

**HOUSING REVENUE ACCOUNT BUDGET AND CAPITAL
EXPENDITURE PROGRAMME 2012/13****1 INTRODUCTION**

- 1.1 For 2012/13 the Housing Revenue Account is facing two significant changes. Firstly, the current Housing Revenue Account Subsidy System will come to an end on 31 March 2012 and be replaced by the new Self Financing System and secondly the support element of the Sheltered Housing Service will be transferred to Hampshire County Council.
- 1.2 The move to the Self Financing System will result in the Council needing to borrow c£143 million and pay this to the Government on 28 March 2012 but this will then remove the requirement each year to pay an annual amount to the Government under the current subsidy system (2011/12 payment £9.8 million). The exact implications of this change on the HRA will not be known until the Council determines the full details of its borrowing strategy and any resulting interest rates. This will be the subject of a separate report to Cabinet in March but will not be concluded until late March, in order to ensure that the most beneficial position is obtained. It is anticipated that the changes will enable the Council to increase its capital programme as well as service the costs of the new borrowing.
- 1.3 A Task and Finish Group has been considering the implications of the new Self Financing System on behalf of the Community Overview and Scrutiny Panel. Recommendations from the Panel will be included in the March report.
- 1.4 The proposed HRA budget is attached as **Appendix 1**. The initial proposed capital programme, based on current known resources, is attached as **Appendix 2**.

2 KEY ISSUES

- 2.1 Members are asked to consider a number of financial issues for 2012/13.
- 2.2 **Housing Rents**
 - 2.2.1 The report identifies a rent increase in line with the continuing adoption of DCLG proposals on rent restructuring, as approved by Cabinet on 5 December 2011.
 - 2.2.2 It is proposed that average rents are increased to £90.48 for 2012/13. The actual rise would vary by property, but would amount to an increase of £6.05 or 7.2% over the current average.

2.3 Hostels – Service Charges

2.3.1 The primary aim when reviewing and setting the service charge for hostels is to ensure that relevant costs are fully recovered from those who benefit from them. Current service charge income levels would result in an estimated under recovery of costs of £700 and therefore a 1% increase in service charges is proposed to balance the account.

2.4 Older Persons' Accommodation – Service Charges

2.4.1 Responsibility for the support element of the Sheltered Housing Service will be passed back to Hampshire County Council with effect from 1 April 2012. NFDC will retain the landlord function only and service charges levied will in future only be for accommodation related issues. Some elements of service charges are also applicable to some tenants of sites that have now been decommissioned or may be in the future.

2.4.2 The primary aim when reviewing and setting the service charge for Older Persons' Support Service tenants is to ensure that relevant costs are fully recovered.

2.4.3 As with rents, the service charge payable by individual users varies according to their property and other factors, such as whether utilities costs are included and the level of service received. Following a complete review of budgets remaining after the transfer of the support element of the Sheltered Housing service, current service charge levels would generate an estimated surplus of income over costs of £34,000. It is therefore proposed to apply a 5% reduction in accommodation related service charges in order to balance the account.

2.5 Garage Rents

2.5.1 A garage rent increase of 50 pence per week is recommended. This equates to a 5.8% increase on the current charge of £8.60. The increase is in line with the inflation element of the proposed dwelling rent increase and will generate additional income of £39,000.

3 HRA INCOME 2012/13

3.1 Estimated total income for 2012/13 is £1.036 million higher than the original budget for 2010/11. The income variations from the 2011/12 approved budget are set out below:

	£000	Paragraph
Dwelling Rents	1,470	3.2
Non Dwelling Rents	7	3.3
Service Charges	-418	3.4
Interest Receivable	-12	3.5
Other Income	-11	3.6
	<u>1,036</u>	

