

Committee:	Executive	Agenda Item No.:	
Date:	26 th January 2009	Status	Open
Subject:	Housing Revenue Account Budget - 2008/09 Estimated Outturn & 2009/10		
Report by:	Director Of Resources		
Other Officers Involved	Head of Housing Head of Finance Principal Accountant		
Director	Director Of Resources		
Relevant Portfolio Holder	Leader of the Council		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

The development of Policy Led Budgeting will help to inform future spending plans and assist in the delivery of annual efficiency gain targets.

VALUE FOR MONEY

The Budget Process challenges existing spending levels and new spending proposals to ensure that resources are effectively used and directed towards the delivery of the Corporate Aims.

Introduction

1. This report addresses the budget issues associated with the Housing Revenue Account (HRA) for Members consideration and approval, covering the following:
 - 2008/09 estimated Outturn Budget – this is the current year budget revised to take account of changes during the financial year that will end on 31st March 2009
 - 2009/10 Original Budget – this is the proposed budget for the next financial year, on which the Council Tax will be based, and will commence from 1st April 2009
 - The proposed increases on rents and charges for 2009/10.
2. The detailed budgets for both years are shown as an attachment to the report. In addition it is also in the budget book with the risk assessment of material items of

income and expenditure which is the separately bound document with this Agenda. The document is structured in such a way to demonstrate how the Council will invest in services that support the delivery of each of the Corporate Aims.

Estimated Outturn 2008/09

3. The estimated outturn for 2008/09 anticipates an operating deficit of £112,040, compared to an original estimated deficit of £59,170. There are a number of variations within the planned expenditure and income which have contributed to this. The most significant changes are identified below:
 - Repairs and Maintenance impacted upon by items that total almost £200,000:
 - Increase in recharges from the Stores allocations
 - Increase in retained salaries as allocations to Capital schemes has fallen
 - Increase in Supporting People grant
4. Officers have taken the opportunity to revise the allocations used to share the costs of central service costs (e.g. Human Resources). This accords with good financial management but does mean that year on year comparisons of the costs of services does become more difficult.
5. The working balance brought forward from 2007/08 was £979,658. After taking account of the projected deficit of £112,040, this produces an anticipated working balance at 31st March 2009 of £867,618.

Housing Revenue Account Budget 2009/10

6. The HRA budget mirror in many ways the General Fund budget. It therefore includes the following budget pressures:
 - Single status conditions & job evaluation based on the proposed implementation on 1st April 2009 (excluding craft workers)
 - Pay award based on a 1.75% increase
 - Reduction in investment interest
 - Increased energy prices
 - Higher fuel prices
7. New to the budget is the introduction of a vacancy factor. The staff budgets have all been based on the Council's approved structure and that all posts are filled. In reality we know there will be staff changes in the year and the vacancies generate a saving to the budget. Over the last 3 years this has been at approximately 3%. It has therefore been decided that this can be built into the budget for successive years. This amounts to £100,000.

8. The HRA budget also has a number of budget areas that are more complex and as such these are detailed below.
9. The Cost of Capital value reflects the value of capital tied up in HRA Assets. This figure is provided for indicative purposes only and is reversed out under the Appropriations section. The balance between the two entries reflects the contribution from the HRA towards external interest payable.
10. The Housing Subsidy is a misleading term as it is actually a payment that the Council is required to make to the Secretary of State from the Housing Revenue Account. It continues to exceed £4.7m.
11. Following consultation in summer 2007, Ministers have proposed to delay the date for rent convergence (dependant upon inflation rates) to 2016/17. However, it is likely that this date will be reviewed again in the future given that Ministers are considering the possibility of a wider reform of the HRA subsidy system.
12. Under the revised Rent Restructuring calculations for 2009/10, the rent increases range between 5% (£2.53 per week) and 10.3% (£4.79 per week), with an overall average of 7.23% (7.31% in 2008/09). This equates to an average weekly rent per dwelling of £61.61 (2008/09 £58.73), based on 48 weeks.
13. Members have raised concerns that rents were unable to be capped at 5% for 2009/10 (in line with the Council Tax capping levels). However, with no financial support from Government to cap rent levels, the Council would need to absorb additional costs of between £700,000 and £750,000.
14. Recent rent increases within Bolsover (based upon the Rent Restructuring Guidelines) have been as follows:

Financial Years	Average Rent Increase
2004/05	6.90%
2005/06	6.93%
2006/07	7.40%
2007/08	5.00% *
2008/09	7.31%

* Without the Government recommended cap of 5% - the average rent increase (in accordance with Rent Restructuring Guidelines) would have been 8%.

