COUNCIL	Agenda Item 55(d)
25 February 2010	Brighton & Hove City Council

Subject:		**Housing Revenue Account Budget 2010/11**
Date of Meeting:		**25 February 2010** 11 February 2010 - Cabinet
Report of:		**Director of Adult Social Care & Housing** **Director of Finance & Resources**
Contact Officer:	**Name:**	**Sue Chapman** **Tel: 29-3105**
	E-mail:	**sue.chapman@brighton-hove.gov.uk**
Key Decision:	**Yes**	**Forward Plan No: CAB13930**
Wards Affected:	**All**	

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

1.1 This report presents the Housing Revenue Account Forecast Outturn for 2009/10 as at month 9 and the proposed Budget for 2010/11 as required by the Local Government and Housing Act 1989. Members are required to consider the budget proposals including changes to rents, fees and charges as well as savings and service pressures.

1.2 The council's Housing Revenue Account (HRA) contains the income and expenditure relating to the council's landlord duties in respect of approximately 12,300 properties and 2,230 leasehold properties. These properties are accounted for separately from the council's other services/activities which form part of the council's General Fund.

2. RECOMMENDATIONS:

2.1 That Cabinet recommends Council to:

(a) Approve the budget for 2010/11 as shown in Appendix 1.

(b) Approve individual rent increases and decreases in line with rent restructuring principles as determined by the Government.

(c) Approve the changes to fees and charges as detailed in paragraph 3.14 to 3.23.

3. HRA BUDGET PROPOSALS 2010/11

Summary

3.1 The HRA budget has been set within the context of the overall aim of 'achieving excellence'. It sets out to do this by focusing on five core strategic priorities as detailed in the Housing Management Service Improvement Plan 2009 - 2012. These are:

1. Improve services to an excellent standard, with residents at the heart of everything we do
2. Improve the quality and sustainability of our homes and neighbourhoods
3. Deliver value for money services and maintain a sustainable 30 year business plan
4. Make best use of our housing stock to address housing need
5. Ensure that social housing provides a platform for reducing inequality and creating opportunity

3.2 The HRA budget has also been developed to provide a balanced budget, taking into account the Draft HRA subsidy determination, other income and expenditure assumptions and the reserves position. The council's Medium Term Financial Strategy outlines an efficiency savings target for all services across the city of 4%. Officers have taken into account this required level of efficiency savings and in addition have sought to maximise the level of resources available to invest in meeting the Decent Homes Standard. They have therefore identified savings of 6.1%.

3.3 The HRA revenue budget is also set in the context of an annual Housing Subsidy settlement which will result in a net transfer of resources to the government. This presents a key challenge coupled with the following priorities:

(a) *Aligning resources with the Housing Improvement Plan priorities:*
The budget includes investment in the Turning the Tide strategy to tackle anti-social behaviour and reduce social exclusion; the Resident Involvement Strategy, including engaging with residents on developing a local priorities framework and establishing a Tenant Management Organisation; and the new Strategic Repairs, Refurbishment and Improvement Partnership.

(b) *Mobilisation of the 10 year Strategic Repairs, Refurbishment and Improvement Partnership*
The new partnership will result in the transfer of some council staff to our partner Mears. The council will be required to ensure that the employer's contributions to individual's pension schemes are fully funded up to the date of transfer. These are contributions that the HRA, without transfer of staff, would fund over a much longer time period. The council's exact liabilities will not be known until March 2010 but this budget assumes that there will be payment of £0.350 million from reserves during 2009/10 and a further payment of £0.350 million is also included in the 2010/11 budget.

The budget includes the development of a new 'Super Centre' to achieve the strategic aims of the 10 year partnership as well as delivering value for money in terms of the corporate accommodation strategy. The costs of mobilising the new partnership and the Super Centre have been offset against savings in the responsive repairs and voids service from the new contract.

