

HOUSING REVENUE ACCOUNT BUDGET AND CAPITAL EXPENDITURE PROGRAMME 2013/14

1 INTRODUCTION

- 1.1 This report sets out a proposed Housing Revenue Account (HRA) budget and a proposed Housing Capital Programme for 2013/14. Cabinet is required to recommend budgets for consideration by the Council on 25 February 2013.
- 1.2 The budgets for 2013/14 are the second year of the HRA self financing system. Comparative figures shown for 2012/13 reflect the original budgets recommended by Cabinet in February 2012 updated for the final self financing figures approved by Cabinet in May 2012.
- 1.3 The proposed budgets for 2013/14 were considered by tenants at the Housing Policy Focus Group on 30 January 2013. Comments from the group will be presented orally at the Cabinet meeting.

- # 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 2013/14.
- 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 £94.18 for 2013/14. The actual rise would vary by property, but would amount to an increase of £3.71 or 4.1% 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 £1,700 and therefore a 2.2% increase in service charges is proposed to balance the account.

2.4 Older Persons' Support Service – Service Charges

2.4.1 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 from those who benefit from them. Current service charge levels would generate an estimated shortfall of income over costs of £3,500. It is therefore proposed to apply a 0.5% increase in service charges in order to balance the account.

2.4.2 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.

2.5 Garage Rents

2.5.1 A garage rent increase of 40 pence per week is recommended. This equates to a 4.4% increase on the current charge of £9.10. The increase is in line with the inflation element of the proposed dwelling rent increase and will generate additional income of £20,000.

3 HRA INCOME 2013/14

3.1 Estimated total income for 2013/14 is £1.511 million higher than the original budget for 2012/13. The income variations from the 2012/13 approved budget are set out below:

	£000	Paragraph
Dwelling Rents	1,534	3.2
Non Dwelling Rents	39	3.3
Service Charges	-39	3.4
Other Income	-23	3.5
	<u>1,511</u>	

3.2 **Housing Rents (£1,534k)** – The proposed budget for 2013/14 includes the £964,000 effect of the average 4.1% rent increase proposed in paragraph 2.2 and takes account of current 2012/13 rent income estimates, which are £100,000 more than the original 2012/13 budget. It should also be noted that 2013/14 is a 53 week year which will also contribute £470k to the increased Housing rent income.

3.3 **Non Dwelling Rents (£39k)** – This income is derived from garages and rents of other housing land. Garage rent income for 2012/13 is predicted to be £24,000 less than the original budget and other income £20,000 more than budget. These positions are anticipated to continue into 2013/14. The garage rent increase as set out in paragraph 2.5 and the extra week will generate additional estimated income of £43k over anticipated 2012/13 income.

3.4 **Service Charges (-£39k)** – When the support element of the Sheltered Housing Service was passed back to Hampshire County Council on 1 April 2012 it was initially envisaged that the Council would still receive £30,000 grant towards the cost of the monitoring/alarms service. This is now not likely to be the case and the income budget has been removed for 2013/14.

- 3.5 **Other income (-£23k)** – This includes a £1k reduction in interest receivable, £6k relating to a fall in income from rent arrears court costs, £9k relating to a fall in miscellaneous estate management income and other income from tenants following property damage and £7k relating to a drop in guest room and recharge income from the Older Persons Support Service.

4 HRA EXPENDITURE 2013/14

- 4.1 Budgeted expenditure for 2013/14 is £1.720 million higher than the approved budget for 2012/13. The major variations are set out below:

	£000	Paragraph
Cyclical/Reactive Maintenance	133	4.2
Supervision and Management/Rent, Rates, Taxes and other charges	-49	4.3
Rent Rebates	-49	4.4
Provision for Bad Debts	50	4.5
Capital Financing Costs	-5	4.6
Major Repairs Reserve	592	4.7
Contribution to Capital supporting Housing Strategy	1,048	4.8
	<u>1,720</u>	

