

BABERGH DISTRICT COUNCIL

FROM: Director of Finance

REPORT NUMBER: **K171A**

TO: STRATEGY COMMITTEE

DATE OF MEETING: 13 January 2011

ADDITIONAL NOTE ON PROPOSED RENT INCREASE

COUNCIL HOUSING – DRAFT REVENUE BUDGET AND CAPITAL PROGRAMME

1. PURPOSE OF REPORT

- 1.1 To update Members on an alternative option to the 6.5% average rent increase recommended in Paper K171, which will be subject to further examination and scrutiny by the Housing Panel and the Overview and Scrutiny (Community Services) Committee.

2. RECOMMENDATIONS

That the following recommendation replaces recommendations 2.1 and 2.2 set out in Paper K171:

- 2.1 That the draft Council Housing Revenue Budget and Capital Programme be approved, subject to these being based on an average rent increase of 4.5% as reflected in the amended Appendix A attached (or such higher increase not exceeding 6.5% that will sufficiently protect the financial position of the Housing Revenue Account).

The remaining recommendations 2.3 and 2.4 as set out in Paper K171 still stand.

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 Housing Panel on the 28 January and the Overview and Scrutiny (Community Services) Committee on the 1 February.

3. FINANCIAL IMPLICATIONS

- 3.1 A lower rent increase of 4.5% would result in £244k less income than the 2011/12 draft budget originally attached in Appendix A to Paper K171.
- 3.2 This would leave less money for repairs or capital work. However, as the original draft budget indicated an estimated surplus on the HRA of £74k, this would mitigate the reduction. The result would, therefore, be a lower contribution to capital of £170k and this amount of less money for central heating each year.

- 3.3 Given that the original draft budget already proposed that the contribution to capital in 2011/12 could increase by £234k (from £616k this year to £850k next year, a reduction of £170k would still leave a £680k revenue contribution to capital, which is more than the current year's budget.
- 3.4 An amended draft HRA Budget and capital programme summary is attached, based on a 4.5% rent increase.

4. **KEY INFORMATION**

- 4.1 As indicated in Paper K171, the Government's 2011/12 rent increase proposal for Babergh is 6.5%, which is based on an the RPI of 4.6% in September 2010 and a rent restructuring 'convergence' factor.
- 4.2 This is a high increase for tenants and officers have considered whether a lower increase would be possible that would be beneficial for tenants and still protect the financial position of the HRA and spending on repairs/capital work.
- 4.3 The Government's current rent and subsidy formula (which is likely to change after next year) is a very complex one that varies from year to year. A general underlying principle though is that additional income generated from the annual rent increase proposals rent is paid over the Government as part of the subsidy calculations. The amounts vary though each year
- 4.4 Having examined the detailed rent and subsidy proposals, the position for 2011/12 is as follows, based on a 6.5% rent increase:
- Additional rent income - £839k
 - Additional subsidy paid over to the Government - £607k.
- 4.5 Allowing for the impact of other detailed aspects of the subsidy calculation and the original draft budget presented to Members in Appendix A of Paper K171, officers have concluded that:
- A lower average rent increase of 4.5% would be possible
 - This would generate the same amount of additional rent income that would have to be paid over to the Government
 - Although a lower contribution to capital than originally proposed in Paper K171 would result in 2011/12, this would still be higher than the amount that was included in this year's original budget
- 4.6 An amended HRA summary and draft capital programme is attached at Appendix A, based on a lower rent increase of 4.5%. This equates to a weekly rent increase of £3.48 compared to the £4.96 originally proposed on a 48 week basis.
- 4.7 A lower increase will obviously result in Babergh's rents not converging to the Government's target date of 2015/16. In reality though, this target date has been altered continuously by the Government and a lower increase is not seen as causing a problem if convergence was slightly later.

- 4.8 A lower increase would also mean that Babergh's average rent in 2011/12 would stand at £74.28 on a 52 week basis (not £75.65 with a 6.5% increase). This would reduce the gap compared to Mid Suffolk's proposed rent for 2011/12 of £70.33 (which reflects a 6.6% increase) and this could be helpful for rent harmonisation should there be a single Council – although the new Council Housing reforms could and probably will affect this also.
- 4.9 Of course, Members will appreciate that the option of a 6.5% increase remains and that would result in additional annual income of around £244k to the HRA compared to a 4.5% increase, which can then be spent on capital work.
- 4.10 Ultimately, Members are free to decide what increase they feel is most appropriate between the range 4.5% to 6.5%.

5. **APPENDICES**

A – Draft Housing Revenue Budget Summary and Capital Programme (amended).

6. **BACKGROUND PAPERS**

None.

