

Taunton Deane Borough Council

Executive – 9 February 2012

Draft Housing Revenue Account Estimates 2012/2013

Report of the Financial Services Manager

(This matter is the responsibility of the Leader of the Council, Councillor John Williams)

IMPORTANT – PLEASE NOTE:

In order for this item to be debated in the most efficient manner at the Executive meeting, Members who have queries with any aspect of the report are requested to contact the appropriate officer(s) named below before the meeting.

1 Executive Summary

This report outlines the proposed Housing Revenue Account (HRA) Budget for the 2012/13 Financial Year. It also includes details of the proposed new rent charges for the year.

2 Background

- 2.1 The purpose of this report is to request that the Executive considers the Draft Housing Revenue Account (HRA) budget for 2012/13 and recommend the Proposed Budget and Rent charges to Full Council for approval on 21 February 2012.
- 2.2 The 2011/12 budget was set using that year's data from Government's Draft Subsidy Determination and in the expectation that HRA self-financing would soon be introduced under the Localism Bill. The national move to HRA 'self-financing' is intended by central government to put all local authority landlords in the position where they can support expenditure on their own stock from their own income, and as CLG has issued draft self-financing determinations to replace the 'housing subsidy' system from 1 April 2012, the budget proposed for 2012/13 is based on those determinations.

3 Government Subsidy and HRA Self Financing

- 3.1 With the move to a 'self-financing' model from 2012/13 now happening by authority of the Localism Act, TDBC's annual payment of 'negative subsidy' will end on 28 March 2012.

- 3.2 The first figures from CLG suggested that TDBC's HRA would take on debt of £87.1m as the estimated cost of the move to self-financing, with TDBC considering repaying this over 22 years. Provisional figures issued by CLG in November 2011 (and open until 6 January 2012 for final consultation) suggest TDBC's settlement payments determination may drop to £85.763m from a range of updated factors. The draft budget figures here include the estimated annual interest cost of this £85.763m debt, but do not include repayment of the loan itself since Members are still to decide how quickly the loan should be repaid. The HRA Business Plan (and therefore indicative budget for consultation) assumed that debt will be repaid at the earliest opportunity from year 7 onwards (2017/18), and officers are now in discussion with the Council's Treasury advisors to establish a debt repayment schedule.

4 Housing Revenue Account 2012/13

- 4.1 A summary of the Proposed HRA Revenue Budget 2012/13 is included in Appendix A.
- 4.2 A more detailed analysis of Income and Expenditure is provided in Appendix B.
- 4.3 The Proposed Budget is based on assumptions and estimates on expenditure requirements and income projections. This includes assumptions to match the Draft HRA Business Plan 2012-2042, but also updates budget requirements through detailed costings that will need to be reflected in the final Business Plan for the HRA.
- 4.4 Some estimates of costs and income will therefore have changed when the approved budget becomes operational, for example how maintenance costs are being analysed or how debt will be repaid. For this reason, some lines in Appendix A e.g. for repayment of borrowing and interest, or direct revenue funding of capital, are robust for budget setting purposes but may need to be updated during the course of the year as new or updated information becomes available. Any financial implications of such variances will be reported through the normal budget monitoring process.

5 Dwelling Rent Levels for 2012/13

- 5.1 Dwelling rents for more than 6,000 properties provide annual income of over £21m for the HRA.
- 5.2 Local authorities have both the power and duty to set their own rent. However, in December 2000 central government set out a policy for social rents in England to be fair, affordable and less confusing for tenants; local authorities and housing associations were to bring rents into line over several years, using a national formula to set a target rent (also called 'formula rent') based on property values and average

manual earnings in each area. Under the complex 'housing subsidy' formula used to set annual rents before self-financing, many authorities had to pay 'negative subsidy' to central government - Taunton Deane has paid annual amounts varying between £5m to £7m in round figures - while still being required to raise rents to the national formula levels.

- 5.3 The subsidy system required local authorities to raise their 'average weekly rent' to meet the 'target' or 'formula' rent by the convergence date of 2015/16, with a 'guideline rent' being the amount CLG assume should be charged, but to avoid unaffordable increases in any one year must not exceed the 'limit rent'. This central Government rent policy is unchanged despite the move to self-financing and abolition of the subsidy system.
- 5.4 With RPI for 2011 at 5.60%, increasing the actual average weekly rent paid by tenants by the amount set under the subsidy determination would make the rent paid higher than the guideline rent. **It is therefore proposed that the average weekly rent for dwellings for 2012/13 should be set at the guideline rent of £73.68, an increase of 7.45% or £5.11 per week and the amount used by CLG when calculating TDBC's debt settlement under HRA self-financing.** This will provide Taunton Deane with the funds expected to repay its settlement debt and keep rents charged within self-financing principles. It also meets the rent policy set out in the draft Housing Revenue Account Business Plan 2012-2042 of November 2011 and being considered by Members (at Community Scrutiny 7 February and Executive 9 February).
- 5.5 The various rents for 2012/13 calculated from the formulae are:

		2011/12	2012/13	
Average weekly rent	<i>actually paid by tenants</i>	£68.57	£73.92	+ 7.80%
Formula (target) rent	<i>'fair rent' charged by all social housing providers</i>	£72.99	£77.44	+6.10%
Guideline rent	<i>an affordable step towards formula (target) rent</i>	£69.07	£73.68	+6.67%
Limit rent	<i>maximum acceptable step towards formula (target) rent</i>	£69.67	£74.80	+7.36%
Proposed average weekly rent		£68.57	£73.68	
Total increase over previous year £p		£4.41	£5.11	
Total increase over previous year %		6.87%	7.45%	

- 5.6 Members could choose not to increase rents to the guideline amount. However, each 0.5% rent change costs (or saves) tenants an average of 35p per week (£18.20 per year) and brings in (or reduces) HRA income by around £105,000 per year; the £85.8m debt settlement for

TDBC indicated by CLG to end the subsidy system expected total HRA income to be at guideline rents for 2012/13 to 2014/15 and at 'converged' rents from 2015/16 to 2042/43, so if the rent increase for 2012/13 is lower, then either savings in HRA costs will need to be made, or dwelling-rent increases in future years will need to be higher.

- 5.7 The table below shows the effect of increasing rents below the guideline amounts:

Increase over 2011/12	7.40%	7.35%	7.30%	7.25%
Average weekly rent	£73.64	£73.61	£73.58	£73.54
Saving pw to tenants	£0.04	£0.07	£0.10	£0.14
Saving pa to tenants	£2.08	£3.64	£5.20	£7.28
Cost pa to HRA	£12,224	£21,392	£30,561	£42,785
Increase over 2011/12	6.75%	6.25%	5.75%	5.25%
Average weekly rent	£73.20	£72.86	£72.51	£72.17
Saving pw to tenants	£0.48	£0.82	£1.17	£1.51
Saving pa to tenants	£24.96	£42.64	£60.84	£78.52
Cost pa to HRA	£146,691	£250,598	£357,560	£461,467

- 5.8 These rent increases proposed are in line with the Rent Policy included the HRA Business Plan (supported by the Tenant Services Management Board), and will also be considered by the Tenant Services Management Board on 23 January 2012

6 Other Income

- 6.1 Around 6% of HRA income, or some £1.5m in total in 2012/13, comes from non-dwelling rents (mainly garages but also shops, hostels and meeting halls), charges for services and facilities, and contributions to HRA costs from leaseholders and others. The proposed changes to specific budget lines are:
- 6.2 **Non Dwelling Rents:** a 5.6% increase, standard inflation (RPI) amount as at September 2011 (last year 4.6%) but with total income reduced to match the 1,485 garages rented (51% to private tenants and 49% to HRA tenants with 2% void).
- 6.3 **Charges for Services and Facilities:** a 5.6% increase (last year 4.6%).
- 6.4 **Contributions towards expenditure:** from the General Fund to cover a share of costs in the HRA for work done on estates where people have bought their homes under Right To Buy. (There are something like 4,000 privately-owned homes on HRA estates, compared to around 6,000 total HRA stock; those private households pay their share of HRA estate-management costs through their council-tax and the General Fund.)

