for work not completed in 2011/12 of £272,000. This was for Disabled Modifications, External Decorations, Gas Servicing, Pre-Decoration Repairs and Asbestos Survey.
7. It is our intention to continue to maintain a fixed end of year balance on the Repairs Account of £1,800,000. This provides sufficient funds to pay for any unexpected repairs and to protect the HRA from fluctuations in the level of repairs.

8. A graph depicting in-year surpluses/deficits, balances of debt and reserves over a time period of 30 years can be viewed in Appendix F.

RENT CONVERGENCE AND INCREASES - APPENDIX D

9. Rents are set in line with the Government's rent setting policy which was used in calculating the level of debt that was taken on in 2011/12 to leave the Housing Revenue Account Subsidy System. The target date for convergence with housing association rent remains at 2015/16. A limit is set for individual property increases of Retail Price Index (RPI) - as at end September each year - + 0.5% plus £2. Applying this, results in an average rent increase for tenants of 4.23% (£3.42 per week average increase). Housing benefit will cover this increase for around 64% of tenants. Appendix D shows examples of the proposed new rents.
10. April 2013 sees a change to housing benefit that will affect tenants who are under-occupying their property. For a household that is under-occupying by one bed, they will see a reduction in their housing benefit of 14%. For a household that is under-occupying by 2 or more bedrooms, they will see a reduction of 25%.
11. 1,529 tenants receive housing benefit, of which 122 are under-occupying. 110 will be affected by a 14% reduction in benefit and 12 by 25%. In anticipation of an increase of bad and doubtful debts, the bad debt provision is being increased to 2%.
12. Rents for Council garages are not covered by rent restructuring. The number of garages which are not let is stable year on year. It is proposed that garage rents for 2013/14 increase by 5%.

FEES AND CHARGES - APPENDIX E

13. The current fees and charges for the HRA and the proposed charges for 2013/14 are set out in Appendix E. The proposed discretionary fees have been increased wherever possible to achieve a minimum 5% increase in income except for Guest Rooms where an increase of 51% is suggested.
14. The statutory charge is subject to the control and advice of Government. The current level of charge has been set at the maximum allowed.

RISK ASSESSMENT

15. Council budgets are susceptible to changes in the level of expenditure and income caused by factors both outside and within the Council's control. A risk assessment has been carried out to indicate the effect on balances of changes in the level of expenditure and income. This can be used to estimate the account balances needed to provide a prudent level of reserves and working balance.
16. Factors taken into account include revenue repairs which tend to be demand led and include emergency repairs not included in the budgeted provision and not covered by insurance; potential future problems such as those related to asbestos, contaminated land, PRC construction (pre-cast reinforced concrete), fire risks, access, and legionella, which would lead to an increased capital

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programme; fluctuations in interest rates and uncertainty over the Supporting People funding to provide support for people receiving the sheltered housing service.

17. The table below gives examples of changes in the level of resources and expenditure that could occur in the future as a result of events outside and within the Council's control and which need to be taken into account when considering how much money should be held in reserves. It is very unlikely that all these things would happen at the same time.

Examples of potential changes in level of resources or expenditure	Effect on expenditure £'000s	Effect on income £'000s
10% increase in revenue repairs	+£100	
20% increase in cyclical repairs	+£90	
Loss of income if void rate rises to 2.5%		-£258
Loss if income if bad debts increase to 5%		-£310
Increase from 4 to 10 RTBs per annum - income		-£26
Increase to 10 RTBs per annum - response repairs	-£3	

18. The above list of potential risks indicates that it is essential to preserve the account balances held now for the HRA and the Repairs Account. Reserves are held so that we can:

- continue to manage and maintain homes;
- improve and redevelop estates;
- cover any unexpected expenditure;
- take advantage of new opportunities to meet housing needs;
- repay debt; and
- meet the challenges of any change to Decent Homes Standard

CONCLUSION

19. The Executive is asked to approve the following recommendations to Full Council:
- (a) individual rent increases in line with the rent restructuring model, be approved for Council dwellings with effect from 1 April 2013;
 - (b) rents for Council garages be increased by 5% with effect from 1 April 2013;
 - (c) discretionary fees and charges be increased to provide a minimum increase of 5% with effect from 1 April 2013;

- (d) the revised budget for 2012/13 be approved;
- (e) the base budget for 2013/14 be approved;
- (f) the capital programme and financing for 2012/13 to 2016/17 be approved; and
- (g) annual budgets and assumptions are set with the aim of ensuring sufficient surpluses are held to repay debt on the date of maturity of each loan.

