



POLICY AND RESOURCES SCRUTINY COMMITTEE - 31ST JULY 2012

**SUBJECT: HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS
2012/2013**

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 This report provides Members with information on the Housing Revenue Account (HRA) for 2012/2013, prior to endorsement. Appendix 1 details the proposed HRA estimates for 2012/2013 in the financial plan format.

2. SUMMARY

- 2.1 Members will be aware that the preparation of the Housing Revenue Account (HRA) budget is quite separate to the work involved in setting the General Fund Budget and Council Tax. The HRA is a ring fenced account and as a result needs to generate income, which covers the expenditure costs needed to provide an effective and efficient housing service.
- 2.2 The majority of the income generated is in the form of rent charged to our Council tenants. Increases in rent are dictated by the Welsh Assembly Government (WAG) annually, and the 2012/13 increase is 4%. (£2.89 per week on a 48 week basis).
- 2.3 Cabinet approved the increases in rent and other charges on 7th February 2012.

3. LINKS TO STRATEGY

- 3.1 The HRA estimates are set in a manner that will link to the "Local Housing Strategy".
- 3.2 The report is also linked to the Service Improvement Plan and the requirement to carry out all services effectively and ensure value for money in service provision.
- 3.3 The estimates and proposed changes are instrumental in aiming to provide appropriate levels of resources to manage and maintain the housing stock.

4. THE REPORT

The HRA estimates are detailed in Appendix 1 attached.

4.1 Income Projections - £1.7m increase

The additional amount of gross income generated by the 4% rental increase is estimated at £1.7m, compared to the 2011/2012 budgets. With an additional net income generated from other smaller areas such as water commission and garages of some £22k.

4.2 **Funded Service Cost Increases - £4.3m increase**

Cost increases are set out below but are mainly aimed at responding towards achieving the Welsh Housing Quality Standard (WHQS),

4.2.1 **Revenue Contributions Capital Outlay (RCCO) £2.7m**

+£2.7m Cost Increase

In order to assist in addressing the Welsh Housing Quality Standard, the majority of the additional income raised by the rent increase, along with other savings mentioned later in this report, has been allocated as a revenue contribution to the Housing Capital Programme. Works identified in the programme are WHQS specific e.g Kitchens, Bathrooms and Central Heating. The Housing Capital Programme was agreed by Cabinet on April 3rd 2012.

4.2.2 **Response Repairs - £560k increase**

+£300k Virement

+£260k Cost Increase

A virement of £300k from Priority 8 Appointments (which is categorised under Group Repairs) to Priority 3 Urgent Work has been necessary to address the increased focus on urgent works over routine repairs. This is as a result of an increase in the number of repairs now being provided to tenants as appointments, as a means of improving our service delivery. £260k increase has been added to the Contingency budget which allows a 2% provision on the total Building Maintenance budget which currently stands at £21.5m

4.2.3 **Capital Financing Requirement - £400k increase**

+£400k Cost Increase

An increase on interest rates from 3.18% in the 2011/12 estimates to a projected 4.8% for 2012/13 has caused the Capital Financing Requirement interest payments to increase by £400k.

4.2.4 **Salaries - £310k increase**

+£310k Cost Increase

This is as a result of an increase in additional staff for the Performance Development Team to monitor service improvement and WHQS achievement, Heating/Electrical Inspectors and Support Wardens totalling £176k, as well as a reduction in General Fund Management Recharges of £137k.

4.2.5 **Void - £294k increase**

+£200k Vire

+ £94k Cost Increase

There are 2 elements of voids, the first is the Response Priority 6 Void work which has increased by £200k funded from a virement from Priority 8 to reflect changes in demand. The remaining £94k is in respect of void charges for rent, garages, fuel and water voids. This increase is based on last year's void pattern, which has been reflected in the budget monitoring reports to the Living Environment Scrutiny Committee throughout the year.

4.2.6 Bad Debt Provision - £43k increase

This is to reflect the anticipated increase in bad debts on all HRA charges based on the 2011/12 write offs.

4.3 Service Efficiencies/Savings - £2.6m reduction

The total amount of cost increases mentioned above are £4.3m, which when compared against the £1.7m additional income expected in 2012/13 leaves a £2.6m shortfall.

