



Meeting: Executive

Date: 14th February 2007

HOUSING REVENUE ACCOUNT (HRA) BUDGET PROBABLES 2006/07 AND ESTIMATE 2007/08

Author: Chris Pierce Ext.No. 2375, Adrian Forth Ext.No. 2418
Contributors: Chris Pierce Ext.No. 2375
Lead Officer : Chris Pierce Ext.No. 2375
Contact Officer : Adrian Forth Ext.No. 2418

1. PURPOSE

- 1.1 To approve the HRA 2006/07 Probable Budget and 2007/08 Estimates for the Housing Revenue Account.

2. BACKGROUND

- 2.1 The Draft HRA 2006/07 Probable and 2007/08 Estimate Budgets were reported in January 2007 subject to any changes. The Final HRA Estimates are attached at Appendix A for the final approval.

3. RECOMMENDATIONS

That the following recommendations be made to Full Council:

- 3.1 That the Housing Revenue Account Estimates for 2006/07 Probable showing a net deficit of £1,634,680 be approved as detailed in Appendix A.
- 3.2 That the Housing Revenue Account 2007/08 Estimates showing a net deficit of £424,930 be approved as detailed in Appendix A.
- 3.3 That the increases in ancillary fees and charges, with effect from 2nd April 2007, as detailed in Appendix C, be approved.
- 3.4 That the Executive proposes a Contingency Sum in the Budget and Policy Framework for 2007/08 of £500,000 for the HRA.
- 3.5 That the revised SHL Management Fee for 2006/07 of £7,669,000 is agreed.
- 3.6 That the SHL Management Fee for 2007/08 of £13,367,000 is agreed.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Timetable

4.1.2 It was proposed that the detailed HRA Estimates and the proposed SHL Management Fee be reported to the Council's January and February Executives before final approval at Full Council on 28th February. The Final Estimates are detailed in this report.

4.2.1 FOSTA (federation Of Stevenage Tenants Association) have been consulted on the Rent increase proposals and the Draft HRA Estimates at their meeting on 3rd January 2007 and supported the recommendations.

4.3 Supporting People

4.3.1 The funding position with regard to Supporting People arrangements remains unclear and there has been no confirmation of the level of funding available for 2007/08. In the face of uncertainty the HRA Supporting People budgets have been prepared on a cautious basis. The grant income from County has been estimated at £560,000 for the 2006/07 Probable and the same level for 2007/08.

4.4 Other HRA Ancillary Fees and Charges

4.4.1 The proposed increases in these charges are attached at Appendix C and these increases have been incorporated in the 2007/08 Estimates.

4.4.2 Other charges including water rates, heating charges and NTL charges will have to be increased as appropriate, to cover costs.

4.5 Final HRA Subsidy Determinations 2007/08

4.5.1 The Final HRA Subsidy Determinations 2007/08 were issued on 19th December 2006 and mainly confirm the figures in the Draft Determinations issued in November 2006. There were some adjustments to the Management and Maintenance Allowances that has increased the entitlement by £6,000. The Major Repairs Allowance also increased by £5,000.

4.5.2 The Government have indicated an intention to move towards three-year subsidy settlements and have stated that the formulae and definitions for 2007/08 will, *as far as possible*, remain unchanged. Whilst such moves are to be welcomed if they assist in bringing stability to the HRA forecast position, the Government does still reserve the right to make such changes as it considers necessary.

4.6 Final HRA 2006/07 Probable and 2007/08 Estimates Budgets

4.6.1 The Final HRA 2006/07 Probable and 2007/08 Estimate Budgets are attached at Appendix A. The detailed estimates have changed slightly due to updated figures for Central Support costs as more accurate figures have now come available since the Estimates were reported to the January Executive.

4.6.2 The Base Budget position as detailed in Appendix A is summarised as follows:

Summary of HRA Base Budget Position (as per Appendix A)	Original Estimate 2006/07 £	Probable Estimate 2006/07 £	Original Estimate 2007/08 £
Balance Brought Forward 1 st April	(4,077,000)	(4,077,000)	(2,442,320)
Use of Balances in the Year	550,970	1,634,680	424,930
Balance Carried Forward 31 st March	(3,526,210)	(2,442,320)	(2,017,390)

