

HOUSING REVENUE ACCOUNT: 2000/01 DRAFT BUDGET

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1. Purpose

1.1 To report the Housing Revenue Account (HRA) Draft Budget for 2000/01 and the effect on rents over the following two years.

2. Summary

2.1 A report was considered at the last Housing Committee on 1 February 2000 (copy attached), but a decision deferred for further consultation. The results of the tenant consultation are reported, together with the implications

3. Recommendations

3.1 The Committee is recommended to:

- (a) determine the rent level for 2000/01 and identify any possible relevant savings required to leave a working balance of £500,000; and
- (b) determine the increase for other fees and charges as required as shown in Annex B of the report of 1 February 2000 (**Annex 1** attached).

4. **Background**

4.1 Information was provided to the Committee on 1 February 2000 (the report is attached). Other information is attached as follows:

Annex 1 - Previous report to the Housing Committee on 1 February 2000.

Annex 2 - Consultation Exercise Results

Annex 3 - Copy of the Ballot Paper and covering letter sent to tenants

4.2 At the meeting, Members resolved: "That after considering the stated views of the tenant representatives, the need to leave a working balance of £500,000, the impact on tenants of the Council and the need to reinstate the repairs budget, this Committee resolves to consult the tenants over the next few weeks and for the Housing Committee to meet again at the end of the month to consider the budget".

4.3 Following the decision, there was a very short time in which to finalise a letter and information/return card as a means of consulting all tenants.

4.4 The views of party Spokespersons, the Independent Councillor and Tenant Representatives, were obtained and advice sought from other Council Officers (eg marketing, communications and electoral registration).

4.5 The Strategic Director finalised the letter and information/return card (copy attached) on 4 February and advised Committee Members of the process.

4.6 Different coloured cards were sent to shared owners, sheltered housing tenants and the remaining tenants. Publicity was undertaken to maximise responses, which were to be posted by 16 February.

4.7 The direct costs of the Consultation were:

Postage:	£4,003
Design and Printing:	£1,003
Publicity:	£1,485
Additional Staffing for rent advisory line	£600
Staff Overtime	£1,994
Total:	£9,085

The costs do not include officer time other than those incurred as overtime which is directly payable by the HRA.

4.8 Officers in Neighbourhood Services have spent a considerable amount of time on the consultation. It has been extremely difficult to cope with the volume of calls and correspondence, especially with such a short time for preparation.

4.9 A dedicated Advisory Line was set up to answer queries. At the time of writing this report a total of 145 calls were logged on that line. A significant majority of the calls were from Shared Owners. Many callers were keen to discuss service matters and not

just the rent increase and these calls were passed onto the relevant officers to follow up. Local Housing Offices and staff at Saxon Court also received many calls, again with a significant number from Shared Owners. However, it has not been possible to count how many calls have been taken at these offices

- 4.10 Electoral Registration counted the responses which are detailed in **Annex 2**.
- 4.11 Officers when implementing the process made enquiries through the Good Practice Unit of the Chartered Institute of Housing to establish if other authorities or landlords had undertaken such an exercise. They confirmed that they are unaware of any public sector landlord ever having undertaken a consultation exercise of this nature regarding rent increases.
- 4.12 Recent trends in the housing market, coupled with media uncertainty regarding the future of the Council's stock has meant that over the last 12 months the rate of right to buy applications and requests to purchase further shares in shared ownership have increased by a rate in excess of 40%. The consultation exercise has already led to a further increase in the number of requests to purchase further shares in shared ownership properties.

5. Issues and Choices

- 5.1 Under the Local Government and Housing Act 1989 the Authority is required to produce and publish an annual budget for the Housing Revenue Account (HRA) in January or February immediately preceding the financial year to which it relates. The budget must be such that the account will not show a debit balance at the end of the year. The act is saying that the Council has a duty to set a balanced budget and not just to set the rent. Setting a rent is just one way of achieving a balanced budget.
- 5.2 The level of balances required should be kept at £500,000. The recent District Auditor Management Letter stated: "At 31 March 1999, the HRA balance stood at £479k, some 17.6% of the balance at March 1995, a significant fall. The balance equates to 4.5 days expenditure on the account and provides little coverage for unforeseen events".
- 5.3 Due to the delay in agreeing the Housing Revenue Account budget and the ensuing rent increase it will not be possible to implement any rent increase on what would have been the first Monday of April (i.e. 3 April 2000). It will be possible to implement such an increase on Monday 17 April leaving enough time to process the increase letters and give 4 weeks notice to tenants as required.
- 5.4 The cost to the account of this 2 week period is shown in the following table:

		Tenants	Shared Owners	Total
Option A	17.6% Increase	£115,000	£10,500	£125,500
Option B	11.9% Increase	£83,100	£7,600	£90,700
Option C	9.9% Increase	£72,000	£4,000	£76,000
Option D	3.5% Increase	£31,100	£2,900	£34,000

Any combination of rent rises between Tenants and Shared Owners can be calculated by adding the relevant rent loss figure for each type of tenancy.

