



**NORTHAMPTON
BOROUGH COUNCIL**

Item No.

9A

Name of Committee	CABINET
Directorate:	Citizens, Finance, and Governance
Corporate Manager / Director:	Ian Thompson
Date:	29 th January 2007

Report Title	Housing Revenue Account Forecast Outturn 2006/07
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Key Decision	Yes
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1. Recommendations

- 1.1 That the anticipated Housing Revenue Account (HRA) outturn position be noted (detailed at Appendix 1);
- 1.2 That HRA earmarked reserves (detailed in Appendix 4) be transferred back into HRA working balances;
- 1.3 That the anticipated revenue impact of the financing of the HRA capital programme be noted and approved.

2. Summary

Cabinet approved the budgets for the HRA for 2006/07 on 16th February 2006. This report

- Indicates the anticipated outturn position for the HRA for 2006/07,
- Identifies the impact of capital financing on the HRA, and
- Identifies the level of HRA working balances anticipated to be available at 1st April 2007, and therefore the opening balance of HRA working balances to be considered in setting the HRA budgets 2007/08 considered elsewhere on this agenda.

3. Report Background

Rent Rebates Subsidy Limitation

Up to and including the 2003/04 financial year, rent rebates were accounted for within the HRA. Each year the Government set a maximum level of rent rise on which it would pay rent rebate subsidy. This was colloquially known as the 'rent cap'. Some Councils, including Northampton, raised rents above the level specified by the Government, thus limiting the amount of subsidy received. From the 2004/05 financial year, rent rebates have been accounted for in the General Fund. Subsidy payable by the Government in respect of rent rebates has continued to be limited. In order to negate the potential adverse financial effects to the General Fund, a transfer equal to the reduced subsidy is made from the HRA to the General Fund. The methodology for calculating this transfer is set down in regulations and is based on the levels of rent rebates paid, average rent charged to HRA tenants, and the capping level for that year. The actual cost of this transfer can only be finally determined after the Housing Benefit subsidy claim has been finalised. The claims for 2004/05 and 2005/06 have yet to be finally agreed by the Government, although based on the anticipated position there will be an additional payment required for previous years of £570,000 and a reduced transfer in respect of 2006/07, compared to the budget, of £556,000. The net effect for 2006/07 is £14,000.

Housing Repairs Account

From 2006/07 Northampton has operated a Housing Repairs Account. The Housing Repairs Account sits as a separate account within the HRA ring fence. The Housing Repairs Account is intended to equalise the effect to the HRA of Housing Repairs from year to year and can carry its own balance from one year to another.

In the original budget the transfer to the Housing Repairs Account was shown within the Street Scene and Property Maintenance service area. The transfer to the Housing Repairs Account is now under the control of the Corporate Manager for Housing Services. The Housing Repairs Account itself is under the control of the Corporate Manager for Street Scene and Property Maintenance. This arrangement will provide additional control over Housing Repairs expenditure. Details of the Housing Repairs Account projections for 2006/07 are shown at Appendix 3. Appendix 3 shows an indicative breakdown between different types of work. Also shown within this Appendix is the anticipated level of work to be capitalised and therefore financed through the HRA capital programme.

For 2006/07 the transfer to the Housing Repairs Account is anticipated to increase by £470,000 to cover the additional costs of voids and gas maintenance and other improvements in the delivery of Housing repairs. £225,000 is shown in Appendix 1 against the transfer to the Housing Repairs Account line and £245,000 is within the anticipated expenditure shown against the 'Improvement Fund' (detailed in Appendix 2).

Interest & Financing Costs

The HRA is anticipated to receive a slightly improved level of interest. This however has been netted off against additional revenue financing of the HRA capital programme. The Housing voids programme incorporates some substantial

improvement work which is undertaken on individual properties whilst they are empty. This work is capital in nature and therefore should be funded through the HRA capital programme. Appendix 3 indicates the anticipated level of capitalisation from the Housing Repairs Account. This work can then be financed from HRA Capital resources. As part of the financing of the HRA capital programme it is necessary to include an element of revenue funding which is anticipated to be in the region of £4m for the 2006/07 financial year. This is included as a source of financing in the report on the HRA capital programme shown elsewhere on this agenda.

Working Balance B/f

The final HRA position for 2005/06 was an improvement on the forecast position which was used for budget purposes. The level of balances brought forward in to 2006/07 was increased by £1,083,000 net.

Earmarked Reserves

The Council can earmark amounts of reserves for specific purposes. These purposes must be clearly identified and substantiated. Earmarked reserves are then set up to hold these specified balances to fund the identified future expenditure. This Council holds a number of earmarked reserves which have been set up for a number of different purposes, some of which are set up for HRA purposes. A breakdown of these is shown at Appendix 4. It is proposed that these earmarked reserves are brought back in to the HRA working balances for 2006/07 and that any new proposals to set up earmarked reserves for HRA purposes are brought back to a future meeting of Cabinet.

Improvement Fund

The budget for 2006/07 referred to an "Improvement Fund". This included an amalgamation of a number of budgets including any additional contribution to Housing Repairs in respect of improving voids and maintenance backlogs, and any Revenue Contribution to Capital Expenditure (RCCE). Appendix 3 shows the anticipated use of this budget for 2006/07. For 2007/08 onwards this budget will be included within relevant services and shown separately as proposed levels of RCCE within the Interest and Financing Costs budget.

