

**WILTSHIRE COUNCIL
CABINET**

11 FEBRUARY 2010

HOUSING REVENUE ACCOUNT BUDGET AND RENT-SETTING 2010/2011

Executive Summary

The report outlines the main points concerning the Housing Revenue Account, including changes resulting from the Government's rent restructuring policy. It proposes that rents increase in line with rent restructuring requirements of a maximum of -1.4% plus £2 per week. Applying this guideline gives an actual average rent increase for April 2010 of £1.39 per week (50 week basis) or 1.83%

Following two years of £2 per week rises to bring garage rents up to more comparable levels with others locally, it is proposed this year not to increase these rents to address the decline in demand for these garages.

Service charges are increased by a maximum of RPI. Utility recharges are increased by a maximum of £1 per week. The report also sets out the budget for 2010/2011 and the revised budget for 2009/2010.

Proposal

It is recommended to Council that:

- (a) The HRA Budget for revised 2009/2010 (revised) and 2010/2011 (original) be approved.
- (b) Councillors approve the increase for dwelling rents in accordance with rent restructuring.
- (c) Councillors approve the level of increase for garage rents at zero percent.
- (d) Councillors approve the level of increase for service charges at a maximum of RPI and utility recharges as a maximum £1 per week.

Reason for Proposal

The Housing Revenue Account (HRA) is a separate account that all local authorities with housing stock are required to maintain by law. An annual rent increase is required each year to comply with government guidelines on rent restructuring

Martin Donovan – Chief Finance Officer
Graham Hogg – Director of Housing

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Purpose of Report

1. To set the Housing Revenue Account budget and agree rent and service charges for 2010/2011.

Background

2. The Housing Revenue Account (HRA) is a separate account that all local authorities with housing stock are required to maintain by law. This account contains all transactions relating to local authority-owned housing. It is a ring fenced account and it is not legal to have a deficit on the account

Main Considerations for the Council

Revenue Budget – Revised 2009/2010 and Original 2010/2011

3. The HRA Budget for 2010/2011 is attached at Appendix A, together with a further statement showing the movement from 2009/2010 original estimate to revised budget and the movement from 2009/2010 original estimate to the original estimate for 2010/2011.
4. Assuming that rents are increased in line with the proposals set out in 3 below, the budget for 2010/2011 shows that income exceeds expenditure and that there will be a contribution to HRA balances of £1,292,120m. A contribution of this level would result in a projected balance as at 31 March 2011 of £10,043,426. This includes using the £3.5m agreed by Councillors earlier in the year for the building of new council housing. The business plan shows that this balance is needed as it will diminish over future years. This has improved the position of the business plan further but more work is required to establish the full impact. Furthermore in February we expect the government to provide further details of how we may be able to go self financing which we anticipate will considerably improve the business plan position and we will provide a report to Councillors on this issue as soon as the guidelines are available.

Rent Restructuring

5. In line with government policy, all Councils and Registered Social Landlords are expected to set their rents using the rent restructuring formulae to meet a target rent by 2012/2013. This was brought back in from the 2023/2024 target last year which had been delayed from the original convergence deadline of 2011 and subsequent target of 2017. The rent for each of the Council's HRA dwellings has been calculated in accordance with the new rent restructuring guidance.
6. The effect in 2010/2011 is to reduce the formula or target rent by £0.64 per week (-1.4%). Applying the transitional arrangements means that the average rent increase for April 2010 will be £1.39 per week (50 week basis) or 1.83%, against a national average of 3.1%. At individual property level rent increases range from a reduction of 2.26% to a rise of 5.13%, with no rent increasing by more than the national maximum of -0.9% + £2 per week, from last years formula rent.
7. Because Wiltshire Council decided to take advantage of the governments offer to reduce the rent rise for 2009/2010, some actual rent rises will appear higher than guidelines. However, we remain compliant within the national guidelines regarding rent restructuring.

