

CABINET (HOUSING) COMMITTEE

6 DECEMBER 2011

HOUSING REVENUE ACCOUNT – REVISED 2011/12 BUDGET

REPORT OF HEAD OF LANDLORD SERVICES

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RECENT REFERENCES:

CAB2116 – Housing Revenue Account Budget and Rent Setting 2011/12 dated 9 February 2011

CAB2193 (HSG) – Housing Revenue Account 2010/11 Outturn dated 29 June 2011

CAB2195 (HSG) – Delivering Decent Homes – Repairs and Renewals Programme dated 29 June 2011

EXECUTIVE SUMMARY:

This report recommends revisions to the Housing Revenue Account (HRA) Budget for 2011/12, which was originally approved by Council in February 2011. The revisions take account of decisions made by this Committee in June in relation to funding the repairs programme, of reduced employee and service costs and increased income projections. The report proposes that the increased projected surplus be retained within the HRA working balance pending the determination of the 2012/13 HRA Budget in February 2012.

The net result of the proposed changes adds a further £179,000 to the working balances for the HRA. This additional resource will be included within the HRA budget proposals that will be considered in February 2012.

RECOMMENDATIONS:

That the revised HRA Budget for 2011/12 as set out in Appendix 1 and 2 be approved.

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DETAIL:

1 Introduction

1.1 The Housing Revenue Account (HRA) budget approved by Council in February 2011 resulted in a balanced budget, with all expenditure, subsidy and capital financing costs being matched exactly by income. This resulted in a projected year end working balance at March 2011 of £1,303,986. This was adjusted to £1,289,295 as a result of the increased year end cost of services for 2010/11 reported in CAB2193 (HSG) in June 2011.

1.2 This report proposes revisions to the 2011/12 budget to take account of current spending projections and of the decisions made at the June meeting of this Committee regarding the funding of the repairs programme (where increased revenue contributions to the capital programme were approved – CAB2195 (HSG) refers).

2 The Revised HRA Budget for 2011/12

2.1 In general terms, the Council's Landlord Services have not been subject to significant changes since April 2011 and spend on the whole is in line with original projections. However, there is the need to amend the budget to take account of the following issues:

- a) Repairs Programme – The detailed programme was approved by Cabinet (Housing) Committee in June 2011. This has resulted in an increase in capital works to be funded from revenue. The reduction for Repairs Works and Disabled Adaptations shown in Appendix 1 represents the effect on the original budget of funding £672,000 of the capital programme from the revenue budget.
- b) Employees – The Landlord Services establishment has been formally reduced by 5 posts since April 2010. In addition, there are currently a further 5 posts that are being held vacant for some or all of the current year as part of the Council wide emphasis on vacancy management. Spend on salaries is projected to be £71,000 less than originally budgeted. This includes a reduction in employee costs for Tenant Involvement, Sheltered Housing and Repairs Administration. This is partly offset by an increase in employee costs for Extra Care (this is mainly due to staff costs at the Extra Care schemes being included in the original budget for sheltered housing and to increased agency costs at Extra Care to cover for staff absence).

- c) Supplies and Services – Spend across a number of supplies and services budgets in both the HRA General and Estate Management services have been carefully managed and a reduced year end spend is now projected resulting in a net saving to the HRA of £20,000.
 - d) Revenue Contribution to Capital – As detailed above, the increased payment highlighted in appendix 1 relates to the £672,000 contribution to the overall maintenance programme as approved in June 2011 (CAB2195 (HSG) refers)
 - e) Rents and Other Income – Projections for the total amount of rent and service charges due have been revised to take account of new tenants moving straight to target rent. Projections for income at the homeless hostels have also been increased to take account of the fact that Sussex St has been brought back into short term use and is at full occupancy.
- 2.2 Management Overheads – No adjustment has been proposed to the cost of support services at this stage. This is currently under review and it is likely that the budgeted cost will reduce, although this will be offset by the cost of additional accountancy staffing required to support the preparation for HRA Reform.

OTHER CONSIDERATIONS:

3 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 3.1 The proposals accord with the principles of making the best use of all available resources by continued clear financial planning.

4 RESOURCE IMPLICATIONS:

- 4.1 As detailed in the body of the report.

5 RISK MANAGEMENT ISSUES

- 5.1 A detailed risk assessment was included in CAB2128 dated 9 February 2011 as part of setting the original budget for this year. The assessment determined that it was appropriate to retain balances of £1,250,000 to mitigate against a range of risks. This report maintains a working balance of more than this figure at £1,468,295, a £179,000 increase on the original budget.

6 TACT Comment

- 6.1 The details included in this report were presented to TACT at its meeting on 16 November 2011.
- 6.2 TACT accept the recommendations for the revised HRA Budget for 2011/12

- 6.3 There is little choice if the books have to balance, and to achieve the desired outcome in difficult times. However TACT foresees problems with ever increasing rents in the future, that our homeless hostels will be stretched to their limits. As benefit capping will require tenants to top up their rent with money they do not have, taking them deeper into debt problems. This does not take into account new tenants moving straight into target rents either. TACT know their will be difficult times ahead, and will continue to work through them with the Council to the best of our ability.

