



Executive
12th February 2007

**Report from the Director of
Housing and Community Care**

For Action

Wards Affected:
ALL

HRA Budget Report 2007/08

Forward Plan Ref: H&CC-06/07-34

1.0 Summary

- 1.1 This report presents to Members the Revised (Probable) Budget for 2006/2007 and the Draft Budget for 2007/2008 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 an HRA budget that does not show a deficit and in particular Members need to consider the level of rents for 2007/2008.

2.0 Recommendations

- 2.1 Members are requested to approve the Revised (Probable) Budget for 2006/2007 (Appendix 2 Table 1).
- 2.2 Members are requested to consider the draft Budget for 2007-08 (Appendix 2 Table 1) in the light of Officers' advice contained in this report.
- 2.3 That members consider and agree the savings/budget reductions as set out in paragraph 3.42.
- 2.4 Members are requested to approve an average overall rent increase (excluding service charges) of £3.89 per week, which is an average overall increase of 5%. This to be applied on an individual basis to each property based on the Government's rent convergence guidelines as detailed in paragraphs 3.16 to 3.21. This will raise an additional £1.882m

- 2.5 Members agree to increase service charges by 3.6% raising an additional £88K. In addition Members agree to a detailed analysis of the heating charges, a non-rebatable charge, in the light of substantial general increases in fuel costs, with a view to reviewing current charging policies.
- 2.6 Members agree to increase the rents on Middlesex House (including Service Charges) by 3.6% raising £27K.
- 2.7 That the Director of Housing and Community Care is delegated 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 2007/08 and to negotiate an indicative fee for the following two years.
- 2.8 That a revised HRA Business Plan be produced and that Officers report back on the viability of the HRA.

3.0 Detail

- 3.1 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 9,567 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 differentiates 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 HRA Subsidy. It also determines the way debt charges are calculated.
- 3.2 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).
- 3.3 The Council's rents (including rebatable Service Charges) have been historically amongst the highest in London (Brent's average for 2006/2007 is £83.37 per week). Due to a more restrained rent policy in recent years and the introduction of 'rent convergence' (that is the government's policy of influencing rent setting principles whereby rents both in the council and

'Registered Social Landlords' (RSLs) sectors converge), the Council's rents are generally moving towards the London average.

3.4 In considering the rent policy for 2007-08, Members need to take into account the impact of the Government's Rent Restructuring Regime which seeks rent convergence by 2012, and the detrimental impact on HRA Subsidy by moving rents above determined levels (which result in withdrawal of subsidy).

3.5 The Council continues to lose stock through 'Right to Buy Sales' although the rate of RTB sales has decreased significantly. RTB sales impact on the HRA generally and the ALMO in particular. It is estimated that the number of sales will be 33 in 2007/08. Additionally, two of our long term HRA leases are due to expire in 2007-08, resulting in a further 72 dwellings dropping out of the HRA. The total estimated stock loss in 2007-08 is therefore estimated to be 105 dwellings.

3.6 The new Corporate Strategy 2006-2010 identifies a range of priorities in relation to the Council's work with BHP, including:

- Meeting the Decent Homes target by April 2007 for all stock outside South Kilburn
- Ensuring that the Standard is maintained through an agreed programme of maintenance
- To work with BHP to identify new business opportunities

Delivery of these priorities is supported through the Housing Strategy, which will be revised and updated during 2007, the Improving Brent Action Plan and the Service Development Plan for the Housing and Community Care department.

3.7 Continuing discussion at government level about the future strategic role of local authorities, coupled with new powers for the Mayor of London in setting strategic direction at the regional level, provide the context for consideration of the future role of ALMOs following completion of the decent homes programme. The Council is working closely with BHP to identify options and has already collaborated on a successful bid for additional resources for innovative programmes to tackle overcrowding, which has been identified as a key issue for the public sector stock.

