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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

**Cabinet
Council**

**25 January 2010
28 January 2010**

Housing Revenue Account – Budget 2010/11

Report of the Divisional Director of Housing Services and Chief Finance Officer

1. Purpose of Report and Summary

- 1.1 This report summarises the financial position of the Housing Revenue Account (HRA) for 2009/10 and 2010/11. The approval of Members is sought for setting rents for 2010/11 again based on the Government's "formula rents", and Members are asked to determine the level of service charges to be applied in 2010/11.

2. Recommendations

- 2.1 The Cabinet is asked to consider the report, and recommend Council to:
- i) note the estimated working balance of £2.387m at the start of 2010/11 and approve the base budget for 2010/11 as detailed at Appendix A, including using £550,000 to support the HRA Capital Programme in 2010/11;
 - ii) consider the issues outlined in the body of the report and, in particular, the comments of the Performance Panel, which will be reported at the meeting;
 - iii) consider the Equality Impact Assessment at Appendix F of this report;
 - iv) approve the setting of rents for 2010/11 on the basis of "formula rents" which (for 2010/11 only) will require a uniform 2.5% increase in all rents, producing additional income for the HRA of £1.610m.
 - v) approve the revised level of miscellaneous payments and charges to be applied in 2010/11, as detailed in Appendix C;

- vi) approve the “prudential indicators” for the HRA, as detailed in Section 3.7 of the report and Appendix D;
- vii) approve that £30,000 be added to the 2010/11 budget (and £125,000 in 2011/12 and then reducing in later years, as principal repayments reduce the outstanding loan) to facilitate £1.662m of new prudential borrowing being used to finance “Decent Homes” expenditure included in the 2010/11 HRA Capital Programme;
- viii) approve that £82,000 be added to the 2010/11 budget (and £342,000 in 2011/12 and then reducing in later years, as principal repayments reduce the outstanding loan) to facilitate £4.547m of new prudential borrowing being used to finance the City Council’s contribution to the ‘New Build Challenge Fund Phase 1’ scheme included in the 2010/11 HRA Capital Programme. It should be noted that this scheme was approved by Cabinet on 13 July 2009 and that the prudential borrowing costs in future years will be covered by the rental income on the new dwellings.
- (ix) approve that £68,000 be added to the 2010/11 budget (and £285,000 in 2011/12 and then reducing in later years, as principal repayments reduce the outstanding loan) to facilitate £3.786m of new prudential borrowing being used to finance the City Council's contribution to the "New Build Challenge Fund Phase 2" scheme included in the 2010/11 HRA Capital Programme. It should be noted that this scheme was approved by Cabinet on 5 October 2009 and that the prudential borrowing costs in future years will be covered by the rental income on the new dwellings.
- x) Note that any costs relating to a new salary structure for craft and manual workers, or as a result of the introduction of the new Job Evaluation Scheme under Single Status, will be either met from savings due to the amalgamation of the Housing Management and Maintenance Divisions or contained within the HRA base budgets generally.

3. **Report**

3.1 **Revised Assessment for 2009/10**

As shown in Appendix A, the original budget for 2009/10 forecast a credit working balance of £2.749m to be carried forward into 2010/11. Current forecasts indicate that this balance will be £2.387m, which represents an approximate £0.4m net adverse variance compared to the original budget. This net variance comprises the following:

£m

- | | | |
|----|---|-------------------|
| a | <u>Reduced income from dwellings rents</u>
Dwellings rents were originally increased from April 2009 by an average of 5.9% for 2009/10, in accordance with the Government's rent restructuring formula. Subsequently (see below), the Government allowed authorities to reduce their original rent increase, with the lost income being covered by a change in subsidy. The 3.4% rent reduction from 1 st June, 2009, meant that the overall full-year average rent increase for 2009/10 was 2.85% rather than 5.9% giving reduced income of £1.9m. | 1.9 |
| b) | <u>Reduced Negative Subsidy</u>
This is due to the Government concession, as noted above, whereby local authorities reducing their original 2009/10 rent increases received full compensation via the subsidy system. | (1.9) |
| c) | <u>Interest receivable on cash balances</u>
The original budget included £0.5m for interest receivable on cash balances held by the HRA. This was based on an interest rate of 3.8% (the same as the actual rate which applied in 2008/09). In line with the generally low interest rates in the economy, the current estimate of the applicable rate is 0.6%, resulting in a loss of interest of some £0.4m
Net Adverse Variance 2009/10 | 0.4 |
| | | <u><u>0.4</u></u> |

3.2 Base Budget for 2010/11

Appendix A also shows the 2010/11 base budget for the HRA; this is the position on the account at existing levels of service (including allowances for pay awards and price increases) and at current rent levels. Full allowance has already been made in the base budget for gas costs for the District Heating service and for the increase in District Heating charges which came into effect on 6th April, 2009 and apply until the end of the 2010/11 financial year.

