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**Meeting:** Social Care, Health and Housing Overview and Scrutiny Committee

**Date:** 12 December 2011

**Subject:** Draft Budget report for the Housing Revenue Account (HRA) within the new Self Financing regime

**Report of:** Cllr Mrs C Hegley, Executive Member for Social Care, Health & Housing

**Summary:** The Committee is asked to consider the draft HRA budget for 2012-13, and in particular the implications arising from the new Self-Financing regime, introduced by the Localism Act 2011. Initially, the introduction of the new regime will result in the Council taking on a new debt of £165m and retaining its rental income to repay this.

Details of the changes to Council House finance are set out in the report to Executive on 6<sup>th</sup> December 2011 (attached at Appendix 1). Forecast income and expenditure streams are presented in the HRA Finance Plan (attached at Appendix 2).

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**Advising Officer:** Julie Ogley, Director of Social Care, Health & Housing

**Contact Officer:** Tony Keaveney, Assistant Director Housing

**Public/Exempt:** Public

**Wards Affected:** Those in which council houses are situated, entirely in the south of Central Bedfordshire

**Function of:** Council

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

1. The report relates directly to the Council's priority to manage Growth effectively, in terms of balancing regeneration and renewal, with Growth.

### **Financial:**

2. Self-financing potentially releases additional resources to invest in the Council's Housing stock, which could include the opportunity for new build provision, for example Extra Care Housing. This could result in efficiency savings to the General Fund, as a result of reduced adult social care expenditure. This is detailed within the Executive report at Appendix 1.
3. At the same time, the Landlord Service is actively embarking on its own efficiency programme, being developed as part of a Value for Money Strategy. The focus on efficiency could lead to a more rapid repayment of debt, thereby reducing interest costs, whilst offering potential for investment in the housing asset.

**Legal:**

4. Not applicable.

**Risk Management:**

5. The risks are set out within the Executive report (appendix 1)

**Staffing (including Trades Unions):**

6. Not applicable.

**Equalities/Human Rights:**

7. The re-provision and re-modelling of sheltered housing would be subject to Equalities Assessments in taking any specific proposals forward.

**Community Safety:**

8. Not applicable.

**Sustainability:**

9. Not applicable.

**Procurement:**

10. Not applicable.

**RECOMMENDATION(S):**

**The Committee is asked to:-**

- 1. Review and consider the draft HRA Budget report, which was presented to the Executive Committee on 6<sup>th</sup> December 2011, on the basis that all comments will be reported to Executive Committee as part of the budget setting process, during February 2012.**
- 2. Consider the future role to be undertaken by the Overview and Scrutiny Committee, to examine opportunities, issues and risks, related to the HRA under the Self-Financing regime.**

**BACKGROUND**

11. The background to the Self Financing regime, and reform of the Housing Subsidy System, can be found in the Budget Report in Appendix 1. The proposals for reform were considered by Overview and Scrutiny Committee during 2009/10
12. The Council is well placed to benefit from the Self financing regime. The housing stock has been independently assessed as being in good condition, whilst rental income is strong and is predicted to grow over the life of the Finance Plan relative to the costs of maintaining the stock.

13. It is proposed to earmark £2.75m in investment (per annum, over the life of the Finance Plan) to a special reserve, the purpose of which is to re-model sheltered housing and potentially to deliver new build extra care housing. However, this money could be used to repay debt. The options for how this Reserve should be used will be kept under Review over the life of the Finance Plan.

## **STRATEGY**

14. The Financial Modelling carried out in recent months indicates that the borrowing required will incur cost around £6m per annum in debt payments, compared with around £10m per annum which would have been made as negative subsidy payments to the Government, had the subsidy system continued in its present form.
15. A Treasury Management group has been established, on an informal basis, to examine the options related to Self-Financing and the debt that will be assigned to Central Bedfordshire Council on 28 March 2012. Membership of this group includes the Council's Leader; and Deputy Leader; as well as the Executive Member and Deputy, for Social care, Health and Housing. This group is exploring options related to the loan portfolio and debt management approach, related to the Council's Treasury Management Strategy.
16. The HRA 30 year Finance Plan (Appendix 2) has been independently verified, as part of a due diligence exercise that included a stock condition survey undertaken during 2011, on the basis of a 40% sample of the stock. The Financial appraisal has also been examined within a Housing Finance model, that is approved by the Chartered Institute of Housing. This model is now being used within the Council for business planning purposes.
17. The Asset Management Strategy is being reviewed to take full account of the opportunities that are emerging under the Self-Financing regime. The development of the Strategy is set out in the Housing Service Plan, and is due to be completed in March 2012, for consultation with tenants during the spring.
18. A Value for Money (VFM) Strategy is currently being developed. An efficiency programme is proposed, as part of the Finance Plan that will deliver £400k in 2012/13 (see Appendix 2) and a similar amount going forward. This programme, once established and approved, will be tracked (monitored) in like manner to the General Fund efficiency programme that is well established within the Directorate.

## **CONCLUSION**

19. The Council will engage with tenants to consider the draft HRA Budget and the changes introduced by the new Self Financing regime during December 2011. All comments made by tenants, as well as comments from the Overview and Scrutiny Committee, will be reported to Executive Committee in February 2012, as part of the Council's budget setting process.
20. The Council's approach, at this time, is essentially to make a successful transition to the new Self Financing regime, avoiding risk, so as to enable the Council to explore opportunities once the transition has been implemented. The new regime clearly offers greater scope for long term planning and to manage the asset more effectively in the future, than was possible under the old subsidy system.

21. There is opportunity for the Council's Overview and Scrutiny Committee to examine the opportunities afforded by the new Self Financing regime during 2012. In particular, there is opportunity to consider the emerging Value for Money Strategy, being developed by the Housing Service, aligned to the Directorate's Efficiency programme. The Committee should also consider the scope to examine opportunities, issues and risks, related to the HRA under the Self-Financing regime, as part of it's work programme.

### **Appendices:**

Appendix 1 – Draft HRA Budget Report to Executive on 6<sup>th</sup> December 2011

Appendix 2 – HRA Finance Plan in summary form

### **Background papers and their location: (open to public inspection)**

Implementing self-financing for council housing. Department for Communities and Local Government (DCLG), February 2011

Modelling business plans for council landlords. (DCLG) February 2011

Self financing: planning the transition. (DCLG) February 2011

All stated papers are located at Watling House, Dunstable, Rm 46, High Street North, LU6 1LF. Alternatively, they are available online at [www.communities.gov.uk](http://www.communities.gov.uk), or on request from Tony Keaveney, Assistant Director Housing.