4. Options and Evaluation of Options

N/a

5. Resource Implications (including Financial Implications)

Included above

6. Risk and Opportunity Issues

N/a

7. Consultees (Internal and External)

Internal	
External	

8. Compliance Issues

A: How Proposals Deliver Priority Outcomes

Recovery Plan
N/a
Corporate Plan
N/a

B: Other Implications

Other Strategies
N/a


Finance Comments
None additional to the above.

Legal Comments

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9. Background Papers

Title	Description	Source

Name	Signature	Date	Ext.
Author	Bill Lewis Technical Finance Manager	23/01/2007	7167
Corporate Manager	N/a		
Director	Ian Thompson	24/01/2007	8744
Monitoring Officer or Deputy (Key decision only)		26/01/2007	7335
Section 151 Officer or Deputy (Key decision only)	Bill Lewis Technical Finance Manager	23/01/2007	7167

Housing Revenue Account - Forecast Outturn Variance 2006/2007

	2006/07 Annual Budget	2006/07 Forecast Outturn (Income) / Expenditure	2006/07 Forecast Outturn (Under) / Over Spends	Note
	£000	£000	£000	
<u>Housing Services</u>				
Rent, Rates and Taxes	133	88	-45	1
General Management	2,707	2,828	121	2
Communal Heating and Lighting	501	501	0	
Caretaking and Cleaning	307	322	15	3
Lifts	58	58	0	
Maintenance of Greens and Shrubs	145	105	-40	4
Environmental Enhancement	119	119	0	
Television and Wireless	89	59	-30	5
Single Persons Accomodation	69	53	-16	6
Improvement Fund	2,948	665	-2,283	7
Transfer To Housing Repairs Account	8,235	8,460	225	8
	15,311	13,258	-2,053	
Targetted Dwellings	101	101	0	
Sheltered Housing	1,732	1,732	0	9
Housing Rents and Other Income	-40,688	-40,688	0	
Rent Rebates Subsidy Limitation	2,457	2,471	14	10
HRA Subsidy	7,695	7,150	-545	11
	-13,392	-15,976	-2,584	
<u>Regeneration, Growth and Community Development</u>				
Community Development	82	82	0	
	82	82	0	
Revenue Account Forecast Outturn	-13,310	-15,894	-2,584	
Net Recharges to the General Fund	5,438	5,438	0	
Major Repairs Allowance	7,488	7,488	0	
Interest & Financing Costs	-278	3,701	3,979	12
Net Transfer From / (To) Working Balance	-662	733	1,395	
Working Balance B/f	-3,555	-4,638	-1,083	13
HRA Earmarked Reserves	0	-611	-611	14
HRA Working Balance c/f	-4,217	-4,516	-299	

Notes to Forecast Outturn Variance 2006/07

1	Rent, Rates and Taxes - The underspend on this budget of £45k relates to reduced costs that have been incurred for Council Tax on empty properties due to improvement in the speed of turnaround of Void properties (£20k) and a credit received from Anglian water (£25k).
2	General Management - The overspend is due to the cost of a team of staff that were previously accounted for in the General Fund and have been transferred to the Housing Revenue Account. Additional costs have also been incurred for future years pensions as a result of the Root and Branch process. This additional cost has been partially offset by vacancies within the service.
3	Caretaking and Cleaning - The overspend of this budget relates to the use of temporary staff in addition to the budgeted establishment as a result of increased demand on the service.
4	Maintenance of Greens and Shrubs - The underspend on this budget relates to the delay on the commencement of a weed spraying contract to the next financial year.
5	Television and Wireless - The underspend on this service is due to lower demand on the service than anticipated.
6	Single Persons Accommodation - The underspend on this budget relates to savings on Furniture, Equipment and Tools due to the delaying replacement of carpets at Robinson House.
7	Improvement Fund - This budget was intended to represent an Improvement Fund. As explained in the body of the report, much of this budget is actually required to finance the HRA Capital Programme. Appendix 2 identifies the expenditure that has been incurred against this budget.
8	Transfer to Housing Repairs Account - In the original budget this item was shown within Streetscene and Property budgets. From 2006/07 Northampton has operated a Housing Repairs Account. The background to this is detailed in the main body of the report.
9	Sheltered Housing - Sheltered Housing charges have recently been reviewed. The results of this review are considered in another report on this agenda. The effects of this review will not affect 2006/07 and have been built in to the HRA Budgets for 2007/08 considered elsewhere on this agenda.
10	Rent Rebate Subsidy Limitation - This variation includes anticipated adjustments relating to previous years and a change in the anticipated costs for the current year. The background to this item is detailed in the main body of the report.
11	HRA Subsidy - A lower payment to the Government is required than originally anticipated.
12	Interest & Financing Costs - The HRA is anticipated to receive a slightly improved level of interest. This however has been netted off against additional revenue financing of the HRA capital programme as detailed in the main body of the report and in the HRA capital programme report elsewhere on this agenda.
13	Working Balance B/f - The brought forward working balance is improved on that originally anticipated when the estimates were compiled. This relates to an improved outturn position for the HRA for 2005/06 than anticipated when the budgets for the current year were set.
14	Earmarked Reserves - This is detailed at Appendix 4 and in the main body of the report.