Details of the major variances are:

i) **Dwellings Rents**

The 2010/11 Dwellings Rent base budget (prior to any increase or decrease for 2010/11) is showing a decrease of £2.427m compared to the original budget for 2009/10.

This is due to:

		£000
(a)	Difference between the probable outturn rental income for 2009/10 and the original budget, due to 3.4% rent reduction from 01/06/09	1,900
(b)	Additional loss of rental income for the first two months of the 2010/11 financial year during which the original 5.9% increase applied in 2009/10	360

(c)	Allowance for stock reductions (through 'Right to Buy' and other sales) during 2010/11	167
		2,427

ii) **Other Income**

This summary budget head comprises income from non-dwellings rents (i.e., from garages, shops, land, etc), flats services charges, district heating charges and interest receivable on HRA balances. The reduction of £556,000 is due to:

		£000
(a)	Lower interest expected to be received on HRA cash balances, partly due to lower balances but mainly due to a reduction in the likely interest rate from 3.8% to 0.6%	452
(b)	The full year effect of the decision to reduce flat services charges by 3% from 01/06/09	94
(c)	Other changes (net)	10
		556

iii) **Repairs and Maintenance**

The increase of £600,000 is due to allowances for pay awards and price increases.

iv) **Landlord Services**

The net reduction of £114,000 comprises the following:

		£000
(a)	Allowances for pay awards and price increases	232
(b)	The full-year effect of the reduced price obtained from 01/10/09 for supplies of gas to the District Heating Service, which applies for all of 2010/11	(346)
		(114)

v) **Capital Financing Costs**

The reduction of £2.773m in capital financing costs is mainly due to a significant reduction in the interest rate from 5.0% to 3.6% between the years. These lower interest charges do not benefit the HRA, since they are fully re-imbursed as part of the subsidy calculation and the lower charges simply result in an equivalent increase in negative subsidy (see below).

vi) **Capital Expenditure financed from Revenue Account (CERA)**

No allowance for a CERA towards financing of the 2010/11 HRA Capital Programme has been made in the 2010/11 HRA Base Budget. A CERA for 2010/11 is proposed later in the report for approval by Members.

vii) **Negative Subsidy**

It can be seen from Appendix A that Negative Subsidy has increased by £1.077m between the 2009/10 and 2010/11 budgets. However, as capital financing costs are part of the subsidy calculation, it is necessary to combine this variance with the variance in capital financing costs (a decrease of £2.773m) to obtain the total effective change in the negative subsidy position, and this shows an improvement of £1.696m. This favourable variance comprises an improved subsidy position of £1.887m relating to 2009/10 (this is the change in subsidy that facilitated the 3.4% rent reduction from June 2009, as detailed earlier in paragraph 3.1) partly offset by a worsening of Leicester's negative subsidy position for 2010/11 by £0.191m.

These latest subsidy figures mean that Leicester's annual negative subsidy position has worsened by £5.6m since 2005/06. This compares to an improvement of £6.8m between 2003/04 and 2005/06, resulting from the Government's review of the subsidy calculation. Therefore, the Government has now largely 'clawed back' all of the large earlier improvements.

The large adverse subsidy changes in recent years are mainly due to the Government's policy of not allowing local authorities to retain the full amount of additional income resulting from the large, above inflation, annual rents increases under rent-restructuring. The subsidy system is the means by which the Government claws back a large part of the additional HRA rental income each year. This issue is considered further in paragraph 3.4.5.

3.3. **Single Status**

3.3.1 **New salary structure for craft and manual workers and changes to staff salaries under Single Status**

As part of the Council's move to Single Status it has been necessary to consider other areas not covered by the Single Status Agreement to limit the potential for Equal Value claims in the future. One such area was the craft and manual workers in Housing who are outside the Single Status Agreement. These employees have historically been paid a wage plus a bonus based on their individual productivity. Although the bonus scheme was considered robust, there was still a chance that someone could use this area of Council activity in an equal value claim against the Council. Officers have therefore been actively engaged with the trade unions in developing a new salary structure for this group of employees, which, although not actually part of the single status scheme, does result in pay scales in line with and compatible to those under the Single Status Agreement.

Also, the HRA, because of its ring-fenced position, has to meet any costs associated with the introduction of Single Status for its own employees. Therefore, any additional costs associated with these two changes will be either offset by savings achieved by the amalgamation of the Housing Management and Maintenance Branches into a new Housing Services Division or contained within the HRA base budgets generally.

