

**LONDON BOROUGH OF BRENT**  
**MEETING OF THE EXECUTIVE - 9 FEBRUARY 2004**  
**FROM THE DIRECTOR OF HOUSING SERVICES**

**NAME OF WARD(S)**  
**ALL**

**REPORT TITLE: HRA Rent Setting Report.**

Above  Below   
**Confidential Line**

**For: Action / Information**

FP REF: HSG-03/04-17

**1. Summary**

- 1.1 This report presents to Members the Revised Estimates for 2003/2004 and the Estimates for 2004/2005 as required by the Local Government and Housing Act 1989. Members are required to consider these estimates and the associated options. There is a requirement to set a budget that does not show a deficit and in particular Members need to consider the level of rents for 2004/2005.

**2. Recommendations**

That Members:-

- 2.1 Approve the Revised Estimates 2003/2004 (Appendix 1, Table 1).
- 2.2 Note the Estimates (in Appendix 1, Table 1) 2004/2005 in the light of Officers' advice contained in this report (including consideration of the growth items).
- 2.3 Approve an average rent increase (excluding service charges) of £2.56 per week. This to be applied on an individual basis to each property based on the government's rent convergence guidelines as detailed in paragraphs 7.31 to 7.37. This will raise an additional £1,281,631.
- 2.4 Members agree to increase service charges by 2.8% raising an additional £70,000.
- 2.5 Agree to increase the rents on Middlesex House (including Service Charges) by 2.8% raising £21,000.
- 2.6 Delegate to the Director of Housing authority to agree the ALMO management fee after negotiations with that organisation on the basis it is funded from agreed overall financial resources for the financial year 2004/05.

### **3. Financial Implications**

- 3.1 This report mainly concerns financial issues. Members are advised of their duty to approve a budget that meets the statutory requirements as contained in Part VI Local Government and Housing Act 1989. Paragraphs 76 (2) and (3) essentially require Members to ensure that their proposals are realistic and do not result in a deficit budget.

### **4. Staffing Implications**

- 4.1 The main purpose of the report is to set the HRA Budget for 2004/2005. Clearly decisions made by this Committee on expenditure and rent levels can materially affect staffing numbers. There are no major staffing implications arising from this report unless, as a matter of policy, Members determine significant additional savings.

### **5. Legal Implications**

- 5.1 Under section 74 of the Local Government and Finance Act 1989 the Council is required to keep a separate Housing Revenue Account of sums falling to be credited or debited in respect of its housing stock. Sections 75 and 76 set out the rules for establishing and maintaining that account. Under section 76 the Council is required to formulate in January and February of each year proposals for the HRA for the following year which satisfy the requirements of that section and which relate to income, expenditure and any other matters which the Secretary of State has directed shall be included.
- 5.2 In formulating these proposals the Council must secure that upon their implementation the HRA will not show a debit balance assuming that the best assumptions and best estimates it can make at the time prove to be correct. Put simply, the legislation requires the Council to prevent a debit balance, to act reasonably in making assumptions and estimates and to act prudently.
- 5.3 The Act also requires the authority to review the proposals from time to time and make such adjustments as are necessary to ensure that the requirements, as set out above, continue to be met. This report sets out the revised estimates for the current financial year and also the proposals for the coming year.
- 5.4 The Council is required to prepare a statement of the revised estimates and new proposals within one month of the proposals and this requirement will be satisfied by Council approval of the overall budgets for 2004/2005 on 1st March 2004.
- 5.5 The Council may make such *reasonable* charges as it so determines for the tenancy or occupation of their dwellings and shall review those rents and charges from time to time. In so doing the Council shall have regard to the principle that the rents for different types of houses should bear broadly the same proportion to private sector rents for those different types of houses. This means that, put simply, the difference between the local authority rent

for, say, a bedsit and a two bed house with a garden should be broadly comparable to the difference between the rents for those types of dwellings in the private sector. In making such reasonable charges officers have given consideration to the Government's policy aims of introducing social housing rents that will ultimately produce rents being set (both in the council and RSL sectors) on a nationally determined basis (whilst taking into account local factors such as the value of dwellings). This aim is not prescriptive in so much it remains the responsibility of the local housing authority to set rents. Failure by a local authority to take into account this so-called rent restructuring/convergence will incur substantial HRAS losses and hence officers' clear advice is that it is inappropriate not to introduce rent restructuring.