- 6.5 **Supporting People Income:** a 5.6% increase in charges to individual subscribers to the service (last year 4.6%).
- 6.6 Somerset County Council receives a 'Supporting People' grant from CLG and uses it to purchase services from a range of providers including TDBC. In December 2010, after reductions in the national grant, SCC imposed a significant reduction in its payments to providers for 2011/12, and at the time of writing it is expected SCC will require providers accept a cut of 15% to 2012/13 and 2013/14 contracts.
- 6.7 Charges 5.2 – 5.4 are listed in Appendix D of the Strategic Finance Officer's report noted at Corporate Scrutiny on 24 November 2011 and considered by the Executive on 7 December 2011, then approved by Full Council on 13 December 2011.

7 Expenditure

- 7.1 The proposed HRA expenditure budgets are set out in Appendix A. Provided below are brief descriptions of the main areas of spending with explanations of any significant changes to the current budgets.
- 7.2 **Management Expenses:** These include the costs of the teams administering tenancies, collecting rents and arranging or planning maintenance work as well as a share of the Council's other relevant costs. Key points for 2012/13 are:
- a) The budget includes standard corporate inflation assumptions (10% utilities, 5% insurance).
 - b) There is a separate report on the agenda for this Executive Meeting which contains the Community Services Manager's proposal to restructure the Housing Service, in response to the aspirations and objectives of the new 30-year Housing Business Plan. This concentrates staff in areas that improve services to tenants. The estimated financial impact of these proposals are now included within the 2012/13 Draft Budget (see Housing Services and Community Development – Restructure Proposals report).
- 7.3 **Maintenance:** The cost for 2012/13 is around £900 per property, based on the service's best estimate of work that can realistically be carried out and rising from 2011/12 by inflation only (5.6%); the Business Plan allows for an increase in the value of completed works of approximately £150k per year from 2013/14 onwards, fully funded from rent increases within central government "fair rent" guidelines.
- 7.4 **Special services:** these are supported/sheltered housing and extra-care services, previously in 'maintenance' and 'management' lines but now shown separately for clarity. Income from individual clients is within the line 'charges for services and facilities' and the contribution from SCC is in the line 'Supporting People income'

- 7.5 **Provision for bad debts:** matches the Business Plan progressive rise from a historical 0.24% to 0.5% of income within three years.
- 7.6 **Depreciation:** cash reserved through the Major Repairs Allowance paid into the Major Repairs Reserve (MRR) and used to fund capital work that maintains housing stock and related assets in good condition. Until HRA self-financing reforms, depreciation was calculated using a formula set by central government based on the value of social housing stock; after HRA self-financing, new national accounting rules apply based on the value of the income stream produced by renting social housing.
- 7.7 **Debt Management Expenses:** bank charges and the costs of managing cash flow, borrowing and investments.
- 7.8 **Payment of Interest:** figures for 2012/13 onwards add-in the interest cost of the £85.763m self-financing debt settlement at 4.25%. This is lower than the 6.00% shown in the Draft Housing Business Plan, since the Public Works Loans Board (PWLB) is expected to lend at much lower rates specifically to fund housing debt (each 0.5% saved on interest rates saves around £430k in interest costs). As the actual debt settlement is due to take place on 28 March 2012, the final borrowing and interest figures may need to be updated from the Draft Budget. Any financial implications from this will be reported as part of budget monitoring within 2012/13.
- 7.9 **Interest receivable:** is based on an estimated interest rate of 0.5% on investments.
- 7.10 **All costs** for 2012/13 include recent changes in the Council's structure, organisation and cost-base.

8 Appropriations

- 8.1 **Revenue Contributions to Capital:** (also known as Direct Revenue Funding of Capital (DRF)) represents the additional amount required to fund capital projects over and above the depreciation cost credited to the Major Repairs Reserve. As Decent Homes standards have been met, this sum has dropped considerably in 2012/13, and the current focus of capital work is the replacement of bathrooms, roofs, windows, doors and heating systems. Further information on the Proposed HRA Capital Programme is in a separate report on this agenda.
- 8.2 **Transfers to reserves/Transfers to General Fund:** These are based on the proportion of estimated procurement savings to be achieved through the SWOne procurement team and that are accruing relating to HRA costs. These savings are currently proposed to be transferred to the General Fund to contribute to repayment of capital borrowing in 2007 for the ISIS Transformation Project. Once the capital borrowing

has been repaid (from General Fund and HRA procurement savings) the ongoing procurement savings will remain for the benefit of the HRA. A proportion of this reserve should be available to the HRA in future years.

- 8.3 ***Provision for repayment of borrowing, Social Housing Development Fund and Restructuring Costs:*** the budget proposal shows the amount that is expected to be available to repay both the new HRA self-financing settlement debt and the existing HRA share of overall capital borrowing taken out by the Council in previous years to fund capital work. The Council's Strategic Finance Officer and Strategic Director are currently considering guidance on how to get the best benefit from the various treasury management options available, and this figure will be updated as decisions are made. The HRA Business Plan also considers the principle of creating a Social Housing Development Fund (section 8) – see Housing Revenue Account 30 Year Business Plan in Item 9 on this agenda. This provision will be the likely source of this funding, provided the final treasury options make this affordable.

9 HRA Reserves

- 9.1 The Council's current financial strategy includes an expectation that the HRA will maintain its 'working balance' reserves at a minimum in the region of £900,000 (£150 per property). As referred in the S151 Officers Robustness Statement within the General Fund Revenue Estimates report Appendix A earlier on the agenda for this meeting, it is proposed to increase minimum reserves to £1,800,000 (£300 per property). This takes into account the additional risk to the HRA Business Plan following the move to Self Financing. The 2012/13 Draft Budget includes provision to increase reserves to this level.

10 Corporate Scrutiny Comments

- 10.1 There were no comments from Corporate Scrutiny at its meeting of 26 January 2012.

11 Finance Comments

- 11.1 This is a finance report and there are no additional comments.

12 Legal Comments

- 12.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 (the "1989 Act") to keep a Housing Revenue Account (HRA) unless the Secretary of State has consented to their not doing so. The account must show income and expenditure coming from the Council's activities as landlord under Part II of the Housing Act 1985. Section 75 of the 1989 Act sets out an obligation for the HRA to show the major elements of housing revenue expenditure –

maintenance, administration, and contributions to capital costs – and how these are met by rents, subsidy and other income.

12.2 The Local Government and Housing Act 1989 'ringfenced' the HRA: local authorities can only include items in the HRA for which there is statutory provision, and transfers of income and expenditure between the HRA and the General Fund are only allowed in very specific circumstances. In essence, rents cannot be subsidised by transfers from the General Fund, and council tax cannot be subsidised by transfers from the HRA.