BACKGROUND PAPERS

Files held in the Landlord Services and Finance divisions

APPENDICES:

- 1 HRA Revised Budget 2011/12 – Service Summary
- 2 HRA Revised Budget 2011/12 – Subjective Summary

Housing Revenue Revised Account Budget 2011/12

Service Summary

| | 2010/11 Actual | 2011/12 Original Budget | 2011/12 Adjustments | 2011/12 Revised Budget | Notes |
|---|---------------------|----------------------------|------------------------|---------------------------|---------------------------|
| | £ | £ | £ | £ | |
| Housing Management General | | | | | |
| Estate Management | 682,333 | 673,447 | (10,000) | 663,447 | Reduced Supplies |
| HRA General | (1,255,871) | 1,336,513 | (10,000) | 1,326,513 | Reduced Supplies |
| Joint Housing Register | 64,000 | 64,000 | | 64,000 | |
| Removal Incentive Scheme | 1,000 | 6,000 | | 6,000 | |
| Rent Accounting | 288,292 | 252,802 | | 252,802 | |
| Tenants Information | 170,235 | 113,218 | (14,000) | 99,218 | Vacancy Management |
| Vacant Dwellings | 30,907 | 33,292 | | 33,292 | |
| Total | (19,105) | 2,479,272 | (34,000) | 2,445,272 | |
| Housing Management Special | | | | | |
| Central Control | 186,979 | 119,054 | | 119,054 | |
| Communal Services | 48,427 | (25,416) | | (25,416) | |
| Disabled Adaptations | 475,644 | 471,173 | (100,000) | 371,173 | Contribution to Capital |
| Estate Maintenance | 345,761 | 448,506 | | 448,506 | |
| Extra Care | 334,733 | 197,368 | 75,000 | 272,368 | Increased Employee costs |
| Homelessness | 24,720 | 20,534 | (20,000) | 534 | Increased Licence Fees |
| Sewage Works | 178,358 | 156,122 | | 156,122 | |
| Sheltered Housing | 833,830 | 1,132,274 | (60,000) | 1,072,274 | Reduced Employee costs |
| Total | 2,428,452 | 2,519,615 | (105,000) | 2,414,615 | |
| Repairs | | | | | |
| Repairs Administration | 1,380,937 | 948,636 | (72,000) | 876,636 | Vacancy Management |
| Repairs Works | 3,561,582 | 4,045,965 | (572,000) | 3,473,965 | Contribution to Capital |
| Total | 4,942,519 | 4,994,601 | (644,000) | 4,350,601 | |
| Capital Financing | (8,710,313) | 3,939,070 | 672,000 | 4,611,070 | Contribution to Capital |
| Housing Subsidy | 9,132,395 | 10,001,412 | | 10,001,412 | |
| Rents and Other Income | | | | | |
| Dwelling Rents | (20,524,026) | (21,890,000) | (40,000) | (21,930,000) | Increased total projected |
| Garage Rents | (766,617) | (800,000) | | (800,000) | |
| Other Income | (958,289) | (235,000) | | (235,000) | |
| Sheltered Charges | (436,814) | (450,000) | (28,000) | (478,000) | Increased total projected |
| Supporting People | (646,038) | (608,620) | | (608,620) | |
| | (23,331,783) | (23,983,620) | (68,000) | (24,051,620) | |
| Transfer re Insurance Reserve | 0 | 49,650 | | 49,650 | |
| Surplus for year on HRA Services | (15,557,835) | 0 | (179,000) | (179,000) | |
| Adjustments between accounting basis and funding basis under statute & transfers between reserves: | | | | | |
| | 16,469,385 | | | | |
| (Increase)/ decrease in HRA Balance | 911,551 | 0 | (179,000) | (179,000) | |

Housing Revenue Account Revised Budget 2011/12 Subjective Summary

| | 2010/11 Actual £ | 2011/12 Original Budget £ | 2011/12 Adjustments £ | 2011/12 Revised Budg £ |
|--|------------------------|---------------------------------|-----------------------------|------------------------------|
| Employees | 1,002,424 | 3,287,371 | (71,000) | 3,216,371 |
| Premises | 5,218,757 | 5,838,313 | (672,000) | 5,166,313 |
| Transport | 299,473 | 266,225 | | 266,225 |
| Supplies & services | 383,249 | 424,522 | (20,000) | 404,522 |
| Third party payments | 43,640 | 41,000 | | 41,000 |
| Support Services | 1,578,625 | 1,429,966 | | 1,429,966 |
| Capital financing Charges | 0 | 60,000 | 672,000 | 732,000 |
| Depreciation Impairment Costs | (8,707,562) | 4,053,878 | | 4,053,878 |
| External income | (24,296,191) | (25,008,590) | (88,000) | (25,096,590) |
| Transfer payments | 9,132,395 | 10,001,412 | | 10,001,412 |
| Transfers | 0 | (144,097) | | (144,097) |
| Internal Charges | (212,646) | (250,000) | | (250,000) |
| Surplus for year on HRA Services | (15,557,835) | 0 | (179,000) | (179,000) |
| Statutory accounting adjustments | 16,469,385 | | | |
| (Increase)/ decrease in HRA Balance | 911,551 | 0 | (179,000) | (179,000) |

HRA Working Balance

| | | | | |
|--------------------------------------|--------------------|--------------------|--|--------------------|
| Opening Balance | (2,200,846) | (1,289,295) | | (1,289,295) |
| Add Projected Deficit/(Surplus) | 911,551 | 0 | | (179,000) |
| Projected Balance at Year End | (1,289,295) | (1,289,295) | | (1,468,295) |