

Appendix A – Briefing Note on HRA budget

1. Introduction

1.1 Overview and Scrutiny Committee have previously received a report on the Housing Revenue Account (HRA) budget plans as part of their normal budget scrutiny process. This year the HRA budget planning process has been made more difficult with the late notification of the rent and subsidy determination, which only came out on 10 December 2010. This report therefore sets out a draft position for the HRA. A final determination is expected in early February.

2. The Draft Determination

2.1 The subsidy determination announced an average rent increase of 3.1% (nationally). This works out slightly lower for Haringey at 2.6% once worked through for all properties. The subsidy paid to Haringey is based on this average rent being implemented (and Haringey getting rent income from this increase).

2.2 There is an issue with this as the 'caps and limits' placed on individual rents are worked out using Sept RPI (-1.4%) to which 0.5% and £2 flat increase is added. This works out at being 1.3% average rent increases across Haringey.

2.3 Therefore the government guideline rent for Haringey is 2.6%, but the actual rent increase will only be 1.3%. The government will pay Haringey subsidy on the basis we have implemented a 2.6% increase. Therefore there is a shortfall of £1.2m in 2010/11.

2.4 This has happened in the past, but usually the gap is not so big. The reason it is so big this year is because the planning period to converge rents has also been reduced from 15 years in 2009/10 to 3 years in 2010/11. This moves the guideline rent up, but caps and limits keep the actual rents still at 1.3%.

2.5 It is expected that the £1.2m loss will be one-off as the subsidy system will be reset for 2011/12 and this will flow through to the Council in later years.

2.6 Therefore following the government's system will result in an average rent increase of 1.3% with a one-off loss of income of £1.2m in 2010/11. Another option would be to use discretion to put the rents up in line with the guideline rent of 2.6% (ignoring the government caps and limits). Although the Council would receive about £0.9m of additional rent income, it is likely that the £1.2m subsidy loss would be permanent and would therefore impact on all future years rather than just being one-off. There is also a risk that housing benefit subsidy would be reduced if actual rents are higher than the limits.

2.7 The increase of 1.3% is based upon the average rent throughout 2009/10. However, as rents were reduced in July 2009 to take account of additional subsidy available in 2009/10, the increase on the current rent rises to 2.0%. This is set out in the following table. If the 'Caps and Limits' are not applied then the average increase on the current rents would be 3.6%.

Rent Increases

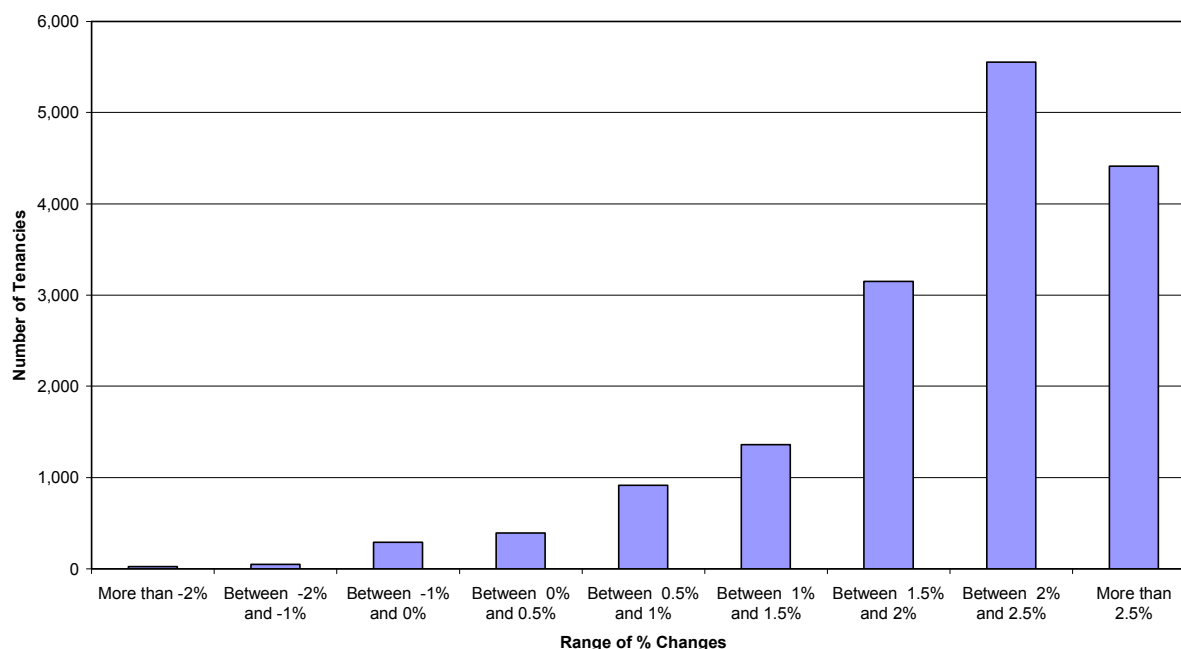
	2009/10 £.p.	2010/11 £.p.	Average Increase £.p.	%
Average Rent based on all rents paid during 2009/10	81.13	82.11	0.98	1.3
Average Rent based on current rents in effect since July 2009	80.52	82.11	1.59	2.0