3.4 Rent Setting under the Rent Re-Structuring System

- 3.4.1 To comply with Government regulations, Leicester's HRA commenced the rent restructuring process in 2004/05. Under this system, all rents are set by a Government formula, taking account of local earnings levels, the value of the property and the number of bedrooms in the property. The Government's original intention was that, under the formula rent system, local authority rents would increase at a faster rate than Housing Association rent so that, by 2011/12, rent levels on comparable properties in the two sectors would be similar.
- 3.4.2 However, to avoid having extremely large annual rent increases in the last part of the original restructuring period, the Government last year extended the convergence period to 2024/25.
- 3.4.3 Also, after setting its formula rents for 2009/10 (which resulted in an average rent increase of 5.9% for Leicester's tenants), the Government made a late change to its rent formula and subsidy figures which effectively allowed local authorities to reduce their 2009/10 rent increases by about half. This enabled Leicester's new 2009/10 rents to be reduced by 3.4% from 1st June 2009, which, on a full year basis, meant that the rent increase for 2009/10 was equivalent to 2.85% rather than the original 5.9%.
- 3.4.4 The average rent increase for Leicester's HRA for 2010/11, under rent restructuring, is 2.5%. **It is necessary to apply this increase to all rents from April 2010.** The effect of this increase on different categories of properties is shown in Appendix B.
- 3.4.5 The 2.5% increase in rents will produce additional income of £1.610m for the HRA. As noted earlier, £0.191m (12%) of this increase will be effectively 'clawed back' by the Government via a worsening of Leicester's negative subsidy position for 2010/11. This level of clawback is much less than in recent years, when a much greater clawback has been applied to a generally much higher rent increase.
- 3.4.6 The Government has also reviewed the progress being made towards convergence of HRA and Housing Association rents, and now believes (subject to the continuation of low inflation rates) that convergence can be achieved by 2012/13.
- 3.4.7 However, **in considering these rent proposals, Members must consider them alongside the Equality Impact Assessment** (at Appendix F) and satisfy themselves that any decision does not disadvantage any group of people, or at least that adequate safeguards have been put in place to mitigate against the impact of the revised charge being applied.

3.5 District Heating Charges

- 3.5.1 The current gas supply contract and current level of charges to tenants (following the 29% increase from 6 April 2009) apply until the end of the 2010/11 financial year, and do not therefore need considering at this time.

3.6 Other Associated and Miscellaneous Charges

3.6.1 Unlike the setting of rents, service charges are within the discretion of local authorities, although it is expected that increases in service charges will be kept broadly in line with those on rents.

A 2.5% increase in service charges for 2010/11, to be consistent with the proposed rent increase, will produce additional income for the HRA of £62,000.

3.6.2 The recommendations for the level of associated and miscellaneous charges (except for district heating charges) to be applied in 2010/11 are given in Appendix C.

3.7 **Prudential Code – Impact on the HRA**

3.7.1 The Local Government Act 2003 introduced new capital rules for local authorities, including the ‘Prudential Framework’ under which detailed regulation was replaced by a more flexible system of capital control, based upon authorities’ ability to meet revenue costs, and comply with CIPFA’s code of practice.

3.7.2 The key requirement of CIPFA’s code of practice is that authorities must agree a set of indicators that demonstrate that borrowing is affordable, sustainable and prudent. The authority’s full Council must approve the set of indicators at the same time at which it agrees the Council’s budget for the forthcoming year.

3.7.3 **Separate indicators are required for General Fund borrowing and HRA borrowing.** The code recommends a number of national indicators which all authorities must set. Authorities can also set local indicators, based upon local circumstances. Indicators relating to the HRA are in this report for approval by the Council.

3.7.4 The impact on unsupported borrowing of the proposals contained in this report is set out in paragraph 3.7.6 and 3.7.8. The indicators below and in Appendix D fully reflect:

- i) Recommendations made in this report regarding unsupported borrowing for investment in the HRA housing stock (including investment in HRA ‘new build’ properties).
- ii) The Housing Capital Programme recommended for 2010/11 (elsewhere on this Agenda)

3.7.5 The level of Prudential Borrowing proposed for the HRA is in line with the new draft Financial Strategy which states “Investment to meet the Decent Homes Standard, provided such borrowing does not exceed the implied level of capital included in housing subsidy determinations; and investment in support of the government's "New Build" programme." I believe the proposals comply with this proposed new strategy.

3.7.6 The four national indicators for the HRA are given in Appendix D, while the two locally-determined indicators are given below as these are more significant in the context of the HRA’s proposed prudential borrowing:

- i) Annual Movement in HRA Unsupported Borrowing

	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate

	£000's	£000's	£000's
Historic Unsupported Borrowing b/fwd	19,930	28,988	29,634
New Unsupported Borrowing	9,995	1,982	2,135
Less Unsupported Borrowing Repaid	(937)	(1,336)	(1,415)
Total Unsupported Borrowing c/fwd	28,988	29,634	30,354

- ii) The actual ratio of unsupported capital financing costs to net revenue stream for 2008/09 and estimates for the current year and for the period 2010/11 to 2012/13 are:

	2008/09 Actual	2009/10 Estimate	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate
HRA Ratio	2.57%	2.23%	2.53%	3.27%	3.32%

