



Report to:	Council
Date of Meeting:	1 March 2007
Report from:	Joint Report of the Director of Community Services and Principal Accountant (Housing)
Title of Report:	Housing Revenue Account 2007/08 Budget
Agenda Item Number:	16

1. PURPOSE AND SUMMARY

This report:-

1. Advises Council of the December position, the 2006-07 probable outturn and the 2007/08 budget projections for the Housing Revenue Account.
2. Makes recommendations for the setting of the 2007/2008 HRA budget.
3. Makes recommendations for the setting of rent levels for Council tenants for 2007/2008.
3. Makes recommendations for the setting of a garage rents and heating charges affecting Council tenants for 2007/2008.
4. Makes recommendations for the setting of Careline charges for 2007/08.

2. CONSULTATION

- 2.1 The report has been prepared in consultation with the Director of Community Services, the Head of Housing, and the Head of Property Services. The Housing and Regeneration Overview and Scrutiny Panel have been consulted on the budget proposals recommended by the Executive on 8th January 2007.
- 2.2 A briefing session for tenants was held on 16th January 2007 on the 2007/08 budget and proposed rent and heating increases. Tenants expressed their satisfaction on the content of the budget proposals.

3. CORPORATE PLAN AND PRIORITIES

3.1 The 2007/2008 HRA Budget supports the following corporate priorities:

Priority 1 Customer Excellence

The 2006/07 and 2007/08 budget has increased investment in the IT systems in order to increase the quality of the service offered to tenants.

Priority 3 Decent Homes

The budget makes provision for a planned maintenance programme that supports the delivery of decent homes by 2010.

Priority 7 Maximising Efficiencies

Despite the fact the Department of Communities and Local Government has increased the negative subsidy by £140,480 to £4,429,510, the HRA Budget in 2007/2008 contains real growth due to improved efficiencies across a number of service areas.

The Service has developed a 30 Year HRA Business Plan, which has been accredited as being Fit for Purpose by the Government Office for the North East. The HRA Business Plan which has been updated for the 2007/2008 shows that the HRA is viable for the next 30 years, however, the decent homes standard will not be achieved by 2010.

4. IMPLICATIONS

4.1 Financial and Value for Money

4.1.1 The service uses the Housemark Benchmarking club in order to compare the cost of providing the service with all other service providers. Appendix I gives some examples of where the service has increased customer satisfaction and efficiency during 2005/06, which has therefore increased the resources available for re-distribution.

4.1.2 Despite an increase in subsidy withdrawal of £753,000 since 2005/06, the service has increased the reserves from £0.4 million at the end of 2004/05, to £1.9 million at the end of 2005/06. The reserves are predicted to be around £1.7 million at the end of 2007/08.

4.2 Legal

4.2.1 The Council is required to set rent levels in line with the rent re-structuring formula set by the Department of Communities and Local Government. Rent increase letters must be given to tenants at least 28 days before the rent increase can be applied.

4.3 Personnel

4.3.1 There are no personnel implications arising from the report.

4.4 Other Services

4.4.1 There are no implications for other services arising directly from the report.

4.5 Diversity

4.5.1 When setting the budgets for 2007/08, officers have been aware of the implications of the budgets on equalities and diversity issues. For example, the budgets have a specific focus on anti-social behaviour and hard to reach tenants. The budget also reflects additional resources for social inclusion at the sheltered units by improving access to IT for elderly tenants.

4.6 Risk

4.6.1 Officers have modelled the revenue position for the HRA over the next 30 years using the Government's HRA Business Planning model. A recent update carried out during 2006 now shows that the Housing Revenue Account can be sustained over this time frame.

4.6.2 Due to prudential management of the account, the reserves at 31st March 2008 are estimated to be £1.7 million. This is a significant increase from March 2005, when reserves were at £0.4 million.

