

WARWICK DISTRICT COUNCIL

TO: HOUSING COMMITTEE - 25TH JANUARY 2000

SUBJECT: HOUSING REVENUE ESTIMATES 1999/2000 AND 2000/2001

FROM: FINANCE, HOUSING AND COMMISSIONING TEAM

1 PURPOSE OF REPORT

1.1 To present the Revenue Estimates for the Housing Revenue Account 1999/2000 and 2000/2001 for consideration of the fixing of rents for the year 2000/2001.

2 BACKGROUND

2.1 The Revenue Estimates for 2000/2001 form part of the policy and strategy leading up to the setting of rents for the forthcoming financial year.

2.2 The estimates include the Housing Revenue Account Subsidy, which is paid to meet the shortfall between expenditure and income on a "model" of the authority's Housing Revenue Account (the "notional" HRA). The calculation is based on a number of assumptions made by the Department of Environment, Transport and the Regions, along with actual expenditure on, in particular, Rent Rebates.

2.3 The Revenue Estimates included with this report at Appendix "A" have been compiled in accordance with the latest legislation and regulations.

3 REVENUE ESTIMATES

3.1 The revenue estimates are set out in detail at Appendix "A". The Housing Revenue Account is summarised overleaf in Table "A", which shows for 2000/2001 the anticipated deficit in the year BEFORE applying any rent increases. Table "B" shows the effects of applying the guideline rent increase in 2000/2001, resulting in a balance of £909,715 at 31st March 2001.

3.2 The Revenue Estimates have been used as the basis of the current suggested Capital Programme, included within this Agenda. If the revenue estimates are amended, it is likely to require some change to the Capital Programme. This is covered in more detail later in this report.

TABLE A	
<u>HOUSING REVENUE ACCOUNT ESTIMATES 1999/2000 AND 2000/2001</u> <u>(BASED ON CURRENT RENT LEVELS)</u>	
Estimate 1999/2000 £ Revised Estimate 1999/2000 £ Estimate 2000/2001 £	Original
EXPENDITURE:	
Premises - Housing Repairs Supervision	and Other Expenses
629,000	550,500
	562,300
	- Contribution to Repairs Fund
	3,760,100
	3,760,100
	3,760,100
Supplies and Services	101,300
	101,300
	101,300
Transfer Payments - Rent Rebates	7,006,900
	7,033,200
	6,856,700
Support Services - Supervision & Management	2,719,400
	2,799,000
	2,915,900
Capital Charges	2,118,100
	2,005,700
	1,572,500
Pay & Price Reserve	42,200
	36,900
Total Expenditure	16,377,000
	16,249,800
	15,805,700
INCOME:	
Rent Income (Based on current rent levels)	14,544,300
	14,471,400
	14,043,800
Interest and Other Income	323,300
	374,500
	363,000
Housing Subsidy	1,294,600
	1,316,900
	647,300
Total Income	16,162,200
	16,162,800
	15,054,100
(Surplus) / Deficit in Year	214,800
	87,000
	751,600

<u>TABLE B</u>	
<u>HOUSING REVENUE ACCOUNT BALANCES 1999/2000 AND 2000/2001</u>	
	Original Estimate 1999/2000 £ Revised Estimate 1999/2000 £ Estimate 2000/2001 £
Balance brought forward 1st April	(965,131)(1,067,415)(980,415)
(Surplus) / Deficit in Year	214,80087,000751,600
Balance in 2000/2001 to be met from:	
- Rent Increases - Dwellings	(671,600)
- Rent Increases - Garages	(16,700)
- Net effect of Rent Rebates Subsidy	7,400
Balance at 31st March	(750,331)(980,415)(909,715)

4 REVISED ESTIMATES 1999/2000

4.1 Table "A" above shows the Original and Revised Estimates for 1999/2000. The reasons for variations between the figures are detailed in Appendix "B". The latest estimates for the current year show a forecast reduction in the deficit from £214,800 to £87,000, resulting from the effects of a high level of council house sales and additional interest received.

