

Housing Revenue Account Budget Estimates 2008/2009



HOUSING REVENUE ACCOUNT BUDGET 2008/09

Introduction

The budget and policy framework, approved by the Cabinet in November 2002, set out an annual timetable for the HRA budget process. Production of this report and the ability to scrutinise the budget, are key features of that framework, along with consultation with tenants, Local Area Boards and the Main Board of the Arms Length Management Organisation (ALMO), First Choice Homes Oldham (FCHO), set up by the Council to manage its housing stock from the 1st April 2002.

The 2008/09 HRA budget report was scrutinised by the Performance and Value For Money Select Committee on 31st January 2008, presented to Cabinet on February 11th and approved at the Council meeting on February 20th 2008.

The production of the HRA budget for 2008/2009 and the strategic budget projections for 2009/2010 and 2010/2011 have been compiled based upon the work currently being undertaken to produce a new 30 year HRA Business Plan which will form an integral part of the Housing Stock Options Appraisal approved by Cabinet on 10th December 2007.

Consultation with FCHO

The Council has set up FCHO to which it has delegated the management and repair responsibility for the HRA dwelling stock. Although the HRA estimates and rent and charges setting remain the responsibility of the Council, the opportunity has been taken to consult with FCHO and to ask for their recommendations in the setting of the HRA budget.

The FCHO Finance and Audit Committee considered the budget position and the Main Board of FCHO considered a report regarding the FCHO budget at a meeting on 27th February 2008 when the Council's HRA budget report was included as an appendix for approval of the proposed management fee.

The Chief Executive of FCHO also consulted with the six Local Area Boards, tenants representatives and tenants at meetings also held in February.

The HRA Budget 2008/09

The revised base budget for 2007/2008 and the 2008/2009 budget is attached at Appendix A. The budgets reflect the financial commitments arising from maintaining the Council's policies throughout 2008/2009.

The revised HRA budget for 2007/2008 shows a year-end working balance of £1,164k, some £213k higher than in the original budget.

The HRA budget for 2008/2009 has been produced on the basis of the following assumptions:

- (1) Further stock reductions due to Right to Buy and Demolitions assumed to be 150 in total during 2008/2009;
- (2) Void levels remaining at their current level (700);
- (3) Re-introduction of rent restructuring rules;
- (4) Inclusion of £481k for stock option appraisal work;
- (5) The level of FCHO management fee is at the level determined by the formula as agreed between the Council and FCHO.
- (4) An allowance for the costs of developing the Round 4 PFI bid (Gateways to Oldham) from outline to final business case be accommodated within the HRA;
- (7) The maintenance of a PFI2 Reserve to ensure all future financial obligations (to the HRA) for the scheme can be met;
- (8) A provision of £30k has been made for a grant to Housing Aid (now within the CAB). This is a grant to assist in the costs associated with the provision of services provided to Council Tenants;
- (9) The cessation of the Asylum Seekers Induction contract on 31st March 2008;
- (10) No voluntary debt repayment provision in any year; and
- (11) There are 48 rent weeks in 2008/2009.

An analysis of variances between 2007/2008 revised budget and the original budget for 2008/2009 is given in Appendix B.

The Director of Finance has previously recommended that the HRA should maintain a balance of at least £750k. The figures presented show a closing working balance of £235k at the end of 2008/2009, providing all other assumptions can be achieved. This is £515k lower than the level recommended by the Director of Finance.

Whilst the three-year projection shows that balances will increase to £1.125m (March 2011), the Council would be taking a financial risk if it were to allow balances to remain below the recommended level for the next two years. Most risk is through further stock reduction and increased void levels. It is believed that assumptions made are already very prudent, reducing the likelihood of a worsening financial position. Indeed, these are areas that need to be targeted to improve the Council's financial position.

The Council will do all it can to mitigate reducing balances in 2008/09 and 2009/10.

Strategic HRA estimates 2009/2010 and 2010/2011

The projected forecasts for 2009/2010 and 2010/2011 are attached at Appendix C. The projection reflects the financial commitments arising from maintaining the Council's current policies. Due to the level of ongoing uncertainty over stock losses, the figures identified are likely to be subject to change as the future becomes more certain.

