



2009/10 BUDGET
HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 20 JANUARY 2009

RISK AREA	NOTES/DETAILS
Reductions in stock from Right to Buy sales	<p>The rate of sales in 2008/2009 has plummeted and represents a major change in the trend of sales. Up to December 2008 there has been only 2 sales compared to 24 for the same period in the previous year. This trend is likely to continue in the short to medium term leading to higher levels of rental income than previously predicted but this also leads to significantly lower levels of capital receipts.</p> <p>Sales impact on the revenue position as income would reduce but many costs are fixed. Significant reduced rental streams would lead to deterioration in the HRA budgetary position unless measures could be taken to reduce costs within the HRA.</p>
Job Evaluation (Fairpay)	<p>Whilst some provision has now been made for estimated additional costs, these will be affected by the outcome of appeals and market supplements, etc. Should there be a resulting increase in Council Housing's ongoing pay bill, this could have implications for the service in future.</p>
Management of Void Properties	<p>Rent losses through void properties continue to be maintained at a lower level and this has been built into the budgets. The reduction follows the introduction of improved void management arrangements within Council Housing Services.</p>
Rent Arrears	<p>Recent budgets have required contributions to the Bad Debts Provision to be adjusted to reflect current arrears trends. The provision now stands at an appropriate level. There is a negative effect on future years' budgets if arrears management deteriorates, and a positive effect if it improves. The target is year on year improvement.</p>
Rental Income	<p>The estimates have been set at 5%, below the Government's Average Limit Rent of 5.9%. This is an increase below the level produced by the Formula Rent. As there is no form of compensation available after 2009/10, for capping rent increases at 5%, it directly reduces the resources coming into the HRA.</p>
Changes to HRA Subsidy System	<p>As reported last year, Government is undertaking a review, but no details are currently available regarding the likely outcome. Depending on what arises, this could, potentially, have major implications.</p>
Projections of HRA Subsidy	<p>The main reason for the reduction in negative subsidy payable to the Government in 2009/10 is due to the application of the Caps and Limits Adjustment. For future years, it has been assumed that the Council will not receive this adjustment, however, and therefore future years' subsidy payable will revert to higher levels. These assumptions have been based on the Determination for 2009/10 and no guidance has been provided by the Government beyond this.</p>
Stock Condition Survey	<p>The Stock Condition Survey is scheduled to be carried out in 2009/10, the results of which will be analysed and the resulting impact on the 30 year Business Plan will be assessed.</p>
Meeting the Decent Homes Standard	<p>Sufficient funds need to be set aside within the Revenue Budget / Major Repairs Reserve in order to ensure that the 30 Year HRA Capital Programme can continue to be financed. Any significant reduction in available capital financing (e.g. through revenue growth) could have an adverse impact on the position.</p>
Repair & Maintenance Services	<p>RMS is a high turnover activity with charges set to recover costs. The budget is based on the current Repairs and Maintenance Section establishment. Changes in the level of the establishment, the efficiency of the workforce, or the amount of work available to RMS will impact on the ability of the unit to recover its costs and could lead to a surplus or deficit. The hourly charging rate should be reviewed regularly in order to ensure there is no significant under/over recovery of cost.</p>