- 5.6 The decisions recommended in this report are an exercise of the Executive's rent-setting function and must take into account the implications of the Council's overall budget.

## 6. Diversity

- 6.1 This report, in the main deals with the rent setting and budget proposals for the Council's HRA. Officers are not proposing any major changes to the operation of this account. In particular this report deals with a number of strategic issues and does not in itself deal with specific operational ones. Operational housing management issues are, in the main, the responsibility of Brent Housing Partnership (BHP) and this service is monitored by the Housing Service by reference to the agreements between Brent Council and its wholly owned subsidiary – BHP.

In undertaking its housing management responsibilities there are a number of initiatives which support the Council's policies on diversity which is central to BHP's service delivery. Compliance with equalities objectives is monitored through BHP's Equalities & Diversity sub-committee, which receives regular reports on progress on the Equalities Scheme. Activities currently in progress in year 1 of the scheme include;

- **Governance:** all reports to the BHP board and sub-committees are now required to include a reference to equalities considerations.
- **Human Resources:** a new post of Human Resources Manager has been created; a commitment has been made to joining the 'Positive About Disability' scheme; and all staff are completing an innovative training programme in Serving Disabled Customers.
- **Neighbour Relations:** increased training is being given to front-line staff; A Racial Harassment Policy has been drafted after extensive consultation and was agreed by the E&D sub-committee in December; A Domestic Violence policy officer has been appointed.
- **Tenancy Management:** A new Supporting People Team is currently being set up and should be operational early in 2004. Gardening services are being provided to those elderly and disabled on our 'Vulnerable tenants list'.

- **Procurement:** South Kilburn NDC initiative to obtain employment and training opportunities for local people on 'Decent Homes programme'.
- **'Right to Buy':** an initial assessment of applicants by ethnicity and disability has been completed and shows that applicants reflect the diverse community.

## 7. Detail

7.1 This report addresses the budgets associated with the Council's Housing Revenue Account (HRA). It contains the income and expenditure relating to the Council's Landlord duties in respect of approximately 10,037 dwellings. These dwellings are accounted for separately from the Council's other services / activities which generally form part of the Council's General Revenue Fund. The HRA has a particular set of regulations that differentiate it from the General Revenue Fund and receives central Government financial support through the Housing Revenue Account Subsidy (HRAS) regime. The current basis of regulations and subsidy was introduced in April 1990 (as a result of the Local Government and Housing Act 1989). The system relies on the Secretary of State publishing each year so-called 'Determinations' which forms the basis of HRAS. It also determines the way debt charges are calculated.

7.2 The account should receive no subsidy from the Council's General Fund nor subsidise the General Fund – it is what is commonly referred to as a 'ring-fenced account'. Whilst the subsidy position is clear, this does not mean that there are no financial transactions between the HRA and General Fund (or vice versa). Transactions between the accounts are made in respect of (e.g.):

- Debt Charges (associated with historic capital expenditure)
- Central Costs (representing the proportion of activities undertaken by non-HRA staff that can be attributed to the HRA).

7.3 The Council's rents (including rebatable Service Charges) have been amongst the highest in London (Brent's average for 2003/2004 is £74.31 per week). The levels of rents are generally high due to a number of factors. The main two being the Council's position within the HRA Subsidy system and the significant amount of expenditure relating to 'capital' (which ideally should be funded from capital resources such as borrowing approvals and the expenditure deferred over a number of years). During the 1990's the Council was unable to provide sufficient capital resources to the HRA to meet all of its requirements due partly to the pressing needs elsewhere and inadequate central government allocations.

