

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 Expenditure charged to the HRA in 2011/12 includes:
- Repairs and maintenance;
 - Supervision and management;
 - Rent and rates; and
 - Capital charges.
- 8.3 Income credited to the account in 2011/12 includes:
- Dwelling rents;
 - Non dwelling rents;
 - Charges for services and facilities;
 - Interest receivable; and
 - HRA subsidy paid by the government.
- 8.4 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.
- 8.5 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.
- 8.6 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 2011/12 were included in the "HRA Budget 2011/12 and Rent Increase Proposals for Council Dwellings" Report agreed by the Executive on 15th February 2011. For these Stonebridge

dwellings in 2011/12, that report set out proposals to increase the average rents by 5.3% and to increase the service charges by an average of 50.3%.

- 8.7 A detailed report on the HRA budget for 2011/12 was agreed by the Executive on 15th February 2011. That report set out proposals for an overall rent increase of 6.14% 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.

The Probable Outturn 2010/11

- 8.8 The HRA budget report shows that net HRA expenditure for 2010/11 is forecast to exceed the budget by £208k. Additionally the surplus brought forward from 2010/11 exceeded the budget by £208k. Taking these variances into account, it is therefore forecast that the estimated balance on the HRA account at 31st March 2011 will be £466k in surplus, which is in line with the budget.

The 2011/12 Budget

- 8.9 The 2011/12 HRA budget includes the following:
- The government's implementation of its rent restructuring policy continues into 2011/12 and, under the national formula, individual rents should increase by 5.1% + 1/5th towards their target rent. However, the impact on tenants will be cushioned by "caps and limits", which generally means that in 2011/12 no rent will increase by more than 5.1% + £2.
 - A decrease in housing subsidy of £3.246m (excluding stock loss and MRA Brought Forward), which takes account of an increase in management and maintenance allowances £1.348m, a decrease of £2.758m relating to guideline rent increases, and a reduction £1.836m where the almo allowance will be discontinued and funding for almo round 2 borrowing will instead be paid using the Council's consolidated rate of interest.
 - An inflation allowance of 0% for pay, 2.71% for repairs, and 0% for other prices.
 - An increase in service charges of 4.6%;
 - An overall average rent increase of 6.14% (average £5.50 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:

Analysis of change in weekly rent from 2010/11 to 2011/12

Banding	No
Between £1.50 and £2	1
Between £2 and £3	65
Between £3 and £4	941
Between £4 and £5	1,186
Between £5 and £6	4,149
Between £6 and £7	2,890
Between £7 and £8	8

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- Net savings of £924k comprising stock loss, efficiency and other savings;
 - Net Growth proposals of £977k, comprising:
 - £138k capital financing, to fund the debt charges on a £6m HRA capital programme that was agreed for 2010/11, with the debt charges being funded by a reduction in the HRA Direct Revenue Financing Budget.
 - £977k for the ALMO round 2 interest rate adjustment
 - An estimated dwelling stock level (excluding Brent's Stonebridge dwellings) at 1st April 2011 of 9,113 dwellings (actual 9,211 dwellings at 1st April 2010);
 - Rent collection assumed at approximately 99.6% of the rental income due; and
 - 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. The budget proposals include £600k of HRA unsupported borrowing under prudential borrowing for Disabled Facilities Grants for council tenants, and the debt management costs associated with this are met by Brent Housing Partnership. All other HRA debt charges are met in full through housing subsidy. No voluntary repayment of debt has been included in the budget for 2011/12. The current level of debt relating to the Housing Revenue Account was £330m at 31st March 2010 and is estimated to be £338m at 31st March 2011 - this takes account of a £6m HRA capital programme agreed in the 2010-11 budget.

8.10 Taking into account the above, the HRA is estimated to show a surplus of £400k at 31st March 2012.

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

HRA Risks

8.12 The main risk associated with the HRA budget for 2011-12 are:

- The HRA's medium and long term viability. The HRA Business Plan 2009 showed that there are insufficient capital resources to maintain the dwelling stock post decent homes, and also that the operational HRA is likely to be in deficit in 5 years time. The HRA Business Plan is currently

being updated to reflect the budget for 2011-12, updated stock condition data, and the impact of the Council Housing Finance reform. The Council Housing Finance reform is likely to have a favourable impact on the HRA Business plan.

- Recovery of Leaseholder Service Charges (Major Work); and
- Rent Collection – maintaining high collection performance.

Council Housing Finance Reform

8.13 The Government has confirmed the proposal to implement reform of the HRA subsidy system and this is now included in the Localism Bill, which was published in December 2010. It is now anticipated that the new system will be implemented for April 2012, and a policy paper from CLG is expected in January/February 2011 setting out the detailed proposals.

8.14 Under the HRA subsidy reform proposals, the HRA will be retained, but will include a new self financing system, in which rents are retained by Councils to spend on their own stock, in exchange for a one-off reallocation of debt.

Review of the Management of the Council's Housing Stock

8.15 The Council's Housing stock is currently managed by Brent Housing Partnership (BHP), which is an Arms Length Management Organisation and was established in 2002. The current management agreement between the Council and BHP is due to expire in September 2012, and the Council has engaged consultants to conduct a review of future options for the management of the stock. The review, will:

- Include an assessment of the strengths and weaknesses of the current Housing Management arrangements; and
- Set out a full range of options for the ongoing delivery of housing management across the borough.

The outcome of the review will be reported to the Executive for a decision in Spring 2011.