

TITLE: HOUSING REVENUE BUDGET 2005-6 ONWARDS

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1 Purpose

To provide information to the Forum about the proposed draft budget for the Housing Revenue Account, for information and comment.

2 Recommendation

That members of the Forum comment on the report.

3 Background

3.1 The Council will agree its budget for the 2007/08 HRA in February 2007, based on the rent levels previously suggested by the MKC Housing Forum. Future budgets and rent levels will be decided annually.

3.2 This report sets out the detailed information as follows:

- (i) Appendix A shows the draft 2007/08 budget and future years projections for 2008/09, 2009/10 and 2010/11, The numbers include average rent increases of 2.86% for each year, the minimum required in order to meet government's required weekly rent level by 2011/12.
- (ii) Appendix B shows rental information.
- (iii) Appendix C highlights the movements between the 2006/07 original and revised budgets and the proposed 2007/08 budget.

Issues and Choices

4.1 The Housing Revenue Account (HRA) is ring-fenced and accounts for the provision of housing by the Council to tenants and leaseholders. It is funded by rents rather than from Council Tax, (which supports other services). The forum is aware of the need to maintain a prudent HRA reserve.

4.2 Appendix A shows the 2007/08 draft budget for the HRA compared to actual spending for 2005/06 and projected spending for 2006/07, as well as future years' projections.

4.3 The budget has been prepared on the basis of:

- (i) Dwelling Rent increase of 2.86% and Garage rent increase of 1.4% for 2007/08, in line with tenant preference. Based on current information, a minimum increase of 2.86% will be required each year to meet the Government's required rent level by 2011/12.
- (ii) Projected repairs expenditure level in 2006/7 being reduced in 2007/08 and onwards, assuming that demand for the service does not increase. (We have experienced an increased level spend on repairs against this year's budget. This additional expenditure is being tracked and we are looking for spend to save investment in the housing stock to balance this additional expense) and net of contractual inflationary increases and reductions in cost, due to RTB sales (less homes to maintain) and efficiencies resulting from the MITIE partnering contract.
- (iii) Continued provision of revenue contributions to support the completion of the Decent Homes capital programme.
- (iv) Recent changes in subsidy re the Draft Housing Subsidy Determination issued by DCLG. It should be noted that these figures are subject to change re the Final Determination which was issued at the end of December. (v) The level of service within the management/special services areas are maintained in line with current inflationary factors. We continue, however, to examine this area for future savings in line with the reduction in council housing stock and therefore rental income in the medium to long term.
- (v) It should be noted that the Fixed Overhead charges in General Management and Special Services are estimated at 4% inflation, this is likely to change as final costs are not yet known.

4.4 It is considered prudent to maintain a level of reserve at around £2.4 million (£200 per property) to cover any unforeseen circumstances. Although the information shown at Appendix A indicates a healthy reserve level up to 2010/11, it is acknowledged that should the service continue in the same vein i.e. similar levels of income and expenditure, then the following year (2011/12) the reserve will fall below the required level, then falling further, actually into a deficit the following year (2012/13).

The forecasted financial situation is recognised by the service and plans are being discussed in order that the situation may be addressed, in order to ensure a healthy HRA. There is a need to councillors, tenants, leaseholders and officers to work on what the future standard for Decent Homes should be post March 2011.

4.5 The Local Government Act 2003 requires the Council's S151 Officer (Chief Finance Officer) to report to Members on the robustness of estimates. This requirement has been built into the budget process throughout and a final report will be made as part of the budget report to full Council in February 2006.

Budget Assumption	Commentary on Robustness
The Directorate's track record in budget and financial management.	<p>The Directorate's recent track record in budget and financial management is:</p> <p>2004/05 – under spent by £3.42m (net of a contribution to capital of £1.093 million).</p> <p>2005/06 – came in on budget (net of a contribution to capital of £4.67m).</p> <p>2006/07 - Current year position is currently expected to show a deficit of £0.61m. This includes an agreed contribution to capital of £3.86m.</p>

Budget Assumption	Commentary on Robustness
<p>The Directorate's capacity to manage in-year budget pressures</p>	<p>Financial management has become much improved in recent years. Information is more accurate and staff better trained enabling budget pressures to be highlighted much more quickly and action taken.</p> <p>Budgets are reduced to reflect declining numbers of dwellings but this is somewhat countered by the age of stock and increased repair demands.</p> <p>Several factors that influence the budget are legislatively led, such as RTB or contractual, such as repairs over which there is limited discretion.</p> <p>The Changing MK Housing intervention ('Vanguard') is bringing efficiencies to the service. We expect to use those efficiencies to spend savings on the better maintenance of the housing stock. .</p> <p>There are other areas to be borne in mind in setting the budget:</p> <ul style="list-style-type: none"> • Contributions to the capital programme (RCCO's), are needed to ensure the funding of the Decent Homes and other major works programmes. • By improving access to the repairs service this year we have seen an increase in people using the service. So far this year (2006/07) we have processed 4,246 additional works orders. We are examining how best to shift our expenditure to planned maintenance to deliver reduced reactive repairs. • We have contingency budgets to cover the additional repairs expenditure this year. We can also make provision for a similar increase next year. However, this is not sustainable in the medium term. We will bring back to the Forum a plan that demonstrates how we can make the HRA sustainable for the medium and longer term. • This year we have also seen an increase in expenditure on void properties. We will be doing more detailed work on this area to bring costs down.

4.9 Overall, the Director considers the estimates to be robust within the assumptions made. However, the following could affect the estimates:

- Right to Buy sales of more than the budgeted 130 dwellings. Each additional dwelling sold results in lost rent of approximately £3,500 for a full year.
- The budgets for 2007/08 and onwards have assumed cost efficiencies as a result of the relationship with the repairs partner, MITIE. New contracts have brought reduced costs but this has been outstripped by the increased demand. Addressing this issue presents a significant ongoing task.

5 Policy

The budget reflects current policies.

5 Resources

This report and the attached Appendices deal with financial resource issues throughout.

7 Legal

None arising from this report.

Background Papers:

Officer Working Papers.

Rent Increase report presented to the Forum on the 16th November 2006