Currently the Council's policy is to move rents towards the London average. In formulating this year's estimates officers have again been mindful of this policy. However, Members need to take into account the current government rent regime which seeks convergence between the local government sector

and the RSL sector. The Council continues to lose stock through 'Right to Buy Sales' and it is estimated that the number of sales will be 205 in 2004/05

7.4 The introduction of 'Resource Accounting' moves the HRA onto longer term planning principles. It is anticipated that this process will continue to prove challenging for all stakeholders (including officers, tenants and Members). The HRA Business Plan has been submitted to ODPM along with the 'Housing Strategy'. The Council has an HRA Business Plan that meets the 'fit for purpose' criteria and that it received a rating of 4 – the highest rating. The HRA Business Plan has demonstrated that within rent restructuring a viable business plan is attainable on the basis of:

- ALMO Initiative Supplementary Credit Approvals. Commitment from the Council's Capital programme of £2.5M per annum for 2003-04 and £3.6M per annum from 2004-05 onwards.
- Financially innovative solution to South Kilburn dwelling stock.
- The acknowledgement that a proportion of properties within the ALMO (e.g. Barham Park) may need a solution that is unlikely to be deliverable within the Council ownership framework.

7.5 Whilst operating costs are constantly reviewed and indeed have been reviewed as part of Housing Management Services' Best Value review, the level of resources currently available (both from the HRA and Capital resources) is insufficient to provide services in line with tenant and member aspirations. The Council's HRA investment strategy (as identified in the HRA Business Plan) is predicated on the success of the Council's ALMO and the additional capital resources that should be generated through this initiative, i.e. 'Supplementary Credit Approvals' (SCAs). In addition there is an assumption that the South Kilburn area (i.e. the New Deal for Communities area) are regenerated through resources that are in the main generated from outside the Council. The Council has bid for government resources for approximately 777 dwellings within the South Kilburn NDC area as part of an extended ALMO programme. This will materially assist both the ALMO (as a on-going provider of cost effective housing management services) and the housing element of the NDC area.

7.6 Officers are currently working on the longer term implications of the government's changes to both the HRAS and the HRA generally. It is not appropriate to report on these changes until a full review is completed of the current ALMO investment plan and the outcome is known of the ALMO extension bid. However, it is likely that the overall costs of the programme will have increased from that previously reported.

#### **Revised Estimates 2003/2004**

7.7 A summary for the forecast outturn for the HRA is contained in Appendix 1, Table 1. The column headed BHP adjustments, reflects an exercise by Brent Housing Partnership to undertake a review of detailed budget heads and re-classify expenditure into their correct summary headings. This exercise had no impact on the bottom line.