3. Rent Impact

3.1 The range of dwelling rent changes for tenants are set out in the graphs below. The graphs represent both the percentage increase, and the monetary value that this percentage will represent.

Percentages Changes Based on Current Rents with Caps and Limits applied

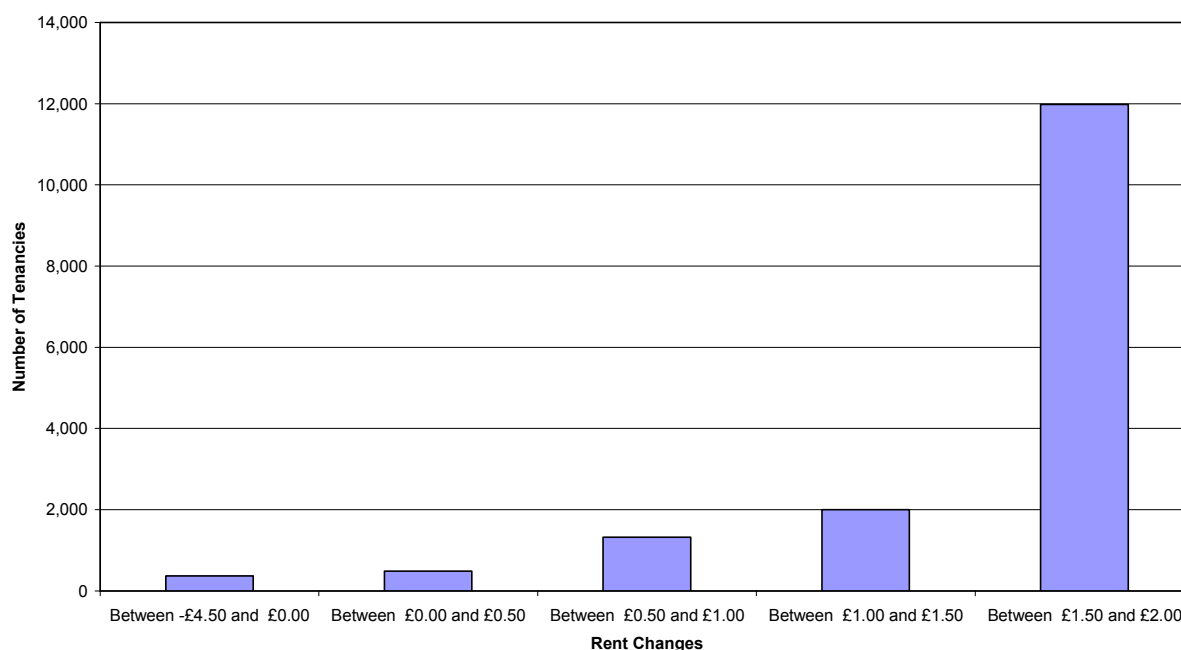
Distribution of Proposed Rent Changes 2010/11