- 3.2 **Housing Rents (£1,470k)** – The proposed budget for 2012/13 includes the effect of the average 7.2% rent increase proposed in paragraph 2.2 and takes account of current 2011/12 rent income estimates, which are £58,000 less than the original 2011/12 budget. The rent increase will generate additional estimated income of £1.528 million.
- 3.3 **Non Dwelling Rents (£7k)** – This income is derived from garages and rents of other housing land. Garage rent income for 2011/12 is predicted to be £20,000 less than the original budget and other income £12,000 less than budget. These positions are anticipated to continue into 2012/13 but will be offset by a £39,000 increase in income from the proposed increase in garage rents set out in paragraph 2.5.
- 3.4 **Service Charges (-£418k)** – Service charge income in 2012/13 is predicted to be £418,000 less than in 2011/12. This is principally due to the transfer of the support element of the Sheltered Housing Service and the income loss is offset by reductions in Supervision and Management expenditure (see paragraph 4.4).
- 3.5 **Interest receivable (-£12k)** – Interest on balances is expected to be £12,000 less than in 2011/12 due principally to the reduction in HRA balances due to the financing of the major projects at Howards Mead and North Milton.
- 3.6 **Other income (-£11k)** – This is a reduction in an asset rental credit relating to depreciation on office accommodation. It is matched by a reduction in Supervision and Management expenditure costs, thus having no overall affect on the Housing Revenue Account.

4 HRA EXPENDITURE 2012/13

- 4.1 Budgeted expenditure for 2012/13 is £832,000 higher than the approved budget for 2011/12. The major variations are set out below:

	£000	Paragraph
Major Repairs	154	4.2
Cyclical/Reactive Maintenance	140	4.3
Supervision and Management/Rent, Rates, Taxes and other charges	-406	4.4
Rent Rebates	-45	4.5
Capital Financing Costs	10,826	4.6
Housing Subsidy Payable	-9,837	4.7
	832	

- 4.2 **Major Repairs (£154k)** – The ten year maintenance and improvement programme was initially presented to Members on 21 November 2007 (Housing Review Panel – Report C) but is reviewed annually. It is proposed to spend £5.130 million in 2012/13, an increase of £154,000 from 2011/12.
- 4.3 **Cyclical/Reactive Maintenance (£140k)** – Based on expenditure incurred in 2010/11 and to date this year it is proposed to increase the reactive maintenance budget by £68,000 to £2.268 million and the cyclical maintenance budget by £72,000 to £1.472 million.

- 4.4 **Supervision and Management (£-406k)** – Supervision and Management costs are budgeted to reduce by £397,000 in 2012/13. This is principally due to the transfer of the support element of the Sheltered Housing Service and is largely matched by a reduction in service charge income (see paragraph 3.4).
- 4.5 **Rent Rebates (-£45k)** – The HRA contribution to the cost of Rent Rebates is estimated to reduce by £45k. This reflects the outturn position for 2010/11 which is expected to continue into 2012/13.
- 4.6 **Capital Financing Costs (£10.826 million)** – As detailed in paragraph 1.2 the Council will face additional capital financing costs in relation to the new borrowing requirement. The amount of these will not be known until the exact borrowing strategy is determined. For the purposes of this report it has been assumed that any excess of income over running costs will be used either for loan principal and interest payments or for additional capital investment and at this stage have been shown as capital financing costs. The proposed budget would generate an amount of £10.930 million, an increase of £10.826 million over the 2011/12 capital financing costs amount of £104,000.
- 4.7 **Housing Subsidy Payable (-£9.837 million)** - Under the existing Housing Subsidy arrangements the Council has to pay £9.837 million to the Government in 2011/12. Under the new self financing system this payment is removed for 2012/13, following the lump sum buyout payment of £143.4 million due on 28 March 2012.

5 USE OF HRA RESERVES

- 5.1 In 2012/13, it is proposed to use £1.0 million of the HRA reserve to part fund the final instalment of the North Milton Estate refurbishment, as approved by Council on 20 July 2009.
- 5.2 The estimated HRA balance as at 31 March 2012 is £5.012 million. If the proposed 2012/13 HRA budget is approved this will reduce to £4.012 million due to the £1.0 million referred to in paragraph 6.1.
- 5.3 It is anticipated that for 2013/14 onwards the HRA will operate a break even budget. This is because it is currently proposed that any surplus arising after net running costs and costs of servicing the new borrowing will be invested into the capital programme. The contribution to capital will therefore be a balancing figure in the Housing Revenue Account.