3.8 The Government continues to review the scope for ALMOs and Financial Freedoms, and the self financing HRA. Last year, the Communities and Local Government Department invited 6 local authorities (3 with ALMOs and 3 without ALMOs) to participate in case studies for developing models for a "self Financing HRA (i.e. breaking the link between the HRA and the HRA subsidy system). This work is expected to complete in March 2007 and may then feed into the Comprehensive Spending Review 2007.

HRA Business Plan

- 3.9 As indicated in previous years, the HRA Business Plan 2002 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.
- 3.10 The existing HRA Business Plan incorporating the HRA investment strategy has demonstrated that within rent restructuring a viable business plan is attainable on the basis of:
- ALMO Initiative supported borrowing and other borrowing supported by HRAS to achieve decent homes.
 - Financially innovative solution to South Kilburn dwelling stock outside the Council's HRA. There is an assumption that the South Kilburn area (i.e. that relating to New Deal for Communities) will be regenerated through resources that are in the main generated from outside the Council (other than in relation to council land that will be made available for private house sales to cross subsidise the social housing new build).
 - 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.
- 3.11 Essentially the Council's retention strategy has been based upon investing in the less problematic stock through the ALMO solution and seeking a council sponsored external partner solution where the stock requires whole scale sustainable development e.g. South Kilburn.
- 3.12 The HRA Business Plan needs reviewing as since the document was prepared a number of substantial changes have occurred, particularly regarding HRA Subsidy assumptions, on-going inflation in the building/construction industry and the completion of the decent homes programme. The Service continues to undertake reviews of the plan and in particular reviews will be carried out in 2007-08 in respect of the expenditure associated with the ALMO investment programme and the HRA Operational account. 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.

Housing Revenue Account Subsidy (HRAS)

3.13 A key element in the HRA is Housing Revenue Account Subsidy (HRAS) which is forecast to be £20.35m in 2007-08. HRAS is updated each year through the HRA Subsidy Determinations. These set out the changes to, and level of Government support for Councils' HRA's.

3.14 In 2007-08, arising out of the subsidy determinations, Brent's HRA will receive over £2.5m less subsidy when compared to 2006-07. This withdrawal of subsidy comprises the following items:-

Item	Subsidy Changes £'000
Management Allowances	-70
Maintenance Allowances	-109
Notional Income	2,513
Sub Total	2,334
Admissible Allowance	222
Total	2,556

3.15 Like 2006-07, the Government intends to cushion the impact of implementing Rent Restructuring in 2007-08 by limiting rent increases to an average of 5%. A new subsidy factor, known as the Rent Constraint Allowance, has been introduced to compensate authorities for limiting their increase to 5%. It is estimated that our RCA will be £200k in 2007-08, which will part off-set the withdrawal of subsidy in the pre-ceding paragraph.

A full and comprehensive explanation of the individual components of HRAS as set out in appendix 1.

Rent Restructuring

3.16 The Communities and Local Government Department (CLG) continues to implement rent restructuring which continues to have a substantial impact on the overall income attributable to the HRA. Whilst it remains the responsibility of the Council to set rents, there is strong encouragement to set these in accordance with the 'national formula' through the operation of the HRAS system and the performance regime applicable to 'Housing'. The methodology is the same as used in 2006-07 but with factors rolled forward one further year.

3.17 For 2007-08, under the national formula, rents will increase at an individual level by 4.1% (comprising 3.6% RPI plus 0.5% real increase) + £2. If the product of this increase exceeds 5%, then the increase is limited to 5%. The Government, through its rent policy has determined that whilst rents are generally increasing substantially more than the rate of inflation, the overall average increase should be no more than 5%. The new Rent Constraint Allowance is designed to compensate Authorities that agree to limit their rent increases to 5%. Additionally, the caps on rent levels (uplifted) for 2007-08 are:

Bed Size Caps 2007-08

Size	Cap £
Bedsits	102.33
1 Bed	102.33
2 Bed	108.33
3 Bed	114.36
4 Bed	120.37
5 Bed	126.40
6 Bed	132.41

