

This report was previously considered by the Housing Committee on 1 February 2000

This report may be of interest to: All Members

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 The Housing Revenue Account 2000/01 continuation budget is projected to be £1,418,000 in deficit without any further contribution to the repairs budget. If the working balance is to be restored to £500,000 (the minimum recommended) then a minimum package of rent rise and savings is required totalling £1,918,000.

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.
- (b) determine the increase for other fees and charges as required as shown in **Annex B**.

4. **Background**

4.1 The Department of the Environment, Transport and the Regions (DETR) announced in December 1999 the following information.

- (a) Guideline Rent Increase of 3.5%, although the amount that the rent can increase before loss of subsidy is 1.37% as the rent is already above the Guideline level. This results in the withdrawal of subsidy amounting to £779,160 from the HRA.
- (b) A reduction in the Management and Maintenance Allowance of £7.82 per property amounting to £113,470 in 2000/01.
- (c) The DETR have announced that subsidy on Rent Rebate would continue to be restricted to guideline rent only in 2000/01. This means that if rents are increased by more than the guideline rent, subsidy would be withdrawn pro-rata to the value of rent rebate on the additional increase.
- (d) The Council has been given resources to fund Tenant Compacts (£25,339) and the introduction of Resource Accounting (£68,310).

4.2 The HRA budget has been put together using the principles of multi-year budgeting. However due to the impending implementation of Resources Accounting and the huge changes likely to happen, detail figures are not included. The draft continuation budget for the HRA is shown in **Annex A** The following assumptions have been made in putting together the estimates:-

- (a) A vacancy provision of 3%.
- (b) Inflation of 2.5% has been added to salary, repairs and contractual payments budgets.
- (c) That the level of rent arrears and other debts as at the end of March 2000 are at the same level as at the end of March 1999. This will require that £690,000 be required to be added to the Bad and Doubtful Debt provision in 2000/01.
- (d) That the total additional reductions in the repairs budget made during 1999/00 are reinstated in full in 2000/01.

4.3 The current average rent is £41.19 and there are 7,342 tenants claiming housing benefit from some 15,000 tenants. The total percentage of rent paid by housing benefit is approximately 47%.

4.4 This is to be the last subsidy settlement under the current rules. To welcome in the new Millennium resource accounting is to be introduced to the Housing Revenue Account. The whole system of funding on the account is to be changed and there is much uncertainty over the effects of this for Milton Keynes. The multi-year budget has been put together on the basis of the current rules continuing. No provision has been made to cover the cost of the introduction of resource accounting save the additional £68,000 grant from DETR. If further

funding is required in 2000/01 then officers will need to come back to Committee at the relevant time.

- 4.5 Tenants have been consulted throughout the process of setting the budget and determining possible ways forward. Two meetings were held with Area Housing Board members culminating in a special meeting of the Borough Wide Housing Board on 8 December 1999. The general view of tenants was that they did not wish to see a further reduction in services and that they would prefer to see the deficit funded through a rent rise. In addition tenants voted to reinstate the reductions made in the repairs budget in the 1999/00 budget setting meeting as a whole in 2000/01.
- 4.6 The Housing Revenue Account 2000/01 continuation budget is projected to be £1,418,000 in deficit without any further contribution to the repairs budget. If the working balance is to be restored to £500,000 (the minimum recommended) then a minimum package of rent rise and savings is required totalling £1,918,000.

5. **Issues and Choices**

- 5.1 The choices lie between the level of rent rise that is acceptable and the level of reductions in expenditure that can be effected.
- 5.2 Staff savings have been considered but it is believed that the reductions in staff numbers made during previous financial years are as much as the service can stand without a fall in service levels provided. On a financial basis it will be difficult for large savings to be made on the HRA through further early retirement / voluntary redundancy due to the redundancy costs having to met from the account. A total of 13 posts were deleted in 1998/99 saving £290,000 in a full year. If the 1998/99 figures are used to project the savings for posts being deleted in 2000/01 every 10 posts deleted will save in the order £70,000. i.e. to save £250,000 in 2000/01 (excluding vacant posts) will require 36 non vacant posts to be deleted. The savings in the following year would of course be the full amount. This is because the HRA must fund the costs of redundancy payments / retirement lump sums. This will have serious effects on the Council's ability to provide services. This projection will also apply to any reductions on Neighbourhood Support Services charges to the HRA. The deletion of more than possibly six posts will require compulsory redundancy. Any costs associated with a pool of displaced staff will fall on the HRA until those persons leave the authority or find alternative posts. There are no reserves to fund redundancy costs.
- 5.3 Increases in other fees and charges on the account were considered by tenants and rejected as these charges tend to fall on the elderly and disabled tenants and it was deemed that at present this was not acceptable. As reported in the 1999/00 Projection Report the estimate for income from laundry charges has been removed from the budgets.
- 5.4 In order to tackle the outstanding repairs to the stock it is recommended to reinstate the repairs budget to the level that it was in 1998/99 i.e. £7.055m. This can be done all in 2000/01 as recommended by tenants reps or phased in over a period of time. The previous report on the Housing Capital Programme identified that there is to be a substantial increase in capital spend on the stock in 2000/01. Below are a number of options that could be considered. The possible rent increases have been projected using multi-year budgeting but

are for illustrative purposes only due to the impending introduction of Resource Accounting. These are:

- (a) Reinststate repairs budgets evenly over the next 3 years
- (b) Reinststate repairs budgets fully in year 1.
- (c) Reinststate repairs budgets in years 2 and 3
- (d) Do not reinststate repairs budgets.

Illustrative Options	Rent Rise Required		
	2000/01	2001/02	2002/03
Reinststate repairs budget over 3 years Effect on average rent (50weeks)	11.9% £4.90	7.9% £3.64	7.1% £3.53
Reinststate repairs budget in 2000/01 Effect on average rent (50weeks)	17.6% £7.25	5.8% £2.81	5.3% £2.72
Reinststate repairs budgets in years 2 and 3 Effect on average rent (50weeks)	9.9% £4.08	8.9% £4.02	8.0% £3.94
Do not reinststate repairs budget. Effect on average rent (50weeks)	9.9% £4.08	6.2% £2.81	5.7% £2.74

5.5 If the option to increase the repairs budget over the next three years is implemented then the following additional budgets will be added to those shown in **Annex A**. The items shown in **Annex A** have been put together on the basis of technical priorities.

- (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

5.6 **Annex B** shows the suggested increases in other fees and charges. **Annex C** gives other additional information.

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.

None.

7. **Conclusions**

7.1 The Housing Revenue Account 2000/01 continuation budget is projected to be £1,418,000 in deficit without any further contribution to the repairs budget. If the working balance is to be restored to £500,000 (the minimum recommended) then a minimum package of rent rise and savings is required totalling £1,918,000.

Background Papers: None