(c) *Leasing of Properties to the Local Delivery Vehicle (LDV)*
Although the leasing of normal empty properties to the LDV over the next four years will realise a significant capital receipt it will also result in a short term impact (during 2011/12) on the revenue position due to the loss of revenue income from rents. This budget assumes that for 2010/11 the loss

of revenue income will be matched by a one off reduction in empty property works as these works will be funded by the LDV for those properties transferring. This budget also includes savings from leasing temporary accommodation properties to the LDV based on the current proposed leasing timetable. Any changes to the timetable will impact on the level of savings achieved.

3.4 The HRA budget for 2010/11 is shown in Appendix 1 with the main budget variations detailed below in table 1. In preparing the base budget, inflation of 1% on employee costs and 2% on other costs has been applied. Savings proposals, service pressures, and changes to rents, fees and charges and housing subsidy are detailed in paragraphs 3.5 to 3.23.

Table 1: Main Budget Variations	**£'000**
Original Base Budget 2009/10	0
Increases in Resources:	
Savings Proposals as detailed in paragraph 3.5	(684)
Capitalisation of cyclical decorations	(103)
Reduction in Capital Financing Costs	(527)
Reduction in Revenue Contribution to Capital Programme	(1099)
Increase in Rent for Dwellings (net of Empty Properties)	(258)
Other minor variances	(41)
Reductions in Resources:	
Other Service Pressures as detailed in paragraph 3.6	180
Employees pay award and other inflation	335
Increase in Subsidy Payable to the Government	1744
Reduction in interest on reserves	103
Employers pension contributions from TUPE transfer of staff	350
Base Budget 2010/11	0

Savings & Service Pressures

3.5 Savings of £0.684 million (equivalent to 6.1% savings target) have been identified in the following areas:

- A saving of £176,000 from leasing temporary accommodation properties to the LDV. This assumes that these properties will be leased in batches through 2010/11.
- A reduction in transport and supplies and services of £108,000.

- Efficient procurement will achieve savings of £25,000 from the new laundry service, £100,000 from the Sub 100kw electricity contract and £66,000 from the provision of the out of hour's repairs service through the new partnership.
- A reduction in the contribution to Bad Debt Provision of £51,000 as a result of improved collection of rental income.
- A net saving of £48,000 in support service costs through efficiencies achieved within the Strategy & Governance and Finance & Resources Directorates.
- Garages and car parking charges were reviewed and recommendations for new charges and zone areas were approved by Policy & Resources Committee in November 2006. This report recommended that caps should apply to some charges and they should remain static until April 2010. The removal of these caps for 2010/11 will increase income by approximately £80,000.
- A review of Leaseholder service charges has identified a further £30,000 in respect of service contracts that will be charged to leaseholders.

3.6 Service pressures included in the budget are:

- Increase in revenue Subsidy Payment to Government of £1.744 million
- Payment of employer's contributions in relation to staffs pensions transferring to Mears of £0.350 million.
- Development of Tenant Management Organisation at St James House estimated at £0.016 million.
- Reduction in investment income due to lower interest rates and reserves
- Additional resources to support Housing Improvement Programme of £0.038 million
- Additional resources of £0.126 million to support the Turning the Tide strategy increasing the HRA budget to £0.487 million.

Housing Subsidy Determination

3.7 The HRA is part of the national housing subsidy system through which Council Housing Rents are standardised across the country. The subsidy system uses a national formula to set guideline rents for each property together with allowances for management, maintenance and capital charges based on notional costs. The current subsidy system was introduced in 1990 and relies on the Secretary of State publishing annual 'Determinations' which set out the basis of subsidy.

3.8 The department for Communities and Local Government (CLG) have continued to issue an annual subsidy determination whilst they consider the consultation responses to the review of council housing finance. The government proposals included removing the subsidy system and introducing self financing for authorities following a redistribution of government housing debt. It is now understood that following the consultation, the government is preparing the ground for a voluntary offer to local authorities shortly. The precise format of the offer is being developed by a project team established by CLG, but it is expected to include a proposed debt reallocation or settlement, to take place from April 2011, along with details of how self-financing for the HRA would work.

3.9 The draft determination was issued late this year and it is unlikely that the final determination will be received before this Budget has been approved. Therefore this budget has been set using the draft determination with a contingent sum of £0.100 million included to cover possible changes in the final determination.

