

BABERGH DISTRICT COUNCIL

From: Director of Finance	Report Number: L145
To: STRATEGY COMMITTEE	Date of meeting: 9 February 2012

COUNCIL HOUSING - DRAFT REVENUE BUDGET AND CAPITAL PROGRAMME

1. Purpose of Report

- 1.1. This report outlines the draft Housing Revenue Account (HRA) Budget for 2012/13 and the draft 4-year Capital Programme for Council Housing, which reflects the potential position on rent levels for next year, which Strategy Committee and Council still have to finally determine. The draft Budget presented is subject, therefore, to amendment following Member review of the Housing Revenue Account 30-year business plan and final decision on the average rent increase.

2. Recommendations

- 2.1 That the draft Council Housing Revenue Budget and Capital Programme be approved, subject to further review and amendment following confirmation of the final Subsidy Determination linked to Council House Reform and the rent increase to be applied in 2012/13 as part of Members consideration of the Housing Revenue Account 30-year business plan.
- 2.2 That, subject to the above and final Member decisions on the rent increase for 2012/13, that rents for compulsory and casual let garages be increased by a minimum of 5.6% in line with the RPI in September 2011, or by the same level as the rent increase, if this is higher than 5.6%.

The Committee is asked to make recommendations to Council on the above matters.

3. Financial Implications

- 3.1 The new self- financing arrangements for Council Housing reform will see the end of the Government's existing Housing Subsidy arrangements and result in there being more money available to the HRA and investment in Council Housing.
- 3.2 This will enable the Council to undertake a substantial and increased capital programme of over £5m a year from 2012/13 onwards, based on the results of the latest stock condition survey that has been undertaken to inform the 30-year HRA business plan. Over the next 4 years, there is an average increase of around £1.8m (net of reductions in some areas) a year over 2011/12 investment levels and the main increases are as follows:
- Central heating. £268k
 - Kitchens & bathrooms £969k

- Common areas/garages etc. £540k
- Insulation improvements £300k

3.3 It is proposed that the average rent increase for tenants next year is between 5% and 7.8%. This equates to an average rent increase of between £4.10 to £6.30 a week (on a 48-week basis). Around 70% of Babergh tenants receive Housing Benefit. If Members approve a higher rent increase, this will generate additional money for investment in regeneration schemes and a new housebuilding programme – but these are not reflected in the draft Budget currently.

3.4 The reduction in Supporting People grant results in a £49k subsidy required from the HRA to support the service in 2012/13, which the HRA is able to afford. The Council has already made substantial savings on the service including a reduction in staff numbers. Other providers within Suffolk who have been affected by these changes have confirmed that they will be maintaining their sheltered housing service by using similar subsidy arrangements.

4. Risk Management

4.1 This report is most closely linked with the Council’s Corporate / Significant Business Risk No. 6 – Performance and Cost Management. Key risks are set out below :

Risk Description	Likelihood	Impact	Mitigation Measures
Actual income and expenditure does not match budget expectations	Low	Marginal	The proposed revenue budget and capital programme have been revised to reflect the business plan the potential finances available. Budgets are regularly monitored by officers and Members, on a quarterly basis.

5. Consultations

5.1 Consultation on rents, service charges (linked to the supporting people arrangements) and heating/lighting charges have taken place with the Housing Panel and the Tenants’ Forum, who support a 6% increase in rents next year, as they feel this strikes the right balance between generating income for the HRA for investment, whilst protecting tenants from the ‘convergence’ rent increase of 7.8%.

6. Equality Analysis

6.1 Higher rent increases would clearly impact more on those on low incomes although around 70% are in receipt of housing benefit. There are, however, some changes in housing benefits entitlements on the horizon that will impact on some tenants and a lower rent increase may help.

7. Shared Service / Partnership Implications

- 7.1 Mid Suffolk DC have differing requirements within their HRA business plan and are not able to reduce the level of rent increases below that recommended by the national social rent policy. The rents for the two councils will differ by around £5 per week in the future.
- 7.2 Supporting people and service charge arrangements also differ between the two councils but these are being reviewed as part of the overall service integration programme.

