Housing Revenue Account **Appendix 7**

HOUSING REVENUE ACCOUNT		
	2012/13	2013/14
Income	**Original Budget £**	**Original Budget £**
Dwelling rents	(51,887,260)	(53,879,221)
Non-dwelling rents	(1,622,982)	(1,684,077)
Tenants Charges for services and facilities	(4,119,040)	(4,610,434)
Leaseholder Charges for Services and Facilities	(2,872,967)	(2,922,773)
Total Income	**(60,502,249)**	**(63,096,505)**
Expenditure		
Repairs and Maintenance	8,050,000	7,800,000
Supervision and management		
General	14,587,510	14,397,510
Special	6,756,617	6,756,617
Rents, Rates, taxes and other charges	121,500	121,500
Depreciation and impairment of fixed assets	12,866,805	12,866,805
Contribution to Major Repairs Reserve	7,625,356	14,465,022
Debt Management Costs	8,254,911	7,509,956
Increase in bad debt provision	450,000	500,000
Total Expenditure	**58,712,699**	**64,417,410**
Net Cost of HRA Services	**(1,789,550)**	**1,320,905**
Interest and investment income	(80,000)	(80,000)
(Surplus) or deficit for the year on HRA services	**(1,869,550)**	**1,240,905**

1. Introduction

1.1 The Local Government & Housing Act 1989 requires the Housing Revenue Account (HRA) to be maintained as a ring-fenced account and prescribed the debits and credits for it. Any surpluses generated from the HRA can be used to support the account when it fails to break even and for any one year a budget can be set such that there is a drawing on balances, but it is not permissible for an overall HRA budget deficit to be set. It is for the Council to determine what level of balances should be maintained. The quarter 3 monitoring position indicated that at 31 March 2012 the HRA balances were £7.8m, and forecast to be £16.8m at 31 March 2013.

1.2 The principal items of expenditure within the HRA are management and maintenance costs, together with charges for capital expenditure (depreciation and interest). This is substantially met by rent and service charge income from dwellings, garages and commercial premises.

2. HRA Self financing

2.1 Although the HRA settlement assumed that rents would continue to increase in line with the formula RPI + 0.5% + £2 until convergence was achieved with housing association rents, Local Authorities are now at liberty to set rents locally. The only potential financial constraint is the rent rebate limit, which determines the subsidy that the Council can claim from the Treasury for housing benefit payments made to tenants, if the average council rent exceeds the rent rebate limit rent, the Council cannot claim full housing benefit subsidy on this additional amount.

2.2 Rents for council tenants will be increased at a flat rate of 2.5% from April 2013. This is below the formula rent and takes account of the additional financial strain that some households are currently experiencing due to the economic downturn and changes to welfare benefits. This will require a re-profiling of the 30 year HRA Business Plan to take account of the resulting loss of income.

3. HRA Summary & Working Balance

3.1 Total expenditure for 2013/14 is estimated at £64.4m, including charges for financing HRA debt under the self financing proposals and a contribution to the Major Repairs Reserve of £14.5m. The currently proposed average rent increase of 2.50% is estimated to raise an additional £1.3m.

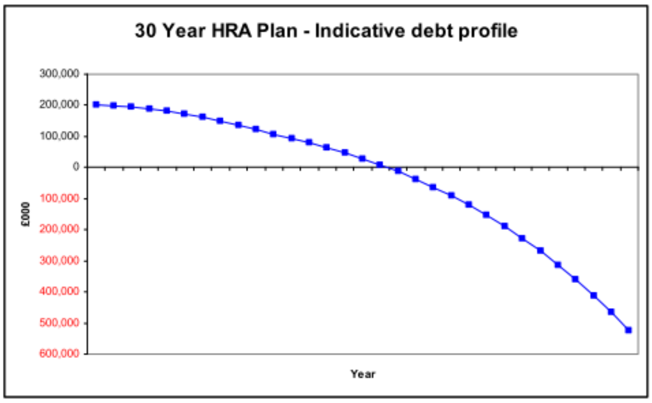
3.2 The HRA for 2013/14 shows a use of balances of £1.2m, after a contribution to Major Repairs Reserve of £14.5m. The estimated HRA balance as at 31 March 2014 is £15.6m.

Appendix 1

1. HRA Business Plan

1.1 The Council developed a 30 year HRA business plan as part of its business plan 2012/13, which set out how the HRA would generate surpluses over and above the costs of managing and maintaining the Council's housing stock, with the assumption that any surpluses will be used to repay HRA debt. This showed that the HRA debt would be completely cleared within 17 years:

Chart 1: Debt repaid in year 17



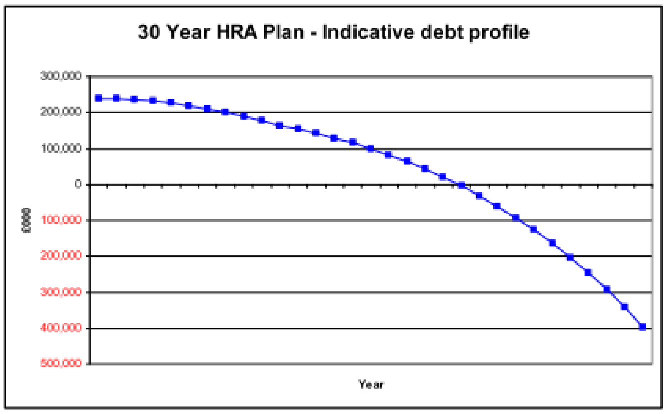
Assumptions: HRA debt £201.3m including Self-Financing Settlement of £102.6m