5 REVENUE ESTIMATES 2000/2001

5.1 The estimates for 2000/2001 are shown in Table "A" above. The reasons for variations between the Original Estimates 1999/2000 and those for 2000/2001 are shown in Appendix "C".

5.2 In recent years it has proved necessary to reduce the 'Contribution to Repairs Fund' each year in order to balance the Housing Revenue Account. The Repairs Fund provides financing for both revenue and capital programmes, and it has been possible in 2000/2001 to maintain the overall contribution to this fund at the same level as for 1999/2000. It should be noted, however, that there has been a

transfer of resources between the Revenue Repairs Programme and that for the Capital Programme in the sum of £121,000 in order to fund the increased costs of the Revenue Programme. This is due to forecast increases in the costs of the Electrical Contract, the Gas Contract, Void Repairs, Lift Maintenance, Routine Maintenance and the Out of Hours Service. This transfer of resources has not had any negative effects on the level of the Capital Programme, as it has proved possible to fund the required Programme and still forecast a balance at 31st March 2001 which can be utilised to supplement the available resources in the following year.

- 5.3 Members may wish to note that there is additional subsidy payable to the authority in 2000/2001 to cover costs incurred in introducing Tenant Participation Compacts and Resource Accounting. The sums are £15,800 and £35,000 respectively, and budgets in these sums have been included within the cost centre for Housing Client expenses shown in Appendix "A". Costs incurred under these two initiatives will be monitored closely during the year.
- 5.4 The notification from the Government in the form of the Housing Subsidy Determinations states that the guideline rent increase applicable to this authority for 2000/2001 is £2.12 per week, an increase of 4.97%. The immediate effect of this is to reduce the subsidy which would otherwise have been receivable on this particular element in the sum of around £695,000. Other losses in subsidy relate mainly to reduced expenditure on Rent Rebates which is directly reflected in the expenditure estimate, though there are gains in other areas of subsidy.

6 EFFECTS ON THE CAPITAL PROGRAMME

- 6.1 The Housing Revenue Account estimates and the Capital Programme are, of course, inextricably linked due to the 'ring-fencing' of the account. Any changes to the levels of subsidy, Contributions to the Revenue Programme or additional operational costs will impact on the Contribution to Capital.
- 6.2 The Capital Programme for 2000/2001 can be met within the resources available. However, in the financial year 2001/2002 the introduction of Resource Accounting will affect the way in which allocations are made from Central Government for the financing of repairs and improvements. The allocations are intended to centre on a Major Repairs Allowance within Housing Subsidy which will ultimately replace the current capital allocations. This is covered in more detail in the report "Housing Investment Programme 1999/2000 and 2000/2001", the next item on the Agenda.
- 6.3 The HRA estimates presented in this report assume a particular level of rent increase, and a closing balance on the HRA at 31st March 2001 of around £910,000. These issues are covered in more detail in the next paragraph.

7 RENT INCREASES REQUIRED

- 7.1 The balance that officers have generally considered suitable and prudent on the Housing Revenue Account is £750,000, which is then available to cover any fluctuations which may occur on both revenue and capital expenditure. However, there is concern over the impact on the HRA as a result of the introduction of Resource Accounting in 2001/2002, mentioned in paragraph 6.2. At this stage it is not possible to predict or quantify the effects this could have, and it is recommended, therefore, that the Council maintain a balance of around £910,000 at 31st March 2001 as shown in Table "B" above. This can be used to offset, if necessary, any negative effects of the changes, to maintain a reasonable level of repairs programme, or to cover any effects due to the vagaries of the housing subsidy system.
- 7.2 Members will appreciate that in order to maintain this balance, to resource the forecast expenditure and income shown in Table "A", and to avoid reducing either the level of Revenue Repairs or the Capital Programme as currently presented, there is a requirement to seek additional net rent income of around £681,000.
- 7.3 The Council is able to increase dwelling rents by up to £2.12p per week (4.97%) without loss of subsidy. Following consultation with the Housing Group Spokespersons, it is suggested that this increase be applied, resulting in additional net income (after Rent Rebates and Subsidy implications) of £664,200. This would increase the average weekly rent from £42.64 to £44.76. Appendix "D" gives a brief summary showing how the increase would affect certain properties throughout the District.
- 7.4 It is also suggested that garage rents be increased by the same percentage level as that for the guideline rent increase, namely 4.97%, although garage rents are not subject to the rules on guideline rent increases. This would increase the current points level for garages from 21.62p to 22.70p, giving an average garage rent of £3.18, an increase of £0.15p. This would produce an additional income of around £16,700.