Range of % Changes	Number of Properties
More than -2%	25
Between -2% and -1%	47
Between -1% and 0%	289
Between 0% and 0.5%	393
Between 0.5% and 1%	913
Between 1% and 1.5%	1,358
Between 1.5% and 2%	3,151
Between 2% and 2.5%	5,555
More than 2.5%	4,414
Total	16,145

Monetary Changes Based on Current Rents with Caps and Limits applied

Distribution of Proposed Rent Changes 2010/11



Range of Changes	Number of Properties
Between -£4.50 and £0.00	361
Between £0.00 and £0.50	489
Between £0.50 and £1.00	1,318
Between £1.00 and £1.50	1,994
Between £1.50 and £2.00	11,983
Total	16,145

- 3.2 The charts show that a significant number of tenants will receive increases between £1.50 and £2.00 per week. However, rent reductions up to 5% would be received by some tenants whose average rent in 2009/10 is higher than the government's rent cap.
- 3.3 The minimum, maximum and average rents for each size of property calculated using the rent restructuring formula is shown below.

PROPOSED ACTUAL RENTS PER WEEK
2010/11

No. of Bedrooms	HOUSE			FLAT			ALL		
	Min	Max	Average	Min	Max	Average	Min	Max	Average
	£	£	£	£	£	£	£	£	£
0	-	-	-	49.78	96.55	72.44	49.78	96.55	65.57
1	64.80	101.95	80.02	41.27	106.71	68.56	41.27	106.71	70.26
2	60.36	116.69	87.13	65.86	118.42	78.30	60.36	118.42	81.98
3	68.84	126.47	98.14	56.92	123.07	91.36	56.92	126.47	94.44
3+	72.17	149.67	127.11	67.09	126.41	100.43	67.09	135.28	126.48

PERCENTAGE CHANGE IN RENT

No. of Bedrooms	HOUSE			FLAT			ALL		
	Min	Max	Average	Min	Max	Average	Min	Max	Average
0	0%	0%	0%	-5%	3%	2%	-5%	3%	2%
1	-5%	2%	1%	-5%	4%	2%	-5%	4%	2%
2	-3%	3%	0%	-3%	2%	1%	-3%	3%	1%
3	-3%	2%	1%	-3%	3%	1%	-3%	3%	1%
3+	-2%	2%	1%	-1%	2%	1%	-2%	2%	1%

4. Tenant Service Charges

- 4.1 All service charges have been reviewed for 2010/11 to ensure that charges cover the cost of provision. Service charges are set to cover the estimated cost of providing services and would be assessed on a flat rate basis so tenants pay the same wherever they live in the borough as long as they receive the service.
- 4.2 There are significant reductions in Light and Power (Communal Charges) and District Heating following the reduction in energy costs from October 2009.

SUMMARY OF PROPOSED SERVICE CHARGE INCREASES / DECREASES				
Service	Existing Charge per week 2009/10	Increase/ (Decrease)	Increase/ (Decrease)	Proposed New Charge 2010/11
	£	%	£	£
Concierge	14.93	2.0%	0.30	15.23
Grounds Maintenance	2.37	1.8%	0.04	2.41
Caretaking	5.59	-0.4%	-0.02	5.57
Street Sweeping	2.92	1.9%	0.06	2.98
Light and Power (Communal Lighting)	3.63	-70.8%	-2.57	1.06
District Heating	22.95	-60.7%	-13.93	9.02
Water	5.38	3.0%	0.16	5.54