- 7.8 In Appendix 1, Table 1, the column headed Probable budget 2003-04 sets out the forecast outturn for the HRA in 2003-04. It can be seen that the budgeted surplus at the end of 2003-04 is forecast to increase from £400k to £1,238k, a favourable increase of £838k.
- 7.9 Table 2 in Appendix 1 sets out the detailed virements associated with this forecast outturn. The major adjustments that affect the overall net expenditure are as follows:-
- An increase in the surplus brought forward from 2002-03 £141k
  - A reduction in principal repayments £66k
  - A reduction in interest payable (excluding ALMO) £109k
  - The new ALMO allowance, which represents the revenue support to finance borrowing for ALMO purposes of £2.34m in 2003-04.
  - The cost of ALMO borrowing, estimated at £780k for 2003-04.
  - Brent Building Cleaning are projecting an overspend in excess of £200k in 2003-04. A detailed review of BBC operations is underway, which includes the re-tendering of the non-housing contracts. In the meantime, the forecast outturn takes account of a £200k overspend.
  - Gloucester Close Debt – In the 1980's, a debt for £175k was raised in respect of leaseholders at Gloucester Close. In the early 1990's, it was determined that the debt had incorrectly been raised, and that the debt should be cancelled, and for those who had paid the debt, they should be reimbursed. However the debt position was not corrected at that time. As most of the debt remains on the HRA books, it is necessary to cancel that debt now and to arrange to reimburse those leaseholders who incorrectly paid. The forecast outturn includes £175k in respect of this correction.
  - There is a shortfall of £35k in the budget for the settlement of the pay dispute with the Voids Team (Brent Internal Repairs). The forecast outturn includes £35k for this settlement.
  - A major exercise to upgrade IT equipment and software have been progressed within Housing during 2002 and 2003. During 2003-04, it was identified that there would be insufficient budget to do all that was necessary. Options for leasing were explored, and then, rather than enter a lease, Officers proposed to borrow the shortfall from balances, with a view to reimbursing those balances over the following 2 years. The 2003-04 forecast out-turn therefore includes the excess of expenditure of £400k, which will be restated into balances in 2004-05 and 2005-06 at the rate of £200k per annum.
  - The HRA has an earmarked reserve for a stock condition survey of £150k. The stock condition survey has been completed and funded from mainstream resources. The reserve can therefore be released, generating £150k.

- Contractual cyclical repairs on our HRA leasing schemes are estimated at £380k. No budget exists for this, and this expenditure will be one-off. Provision has been made to establish an earmarked reserve for this expenditure within the 2003-04 forecast out-turn. This does not relate to properties managed by BHP.

### **Estimates 2004/05**

- 7.10 The estimates are appended at Appendix 1, Table 1. They indicate a deficit of £32K before taking into account the possibility of a rent rise and/or growth items. Table 3 in Appendix 1 shows the movements in budget heads between 2003/04 and 2004/05.
- 7.11 In considering the estimates Members need to consider the policy and legislative framework within which these estimates have been formulated.
- 7.12 For a number of years the estimates have been compiled on the basis of current guidance for budget preparation (as agreed by Members and issued by the Director of Finance) and the 'budget envelope' as agreed by the former Housing Committee – that is the spending budgets should be adjusted in relation to the stock numbers. The advantage of this approach (which basically ignores the possibility of 'so-called' fixed costs) is that managers are able to reduce their expenditure on a planned basis. For 2003/04 this approach was relaxed for BHP on the basis that the initial set up costs for the ALMO would create 'one –off' costs. The actual management fee is subject to negotiation.
- 7.13 The estimates provide a framework for resource distribution and the setting of the rent. BHP has the discretion to make decisions on expenditure within broadly agreed budgets that are consistent with the agreed delivery plan. The Council's agreed resources to BHP is divided into two elements, the fee for undertaking the housing management and the purchasing budgets which BHP spends on behalf of the Council to deliver services (e.g. repairs budgets). The agreements between the Council and BHP require each year that the management fee is negotiated and agreed is consistent with the delivery plan. Therefore at this stage it is recommended that the Director of Housing is authorised to agree this fee within the overall financial planning parameters.
- 7.14 For 2004/5 there is a major change in the accounting arrangements for the HRA. Rent Rebate expenditure, which is expenditure in respect of assistance given to Council tenants to meet their housing costs, are no longer chargeable to the HRA. Similarly the reimbursement of this expenditure through HRAS ceases to be credited to the HRA. Tenants will continue to receive their rent rebates as before, however the expenditure/subsidy will now be debited/credited to the Council's 'General Fund'. This now leaves the HRA as a 'proper' landlord account. In broad terms this change should be neutral for local authorities although this is not the case for the effect between the HRA and the General Fund. There is a financial advantage to the HRA of this change and this nationally has been

recognised by government allowing local authorities discretion to make a transfer to the General Fund for a period of two years as compensation for the additional burden to the General Fund. It is understood that the Director of Finance is including this in his budget setting strategy.