- 3.18 By following the Rent Restructuring formula, without the 5% limit, Brent's average rents would increase by 5.29%. Clearly, by taking account of this limit, Brent's average rents should increase by 5% in 2007-08.
- 3.19 If Members are minded to follow convergence rents then 89% of rents will increase above the rate of inflation, i.e. a real increase, and 11% will increase at less than the rate of inflation, i.e. a real decrease. The increases are analysed below:

Banding	No
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

- 3.20 Rents can also be expressed in terms of increases in rents by property size as demonstrated in the table below:-

No of Beds	Average % Increase
0	4.87
1	5.12
2	5.20
3	4.93
4	4.94
5	5.45
6	5.53

- 3.21 The table below is an analysis of the rents, (using rent restructuring policy) by percentage band, showing the number of properties and the average weekly increase/(decrease) in cash terms. The average overall rent rise is 5%.

Average Rise in Weekly Rents			
Band	No of Properties	Ave increase/ (decrease) in £ per property	Rental increase/ (decrease) over previous yr
-2.5% to -1.50%	1	(1.69)	(88)
-1.5% to 0%	19	(0.83)	(819)
0% to 1%	68	0.56	1,966
1% to 2%	129	1.51	10,105
2% to 2.5%	156	1.87	15,208
2.5% to 3%	309	2.45	39,377
3% to 4%	797	3.19	132,070
4% to 5%	2,551	3.90	517,629
5% to 6%	3,312	4.14	712,331
6% to 7%	1,848	4.53	434,839
7% to 8%	76	3.70	14,606
8% to 9%	1	3.46	180
9% to 10%	27	3.07	4,315
10% to 12%	1	2.99	155
Total	9,295	3.89	1,881,875

Appendix 3 contains further versions of the above table, setting out various rent increase options from 0% to 5.29%.

Brent Housing Partnership (BHP) Management Fee

- 3.22 The agreements between the Council and BHP require each year that a management fee is negotiated and agreed that is consistent with the delivery plan.
- 3.23 At this stage it is recommended that the Director of Housing and Community Care is delegated authority to agree the management fee (subject to Member instructions/directions) for 2007-08. These negotiations are important not only for establishing the appropriate fee but also in establishing the independence of BHP within a partnering framework. The BHP board will also consider the fee arrangements.
- 3.24 BHP, a subsidiary of Brent Council, is governed in the main by the Companies Act and accounting standards applicable to the private sector as opposed to the legislative regime applicable to Local Government. The BHP Board is

ultimately responsible for satisfying themselves that the overall governance, including financial information is compliant. During the course of 2005/06 it became increasingly apparent that the applicability and interpretation of the accounting treatment in respect of pension liabilities was becoming particularly onerous as pension fund liabilities (in BHP's case £3.3M) should be reflected fully in published accounts (as opposed to merely a note to the accounts). That is unfunded pension liabilities should be shown on the balance sheet. On advice of the Director of Finance (BHP) their board agreed an annual surplus target that would strengthen BHP's balance sheet and satisfy their external auditors as their financial viability. Indeed such was BHP board's concern around these complex issues separate advice was obtained from Prince Evans – BHP's solicitors in this matter. One of the principal concerns of BHP's external auditors has been the treatment of pension liabilities on BHP's approach to it. Whilst it is for the external auditors to form their own opinion on the accounts, the Director of Finance (BHP) is confident that this responsible and prudent approach to pensions will meet with their approval in future years.

