

SPECIAL SCRUTINY COMMISSION - 30 JANUARY 2012

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

RE : HOUSING REVENUE ACCOUNT ESTIMATES 2012/13

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek the Council's approval of the proposed budget for 2012/13, in respect of the Housing Revenue Account (HRA) and to the level of rent increases to apply in 2012/13.. This report should be read in conjunction with the Capital Budget reports.

2. RECOMMENDATIONS

- 2.1 That the Select Committee endorse the recommendation to Council below
- 2.1 That the budgets presented in Annexes "A", "B", and "C" are approved.
- 2.2 Members note that tenants are being consulted about the proposed rent levels for 2012/13

3. BACKGROUND TO REPORT

- 3.1 The budgets covered by this report relate to the Council's responsibilities as the landlord of around 3,390 dwellings. The Housing Revenue Account is the account which groups the subsidiary activities of :
- ◆ Supervision & Management (General), e.g. lettings, waiting list, rent collection, tenant consultation
 - ◆ Supervision & Management (Special) e.g. sheltered schemes, hostel, roads, paths, fences and grounds, which are not part of an individual property
 - ◆ Housing Repairs & Maintenance, which has a separate account and deals with the maintenance of individual properties.
- 3.2 The rent calculation for 2012/13 continues the government's rent restructuring model, which the Borough Council applied for the first time in 2004/05. The impact of the restructuring model will produce different percentage increases for individual properties. However, the average increase is 9.3%. At the present rate on convergence it is anticipated that Social Rented Sector rents will converge by 2014/15.
- 3.3 The supporting people legislation means that the responsibility for charging tenants, where necessary, falls on Leicestershire County Council, who transmit a share of supporting people grant to the Borough Council. There are private householders, who pay for "Piper" or "Solo" rental or "Central Control" connection

3.4 The financial year 2012/13 is the start of a new era in Council Housing. On this basis the budget presented in this report is a holding budget has a number of items relating to the change have not yet crystallised and estimates have been included in the budget based on assumptions that might change when final details of the transactions are known e.g the interest rate for the borrowing. Up to and including 2011/12 the Housing Revenue Account operations of local housing authorities were subsidised by Central Government to provide support for social housing costs being greater than the rents that could be afforded by tenants. Under the subsidy scheme that has operated in recent years the rents paid by tenants have in effect been pooled on a national basis so that authorities where the expenditure need has been less than the rental income have paid into the centre (negative subsidy) and those where expenditure need is greater than the rental income have received subsidy (positive subsidy). This assessment has been made via a calculation in a notional HRA using a target rent and national management and maintenance allowances. Hinckley and Bosworth BC has been paying negative subsidy for a number of years and for the information of members the amounts paid in the last 3 years have been

2009/10	£3,512,084
2010/11	£3,743,422
2011/12	£4,084,160

In March 2012 the Council will in effect buy its self out of the Subsidy system by making a payment of £67.993m to CLG which will be financed by borrowing. Therefore an item in respect of Negative subsidy has been removed from the budget but will be replaced by an item for Interest on Borrowing (£1,808,580) and an amount of £2,719,720 in respect of repayment of debt. This is based on repaying the debt over 25 years. (It is open to the authority not to repay the debt but to use the surplus generated to finance Capital Expenditure on enhances to properties or for new build). For information it is estimated that if the old system was operating in 2012/13 the negative subsidy payable by this council would have been of the order of £5.2m.

3.5 A summary of the HRA budgets is Shown in the Table below and the detailed budgets shown in Annexes A, B and C

	2011/12 Original Estimate	2011/12 Latest Estimate	2012/13 Original Estimate
	£	£	£
Housing Revenue Account			
Income	10,706,760	10,653,731	11,696,460
Expenditure	12,977,190	12,898,,387	11,932,690

Net Cost of Service	2,270,430	2,244,656	236,230
Transfer from Major Repairs Reserve	(1,976,800)	(2,007,900)	(818,740)
Other Reserve Transfers and Interest Receivable	(19,700)	(19,700)	(20,520)
(Surplus)/Deficit on the year	273,930	217,056	(561,990)
Balance at 1 April	1,439,774	1,690,000	1,472,944
Balance at 31 March	1,165,844	1,472,944	2,034,934
Housing Repairs Account			
Administration	847,260	827,160	809,570
Programmed Repairs	536,630	536,630	555,410
Responsive Repairs	1,039,670	1,039,670	1,058,650
TOTAL Expenditure	2,473,560	2,403,460	2,423,630
Income	2,414,630	2,414,630	2,402,560
Net Expenditure	8,930	(11,170)	21,070
Balance at 1 April	238,100	344,000	355,170
Balance at 31 March	229,170	355,170	334,100

3.6 The working balance (including the Repairs Account) decreases in 2011/12 to £1,828,114 due to an overall deficit on the year of £205,886 and in 2012/13 increases to £2,369,034 as a result of a surplus in the year of £540,920 arising from the changes resulting from the self financing regime.. An ongoing reassessment of programmed and capital repairs to reduce responsive variations continues to help to reduce the net expenditure and maintain the working balance above the level of £600,000 which is currently considered to be the target prudent minimum.