8. Key Information

- 8.1 Self-financing for Council House Reform received Royal Assent at the end of 2011 and the new arrangements will commence from April 2012.
- 8.2 The overall Council Housing Budget, rent levels and the capital programme is influenced by the following key aspects: -
- The annual rent increase - The RPI published for September 2011 being 5.6% (1% higher than in 2010) is the reference point for rent increase calculations and Babergh's convergence rent increase for next year is 7.8%.
 - The significant reduction in Supporting People Grant - this has reduced from £174k in 2011/12 to £76k in 2012/13. There is a separate paper on today's agenda in relation to this.
 - A further review of accommodation based service charges to ensure all costs are fully recovered and are eligible for housing benefit.
 - Changes in other areas of expenditure and income, linked to the latest stock condition survey.
 - Initial costs and savings that are likely to be attributable to the HRA in relation to integration with Mid Suffolk.
- 8.3 The draft Budget attached at Appendix A will be adjusted accordingly to reflect Member views on the rent increase for onward submission to Council.

2011/12 Revised Budget

- 8.4 The draft revised budget incorporates a number of changes since the original budgets were approved last year. However, the overall position for the HRA is similar to that anticipated in the original Budget (allowing for carry forwards of around £50k from 2010/11) in that the HRA reserve is expected to stand at nearly £1.1m by the end of the year.
- 8.5 As a result of the above and other changes, the level of direct revenue financing of the capital programme is being reduced in order to keep the projected deficit for the year as close as possible to the original forecast for the year. Appendix A sets out the current position but this is subject to final amendments.

2012/13 Budget

8.6 The main factors that are reflected in the draft budget for 2012/13 are explained below:

- An increase in overall HRA income, which will be affected by the rent increase decision, but offset by the reduction in supporting people grant.
- Budgets for Supporting People service charges and expenditure (included in line 3 of Appendix A) have reduced significantly following the proposed restructuring of the service arrangements. See Appendix C further details.
- The increase for heat, light and power included in line 4 has been capped at 2% and reflects the changes and improvements in tenant heating arrangements and the tighter financial management of this area. See Appendix C further details.
- Budget lines have been increased or reduced to meet demand; in particular the budget for responsive repairs has increased as a result of recommendations made in the Stock Condition Survey that was carried out for the HRA business plan and budgets related to tenancy changes reduced, reflecting the additional focus on this area of work over the past 2 years.
- The payment to the national subsidy pool of £5.4m in 2011/12 (line 11 of Appendix A) ceases and is replaced by interest on borrowing related to the self-financing arrangements for Council House Reform, estimated at £3.5m (line 12) – a net benefit to the HRA of £1.9m, although actual interest costs could be lower than this, depending on rates on the 26 March and the borrowing option that is chosen.
- Depreciation (line 14) reduces significantly to reflect the accounting changes made at the end of 2010/11. This has no impact on the HRA surplus or deficit as compensating amounts are included in the overall capital charges (line 19) which reflect the cost of funding the capital programme.

8.7 Certain HRA budgets are, therefore, still subject to amendment, including rent income, interest costs and other aspects resulting from the self-financing arrangements for Council House Reform and these will be reflected in the final Budgets that are presented to Council on 23 February 2012.

8.8 Subject to the above, the HRA reserve will remain above £1m and possibly higher than this, with any surplus being set aside towards the repayment of the £84m debt or additional capital investment programmes (£250k is shown currently – see line 20 of Appendix A).

Capital Programme

8.9 The draft capital programme in Appendix B includes the results from the Stock Condition Survey that has been commissioned to support the HRA business plan.

- 8.10 Spending is planned to increase from around £3.2m in 2011/12 to more than £5m in 2012/13 and subsequent years - with total capital investment over the 30 year business plan period expected to be around £145m (an average of £4.8m a year). From 2012/13 the programme is largely spread evenly over the first 4 years but actually programmes year-on-year are likely to vary from this, which will be overseen and monitored by the Joint Housing Board.
- 8.11 Councils will have more control over housing resources under the new self-financing arrangements and will enable the Council to address priorities and consider further capital investment options around:
- Funding to maintain or enhance the Babergh Standard
 - Increase expenditure on repairs and planned maintenance programmes.
 - Regeneration and new build schemes
 - Providing additional HRA Services.