The projections made indicate a net improvement in the financial position of the HRA during 2009/2010 and 2010/2011. But there are a number of unknowns in addition to the uncertainties over stock levels and the position will need to be carefully monitored and updated as firmer information becomes available.

As the updated 30 year HRA Business Plan is developed further, the projections for 2009/2010 and 2010/2011 will be 'firmed up'.

APPENDIX A

HRA BUDGET – REVISED 2007/08 BUDGET AND ORIGINAL 2008/09 BUDGET

<u>HRA Income & Expenditure Account 2007/2008 and 2008/09</u>	Revised Budget 2007/2008	Original Budget 2008/2009
	B	D
	£	£
Income		
Dwellings rents (gross)	-36,628,270	-38,099,820
Non-dwelling rents (gross)	-652,320	-662,240
Charges for services and facilities	-2,279,200	-2,330,270
Contributions towards expenditure	-7,944,860	-7,561,720
Housing Revenue Account Subsidy:		
Housing Element	-1,485,740	326,090
PFI Credits	-9,899,490	-9,899,490
Major Repairs Allowance	-8,223,420	-8,108,450
Rental Constraint Allowance	-754,440	0
Total Income	-67,867,740	-66,335,900
Expenditure		
First Choice Homes Management Fee	24,162,480	23,785,040
PFI 2 Allowances	12,910,700	13,021,480
Rent, rates and other charges	6,626,960	6,519,900
Depreciation and impairment of fixed assets	12,314,450	12,199,480
Debt management costs	145,000	145,000
Increased provision for bad or doubtful debts	358,530	385,200
Total Expenditure	56,518,120	56,056,100
Net Cost of HRA Services per I & E Account	-11,349,620	-10,279,800
HRA share of Corporate and Democratic Core	821,540	846,190
Net Cost of HRA Services	-10,528,080	-9,433,610
Interest payable and other similar charges	11,887,460	11,835,100
Amortisation of Premiums and Discounts	1,601,490	1,584,300
Interest and Investment Income	-64,780	-40,080
-Surplus/Deficit for the year on HRA Services	2,896,090	3,945,710

<u>Statement of Movement on HRA Balance</u>	Revised Budget 2007/2008	Original Budget 2008/2009
	B	D
	£	£
-Surplus/Deficit for the year on HRA Services	2,896,090	3,945,710
Net additional amount required by statute	-3,119,900	-3,016,710
-Increase/Decrease in the HRA Balance	-223,810	929,000
HRA Balance brought forward	-939,720	-1,163,530
HRA Balance carried forward	-1,163,530	-234,530

<u>Note to Statement of Movement on HRA Balance</u>	Revised Budget 2007.2008	Original Budget 2008.2009
	B	D
	£	£
Items included in HRA I & E account but excluded from the movement on HRA balance for the year		
Differences in accordance with SORP (impairment)	-4,091,030	-4,091,030
Government Grants Deferred	0	0
	-4,091,030	-4,091,030
Items not included in HRA I & E account but included in the movement on HRA balance for the year		
HRA contributions to Minimum Revenue Provision	52,330	158,320
Revenue contribution to capital expenditure	918,800	916,000
	971,130	1,074,320
Net additional amount required by statute	-3,119,900	-3,016,710

ANALYSIS OF VARIANCES

APPENDIX B

Budget Movements ~ Revised 2007/2008 to Original 2008/2009

Better (-) / Worse

£

Rental Income

Impact of 7.39% rent increase from April 2008	-2,480,239
Impact of 1 less rent week in 2008/2009	794,976
Impact of sales during 2008/2009	213,713
	-1,471,550

Charges for services and facilities

Impact of 5% rent increase from April 2008	-64,840
Impact of 1 less rent week in 2008/2009	27,790
Other minor (net) increases in income	-14,020
	-51,070

Contributions towards expenditure

Withdrawal of Asylum Seekers Induction contract	370,060
Other minor (net) reductions in income	13,080
	383,140

HRA Subsidy (Housing Element)

Guideline Rent	1,254,900
Management Allowance	129,550
Maintenance Allowance	218,500
Capital Financing Charges	208,880
	1,811,830

