

Report

Subject : Housing Revenue Account Budget and Rent-Setting 2007/08
Report to : The Cabinet
Date : 31 January 2007
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Cabinet Member for Community & Housing: Councillor Cole-Morgan

EXECUTIVE SUMMARY

The report outlines 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 4.1% plus £2 per week. Applying this guidelines gives an actual average rent increase for April 2007 of £3.71 per week (50 week basis) or 3.86%.

Additionally garage rents and service charges are increase by 4.1%. It also sets out the budget for 2007/2008 and the revised budget for 2006/2007.

1. BACKGROUND

- 1.1 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.
- 1.2 During 2006/2007 the Council undertook a Stock Transfer Ballot. This resulted in the tenants deciding to stay with Salisbury District Council. In order to ensure that the HRA remains viable over the next 30 years, a thorough review of all budgets will need to be undertaken in 2007/2008. Pending this review in most cases the 2007/2008 budget is set as a standstill budget plus inflation of 3%, except where variations are known.



Awarded in:
Housing Services
Waste and Recycling Services



2. REVENUE BUDGET – REVISED 2006/2007 AND ORIGINAL 2007/2008

- 2.1 The HRA Budget for 2007/2008 is attached at Appendix A, together with a further statement showing the movement from 2006/2007 original estimate to revised budget and the movement from 2006/2007 original estimate to the original estimate for 2007/2008.
- 2.2 Assuming that rents are increased in line with the proposals set out in 3 below, the budget for 2007/2008 shows that income exceeds expenditure and that there will be a contribution to HRA balances of £1.165m. A contribution of this level would result in a projected balance as at 31 March 2008 of £8.255m. The business plan shows that this balance is needed as it will diminish over future years. Cuts in expenditure will need to be made in order to make the HRA balance over the next 30 years. These will have to be identified as part of the review of budget during 2007/2008.

3. RENT RESTRUCTURING

- 3.1 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 2011. With effect from April 2006, the formula used by local authorities has been the one used by Registered Social Landlords (RSL). The rent for each of the Council's HRA dwellings has been calculated in accordance with the new rent restructuring guidance.
- 3.2 The effect of using the RSL formula is to increase the formula or target rent by £2.69 per week (4.1%). Applying the transitional arrangements means that the average rent increase for April 2007 will be £3.71 per week (50 week basis) or 3.86%. At individual property level rent increases range from less than 1% to 8.06%, with no rent increasing by more than the national maximum of 4.1% + £2 per week. No rents will decrease.

4. SERVICE CHARGES

- 4.1 For the 2007/2008 budget an increase of 4.1% has been assumed on existing service charges.
- 4.2 The legislation states that the cost of sheltered housing should break even. Unfortunately there have been a number of cost pressures on this budget heading, especially in the area of gas and electricity. At present the service is subsidised by the rest of the HRA by £381,450. In order for this area to breakeven would require a rise in service charges of £14.87 a week.
- 4.3 This area will need to be looked at in order to fully comply with legislation. A full scale review of the service charges will be the subject of a future Cabinet report. Service Charges could be amended, if necessary, at anytime following the completion of this review.

5. GARAGE RENTS

- 5.1 For the 2007/2008 budget an increase of 4.1% has been assumed on garage rents. These are outside the restructuring legislation and can be set at a level determined by the Council. The average Garage rent for 2006/2007 was £6.73 per week within Salisbury City and £3.69 per week outside the city.

6. CAPITAL PROGRAMME

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

7. RESERVES

- 7.1 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.
- 7.2 This is in line with the housing business plan. This is currently being reviewed and will be updated in light of the stock option ballot. This will give estimates for reserves for the next 30 years.

8. RECOMMENDATIONS

- 8.1 It is recommended that:
- 8.1.1 The HRA Budget for revised 2006/2007 (revised) and 2007/2008 (original) be approved.
 - 8.1.2 Members approve the increase for dwelling rents in accordance rent restructuring
 - 8.1.3 Members approve the level of increase for garage rents at 4.1%.
 - 8.1.4 Members approve the level of increase for service charges at 4.1%.

