

BABERGH DISTRICT COUNCIL

FROM: Director of Finance

REPORT NUMBER: **J174**

TO: OVERVIEW & SCRUTINY
(COMMUNITY SERVICES)
COMMITTEE

DATE OF MEETING: 2 February 2010

COUNCIL HOUSING – REVENUE BUDGET AND CAPITAL PROGRAMME

1. PURPOSE OF REPORT

- 1.1 The draft Revenue Budget for 2010/11 and draft 3-year Capital Programme for Council Housing is presented for consideration. This is still subject to further review and adjustment in relation to final confirmation of the Government's rent and subsidy proposals for next year and the provisional indication of a 1.9% rent increase for tenants.
- 1.2 To update the Committee on revisions to the draft proposals relating to Supporting People and Energy Charges that were submitted to Strategy Committee on 14 January 2010.

2. RECOMMENDATIONS

- 2.1 That the Committee scrutinises and gives its views on the revised draft HRA Budget and capital programme and the following rents and charges proposals for 2010/11, which are set out in more detail in the report and the appendices:
- (a) Subject to the Government's rent guideline proposals being confirmed, average weekly rents for Council dwellings and compulsory let garages be increased by an average of 1.9% in 2010/11
 - (b) Also subject to the Government's rent guideline proposals being confirmed, Service Charges (covering Supporting People and accommodation) for those in sheltered accommodation for 2010/11 be reduced by 0.9%
 - (c) Service Charges for those in homeless units be reduced by around 40%
 - (d) Heating and lighting charges in sheltered accommodation and homeless units be increased by 11.5%.

The views of the Housing Panel, which meets on 29 January 2010, will be reported to the Committee. The Committee's views and whether any amendments should be made to the budget and charging proposals will be reported to the Strategy Committee, which meets again on 11 February, who will consider these in making final recommendations to Council on 23 February.

The Committee is able to resolve these matters.

3. **FINANCIAL IMPLICATIONS**

3.1 These were set out in Paper J157. Key changes are as follow:

- (a) The average rent increase is marginally lower at 1.9% instead of the 2% indicated to Strategy Committee. This equates to around £1.29 per week.
- (b) Subject to final conformation on government guidelines regarding Supporting People, charges for those in sheltered accommodation are reduced by 0.9% instead of the 2% indicated to Strategy Committee.
- (c) The increase in heating & lighting charges for those in sheltered and homeless accommodation should be 11.5%. A full Equality Impact Assessment has been carried out on this.
- (e) Supporting People Charges for homeless accommodation should be reduced by around 40%.

4. **RISK MANAGEMENT**

4.1 The key risks are set out in Paper J157.

5. **KEY INFORMATION**

5.1 Since the Strategy Committee met on 14 January 2010, officers have reviewed the initial draft budget and proposals for increases to rents and charges for 2010/11.

5.2 One of the key areas that has been reviewed is in relation to heating & lighting charges. The proposed increase of 19% indicated to Strategy Committee for those in sheltered accommodation and other aspects of the proposals have been the subject of a full Equality Impact assessment.

5.3 Elderly residents living in the Council's sheltered accommodation pay towards the cost of the communal energy costs in their sheltered scheme as well as the energy costs within their own self contained unit. These energy costs have been increasing over the recent years and circumstances were such that the annual estimates made (and the level of service charge recovered) over those years did not match the actual expenditure. The estimated cumulative under-recovered balances are estimated to stand at around £100K by the end of the current financial year.

5.4 Although new energy contracts have been agreed from October 2009 and this will see prices level out overall, the required increases to recover the outstanding balances over the next 4 years could be as high as 26% a year for a number of years.

5.5 This would have a significant impact on sheltered residents and it is clear that there will be a high and negative impact on Babergh's oldest and most vulnerable tenant group as a result of this proposal. An Equality

Impact Assessment has, therefore, been undertaken to establish if there is an alternative arrangement that could be determined.

