

**HOUSING DIRECTORATE
HOUSING REVENUE ACCOUNT
ESTIMATES 2011/12**

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Introduction

The Housing Revenue Account (HRA) has been prepared in accordance with the Local Government and Housing Act 1989, as amended by the Leasehold Reform, Housing and Urban Development Act 1993 and the Local Government Act 2003. Under this legislation the Secretary of State for the Department of Communities and Local Government (CLG) has the power to issue directives in respect of appropriate income and expenditure items and the calculation of central government subsidy entitlement. The 2011/12 budget conforms to the draft Housing Subsidy Determination, which was issued on 5 November 2010.

The balance at 31 March 2012 is expected to be £5.4m, after a deficit of £83,000 in 2010/11 and a deficit of £621,000 in 2011/12. The major influences on these figures have been the increase in HRA Subsidy Payable from £10.052m in 2010/11 to £11.428m in 2011/12, a reduction in non dwelling rents from the transfer of the commercial properties to the general fund £1.1m, these have been offset by an increase in Council rents income of £1.7m.

The Government has announced their intention to replace the existing HRA subsidy system where councils are required to pay their notional HRA surplus as determined by the subsidy settlement to Whitehall who decide how best to redistribute it. The centralised system will be replaced with one where councils keep all rents in exchange for an allocation of housing debt. They expect to implement the reformed system through powers in the Localism Bill. Subject to Parliamentary approval these changes will begin in April 2012.

Five Year Forecast

An updated five year forecast to the year 2015/16 will be produced once the Government has announced the details on the new housing finance reform.

Supervision, Management and Maintenance

Overall expenditure in 2010/11 has increased by 0.08% (£12,000) in the probable outturn compared to original estimates. In 2011/12 the costs have decreased by 7.17% (£1.02m) on the original 2010/11. The reduction relates to the contribution to the repairs fund reducing by 7.14% (£0.4m), the cost of the commercial properties being taken out of the estimates 8.8% (£0.4m) and a pay freeze in 2010/11 where the budget had assumed a 2.5% increase, resulting in a saving of £0.1m.

Supporting People (Housing Counselling and Support)

The Supporting People grant is paid by Essex County Council to fund the cost of support to tenants in sheltered housing who are in receipt of benefit. The actual uplift has yet to be agreed by the County Council but has been assumed at nil for the purposes of the budget.

Housing Repairs Fund

The Housing Repairs Fund balance as at 1 April 2010 is £4.157m, and is estimated to be reduced down to £0.427m by the end of 2015/16. This is based on a contribution being set at £5.6m for 2010/11 and is reduced in 2011/12 to £5.2m. Indications are that this will remain at £5.2m per year from 2012/13 onwards, as this should be sufficient to meet expected expenditure.

Major Repairs Reserve

The Major Repairs Reserve balance as at 1 April 2010 is £5.730m, and is estimated to be slightly increased to £5.867m by the end of 2011/12.

Capital Expenditure

Capital expenditure charged to revenue is based on the latest predictions of availability of funds to finance the capital programme. The 2010/11 contribution to the programme will remain at £1.763m and this will increase to £2.05m in 2011/12 and beyond.

Works Unit

The housing works unit carries out a significant proportion of the repairs required to the Council's stock. The total cost of the unit is recharged to either the Housing Repairs Fund or (for capital projects) to the HRA Capital Programme.

Housing Subsidy

The Council's Housing Subsidy has been negative for a number of years. Under the current rules, this sum has to be paid over to the CLG. The estimates for 2011/12 have been drawn up in accordance with the draft Housing Subsidy Determination for 2011/12.

Proposed Rent Increase

From 2003/04 rents were set with reference to a new formula based on property values, number of bedrooms and local earnings. The scheme is referred to as rent restructuring, and its intention is to ensure that rents for broadly similar properties should be the same, regardless of whether the landlord is the local authority or a registered social landlord.

The rent for each property moves in equal steps towards its target rent up to 2015/16. This progression is limited by a maximum increase or decrease of £2 per week over inflation plus 0.5%, and is subject also to a predetermined maximum rent (cap) for each size of property. It was acknowledged that some rents would not reach their target rent by 2016 because of the £2 limit but none will be constrained by the cap. Any rents not reaching the target by 2016 would continue to move until such time as they did reach their target.

The Housing Subsidy determination for 2011/12 proposes to move the convergence date to 2015/16 from 2013/14 when the 2010/11 determination was issued.

The proposed average rent increase for 2011/12 is 7.2% (£5.51), which gives an average rent for 2011/12 of £87.67.

Interest on Receipts and Balances

The HRA interest income has fallen further during 2010/11 as the bank rate has remained at 0.5% since March 2009. The increase in income for 2011/12 is largely due to the transfer of the commercial properties from the HRA to the General Fund, resulting in the HRA receiving additional receipts from the General Fund.