- 4.2 **Cyclical/Reactive Maintenance (£133k)** – Based on expenditure incurred in 2011/12 and to date this year it is proposed to increase the reactive maintenance budget by £91,000 to £2.359 million and the cyclical maintenance budget by £42,000 to £1.514 million.
- 4.3 **Supervision and Management (-£49k)** – Supervision and Management costs are budgeted to decrease by £49,000 in 2013/14. This is principally due to a reduction of £18,000 in premises insurance costs and £29,000 in staffing/corporate cost allocations.
- 4.4 **Rent Rebates (-£49k)** – The HRA contribution to the cost of Rent Rebates is estimated to reduce by £49k. This reflects the outturn position for 2011/12 which is expected to continue into 2013/14.
- 4.5 **Provision for Bad Debts (£50k)** – This is expected to increase by £50k to reflect recent trends and provision for anticipated additional arrears following the introduction of the Universal Credit in 2013/14 and other benefit changes.
- 4.6 **Capital Financing Costs (-£5k)** – The final instalment of premiums payable on historic early repayment of loans is due in 2013/14. The final payment of £52k is £5k less than the 2012/13 instalment.
- 4.7 **Major Repairs Reserve (£592k)** – Within the changes arising from the self financing of the HRA the Government changed the rules regarding the treatment of depreciation of non-dwelling assets (Garages). The changes mean that from 1 April 2012 this depreciation needs to become a real charge to the Housing Revenue Account, and can no longer be reversed. Effectively this reduces the HRA balances but increases resources in the Major Repairs Reserve. Further guidance on how overall resources will be impacted by this and any future revaluations of garages will be considered once detailed guidance notes are received for the closedown of the 2012/13 accounts.

- 4.8 **Contribution to Capital supporting Housing Strategy (£1,048k)** – In accordance with the policy detailed in paragraph 5.1 the revenue contribution to capital is increasing by £1.048 million in 2013/14. This will principally fund an £800k increase in the New Build/Acquisitions programme and a £250k increase in the Environmental Enhancements budget, as detailed in Section 6.

5 USE OF HRA RESERVES

- 5.1 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 in accordance with the Housing Strategy.
- 5.2 It is estimated that the HRA balance as at 31 March 2013 will be £4.2 million, which will be invested in line with the approved planned maintenance programme and, where appropriate, to supplement the Council's affordable housing programme.

6 CAPITAL PROGRAMME 2013/14

- 6.1 The proposed detailed capital expenditure programme and funding is set out in Appendix 2 and is summarised as follows:

	Original 2012/13 £000	Latest 2012/13 £000	Original 2013/14 £000
Proposed Expenditure			
Private Sector Renewal	102	72	102
Disabled Facilities Grants	550	590	590
Social Housing Grant	100	100	100
Environmental Enhancements	200	200	450
Major Repairs/North Milton	6,130	6,096	5,048
New Build / Acquisitions	6,000	6,000	6,800
Totton Hostel	675	9	665
Other	0	0	80
TOTAL	13,757	13,067	13,835
Funded by			
Government Funding			
Government Grant(DFG's)	387	560	387
NFDC Resources			
HRA Revenue Contribution	11,330	11,296	12,378
HRA Reserves	1,000	1,000	0
Capital Receipts	1,040	211	1,070
TOTAL	13,757	13,067	13,835

- 6.2 The proposed capital programme for 2013/14 totals £13.835 million, an increase of £78,000 from the 2012/13 original programme. The Environmental Enhancements has increased by £250k to expand work on the surrounding areas of North Milton estate and the New Build/Acquisitions budget has increased by £800k from £6 million to £6.8 million. These increases are offset by a reduction of £1.082 million in the Major Repairs budget principally due to the completion of the original North Milton Estate project. Other schemes of £80k are £50k for a one-off property extension and £30k for photovoltaic panels at Gore Grange.
- 6.3 The Government Office for the South East (GOSE) is yet to confirm their contribution to the Disabled Facilities Grant (DFG) programme for 2013/14. Until this is received, it is assumed current criteria and original funding of £387k will not change. Any variation in the level of grant will be adjusted with the use of capital receipts.
- 6.4 The Government introduced changes to the Right to Buy system in April 2012 primarily increasing the discounts to tenants with the intention of stimulating tenant home ownership. This has led to a marked increase in tenant interest regarding purchasing their properties and after a slow start to the year with no Right to Buy sales in the first two quarters of the year, the Council sold six properties in the quarter three period and a further two have been sold so far in quarter four.
- 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 2013/14 and for 2014/15.
- 6.7 It is estimated that the balance of unrestricted useable capital receipts at 31 March 2013 will be £2.3 million and at 31/3/2014 will be £1.3 million. In addition receipts from Right to Buy Sales since 1 April 2012 will be available for reinvestment into new affordable housing, in accordance with the pooling agreement entered into by the Council with the Government. The amount of these receipts is still being assessed.

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 Focus Group on 30 January 2013 and will be reported orally at the Cabinet meeting.

11 PORTFOLIO HOLDER'S COMMENTS

11.1 The second year of the new self-financing regime will once again provide significant funding for new affordable housing and this will help reduce our current housing waiting list.

