



2010/11 BUDGET
HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 19 JANUARY 2010



RISK AREA	NOTES/DETAILS
Reductions in stock from Right to Buy sales	The rate of sales in 2009/2010 has decreased further in 2009/10 with only 1 RTB so far this year, compared to 2 in the same period last year. It is anticipated that 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. 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.
Job Evaluation (Fairpay)	A total provision for £150K has been made in the HRA 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.
Management of Void Properties	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.
Rent Arrears	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.
Rental Income	The estimates as set out assume an increase of 2.75% which is the optimum level of increase for the Council based on the Governments proposals in the Draft Determination. This equates to an average actual rent of £60.06 which is below the Government's Limit Rent of £61.82. Increases above the Limit Rent would result in a penalty through the Rent Rebate Subsidy Limitation. Is also below the Formula Rent, which is calculated at £65.26, the difference between the Actual Rent and Formula Rent represents our gap in convergence.
Changes to HRA Subsidy System	The Government has proposed that Local Authorities will be presented with their debt figures by February 2010 to enable them to decide whether or not they wish to take on the self financing route. Local Authorities will have a very small window of opportunity in which they will have to return their decision. Depending on what arises, this could, potentially, have major implications for the HRA.
Projections of HRA Subsidy	The main reason for the increase in negative subsidy payable to the Government in 2010/11 is due to the application of the reduced Caps and Limits Adjustment. For future years, it has been assumed that the Council will receive this at similar levels. These assumptions have been based on the Determination for 2010/11 and no guidance has been provided by the Government beyond this.
Stock Condition Survey	A Stock Condition Survey was undertaken during 2008/09. The results of the survey will need to be analysed during 2010/11 and the impact this will have on the 30 year Business Plan assessed.
Meeting the Decent Homes Standard	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.
Repair & Maintenance Services	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.