Risks

3.25 As part of the development of the budget, officers have sought to consider the main associated risks. These risks are set out below:-

- Performance on Rent Collection has declined during the year. Remedial action has been taken and this should bring about improvements. Analysis indicates a number of impediments to BHP collecting rents, in some instances the Managing Director is implementing pragmatic changes on the basis that (for instance) best practice as interpreted by the Audit Commission does not assist in collection. In addition there are a number of other changes such as the implementation of the verification framework (as part of the government's anti- fraud measures), the protocol with the County Court and the difficulty in obtaining possessions.
- Leaseholder Service Charges (Major Works) - The recovery of major works from leaseholders remains not only a problem to Brent but for all London boroughs that have undertaken major works programmes. In essence the receipt of an often substantial bill for works undertaken has brought about a high degree of resistance from the leaseholder meeting the bill. It is apparent that the complaints fall into the following: A) quality of work B) work is more expensive due to Council not historically undertaking work in accordance with the lease C) work undertaken was not in accordance with the lease i.e. the work undertaken was not strictly required at that time. Until these matters are resolved, in the main through decisions from tribunals this risk cannot be wholly quantified. If work was found not to be recoverable on a number of contracts then this would be a risk to the HRA.
- Granville Homes – A report on the retention or disposal of Granville New Homes is scheduled to be considered by the Executive in March 2007. There are likely to be financial implications arising out of the decision to be

made. One of the options will be to retain these dwellings within the HRA. This would mean that the debt charges associated with circa £12m would be charged to the HRA, and the management costs, subsidy and rent income associated with these dwellings will fall to the HRA. The current estimated cost of this option is £380k per annum. The draft budget for 2007/08 in this report contains no provision for retention or disposal. The report to the Executive in March 2007 will therefore contain the full financial implications together with any funding options.

It is not considered necessary at this stage to provide additional resources for these risks areas. However, close monitoring will need to take place during 2007-08 as applicable, and these areas will need to be managed within the overall existing HRA budget.

Medium Term Financial Plan

- 3.26 Financial planning for future years needs to be carried out in the context of a Medium Term Financial Strategy. A key factor in this for the HRA is the likely income that it will receive from the Government via HRA Subsidy, and forecast rent levels. This in turn provides the resources available for the management and maintenance of the dwelling stock.
- 3.27 Historically, predicting income has been a difficult task, given the nature of the annual subsidy settlement. The Government is moving the HRA subsidy regime towards a 3 year settlement, bringing the regime into line with the spending cycle. However, for 2007-08, we only have a one year settlement, with the next 3 year settlement due to be announced following the Comprehensive Spending Review (CSR) 2007.
- 3.28 Officers have sought to put together an initial forecast for 2008-09 and 2009-10. This is set out in the following table:-

Item	2007-08 £000's	2008-09 £000's	2009-10 £000's
Subsidy Withdrawal	2,556	2,334	2,145
One Off Income Note Carried Forward	0	493	0
Inflation	1,130	1,130	1,130
Technical	166	0	0
Underspend from previous Year	-493	0	0
Stock Loss Adj/Efficiency and Other Savings	-583	0	0
Deficit before any Rent Rise	2,776	3,957	3,275
Rent Rise at 5% include Service Charges	-1,970	-1,970	-1,970
Deficit	806	1,987	1,305

- 3.29 The table above does not include any assessment of any potential stock transfer(s) at South Kilburn and Barham Park. The earliest that either of these could take is likely to be 2009-10. A joint process, between Council and BHP Officers will explore the timetable and implications of this, as applicable, in the

coming months. This will assess the implications for direct and indirect costs (including Council recharges).

3.30 The table above is no more than an initial forecast and will be subject to change. The exemplifications depend upon a range of assumptions including, for example, inflation and interest rates, and many of these assumptions are outside the council's control. The forecast rent rise for 2008-09 and 2009-10 assumes the same rise as the 2007-08 rent restructuring rise. The HRA National HRA Subsidy Policy and position will not be known until after the CSR 2007, and at this stage it is assumed that the current policies (including transitional measures) will continue. This will of course be subject to update and Member's approval at the relevant time.

3.31 It can be seen that the initial forecast for 2008-09 is not favourable, with a £1.987m forecast deficit. Officers will be monitoring and updating the HRA Medium Term Financial Plan through 2007-08 and developing options to address the bottom line projection.

