

HOUSING REVENUE ACCOUNT BUDGET 2012/13
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE
DIRECTION



Hinckley & Bosworth
Borough Council

A Borough to be proud of

WARDS AFFECTED: ALL

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 budgets presented in Annexes "A", "B", and "C" are approved.

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 £67.652m 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	10,613,980	11,696,460
Expenditure	12,977,190	12,860,030	11,932,690
Net Cost of Service	2,270,430	2,246,050	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	218,450	(561,990)
Balance at 1 April	1,439,774	1,690,000	1,471,550
Balance at 31 March	1,165,844	1,471,550	2,033,540
Housing Repairs Account			
Administration	847,260	762,160	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	2,338,460	2,423,630

Income	2,414,630	2,414,630	2,402,560
Net Expenditure	8,930	(76,170)	21,070
Balance at 1 April	238,100	344,000	420,170
Balance at 31 March	229,170	420,170	399,100

3.6 The working balance (including the Repairs Account) decreases in 2011/12 to £1,891,720 due to an overall deficit on the year of £142,280 and in 2012/13 increases to £2,432,640 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
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