

Meeting of the Council – 15th October 2007

Report of the Cabinet

Review of Housing Finance

Purpose of Report

1. To consider the proposals of the Cabinet regarding revisions to the Housing Revenue Account (HRA) budgets to reflect latest financial forecasts.

Background

2. The HRA is a ring-fenced revenue account and deals with landlord functions associated with public sector housing. The costs of improvement and programmed maintenance of the Council's housing stock are treated as capital expenditure and are accounted for separately.
3. A report was approved by Cabinet in February 2007 on the deployment of resources for 2007-08 for the Housing Revenue Account and public sector housing capital. This report covered
 - the setting of the rent increase for Council homes from 11 June 2007,
 - the setting of the HRA budget for 2007-08,
 - the setting of a capital expenditure budget for the improvement and programmed maintenance of the Council's housing stock from 2007-08 to 2010-11.
 - the review of the medium-term financial strategy for the HRA and Public Sector Housing Capital.

HRA Revised Budget

4. The current budget for 2007-08, approved by Cabinet on 12th February 2007, shows a surplus on the HRA of £5.476m at 31st March 2008. This budget takes account of the rent increase of £2.91 approved by the February Cabinet and implemented from 11th June 2007.
5. There are a number of small variations to the original budget, arising mainly from resources brought forward from 2006-07, revised projections of house sales, reduced voids, and a technical adjustment to HRA Subsidy. The original 2007-08 budget and the proposed revised 2007-08 budget are shown in Appendix 1.

Housing Management

6. The HRA includes a budget of £14m for housing management across the borough, covering estate offices and central services such as rent control, lettings, house sales and leasehold management.
7. As the provision of the Housing Service is restricted by the constraints of the HRA, this means that the re provision of new services needs to be funded from savings made elsewhere within the HRA. The February Cabinet Report stated, 'growth to fund work under the Government's Respect Agenda, ongoing costs of Choice Based Lettings, debt prevention work in partnership with the Citizens' Advice Bureau, increased capacity for tenancy sustainment and additional support to the Dudley Federation of Tenants' and Residents' Associations...' will need to be funded from efficiency gains in subsequent years.' These development areas were acknowledged by Cabinet as being priorities. In addition members of the Select Committee on the Environment have recently asked if funding could also be found to introduce gardening initiatives for voids and those tenants who are elderly or have disabilities.
8. Under the Housing for the 21st Century agenda some 18 local housing offices were closed to allow for development and improvement of the housing service. Coseley was subsequently closed due to serious health and safety concerns. There now only remain six local housing offices, Shell Corner, Quarry Bank, Pensnett, Wrens Nest, Netherton and Chapel Street. With the exceptions of Chapel Street, which is recognised as needing an on site presence and Wrens Nest where officers involved in the North Priory regeneration are temporarily working from, the primary function of the remaining offices is cash collection.
9. Using 2006-07 data, 70% of all transactions are now done at the Area Offices at an average cost of £1.65 per transaction. Only 30% of transactions are done at the local housing offices with an average transaction cost of £3.07. For comparison purposes the cost of a post office or payzone transaction is 43p. Also the availability of the post office and payzone outlets across the borough are extensive and offer more flexible opening hours than our offices. The annual cost of running the five offices that take cash is around £390k per annum, which cannot be justified as value for money.
10. The identified need for re provision of the services provided by Housing Management to meet changing demands and priorities was agreed at the February Cabinet. In addition, this report has recognised the need to fund a much needed garden initiative. To enable the delivery of these priorities Cabinet has recognised that they can only be delivered if funded from savings made elsewhere in the organisation. To achieve the required savings it is proposed to close the remaining local offices (with the exception of Chapel Street) on a phased basis. The closure of Netherton, Quarry Bank and Pensnett taking place in this financial year, with the Wrens Nest closure being linked to the completion of the housing management work associated with the regeneration of North Priory and Shell Corner linked to completion of regeneration proposals in that area of Halesowen.