- 7.15 Over a number of years the Council has been reducing the level of so-called recharges to the HRA reflecting the changes that have been taking place in both the number of Council owned dwellings (that have reduced through stock transfers/'right to buy') and the vehicle by which the housing management is undertaken (i.e. BHP). On advice of the Director of Finance this recharge is being reduced by £900K.
- 7.16 The estimates as presented on a nil growth basis show a deficit of £32K (before consideration of growth items).
- 7.17 It is important to note that this net expenditure is only achieved through £1.4M of one-off surpluses and thus this would not be available to fund the HRA in 2005/6 and thereafter. This surplus relates to £838K brought forward from 2003/04 plus £603K from the ALMO Allowance for 2003/04. Officers advise that this issue should be dealt with as part of the review of the HRA business plan. The HRA business plan is inextricably linked to the revenue and capital budgets and in particular addresses the funding of capital expenditure from revenue and from the newly introduced prudential borrowing regime. The regulations governing the operation of the HRA no longer require that this account should provide for debt redemption. Therefore, the estimates have been compiled on the basis that the only charges debited to the HRA in respect of borrowing are interest only. The Council could if it so wished make a discretionary repayment of debt but this would not attract HRAS hence, officers are not recommending this measure and the Director of Finance is content with this position.

### **Housing Revenue Account Subsidy (HRAS)**

- 7.18 A key element in the HRA is Housing Revenue Account Subsidy. A full and comprehensive explanation is included at Appendix 2.
- 7.19 In broad terms the HRA is receiving less HRAS (in real terms) for 2004/5 than in the previous year due to changes made in the methodology by which 'Management and Maintenance Allowance' and the debt charges element are calculated. In addition the government has increased 'notional rents' by 6.2% which reduces housing subsidy by approximately £1.9M.
- 7.20 As a result of these changes, London local authorities are generally in a worse position as compared with authorities elsewhere in the country. These changes represent in real terms a shift in resources from London. A major impact on the 'Management and Maintenance Allowance' is the reduction in the weighting given to additional costs associated with managing and maintaining flats.



- 7.21 Brent, during the consultation period made appropriate representations in writing. The impact upon the HRA Business Plan is currently being assessed.

### **HRA Business Plan**

- 7.22 As previously indicated the HRA Business Plan received a '4 star' rating and was deemed 'fit for purpose' along with the 'Housing Strategy'. This means that this document does not need to be submitted to government on an annual basis. However the service continues to undertake reviews of the plan and in particular a review is being currently carried out in respect of the expenditure associated with the ALMO investment programme. The outcome of this exercise will be matched with changes to the HRAS and current rent convergence policy to ascertain whether the 'HRA Business Plan' is viable over the full 30 years. In addition this will assist the ALMO in requesting additional resources for the existing investment programme.
- 7.23 The business plan will also be reviewed in the light of the Council/ALMO application for the additional 777 dwellings in the South Kilburn NDC area. In addition, the plan will require reassessing the strategy adopted for the remaining dwellings in South Kilburn.
- 7.24 The outcome of the business plan review will be reported to Members in the spring.

### **Growth Bids**

- 7.25 Members' attention is drawn to a number of growth bids. Clearly when considering these bids there is need to consider whether they are appropriate and there is sufficient level of resources available, or alternatively to reflect on what areas of expenditure may be reduced to fund these items.
- 7.26 Appended to this report (Appendix 4) is a short statement from BHP requesting growth of £168K for BHP's operational costs. BHP are also requesting growth of £91K for purchasing budgets. It is strongly recommended that whatever decision is taken as part of the overall budget envelope this should be considered in the light of the negotiations between the Council and BHP. Therefore at this stage Members are advised that they should consider BHP's bid for additional operational resources as guidance for negotiations. In addition it is noted that if, during negotiations BHP's fee did not reduce through stock loss then there is an additional £137K of growth.
- 7.27 Brent Building Cleaning are projecting an overpend in excess of £200k in 2003-04 and this is being funded from an underspend in 2003-04 (see revised estimates 2003-04). A detailed review of BBC operations is underway, which includes re-tendering of the non housing contracts. In the meantime, £120k is included as growth for Brent Building Cleaning for 2004-05.

