

Leicester
City Council

WARDS AFFECTED
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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Housing Scrutiny Committee
Cabinet
Council

12th January 2006
24th January 2006
26th January 2006

HOUSING REVENUE ACCOUNT – BUDGET 2006/07

Report of the Corporate Director of Housing 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 2005/06 and 2006/07. The approval of Members is sought for setting rents for 2006/07 again based on the Government's "formula rents", and Members are asked to determine the levels of service charges to be applied in 2006/07.

2. Recommendations

- 2.1 **Housing Scrutiny Committee** is recommended to consider the issues raised in this report and the views of the Housing Management Board, and pass any comments on to the meeting of the Cabinet.
- 2.2 The **Cabinet** is asked to consider the report and any comments from the Housing Scrutiny Committee and recommend Council to:
- (i) note the estimated working balance of £4.012m at the start of 2006/07, and approve the base budget for 2006/07 as detailed in Appendix A;
 - (ii) consider the issues outlined in the Background Information of this report, and in particular, the comments of the Housing Scrutiny Committee and the Housing Management Board, which will be reported at the meeting;
 - (iii) approve the setting of rents for 2006/07 on the basis of "formula rents" and within the ranges shown in Appendix B, noting different properties will attract different increases and the **overall average**, in terms of income generated, will equate to a 4.9% increase overall;
 - (iv) approve the installation of heat control meters in tenant's property's attached to the district/communal heating schemes and indicate the percentage increase to be applied in 2006/07;

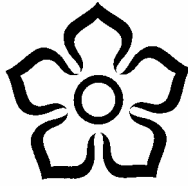
- (v) approve the revised level of miscellaneous payments and charges to be applied in 2006/07, as detailed in Appendix D;
- (vi) approve the “prudential indicators” for the HRA, as detailed in Section 7 and Appendix E of the “Supporting Information”;
- (vii) approve that £168,000 be added to the 2006/07 budget (and £570,000 per annum in future years) to facilitate the inclusion of £6m of additional HRA capital expenditure in the 2006/07 Housing Capital Programme, to be financed by unsupported borrowing under the Prudential Framework;
- (viii) approve the inclusion of £4m Capital Expenditure charged to Revenue Account in the 2006/07 HRA budget, to supplement the 2006/07 HRA Capital Programme.

3. Financial Implications

- 3.1 The Council has to balance expenditure with rent income in the ringfenced HRA each year. This can be assisted, if necessary, by drawing on HRA balances, which are estimated to be £4.012m at 1 April 2006.
- 3.2 Leicester commenced property-specific rent restructuring (i.e. setting rents on the basis of the Government’s formula rents) in 2004/05. The continuation of this process in 2006/07 will produce an average rent increase of 4.9%, equivalent to £2.7m; however, some 1.5% or £0.8m of the increase will be “clawed back” by Government via a worsening of the Authority’s negative subsidy position.

4. Report Author/Officer to contact:

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SUPPORTING INFORMATION

1. Revised Assessment for 2005/06

- 1.1 As shown in Appendix A, the original budget for 2005/06 forecast a credit working balance of £2.180m to be carried forward into 2006/07. Current forecasts indicate that this balance will be £4.012m, which is a £1.832m favourable variance compared to the original budget.
- 1.2 This favourable variance is almost entirely due to savings on the 2004/05 accounts, which have increased the size of balances carried forward into 2005/06.
- 1.3 A detailed report on the revised position for 2005/06 is being presented separately to the January round of committees.

2. Base Budget for 2006/07

- 2.1 Appendix A shows the 2006/07 base budget for the HRA; this is the position on the account at existing levels of service and at current rent levels. Also shown are the variances between the 2006/07 budget and the corresponding original budget for 2005/06.
- 2.2 Details of the variances are:

(i) **Rent – Dwellings**

The increase in rental income of £0.4m (prior to any rent increase) is due to:

£m

- (a) extra income in 2005/06 versus the original budget, due to a significant reduction in “Right to Buy” sales and improved

occupancy levels	0.9
(b) there is an extra day's rent in the 2006/07 financial year	0.1
(c) allowance for 300 "Right to Buy" and other sales in 2006/07	<u>(0.6)</u>
NET INCREASE IN INCOME	<u>0.4</u>

