



Report to: Cabinet

Subject: Housing Revenue Account 2008/2009

Date: 21 February 2008

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Portfolio holder for Housing and Health**

1. **PURPOSE OF THE REPORT**

The report presents to Cabinet the Housing and Health Portfolio holders proposed expenditure and performance plans for 2008/2009.

The proposals in this report are:

- To approve a rent increase for 2008/2009
- £2.248m investment in housing stock
- £450,000 revenue contribution to capital expenditure
- An inflation/government guideline increase in other fees and charges ie:
 - Piper Lifelines – inflation in accordance with agreements
 - Garages – % increase in line with rents
 - Other Service charges – 4.4% government guidelines
 - Supporting people charges 3% - subject to confirmation with Notts County Council

These proposals have been the subject of consultation with all interested parties.

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 do not include any rent increase but include a revenue contribution to capital expenditure of £450,000. The Capital Programme for 2008/09 (Appendix 3) is £2,248,200.

This represents a significant investment in stock which could have a beneficial effect on meeting the Decent Home Standard by 2010. The Council's current financial strategy is such that the authority will seek to maximise stock investment, without jeopardising the desire to avoid rent subsidy limitations

2.1 Income

i) Rent increase

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 11.19% without suffering subsidy penalties, but would have foregone rent of around £437k owing to the individual property limit rent.

In previous years government have recommended that rent increases are capped at 5%, and this has been applied at Gedling over the last two financial years. This request has been removed for 2008/2009 and government are expecting guideline rents to increase by 7.7% nationally and 5.6% locally.

In addition, as the Council is currently undertaking a ballot to determine the future of the Housing Stock in Gedling, recognition of the financial offering contained within the Offer document needs to be factored into the rent decision.

ii) Other income

Increases will be in line with the rent increase, government guidelines or RPI.

iii) Major Repairs Allowances (MRA)

The HRA receives an MRA of £2,098,200 for 2008/2009. 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) 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.

ii) 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.

iii) Net Operating Expenditure

The Capital Financing Charges previously charged to the HRA are also shown in this section. The Housing Capital Financing Requirement for 2008/2009 is negative and, therefore, the HRA will be credited with interest at the current investment interest rate of 5.19%.

Interest on mortgages relating to the sale of council houses together with interest on HRA balances at the current investment interest rate of 5.19% 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 15 January 2008.

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 2008/2009 will, therefore, be based on stock numbers at 1 April 2007. In 2006/2007 and 2007/2008 the authority complied with the government's request to keep rent increases at no more than 5% and were compensated for the loss of rent in those years by the payment of a rental constraint allowance. Under the subsidy determinations for 2008/2009 this allowance has now been withdrawn. Details of the subsidy calculation can be found at Appendix 4.

2.4 Resource Development Bids

Resource Development bids of £13,700, have been included within the 2008/2009 budget. These are listed at Appendix 2.

2.5 Large Scale Voluntary Transfer

The estimates make a provision for the costs of LSVT. These have been calculated on the best information available at the present time and may be subject to change.

3. **CAPITAL PROGRAMME 2008/2009**

The detailed proposed Capital Programme of £2,248,200 is attached at Appendix 3. It is proposed to finance the programme by the use of the Major Repairs Allowance (MRA) and a revenue contribution of £450,000.

4. **CONSULTATION**

The authority has taken into account the Gedling Homes business plan and offer document, the views of the tenants panel, the views of New Charter Housing Trust Group and Tribal, the consultants acting on the Council's behalf during the LSVT process.

Tenants views show an appetite for an increase above 5%, recognising the need to provide the Council with sufficient rental income to afford stock investment if a stock transfer does not take place. However, tenants are also concerned about excessive rises especially for those on pensions and suggest that rises above 6% would have a more significant detrimental impact on affordability for many tenants.

Tribal have not expressed a particular view about the rent level but have made comments on the need to ensure a balance of risk between above average levels of rent increase affecting the transfer and the Council's need to provide resources for ongoing stock investment should transfer not take place.

The stock transfer consultants, New Charter Housing Trust Group and Gedling Homes point to the need to maintain rent increase at "normal" levels so as not to influence voting in the current LSVT ballot and that 5% increase has been assumed in the Gedling Homes business plan for 2008/2009. They therefore suggest that rent levels should be increased by no more than 5%.

5. **PROPOSALS FOR RENT INCREASE 2008/2009**

Having considered all factors including the comments from the consultation exercise, the Council's desire to maximise stock investment, jeopardising the desire to avoid rent subsidy limitations, an increase in rent in the range of 5.0% and 8.37% should be considered.

- a) The effects of various rent increases are shown in the table below. The rents have been calculated in accordance with the past practice of maximising the rent increase whilst avoiding subsidy limitation penalties and keeping within the individual property limit rent of inflation plus ½% plus £2.00 per week.
- b) The following table shows the amount of additional rent that would be raised at various percentage increases:-

Rent Increase	Overall increase (including move to target)	New Weekly rent	Net Increase	48 week increase
%	%	£	£	£
0	5.01	52.95	432,200	2.74
.65	5.48	53.18	473,300	2.99
1	5.74	53.31	495,200	3.13
2	6.42	53.66	553,900	3.51
3	6.98	53.94	602,500	3.81
4	7.41	54.16	640,200	4.05
5	7.78	54.34	671,500	4.25
6	8.06	54.48	696,200	4.40
7	8.26	54.58	712,800	4.51
8	8.35	54.63	720,500	4.56
11.19	8.37	54.64	722,300	4.57

Risk factors do occur at the upper end on this range and these include:

- Tenants resistance and the affordability of the increase
- Potential for the current ballot to be affected by a higher than “normal increase”

- Additional rental income going forward in the Gedling Homes business plan can reduce the amount of net funding from central government and not, therefore, result in additional investment.

The Portfolio-holder for Housing and Health, therefore, considers a rent increase of 5.48% giving an average increase of £2.99 is the most appropriate way forward

6. **RECOMMENDATION**

That Cabinet approve:-

- i) The rent increase for 2008-2009 of 5.48% giving an average increase in rent of £2.99 per week and approves the Housing Revenue Account elements of the Performance Plan.
- ii) Piper lifelines are increased in line with RPI in accordance with the agreements.
- iii) That garages are increased in line with the rent increase 5.48%
- iv) That other service charges are increased by 4.4%
- v) Supporting people charges are increased by 3%, subject to confirmation from Notts County Council