Forecast 'Improvement Fund' Expenditure 2006/2007

	2006/07 Forecast Expenditure £000
Preparation for housing inspection and HRA business planning	50
Choice Based Lettings Project Manager 18 months fixed term contract	13
Environmental Enhancements	210
Reward and Recognition Scheme	2
Tenants Initiative Scheme	10
CRE Code of Practice Assessment	10
Investment Planning and Asset Management Strategy	30
NBA Continuation of Stock Condition Survey	95
Additional Transfers to Housing Repairs Account	
Multi Skilled Training	40
Access Warrants	25
Gas Contract Uplift	180
Forecast Outturn	665

Forecast Housing Repairs Account Expenditure 2006/2007

	£'000	£'000
Original Budget		8,235
Forecast Expenditure		
Improvement Schemes	14	
Responsive Repairs	3,844	
Misc Communal Services	344	
Drainage	241	
External	35	
Voids	4,045	
Target Repairs	660	
External Decorations	202	
Planned Maintenance	336	
Gas Maintenance	1,405	
Fire Damage	233	
Estate Shops	49	
Operational Heat Lease	2	
	<u>11,410</u>	
Expenditure to be Capitalised	<u>2,950</u>	
		8,460
Additional Transfer from HRA		<u><u>225</u></u>

HRA Earmarked Reserves	£
Stock Condition Survey	-8,210
Incentive Scheme	-108,860
Tenant Participation	-21,040
Environmental Enhancement Scheme	-429,000
Miscellaneous	-43,960
	<u>-611,070</u>



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Name of Committee	CABINET
Directorate:	Citizens, Finance, and Governance
Corporate Manager / Director:	Ian Thompson
Date:	29 th January 2007

Report Title	Housing Revenue Account Budgets 2007/08 to 2009/10
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Key Decision	Yes
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1. Recommendations

- 1.1 That an average rent increase of 4.76% per dwelling per week (on a 48 week basis), in line with the Government's rent restructuring regime, to take effect from 1 April 2007 be approved;
- 1.2 That Warden and Call Care charges (excluding Eleanore House) are increased in line with the Sheltered Housing Review (detailed on another report on the agenda) (as shown in Appendix 5);
- 1.3 That Heating and Eleanore House service charges are increased by 3.6% (as shown in Appendix 5);
- 1.4 That garage charges are increased by 5% (as shown in Appendix 5);
- 1.5 That the budgets for 2007/08 set out in Appendices 1 and 2 be approved subject to the results of the HRA re-basing exercise being brought back to a future meeting of Cabinet; and
- 1.6 That the potential re-prioritisation of services (detailed at Appendices 3 and 4) be considered.

2. Summary

This report requests that Cabinet agrees the HRA rent increases for 2007/08 and that Cabinet considers and approves overall HRA budgets for 2007/08 and the forecast budgets for 2008/09 and 2009/10.

3. Report Background

Background

The Housing Revenue Account (HRA) is a ring-fenced account that represents the costs of holding the Council housing stock. There are strict rules surrounding the costs and income that can be charged to this account. Much of the income and expenditure is dictated by legislation and regulation leaving the Council with direct control over a limited number of these budgets. Rental income, by far the largest single budget within the HRA, is calculated by applying the rent restructuring formula as defined by the Government.

Budgets within the HRA are currently being 're-based' (essentially re-evaluated from first principles) to reflect current service provision.

Rents and Rent Restructuring

Rents within the HRA are currently being restructured in line with the Government Rent Restructuring formula. The intention of this restructuring is to have a consistent approach to rental charges across the whole of the Public Sector housing stock.

The average rent increase and the methodology by which rents on individual properties move towards the calculated (formula) rent is determined by the Government Rent Restructuring formula, which has been allocated for 2007/08 in line with the DCLG's three-year review. The percentage change in rental charges will vary from property to property depending on the formula rent calculation. Revised rents will take effect from 1st April 2007. The table below shows the range of rent increases for 2007/08: -

Rent Increase	No of Properties	Percentage of Total
Above 7%	317	3%
6% to 7%	1,092	9%
5% to 6%	3,392	27%
4% to 5%	5,307	42%
3% to 4%	1,948	16%
2% to 3%	299	2%
Less than 2%	168	1%

Until the introduction of rent restructuring in the 2001/02 financial year, the Government set a 'limit rent' which defined the maximum amount of rent rise on which a Council would receive rent rebate subsidy. This was colloquially known as the 'rent cap'. Councils could therefore raise rents by more than the level set by the Government, an approach adopted by Northampton, but would receive a financial penalty for doing so. This had an impact in the year of the rent rise and continues to have an impact on into future years.

Through rent restructuring,

- the rent levels within the subsidy calculation,
- the limit rent for rent rebate subsidy purposes, and
- the actual rent charged to tenants are all being brought into line.

Councils which raised rents by more than the amounts specified by the Government

and benefited by doing so are now gradually seeing the corresponding benefit being removed through the rent restructuring process. This will continue to put additional increasing pressure on the HRA until the point at which all rents have been restructured.

HRA Subsidy

The subsidy budget is based on a determination received from DCLG. There are two major elements to the changes in subsidy between 2006/07 and 2007/08. These are: -

- Management and Maintenance Allowances which tend to decrease the amount of money paid to the Government. The calculation of these is formula based around types of properties and is intended to reflect the impact on HRA costs of different types of dwelling;
- Notional income from rents which tend to increase the amount of money paid to the Government. The calculation of this is formula based and forms part of the overall move to restructure rents towards a standard level for subsidy purposes and the actual rent charged to HRA tenants.

Also paid through the subsidy system is the Major Repairs Allowance which is used as part of the financing of the HRA capital programme.

The summary below shows the estimate for 2007/08 compared to 2006/07.