8 EFFECT ON THE 'RENT POINTS'

- 8.1 Council house rents are fixed by applying an appropriate multiplier (the 'factor') to the assessed points for each dwelling. The points total is designed to reflect the different types of dwellings, the age, locality, etc., and these points were reviewed during 1998/99 with a revised system being implemented on 19th October 1998. Before implementation, it was agreed that any dwellings attracting additional points would have the resulting increases 'damped' so that the maximum increase over and above any rent increase would be limited to three points, equivalent to £1.81 per week based on the suggested rent increase. The damping means that there will be an additional 1,326 points within the system at the rent increase date of 3rd April 2000, with the effect that the percentage increase in points value will be slightly less than the percentage increase in

average rent. The number of properties remaining with “capped points” after 3rd April 2000 will be 182.

- 8.2 The existing points multiplier is 57.76p and it is suggested that this be increased to 60.46p (4.67%), which will produce £664,200 (after Rent Rebates and Subsidy implications) and give an average increase of £2.12p per week. Individual increases will range from £1.35 to £3.19, though this does not take into account those properties where the cost of additional points are being phased in.
- 8.3 For the purposes of the estimates, the forecast number of dwellings for 2000/2001 is 6,154 which allows for future sales.

9 KEY ISSUE STRATEGIES

- 9.1 The Housing Revenue Account, which reflects the Council’s landlord function, covers a number of Key Issue Strategies. In particular, and in line with Key Issue SO3, when setting its rent levels there is regard for the affordability by people on low incomes. Tenant Participation initiatives contribute to Community Key Issues, and the continued provision of social housing contributes to Equality and Equal Access Key Issues. Also, the revenue funding of the Capital Programme includes, amongst other Environmental issues, positive steps towards Energy Conservation in the range of works carried out.

10 DECISIONS REQUIRED

- 10.1 The Committee is requested to consider the following matters:-

- (a) the Revised Estimates for 1999/2000 (Section 4 of the report)
- (b) the Revenue Estimates for 2000/2001 (Section 5 of the report)
- (c) the level of rent increase for dwellings for 2000/2001 (Section 7 of the report)
- (d) the level of garage rents for 2000/2001 (Paragraph 7.4 of the report)

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BACKGROUND PAPERS

Revenue Estimates File

Local Government and Housing Act 1989 and associated Determinations

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Areas in District Affected: All

APPENDIX "B"