**HOUSING DIRECTORATE
HOUSING REVENUE ACCOUNT SUMMARY**

<i>2009/10</i>	<i>2010/11</i>			<i>2011/12</i>
<i>Actual £000's</i>	<i>Original Estimate £000's</i>	<i>Probable Outturn £000's</i>		<i>Original Estimate £000's</i>
			EXPENDITURE	
4,071	4,435	4,512	Supervision & Management General	3,940
3,334	3,804	3,731	Supervision & Management Special	3,670
413	431	439	Rents, Rates Taxes & Insurances	437
5,600	5,600	5,600	Contribution to Repairs Fund	5,200
13,418	14,270	14,282	MANAGEMENT & MAINTENANCE	13,247
7,776	8,011	8,706	Depreciation	8,904
40	41	45	Treasury Management Expenses	47
9,751	10,052	9,726	HRA Subsidy Payable	11,428
72	55	83	Provision for Bad/Doubtful Debts	83
31,057	32,429	32,842		33,709
			INCOME	
25,145	25,791	25,644	Gross Rent of Dwellings	27,502
2,444	2,606	2,649	Non Dwellings Rent	930
1,934	1,928	1,729	Charges for Services & Facilities	1,715
292	314	319	Contribution from General Fund	335
29,815	30,639	30,341		30,482
1,242	1,790	2,501	NET COST OF SERVICES	3,227

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2009/10		2010/11			2011/12
<i>Actual</i>	<i>Original</i>	<i>Probable</i>			<i>Original</i>
<i>£000's</i>	<i>Estimate</i>	<i>Outturn</i>			<i>Estimate</i>
	<i>£000's</i>	<i>£000's</i>			<i>£000's</i>
1,242	1,789	2,501	NET COST OF SERVICES		3,227
(755)	(537)	(485)	Interest on Receipts and Balances		(788)
(3,032)	(3,167)	(3,862)	Transfer from MRR		(3,955)
		(43)	Reversal of DLO depreciation		(43)
1,034	723	852	Pensions Interest Payable/Return on Assets		852
<u>(1,511)</u>	<u>(1,192)</u>	<u>(1,037)</u>	NET OPERATING INCOME		<u>(707)</u>
			APPROPRIATIONS		
2,145	1,763	1,763	Capital Exp. Charged to Revenue		2,050
(639)	(614)	(775)	FRS 17 Adjustment		(772)
29	50	50	Transfer to Capital Reserves		50
0	0	82	Transfer to Pension Deficit Reserve		0
(32)	0	0	Leave Accruals		0
<u>1,503</u>	<u>1,199</u>	<u>1,120</u>			<u>1,328</u>
<u>(8)</u>	<u>7</u>	<u>83</u>	(SURPLUS)/DEFICIT FOR YEAR		<u>621</u>
6,081	6,056	6,089	BALANCE BROUGHT FORWARD		6,006
(8)	7	83	(SURPLUS)/DEFICIT FOR YEAR		621
<u>6,089</u>	<u>6,049</u>	<u>6,006</u>	BALANCE CARRIED FORWARD		<u>5,385</u>

**HOUSING DIRECTORATE
HOUSING REPAIRS FUND SUMMARY**

<i>2009/10</i>	<i>2010/11</i>			<i>2011/12</i>
<i>Actual</i>	<i>Original</i>	<i>Probable</i>		<i>Original</i>
<i>£000's</i>	<i>Estimate</i>	<i>Outturn</i>		<i>Estimate</i>
	<i>£000's</i>	<i>£000's</i>		<i>£000's</i>
			EXPENDITURE	
3,187	3,147	3,123	Responsive and Void Repairs	3,121
2,194	2,390	2,390	Planned & Cyclical Maintenance	2,390
97	182	190	Other items	131
5,478	5,719	5,703	TOTAL EXPENDITURE	5,642
(5,600)	(5,600)	(5,600)	CONTRIBUTION FROM HRA	(5,200)
(122)	119	103	(SURPLUS)/DEFICIT FOR YEAR	442
4,035	4,267	4,157	BALANCE BROUGHT FORWARD	4,054
(122)	119	103	(SURPLUS)/DEFICIT FOR YEAR	442
4,157	4,148	4,054	BALANCE CARRIED FORWARD	3,612

**HOUSING DIRECTORATE
MAJOR REPAIRS RESERVE SUMMARY**

2009/10		2010/11			2011/12
<i>Actual</i>	<i>Original</i>	<i>Probable</i>			<i>Original</i>
<i>£000's</i>	<i>Estimate</i>	<i>Outturn</i>			<i>Estimate</i>
	<i>£000's</i>	<i>£000's</i>			<i>£000's</i>
				EXPENDITURE	
5,967	5,143	4,783		CAPITAL EXPENDITURE	4,873
2,998	3,167	3,862		TRANSFERRED TO HRA	3,955
8,965	8,310	8,645		TOTAL EXPENDITURE	8,828
(9,313)	(8,011)	(8,706)		DEPRECIATION	(8,904)
(348)	299	(61)		(SURPLUS)/DEFICIT FOR YEAR	(76)
6,919	5,194	5,730		BALANCE BROUGHT FORWARD	5,791
1,189	299	(61)		(SURPLUS)/DEFICIT FOR YEAR	(76)
5,730	4,895	5,791		BALANCE CARRIED FORWARD	5,867