	2006/07	2007/08	Changes in Subsidy
	£'000	£'000	£'000
Management and Maintenance	-18,817	-19,241	-424
Major Repairs Allowance	-7,488	-7,611	-123
Capital Charges	-1,010	-1,041	-31
Allowances for Admissable Set Aside	-30	0	30
Interest on Receipts	7	5	-2
Notional Income for Rents	34,501	36,617	2,116
Rental Constraint Allowance	-13	0	13
HRA Subsidy Entitlement	<u>7,150</u>	<u>8,729</u>	<u>1,579</u>

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 1 to 2.

HRA Budget 'Re-basing' exercise

An HRA budget re-evaluation exercise is currently underway. Some effects of this have been built in to the budgets shown within this report and Appendices. For service areas where the re-basing exercise has not been fully completed, an allowance for the anticipated impact has been built in. It is anticipated that revised figures including the results of the re-basing exercise will be reported to the March

meeting of Cabinet.

The incidence of charges between the HRA and the General Fund is still under review and there may be some effects to budgets arising from this which will impact in future years.

Sheltered Housing

Sheltered housing charges have recently been reviewed. The results of this review are considered in another report on this agenda. The effects of this review will not affect 2006/07 and have been built into the HRA Budgets for 2007/08 onwards.

Un-pooling of service charges

The Government set a policy for social housing rents in the December 2000 policy statement, 'The Way Forward for Housing'. This policy included separating certain charges for service from the standard rent in order to make the charging policy to tenants clearer and fairer for the tenants of housing authorities. There are a number of these service charges which are still charged through rent including caretaking and cleaning. Work is currently underway to assess the effects of the un-pooling and it is currently anticipated that un-pooling will be implemented with effect from the 2008/09 financial year.

Housing Repairs Account

A Housing Repairs Account is used to keep a separate record of income and expenditure relating to the repair and maintenance – but not the supervision and management – of an authority's HRA houses or other HRA property. It operates within the HRA ring-fence and, as such, no transfers can be made to or from any accounts other than the HRA. Other key points are:

- (i) the account must be kept in accordance with proper practices;
- (ii) the account must be kept to **avoid a debit balance** in any year;
- (iii) authorities may make **transfers** to the account from the HRA and, in practice, will need to do so to avoid a deficit. They may also transfer some or all of any balance from the account to the HRA;
- (iv) the account must cover the **whole** of an authority's HRA stock;
- (v) if the account is closed, any balance must be transferred to the HRA.

From 2006/07 Northampton has operated a Housing Repairs Account. The Housing Repairs Account is intended to equalise the effect to the HRA of Housing Repairs and can carry its own balance from one year to another. The transfer to the Housing Repairs Account is now under the control of the Corporate Manager for Housing Services. The Housing Repairs Account itself is under the control of the Corporate Manager for Street Scene and Property Maintenance. This arrangement will provide additional control over Housing Repairs expenditure.

Contingency and Re-prioritisation

As identified above, there is an HRA re-basing exercise currently being undertaken. Since this budget report is being produced prior to completion of this exercise, a contingency against potential changes to budgets is required in order to ensure that a balanced budget is being set. For clarity this is shown as a separate line within Appendix 1.

Also included as a separate line are potential re-prioritisation items for 2007/08

which will also have an impact into subsequent years. This re-prioritisation is detailed at Appendix 3.

Summary of Overall Position

A summary of the overall position (shown in more detail at Appendices 1 and 2) is given below.

	2007/08	2008/09	2009/10
	£'000	£'000	£'000
Housing Services			
Housing Services	13,736	14,311	14,669
Targetted Dwellings	104	107	110
Sheltered Housing	1,812	1,869	1,916
HRA Subsidy	8,729	9,763	10,797
Housing Rents and Other Income	-42,050	-43,163	-44,179
Rent Rebates Subsidy Limitation	1,800	1,440	1,080
Community Development	85	87	89
Net Expenditure (Cash Limit)	-15,784	-15,586	-15,518
Net recharges to General Fund	6,015	6,165	6,320
Contingency	900	900	900
Potential Service Re-Prioritisation	187	62	62
Major Repairs Allowance	7,611	7,801	7,996
Interest & Financing Costs	1,772	1,772	1,772
Net Transfer From / To Working Balance	701	1,114	1,532
Working Balance 1st April	-4,516	-3,815	-2,701
Working Balance 31st March	-3,815	-2,701	-1,169

The financial pressure on the HRA is increasing over time. This arises from a number of factors, the main ones being: -

- Rents pressure through the rent restructuring process;
- The sale of council houses through Right to Buy whereby, broadly speaking, the better quality housing stock will be sold; and
- Repairs costs through the pressure to meet and maintain the decent homes standard.

Capital Programme

The budget for 2007/08 includes £7.6m for the Major Repairs Allowance. This can only be used to finance HRA capital expenditure. Also included within the HRA budgets within the Interest and Financing Costs budget for 2007/08 to 2009/10 is an amount of £2m Revenue Contribution to Capital Expenditure (RCCE). The use of this financing is reflected in the HRA draft capital programme considered in another report on this agenda.

4. Options and Evaluation of Options

N/a

5. Resource Implications (including Financial Implications)

Included above

6. Risk and Opportunity Issues

N/a

7. Consultees (Internal and External)

Internal	
External	

8. Compliance Issues

A: How Proposals Deliver Priority Outcomes

Recovery Plan
N/a
Corporate Plan
N/a

B: Other Implications

Other Strategies

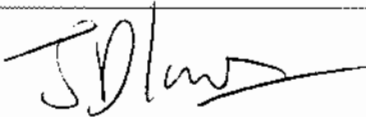
N/a

Finance Comments

None additional to the above.

