

 Executive 12 December 2012		Agenda Item No. <h1 style="text-align: center;">5</h1>
Title	Housing Revenue Account base budgets latest 2012/13 and original 2013/14	
For further information about this report please contact	Mark Smith mark.smith@warwickdc.gov.uk 01926 456803	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers	Executive 6 March 2012 – Housing Revenue Account Draft Business Plan 2012–2062 and Self Financing; Executive 18 April 2012 – Fit For the Future Change Programme Update; Executive 8 August 2012 – Budget Review to 30 June 2012; Executive 10 October 2012 – Fees and Charges 2013/14; Executive 14 November 2012 – Budget Monitoring to 30 September 2012	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes Ref 394
Equality & Sustainability Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive		
Head of Service	n/a	Finance Report
CMT		
Section 151 Officer	19-Nov-2012	Mike Snow
Monitoring Officer		
Finance	n/a	Finance Report
Portfolio Holder(s)	22-Nov-2012	Councillor Vincett
Consultation Undertaken		
None		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

- 1.1 This report sets out the latest projections for the Housing Revenue Account (HRA) revenue budgets in respect of 2012/13 and 2013/14 based on the current levels of service, unavoidable growth and previous decisions. There are further matters that will need to be reviewed in order to finalise the base position as part of the 2013/14 budget setting process as set out in paragraph 7.4.
- 1.2 The proposed 2012/13 Latest Budget presents a working balance of £1.3m on the HRA, as per the approved Housing Business Plan. £3.7m will be contributed to the HRA Capital Investment Reserve.
- 1.3 The proposed 2013/14 Base Budget presents a working balance of £1.4m on the HRA. £4.8m will be contributed to the HRA Capital Investment Reserve.
- 1.4 The budgeted costs and income are within the parameters projected in the 'Housing Business Plan 2012-2062' reported in March 2012.

2. RECOMMENDATIONS

- 2.1 To recommend to Council:
 - (a) the latest revenue budget for Housing Revenue Account services in respect of 2012/13 as outlined in Appendix 'C';
 - (b) the base revenue budget for Housing Revenue Account services in respect of 2013/14 as outlined in Appendix 'C'.
 - (c) that £200,000 of the 2012/13 Capital budget for Disabled Adaptations and associated funding be reprofiled to 2013/14.
 - (d) that £30,000 of the 2012/13 Capital budget for Window & Door replacements be used to fund revenue Fire Prevention works.

3. REASONS FOR THE RECOMMENDATION

- 3.1 The Council is required to determine its budget requirements in order to set Council Housing Rents for 2013/14.

4. POLICY FRAMEWORK

4.1 Policy Framework

The Housing Revenue Account latest base budget 2012/13 and original budget 2013/14 report forms part of the Budgetary Framework which is the resource strategy for implementing Fit for the Future. This report is in accordance with the Council's Financial Strategy as last approved by the Executive in February and updated in the Fit For the Future Change Programme Update Report in April 2012 and Budget Review to 30 June 2012 report in August 2012.

4.2 **Fit For the Future**

A key element of Fit for the Future is ensuring that the Council achieves the required savings to enable it to set a balanced budget whilst maintaining service provision. The Housing Revenue Account is subject to the same regime to ensure efficiency within the service. £30,000 of savings are included in the 2013/14 base budget.

5. BUDGETARY FRAMEWORK

5.1 Members are reminded that the 2013/14 Council Housing Rents will be set in February after budgets are finalised.

5.2 The Housing Business Plan 2012-2062 includes between 2.5% and 3% net inflation for most services for 2013/14. For setting base 2013/14 revenue budgets no inflation has been added to base budgets other than where contracted, to be consistent with the approach taken across the council.

5.3 The HRA balance is maintained at a working balance of £1.25m, increased by inflation each year to preserve the real value. Any additional resources generated in year are transferred to the HRA Capital Investment Reserve.

5.4 However the 2013/14 HRA balance retains an additional element (£122,000) equivalent to the inflation projected for repairs and maintenance in the Housing Business Plan as a contingency, since most contracts are being retendered and future costs are uncertain.

