

# Cabinet – Supplementary agenda 3

A meeting of the Cabinet will be held on:

**Date:** 30 November 2010

**Time:** 3.00pm

**Venue:** Meeting Room 2 - Level 3, Gun Wharf, Dock Road, Chatham ME4 4TR

## Items

**4. Capital and Revenue Budget 2011/2012**

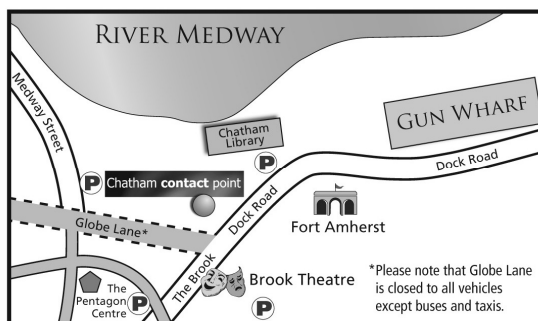
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Revised page 13 of the report.

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**11. Housing Revenue Account – Draft Budget 2011/2012**

- 11.1 The Housing Revenue Account (HRA) must be operated for all local authorities with a retained housing stock and is “ringfenced” from the General Fund. The account details the costs associated with the management and maintenance of the Council’s housing stock. As at 1 April 2010, the Council owned 3,050 properties, 297 of which were within sheltered housing units and 196 that are leasehold flats. The stock numbers reduce year on year as a result of tenants exercising their right to buy the home they live in.
- 11.2 The HRA budget setting process for 2011/2012 is still in progress and cannot be fully completed until notification of the final Housing Subsidy Determination from Communities and Local Government (CLG). Draft subsidy figures have been released during November 2010 for consultation with the final determination expected in late December 2010 or early January 2011.
- 11.3 A detailed budget report will be presented to the Business Support Overview & Scrutiny Committee on 27 January 2011 and Cabinet on 15 February 2011. As part of the process there will also be consultation with a Tenants Forum on 9 February 2011. Council will set the HRA budget, rents and service charges for 2011/2012 on 24 February 2011.
- 11.4 The main factors/assumptions that will form the basis of the 2011/2012 HRA budget are:
- 11.4.1 The HRA must maintain a working balance of circa £450,000. At 1 April 2010 the working balance stood at just over £5.1 million. The expected outturn for the current year, after funding for the capital programme is taken into account is an estimated surplus of £0.5 million which will increase the balance accordingly. The council is required by government to produce a 30-year business plan, which incorporates financial modelling for both revenue and capital. The latest projections show that there will be a need to utilise the existing balances to assist with funding the capital programme required to both meet and maintain the Decent Homes Standard in the coming years. A further update of the business plan will be carried out once the results of the Governments proposals for financial reform of the Housing Revenue Account have been published and an Asset Management Strategy has been adopted. The results will be then presented to Members for approval.
- 11.4.2 Rents will be adjusted in line with the Government’s rent re-structuring policy, as previously agreed by Cabinet, in order to move actual rents towards a target rent over a period of ten years. In previous years this has been done by increasing rents, where required by inflation (the September Retail Price Index (RPI)) plus 0.5% plus £2 per week whilst only increasing the target rents by RPI plus 0.5%. The information within the recent draft housing subsidy determination in respect of 2011/2012 formula rent changes indicate that there is likely to be an increase of 5.1% for 2011/2012 given that the September RPI was 4.6% with an expectation that rent convergence will be complete nationally by 2015/2016. Medway has a number of properties where actual rents are below the target rent, mainly in flatted areas, and others where the rents are currently higher than the target rent.

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