Revised Budget 2006/2007

3.32 A summary for the forecast outturn for the HRA for 2006-07 is contained on Table 1 on Appendix 2. The column headed Probable budget 2006-07 sets out the forecast outturn for 2006-07. It can be seen that the HRA is anticipating a 'Surplus carried forward' of £893K which exceeds the original/approved budget of £400k by £493k.

3.33 Table 2 on Appendix 2 sets out the detailed virements associated with this forecast outturn. The major adjustments that affect the overall net expenditure are included in column 3, and are as follows:-

- A forecast reduction in interest charges of £170k, comprising a reduction of £108k due to the underspend on the 2005-06 HRA capital programme, and a reduction of £62k due to a decrease in the HRA interest rate.
- An additional £200k Housing Subsidy which is estimated will be receivable via the new Rent Constraint Allowance.
- Increase in rental income, through lower than anticipated dwelling sales through RTB and effective voids management £386k; and
- An increase on insurance £413k due to increase on property subsidence and dis-repair claims settlements, which is part off-set by and underspend of £-150k on the Council's HRA Operational budget (vacancies and a one-off underspend on accommodation).

Draft Budget 2007/2008

- 3.34 In considering the budget estimates for 2007-08, Members need to consider the policy and legislative framework within which the estimates have been formulated.
- 3.35 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 Corporate Resources) 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. The budget as set out on table 1 on appendix 2 has specifically been prepared on the following basis:-
- 3.35.1 Growth – No growth has been included in the draft budget.
- 3.35.2 Allowance for inflation – Budgets have been prepared on an outturn basis and include an allowance of 3% for pay and an appropriate allocation for price rises (generally 2% and 4.18% for repairs). The pay budget also includes an increase in the Employer's Superannuation Contributions to take account of the last actuarial review. For Brent staff, this has increased by 1.5% from 21.6% to 23.1% in 2007-08. For BHP staff, this has increased by 0.3% from 19.2% to 19.5%.
- 3.35.3 Stock Loss/Efficiency Savings – Applicable budgets have been reduced by 1.15% to reflect the estimated stock loss in 2007-08, plus a further 0.85% for further efficiency savings. Expenditure has been decreased by a net £583k to reflect these savings.
- 3.35.4 Subsidy – See para 3.12 above.
- 3.35.5 No rent increase has been assumed within the draft budget.
- 3.36 The draft budget for 2007-08 is set out on table 1 on appendix 2. The draft budget shows a deficit of £2,776K. The table below shows how this deficit has been compiled:-

Description	£000
Housing Subsidy	2,556
Inflation	1,130
Technical	166
Stock Loss/Efficiency Savings (net)	-583
Use of Balances	-493
Total	2,776

- 3.37 It should be noted that the draft budget takes account of the one-off surplus of £493k from 2006-07. If this surplus had not been included, the deficit would have been £3,269k. As this surplus of £493k is one-off, it will not be available in 2007-08. Details setting out the movement from the Probable budget 2006-07 to the draft budget 2007-08 are set out on appendix 2, table 3.

Budget Strategy

- 3.38 Clearly Members need to be mindful of their obligations to approve a budget that is balanced and is based upon reasonable estimates. It is for Members to consider whether they agree the items below and/or to put forward other options.
- 3.39 It is officer's advice that the Council should continue to comply with the Government's Rent Restructuring Regime. However the report clearly demonstrates below other rent options including the indication of what level of rents activates rent limitation whereby HRAS is withdrawn from the Council (thus the HRA would not receive the full product of rises above limitation levels).
- 3.40 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). Officers recommend that the existing policy on rents for Middlesex House dwellings continue, that is rents rise in line with the financial model (i.e. the model that underpins the financial agreements with the Network Housing Group).
- 3.41 By taking account of rent restructuring, the following budget position emerges (this assumes convergence increase and increases in service charges).