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COUNCIL HOUSING REVENUE BUDGET SUMMARY

Line	2010/11		2011/12
	Original £000's	Revised £000's	Budget £000's
Income:			
1 Dwellings Rents	(12,732)	(12,790)	(13,327)
2 Garages and Other	(206)	(197)	(207)
3 Service and Facility Charges	(704)	(700)	(580)
4 Heating Charges and Other Income	(214)	(217)	(218)
5 Contributions towards expenditure	(141)	(133)	(133)
6 Total Income	(13,997)	(14,037)	(14,465)
Expenditure:			
7 Planned and Responsive Repairs	2,137	2,099	2,129
8 General Management	1,696	1,620	1,766
9 Special Services	1,595	1,569	1,531
10 Rent, Rates and Debt Provision	75	76	78
11 HRA Subsidy Payable to Government	4,960	5,049	5,390
12 Transfer to General Fund re HB Costs	75	45	46
13 Depreciation	2,986	3,342	3,479
14 Reduced Staffing Costs	(142)	0	(40)
15 Total Expenditure	13,382	13,800	14,379
16 Net Cost Of Services	(615)	(237)	(86)
17 Impairment & Asset Management Account	197	146	160
18 Premiums and Discounts, and Investment Income	257	257	212
19 Net Operating Expenditure	(161)	166	286
20 Appropriations:			
21 Revenue contribution to capital	616	616	680
22 Transfer to / (from) Major Repairs Reserve	(717)	(1,095)	(1,211)
23 Movement on Pensions Reserve	245	245	245
24 Deficit / Surplus (-)	(17)	(68)	0
HRA Reserve			
25 Balance at 1 April	1,001	1,213	1,281
26 Surplus / Deficit (-) for the year	17	68	0
27 Balance at 31 March	1,018	1,281	1,281

Council Housing - Capital Programme
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	-----Planned Expenditure-----				Total Cost of Schemes £
	2010/11	2011/12	2012/13	2013/14	
	£	£	£	£	£
COUNCIL HOUSING SCHEMES					
Planned Maintenance Programmes					
1 Rewiring	154,800	200,500	112,220	112,220	579,740
2 Roofing	93,400	113,700	286,940	581,280	1,075,320
3 Doors and Windows	231,080	220,000	206,390	206,400	863,870
4 Central Heating	984,550	611,250	371,120	371,120	2,338,040
5 Kitchens/bathrooms	676,500	471,000	472,480	472,480	2,092,460
6 Garage doors	12,750	62,900	118,200	11,820	205,670
7 Fences/Gates	74,200	89,600	120,240	120,240	404,280
8 Paths/Walls	36,830	85,900	98,820	98,820	320,370
9 Common Areas	13,440	41,860	2,870	2,880	61,050
10 Disabled Adaptations	357,920	323,720	325,000	325,000	1,331,640
11 Electrical Works	10,000	10,000			20,000
12 Internal Plumbing	10,000	10,000			20,000
13 Dampness and Condensation	20,000	20,000	30,000	30,000	100,000
14 Decent Homes - Improvements	21,700				21,700
15 Stock Condition Survey	25,000	60,000			85,000
16 Contingent Major Repairs		100,000	181,620		281,620
17 Parking Areas				78,910	78,910
					-
18 Total Planned Maintenance	2,722,170	2,420,430	2,325,900	2,411,170	9,879,670

Council Housing - Capital Programme

COUNCIL HOUSING SCHEMES	-----Planned Expenditure-----				Total Cost of Schemes
	2010/11	2011/12	2012/13	2013/14	
Other Programmes	£	£	£	£	£
19 Conversions/Adaptations	88,000	35,570	36,000	36,000	195,570
20 Sheltered Units - General Imps.	92,040	15,900	40,000	40,000	187,940
21 Smoke Alarms (Babergh Standard)	24,800	59,350	47,300	47,300	178,750
22 Insulation Improvements (Babergh Standard)	147,800	100,000	68,000	68,000	383,800
23 Street parking improvements	29,000	12,000	10,000	10,000	61,000
24 Major Refurbishments	148,800	120,000	200,000	120,000	588,800
25 Parking areas/Estate imp./Estate maintenance	69,200	42,380	44,680	40,000	196,260
26 Structural Works	99,800	154,400	121,220	121,230	496,650
27 Sewage Treatment works			1,900	1,300	3,200
28 Software/Surveys	50,000	25,000	25,000	25,000	125,000
29 Additional ICT Projects	10,400		25,000	25,000	60,400
30 Asset Register	13,500				13,500
31 Regeneration Schemes	27,980	10,970			38,950
32 Asbestos	9,910	10,000	10,000	10,000	39,910
33 TOTAL COUNCIL HOUSING SCHEMES	3,533,400	3,006,000	2,955,000	2,955,000	12,449,400

Total Investment Programme - Proposed Financing

PROPOSED FINANCING	2010/11	2011/12	2012/13	2013/14	Total
	£	£	£	£	£
34 Borrowing - supported	550,000	-	-	-	550,000
35 Revenue	616,000	680,000	680,000	680,000	2,656,000
36 Grants/External Contributions	25,000	25,000	25,000	25,000	100,000
37 Major Repairs Allowance	2,342,400	2,301,000	2,250,000	2,250,000	9,143,400
38 TOTAL INVESTMENT	3,533,400	3,006,000	2,955,000	2,955,000	12,449,400