

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 19 FEBRUARY 2013**

REPORT BY: **CHIEF EXECUTIVE, HEAD OF FINANCE, DIRECTOR
OF COMMUNITY SERVICES, HEAD OF HOUSING**

SUBJECT: **HOUSING REVENUE ACCOUNT 2013/14 AND
CAPITAL PROGRAMME 2013/14**

1.00 PURPOSE OF REPORT

- 1.01 To consider the Housing Revenue Account (HRA) budget as set out in 1.02 and 1.03 following consultation with the Housing Overview and Scrutiny Committee.
- 1.02 Revenue budget proposals for the 2013/14 financial year, including proposed rent and service charge changes, key areas of income and expenditure, and the level of closing balance at the year end.
- 1.03 Budget proposals for the HRA Capital programme 2013/14, which is year two of a six year improvement programme.

2.00 BACKGROUND

- 2.01 As the Council has a stock of Council housing, it is required by the Local Government and Housing Act 1989 to keep a HRA in accordance with proper accounting practices, and to budget to avoid an end of year deficit.
- 2.02 The HRA is a “ring-fenced” account of certain defined transactions relating to Local Authority Housing. The ring-fenced nature of the account means that funding cannot be transferred between the Council Fund and HRA or vice versa, other than in certain prescribed circumstances.
- 2.03 Although there is a legal requirement to avoid an end of year deficit, it is also considered to be good practice to budget for a closing balance of at least 3% of total expenditure of the HRA.
- 2.04 Prior to the start of each financial year, the Welsh Government (WG) consults with Local Authorities on the draft HRA subsidy and Item 8 determinations. These are the key financial determinations set each year by WG which influence Local Authority rent increases, and also the amount of HRA subsidy payable by the Council. The two main elements of the consultation are the “guideline rent increase” and the Management and Maintenance (M&M) element of HRA subsidy.

- 2.05 The guideline rent increase is the amount by which WG considers the Authority should increase weekly rents in order to make progress towards achievement of the key WG objective of “benchmark” rents where Local Authority and Registered Social Landlords (RSL) rents for similar properties in similar areas are broadly the same. WG stipulates that in order to achieve this Local Authority Guideline rents should increase by RPI (Sept figure) +2%, and Housing Association rents by RPI (Sept figure) +1%.
- 2.06 The management and maintenance allowance element of HRA subsidy is the amount which WG considers each Local Authority requires per HRA dwelling to manage and maintain the housing stock held within the HRA.
- 2.07 Initial budget proposals for 2013/14 were approved by Cabinet on 22 January 2013 and considered by the Housing Overview and Scrutiny Committee later the same day. The revenue budget and capital programme proposals were welcomed by scrutiny and no changes were requested to the initial budget proposals set out by the Cabinet. A summary of the questions raised at the scrutiny meeting and responses provided is included as Appendix 4.

3.00 CONSIDERATIONS

Revenue Budget 2013/14

- 3.01 The final Housing Revenue Account subsidy and Item 8 determinations were received from WG on the 6 February 2013 which reflects a minor adjustment to the proposed guideline rent for Flintshire to the Draft determinations that were received 20th December 2012. It increases the all-Wales average weekly guideline rent by 4.6%. This is based on the Minister for Housing Regeneration and Heritage’s decision to apply the standard uplift policies:
- of using the previous September RPI inflation figure of 2.6%;
and
 - to apply a 2% real increase to the average local authority guideline rent for 2013-14.
- 3.02 The final guideline weekly rent increase for Flintshire for 2013/14 as per the consultation is £3.46 per week, (on a 52 week collection basis). This is a percentage increase of 5.1%, (compared to a 2012/13 average rent increase of 4.75%. This rent increase was reduced from 7% following consultation responses to WG). The Management and Maintenance allowance element of Housing Revenue Account Subsidy increased to £2,610 per dwelling for each local authority, reflecting an increase of £162 per dwelling (6.6%) on 2012/13.

- 3.03 It has come to light from the rents team that as the 31st March 2014 falls on a Monday the HRA will benefit from the full rental income for that additional week within 2013/14 budget year. This happens once every seven years and is not subject to subsidy therefore bringing an additional £0.5m of rental income into the HRA. This will be utilised to increase the CERA contribution to the capital programme.
- 3.04 The current levels of benefit claimants amongst Flintshire housing tenants are illustrated in the table below :-

Flintshire Tenants - Housing Benefit Claimants		
Benefit Status	Tenants	
	Number	%
Full/Partial Benefit	4,968	66.7%
Full Rent	2,478	33.3%
Total	7,446	100.0%

As illustrated above, approximately 66.7% of the Councils 7,446 tenants would face no additional hardship as a consequence of the proposed rent increase. This will be met by housing benefit subject to claimants personal circumstances remaining the same and their households being unaffected by Welfare Reform. Those tenants who are not currently in receipt of benefit will naturally have to meet the full increase in rent, unless they become eligible for housing benefit.

