

Meeting: Executive

Portfolio Area: Housing

Date: 14th January 2004

HOUSING REVENUE ACCOUNT (HRA) BUDGET PROBABLES 2003/04 & ESTIMATE 2004/05

(Chief Officer Board)

KEY DECISION

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1 PURPOSE

- 1.1 To approve the 2003/04 Probable and 2004/05 Estimate Budgets for the Housing Revenue Account.
- 1.2 To recommend to Council rent increases for 2004/05 in respect of dwellings and garages.

2 RECOMMENDATIONS

- 2.1 That the following recommendations be made to Full Council: -
 - 2.1.1 That the Housing Revenue Account estimates for 2003/04 Probable showing a net deficit of £2,087,070 be approved, as detailed in Appendix A.
 - 2.1.2 That the Housing Revenue Account 2004/05 Estimates be approved, as detailed in Appendix A.
 - 2.1.3 That the rents of HRA dwellings be increased, with effect from the week commencing 5th April 2004, by 3.96% and increased or decreased by the Rent Restructuring figure determined for each dwelling in accordance with the Government's National Rent Formula, subject to the Governments rent cap applicable to each property as detailed in paragraph 4.2.3.
 - 2.1.4 That the further phasing in of tenant Service Charges not be implemented in 2004/05 and no inflationary increases be applied in 2004/05 to those tenant Service Charges introduced in 2002/03.
 - 2.1.5 That the 2004/05 HRA Leasing Forward Plan, with a total Capital Value of £101,750, be approved as detailed in Appendix B.

- 2.1.6 That the Executive proposes a Contingency Sum in the Budget and Policy Framework for 2004/05 of £300,000 for the HRA.
- 2.1.7 That responsibility for setting the HRA ancillary fees and charges be delegated to the Director of Community Services in conjunction with the Executive Member (Housing).
- 2.1.8 That the rent of garages be increased by £0.35p per week (plus VAT where applicable) from 5th April 2004.
- 2.2 That the Executive notes and accepts that the Council may, at its discretion, agree to vary the proposed HRA in the course of its consideration of that budget.

3 BACKGROUND

- 3.1 At its meeting on 10th December 2003 the Executive agreed the draft 2003/04 Probable and 2004/05 HRA Budgets, incorporating the proposed rent increase.
- 3.2 Following this meeting the report has gone through the scrutiny process. At its meeting on 11th December 2003, Housing and Wellbeing Scrutiny Panel resolved that “the draft Housing Revenue Budget – Probables 2003/04 and Estimates 2004/05 – be noted.” The Federation of Stevenage Tenants’ Associations (FOSTA) will consider this report at its routine monthly meeting on 7th January 2004. As the meeting takes place after the committee deadline for reports, FOSTA’s comments on the proposals will be given verbally to the meeting of the Executive.
- 3.3 The HRA 2003/04 Probable and 2004/05 Estimate Budgets are attached at Appendix A. As explained in the December Report the main feature of the 2004/05 Budget is the very favourable HRA Subsidy Determination Settlement brought about by the Government’s review of the methodology for allocating Management and Maintenance Allowances within the Subsidy calculations. On 19th December the Final Subsidy Determinations were issued largely confirming the figures issued in the Drafts in late November 2003.
- 3.4 At the November meeting, the Executive considered a report on the updated Corporate Business Strategy that covered the Council’s key priorities. The report proposed that the key priorities be the basis for determining spending priorities for 2004/05. The Council’s Service Plans now identify the actions required to achieve the Council’s key priorities and to deliver front line services at a departmental level. The Housing Service Plan is the responsibility of the Head of Housing who assesses the services currently provided with regard to the Corporate Business Strategy, and identifies potential improvements. These decisions may be informed by the results of Best Value Reviews, changes to legislation and successful bids for Government funding. The Service Plans should be policy led but must link improvements to resources required. The Draft HRA Budget is presented in this report against the background of these priorities.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Final HRA Budget

4.1.1 The Final HRA 2003/04 Probable and 2004/05 Estimate Budgets as presented at Appendix A incorporate the following amendments since the Draft presented to the Executive in December 2003: -

- The Final HRA Subsidy Determinations, which were received on 19th December 2003. These increased the Maintenance Allowance slightly on the Draft figures incorporated in the December Report and reduced the proposed level of inflation in the Rent Restructuring calculation.
- Updates to Central Establishment Charges and Support Services Charges.
- Amendments to provisions for inflationary increases, particularly in respect of Gas and Electricity Utility Bills.
- Credit for National Non Domestic Rates (NNDR) Revaluations in respect of prior years for the former Housing Neighbourhood Offices.
- Other minor budget adjustments.

