

## 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 A new HRA self financing system for Council Housing was implemented in April 2012. Under HRA self financing, the Council's HRA continues to be a ring-fenced account for the income and expenditure for Council dwellings, but the housing subsidy system was abolished and replaced by self financing (in exchange for a one off repayment of a proportion of debt). The HRA budget for 2013/14 has therefore been compiled on the basis of this new framework.
- 8.3 Expenditure charged to the HRA in 2013/14 includes:
- Repairs and maintenance;
  - Supervision and management;
  - Rent and rates; and
  - Capital charges.
- 8.4 Income credited to the account in 2013/14 includes:
- Dwelling rents;
  - Non dwelling rents;
  - Charges for services and facilities; and
  - Interest receivable.
- 8.5 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.
- 8.6 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.
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- 8.7 A detailed report on the HRA budget for 2013/14 was agreed by the Executive on 11<sup>th</sup> February 2013. That report set out proposals for an overall rent increase of 3.74% 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.
- 8.8 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 2013/14 were included in the "HRA Budget 2013/14 and Rent Increase Proposals for Council Dwellings" Report agreed by the Executive on 11<sup>th</sup> February 2013. For these Stonebridge dwellings in 2013/14, that report set out proposals to increase the average rents by 3.1% and to increase the service charges by an average of 11.8% (note that this increase incorporates a new charge for digital tv).

#### **The HRA Probable Outturn 2013/14**

- 8.9 The HRA budget report shows that net HRA expenditure for 2012/13 is forecast to be in line with budget. Additionally the audited surplus brought forward from 2011/12 exceeded the budget by £1,572k. Taking this variance into account, it is therefore forecast that the estimated balance on the HRA account at 31<sup>st</sup> March 2013 will be £1,972k in surplus, which is £1,572k more than originally budgeted.

#### **The HRA Budget 2013/14**

- 8.10 The 2013/14 HRA budget includes the following:
- 8.10.1 An inflation allowance of 1% for pay, the Employer's Superannuation Contributions for BHP staff remains at 17.8% while for Council Staff there is an increase of 0.5% to 27.4%. For non pay price rises, a general increase of 0% has been used, except for repairs which is 2.21% and cleaning, Grounds maintenance which is 3.75%, and Gas servicing which is 1.1% in line with their contracts.
- 8.10.2 The government's implementation of its rent restructuring policy continues into 2013/14 and, under the national formula, individual rents should increase by 3.1% + 1/3rd towards their target rent. However, the impact on tenants will be cushioned by "caps and limits", which generally means that in 2013/14 no rent will increase by more than 3.1% + £2.
- 8.10.3 An overall average rent increase of 3.74% (average £3.82 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:
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Analysis of change in weekly rent from 2012/13 to 2013/14

<b>Banding</b>	<b>No</b>
Below £-3	21
Between £-2 and £-1	37
Between £-1 and £0	240
Between £0 and £1	541
Between £1 and £2	584
Between £2 and £3	649
Between £3 and £4	681
Between £4 and £5	2898
Between £5 and £6	3143
Between £6 and £7	7
Between £7 and £8	4
Over £8	11
	<b>8,816</b>

- 8.10.4 An increase in service charges of 2.6%;
- 8.10.5 Savings of £862k comprising stock loss, efficiency and other savings;
- 8.10.6 Growth of £3.877m, comprising £500k to increase the bad debt provision (taking account of welfare reforms), £200k to contribute to a new welfare reform team in Brent Housing Partnership, £200k for void repairs, and £2.977m for depreciation (to be spent on HRA Capital Expenditure). This growth represents a real increase in HRA expenditure for 2013/14 and the additional resources for HRA capital will allow the Council to make choices about whether to increase the supply of new homes, accelerate the delivery of the repairs and maintenance backlog or improve the quality of the housing stock (options are being developed as part of the HRA Asset Management Strategy). This growth of £3.877m includes £1.572m which is a one off budget allocation for 2013-14 only (funded from balances), and £2.305m which is ongoing.
- 8.10.7 An estimated dwelling stock level (excluding Brent's Stonebridge dwellings) at 1<sup>st</sup> April 2013 of 8,879 dwellings;
- 8.10.8 Rent collection assumed at approximately 97.7% of the rental income due;
- 8.10.9 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 2013/14 and this is in line with the HRA business plan.
- 8.10.10 The current level of debt relating to the HRA was £137m at 1<sup>st</sup> April 2012 and this is expected to increase to £141m at 31<sup>st</sup> March 2013. This increase takes account of the £4m HRA capital programme in the 2012/13 budget. Brent's HRA borrowing limit under self financing will be £199m; and the estimated HRA borrowing "headroom" is £58m.
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8.10.11 Taking into account the above, the HRA is estimated to show a surplus of £400k at 31<sup>st</sup> March 2014.

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

### **HRA Risks**

8.11 The main risk associated with the HRA budget for 2013-14 are:

- Recovery of Leaseholder Service Charges (Major Work); and
- Rent Collection – maintaining high collection performance and the impact of welfare reforms (universal credit, direct payment of housing benefit to tenants, changes to non-dependant deductions and the spare bedroom tax).

### **HRA Business Plan/HRA Asset Management Strategy**

8.12 The Council's HRA Business plan is now updated regularly and shows that the HRA 30 year business plan is viable. The key highlights from the current Business Plan are:

- There is no capital shortfall in any year
- The HRA operating account remains in surplus throughout the plan
- The HRA debt is scheduled to be repaid in line with the due dates of the existing loans.

8.13 An HRA asset management strategy is being developed which will be used to determine the priorities for Capital expenditure within the HRA and will consider options for stock re-balancing, new development and stock investment. The strategy will be reported to Members in due course.

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