- 3.7.7 An additional £1.662m of HRA capital expenditure for Decent Homes work has been included in the 2010/11 Housing Capital Programme, to be financed by unsupported borrowing under the Prudential framework. This will result in £30,000 of revenue costs in 2010/11, £125,000 in 2011/12 and reducing in later years as principal repayments reduce the outstanding debt. It is the opinion of officers, having regard to the above indicators and those in Appendix D, that the HRA will be able to meet the ongoing revenue costs in future years. To assist Members in making the decision on whether or not to utilise the Prudential Borrowing Framework in 2010/11, officers have put together a prediction of the HRA up to 2014/15 (see Appendix E), which clearly shows the figures proposed are both affordable and prudent within the context of the HRA.
- 3.7.8 The HRA also maintains an earmarked reserve – currently with a balance of £1.2m – to cover unforeseen increases in future prudential borrowing costs (e.g., due to increased interest rates) or increases in district heating energy costs. The existence of this reserve provide further reassurance that the proposed level of unsupported borrowing remains affordable and prudent.
- 3.7.9 Additionally, the July 2009 meeting of the Cabinet approved the Council's bid for Government support towards HRA new build proposals under the "New Build Challenge Fund Phase 1" initiative. The Council's bid to build 93 new HRA dwellings (at Heather Road, Godstow Walk and Wycombe Road) at a total estimated cost of £9.094m was successful, meaning that 50% Social Housing Grant (£4.547m) will be received, leaving the remaining £4.547 to be financed using prudential borrowing. Loan charges on the £4.547m prudential borrowing will be £82,000 in 2010/11, £342,000 in 2011/12 and then decreasing in later years as principal repayments reduce the outstanding loan. It should be noted that the initial full-year rental income on the new properties will be £409,000 and is, therefore, significantly in excess of borrowing costs.
- 3.7.10 Further, the October 2009 meeting of the Cabinet approved the Council's bid for Government support towards HRA new build proposals under the "New Build Challenge Fund Phase 2" initiative. The Government has now approved the building of 53 new units (at Laburnum Road and Bonney Road/Birkenshaw Road) at a total estimated cost of £6.310m, meaning that 40% Social Housing Grant (£2.524m) will be received, leaving the remaining £3.786m to be financed using prudential borrowing. Loan charges on the £3.786m prudential borrowing will be £68,000 in 2010/11, £285,000 in 2011/12 and then decreasing in later years as principal repayments reduce the outstanding loan. It should be noted that the initial rental income on the new properties is £234,000, but

that with annual rent increases this will exceed the annual borrowing costs after several years.

3.8 Capital Expenditure charged to Revenue Account (CERA)

- 3.8.1 The financial position of the HRA for 2010/11 gives scope – in addition to the proposed prudential borrowing of £1.662m for Decent Homes work and £8.333m for New Build – for the HRA to make a CERA of £0.550m million to supplement the HRA Capital Programme.
- 3.8.2 This will further help to ensure that the Council meets the Decent Homes and Business Plan developed under the Stock Options Appraisal, without (unlike prudential borrowing) committing any revenue resources beyond 2010/11.

3.9 Summarised Position for 2010/11 HRA

- 3.9.1 The draft summarized position for the 2010/11 HRA is as follows:

	£000's
Deficit/surplus on base budget (see Appendix A)	1,007
Average rent increase for 2010/11	(1,610)
Recommended increase in Service Charges (excluding district heating) (2.5%)	(62)
CERA – for financing of HRA Capital Programme	550
2010/11 cost of £1.662m new prudential borrowing for Decent Homes work	30
2010/11 cost of £8.333m new prudential borrowing for 'New Build' (borrowing costs after 2010/11 will be covered by the rental income on the new properties)	150
Net position for 2010/11	65
Balances b/fwd 01/04/10	(2,387)
Balances c/fwd 31/03/11	(2,322)

- 3.9.2 Members are reminded that Cabinet have set minimum HRA balances at £1.5m to meet any unforeseen expenditure or shortfall in income. The projected balances of £2.3m at 31 March 2011 are, therefore, £0.8m above the minimum. These balances will be required as follows:

- a) to support the HRA Capital Programme, thereby helping to meet or maintain the Government's Decent Homes Standard;
- b) to allow for any future restriction of rental income or increases in negative subsidy due to the operation of the Government's rent restructuring and subsidy systems;
- c) also the Government is currently reviewing the HRA subsidy system and having relatively high balances will be useful in case any potential new system works adversely for Leicester's HRA.

4. Financial Implications (Graham Troup – ext. 29 7425)

- 4.1 The Council has to balance expenditure with rent income in the ring-fenced HRA each year. This can be assisted, if necessary, by drawing on HRA balances, which are estimated to be £2.387m at 1 April 2010. However this is not recommended as these balances will be required for the reasons outlined in paragraph 3.9.2 above.
- 4.2 Under the continuation of the Government's rent restructuring process, the rent increase for Leicester's HRA for 2010/11 will be 2.5%. This will produce £1.6m extra income, although £0.2m (12%) will effectively be 'clawed back' by the Government via a worsening of the Council's negative subsidy position.

