



NORTHAMPTON
BOROUGH COUNCIL

Council

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Item No.

Report of:

Citizens, Governance & Finance

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HRA Budget 2006/2007

Purpose of Report

To agree the HRA Budget and rent increases for 2006/2007 as recommended by Improvement Board 2nd February 2006 and Executive 16th February 2006.

Recommendations

1. To agree an average rent increase of 3.83% per dwelling per week (on a 48 week basis), in line with the Government's rent restructuring regime, with effect from 1 April 2006. This percentage will vary from property to property depending on the formula rent calculation.
2. To increase Warden and Call Care charges (excluding Eleanore House) by 2.5%, subject to the Supporting People allowable increase; lifeline charges (excluding other organisations) by 6%; and heating and garages charges by 3.0%. The charges would then be as shown in Appendix A.
3. To agree the budget for 2006/2007, including the individual cash limits set out in Appendix B, and capital expenditure in 2006/2007 of £7.488M funded by the Major Repairs Allowance.

Summary and Links to Corporate Plan

The HRA is a major contributor to the achievement of decent homes for all.

Background

The Housing Revenue Account has been subject to the same zero base budget review of staffing costs as the General Fund Budget. Staffing costs now clearly reflect underlying staffing levels and current structures.

The budget set out below reflects current service provision levels and levels of recharges to the General Fund. It is intended to carry out a review of the HRA Budget during 2006/2007 to ensure budgets reflect priorities.

Rent Structuring

The average rent increase is determined by the Government Rent Restructuring formula, which has been allocated for 2006/2007 in line with the ODPM's three-year review. The amended rent calculation no longer includes a "lower limit" resulting in reduced rents for some properties. The percentage increase will vary from property to property depending on the formula rent calculation. The table below shows the range of rent increases for 2006/2007: -

Rent Increase	No of Properties	%age of Total
Above 7%	25	0.20%
6% to 7%	540	4.33%
5% to 6%	1,145	9.19%
4% to 5%	3,641	29.23%
3% to 4%	5,013	40.25%
2% to 3%	1,656	13.29%
1% to 2%	277	2.22%
0% to 1%	107	0.86%
Below 0%	53	0.43%

HRA Subsidy

The subsidy determination for 2005/2006 included major changes that affect NBC these are:

- Management and Maintenance Allowances formula changes
- Changes in the calculation of notional income from rents

Two major components of the housing subsidy calculation are notional rent and management and maintenance allowance. All other things being equal an increase in the guideline rent affecting the notional rent figure reduces the amount of subsidy paid, whereas an increase in management and maintenance allowances partly compensates for subsidy changes to rents.

Management and maintenance allowances are smaller than notional rent allowances the effect of this for NBC is a decreasing subsidy figure, which is the underlying reason for the HRA going into deficit in future years.

The summary below shows the estimate for 2006/2007 compared to 2005/2006.

	2006/2007 Estimate £M	2005/2006 Estimate FM
Management and Maintenance	18.816	16.576
Major Repairs Allowance	7.488	7.198
Charges for Capital	1.010	0.955
Allowances for Admissible Set Aside	0.030	0.060
Interest on Receipts	-0.007	-0.008
Notional Income from Rents	-34.502	-31.844
HRA Subsidy Entitlement – Housing Element	-7.164	-7.062
Housing Defects	4.881	5.414
Total	-7.159	-7.057

HRA Budget

The Housing Revenue Account budget includes the effect of rent increases and charges increases outlined above. The detailed budget figures are contained in Appendix B.

HRA Investment Fund

There is an amount of £3.0M within the budget available for investment in 2005/2006. The Executive in conjunction with tenants as part of the consultation process will need to consider how this is to be allocated. To be consistent with the housing option appraisal a large proportion of this figure should be allocated as a revenue contribution to capital to be spent on the decent homes standard works. Some potential pressures have been identified at Appendix C, which will need to be considered against this fund.