3.10 The 2010/11 draft Subsidy Determination proposes changes resulting in revenue subsidy payable of £12.827 million compared to £11.083 million payable last year. The overall subsidy position (taking also into account the capital item called the Major Repairs Allowance) is an increase in 'Negative Subsidy' (the transfer of resources to the government) of £1.590 million to £3.321 million. Further details of the draft subsidy position are attached in Appendix 2.

Rents 2010/11

3.11 Rents are calculated in accordance with the government's rent restructuring guidelines. Target rents for each property are calculated based on the relative property values, bedroom size and local earnings. The act of moving tenants' current rents to the target rent is called rent convergence. In order to limit increases in current rents to reach target rents, the guidance specifies a maximum rent increase equivalent to inflation + ½% + £2 per week.

3.12 The Housing Subsidy Determination 2010/11 requires Local Authorities to use the September 2009 negative Retail Price Index of -1.40% plus 0.5% for setting rent inflationary increases, resulting in a net inflationary reduction of 0.9%. Due to the limits mentioned in 3.11, the Government proposed last year that the determination should set a "provisional" rent convergence date annually, depending on the level of inflation set for that year.

3.13 Therefore, the rent convergence date has now been set at 2012/13 (compared to 2023/24 last year). As the majority of the rents are increasing towards target rents, this results in an average rent increase of 1.26% for Brighton & Hove. This is the equivalent to £0.83 per week, increasing the average rent to £66.55. However, in line with rent restructuring, all rents are moving towards their individual targets and some rents will be increasing by more than the average rent and some will be reducing. The maximum increase will be approximately £1.63, with the greatest reduction being £5.55 per week.

Fees and Service Charges 2010/11

3.14 The proposed changes to fees and charges for 2010/11 are as follows:

Heating

3.15 Heating charges will be amended to reflect the latest estimates of consumption which means that some tenants will see a reduction in their charges due to lower consumption, and others an increase from higher consumption. The gas contract expires on 30 September 2010 and any changes to unit prices will be passed on to tenants, who will be notified once the procurement has been completed.

3.16 A new contract for electricity will commence on 1 April 2010 which has achieved a reduction in current unit prices of 16.51%. Those blocks (Broadfields and Elywn Jones Court) with electric heating will receive a reduction in their service charges to reflect this.

Water Charges

3.17 The HRA administers water charges for three sheltered blocks. These charges will be amended to reflect the latest estimates of consumption, and also contract price increases by Southern Water which are estimated at 5%.

Grounds maintenance

3.18 Grounds maintenance charges will increase by 2% in line with contract charges. This service is currently under review. Tenants will be consulted and notified of any changes to the current service charges, resulting from future changes to service provision, at the appropriate time.

Communal Cleaning Services

3.19 The communal cleaning charges will increase by 0.6% to ensure the costs of the service are fully recovered through service charges. This increase includes the costs of the projected pay award of 1%, partly offset against savings due to the implementation of more efficient working practices as a result of the review carried out in 2008/09.

Garages & Car Parking

3.20 The caps which applied to some garages and car parking charges following the review approved at Housing Committee on 16 November 2006 will now be removed. St James House car parking charges will remain at current levels with the exception of parking up to 2 hours which will increase from £1.80 to £2.00. All other charges will remain frozen.

Supporting People

3.21 Supporting people charges will remain at £12.85 per week.

Sheltered Services

3.22 The sheltered service charge for common ways will be reduced by an average of 3.62% with a maximum reduction of 5.8% and one increase of 1.2%. The increase or decreases will vary depending on the individual block. These changes reflect the new electricity contract price reduction of 16.51%, which is partly offset by a 2% increase in the other costs within this service charge such as the cleaning contract. The service charges for 2010/11 are detailed at Appendix 3.

3.23 The launderette sheltered service charge will remain at £1.26 per week.

Projected HRA Revenue Reserves

3.24 The forecast outturn 2009/10 as at month 9 is an overspend of £0.336 million. The main variances are detailed in Appendix 1. This overspending will be funded from revenue reserves.

