

## 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".
- 6.2 Expenditure charged to the HRA in 2006/07 includes:
- Repairs and maintenance;
  - Supervision and management;
  - Rent and rates; and
  - Capital charges.
- 9.3 Income credited to the account in 2006/07 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 A separate detailed report on the HRA budget for 2006/07 was considered by the Executive on 13 February 2006. The Executive agreed an overall rent increase of 4.5% for the main properties within the stock. The HRA budget itself is taken into account in the overall spending decisions set out in this report.

## The Probable Outturn 2005/06

9.7 The HRA budget report shows that the estimated balance on the account at 31<sup>st</sup> March 2006 will be £777k in surplus, which when compared to the original budgeted balance of £400k, represents an increase in HRA balances of £377k.

## The 2006/07 Budget

9.8 The 2006/07 HRA budget includes the following:

- (a) The government's 3 year review of rent restructuring is being implemented in 2006/07, which includes bigger differentials for larger properties and an adjusted formula to bring council and housing association rents into line. However the impact on tenants will be cushioned by the government limiting rent increases to 5% in each of the next two years;
- (b) A decrease in housing subsidy of £1.809m, which takes account of the 3 year review of rent restructuring (including rebasing through management and maintenance allowances) and national uplifts for Guideline Rents;
- (c) A further decrease in subsidy to take account of the transitional scheme for the abolition of the requirement for the HRA to contribute to the authority's Minimum Revenue Provision and associated subsidy changes. We will receive £222k under this scheme in 2006/07 (compared to £444k in 2005/06) Nothing will be payable under this transitional scheme from 2007/08 onwards;
- (d) An inflation allowance of 2.95% for pay, 3.2% for repairs, and 2% for other prices;
- (e) An increase in service charges of 3.2%;
- (f) An overall average rent increase of 4.54% 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 number of tenants who will receive the weekly increase in bands of £1:

<b>Analysis of Cash Term Change in Net Weekly Rent from 2005/06 to 2006/07</b>	
<b>Band</b>	<b>Count</b>
Under £1	404
Between £1 and £2	1,493
Between £2 and £3	4,324
Between £3 and £4	2,888
Between £4 and £5	75
Over £5	110

- (g) Nil growth;
- (h) Savings of £1.376m comprising stock loss savings of £573k and other savings of £803k;
- (i) No budget for payment of compensation to the General Fund in 2006/07 in respect of the transfer of rent rebates and rent rebates subsidy to the General Fund. This is because the transitional scheme has ended. £300k was paid in 2005/06;
- (j) An estimated dwelling stock level at 1<sup>st</sup> April 2006 of 9,512 dwellings (9,695 dwellings at 1<sup>st</sup> April 2005);
- (k) Rent collection assumed at 99.5% of the rental income due; and
- (l) 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 2006/07. The level of debt relating to the Housing Revenue Account was £274m at 31<sup>st</sup> March 2005 and is estimated to be £311m at 31<sup>st</sup> March 2006.

9.9 Taking into account the above the HRA is estimated to show a surplus of £400k at 31<sup>st</sup> March 2007.

9.10 Details of the HRA budget are shown in Appendix G.

### **HRA Medium Term Financial Plan**

9.11 The Medium Term Financial Plan for the HRA shows a forecast deficit on the account of £3.4m in 2007/08 and £2.7m in 2008/09, before any rent rise. Options to address this deficit will be developed during 2006/07. This forecast does not include any assessment of potential stock transfer(s) at South Kilburn or Barham Park. A joint process between council and BHP 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.