4.6.3 The budget has been prepared on a full year basis, on the assumption that the stock transfer will not proceed. However, if there is a successful 'yes' vote, there will be a part year effect in 2007/08. If transfer does not proceed a major review of the HRA will need to be undertaken to see if the decent homes programme can be achieved.

4.6.4 The HRA Budget has been the subject of a separate risk evaluation, using the corporate risk assessment toolkit.

4.7 Crime and Disorder

4.7.1 The 2007/2008 budget provides for a new Community Engagement team which includes dealing with anti-social behaviour.

5. THE HOUSING SUBSIDY DETERMINATION

5.1 The Department of Communities and Local Government issued the HRA subsidy determination on 20th December, which had been subject to consultation with Local Authorities. The final determination has included the following:-

- An increase in management and maintenance allowances of £252,540, 4.6% compared with 2006/07.
- An increase in major repairs allowance of £7,610, 0.3% compared with 2006/07 which is actually a cut in real terms as building price inflation is currently at around 6%.
- An increase in guideline rent of £403,980, or 3.7% compared with 2006/07.
- The overall subsidy calculations will result in negative subsidy payable to the Government of £140,480, which is an increase of 7.4% on 2006/07.

5.2 Rent levels will increase in Chester-le-Street by 5% in 2007/2008. Under the Government's Rent Restructuring formula, rent levels should have increased by 7.7% in 2007/2008, but the Department of Communities and Local Government has set transitional arrangements to cap rent increases in any one year to 5%. This is the second year where the rents have been constrained to 5%. The Department of Communities and Local Government will pay local authorities a Rental Constraint Allowance to compensate for the loss of rental income.

6. 2006/07 BUDGET MONITORING REPORT AND PROBABLE OUTTURN

6.1 Appendix II provides a summary of the actual financial performance of the Housing Revenue Account for the period ended 31st December 2006. Columns 2 and 3 show actual net expenditure for the period compared with the expected budget for the same period. Columns 4 and 5 show the projected net expenditure for the full year to 31st March 2007. The appendix highlights a forecast underspending for the year of £141,810.

6.2 The third quarter monitoring information has been used to inform the expected position for the full year. This is clearly not a straightforward extrapolation of the first nine months of the year due to phasing issues, as in some cases expenditure is due to be expended towards the end of the financial year.

7. RESOURCES AVAILABLE 2007/08

7.1 As stated in section 5.1 above, the HRA will lose an additional £140,480 in negative subsidy payable to the Government in 2007/08 bringing the total payable to £4,429,510. A total of £16.5 million has been paid over to the Government since 2004/05. However, despite this loss, the service has been able to offset the effect of continued subsidy withdrawal through good management including:-

1. Improved performance on letting empty houses
2. Improved arrears performance
3. Improved rent collection performance
4. Reduced right to buy sales

- 7.2 The HRA therefore will have additional rental income of £593,870 in 2007/08, (5.58% compared with the probable for 2006/07) after taking account of void properties.
- 7.3 The net overall additional resources available to the HRA are £453,390 to pay for the increase in salaries and other unavoidable growth.

8. BUDGET PROJECTIONS 2007/08

- 8.1 Including the increase in salaries and other unavoidable growth on fuel, utility costs and contract payments, the HRA budget has an increase in total controllable budgets of £5,450. This has been achieved by reducing the service strengthening and development budgets, and the budgets associated with stock transfer.
- 8.2 The Housing Revenue Account budget includes significant moving of resources in order to meet service priorities. Table one below shows high priority areas where budgets which have received growth:-

Table 1 – Growth Areas

1.	GP Referrals	£9,000
2.	IT systems (over 2006/07 and 2007/08)	£276,860
3.	Community Engagement	£154,090
4.	Planned Maintenance	£220,000
5.	Computer Scheme - Sheltered Units (Inclusion)	£10,000
6.	PATH Trainee Scheme	£20,000
	Total	£689,950

- 8.3 Table two shows where efficiency savings have been made in order for resources to be re-distributed:-

Table 2 – Efficiency Savings

1.	Grass-cutting	£15,030
2.	Postage	£10,000
3.	Printing and Stationery	£5,000
4.	Responsive repairs	£59,600
5.	Painting	£200,000
6.	Service Strengthening and Development	£108,900
7.	Stock Options/Transfer	£200,040
	Total	£598,570

- 8.4 The budget proposals for the controllable items of the Housing Revenue Account are summarised in table three below. Appendix III shows the Housing Revenue Account Summary.