6 CAPITAL PROGRAMME 2012/13

6.1 The proposed expenditure and funding is outlined in the table below:

	Original 2011/12 £000	Latest 2011/12 £000	Original 2012/13 £000
Proposed Expenditure			
Private Sector Renewal	102	102	102
Disabled Facilities Grants	550	550	550
Social Housing Grant	500	100	100
Environmental Enhancements	200	200	200
Major Repairs	4,976	4,976	5,130
Major Projects	1,500	3,370	1,675
TOTAL	7,828	9,298	7,757
Funded by			
Government Funding			
Government Grant(DFG's)	322	387	387
New Build Grant	0	600	0
NFDC Resources			
HRA Revenue Contribution	5,176	5,176	5,330
HRA Reserves	1,500	2,770	1,000
Capital Receipts/Dev Conts	830	365	1,040
TOTAL	7,828	9,298	7,757

- 6.2 The initial proposed capital programme for 2012/13 is largely unchanged from the revised 2011/12 level except for a reduction in expenditure on Major Projects, due to the completion in 2011/12 of the new build scheme at Howards Mead and £500,000 lower spending needs in 2012/13 at North Milton and an increase of £154,000 in the Major Repairs programme. The Major Projects budget for 2012/13 includes £1 million for the final payments on the North Milton Refurbishment scheme and £675,000 for the costs of a scheme for the replacement of the St Anthony's hostel.
- 6.3 The Government Office for the South East (GOSE) is yet to confirm their contribution to the Disabled Facilities Grant (DFG) programme for 2012/13. Until this is received, it is assumed current criteria and funding will not change. Any variation in the level of grant will be adjusted with the use of capital receipts.
- 6.4 Right to Buy receipts remain low with only eight sales having been completed so far this year. The Government has however recently issued a consultation paper on changes to the Right to Buy system which might result in an increase in sales numbers. The implication on this Council is however unknown at this stage, both in terms of numbers of sales or any conditions that might be attached to any additional receipts.
- 6.5 The capital spending power of the Council is limited by the availability of usable capital receipts, the level of Government Grants, the ability to fund capital expenditure from revenue sources (Council Tax, HRA rents and balances) or through the use of borrowing.
- 6.6 As can be seen in Appendix 2, the capital programme can be fully funded for 2012/13 and for the next two years.

7 ENVIRONMENTAL IMPLICATIONS

7.1 Although the services covered in this report clearly do have an impact on the Environment, this report focuses on the financial effect of the proposed HRA budgets and capital programme. There are no direct environmental implications arising from this report.

8 CRIME AND DISORDER IMPLICATIONS

8.1 There are no direct crime and disorder implications arising from this report.

9 EQUALITY AND DIVERSITY IMPLICATIONS

9.1 There are no direct equality and diversity implications arising from this report.

10 TENANTS VIEWS

10.1 Tenants' views will be sought at the meeting of the Housing Policy Group on 25 January 2012 and will be reported orally at the Cabinet meeting.

11 PORTFOLIO HOLDER COMMENTS

11.1 I am pleased that with the changes brought about through self financing that we no longer have to pay over £9m of tenant's rents to government. The new arrangements will enable us to invest in affordable housing and help our residents who are in desperate housing need.

11.2 The rent increase is more than I would have wished for but until the government allow total local control on rents I feel we have no alternative but to meet the requirements under the rent restructuring policy.

12 RECOMMENDATIONS

12.1 That the Cabinet be asked to recommend to the Council:

- i) that the HRA budget as set out in Appendix 1 of this report be agreed;
- ii) that from 2 April 2012, an average increase in rents of 7.2% from the average 2011/12 rent level, in accordance with rent restructuring guidelines be agreed;
- iv) that from 2 April 2012, an increase of 1% in hostel service charges be agreed;
- v) that from 2 April 2012, a decrease of 5% in sheltered housing service charges be agreed;

- vi) that from 2 April 2012, an increase of 50 pence per week in garage rents (plus VAT for garages let to non-Council tenants) be agreed; and
- vii) that a 2012/13 Housing Capital Programme of £7.757m as set out in Appendix 2 of this report be agreed.

Further Information:

Dave Brown
Head of Housing Services
023 8028 5141
Email: dave.brown@nfdc.gov.uk

Background Papers:

Published documents as referred to within this report.

