

Housing Revenue Account (HRA)

- 1 Local Housing Authorities are required, by legislation, to keep a HRA. The Local Government and Housing Act 1989 stated that items of income and expenditure only relating to Council housing must be contained within the account. Thus the terms 'ring-fenced' or 'landlord' account are now referred to, as transfers between the HRA and General Fund are normally prevented.
- 2 The Act also outlined the new subsidy arrangements whereby subsidy would be allocated on a 'notional' HRA. This account is based on Government assessments of what local authorities should charge in rents and expenditure on management and maintenance etc., rather than what they actually do.
- 3 Authorities have a duty to ensure that the HRA balances, to keep the budget under review and to take all reasonable steps to avoid a deficit. In previous years any surplus on the account was used to fund the housing capital programme through a direct revenue contribution to capital.
- 4 The HRA is required to make a net saving year on year. Any growth must therefore be matched by compensatory savings elsewhere within the account.

HRA Negative Subsidy

- 5 The two major sources of funding HRA expenditure have been Government subsidy and rent income. Due to the removal of the payment of rent rebates through the HRA there is now a net surplus on the 'notional HRA' as the rent income now exceeds the subsidy payable by the government for HRA expenditure on management and maintenance etc. This results in a 'negative' subsidy payable by the authority to the government of £5,349k for 2008/09. This compares to £5,392k for 2007/08.

	2007/2008 Estimate £'000	2008/2009 Estimate £'000
HRA Subsidy Payable (including MRA)	17,727	18,941
Notional Rent Income from Council Tenants	(23,119)	(24,290)
Negative Subsidy	(5,392)	(5,349)

HRA Borrowing and Debt Repayment

- 6 From 1 April 2004 authorities can determine for themselves what capital investment is required and have the freedom to borrow (within prudential principles) to deliver housing services. Some supported borrowing continues and the interest charges for the elements used to fund HRA capital expenditure is paid from the HRA and refunded through subsidy. Prudential borrowing which takes place over and above the (supported) capital financing requirement is “unsupported” in that the authority must find the means of paying back interest and principal from within its own resources. There are no proposals to undertake prudential borrowing for HRA purposes in 2008/09.
- 7 Previously authorities were required to make a revenue provision to repay 2% of net HRA debt and this was funded through HRA subsidy. Authorities are no longer compelled to make this provision and any voluntary contribution will not be paid by subsidy. Guidance suggested it would be advisable to make a voluntary contribution. From 2004/05 it was considered prudent to continue to make a provision based on the previous rules of 2% of the outstanding HRA debt and that future borrowing be repaid over the life of the capital scheme e.g. tenants’ choice would be repaid over 30 years. This will continue in 2008/09.
- 8 The result of all the adjustments outlined within this report is an in-year surplus of £1,188k. Together with the brought forward working balance of £5,577k from 2007/08, and after making a contribution to the capital programme, this leaves a working balance of £6,478k on the account.
- 9 The HRA surplus is broadly in line with that forecast in the HRA business plan. The HRA surplus needs to remain on the account to be reviewed once the HRA business plan is updated to reflect both the budget detailed in this report and the 07/08 outturn position. Members are reminded that the HRA surplus is needed to fund future years in line with the Business Plan approved at Housing EMAP in July 2005.

Savings Proposals

Ref	Brief Description	Net Saving 2008/09 £(000)	Net Saving 2009/10 £(000)	Net Saving 2010/11 £(000)
HRALS1	Reduced Bad Debt Provision Housing Services have been focusing on performance improvements within the operational service areas. As a result of improved performance on recovering rent arrears, the requirement for bad debt provision has reduced. A £100k reduction in current arrears relates to a reduction in bad debt provision of approximately £60k.	60	60	60
HRALS2	Reduced Revenue Contribution to Capital Housing Services have recently changed the product specification for replacement of gas central heating systems, moving from conventional boilers to combination boilers. This results in reduced capital cost of replacing a central heating system as a result of removing the need for a hot water cylinder and associated pipe work.	33	33	44
HRALS3	HRALS3 Additional income from Tees valley properties Tees Valley Housing Association properties are managed by the council in return for a management fee. This saving reflects an increase in the number of properties being managed in 2008/09 within existing resources.	15	15	15
	Total	108	108	119

Service Pressures Recommended

Ref	Brief Description	Net Saving 2008/09 £(000)	Net Saving 2009/10 £(000)	Net Saving 2010/11 £(000)
HRAUG1	Provision of Legionella testing and reporting	30	37	34
	A contract to be set up for testing and reporting on water services within sheltered housing schemes to reduce the risk of an outbreak of legionella spores.			
HRAUG2	Increase costs in Annual Gas Servicing Contract	250	225	200
	The current gas servicing contracts are due to expire at the end of the current financial year. A benchmarking exercise has been carried out with Northern Housing Consortiums framework agreement for gas servicing and a proposal has been made to include the whole of the councils gas servicing within the Repairs Partnership with Neighbourhood Services. The costs for the service will increase, but are within the tolerances of what would be expected if the service was externally tendered.			
	Total	280	262	234