Public Sector Housing Capital

11. Additional resources have been identified amounting to £858,000, mainly resulting from house and land sales in excess of previous expectations. It is proposed that these extra resources be allocated to fund additional works within the Public Sector Housing Capital Programme as detailed in the Capital Programme Monitoring report elsewhere on the agenda..

Housing Repairs Account

12. The HRA for 2007-08 includes a budget for repairs and maintenance of £20.3m. This reflects:
 - the cost of maintaining responsive repairs at their current levels to ensure that current service standards can be met;
 - undertaking all required cyclical statutory responsibilities such as servicing of gas appliances, water hygiene testing, warden call equipment and alarms, and lift servicing;
 - maintaining current levels of cyclical maintenance such as external painting of properties, communal decorations to high rise and sheltered accommodation;
 - continuing the ongoing programme to install and maintain smoke alarms;
 - undertaking planned maintenance with specifications addressing improvements to energy efficiency and climate control, specifically targeting those homes with poor energy performance.

It is not proposed to amend this budget. At the end of 2006-07, £6.9m was brought forward to support work in 2007-08 and future years. The current budget projects expenditure in the year of £24.2m, forecasting that the balance carried forward at the end of 2007-08 will reduce to £3m. This reflects the high priority being given to repairs and maintenance as we work towards fully meeting the Decent Homes Standard by 2010.

13. On consideration of the information contained in this report, the Cabinet at its meeting held on 12th September, 2007, resolved to recommend the Council to approve the revised HRA budget for 2007/08 as set out in Appendix 1 to this report. The Cabinet also approved under delegated powers, the closure programme as outlined in paragraph 6 to 10 of the report to fund the initiatives outlined in the February Cabinet report and to enable the introduction of a gardening initiative for voids, the elderly and people with disabilities. They also resolved to recommend the Council to approve an increase of £858,000 in the public sector housing capital budget as set out in the Capital Programme Monitoring report elsewhere on this agenda.

Finance

14. Section 76 of the Local Government and Housing Act places a duty on the Council to ensure that no action will be taken that may cause a deficit to arise on the HRA at 31 March 2008. A duty is also placed on the Council to review the financial prospects of the HRA from time to time. Reviews and regular monitoring carried out confirm that the HRA will be in surplus at 31 March 2008 and therefore complies with the requirements of the Act.

Law

15. The housing finance regime is governed by Sections 74-88 in Part VI of the Local Government and Housing Act 1989.

Equality Impact

16. This is primarily a financial report concerned with forecasting of income and application of resources. Some areas of proposed expenditure are intended to promote independence and improve the quality of life for disadvantaged groups.

Recommendations

17. That the revised Housing Revenue Account budget for 2007-08 as set out in Appendix 1, be approved.

David Caunt

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Leader of the Council

Appendix 1

HRA Revised Budget 2007-08

	Original Budget £m	Proposed Revised Budget £m	Variance £m
<u>Income</u>			
Dwelling rents	-69.302	-69.308	-0.006
Non-dwelling rents	-0.705	-0.705	0.000
Charges for services and facilities	-0.136	-0.136	0.000
Contributions towards expenditure	-1.123	-0.941	0.182
Interest on balances	-0.505	-0.533	-0.028
Total income	-71.770	-71.623	0.147
<u>Expenditure</u>			
Management	13.982	14.785	0.803
Responsive and cyclical repairs	20.316	20.316	0.000
Negative Subsidy	13.820	13.907	0.087
Transfer to Major Repairs Reserve	13.732	13.732	0.000
Interest payable	3.706	3.706	0.000
Revenue contribution to capital expenditure	4.165	4.165	0.000
Other expenditure	1.874	1.862	-0.012
Total expenditure	71.595	72.473	0.878
Surplus/deficit	-0.175	0.850	1.025
Surplus brought forward	-5.301	-6.588	-1.287
Surplus carried forward	-5.476	-5.738	-0.262