15. The Council retains discretion regarding future increases on garage rents and other services. It is proposed that wherever possible, charges for such services reflect the cost of providing these services.
16. The majority of warden services are funded through a contract with the Supporting People Team at Derbyshire County Council. Indications are that the contract sum will have no inflationary uplift; however this is yet to be confirmed by the County Council. It is therefore recommended that charges should be capped at this level for those people funded through the Supporting People Contract. It is expected that Supporting People funds will be the subject of a review in the near future and a reduction in funding could follow.

17. However there are a number of people who self-fund the supporting people services and the Council does not currently pass on the full cost of these services to customers. Last year Members agreed a methodology that would increase these charges over a ten year period. The proposed changes represent the second year of this plan.
18. Similarly, heating costs are currently subsidised, with only about 50% of the total cost being recharged to tenants. The Council has seen no change in the heating costs during 2008/09 and it is therefore recommended that 10% be added to the heating charges at this time. This will enable the Council to review the subsidy levels and ensure that over time the costs and charges are aligned.
19. The Special Services Charge includes the costs incurred from living in a sheltered housing scheme; this includes heating and lighting of communal areas, a contribution to the cost of a warden, furniture to lounges, carpeting of communal areas, and cleaning. The total cost of this was in the region of £450,000 in 2007/08. Last year Members agreed a methodology that would increase the charges to 50% of the cost of the service over a ten year period. This is the second year of applying this calculation. For 2009/10 this will be an increase of £2.74 per week per tenant, and will increase income by £40,000.
20. In seeking to balance the HRA it has been necessary to reduce the Revenue Contribution to the Capital Programme in 2009/10 from £650,000 to £600,000. Future years are at the original level of £650,000. Members may wish to see this one year reduction caught up in successive years' budgets.
21. Work will continue to review the heating and special services charges across sheltered schemes moving towards fair scheme of charging.
22. The Council also offers a lifeline service to people who are not council tenants (i.e. Housing Association Tenants and Owner Occupiers). The users of these services are currently not eligible for Supporting People grant; however this may be reviewed during the coming financial year. Along with the other support charges it is proposed to carry out work to identify the actual service cost during 2009/10.
23. It is proposed to increase charges for garage plots to £120 per year to reflect the cost of provision.

The proposed increases are summarised below:

a. Weekly Charges (48 weeks per year)

Types of Charges	2008/09 £	2009/10 £	Increase £ / %
Garages (Direct Debit)	6.00	6.25	£0.25 / 4%
Garage (other payment)	7.00	8.00	£1.00 / 14%

Types of Charges	2008/09 £	2009/10 £	Increase £ / %
<u>Heating</u>			
Bedsit (Sheltered Scheme)	4.55	5.01	£0.46 / 10%
1 bed flat (Sheltered Scheme)	6.45	7.10	£0.65 / 10%
Wardens Flat (Sheltered Scheme)	12.04	13.24	£1.20/ 10%
1 bed bungalow	7.17	7.89	£0.72 / 10%
2 bed flat	9.54	10.49	£0.95 / 10%
2 bed bungalow	10.78	11.86	£1.08 / 10%
Static Warden - Self funded (actual cost of £22.79)	3.87	5.58	£1.71 / 44%
Mobile Warden - Self funded (actual cost of £4.84)	1.73	2.06	£0.33 / 19%
Special Services	3.53	6.27	£2.74 / 78%
Buggy Parking (including electricity)	New in 2009/10	2.50	£2.50
* or in line with contract uplift			

b. Weekly Charges (52 weeks per year)

Types of Charges	2008/09 £	2009/10 £	Increase £ / %
Lifeline – pendant	1.40	1.50	£0.10 / 7.1%
Lifeline – Bronze Service	1.90	2.00	£0.10 / 5.3%
Lifeline – Gold Service	3.80	4.00	£0.20 / 5.3%

c. Annual Charge

Types of Charges	2008/09 £	2009/10 £	Increase £ / %
Garage plot	£96	£120	£24 / 25%

24. Efficiency Gains

As previously stated in the General Fund report, the Council needs to identify cashable efficiency savings of 3% per annum against the 2007/08 baseline. Given the significant value of recharges from other services which are applied to the HRA, it is inevitable that any efficiency savings identified on a corporate level will impact on the HRA. Consequently, efficiency savings targets have been included in the HRA for the period 2008/09 to 2010/11 as follows:

	2009/10 £	2010/11 £
Efficiency Savings Target	175,000	200,000

25. A report to the Executive on 25th September 2006 recommended that the minimum working balance on the HRA should not fall below £1 million in order for the Council to position itself within the median value for other District Councils. The table below shows the latest estimate for the period 2009/10 to 2010/12. The estimated number of dwelling at the end of 2009/10 and the successive years could be impacted upon by up to a further 110 properties being removed from this value, depending upon the outcome of the options being considered for the Tarran bungalows.