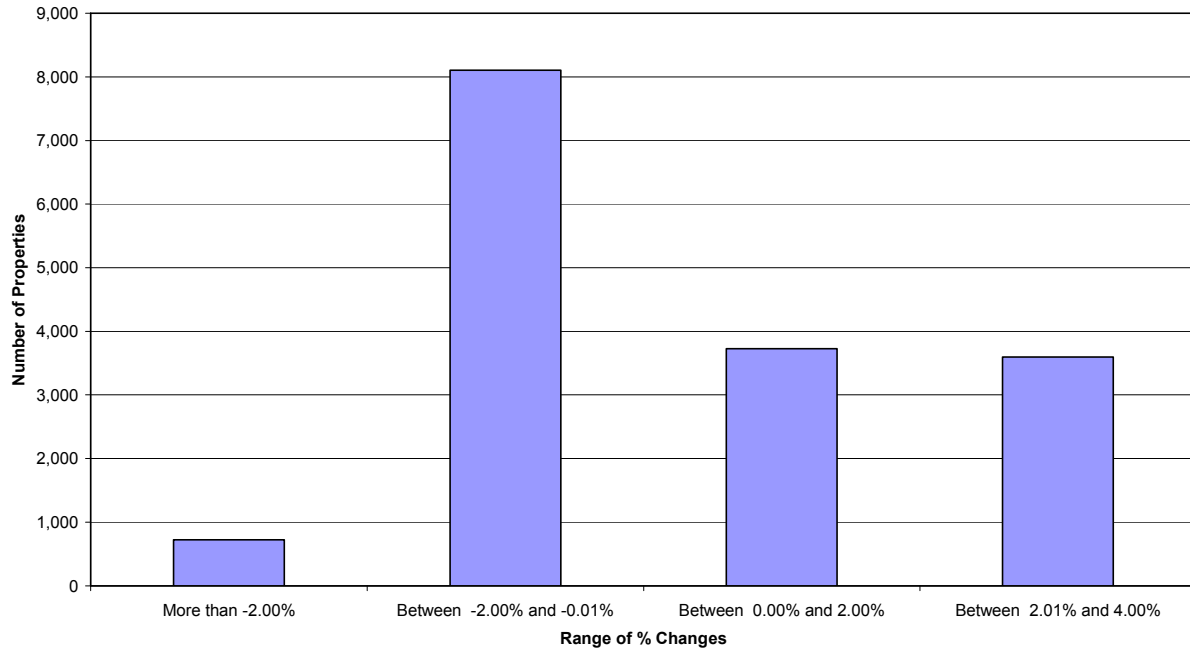
- 4.3 The proposed average Service Charge in 2010/11 has decreased from **£15.71** to **£14.13** – a decrease of **£1.59** a week.

5. Combined Rents and Service Charges

5.1 The charts below show that about half of all tenants in permanent dwellings would receive a reduction in their weekly charges mainly as a result of the reduction in heating and communal lighting charges.

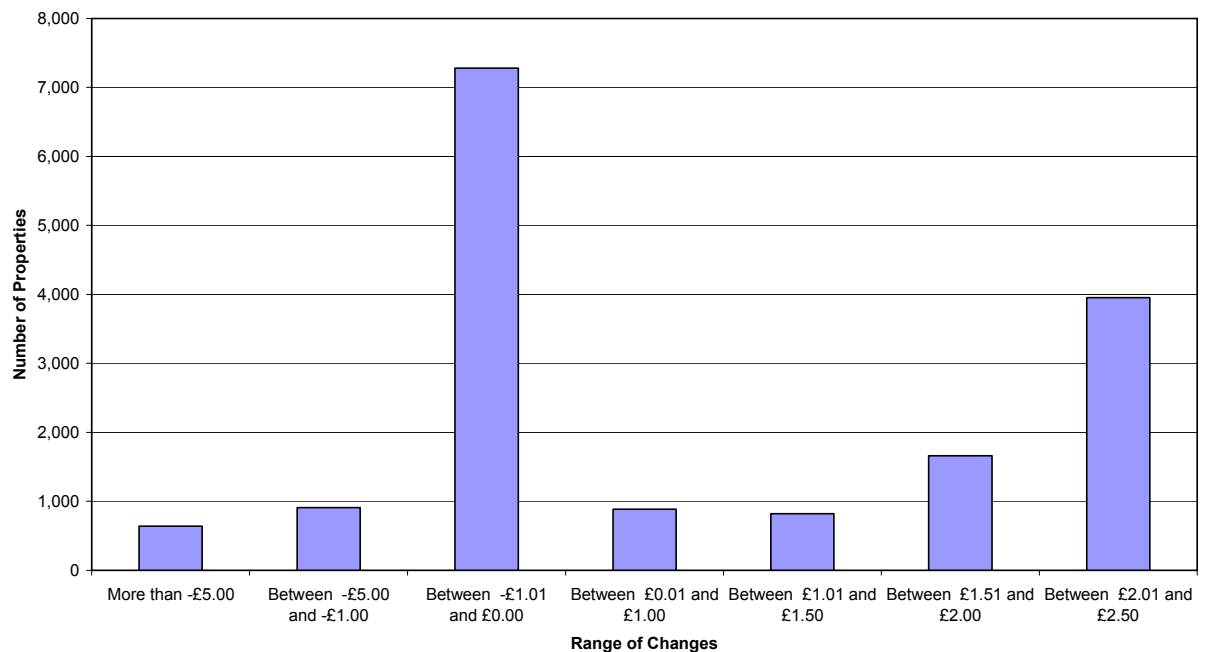
Percentages Changes Based on Current Rents with Service Charges (Caps and Limits applied)