Legal Comments**9. Background Papers**

Title	Description	Source

Name	Signature	Date	Ext.
Author	Bill Lewis Technical Finance Manager	23/01/2007	7167
Corporate Manager	N/a		
Director	Ian Thompson	25/01/2007	8744
Monitoring Officer or Deputy (Key decision only)		26/01/2007	7335
Section 151 Officer or Deputy (Key decision only)	Bill Lewis Technical Finance Manager	23/01/2007	7167

**Appendix 1:
Housing Revenue Account**

	2007/08 £000's	2008/09 £000's	2009/10 £000's
<u>Housing Services - Appendix 2</u>			
Rent, Rates and Taxes	139	144	148
General Management	3511	3587	3677
Communal Heating and Lighting	545	567	581
Caretaking and Cleaning	322	333	341
Lifts	63	65	67
Maintenance of Greens and Shrubs	146	150	154
Environmental Enhancement	119	123	126
Television and Wireless	94	97	99
Single Persons Accomodation	71	73	75
Transfer to Housing Repairs Account	8,726	9,172	9401
	13,736	14,311	14,669
Targetted Dwellings	104	107	110
Sheltered Housing	1,812	1,869	1916
Housing Rents and Other Income	-42,050	-43,163	-44,179
Rent Rebates Subsidy Limitation	1,800	1,440	1,080
HRA Subsidy	8,729	9,763	10,797
	-15,869	-15,673	-15,607
<u>Regeneration, Growth and Community Development - Appendix 2</u>			
Community Development	85	87	89
Contingency	900	900	900
Potential Re-prioritisation Items - Appendix 3	187	62	62
	1,087	962	962
Net Expenditure	-14,697	-14,624	-14,556
Net Recharges to the General Fund	6,015	6,165	6,320
Major Repairs Allowance	7,611	7,801	7,996
Interest & Financing Costs	1,772	1,772	1,772
<u>Net Transfer From / (To) Working Balance</u>	701	1,114	1,532
Working Balance b/f	-4,516	-3,815	-2,701
Working Balance as at 31st March	-3,815	-2,701	-1,169

Appendix 2
Housing Revenue Account
Housing Services

	2007/08 £000's	2008/09 £000's	2009/10 £000's
<u>Housing Services</u>			
H086 Rent, Rates and Taxes	139	144	148
H087 General Management	3,511	3,587	3,677
H088 Communal Heating	305	317	325
H089 Communal Lighting	240	250	256
H090 Caretaking and Cleaning	322	333	341
H091 Lifts	63	65	67
H092 Maintenance of Greens and Shrubs	146	150	154
H093 Environmental Enhancement	119	123	126
H095 Television and Wireless	94	97	99
H097 Single Persons Accomodation	71	73	75
Transfer to Housing Repairs Account	8,726	9,172	9,401
	13,736	14,311	14,669
<u>Targetted Dwellings</u>			
H102 Targetted Dwellings	104	107	110
	104	107	110
<u>Sheltered Housing</u>			
H098 Community Rooms	77	80	82
H099 Supporting People	1,706	1,759	1,803
H100 Wardens	29	30	31
	1,812	1,869	1,916
<u>Housing Rents and Other Income</u>			
H021 Dwelling Rents	-39,135	-40,170	-41,107
H024 Non Dwelling Rents	-1,366	-1,400	-1,435
H026 Charges for Services	-1,749	-1,793	-1,837
H029 Contribution to Expenditure	0	0	0
H108 Provision for Bad Debts	200	200	200
H420 Rent Rebate Subsidy Limitation	1,800	1,440	1,080
	-40,250	-41,723	-43,099
<u>HRA Subsidy</u>			
H031 HRA Subsidy	8,729	9,763	10,797
	8,729	9,763	10,797
Total Housing Services	-15,869	-15,673	-15,607

Appendix 2
Housing Revenue Account
Regeneration, Growth and Community Development

	2007/08 £000's	2008/09 £000's	2009/10 £000's
<u>Community Development</u>			
H083 Tenant Participation	85	87	89
	85	87	89

Appendix 3**Potential Service Re-Prioritisation**

	2007/2008	2008/2009	2009/2010
	£000	£000	£000
Tenants Handbook	25	0	0
Service Training Budgets	20	20	20
NTACT Mystery Shopping	10	10	10
Satisfaction Survey	5	5	5
Advertising for Rent Income	15	15	15
Ombudsman Complaints	12	12	12
HRA Asset Management Strategy	100	0	0
Total Potential Re-Prioritisation	187	62	62

Potential Service Re-Prioritisation

Brief Explanations

1. Tenant Incentive/Reward and Recognition

As part of the housing services improvement agenda a range of incentives aimed at improving efficiency/performance and ensuring tenants adhere to tenancy conditions need to be introduced. These incentives will be joint developed with tenant representatives themselves (from N-Tact). Examples of incentives will be: -

- 25/25 incentive – allowing pre-termination access – this will significantly contribute to improved performance of key BVPI 212 (top priority for NBC). In addition the undertaking of a satisfaction/exit survey will allow us to collect and analyse qualitative data about reasons why people are leaving which will assist the service to plan future sustainment plans and also demonstrates commitment of a “spend to save” nature.
- Maximising “take –up” of Direct Debits - the new IBS system, which is due to go live in April 2007 provides the Housing Service with an opportunity to accept direct debit as a form of payment towards rent. Encouraging existing tenants to change their current preferred method of payment will require some form of initial incentive to obtain maximum “sign-up”. It is envisaged that the introduction of Direct Debits will significantly contribute to improving Rent income BVPIs which are currently in the bottom quartile, allowing staff to concentrate resources on other priority areas.
- “Golden Goodbyes” – it is generally considered as current best practice within the housing profession to have some form of “golden goodbye “ incentive. This is a one-off payment to a tenant who must satisfy certain conditions at the point when vacant possession is given to the Council as the landlord (e.g. property left clear and tidy, rent payments up-to-date etc). This incentive again links in with the “spend to save “ philosophy, as less expenditure at the time of the property inspection will result.
- Under-occupation incentives – There is a significant shortage of general family sized accommodation (i.e. 3 – 4 bedroomed properties), available to house an ever-increasing number of families on the housing register. Incentives will need to be offered to encourage single people/couples who are currently “under-occupying” their present property to move into smaller accommodation.