	2009/10	2010/11	2011/12
Balance at 31 st March	£939,128	£1,176,368	£1,387,878
Estimated Number of Dwellings	5,371	5,351	5,331
HRA Balance per dwelling	£174.85	£219.84	£260.34

26. The overall impact of all these changes in 2009/10 will be for the HRA to generate a surplus of £71,510. This will bring the working balance level to £939,128 and successive years will see it rise above the £1 million level if no other changes were to occur.
27. A sensitivity analysis is detailed in the General Fund budget report that reflects on types of expenditure that are also reflected in the HRA.

IMPLICATONS

Financial: The proposed HRA Budget for 2009/10 forecasts a net operating surplus of £71,510, enabling a working balance level of £939,128.

Legal: None

Human Resources: None

RECOMMENDATION(S)

- 1. That the estimated outturn for 2008/09 is approved.**
- 2. That the proposed Housing Revenue Account budget for 2009/10 is approved.**
- 3. That dwelling rents be increased by an average of 7.23% for 2009/10 in accordance with the Rent Restructuring guidelines.**
- 4. That the proposed charges in respect of garages, garage plots, heating, special services, lifeline and warden services be agreed and recommended to Council.**

5. That the amount of Revenue Contribution to the Capital Programme be reduced in 2009/10 from £650,000 to £600,000 and that this amount be recovered in future years.

REASON FOR DECISION

The budget for 2008/09 is revised at this time to align it with the expected outturn. This is good financial management.

The Council is required to approve a balanced budget for 2009/10 based on the rent levels set.

ATTACHMENTS:	Y
FILE REFERENCE:	None
SOURCE DOCUMENT:	Background papers held in Financial Services

		Original	Estimated	Base		
Actual		Budget	Outturn	Budget	Forecast	Forecast
2007/08	Details of Expenditure	2008/09	2008/09	2009/10	2010/11	2011/12
£		£	£	£	£	£
	HOUSING REVENUE ACCOUNT					
	Expenditure					
4,352,915	Repairs and Maintenance	4,113,690	4,306,220	4,372,240	4,473,310	4,514,070
2,699,454	Supervision and Management	2,857,330	2,954,930	2,965,640	3,019,200	3,019,770
322,542	Special Services	427,620	341,070	557,630	585,300	614,680
20,434	Supporting People	136,900	48,230	107,580	137,660	167,580
102,306	Tenants Participation	112,090	102,610	116,060	119,320	120,560
298	Rents, Rates, Taxes & Other Chrgs	1,570	1,570	1,570	1,570	1,570
0	Increase in Bad Debts Provision	0	0	0	0	0
3,495,501	Housing Subsidy Payable	4,768,510	4,768,510	4,755,370	5,349,110	6,171,900
261,866	Cost of Capital	7,919,350	3,424,120	3,492,500	3,542,170	3,592,590
5,207	Debt Management Expenses	6,710	6,150	6,870	6,870	6,780
0	Vacancy Factor	0	0	(100,000)	(100,000)	(100,000)
0	Efficiency Savings Targets	(150,000)	0	(175,000)	(200,000)	(100,000)
11,260,523	Total Expenditure	20,193,770	15,953,410	16,100,460	16,934,510	18,009,500
	Income					
(14,289,078)	Income	(15,668,340)	(15,841,370)	(16,171,970)	(17,171,760)	(18,221,010)
(14,289,078)	Total Income	(15,668,340)	(15,841,370)	(16,171,970)	(17,171,760)	(18,221,010)
(3,028,555)	Net Cost of Services	4,525,430	112,040	(71,510)	(237,250)	(211,510)
	Appropriations					
0	Cost of Capital Adjustment	(7,579,110)	(3,112,850)	(3,144,700)	(3,194,370)	(3,244,790)
3,010,674	Depreciation	3,024,770	2,850,640	2,846,350	2,841,020	2,796,660
421	T/f to/(from) Major Repairs Reserve	88,080	262,210	298,350	353,360	448,130
(17,460)	Net Operating (Surplus) / Deficit	59,170	112,040	(71,510)	(237,240)	(211,510)
(962,198)	Working Balance at Beginning of Yea	(1,054,339)	(979,658)	(867,618)	(939,128)	(1,176,368)
(17,460)	Contribution to/(from) Balances	59,170	112,040	(71,510)	(237,240)	(211,510)
(979,658)	Working Balance at End of Year	(995,169)	(867,618)	(939,128)	(1,176,368)	(1,387,878)