

SECTION 8

8. HOUSING REVENUE ACCOUNT

Introduction

8.1 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".

8.2 Up to 2011/12, the Council received Central Government financial support through the HRA Subsidy (HRAS) regime. However from April 2012, a new HRA self financing system is being implemented, under which HRA Subsidy will be abolished in return for a one-off redistribution of debt. The HRA budget for 2012/13 has therefore been compiled on the basis of this new framework.

8.3 Expenditure charged to the HRA in 2012/13 includes:

- Repairs and maintenance;
- Supervision and management;
- Rent and rates; and
- Capital charges.

Income credited to the account in 2012/13 includes:

- Dwelling rents;
- Non dwelling rents;
- Charges for services and facilities; and
- Interest receivable.

8.4 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.

8.5 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.

- 8.6 A detailed report on the HRA budget for 2012/13 was agreed by the Executive on 13 February 2012. That report sets out proposals for an average rent increase of 7.14% for the main properties within the stock. This is in line with the government's rent restructuring policy. Members are requested to formally agree the HRA budget at Full Council.
- 8.7 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 2012/13 were included in the "HRA Budget 2012/13 and Rent Increase Proposals for Council Dwellings" Report agreed by the Executive on 13 February 2012. For these Stonebridge dwellings in 2012/13, that report set out proposals to increase the average rents by 6.3% and to decrease the service charges by an average of 0.7%.

The HRA Probable Outturn 2011/12

- 8.8 The HRA budget report shows that net HRA expenditure for 2011/12 is forecast to exceed the budget by £401k. Additionally the audited surplus brought forward to 2011/12 exceeded the budget by £697k. Taking these variances into account, it is therefore forecast that the estimated balance on the HRA account at 31 March 2012 will be £696k in surplus, which is £296k more than originally budgeted.

The HRA Budget 2012/13

- 8.9 The 2012/13 HRA budget includes the following:
- 8.9.1 The new HRA self financing system that takes effect from April 2012. Key issues include:-
- HRA Subsidy will cease from 2012/13;
 - The Government will redeem £198.000m of Brent Council's debt with the PWLB on 28 March 2012.
 - Brent's HRA borrowing limit under self financing will be £199.291m; and
 - The estimated HRA borrowing "headroom" (the excess of its borrowing limit over its actual debt) will be £59m
- 8.9.2 An inflation allowance of 0% for pay, an increase from 15.8% to 17.8% on employer's pension costs for BHP staff, 1.6% for repairs, 2% for cleaning, grounds maintenance and gas servicing, and 0% for other prices.
- 8.9.3 The government's implementation of its rent restructuring policy continues into 2012/13 and, under the national formula, individual rents should increase by 6.1% + 1/4 towards their target rent. However, the impact on tenants will be cushioned by "caps and limits", which generally means that in 2012/13 no rent will increase by more than 6.1% + £2.
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8.9.4 An overall average rent increase of 7.14% (average £6.81 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 on tenants, grouping the increase in bands:

Analysis of change in weekly rent from 2011/12 to 2012/13

Banding	No
Between £0 and £-4	9
Between £0 and £3	3
Between £3 and £4	51
Between £4 and £5	591
Between £5 and £6	1,437
Between £6 and £7	2,541
Between £7 and £8	3,067
Over £8	1,291
Total	8,990

8.9.5 An increase in service charges of 5.6%;

8.9.6 Net savings of £782k comprising stock loss, efficiency and other savings;

8.9.7 Growth of £5.642m for depreciation (to be spent on Major Repairs or debt Repayment). This growth represents a real increase in HRA expenditure for 2012/13. It is proposed that this additional resource be spent on Council Housing major repairs or repaying debt. This allocation of £5.642m includes £2.186m which is a one off budget allocation for 2012-13 only (funded from balances), and £3.456m which is ongoing. A further report will be presented to the Executive shortly as part of the updated HRA business plan and this will provide members with options on how this additional resource will be spent.

8.9.8 An estimated dwelling stock level (excluding Brent's Stonebridge dwellings) at 1 April 2012 of 9,000 dwellings;

8.9.9 Rent collection assumed at approximately 99.6% of the rental income due;

8.9.10 The capital charges take account of the one-off debt repayment of £198m on 28 March 2012 as part of the implementation of self financing. Additionally the capital charges take account of details forecast of premia, discounts, and interests rate movements. Capital charges are expected to decrease by £8.589m.

8.9.11 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. No voluntary repayment of debt has been specifically included in the budget for 2012/13. The HRA budget for 2012/13 does however include £13.720m for Depreciation and this can be used on major repairs or debt repayment. This will be reviewed as part of the review of the HRA Business Plan (which will be reported to members shortly).

8.9.12 The current level of debt relating to the HRA was £331m at 31 March 2011 and this is expected to fall to £140m at 1 April 2012. This reduction takes account of the one-off debt repayment of £198m under HRA self financing, and the £7m HRA capital programme agreed in the 2011-12 budget.

8.10 Taking into account the above, the HRA is estimated to show a surplus of £400k at 31 March 2013.

8.11 Details of the HRA budget are shown in Appendix J.

HRA Risks

8.12 The main risk associated with the HRA budget for 2012-13 are:

- Recovery of Leaseholder Service Charges (Major Work); and
- Rent Collection – maintaining high collection performance.

Review of the Management of the Council's Housing Stock

8.13 The Council's Housing stock is currently managed by Brent Housing Partnership (BHP), which is an Arms length management Organisation and was established in 2002. The current management agreement between the Council and BHP is due to expire in September 2012.

8.14 An independent review of the Housing management arrangements for the Council's stock reported to the July 2011 Executive and members agreed to consult tenants on a preferred option to manage the housing stock through Brent Housing partnership as an optimised ALMO focusing strongly on housing Management

8.15 Members also agreed, in light of the decision to optimise BHP, to undertake both an improvement and efficiency review, and a governance review. Details of these reviews, together with the outcome of the consultation, will be reported to the Executive before the current council/BHP contract expires so that a final decision on the future role of BHP and the management of the councils housing stock can be taken.

HRA Business Plan

8.16 The Council's HRA Business plan was updated in 2011 and showed that based on the provisional HRA self financing figures, the HRA 30 year business plan was viable. The key highlights from the 2011 Business Plan were:

- There is no capital shortfall in any year
- The HRA operating account remains in surplus throughout the plan
- Outstanding HRA debt in repaid in year 22.
- A surplus on the operational HRA by year 30 of £300m+

8.17 Officers now propose to update the HRA 30 year Business Plan, based upon the 2012-13 budget and the confirmed self financing data. This plan will be then used to propose a 5 year investment plan. A further report will be presented to the Executive shortly to brief members on the updated 30 year Business Plan and five year Investment plan.
