



NORTHAMPTON
BOROUGH COUNCIL

Name of Committee	COUNCIL
Directorate:	Citizens, Finance, and Governance
Corporate Manager / Director:	Ian Thompson
Date:	13 th February 2007

Report Title	Housing Revenue Account Budgets 2007/08 to 2009/10
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Key Decision	Yes
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1. Recommendations

1.1	That an average rent increase of 4.76% per dwelling per week (on a 48 week basis), in line with the Government's rent restructuring regime, to take effect from 1 April 2007 be approved;
1.2	That Warden and Call Care charges (excluding Eleanore House) are increased in line with the Sheltered Housing Review (detailed on another report on the agenda) (as shown in Appendix 5);
1.3	That Heating and Eleanore House service charges are increased by 3.6% (as shown in Appendix 5);
1.4	That garage charges are increased by 5% (as shown in Appendix 5);
1.5	That the budgets for 2007/08 set out in Appendices 1 and 2 be approved subject to the results of the HRA re-basing exercise being brought back to a future meeting of Cabinet; and
1.6	That the potential re-prioritisation of services (detailed at Appendices 3 and 4) be considered.

2. Summary

<p>This report requests that Council agrees the HRA rent increases for 2007/08 and that Council considers and approves overall HRA budgets for 2007/08 and the forecast budgets for 2008/09 and 2009/10.</p>
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3. Report Background

Background

The Housing Revenue Account (HRA) is a ring-fenced account that represents the costs of holding the Council housing stock. There are strict rules surrounding the costs and income that can be charged to this account. Much of the income and expenditure is dictated by legislation and regulation leaving the Council with direct control over a limited number of these budgets. Rental income, by far the largest single budget within the HRA, is calculated by applying the rent restructuring formula as defined by the Government.

Budgets within the HRA are currently being 're-based' (essentially re-evaluated from first principles) to reflect current service provision.

Rents and Rent Restructuring

Rents within the HRA are currently being restructured in line with the Government Rent Restructuring formula. The intention of this restructuring is to have a consistent approach to rental charges across the whole of the Public Sector housing stock.

The average rent increase and the methodology by which rents on individual properties move towards the calculated (formula) rent is determined by the Government Rent Restructuring formula, which has been allocated for 2007/08 in line with the DCLG's three-year review. The percentage change in rental charges will vary from property to property depending on the formula rent calculation. Revised rents will take effect from 1st April 2007. The table below shows the range of rent increases for 2007/08: -

Rent Increase	No of Properties	Percentage of Total
Above 7%	317	3%
6% to 7%	1,092	9%
5% to 6%	3,392	27%
4% to 5%	5,307	42%
3% to 4%	1,948	16%
2% to 3%	299	2%
Less than 2%	168	1%

Until the introduction of rent restructuring in the 2001/02 financial year, the Government set a 'limit rent' which defined the maximum amount of rent rise on which a Council would receive rent rebate subsidy. This was colloquially known as the 'rent cap'. Councils could therefore raise rents by more than the level set by the Government, an approach adopted by Northampton, but would receive a financial penalty for doing so. This had an impact in the year of the rent rise and continues to have an impact on into future years.

Through rent restructuring,

- the rent levels within the subsidy calculation,
- the limit rent for rent rebate subsidy purposes, and
- the actual rent charged to tenants are all being brought into line.

Councils which raised rents by more than the amounts specified by the Government

and benefited by doing so are now gradually seeing the corresponding benefit being removed through the rent restructuring process. This will continue to put additional increasing pressure on the HRA until the point at which all rents have been restructured.

HRA Subsidy

The subsidy budget is based on a determination received from DCLG. There are two major elements to the changes in subsidy between 2006/07 and 2007/08. These are: -

- Management and Maintenance Allowances which tend to decrease the amount of money paid to the Government. The calculation of these is formula based around types of properties and is intended to reflect the impact on HRA costs of different types of dwelling;
- Notional income from rents which tend to increase the amount of money paid to the Government. The calculation of this is formula based and forms part of the overall move to restructure rents towards a standard level for subsidy purposes and the actual rent charged to HRA tenants.

Also paid through the subsidy system is the Major Repairs Allowance which is used as part of the financing of the HRA capital programme.

The summary below shows the estimate for 2007/08 compared to 2006/07.

	2006/07	2007/08	Changes in Subsidy
	£'000	£'000	£'000
Management and Maintenance	-18,817	-19,241	-424
Major Repairs Allowance	-7,488	-7,611	-123
Capital Charges	-1,010	-1,041	-31
Allowances for Admissable Set Aside	-30	0	30
Interest on Receipts	7	5	-2
Notional Income for Rents	34,501	36,617	2,116
Rental Constraint Allowance	-13	0	13
HRA Subsidy Entitlement	<u>7,150</u>	<u>8,729</u>	<u>1,579</u>

HRA Budget

The Housing Revenue Account budget includes the effect of rent increases and charges increases outlined above. The detailed budget figures are contained in Appendix 1 to 2.

HRA Budget 'Re-basing' exercise

An HRA budget re-evaluation exercise is currently underway. Some effects of this have been built in to the budgets shown within this report and Appendices. For service areas where the re-basing exercise has not been fully completed, an allowance for the anticipated impact has been built in. It is anticipated that revised figures including the results of the re-basing exercise will be reported to the March

meeting of Cabinet.

