

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – COMMUNITY HOUSING REVENUE ACCOUNT

15 JANUARY 2008

ESTIMATES

1. Introduction

1.1 Attached are the Housing Revenue Account (HRA) estimates for 2008/09 for approval of the Scrutiny Committee – Community.

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 any significant changes in the Management Unit estimates.

2. Budget Framework

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

- Pay 2.5%
- General inflation Nil (see paragraph 2.3 below)
- Income 3.0%
- Interest on Investments 5.75%

2.2 The draft HRA Subsidy determination for 2008/09 has been increased by the following in line with the number and types of dwellings as at 1st April 2007:

- Maintenance 0.00%
- Management 2.74%
- MRA 0.56%
- Rent (average) 5.23%

2.3 An additional £4 per dwelling per year has been built into the Management allowance per dwelling to fund the production of the Energy Performance certificates for local authority stock. The government's intention is that this is not a one-off allowance for 2008/09 but it will form a continuing constituent part of the allowance for at least the next decade, as certificates will be valid for 10 years.

2.4 Communities and Local Government (DCLG) have proposed to put back the date of rent convergence under rent restructuring to 2016/2017. This is solely for the purpose of calculating Guideline rents for 2008/09, as it is likely that this date will be reviewed for future years as part of the wider reform of the HRA Subsidy system.

2.5 In net terms, the subsidy payment to the Department of Communities and Local Government has increased by some £897k, this includes the cessation of the Rental Constraint Allowance of £211k, which the government paid as compensation for limiting the rent increase to 5%.

However DCLG have also limited the rent increase in 2008/09 to 5.7%, which has considerably reduced the amount that the HRA funds in support of the capital programme to achieve the Decent Homes Standard. The Contribution to capital for 2008/09 is set at £812,050, a reduction of £416,980 against the contribution set for 2007/08.

- 2.6 As a means of finding efficiency savings many non-pay budgets will again not be fully increased for inflation. There will be some exceptions to this in particular where there are ongoing contractual arrangements in place and where the Council has to meet the full price increase e.g. fuel and electricity. The Retail Price Index (RPI) for September 2007 was 3.9%. Although the Government no longer produce targets for the RPI it is still used to determine increases in pensions, benefits and pay negotiations.
- 2.7 The available capital resources for 2008/09 are £19.705 million with £19.616 million required in respect of the General Fund, of which £2.132 million is required for new approvals, and the Housing capital programme will be some £5.337 million making a total spend of £24.833 million. This shows that the Council will have to use borrowing in addition to other capital resources to finance its capital programme requirements. This will also have an ongoing impact on the Council's revenue budget. The current revenue cost of borrowing consisting of interest and loan repayments, is about £85,000 for each £1 million that is borrowed. The prudential capital framework enables the Council to borrow within self-imposed targets largely based on affordability. It is unlikely that the Housing account will need to use borrowing to fund its capital programme until 2009/10. A list of the proposed new schemes for this Committee is attached at Appendix 3.
- 2.8 The changes in respect of 2008/09 Fees and Charges for the Housing budget are included at Appendix 2

3. Key Revenue Budget Changes Proposed for 2008/09

- 3.1 The proposed budgets reflect a combination of budget increases and savings and the key changes are as follows:

5A1 MANAGEMENT

Provision has been made to fill the vacant management post in the HRA, this has been partly offset by the allocation of Housing Advice officers to the General Fund in respect of work on Homelessness.

There is a reduction in the costs that can be offset against the capital receipts pooling as a result of the reduction in Right To Buy sales, and an increase in the allocation of some staffing costs from capital to revenue.

5A3 SUNDRY LANDS MAINTENANCE

There has been a small increase in the cost of the Garden Assistance scheme which is to be re-tendered in 2008

5A4 REPAIRS FUND CONTRIBUTION

The Repairs Fund has been increased to £3.8m to reflect the level of maintenance required to support the number of properties currently held. This will also provide revenue support of £0.812m to undertake work in respect of the Decent Homes Standard.

The Major Repairs Allowance (MRA) has been increased by 0.56% but also reflects the reduction in housing stock as a result of the Right to Buy option giving a real increase of only 0.23%.

5A6 CAPITAL CHARGES

Depreciation of HRA dwellings has been calculated in accordance with the government's guideline on the valuation of tenanted property. There is a small reduction in finance leasing costs as one contract was completed in 2007/08.

5A8 RENTS

The increase in the estimate of income from housing rent reflects the government's increase of 5.7% in the Limit rent for 2008/09 and the continuing reduction in the number of properties sold under the Right to Buy Scheme. Garage rents have been increased by 5.7% and reflect the level of rent being collected in 2007/08.

5B1 GOVERNMENT SUBSIDY

See paragraphs 2.2 to 2.6 above

5B2 INTEREST

Interest on mortgages reflects the estimated balance outstanding at March 2008. The increase in interest on balances reflects the estimated return on investments for 2008/09.

5B4 MOVEMENT IN WORKING BALANCE

The estimates have provided for a balanced budget in respect of the HRA for 2008/09.

4. RECOMMENDED that Members are asked to approve the Estimates.

**ANDY STARK
HEAD OF TREASURY SERVICES**

**HAZEL BALL
DIRECTOR
COMMUNITY & ENVIRONMENT**