5. **Legal Implications (Beena Adatia – ext 29 6378)**

- 5.1 This report is in the main to summarise the financial position of the Housing Revenue Account and seeks Council approval for setting rents as detailed within the report. As such, no specific legal implications arise. The general position is that any variation to rents must comply with statutory provisions and guidance contained within the Housing Act legislation and accordingly the proposals contained in this report must so comply. Should officers require specific advice report then they can contact legal services as appropriate.
- 5.2 In relation to any variation to salary structure as detailed in the report, this will have employment law implications and similarly should officers require specific advice they can contact legal services.

6. **Other Implications**

OTHER IMPLICATIONS	YES/NO	PARAGRAPH REFERENCES WITHIN SUPPORTING INFORMATION
Equal Opportunities Policy	Yes	7.1
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on low income	Yes	7.1

7. **Equal Opportunity Implications**

Any reduction or restriction of HRA budgets directly affects the Council's ability to deliver high quality services that meet the needs and aspirations of Council tenants, many of whom are elderly and/or come from disadvantaged groups. However Members need to satisfy themselves that the charge is reasonable and affordable and does not disadvantage any particular group in the City. An Equality Impact Assessment has therefore been carried out and is shown at Appendix F for Members consideration.

8. **Background Papers – Local Government Act 1972**

- a) Budget book 2009/10
- b) Draft HRA Subsidy Determination 2010/11 (CLG, December 2009).
- c) Report of the Corporate Director of Adults and Housing and Chief Finance Officer on "Housing Revenue Account – Budget 2009/10" to Housing Performance Panel

11/12/08, Overview & Scrutiny Management Board 22/01/09, Cabinet 26/01/09 and Council 29/01/09.

- d) Report of the Corporate Director of Adults and Housing on “Legal Challenge on District Heating Charges and Current Gas Prices available in the Market Place” to Cabinet 26/01/09.
- e) Report of the Corporate Director of Adults and Housing on “Housing Revenue Account - Reduction to 2009/10 Rent Rise” to Council 26/03/09.

9. **Consultations**

- 9.1 This is a joint report of the Director of Housing Services and the Chief Finance Officer. All departments have been consulted through the Corporate Directors Board. The Trade Unions and Housing Performance Panel have also been consulted as part of the formal consultative procedures.

10. **Aims and Objectives**

- 10.1 The overall Quality of Life Aim for Housing Services is that “a decent home is within the reach of every citizen of Leicester”.

11. **Report Authors**

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Graham Troup, Principal Accountant (HRA) – ext 29 7425

HOUSING REVENUE ACCOUNT

2008/09 Actual £000's		2009/10 Original Budget £000's	2010/11 Base Budget £000's	Variance £000's
	Income			
63,396	Dwellings Rents	66,818	64,391	+2,427
5,589	Other Income	6,248	5,692	+556
68,985	Total Income	73,066	70,083	+2,983
	Expenditure			
25,618	Repairs and Maintenance	26,550	27,150	+ 600
17,373	Landlord Services	17,752	17,638	-114
72	Contribution to Bad Debts Provision	200	200	-
11,457	Capital Financing Costs	12,417	9,644	-2,773
	Capital Expenditure financed from			
1,426	Revenue Account (CERA)	2,519	-	-2,519
13,111	Negative Subsidy	15,381	16,458	+1,077
69,057	Total Expenditure	74,819	71,090	-3,729
72	(Surplus)/Deficit for year	1,753	1,007	-746
(4,574)	Working Balance brought forward	(4,502)	(2,387)	
(4,502)	Working Balance carried forward	(2,749)	(1,380)	

Notes:

1. In the 'variance' column, a favourable variance (i.e., reduced expenditure or increased income) is denoted by a negative sign, whilst an adverse variance (i.e., increased expenditure or reduced income) is denoted by a positive sign
2. Credit (i.e., favourable) balances are denoted by brackets.

APPENDIX B

PROJECTED RENT MOVEMENTS 2009/10 TO 2010/11

Property Type	2009/10			2010/11	
	April 09	June 09	Decrease from April 09 %	April 10	
	Avg Weekly Rent £	Avg Weekly Rent £		Avg Weekly Rent £	Increase from June 09 %
Bedsit	£43.58	£42.09	3.4%	£43.14	2.5%
1 bed flat	£50.51	£48.78	3.4%	£50.00	2.5%
1 bed house	£54.74	£52.86	3.4%	£54.18	2.5%
2 bed flat	£59.49	£57.45	3.4%	£58.89	2.5%
2 bed house	£62.11	£59.98	3.4%	£61.48	2.5%
3 bed flat	£65.87	£63.61	3.4%	£65.20	2.5%
3 bed house	£67.44	£65.13	3.4%	£66.75	2.5%
4+ bed house	£77.56	£74.90	3.4%	£76.77	2.5%
All stock	£60.63	£58.55	3.4%	£60.02	2.5%

