

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council was responsible for managing on average 6,703 (6,770) dwellings during 2005/06. Changes in the stock are summarised below. The figures include 50 units for the homeless at Norway House, North Weald, 9 wardens' and caretakers' dwellings, and 20 special lets.

	2005/06	2004/05
Stock as at 1 April	6,726	6,814
Less Sales	(40)	(61)
Stock Transfers / Conversions	(7)	(35)
Add New / Reinstated Properties	1	8
Stock as at 31 March	6,680	6,726
Houses and Bungalows	54%	54%
Flats and Maisonettes	45%	45%
Other	1%	1%

2. STOCK VALUATION

The valuation of the Council's housing stock and other Housing Revenue Account assets is as follows:

	Land	Dwellings	Garages	Equipment	Investment Assets	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Balance Sheet							
Value as at 31							
March 2005	185,418	422,005	4,396	3,950	11,038	454	627,261
Reclassified	0	0	0	0	0	0	0
Revaluation	(21,828)	(49,487)	420	0	1,871	0	(69,024)
Value as at 1 April 2005	163,590	372,518	4,816	3,950	12,909	454	558,237
Additions	0	3,772	4	2,654	37	93	6,560
Depreciation	0	(6,805)	(267)	(240)	0	(9)	(7,321)
Disposals	(904)	(2,071)	0	0	0	0	(2,975)
Deletions	0	(255)	0	0	0	0	(255)
Balance Sheet Value as at 31 March 2006	162,686	367,159	4,553	6,364	12,946	538	554,246

The dwelling valuation shown in the balance sheet represents the value of the housing stock to the Council in its existing use as social housing occupied on the basis of secured tenancies. The corresponding value of those dwellings if sold on the open market without tenants, i.e. vacant possession, is £1,133,827,500. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

The revaluation reduction shown on land and dwellings is as a result of the existing use – social housing valuation adjustment being reduced from 57% in 2004/05 to 46% in 2005/06. This means that the Balance sheet values are now 46% of the Open Market values.

3. GROSS DWELLING RENT INCOME

During 2005/06 0.74% (1.06% in 2004/05) of all lettable dwellings were vacant. Average rents were £61.58 per week, an increase of £3.57 or 6.16% over the previous year. 53% (55%) of all Council tenants received some help through rent rebates in 2005/06. Rent arrears decreased to £836,800 (£858,703), which represents 4.0% (4.2%) of gross dwelling rent income. The provision for bad and doubtful debts on

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these arrears amounted to £594,000 (£579,000). Amounts written off during the year totalled £53,950 (£55,947). Dwelling rents are shown after allowing for voids.

4. HOUSING REPAIRS FUND

The Council maintains a Housing Repairs Fund that evens out the annual cost to tenants of a cyclical repairs programme. The movement on the Fund is as follows:

	2005/06		2004/05	
	£000	£000	£000	£000
Balance as at 1 April		(3,048)		(2,466)
Contribution from the HRA	(4,980)		(5,000)	
Other Income	(64)		(109)	
Total Income		(5,044)		(5,109)
Responsive & Void Repairs	3,121		2,780	
Planned Maintenance	1,793		1,509	
Other	103		238	
Total Expenditure		5,017		4,527
Balance as at 31 March		(3,075)		(3,048)

5. SUBSIDY ENTITLEMENT

Housing Revenue Account Subsidy for any year is calculated by constructing a Notional Housing Revenue Account, where all amounts are calculated in accordance with the Housing Revenue Account Subsidy Determinations (2005/06).

	2005/06		2004/05	
	£000	£000	£000	£000
Management and Maintenance Allowance		9,330		8,814
Major Repairs Allowance		4,590		4,503
Rent Rebates (prior year adj.)		(3)		0
Less				
Notional Rents	(20,847)		(20,180)	
Interest on Receipts	(819)	(21,666)	(693)	(20,873)
Total (Payable)		(7,749)		(7,556)

6. PENSIONS

The authority recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge made against the Housing Revenue Account is based on the cash payable in the year so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure.

7. HRA CAPITAL RECEIPTS

The Council received £4,468,000 HRA capital receipts. This was from the sale of council houses (£4,301,000) and principal repayments on mortgages (£167,000). Of this the Council was able to keep £2,830,000 to fund future capital projects and had to pay to the central government pool an amount of £1,638,000.

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8. CAPITAL EXPENDITURE

The Housing Revenue Account incurred the following capital expenditure. (See also note 1 of the Consolidated Balance Sheet).

Capital Expenditure on:	£000	Financed by:	£000
Council Dwellings	3,521	Capital Receipts	1,613
Plant and Equipment	2,654	Revenue	2,000
Shopping Parades	37	Major Repairs Reserve	2,692
Other	93	Charged to Leaseholders	255
	<u>6,305</u>		
Other non-HRA Assets	255		
	<u>6,560</u>		<u>6,560</u>

The Revenue Contributions to Capital Expenditure figure of £2,000,000 shown on the face of the HRA excludes the £54,000 in respect of the Housing Maintenance DSO.

9. MAJOR REPAIRS RESERVE

The Council is required to maintain a Major Repairs Reserve as from 1 April 2001, to account for money received from the Government used to fund major, capital repairs to the Housing Stock. The Housing Revenue Account receives funding via its Housing Subsidy (see note 5 above), which is then transferred into the Major Repairs Reserve via a depreciation charge. This income can then be used to fund repairs of a capital nature. The Council is allowed to transfer certain sums back to its Housing Revenue Account, namely any excess of depreciation charged over and above the level of the Major Repairs Allowance received. The movement on the reserve is as follows:

	2005/06		2004/05	
	£000	£000	£000	£000
Balance as at 1 April		(1,414)		(3,539)
Depreciation transferred from the HRA		(7,321)		(8,073)
Used to fund Capital Expenditure on Council Dwellings	2,692		6,628	
Transferred to the HRA	<u>2,731</u>		<u>3,570</u>	
Total Expenditure		5,423		10,198
		<u>(3,312)</u>		<u>(1,414)</u>
Balance as at 31 March		(3,312)		(1,414)

10. CAPITAL CHARGES

The cost of capital charge is a charge to the Housing Revenue Account to reflect the cost of fixed assets used in the provision of landlord services. Currently the cost of capital charge is 3.5% of the net balance sheet value. As a consequence of the statutory accounting rules for the Housing Revenue Account contained in the Local Government and Housing Act 1989, the cost of capital charge is reversed out via the asset management revenue account, as is the transfer to the capital reserve.

Depreciation is also charged on Housing Revenue Account assets in accordance with FRS 15. Depreciation is now charged with reference to Balance Sheet values and the average life remaining on the housing stock. No depreciation is chargeable on the Housing Revenue Account investment assets. (See also note 2 above)