

# REPORT TO CABINET

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

REPORT NO.: HOF 264

DATE: 3rd February 2014

<b>TITLE:</b>	<b>Determination of Housing Revenue Account Budget 2014/15 and indicative revenue budgets to 2016/17.</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	
<b>CONTACT OFFICER:</b>	Daren Turner – Strategic Director Corporate Focus Tel: 01476 406301 Email: <a href="mailto:d.turner@southkesteven.gov.uk">d.turner@southkesteven.gov.uk</a> Tracey Blackwell – Strategic Director – Community & Environment Tel 01476 406058 Richard Wyles – Head of Finance Tel: 01476 406210 Email: <a href="mailto:r.wyles@southkesteven.gov.uk">r.wyles@southkesteven.gov.uk</a>	
<b>INITIAL IMPACT ASSESSMENT:</b>	Stage 1 Equality impact analysis and undertaken	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>	HOF262 – Budget Requirement 2014/15  The above reports can be located by putting their reference number in the search section of the committee website via the link below: <a href="http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1">http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1</a>	

## 1. RECOMMENDATIONS

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

Make recommendations a to d. to Council:

- a. to approve dwelling rent increases in accordance with Government guideline rent providing an average rent of £78.13 (an average rental increase of 5.13%)
- b. to approve an increase in garage rents of 3.2%
- c. to approve an increase in service charges by 3.2%
- d. to approve the Housing Revenue Account for the year 2014/15 (including the items at Appendix A in the report) and indicative years 2015/16 and 2016/17 shown at Appendix B

### In relation to the Investment Programmes

Make recommendations e. to f. to Council:

- e. approve the Housing Investment programme for 2014/15 to 2018/19 as shown at Appendix C
- f. approve the Capital Financing statement detailed at Appendix C

### In relation to the Reserves and balances

Make recommendation g to Council:

- g. To approve 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 2014/15, 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. In response to the introduction of self-financing and the changes introduced by the Localism Act, the Council has embarked on a programme of housing related projects. This has resulted in the adoption of a new medium term Housing Strategy, an updated Tenancy and Allocations policy and a comprehensive review of the HRA Asset Management Strategy. This work has provided the strategic and policy framework which will ensure that services continue to improve whilst at the same time making the best use of the housing assets.

- 3.2 At the meeting on 13th January 2014 Cabinet received a report in respect of the budget proposals for the HRA. 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 (currently at 97%)
  - 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 A review of the HRA Business Plan is underway which will set out investment plans for the medium term. Self-financing of the HRA has provided greater flexibility and certainty in planning investment and will enable delivery of projects, particularly the procurement of new affordable housing, in support of corporate priorities.
- 3.4 The Housing Asset Management Strategy 2013-2018 defines a number of key actions that will further improve service and operational delivery. The key objective is to improve the quality and condition of stock beyond the Decent Homes Standard to a South Kesteven Standard.
- 3.5 The Strategy details our commitment to:
- Carry out regular appraisals of the housing stock to ensure that it remains sustainable and meets local housing needs
  - Focus on improving the energy efficiency of non-traditional stock and so reducing the impact of fuel poverty
  - Further improve our repairs and maintenance systems together with our approach to procurement to deliver cost effective and responsive services
  - Identify and develop opportunities to better utilise land and property assets to maximise the availability of affordable housing

#### **4 Housing Revenue Account 2014/2015 – Rent Proposals**

- 4.1 The main element of policy relating to the HRA for 2014/15 is the setting of rents. The Council's current policy is to keep in line with the Government's guidance on rent restructuring.
- 4.2 Existing policy is to meet rent convergence (the process whereby the rental levels are in line with similar properties in the social sector). The formula used is applying RPI inflation at the previous September (3.2%), plus 0.5% "real growth" + £2 per dwelling. The number of properties expected to reach rent convergence by 2015/16 is approximately 5400 with the remainder of the stock reaching convergence by the following year. For those properties that will have reached rent convergence by 2015/16, Government then expects local authorities to increase rents by no more than CPI (at September of the previous year) + 1 percentage point in any year.
- 4.3 The actual rent is calculated on a property by property basis using these parameters. For 2014/15 this has produced an average increase for SKDC tenants of 5.13%. At the level of individual dwellings, the percentage increase will depend

upon each property's proximity to its target, with increases varying between 4.13% and 5.57%. In cash terms, the average rent will be £78.13 with a minimum of £52.24 and a maximum of £112.77. Garage rents and service charges are increased in line with September RPI figure of 3.2%.