(ii) **Other Income**

The increase in "Other Income" of £277,000 comprises:

	£m
(a) additional interest receivable on higher HRA balances	0.100
(b) additional income on non-dwelling rents, mainly due to rent reviews and high occupancy of shops	<u>0.177</u>
	<u>0.277</u>

(iii) **Landlord Services**

The increase of some £1.4m is due to:

	£m
(a) allowances, ranging from 2.25% to 2.95%, for pay awards and price inflation	0.5
(b) reductions to budgets to reflect efficiency savings to be made in 2006/07 on Landlord Services functions	(0.1)
(c) increases in energy budgets due to expected price rises of 100% for gas and 70% for electricity from 1 June 2006	<u>1.0</u>
	<u>1.4</u>

Of the large increase of about £1m in energy costs, £734,000 relates to the district heating service. This issue is considered later in the report at Section 5.

(iv) **Repairs and Maintenance**

This budget is showing a small reduction of £166,000, which is effectively a very substantial real reduction after allowing for inflation, reflecting lower maintenance costs resulting from high levels of recent capital investment in the housing stock. The budget has also been reduced by £400,000 to take account of efficiency savings to be achieved during 2006/07.

(v) **Capital Financing Costs**

The increase of £387,000 is due to additional loan charges, including the full-year cost of loans raised in 2005/06, and the part-year cost of new loans to be raised in 2006/07.

(vi) **Prudential Borrowing Costs**

The increase of £724,000 is due to full-year costs now being incurred on the £18m of prudential borrowing taken out in 2004/05 and 2005/06.

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

The base budget includes a provision of £4m (an increase of £1.5m over the amount in the 2005/06 original budget) to supplement the resources available for financing the 2006/07 HRA Capital Programme. This has been incorporated in the report on the "Housing Capital Programme 2005/06 and 2006/09" elsewhere on this agenda.

(viii) **Negative Subsidy**

It can be seen from Appendix A that Negative Subsidy has increased by £604,000 between the 2005/06 and 2006/07 budgets. However, it is necessary to combine this variance with the variance in Capital Financing costs (£387,000) to obtain the total effective change in the negative subsidy position between the years, and this shows a worsening of £991,000. As noted earlier (in the main covering report at 3.2) this worsening is largely due to the Government's revision of its rent restructuring policy, and this will be covered in more detail below in Section 4 of this report.

3. Service Developments

3.1 No service developments are proposed for 2006/07.

4. Rent-Setting under the Rent Restructuring System

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.

4.2 The Government has revised its rent restructuring policy for 2006/07 (and later years) and is now intending that local authority rents catch up with housing association rents at a faster rate. Therefore, Leicester's average rent increase for 2006/07 will be 4.9% rather than the 3.4% for 2005/06; this additional increase of 1.5% will produce £833,000 extra rental income which is effectively "clawed back" by the Government by adjustments to its subsidy factors, and this largely explains the worsening in the negative subsidy position for 2005/06 to 2006/07 (referred to above in 2.2(viii)). The average rent increase of 4.9% will produce additional dwellings rent income of £2.722m above the level shown in Appendix A.

4.3 Appendix B gives details of the impact of the Government's revised rent restructuring formula on average rents for different categories of property. In accordance with the decision of the 21 July 2003 meeting of the Cabinet (following the advice of the Housing Scrutiny Committee and the Housing Management Board), full usage has been made of the Government's permitted 5% tolerances to limit, as far as possible, large increases in rent levels. However, as seen from the range of increases listed for each category of properties in Appendix B, certain properties will still face very large percentage increases despite the use of the tolerances, particularly where their base rent is low in comparison to other properties in their 'family'.