6. ALTERNATIVE OPTION CONSIDERED

6.1 The purpose of this report is to produce budgets as determined under the requirements of the Financial Strategy. Any alternative strategies will be the subject of separate reports.

7. BACKGROUND

7.1 At its meeting on 18 April 2012 the Executive agreed that the management of the Council's Fit For the Future change programme would be through the delivery of the Service Area Plans.

7.2 This report presents the proposed Base Budget for 2013/14. These figures reflect the costs of maintaining the current level of service, and any unavoidable changes in expenditure (for example, where the Council is contractually or statutorily committed to incur additional expenditure). The report also considers the current year's budget, and includes details of proposed updates to the 2012/13 Budget.

7.3 Any recent changes that need to be resolved that have not been included in the budgets at this stage will be fed into the February report.

7.4 In February all the following information should be available:

- 2013/14 Base Budget
- Decision on the option for redeveloping Fetherston Court

7.5 The Council will be in a position to agree the 2013/14 Budget and council housing rents for the year.

7.6 It is uncertain whether the new contracts for many elements of repairs & maintenance starting 1st April 2013 will be finalised and costs reassessed in time for the February 2013 report deadline; if not an update will be provided at the February 2013 meeting and the financial impact will be reported in the first available Budget Review report.

7.7 The report is broken down into the following sections and appendices:

Section 8	Base Budgets
Section 9	2013/14 Base Budgets
Section 10	Latest Budgets 2012/13
Section 11	Conclusions
Appendix A	Analysis of Budget Movements from 2012/13 to 2013/14
Appendix B	Analysis of Budget Movements during 2012/13
Appendix C	Revenue Budgets
Appendix D	Glossary of Terms

8. BASE BUDGETS

8.1 The proposed 2013/14 Base Budgets and 2012/13 Latest Budgets are shown below. More detail is given in Appendix 'C'.

	ORIGINAL BUDGET 2012/13 £	LATEST BUDGET 2012/13 £	BUDGET 2013/14 £
Supervision & Management - General	2,856,800	2,999,700	2,791,100
Supervision & Management - Special	2,181,400	2,175,400	2,235,400
Supervision & Management subtotal	5,038,200	5,175,100	5,026,500
Premises	4,361,800	4,396,600	4,499,000
Supplies and Services	204,000	243,200	724,700
Capital Charges	6,028,400	6,042,000	6,104,100
Total Expenditure	15,632,400	15,856,900	16,354,300
Housing Rents	(23,674,100)	(23,682,500)	(24,777,200)
Other Income	(1,640,100)	(1,631,500)	(1,628,800)
Total Income	(25,314,200)	(25,314,000)	(26,406,000)
NET COST OF SERVICES	(9,681,800)	(9,457,100)	(10,051,700)
Other Operational Expenditure/Income	4,141,400	4,309,900	4,127,400
NET OPERATIONAL EXPEND./(INCOME)	(5,540,400)	(5,147,200)	(5,924,300)
Below the Line adjustments	2,987,600	1,425,400	978,400
Contrib. to HRA Capital Investment Reserve	-	3,689,300	4,791,800
TAKEN FROM / (TO) HRA BALANCES	(2,552,800)	(32,500)	(154,100)

8.2 Section 9 of this report considers the 2013/14 Base Budgets, with Section 10 looking at the 2012/13 Latest Budgets.

8.3 The Housing Revenue Account, (HRA), is a statutory account which itemises all of the income, expenditure and capital charges relevant to the Council's landlord function in being a provider of social housing.

- 8.4 Current Base Budgets for this account show a surplus of £154k for 2013/14.
- £32k is retained in HRA balances to maintain the real value of this working capital after allowing for estimated general inflation.
 - A further £122k is retained in HRA balances as a contingency for possible price increases in the revenue repair and maintenance contracts currently being tendered, in line with the assumed inflation in the Housing Business Plan.

In addition £4.8m is transferred to the HRA Capital Investment Reserve, to fund future capital investment.