The following efficiencies/savings will therefore be made.

i) Housing Revenue Account Subsidy (HRAS) - £870k reduction

A higher than anticipated Management & Maintenance (M&M) Allowance of 7.98% and an increase on capital charges due to an increase in interest rates have resulted in an reduction in negative subsidy being paid over to Welsh Government (WG).

ii) Planned Programme - £566k reduction

Works previously carried out in revenue of a WHQS nature have been transferred from the Planned Programme to the Capital Programme.

iii) Group Repairs - £500k reduction (virement)

£500k has been vired from Priority 8 Response Appointments to Priority 3 (Urgent Works) and Priority 6 (Voids) as mentioned above to address the increased focus on urgent works and void works over routine repairs. This is as a result of an increase in the number of repairs now being provided to tenants as appointments, as a means of improving our service delivery, and to address a potential increase in voids.

iv) Cyclical - £428k reduction

Reductions have been made in the Smoke Alarm budget of £100k as this work is now covered in the Heating Servicing and Installations budgets. Heating works in revenue have reduced by £200k as this has now been increased within the Capital Programme under Central Heating Installations. £100k has also been reduced on the Inspection Fees as the team have appointed 2 inspectors in house as mentioned in 4.2.4 above, and a saving of £28k has been made due to the decreasing demand on Solid Fuel appliances.

v) Revenue Projects - £214k reduction

Area Projects have been restructured within the revenue budget and has resulted in a £95k saving. Drainage has reduced by £100k, and Sheltered Environmental Improvements by £120k pending the review of the Sheltered Housing Service which is currently ongoing, in consultation with tenants.

4.4 HRA Working Balances

Reserves in this account stand at £3.7m at the end of 2011/12. £1.5m of this is earmarked for the 2012/13 capital programme as agreed by Cabinet on the 3rd April 2012, so a balance of £2.2m is anticipated at the end of 2012/13 which adequately reflects the retained level recommended by WG.

4.5 **Other Balances**

There is also a balance in General Fund Housing of £363k that is needed for the conversion/change of use of the Ty Croeso hostel to short term accommodation for single people. This work is due to take place towards the end of the year. General Fund Housing also made a surplus of £168k at the end of 2011/12 of which 50% has been transferred to Corporate Services Reserves. This funding (£84k) is needed for the refurbishment of Ty Croeso hostel when it has been converted to single use.

50% of the DLO surpluses currently transferred to the Corporate Services Reserves (£185k) are also needed for further investment into the DLO i.e vehicles, and the Housing stock i.e WHQS works.

5. EQUALITIES IMPLICATIONS

5.1 There are no direct equality implications to this report, however the Local Housing Strategy noted in 3.1 was equality impact assessed.

5.2 Implementing the budget proposals in line with this strategy therefore, will ensure that equalities considerations are taken into account at an operational level.

6. FINANCIAL IMPLICATIONS

6.1 The proposals contained in this report are required in line with the Council's statutory requirement to achieve a balanced Housing Revenue Account.

7. PERSONNEL IMPLICATIONS

7.1 There are no personnel implications at this stage.

8. CONSULTATIONS

8.1 All consultation responses have been reflected in this report

8.2 This report will be presented to Cabinet on 4th September 2012.

9. RECOMMENDATIONS

9.1 To note the contents of the report prior to Cabinet endorsement.

10. REASONS FOR THE RECOMMENDATIONS

10.1 In accordance with the local Government and Housing Act 1989 the HRA must have a balanced budget for the forthcoming financial year.

10.2 To allow Housing Services to achieve its objectives for 2012/13

11. STATUTORY POWER

11.1 Local Government Act 1972

11.2 Local Government and Housing Act 1989

11.3 This is a Cabinet Function

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Consultees: Cllr H W David – Chairman P&R Scrutiny Committee
Cllr Mrs J Summers – Vice-Chairman P&R Scrutiny Committee
Cllr K Reynolds – Cabinet Member Corporate Services
Anthony O’Sullivan – Chief Executive
Nigel Barnett – Deputy Chief Executive
Nicole Scammell – Head of Corporate Finance
Shaun Couzens – Head of Housing
Graham North – Public Sector Housing Manager
Kenyon Williams – Private Sector Housing Manager
Mike Eedy – Finance Manager (Environmental Services)

Background Papers:

Notification of guideline rent increase from WAG – Housing Finance, Tir-y-Berth Depot.

Estimate working notes – Housing Finance, Tir-y-Berth Depot.

Housing Revenue Account charges report to Cabinet 7th February 2012 – Housing Finance

Appendices:

Appendix 1 HRA Financial Plan 2012/13