Distribution of Proposed Rent and Service Charge Changes 2010/11



Monetary Changes Based on Current Rents with Service Charges (Caps and Limits applied)

Distribution of Proposed Rent and Service Charge Changes 2010/11



6. Impact on the HRA

- 6.1 The detailed MTFS is set out in Appendix B with proposed budget movements in Appendix A. These proposals are presently being discussed with the Council.
- 6.2 The significant variations contained in the forecast are set out below.
- New efficiencies of £1.389 million are proposed in 2010/11. For the Homes for Haringey company budgets these total £700,000 covering procurement efficiencies and the re-tendering of insurance cover.
 - Efficiencies of £148,000 are proposed for the HRA budgets managed by Homes for Haringey. These relate to increased commercial income.
 - New efficiencies totalling £541,000 are proposed on the HRA retained budgets. These include a £200,000 reduction in bad debt provision following improved income collection performance and other charges made on the HRA.
 - New investment of £2.069 million is proposed. This covers £1.5 million for fire precaution works, £200,000 for window maintenance commitments, £168,000 for the cost of the Homes for Haringey Client service and a contribution of £107,000 towards the cost of providing a new waste management contract.
 - Budget pressures of £385,000 are assumed from 2010/11 which mainly reflects the reduction of interest earnings on the HRA of £250,000.

7. Tenant Consultation

- 7.1 Over the last few years rent consultation has been conducted through a range of methods. These covered.
- Leaflets sent to Customer Service Centres with return slips for comments and views.
 - Online and email questionnaires.
 - Advertisements in Local paper.
 - Direct Mailing of tenants who have responded to previous consultations.
 - Telephone advice and response line.
- 7.2 Service charges have been calculated for each tenant and mailed to them separately for comment.
- 7.3 This approach has tended to generate a disappointing number of responses. Last year only some 50 tenants responded to the rent consultation proposals.
- 7.4 A number of tenants also commented that the separate consultation for rent and service charges did not give them a clear statement of all their likely commitments.
- 7.5 Following consultation with the Resident Finance Panel a single consultation letter covering both rents and service charges has been sent to all tenants. These detail each individual's proposed changes in current rent and service charges and has been mailed directly to tenants with the opportunity to make a written response or through a telephone advice and response line.

7.6 The consultation ends on 1 February 2010 and the feedback will be available prior to Council making a final decision on 2010/11 rent and service charges on 8th February 2010.