- 4.6.3 The analysis of the movement in the Use of Balances in the Year is shown in Appendix B. The main reason for the increase in 2006/07 is the agreed additional budget for Repairs and Maintenance of £1,042,000.
- 4.6.4 Repairs and Maintenance Budgets – these budgets are mainly formed from the SHL Management Fee and includes for 2006/07 the additional budget for the overspend of £1,042,000 that was reported to the October Executive. For 2007/08 this additional budget has been reduced by £120,000 to £922,000 and is shown as a contingency provision item that SHL can draw down after proposals to balance the level of expenditure with SBC have been agreed. This additional cost is funded from the 53rd week rent income and eliminating the RCCO for 2007/08.
- 4.6.5 SHL is currently undertaking an efficiency savings review of the HRA to update the Medium Term Financial Plan taking into account the Repairs and Maintenance budgets. SHL will be drawing up a Programme to review the Service Level Agreements and will expect efficiencies. At this stage the Medium Term Financial Plan shows the HRA will remain in balance until 2010/11 taking into account efficiency savings identified so far and the planned reduction in the additional budgets for Repairs and Maintenance. There will be a review of the Repairs and Maintenance budgets for efficiencies which will include changes in policies and these will be reported to the Council in June 2007.
- 4.6.6 A Service Charges review is being carried and the results of this review will be reported to SHL's Resources Sub Committee making recommendations and these will be reported to the Council.
- 4.6.7 Inflation – this has been added in respect of estimated pay awards at 2.5% and exceptional items such as utility costs. SHL Management Fee has also been adjusted for inflation. The Repairs and Maintenance Budgets have been increased by inflation and adjusted for estimated Right to Buy sales in 2007/08.
- 4.6.8 SHL Management Fee – the fee is included in the HRA under the Expenditure headings and is summarised in the table below:

SHL Management Fee	Original Estimate 2006/07 £	Probable Estimate 2006/07 £	Original Estimate 2007/08 £
Management General	2,947,570	2,947,570	5,953,500
Management Special	1,122,070	1,122,070	2,307,500
Repairs and Maintenance	3,020,360	3,599,360	5,106,000
Total	7,090,000	7,669,000	13,367,000

The Management Fee has been calculated for 2007/08 by estimating the pay award and inflationary increases on Repairs and Maintenance and the Service Level Agreements (SLAs). For 2006/07, the increase represents the apportionment of the additional budget for the overspend on Repairs and Maintenance. This has been revised since reported to the October 2006 Executive and represents an increase of £22,000, and is offset by the decrease in the first half year.

- 4.6.9 The Management Fee does not take into account the impact of the job evaluation which is due to come into effect from 1st April 2007.
- 4.6.10 A comparison of the Management Fee for 2007/08 to the full year equivalent of the 2006/07 Management Fee is shown in the table below:

SHL Management Fee	Full Year Estimate 2006/07 £	Original Estimate 2007/08 £	Variance	
			£	%
Management General	5,815,140	5,953,500	138,360	2.4
Management Special	2,244,140	2,307,500	63,360	2.8
Repairs and Maintenance	4,968,880	5,106,000	137,120	2.8
Total	13,028,160	13,367,000	338,840	2.6

The full year Management Fee for 2006/07 has been adjusted for one off items to give a like for like comparison. This shows overall the Management Fee has increased by £338,840 resulting from the inflationary increases explained earlier in this report.

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.

5.4 Service Delivery Implications

The proposals in the report reflect the aim of setting the HRA to ensure our ability to fund the ALMO, achieve a three star Housing Service and deliver the Decent Homes Programme.

5.5 Other Implications

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

6. BACKGROUND DOCUMENTS

7. APPENDICES

Appendix A – Housing Revenue Account Estimates
Appendix B – Analysis of Use of Balances in the Year
Appendix C – Other HRA Ancillary Fees and Charges

ANALYSIS OF USE OF BALANCES

<u>USE OF BALANCES IN THE YEAR 2006/07</u>	£	£
Original Estimate 2006/07		550,970
Additional Repairs and Maintenance Budget	1,042,000	
Health and Safety Supplementary Estimate	168,000	
Carry overs of Repairs Budget less RCCO	39,000	
SHL Diseconomies	253,540	1,502,540
Restated Original Estimate 2006/07		2,053,510
Probable Estimates variances:		
Salaries	(316,000)	
Energy costs	(97,000)	
Insurance	(23,000)	
Other	35,260	(432,420)
Probable Estimate 2006/07		1,634,680

<u>USE OF BALANCES IN THE YEAR 2007/08</u>	£	£
Restated Original Estimate 2006/07		2,053,510
Rents	(1,916,000)	
Housing Subsidy Withdrawal	765,000	
Housing Defects Grant	30,000	
ALMO Set Up costs	(239,000)	
Energy costs	(70,000)	
Insurance	(66,000)	
Service Charges	(46,000)	
Telephone recharges	(17,000)	
Other	(80,190)	(1,639,190)
Original Estimate 2007/08		424,930