

Committee: Community

Agenda Item

Date: 22 January 2009

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Title: 2010/11 HOUSING REVENUE ACCOUNT
REVENUE BUDGET AND RENT LEVELS

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Item for
decision

Summary

1. This report sets out the 2010/11 Housing Revenue Account (HRA) budget, and asks Members to approve this, along with increases in rent levels and other charges.
2. The Committee's recommendations will be reported to the Finance & Administration Committee on 9 February ahead of final determination by the Council on 18 February.
3. The information in this report is based upon the DCLG draft 2010/11 housing subsidy determination. The final determination is not expected to be issued until after 25 January. In the event of any changes requiring budgets and rent calculations to be revised, these will be advised to the Finance & Administration Committee and Full Council in February following consultation with the Community & Housing Committee Chairman.
4. The recommendations in this report were discussed at a Tenants Forum meeting on 13 January. The Committee will receive a verbal update of the key issues arising from this discussion.
5. The rent increase is proposed to be an average of 1.5%. This compares with inflation (CPI) which at time of writing this report is 1.9%. The increase brings the average rent to £77.48.
6. The HRA budget for 2010/11 is for an in-year surplus of £75,000, which will bring the HRA Working Balance as at 31 March 2011 to an estimated £736,000.
7. The Government has consulted upon a revised council housing finance system, as previously reported to Members. The outcomes of the consultation are awaited. No changes are expected to take effect in 2010/11.

Recommendations

8. The Committee is recommended to approve, for recommendation to Full Council:
 - a) The Housing Revenue Account 2010/11 Original Budget as shown in Appendix A
 - b) An average increase in dwelling rents of 1.5%
 - c) An increase in garage rents of 1.5%
 - d) Other charges to increase in line with actual costs incurred.

Background Papers

- DCLG HRA Draft Subsidy Determinations 2010/11

Impact

Communication/Consultation	The issues in this report were discussed at the Tenants Forum meeting on 13 January. The Committee will receive a verbal summary of the discussion.
Community Safety	No specific implications.
Equalities	No specific implications.
Finance	Detailed in the report.
Health and Safety	No specific implications
Human Rights	No specific implications.
Legal implications	No specific implications.
Sustainability	No specific implications.
Ward-specific impacts	No specific implications.
Workforce/Workplace	No specific implications.

Housing Revenue Account Original Budget 2010/11

9. Appendix A sets out the HRA Original Budget for 2010/11, together with comparative figures for 2009/10 and 2008/09. Members are recommended to approve the Original Budget.
10. The 2010/11 Original Budget is for a net in-year surplus of £75,000. Below are explanations of the major items contained within the budget.

Dwelling Rents

11. The Government's policy is to bring about a converging pattern of rents for all similar social housing properties. The original intention was to achieve convergence to a "Formula Rent" level by 2011/12. This target date changes according to economic conditions; the draft 2010/11 determination seeks to achieve convergence by 2012/13 i.e. within 3 years. All things being equal, properties with rents below the Formula Rent level would have their rent increased in 2010/11 at such a rate that they would reach the Formula Rent level in 3 years.
12. However, Government specified caps and limits restrict the amount of any individual increase to a maximum of RPI+ ½% + £2. (The RPI is the value in September of the preceding year. In this case, RPI in September 2009 was negative at -1.4%). This is to protect tenants from excessive annual increases.
13. The effect of the caps and limits is that for many properties, the increase in 2010/11 is smaller than that required to reach the Formula Rent level within 3 years.
14. In addition to Formula Rent convergence, calculation of rent increases also takes into account the Government set Limit Rent, the maximum rent for each type of property, which must not be exceeded) and Guideline Rent (the level of rent used in the notional housing subsidy calculation). The average levels applicable to UDC are shown below, together with the Actual Rents charged to tenants:

UDC Subsidy Rent Parameters			
	2009/10 Amended determination	2010/11 Draft determination	Change
	(£/week)	(£/week)	(£/week)
Formula Rent	84.71	83.95	-0.76
Limit Rent	78.11	79.54	+1.43
Guideline Rent	75.81	75.34	-0.47
Actual Rent	76.33	77.48 (proposed)	+1.15

15. Detailed calculations shows that the average weekly increase will be 1.5%. This will increase the calculated average rent by £1.15 from £76.33 to £77.48 per week. Individual rent increases range between 0.08% and 2.62%. This excludes 10 properties whose rent is above Formula Rent and therefore a reduction is applied, the reduction applicable for 2010/11 being 2.32%.

16. The government specifies a limit rent for each authority, which triggers a penalty if rents are set such that the average rent exceeds the limit rent. The proposed average rent (£77.48 per week) is below the limit rent (£79.54 per week) and so the subsidy calculation is unaffected.

Garage Rents

17. In 2009/10 Garage Rents are an average of £8.45 per week. It is proposed that this be increased by 1.5% in line with Dwelling Rents, bringing the average to £8.58.

Charges for Services & Facilities (Council tenants)

Contribution towards expenditure (Private Owners)

18. These are charges for Sheltered Housing, Wardens Services, sewage & water, heating, water and general common services. Tenants and private owners are recharged on the basis of actual cost.

Housing Repairs

19. A modest increase in this budget is proposed. Where possible, work is done on a planned maintenance programme in order to minimise the cost of responsive repairs.

Housing Services

20. The reduction in this budget is because the 2009/10 budget erroneously includes costs of homelessness services that are charged to the General Fund. This has been corrected for 2010/11.