9. Appendices

Title	Location
(a) HRA Revenue Budget	Attached
(b) HRACapital Budget	Attached
(c) HRA Charges 2012/13	Attached

10. Background Documents

- 10.1 The Housing Revenue Account Self-Financing Determinations
- 10.2 The Housing Revenue Account 30 year Business Plan

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DRAFT COUNCIL HOUSING REVENUE BUDGET SUMMARY

Line	2011/12		2012/13
	Original £	Revised £	Budget £
Income:			
1 Dwellings Rents	(13,391,290)	(13,247,550)	(14,010,960)
2 Garages and Other	(229,270)	(214,620)	(219,620)
3 Service and Facility Charges	(505,690)	(506,250)	(312,560)
4 Heating Charges and Other Income	(222,250)	(229,800)	(226,630)
5 Contributions towards expenditure	(133,000)	(144,200)	(144,400)
6 Total Income	(14,481,500)	(14,342,420)	(14,914,170)
Expenditure:			
7 Planned and Responsive Repairs	2,129,940	2,172,520	2,266,030
8 General Management	1,917,950	2,033,620	1,928,550
9 Special Services	1,568,280	1,592,920	1,510,990
10 Rent, Rates and Debt Provision	77,360	77,390	77,500
11 HRA Subsidy Payable to Government	5,390,000	5,430,000	0
12 Transfer to General Fund re HB Costs	46,140	0	0
13 Interest Costs	0	0	3,510,770
14 Depreciation	3,478,830	2,510,190	2,568,060
15 Total Expenditure	14,608,500	13,816,640	11,861,900
16 Net Cost Of Services	127,000	(525,780)	(3,052,270)
18 Appropriations:			
19 Capital Charges	101,530	850,200	2,810,280
20 Provision for repayment of Debt / additional investment	0	0	250,000
21 Deficit / (Surplus)	228,530	324,420	8,010
HRA Reserve			
22 Balance at 1 April	1,311,450	1,423,900	1,099,480
23 Surplus/(Deficit) for the year	(228,530)	(324,420)	(8,010)
24 Balance at 31 March	1,082,920	1,099,480	1,091,470

Council Housing - Capital Programme

	Original 2011/12	Revised 2011/12	Forecast 2012/13	Forecast 2013/14	Forecast 2014/15	Forecast 2015/16	Total Cost of Schemes
	£	£	£	£	£	£	£
COUNCIL HOUSING SCHEMES							
Planned Maintenance Programmes							
1 Rewiring	200,500	192,100	124,200	124,200	124,200	124,200	688,900
2 Roofing	113,700	66,700	166,633	166,633	166,633	166,633	733,232
3 Doors and Windows	220,000	340,300	146,937	146,937	146,937	146,937	928,048
4 Central Heating	611,250	1,042,150	820,228	1,058,071	820,228	820,228	4,560,905
5 Kitchens/bathrooms	471,000	651,100	1,440,272	1,440,272	1,440,272	1,440,272	6,412,188
6 Garages, Forecourts & Stores	62,900	18,600	427,424	427,424	427,424	427,424	1,728,296
7 Fences/Gates/Walls	89,600	62,200	210,042	210,042	210,042	210,042	902,368
8 Roads & Paths	85,900	31,900	10,800	10,800	10,800	10,800	75,100
9 Common Areas	41,860	27,060	170,099	602,099	137,699	137,699	1,074,656
10 Disabled Adaptations	323,720	408,820	403,920	403,920	403,920	403,920	2,024,500
11 Electrical Works	10,000	11,500	195,211	195,211	195,211	195,211	792,344
12 Plumbing Installations	10,000	11,500	6,237	6,237	6,237	6,237	36,448
13 Dampness and Condensation	20,000	20,000	-	-	-	-	20,000
14 Stock Condition Survey	60,000	91,200	-	-	-	-	91,200
15 Contingent Major Repairs	348,000	-	75,600	75,600	75,600	75,600	302,400
16 Total Planned Maintenance	2,668,430	2,975,130	4,197,603	4,867,446	4,165,203	4,165,203	20,370,585