The overall net impact of these amendments is not significant and the HRA remains in balance as reported to the December Executive.

4.1.2 Appendix B details, for formal approval, the 2004/05 HRA Leasing Forward Plan Proposals totalling £101,750. The revenue leasing charges for these items are incorporated in the HRA Budget as detailed in Appendix A.

4.2 Final Rent Setting

4.2.1 The Final 2004/05 HRA Subsidy Determinations have reduced the proposed level of general inflation in the Rent Restructuring calculation from 4.09% in the Draft Determinations to 3.96% in the Final Determinations. Application of this slightly lower inflation figure will reduce the overall rental income for 2004/05 by approximately £30k, but this loss will be offset in the HRA Subsidy calculation. Since the introduction of the Government's Rent Restructuring Policy in 2002/03 Stevenage's Average Rent has been set at the level of the Government's Rent Limit. The Final Determinations propose the Council's Rent Limit for 2004/05 at £60.63. The final proposals for the 2004/05 Rent Increase can therefore be summarised as follows: -

2003/04 Government Limit Rent	= £58.24
2003/04 SBC Average Rent Set	= £58.24 Last Years Rent Set at Limit
2004/05 Government Limit Rent	= £60.63
Increase in Average Rent	= £ 2.39 4.10%
Average Rent Restructuring Increase	= £ 0.08
Balance - General Inflationary Increase	= £ 2.31 3.96%

4.2.2 It is proposed that for 2004/05 the Average Rent be set applying the Government's Rent Limit of £60.63. In practice, individual rents would be calculated by applying a 3.96% increase to the 2003/04 Rent, plus or minus the individual Rent Restructuring figure calculated in accordance with the Government's Formula for the third year of Rent Restructuring.

4.2.3 The Government intends that increases and decreases in the Rents of individual properties between 2003/04 and 2004/05 should continue to be capped at RPI+1/2%+£2. It is proposed that the Council will continue to implement this cap. It is anticipated that the cap will apply to very few individual properties in Stevenage and therefore result in a negligible amount of rent loss to the HRA overall.

4.2.4 Other options that were considered with regard to rent setting are detailed in Appendix C.

4.3 Final HRA Subsidy Determinations 2004/05

4.3.1 The Final HRA Subsidy Determinations 2004/05 were issued on 19th December 2003. These largely confirmed the figures in the Draft Determinations issued in November 2003, which dealt with the outcome of the Governments consultations proposing changes to the methodology for the allocation of Management and Maintenance Allowances. The draft figures improved SBC's Subsidy position for 2004/05 by some £1.2million net. The Final Determinations amended the draft figures slightly by further increasing the Maintenance Allowance and reducing the Notional Rent Income withdrawal figure, although this is offset by the reduced Rental Income as explained at paragraph 4.2.1 above. The Final Determinations also increase the Major Repairs Allowance figure by £29k and announced a new Antisocial Behaviour Allowance of a fixed £1k per Authority. Further details regarding the Subsidy Determinations and various associated issues are detailed in Appendix C.

4.4 Significant Issues for the 2004/05 HRA Budget, but which have not varied since the Draft Report to December Executive

4.4.1 **Rent Rebates** - A significant change to the 2004/05 HRA Budget is the transfer of Rent Rebates from the HRA to the General Fund. This has been proposed by the Government for some time and is intended to make the HRA more understandable, transparent and purely a landlord account. This is reflected in that the Subsidy Withdrawn from Stevenage, as referred to in paragraph 4.3.1 above, can now be clearly seen. Previously the calculation and treatment of Subsidy Withdrawal was complicated by the payment and reimbursement of Rent Rebates and was somewhat confusing. Further details regarding the transfer of Rent Rebates are shown in Appendix C.

4.4.2 **Supporting People** - The original 2003/04 HRA Budget was constructed assuming £500k as a net windfall gain from the changes introduced as part of the new Supporting People regime. It was made clear that this was a very cautious estimate given the various uncertainties regarding the regime at the time. During 2003/04 the actual likely level of the windfall has become somewhat clearer and it is now anticipated that it could be slightly in excess of £600k. Government guidelines have indicated that the Windfall may be used to fund Decent Homes, improvements in Housing Management arrangements or Housing Best Value initiatives. The original HRA Budget assumed the utilisation of the initial £500k of the windfall for Decent Homes. The additional £100k that is now anticipated in 2003/04 and 2004/05 has been incorporated within HRA Revenue Budgets presented in Appendix A. It is proposed that this funding be applied to improvements in Housing Management to fund costs associated with bringing about the changes associated with the restructure of the Housing Division.

