

Report of	Meeting	Date
Director of Finance (Introduced by the Executive Member for Resources)	Executive Cabinet	22 February 2007

HOUSING REVENUE ACCOUNT BUDGET 2007/08

PURPOSE OF REPORT`

- To present to Members estimates of income and expenditure for 2007/08 for the Housing Revenue Account.

CORPORATE PRIORITIES

- The report does not deal specifically with any issues relating to the 2007/08 corporate priorities in relation to housing provider issues.

RISK ISSUES

- The issue raised and recommendations made in this report involve risk considerations in the following categories:

Strategy	✓	Information	
Reputation		Regulatory/Legal	✓
Financial	✓	Operational	
People		Other	

- The main risk associated with this report relates to the regulatory risk of not approving a HRA Budget, the contingent, and the transfer taking place on the planned date.

BACKGROUND

- In anticipation of the transfer of the housing stock members have already approved changes in the rents and service charges of dwellings (Cabinet January 11th), and a further report on charges for Cotswold House is attached at Appendix A.
- Estimates of total expenditure and income have not been previously reported because these are the responsibility of the proposed new landlord, CCH. A contingency HRA budget, which would become effective if the transfer were delayed or did not take place, has however been prepared, and is herewith presented to members for information and approval.

DETAIL

- The budget has assumed inflation of 2.9% in salaries, and 3% in repairs costs; no increase has however been allowed in central support charges. All budgets have been reviewed and changed where necessary. Subsidy and capital charges have been calculated in accordance with the government's directions.

8. The approved increases of 5% in rents and 4.1% in service charges have been incorporated, as has the increase in Supporting People Grant of 1.5% approved by the Commissioning Body.
9. The outcome of these changes is that the surplus on the HRA is predicted to be £1.455m at 31/3/08. This reflects both the 2007/8 budget and the surplus from earlier years. The following table shows how this position has developed:

	£'000	£'000
Surplus at 31/03/2006		(592)
Budgeted surplus for 2006/7	(75)	
Changes in 2006/7 (as reported in monitoring statements)	(232)	
		(307)
Estimated surplus at 31/03/2007		(899)
Budgeted surplus for 2007/8		(556)
Estimated surplus at 31/03/2008		(1,455)

10. An analysis of the changes from the budget originally approved for 2006/07 is at Appendix C.

RISKS

11. The above figures include a full years costs and income in 2007/8. A delayed transfer would however have a disproportionate adverse effect on housing subsidy. The precise impact on the 2007/8 surplus would have to be recalculated when the transfer date was known.
12. There is also the risk that the DSO will continue to be in deficit, or that its charges could be increased. Either way there could be an additional cost of up to £150k falling on the HRA.

ROBUSTNESS OF THE BUDGET AND THE ADEQUACY OF RESERVES

13. I am required by section 25 of the Local Government Act 2003 to report independently to the Council and Members throughout the budget process on
 - The robustness of the assumptions underlying the budget
 - The adequacy
14. This section of the report fulfils this statutory purpose and the similar statutory purpose underlying the prudential code of advising on the prudence and affordability of spending plans.
15. In essence, the statutory requirement is for me to advise members how well the proposed budget addresses the risks facing the Council which might blow the budget off course during the year.
16. In preparing the budget the following key issues which have affected the budget this year have been dealt with.

RISK TO INCOME

17. Prudently a higher level of voids than that currently being experienced, has been allowed for. A conservative view of the Rental Constraint Allowance element of housing subsidy has also been taken.

RISK TO EXPENDITURE

18. Provision has been made for a full establishment, increments and pay inflation. There is the risk to the repairs budget identified at paragraph 7.

COMMENTS OF THE DIRECTOR OF HUMAN RESOURCES

19. There are no Human Resource implications associated with this report.

RECOMMENDATION(S)

20. It is recommended that
- The Cabinet approve the 2007/8 provisional HRA budget as set out in Appendix B
 - Approve the charges for Cotswold House proposed in Appendix A

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

21. None.

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gordon Whitehead	5480	8 February 2007	ADMINREP/REPORT

COTSWOLD HOUSE RENTS AND CHARGES 2007/08**PURPOSE OF THE REPORT**

1. This report proposes changes to the charges levied on accommodation at Cotswold House. The new charges would become effective on April 2nd 2007.