	Original 2011/12	Revised 2011/12	Forecast 2012/13	Forecast 2013/14	Forecast 2014/15	Forecast 2015/16	Total Cost of Schemes
	£	£	£	£	£	£	£
COUNCIL HOUSING SCHEMES							
Other Programmes							
17 Conversions/Adaptations	35,570	9,070	23,760	23,760	23,760	23,760	104,110
18 Sheltered Units - General Imps.	15,900	52,500	124,200	124,200	124,200	124,200	549,300
19 Smoke Alarms (Babergh Standard)	59,350	52,050	107,929	107,929	107,929	107,929	483,766
20 Insulation Improvements (Babergh Standard)	100,000	79,800	399,079	399,079	399,079	399,079	1,676,116
21 Street parking improvements	12,000	-	-	-	-	-	-
22 Major Refurbishments	120,000	160,500	54,000	-	-	-	214,500
23 Parking areas/Estate imp./Estate maintenance	42,380	18,280	21,600	21,600	21,600	21,600	104,680
24 Structural Works	154,400	34,400	70,803	70,803	70,803	70,803	317,612
25 Sewage Treatment works	-	-	648	54,648	648	648	56,592
26 Unadopted Drains & Sewers	-	-	54,000	54,000	54,000	54,000	54,000
27 Water Mains	-	-	21,600	21,600	21,600	21,600	21,600
28 Software/ICT Projects/Surveys	25,000	49,200	20,000	20,000	20,000	20,000	129,200
29 Regeneration Schemes	10,970	11,770	-	-	-	-	11,770
30 Asbestos	10,000	10,300	64,800	64,800	64,800	64,800	269,500
31 Horticulture & Play Equipment	-	25,000	84,240	84,240	84,240	84,240	361,960
Total Other Programmes	585,570	502,870	1,046,659	1,046,659	992,659	992,659	4,279,106
32 TOTAL COUNCIL HOUSING SCHEMES	3,254,000	3,478,000	5,244,262	5,914,105	5,157,862	5,157,862	24,649,691

Service charges - incorporating Accommodation and Supporting People charges

			2011/12 Total Service Charge (48 weeks)			2012/13 Total Service Charge (48 weeks)
	Supporting People	Accommodation		Supporting People	Accommodation	
Sheltered Accommodation						
Very Sheltered Accommodation						
William Wood House	37.92	22.34	60.26	0.00	24.16	24.16
Sydney Brown Court	36.84	21.92	58.76	0.00	18.85	18.85
This accommodation is managed by Orwell Housing who will contract directly with residents for support costs from 2012/13						
Other Sheltered Accommodation						
Steeds Meadow	15.82	5.36	21.18	6.50	9.76	16.26
Elizabeth Court	15.82	5.63	21.45	6.50	11.46	17.96
Playford Court inc Grimwood Corner	15.82	4.64	20.46	6.50	10.82	17.32
Springlands	15.82	4.08	19.90	6.50	7.31	13.81
Tenterpiece	9.49	6.85	16.34	6.50	6.34	12.84
Parkers Way	9.49	5.70	15.19	6.50	6.45	12.95
Hill House	9.49	7.40	16.89	6.50	8.95	15.45
Clover Court	9.49	6.99	16.48	6.50	7.16	13.66
Samford Close	9.49	10.36	19.85	6.50	7.98	14.48
Ash Street	9.49	5.33	14.82	6.50	8.43	14.93
Spring Street	9.49	6.24	15.73	6.50	7.47	13.97
Hadleigh Central						
Newell Court	9.49	2.21	11.70	6.50	} 7.08 }	} 13.58 }
Gayford Court	9.49	3.75	13.24	6.50		
Angel Street	9.49	13.38	22.87	6.50		
Taylor Close	9.49	5.31	14.80	6.50		
Inkerman Terrace	9.49	7.08	16.57	6.50		
Bradfield Avenue	9.49	6.25	15.74	6.50		
Service Charges						
Old School House, Hadleigh:						
- 1 person unit	-	26.55	26.55			26.55
- 2 person unit	-	29.79	29.79			29.79

			2011/12 Total Light & Heat Charge			2012/13 Total Light & Heat Charge
	Private Rooms	Communal Areas		Private Rooms	Communal Areas	
- Level One Bedsits (Very Sheltered Accommodation)	10.36	3.55	13.91	10.57	3.62	14.19
- Level One Non-Bedsits (Very Sheltered Accommodation)	20.71	7.14	27.85	21.12	7.28	28.40
- Level Two Bedsits (Sheltered Accommodation)	7.52	2.34	9.86	7.67	2.39	10.06
- Level Two Non-Bedsits (Sheltered Accommodation)	15.07	4.70	19.77	15.37	4.80	20.17
- Level Three, where applicable, Bedsits (Sheltered Accommodation)	8.34	0.75	9.08	8.50	0.76	9.26
- Level Three, where applicable, Non-Bedsits (Sheltered Accommodation)	16.67	1.53	18.21	17.01	1.56	18.57
Old School House						
- 1 person unit	8.68	2.89	11.57	8.85	2.95	11.81
- 2 person unit	9.74	3.24	12.99	9.94	3.31	13.25

	2011/12	2012/13
Furnishing Charges		
<u>Homeless Units</u>		
- 1 Person Unit	5.17	5.17
- 2 Person Unit	6.20	6.20
Garage Rents		
Garages casually let to council tenants	6.57	6.94
Garages casually let to private tenants	8.36	8.83