Property Services

21. This budget includes provision for an electrical/mechanical surveyor who will manage central heating and re-wiring contracts to ensure that the Council fulfils its health & safety responsibilities.

Sheltered Housing

22. Sheltered Housing is being reviewed by the Sheltered Housing Task Group. Recommendations for different levels of service and different costs have emerged from this work and are detailed in a report elsewhere on tonight's agenda. The 2010/11 budget has been prepared on the basis that the effect of any changes will be cost neutral.

23. Essex County Council is carrying out a separate Supporting People review. At time of writing this report the annual grant figure had not been determined. An adjustment to the budget may be required when the final figure is known.
24. The Lifeline service supports people both within the HRA and within privately owned accommodation. The cost of the service is fully recovered from users. As service users are charged £46.00 per quarter (= £3.54 per week) for Lifeline services in 2009/10. It is proposed not to increase the charge rate in 2010/11.

Common Service Flats

25. A reduction in this budget has arisen due to savings on gas, electricity and cleaning costs.

Estate Management

26. This budget covers the costs of maintaining non-adopted HRA owned roads, grounds and parking areas.

Negative Housing Subsidy

27. The DCLG issued its Draft 2010/11 Subsidy Determination on 10 December. The final Determination is not expected until after 25 January.
28. The subsidy mechanism identifies notional levels of expenditure, rent and other income. The formula for calculating the subsidy payable for 2010/11 is essentially unchanged from that used for 2009/10. The 'notional' surplus to be paid to central government is £5.136m for 2009/10 and £4.934m for 2010/11 (-3.9%).
29. Below is a breakdown of the subsidy calculation.

<u>Elements of Subsidy Calculation</u>	2009/10 amended	2010/11 draft
	£'000	£'000
Management	1,210	1,263
Maintenance	2,804	2,850
Major Repairs Allowance	1,930	1,955
Rent	(11,118)	(11,041)
Debt management expenses	38	39
Total notional surplus	(5,136)	(4,934)

Contribution to Capital Programme

30. There is sufficient flexibility within the HRA budget to afford a revenue contribution to capital expenditure, in order to ensure that decent home standards are maintained, responsive maintenance is avoided and improvements such as disabled adaptations can be progressed. A sum of £400,000 has been allocated; the actual amount will depend upon the identification of opportunities and progress of capital schemes during the year.

Recharge from General Fund

HRA Share of Corporate Core

31. This sum reflects HRA-related costs that for practical reasons are initially charged to the General Fund, and the HRA share of the Council's overheads. The amount is based upon a detailed recharges methodology that is subject to continuous review to ensure that a fair proportion of costs is met by the HRA.

HRA Balances

32. The forecast HRA Working Balance as at 31 March 2010 is £0.661m and as at 31 March 2011 is £0.736m. The Council's policy, according to the Medium Term Financial Strategy, is to maintain the Working Balance at least at a level of balances equivalent to a 2% contingency (2% of income plus 2% of expenditure). This size of balance is necessary to ensure a safe contingency level.
33. The 2010/11 budget has total income of £12.125m and total expenditure of £12.050m. Based on a 2% contingency, this generates a target Working Balance of £0.484m. As the forecasted balance is above the target level, the intention is to identify opportunities to use the Working Balance to accelerate capital programme schemes and address repairs backlogs. The Committee will be kept informed of progress in this area.

HOUSING REVENUE ACCOUNT

£000	2008/09 Actual	2009/10 Original Budget	2009/10 Current Budget	2009/10 Forecast Outturn	2010/11 Original budget
Dwelling Rents	-10,908	-11,461	-11,118	-11,018	-11,340
Garage Rents	-195	-208	-208	-208	-210
Other rents etc	-4	-6	-6	-6	-6
Charges for Services & Facilities	-565	-488	-488	-488	-477
Contributions towards expenditure	-103	-103	-103	-103	-87
Investment Income	-24	-16	-6	-4	-5
Sub-total – Direct Income	-11,799	-12,282	-11,929	-11,827	-12,125
Housing Repairs	1,566	1,590	1,589	1,589	1,650
Housing Services	319	467	452	412	337
Property Services	298	399	390	334	412
Rent Collection & Accounting	67	79	79	86	81
Sheltered Housing Services	295	368	364	358	360
Common Service Flats	406	480	480	482	371
Housing Sewerage	19	16	17	17	13
Estate Maintenance	154	195	196	195	199
SP Transitional Protection	-50	26	26	26	0
Rents, Rates & Other Property Charges	34	30	30	43	30
Negative Housing Subsidy	5,160	5,469	5,132	5,136	4,935
Depreciation - Dwellings	1,864	1,926	1,926	1,926	1,955
Depreciation - Other assets	252	252	252	254	211
Bad Debt Provision	121	0	0	0	59
Inflation Saving	0	0	15	0	0
Contribution to capital programme	0	0	0	100	400
Sub-total - Direct Expenditure	10,505	11,297	10,948	10,958	11,013
Recharge from General Fund	870	885	885	940	930
HRA Share of Corporate Core	267	267	267	240	267
Pension costs	175	103	103	66	51
Sub-total - Total Net Expenditure	11,817	12,552	12,203	12,204	12,261
Operating deficit	18	270	274	377	136
Transfer from Major Repairs Reserve	-252	-248	-252	-254	-211
In year surplus (-) / deficit	-234	22	22	123	-75
HRA Working Balance					
Balance brought forward	-550	-304	-784	-784	-661
In year surplus (-) / deficit	-234	22	22	123	-75
Balance carried forward	-784	-282	-762	-661	-736