Table 3 – Housing Revenue Account Controllable Budgets

	Base Budget	Estimate
	2006/07	2007/08
	£	£
Property Services	3,032,380	2,629,290
Direct Revenue Financing of Capital Expenditure	0	390,000
Central	437,350	461,780
Estate Management	778,050	731,850
Income Management	265,290	278,090
IT & Accounts	373,760	532,490
Community Engagement	146,980	301,070
Exceptional Items	227,000	118,100
Stock Transfer	300,040	100,000
Contribution to General Fund	277,740	277,740
Care for the Elderly & Careline	0	41,490
Special Services – Sheltered Housing	227,870	244,460
Contribution to General Fund – Supporting People	34,450	0
Total	6,100,910	6,106,360

9. RENTS

- 9.1 The amount of rent charged for each individual dwelling is controlled by the Government's formula rent calculation. The Government has increased the formula rent by 4.2% for 2007/08 compared to the base increase for 2006/07 of 3.2%. As stated in paragraph 5.2, increases in rents from 2006/07 levels should have averaged 7.7% with effect from 1st April 2007. Obviously as this is an average increase, some tenants will have lower increases and some will have higher. However, as the Government has stated that average increase generated by their formula should be restricted to an average of 5%, at Authority level, the 2.7% "lost" rental income will be paid by the Government as compensation.
- 9.2 Each year the Government sets a "guideline rent" for the purposes of calculating housing subsidy. The guideline rent and the actual rent will converge over the next 4 years as part of the rent restructuring arrangements. In relation to Chester-le-street, the rents are on target to meet this deadline by 2010.

- 9.3 The guideline rent for 2007/2008 is £50.52 based on a 52 week year. The average actual rent for 2007/2008 is £49.38 based on a 52 week year. The actual rent increases to be implemented with effect from 2nd April 2007 will range from £0.90 per week to £3.52 per week. The average actual increase is £2.35 per week which represents a rise of 5.0%. The 2007/2008 rent increase has been incorporated into the draft budget for 2007/2008. The average number of dwellings for 2007/2008 is estimated to be around 4,318 and the budget for rent income reflects this number. The loss of rent income due to void properties is based on a void rate of 1.0% for 2007/2008 and amounts to £136,990.
- 9.4 Table four below shows comparative average rents of local authorities in the North East area ranked from lowest to highest:-

Table 4 – Average Rents

Authority	Average Rents Based on 52 Weeks
Blyth Valley	£44.90
South Tyneside	£48.22
Chester-le-Street	£49.38
North Tyneside	£49.42
Darlington	£50.66
Wear Valley	£50.66
Durham City	£50.80
Sedgefield	£50.84
Castle Morpeth	£51.69
Gateshead	£51.92

10. HEATING CHARGES

- 10.1 In relation to heating charges for the sheltered units, table five shows the proposed increases. A higher than inflationary increase is due to the sharp rise in energy costs experienced in 2006/2007, and also due because the increase in 2006/07 was capped for affordability reasons. The higher increase proposed for warden accommodation is because there is a larger gap between the actual costs and the income from charges. The proposed charges are based upon typical floor area of a bed-sit, flat or warden accommodation.

Table 5 – Proposed Heating Charges

	Current Weekly Charge	Proposed Weekly Charge	£ increase per week /% Increase
Bed Sit	£3.80	£4.40	16% / £0.60
Flat	£5.60	£6.20	11% / £0.60
Warden	£7.30	£9.10	25% / £1.80

- 10.2 Table Six shows the overall subsidy relating to the sheltered units. The council pays 25% of the total budget for utilities as this relates to the communal areas which cannot be attributed to any individual tenants.