- 5.6 The majority of tenants living in the Council's sheltered accommodation are in receipt of housing benefit and are therefore among the poorest of all our tenants, with many living on basic state pensions. The energy charge is not covered by housing benefit so the full increase will fall on sheltered residents. Such an increase represents an attempt to `claw-back` some of the energy costs going back to 2007.
- 5.7 Following careful consideration and subject to the views of the Housing Panel, which meets on 29 January 2010, it is now proposed that this amount should be absorbed by the HRA generally rather than seeking repayment from elderly tenants who may or have may not have been living in sheltered accommodation at that time.
- 5.8 By taking this approach, the increase in the energy service charge for this year can be a more manageable 11.5%, and it is this amount that it is proposed should be applied – to both sheltered and homeless accommodation. A full review of the charging policies and processes will be carried out later in the year to establish whether the basis for future charges should be amended i.e. whether the differentials in charges for different types and size of accommodation appropriate.
- 5.9 By adopting this approach, Members will appreciate that the £100k cost that is not recovered reduces the amount of money that can be spent (via the Direct Revenue Financing of the capital programme) on capital work. This cost can be met from reserves without any overall detrimental impact on the HRA.
- 5.10 On service charges (covering Supporting People and accommodation) for those in sheltered accommodation, Strategy Committee were advised that an increase of 2% (as for average rents) was felt to be necessary. Officers have reviewed this and, based on the Government requirement that such charges should not increase by more than RPI +0.5%, a reduction of 0.9% will now be recommended to Strategy Committee in February.
- 5.11 Prior to the sale of Stour House the service charges for homeless accommodation had been pooled. This resulted in some cross subsidising, but the only dedicated homeless property is now the Old School House, Hadleigh. Therefore, service charges can be reduced by around 40% to recover the total cost of the facilities provided for this accommodation.
- 5.12 In relation to the capital programme, this needs to include provision for undertaking a stock condition survey in 2010/11 as this is a pre-requisite of any work that is done on a Stock Options Appraisal. Having an up to date picture of the condition of the Council Housing stock will be needed irrespective of LGR, in order for either a Unitary Council or Babergh to undertake Tenant consultation.
- 5.13 The views of the Housing Panel and the Tenants Forum will be reported to the meeting.

6. **APPENDICES**

A – Revised Draft HRA Revenue Budget Summary

B – Revised Draft 3-year Capital Programme

C – Revised Proposed charges for 2010/11

7. **BACKGROUND PAPERS**

Government Housing Subsidy Determinations

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COUNCIL HOUSING REVENUE BUDGET SUMMARY

Line	2008/09	2009/10		2010/11
	Actual £	Original £	Revised £	Budget £
1 Income:				
2 Gross Rent Dwellings	(12,230,997)	(12,988,980)	(12,511,780)	(12,732,240)
3 Rents - Other	(219,482)	(233,660)	(196,800)	(206,250)
4 Service and Facility Charges	(701,815)	(727,480)	(700,790)	(704,260)
5 Heating Charges	(146,167)	(187,500)	(191,670)	(209,750)
6 Government Subsidy	0	(100)	0	0
7 Other Income	(2,289)	(3,850)	(4,910)	(3,850)
8 Contributions towards expenditure	(146,930)	(146,000)	(128,000)	(141,000)
9 Total Income	(13,447,680)	(14,287,570)	(13,733,950)	(13,997,350)
10 Expenditure:				
11 Repairs & Maintenance - Planned and Responsive	1,963,327	2,168,880	2,137,290	2,137,670
12 General Management	1,800,969	1,776,120	1,707,470	1,694,280
13 Supervision & Management - Special Services	1,621,351	1,580,500	1,675,340	1,594,880
14 Rent, Rates and other charges	57,438	46,530	43,440	44,790
15 Provision for bad and doubtful debts	37,888	30,000	30,000	30,000
16 HRA Subsidy Payable to Government	4,590,405	5,035,000	4,755,000	4,960,000
17 Transfer to General Fund re HB Costs	35,000	92,310	75,000	75,000
18 Depreciation and impairments of fixed assets	35,729,827	15,897,000	12,624,750	2,937,550
19 Capital financing costs	99,829	127,780	65,930	48,720
20 Reduced Staffing Costs	0	0	0	(142,000)
21 Total Expenditure	45,936,034	26,754,120	23,114,220	13,380,890
22 Net Cost Of Services	32,488,354	12,466,550	9,380,270	(616,460)
23 Net HRA income or expenditure on the asset management revenue account	(31,828,022)	(12,575,950)	(9,472,770)	196,730
24 Amortised premiums and discounts	263,649	263,650	263,650	263,650
25 Investment income	(42,443)	(24,560)	(12,170)	(7,090)
26 Net Operating Expenditure	881,538	129,690	158,980	(163,170)
27 Appropriations:				
28 Revenue contribution to capital	475,000	520,000	401,000	618,000
29 Transfer to/from Major Repairs Reserve	(1,395,539)	(825,000)	(762,750)	(716,550)
30 Movement on Pensions Reserve	139,786	175,400	260,560	245,440
31 Deficit / Surplus (-)	100,785	90	57,790	(16,280)
32 HRA Reserve				
33 Balance at 1 April	1,161,090	828,229	1,060,305	1,002,520
34 Surplus / Deficit (-) for the year	(100,785)	(90)	(57,790)	16,280
35 Balance at 31 March	1,060,305	828,139	1,002,515	1,018,800