12.3 The reform of council house financing is taking place under authority of Part 7 Chapter 3 of the Localism Act 2011 (passed by Parliament in November 2011).

13 Links to Corporate Aims

13.1 The draft budget proposals for 2012/13 have been prepared in line with the HRA Business Plan. The Housing Revenue Account is directly linked to the Affordable Housing corporate aim.

14 Environmental and Community Safety Implications

14.1 Environmental and community safety implications have been considered in arriving at the draft budget proposals for 2012/13.

15 Equalities Impact

15.1 The proposed rent increase will apply to all tenants and as such no potential discrimination amongst the protected groups has been identified.

15.2 To help support tenants on low incomes Housing Services will continue to provide a number of initiatives to enable them to manage their finances and maximise their income:

- Publish clear information on rent which helps tenants to manage their own finances;
- Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs;
- Take action to raise the awareness of accessing a range of welfare benefits; and
- Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim.

16 Risk Management

16.1 The risks associated with the proposed budget have been considered, with a detailed risk analysis being undertaken through the development of the Draft HRA Business Plan 2012-2042, in support of which the

Draft Budget has been prepared.

17 Partnership Implications

17.1 None for the purposes of this report.

18 Recommendation

18.1 That the Executive recommend to Full Council the approval of the average rent increase of 7.45%.

18.2 That the Executive recommend to Full Council the approval of the Draft Housing Revenue Account Budget 2012/13.

Background Papers

Executive 7 December 2011 – Fees and Charges

Corporate Scrutiny 26 January 2012 – Housing Revenue Accounts Estimates 2012/13

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PROPOSED HOUSING REVENUE ACCOUNT 2012/13

	2011/12 Budget £	2012/13 Estimate £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Income						
Dwelling Rents	(21,095,570)	(22,735,410)	(23,126,100)	(23,904,200)	(24,971,410)	(25,685,180)
Non Dwelling Rents	(585,540)	(553,460)	(572,830)	(592,880)	(613,630)	(635,110)
Charges for services/facilities	(366,460)	(390,900)	(404,580)	(418,740)	(433,400)	(448,570)
Contributions from GF towards shared expenditure	(259,360)	(266,040)	(275,350)	(284,990)	(294,960)	(305,280)
Government Subsidy	7,001,950	0	0	0	0	0
Supporting People income	(299,090)	(254,090)	(215,980)	0	0	0
TOTAL INCOME	(15,604,070)	(£24,199,900)	(£24,594,840)	(£25,200,810)	(£26,313,400)	(£27,074,140)
Expenditure						
Management	3,150,300	3,297,780	3,413,200	3,532,700	3,656,300	3,784,200
Maintenance	5,818,030	6,168,440	6,382,700	6,606,100	6,837,200	7,076,500
Special Services	1,366,080	1,404,970	1,454,100	1,505,000	1,557,700	1,612,300
Increase In Provision for Bad Debt	50,000	80,140	111,050	120,800	126,120	129,750
Depreciation (MRA)	3,938,230	6,269,770	6,385,190	6,535,910	6,690,170	6,849,220
Debt Management Expenses	14,710	21,340	22,100	22,900	23,700	24,500
TOTAL EXPENDITURE	14,337,350	£17,242,440	£17,768,340	£18,323,410	£18,891,190	£19,476,470
NET COST OF SERVICES	(£1,266,720)	(£6,957,460)	(£6,826,500)	(£6,877,400)	(£7,422,210)	(£7,597,670)
Other Costs and Income						
Payment of Interest	617,070	4,222,980	4,222,980	4,222,980	4,222,980	4,222,980
Interest Income	(96,720)	(96,720)	(39,000)	(39,600)	(40,400)	(37,440)
NET OPERATING EXPENDITURE (INCOME)	(£746,370)	(£2,831,200)	(£2,642,520)	(£2,694,020)	(£3,239,630)	(£3,412,130)
Appropriations						
Direct Revenue Funding of Capital (DRF)		0	765,000	1,143,000	1,464,620	1,509,440
Transfers to Reserves	361,270	0	0	0	0	0
Transfers to General Fund	560,440	200,000	200,000	200,000	200,000	200,000
Provision for Repayment of Borrowing & Social Housing Development	0	2,143,270	1,677,520	1,351,020	1,575,010	1,702,690
HRA (SURPLUS) / DEFICIT	£175,340	(£487,930)	£0	£0	£0	£0

PROPOSED HOUSING REVENUE ACCOUNT 2012/13 (continued)

	2011/12 Budget £	2012/13 Estimate £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
HRA FUND BALANCE						
Estimated balance b/f 1 April (rounded)	(1,592,410)	(1,312,070)	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)
Transfer from reserves 2011/12	105,000	0	0	0	0	0
HRA (surplus) / deficit each year	175,340	(487,930)	0	0	0	0
Estimated balance c/f 31 March (rounded)	(£1,312,070)	(£1,800,000)	(£1,800,000)	(£1,800,000)	(£1,800,000)	(£1,800,000)

NOTE:

The £1.8m minimum Fund Balance reserve figure is based on a minimum of approximately £165 per property for maintenance costs and a further allowance for HRA debt settlement.

**PROPOSED HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2012/13
REPAIRS AND MAINTENANCE EXPENDITURE SHOWING COST CENTRES**

Cost Centre	Heading	Original Budget 2011/12 £	Current Budget 2011/12 £	Forward Estimate 2012/13 £
103097	Responsive <i>Includes</i> Internal recharges – previous maintenance costs have been moved to 108915 for clarity.	378,030	378,030	(5,850)
108914	Voids (Relets) <i>Includes</i> All painting and maintenance work needed to bring void homes up to standard.	1,099,930	1,099,930	1,099,930
108915	General Maintenance <i>Includes</i> Responsive repairs: structural work; finishings and fittings, water and sanitary services, external site works, damp and condensation remedial work, re-instatement of aids and adaptations, enhancement of DAP accommodations, post-vandalism remedial work, felt roofing, metal windows and doors, fencing.	1,879,710	1,879,610	2,625,450
108916	Electrical Gas Servicing <i>Includes</i> Electrical repairs, repairs to storage heaters, gas servicing and maintenance.	1,407,350	1,407,350	1,407,350
108917	Underground Drainage	80,000	80,000	80,000
108918	Garage Maintenance	32,760	32,760	32,760
108919	Shops Maintenance	8,740	8,740	8,740
108920	Pre Planned Maintenance <i>Includes</i> All work done to a planned schedule.	300,000	300,000	300,000
108921	Specialist Works <i>Includes</i> Asbestos survey and register maintenance; mobility and access adaptations; door entry system maintenance, smoke detector replacement, water-main repairs, Energy Performance Certificate and sustainable energy contingency works.	577,940	577,940	577,950
108922	Leasehold Flats <i>Includes</i> Work on leasehold (sold) flats.	53,670	53,670	42,110
Maintenance		£5,818,130	£5,818,030	£6,168,440

As part of work producing the Draft HRA Business Plan 2012-2042, the Service is improving data held within its 'Codeman' property-condition database, and that will provide much more accurate information for budgeting within each cost-centre.

