

# REPORT TO CABINET

REPORT OF: STRATEGIC DIRECTOR – CORPORATE FOCUS  
 STRATEGIC DIRECTOR – COMMUNITY & ENVIRONMENT

REPORT NO.: HOF 223

DATE: 18th February 2013

<b>TITLE:</b>	<b>Determination of Housing Revenue Accounts Budget 2013/14 and indicative budgets to 2015/16.</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Policy Framework Proposal	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Cllr Teri Bryant- Housing Portfolio Holder Cllr Mike Taylor Resources and Assets Portfolio Holder	
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<b>INITIAL IMPACT ASSESSMENT:</b>	N/A	Full impact assessment Required: N/A
<b>Equality and Diversity</b>		
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Local Democracy link on the Council’s website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	HOF216	

## 1. RECOMMENDATIONS

### In relation to the Housing Revenue Account (HRA)

Make recommendations a to d. to Council:

- a. to set dwelling rent increases in accordance with Government guideline rent providing an average rent of £74.32 (and an average rental increase of 4.57%)
- b. to set an increase in garage rents of 4.57%
- c. to increase service charges by 4.57%
- d. to approve the Housing Revenue Account for the year 2013/14 (including the items at Appendix A in the report) and indicative years 2014/15 and 2015/16 shown at Appendix B

### In relation to the Investment Programmes

Make recommendations e. to f. to Council:

- e. approve the Housing Investment programme for 2013/14 to 2017/18 including the allocation of £3M for additional housing stock detailed at paragraph 5.4 and shown at Appendix C page 1
- f. approve the Capital Financing statement detailed at Appendix C page 2

### In relation to the Reserves and balances

Make recommendation g to Council:

- g. To note the movements in HRA revenue and Capital reserves and balances detailed in Appendix D.

## 2. PURPOSE OF THE REPORT/DECISION REQUIRED

- 2.1 The purpose of this report is to present to Cabinet the budget estimates for 2013/14, revenue and capital in respect of the Housing Revenue Account (HRA).

## 3. Background

- 3.1 The introduction of self-financing has presented the opportunity to review our approach to delivering housing services, enhance our investment in existing stock

(where appropriate) and increase the amount of affordable housing stock within the district (either managed both inside and outside the HRA ring fence). In response to fundamental change in financing and changes introduced by the Localism Act the Council has embarked on a programme of housing related projects, including a wide ranging review of policies, plans and strategies which will ensure that services continue to improve whilst at the same time making the best use of our housing assets.

- 3.2 Cabinet on 21<sup>st</sup> January 2013 received a report with respect to the budget proposals for the Housing Revenue Account. Those draft budget proposals enable key areas of activity to be carried out including:
- Letting homes , managing and supporting tenancies;
  - Engaging and involving tenants in service delivery;
  - Ensuring that properties meet the decent homes standard ( 97% currently do)
  - Providing a timely and effective responsive repairs service;
  - Continuing to improve the energy efficiency of the stock and attracting external funding;
  - Ongoing investment in improving access to sheltered schemes and communal areas of accommodation
  - Acquisition and/or development of additional homes within the HRA
- 3.3 The completion of a strategic review of HRA assets and management options and the appraisal of options for the enabling and development of affordable housing are key projects that will contribute to a fundamental review of the existing HRA Business Plan during the course of 2013.

#### **4 Housing Revenue Account 2013/2014**

##### **Rent Proposals**

- 4.1 The Council's current policy is to keep in line with the Government's guidance on rent restructuring. This policy allows the Council to continue to invest significant sums in its housing service and assets as outlined in paragraph 3.2 above.
- 4.2 Existing policy is to establish the percentage local authority rent by applying RPI inflation at the previous September, plus 0.5% "real growth" and a convergence factor to reflect the number of years to rental convergence.
- 4.3 The September 2012 inflation figure was 2.6% and the draft determination is based upon convergence within three years, by 2015/16.
- 4.4 The actual rent is calculated on a property by property basis using these parameters. This has produced an average increase for SKDC tenants of 4.57%. At the level of individual dwellings, the percentage increase will depend upon each property's proximity to its target, with increases varying between 3.10% and 6.57%. In cash terms, the average rent will be £74.32 with a minimum of £50.17 and a maximum of £106.82. Garage rents and service charges are increased in line with dwelling rents. Consultation has been undertaken with tenants via the District Wide Tenants' Panel on 23rd January 2012 with respect to the proposed increases and no specific concerns were raised. All tenants are being contacted and details of their specific rent increase will be provided.

4.5 Changes by central Government to the level of housing benefit being paid to social housing tenants is likely to impact on a proportion of South Kesteven's working age tenants who are considered to be under-occupying their existing properties. During the course of 2012/13 information has been provided generally to all tenants through Skyline and more recently individuals, who are likely to be affected, have received letters indicating the extent of the financial impact on their household. Advice and support is being provided to existing tenants who require more information or assistance with managing this issue including potential changes in accommodation. Provision has been made in 2013/14 budgets for potential loss of rent; support and advice is available to assist tenants with managing the impact of the changes being introduced by Government. The actual impact of these changes will be monitored during the year.

## **5 Housing Investment Programme 2013/14 - 2017/18**

5.1 The HIP programme is forecast to outturn at £4.404M for 2013/14. The proposed 5 year programme currently focuses on delivery of the decent homes programme together with a range of additional estates management projects. Funding the HIP programme will be met from the major repairs allowance and contributions from revenue.