3.7 The reasons for variation between the Original and Revised Estimate for 2011/12 are shown in section 1 of Appendix A

3.8 The reasons for the major variances in the provisional budgets for 2012/13 compared with the approved budgets for 2011/12 are shown in Section 2 of Appendix A

4. FINANCIAL IMPLICATIONS

As contained in the report.

5. LEGAL IMPLICATIONS

As contained in the report.

6. CORPORATE PLAN IMPLICATIONS

The proposed budgets will allocate resources to enable the council to achieve its objectives for its own housing stock.

7. CONSULTATION

Relevant council officers have been consulted in the preparation of the budgets.

8. RISK IMPLICATIONS

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report/decision were identified from this assessment:

Management of Significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Failure to achieve projected income levels	Regular monitoring and corrective action.	Chief Officer for Housing , Community Safety and Partnerships

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

The budget will allow management and maintenance of properties throughout the Borough in accordance with the HRA Business Plan.

10. CORPORATE IMPLICATIONS

By submitting this report, the report author has taken the following into account:

- Community Safety Implications
- Environmental Implications
- ICT Implications
- Asset Management Implications
- Human Resources Implications
- Planning Implications
- Voluntary Sector

Background Papers : Housing Revenue Account Subsidy Determinations 2012/13

Contact Officer : David Bunker ext 5609

Executive Member: Cllr K W P Lynch

Appendix A

Section 1

Reasons for variation between Original Estimate 2011/12 and Revised Estimate 2011/12

1. Annex A item 1 – Dwelling Rents – level of voids greater than anticipated in the budget.
2. Annex A – Item 4 - Transfer from Major Repairs Reserve –adjustment to MRA to be charged to the revenue account
3. Annex B – Item 1 - Supervision and Management General – Employees – Transfer of Rent Collection Service from Finance to Housing (corresponding reduction in Central Establishment Charges and impact of no pay award in 2011/12
4. Annex B – Item 2 - Supervision and Management (General) – Carry forward of consultancy and other fees approved by Council 5 July 2011
5. Annex B _ item 3 – Central Establishment charges - Transfer of Rent Collection Service from Finance to Housing (see 3 above)
6. Annex B – Item 4 - Supervision & Management (Special) – Employees – Impact of no pay award in 2011/12
7. Annex B – Item 6 - Supervision & Management (Special) – Income – Increased income from Supporting People
8. Annex C – Repairs Administration – Employees – Savings resulting from Vacancies

Section 2

Reasons for variation between Original Estimate 2011/12 and Original Estimate 2012/13

1. Annex A – item 1- Dwelling Rents

The increase in dwelling rents between 2011/12 original and 2012/13 original results from the implementation of the rent formula. Rents for 2012/13 have been increased in line with formula which gives an average 9.3% increase

2. Annex A - items 2 and 4 - Transfer from Major Repairs Reserve & Item 8 Debit

The changes reflect the depreciation provision arising from the March 2011 revaluation of the Housing Revenue Account assets. The decrease must be shown in the Item 8 debit, but is reversed by the transfer from the Major Repairs Reserve so that tenants only have to meet a sum equivalent to the Major Repairs Allowance.

3. Annex A – item 3 - Negative HRA Subsidy, Interest on Borrowing, repayment of debt, these all arising from the end of the Subsidy system see para 3.4 of the main report
4. Annex A – item 4 and Annex C item 3 - FRS17 Pension Adjustment
The decreases reflect decreases in the relevant charges included in Employee Costs. There is no net effect on overall expenditure.
5. Annex B – item 1 – Employee costs Supervision & Management General - Transfer of Rent Collection Service from Finance to Housing (corresponding reduction in Central Establishment Charges)
6. Annex B - item 2 - Supervision and Management (General) Supplies & Services – additional provision for consultancy & legal fees (£20,000)
7. Annex B _ item 3 – Central Establishment charges - Transfer of Rent Collection Service from Finance to Housing (see 5 above)

8. Annex B – item 4 – Employee costs Supervision & Management (Special) – reallocation of costs following restructures

9. Annex B – item 5 – Premises Costs Supervision and Management (Special) Reduced Energy costs principally Gas
10. Annex B – Item 6 - Supervision & Management (Special) – Income – Increased income from Supporting People