- 7.28 The Council is currently working with Metropolitan Housing Trust (MHT) to resolve possible financial issues concerning two leasing arrangements. These are very similar to the arrangements that the Council has with Network Housing Association (NHA) (known as Middlesex House and Lancelot Road schemes). Given the Council ultimately grant aided NHA to subsidise the scheme it is considered necessary to set a side £250K at this stage. Given the early stages of meetings with MHT it should not be implied that the Council has agreed to make payments to MHT. These schemes will require a thorough scrutiny from both the Council's legal and financial officers.
- 7.29 For the past two years the HRA has funded £1.6M of repairs expenditure from 'one-off' surpluses arising in the HRA. Given this has occurred for two years BHP's budget planning to a certain extent has assumed this is built into the base. It is suggested that this is included in the base for future years and future affordability included in the business plan review and in particular related to the overall investment and maintenance programme.

7.30 The growth items total £2.4M.

### **Rent Restructuring**

- 7.31 Rent restructuring is a crucial element in the budget process and an analysis is included in Appendix 3. Rent restructuring is the mechanism by which the government influences local authority rents and Registered Social Landlords (RSLs) i.e. housing associations towards convergent rents. It is influenced within the local authority sector through the operation of housing subsidy.
- 7.32 Formula and actual rents have been profiled individually for every property within the Councils ownership with reference to government guidelines restricting the maximum charge for each property type (rent caps) and the maximum annual increase allowable per property per annum (RPI+0.5% +£2pw).
- 7.33 The current 2003/04 average rent for a council property within Brent is £69.46 while the formula rent for 2004/05 is £70.02 so the difference between the average actual and formula rent is minimal however this does mask differences at an individual property level. Formula rents are rents set using the rent restructuring formula as opposed to the actual average rent charged to tenants.
- 7.34 Profiled at an individual level as illustrated below there is approximately a 60:40 split between properties with rents that will increase above the rate of inflation (real increase) for 2004/05 and those with rents that will increase at less than the rate of inflation (real decrease).

- 7.35 For 2004/05 the rental paths towards target for each property have been planned according to government restrictions as outlined above. The rental caps have been set by ODPM by size of the property and at 2004/05 are at the levels overleaf.

	Bedsit	One Bed	Two Bed	Three Bed	Four or Over Bed
2004/055	£90.62	£90.62	£95.94	£101.28	£106.6

- 7.36 In 2004/05 9625 tenants have rents that will increase in cash terms and 7 that will decrease. The table below analyses how tenants rents will move for 2004/05 and it can be seen that the majority of tenants (54%) will experience an adjustment in their rent of less than £3 per week (in cash terms).

<b>Analysis of Cash Term Change in Net Rent from 2003/04 to 2004/05</b>	
<b>Band</b>	<b>Count</b>
£-0.50 to £-0.01	7
0.00 to £0.50	244
£0.51 to £1	1210
£1.01 to £1.50	1693
£1.51 to £2	482
£2.01 to £2.50	759
£2.51 to £3	811
£3.01 to £3.5	1165
£3.51 to £4	1868
£4.01 to £4.50	1150
Over £4.50	243
<b>Total</b>	<b>9632</b>

The average weekly rental rise per property for 2004/05 in cash terms is £2.56.

### **Budget Strategy**

- 7.37 Clearly Members need to be mindful of their obligations to approve a budget that is balanced and is based upon reasonable estimates. The budgets have been based upon nil growth and growth options clearly identified.
- 7.38 It is also assumed that Members will wish to continue with rents moving towards the London average through rent convergence.
- 7.39 At this stage Members are being required to set a budget for next year and it is the intention of officers to bring a further report to Members as to the 30 year business plans and its viability.