5. District/Communal Heating Charges

- 5.1 It was noted at 2.2(iii) that there is likely to be a very large increase in energy costs during 2006/07. The Council's current energy contracts terminate at the end of May 2006 and, due to conditions in the energy market, it is expected that the Council will face price increases of around 100% for gas and 70% for electricity from 1 June 2006. Such price rises will increase the energy costs of the district heating service by £734,000 in 2006/07 and a further £151,000 in 2007/08. In order for the district heating service to remain "self-financing" (i.e. to avoid being subsidised by tenants who do not use the service) will require an increase in charges of 53% for 2006/07 and a further 7% for 2007/08
- 5.2 However, given the fact that tenants of district/communal heating schemes have no incentive, to regulate either their heating or their energy bills, (unlike other tenants who pay their own heating bills direct), Members may wish to consider a different approach for the future. Over the last twelve months officers have been monitoring heat control meters installed in a new ASRA development on St Matthews serviced by the Council's District/Communal Heating Scheme. This experiment has proved very effective and allowed tenant's to buy their energy on a card system, and reduce their costs overall. The scheme works on the basis that the company installs the heat controls at its cost and subsequently recharges the Council over a ten-year period. Tenants then buy energy on a card system at various outlets, which can have an allowance included too cover emergencies. The Council then determines the rate per kilowatt hour to recover its operating costs, which includes VAT at 5%. As a result of the tenant buying their energy on a more frequent basis they can relate cost to usage and have an incentive to manage their energy consumption more effectively and thereby reduce demand and their costs overall. The Council is able to reduce its own energy consumption and therefore costs as tenant demand drops and although getting paid slightly less per kilowatt hour than it currently received from the tenant, are able to offset this by a reduction in its use of energy in running the District/Communal Heating Schemes.
- 5.3 Officers believe that all properties attached to the District/Communal Heating Schemes could be converted during the next twelve months at no or little cost to the Council. This would place tenants' served via a district/communal heating scheme to be in the same position as other tenants' in the City, i.e. they would have control over their energy consumption and therefore their energy costs.
- 5.4 Given the Council's commitment to its Climate Change and Environmental Strategies, and the need to limit the extent of any increase in district/communal heating charges to tenant's, Members are recommended to approve a programme to install heat control meters in tenant's properties, linked to the district/communal heating schemes, via a third party as soon as possible.
- 5.5 It is also the view of officers and the Cabinet Energy Working Party that the Council should limit the increase in District/Communal Heating Charges to tenant's until the heat control meters have been installed. Members are requested to indicate what increase should be applied in the intervening period. . Appendix C gives details of the implication

of various increases on district heating charges for 2006/07 from a 10% to a 53% increase.

6. Other Associated and Miscellaneous Charges

- 6.1 The recommendations for the levels of associated and miscellaneous charges (except for district heating charges) to be applied in 2006/07 are given in Appendix D.
- 6.2 In most cases, the increase recommended for 2006/07 is 3.5% (in line with Government guidelines) which overall will produce additional income for the HRA of £66,000.

7. Prudential Code – Impact on the HRA

- 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 following CIPFA’s code of practice.
- 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.
- 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 included in this report for approval by the Council.
- 7.4 The impact on unsupported borrowing of the proposals contained in this report is set out in paragraph 7.6. The indicators below and in Appendix E fully reflect:
- (i) Recommendations made in this report regarding unsupported borrowing for investment in the HRA housing stock.
- (ii) The Housing Capital Programme recommended for 2006/07 (elsewhere on this agenda).
- 7.5 The four national indicators for the HRA are given in Appendix E, 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

	2006/07 Estimate £000s	2007/08 Estimate £000s	2008/09 Estimate £000s
Historic Unsupported Borrowing B/fwd	17,760	23,040	23,830
New Unsupported Borrowing	6,000	1,750	0
Less Unsupported Borrowing Repaid	(720)	(960)	(1,030)
Total Unsupported Borrowing C/fwd	23,040	23,830	22,800

- (ii) The actual ratio of unsupported capital financing costs to net revenue stream for 2004/05 and estimates for the current year and for the period 2006/07 to 2008/09 are:

	2004/05 Actual	2005/06 Estimate	2006/07 Estimate	2007/08 Estimate	2008/09 Estimate
HRA Ratio	0.29%	1.46%	2.91%	3.44%	3.42%

- 7.6 An additional £6m of HRA capital expenditure has been included in the draft 2006/07 Housing Capital Programme to be financed by unsupported borrowing under the “Prudential Framework”. This will result in £168,000 of revenue costs in 2006/07 and £570,000 per annum in future years. It is the opinion of officers, having regard to the above indicators and the generally improved subsidy position of the authority, that the HRA will be able to meet the £570,000 per annum ongoing revenue cost in future years. To assist Members in making the decision on whether or not to utilize the Prudential Borrowing Framework in 2006/07 and 2007/08, officers have put together a prediction of the HRA up to 2009/10 (see Appendix F), which clearly shows the figures proposed are both affordable and prudent within the context of the HRA.
- 7.7 Also, the revised 2005/06 budget allows for the HRA to establish an earmarked reserve, initially set at £0.5m, primarily to cover unforeseen increases in future prudential borrowing costs (e.g. due to increased interest rates). The existence of this reserve provides further reassurance that the proposed level of unsupported borrowing remains affordable and prudent.