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APPENDIX A

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
CAPITAL PROGRAMME AND FINANCING					
Improvement Work					
Tenants Modernisations	950	950			
Electric Upgrading	200	200			
Security Doors	0	50			
Communal Lifts	0	0			
Other Communal Works	80	50			
	1,230	1,250	0	0	0
Energy Conservation					
Central Heating and Boiler	380	368			
Windows and Doors Replacement	200	350			
	580	718	0	0	0
Environmental Works					
Recycling Bin Stores	0	30			
External Works	30	50			
	30	80	0	0	0
Capitalised Repairs / Renewals					
Re-roofing	3	20			
Structural Repairs	1	150			
TV Systems	70	0			
Drain Replacement	6	20			
Mobility Scooter Storage	15	20			
	95	210	0	0	0
New Builds	113	0	0	0	0
Upgrade of Orchard/Housing Management System	50	0	0	0	0
New & Redeveloped Sheltered Schemes	228	3,075	7,635	70	0
TOTAL PROGRAMME	2,326	5,333	7,635	70	0
Total resources still to be allocated			1,653	1,712	1,774
TOTAL	2,326	5,333	9,288	1,782	1,774

CAPITAL PROGRAMME AND FINANCING	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
FINANCED BY:					
Major Repairs Reserve	2,213	3,986	4,073	1,782	1,774
Revenue contribution from HRA		722	3,051		
Grants and Contributions					
Social Housing Grant		625			
Capital Receipts	113				
Capital Fund			2,164		
Total Financing	2,326	5,333	9,288	1,782	1,774

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APPENDIX B

<u>HOUSING REVENUE ACCOUNT</u>	Actual 2011/12	Base 2012/13	Revised 2012/13	Base 2013/14
	£000s	£000s	£000s	£000s
Income				
Rents - Dwellings	-9,388	-10,050	-10,105	-10,320
Rents - Garages	-221	-220	-214	-224
Rents - Other	-18	-17	-18	-18
Service Charges (Wardens, extra assistance, heating)	-276	-276	-242	-240
Cleaning	-121	-134	-119	-108
Grounds Maintenance	-69	-74	-73	-75
Other Fees and Charges	-14	-16	-24	-21
Leaseholder Service Charges	-65	-66	-65	-65
Grants receivable	-415	-360	-370	-354
	-10,586	-11,213	-11,230	-11,426
Expenditure				
General Administrative Expenses	1,447	1,730	1,657	1,488
Corporate & Democratic Core	58	61	61	61
Corporate Management	113	86	87	87
Unapportioned Overhead	2	10	0	0
Communal Heating Services	73	63	78	70
Communal Lighting	31	37	38	38
Rents, Rates & Other Taxes	50	44	52	47
Communal Cleaning	139	151	143	140
Grounds Maintenance	232	201	190	188
Sheltered Housing Service	595	603	606	601
Fire & Refuse	17	50	45	50
Insurance Liability Provision	-9	0	0	0
Sub-total of management costs	2,748	3,036	2,957	2,770
Contribution to Repairs Account	2,604	1,617	1,971	1,620
Bad Debts Provision	-28	131	14	206
Bad Debts Written off	124	0	0	0
Depreciation	1,880	2,324	2,494	2,456
Reversal of Depreciation greater than MRA	-64	-64	0	0
Debt Management Expenses	47	32	47	47
Holiday Accruals	-12	0	0	0
Negative Subsidy payable to Government	3,032	0	-4	0
	10,330	7,075	7,479	7,099
Net income from service	-256	-4,138	-3,751	-4,327

	Actual 2011/12	Base 2012/13	Revised 2012/13	Base 2013/14
Net income from service	-256	-4,138	-3,751	-4,327
Interest Payable	42	1,836	1,871	1,870
Premium on Debt Redemption	168	99	99	0
Interest earned on internal balances	-125	-138	-163	-163
Net operating income	-170	-2,341	-1,944	-2,620
Revenue contribution to capital	0	0	0	725
Pension Interest Cost & Return on Assets	20			
Movement on Pension Reserve	29			
Transfer to Capital Fund		2,164	2,164	2,164
Pension Reserve Contributions	-47	-48	0	0
(Surplus)/Deficit for year	-167	-225	220	269
Housing Revenue Account balance				
Balance brought forward	-4,646	-5,278	-4,813	-4,593
Surplus/(Deficit) for year	-167	-225	220	269
Balance carried forward	-4,813	-5,503	-4,593	-4,323