HOUSING REVENUE ACCOUNT 1999/2000
VARIATION IN ESTIMATES : ORIGINAL 1999/2000 to REVISED 1999/2000

	Variation £ £
<u>PREMISES RELATED EXPENSES</u>	<u>- 78,500</u>
Housing Repairs Supervision - based on updated time allocations, but note that this reduction directly affects, and mirrors, an increase in Supervision and Management Costs below	- 79,200
<u>TRANSFER PAYMENTS - RENT REBATES</u>	<u>+ 26,300</u>
Original Estimate slightly too low, though this increase is matched by a higher Housing Subsidy	
<u>SUPPORT SERVICES - SUPERVISION AND MANAGEMENT COSTS</u>	<u>+ 79,600</u>
This covers the operational cost of the housing stock and services provided. The apparent increase shown on this head is a direct result of the reduction in time allocation costs shown above under Housing Repairs Supervision (£78,500). However, there are other variations which, ultimately, negate each other. Increases in Employee Costs due to April pay award (£14,400), Car Allowances for Mobile Wardens (£8,100) and Support Services (£31,000) are negated by a reduction in Premises Costs due to lower Insurances (£7,000), Utility costs (£5,000) and virement from the maintenance budget for Open Spaces (£11,500), and also an increase in Income due to increased Administration Fees on higher number of dwelling sales (£30,400).	
<u>CAPITAL CHARGES</u>	<u>- 112,400</u>
Capital receipts from sale of council houses higher than forecast, which impacts	

directly on this statutory calculation.	
<u>INCOME</u>	<u>+ (600)</u>
Insignificant overall, but there are variations in levels of income originally forecast:	
Housing Subsidy - reflects increase in Rent Rebates expenditure	+ (22,300)
Rental Income - reflects higher number of sales than forecast	- (72,900)
Interest on Balances - Opening Balances higher than forecast	+ (57,000)
Interest on Advances - reflects redemptions during the year	- (4,500)

1

APPENDIX "C"

HOUSING REVENUE ACCOUNT ESTIMATES **VARIATIONS IN ESTIMATES : ORIGINAL 1999/2000 TO ORIGINAL 2000/2001**

	Variation £
<u>PREMISES RELATED EXPENSES</u>	<u>- 66,700</u>
Housing Repairs Supervision - reflects more up to date time allocations. Inflationary increase over Revised Estimate 1999/2000, but any change in this figure will impact directly on Supervision & Management, so no overall effect within HRA.	- 67,200
<u>TRANSFER PAYMENTS - RENT REBATES</u>	<u>-150,200</u>
Reflects lower stock levels, but note that this results directly in corresponding reduction in Housing Subsidy. This figure does not allow for any rent increase which may be approved for 2000/2001.	

<u>SUPPORT SERVICES - SUPERVISION AND MANAGEMENT COSTS</u>	<u>+196,500</u>
Increase in Employee Costs to reflect pay award and increments, plus filling of Manager's post at Charles Gardner Road	+ 26,300
Premises Related Expenses - Savings on Insurances (£7,000), Utility Costs (£5,500) and Virement to Supplies & Services re Waste Disposal (£6,400)	- 18,900
Transport - increase in Car Allowances re higher number of Mobile Wardens	+ 8,600
Supplies & Services - Savings under this head due to Central Computer Charges now being charged to Client account (£9,600), and 'one-off' purchase removed from Equipment budget for Central Alarm Control (£9,000), with an increase in expenditure on Waste Disposal funded by virement from Premises Related Expenses (£6,400)	-11,700
Support Services - the main increases are Council Support Services (£25,200), Recharges from Client which includes for additional expenditure on Tenant Participation and Resource Accounting met by additional Subsidy (£70,800) and Recharges from Contractor due mainly to inflation (£72,900)	+ 164,400
Income - additional Administration Fees from Sale of Council Houses (£10,500) and Central Alarm Control System (£2,300)	+ (14,200)
<u>CAPITAL CHARGES</u>	<u>- 545,600</u>
Reduction due directly to capital receipts from the Sale of Council Houses which are taken into account in this statutory calculation	
	<u>(continued overleaf)</u>
	<u>INCOME</u>
	<u>(1,108,100)</u>
Housing Subsidy - reflects reduction in Rent Rebates, lower Capital Charges due to capital receipts on Sale of Council Houses, and a higher rent income figure following an increase in the Guideline Rent	- (647,300)
Rental Income - reflects the loss of dwellings through sales	- (500,500)
Interest on Balances - reflects forecast level of opening balances at 1 st April 2000	+ (47,000)
Interest on Advances - Principal Outstanding on Sale of Council House Mortgages	- (10,100)

decreasing rapidly	
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