

Housing Management
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Report

Subject : Housing Revenue Account Budget and Rent-Setting 2009/2010

Report to : The Cabinet

Date : Wednesday 28 January 2009

Report of : Head of Housing Management

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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 5.5% plus £2 per week. Applying this guideline gives an actual average rent increase for April 2009 of £4.59 per week (50 week basis) or 5.44%.

Additionally garage rents are increased by £2 per week in accordance with the member decision made last year.

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 2009/2010 and the revised budget for 2008/2009.

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 2008/2009 and Original 2009/2010:

2.1 The HRA Budget for 2009/2010 is attached at Appendix A, together with a further statement showing the movement from 2008/2009 original estimate to revised budget and the movement from 2008/2009 original estimate to the original estimate for 2009/2010.

2.2 Assuming that rents are increased in line with the proposals set out in 3 below, the budget for 2009/2010 shows that income exceeds expenditure and that there will be a contribution to HRA balances of £1.48m. A contribution of this level would result in a projected balance as at 31 March 2010 of £12.1m. 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 before reporting this to members.



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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 2023/24. This was further delayed in this year 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.

3.2 The effect is to increase the formula or target rent by £3.92 per week (5.5%). Applying the transitional arrangements means that the average rent increase for April 2009 will be £4.59 per week (50 week basis) or 5.44%. At individual property level rent increases range from less than 4.55% to 6.81%, with no rent increasing by more than the national maximum of 5.5% + £2 per week. No rents will decrease.

4. Service Charges and Utility Recoveries:

4.1 This area was subject to a thorough review in 2007/08. This resulted in the agreement in principle 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.

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 2009/2010 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 2008/2009 was £5.36 per week within Salisbury District.

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: It is recommended to Council that:

8.1.1 The HRA Budget for revised 2008/2009 (revised) and 2009/2010 (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

| 2007/2008 | | | 2008/2009 | 2008/2009 | 2008/2009 | 2009/2010 |
|---------------------|----------|--|---------------------|----------------------------|---------------------|---------------------|
| Actual Outturn | Code | Service | Original budget | Latest Approved Month 6 | Revised Estimate | Original Estimate |
| £ | | | £ | £ | £ | £ |
| | | HRA Expenditure | | | | |
| (153,060) | HBD | Provision for Bad Debts | 30,000 | 30,000 | 30,000 | 30,000 |
| 3,456,780 | HCF | Capital Financing Costs | 3,489,530 | 3,489,530 | 3,489,530 | 3,655,300 |
| 97,234 | HRR | Rent Rebates | 85,130 | 85,130 | 85,130 | 85,130 |
| 6,565,267 | HSB | HRA Subsidy Payable | 7,502,370 | 7,502,370 | 7,502,370 | 7,896,180 |
| 4,094,168 | REPMAIN | Repairs and Maintenance | 4,552,540 | 4,552,540 | 4,552,540 | 4,573,370 |
| 2,601 | RRT | Rent, Rates Taxes etc | 2,550 | 2,550 | 2,550 | 2,550 |
| 748,402 | SHELTACC | Supervision & Management Special | 770,640 | 770,640 | 770,640 | 752,790 |
| 2,630,463 | SUPERMAN | Supervision & Management | 2,986,670 | 2,986,670 | 2,986,670 | 3,053,070 |
| 17,441,855 | | | 19,419,430 | 19,419,430 | 19,419,430 | 20,048,390 |
| | | Housing Income | | | | |
| (421,660) | HII | Interest | (303,620) | (303,620) | (303,620) | (303,620) |
| (19,392,021) | RENTS | Rents | (20,093,900) | (20,093,900) | (20,093,900) | (21,220,490) |
| (19,813,681) | | | (20,397,520) | (20,397,520) | (20,397,520) | (21,524,110) |
| | | Total Housing Revenue Account | (978,090) | (978,090) | (978,090) | (1,475,720) |
| | | Housing Revenue Account Balance | | | | |
| | | Balance Brought Forward | (9,654,814) | (9,654,814) | (9,654,814) | (10,632,904) |
| | | Contribution (to)/from Revenue Account | (978,090) | (978,090) | (978,090) | (1,475,720) |
| | | Balance Carried forward | (10,632,904) | (10,632,904) | (10,632,904) | (12,108,624) |

COMMUNITY AND HOUSING PORTFOLIO

HOUSING REVENUE ACCOUNT

| 2008/09 Revised Estimate | Variations | 2009/10 Original Estimate |
|--------------------------------|---|---------------------------------|
| £ | | £ |
| (1,028,090) | BASE - 2008/2009 ORIGINAL BUDGET - STANDSTILL | (1,028,090) |
| | OTHER VARIATIONS | |
| | <u>Month 3 Budget Variations</u> | |
| (69,700) | Subsidy Adjustment | (69,700) |
| (149,560) | Restructures | (149,560) |
| 5,750 | JE Regrading | 5,750 |
| (213,510) | | (213,510) |
| | <u>Month 6 Budget Variations</u> | |
| 30,000 | Handyperson service | 30,000 |
| 30,000 | | 30,000 |
| | <u>Month 9 Budget Variations</u> | |
| 0 | | 0 |
| | <u>Budget Changes for 2009/10</u> | |
| | Increase in Dwelling Rents | (1,031,590) |
| | Increase in Gargage Rents | (95,000) |
| | Increase in Service Charges and utility recoveries | (25,650) |
| | Housing Subsidy determination adjustments | 393,810 |
| | Item 8 charge adjustments | 5,400 |
| | Depreciation/MRA adjustment | 160,370 |
| | Pay Award Allocation | 55,030 |
| | Additional funding tenants participation | 40,000 |
| 0 | | (497,630) |
| 50,000 | <u>Contingency Adjustments Opening contingency = £50,000</u> | 50,000 |
| | <u>Month 3 Contingency Variations</u> | |
| 69,700 | Subsidy Adjustment | 69,700 |
| 149,560 | Restructures | 149,560 |
| (5,750) | JE Regrading | (5,750) |
| 263,510 | | 263,510 |
| | <u>Month 6 Contingency Variations</u> | |
| (30,000) | Handyperson service | (30,000) |
| (30,000) | | (30,000) |
| | <u>Month 9 Contingency Variations</u> | |
| 0 | | 0 |
| | <u>2009/2010 Contingency Variations</u> | |
| 0 | | 0 |
| (978,090) | TOTAL COMMUNITY AND HOUSING PORTFOLIO | (1,475,720) |