

HOUSING REVENUE ACCOUNT 2012/13 BUDGET MONITORING UPDATE

1. INTRODUCTION

- 1.1 This report updates Cabinet on the Housing Revenue Account budget changes resulting from the actual borrowing undertaken as required by the Localism Act on 28th March 2012 and includes the identified budget requirements of the New Housing Strategy.

2.0 BACKGROUND

- 2.1 The changes to the Housing Revenue Account Subsidy system brought about by the Localism Act required the Council to make a one off payment of £142.704 million to the Government in place of future annual payments under the old subsidy system. To fund this payment the Council borrowed an equivalent amount from the Public Works Loans Board on the same day.
- 2.2 Following the changes arising from the new HRA financing regime, Cabinet on 7 March 2012 (Report A) approved a new Housing Strategy involving investment of £6 million in 2012/13 in new affordable housing, through the purchase of existing dwellings, development of new dwellings on Council owned land and the opportunity purchase of additional land.
- 2.3 The Housing Revenue Account Budget as approved by Council in February was only able to provide indicative figures of the likely costs of borrowing and the sums likely to be required to deliver the New Housing Strategy.

3. PUBLIC WORKS LOANS BOARD BORROWING AND INTEREST COST

- 3.1 Set out within the report considered by Cabinet on 7 March was a proposed borrowing plan of 34 loans of £4.1 million and 1 loan of £3.3 million to meet the total borrowing requirement. At that time it was estimated that interest costs in 2012/13 would be £4.282 million on the total loan amount. The profile of loans actually taken on 28 March matched that set out in the appendix of the March report but interest rates on the day (the only day special discounted rates were available) increased, on average by 0.125%, giving rise to an increase in 2012/13 interest costs of £178,000. Total interest payments in 2012/13 will therefore be £4.460 million.

4.0. RESOURCES REQUIRED TO MEET NEW HOUSING STRATEGY

- 4.1 Following March Cabinet approval of the £6 million affordable housing investment in 2012/13, a Project Board and a Project Team were established to manage the whole process, to ensure that the investment provides value for money and achieves the annual targets, both in terms of spend and numbers of new affordable homes provided.

4.2 The Project Board has considered the delivery requirements to achieve the housing strategy including both possible external costs and additional resources requirements within Housing, Property and Legal Services. The cost of delivery is budgeted to be £150,000 in 2012/13.

5 SUMMARY OF FINANCIAL ALLOCATION OF AVAILABLE RESOURCES

5.1 Appendix 1 of the March report to Cabinet identified a surplus of income over expenditure of £10.819 million that would be available to finance the cost of the new strategy. Following the updates set out in this report the budget allocations proposed, including the provision of a contingency, are as follows:

	£m
Loan Interest	4.460
Delivery Costs	0.150
New Affordable Housing Strategy	6.000

	10.610
Contingency	0.209

	10.819

6. CRIME AND DISORDER, ENVIRONMENT AND EQUALITY & DIVERSITY

6.1 There are no specific implications arising directly from this report.

7. PORTFOLIO HOLDER COMMENTS

7.1 While I am disappointed to see that interest rates had increased marginally by the time the actual loans were taken I am aware that this was not within our control. I am a Member of the Project Board and am therefore aware of the costs associated with meeting our exciting new housing strategy.

8. RECOMMENDATIONS

8.1 Cabinet is asked to note the revised allocation of available resources, as set out in Section 5:

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Background Papers:

Housing Strategy Report – Cabinet
7 March 12