- Rent Payment/Community Chests – there are a range of other incentives that we will be looking to develop in 2007/08 to ensure tenants comply with their tenancy agreement and which will assist in various community initiatives – e.g. prize draws for those tenants with a clear rent account etc.

2. Housemark/Housing Quality Network

In order for the housing service to deliver improved outcomes and performance in addition to accelerating the pace of change required, it is essential that we keep abreast of current national and local good practice affecting our service provision and that we are able to benchmark our current services in terms of value for money, efficiency and performance. To achieve this, membership of professional benchmarking clubs provides a valuable tool in comparing a range of factors with peer organizations and the ability to learn and adopt good practice from better performing and more effective organisations is viewed as an essential element of the 'prospect for improvement' criteria outlined by the Audit Commission. The annual cost of Housemark amounts to 10k and other membership costs of additional professional bodies equates to 3-4k per annum.

3. Tenants Handbook (set-up costs)

The 25k projected for 2007/08 represents all costs associated with the publication of a Tenants handbook in April 2007. The handbook is currently 150-160 pages long will be sent to all 12,000+ tenants (in addition to new tenants after the publication date) and again is evidence of best practice within the profession. The continuing absence of a handbook for tenants has been an area of concern for the Audit Commission. There will be on-costs associated with the handbook after the publication and this will be in the form of regular amendments.

4. Service Training Budgets

Although there is a corporate budget for training it was felt that there should be a service specific budget for future training and development of staff. As part of our service improvement agenda it is imperative that we undertake a number of reviews which will result in re-engineering business processes in order to deliver change and a more effective / better performing service and the re-training and development of staff will be a key factor in achieving success. A specific housing service training budget will enable Service Managers to have more influence in determining the most appropriate training required to ensure that staff are equipped with the skills and knowledge to deliver a professional service that meets customer needs.

5. N-Tact Mystery Shopping

Following the recent publication of the Housing service standards to all 12,000 + tenants it is crucial to have a process of independent assessment and evaluation of the nature, quality and effectiveness of the standards that have been set. Mystery shopping is an ideal way for our standards and our ability to meet the targets contained therein to be assessed and the recipients of our service (i.e. our tenants) should be the people involved in the monitoring and assessment of our activities. The recent tenant Involvement strategy and the tenant involvement pledge both

contain numerous references to mystery shopping exercises. Again, this will be a plus point for any future Audit Commission inspection, as it constitutes best practice. The budget will include training and literature connected with this process.

6. Mediation Service

A mediation service was introduced in October 2006 for two-year period .The annual costs, as part of the current contract amount to 17.5 – 18 k per annum and we need to ensure that there is sufficient funding during 2007/08 and part of 2008/09. There has been a raft of legislation in recent years, which have given Local Authority Housing Depts more tools to deal with ASB in an effective manner. The use of a mediation service is widely acknowledged as a valuable preventative tool to assist with the reduction of ASB.

7. Translation Service

Current provision – to continue

8. Satisfaction Survey

Housing services need to know and values the views and opinions of its customers. In order to continually improve outcomes, we need to gauge views and opinions concerning a range of service issues and over the next 3 years there will a range of surveys and information-gathering exercises conducted in order to achieve this.

9. Advertising Rent Income

Current provision – to continue

10. Ombudsman Complaints

Required for compensation/"time and trouble" payments – Housing Services, as a major front-line service receive a high level of comments and complaints. A culture shift is required within the service area whereby complaints are used as an effective learning tool and pro-actively utilised to improve the service. Effective complaint handling also determines that you admit when the service has got it wrong but takes steps to ensure that similar incidents do not re-occur.

APPENDIX 5

SUMMARY OF PROPOSED RENT AND CHARGES INCREASES

	Present £	Proposed £
Garages (+VAT in some cases)	6.07	6.37
Commuter surcharge on garages (+VAT in some cases)	9.77	10.12
Communal Heating	7.09	7.35
Sheltered Charges per Review		
- Level 1 Low		5.53
- Level 2 Medium		12.01
- Level 3 High		17.64
Eleonore House - Category C Call Care		
- Prior to 31/3/03	8.72	9.03
- After 31/3/03	62.04	64.27
Lifelines		
- In Borough	3.52	3.65
- Outside Borough	3.82	3.96
Reduced Lifeline Environmental Health Monitoring Only	0.81 1.16	0.84 1.20
Lifeline Installation Charge #		
- In Borough	40.00	41.44
- Outside Borough	49.00	50.76

Notes

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



**NORTHAMPTON
BOROUGH COUNCIL**

Name of Committee	CABINET
Directorate:	Citizens, Finance, and Governance
Corporate Manager / Director:	Ian Thompson
Date:	29 th January 2007

Report Title	Housing Revenue Account Capital Programme 2006/07 Onwards
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Key Decision	Yes
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1. Recommendations

- 1.1 That the revised Housing Revenue Account (HRA) capital programme for 2006/07 set out at Appendices A to B be approved;
- 1.2 That the draft HRA capital programme for 2007/08 and onwards set out at Appendix A be approved;
- 1.3 That the financing options contained within this report be noted; and
- 1.4 That the implications of Revenue Contributions to Capital Expenditure (RCCE) be incorporated into the HRA revenue budgets and forecast outturn position detailed in another report on this agenda.