8. Capital Expenditure charged to Revenue Account (CERA)

- 8.1 Given the generally improved financial position of the HRA for 2006/07, there is scope – in addition to the proposed £6m prudential borrowing for 2006/07 – for the HRA to make a CERA of £4m to supplement the HRA Capital Programme. This is already reflected in the 2006/07 HRA base budget shown at Appendix A.

This will further help to ensure that the Council meets the Decent Homes target and Business Plan developed under the Stock Options Appraisal, without (unlike prudential borrowing) committing any revenue resources beyond 2006/07.

9. Summarised Position for the 2006/07 HRA

- 9.1 The draft summarized position for the 2006/07 HRA is as follows:

	<u>£000s</u>
Deficit on base budget (see Appendix A)	3,911
Average rent increase under Rent Restructuring (4.9%)	(2,722)
Recommended increase in District Heating Charges (53%)	(718)
Recommended increase in other Service Charges (3.5%)	(66)
2006/07 cost of £6m prudential borrowing recommended for 2006/07 (£570k per annum in future years)	<u>168</u>

Net position for 2006/07	573 deficit
Balances b/fwd 1.4.2006	(4,012)
Balances c/fwd 31.3.2007	(3,439)

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 at 31 March 2007 of £3.439m as shown above are, therefore, some £1.9m above the minimum. These balances will be required as follows:

- (a) to support the HRA Capital Programme, thereby helping to meet the Government's Decent Homes Standard by 2010;
- (b) to possibly fund the replacement of analogue with digital TV services, depending on the outcome of discussions with NTL;
- (c) to allow for any future restriction of rental income due to the operation of the Government's rent restructuring system;
- (d) for the introduction of a Global Positioning System for the Housing Repairs Trading Services; and
- (e) to meet the cost of introducing the Council's new job evaluation scheme for staff employed in the HRA and Housing Repairs Trading Services.

FINANCIAL, LEGAL AND OTHER IMPLICATIONS

10. Financial Implications

10.1 These are covered in the body of this report.

11. Legal Implications

11.1 There are no legal implications associated with this report.

12. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	Yes	13.1
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	Yes	13.1

13. Equal Opportunities Implications

- 13.1 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.

14. Background Papers – Local Government Act 1972

- 14.1 (a) Budget Book 2005/06
(b) HRA Closing down files Ref. F2M/1111
(c) Housing Subsidy Claim files Ref. F2M/P918
(d) HRA Budget files Ref. F2M/9999
(e) Draft HRA Subsidy Determination 2006/07 (ODPM, 7.11.05.)
(f) Report of the Corporate Director of Housing and Chief Finance Officer on “Budget Monitoring 2005/06 Period 7 – HRA and Housing Repairs Trading Services” to Housing Scrutiny Committee 12.1.06.
(g) Report of the Corporate Director of Housing on “Housing Revenue Account Budget 2006/07” to Housing Management Board 1.12.05.

15. Consultations

- 15.1 This is a joint report of the Corporate Director of Housing and Chief Finance Officer. No other departments have been consulted.

16. Aims and Objectives

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

17. Report Author/Officer to contact

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APPENDIX A

HOUSING REVENUE ACCOUNT

2004/05 Actual £000s		2005/06 Original Budget £000s	2006/07 Base Budget £000s	Variance £000s
	<u>Income</u>			
55,424	Rents – Dwellings	55,134	55,552	-418
4,733	Other Income	4,580	4,857	-277
60,157	Total Income	59,714	60,409	-695
	<u>Expenditure</u>			
14,769	Landlord Services	15,027	16,418	+1,391
21,935	Repairs & Maintenance	22,300	22,134	-166
	Contribution to Bad			
371	Debt Provision	800	500	-300
10,604	Capital Financing Costs	10,440	10,827	+387
	Prudential Borrowing			
177	Costs	970	1,694	+724
	Capital Expenditure			
	financed from Revenue			
0	Account (CERA)	2,500	4,000	+1,500
10,383	Negative Subsidy	8,143	8,747	+604
58,239	Total Expenditure	60,180	64,320	+4,140
(1,918)	(Surplus)/Deficit for year	466	3,911	+3,445
(2,577)	Working Balance b/fwd	(2,646)	(4,012)	
(4,495)	Working Balance c/fwd	(2,180)	(101)	

