

SECTION 9

9. HOUSING REVENUE ACCOUNT

Introduction

- 9.1 The Housing Revenue Account (HRA) is a record of revenue expenditure and income, relating to the authority's own housing stock, i.e. it reflects the council's landlord role. The statutory framework for the operation of the HRA is provided in the Local Government and Housing Act 1989 and this Act prescribes the categories of income and expenditure to be included in the HRA, hence the "ring-fenced HRA".
- 9.2 Expenditure charged to the HRA in 2009/10 includes:
- Repairs and maintenance;
 - Supervision and management;
 - Rent and rates; and
 - Capital charges.
- 9.3 Income credited to the account in 2009/10 includes:
- Dwelling rents;
 - Non dwelling rents;
 - Charges for services and facilities;
 - Interest receivable; and
 - HRA subsidy paid by the government.
- 9.4 Any balances on the HRA at the end of the year are carried forward within the HRA to the next year. There is no general discretion to transfer sums into the HRA or to support the General Fund with contributions from the HRA i.e there can be no cross-subsidy between the General Fund and the HRA, although legitimate charges flow between the accounts.
- 9.5 The council must agree and publish an annual budget for the HRA and this budget must avoid a deficit. This process is often referred to as rent setting, as the final component in agreeing a balanced HRA is setting the level of dwelling rents. If, during the year, it seems that the account is moving into deficit, the council must take all reasonably practicable steps to bring the account back into balance, including the consideration of additional rent rises. To the extent that it is not possible to find savings or increase income, then a debit balance should be carried forward to the following year and the council must budget to eliminate the deficit during that year.
- 9.6 The dwellings that the council owns at Stonebridge (transferred from the Stonebridge Housing Action Trust following the ballot in 2007) are held outside the HRA, and are not therefore included in the HRA budget. Proposals for rent levels for these dwellings for 2009-10 are included in the "HRA Budget 2009-10 and Rent Increase Proposals for Council Dwellings" Report on the agenda for the Executive on 16th February 2009. For these

Stonebridge dwellings in 2009-10, that report sets out proposals to increase the average rents by 6.2% and to decrease the service charges by an average of 22%.

- 9.7 A detailed report on the HRA budget for 2009/10 is being considered by the Executive on 16th February 2009. That report sets out proposals for an overall rent increase of 6.01% for the main properties within the stock. This is in line with the government's rent restructuring policy. The HRA budget is formally agreed by Full Council when this report is considered at its meeting on 2nd March 2009.

The Probable Outturn 2008/09

- 9.8 The HRA budget report shows that the estimated balance on the account at 31st March 2009 will be £2.645m in surplus, which when compared to the original budgeted balance of £400k, represents an increase in HRA balances of £2.245m. This increase in balances comprises an underspend on the HRA in 2007-08 of £1.925m (favourable variances on repairs and maintenance, provision for bad debts, income from poling of right to buy receipts, income from commercial rents, and management costs) and a forecast underspend of £320k on the HRA in 2008-09.

The 2009/10 Budget

- 9.9 The 2009/10 HRA budget includes the following:
- The government's implementation of its rent restructuring policy continues into 2009/10 and, under the national formula, individual rents should increase by 5.5% + 1/16th towards their target rent. However, the impact on tenants will be cushioned by "caps and limits", which generally means that in 2009-10 no rent will increase by more than 5.5% + £2.
 - A decrease in housing subsidy of £2.443m, which takes account of a small increase in management allowances, an increase in notional income (withdrawal of subsidy), stock loss, a reduction in lease rental subsidy due to expiring dwelling leases, an increase for the major repairs allowance, and additional subsidy for debt management expenses.
 - An inflation allowance of 2.0% for pay, 3.46% for repairs, 2% for other prices and a reduction of 0.1% in Employers National Insurance;
 - An increase in service charges of 5.0% (based on RPI at September 2008);
 - An overall average rent increase of 6.01% (average £5.18 per dwelling per week) for the main properties within the stock. This increase is to be applied taking full account of the government's rent restructuring guidance. The following table sets out the impact (note that the table excludes leased dwellings):

Analysis of change in weekly rent from 2008/09 to 2009/10	
Band – (decrease) increase in rent	No. of properties¹
Less than -£1.5	11
Between -£1.5 and £1	12
Between £1 and £2	30
Between £2 and £3	44
Between £3 and £4	92
Between £4 and £5	3,104
Between £5 and £6	5,041
Between £6 and £7	898
Between £7 and £8	71
Over £8	1

- Growth of £546k is included, comprising:
 - Revenue costs to fund a £2m Capital Programme £100k;
 - Energy Performance Certificates £38k; and
 - ALMO Round 2 Interest Adjustment £408k.
- Savings of £1.202m comprising stock loss and efficiency savings;
- Proposals to spend £2.245m of useable one-off HRA balances, comprising:
 - Revenue Contributions to Capital Outlay of £1.045m for to fund an HRA Capital Programme for Health and Safety Works;
 - An earmarked reserve for ALMO Round 2 Interest Adjustment £1.2m.
- An estimated dwelling stock level (excluding Brent's Stonebridge dwellings) at 1st April 2009 of 9,450² dwellings (actual 9,465 dwellings at 1st April 2008);
- Rent collection assumed at approximately 99.6% of the rental income due; and
- A nil voluntary HRA debt repayment. Up to 2003/04 there was a statutory requirement for the repayment of HRA debt. This requirement was removed in April 2004, along with the subsidy to pay for it. There is a provision to make a voluntary repayment, but this is not subsidised. As there is no un-supported borrowing under the prudential regime in the HRA, and as our debt charges are met in full through housing subsidy, no voluntary repayment of debt has been included in the budget for 2009/10. The current level of debt relating to the Housing Revenue Account was £325m at 31st March 2008 and is estimated to be £328m at 31st March 2009.

¹ The total of 9,304 includes only freehold dwellings

² The figure of 9,450 includes both freehold and leasehold dwellings

9.10 Taking into account the above, the HRA is estimated to show a surplus of £400k at 31st March 2010.

9.11 Details of the HRA budget are shown in Appendix L.

HRA Risks

9.12 The main risk associated with the HRA budget for 2009-10 are:

- The HRA's medium and long term viability. The updated HRA Business Plan shows that there are insufficient capital resources to maintain the dwelling stock post decent homes, and also that the operational HRA is likely to be in deficit in 5 years time. This comes at time when the Government are about to report (in Spring 2009) on their review into Council Housing Finance.
- Recovery of Leaseholder Service Charges (Major Work); and
- Rent Collection – maintaining high collection performance.

HRA Medium Term Financial Plan

9.13 The Medium Term Financial Plan for the HRA shows a forecast deficit on the account of £720k in 2010/11 and £564k in 2011/12. Options to address this deficit will be developed during 2009/10. This forecast does not include any assessment of potential stock transfer(s) at South Kilburn or Barham Park. A joint process between council and Brent Housing Partnership officers will explore the timetable and implications of this in the coming months. This will include the assessment of direct and indirect costs, including corporate recharges.