

## 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 2008/09 includes:
- Repairs and maintenance;
  - Supervision and management;
  - Rent and rates; and
  - Capital charges.
- 9.3 Income credited to the account in 2008/09 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 In August 2007, following the Stonebridge Ballot, 324 dwellings (302 with tenants) transferred to Brent and a further 47 dwellings may transfer to Brent. These dwellings are currently held in the HRA, although an application has been made to the Secretary of State to hold these properties outside the HRA.

- 9.7 A separate detailed report on the HRA budget for 2008/09 was considered by the Executive on 11<sup>th</sup> February 2008. The agreed overall rent increase was 5.16% for the main properties within the stock. This is in line with the government's rent restructuring policy. The Executive also agreed an average 5.5% rent increase for the Brent Stonebridge dwellings, which is in line with the PFI contract with Hillside Housing Association. The HRA budget is formally agreed by Full Council as part of its consideration of this report.

### **The Probable Outturn 2007/08**

- 9.8 The HRA budget report shows that the estimated balance on the account at 31<sup>st</sup> March 2008 will be £584k in surplus which, when compared to the original budgeted balance of £400k, represents an increase in HRA balances of £184k.

### **The 2008/09 Budget**

- 9.8 The 2008/09 HRA budget includes the following:
- (a) The government's implementation of its rent restructuring policy continues into 2008/09 and, under the national formula, individual rents should increase by 4.4% + 1/9<sup>th</sup> towards their target rent. However, the impact on tenants will be cushioned by "caps and limits", which generally means that in 2008-09 no rent will increase by more than 4.4% + £2.
  - (b) A decrease in housing subsidy of £3.179m, which takes account of an 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, additional subsidy for debt management expenses, the ending of the Rent Constraint allowance and reduction in interest rates;
  - (c) An inflation allowance of 2.5% for pay, 3.8% for repairs, 2% for other prices and a reduction in the employer's pension contribution for BHP staff from 19.4% to 14.1%;
  - (d) An increase in service charges of 3.9%;
  - (e) An overall average rent increase of 5.16% (average £4.23 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):

<b>Analysis of change in rent from 2007/08 to 2008/09</b>	
<b>Band – increase in rent per week</b>	<b>No. of properties<sup>1</sup></b>
Between £1 and £2	6
Between £2 and £3	641
Between £3 and £4	2,090
Between £4 and £5	4,200
Between £5 and £6	2,269
Between £6 and £7	88
Between £7 and £8	1

- (f) Growth of £581k is included. It comprises:
- Right to Buy Capitalisation £225k;
  - Energy Performance Certificates £38k;
  - Water Rates Commission £48k;
  - Wardens £70k; and
  - Utility Charges - £200k.
- (g) Savings of £1.557m comprising stock loss and efficiency savings of £927k and other savings £630k.;
- (h) An estimated dwelling stock level (excl Brent Stonebridge dwellings) at 1<sup>st</sup> April 2008 of 9,498<sup>2</sup> dwellings (actual 9,610 dwellings at 1<sup>st</sup> April 2007);
- (i) Rent collection assumed at 99.5% of the rental income due; and
- (j) 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 2008/09. The level of debt relating to the Housing Revenue Account was £318m at 31<sup>st</sup> March 2007 and is estimated to be £326m at 31<sup>st</sup> March 2008.

9.9 Taking into account the above, the HRA is estimated to show a surplus of £400k at 31<sup>st</sup> March 2009.

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

<sup>1</sup> The total of 9,295 includes only freehold dwellings

<sup>2</sup> The figure of 9,498 includes both freehold and leasehold dwellings

## **HRA Medium Term Financial Plan**

- 9.11 The HRA Medium Term Financial Plan shows a forecast deficit on the account of £505k in 2009/10 and £321k in 2010/11. Options to address this deficit will be developed during 2008/09. 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.