Appendix A – Draft MTFS 2010-11

HRA Summary	2010/11		2011/12		2012/13		2013/14		2014/15	
	Increase / (Decrease) £000s	Draft Budget £000s	Increase / (Decrease) £000s	Draft Budget £000s	Increase / (Decrease) £000s	Draft Budget £000s	Increase / (Decrease) £000s	Draft Budget £000s	Increase / (Decrease) £000s	Draft Budget £000s
Company Income	(747)	(55,201)	730	(54,471)	(1,362)	(55,833)	(1,396)	(57,229)	(1,431)	(58,659)
Chief Executive	26	1,757	35	1,792	46	1,838	47	1,884	47	1,931
Housing Management	117	12,190	129	12,319	308	12,627	315	12,942	324	13,266
Business Improvement	2	95	2	97	2	100	3	102	3	105
Resources	770	23,150	464	23,613	590	24,203	605	24,808	620	25,428
Building Services	196	9,502	190	9,693	242	9,934	248	10,183	255	10,437
Asset Management	52	909	18	927	23	950	24	974	24	998
Corporate	(415)	7,598	(1,568)	6,030	151	6,181	155	6,335	159	6,494
Total Company Accounts	(0)	(0)	0	0	0	0	0	0	0	0
Rental Income	(2,515)	(68,997)	(3,383)	(72,380)	(3,549)	(75,929)	(3,723)	(79,652)	(3,905)	(83,557)
Non Dwelling Rents	(192)	(2,408)	(48)	(2,456)	(61)	(2,518)	(63)	(2,581)	(64)	(2,645)
HRA Subsidy	168	(18,124)	(976)	(19,101)	(907)	(20,007)	356	(19,652)	2,004	(17,647)
Leasehold Service Charge Income	(105)	(4,964)	(107)	(5,071)	(137)	(5,208)	(140)	(5,348)	(144)	(5,492)
Tenant Service Charge Income	298	(9,525)	(191)	(9,716)	(243)	(9,959)	(249)	(10,208)	(255)	(10,463)
Miscellaneous Income	97	(5,316)	(283)	(5,599)	(288)	(5,887)	(168)	(6,054)	(173)	(6,227)
Housing Management Costs	360	7,677	200	7,878	221	8,098	227	8,325	233	8,559
Repairs & Maintenance	(146)	70	1	71	2	73	2	75	2	77
Bad Debt Provision	(150)	1,000	50	1,050	50	1,100	50	1,150	0	1,150
Service Charge Costs	360	8,326	60	8,386	210	8,595	215	8,810	220	9,030
Total Managed Accounts	(1,826)	(92,262)	(4,677)	(96,939)	(4,702)	(101,641)	(3,493)	(105,134)	(2,081)	(107,215)
Temporary Accommodation Income	4	(4,472)	(98)	(4,570)	(105)	(4,675)	(110)	(4,785)	(115)	(4,900)
Housing Management Direct Costs	30	1,500	30	1,530	38	1,568	39	1,608	40	1,648
Supported Housing Costs	66	3,191	66	3,258	85	3,342	87	3,429	89	3,518
Repairs & Maintenance	6	322	7	329	8	337	8	345	9	354
Capital Financing Charges	4,769	50,918	1,959	52,877	3,753	56,630	2,650	59,280	1,170	60,450
Other Property Costs	96	2,041	41	2,081	52	2,134	53	2,187	55	2,242
Bad Debt Provisions	10	51	10	61	10	71	10	81	0	81
ALMO Management Fee	323	41,582	(1,002)	40,580	1,015	41,594	1,040	42,634	1,066	43,700
Total Retained Accounts	5,304	95,133	1,013	96,146	4,855	101,001	3,778	104,779	2,313	107,092
TOTAL HOUSING REVENUE ACCOUNT	3,478	2,871	(3,665)	(793)	153	(640)	285	(355)	232	(123)
Planned Opening HRA Balance		(7,438)		(4,567)		(5,360)		(6,000)		(6,355)
In-Year Use of Balances		2,871		(793)		(640)		(355)		(123)
Planned Closing Balance		(4,567)		(5,360)		(6,000)		(6,355)		(6,478)