HRA Subsidy

Rental Constraint Allowance no longer receivable	754,440
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FCHO Fee

-377,440

PFI Allowances

Inflationary increases	168,840
Reduced allowance based on lower property numbers	-58,060
	110,780

Rent, rates and other charges

Cost savings due to withdrawal of Asylum Seekers Induction contract	-140,000
Other minor (net) increases in costs	32,940
	-107,060

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Minimum Revenue Provision

Prudential Borrowing costs repaid	105,990
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Revenue Contribution to Capital Expenditure

Completion of Sx3 implementation in 2007/2008	-307,000
Completion of legionella surveys in 2007/2008	-84,300
PFI4 ~ reduced budgetary requirement in 2008/2009	-92,500
Commission of Stock Condition Survey etc in 2008/2009	481,000
	-2,800

Other Minor Variances

Non-dwelling rents	-9,920
HRA Subsidy (MRA)	114,970
Depreciation and impairment of fixed assets	-114,970
Increased provision for bad or doubtful debts	26,670
HRA share of Corporate and Democratic Core	24,650
Interest payable and other similar charges	-52,360
Amortisation of Premiums and Discounts	-17,190
Interest and Investment Income	24,700
	-3,450

Change in HRA balances for year	1,152,810
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APPENDIX C

HOUSING REVENUE ACCOUNT STRATEGIC BUDGET

<u>HRA Income & Expenditure Account 2009/10 and 2010/11</u>	Original Budget 2009/2010	Original Budget 2010/2011
	£	£
Income		
Dwellings rents (gross)	-40,209,320	-42,335,490
Non-dwelling rents (gross)	-686,420	-711,590
Charges for services and facilities	-2,436,400	-2,551,670
Contributions towards expenditure	-7,684,610	-7,810,580
Housing Revenue Account Subsidy:		
PFI Credits	-18,439,110	-20,147,030
Major Repairs Allowance	-7,811,980	-7,875,180
Total Income	-77,267,840	-81,431,540
Expenditure		
First Choice Homes Management Fee	23,181,310	22,956,680
PFI 2 & PFI 4 Allowances	22,265,830	24,249,750
Rent, rates and other charges	6,652,360	6,788,540
Housing Revenue Account Subsidy:		
Housing Element	1,964,510	4,380,430
Depreciation and impairment of fixed assets	11,903,010	11,966,210
Debt management costs	145,000	145,000
Increased provision for bad or doubtful debts	411,980	440,070
Total Expenditure	66,524,000	70,926,680
Net Cost of HRA Services per I & E Account	-10,743,840	-10,504,860
HRA share of Corporate and Democratic Core	871,570	897,720
Net Cost of HRA Services	-9,872,270	-9,607,140
Interest payable and other similar charges	11,948,580	11,816,270
Amortisation of Premiums and Discounts	1,455,610	954,710
Interest and Investment Income	-3,500	-25,000
-Surplus/Deficit for the year on HRA Services	3,528,420	3,138,840
<u>Statement of Movement on HRA Balance</u>	Original Budget 2009/2010	Original Budget 2010/2011
	£	£
-Surplus/Deficit for the year on HRA Services	3,528,420	3,138,840
Net additional amount required by statute	-3,670,130	-3,887,700
-Increase/Decrease in the HRA Balance	-141,710	-748,860
HRA Balance brought forward	-234,530	-376,240
HRA Balance carried forward	-376,240	-1,125,100

<u>Note to Statement of Movement on HRA Balance</u>	Original Budget 2009.2010	Original Budget 2010.2011
	£	£
Items included in HRA I & E account but excluded from the movement on HRA balance for the year		
Differences in accordance with SORP (impairment)	-4,091,030	-4,091,030
Government Grants Deferred	0	0
	-4,091,030	-4,091,030
Items not included in HRA I & E account but included in the movement on HRA balance for the year		
Transfer to / from (-) Major Repairs Reserve	0	0
HRA contributions to Minimum Revenue Provision	191,900	203,330
Revenue contribution to capital expenditure	229,000	0
	420,900	203,330
Net additional amount required by statute	-3,670,130	-3,887,700