HOUSING REVENUE ACCOUNT EXPENDITURE DETAIL	Actual 2011/12	Base 2012/13	Revised 2012/13	Base 2013/14
	£000s	£000s	£000s	£000s
General Administrative Expenses				
Corporate & Democratic Core	58	61	61	61
Corporate Management	113	86	87	87
Unapportioned Overhead	2	10	0	0
Employees	720	751	771	741
Premises	92	87	101	96
Transport-related expenditure	0	0	7	7
Supplies and Services	81	297	225	94
Contract Services	38	79	38	38
Internal Support	521	517	518	519
Income	-5	-2	-3	-3
	1,620	1,886	1,805	1,639
Communal Heating Services				
Premises	73	63	78	70
	73	63	78	70
Communal Lighting				
Premises	31	37	38	38
	31	37	38	38
Communal Cleaning				
Employees	36	37	40	41
Premises	101	112	101	97
Internal Support	2	2	2	2
DSO Surplus	0	0	0	0
	139	151	143	140
Grounds Maintenance				
Employees	12	15	17	14
Premises	186	160	148	148
Supplies and Services	1	0	0	0
Internal Support	33	26	26	26
	233	201	191	188
Sheltered Housing Service				
Employees	511	520	510	512
Premises	50	48	49	46
Transport	0	0	8	8
Supplies and Services	17	17	20	20
Internal Support	18	19	19	16
	595	603	606	601
Other Communal Services				
Premises	34	31	35	31
Supplies and Services	16	14	17	17
Internal Support	0	0	0	0
Fire & Refuse -Premises	17	50	45	50
Insurance Liability Provision	-9	0	0	0
	57	94	97	97

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APPENDIX C

HOUSING REPAIRS ACCOUNT	Actual	Base	Revised	Base
Expenditure	2011/12	2012/13	2012/13	2013/14
Day to Day	£000s	£000s	£000s	£000s
Internal decorating	57	65	46	65
General repairs	635	574	574	574
Other Services - Surveys	35	0	0	0
External works	119	160	160	160
Ancillary & miscellaneous	44	73	197	73
Works to garages	18	21	34	21
Non rechargeable work to void properties	146	103	103	103
Total day to day	1,055	996	1,114	996
Schemes previously in the capital programme				
Repairs	1,192	222	343	222
Total from capital programme	1,192	222	343	222
Cyclical repairs				
External decorating	54	108	162	108
Gas service & associated repairs	222	250	278	250
Lift servicing	29	30	30	30
Pre decorating repairs	3	14	25	14
Emergency lighting	49	48	48	48
Total cyclical	357	450	543	450
Administration				
Supplies & services	16	10	9	9
Legal Services	2	0	4	4
Bad Debt Provision	74	0	0	0
	91	10	12	12
Total expenditure	2,695	1,677	2,012	1,680
Income				
Contribution from HRA	-2,604	-1,617	-1,971	-1,620
DSO Surplus	-55	0	0	0
Fees & charges	-54	-60	-41	-60
Total income	-2,713	-1,677	-2,012	-1,680
Balance brought forward	-1,800	-1,800	-1,800	-1,800
Surplus/Deficit(-) for year	-19	0	0	0
Tfr to Leaseholder Reserve	19			
Balance carried forward	-1,800	-1,800	-1,800	-1,800

EXAMPLES OF RENTS

	Property type	2012/13 Actual Rent	2013/14 Proposed Rent	Increase £ p.w.	Increase % p.w.
Nashe Way	1 Bed Bung	£78.86	£82.67	£3.81	4.83%
Foster Close	1 Bed Flat	£73.15	£75.80	£2.65	3.62%
Grebe Close	2 Bed Bung	£98.12	£102.06	£3.94	4.02%
Addison Road	2 Bed House	£96.08	£99.30	£3.22	3.35%
Foxbury Grove	2 Bed Flat	£80.67	£85.17	£4.50	5.58%
Garden Court	1 Bed Mais	£73.00	£75.70	£2.70	3.69%
Sicity House	2 Bed Mais	£82.72	£85.02	£2.30	2.79%
Fairfield Avenue	3 Bed House	£98.57	£101.49	£2.92	2.96%
Garden Court	3 Bed Flat	£96.92	£99.13	£2.21	2.28%
Foster Close	4 Bed House	£114.57	£117.30	£2.73	2.39%

Average for total stock	£80.80	£84.23	£3.42	4.23%
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FEEES AND CHARGES 2013/14

	Existing Charge inc VAT	Proposed Charge inc VAT	Increase
	£ p	£ p	%
<u>Discretionary Charges</u>			
Sheltered Accommodation for the Elderly			
Guest Room Charge per person per night	6.62	10.00	51%
Rechargeable Repairs to Council Houses			
a) Abortive visit by Officer, Surveyor or Tradesman - Standard charge per visit	38.53	40.50	5.1%
b) Rechargeable works	These will be assessed individually at the time the work is carried out.		
c) Service charges to purchasers of flats and maisonettes	These annual charges are made in advance on the basis of estimated costs. Once the actual cost is known a retrospective adjustment is made		
Recharge of Officer time in agreeing retrospective consent to freeholders			
Fee per occurrence	72.00	75.60	5%
<u>Statutory Charge</u>			
Sale of Council Houses			
Legal and administration fees in connection with granting a service charge loan (statutory maximum of £100)	100.00	100.00	0.0%

GRAPH OF BALANCES

Balances over 30 years