The incidence of charges between the HRA and the General Fund is still under review and there may be some effects to budgets arising from this which will impact in future years.

Sheltered Housing

Sheltered housing charges have recently been reviewed. The results of this review are considered in another report on this agenda. The effects of this review will not affect 2006/07 and have been built into the HRA Budgets for 2007/08 onwards.

Un-pooling of service charges

The Government set a policy for social housing rents in the December 2000 policy statement, 'The Way Forward for Housing'. This policy included separating certain charges for service from the standard rent in order to make the charging policy to tenants clearer and fairer for the tenants of housing authorities. There are a number of these service charges which are still charged through rent including caretaking and cleaning. Work is currently underway to assess the effects of the un-pooling and it is currently anticipated that un-pooling will be implemented with effect from the 2008/09 financial year.

Housing Repairs Account

A Housing Repairs Account is used to keep a separate record of income and expenditure relating to the repair and maintenance – but not the supervision and management – of an authority's HRA houses or other HRA property. It operates within the HRA ring-fence and, as such, no transfers can be made to or from any accounts other than the HRA. Other key points are:

- (i) the account must be kept in accordance with proper practices;
- (ii) the account must be kept to **avoid a debit balance** in any year;
- (iii) authorities may make **transfers** to the account from the HRA and, in practice, will need to do so to avoid a deficit. They may also transfer some or all of any balance from the account to the HRA;
- (iv) the account must cover the **whole** of an authority's HRA stock;
- (v) if the account is closed, any balance must be transferred to the HRA.

From 2006/07 Northampton has operated a Housing Repairs Account. The Housing Repairs Account is intended to equalise the effect to the HRA of Housing Repairs and can carry its own balance from one year to another. The transfer to the Housing Repairs Account is now under the control of the Corporate Manager for Housing Services. The Housing Repairs Account itself is under the control of the Corporate Manager for Street Scene and Property Maintenance. This arrangement will provide additional control over Housing Repairs expenditure.

Contingency and Re-prioritisation

As identified above, there is an HRA re-basing exercise currently being undertaken. Since this budget report is being produced prior to completion of this exercise, a contingency against potential changes to budgets is required in order to ensure that a balanced budget is being set. For clarity this is shown as a separate line within Appendix 1.

Also included as a separate line are potential re-prioritisation items for 2007/08

which will also have an impact into subsequent years. This re-prioritisation is detailed at Appendix 3.

Summary of Overall Position

A summary of the overall position (shown in more detail at Appendices 1 and 2) is given below.

	2007/08	2008/09	2009/10
	£'000	£'000	£'000
Housing Services			
Housing Services	13,736	14,311	14,669
Targetted Dwellings	104	107	110
Sheltered Housing	1,812	1,869	1,916
HRA Subsidy	8,729	9,763	10,797
Housing Rents and Other Income	-42,050	-43,163	-44,179
Rent Rebates Subsidy Limitation	1,800	1,440	1,080
Community Development	85	87	89
Net Expenditure (Cash Limit)	-15,784	-15,586	-15,518
Net recharges to General Fund	6,015	6,165	6,320
Contingency	900	900	900
Potential Service Re-Prioritisation	187	62	62
Major Repairs Allowance	7,611	7,801	7,996
Interest & Financing Costs	1,772	1,772	1,772
Net Transfer From / To Working Balance	701	1,114	1,532
Working Balance 1st April	-4,516	-3,815	-2,701
Working Balance 31st March	-3,815	-2,701	-1,169

The financial pressure on the HRA is increasing over time. This arises from a number of factors, the main ones being: -

- Rents pressure through the rent restructuring process;
- The sale of council houses through Right to Buy whereby, broadly speaking, the better quality housing stock will be sold; and
- Repairs costs through the pressure to meet and maintain the decent homes standard.

Capital Programme

The budget for 2007/08 includes £7.6m for the Major Repairs Allowance. This can only be used to finance HRA capital expenditure. Also included within the HRA budgets within the Interest and Financing Costs budget for 2007/08 to 2009/10 is an amount of £2m Revenue Contribution to Capital Expenditure (RCCE). The use of this financing is reflected in the HRA draft capital programme.

4. Options and Evaluation of Options

N/a

5. Resource Implications (including Financial Implications)

Included above

6. Risk and Opportunity Issues

N/a

7. Consultees (Internal and External)

Internal	
External	

8. Compliance Issues

A: How Proposals Deliver Priority Outcomes

Recovery Plan
N/a
Corporate Plan
N/a

B: Other Implications

Other Strategies
N/a

Finance Comments
None additional to the above.

Legal Comments

9. Background Papers

Title	Description	Source

Name	Signature	Date	Ext.
Author	Bill Lewis Technical Finance Manager	07/02/2007	7167
Corporate Manager	N/a		
Director	Ian Thompson	07/02/2007	8744
Monitoring Officer or Deputy (Key decision only)			
Section 151 Officer or Deputy (Key decision only)	Bill Lewis Technical Finance Manager	23/01/2007	7167