Description	£000's
Deficit (per appendix 2, table 1)	2,776
Product of Service Charge Increase	-88
Product of Rent Increase	<u>-1,882</u>
Revised Deficit	806

- 3.42 This revised deficit could be mitigated through the following measures:-

Description	£000's
Revised Deficit (above)	806
Change 2007-08 Pay Award assumption from 3% to 2.5%	-42
Additional Savings (Council Operational Budgets)	-112
Leasing Budget	-452
Bed and Breakfast Budget	-50
Efficiency Review	-150
Further Revised Deficit	0

Each of these items are explained below:-

- 3.42.1 Pay Award Assumption – The pay award for 2007-08 has yet to be agreed. The draft budget includes an assumption that the pay award will be 3%. Taking account of more recent information, it is felt that this assumption should be reduced to 2.5% - this is line with the Council's overall assumption

for this area. This will reduce the draft budget by £42k. In the event that the pay award exceeds 2.5%, then additional resources will need to be found at that time. In the event that the pay award is less than 2.5%, then further savings will accrue to the HRA.

- 3.42.2 Additional Savings (HRA Council Operational Units) – the draft budget for 2007-08 already includes 2% savings for Council HRA Operational Units. It is considered that this additional saving can be made without any impact on service delivery and includes the HRA share of the General Fund 5% savings for 2007-08 £56k, HRA Regeneration Budget £26k, and Housing Resources Centre recharge to the HRA £30k.
- 3.42.3 Leasing Budget – the HRA leasing budget was established by Members in order to take forward new HRA operating leases for central heating. These leases were not developed to the extent that was originally envisaged for technical reasons, and the decent homes programme has now absorbed this area of work. The leasing budget can therefore be reduced by £452k.
- 3.42.4 Bed and Breakfast Budget – This budget is used to provide temporary accommodation for tenants that have to vacate their dwelling for housing management reasons. The draft budget for this area is £154k, and BHP have proposed to reduce this budget by £50k, with this saving being achieved through more efficient and effective administration in this area.
- 3.42.5 Efficiency Review – Officers are confident that an efficiency review will deliver savings of £150k for the 2007-08 budget. This will involve a thorough analysis of BHP's operations, the budgets that BHP manage on behalf of the council, and those other costs which are in the control of the Council. This review will seek to ensure that any duplication is eliminated and that services are delivered in a cost effective manner. This review will have no impact on service delivery.

Other Options

- 3.43 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 Council policy. There is no growth items included in neither the base estimates nor the report generally. The basis of the report is structured 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. It is for Members to determine the appropriate level of rents/growth/reductions within the law. Any budget proposals must be achievable in both financial and housing operational terms.
- 3.44 Members could consider raising rents above convergence levels however there is little headroom between the current rents and that level which would trigger the 'rent limitation rule' whereby only approximately 40% of the product of a rent rise above this threshold would be available to fund HRA expenditure.

3.45 Alternatively, Members could raise rents at a rate below convergence levels (i.e. less than 5% on average), or indeed freeze or reduce average rents. It should be noted that non compliance with rent restructuring convergence may impact unfavourably upon our future CPA score and any ALMO inspection.

The following table sets out the income generated by various percentage rent increases ranging from 0% to 5%, together with the additional savings that would need to be identified in order to achieve a balanced budget:-

Percentage Increase	0%	1%	2%	3%	4%	5%	5.29%
Income Generated	£0	£307k	£682k	£1,115k	£1,497k	£1,882k	£2,029k
Additional Savings to be Identified	£1,882k	£1,575k	£1,200k	£767k	£385k	£0	£0

The tables on appendix 3 set out the impact on tenants, in bandings, of various rent increase options, from 1% to 5%.

Brent Housing Partnership (BHP) and the Consultation Process

3.46 Senior Council and BHP Officers have discussed the draft HRA budget 2007-08 in detail, and this final version of this report has been updated to reflect the comments that were made by BHP Senior Officers, where considered appropriate.

