

# Agenda Item 11

Housing Review Board

26th November 2009

JG/MH



## Draft Housing Revenue Account 2010/11

### Summary

This report provides the Housing Review Board with details of the draft Housing Revenue Account for 2010/11. This account shows the main areas of anticipated income and expenditure on landlord activities for the year ahead. Producing a Housing Revenue Account is a statutory requirement for Councils who manage and own their housing stock, and therefore a key document for the Board to influence, be aware of and understand.

The Council has a timetable for the production of its budgets for 2010/11, which involves the development of draft estimates and scrutiny by various member and officer groups. This report presents an opportunity for the Housing Review Board to input into this process.

### Recommendation

**The Housing Review Board is invited to approve the report on the 2010/11 Housing Revenue Account, and recommend it to the Executive Board.**

#### a) Reasons for Recommendation

To give the Housing Review Board an involvement in the development of the main housing service budget.

#### b) Alternative Options

To amend the draft Housing Revenue Account for 2010/11 by deleting or adding items of expenditure, or increasing income streams.

#### c) Risk Considerations

The Board will not be able to make a meaningful contribution to the production of service budgets without an understanding of the financial and budgetary framework for income and expenditure on landlord activities.

#### d) Policy and Budgetary Considerations

The budget has been constructed to ensure that housing policies can be implemented by identifying adequate funding towards staffing resources and investment into the repair and improvement of the housing stock.

#### e) Date for Review of Decision

The Board's recommendations will be considered as part of the Council's annual budget making process.

The budget is monitored monthly and completely reviewed annually.

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## 1 Housing Revenue Account for 2010/11

- 1.1 The Housing Revenue Account (HRA) is the landlord account and is a statutory account that is operated by all local authorities that own and manage their own housing stock. The account must be maintained in surplus and cannot go into a deficit position. We have agreed to hold a surplus of at least £245 per property equivalent to approximately £1,052,000.
- 1.2 The HRA sets a financial context for the operation of the Council's landlord service, and demonstrates some of the constraints in which we operate as a local authority housing service. Members are familiar with the details of the Government's review of Council housing finance and we are awaiting the outcome of the consultation exercise that we have responded to. The major constraint for us is the HRA subsidy payment which we have lobbied to retain for investment in housing locally.
- 1.3 The HRA has to be set out and operated in accordance with prescribed regulations. This means that it is not particularly easy to understand and interpret, and is usually prepared by specialist Housing Accountants. The draft 2010/11 HRA is shown as **Annex 1** and will eventually appear, possibly in a modified form, in the Council's revenue budget alongside the General Fund and Capital Plan. I have included a series of notes, which explain the main variations from the 2009/10 HRA budget.
- 1.4 Our annual HRA is now underpinned and influenced by a 30 year HRA Business Plan (reported to your November 2006 meeting), which was a requirement of the housing stock options appraisal, to demonstrate that the Council can afford to maintain and manage its housing stock to an acceptable standard over the long term. The HRA Business Plan considers income and expenditure over a 30-year period based upon known stock condition data, tenant aspirations, projections on staff costs, inflation and subsidy requirements. At your last meeting we commenced a review of the Business Plan in the light of new expenditure pressures. We also considered some Service Transformation ideas, and where sufficiently advanced these have been taken into account when producing next year's budget.
- 1.5 At the moment we can afford to maintain and improve the housing stock to a good standard and employ staff resources to deliver a reasonable housing service. You will recall from the benchmarking work we undertook that we are under resourced when compared to many similar sized housing organisations. However, with increasing levels of HRA subsidy, operating within the constraints of the local authority housing finance system and meeting the rising aspirations of our customers, creating a balanced HRA budget is becoming more of a challenge each year.
- 1.6 This Board is charged with keeping under review the options for the future ownership and management of the housing stock. I would suggest that the financial environment that we work within is likely to be one of the main influences on our thinking in respect of options other than the Council retaining the housing stock 'in-house'. The outcome of the consultation on Council housing finance will be a critical influence on any decision. I am hopeful that at the very least the Government will increase the management and maintenance allowances in line with the advice it has received on how these have fallen below the levels that can be reasonably expected.
- 1.7 A further change is that we are now building Council homes again, albeit small scale at the moment. This brings new financial pressures and risks as set out in my report to your September meeting. Being a developer means that we may face abortive costs of working up schemes and have to take a view on subsidising projects to make them attractive to the Homes and Communities Agency (HCA) to attract grant.