11.2 The overall budget proposals will also allow us to manage and maintain our existing housing stock to continued high standards and I support the proposals contained in this report.

12 RECOMMENDATIONS

12.1 That the Cabinet recommends to the Council:

- i) that the HRA budget as set out in Appendix 1 of this report be agreed;
- ii) that from 1 April 2013, an average increase in rents of 4.1% from the average 2012/13 rent level, in accordance with rent restructuring guidelines be agreed;
- iv) that from 1 April 2013, an increase of 2.2% in hostel service charges be agreed;
- v) that from 1 April 2013, an increase of 0.5% in sheltered housing service charges be agreed;
- vi) that from 1 April 2013, an increase of 40 pence per week in garage rents (plus VAT for garages let to non-Council tenants) be agreed; and
- vii) that a 2013/14 Housing Capital Programme of £13.835m as set out in Appendix 2 of this report be agreed.

Further Information:

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Background Papers:

Published documents as referred to within this report.

HOUSING REVENUE ACCOUNT BUDGET

	2012/13 £'000	2013/14 £'000	Variation £'000	Para
INCOME				
Dwelling Rents	-23,416	-24,950	-1,534	3.2
Non Dwelling Rents	-726	-765	-39	3.3
Charges for Services & Facilities	-760	-720	39	3.4
Contributions towards Expenditure	-68	-46	22	
Interest Receivable	-23	-22	1	3.5
Sales Administration Recharge	-15	-15	0	3.5
Shared Amenities Contribution	-172	-172	0	3.5
TOTAL INCOME	-25,180	-26,691	-1,511	
EXPENDITURE				
Repairs & Maintenance				
Cyclical Maintenance	1,472	1,514	42	4.2
Disabled Facilities	459	459	0	
Reactive Maintenance	2,268	2,359	91	4.2
Supervision & Management				
General Management	3,511	3,461	-49	4.3
Special Services	1,165	1,154	-11	4.3
Homeless Assistance	69	72	2	4.3
Sale of Council Houses	25	38	13	4.3
Rents, Rates, Taxes and Other Charges	16	12	-4	4.3
Rent Rebates	55	6	-49	4.4
Provision for Bad Debt	30	80	50	4.5
Capital Financing Costs	4,571	4,566	-5	4.6
Major Repairs Reserve	0	592	592	4.7
Contribution to Capital supporting Housing Strategy	11,330	12,378	1,048	4.8
TOTAL EXPENDITURE	24,971	26,691	1,720	
HRA OPERATING SURPLUS(-) / DEFICIT	-209	0	209	

**NEW FOREST DISTRICT COUNCIL
HOUSING PORTFOLIO CAPITAL PROGRAMME - 2012/13 to 2014/15**

PROJECT	2012/13		2013/14	2014/15
	Original Budget	Latest Budget	Original Budget	
	£'000	£'000	£'000	£'000
<u>HOUSING - PRIVATE SECTOR</u>				
IMPROVEMENT GRANTS				
Private Sector Renewal / Home Repairs	102	72	102	102
Disabled Facilities Grant	550	590	590	590
Total Improvement Grants	652	662	692	692
ENABLING ACTIVITIES				
Social Housing Grant	100	100	100	100
Total Enabling Activities	100	100	100	100
Reductions in programme to be identified	0	0	0	0
TOTAL HOUSING PRIVATE SECTOR	752	762	792	792
<u>HOUSING - PUBLIC SECTOR</u>				
Major Repairs	2,778	2,778	5,048	5,088
Environmental Enhancements	200	200	450	200
Major Projects - North Milton	3,352	3,262		
NFDC New Build - Howards Mead		56		
PV Panels - Gore Grange			30	
Extension To Property - 1 off extension			50	
New Build / Acquisitions	6,000	6,000	6,800	6,200
NFDC New Build - Totton	675	9	665	
TOTAL HOUSING PUBLIC SECTOR	13,005	12,305	13,043	11,488
TOTAL HOUSING EXPENDITURE	13,757	13,067	13,835	12,280
<u>FINANCING - PRIVATE SECTOR</u>				
Government Disabled Facilities Grant	387	560	387	387
Capital Funds (Housing Receipts)	365	202	405	405
	752	762	792	792
<u>FINANCING - PUBLIC SECTOR</u>				
HRA Balances/Revenue Contribution	12,330	12,296	12,378	11,488
Capital Receipts	675	9	665	
	13,005	12,305	13,043	11,488
TOTAL FINANCING	13,757	13,067	13,835	12,280