

CABINET – 18TH FEBRUARY 2010

Supplementary Report of the Chief Executive

ITEM 10 2010/11 GENERAL FUND AND HRA REVENUE BUDGETS

Purpose of the Supplementary Report

To submit a revised section to the report of the Chief Executive in respect of the Housing Revenue Account. Page 68 of the agenda has been revised and Appendix 5 of the report of the Chief Executive has been updated.

Revisions to the Report of the Chief Executive – Item 10 2010/11 General Fund and HRA Revenue Budgets

Below is a revision to the report in respect of the Housing Revenue Account, which replaces page 68 of the agenda papers. Attached is an updated Appendix 5, which replaces Appendix 5 sent with the agenda papers – page 74.

Housing Revenue Account (Appendix 5)

The Chief Financial Officer has set a target balance for the Housing Revenue Account of £110 per property which is approximately £643k. The target for the end of March 2011 is £503k, being £86 per property. The HRA has therefore been prepared so that the target is obtained whilst maintaining the level of services. The rebuilding of the HRA balance has allowed for a greater level of resilience in the future provision of the housing service.

Dwelling rents have increased by an average of 1% after adjustments for service charge de-pooling have been made. The Rent setting formula entails a rent increase of 3.1%, the same as the amended 2009/10 rent setting increase. However, there is a limit to individual rent accounts of RPI + 0.5% + £2.00 for individual rents which has dampened the amount of income the council can receive from these rents. There is a mechanism within Housing Subsidy to compensate local authorities for this difference although that comes into effect once the financial year has ended and is paid in arrears the following year. The Housing Subsidy as calculated in the 2010/11 budget includes an element of this from 2009/10. The level of voids (empty properties for which rent cannot be charged as a proportion of all properties) has been budgeted at 3%.

In 2010/11 all service charges have been rebased and 'de-pooled'. This means that for someone living in a sheltered scheme, the identified direct costs for their additional services are recharged, rather than a standard charge across all tenants living in sheltered schemes. This ensures tenants pay for what they use themselves rather than subsidise or be subsidised by other tenants. This is in line with '2 Star' best practice and matches the cost to tenants for the additional services (other than rent) that they receive as a tenant in a property.

These charges are mainly constrained to tenants within sheltered accommodation and cover services such as laundry, cleaning, window cleaning and furniture. The same constraint of RPI + 0.5% + £2.00 is in place for de-pooled service charges which limits the actual increase tenants will pay year on year. They will pay the full amount of the new service charges but some will have their rents reduced to ensure the RPI constraint is not breached. Over time, as rents converge to the formula rents, they will pay the full costs. New tenants will pay both the formula rents and service charges although these are transparent and directly linked to the cost of the services they receive.

The bulk of Housing Revenue Account costs are now within the management fee payable to CNH of £9,209k. CNH have been granted a one-off additional £150k to help finance restructuring costs.

Financial Implications

There are no further financial implications as a result of this supplementary report, which are not set out in the text above or the appendix attached.

Risk Management

There are no further risk implications as a result of this supplementary report. Risks associated with the budgets are set out in the original report of the Chief Executive.

Key Decision: Yes

Background Papers: Detailed working papers in Accountancy/Service Directorates
CLG Subsidy Determinations
26 November 2009 Cabinet report on service Review
Programme 2009/10 and 2010/11
17 December 2009 Cabinet Reports on:
• Draft 2010/11 General Fund and HRA Budgets
• Response to Consultation on Concessionary Travel

Officer to contact: John Casey, 01509 634810; john.casey@charnwood.gov.uk

Amended Appendix 5					
Actual 2008/09		Original Budget 2009/10	Cabinet Version 17/12/2009	Original Budget 2010/11	Variance 17/12/2009 to 18/12/2010
£000	Summary of HRA Original Budget	£000	£000	£000	£000
	Expenditure				
841	Supervision and Management	1,163	1,155	1,155	0
9,315	CNH Management Fee	9,059	9,059	9,209	(150)
45	Rents, Rates and Other Charges	36	36	50	(14)
6	Rent Rebates	10	10	9	1
96	Provision of Bad or Doubtful Debts	109	111	111	0
3,884	Depreciation	4,075	4,006	4,030	(24)
7	Debt Management Expenses	5	8	8	0
14,194	Expenditure sub-total	14,457	14,385	14,572	(187)
	Income				
16,180	Dwellings Rent Income	16,796	17,100	16,960	(140)
314	Rent of Income from Shops, Land and Garages	333	341	333	(8)
583	Warden Service Charges	651	693	643	(50)
183	Central Heating and Communal Charges	209	217	296	79
84	Leasehold Flat and Shop Service Charges	101	84	85	1
78	Hostel Service Charges	93	93	85	(8)
14	Other Charges	17	17	17	-
(7,000)	HRA Subsidy - Current Year	(7,272)	(7,710)	(7,336)	374
3,641	Major Repairs Allowance	3,707	3,707	3,731	24
2	Housing Defects Act 1984 Repurchases	0	0	0	0
14,079	Income Sub-total	14,635	14,542	14,814	272
115	Net (Income)/Cost of Services	(178)	(157)	(242)	85
(79)	Transfer from General Fund - Grounds Maintenance	(92)	(87)	(87)	0
484	Amortised Premiums	427	427	427	0
(65)	Investment Income and Mortgage Interest	(34)	(33)	(38)	5
455	Net Operating Expenditure/(Income)	123	150	60	90
37	Revenue Contributions to Capital	0	0	0	0
13	Pension Adjustment	0	0	0	0
(243)	Appropriations: Transfer from Major Repairs Reserve	(368)	(300)	(299)	(1)
(193)	Appropriations	(368)	(300)	(299)	(1)
(281)	HRA Balance at Beginning of Year	(19)	(264)	(264)	0
262	(Surplus)/Deficit for the Year	(245)	(150)	(239)	89
(19)	HRA Balance at end of Year	(264)	(414)	(503)	89