



Report to: Cabinet

Subject: Housing Revenue Account 2007/2008

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Author: Head of Finance

1. **Purpose of the Report**

The report presents to Cabinet the Housing Portfolio holders proposed expenditure and performance plans for 2007/2008.

The proposals in this report are:

- 5.0% increase in rent
- £3.6m investment in housing stock
- £150,000 revenue contribution to capital expenditure
- An inflation/government guideline increase in other fees and charges ie:
 - Leaseholder Service Charges and Piper Lifelines – inflation in accordance with agreements
 - Garages – % increase in line with rents
 - Other Service charges – 4.1% government guidelines

These proposals have been the subject of consultation with the tenants panel who have expressed their support.

2. The Housing Revenue Account (HRA)

The HRA budget together with variance analysis and performance details are attached at Appendix 1 and the bottom line shows the estimated balances at the year end. The figures include a rent increase of 5.0% and the effects of a capital investment of an additional £1,000,000 supported by prudential borrowing. A revenue contribution to capital expenditure of £150,000 is also planned. The impact of this is to increase the Capital Programme for 2007/08 (Appendix 3) to £3,584,300.

This represents a significant investment in stock which could have a beneficial effect on meeting the Decent Home Standard by 2010.

2.1 Income

i) Rent increase

A rent increase for consultation of 5.0% for dwelling rents has been calculated in accordance with the past practice of maximising the rent increase whilst avoiding subsidy limitation penalties. This allows the authority to maximise its investment in housing stock and keep within government guidelines. Included in this calculation is a stepped additional increase in rents which are moving to "Target Rent" over a 10 year period commencing 2002/03. In line with our current strategy of a graduated move to the target this Council could have increased rent by 9.51%. However, as in 2006/2007 Ministers have again signified that they do not wish authorities to increase rents by more than 5% in 2007/2008. The difference between these percentages represents potential income foregone by the authority but the authority is compensated for this by a rental constraint allowance within the subsidy calculation.

Other increases are in line with the above or government guidelines where different.

ii) Major Repairs Allowances (MRA)

The HRA receives an MRA of £2,024,300 for 2007/2008. The allowance is based on 13 archetypes and is designed to estimate the long term average amount of capital spending required to maintain the Housing Stock in its current condition. This is used to finance part of the renovation of Local Authority Dwellings.

2.2 Expenditure

i) Capital Charges – Notional Interest

Under the 2006 Statement of Recommended Accounting Practice (SORP) there is no longer the requirement to charge notional interest on assets.

ii) Depreciation – Dwellings

Dwellings are depreciated over their estimated life. The major repairs reserve is credited with the depreciation charge together with an appropriation to the HRA, to ensure that the net credit in the year is equal to the Major Repairs Allowance.

iii) Depreciation - Other

Included within this heading is the depreciation on garages. A corresponding credit amount is included in Transfer from Major Repairs Reserve within the appropriations.

iv) Net Operating Expenditure

The Capital Financing Charges previously charged to the HRA are also shown in this section. The Housing Capital Financing Requirement for 2007/2008 is negative and, therefore, the HRA will be credited with interest at the current investment interest rate of 5.1%.

Interest on mortgages relating to the sale of council houses together with interest on HRA balances at the current investment interest rate of 5.1% is also shown in the section.

In addition, the impact of prudential borrowing has been calculated and included here.

2.3 Housing Revenue Account Subsidy

The level of Housing Revenue Account subsidy is based on the HRA subsidy determinations issued by the DCLG on 19 December 2006.

Entitlement to HRA subsidy is based on a notional HRA, not the actual HRA. Most elements of the notional HRA are pre-set based on known information as at the beginning of the previous financial year. Subsidy for 2007/2008 will, therefore, be based on stock numbers at 1 April 2006. Details of the subsidy calculation can be found at Appendix 4.

2.4 Resource Development Bids

Resource Development bids of £31,500 have been included within the 2007/2008 budget. These are listed at Appendix 2.

2.5 Large Scale Voluntary Transfer

The estimates make a provision for the costs of LSVT, including a contribution from New Charter Housing Association. These have been calculated on the best information available at the present time and may be subject to change.

3. **CAPITAL PROGRAMME 2007/2008**

The detailed proposed Capital Programme of £3,584,300 is attached at Appendix 3. It is proposed to finance the programme by the use of the current year's Major Repairs Allowance (MRA) of £2,024,300, undertaking new borrowing of £1,000,000 in line with prudential guidelines, use of capital receipts of £410,000 and a revenue contribution of £150,000.

4. **FINANCIAL INFORMATION**

The following table shows the amount of additional rent that would be raised at various percentage increases:-

Overall increase	New Weekly rent	Net Increase	48 week increase
%	£	£	£
4.16	50.03	343,900	2.17
4.56	50.22	376,900	2.37
4.95	50.41	409,500	2.58
5	50.43	413,500	2.60

The recommended rent increase has been determined at 5.0% on the basis of the following assumption:-

The authority will seek to maximise stock investment, without jeopardising the desire to avoid rent subsidy limitations.

Ministers have indicated that they do not wish authorities to increase rents by more than 5.0% in 2007/2008.

5 **RECOMMENDATION**

That Cabinet determine:-

- i) the rent increase of 5.0% for 2007-2008 and approves the Housing Revenue Account elements of the Performance Plan.
- ii) that leaseholder service charges and piper lifelines are increased in line with RPI in accordance with the agreements.
- iii) that garages are increased in line with the rent increase
- iv) that other service charges are increased by 4.1%