3.25 The projected revenue reserves, as shown in table 2, are £2.816 million by 31 March 2010. These reserves are projected to reduce by £1.086 million due to

financing the 2009/10 revenue overspend, contributing £0.400 million to the 2009/10 capital programme and funding an estimated £0.350 million pension contribution for staff transferring to Mears.

3.26 The 2010/11 budget has been set with a breakeven position, so the reserves are projected to remain at £2.816 million by 31 March 2011. The recommended minimum level of reserves is £2.400 million.

Table 2 : Projected general revenue reserves at 31 March 2011	**£'000**
Reserves at 1 April 2009	3,902
Less: Contribution to fund 2009/10 Revenue Outturn	(336)
Contribution to fund 2009/10 Capital Programme	(400)
Pension contributions for TUPE staff *estimated*	(350)
Projected reserves at 31 March 2010	**2,816**
Projected reserves at 31 March 2011	**2,816**

3.27 Estate Development Budget reserves, which are held separately from the HRA general reserves, are £0.443 million as at 1 April 2009. These reserves relate to committed revenue and capital expenditure for schemes agreed in previous financial years that are not yet completed. Therefore these reserves will reduce as schemes are finished.

4. CONSULTATION

4.1 Tenants are consulted during the year on the HRA Budget and the Estate Development Budget. After Cabinet approval, tenants will receive notification of their individual rents and charges for 2010/11.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

5.1 Financial Implications are included in the main body of the report

Finance Officer Consulted: Sue Chapman Date: 05/01/10

Legal Implications

5.2 The Council is required to keep a separate Housing Revenue Account (HRA) by virtue of the Local Government and Housing Act 1989. Preceding any financial year, the council must formulate for that year proposals relating to i) the income from rent and charges of all property within the HRA, ii) the expenditure on repair, maintenance, supervision and management of that property and iii) any other prescribed matters. In formulating the proposals, the council must use its best assumptions and estimates to secure that on their implementation the account will not show a debit balance. Within one month of formulating the

proposals it must prepare and place on deposit a statement setting out the proposals and estimates.

Lawyer Consulted: *Liz Woodley* *Date: 20/01/10*

Equalities Implications:

5.3 The HRA budget will fund services to people with special needs due to age, vulnerability or health needs.

Sustainability Implications:

5.4 The HRA budget will fund a range of measures that will benefit and sustain the local environment.

Crime & Disorder Implications:

5.5 The Budget includes financial provision for Crime and disorder implications.

Risk & Opportunity Management Implications:

5.6 Financial risks have been assessed throughout the development of the council's budget.

Corporate / Citywide Implications:

5.7 The Budget seeks to improve the quality of housing and services provided to tenants across the City.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 There are no alternative options proposed. Rents are set in accordance with the Government's rent restructuring guidance and increases are in line with the Housing Subsidy Determination. The Housing Subsidy Determination controls rent setting by removing resources from local authorities through non compliance.

6.2 The budget proposals also includes maintaining the current service provision with improvements as identified in the Service Improvement Plan and investment in priorities such as Turning the Tide strategy. It is possible for alternative options to be considered such as increasing or reducing service provision which would result in a reduction or increase in the revenue contributions to the capital programme. However, officers recommend that the budget proposals provide the appropriate service provision whilst ensuring that the revenue contributions to capital are in line with the current HRA Business Plan.

7. REASONS FOR REPORT RECOMMENDATIONS

7.1 The Local Government and Housing Act 1989 requires each Local Authority to formulate proposals relating to income from rent and charges, expenditure on repairs, maintenance, supervision and management and any other prescribed matters in respect of the HRA. In formulating these proposals using best estimates and assumptions the Authority must set a balanced account. This

budget report provides a breakeven budget and recommends rent increases in line with current government guidance.

SUPPORTING DOCUMENTATION

Appendices:

1. HRA Forecast Outturn 2009/10 and Budget 2010/11

2. Draft HRA Subsidy Determination 2010/11

3. Sheltered Common Areas Service Charge for 2010/11

Documents in Members' Rooms

None

Background Documents

1. CLG Housing Revenue Account Draft Subsidy Determination 2010/11

2. 2010/11 Housing Revenue Account Working Papers