

Item No. 1	Classification: Open	Date: 14/10/04	Meeting: Regeneration and Resources Scrutiny
Report title:		Housing Revenue Account and Budget Setting 2005/06	
Ward(s) or groups affected:		All	
From:		Strategic Director of Housing	

PURPOSE

1. To advise Scrutiny Committee on the key issues for the Housing Revenue Account (HRA) as part of the budget setting process.

RECOMMENDATIONS

2. Members are recommended to note the progress being made on the preparation of the 2005/06 HRA budget and to make comments as appropriate.

BACKGROUND INFORMATION

3. Over the last two years the HRA has been able to generate surpluses leading to increased balances, largely from the release of one-off resources in provisions and bad debt provisions. However due to national changes in the allocation of housing subsidy together with continuing stock loss through right to buy sales, the HRA is facing, over the next few years, a more challenging financial situation.

KEY ISSUES FOR CONSIDERATION

Right To Buy Sales

4. Current estimates are that the Council will sell 2,350, 1,400 and 300 properties in 04/05, 05/06 and 06/07 respectively. The current high level of right to buy sales, which are not anticipated to go down significantly until 2006/07, result in a loss of both rental income and associated housing subsidy income (e.g. Major Repairs Allowances and Management and Maintenance Allowance). This loss can only be offset in part from increased leaseholder service income, reduction in repairs & maintenance and estate management budgets. Savings in other running costs (e.g. departmental and corporate overheads) are limited as they are difficult to manage down in the short term.

Changes to Management and Maintenance Element of Housing Subsidy

5. Recent changes in the way the Management and Maintenance allowance is calculated has had the effect of moving money away from authorities such as Southwark and other London boroughs with a high incidence of high rise flats to authorities with low rise flats houses and maisonettes.

Rent Restructuring

6. The capacity to generate additional income through higher rents is limited by the Government's policy of rent restructuring and the linking of this policy to housing subsidy. The Government has recently undertaken a review of this policy and consulted on possible changes. However, these changes will not, in themselves, provide additional resources to councils, even though it will have the effect of increasing rent levels beyond that currently envisaged.

Housing Subsidy Determination

7. It is anticipated that the Government will announce the draft Housing Subsidy Determination in mid November and the final determination in December. Government funding, via housing subsidy, has a significant impact on resources available to the HRA and will reflect the issues highlighted above (paragraphs 5 to 7).

Cost Pressures

8. Budgets continue to be under pressure through cost increases, many of which are above headline inflation: for example, building trade costs, that have historically risen above general inflation, are currently running at 6% per annum (compared to the Retail Price Index at 2.2%). Unless repair and maintenance budgets are increased in line with this, the volume of repairs will need to be scaled back, at a time a time of increased expectations by tenants raised through initiatives such as the customer service centre (CSC).

Departmental and Corporate Initiatives

9. There is a range of significant policy initiatives that have financial consequences on the HRA such as the allocations review, changes to the sheltered wardens scheme, CSC, and Community Wardens.

Savings

10. Current estimates suggest that significant savings in both 05/06 and 06/07 will be required to balance the budget. Identifying and implementing the required level of savings will be challenging particularly in order to minimise the impact on service delivery. Corporate reviews and consequent savings will contribute to this exercise.
11. There is currently a contribution to the investment programme from the HRA that could potentially be used for future borrowing.

Policy implications

12. Budget preparation is at an early stage in the process. Significant decisions by Government (Housing Subsidy Determination, and review of rent restructuring) have yet to be announced. Similarly there are departmental and corporate policy decisions outstanding.
13. See Appendix B for draft timetable of key events.

Effect of proposed changes on those affected

14. Any implications for the Council's Managing Diversity and Equal Opportunities Policy will be addressed as part of the process.

Resource implications

15. The Housing Revenue Account budget and rent setting meeting of the Executive will take place in February 2005. All financial, budgetary and staffing implications will be included at this meeting.

Consultation

16. Tenants and leaseholders will be consulted at various meetings as outlined in the draft timetable (Appendix B).

APPENDIX A

Audit Trail

Lead Officer	<i>Joe Brady – Head of Performance and Quality, Housing</i>	
Report Author	<i>Barrie Tyson – Finance Manager</i>	
Version	<i>Draft</i>	
Dated	<i>6.10.04</i>	
Key Decision?	<i>No</i>	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Borough Solicitor & Secretary	No	No
Chief Finance Officer	No	No
<i>List other Officers here</i>		
Executive Member	No	No
Date final report sent to Constitutional Support Services		

APPENDIX B

HOUSING REVENUE ACCOUNT 2005/06 BUDGET & RENT SETTING DRAFT TIMETABLE

- NOV 04
 - Draft Housing Subsidy Determination from ODPM due
- DEC 04
 - Draft HRA Budget & Rent Setting report to the Executive
 - Final Housing Subsidy Determination from ODPM due
 - Tenant Council – Draft Budget Report (tbc)
- JAN 05
 - HRA Budget & Rent Setting report finalised
 - Draft HRA Budget & Rent Setting Report to Tenant Council (tbc)
 - Area Forum consultation period (January '05)
- FEB 05
 - HRA Budget & Rent Setting Report to Leaseholder Council (tbc)
 - HRA Budget & Rent Setting report to the Executive (tbc)
 - HRA Budget & Rent Setting Report to Tenant Council (tbc)
 - Thames Water announce price increase
 - Variation letter approved, templates produced & proofs checked (16/2/05)
 - Budget & Rent Setting Report to Council Assembly (23/2/05)
 - Tenant Notification issued (by 25/2/05)
- MAR 05
 - Rent increase letters received by tenants (no later than 5/3/05)
 - New rent cards dispatched to tenants (21/3/05)
 - Detailed budgets finalised on SAP
- APR 05
 - Rent increase and tenant service charges implemented (4/4/05)