2. Summary

A capital programme was brought to Cabinet on July 3rd 2006 which set the starting point for the capital programme for 2006/07 as the initial capital programme for the new structure of the Council. This report seeks to set the parameters and context for the Housing Revenue Account capital programme and the financing of the Housing Revenue Account capital programme for 2006/07 and onwards. Additionally it seeks to set the HRA capital programme for 2006/07 and the draft HRA capital programme for 2007/08 onwards.

3. Report Background

Anticipated position re 2006/07

The overall HRA capital programme for 2006/07 as set in the July Cabinet report has been allocated over a number of different capital schemes as shown in Appendix B. An anticipated level of slippage between financial years is also shown in Appendix B.

In addition to this there are a number of other proposed amendments to the programme. The major element of these changes for 2006/07 relates to costs built in to the Housing Repairs Account, which is a separate account that operates within the ring fenced HRA. There is a historic level of capitalisation relating to voids and other repairs work that is built in to the ongoing costs charged to this account. This work is of a capital nature and is largely work undertaken by the Council's in house workforce. An amount of £2.95m for 2006/07 and £2m in 2007/08 onwards has been included in the proposed amendments to the HRA capital programme shown in Appendices A and B. The effect of this on the Housing Repairs Account and the revenue side of the HRA has been reflected in the HRA forecast outturn 2006/07 report and the HRA Budget 2007/08 to 2009/10 report considered elsewhere on this agenda.

Draft Programme 2007/08 onwards

a) General

A draft programme for 2007/08 onwards has been prepared which shows indicative levels of capital expenditure which is anticipated to be achievable within each financial year and which can be financed from within the resources available to the Council for HRA capital financing. There is a capital budget of £4.6m in 2007/08, £5.3m in 2008/09, and £6m in 2009/10 which has not been allocated to specific schemes. The detail of this element of the capital programme will be informed by the stock condition survey and the decent homes standard. Proposed schemes for 2007/08 onwards will be assessed in accordance with the normal capital scheme appraisals mechanism and will be brought back to a future meeting of Cabinet for consideration prior to any expenditure commitments being made.

b) Disabled Adaptations

The management processes around adaptations of HRA properties and the allocation of those properties is currently under review. It is anticipated that any revised approach will result in reduced year on year costs and this is reflected in the proposed draft programme for 2007/08 onwards. Any changes to the management processes will be subject to further approval prior to implementation.

c) Housing Management System (IBS Open Housing)

It is anticipated that the new system will go live on an incremental basis starting in April 2007. It is anticipated that the overall cost of the system will be around £550k more than is currently in the capital scheme budget. There are a number of

reasons for this proposed increase in the budget:

- Additional hardware requirements;
- Project team costs which will be allocated to the capital project; and
- The purchase of an additional module, 'Open Contractor'.

It is anticipated that this latter addition will improve working practices and efficiency by allowing mobile working through the use of handheld technology and will improve management information by fully integrating data into the main Housing Management System. It is anticipated that efficiency savings and performance improvements will be made in the future arising from the adoption of this technology.

The additional amount of £550k has been incorporated within the capital programme for 2007/08 shown in Appendix A.

Financing

a) Revenue Contributions to Capital Expenditure (RCCE)

The indicative HRA Capital Financing shown at Appendix C includes a contribution from revenue resources. The impact of this on the HRA is reflected with the HRA Forecast Outturn 2006/07 report and the HRA Budget 2007/08 to 2009/10 report considered elsewhere on this agenda.

b) Major Repairs Allowance

The Major Repairs Allowance (MRA) is calculated by applying national estimates of the need to spend for specific types of work based on the categorisation of Council properties into different groups. This need to spend is based on newly arising needs and as such is not intended to cover the costs of financing any repairs backlogs carried by the Council. This allowance is paid to the Council through the Housing Subsidy mechanism and must then be placed into a special reserve for financing HRA capital expenditure.

Although the MRA is calculated on the basis of Council Dwellings, MRA funds can be used to finance capital expenditure on any HRA assets. The Council would, however, be expected to be able to demonstrate that it has a robust 30 year business plan that shows the achievement and the maintenance of the Decent Homes Standard. The use of MRA resources to finance the HRA Capital Programme is reflected in the indicative HRA Capital Financing shown at Appendix C.

c) Capital Receipts

The financing of the General Fund capital programme currently incorporates the use of Right to Buy (council house sales) capital receipts because the General Fund programme for 2006/07 onwards was originally set using these receipts for financing. This position may be unsustainable and will need to be re-assessed in the light of the revised Housing Revenue Account business plan (which is currently being written), the stock condition survey, and an assessment of the achievability of the decent homes standard.

d) Prudential Borrowing

There is the potential to borrow to finance the HRA Capital Programme. There are ongoing revenue implications of borrowing through loss of interest and potentially through principal repayment. This option is not currently being used to finance the currently proposed option. The use of borrowing to finance the HRA Capital Programme will need to be re-assessed in the light of the revised Housing Revenue Account business plan, the stock condition survey, and an assessment of the achievability of the decent homes standard.