- 5.5 In addition the cost of the consultation exercise needs to be recovered through any rent rise or budget decisions made.
- 5.6 It should be recognised that the option to raise rents by 9.9% is solely to produce a balanced budget and not to add back any funds to the repairs budget. Therefore in theory this option should apply to all tenants.
- 5.7 The original base rent for shared owners was calculated by reducing the rent by 15% compared to that of a fully tenanted property to reflect the fact that no repairs expenditure is incurred by the Council. Future years rent increases therefore reflect this “discount”. This is shown in the following example.

Illustrative example

Original rent assessment (full rent)	£50.00pw
Base rent for shared owners	£42.50pw
50% share owned leaves payable rent of	£21.25pw

- 5.8 In addition it should be remembered that the rent increase of 2.5% for all tenants in 1999/2000 was achieved in the whole by reducing repairs by over £1m.
- 5.9 If the option is taken to have a lower rent increase for shared owners than for tenants further reductions will be required to fund the loss of income. The figures in the previous report were based on the assumptions that all tenants/shared owners paid the same increase.
- 5.10 A number of options could be taken to produce a balanced budget and in some cases put back funds into the repairs account. The following table attempts to highlight some of the options that could be taken. Where there is a negative figure shown this is the additional £350,000 being put back into the repairs accounts with the other costs netted off. A decision could be made to make other reductions to keep the repairs figure at £350,000.

Option	Cost of Consultation £	Cost of Time Delay £	Cost of Differentiation £	Deficit on Account to be found (additional funds) £	Total Savings Required/ (Additional funds for repairs) £
Increase all rents by 3.5%	9,000	34,000	NIL	1,065,000	1,108,000
Increase all rents by 9.9%	9,000	76,000	NIL	NIL	85,000

Increase all rents by 11.9%	9,000	83,100	NIL	(350,000)	(257,900)
Increase tenants rents by 9.9%, shared owners by 3.5%	9,000	74,900	80,000	NIL	163,900
Increase tenants rents by 11.9%, shared owners by 3.5%	9,000	86,000	113,600	(350,000)	(141,400)
Increase tenants rents by 11.9%, shared owners by 9.9%	9,000	87,100	27,000	(350,000)	(226,900)

5.11 If £350,000 is to be added to repairs then the following expenditure is suggested by officers. If the additional amount is to be less than this then members need to determine which of these repairs will not be budgeted for or reduce the base budget shown in Annex A of the previous housing committee report (**Annex 1** attached).

- (a) Netherfield Garages Refurbishment £25,000
- (b) OAP Redecorations £80,000
- (c) Tenants Gardens and additional landscaping works £95,000
- (d) Chartwell House Estate Road £15,000
- (e) Fencing works Coffee Hall and Beanhill £40,000
- (f) Communal Areas £20,000
- (g) Sheltered Accommodation £30,000
- (h) Shops £25,000
- (i) Borough Wide Board Grants £20,000

£350,000

5.12 If other expenditure is to be reduced then this can really only be achieved through a reduction in the number of staff. Once the repairs function is centralised the numbers of staff left in the local offices will be just sufficient to keep open the offices depending on leave and sickness absences. Any further reductions in numbers will lead to the closure of at least one office.

5.13 It will take approximately a reduction of 10 staff in year one to save each £70,000 of expenditure. This figure is high due to the fact that the savings cannot be achieved as at 1 April due to notice periods, the fact that the Council would need to change its Employment Stability Policy and that the HRA will have to pick up the costs of

redundancy and early retirement costs in year one. It is not possible to come up with more precise costings as these are dependent on the individual staff concerned and their length of service etc.

6. **Implications**

6.1 Environmental

Further reductions or freezing of the repairs budget will delay programmed maintenance and possibly lead to environmental effects.

6.2 Equalities

None.

6.3 Financial

These implications are considered within the report itself.

6.4 Legal

Under the Local Government and Housing Act 1989 the Authority is required to produce and publish an annual budget for the Housing Revenue Account (HRA) in January or February immediately preceding the financial year to which it relates. The budget must be such that the account will not show a debit balance at the end of the year.

6.5 Staff and Accommodation.

Any reduction in staff numbers will require requests for voluntary redundancy and/ or early retirement. If the numbers coming forward are not sufficient to meet the requirements then compulsory redundancy would need to be considered. Any reduction in staff numbers would lead to the closure of one or more of the local housing offices.

7. **Conclusions**

7.1 The Committee has a legal duty to set a balanced budget by the end of February and members are requested to set a rent for 2000/01 and determine whatever other actions are required.

Background Papers: None