- 8.5 Explanations for variations on this account are shown in the first part of Appendix 'A' and sections 'C4' and 'C5' of Appendix 'C'.
- 8.6 'Supervision and Management', totalling £5.0m for 2013/14, as shown in the table above, is an integral part of the HRA. It forms one of the elements of expenditure shown within the HRA, and is not additional to it. The income and expenditure relevant to the day to day operation of the Housing Service is detailed within these elements of the accounts.
- 8.7 The major elements of these costs are highlighted in the second part of Appendix 'A', 'Supervision and Management Costs', with greater detail being provided in Appendix 'C'.
- 8.8 Section 'C6' of Appendix 'C' details net expenditure on Supervision and Management 'General', £2.8m for 2013/14. This is essentially the cost of providing supervision and management and maintenance of the stock and rent collection.
- 8.9 Sections 'C7' to 'C11' detail net expenditure on Supervision and Management 'Special', £2.2m for 2013/14. This mainly consists of the provision of the Warwick Response and warden services, together with caretaking and other landlord functions such as lighting and communal areas in flats.
- 8.10 Section 'C11' details expenditure on revenue repairs and maintenance.

9. 2013/14 BASE BUDGET

- 9.1 In preparing the 2013/14 Base Budget the over-riding principle is to budget for the continuation of services at the existing level. The following adjustments need to be made to the 2012/13 Original Budgets.

- Removal of any one-off and temporary items
- Addition of inflation
- Addition of previously agreed Growth items
- Addition of unavoidable Growth items
- Inclusion of any identified savings

- 9.2 The table below summarises how the 2013/14 HRA base budget has been calculated. Appendix 'A' provides a summary of major changes, Appendix 'C' provides a more detailed analysis of net expenditure for the service.

	£
INITIAL APPROVED NET HRA SURPLUS 2012/13	(2,552,800)
Inflation	-
Committed Growth / Income Reductions	1,504,300
Income / Savings	(1,388,200)
Servicing of Debt - Self Financing	(2,566,400)
Changes in Capital Financing Charges	109,100
Changes in Supervision & Management	(11,700)
Remove IAS 19 Adjustments within Supervision & Management	(40,200)
Contribution to HRA Capital Investment Reserve	4,791,800
NET SURPLUS 2013/14	(154,100)

9.2.1 Inflation

No inflation has been applied to the majority of budgets, the main exception being rents. Dwelling rents have been increased by an average 5.2% in line with the September inflation figure of 3.1%, plus 0.5%, plus the necessary amount for the move to 'Formula Rents', as required in the 'Rent Restructuring' calculation. This has added income of £1.1m to the budget.

9.2.2 Staffing

Staffing costs will reduce by £49,200, due mainly to the end of fixed term posts agreed following the Repairs system review and one of the fixed term posts within the Service Improvement Plan (SIP) agreed by the Executive in February 2011.

9.2.3 Growth / Income Reductions

Only unavoidable and previously committed growth has been included in the Base Budget. The major item is an increase of £520,700 to the bad debts provision to enable the continuing reduction in Former Tenant Account arrears to be written off and allow for increases in rent arrears due to the current economic situation and welfare changes. This provision is as per the agreed Housing Business Plan; due to the uncertainty over the effect of welfare changes it is prudent to provide for bad debts, the actual provision required will be reviewed as appropriate next year.

9.3 Implementation of 'Self Financing' – April 2012

9.3.1 Many of the changes arising from the introduction of 'Self Financing' in April 2012 were already built into the initial 2012/13 budgets.

9.3.2 In line with the longer term debt profile agreed in March 2012, annual interest costs have increased by £170,600, but the budgeted annual contribution of £2.7m towards debt repayment is no longer required as the approved Housing Business Plan does not require any provision in the early years.

9.3.3 Depreciation has been calculated as per Central Government major repairs allowance (MRA), and is effectively transferred to the Major Repairs Reserve to fund part of the HIP capital maintenance programme. The remainder of the

HIP capital maintenance of HRA homes is funded from a revenue contribution to capital outlay (RCCO) from the HRA.

9.3.4 Previously all HRA surpluses were retained in the HRA itself. As agreed in March 2012 any HRA surplus above that required to maintain the appropriate HRA working balance is transferred into the HRA Capital Investment Reserve to be used on HRA capital projects.

9.4 The table below summarises how the 2013/14 Supervision and Management base budget has been calculated, (this is included as part of the HRA budget detailed in the Table above). Appendix 'A' provides a summary of major changes, Appendix 'C' provides a more detailed analysis of net expenditure for the service.

