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Report

Subject : Housing Revenue Account Budget and Rent-Setting 2008/2009
Report to : The Cabinet
Date : Wednesday 30 January 2008
Report of : Head of Financial Services
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Cabinet Member for Housing: Councillor Ian Tomes

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 4.4% plus £2 per week. Applying this guideline gives an actual average rent increase for April 2008 of £3.07 per week (50 week basis) or 4.29%.

Additionally garage rents are increased by £2 per week. (More details of this can be found in the HRA Garage Rent report elsewhere on the agenda).

Service charges are increased by a maximum of RPI. Utility recharges are increased by a maximum of utility inflation plus £1 per week. The report also sets out the budget for 2008/2009 and the revised budget for 2007/2008.



Awarded in:
Housing Services
Waste and Recycling Services



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.

2. REVENUE BUDGET – REVISED 2007/2008 AND ORIGINAL 2008/2009

- 2.1 The HRA Budget for 2008/2009 is attached at Appendix A, together with a further statement showing the movement from 2007/2008 original estimate to revised budget and the movement from 2007/2008 original estimate to the original estimate for 2008/2009.
- 2.2 Assuming that rents are increased in line with the proposals set out in 3 below, the budget for 2008/2009 shows that income exceeds expenditure and that there will be a contribution to HRA balances of £0.978m. A contribution of this level would result in a projected balance as at 31 March 2009 of £9.5m. 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 2008/2009.

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 2017. This was delayed in this year from the original convergence deadline of 2011. 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 is to increase the formula or target rent by £3.00 per week (4.4%). Applying the transitional arrangements means that the average rent increase for April 2009 will be £3.07 per week (50 week basis) or 4.29%. At individual property level rent increases range from less than 2.67% to 6.88%, with no rent increasing by more than the national maximum of 4.4% + £2 per week. No rents will decrease.

4. SERVICE CHARGES AND UTILITY RECOVERIES

- 4.1 This area has been subject of a thorough review during the year. This resulted in the agreement in principal by the HRA business plan project board to increase service charges in the 2008/2009 budget 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.
- 4.2 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.

5. GARAGE RENTS

- 5.1 For the 2008/2009 budget an increase of £2 per week 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 2007/2008 was £3.36 per week within Salisbury District. More details can be found in the HRA Garage Rent report elsewhere on the agenda.

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 initial projection of the housing business plan. This is currently being reviewed. This will give estimates for reserves for the next 30 years.

8. RECOMMENDATIONS

- 8.1 It is recommended to Council that:
- 8.1.1 The HRA Budget for revised 2007/2008 (revised) and 2008/2009 (original) be approved.
 - 8.1.2 Members approve the increase for dwelling rents in accordance with rent restructuring
 - 8.1.3 Members approve the level of increase for garage rents at £2 per week.
 - 8.1.4 Members approve the level of increase for service charges at a maximum of RPI and utility recharges as a maximum of utility inflation plus £1 per week.

9. IMPLICATIONS

Financial:	As contained within the report
Legal:	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.
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

2006/2007			2007/2008	2007/2008	2007/2008	2008/2009
Actual Outturn	Code	Service	Original budget	Latest Approved Month 6	Revised Estimate	Original Estimate
£			£	£	£	£
		HRA Expenditure				
183,750	HBD	Provision for Bad Debts	30,000	30,000	30,000	30,000
3,377,770	HCF	Capital Financing Costs	3,458,560	3,458,560	3,458,560	3,489,530
115,213	HRR	Rent Rebates	85,130	85,130	85,130	85,130
6,047,062	HSB	HRA Subsidy Payable	6,689,950	6,689,950	6,689,950	7,502,370
4,113,752	REPMAIN	Repairs and Maintenance	4,547,520	4,548,490	4,555,110	4,552,540
2,594	RRT	Rent, Rates Taxes etc	2,550	2,550	2,550	2,550
749,877	SHELTACC	Supervision & Management Special	693,480	697,520	719,270	770,640
2,754,477	SUPERMAN	Supervision & Management	2,944,670	2,939,660	2,916,220	2,986,670
17,344,495			18,451,860	18,451,860	18,456,790	19,419,430
		Housing Income				
(302,234)	HII	Interest	(227,720)	(227,720)	(349,620)	(303,620)
(18,758,237)	RENTS	Rents	(19,389,460)	(19,389,460)	(19,389,460)	(20,093,900)
(19,060,471)			(19,617,180)	(19,617,180)	(19,739,080)	(20,397,520)
		Total Housing Revenue Account	(1,165,320)	(1,165,320)	(1,282,290)	(978,090)
		Housing Revenue Account Balance				
		Balance Brought Forward	(7,282,987)	(7,282,987)	(7,282,987)	(8,565,277)
		Contribution (to)/from Revenue Account	(1,165,320)	(1,165,320)	(1,282,290)	(978,090)
		Balance Carried forward	(8,448,307)	(8,448,307)	(8,565,277)	(9,543,367)

COMMUNITY AND HOUSING PORTFOLIO

HOUSING REVENUE ACCOUNT

2007/08 Revised Estimate	Variations	2008/09 Original Estimate
£		£
(1,165,320)	BASE - 2007/2008 ORIGINAL BUDGET - STANDSTILL	(1,165,320)
	OTHER VARIATIONS	
	<u>Month 3 Budget Variations</u>	
13,260	Budget for BPR	13,260
13,260		13,260
	<u>Month 6 Budget Variations</u>	
0		0
	<u>Month 9 Budget Variations</u>	
42,420	Adjustment of corporate charge to HRA	42,420
13,240	CSR Adjustment	13,240
(13,990)	Housing restructure	(13,990)
(121,900)	Investment income increase to new estimate	(121,900)
(80,230)		(80,230)
	<u>Budget Changes for 2007/08</u>	
	Increase in Dwelling Rents	(594,440)
	Increase in Gargage Rents	(110,000)
	Housing Subsidy determination adjustments	812,420
	Item 8 charge adjustments	30,970
	Investment income increase to new estimate	46,000
	Pay Award Allocation	27,150
	Sheltered Housing Inflation	70,250
	Sheltered Housing Income increases	(28,150)
0		254,200
	<u>Contingency Adjustments Opening contingency = £50,000</u>	
	<u>Month 3 Contingency Variations</u>	
(13,260)	Allocation of contingency per month 3 budget variations above	(13,260)
(13,260)		(13,260)
	<u>Month 6 Contingency Variations</u>	
0		0
	<u>Month 9 Contingency Variations</u>	
80,230	Allocation of contingency per month 9 budget variations above	80,230
(116,970)	Remove unused contingency to zero in 2007/2008	
(36,740)		80,230
	<u>2007/2008 Contingency Variations</u>	
0	Remove unused contingency to £50,000 in 2008/2009	(66,970)
		(66,970)
(1,282,290)	TOTAL COMMUNITY AND HOUSING PORTFOLIO	(978,090)