PROPOSED HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2012/13 COST CENTRE SUMMARY BY TYPE OF INCOME AND EXPENDITURE

The tables below show how each line in Appendix A is made up, using the national comparison definitions for each type of income or expenditure. Cost centre usage was improved in late 2011/12 as part of preparation for HRA self-financing reform, and cost-centre descriptions will be further improved during 2012/13 to improve management information. Cost centres 103061, 103120 and 108931 in particular can now be better analysed, with more information becoming available about how to fit the service itself into more descriptive and appropriate cost centres.

Some movements in budget to note are:

- Garage rent income for 2012/13 is reduced based on the actual numbers expected to be rented;
- 102921 Service Charges identifies items paid with rent accounts previously included in 102868 General needs housing Dwelling Rents. During 2012/13 this re-analysis work will continue, particularly aimed at showing the Sheltered Accommodation and Supporting People payments from individuals that are currently in Dwelling Rents.

Cost Centre	Heading	Original Budget 2011/12 £	Current Budget 2011/12 £	Forward Estimate 2012/13 £
Income:				
102868	General needs housing	(21,361,660)	(21,361,660)	(22,735,410)
Dwelling Rents		(£21,361,660)	(£21,361,660)	(£22,735,410)
102912	Garages	(468,040)	(468,040)	(429,380)
102919	Shops Land	(117,500)	(117,500)	(124,080)
Non Dwelling Rents		(£585,540)	(£585,540)	(£553,460)
102903	Sheltered Accommodation	(100,370)	(100,370)	(109,910)
102921	Service Charges	0	0	(280,990)
Charges for services/facilities		(£100,370)	(£100,370)	(£390,900)
103039	In respect of transferred dwellings	0	(259,360)	(266,040)
Contributions towards shared expenditure (GF)		0	(£259,360)	(£266,040)
103061	HRA Subsidy Receivable	11,356,200	0	0
103444	Transfer of Assumed Surplus to CLG	0	7,001,950	0
Government Subsidy		£11,356,200	£7,001,950	£0
102948	Supporting People Services	0	0	0
103051	Grants and Supporting People Initiatives	0	(299,090)	(254,090)
Supporting People income		£0	(£299,090)	(£254,090)
Total income		£10,691,370	£15,604,070	(£24,199,900)

Cost Centre	Heading	Original Budget 2011/12 £	Current Budget 2011/12 £	Forward Estimate 2012/13 £
Expenditure:				
103120	Policy & Management	430,440	620,570	1,677,370
103122	Managing Properties	(16,360)	(16,360)	(87,160)
103140	Rent Collection & Accounting	957,370	957,370	852,700
108931	Rentals on Property	2,027,430	1,967,820	672,940
109649	Tenant Empowerment	136,340	136,340	136,930
110640	Tenants Forum	0	45,000	45,000
Management		£3,535,220	£3,710,740	£3,297,780
103097	Responsive	378,030	378,030	(5,850)
108914	Voids (Relets)	1,099,930	1,099,930	1,099,930
108915	General Maintenance	1,879,710	1,879,610	2,625,450
108916	Electrical Gas Servicing	1,407,350	1,407,350	1,407,350
108917	Underground Drainage	80,000	80,000	80,000
108918	Garage Maintenance	32,760	32,760	32,760
108919	Shops Maintenance	8,740	8,740	8,740
108920	Pre Planned Maintenance	300,000	300,000	300,000
108921	Specialist Works	577,940	577,940	577,950
108922	Leasehold Flats	53,670	53,670	42,110
Maintenance		£5,818,130	£5,818,030	£6,168,440
108928	Supported/Sheltered Housing	621,400	585,830	618,050
108929	Extra Care Services	891,960	780,250	786,920
Special Services		£1,513,360	£1,366,080	£1,404,970
103457	Inc/Dec in provision	0	50,000	80,140
Increase in Provision for Bad Debt		£0	£50,000	£80,140
103382	Depn & Impairment of Dwellings	0	3,938,230	6,269,770
103393	Depn & Impairment of Other HRA Assets	0	0	0
Capital Charges Depreciation		£0	£3,938,230	£6,269,770
103467	Debt Management Costs	0	14,710	21,340
Debt Management Expenses		£0	£14,710	21,340
101386	HRA External Interest Payable	0	617,070	4,222,980
Repayment of Interest		£0	£617,070	4,222,980
101390	HRA Interest & Investment Income	0	(96,720)	(96,720)
Interest Income		£0	(£96,720)	(96,720)
109786	SMHRAB CAP EX HRA	0	361,270	0
RCCO/Direct Revenue Funding of Capital		£0	£361,270	0

continued

Cost Centre	Heading	Original Budget 2011/12 £	Current Budget 2011/12 £	Forward Estimate 2012/13 £
	Transfers to General Fund	0	0	200,000
	Transfers to General Fund	£0	£0	200,000
	Provision – Cost Centre TBA	0	0	2,143,270
	Provision for Repayment of Borrowing	£0	£0	£2,143,270
	(SURPLUS) / DEFICIT	175,340	£175,340	(£487,930)

Appendix D

Equality Impact Assessment – Council Dwellings Rent Increase

Responsible person	Stephen Boland	Job Title: Housing Services Lead
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Proposed new policy or service	
	Change to Policy or Service	
	Budget/Financial decision – MTFP	√
	Part of timetable	
What are you completing the Equality Impact Assessment on (which policy, service, MTFP proposal)	Annual rent increase 2012/13	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy?	To ensure continued investment in the management and maintenance of the housing stock to ensure it meets the needs of all tenants, and continued support for arrange of vulnerable groups.	
Which protected groups are targeted by the policy?	1. Age; 2. Disability; 3. Gender Reassignment; 4. Pregnancy and Maturity; 5. Race; 6. Religion or belief; 7. Sex; 8. Sexual Orientation; 9. Marriage and civil partnership	
What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used The information can be found on....	<p>1. Engagement</p> <p>Consultation and regular meetings with the Tenant Services Management Board and wider consultation with tenants, staff, members and other stakeholders in the development of the HRA Business Plan 2012 – 2042 throughout 2011. The business plan reflects the Council’s current rent policy. This reflects national social rent policy to move Council rents to a target rent based on property value and local earnings. The aim of this policy is that rents charged by all social landlords (whether council or housing association) converge. This business plan assumes convergence by 2015/16. Up until convergence, rents move gradually to target over 4 years, with maximum increases limited to inflation (RPI) + 0.5% + £2. After convergence with target, rents increase by inflation (RPI) + 0.5%. The financial viability of the business plan is dependent on annual rent increases being agreed in line with this policy. Any divergence from this policy will impact on business plan resources and on the deliverability of actions in this plan.</p>	

Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality

The proposed rent increase will apply to all tenants and as such no potential discrimination amongst the protected groups has been identified. To help support tenants on low incomes Housing Services will continue to provide a number of initiatives to enable them to manage their finances and maximise their income:

- *Publish clear information on rent which helps tenants to manage their own finances;*
- *Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs;*
- *Take action to raise the awareness of accessing a range of welfare benefits; and*
- *Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim.*

I have concluded that there is/should be:

No major change - no adverse equality impact identified	No major change as no adverse equality impact on the protected groups.
Adjust the policy	
Continue with the policy	
Stop and remove the policy	

Reasons and documentation to support conclusions

Section four – Implementation – timescale for implementation

The proposed increase in rent will be applicable from April 2012

Section Five – Sign off

Responsible officer: Stephen Boland
Date: 16th January 2012

Management Team: Housing Services
Date: 16th January 2012

Section six – Publication and monitoring

Published on

Next review date

Date logged on Covalent

Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table					
Service area				Date	
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions

This report was produced after the Executive Meeting on 9th February 2012 to reflect the final decisions taken at the meeting. The figures have been updated to reflect the final budget proposals of the Executive (which reflects the final Govt debt settlement information).