3.47 A Special Meeting of the BHP Board met on 23 January 2007 to consider the Draft HRA Budget Report 2007-08. The Council's Head of Finance (Housing and Community Care) also attended this meeting as part of the consultative process. It is noted that the meet was not quorate. The BHP Board Members that were present agreed that:-

The Brent Housing Partnership Board urges the Council to acknowledge the serious pressures facing the HRA in the current year and 2008/9 onwards and the risks these present to front line services to tenants and leaseholders. The Board asks the Council to work with Brent Housing Partnership to address these urgently through a medium term financial plan which;

- Makes the best estimate of resources in the HRA over the next three years
- Reviews all HRA expenditure both within and outside BHP to determine where priorities lie and where efficiency savings can be made
- Agree a three year indicative management fee with BHP to enables BHP to develop longer term business planning
- Work with BHP to re assess the investment needs of the stock following achievement of the decent homes standard to ensure that the standards achieved can be maintained

The Board acknowledges that the Council has already indicated that it will undertake this exercise with BHP and asks therefore that a timetable be agreed and published for the medium term financial plan to be produced.

Director of Housing and Community Care - Observations on Issues Raised by BHP

- 3.48 The Director of Housing and Community Care notes the comments of the BHP Board Members and agrees with the proposal for the medium term financial plan, subject to acknowledging that any changes that impact on the Council's General Fund may require implementing over a longer period.

Conclusion

- 3.49 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.
- 3.50 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.
- 3.51 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. All these budget adjustments are clearly outlined in Appendix 2. Therefore, officers consider the advice contained in this report forms a reasonable basis for setting next year's rents and budgets.

4.0 Financial Implications

- 4.1 This report is wholly concerned with financial issues associated with setting the HRA budget for 2007-08. Members are advised of their duty to approve a budget that meets the statutory requirements as contained in Part VI of the Local Government and Housing Act 1989. Sections 76 (2) and (3) of that Act essentially require Members to ensure that their proposals are realistic and do not result in a deficit budget.

5.0 Legal Implications

- 5.1 Under section 74 of the Local Government and Housing Act 1989 ("the 1989 Act"), 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 of the 1989 Act set out the rules for establishing and maintaining that account. Under section 76 of the 1989 Act, 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 reasonable 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 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 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.
- 5.5 The rent income estimates included for 2007/08 are based upon the Governments Rent Restructuring formula and adjusted for RTB etc.
- 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.
- 5.7 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 2007/2008 on 5th March 2007.

6.0 Diversity Implications

- 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.

6.2 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.

6.3 Year 3 of the Equalities Scheme was implemented in 2006 and covers learning & management development, rent collection and recovery, major works and complaints.

Two further equalities initiatives this year were:-

6.3.1 Completion of the service review of Aids and Adaptations, and the implementation of a Service Level Agreement between BHP and the Council. A major initiative resulting from the review was the introduction of the Trusted Assessor scheme in December 2006 which will enable BHP staff to order grab rails and other adaptations for tenants. This will result in shorter waiting times for clients and will help Occupational therapy staff to concentrate on the more complex cases where their professional expertise is essential.

6.3.2 Publication in December 2006 of BHP's Disability Scheme to meet its equality duty under the Disability Discrimination Act. The scheme was edited by a panel of residents and includes an action plan covering the areas identified as most urgent by residents, i.e.

- Aids & Adaptations
- Disabled Facilities Grant
- Major Works
- Communal Areas and
- Staff Awareness.

Progress on the action plan will be monitored by the Disabled Forum for residents which meets quarterly.

7.0 Staffing/Accommodation Implications

7.1 The main purpose of the report is to set the HRA Budget for 2007/2008. 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.

8.0 Background Information

2007/08 Housing Revenue Account Subsidy Determination
2007/08 Housing Revenue Account Determinations

2007/08 Housing Revenue Account Budget Working Papers

Any person wishing to inspect the above papers should contact:

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