Notes:

1. In the Variance column, a favourable variance (i.e. reduced expenditure or increased income) is denoted by a negative sign, while 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 2005/06 TO 2006/07 USING REVISED FORMULA RENTS AND PERMITTED FLEXIBILITY

Property Type	2005/06	2006/07			
	Average Weekly Rent £	Average Weekly Rent £	Average Increase %	Range of Increase	
				From %	To %
Bedsit					
1 bed house	33.56	35.84	6.8	1.5	11.6
1 bed flat	46.06	47.56	3.3	0.4	9.7
2 bed house	40.66	42.68	5.0	0.8	10.7
2 bed flat	50.66	52.98	4.6	0.9	9.0
3 bed house	48.11	50.43	4.8	2.4	9.6
3 bed flat	54.26	57.10	5.2	1.2	8.6
4+ bed dwelling	53.18	55.85	5.0	1.6	7.9
	62.18	65.61	5.5	1.6	7.8
Total Stock	49.15	51.54	4.9		

Note: Rents are on a 50 week basis

APPENDIX C

Review of District/Communal Heating Charges

		Current	10%	20%	30%	40%	50%	53%
1 bedroom dwelling	HEATING	5.17	5.69	6.20	6.72	7.24	7.76	7.91
	HOT WATER	<u>2.58</u>	<u>2.84</u>	<u>3.10</u>	<u>3.35</u>	<u>3.61</u>	<u>3.87</u>	<u>3.95</u>
		7.75	8.53	9.30	10.08	10.85	11.63	11.86
2 bedroom dwelling	HEATING	6.48	7.13	7.78	8.42	9.07	9.72	9.93
	HOT WATER	<u>3.24</u>	<u>3.56</u>	<u>3.89</u>	<u>4.21</u>	<u>4.54</u>	<u>4.86</u>	<u>4.96</u>
		9.72	10.69	11.66	12.64	13.61	14.58	14.89
3 bedroom dwelling	HEATING	7.73	8.50	9.28	10.05	10.82	11.60	11.83
	HOT WATER	<u>3.86</u>	<u>4.25</u>	<u>4.63</u>	<u>5.02</u>	<u>5.40</u>	<u>5.79</u>	<u>5.91</u>
		11.59	12.75	13.91	15.07	16.23	17.39	17.74
4 person dwelling	HEATING	9.02	9.92	10.82	11.73	12.63	13.53	13.81
	HOT WATER	<u>4.51</u>	<u>4.96</u>	<u>5.41</u>	<u>5.86</u>	<u>6.31</u>	<u>6.77</u>	<u>6.90</u>
		13.53	14.88	16.24	17.59	18.94	20.30	20.71
GOSCOTE HOUSE (per week)								
Small bedsit	HEATING	3.87	4.26	4.64	5.03	5.42	5.81	5.92
	HOT WATER	<u>1.93</u>	<u>2.12</u>	<u>2.32</u>	<u>2.51</u>	<u>2.70</u>	<u>2.90</u>	<u>2.95</u>
		5.80	6.38	6.96	7.54	8.12	8.70	8.87
1 bedroom flat	HEATING	4.54	4.99	5.45	5.90	6.36	6.81	6.95
	HOT WATER	<u>2.27</u>	<u>2.50</u>	<u>2.72</u>	<u>2.95</u>	<u>3.18</u>	<u>3.41</u>	<u>3.47</u>
		6.81	7.49	8.17	8.85	9.53	10.22	10.42
2 person flat	HEATING	5.17	5.69	6.20	6.72	7.24	7.76	7.91
	HOT WATER	<u>2.58</u>	<u>2.84</u>	<u>3.10</u>	<u>3.35</u>	<u>3.61</u>	<u>3.87</u>	<u>3.95</u>
		7.75	8.53	9.30	10.08	10.85	11.63	11.86
Maximum Level of Subsidy required			583,000	448,000	313,000	178,000	43,000	Nil

OTHER SERVICE CHARGES

The Housing Department administers a plethora of charges associated with providing services to tenants as part of their rent. In line with Government Guidelines it is recommended that, except for the ones highlighted below, these all increase by 3.5% in 2006/07.