Taunton Deane Borough Council

Executive – 9 February 2012 (UPDATED)

Draft Housing Revenue Account Estimates 2012/13

Report of the Financial Services Manager

(This matter is the responsibility of the Leader of the Council, Councillor John Williams)

IMPORTANT – PLEASE NOTE:

In order for this item to be debated in the most efficient manner at the Executive meeting, Members who have queries with any aspect of the report are requested to contact the appropriate officer(s) named below before the meeting.

1 Executive Summary

This report outlines the proposed Housing Revenue Account (HRA) Budget for the 2012/13 Financial Year. It also includes details of the proposed new rent charges for the year.

2 Background

- 2.1 The purpose of this report is to request that the Executive considers the Draft Housing Revenue Account (HRA) budget for 2012/13 and recommend the Proposed Budget and Rent charges to Full Council for approval on 21 February 2012.
- 2.2 The 2011/12 budget was set using that year's data from Government's Draft Subsidy Determination and in the expectation that HRA self-financing would soon be introduced under the Localism Bill. The national move to HRA 'self-financing' is intended by central

government to put all local authority landlords in the position where they can support expenditure on their own stock from their own income, and as CLG has issued draft self-financing determinations to replace the 'housing subsidy' system from 1 April 2012, the budget proposed for 2012/13 is based on those determinations.

3 Government Subsidy & HRA Self Financing

- 3.1 With the move to a 'self-financing' model from 2012/13 now happening by authority of the Localism Act, TDBC's annual payment of 'negative subsidy' will end on 28 March 2012.
- 3.2 The first figures from CLG suggested that TDBC's HRA would take on debt of £87.1m as the estimated cost of the move to self-financing, with TDBC considering repaying this over 22 years. Final settlement figures issued by CLG in January 2012 set the debt at £85.198m, and the subsequent loan portfolio provided by the Council's Treasury advisors allows settlement debt to be repaid in 18 years (ie by 2029/30).

4 Housing Revenue Account 2012/13

- 4.1 A summary of the Proposed HRA Revenue Budget 2012/13 is included in Appendix A.
- 4.2 A more detailed analysis of Income and Expenditure is provided in Appendix B.
- 4.3 The Proposed Budget is based on assumptions and estimates on expenditure requirements and income projections. This includes assumptions to match the Draft HRA Business Plan 2012-2042.
- 4.4 Some estimates of costs and income will therefore have changed when the approved budget becomes operational, for example how maintenance costs are being analysed or how debt will be repaid. For this reason, some lines in Appendix A e.g. for repayment of borrowing and interest, or direct revenue funding of capital, are robust for budget setting purposes but may need to be updated during the course of the year as new or updated information becomes available. Any financial implications of such variances will be reported through the normal budget monitoring process.

5 Dwelling Rent Levels for 2012/13

- 5.1 Dwelling rents for more than 6,000 properties provide annual income of over £21m for the HRA.
- 5.2 Local authorities have both the power and duty to set their own rent. However, in December 2000 central government set out a policy for social rents in England to be fair, affordable and less confusing for tenants; local authorities and housing associations were to bring rents

into line over several years, using a national formula to set a target rent (also called 'formula rent') based on property values and average manual earnings in each area. Under the complex 'housing subsidy' formula used to set annual rents before self-financing, many authorities had to pay 'negative subsidy' to central government - Taunton Deane has paid annual amounts varying between £5m to £7m in round figures - while still being required to raise rents to the national formula levels.

- 5.3 The subsidy system required local authorities to raise their 'average weekly rent' to meet the 'target' or 'formula' rent by the convergence date of 2015/16, with a 'guideline rent' being the amount CLG assume should be charged, but to avoid unaffordable increases in any one year must not exceed the 'limit rent'. This central Government rent policy is unchanged despite the move to self-financing and abolition of the subsidy system.
- 5.4 With RPI for 2011 at 5.60%, increasing the actual average weekly rent paid by tenants by the amount set under the subsidy determination would make the rent paid higher than the guideline rent. **It is therefore proposed that the average weekly rent for dwellings for 2012/13 should be set at the guideline rent of £73.68, an increase of 7.45% or £5.11 per week and the amount used by CLG when calculating TDBC's debt settlement under HRA self-financing.** This will provide Taunton Deane with the funds expected to repay its settlement debt and keep rents charged within self-financing principles. It also meets the rent policy set out in the draft Housing Revenue Account Business Plan 2012-2042 of November 2011 and being considered by Members (at Community Scrutiny 7 February and Executive 9 February).
- 5.5 The various rents for 2012/13 calculated from the formulae are:

		2011/12	2012/13	
Average weekly rent	<i>actually paid by tenants</i>	£68.57	£73.92	+ 7.80%
Formula (target) rent	<i>'fair rent' charged by all social housing providers</i>	£72.99	£77.44	+6.10%
Guideline rent	<i>an affordable step towards formula (target) rent</i>	£69.07	£73.68	+6.67%
Limit rent	<i>maximum acceptable step towards formula (target) rent</i>	£69.67	£74.80	+7.36%
Proposed average weekly rent		£68.57	£73.68	
Total increase over previous year £p		£4.41	£5.11	
Total increase over previous year %		6.87%	7.45%	

- 5.6 Members could choose not to increase rents to the guideline amount. However, each 0.5% rent change costs (or saves) tenants an average

of 35p per week (£18.20 per year) and brings in (or reduces) HRA income by around £105,000 per year; the £85.8m debt settlement for TDBC indicated by CLG to end the subsidy system expected total HRA income to be at guideline rents for 2012/13 to 2014/15 and at 'converged' rents from 2015/16 to 2042/43, so if the rent increase for 2012/13 is lower, then either savings in HRA costs will need to be made, or dwelling-rent increases in future years will need to be higher.

- 5.7 The table overleaf shows the effect of increasing rents below the guideline amounts:

Increase over 2011/12	7.40%	7.35%	7.30%	7.25%
Average weekly rent	£73.64	£73.61	£73.58	£73.54
Saving pw to tenants	£0.04	£0.07	£0.10	£0.14
Saving pa to tenants	£2.08	£3.64	£5.20	£7.28
Cost pa to HRA	£12,224	£21,392	£30,561	£42,785
Increase over 2011/12	6.75%	6.25%	5.75%	5.25%
Average weekly rent	£73.20	£72.86	£72.51	£72.17
Saving pw to tenants	£0.48	£0.82	£1.17	£1.51
Saving pa to tenants	£24.96	£42.64	£60.84	£78.52
Cost pa to HRA	£146,691	£250,598	£357,560	£461,467

- 5.8 These rent increases proposed are in line with the Rent Policy included the HRA Business Plan (supported by the Tenant Services Management Board), and will also be considered by the Tenant Services Management Board on 23 January 2012

6 Other Income

- 6.1 Around 6% of HRA income, or some £1.5m in total in 2012/13, comes from non-dwelling rents (mainly garages but also shops, hostels and meeting halls), charges for services and facilities, and contributions to HRA costs from leaseholders and others. The proposed changes to specific budget lines are:
- 6.2 **Non Dwelling Rents:** a 5.6% increase, standard inflation (RPI) amount as at September 2011 (last year 4.6%) but with total income reduced to match the 1,485 garages rented (51% to private tenants and 49% to HRA tenants with 2% void).
- 6.3 **Charges for Services and Facilities:** a 5.6% increase (last year 4.6%).
- 6.4 **Contributions towards expenditure:** from the General Fund to cover a share of costs in the HRA for work done on estates where people have bought their homes under Right To Buy. (There are something like 4,000 privately-owned homes on HRA estates, compared to around 6,000 total HRA stock; those private households pay their

share of HRA estate-management costs through their council-tax and the General Fund.)