- 4.4 Consultation has been undertaken with tenants via the Neighbourhood, Community & Tenancy Service Review Group on 20th January 2014 with respect to the proposed increases and no specific concerns were raised. All tenants will be 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 has had an impact on 880 (35.1%) of the 2,507 of the Council's working age tenants and who are considered by the regulations to be under-occupying their existing properties. During the course of 2013/14 information has been provided generally to all tenants through 'Skyline' and those households most likely to be affected have been more directly targeted, having received letters indicating the extent of the financial impact on their household and the offer of advice and assistance. Advice and support continues to be provided to existing tenants who require more information or assistance with managing the impact of a reduction in housing benefit received, including, where appropriate, the options available for moving to accommodation with fewer bedrooms.

## **5 Housing Investment Programme (HIP) 2014/15 - 2018/19**

- 5.1 The HIP programme is forecast to outturn at £5.794M 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 reserve and contributions from revenue.
- 5.2 The introduction of self-financing presented the opportunity to consider a range of approaches to increasing the amount of affordable housing stock within the district. One of the key priority areas within the 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 31 applications for RTB sales have been completed during 2013/14 in comparison with a total of 20 during 2012/13. Of these additional sales it is proposed to use £585K of the capital receipts reserve to fund the new build capital programme.
- 5.3 The development of additional affordable housing within the HRA is likely to include a range of potential approaches, some suitable for the short term and others forming part of a medium to long term approach. Options include:
- Consideration of small scale in-fill and garages sites
  - Larger scale developments in partnership with developers, Registered Social Landlords and/or community trusts
  - Remodelling of existing stock
  - Purchase of new build or RTB buy back opportunities
  - Acquisition of land or alternatively building on existing sites

- 5.4 The self financing arrangements have given the Council the opportunity to deliver the above by allocating £1M in 2013/14 and an estimated further £2M in 2014/15 to fund new build housing schemes. Existing Council sites have been assessed for suitability and those that present opportunities for new build development that could be achieved have been brought forward. Capital investment has been made at line 5 of the programme as shown at Appendix C.
- 5.5 The new build development delivers five schemes (providing 33 units in total) as summarised in the table below:

<b>SITE</b>	<b>NO. OF UNITS</b>	<b>NO. OF BEDS</b>
East Avenue Grantham	3	2
Sandon Road, Grantham	4	2
Thames Road, Grantham	2	1
Glen Crescent, Stamford	4	2
Lincoln Road, Stamford	8	1
	8	2
	2	3
	2	4

## **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), revenue contributions of £2M in 2014/15 and £1M per annum for 2015/16 and 2016/17 and an allocation of £585K in 2014/15 from the capital receipts reserve.
- 6.2 A total of £4.9m has been allocated to be spent on a large scale upgrade programme over 2 years which will result in 700 homes in urban and rural areas being insulated. In total 300 properties will have external wall insulation installed by March 2014. £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 4 specific reserves; namely the working balance, the Major Repairs Reserve, the service improvement reserve and the loan repayment 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 The service improvement reserve has been utilised to pump prime the employment of four apprentices in Property Services Repairs, which supports the Council's priority of Growing the Economy and growing skills. The loan repayment reserve is receiving annual surplus allocations in order to meet the maturity payment of £25M in 2019/20. However before this payment is made, the HRA has other financing options it can consider such as re-financing the loan in order to utilise the surpluses for other priorities in accordance with the Housing Strategy. Therefore this will be kept under review and members will have the opportunity to consider the financing options available to them before the payment maturity period.

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

8.1 The 2014/15 HRA Budgets and indicative budgets for 2015/16 to 2016/17 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 2013/14 HRA forecast outturn

## **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 2014/15 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 HRA.

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

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

**Rental income** – with the introduction of a number of welfare reform changes (specifically spare bedroom subsidy) and the Local Tax support scheme there is 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 Housing Business Plan financial model in order to ensure the ambitious plans of the Cabinet are financially affordable.

## **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 2014/15 and indicative budgets 2015/16 and 2016/17

Appendix C – Capital Estimates 2014/15 to 2018/19

Appendix D – Reserves Statement