APPENDIX B

Council Housing - Capital Programme

	-----Planned Expenditure-----				Total Cost of Schemes £
	2009/10 £	2010/11 £	2011/12 £	2012/13 £	
COUNCIL HOUSING SCHEMES					
Planned Maintenance Programmes					
1 Rewiring	203,500	150,000	200,500	112,220	666,220
2 Roofing	172,110	100,000	162,700	661,940	1,096,750
3 Doors and Windows	204,260	228,680	220,000	206,390	859,330
4 Central Heating	756,670	481,250	581,250	341,120	2,160,290
5 Kitchens/bathrooms	754,380	450,000	471,000	472,480	2,147,860
6 Garage doors	20,150	15,150	62,900	118,200	216,400
7 Fences/Gates	123,460	89,000	89,600	120,240	422,300
8 Paths/Walls	45,410	76,130	85,900	98,820	306,260
9 Common Areas	42,940	11,840	41,860	2,870	99,510
10 Disabled Adaptations	383,120	294,220	323,720	100,000	1,101,060
11 Electrical Works		10,000	10,000		20,000
12 Internal Plumbing		10,000	10,000		20,000
13 Dampness and Condensation	30,000	20,000	20,000	20,000	90,000
14 Decent Homes - Improvements	43,700				43,700
15 Contingent Major Repairs		157,000		49,000	206,000
16 Total Planned Maintenance	2,779,700	2,093,270	2,279,430	2,303,280	9,455,680

Council Housing - Capital Programme

COUNCIL HOUSING SCHEMES	-----Planned Expenditure-----				Total Cost of
	2009/10	2010/11	2011/12	2012/13	
Other Programmes	£	£	£	£	£
17 Conversions/Adaptations	68,980	60,000	35,570	36,000	200,550
18 Sheltered Units - General Imps.	111,120	78,440	15,900	40,000	245,460
19 Smoke Alarms (Babergh Standard)	75,800	60,000	59,350	47,300	242,450
20 Insulation Improvements (Babergh Standard)	127,700	100,000	100,000	68,000	395,700
21 Street parking improvements	22,880	14,400	12,000	20,000	69,280
22 Major Refurbishments	120,000	180,000	120,000	120,000	540,000
23 Parking areas/Estate imp./Estate maintenance	78,230	45,000	42,380	84,680	250,290
24 Structural Works	85,670	229,000	154,400	121,220	590,290
25 Sewage Treatment works				1,900	1,900
26 Software/Surveys	61,300	50,000	25,000		136,300
27 Additional ICT Projects	26,100				26,100
28 Regeneration Schemes	20,000	9,980	10,970		40,950
29 Sandringham Court	2,000				2,000
30 Asbestos	10,000	9,910	10,000		29,910
31 Unspecified (still to be allocated)	(19,000)	126,000	100,000	132,620	339,620
32 TOTAL COUNCIL HOUSING SCHEMES	3,570,480	3,056,000	2,965,000	2,975,000	12,566,480

Total Investment Programme - Proposed Financing

	2009/10	2010/11	2011/12	2012/13
PROPOSED FINANCING	£	£	£	£
33 Borrowing - supported	550,000	-	-	
34 Revenue	401,000	618,000	650,000	650,000
35 Grants/External Contributions	50,000	25,000	25,000	25,000
36 Major Repairs Allowance	2,569,480	2,413,000	2,290,000	2,300,000
37 TOTAL INVESTMENT	3,570,480	3,056,000	2,965,000	2,975,000

PROPOSED HOUSING REVENUE ACCOUNT CHARGES FOR 2010/11

<u>Service charges - incorporating Accommodation and Supporting People charges</u>			2009/10 Total Service Charge			2010/11 Total Service Charge		
	Supporting People	Accommodation		Supporting People	Accommodation			
Sheltered Accommodation								
<u>Very Sheltered Accommodation - Level One</u>								
William Wood House	43.95	}	75.52	43.55	}	74.84		
Sydney Brown Court	42.69		31.57	74.26		42.31	31.29	73.60
<u>Other Sheltered Accommodation</u>								
<u>- Level Two</u>								
Steeds Meadow	29.79	}	29.79	29.52	}	29.52		
Elizabeth Court	30.33		10.59	30.33		30.06	10.49	30.06
Playford Court	27.06		27.06	26.82		26.82	26.82	
Clibbon House	-		-	-		-		
<u>- Levels Three and Four</u>								
Springlands	27.15	}	35.05	26.91	}	34.74		
Tenterpiece	27.31		35.21	27.06		34.89		
Parkers Way	21.14		29.04	20.95		28.78		
Hill House	35.85		43.75	35.53		43.36		
Grimwood Corner	21.61		29.51	21.42		29.25		
Newell Court	22.38		30.28	22.18		30.01		
Clover Court	43.66		51.56	43.27		51.10		
Gayford Court	22.21		30.11	22.01		29.84		
Taylor Close	20.41		28.31	20.23		28.06		
Samford Close	33.69		41.59	33.39		41.22		
Angel Street	17.56		25.46	17.40		25.23		
Ash Street	34.16		42.06	33.85		41.68		
Spring Street	24.80		32.70	24.58		32.41		
Inkerman Terrace	24.56		32.46	24.34		32.17		
Bradfield Avenue	16.76		24.66	16.61		24.44		
Service Charges								
Old School House, Hadleigh:								
- 1 person unit	-	44.25	44.25	-	26.23	26.23		
- 2 person unit	-	49.65	49.65	-	29.43	29.43		
Light & Heat (Private Rooms and Communal Areas)								
	Private Rooms	Communal Areas	2009/10 Total Light & Heat Charge	Private Rooms	Communal Areas	2010/11 Total Light & Heat Charge		
- Level One Bedsits (Very Sheltered Accommodation)	8.85	3.03	11.88	9.87	3.38	13.25		
- Level One Non-Bedsits (Very Sheltered Accommodation)	17.69	6.10	23.79	19.72	6.80	26.52		
- Level Two Bedsits (Sheltered Accommodation)	6.42	2.00	8.42	7.16	2.23	9.39		
- Level Three, where applicable, Bedsits (Sheltered Accommodation)	12.87	4.02	16.89	14.35	4.48	18.83		
- Level Three, where applicable, Non-Bedsits (Sheltered Accommodation)	7.12	0.64	7.76	7.94	0.71	8.65		
- Homeless Units Bedsits	14.24	1.31	15.55	15.88	1.46	17.34		
- Homeless Units Non-Bedsits	4.77	1.59	6.36	n/a	n/a	n/a		
Old School House	9.56	3.19	12.75	n/a	n/a	n/a		
- 1 person unit			6.36			7.09		
- 2 person unit			12.75			14.22		
Furnishing Charges			2009/10			2010/11		
<u>Homeless Units</u>								
- 1 Person Unit			5.07			5.17		
- 2 Person Unit			6.08			6.20		
Garage Rents								
Garages casually let to council tenants			6.14			6.26		
Garages casually let to private tenants			7.70			7.85		