Supporting People

Supporting people, the Government programme for vulnerable people started in April 2003, is a working partnership of district and county council, service users, probation and support agencies. Supporting people services provide housing related support to people who live in specialist supported housing such as sheltered accommodation and Brer Court. The Supporting People strategy suggests an integrated approach to planning and commissioning services through the Local Area Agreements to achieve locally set outcomes. This may have implications for current funding regimes.

A review of Warden Services is currently being conducted and proposals have not yet been fully costed. Provision has been made in the budget on the basis of current arrangements. An amount of £100k will be transferred from the boroughs sheltered accommodation budget to fund the extra care scheme at Duston during 2006/7. Any changes in the overall funding level will impact on the HRA Working Balance.

Summary of Overall Position

The summary of the overall position is given below.

	2006/2007	2007/2008	2008/2009
	£M	£M	£M
Housing Services	8.022	7.553	7.774
Housing Property Maintenance	8.210	8.496	8.991
Sheltered Housing	1.732	1.812	1.868
Customer Services, Participation & Consultation and Homelessness	1.398	1.468	1.516
HRA Subsidy	7.695	8.451	8.451
Housing Rents & Other Income	-38.231	-40.272	-40.510
Net Expenditure (Cash Limit)	-11.174	-12.491	-11.910
Net Recharges to General Fund	3.302	3.385	3.469
Major Repairs Allowance – Capital	7.488	7.988	8.099
Capital Financing Costs	-0.278	-0.228	-0.178
Net Transfer From/To Working Balance	-0.662	-1.646	-0.720
Working Balance b/f	-3.555	-4.217	-5.863
Working Balance at 31st March	-4.217	-5.863	-6.583

As can be seen by the above summary the HRA financial position is healthy. The working balance is projected to be £4.2M at the end of 2006/2007 rising to £6.6M at the end of 2008/2009. The forecast years are based on current projections of expenditure and income; however, the further into the future this is taken the less certain any forecast can be.

Capital Programme

The budget includes £7.488M for Capital Expenditure in 2006/2007 funded by the Major Repairs Allowance. This funding is ring-fenced to the HRA. Any capital Expenditure above the level will need to be considered as part of the review of the 2006/2007 Capital Programme outlined in the General Fund Budget report elsewhere on this agenda.

SUMMARY OF PROPOSED RENT AND CHARGES INCREASES

	Present £	Proposed £
Garages (+VAT in some cases)	5.89	6.07
Commuter surcharge on garages (+VAT in some cases)	9.49	9.77
Wardens (For tenants resident prior to 31/03/03) *		
- Sheltered	5.87	6.02
- Very Sheltered	6.89	7.06
Wardens & Call Care (For tenants resident after 31/03/03) *		
- Sheltered	13.24	13.57
- Very Sheltered - Eleonore House	62.04	62.04
- Very Sheltered - Nicholls House	18.57	19.03
Call Care (For tenants resident prior to 31/03/03) *		
- Sheltered	1.66	1.70
- Very Sheltered	1.66	1.70
- Semi Sheltered	3.19	3.27
Call Care (For tenants resident after 31/03/03) *		
- Semi Sheltered	4.81	4.93
Lifelines #		
- In Borough	3.32	3.52
- Outside Borough	3.60	3.82
Lifeline Installation Charge #		
- In Borough	30.00	40.00
- Outside Borough	49.00	49.00
Communal Heating	6.88	7.09

Notes

N.B The final charges may differ slightly due to roundings

Increases agreed as part of last year's Savings & Investments process

Appendix B

All Housing Revenue Account	Cash Lim.	Forecast	Forecast
Housing Revenue Account Budget	06/07	07/08	08/09
	£'000	£'000	£'000
<i>Participation & Consultation</i>	82	85	88
<i>Customer Services Housing Admin</i>	109	115	119
<i>Customer Services Housing</i>	999	1,052	1,087
<i>Customer Services Housing Technical</i>	107	112	115
<i>Housing Services</i>	8,022	7,553	7,774
<i>Homelessness</i>	101	104	107
<i>Housing Property Maintenance</i>	8,210	8,496	8,991
<i>HRA Subsidy</i>	7,695	8,451	8,451
<i>Sheltered Housing</i>	1,732	1,812	1,868
<i>Housing Rents & Other Income</i>	-38,231	-40,272	-40,510
Net Expenditure (Cash Limit)	-11,174	-12,491	-11,910