(i) Use of Guest Room (WAAs)

The charge for use of the guest room at Warden Assisted Schemes is not capable of precise calculation. However, it has been set at £2.50 per night for a number of years and therefore it is recommended that this charge be increased to £3 per night from 1st April 2006.

(ii) Replacement Pass Books or Rent Cards

The charge for a replacement pass book or rent card is intended to cover the cost involved in supplying and updating the new document. The current charge of £1 has not increased for over ten years and therefore it is recommended that it be increased to £2.50 from 1st April 2006.

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

The Department 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 connecting with mortgages and property types and condition etc, excluding those requests from tenants for information in connection with tenant's statutory rights under Right to Buy legislation.

The current charge has not been increased for some time and therefore it is recommended that it be increased from £60 to £75 from 1st April 2006.

(iv) Hostel Charges

It is recommended that the charge for hostel rents is increased by 5% to cover inflation, additional energy costs (gas and electricity) and the need to appoint an additional duty officer to meet health and safety legislation requirements at the Dawn Centre.

Miscellaneous Payments

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

APPENDIX E

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 2004/05 and estimates for the current year and for the period 2006/07 to 2008/09 are:

	2004/05 Actual	2005/06 Estimate	2006/07 Estimate	2007/08 Estimate	2008/09 Estimate
HRA Ratio	16.32%	16.59%	18.18%	18.68%	18.62%

- (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:

	2006/07 Estimate	2007/08 Estimate	2008/09 Estimate
HRA Rent (£49.56)	£0.14*	£0.51*	£0.57*

*based on 2006/07 average recommended weekly rent of £49.56

The average weekly rent recommended is £49.56 for 2006/07 (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 2004/05 and estimates of capital expenditure to be incurred in the current financial year and for the period 2006/07 to 2008/09 (based upon the HRA Capital Programme recommended to Council on 26 January 2006) are:

	2004/05 Actual £000s	2005/06 Estimate £000s	2006/07 Estimate £000s	2007/08 Estimate £000s	2008/09 Estimate £000s
HRA Capital Spend	27,083	35,402	28,600	22,400	20,200

- (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. The actual HRA Capital Financing Requirement in 2004/05 and estimates of the Capital Financing Requirement for the current financial year and the period 2006/07 to 2008/09 (subject to the agreement of the Housing Capital Programme by Council on 26 January 2006) are:

	31.3.05. Actual £000s	31.3.06. Estimate £000s	31.3.07. Estimate £000s	31.3.08. Estimate £000s	31.3.09. Estimate £000s
HRA Capital Financing Requirement	172,020	189,186	200,173	206,670	211,347

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 F

HRA PROJECTIONS

	2005/06 £000s	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s
Rent – dwellings	56,000	58,274	60,289	62,408	64,625
Other Income	4,680	5,641	5,844	5,971	6,102
Total Income	60,680	63,915	66,133	68,379	70,727
Management	15,227	16,418	17,020	17,496	17,986
Repairs and Maintenance	22,300	22,134	22,442	22,799	23,006
Bad Debts Provision	800	500	500	500	500
CERA	3,000	4,000	4,000	4,000	4,000
Capital Financing – supported	10,836	10,827	10,827	10,827	10,827
Capital Financing – unsupported	886	1,862	2,272	2,336	2,278
Negative Subsidy	8,114	8,747	9,439	10,155	10,896
Total Expenditure	61,163	64,488	66,500	68,113	69,493
Deficit/(Surplus)	483	573	367	(266)	(1,234)
Balances b/fwd	(4,495)	(4,012)	(3,439)	(3,072)	(3,338)
Balances c/fwd	(4,012)	(3,439)	(3,072)	(3,338)	(4,572)

Note: Unsupported (i.e. “prudential”) capital financing costs are based on the following tranches of borrowing being raised:

£6m in 2004/05, £12m in 2005/06, £6m in 2006/07 and £1.75m in 2007/08