

***Service Provision and Budget
For
Council Housing***

BABERGH DISTRICT COUNCIL

FROM: Strategy Committee

REPORT NUMBER

TO: Council

DATE OF MEETING 24 February 2009

COUNCIL HOUSING – REVENUE BUDGET AND CAPITAL PROGRAMME

1. PURPOSE OF REPORT

- 1.1 The Revenue Budget for 2009/10 and 3-year Capital Programme for Council Housing is presented for consideration.
- 1.2 Rent increases next year will be 6.7% on average based on the Government's rent restructuring arrangements. This would, depending on future proposals in this respect, result in rents being brought into line with the Registered Social Landlord sector by 2024 (previously 2017).

2. RECOMMENDATIONS

- 2.1 That the Council Housing budget and revised charges for 2009/10 be approved.
- 2.2 That the weekly rents for Council dwellings and compulsory let garages be increased on average by 6.7% in accordance with the Government's rent restructuring requirements with effect from Monday, 13 April 2009.

3. FINANCIAL IMPLICATIONS

- 3.1 The revised revenue budget for 2008/09 reflects changes in income and expenditure that have arisen since the original budget was approved. Although the deficit for the year has increased from around £50,000 to £330,000, this is largely as a result of budget carry-forwards from last year. This has no impact, therefore, on previously anticipated reserve levels.
- 3.2 For the 2009/10 revenue budget, the Government's Housing Subsidy allowances for Management and Maintenance are increasing by around 5%. This is helpful in terms of supporting next year's budget and enables the HRA overall to slightly increase capital programme funding for next year.
- 3.3 In terms of rent levels for next year, tenants will have to pay an average increase of 6.7%, which is similar to the current year. This is due to the Government's rent restructuring arrangements and will result in an average rent increase of around £4.50 a week (on a 52-week basis)

although approximately 70% of tenants receive Housing Benefit. The Government has decided to fix rent guidelines for two years and a similar increase will also apply in 2010/11.

- 3.4 Energy costs have increased dramatically in the last year. Unfortunately, therefore, there has to be a significant increase in the charges made to residents in sheltered accommodation and homeless units. It is being proposed that the lowest possible increase in charges is applied from April 2010, however, by spreading recovery of the increased costs over a 3-year period.
- 3.5 In terms of the capital programme, there is a very substantial programme of £3.4m programmed for 2009/10. This, however, is likely to reduce to around £2.8m in subsequent years as the Government borrowing allocation of £0.55m is expected to cease after next year.

4. **RISK MANAGEMENT**

- 4.1 This report is most closely associated with Significant Business Risk No.7 – Financial, Performance and Risk Management. Key risks are set out in the table below:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Actual income and expenditure does not match budget expectations	Low	Marginal	The proposed revenue budget and capital programme have been revised to reflect current and future plans and the potential finances available. Budgets are regularly monitored by officers and Members on a quarterly basis.
Future Govt. subsidy determinations in relation to management, maintenance and major repairs could be poorer than expected, affecting future spending plans beyond 2009/10.	Significant	Marginal	Consideration can be given to non-supported borrowing to maintain spending plans.

5. **KEY INFORMATION**

5.1 The overall Council Housing budget, rent levels and the capital programme is influenced by the following key aspects: -

- Annual rent increases that have to be applied under the Government's rent restructuring arrangements whereby Council house rents are to increase above inflation over a number of years to bring them into line with Housing Association rents
- Babergh's guideline rent for 2009/10 is based on the September RPI of 5%, which results in an average rent increase of 6.7% being required for next year.
- This would, depending on future proposals in this respect, result in rents being brought into line with the Registered Social Landlord sector by 2024 (previously 2017).
- The Government's Housing Subsidy determinations, which include allowances towards management and maintenance costs and major repairs.
- Government borrowing and subsidy allowances/allocations
- Changes in other areas of expenditure and income

5.2 The revenue budget for 2009/10 as well as the revised budget for the current year is summarised on page 93. Further details of budgets for each service area and the capital programme are shown in the pages that follow.

5.3 Proposed charges for 2009/10 relating to energy and service charges for residents in sheltered accommodation and homeless units are also indicated.

2008/09 Revised Budget

5.4 The draft revised budget incorporates the following changes since the original budgets were approved last year:

- Budgets that were carried forward from last year totalling around £200,000
- Increased energy and other costs in sheltered schemes
- Lower Supporting People grant in relation to the closure of Stour House, which are offset by lower costs

5.5 As a result of the above, estimated reserves as at the 31 March 2009 are expected to be around £0.8m, which is more than adequate and well above the minimum level of £0.5m approved for the HRA.

2009/10 Budget

5.6 The main factors that are affecting the budget for 2009/10 are explained below:

- An increase of around 5% in the Government's maintenance and management cost allowances
- An additional provision of £100,000 for the internal decoration of elderly tenants properties under the Babergh standard and/or for the possibility of a stock condition survey update
- An increase in the bad debts provision for non-payment of rent, linked to the economic downturn.

5.7 As indicated earlier in the report, average rents will increase by 6.7% next year as a result of the Government's Rent Restructuring policy in order to ensure that rents are harmonised with the Registered Social Landlord (RSL) over a period of time.

5.8 A strongly worded response on the Government's policy and approach to rent increases for next year and 2010/11 has been sent to them highlighting the unacceptable scale of the increases in the current economic downturn.

Capital Programme

5.9 Details of this are also contained in the attached pages. From this it can be seen that planned spending for the current year is nearly £3.9m and next year is £3.4m. This is likely to fall, however, to around £2.8m in subsequent years as the Government's borrowing allocation is likely to cease once funding for the decent homes standard is withdrawn.

5.10 The draft capital programme reflects:

- Work to complete the Decent Homes Standard by April 2010 and funding for the Babergh Standard
- Energy poverty and efficiency measures in relation to central heating and insulation
- The need for further increases to meet demand for disabled adaptations.

5.11 However, there will be very limited, if any, opportunities to fund major regeneration and redevelopment schemes. The approach of transferring ownership of properties to Housing Associations (as has been the case with Stour House, Clibbon House and Poplar Road, Great Cornard) will be adopted where this is necessary - as they have access to funding that Babergh does not.

5.12 In relation to financing the programme, the revenue costs of supported borrowing are met by Government subsidy. Non-supported borrowing could be undertaken from 2010/11 onwards in order to increase the programme but that could be difficult to sustain in the long-term. This will be assessed further as part of next year's SFP and budget round.

5.17 The Government has decided to bring forward resources relating to major repair allowances of £175m from 2010/11 to 2009/10 as part of their measures to stimulate the economy. Guidance is to be issued on how bids for this are to be made, with any amounts involved being deducted from the 2010/11 allowance.

6. **APPENDICES**

None

7. **BACKGROUND PAPERS**

Government Housing Subsidy Determinations

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