

Wiltshire Council

**Joint Overview and Scrutiny Select Committees
10 February 2011**

**Cabinet
15 February 2011**

**Council
22 February 2011**

**Subject: Housing Revenue Account Budget and Rent-Setting
2011/2012**

**Cabinet Member: Councillor Fleur de Rhe Philippe – Finance, Performance
and Risk**

Key Decision: Yes

Executive Summary

The report outlines the main points concerning the Housing Revenue Account, including changes resulting from the Government's rent restructuring policy and the HRA reforms that are planned for 2012/13.

Proposal

It is recommended to Council that:

- (a) The HRA Budget for revised 2010/2011 (revised) and 2011/2012 (original) is approved.
- (b) Councillors approve the increase for dwelling rents in accordance with rent restructuring.
- (c) Councillors approve an increase of 4.6% for service charges.
- (d) Councillors approve that there be no increase to garage rents to avoid an adverse effect on void rates.

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 complies with discretionary government guidelines on rent restructuring

Michael Hudson – Interim Chief Finance Officer

Wiltshire Council

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Purpose of Report

1. To set the Housing Revenue Account budget and agree rent and service charges for 2011/2012.

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 2010/2011 and Original 2011/2012

3. The HRA Budget for 2011/2012 is attached at Appendix A, together with a further statement showing the movement from 2010/2011 original estimate to revised budget and the movement from 2010/2011 original estimate to the original estimate for 2011/2012.
4. Assuming that rents are increased in line with the proposals set out in 5 & 6 below, the original budget for 2011/2012 shows that income does exceed expenditure and that there will be a contribution to HRA balances of £0.411m before adjustments. A contribution of this level would result in a projected balance as at 31 March 2012 of £10.656m after the adjustments detailed in this report. The adjustments include using a total of £3.5m of reserves between 2010/11 and 2011/12 as agreed by Councillors for the building of new council housing, will be reflected in an increase to the HRA asset valuation within the Council's balance sheet.

The HRA business plan shows that this balance is required as it is forecast for future years under the current subsidy regime. Furthermore the Government's proposal for Councils to have self-financed housing revenue accounts is due to receive Royal Assent in July through the Localism bill. We anticipate that this change will improve the business plan position to enable service enhancements and the level of maintenance. This will be fully modelled following the release of the self-financing figures for the new HRA regime which dismantles the current subsidy system.

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 in 2008/09 which had been delayed from the original convergence deadline of 2011 and subsequent target of April 2015. The rent for each of the Council's HRA dwellings has been calculated in accordance with the rent restructuring guidance.
6. The effect in 2011/2012 is to increase the formula or target rent by £3.80 per week (5.1%). Applying the transitional arrangements means that the average rent increase for April 2011 will be £2.59 per week calculated on a 50 week basis or 3.3%, against a national average of 6%. At individual property level rent increases range from 1.6% to a rise of 4.8%, with no rent increasing by more than the national maximum of RPI plus 0.5% + £2 per week, from last year's rent.

Service Charges and Utility Recoveries

7. Upon reviewing service charges that are currently made to sheltered tenants and leaseholders it is necessary to increase these in line with inflation to cover the anticipated utility and service costs for 2011/12 by the 4.6% inflation factor.
8. From the recent housing inspection it was recommended that service charges be introduced for those tenancies which currently receive communal services. This was brought to the attention at a recent tenants panel where it was recommended that communal services were expanded to all flatted properties. To cost these services individually will require further work and therefore after consultation with tenants we anticipate these new service charges will be introduced as soon as possible and therefore are not reflected in the budget due to the uncertainty. These will further increase the viability of the HRA business plan.

Garage Rents

9. For the 2011/2012 budget garage rents are not increased to avoid any further increases in void levels. The future of the use of garages is being considered in the wider context within the Housing asset management strategy.

Capital Programme

10. The detailed Capital (Planned Maintenance) Programme for the HRA has been previously brought to Cabinet as part of the 5 year programme.
11. Housing Management plans to seek approval to procure a new housing computer system as recommended by the Housing Commission in response to a recent Audit Commission report. A business case for the new system has already been put together. Soft market testing suggests that this will cost around £400k for the system itself and around £300k for implementation. This would be met from the HRA reserves and is not part of the adjustments for use of reserves as detailed in this report. This will be considered through the Capital Assets Committee early in 2011-2012.

Improvement Plan

12. As a result of the recent housing inspection an improvement plan has commenced to implement service enhancements as recommended by the report. A budget of £250k has been allocated between 2010/11 and 2011/12 to implement these improvements and is contained within the Supervision and Management budget.
13. Housing is currently in the process of repackaging the delivery of day to day and planned maintenance services. It is likely that these will come into force in 2012/13 where any potential savings from current rates will be included in future budgets. A recent value for money review of the day to day service identified that the current service is provided at a low cost.

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 and maintained at a reasonable standard.

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. Prior to the implementation of the HRA self-financing reforms, adherence to the Government Rent Structure policy minimises risks by avoiding possible financial penalties through the subsidy system.
18. The business case for the new housing management system that is being proposed has identified that no extraordinary risks apply in the delivery of this project. Security of information and data will be protected by strict

adherence of Wiltshire's security policy. All aspects of the project will comply with Wiltshire's Health & Safety and Risk Awareness policy. Daily project management and risk/issue reporting will identify known/unknown and potential problems, and report these to the project board for categorisation, prioritisation, logging and mitigation.

Financial Implications

19. These are contained within the report.

Legal Implications

20. 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 guidance of calculation and capping of rents.

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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 2011/2012.

APPENDIX A

2009-10		2010-11	2010-11	2010-11	2011-12
Actual Outturn	Service	Original Budget	Latest Approved Month 6	Revised Estimate	Original Estimate
£		£	£	£	£
	HRA Expenditure				
48,600	Provision for Bad Debts	30,000	30,000	30,000	48,600
3,574,000	Capital Financing Costs	3,690,650	3,690,650	3,690,650	3,831,933
1,700	Rent Rebates	85,130	85,130	258,240	46,940
7,556,300	HRA Subsidy Payable	7,449,760	7,449,760	7,449,760	8,384,230
4,579,800	Repairs & Maintenance	4,971,400	4,971,400	4,969,080	5,014,880
300	Rents, Rates, Taxes etc.	2,550	2,550	2,550	2,550
570,400	Supervision & Management Special	706,810	831,810	705,520	671,780
2,749,000	Supervision & Management	3,140,130	3,140,130	3,257,230	3,290,472
19,080,100		20,076,430	20,201,430	20,363,030	21,291,385
	HRA Income				
(138,000)	Interest	(214,620)	(214,620)	(214,620)	(125,370)
(20,745,600)	Rents	(21,153,930)	(21,153,930)	(21,153,930)	(21,577,105)
(20,883,600)		(21,368,550)	(21,368,550)	(21,368,550)	(21,702,475)
(1,803,500)	Total Housing Revenue Account	(1,292,120)	(1,167,120)	(1,005,520)	(411,090)
(10,942,000)	Housing Revenue Account Balance				
(1,803,500)	Balance Brought Forward	(12,745,500)	(12,745,500)	(12,745,500)	(11,509,590)
0	Contribution (to)/from Revenue Account	(1,292,120)	(1,167,120)	(1,005,520)	(411,090)
	Use of reserves for New Build Project	2,241,430	2,241,430	2,241,430	1,265,000
(12,745,500)	Balance Carried Forward	(11,796,190)	(11,671,190)	(11,509,590)	(10,655,680)