Note: rents are shown on a 50 week basis

OTHER SERVICE CHARGES

The Housing Services Division administers a plethora of charges associated with providing services to tenants as part of their rent. Officers propose the following for Members' consideration:

(i) Use of Guest Room (Sheltered Housing Schemes)

The charge for use of the guest room at Sheltered Housing Schemes is not capable of precise calculation. In 2006/07, the charge was increased by 50p because no increase had been applied for a number of years. It is, therefore, recommended that no increase be applied to this charge for 2010/11.

(ii) Replacement Rent Swipe Cards

The Council replaced Rent Cards with Rent Swipe Cards on 6th April 2009 and agreed a charge of £2.50 for replacing lost cards under the new system, which was the same as the charge previously made for lost Rent Cards. The charge of £2.50 will still cover the cost involved in supplying and updating the new card. It is, therefore, recommended that the charge for replacing Rent Swipe Cards is maintained at £2.50 for 2010/11.

(iii) Information on Mortgages and Property Types/Conditions, etc.

The Housing Service continues to receive a large number of requests for ad hoc information in connection with mortgages and property type/condition, etc. As the work involved is very time consuming, it is felt appropriate to levy the charge on all requests for information in connection with mortgages and property types and condition, etc., excluding those requests from tenants for information in connection with tenants' statutory rights under Right to Buy legislation.

The charge was increased by £5 last year, from £75 to £80, so no increase is recommended for 2010/11.

(iv) Hostel Charges

It is recommended that the charge for hostel rent is increased by 5% to cover inflation and additional energy costs (gas and electricity). This increase will qualify for Housing Benefit payments.

(v) Other Charges

All other charges made to increase in line with the Government's guideline figure of 2.5%.

Miscellaneous Payments

The current list of payments is considered reasonable and, therefore, no increase is recommended on this occasion.

NATIONALLY SET HRA PRUDENTIAL INDICATORS

The four nationally-set HRA Prudential Indicators are as follows:

- i) The actual ratio of financing costs to net revenue stream for 2008/09 and estimates for the current year and for the period 2010/11 to 2012/13 are:

	2008/09 Actual	2009/10 Estimate	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate
HRA Ratio	14.70%	11.90%	12.34%	13.02%	12.82%

- ii) The estimated incremental impact on average weekly rents of capital investment decisions proposed in the HRA budget report, over and above capital investment decisions that have previously been taken by the Council are:

	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate
HRA Rent (£57.71)	£0.16*	£0.65*	£0.62*

* based on 2010/11 average recommended weekly rent of £57.71

The average weekly rent recommended for 2009/10 is £57.71 (52 week basis). In practice, this indicator (which is intended to show the effect of rent increases arising from capital investment) cannot achieve its purpose as rents are set by the Government's rent formula.

- iii) The actual capital expenditure incurred in 2008/09 and estimates of capital expenditure to be incurred in the current year and for the period 2010/11 to 2012/13 are:

	2008/09 Actual £000	2009/10 Estimate £000	2010/11 Estimate £000	2011/12 Estimate £000	2012/13 Estimate £000
HRA Capital Spend	20,794	23,189	37,275	16,756	16,488

- iv) The Capital Financing Requirement measures the Authority's underlying need to borrow for a capital purpose. On 24 November 2003, the Cabinet agreed the latest CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its borrowing and investments in accordance with its approved Treasury Management Strategy and Practices. External borrowing arises as a consequence of all the financial transactions of the Authority and not simply those arising from capital spending. By contrast, the Capital Financing Requirement reflects the Authority's underlying need to borrow for capital purposes.

APPENDIX D cont

The actual HRA Capital Financing Requirement in 2008/09 and estimates of the Capital Financing Requirement for the current financial year and the period 2010/11 to 2012/13 are:

	31.03.09 Actual £000's	31.03.10 Estimate £000's	31.03.11 Estimate £000's	31.03.12 Estimate £000's	31.03.13 Estimate £000's
HRA Capital Financing Requirement	205,968	212,727	227,285	227,931	228,651

CIPFA's Prudential Code for Capital Finance specifies the requirement that over the medium term, net borrowing will only be for capital purposes, and that Authorities should ensure that net borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement in the preceding year, plus the estimates of any additional Capital Financing Requirement for the current and next two financial years. **Based upon current capital commitments and proposals in this budget report, there are not anticipated to be any difficulties for the current or future years, assuming the present subsidy regime remains significantly unchanged.**