	£
INITIAL BUDGET	
SUPERVISION & MANAGEMENT 2012/13	5,038,200
Inflation	-
Committed Growth	64,300
Staffing	(49,200)
Savings	(43,600)
Income	(5,100)
Changes in Support Service Recharges	(18,300)
IAS19 Adjustments	40,200
INITIAL SUPERVISION & MANAGEMENT BUDGET 2013/14	5,026,500
Overall decrease in expenditure	(11,700)

9.5 Appendix 'C'

9.5.1 Appendix 'C' provides details of service expenditure and income. Explanations are provided where significant variations have been identified.

9.5.2 Following requests from members, summary information is provided graphically in sections 'C2' & 'C3'.

10. LATEST BUDGETS 2012/13

10.1 A review of the 2012/13 budget has also been carried out in order to establish the latest budget for the current year. Appendix 'B' provides a summary of major changes, Appendix 'C' provides a more detailed analysis of net expenditure for the service.

10.2 The proposed 2012/13 Latest Budget presents a surplus of £32,500. This is the amount required to retain a working balance of £1.3m on the HRA, as per the approved Housing Business Plan.

10.3 The major changes from the initial 2012/13 budgeted surplus of £2.6m are:

- The contribution to fund Capital works is increased by £1.2m to fund net slippage; this is not a real increase in costs, just a change in the timing of agreed works across years.
- Removal of the £2.6m budgeted contribution towards repayment of debt which is not required in the approved business plan.

- 10.4 After other smaller changes, detailed in Appendix 'B' and 'C', this leaves an in year surplus of £3.7m which is transferred to the HRA Capital Investment Reserve.
- 10.5 In addition to the revenue budgets, the Capital programme has been reviewed and two changes requested:
- Major Disabled Adaptations to 5 properties requiring the building of extensions will not be completed until early 2013/14. Therefore it is requested that £200,000 of the 2012/13 Capital budget for Disabled Adaptations and associated funding be transferred to 2013/14.
 - £30,000 of the 2012/13 Capital budget for Window & Door replacements is being saved to fund essential Fire Prevention works (revenue repairs and maintenance).
- 10.6 The table below summarises how the latest 2012/13 HRA budget has been calculated:

	£
INITIAL APPROVED NET HRA SURPLUS 2012/13	(2,552,800)
Committed Growth / Income Reductions	1,299,200
Income / Savings	-
Servicing of Debt - Self Financing	(2,566,400)
Changes in Capital Financing Charges	-
Changes in Supervision & Management	136,900
Remove IAS 19 Adjustments within Supervision & Management	(38,700)
Contribution to HRA Capital Investment Reserve	3,689,300
LATEST NET SURPLUS 2012/13	(32,500)

- 10.7 The latest budget for Supervision and Management expenditure is £5.2m, an increase of £136,900 compared with the originally approved budget for 2012/13 of £5.0m

- 10.8 The table below summarises how the latest 2012/13 Supervision and Management budget has been calculated, (this is included as part of the HRA budget detailed in the Table above). Appendix 'B' provides a summary of major changes, Appendix 'C' provides a more detailed analysis of net expenditure for the service.

	£
INITIAL BUDGET	
SUPERVISION & MANAGEMENT 2012/13	5,038,200
Committed One Off Growth	100,000
Staffing	83,100
Savings	(47,000)
Income	(9,000)
Changes in Support Service Recharges	(28,900)
IAS19 Adjustments	38,700
LATEST SUPERVISION & MANAGEMENT BUDGET 2012/13	5,175,100
Overall increase in expenditure	136,900

11. CONCLUSIONS

- 11.1 The proposed Latest 2012/13 Housing Revenue Account (HRA) Budget presents a working balance of £1.3m on the HRA, as per the approved Housing Business Plan. £3.7m will be contributed to the HRA Capital Investment Reserve.
- 11.2 This report, in considering the 2012/13 HRA Latest Budget constitutes the third monitoring report for the year presented to Members.
- 11.3 The proposed 2013/14 HRA Base Budget presents a working balance of £1.4m on the HRA. £4.8m will be contributed to the HRA Capital Investment Reserve.