HOUSING REVENUE ACCOUNT BUDGET

	2011/12 £'000	2012/13 £'000	Variation £'000	Para
INCOME				
Dwelling Rents	-21,946	-23,416	-1,470	3.2
Non Dwelling Rents	-719	-726	-7	3.3
Charges for Services & Facilities	-1,178	-760	418	3.4
Contributions towards Expenditure	-79	-68	11	3.6
Interest Receivable	-35	-23	12	3.5
Sales Administration Recharge	-16	-16	0	
Shared Amenities Contribution	-172	-172	0	
TOTAL INCOME	-24,145	-25,181	-1,036	
EXPENDITURE				
Repairs & Maintenance				
Major Repairs	4,976	5,130	154	4.2
Environmental Enhancements	200	200	0	
Cyclical Maintenance	1,400	1,472	72	4.3
Disabled Facilities	459	459	0	
Reactive Maintenance	2,200	2,268	68	4.3
Supervision & Management				
General Management	3,144	3,361	217	4.4
Special Services	1,782	1,165	-617	4.4
Homeless Assistance	66	70	4	4.4
Sale of Council Houses	25	25	0	4.4
Rents, Rates, Taxes and Other Charges	26	16	-10	4.4
Rent Rebates	100	55	-45	4.5
Provision for Bad Debt	30	30	0	
Capital Financing Costs - Existing Arrangements	104	10,930	10,826	4.6
Housing Subsidy Payable	9,837	0	-9,837	4.7
TOTAL EXPENDITURE	24,349	25,181	832	
HRA OPERATING SURPLUS(-) / DEFICIT	204	0	-204	
HRA Total Annual Surplus(-) / Deficit	204	0	-204	
Use of HRA Reserve for Major Projects	1,500	1,000	-500	6.1
HRA TOTAL ANNUAL SURPLUS(-) / DEFICIT	1,704	1,000	-704	

NEW FOREST DISTRICT COUNCIL
HOUSING & COMMUNITIES PORTFOLIO CAPITAL PROGRAMME - 2011/12 to 2014/15

PROJECT	Original Estimate 2011/12 £'000	Forecast Capital Expenditure			
		2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
<u>CCTV</u>	0	0	0	0	330
<u>HOUSING - PRIVATE SECTOR</u>					
IMPROVEMENT GRANTS					
Private Sector Renewal / Home Repairs	102	102	102	102	102
PUSH Grants	0				
Disabled Facilities Grant	550	550	550	550	550
Total Improvement Grants	652	652	652	652	652
ENABLING ACTIVITIES					
Social Housing Grant	500	100	100	100	100
Total Enabling Activities	500	100	100	100	100
Reductions in programme to be identified	0	0	0	0	0
TOTAL HOUSING PRIVATE SECTOR	1,152	752	752	752	752
<u>HOUSING - PUBLIC SECTOR</u>					
Major Repairs	4,976	3,476	2,778	4,724	5,088
Environmental Enhancements	200	200	200	200	200
Major Projects - North Milton	1,500	3,429	3,352		
NFDC New Build - Howards Mead	0	1,441			
NFDC New Build - Totton	0	0	675	0	0
TOTAL HOUSING PUBLIC SECTOR	6,676	8,546	7,005	4,924	5,288
TOTAL HOUSING EXPENDITURE	7,828	9,298	7,757	5,676	6,040
TOTAL HOUSING & COMMUNITIES EXPENDITURE	7,828	9,298	7,757	5,676	6,370
<u>FINANCING - PRIVATE SECTOR</u>					
Government Disabled Facilities Grant	322	387	387	387	387
Developers' Contributions	0	0			
Capital Receipts	830	365	365	365	365
	1,152	752	752	752	752
<u>FINANCING - PUBLIC SECTOR</u>					
Major Repairs Allowance	3,594	3,594	0	0	0
HRA Balances/Revenue Contribution	3,082	4,352	6,330	4,924	5,288
HRA Balances re Major Projects/New Build	0	0	0		
New Build Grant	0	600			
Capital Receipts	0		675		
	6,676	8,546	7,005	4,924	5,288
TOTAL FINANCING	7,828	9,298	7,757	5,676	6,040