APPENDIX E

HRA PROJECTIONS 2009 – 2015

	2009/10 £000'S	2010/11 £000'S	2011/12 £000'S	2012/13 £000'S	2013/14 £000'S	2014/15 £000'S
Dwellings Rents	64,940	66,001	67,348	69,139	70,546	71,981
Other Income	5,768	5,754	5,840	5,982	6,131	6,283
Total Income	70,708	71,755	73,188	75,121	76,677	78,264
Repairs & Maintenance	26,550	27,150	27,700	28,200	28,700	29,200
Landlord Services	17,650	17,638	18,412	18,780	19,156	19,539
Bad Debts Provision	200	200	200	200	200	200
Capital Financing Costs	9,676	9,824	10,160	10,313	10,461	10,590
CERA	2,519	550	950	925	1,075	1,500
Negative Subsidy	16,228	16,458	16,550	16,741	16,932	17,123
Total Expenditure	72,823	71,820	73,972	75,159	76,524	78,152
(Surplus)/Deficit for year	2,115	65	784	38	(153)	(112)
Balances b/fwd	(4,502)	(2,387)	(2,322)	(1,538)	(1,500)	(1,653)
Balances c/fwd	(2,387)	(2,322)	(1,538)	(1,500)	(1,653)	(1,765)

Equality Impact Assessment

Name and date of meeting	Cabinet – 25 January 2010
Title of Report	Housing Revenue Account - Budget 2010/2011
Lead Officer	Dave Pate - Director of Housing Services
Date of EIA	16 th December 2010

1.	Who are the customers or stakeholders affected by the recommendations of this report?
<p>Tenants Residents Leaseholders Tenants/ Residents Associations Members LCC Housing Services Tenancy support services</p>	

2a.	What are the expected positive impacts that customers or stakeholders will receive as a result of the recommendations of this report?
<p>Money to provide financing for new capital works to carry out work on dwellings to ensure they meet the decent homes standard.</p> <p>Approving money to facilitate borrowing to finance the City Council's contribution to the "New Build Challenge Fund Phase 1 of 93 new HRA dwellings.</p> <p>The report highlights that officers have been working with trade unions to develop a new equal pay salary structure for craft and manual workers.</p>	
b.	Are there any differential outcomes between different diversity groups arising from the implementation of the report's recommendations? Which groups benefit, and which do not?
<p>Rents are being set for 2010/11, rents will be increased 2.5% and service charges to be applied in 2010/11 where applicable will be increased by 2.5% also.</p> <p>The rents are set using a prescribed government formula, which the council has no discretion or control over. Service charges are determined by the Council and there is discretion in this area although the Government does suggest that the increase be 0.5% above the inflation rate as measured by the Retail Price Index. Leicester City Council has followed the Government formula and guidelines in coming up with the proposed increase in rent and</p>	

service charges.

The decision to increase rent and service charges will not impact on most council tenants as they are on Housing Benefit. Approximately 80% of tenants receive housing benefit, which covers their rent. All service charges subject to the increase proposed in the HRA report are covered by housing benefit too if the tenant is eligible for benefit.

The Council has a stock of 22,340 dwellings. Service charges apply for the following types of services

- television services
- concierge services
- door entry systems
- communal cleaning
- way lighting
- miscellaneous service charges

Many properties have more than one service charge. 46% of the service charges are for properties in the centre area and this is where there is a larger concentration of tenants from BME backgrounds.

There are 25638 Council tenants (some properties have joint tenancies), with an equality profile as follows:

- 9.4% are Asian
- 6% are Black,
- 0.1% are Chinese
- 51% are White,
- 1% are of dual heritage
- 2% are other
- 30.4% ethnicity is not known.

The majority of council tenants are women and this is above the City average at 59.8%. The age range is very varied and goes beyond 75 years old. 22% of Council tenants are over 60 years old.

Households, where tenants are working and receiving a low wage, will be impacted by the increase and for some it may cause financial difficulties. There may be differential impact between different diversity groups depending on their income.

c.	If there are differential outcomes between different diversity groups, how can the outcomes be made more equitable for all diversity groups?
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The service needs to ensure that information about the increase in rent and service charges and the advice and assistance that is available is accessible to all the tenants.

Housing Services need to monitor arrears, non-payment and affordability issues with tenants and intervene where necessary to provide assistance.

3a. What are the potential negative/adverse impacts that customers or stakeholders could receive as a result of the recommendations of this report?

The main negative impact is on people on low incomes who are not in receipt of Housing Benefit and may experience financial difficulties with paying the increase in rent and service charges.

b. Which diversity groups would be affected? How would they be affected?

Age: 22% of tenants are over 60 years old and may be living on pensions. The decision to increase rent and service charges will cause financial problems for some older people if they do not receive Housing Benefit. The service needs to ensure that people are able to access money/ debt advice where necessary. Tenants need to be referred to support agencies where appropriate, to enable them to maintain their tenancies and standards of health and well-being.