4. Options and Evaluation of Options

N/a

5. Resource Implications (including Financial Implications)

Included above

6. Risk and Opportunity Issues

N/a

7. Consultees (Internal and External)

Internal	
External	

8. Compliance Issues

A: How Proposals Deliver Priority Outcomes

Recovery Plan
N/a
Corporate Plan
N/a

B: Other Implications

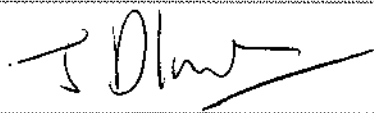
Other Strategies
N/a

Finance Comments
None additional to the above.

Legal Comments

9. Background Papers

Title	Description	Source

Name	Signature	Date	Ext.
Author	Bill Lewis Technical Finance Manager	23/01/2007	7167
Corporate Manager	N/a		
Director	Ian Thompson	25/01/2007	8744
Monitoring Officer or Deputy (Key decision only)		26/01/2007	7335
Section 151 Officer or Deputy (Key decision only)	Bill Lewis Technical Finance Manager	23/01/2007	7167

Housing Revenue Account Capital Programme 2006/07 & Draft Programme 2007/08 onwards

	2006/07 Scheme Budget £	2007/08 £	2008/09 £	2009/10 £
HRA Programme				
Housing Management System (IBS Open Housing)	732,000	550,000	0	0
Uniclass Upgrade to Enterprise Version	30,270	0	0	0
Disabled Adaptations - Major Repairs	510,000	400,000	300,000	250,000
Disabled Alterations Capital Schemes	70,000	50,000	50,000	50,000
Void Repairs	3,100,120	2,000,000	2,000,000	2,000,000
Residuals Capital Schemes	36,000	0	0	0
Reroofing	700,000	500,000	500,000	500,000
Structural Surveys & Repairs (Red Criteria)	150,000	0	0	0
Disabled Access (Community Rooms & Shops)	48,840	0	0	0
Rewiring Capital Schemes	600,000	0	0	0
Electrical (Red Criteria)	490	0	0	0
Gas Appliance Replacement	750,000	771,000	750,000	750,000
Window Replacement (Partnership)	1,083,760	0	0	0
Ad-hoc Window Replacement	20,130	0	0	0
Health & Safety Capital Schemes	90,000	0	0	0
Barn Roofs	10,000	0	0	0
Flat Roof Works	10,000	0	0	0
Kitchen replacement	550,000	0	0	0
Decent Homes Rewiring	560,000	631,000	600,000	0
Responsive DPC	50,000	0	0	0
Door Entry Updates	15,000	0	0	0
Lift Refurbishment	250,000	100,000	100,000	100,000
Env Works Waste Collection	5,190	0	0	0
Env Works Safer Environment	241,700	0	0	0
Unallocated Capital Budget	0	4,600,000	5,300,000	6,000,000
Total Housing Revenue Account Programme	9,613,500	9,602,000	9,600,000	9,650,000

Housing Revenue Account Capital Programme 2006/07

	Programme Within July 2006 Global Sums	Proposed Adjustments	Identified Slippage	Revised Programme 2006/07
	£	£	£	£
HRA Programme				
Housing Management System (IBS Open Housing)	732,000	0	0	732,000
Uniclass Upgrade to Enterprise Version	0	30,270	0	30,270
Disabled Adaptations - Major Repairs	510,000	0	0	510,000
Disabled Alterations Capital Schemes	100,000	-30,000	0	70,000
Void Repairs	500,000	2,600,120	0	3,100,120
Residuals Capital Schemes	30,000	6,000	0	36,000
Reroofing	700,000	0	0	700,000
Structural Surveys & Repairs (Red Criteria)	150,000	0	0	150,000
Disabled Access (Community Rooms & Shops)	30,000	18,840	0	48,840
Rewiring Capital Schemes	600,000	0	0	600,000
Balcony Refurbishment	50,000	-50,000	0	0
Electrical (Red Criteria)	0	490	0	490
Gas Appliance Replacement	1,200,000	-279,000	-171,000	750,000
Window Replacement (Partnership)	1,200,000	-116,240	0	1,083,760
Ad-hoc Window Replacement	0	20,130	0	20,130
Health & Safety Capital Schemes	130,000	-40,000	0	90,000
Barn Roofs	20,000	-10,000	0	10,000
Flat Roof Works	30,000	-20,000	0	10,000
Kitchen replacement	0	550,000	0	550,000
Decent Homes Rewiring	1,791,000	0	-1,231,000	560,000
Responsive DPC	50,000	0	0	50,000
Door Entry Updates	0	15,000	0	15,000
Lift Refurbishment	185,000	65,000	0	250,000
Env Works Waste Collection	0	5,190	0	5,190
Env Works Safer Environment	0	241,700	0	241,700
Total Housing Revenue Account Programme	8,008,000	3,007,500	-1,402,000	9,613,500

Indicative HRA Capital Programme Financing

	2006/07 £	2007/08 £	2008/09 £	2009/10 £
HRA Capital Programme	9,613,500	9,602,000	9,600,000	9,650,000
Capital Financing Adjustments	197,000	-	-	-
Total HRA Capital Financing Required	9,810,500	9,602,000	9,600,000	9,650,000

Indicative Financing

Major Repairs Reserve	5,789,500	7,602,000	7,600,000	7,650,000
External Finance	21,000	0	0	0
Revenue Contribution to Capital Expenditure	4,000,000	2,000,000	2,000,000	2,000,000
	9,810,500	9,602,000	9,600,000	9,650,000