BACKGROUND

2. Cotswold House is used for the temporary housing of homeless persons. A weekly rent of £70 per flat is currently charged (over 52 weeks).
3. A report to the Executive Cabinet on 26th May 2005 proposed a restructure of the staffing arrangements and changes to the rents and charges levied. By April 2006 the new structure was not in place and consequently it was decided to leave rents at their existing level (£70). Since the impending transfer has led to the deferment of the new arrangements.
4. It is not intended to transfer ownership of Cotswold House under the housing transfer. Its long term future depends upon funding for either refurbishment or reconstruction. Pending resolution of these issues it is remaining in Council ownership but will be run by CCH.
5. In light of the change in management arrangements, and because the present "rent" cannot be justified as "rent" alone, it is once again proposed that there should be a fundamental review of the charges. The cost of the services provided has been separately identified, and a service charge calculated, and the rent has been reduced to an appropriate level.

PROPOSAL

6. The following table shows the current and proposed charges.

Charge elements - per week	Current charges	Proposed charges
Rent	£70.00	£50.00
Personal charge (heating & lighting)	£8.68	£8.68
Service charge	£0.00	£39.82

7. As far as the individual tenant is concerned the charges of £50 and £39.82 will be fully eligible for housing benefit. In almost all cases residents of Cotswold House are recipients of housing benefit.
8. The tenant is personally responsible for the heating and lighting charges.

FINANCIAL COMMENTS

9. It is estimated that the proposed charges will fully meet the running costs of Cotswold House.
10. There are limits on the amount of rent and service charges which qualify for housing benefit subsidy. The proposed charges total £89.82 (excluding heating which is ineligible for benefit), but subsidy will only be paid on £84.42 of this. The Council will therefore incur unsubsidised benefit expenditure of £7k per annum.

HOUSING REVENUE ACCOUNT BUDGET 2007/08

Actuals 2005/06 £'000		Original 2006/07 £'000	Revised 2006/07 £'000	Estimate 2007/08 £'000
	INCOME			
(6,955)	Dwelling rents	(7,062)	(7,011)	(7,287)
(98)	Non-dwelling rents	(91)	(101)	(107)
(98)	Service charges	(202)	(210)	(312)
(388)	Contributions	(325)	(337)	(349)
<hr/> (7,539)	Total Income	<hr/> (7,680)	<hr/> (7,659)	<hr/> (8,055)
	EXPENDITURE			
1,714	Repairs & Maintenance	1,621	1,754	1,653
	Supervision & Management			
1,395	- General	1,470	1,514	1,438
751	- Special	768	810	837
22	Rents, rates and taxes	20	19	20
1,355	Negative HRA subsidy	1,529	1,272	1,487
46	Bad debts provision	70	70	70
2,727	Cost of capital charge	3,100	3,100	
882	Depreciation	690	690	690
15	Deferred charges	8	15	8
12	Debt Management	39	39	39
111	Rent Rebates			
<hr/> 9,030	Total expenditure	<hr/> 9,315	<hr/> 9,283	<hr/> 6,242
1,491	Net cost of services	1,635	1,624	(1,813)
(2,644)	Net exp on Asset Management account	(2,990)	(3,004)	114
55	Premia and Discounts	55	51	42
(26)	Investment Income	(25)	(16)	(14)
<hr/> (1,124)	Net operating expenditure	<hr/> (1,325)	<hr/> (1,345)	<hr/> (1,671)
150	Revenue funding of capital	150		
888	Transfer to Major Repairs Reserve	1,100	1,038	1,115
(64)	Transfer to/from Pensions Reserve	0		
<hr/> (150)	(Surplus)/Deficit for the year	<hr/> (75)	<hr/> (307)	<hr/> (556)
(442)	Balance brought forward	(538)	(592)	(899)
<hr/> (592)	Balance carried forward	<hr/> (613)	<hr/> (899)	<hr/> (1,455)

APPENDIX C**Analysis of changes**

	31/3/06	2006/7	2007/8	Total
	£'000	£'000	£'000	£'000
Surplus c/fwd	(592)			
		(75)	(75)	
Reduced void levels		(93)	(20)	
Provision for transfer costs		(125)	(43)	
Delete budget for transfer consultation			(50)	
Subsidy – Rental Constraint Allowance		(90)	(90)	
Impact of reduced dwelling numbers		(69)		
Changes in interest rates		(59)	(69)	
Revenue funding of capital		(150)	(150)	
DSO deficit		120		
Job evaluation		53		
Right To Buy		51	40	
Other changes		130	(21)	
Inflation on income exceeds inflation on expenditure			(78)	
	<u>(592)</u>	<u>(307)</u>	<u>(556)</u>	<u>(1,455)</u>