

## **ADULT SOCIAL CARE & HOUSING OVERVIEW & SCRUTINY COMMITTEE**

## **Agenda Item 50**

Brighton & Hove City Council

<b>Subject:</b>	<b>Budget Update for Housing Revenue Account Budget Setting 2009/10</b>		
<b>Date of Meeting:</b>	<b>8 January 2009</b>		
<b>Report of:</b>	<b>Director of Adult Social Care &amp; Housing</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Sue Chapman</b>	<b>Tel: 29-3105</b>
	<b>E-mail:</b>	sue.chapman@brighton-hove.gov.uk	
<b>Wards Affected:</b>	All		

### **FOR GENERAL RELEASE**

#### **SUMMARY AND POLICY CONTEXT:**

- 1.1 The purpose of this report is to provide the Adult Social Care & Housing Overview & Scrutiny Committee with an update on the Housing Revenue Account (HRA) budget to give some background to the issues relating to budget setting in 2009/10. The Cabinet on 12 February 2009 will recommend the HRA Budget to full council on 26 February 2009. Overview & Scrutiny Commission will have a chance to review the budget proposals at its meeting on 3 February 2009.

### **2. RECOMMENDATIONS**

- 2.1 That the Adult Social Care & Housing Overview & Scrutiny Committee note the budget assumptions in setting the HRA Budget for 2009/10.
- 2.2 That the Adult Social Care & Housing Overview & Scrutiny Committee note that the HRA budget report will be presented to Housing Management Consultative Committee on 20 January 2009, Overview and Scrutiny Commission on 3 February, Housing Cabinet Member meeting on 11 February 2009, Cabinet on 12 February 2009 and full council on 26 February 2009.

### **3. RELEVANT BACKGROUND INFORMATION**

- 3.1 The Local Government and Housing Act 1989 requires each Local Authority to formulate proposals relating to income from rent and charges, expenditure on repair, 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. The HRA budget for 2009/10 will be set based on these principles with a breakeven budget.

- 3.2 The budget is also set in the context of maximising resources to enable the

council to provide a long term sustainable Business Plan to deliver tenants priorities and the Decent Homes Standard.

## Budget projections

### *Pay Award / Inflation*

- 3.3 The 2008/09 budget was based on a pay award of 2.2% but the pay negotiations have still not been concluded and the latest employers offer was 2.45%. This increase has been factored into the 2009/10 budget and the pay award assumption for 2009/10 is 2.3%. Any increase above this level would need to be funded from usable revenue reserves.
- 3.4 The Single Status/Equal pay negotiations are still ongoing and contingency funding of £0.060m is included in the 2009/10 Budget.
- 3.5 Inflation of 2.5% has been applied to other costs. Fees and service charges will be increased to reflect current contract costs or actual costs of providing services.

### *Energy Costs*

- 3.6 During 2008/09 the council retendered two major energy contracts for gas and electricity providing communal heating and lighting. A report on the electricity contract for sub100kw sites was presented to Policy & Resources Committee on 7 February 2008 and the contract was awarded for the period May 2008 to April 2010. This contract saw an increase in costs of 83% on average. A report on the council's contract for gas was presented to Cabinet on 10 July 2008; this contract was let for the period October 2008 to September 2010 and has seen an increase of 52%. The impact of these increased contract costs on 2009/10 will be included in the 2009/10 Budget Report.

### *Efficiency Savings*

- 3.7 The council's Medium Term Financial Strategy agreed at Council in July outlines an efficiency savings target for all services across the city of 3% which calculates at £0.287m for the HRA. In setting efficiency savings targets of greater than 3% for the HRA, officers have taken into account:
  - the required level of efficiency savings
  - the need to reduce management costs per dwelling
  - the need to maximise the level of resources available to invest in meeting the Decent homes work.
  - The need to fund service pressures such as increased energy costs

### *Rents*

- 3.8 The calculation of rents follows the government's rent restructuring guidelines and is based on the relative property values, bedroom size and local earnings. From 1 April 2007, in anticipation of a positive vote for stock

transfer (and in accordance with the Department for Communities and Local Government Housing Stock Transfer Guidance), the property values used within the rent calculation were increased to reflect the value of Decent Homes improvement works to be completed by 2012. Although this decision would be beneficial to a Housing Association, the net result for a local authority is to increase the (target) rents payable by tenants in the future and increase the loss of housing subsidy to the HRA

3.9 Following the tenants' decision to remain with the council and the loss of additional resources available through stock transfer gap funding, for investment in improvements, the council has once again reviewed the property values and adjusted them to exclude those works that are unlikely to be completed by 2012. This has resulted in a reduction in each tenant's target rent which will be reflected through smaller increases to actual rents up to convergence than previously calculated.

3.10 The revised target rents will be used to calculate the actual rents and rental income budget for 2009/10.

#### *Housing Subsidy*

3.11 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. 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

3.12 The Department for Communities and Local Government (DCLG) stated that the HRA Subsidy Determination for 2009/10 was to be a one year only methodology to give Ministers time to explore the possibilities for wider reform of the HRA subsidy regime. Subsequently Ministers announced a joint Communities and Local Government and Treasury review. This review is to develop a sustainable long term system for financing council housing. As the review is not expected to report until spring 2009 it has been necessary to delay again, until a new regime can be introduced possibly in 2011/12. DCLG have therefore issued a draft determination on a similar basis to before, which will apply to 2009/10 only.

3.13 The draft determination proposes two alternative options in respect of setting rents and sought Local Authority views by 9 December. The final determination which is due around 22 December 2008 should clarify whether Local Authorities will be free to choose either option or not. The HRA currently receives an annual determination that results in a net transfer of resources to central government. This significantly impacts on the overall position of the HRA so once this is available the 2009/10 Budget can be finalised.

## **4. CONSULTATION**

4.1 No specific consultation has been undertaken in relation to this report.

## 5. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 5.1 The report sets out high level budget assumptions and budget changes that will need to be taken into account in setting the 2009/10 budget

*Finance Officer Consulted: Sue Chapman*

*Date: 17 Dec 2008*

### Legal Implications:

- 5.2 The proposals in this report and the proposed budget process are consistent with legal requirements under the Local Government & Housing Act 1989 (regarding HRA) the Local Government Finance Act 199e (regarding budget setting) as well as the Council's Budget and Policy Framework Procedure Rules.

*Lawyer Consulted: Abraham Ghebre-Ghiorghis*

*Date: 19 Dec 2008*

### Equalities Implications:

- 5.3 There are no direct equalities implications arising from this report

### Sustainability Implications:

- 5.4 There are no direct sustainability implications arising from this report.

### Crime & Disorder Implications:

- 5.5 There are no direct crime & disorder implications arising from this report

### Risk and Opportunity Management Implications:

- 5.6 There are no direct Risk & opportunity management implications arising from this report

### Corporate / Citywide Implications:

- 5.7 There are no direct citywide implications arising from this report.

## **SUPPORTING DOCUMENTATION**

### **Background Documents**

1. The 2009/10 HRA Draft Subsidy Determination
2. 2009/10 HRA working Papers
3. Reports to Decision Making Meetings