

EXECUTIVE COMMITTEE

11th February, 2014

HOUSING REVENUE ACCOUNT INITIAL ESTIMATE 2014/15

Relevant Portfolio Holder	Councillor Mark Shurmer, Portfolio Holder for Housing
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Director Finance & Resources Liz Tompkin, Head of Housing
Wards Affected	All Wards
Ward Councillor Consulted	N/A
Key Decision	

1. SUMMARY OF PROPOSALS

To present Members with the Initial Estimates for the Housing Revenue Account for 2014/2015 and the proposed dwelling rents for 2014/2015.

2. RECOMMENDATIONS

The Committee is asked to RECOMMEND that

- 1) the draft 2014/2015 Estimates for the Housing Revenue Account attached to the report at Appendix A, be approved;**
- 2) the actual average rent increase for 2014/2015 be 5.13% (3.2% RPI plus 1.93% due to rent restructuring); and**
- 3) that £3.5m be transferred to a reserve as a Revenue Contribution to Capital to fund the future Capital Programme and repay borrowing.**

3. KEY ISSUES

Financial Implications

- 3.1 This report only considers those items included in the Housing Revenue Account (HRA). General Fund items will be considered separately when setting the Council Tax.
- 3.2 The system of housing revenue account subsidy ceased on the 31st March 2012 and was replaced with a devolved system of council housing finance called self-financing. The proposal in the form of a financial settlement meant a redistribution of the 'national' housing debt. This resulted in the Council borrowing £98,929 million from the PWLB.

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- 3.3 Self-financing has placed a limit (Debt Cap) on borrowing for housing purposes at the closing position for 2011/12. This is set at £122,158,000. The figures at Appendix A allow for the payment of interest on this sum. This means that all future capital programmes will have to be funded from revenue contribution, capital receipts or grants.
- 3.4 Rent restructuring was introduced in 2002/03. Members agreed to increase rents in line with this policy at the time and must now adhere to this for the final year. The objective of this is set out in a Government policy statement "Quality and Choice: A Decent Home for All – The Way Forward for Housing". It is proposed that rent setting in the social housing sector should be brought on to a common system based upon relative property values and local earning levels. The intention was for there to be rent convergence between sectors within 10 years. Briefly, the rent increase each year should be based on an increase for inflation plus an adjustment of 10% of the difference between the formula rent and the actual rent on an individual property basis. The 10% adjustment, which is aimed at achieving the formula rent for all properties within 10 years, may result in an increase or decrease in rent. The target date for rent convergence now is 2015/16. In valuing each local authority's housing business the Government has assumed continued adherence to this rent policy.
- 3.5 Failure to increase the rents by the recommended amount will affect the authorities ability to manage the debt in line with the 30 year Business case that was agreed as part of self-financing. The capital programme for maintaining our stock at decent homes standards also requires a high level of investment which can only be achieved by increasing our rents.

2014/15

- 3.6 This section of the report outlines the major issues which have an impact upon the Housing Revenue Account budget setting process for 2014/15.
- 3.7 Based on the RPI figure for September of 3.2% and using the rent restructuring formula for calculating dwelling rents, the actual average rent increase for 2014/15 will be 5.13%. The average rent on a 52 week basis will be £78.59 or £85.14 on a 48 week basis. This compares to the actual average for 2013/14 on a 52 week basis of £74.76 and £80.99 on a 48 week basis.

Capital Resources

- 3.8 From the 1st of April 2004 capital receipts from the sale of housing land and dwellings have been subject to pooling, (75% of Right to Buy

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(RTB) receipts have to be paid to the Government for redistribution). Officers have estimated that in the short term the number of RTB sales for this Council will be around 20 per annum, generating around £400k in usable capital receipts.

3.9 The introduction of the Major Repairs Allowance from April 2001 provided the Council with additional capital resources. With the introduction of self-financing and the end of the subsidy system that determined this arrangement, £3,843,949 was transferred from the Housing Revenue Account into a Major Repairs Reserve for 2011/12. In place of this transfer to a Major Repairs Reserve each authority will be required to transfer an amount to the Reserve in respect of depreciation. This Reserve will continue to be available to fund capital expenditure for Housing Revenue Account purposes and to repay borrowing. The self-financing determination provides for a 5 year transitional period before the full depreciation figure must be funded. It is permissible to use the uplifted Major Repairs Allowance, which for 2014/15 will be £5,986,920.

3.10 The Council has previously made transfers of monies from the HRA, when resources permit, to a reserve to fund future capital programmes. It is estimated that there will be sufficient resources in the HRA in 2014/15 to allow £3.5m to be transferred in this way. With the introduction of a Debt Cap from 1st April 2012 these monies will be required to support the Housing Capital Programme. The approved capital programme for 2014/15 totals £7.25 million.

Housing Repairs Account

3.11 The budgeted contribution to the Housing Repairs Account as shown at Appendix A is £4,665,630 for 2014/15, including inflationary increases where appropriate.

Right to Buy Scheme – Rent Income

3.12 The 2014/15 figures at Appendix A allow for the sale of 20 Council homes. The full effect is an anticipated £81,730 loss of rent income.

Housing Revenue Account Balances

3.13 The Section 151 Officer has previously advised Members on the minimum level of revenue balances to be maintained in lieu of unforeseen events affecting the Housing Revenue Account and the Council's housing stock. Members have previously approved the retention of a minimum balance of £600,000.

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- 3.14 The figures shown in Appendix A indicate that the estimated balance carried forward at the 1st April 2014 will be £1,076,102 which will leave a working balance of £1,150,912 at the 31st March 2015.

Legal Implications

- 3.15 Section 76 of the Local Government and Housing Act 1989 requires that the Council sets its budget relating to the Housing Revenue Account such that the account does not plan to be in a deficit position.

Service/Operational Implications

- 3.16 The Council needs to approve the rents in a timely manner in order to allow officer time to notify the tenants of the annual rent increase.

Customer/Equalities and Diversity Implications

- 3.17 The rent restructuring model aims to equalise the rents for tenants of similar properties within the Council housing stock.

4. RISK MANAGEMENT

There is a risk to the HRA Capital Programme if sufficient resources do not exist within the Housing Revenue Account to provide funding now that the Council is unable to borrow to fund the housing capital programme.

5. APPENDICES

Appendix A – Housing Revenue Account 2014/15.

6. BACKGROUND PAPERS

None.