Service Charges and Utility Recoveries

8. This area was subject to a thorough review in 2007/08. This resulted in the agreement in principal by the HRA business plan project board to increase service charges by a maximum of RPI as assessed in the subsidy determination and the utility recoveries by a maximum of utility inflation plus £1 per week until such time as costs match expenditure.
9. It will lead to convergence of costs and income on these elements within a shorter time period whilst limiting the annual increases to the tenants. This proposal to increase service charges in this way has been approved by the tenant panel and sheltered housing forum.
10. Due to the detailed work which has been carried out in the area of service and utility charges, it is necessary to create a new sub account which will show the communal element of utility charges separately. This will more accurately reflect the costs to tenants of the various sub categories within their service charge and will involve a reduction in what is shown as the rebateable service charges and a corresponding increase in utility charges but not affect either the overall levels charged, or the tenants eligibility for Housing Benefit.
11. The past year has seen utility deflation, so an increase of £1 will only be applied to those properties that still require the convergence of income to costs

Garage Rents

12. For the 2010/2011 budget a zero rental increase has been assumed on garage rents. After 2 consecutive years of increasing these rents by £2 per week to bring them more in line with private sector rents there has been a reduction in demand. These are outside the restructuring legislation and can be set at a level determined by the Council. The average Garage rent for 2009/2010 was £7.19 per week within Salisbury District.

Capital Programme

13. The detailed Capital (Planned Maintenance) Programme for the HRA will be brought to a future Cabinet meeting for approval.

Reserves

14. The reserves are at a high level because of future demands on the service and will need to be used to ensure the stock is kept up to standard. This is in line with initial projection of the housing business plan. This is currently being reviewed. This will give estimates for reserves for the next 30 years.

Environmental Impact of the Proposal

15. None have been identified as arising directly from this report.

Equalities Impact of the Proposal

16. The proposals do not have a disproportionate impact on any particular groups of people.

Risk Assessment

17. Adherence to the Government Rent Structure policy minimises risks by avoiding possible financial penalties through the subsidy system.

Financial Implications

18. These are contained within the report.

Legal Implications

19. Whilst local authority landlords are not subject to any statutory control in respect of any rents that they charge the Government's rent restructuring policy provides for the calculation and capping of rents.

Conclusions

20. It is recommended to Council that:

- (a) The HRA Budget for revised 2009/2010 (revised) and 2010/2011 (original) be approved.
- (b) Councillors approve the increase for dwelling rents in accordance with rent restructuring.
- (c) Councillors approve the level of increase for garage rents at zero percent.
- (d) Councillors approve the level of increase for service charges at a maximum of RPI and utility recharges as a maximum £1 per week.

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Unpublished documents relied upon in the production of this report:	None
Environmental impact of the recommendations contained in this report:	None

Appendix A : HRA Budget 2010/2011.

APPENDIX A

2008/09		2009/2010	2009/2010	2009/2010	2010/2011
Actual Outturn	Service	Original budget	Latest Approved Month 6	Revised Estimate	Original Estimate
£		£	£	£	£
117,430	HRA Expenditure				
3,447,640	Provision for Bad Debts	30,000	30,000	30,000	30,000
53,059	Capital Financing Costs	3,655,300	3,614,900	3,614,900	3,690,650
7,370,849	Rent Rebates	85,130	85,130	85,130	85,130
4,891,826	HRA Subsidy Payable	7,896,180	7,866,880	7,866,880	7,424,760
2,800	Repairs and Maintenance	4,573,370	4,572,940	4,720,580	4,971,400
709,997	Rent, Rates Taxes etc	2,550	2,550	2,550	2,550
2,777,602	Supervision & Management Special	752,790	695,910	714,210	706,810
	Supervision & Management	3,053,070	3,180,080	2,976,500	3,165,130
19,371,203		20,048,390	20,048,390	20,010,750	20,076,430
	Housing Income				
(378,550)	Interest	(303,620)	(303,620)	(189,620)	(214,620)
(20,279,987)	Rents	(21,220,490)	(21,220,490)	(21,136,930)	(21,153,930)
(20,658,537)		(21,524,110)	(21,524,110)	(21,326,550)	(21,368,550)
	Total Housing Revenue Account	(1,475,720)	(1,475,720)	(1,315,800)	(1,292,120)
(1,287,334)					

Housing Revenue Account Balance

Balance Brought Forward	(10,942,148)	(10,942,148)	(10,942,148)	(12,257,948)
Contribution (to)/from Revenue Account	(1,475,720)	(1,475,720)	(1,315,800)	(1,292,120)
Use of reserves for new build project	-	-	-	3,506,642
Balance Carried forward	(12,417,868)	(12,417,868)	(12,257,948)	(10,043,426)