Key Assumptions

- An interest rate on debt of 4.1%
- Base inflation on expenditure of 3.5%
- Existing national convergence policy on rent setting continues then increases at 0.5% above inflation p.a. (i.e. 4%)
- Service charges increase at 0.5% above inflation p.a. (i.e. 4%)
- Average of £15m of spend (in today's value) on capital works per annum (net of leaseholders contribution)
- Repairs spend set at the current level
- Barnet Homes' management fee is reduced by £1.5m over the first 5 years from it's current level via efficiencies

1.2 The business plan has also considered a scenario whereby in addition to the key assumptions in Chart 1, the Council is able to take full advantage of the allowable HRA headroom capacity by increasing borrowing by £38m to a total of £240m debt in order to deliver additional council priorities. and showed that this would result in the HRA debt being completely cleared by 2020:Chart 2 demonstrates that the additional borrowing would take an extra three years to pay off.

Chart 2: Debt repaid in year 20



Assumptions: Borrow up to Debt Cap £240.0m including Self-financing Settlement of £102.6m plus £38.7m headroom

Priorities for use of HRA Headroom

- Accelerating regeneration – linked to findings of the regeneration review;
- Addressing adult services and other client groups' priorities in terms of housing services and supply;
- Exploring Barnet Homes' capacity for development of additional housing on HRA land; and
- Additional services (e.g. Family Intervention Project, support for the Council's tenancy strategy).

The HRA business plan can now be updated to take account of progress against the priorities identified for making use of the headroom. In addition, the Council now has more freedom around rent setting.

2 Rent Setting

2.1 Although the HRA settlement assumed that rents would continue to increase in line with the formula RPI + 0.5% + £2 until convergence was achieved with housing association rents, Local Authorities are now at liberty to set rents locally. The only potential financial constraint is the rent rebate limit, which determines the subsidy that the Council can claim from the Treasury for housing benefit payments made to tenants, if the average council rent exceeds the rent rebate limit rent, the Council cannot claim full housing benefit subsidy on this additional amount.

2.2 Rents for council tenants will be increased at a flat rate of 2.5% from April 2013. This is below the formula rent and takes account of the additional financial strain that some households are currently experiencing due to the economic downturn and changes to welfare benefits. This will require a re-profiling of the 30 year HRA Business Plan to take account of the resulting loss of income.

3 Investment Programme

Existing Stock outside of Regeneration Estates

3.1 Barnet Homes have carried out an extensive review of the capital expenditure programmed for the existing housing stock and identified £32.5m of additional essential expenditure that need to be factored into the HRA business plan over the next 10 years including:

- Accelerated replacement programme for electrical mains following fire at Upper Fosters in April 2012
- Updated assessment of rewiring requirements for housing stock
- Addition of properties at Ramsey Close into the HRA Business Plan
- Inclusion of additional works on West Hendon estate

3.2 A full business case will be submitted to the Cabinet Resources Committee in due course.

Supported housing

3.3 Priorities for supported housing have been identified with Adult Social Care which are summarised in the following table:

Title	Client group	Summary	Units	Est. Cost	Est. Revenue Saving
Retirement village – 1. Dementia / extra care housing	Older people	Establish additional location for delivery of flexible extra care in block or cluster arrangement. Dementia mixed model of housing units 50 units based on Housing Strategy needs analysis.	50	£5.51m	£0.69m
Retirement village – 2. extra care housing	Older people	Retirement village - widen the opportunities to people with disability to live in the community - proposal is for 50 ASCH clients the remaining 50 units would be for sale (outright or shared ownership	100	£6.44m	£0.52m
Wheelchair accessible units	Physical / sensory impairmen t	Accessible units of independent accommodation for people who otherwise need to look at residential- including 60k for accessible housing register	25	£3.58m	£2.35m
			Total	**£15.53m**	**£3.56m**

3.4 A full business case will be worked up for the delivery of these priorities early in 2013/14 to help achieve the projected medium term financial savings for Adult Social Care.

Regeneration

3.5 It was agreed at Cabinet Resources Committee on 17 July 2012 that up to £5m of HRA funding would be made available to support the Grahame Park regeneration scheme. This money will be used to support the sale of homes at a 20% discount on market prices on a shared equity basis.

3.6 Some of the supported housing priorities identified above are also likely to be delivered through the regeneration programme.

Council Housing New Build/Acquisition Programme

3.7 The Council is facing difficulties to meet it obligations to provide housing for vulnerable people in the borough due to a reduction in the supply of private rented sector homes available for housing applicants.

3.8 Barnet Homes have identified sites on HRA land that could provide an additional 300 new build homes over the next 10 years. A significant number of these new homes will be delivered during 2013/14.

3.9 A full business case for the construction of new council homes via Barnet Homes is currently being developed. It is intended that this will meet the need to supply additional wheelchair accessible homes.

3.10 A combination of market conditions and welfare reform mean that the supply of affordable homes in the borough is inadequate and unaffordable for some larger households. A business case for a programme of acquisitions outside of London to provide affordable homes for housing applicants funded through the HRA is being developed.

Based on the existing information available, the level of capital programme proposed is currently affordable throughout the 30 years of the HRA business plan.