

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – COMMUNITY 17 JANUARY 2006

ESTIMATES (HRA)

1. Introduction

1.1 Attached are the draft estimates for 2006/07 for consideration by this Committee. A draft version of the figures was considered at an informal meeting of Scrutiny Community on 19 December 2005 but subsequent to this some changes were received from the ODPM in respect of Housing Revenue Account Subsidy allowances and the accounts have been amended accordingly.

1.2 This report outlines the strategic framework within which the estimates have been prepared, changes in accounting practices, which affect all budgets and detailed reasons for major changes in the Management Unit estimates.

2. Budget Framework

2.1 The estimates include assumptions for pay, general inflation and income as follows:

- Pay 2.95%
- General inflation 1.0%
- Income 3.0%
- Investment interest 4.65%

The 1% general inflation rate is applied to those budget headings where there is direct control over purchasing e.g. equipment, stationery etc, and is a below inflation increase in order to assist in achieving the required Gershon efficiency savings targets.

2.2 The HRA Subsidy determination for 2006/07 has been increased by the following in line with the number and types of dwellings as at 1st April 2005:

- Maintenance 14.7%
- Management 14.03%
- MRA 2.8%
- Rent (average) 5.0%

In net terms this has reduced the subsidy payment to the Office of the Deputy Prime Minister by some £198k and has increased the revenue funding available to assist in meeting the cost of the governments Decent Homes Standard programme.

2.3 The identified available resources for future year's capital programmes are expected to be about £24.7 million. It is proposed that £5.34million should be spent on improvements to our existing housing stock in 2006/07. A list of the proposed new schemes for this Committee is attached. Appendix 2.

3. Key Budget Changes

The Housing Revenue Account budgets for 2006/07 are attached at Appendix 1 and the key changes are as follows:

5A1 MANAGEMENT

Employment costs have decreased due to the duties of a half a post being transferred to the Choice Based Lettings scheme, a regrading has resulted in additional savings, these savings have being partly offset by the cost of an additional post. Additional costs in respect of Equipment, Tools and materials have arisen as have costs for tenant removal and legal expenses. Support service costs have increased, in particular the Customer First, Contracts unit, Cashiers & banking recharges, however these increased costs have been partially offset by a reduced recharge in respect of Finance Services and the Civic Centre.

5A3 SUNDRY LANDS MAINTENANCE

No significant variations to report.

5A4 REPAIRS FUND CONTRIBUTION

The Repairs Fund has been increased in line with the maintenance allowance calculated as part of the HRA Subsidy. This will provide revenue support of £1.01million to undertake work in respect of the Decent Homes Standard.

The Major Repairs Allowance has been increased by 2.8% but also reflects the reduction in housing stock as a result of the Right to Buy option.

5A6 CAPITAL CHARGES

There was a revaluation of housing land and buildings at the 1st April 2005, which reflected the economic increase in property prices. This, together with a statutory increase in interest rates from 4.8% to 4.95%, has increased the interest charged to the HRA, but under resource accounting rules, interest in respect of dwellings is also credited to the HRA and transferred to the Asset Management Revenue Account making this increase cost neutral.

Capital charges in respect of IT software has been transferred for consistency from Management Unit 5A1 and the balance shown here is in respect of leasing charges for heating and capital charges for garages and IT software for housing rents and maintenance.

5A8 RENTS

Rents on dwellings have been increased in accordance with government's guideline. Garage rents have been increased by 3% and reflect the level of rent collected in 2004/05.

5A9 GOVERNMENT SUBSIDY

See 2.2 above

5B2 INTEREST

Interest on mortgages reflects the estimated balance outstanding at March 2006. The increase in interest on balances reflects the estimated return on investments for 2006/07.

5B4 MOVEMENT IN WORKING BALANCE

The estimates have provided for a balanced budget in respect of the HRA for 2006/07.

- 6. RECOMMENDED that** Scrutiny Committee – Community supports the Estimates (HRA) for 2006/07.

HEAD OF TREASURY SERVICES

H:LP/Committee
5 January 2006

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None