5.2 The introduction of self-financing presents the opportunity to consider a range of approaches to increasing the amount of affordable housing stock within the district both managed both inside and outside the HRA ring fence. One of the key priority areas within the emerging Housing Strategy is the desire to encourage the provision of more affordable housing which better meets the needs of our population. During 2012 the Council signed an agreement to retain a proportion of the receipts from "Right To Buy" (RTB) properties to re-invest in the provision of affordable housing within the district. To date 11 applications for RTB sales have been completed during 2012/13 in comparison with a total of 4 during 2011/12.

5.3 The strategic review of HRA asset management and the development of a basket of tools for enabling and delivering more affordable housing are important areas of work for the early part of 2013. The development of additional affordable housing within the HRA could include a range of potential approaches some suitable for the short term and others forming part of a medium to long term approach:

- Consideration of small scale in-fill and garages sites
- Larger scale development potentially in partnership with developers, RSLs or community trusts
- Remodelling of existing stock
- Purchase of new build or RTB buy back opportunities
- Acquire land

5.4 The aforementioned self financing arrangements will give the council the opportunity through in year HRA surpluses and existing reserves to deliver the above, £1m in 2013/14 and an estimated further £2m in 2014/15 will be aside to fund housing schemes. Existing Council sites have been assessed for suitability and those that present opportunities for new build development that could be achieved with this proposed allocated sum and within a two year time frame have been brought forward. Allocations have been made at line 7 of the programme of £1M in 2013/14 and £2M in 2014/15 shown at Appendix C.

## **6 Proposed method of financing the Capital Programme**

- 6.1 In respect of the HRA capital programme the financing of the programme will be met from the Major Repairs Reserve (MRR) without any further need for a contribution from revenue. This is due to amount being made available from the componentisation of the depreciation which is calculated at £5.2M per annum. As this amount exceeds the current capital programme the MRR is projected to increase over the period of the capital programme.
- 6.2 One hundred and fifty five properties were improved during 2012/13 by fitting external cladding which levered in £800,000 of external funding. A total of £4.9m will be spent on a large scale upgrade programme over 2 years which will result in 700 homes in urban and rural areas being insulated. £1.4m is being funded through the HRA capital programme split equally in 2013/4 and 2014/15 with the balance of the funding being externally grant aided.

## **7 Reserves and Balances**

- 7.1 The HRA has 2 specific reserves; namely the working balance and the Major Repairs Reserve. The working balance is intended to provide financial support to the HRA should any significant unforeseen costs arise during the financial year. The Major Repairs Reserve is the primary source of funding for the HRA capital programme and is proposed to be utilised to fund the investment in the housing stock over the next 5 years.
- 7.2 It is also proposed to introduce 2 specific reserves for the HRA as part of the budget framework for 2013/14. A reserve is to be created that will be ring fenced in order to repay the £25m maturity loan (that was taken as part of the self financing of the HRA) in 2019/20. Annual surplus contributions will be made to the reserve in order to build up the necessary level of balance. A further reserve will be introduced under the heading of 'HRA improvement reserve'. This reserve will be utilised on an invest to save basis whereby service improvement and transformation projects can be financed that will, in the longer term, deliver improved services to tenants and the potential to improve the sustainability of the HRA. Details of these reserves can be found at Appendix D to the report.

## **8 Statement by Chief Finance Officer (S151 officer)**

- 8.1 The 2013/14 HRA Budgets and indicative budgets for 2014/15 to 2015/16 have been drawn up to take account of the relevant Council's strategies, policies and the financial context, in particular:
- The Corporate Plan
  - The Housing Business Plan
  - Service Strategies and Plans
  - HRA Asset management Strategy
  - The economic context and recent grant announcements
  - The 2012/13 HRA forecast outturn
- 8.2 The Housing Business Plan (HBP) was last reviewed and updated in 2010. In order to reflect the massively changing environment in which the Council operates

the plan will review as suggested in paragraph 3.3. The current HRA budget proposals have been prepared within the context of the existing HBP, and the recent refinancing changes.

## **9 Comments of Financial Services**

In recommending the budget to the Council, the Cabinet must take account of the advice of the Chief Finance Officer in respect of the above. For 2013/14 it can be confirmed that the budget presented to the Cabinet is robust in its formulation and the level of reserves is adequate for the organisation.

## **10 Risks to the budget proposals**

In formulating the budget proposals the following has been taken into account.

**Rental income** – with the introduction of the bedroom tax and the Local Tax support scheme there will be extra emphasis on the collection of rent from tenants to ensure the current rental collection performance is achieved. This is particularly relevant in the context of the HBP financial model in order to ensure the ambitious plans of the Cabinet are financially affordable and delivered.

## **11 Comments of Legal and Democratic Services**

The budget forms part of the Council's Budgetary Framework. Members should have regard to the comments of the Council's Chief Financial Officer which are set out in section 8 above when making their recommendations to Council in accordance with the Local Government Act 2003. Any budget must be set in accordance with the Budget and Policy Framework Procedure Rules as set out at part 4 of the Constitution.

## **12 Appendices:**

Appendix A – Summary of savings and additional Items

Appendix B - Revenue Estimate 2013/14 and indicative budgets 2014/15 and 2015/16

Appendix C – Capital Estimates 2013/14 to 2017/18

Appendix D – Reserves Statement