All Housing Revenue Account	Cash Lim.	Forecast	Forecast
Housing Revenue Account Budget	06/07	07/08	08/09
	£'000	£'000	£'000
Employees	9,539	10,023	10,348
Premises	10,709	11,009	11,345
Transport	677	693	715
Supplies & Services	6,655	5,958	6,107
Agency & Contracted	15	15	15
Transfer Payments	2,457	2,218	2,218
Total Expenditure (Cash Limit)	30,052	29,916	30,747
Income	-41,226	-42,407	-42,657
Total Income	-41,226	-42,407	-42,657
Net Expenditure (Cash Limit)	-11,174	-12,491	-11,910

Citizen Engagement		Cash Lim.	Forecast	Forecast
Housing Revenue Account Budget		06/07	07/08	08/09
		£'000	£'000	£'000
<i>Participation & Consultation</i>				
H083	HRA Tenant Participation	82	85	88
		82	85	88
	Net Expenditure (Cash Limit)	82	85	88

Citizen Engagement	Cash Lim.	Forecast	Forecast
Housing Revenue Account Budget	06/07	07/08	08/09
	£'000	£'000	£'000
Employees	64	68	70
Transport	0	0	0
Supplies & Services	17	17	18
Total Expenditure (Cash Limit)	82	85	88
Total Income	0	0	0
Net Expenditure (Cash Limit)	82	85	88

Housing Services		Cash Lim.	Forecast	Forecast
		06/07	07/08	08/09
Housing Revenue Account Budget		£'000	£'000	£'000
<i>Housing Services</i>				
H086	Rents, Rates, Taxes	133	139	144
H087	General Management	2,742	2,984	3,073
H088	Communal Heating	291	305	317
H089	Communal Lighting	210	240	250
H090	Caretaking & Cleaning	307	322	333
H091	Lifts	58	63	65
H092	Maintenance Greens & Shrubs	1,017	1,044	1,075
H093	Environmental Enhancement	119	119	123
H095	Television & Wireless	89	94	97
H097	Single Persons Accommodation	107	110	113
H423	HRA Unidentified Variations	2,948	2,131	2,184
		8,022	7,553	7,774
<i>Homelessness</i>				
H102	Provision For The Homeless	101	104	107
		101	104	107
<i>HRA Subsidy</i>				
H031	HRA Subsidy	7,695	8,451	8,451
		7,695	8,451	8,451
<i>Sheltered Housing</i>				
H098	Community Rooms	73	77	80
H099	Supporting People	1,631	1,706	1,759
H100	Wardens	29	29	30
		1,732	1,812	1,868
<i>Housing Rents & Other Income</i>				
H021	Dwelling Rents	-37,459	-39,153	-39,264
H024	Non-Dwelling Rents	-1,216	-1,253	-1,291
H026	Charges For Services	-1,795	-1,901	-2,013
H029	Contribution To Expenditure	-665	-643	-631
H108	Provision For Bad Debts	446	460	471
H420	Rent Rebate Subsidy Deductions	2,457	2,218	2,218
		-38,231	-40,272	-40,510
Net Expenditure (Cash Limit)		-20,681	-22,352	-22,310

Housing Services	Cash Lim.	Forecast	Forecast
Housing Revenue Account Budget	06/07	07/08	08/09
	£'000	£'000	£'000
Employees	3,257	3,451	3,563
Premises	2,455	2,590	2,673
Transport	96	99	101
Supplies & Services	4,488	3,783	3,878
Agency & Contracted	15	15	15
Transfer Payments	2,457	2,218	2,218
Total Expenditure (Cash Limit)	12,768	12,156	12,447
Income	-33,449	-34,507	-34,757
Total Income	-33,449	-34,507	-34,757
Net Expenditure (Cash Limit)	-20,681	-22,352	-22,310

