

REDDITCH BOROUGH COUNCIL

**EXECUTIVE
COMMITTEE**

1st February 2011

HOUSING REVENUE ACCOUNT INITIAL ESTIMATE 2011/12

Relevant Portfolio Holder	Councillor Brandon Clayton, Housing, Local Environment & Health.
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources/ Liz Tompkin, Head of Housing.
Key Decision	

1. SUMMARY OF PROPOSALS

To present Members with the Initial Estimates for the Housing Revenue Account for 2011/12 and the proposed dwelling rents for 2011/12.

2. RECOMMENDATIONS

The Committee is asked to **RECOMMEND** that

- 1) **the draft 2011/12 Estimates for the Housing Revenue Account attached to the report at Appendix A, be approved;**
- 2) **the actual average rent increase for 2011/12 be 5.99%; and;**
- 3) **£1,000,000 be transferred to a reserve as a Revenue Contribution to Capital to fund the future Capital Programme.**

3. BACKGROUND

- 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 Council, through the system of Housing Finance introduced by the Local Government and Housing Act 1989, has been subject to reducing external support to the Housing Revenue Account, in the form of diminishing Housing Subsidy over the past few years. The Council now pays in excess of £6,000,000 to Central Government because it is in a negative subsidy position.

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- 3.3 Rent restructuring was introduced in 2002/03. 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 earnings 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 current target date for rent convergence is 2016/17.
- 3.4. The Government has set out its proposals to allow Council housing services to be 'Self Financing'. The proposal is in the form of a financial settlement which will mean a redistribution of the 'national' housing debt. The final details of this proposal are not known, but it is anticipated that 2011/12 will be the last year of housing subsidy.

4. KEY ISSUES

- 4.1 This section of the report outlines the major issues which have an impact upon the Housing Revenue Budget Account setting process for 2011/12.
- 4.2 Based on the data included in the Housing Revenue Account Subsidy Determination for 2011/12, the actual average rent increase for 2011/12 will be 5.99%. The average rent on a 52 week basis will be £67.17, or £72.77 on a 48 week basis. This compares to the actual average for 2009/10 on a 52 week basis of £63.38 and £68.66 on a 48 week basis.

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4.3 Housing Subsidy

The amount of Housing Revenue Account Subsidy payable by the Authority is now calculated as follows:-

allowance for management and maintenance
+
allowance for major repairs (MRA)
+
charges for capital
+
other items of reckonable expenditure
-
a notional amount for rent
-
interest on receipts.

4.4 The constituent parts of this are as follows:-

- a) The management and maintenance figure is calculated by using the Department for Communities and Local Government (DCLG) target allowance, multiplied by the number of houses as at the 1st of April 2010.
- b) The major repairs allowance is an amount, notified by the DCLG, per property type, multiplied by the number of each property type, as at the 1st of April 2010.
- c) The amount of charges for capital are based on subsidy capital financing requirement, assumed debt management expenses, an allowance for premiums and discounts and the authority's consolidated rate of interest.
- d) Other reckonable expenditure is again, a notified figure from the DCLG based on expenditure on leasehold properties.
- e) The amount of notional rent income is calculated by using the national target rent income figure, notified by the DCLG, multiplied by the number of properties as at the 1st of April 2010.
- f) The interest on receipts is again a notified notional figure, based on an estimate of the Council's mortgage interest and the interest from Housing Revenue Account balances.

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4.5 To exemplify the above, the actual subsidy figures are given below:-

Draft Subsidy Calculation

		2011/12
		Initial
		£
(i)	Management and Maintenance	9,546,532
(ii)	Other reckonable expenditure	84
(iii)	Major Repairs Allowance	3,843,949
		13,390,565
(iv)	Rent Income	(20,145,662)
(v)	Interest on Receipts	(55,616)
		(6,810,713)

Members will note from this, that the financial position with regard to Housing Revenue Account subsidy in 2011/12, is that the Council will again be in overall negative subsidy.

Capital Resources

- 4.6 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 (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 5 per annum, generating around £85,000 in usable capital receipts.
- 4.7 The introduction of the Major Repairs Allowance from April 2001 provided the Council with additional capital resources. This will continue for 2011/12. In 2011/12 £3,843,949 will be transferred from the Housing Revenue Account into a Major Repairs Reserve. This Reserve will then be available to fund capital expenditure for Housing Revenue Account purposes and to repay any Prudential Borrowing.
- 4.8 The Council has previously made transfers of monies from the HRA, when resources permit, to transfer sums to a reserve to fund future capital programmes. It is estimated that there will be sufficient resources in the HRA in 2011/12, to allow £1,000,000 to be transferred in this way.

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Housing Repairs Account

- 4.9 The budgeted contribution to the Housing Repairs Account, as shown at Appendix A, is £4,135,820 for 2011/12, including inflationary increases where appropriate.

Right to Buy Scheme - Rent Income

- 4.10 The 2011/12 figures at Appendix A allow for the sale of 5 Council homes. The full effect is an anticipated £17,465 loss of rent income.

Provision for Bad and Doubtful Debts

- 4.11 Members will be aware that the provision was reduced to £690,000. Appendix A reflects the need to maintain this provision for 2010/11,

Inflation

- 4.12 With the exception of those elements of the Housing Revenue Account fixed through the Housing Subsidy Determination, no increase has been applied for inflation.

Housing Revenue Account Balances

- 4.13 The Head of Finance and Resources 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.
- 4.14 The figures shown in Appendix A indicate that the balance carried forward at the 1st of April 2011 will be £1,252,157, which will leave a working balance of £947,787.

5. FINANCIAL IMPLICATIONS

The Financial Implications are as set out throughout the report.

6. LEGAL IMPLICATIONS

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.

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7. POLICY IMPLICATIONS

The Council since 2002/03 has set its dwelling rents by reference to the rent formula, introduced as part of the Government Rent Restructuring Policy.

8. COUNCIL OBJECTIVES

The HRA provides the financial resources to enable the Council to meet its objectives with respect to the management and maintenance of its housing stock.

**9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY
CONSIDERATIONS**

9.1 There are financial risks to the Council of not following Government Policy in terms of rent restructuring.

9.2. 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.

10. CUSTOMER IMPLICATIONS

The report contains implications for customers in terms of rent increases.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

There are no direct equality or diversity implications.

**12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET
MANAGEMENT**

The budget provides resources for the maintenance of the housing stock.

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

There are no direct climate change, carbon or biodiversity implications.

14. HUMAN RESOURCES IMPLICATIONS

There are no direct human resource implications.

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15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

There are no direct governance or performance management implications.

**16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF
CRIME AND DISORDER ACT 1998**

There are no direct community safety implications.

17. HEALTH INEQUALITIES IMPLICATIONS

There are no direct health inequality implications.

18. LESSONS LEARNT

None.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

None.

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	No
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Environment and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No
Director of Policy, Performance and Partnerships	No
Head of Service	Yes
Head of Finance & Resources	Yes
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	Not relevant

21. WARDS AFFECTED

All.

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22. APPENDICES

Appendix A – Housing Revenue Account 2011/12

23. BACKGROUND PAPERS

Housing Subsidy Determination 2011/12 – DCLG

AUTHOR OF REPORT

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