

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Housing Portfolio Holder Meeting

23 January 2013

**AUTHOR/S:** Executive Director, Corporate Services

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### HRA REVENUE AND CAPITAL ESTIMATES FOR THE HOUSING PORTFOLIO

#### Purpose

1. The purpose of this report is to provide information for the Housing Portfolio Holder on the draft Housing Revenue Account (HRA) Estimates for 2013/14 and the HRA Capital Programme up to 2017/18.
2. This is not a key decision and the report is for information purposes only.

#### Recommendations

3. That the Housing Portfolio Holder notes the information in the report.

#### Reasons for Recommendations

4. Not applicable.

#### Background

5. The estimates for the HRA form part of the overall considerations for the Council's annual budget setting exercise and will be included as part of the overall estimates to be presented to Cabinet on the 18 February 2013 and confirmed by Council on 28 February 2013.
6. The General Fund (GF) revenue and capital estimates are no longer being considered at individual portfolio meetings prior to consideration by the Cabinet. The Housing Director has, however, requested that, in view of the level of HRA capital and revenue income and expenditure, the draft estimates are brought to this meeting for information.
7. Provisions for inflation have been applied to individual estimates only in cases where price increases can be justified. No automatic inflation allowance has been applied, but the 1.9% overall assumption of non-pay inflation in the Medium Term Financial Strategy in line with the Office of Budget Responsibility's forecast has been applied where appropriate.
8. The staffing and central overhead estimates are recharged to services as appropriate. These are termed as Central Departmental and Support Services in the HRA estimates and reflect the current service structure.
9. The summary HRA estimates are set out in **Appendix A** and the HRA Capital programme is shown at **Appendix B**.
10. **Appendix C (1-4)** consists of capital proposal forms for information alongside the capital programme.

## Considerations

### HOUSING REVENUE ACCOUNT

11. A summary of the revenue estimates for the HRA is shown at **Appendix A**. The total estimates have been analysed between direct costs and recharges (from staffing and overhead accounts), so that the direct costs can be identified for comparison. This is considered appropriate because the direct costs, unlike the recharges, are specifically within the control of the relevant cost centre manager.
12. A fundamental change in the way in which the HRA is financed has taken place from 2012/13; with the new “self-financing” regime resulting in the HRA taking on a debt at the end of March 2012 of £205 million. No repayment of the debt principal is planned for some years and the 2013/14 estimates include an amount for interest of £7.2 million. Whilst this is a considerable sum it is far less than the amount payable to the government would have been had the subsidy system remained.
13. In order to meet the new demands arising from the introduction of the self-financing regime and changes to the housing regulatory framework, a restructuring of the Affordable Homes Service has been implemented during this financial year. As a consequence, there has been an increase in the recharges to the HRA from the Staffing and Overhead Accounts; however, there has been a reduction in the direct costs of the sheltered service following the review of the way the service is provided.
14. The estimates have been prepared on the basis that rents are increased in line with the government’s rent restructuring scheme by which the government intends that rents throughout the social housing sector should be similar for similar properties.
15. The inflationary figure to be applied to this year’s rent, in line with the government’s guidance, is 3.1% (based on the September 2012 annual Retail Price Index increase of 2.6% plus 0.5%). To this must be added the amount, if any, required to move towards the target rent, which would bring average increase to 4.9% and the average rent £96 per week.
16. This level of increase has been assumed in the calculations by the government for the purposes of the self-financing settlement and, therefore, not to follow the guidance could result in future funding problems.
17. The service charges for both sheltered housing tenants and leaseholders are set to recover the actual costs of the individual schemes and are also weighted by the number of bedrooms meaning there are around 150 possible levels of charge.
18. The estimates have been prepared on the on the assumption that all the remaining HRA charges are increased in 2013/14 by 1.9%, which is figure used throughout the estimates for general inflation.
19. As in previous years, the minimum level of working balance included in the estimates is £2 million and £1 million has also been set aside for the self-insurance fund reserve.
20. The financial benefits of the self-financing regime mean that in 2013/14 revenue funding of over £4 million can be used to support capital expenditure together with a contribution of £2.5 million to the investment/debt repayment reserve.

## CAPITAL ESTIMATES

21. A substantial HRA capital programme is attached at **Appendix B** this shows estimated expenditure rising to over £13 million a year on repurchase, re-provision, new homes and improvements.
22. Repurchase of HRA Shared Ownership Homes - Although the government allowed the Council to transfer most of its shared ownership properties to the General Fund there are still some remaining which the HRA is legally obliged to repurchase when requested by the leaseholder. This is, therefore, a very unpredictable budget.
23. Re-provision of Existing Homes - Several HRA properties are considered beyond effective repair/refurbishment and it is proposed that they are demolished and the sites used to build replacement homes with lower repair costs and greater fuel efficiency.
24. New Homes Programme -This is the new programme to acquire for and/or build HRA properties and thereby increase the number of social homes in the district. The Council has entered into an agreement with the government, whereby it can retain most of the receipts from Right to Buy (RTB) sales on condition that new social homes are provided; the alternative being that the amount reserved for this purpose is redistributed to fund building programmes in other areas.
25. Major Works and Improvements - This is the programme of investment in the Council's homes to ensure that the properties are modernised and maintained to a good standard and that the improvements identified as priorities by Tenants, such as disabled adaptations, are undertaken.
26. There has been a considerably more interest in the RTB scheme following the raising of the maximum discount last April and, as a consequence, it is estimated that there will be more capital receipts from this source; a portion of which can now be kept by the Council to provide new homes. This together with the increased availability of revenue funding has resulted in a greatly increased HRA capital programme being proposed.
27. The estimates have been prepared on the assumption that, as in previous years, wherever possible HRA capital receipts will be used to support General Fund capital expenditure.
28. In order that all significant capital items may be evaluated consistently throughout the Council, those items in the capital programme in 2013/14 or later that are over £25,000 in value are subject to the completion of a proposal form, for consideration alongside the capital programme being approved. Accordingly, the relevant proposal forms for the HRA are attached at **Appendix C (1-4)** for information.

### Implications

29.

Financial	The financial implications are contained in the body of the report
Legal	There are no direct legal implications resulting from this report. The estimates show the financial effect of decisions that have already been made.
Staffing	There are no additional staffing implications resulting from this report

Risk Management	There do not appear to be any additional risk management implications resulting from this report.
Equality and Diversity	There are no direct equality and diversity implications resulting from this report. Equality and diversity issues will have been considered in the decisions which these estimates reflect.
Equality Impact Assessment completed	No As above.
Climate Change	There are no direct climate change implications resulting from this report. Climate change issues will have been considered in the decisions which these estimates reflect.

### **Consultations**

30. The relevant cost centre managers, who are responsible for setting the level of their respective budgets and controlling the expenditure within them, have been consulted in the compilation of the estimate figures. Tenant consultation has taken place on spending priorities.

### **Consultation with Children and Young People**

31. None

### **Effect on Strategic Aims**

32. To determine the Housing Revenue Account revenue and capital budgets to provide the resources for the Council to continue its HRA services to achieve its strategic aims.

### **Conclusions / Summary**

33. This report sets out the draft HRA revenue estimates for 2013/14 and draft HRA capital estimates for 2013/14 to 2017/18 for information.

**Background Papers:** the following background papers were used in the preparation of this report:

Estimates files within the Finance, Policy and Performance team  
Draft Estimate Book

**Contact Officer:** Gwynn Thomas – Principal Accountant (Housing)  
Telephone: (01954) 713074