- 6.5 **Supporting People Income:** a 5.6% increase in charges to individual subscribers to the service (last year 4.6%).
- 6.6 Somerset County Council receives a 'Supporting People' grant from CLG and uses it to purchase services from a range of providers including TDBC. In December 2010, after reductions in the national grant, SCC imposed a significant reduction in its payments to providers for 2011/12, and at the time of writing it is expected SCC will require providers accept a cut of 6% to 2012/13 and 2013/14 contracts.
- 6.7 Charges 5.2 – 5.4 are listed in Appendix D of the Strategic Finance Officer's report noted at Corporate Scrutiny on 24 November 2011 and considered by the Executive on 7 December 2011, then approved by Full Council on 13 December 2011.

7 Expenditure

- 7.1 The proposed HRA expenditure budgets are set out in Appendix A. Provided below are brief descriptions of the main areas of spending with explanations of any significant changes to the current budgets.
- 7.2 **Management Expenses:** These include the costs of the teams administering tenancies, collecting rents and arranging or planning maintenance work as well as a share of the Council's other relevant costs. Key points for 2012/13 are:
- a) The budget includes standard corporate inflation assumptions (10% utilities, 5% insurance).
 - b) There is a separate report on the agenda for this Executive Meeting which contains the Community Services Manager's proposal to restructure the Housing Service, in response to the aspirations and objectives of the new 30-year Housing Business Plan. This concentrates staff in areas that improve services to tenants. The estimated financial impact of these proposals are now included within the 2012/13 Draft Budget (see Housing Services and Community Development – Restructure Proposals report).
- 7.3 **Maintenance:** The cost for 2012/13 is around £900 per property, based on the service's best estimate of work that can realistically be carried out and rising from 2011/12 by inflation only (5.6%); the Business Plan allows for an increase in the value of completed works of approximately £150k per year from 2013/14 onwards, fully funded from rent increases within central government "fair rent" guidelines.
- 7.4 **Special services:** these are supported/sheltered housing and extra-care services, previously in 'maintenance' and 'management' lines but

now shown separately for clarity. Income from individual clients is within the line 'charges for services and facilities' and the contribution from SCC is in the line 'Supporting People income'

- 7.5 **Provision for bad debts:** matches the Business Plan progressive rise from a historical 0.24% to 0.5% of income within three years.
- 7.6 **Depreciation:** cash reserved through the Major Repairs Allowance paid into the Major Repairs Reserve (MRR) and used to fund capital work that maintains housing stock and related assets in good condition. Until HRA self-financing reforms, depreciation was calculated using a formula set by central government based on the value of social housing stock; after HRA self-financing, new national accounting rules apply based on the value of the income stream produced by renting social housing.
- 7.7 **Debt Management Expenses:** bank charges and the costs of managing cash flow, borrowing and investments.
- 7.8 **Payment of Interest:** figures for 2012/13 onwards add-in the interest cost of the £85.198m self-financing debt settlement at 3.64%. This is lower than the 6.00% shown in the Draft Housing Business Plan, since the Public Works Loans Board (PWLB) is expected to lend at much lower rates specifically to fund housing debt (each 0.5% saved on interest rates saves around £430k in interest costs).
- 7.9 **Interest receivable:** is based on an estimated interest rate of 0.5% on investments.
- 7.10 **All costs** for 2012/13 include recent changes in the Council's structure, organisation and cost-base.

8 Appropriations

- 8.1 **Revenue Contributions to Capital:** (also known as Direct Revenue Funding of Capital (DRF)) represents the additional amount required to fund capital projects over and above the depreciation cost credited to the Major Repairs Reserve. As Decent Homes standards have been met, this sum has dropped considerably in 2012/13, and the current focus of capital work is the replacement of bathrooms, roofs, windows, doors and heating systems. Further information on the Proposed HRA Capital Programme is in a separate report on this agenda.
- 8.2 **Transfers to General Fund:** These are based on the proportion of estimated procurement savings to be achieved through the SWOne procurement team and that are accruing relating to HRA costs. These savings are currently proposed to be transferred to the General Fund to contribute to repayment of capital borrowing in 2007 for the ISIS Transformation Project. Once the capital borrowing has been repaid (from General Fund and HRA procurement savings) the ongoing

procurement savings will remain for the benefit of the HRA. A proportion of this reserve should be available to the HRA in future years.

8.3 ***Social Housing Development Fund:*** The HRA Business Plan allows for an annual Social Housing Development Fund rising to £1m per year in Year 4 (2016/17) and beyond – see section 8 of the Housing Revenue Account 30 Year Business Plan in Item 9 on this agenda.

8.4 ***Provision for Repayment of Borrowing:*** the budget proposal shows the amount that is expected to be available to repay both the new HRA self-financing settlement debt and the existing HRA share of overall capital borrowing taken out by the Council in previous years to fund capital work. The Council's Strategic Finance Officer and Strategic Director are currently considering guidance on how to get the best benefit from the various treasury management options available, and this figure will be updated as decisions are made.

9 HRA Reserves

9.1 The Council's current financial strategy includes an expectation that the HRA will maintain its 'working balance' reserves at a minimum in the region of £900,000 (£150 per property). As referred in the S151 Officers Robustness Statement within the General Fund Revenue Estimates report Appendix A earlier on the agenda for this meeting, it is proposed to increase minimum reserves to £1,800,000 (£300 per property). This takes into account the additional risk to the HRA Business Plan following the move to Self Financing. The 2012/13 Draft Budget includes provision to increase reserves to this level.

10 Corporate Scrutiny Comments

10.1 There were no comments from Corporate Scrutiny at its meeting of 26 January 2012.

11 Finance Comments

11.1 This is a finance report and there are no additional comments.

12 Legal Comments

12.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 (the "1989 Act") to keep a Housing Revenue Account (HRA) unless the Secretary of State has consented to their not doing so. The account must show income and expenditure coming from the Council's activities as landlord under Part II of the Housing Act 1985. Section 75 of the 1989 Act sets out an obligation for the HRA to show the major elements of housing revenue expenditure – maintenance, administration, and contributions to capital costs – and how these are met by rents, subsidy and other income.

- 12.2 The Local Government and Housing Act 1989 'ringfenced' the HRA: local authorities can only include items in the HRA for which there is statutory provision, and transfers of income and expenditure between the HRA and the General Fund are only allowed in very specific circumstances. In essence, rents cannot be subsidised by transfers from the General Fund, and council tax cannot be subsidised by transfers from the HRA.
- 12.3 The reform of council house financing is taking place under authority of Part 7 Chapter 3 of the Localism Act 2011 (November 2011).

13 Links to Corporate Aims

- 13.1 The draft budget proposals for 2012/13 have been prepared in line with the HRA Business Plan. The Housing Revenue Account is directly linked to the Affordable Housing corporate aim.

14 Environmental and Community Safety Implications

- 14.1 Environmental and community safety implications have been considered in arriving at the draft budget proposals for 2012/13.