Disability: 0.5% of tenants consider themselves to be disabled. Accurate information on the percentage of tenants who are disabled is not available at present. Some disabled people may be on low incomes therefore an increase in rent and service charges will cause financial difficulties if they do not receive Housing Benefit. Information on the increase in rent and service charges needs to be made accessible for disabled people in easy to read and other formats. Housing offices and venues used for consultation events need to be physically accessible. The service needs to ensure that people are able to access money/ debt advice where people need it. Tenants need to be referred to support agencies, where appropriate to enable them to maintain their tenancies and standards of health and well being.

Gender: 60% of tenants are women, some of which will be single parent families and on low incomes. The decision to increase rent and service charges will cause financial problems for some people if they do not receive Housing Benefit. The service needs to ensure that people are able to access money/ debt advice where it is required. Tenants need to be referred to support agencies where appropriate, to enable them to maintain their tenancies and standards of health and well being.

Race: 28% of tenants whose ethnicity is known are from Black and Minority Ethnic (BME) backgrounds. Some BME households are on low incomes, so an increase in rent and service charges may cause financial difficulties, particularly if they are not on Housing Benefit. Information on the increase in charges needs to be accessible and communicated to people in community

languages as appropriate. The service needs to ensure that people are able to access money/ debt advice where it is required. Tenants need to be referred to support agencies where appropriate to enable them to maintain their tenancies and standards of health and well being.

Religion/Belief: The service needs to contact local places of worship and provide information about the increase and information about who to contact for financial advice and assistance. The decision to increase rent and service charges will cause financial problems for some people if they do not receive Housing Benefit. Services need to be culturally appropriate and sensitive to religious requirements. Surgeries and advice sessions for tenants need to be held on days and times that do not conflict with times for prayer.

Sexual Orientation: The Service needs to ensure information is available at the Lesbian Gay Bisexual and Transgender (LGBT) Centre about the increase and where to get money/ debt advice. Some LGBT households may be on low incomes. The decision to increase rent and service charges will cause financial problems for some people if they do not receive Housing Benefit. The service needs to ensure that people are able to access money/ debt advice when and where people need it. Tenants need to be referred to support agencies where appropriate to enable them to maintain their tenancies and standards of health and well being. Services need to be LGBT friendly and staff need to have had awareness training. People need to feel they are in a safe environment if they approach the service for assistance.

c. How can these negative impacts be reduced or removed? What is your action plan?

The service needs to ensure that information about the increase in rent and service charges and the advice and assistance that is available is accessible to all groups.

Housing Services need to monitor arrears, non-payment and affordability issues with tenants and intervene where necessary to provide assistance.

Equality Strand/ Activity	Action Required	Outcome for Service	Measures required	Lead Officer (Service Manager)	Timescale
Age	The service needs to ensure that the provision of information about the increase and advice and assistance is available to tenants.,so that tenants are able to	More tenants of all ages being able to pay the rent and service charges.	% of people paying rent and service charges. % increase in people using the services provided by the	Landlord Services Managers	Ongoing

	access benefits and entitlements.		Income Management Team		
Disability	The service needs to ensure that accessible information about the increase and advice and assistance is available, to help people maximise their income.	More disabled tenants being able to access advice and assistance to enable them to pay their rent and service charges.	% of people paying rent and service charges. % increase in disabled people using the services provided by the Income Management Team.	Landlord Services Managers	Ongoing
Gender	The service needs to ensure that the provision of information about the increase and advice and assistance is available to tenants. So that tenants are able to access benefits and entitlements.	More tenants being able to pay their rent and service charges.	% of people paying their rent and service charges. % increase in people using the services provided by the Income Management Team.	Landlord Services Managers	Ongoing
Race	Communication of the increase and advice and assistance is in appropriate community languages, to help people maximise their income.	More tenants being able to pay their rent and service charges.	% of people paying their rent and service charges. % increase in people using the services provided by the Income Management Team	Landlord Services Managers	Ongoing
Religion/ Belief	Information about the increase and advice and assistance is available in local places of worship.	More tenants being able to pay their rent and service charges.	% of people paying their rent and service charges.	Landlord Services Managers	2010

	Surgeries and advices sessions to be held on days and times that do not conflict with prayer times		% increase of people using the services provided by the Income Management Team		
Sexual Orientation	Information about the increase and advice and assistance is available at the LGBT Centre. Services need to be LGBT friendly; staff need to have had awareness training.	More tenants being able to pay their rent and service charges. More people feeling they are in a safe environment when they approach the service for assistance	% of people paying their rent and service charges. % increase in people using the services provided by the Income Management Team	Landlord Services Managers	2010
Other associated issues (if appropriate)	Housing Management to monitor arrears, non-payment and affordability issues with tenants and intervene where necessary to provide assistance.	The service would be able to identify and intervene when people need assistance.	Reducing arrears cases and any formal action against tenants.	Rent Arrears and Recovery Team	Ongoing