Table 6 – Subsidy on Heating Charges

	Total for Sheltered Units
Total utility cost	£75,480
Less 25% for communal areas	£18,870
Total chargeable cost	£56,610
Estimated annual income after voids	£54,460
Estimated Subsidy	£2,150

11. CARELINE CHARGES

- 11.1 Having been awarded the tender with Supporting People, as from the 1st April 2007, the Careline Service is working to the new contract. The Careline service is now contained within the Housing Revenue Account, which was agreed by Executive on 6th November 2006, with the appropriate recharges to the General Fund for the private payers.
- 11.2 As part of the new contract, a flat rate of £5 per week was agreed across the board from 1st April. This replaces the old pricing structure which has been in place for the past 2 years and is as follows:-

Existing Tenants	£4.00
Properties with Communal Area	£6.64
Sheltered Units	£10.00

- 11.3 Under the new contract, the needs of the client determine the level of support required, instead of the property in which they live. Regardless of the level of care required, the price per week is £5. The grant received from Supporting People for those tenants who are in receipt of Supporting People credit is also £5 per week.
- 11.4 In order to deliver the new contract, the Careline has made efficiency savings by outsourcing the out of hours and weekend service, reducing staff costs by natural wastage, and transferring staff to the CCTV service to become dedicated CCTV operators. The Careline staff are now employed 37 hours per week from Monday to Friday.

12. COMMENTS OF THE REGENERATION AND HOUSING OVERVIEW AND SCRUTINY PANEL

12.1 The Overview and Scrutiny Panel considered the budget proposals on 15th February and expressed concern that rent increases would be the same as they would have been with the Council should the Stock Transfer go ahead.

12.2 They also expressed concern about the new Careline charge of £5 per week and the increase that it would mean for some tenants who currently pay £4 per week. The panel did not make any alternative recommendations for consideration by Council.

13. REPORT OF THE STATUTORY FINANCE OFFICER

13.1 Section 25 of the Local Government Act 2003 requires the statutory financial officer to make a statement on the robustness of the budget. I am satisfied that adequate provision has been made in the budget for expenditure in order to deliver an affordable level of services to Council tenants. Similarly, an adequate assessment of likely income levels has been made on the basis of assumptions determined in the light of the best available information.

14. EXECUTIVE CONCLUSIONS

14.1 As its meeting on 19th February, the Executive:-

- (1) Noted the final housing subsidy determination;
- (2) Approved the probable budget for 2006/07;
- (3) Considered the comments and recommendations of the Regeneration and Housing Overview and Scrutiny Panel;
- (4) Agreed to recommend the Housing Revenue Account budget for approval by Council;
- (5) Agreed to recommend the following rents and charges for approval by Council for 2007/08:-
 - a) An average increase of £2.35 per week on rents, to an average rent of £49.38 per week based on 52 weeks;
 - b) An increase of 20 pence per week on garage rents to £5.30;
 - c) That energy charges be increased by £0.60 for a bed sit, £0.60 for a flat and £1.80 for warden accommodation per week to £4.40, £6.20 and £9.10 respectively.
 - d) A flat rate of £5 per week for the Careline service as from 2nd April 2007.

15. RECOMMENDATIONS

15.1 It is recommended that Council approves:-

- (1) The probable budget for 2006/07;
- (2) The Housing Revenue Account budget for 2007/2008;
- (3) An average increase of £2.35 per week on rents, to an average rent of £49.38 per week based on 52 weeks;
- (4) An increase of 20 pence per week on garage rents to £5.30;
- (5) Energy charges be increased by £0.60 for a bed sit, £0.60 for a flat and £1.80 for warden accommodation per week to £4.40, £6.20 and £9.10 respectively.
- (6) A flat rate of £5 per week for the Careline service as from 2nd April 2007.

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