

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 2007/08 includes:
- Repairs and maintenance;
 - Supervision and management;
 - Rent and rates; and
 - Capital charges.
- 9.3 Income credited to the account in 2007/08 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 2007/08 is being considered by the Executive on 12th February 2007. That report sets out proposals for an overall rent increase of 5% for the main properties within the stock. The HRA budget is formally agreed by Full Council when this report is considered at its meeting on 5th March 2007.

The Probable Outturn 2006/07

9.7 The HRA budget report shows that the estimated balance on the account at 31st March 2007 will be £893k in surplus, which when compared to the original budgeted balance of £400k, represents an increase in HRA balances of £493k.

The 2007/08 Budget

9.8 The 2007/08 HRA budget includes the following:

- (a) The government's implementation of its rent restructuring policy continues into 2007/08 and, under the national formula, individual rents should increase by 4.1% + £2. However, the impact on tenants will be cushioned by the government limiting rent increases to 5%.
- (b) A decrease in housing subsidy of £3.242m, which takes account of increase in management and maintenance allowances and notional income, a reduction in lease rental subsidy due to expiring dwelling leases, stock loss, and reduction in interest rates;
- (c) A further decrease in subsidy of £222k as the transitional scheme for the Minimum Revenue Provision and associated subsidy changes ended in 2006/07. We received £222k under this scheme in 2006/07 but, as the transitional scheme has now ended, nothing will be payable from 2007/08 onwards;
- (d) An inflation allowance of 2.5% for pay, 4.2% for repairs, and 2% for other prices;
- (e) An increase in service charges of 3.6%;
- (f) An overall average rent increase of 5% 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:

Analysis of change in rent from 2006/07 to 2007/08	
Band – increase in rent per week	No. of properties¹
Under £1	89
Between £1 and £2	171
Between £2 and £3	643
Between £3 and £4	2,970
Between £4 and £5	3,803
Between £5 and £6	1,578
Over £6	41

¹ The total of 9,295 includes only freehold dwellings

- (g) Nil growth;
- (h) Savings of £1.637m comprising stock loss savings of £488k and other savings £1.149m;
- (i) An estimated dwelling stock level at 1st April 2007 of 9,567² dwellings (actual 9,623 dwellings at 1st April 2006);
- (j) Rent collection assumed at 99.5% of the rental income due; and
- (k) 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 2007/08. The current level of debt relating to the Housing Revenue Account was £308m at 31st March 2006 and is estimated to be £320m at 31st March 2007.

9.9 Taking into account the above, the HRA is estimated to show a surplus of £400k at 31st March 2008.

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

HRA Medium Term Financial Plan

9.11 The HRA Medium Term Financial Plan for the HRA shows a forecast deficit on the account of £1.99m in 2008/09 and £1.3m in 2009/10, before any rent rise. Options to address this deficit will be developed during 2007/08. 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.

² The figure of 9,567 includes both freehold and leasehold dwellings