- 7.40 If Members agree to adopt officers' advice regarding rent restructuring, that is agreeing to the Government's rent restructuring formula on the basis that it maximises subsidy then the focus can be upon how to fund the gap between anticipated resources (including the additional income arising from an overall average rent rise).
- 7.41 Given current policies and identified growth items the following position emerges.

	<b>£K</b>
Net Expenditure	32
Growth Bids	2,379
Increased Rent Income	(1,302)
Deficit	1109

This deficit could be mitigated through the following measures:

	<b>£K</b>
Deficit	1109
Service Charge Increases	(70)
Decrease in Contribution to Insurance Fund	(1039)
Revised Deficit	0

- 7.42 Service charges need to reflect increases in costs providing those services to tenants and thus an increase of 2.8% is recommended as necessary to cover these services. The average rent would increase by approximately 17 per property per week (although clearly the actual increase per dwelling would be dependant upon the existing service charge).
- 7.43 A review has been undertaken of the 'Insurance Fund'. This fund is a reserve maintained due to the fact that currently the HRA self-insures a substantial proportion of property claims. Officers advise that the fund is at a sufficient level to meet current level of claims and thus it is appropriate to recommend a reduction in contributions of £1M. There is a balance of £1M in this fund to meet unexpected liabilities.
- 7.44 The above strategy will only deliver a balanced budget for 2004/05, this is because (as indicated elsewhere in this report) included in the estimates are 'one-off' surpluses of £1.4M.
- 7.45 The above analysis assumes that 'Middlesex House' tenants will have rent increases in line with inflation.

## **Other Options**

- 7.46 Clearly, it is open to Members to consider other options. Officers have produced a strategy that in their view is prudent, realistic and in line with current Council policy. There is no growth items included in the base estimates. The basis of the report is as in previous years, that is officers give advice as to the resources available for next year based upon current policies and give indications as to the income required for a 'balanced budget' based on those policies. Whilst officers have given indications as to possible growth and rent reductions etc, it for Members to determine rents/growth/reductions within the law. Any budget proposals must be achievable in both financial and housing operational terms.
- 7.47 If Members were to consider a rent rise above the rate of inflation implied by government for rent setting purposes, then due to the 'rent rebate subsidy limitation rule' (that limits housing subsidy in respect of rent rises) the actual income available for services is considerably less than the only actual income raised (due to subsidy limitation). Based upon current Council policies for the HRA there is no necessity to introduce such an increase in rents, indeed rent convergence increases our average rent at a rate lower than the general rent inflation assumptions for local authorities).

## **Conclusion**

- 7.48 Officers have formulated the budget report on the basis of the best available information with regard to the Councils current rent policy. Due to average rent being very close to convergence levels and many dwellings having rents close to formula rents, the average rent rise for Brent is likely to be towards the lower end of London rent rises (on the basis of rent convergence).
- 7.49 Given the current policy of bringing rents down to the London average, this will be achieved through the rent restructuring process. For most London boroughs rents will increase overall and hence the London average will increase through rent restructuring.
- 7.50 Officers advice for a balanced budget is prudent and in line with the Housing Service's standard approach to budget setting which is both realistic and transparent. Officers consider that the current process ensures that whilst overall resources are inadequate, all HRA service areas equally bear the consequences of stock reduction.
- 7.51 As in previous years, officers cannot be confident that problems will not occur in particular areas, e.g. repairs. The reporting process during the year is well developed and ensures that budget problems are addressed and managed accordingly.
- 7.52 Officers consider their role to produce a realistic and prudent budget within the policy guidelines and dealing with solutions to problems within the internal Housing Service budget process. Therefore, officers consider the advice contained in this report forms a reasonable basis for setting next years rents and budgets.

## **8 Background Information**

2004/2005 Housing Revenue Account Subsidy Determination  
2004/2005 Housing Revenue Account Budget Working Papers

Any person wishing to inspect the above papers should contact:

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