9. IMPLICATIONS

Financial:	As contained within the report
Legal:	None identified.
Human Rights:	The human rights relating to this issue have been considered and any potential interference is considered proportionate to the legitimate end to be achieved.
Personnel:	None
Environmental:	None
Council's Core Values:	The HRA is a financial expression of the Council's aims and objectives as they relate to its own housing stock, and is underpinned by the Council's core values.
Wards:	All

Housing Revenue Account Portfolio

2005/2006			2006/2007	2006/2007	2006/2007	2007/2008
Actual Outturn	Code	Service	Original budget	Latest Approved Month 6	Revised Estimate	Original Estimate
£			£	£	£	£
		HRA Expenditure				
(82,112)	HBD	Provision for Bad Debts	30,000	30,000	30,000	30,000
3,308,356	HCF	Capital Financing Costs	3,364,660	3,364,660	3,377,770	3,458,560
462,253	HRR	Rent Rebates	114,660	114,660	114,660	85,130
5,530,791	HSB	HRA Subsidy Payable	6,396,250	6,048,500	6,048,500	6,689,950
4,267,686	REPMAIN	Repairs and Maintenance	4,389,830	4,274,230	4,330,800	4,547,520
2,580	RRT	Rent, Rates Taxes etc	2,550	2,550	2,550	2,550
535,498	SHELTACC	Supervision & Management Special	488,090	668,090	685,590	693,480
2,627,747	SUPERMAN	Supervision & Management	2,939,670	3,043,020	2,837,390	2,944,670
16,652,798			17,725,710	17,545,710	17,427,260	18,451,860
		Housing Income				
(232,984)	HII	Interest	(170,420)	(170,420)	(244,210)	(227,720)
(18,314,834)	RENTS	Rents	(18,663,590)	(18,663,590)	(18,706,150)	(19,389,460)
(18,547,818)			(18,834,010)	(18,834,010)	(18,950,360)	(19,617,180)
		Total Housing Revenue Account	(1,108,300)	(1,288,300)	(1,523,100)	(1,165,320)
		Housing Revenue Account Balance				
		Balance Brought Forward	(5,567,012)	(5,567,012)	(5,567,012)	(7,090,112)
		Contribution (to)/from Revenue Account	(1,108,300)	(1,288,300)	(1,523,100)	(1,165,320)
		Balance Carried forward	(6,675,312)	(6,855,312)	(7,090,112)	(8,255,432)

COMMUNITY AND HOUSING PORTFOLIO

HOUSING REVENUE ACCOUNT

2006/07 Revised Budget	Variations	2007/08 Original Budget
£		£
(1,108,300)	BASE - 2006/2007 ORIGINAL BUDGET - STANDSTILL	(1,108,300)
	OTHER VARIATIONS	
	<u>Month 3 Budget Variations</u>	
1,880	Increase to SCs contract	1,880
(321,910)	Change in estimate of housing subsidy	(321,910)
8,100	Increase establishment of SHOs	8,100
45,720	Increase recharge to Careconnect	45,720
(17,140)	Remove vehicle leasing budgets, but reinstate insurance	(17,140)
(9,950)	Remove ground maintenance budgets	(9,950)
(293,300)		(293,300)
0	<u>Month 6 Budget Variations</u>	0
0		0
	<u>Month 9 Budget Variations</u>	
13,110	Item 8 charge updated	13,110
(113,990)	Housing Support Officer adjustments	(113,990)
(19,270)	HRA extra vacancy factor	(19,270)
25,420	Central Support Recharges Adjustment	25,420
30	Misc adjustment	30
100,170	Increase in Electric, Gas and Cleaning Contracts on sheltered accommodation	0
(73,790)	Increase interest on balances	0
(41,020)	Increase in Dwelling Rents	0
(1,540)	Increase in Garage Rents	0
(110,880)		(94,700)
	<u>Budget Changes for 2007/08</u>	
	Increase in Dwelling Rents	(716,960)
	Increase in Garage Rents	(8,910)
	Increase interest on balances	(57,300)
	Housing Subsidy determination adjustments	641,450
	Capital financing adjustment	79,010
	Item 8 charge adjustment	1,780
	Rent rebates	(29,530)
	Repairs and maintenance	208,580
	Sheltered Housing inflation	19,000
	Increase in Electric, Gas and Cleaning Contracts on sheltered accommodation	106,510
	Increase in Service Charges	(28,440)
	Supervision and management inflation	17,660
	Pay Inflation	58,750
0		291,600
	<u>Contingency Adjustments opening contingency = £10620</u>	
	<u>Month 3 Contingency Variations</u>	
293,300	Allocation of contingency per month 3 Budgets variation above	293,300
(180,000)	Stock transfer costs attributable to the HRA	(180,000)
113,300		113,300
0	<u>Month 6 Contingency Variations</u>	0
0		0
	<u>Month 9 Contingency Variations</u>	
110,880	Allocation of contingency per month 9 Budgets variation above	94,700
(234,800)	Remove unused contingency to zero in 2006/2007	0
(123,920)		94,700
	<u>2007/2008 Contingency Variations</u>	
	Pay Inflation	(58,750)
	Remove unallocated contingency down to £50,000 in 2007/2008	(109,870)
0		(168,620)
(1,523,100)	TOTAL COMMUNITY AND HOUSING PORTFOLIO	(1,165,320)