15 Equalities Impact

- 15.1 The proposed rent increase will apply to all tenants and as such no potential discrimination amongst the protected groups has been identified.
- 15.2 To help support tenants on low incomes Housing Services will continue to provide a number of initiatives to enable them to manage their finances and maximise their income:
- Publish clear information on rent which helps tenants to manage their own finances;
 - Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs;
 - Take action to raise the awareness of accessing a range of welfare benefits; and
 - Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim.

16 Risk Management

- 16.1 The risks associated with the proposed budget have been considered, with a detailed risk analysis being undertaken through the development of the Draft HRA Business Plan 2012-2042, in support of which the Draft Budget has been prepared.

17 Partnership Implications

17.1 None for the purposes of this report.

18 Recommendation

18.1 That the Executive recommend to Full Council the approval of the average rent increase of 7.45%.

18.2 That the Executive recommend to Full Council the approval of the Draft Housing Revenue Account Budget 2012/13.

Background Papers

Executive 7 December 2011 – Fees and Charges

Corporate Scrutiny 26 January 2012 – Housing Revenue Accounts Estimates 2012/13

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APPENDIX A

PROPOSED HOUSING REVENUE ACCOUNT 2012/13 (UPDATED)

	2011/12 Budget £	2012/13 Estimate £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Income						
Dwelling Rents	(21,095,570)	(22,735,410)	(23,126,100)	(23,904,200)	(24,971,410)	(25,685,180)
Non Dwelling Rents	(585,540)	(553,460)	(572,830)	(592,880)	(613,630)	(635,110)
Charges for services/facilities	(366,460)	(390,900)	(404,580)	(418,740)	(433,400)	(448,570)
Contributions from GF towards shared expenditure	(259,360)	(266,040)	(275,350)	(284,990)	(294,960)	(305,280)
Government Subsidy	7,001,950	0	0	0	0	0
Supporting People income	(299,090)	(254,090)	(215,980)	0	0	0
TOTAL INCOME	(15,604,070)	(£24,199,900)	(£24,594,840)	(£25,200,810)	(£26,313,400)	(£27,074,140)
Expenditure						
Management	3,150,300	3,297,780	3,413,200	3,532,700	3,656,300	3,784,200
Maintenance	5,818,030	6,168,440	6,382,700	6,606,100	6,837,200	7,076,500
Special Services	1,366,080	1,404,970	1,454,100	1,505,000	1,557,700	1,612,300
Increase In Provision for Bad Debt	50,000	80,140	111,050	120,800	126,120	129,750
Depreciation (MRA)	3,938,230	6,269,770	6,385,190	6,535,910	6,690,170	6,849,220
Debt Management Expenses	14,710	21,340	22,100	22,900	23,700	24,500
TOTAL EXPENDITURE	14,337,350	£17,242,440	£17,768,340	£18,323,410	£18,891,190	£19,476,470
NET COST OF SERVICES	(£1,266,720)	(£6,957,460)	(£6,826,500)	(£6,877,400)	(£7,422,210)	(£7,597,670)
Other Costs and Income						
Payment of Interest	617,070	3,872,760	3,872,760	3,706,160	3,617,030	3,526,800
Interest Income	(96,720)	(126,890)	(45,410)	(52,270)	(42,360)	(30,700)
NET OPERATING EXPENDITURE (INCOME)	(£746,370)	(£3,211,590)	(£2,999,150)	(£3,223,510)	(£3,847,540)	(£4,101,570)
Appropriations						
Direct Revenue Funding of Capital (DRF)	361,270	0	765,000	1,143,000	1,464,620	1,509,440
Transfers to General Fund	560,440	200,000	200,000	200,000	200,000	200,000
Social Housing Development Fund	0	300,000	500,000	500,000	1,000,000	1,000,000
Provision for Repayment of Borrowing	0	2,223,660	1,534,150	1,380,510	1,182,920	1,392,130
HRA (SURPLUS) / DEFICIT	£175,340	(£487,930)	£0	£0	£0	£0

PROPOSED HOUSING REVENUE ACCOUNT 2012/13 (continued)

	2011/12 Budget £	2012/13 Estimate £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
HRA FUND BALANCE						
Estimated balance b/f 1 April (rounded)	(1,592,410)	(1,312,070)	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)
Transfer from reserves 2011/12	105,000	0	0	0	0	0
HRA (surplus) / deficit each year	175,340	(487,930)	0	0	0	0
Estimated balance c/f 31 March (rounded)	(£1,312,070)	(£1,800,000)	(£1,800,000)	(£1,800,000)	(£1,800,000)	(£1,800,000)

NOTE:

The £1.8m minimum Fund Balance reserve figure is based on a minimum of approximately £165 per property for maintenance costs and a further allowance for HRA debt settlement.

**PROPOSED HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2012/13
REPAIRS AND MAINTENANCE EXPENDITURE SHOWING COST CENTRES**

Cost Centre	Heading	Original Budget 2011/12 £	Current Budget 2011/12 £	Forward Estimate 2012/13 £
103097	Responsive <i>Includes</i> Internal recharges – previous maintenance costs have been moved to 108915 for clarity.	378,030	378,030	(5,850)
108914	Void (Relets) <i>Includes</i> All painting and maintenance work needed to bring void homes up to standard.	1,099,930	1,099,930	1,099,930
108915	General Maintenance <i>Includes</i> Responsive repairs: structural work; finishings and fittings, water and sanitary services, external site works, damp and condensation remedial work, re-instatement of aids and adaptations, enhancement of DAP accommodations, post-vandalism remedial work, felt roofing, metal windows and doors, fencing.	1,879,710	1,879,610	2,625,450
108916	Electrical Gas Servicing <i>Includes</i> Electrical repairs, repairs to storage heaters, gas servicing and maintenance.	1,407,350	1,407,350	1,407,350
108917	Underground Drainage	80,000	80,000	80,000
108918	Garage Maintenance	32,760	32,760	32,760
108919	Shops Maintenance	8,740	8,740	8,740
108920	Pre Planned Maintenance <i>Includes</i> All work done to a planned schedule.	300,000	300,000	300,000
108921	Specialist Works <i>Includes</i> Asbestos survey and register maintenance; mobility and access adaptations; door entry system maintenance, smoke detector replacement, water-main repairs, Energy Performance Certificate and sustainable energy contingency works.	577,940	577,940	577,950
108922	Leasehold Flats <i>Includes</i> Work on leasehold (sold) flats.	53,670	53,670	42,110
Maintenance		£5,818,130	£5,818,030	£6,168,440

As part of work producing the Draft HRA Business Plan 2012-2042, the Service is improving data held within its 'Codeman' property-condition database, and that will provide much more accurate information for budgeting within each cost-centre.

**PROPOSED HOUSING REVENUE ACCOUNT BUDGET SUMMARY 2012/13
COST CENTRE SUMMARY BY TYPE OF INCOME AND EXPENDITURE**

The tables below show how each line in Appendix A is made up, using the national comparison definitions for each type of income or expenditure. Cost centre usage was improved in late 2011/12 as part of preparation for HRA self-financing reform, and cost-centre descriptions will be further improved during 2012/13 to improve management information. Cost centres 103061, 103120 and 108931 in particular can now be better analysed, with more information becoming available about how to fit the service itself into more descriptive and appropriate cost centres.