- 1.8 It can be seen from the draft 2009/10 HRA budget that income from rents and other charges amounts to an estimated £14.4 million. This assumes a 2% increase in Council home rents, in line with the governments rent convergence formula, although we have not received details of the actual rent increase this year. Our average rent is £59.72p per week in 2009/10 and will be approximately £60.92 per week (average) with the 2% increase. We have allowed a 5% increase in garage rents.
- 1.9 The major areas of expenditure are various repairs and maintenance activities - £5.4 million; Staffing, supervision and management costs (general) - £2.2 million; and the HRA subsidy - £5.4 million (assumed at this stage). The HRA subsidy is a payment we make to government, which gets reallocated to other housing authorities and has been reduced in line with the low rent increases.
- 1.10 From the draft HRA you can see planned expenditure on repairs and improvements under the section headed Major Repairs (Major Repairs Account) - £2,681,600; other expenditure - £207,980; and under the section Repairs and Maintenance, responsive maintenance - £1,200,060; annual programme maintenance - £410,680; cyclical maintenance - £572,220; and Repairs and Maintenance improvements - £333,700.
- 1.11 The budget page on Supervision and Management shows the staffing and associated costs. You can see that Housing Service employee costs £1,459,680 per annum, with a lesser amount (£952,430) for support services. It is estimated that £327,660 will be spent on premises, transport and supplies and services per annum. Special items which cover grounds maintenance, communal cleaning, play areas, Wardens etc amount to £1,022,090 per annum.
- 1.12 I have included a budgetary provision of £50,000 for a housing stock condition survey (commitment from the housing stock options appraisal and provision not committed this year); £2,500 for maintaining the tenant profiling survey; and £3,200 for the annual Residents' Conference. I have also made provision for updating the Business Plan (£15,000), and our new build programme (£5,000),
- 1.13 We are showing greater investment into the repair and improvement of tenant's homes and there is a surplus on the HRA of £1,070,113 and we attempt to maintain the surplus at or about this level. We have included budgets for commencing decommissioning (£10,000) and the Carbon Management Programme (£50,000), also the membership fee of the procurement club Advantage S.W. (£12,000).
- 1.14 I would have liked to have included a considerable amount of additional expenditure in next years budget such as a much greater provision for carbon management/energy efficiency of tenants homes; disabled adaptations; accelerated kitchen and door programme; property extensions; environmental works; decommissioning; more staffing to deliver housing services. However, we need to 'live within our means' and I have adjusted the budget to meet the Business Plan assumptions, maintaining decent/warm homes, maintaining existing staffing levels and keeping the operating surplus at the level required.
- 1.15 I have not factored in the borrowing required for building the 17 new council homes where we secured Homes and Communities Agency grant. The assumption is that the cost of borrowing will be met by the rental income from the new homes.
- 1.16 The provision made for a sample stock condition survey which will enable us to recheck the condition of council homes, adjust the Business Plan where necessary and influence future spending plans.

- 1.17 The Housing Revenue Account is supplemented with a Capital Programme. The capital schemes comprise funding for Social Services recommended adaptations to council homes, re-modelling of sheltered housing schemes, improvements to sewerage works, road works and parking schemes, and conversions/extensions to council homes. The total programme is valued at some £2.7 million over the next three years.
- 1.18 We have used some of the funds for re-modelling sheltered schemes to fund the demand for adaptations in sheltered housing.
- 1.19 This programme is financed by the sale of council homes under the Right to Buy and the contribution to capital from the HRA, £267,060 in 2010/11.
- 1.20 The HRA is still in draft and will take a journey through Overview and Scrutiny Committees then back to the Executive Board before being finalised and agreed by Council. Your officers will use the budget set for service delivery over the next financial year.

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### **Legal Implications**

There are no legal implications requiring comment.

### **Financial Implications**

The financial implications are included in the report and background papers. It must be remembered that this is a draft budget and that certain assumptions have been made which may change when the government issues the Housing Subsidy Determination for 2010/11. The assumptions are in the level of rent increase and the management and maintenance allowances used in calculating the subsidy.

In addition, the support services are currently included at 2009/10 levels plus 2% but will be recalculated once all budgets (General Fund and HRA) have been finalised.

### **Consultation on Reports to the Executive**

None at this stage of the budget process.

### **Background Papers**

- Revenue and Capital estimates 2009/10 EDDC.
- Regulations and guidance on the Housing Revenue Account.
- Housing Revenue Account Business Plan 2006.

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John Golding  
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Housing Review Board  
26th November 2009