Street Scene & Property Maintenance		Cash Lim.	Forecast	Forecast
		06/07	07/08	08/09
		£'000	£'000	£'000
Housing Revenue Account Budget				
<i>Housing Property Maintenance</i>				
H096	Improvement Schemes	6	6	6
H103	Repairs Operational Account	-1,550	-1,514	-1,325
H104	HRA Repairs	7,995	8,172	8,418
H105	Repairs Administration	1,611	1,681	1,736
H328	Misc Communal Services	149	151	156
		8,210	8,496	8,991
	Net Expenditure (Cash Limit)	8,210	8,496	8,991

Street Scene & Property Maintenance	Cash Lim.	Forecast	Forecast
Housing Revenue Account Budget	06/07	07/08	08/09
	£'000	£'000	£'000
Employees	5,044	5,267	5,437
Premises	8,243	8,408	8,661
Transport	579	592	611
Supplies & Services	2,122	2,129	2,182
Total Expenditure (Cash Limit)	15,988	16,396	16,891
Income	-7,778	-7,900	-7,900
Total Income	-7,778	-7,900	-7,900
Net Expenditure (Cash Limit)	8,210	8,496	8,991

Customer Services		Cash Lim.	Forecast	Forecast
		06/07	07/08	08/09
		£'000	£'000	£'000
Housing Revenue Account Budget				
<i>Customer Serv Hse Admin</i>				
H080	HRA Admin Support	109	115	119
		109	115	119
<i>Customer Services Housing</i>				
H082	HRA Customer Services	999	1,052	1,087
		999	1,052	1,087
<i>Customer Serv Hse Technical</i>				
H081	HRA Technical Support	107	112	115
		107	112	115
	Net Expenditure (Cash Limit)	1,215	1,279	1,321

Customer Services	Cash Lim.	Forecast	Forecast
Housing Revenue Account Budget	06/07	07/08	08/09
	£'000	£'000	£'000
Employees	1,174	1,237	1,278
Premises	11	12	12
Transport	2	2	2
Supplies & Services	28	28	29
Total Expenditure (Cash Limit)	1,215	1,279	1,321
Total Income	0	0	0
Net Expenditure (Cash Limit)	1,215	1,279	1,321

Appendix C

Potential Bids Against HRA Investment Fund

<u>Ref.</u>	<u>Description</u>	<u>2006/2007</u> <u>£000</u>
1	<u>Training</u> Cost of training non-electrical trades people in multi-task and multi-skilled activities. Spend to save, links with new pay structure.	100
2	<u>Programmed Repairs</u> Gas servicing prices within the industry have increased significantly. The contract is due to be re-negotiated in 2006/2007 and a price increase is anticipated.	350
3	<u>Programmed Repairs</u> Maintenance Contract costs are escalating due to local demand for both labour and materials. An increase in the budget is required to maintain the level of activity.	250
4	<u>Professional Services</u> Budget required to pay for barrister input and junior support from legal services to obtain Access Warrants to properties if necessary, to allow gas servicing to take place	20
5	<u>Professional Services</u> As part of the Stock Condition Survey, 2500 properties need to be surveyed per annum. Cost of employing a contractor to carry out this work.	90
6	<u>Lifeline Charges</u>	11
7	<u>Professional Services</u> To contract a community mediation service from an external provider to provide an additional tool for resolving nuisance/ASB cases.	15
8	<u>Professional Services</u> Development of an Asset Management Strategy, Investment Plan and Procurement Strategy.	310
9	<u>Repair & Maintenance of Buildings</u>	50
10	<u>Vehicles</u> Vehicle Tracking System and the introduction of a full Mobile Working Package	180
11	<u>Other Minor Variations</u>	10