Some movements in budget to note are:

- Garage rent income for 2012/13 is reduced based on the actual numbers expected to be rented;
- 102921 Service Charges identifies items paid with rent accounts previously included in 102868 General needs housing Dwelling Rents. During 2012/13 this re-analysis work will continue, particularly aimed at showing the Sheltered Accommodation and Supporting People payments from individuals that are currently in Dwelling Rents.

Cost Centre	Heading	Original Budget 2011/12 £	Current Budget 2011/12 £	Forward Estimate 2012/13 £
Income:				
102868	General needs housing	(21,361,660)	(21,361,660)	(22,735,410)
Dwelling Rents		(£21,361,660)	(£21,361,660)	(£22,735,410)
102912	Garages	(468,040)	(468,040)	(429,380)
102919	Shops Land	(117,500)	(117,500)	(124,080)
Non Dwelling Rents		(£585,540)	(£585,540)	(£553,460)
102903	Sheltered Accommodation	(100,370)	(100,370)	(109,910)
102921	Service Charges	0	0	(280,990)
Charges for services/facilities		(£100,370)	(£100,370)	(£390,900)
103039	In respect of transferred dwellings	0	(259,360)	(266,040)
Contributions towards shared expenditure (GF)		0	(£259,360)	(£266,040)
103061	HRA Subsidy Receivable	11,356,200	0	0
103444	Transfer of Assumed Surplus to CLG	0	7,001,950	0
Government Subsidy		£11,356,200	£7,001,950	£0
102948	Supporting People Services	0	0	0
103051	Grants and Supporting People Initiatives	0	(299,090)	(254,090)
Supporting People income		£0	(£299,090)	(£254,090)
Total income		£10,691,370	£15,604,070	(£24,199,900)

Cost Centre	Heading	Original Budget 2011/12 £	Current Budget 2011/12 £	Forward Estimate 2012/13 £
Expenditure:				
103120	Policy & Management	430,440	620,570	1,677,370
103122	Managing Properties	(16,360)	(16,360)	(87,160)
103140	Rent Collection & Accounting	957,370	957,370	852,700
108931	Rentals on Property	2,027,430	1,967,820	672,940
109649	Tenant Empowerment	136,340	136,340	136,930
110640	Tenants Forum	0	45,000	45,000
Management		£3,535,220	£3,710,740	£3,297,780
103097	Responsive	378,030	378,030	(5,850)
108914	Voids (Relets)	1,099,930	1,099,930	1,099,930
108915	General Maintenance	1,879,710	1,879,610	2,625,450
108916	Electrical Gas Servicing	1,407,350	1,407,350	1,407,350
108917	Underground Drainage	80,000	80,000	80,000
108918	Garage Maintenance	32,760	32,760	32,760
108919	Shops Maintenance	8,740	8,740	8,740
108920	Pre Planned Maintenance	300,000	300,000	300,000
108921	Specialist Works	577,940	577,940	577,950
108922	Leasehold Flats	53,670	53,670	42,110
Maintenance		£5,818,130	£5,818,030	£6,168,440
108928	Supported/Sheltered Housing	621,400	585,830	618,050
108929	Extra Care Services	891,960	780,250	786,920
Special Services		£1,513,360	£1,366,080	£1,404,970
103457	Inc/Dec in provision	0	50,000	80,140
Increase in Provision for Bad Debt		£0	£50,000	£80,140
103382	Depn & Impairment of Dwellings	0	3,938,230	6,269,770
103393	Depn & Impairment of Other HRA Assets	0	0	0
Capital Charges Depreciation		£0	£3,938,230	£6,269,770
103467	Debt Management Costs	0	14,710	21,340
Debt Management Expenses		£0	£14,710	21,340
101386	HRA External Interest Payable	0	617,070	3,872,760
Repayment of Interest		£0	£617,070	£3,872,760
101390	HRA Interest & Investment Income	0	(126,890)	(126,890)
Interest Income		£0	(£126,890)	(£126,890)
109786	SMHRAB CAP EX HRA	0	361,270	0
RCCO/Direct Revenue Funding of Capital		£0	£361,270	0

continued

Cost Centre	Heading	Original Budget 2011/12 £	Current Budget 2011/12 £	Forward Estimate 2012/13 £
	Transfers to General Fund	0	0	200,000
	Transfers to General Fund	£0	£0	200,000
CC tba	Social Housing Development Fund	0	0	300,000
	Transfers to Social Housing Development Fund	£0	£0	300,000
	Provision – Cost Centre TBA	0	0	2,223,660
	Provision for Repayment of Borrowing	£0	£0	£2,223,660
	(SURPLUS) / DEFICIT	175,340	£175,340	(£487,930)

(UPDATED)

APPENDIX D

Equality Impact Assessment – Council Dwellings Rent Increase

Responsible person	Stephen Boland	Job Title: Housing Services Lead
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Proposed new policy or service	
	Change to Policy or Service	
	Budget/Financial decision – MTFP	√
	Part of timetable	
What are you completing the Equality Impact Assessment on (which policy, service, MTFP proposal)	Annual rent increase 2012/13	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy?	To ensure continued investment in the management and maintenance of the housing stock to ensure it meets the needs of all tenants, and continued support for arrange of vulnerable groups.	
Which protected groups are targeted by the policy?	1. Age; 2. Disability; 3. Gender Reassignment; 4. Pregnancy and Maturity; 5. Race; 6. Religion or belief; 7. Sex; 8. Sexual Orientation; 9. Marriage and civil partnership	
What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used The information can be found on....	1. Engagement Consultation and regular meetings with the Tenant Services Management Board and wider consultation with tenants, staff, members and other stakeholders in the development of the HRA Business Plan 2012 – 2042 throughout 2011. The business plan reflects the Council’s current rent policy. This reflects national social rent policy to move Council rents to a target rent based on property value and local earnings. The aim of this policy is that rents charged by all social landlords (whether council or housing association) converge. This business plan assumes convergence by 2015/16. Up until convergence, rents move gradually to target over 4 years, with maximum increases limited to inflation (RPI) + 0.5% + £2. After convergence with target, rents increase by inflation (RPI) + 0.5%. The financial viability of the business plan is dependent on annual rent increases being agreed in line with this policy. Any divergence from this policy will impact on business plan resources and on the deliverability of actions in this plan.	

Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality

The proposed rent increase will apply to all tenants and as such no potential discrimination amongst the protected groups has been identified. To help support tenants on low incomes Housing Services will continue to provide a number of initiatives to enable them to manage their finances and maximise their income:

- *Publish clear information on rent which helps tenants to manage their own finances;*
- *Signpost tenants to a relevant benefit agency to help ensure they are maximising their income to meet their living costs;*
- *Take action to raise the awareness of accessing a range of welfare benefits; and*
- *Provide the opportunity to access direct support in checking they are in receipt of the welfare benefits they are entitled to claim.*

I have concluded that there is/should be:

No major change - no adverse equality impact identified	No major change as no adverse equality impact on the protected groups.
Adjust the policy	
Continue with the policy	
Stop and remove the policy	

Reasons and documentation to support conclusions

Section four – Implementation – timescale for implementation

The proposed increase in rent will be applicable from April 2012

Section Five – Sign off

Responsible officer: Stephen Boland
Date: 16th January 2012

Management Team: Housing Services
Date: 16th January 2012

Section six – Publication and monitoring

Published on

Next review date

Date logged on Covalent

Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table					
Service area				Date	
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions