

**BABERGH DISTRICT COUNCIL**

**FROM: Director of Finance**

**REPORT NUMBER J157**

**TO: STRATEGY COMMITTEE**

**DATE OF MEETING 14 January 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 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 2% rent increase for tenants.
- 1.2 To outline the position on supporting people and energy charges for sheltered accommodation and homeless units, which are subject to further review and scrutiny by the Housing Panel, the Tenants Forum and the Overview and Scrutiny (Community Services) Committee.

**2. RECOMMENDATIONS**

- 2.1 That, 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 2% in 2010/11,
- 2.2 That, also subject to the Government's rent guideline proposals being confirmed, Supporting People and other charges for those in sheltered accommodation and homeless units for 2010/11 also be increased by 2% in line with the proposed increase in rents.
- 2.3 That heating and lighting charges in sheltered accommodation be increased by 19% in order to recover increased costs from previous years.
- 2.4 That the draft revenue budget and capital programme be approved, subject to these being reviewed and amended accordingly following the Government rents and subsidy proposals being confirmed.

These recommendations will be considered further by this Committee and Council in February as part of the Budget setting process and following scrutiny by the Overview and Scrutiny (Community Services) Committee, the Housing Panel and the Tenants Forum.

**3. FINANCIAL IMPLICATIONS**

- 3.1 The draft 2010/11 Housing Revenue Account (HRA) budget is based on the Government's Housing Subsidy and rent restructuring arrangements. The revised revenue budget for 2009/10 reflects changes in income and expenditure that have arisen since the original budget was approved, resulting in a small deficit for the year.

3.2 In terms of rent levels for next year, tenants will have to pay an average increase of 2%, which is less than the increase for 2009/10. This is due to the Government's rent restructuring arrangements and proposals for 2010/11, which would result in an average rent increase of around £2.16 a week (on a 52-week basis) although approximately 70% of tenants receive Housing Benefit.

3.3 In terms of the capital programme, there is a very substantial programme of £3.4m programmed for 2009/10. This, however, is likely to reduce to around £3.1m in 2010/11 and a slightly lower level in subsequent years as the current Government borrowing allocation of £550k is expected to cease next year. Again, the position will be known with more certainty when the Government's subsidy proposals are finalised.

4. **RISK MANAGEMENT**

4.1 This report is most closely associated with Significant Business Risk No.7 – Financial, Performance and Risk Management. Key risks are set out in the table below:

| <b>Risk Description</b>  | <b>Likelihood</b> | <b>Seriousness or Impact</b> | <b>Mitigation Measures</b>  |
|--|-------------------|------------------------------|---|
| Actual income and expenditure does not match budget expectations   | Low               | Marginal                     | The proposed revenue budget and capital programme have been revised to reflect current and future plans and the potential finances available. Budgets are regularly monitored by officers and Members on a quarterly basis. |
| Future Govt. subsidy determinations in relation to management, maintenance and major repairs could be poorer than expected, affecting future spending plans. | Significant       | Marginal                     | Consideration can be given to non-supported borrowing if necessary to maintain spending plans.  |

5. **KEY INFORMATION**

5.1 The overall Council Housing Budget, rent levels and the capital programme is influenced by the following key aspects: -

- Annual rent increases that have to be applied under the Government's rent restructuring arrangements whereby Council house rents are to increase above inflation over a number of years to bring them into line with Housing Association rents

- Babergh's guideline rent for 2010/11 is based on the Government's proposals for an average rent increase of 3.1% nationally, subject to consultation. For Babergh tenants, the increase is 2%
- This would, depending on future proposals in this respect, result in rents being brought into line with the Registered Social Landlord sector by 2013 (previously 2024)
- The Government's Housing Subsidy determinations, which include allowances towards management and maintenance costs, borrowing and subsidy allowances/allocations for capital purposes and major repairs
- Changes in other areas of expenditure and income

5.2 A response will be provided to the Department of Communities and Local Government on the rent increase and subsidy proposals by the due date of the 25 January 2010, incorporating the views of the Housing Panel. Officers are in the process of reviewing the detailed subsidy proposals and any resulting changes to either the draft revenue budget or the capital programme will be reported to Members in February.

### **2009/10 Revised Budget**

5.3 The draft revised budget incorporates the following changes since the original budgets were approved last year:

- Lower HRA rent income of due to the late reduction in Government rent restructuring increases from 6.7% to 3.1% for the current year, which is partly offset by a reduction in the payment of government subsidy
- A reduction in other rental income and an increase in garage voids, resulting in an overall reduction in income of £50k
- Some reductions in general management costs resulting from the savings and efficiencies achieved this year, which partly benefit the HRA
- A delay in the implementation of the Babergh Standard scheme relating to Internal Decorations for the Elderly, as this funding has had to be deferred to next year as a result of the lost subsidy relating to the Government's 2009/10 final arrangements for rent increase
- Increased energy and other costs in sheltered schemes over and above those set for the 2009/10 charges.

5.4 As a result of the above, estimated reserves as at the 31 March 2010 are expected to reduce slightly but remain at around £1m, which is well above the minimum level of £0.5m approved for the HRA.

### **2010/11 Budget**

5.5 The main factors that are reflected in the draft budget for 2010/11 are explained below:

- An increase in HRA rent income of around £220k compared to the revised budget, based on the anticipated average rent increase of 2% - although this is largely paid over to the Government through the housing subsidy arrangements
- As in 2009/10, a reduction in other rent income and an increase in garage voids of £27k

- Savings in repair and maintenance costs as a result of the whole- house servicing contract, with additional savings expected in subsequent years
  - The HRA's share of potential savings in staffing costs, terms and conditions and other areas resulting from discussions with Unison
  - An increase of around 1% in the Government's maintenance and management cost allowances – similar to 2009/10.
- 5.6 The average rent increase of 3.1% nationally and 2% for Babergh will ensure that rents are harmonised with the Registered Social Landlord (RSL) within the next 3 years under the Government's Rent Restructuring policy.
- 5.7 It is proposed that Supporting People service charges for those in sheltered accommodation and homeless units, as with rents, are also increased by 2%. Costs relating to this type of accommodation, including energy costs, cannot be cross-subsidised and paid for by tenants generally.
- 5.8 Energy costs have been increasing during previous years but new contracts have been agreed from October 2009 and this will see prices level out overall. As previously agreed as part of last year's budget considerations, however, increases are still required for residents in sheltered accommodation and homeless units to cover previous cost increases, over a phased basis. It is being proposed, therefore, that an increase of 19% for sheltered accommodation energy charges is applied from April 2010. This is in line with the approach agreed last year whereby cost increases are spread over a number of years. Further increases may be necessary in subsequent years depending on the movement in energy prices. Proposals for homeless accommodation are still being assessed and will be reported to Members in February.
- 5.9 The rent and subsidy proposals are subject to consultation and confirmation, which will be known in February. Any changes to the overall HRA budget will be reflected in the final proposals that are presented to Members.
- 5.10 No guidance has been given on the rent increase for 2011/12 but the Department of Communities and Local Government have said that significant changes to the current system should be avoided until the final outcome of the work on the reform of Council Housing Finance is known.

### **Capital Programme**

- 5.11 Planned spending for the current year is nearly £3.4m and for 2010/11 it is estimated that this will fall to £3.1m as the Government's borrowing allocation of £550k a year is likely to cease once funding for the decent homes standard is withdrawn. Expenditure in subsequent years is expected to fall to around £2.9m.
- 5.12 The draft capital programme reflects:
- Work to complete the Decent Homes Standard by April 2010 and funding for the Babergh Standard
  - Energy poverty and efficiency measures in relation to central heating and insulation
  - Increased budget to meet demand for disabled adaptations by reallocating funds from other areas

- Reduced budgets for central heating and bathroom/kitchen improvements although these programmes will still continue at around £1m for the next 2 years.

5.13 Any changes to the Government's rent or subsidy proposals could result in changes to the amount of Direct Revenue Financing available for the capital programme. Also, it is not known whether the anticipated reduction in borrowing allocation will take effect next year. Any proposed changes will be reported to Members in February.

5.14 There will be very limited, if any, opportunities to fund major regeneration and redevelopment schemes. The approach of transferring ownership of properties to Housing Associations (as has been the case with Stour House, Clibbon House and Poplar Road, Great Cornard) will be adopted where this is necessary - as they have access to funding that Babergh does not.

5.15 In relation to financing the programme, the revenue costs of supported borrowing are met by Government subsidy. However, as indicated above, it is expected that the £550k a year borrowing allocation will cease from next year. Members will be updated on this when the final subsidy proposals are determined.

## 6. **APPENDICES**

- A – Draft Revenue Budget Summary
- B – Draft 3-year Capital Programme
- C – 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<br>£            | Original<br>£       | Revised<br>£        | Budget<br>£         |
| <b>1</b>  | <b>Income:</b>         |                     |                     |                     |
| 2         | (12,230,997)           | (12,988,980)        | (12,508,280)        | (12,729,240)        |
| 3         | (219,482)              | (233,660)           | (196,800)           | (206,250)           |
| 4         | (701,815)              | (727,480)           | (700,790)           | (704,260)           |
| 5         | (146,167)              | (187,500)           | (195,730)           | (240,750)           |
| 6         | 0                      | (100)               | 0                   | 0                   |
| 7         | (2,289)                | (3,850)             | (4,910)             | (3,850)             |
| 8         | (146,930)              | (146,000)           | (128,000)           | (141,000)           |
| <b>9</b>  | <b>(13,447,680)</b>    | <b>(14,287,570)</b> | <b>(13,734,510)</b> | <b>(14,025,350)</b> |
| <b>10</b> | <b>Expenditure:</b>    |                     |                     |                     |
| 11        | 1,963,327              | 2,168,880           | 2,137,290           | 2,137,670           |
| 12        | 1,800,969              | 1,776,120           | 1,731,460           | 1,637,710           |
| 13        | 1,621,351              | 1,580,500           | 1,647,340           | 1,570,190           |
| 14        | 57,438                 | 46,530              | 43,440              | 44,790              |
| 15        | 37,888                 | 30,000              | 30,000              | 30,000              |
| 16        | 4,590,405              | 5,035,000           | 4,685,000           | 4,900,000           |
| 17        | 35,000                 | 92,310              | 75,000              | 75,000              |
| 18        | 35,729,827             | 15,897,000          | 12,624,750          | 2,937,550           |
| 19        | 99,829                 | 127,780             | 62,680              | 43,720              |
| <b>20</b> | <b>45,936,034</b>      | <b>26,754,120</b>   | <b>23,036,960</b>   | <b>13,376,630</b>   |
| <b>21</b> | <b>32,488,354</b>      | <b>12,466,550</b>   | <b>9,302,450</b>    | <b>(648,720)</b>    |
| 22        | (31,828,022)           | (12,575,950)        | (9,413,770)         | 196,730             |
| 23        | 263,649                | 263,650             | 263,650             | 263,650             |
| 24        | (42,443)               | (24,560)            | (12,170)            | (7,090)             |
| <b>25</b> | <b>881,538</b>         | <b>129,690</b>      | <b>140,160</b>      | <b>(195,430)</b>    |
| <b>26</b> | <b>Appropriations:</b> |                     |                     |                     |
| 27        | 475,000                | 520,000             | 420,000             | 650,000             |
| 28        | (1,395,539)            | (825,000)           | (762,750)           | (716,550)           |
| 29        | 139,786                | 175,400             | 260,560             | 245,440             |
| <b>30</b> | <b>100,785</b>         | <b>90</b>           | <b>57,970</b>       | <b>(16,540)</b>     |
| <b>31</b> | <b>HRA Reserve</b>     |                     |                     |                     |
| 32        | 1,161,090              | 828,229             | 1,060,305           | 1,002,340           |
| 33        | (100,785)              | (90)                | (57,970)            | 16,540              |
| <b>34</b> | <b>1,060,305</b>       | <b>828,139</b>      | <b>1,002,335</b>    | <b>1,018,880</b>    |

## Appendix B

### Council Housing - Capital Programme

|                                       | -----Planned Expenditure----- |           |           |           | Total<br>Cost of<br>Schemes<br>£ |
|---------------------------------------|-------------------------------|-----------|-----------|-----------|----------------------------------|
|                                       | 2009/10                       | 2010/11   | 2011/12   | 2012/13   |                                  |
|                                       | £                             | £         | £         | £         |                                  |
| <b>COUNCIL HOUSING SCHEMES</b>        |                               |           |           |           |                                  |
| <b>Planned Maintenance Programmes</b> |                               |           |           |           |                                  |
| 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                          |
| <b>16 Total Planned Maintenance</b>   | 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<br>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)          |                               | 158,000          | 100,000          | 132,620          | 390,620           |
| <b>32 TOTAL COUNCIL HOUSING SCHEMES</b>         | <b>3,589,480</b>              | <b>3,088,000</b> | <b>2,965,000</b> | <b>2,975,000</b> | <b>12,617,480</b> |

## Total Investment Programme - Proposed Financing

| PROPOSED FINANCING               | 2009/10          | 2010/11          | 2011/12          | 2012/13          |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | £                | £                | £                | £                |
| 33 Borrowing - supported         | 550,000          | -                | -                |                  |
| 34 Revenue                       | 420,000          | 650,000          | 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        |
| <b>37 TOTAL INVESTMENT</b>       | <b>3,589,480</b> | <b>3,088,000</b> | <b>2,965,000</b> | <b>2,975,000</b> |

## 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  |                                   |
| <b>Sheltered Accommodation</b>   |                   |                |                                   |                   |                |                                   |
| <u>Very Sheltered Accommodation - Level One</u>                                    |                   |                |                                   |                   |                |                                   |
| William Wood House   | 43.95             | } 31.57        | 75.52                             | 44.83             | } 32.20        | 77.03                             |
| Sydney Brown Court   | 42.69             |                | 74.26                             | 43.54             |                | 75.74                             |
| <u>Other Sheltered Accommodation - Level Two</u>                                   |                   |                |                                   |                   |                |                                   |
| Steeds Meadow  | 29.79             | } 10.59        | 29.79                             | 30.39             | } 10.80        | 30.39                             |
| Elizabeth Court  | 30.33             |                | 30.33                             | 30.94             |                | 30.94                             |
| Playford Court   | 27.06             |                | 27.06                             | 27.60             |                | 27.60                             |
| Clibbon House  | -                 |                | -                                 | -                 |                | -                                 |
| <u>- Levels Three and Four</u>   |                   |                |                                   |                   |                |                                   |
| Springlands  | 27.15             | } 7.90         | 35.05                             | 27.69             | } 8.06         | 35.75                             |
| Tenterpiece  | 27.31             |                | 35.21                             | 27.86             |                | 35.92                             |
| Parkers Way  | 21.14             |                | 29.04                             | 21.56             |                | 29.62                             |
| Hill House   | 35.85             |                | 43.75                             | 36.57             |                | 44.63                             |
| Grimwood Corner  | 21.61             |                | 29.51                             | 22.04             |                | 30.10                             |
| Newell Court   | 22.38             |                | 30.28                             | 22.83             |                | 30.89                             |
| Clover Court   | 43.66             |                | 51.56                             | 44.53             |                | 52.59                             |
| Gayford Court  | 22.21             |                | 30.11                             | 22.65             |                | 30.71                             |
| Taylor Close   | 20.41             |                | 28.31                             | 20.82             |                | 28.88                             |
| Samford Close  | 33.69             |                | 41.59                             | 34.36             |                | 42.42                             |
| Angel Street   | 17.56             |                | 25.46                             | 17.91             |                | 25.97                             |
| Ash Street   | 34.16             |                | 42.06                             | 34.84             |                | 42.90                             |
| Spring Street  | 24.80             |                | 32.70                             | 25.30             |                | 33.36                             |
| Inkerman Terrace   | 24.56             |                | 32.46                             | 25.05             |                | 33.11                             |
| Bradfield Avenue   | 16.76             |                | 24.66                             | 17.10             |                | 25.16                             |
| <b>Homeless Units</b>  |                   |                |                                   |                   |                |                                   |
| Old School House, Hadleigh:  |                   |                |                                   |                   |                |                                   |
| - 1 person unit  | -                 | 44.25          | 44.25                             | -                 | 45.14          | 45.14                             |
| - 2 person unit  | -                 | 49.65          | 49.65                             | -                 | 50.64          | 50.64                             |
| <b>Light &amp; Heat (Private Rooms and Communal Areas)</b>                         |                   |                |                                   |                   |                |                                   |
|  | 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                             | 10.53             | 3.61           | 14.14                             |
| - Level One Non-Bedsits (Very Sheltered Accommodation)                             | 17.69             | 6.10           | 23.79                             | 21.05             | 7.26           | 28.31                             |
| - Level Two Bedsits (Sheltered Accommodation)                                      | 6.42              | 2.00           | 8.42                              | 7.64              | 2.38           | 10.02                             |
| - Level Two Non-Bedsits (Sheltered Accommodation)                                  | 12.87             | 4.02           | 16.89                             | 15.32             | 4.78           | 20.10                             |
| - Level Three, where applicable, Bedsits (Sheltered Accommodation)                 | 7.12              | 0.64           | 7.76                              | 8.47              | 0.76           | 9.23                              |
| - Level Three, where applicable, Non-Bedsits (Sheltered Accommodation)             | 14.24             | 1.31           | 15.55                             | 16.95             | 1.56           | 18.51                             |
| - Homeless Units Bedsits   | 4.77              | 1.59           | 6.36                              | tba               | tba            | tba                               |
| - Homeless Units Non-Bedsits   | 9.56              | 3.19           | 12.75                             | tba               | tba            | tba                               |
| <b>Furnishing Charges</b>  |                   |                | 2009/10                           |                   |                | 2010/11                           |
| <u>Homeless Units</u>  |                   |                |                                   |                   |                |                                   |
| - 1 Person Unit  |                   |                | 5.07                              |                   |                | 5.17                              |
| - 2 Person Unit  |                   |                | 6.08                              |                   |                | 6.20                              |
| <b>Garage Rents</b>  |                   |                |                                   |                   |                |                                   |
| Garages casually let to council tenants  |                   |                | 6.14                              |                   |                | 6.26                              |
| Garages casually let to private tenants  |                   |                | 7.70                              |                   |                | 7.85                              |