- 3.05 **Rent Increase – Garages**
 The 2013/14 proposed rent level for all HRA garages is £5.50 per week, an increase of £1.45 per week compared to 2012/13. It is proposed to increase at a rate higher than previous years in order to create additional income in the HRA and bring garage rents to line with other social housing providers. This compares to the current Council and Market rents for Wrexham and Denbighshire which range from £5.84 to £7.00. During 2013/14 a garage review will be undertaken and further proposals, including long term rent levels, investment and redevelopment options, will be brought to Council.
- 3.06 **HRA – Key areas of expenditure**
 Are detailed below.
- 3.07 **Repairs and Maintenance**
 The housing repairs service is continuing its drive to develop into a modern and efficient customer focused service, through the implementation of new technology, lean processes and customer focused working practices to deliver continuous improvement. Repairs and Maintenance is the largest element of expenditure within the HRA (30%) and equates to a unit cost of £1,138 per property in 2013/14. This is a reduction on 2012/13 of £41 per property.

Further savings in the Housing Asset restructure have been included at £0.060m per annum.

3.08 **Mobile Working**

The final loan repayment of £0.103m for mobile working was paid in 2012/13. This saving has been partially offset with £0.050m for replacement costs.

3.09 **Estate Management**

The Estate Management service has identified an overall 3.35% efficiency against the 2012/13 budget. Savings have been identified within the housing management structure, the removal of the Kings Head Building costs and payment of the tenant's water rates upfront, providing a total efficiency of £0.163m.

Service improvements amount to £0.100m; these relate to additional Anti Social Behaviour (ASB) staffing as provided for in the Choices document, an increase in the Tenants Incentive programme to support housing transfers and increased bank charges.

3.10 **Home Ownership**

There has been a dramatic decrease in the number of Right to Buy sales in the last five years. Therefore for budget purposes zero sales have been assumed for 2013/14.

3.11 **Allocations and Welfare**

The majority of these costs relate to the tenancy applications and allocations service. Also included within this area are the budgets for communal laundries and community meeting rooms for tenants. Only inflationary increases are proposed for this budget in 2013/14.

3.12 **Capital Expenditure financed from Revenue Account**

Capital expenditure financed from the revenue account (CERA) enables additional investment in the HRA Capital Programme. The use of this additional source of financing for capital improvements helps to progress the work to achieve the requirements of the Welsh Housing Quality Standard (WHQS). An investment of £5.792m has been included in the 2013/14 budget which is an increase of £1.355m on the 2012/13 budget.

3.13 **Finance and Support Services**

Finance and support have identified an overall 3.5% efficiency against the 2012/13 budget. Savings have been identified through the reduction of support recharges as work previously undertaken within Corporate Finance is now undertaken in the Directorate team and no longer recharged, providing a total efficiency of £0.372m, (including removal of one off pension/redundancy costs).

Service improvements totalling £0.281m are proposed. These include an annual contribution to the Flintshire Connects programme which is offset from other savings identified above and one off costs for the implementation of Job scheduling and a new schedule of rates, which will support further modernisation of the repairs service.

3.14 **Capital Financing Charges**

A full review has just been finalised by Corporate Finance on the capital financing charges and has resulted in further savings to the HRA of £0.169m

3.15 **Closing Balance**

A closing balance of 3.20% is recommended for 2013/14. This is a reduction from previous years of 3.25% 2012/13, and 5.02% 2011/12 as strong budgetary control has enabled the Council to reduce the working balance to maximise WHQS investment.

3.16 **Communal Heating Charges**

The proposed communal heating charges will be provided for review within the formal cabinet report.

4.00 RECOMMENDATIONS

4.01 Members are asked to approve and recommend to Council :

- i. The proposed HRA budget for 2013/14 as set out in Appendix 1, incorporating the proposals for Service Improvements and Efficiencies in Appendix 2.
- ii. The level of rent charges for 2013/14 as set out in paragraphs 3.02 and 3.05.
- iii. The level of projected balances at 31st March 2014 at 3.20% of total expenditure.
- iv. The proposed HRA Capital Programme as set out in Appendix 3.

5.00 FINANCIAL IMPLICATIONS

5.01 The Council has a statutory duty to review the income and expenditure of the HRA, and to set a budget for the forthcoming financial year which avoids a deficit closing balance position. This report sets out how this can be achieved for the Council in 2013/14. The key financial assumptions on which this is proposed are set out in Appendix 2. The proposed budget estimates a closing balance of 3.20% to total expenditure.

6.00 ANTI POVERTY IMPACT

6.01 HRA activity helps alleviate poverty by providing safe and secure homes that are energy efficient and economical to run. The ongoing programme maintains the impetus to upgrade heating etc., to minimise fuel use and thereby boost disposable income.

7.00 ENVIRONMENTAL IMPACT

7.01 There are no direct environmental impacts arising from the HRA budget as outlined in the report.

8.00 EQUALITIES IMPACT

8.01 There are no direct equalities impacts arising from this report.

9.00 PERSONNEL IMPLICATIONS

9.01 There are no direct personnel implications arising from this report.

10.00 CONSULTATION REQUIRED

10.01 Consultation with all tenants over any rent increase must take place and must be at least 28 days before any rent increase is due to come into effect.

11.00 CONSULTATION UNDERTAKEN

11.01 Consultation with tenants on the draft budget and proposed rent increase was undertaken at the tenants' conference on 15th January 2013. The Housing Scrutiny committee considered the draft budget proposals at their meeting on 22nd January 2013.

12.00 APPENDICES

12.01 HRA Summary – Appendix 1
HRA Budget Pressures and Savings – Appendix 2
HRA Capital Programme – Appendix 3
Summary of Questions and Response – Appendix 4

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

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