HRA Summary - Budget Variations

Managed and Retained Budgets					
Change	2010/11 over 2009/10 £000s	2011/12 over 2010/11 £000s	2012/13 over 2011/12 £000s	2013/14 over 2012/13 £000s	2014/15 over 2013/14 £000s
Rent Increase	(2,454)	(3,540)	(3,714)	(3,896)	(4,087)
Service Charges	495	0	0	0	0
Budget Pressures in 2009/10	385	(125)	(125)	0	0
ALMO Management Fee	323	(1,002)	1,015	1,040	1,066
Capital Financing Charges	3,269	3,459	3,753	2,650	1,170
Inflation	(12)	(0)	2	2	2
Increase In Bad Debts Provision	60	60	60	60	0
Housing Stock Reduction	64	67	70	74	77
Subsidy	168	(976)	(907)	356	2,005
New Investment	1,869	(1,607)	0	0	0
New Efficiencies	(689)	0	0	0	0
Total Variations Managed and Retained	3,478	(3,665)	153	285	232
Company Budgets					
New Investment	200	400	0	0	0
Existing Investment	(1)	(112)	0	0	0
New Efficiencies	(700)	(120)	0	0	0
Existing Efficiencies	0	(2,000)	0	0	0
Inflation	824	830	1,015	1,040	1,066
ALMO Management Fee	(323)	1,002	(1,015)	(1,040)	(1,066)
Total Variations Company	0	0	0	0	0
Variations - All HRA					
Rent Increase	(2,454)	(3,540)	(3,714)	(3,896)	(4,087)
Service Charges	495	0	0	0	0
Capital Financing Charges	3,269	3,459	3,753	2,650	1,170

APPENDIX B – HRA BUDGET VARIATIONS

Inflation	812	830	1,016	1,042	1,067
Increase In Bad Debts Provision	60	60	60	60	0
Housing Stock Reduction	64	67	70	74	77
Subsidy	168	(976)	(907)	356	2,005
New Investment	2,069	(1,207)	0	0	0
Existing Investment	(1)	(112)	0	0	0
New Efficiencies	(1,389)	(120)	0	0	0
Budget Pressures in 2009/10	385	(125)	(125)	0	0
Existing Efficiencies	0	(2,000)	0	0	0
Total Variations All HRA	3,478	(3,665)	153	285	232

HRA Summary - New Investment

Change	2010/11	2011/12	2012/13	2013/14	2014/15
	over	over	over	over	over
	2009/10	2010/11	2011/12	2012/13	2013/14
	£000s	£000s	£000s	£000s	£000s
Review of Salary Overheads 2011/12	0	400	0	0	0
Window Maintenance commitments	200	0	0	0	0
Increase in Pest Control Charges	50	0	0	0	0
Additional waste management Charges - collection of 'white' goods	44	0	0	0	0
Contribution to Waste Management procurement costs	107	-107	0	0	0
Cost of ALMO Client Service	168	0	0	0	0
Fire Precaution Works	1,500	-1,500			
Total New Investment	2,069	-1,207	0	0	0

HRA Summary - New Investment

Change	2010/11	2011/12	2012/13	2013/14	2014/15
	over	over	over	over	over
	2009/10	2010/11	2011/12	2012/13	2013/14
	£000s	£000s	£000s	£000s	£000s
Company	200	400	0	0	0
Retained	1,500	-1,500	0	0	0
Managed	369	-107	0	0	0
Total New Investment	2,069	-1,207	0	0	0

HRA Summary - New Efficiencies

Change	2010/11 over 2009/10 £000s	2011/12 over 2010/11 £000s	2012/13 over 2011/12 £000s	2013/14 over 2012/13 £000s	2014/15 over 2013/14 £000s
Complete Review Corporate Finance SLA by the end of the second quarter and evaluate options for the transfer of functions to the company	0	-30	0	0	0
Implementation of systems for new procurement arrangements using Procurement for Housing	-90	-90	0	0	0
Savings from retendering of Insurance Premiums	-170	0	0	0	0
Reduction of cost for the over of sickness absence	-115	0	0	0	0
Procurement savings	-200	0	0	0	0
Additional contribution to IT costs	-125	0	0	0	0
Reduction of Lease and Commercial Property charges.	-150	0	0	0	0
Reduction in provision for bad debts from improved collection performance demonstrated over prior years	-200	0	0	0	0
Supporting People Grant - additional entitlement	-191	0	0	0	0
Rent review - Commercial Dwellings	-148	0	0	0	0
Total New Efficiencies	-1,389	-120	0	0	0