- 4.4.3 **Tenant Service Charges** - 2002/03 was the first year of a planned three year phasing in of Tenant Service Charges. Unfortunately the Government subsequently introduced regulations that made Tenant Service Charges subject to Rent Rebate Subsidy Limitation. As a result it was decided at the time of setting the 2003/04 Original Budget not to implement the second year phase of Tenant Service Charges in 2003/04 and not to apply inflationary increases to the charges introduced in 2002/03. The reduction in the taper on Rent Rebate Subsidy Limitation has only moved from 80% to 70% in 2004/05 and the Council would therefore still be subject to quite significant levels of Limitation on any further Service Charges. It is again, therefore, proposed that the second year of phasing in of Service Charges not be applied in 2004/05 and no inflationary increases be applied to the original Charges. The background relating to Service Charge Issues is detailed in Appendix C.
- 4.4.4 **Revenue Contributions to Capital Outlay (RCCO)** - At July Executive members approved the deferring of the 2002/03 HRA RCCO in order to maintain the maximum flexibility in the HRA. This accounts for the high level of HRA Revenue Balances at 1st April 2003. The current Capital Strategy assumes a total of £1,684k of HRA RCCO during 2003/04 and 2004/05. For some time now the deferring of RCCO has been an essential tool in assisting to balance the difficult HRA Revenue position. However, given the significant improvement brought about by the changes to the HRA Subsidy calculation referred to above, it has been possible to maintain the RCCO at the level assumed in the Capital Strategy (£1,684k) and this has been incorporated the HRA Budgets presented at Appendix A. The phasing of the contributions between 2003/04 and 2004/05 will seek to maintain an acceptable level of HRA Revenue Balances at 31st March 2004.

4.5 Other HRA Ancillary Fees and Charges

- 4.5.1 In previous years a number of ancillary HRA charges have usually been reviewed at the same time as the HRA rent increase and incorporated in the HRA Budget Report. However, it is proposed that it would be more appropriate for the setting of these ancillary charges to be delegated to the Director of Community Services in conjunction with the Executive Member (Housing).

4.6 General Fund Garages Rent Increase

- 4.6.1 The income and expenditure budgets relating to Council Garages are included in the General Fund. However, garage rents are collected with housing rents and the same notice period needs to be given to tenants. It is proposed to increase garage rents by 35p, from £6.65 to £7.00 (plus VAT for non-Council tenants) per week.

5 IMPLICATIONS

5.1 Financial Implications

This report is largely financial in nature and relevant implications are included in the body of the report and appendices.

5.2 Legal Implications

The Council has a statutory duty to balance the Housing Revenue Account. The Council has a statutory duty to consult its tenants on changes in policy and practice on matters of housing management.

5.3 Policy Implications

All of the proposals in this report are intended to be consistent with the Corporate Business Strategy ambitions and priorities that relate to the housing stock:

Ambitions - Good quality services and first class customer service

Regeneration of Stevenage

Community Leadership

A fair and inclusive community.

Priorities - A top quality housing service to tenants and those in need of housing

Improved community safety

Engaging local communities

5.4 Staffing and Accommodation Implications

The staffing and accommodation implications of the Restructure of the Housing Division are incorporated in the budget estimates.

5.5 Service Delivery Implications

The proposals in the report reflect the aim of setting the HRA to ensure our ability to deliver the Best Value Review Improvement Plan.

5.6 Community Safety Implications

The proposed budget incorporates provision for the newly appointed Tenancy Enforcement Officer to develop his role in tackling anti-social behaviour.

5.7 Other Implications

There are no other direct implications to report at this time.

BACKGROUND DOCUMENTS

- Executive report 15th January 2003 HRA Budget 2003/04
- Executive report 23rd July 2003 Capital Programme Outturn 2002/03
- 2004/05 Draft & Final HRA Subsidy Determinations
- Executive report 10th December 2003 Draft HRA Budget 2004/05
- Housing & Wellbeing Scrutiny Panel report 11th December 2003 HRA Budget 2004/05

APPENDICES

- Appendix A – HRA 2003/04 Probable and 2004/05 Estimate Budgets & Notes – is attached to the Report.
- Appendix B – The proposed HRA 2004/05 Leasing Forward Plan – is attached to the Report.
- Appendix C - Detailed Explanation of certain Issues proposed in the Report – is attached to the Report.