



Leicester
City Council

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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

HOUSING PERFORMANCE PANEL

17TH DECEMBER 2010

HOUSING PERFORMANCE PANEL

and 11TH JANUARY, 2011

OVERVIEW AND SCRUTINY MANAGEMENT BOARD

13TH JANUARY, 2011

CABINET

17TH JANUARY, 2011

COUNCIL

27TH JANUARY, 2011

HOUSING REVENUE ACCOUNT – BUDGET 2011/12

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 2010/11 and 2011/12 **based on the draft Subsidy Determination. If there are any changes to these figures in the Final Determination they will be reported to Members at the meeting.** The approval of Members is sought for setting rents for 2011/12 again based on the Government's "formula rents". Members are also asked to determine the level of service charges to be applied in 2011/12, and approve the expenditure reductions proposed for 2011/12.

2. Recommendations

- 2.1. The Cabinet is asked to consider the report, and recommend Council to:

- i) note the estimated working balance of £1.991m at the start of 2011/12 and approve the base budget as detailed at Appendix A;
- ii) approve the initial expenditure reductions totaling £1.047m proposed for 2011/12, as detailed in Appendix B.
- iii) consider the issues outlined in the body of the report and, in particular, the comments of the Performance Panel and OSMB, which will be reported at the meeting;
- iv) consider the Equality Impact Assessment at Appendix F of this report;
- v) approve the setting of rents for 2011/12 on the basis of "formula rents" and within the ranges shown in Appendix C, noting that different properties will attract different increases, and the overall average, in terms of income generated, will equate to a 6.3% increase;
- vi) approve the revised level of miscellaneous payments and charges to be applied in 2011/12 as detailed in Appendix D;

- vii) approve the “prudential indicators” for the HRA, as detailed in Appendix E of the report.
- viii) approve that £60,000 be added to the 2011/12 budget (and £280,000 in 2012/13 and then reducing in subsequent years as principal repayments reduce the outstanding loan) to facilitate £4.0m of new prudential borrowing being used to finance “Decent Homes” expenditure included in the 2011/12 HRA Capital Programme.
- ix) approve that a revenue contribution of £1m be included in the 2011/12 HRA budget to support the 2011/12 HRA Capital Programme.
- x) Note that costs charged to the General Fund are currently being reviewed in the light of the overall General Fund position. Any changes may impact on the HRA and reduce balances in hand.

3. REPORT

3.1. Revised Assessment for 2010/11

As shown in Appendix A, the original budget for 2010/11 forecast a credit working balance of £2.386m to be carried forward into 2011/12. Current forecasts indicate this balance will be £1.991m, which represents an approximate £0.4m net adverse variance compared to the original budget. This net variance comprises the following:

| | £m |
|--|-------------------|
| a) Repairs and Maintenance expenditure is showing an overspend of £0.5m due to the cost of moving the craft workforce from a “wages and bonus” system to salaries to limit the Council’s risk of equal value/equal pay claims. | 0.5 |
| b) A lower interest rate will produce savings on prudential borrowing debt charges | (0.1) |
| | <u>0.4</u> |

3.2 Base Budget for 2011/12

Appendix A also shows the 2011/12 base budget for the HRA; this is the position on the account at existing levels of service and before any increases in rents or service charges.

Details of the major variances are:

- i) The 2011/12 Dwellings Rent base budget (prior to any increase for 2011/12) is showing an increase of £0.540m compared to the original budget for 2010/11. This is due to:

| | £000 |
|--|-------------------|
| a) Additional rent from ‘New Build’ properties expected to be available for letting from early 2011/12 | 552 |
| b) Allowance for stock reductions (through ‘Right to Buy’ and other sales) during 2011/12 | (207) |
| c) An extra day’s rent falls into 2011/12 compared to 2010/11 | 195 |
| | <u>540</u> |

ii) **Repairs and Maintenance**

The increase of £850,000 is due to the ongoing full-year effect of the new salary arrangements for the craft workforce, and additional costs associated with increased Health and Safety checks

iii) **Capital Financing Costs**

The reduction of £863,000 in capital financing costs is due to:

| | £000 |
|--|---------------------|
| a) A reduction in interest charges on 'supported' borrowing due to a reduction in the interest rate from 3.6% to 3.0% between the years. (This reduction does not benefit the HRA, since these charges are fully reimbursed as part of the subsidy calculation, and the lower charges simply result in an equivalent increase in negative subsidy – see below) | -1,135 |
| partly offset by: | |
| b) Additional costs due to the 'full year' effects of new prudential borrowing. | + 272 |
| | <u>- 863</u> |

iv) **Capital Expenditure financed from Revenue Accounts (CERA)**

No allowance for a CERA towards financing of the 2011/12 HRA Capital Programme has been made in the 2011/12 HRA Base Budget. A CERA for 2011/12 is proposed later in the report for approval by Members.

v) **Negative Subsidy**

It can be seen from Appendix A that Negative Subsidy has increased by £3.958m between the 2010/11 and 2011/12 budgets. However, as 'supported' capital financing costs are part of the subsidy calculation, it is necessary to combine that variance (a decrease of £1.135m, as detailed above) with the negative subsidy variance (an increase of £3.958m) to obtain the effective net change in the subsidy position, and this shows a worsening of £2.823m.

These latest subsidy figures mean that Leicester's annual negative subsidy position has worsened by £8.4m 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 'clawed back' and gone beyond 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 rent 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 3.3.2.

3.3 Rent Setting under the Rent Restructuring System

- 3.3.1 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 current intention is that, under the formula rent system, local authority rents will on average increase at a faster rate than Housing Association rents so that, by 2015/16, rent levels on comparable properties in the two sectors will be similar. Over the restructuring period, different properties will have different levels of annual rent increases depending on their actual rent at the start of the process and their ultimate formula rent.
- 3.3.2 Based on the rent factors issued recently by the Government, Leicester's average rent increase for 2011/12 will be 6.3%, which will produce additional income of £4.192m for the HRA. As noted earlier, £2.823m (67%) of this increased income will be effectively 'clawed back' by the Government via a worsening of Leicester's negative subsidy position for 2011/12.
- 3.3.3 Appendix C gives details of the impact of the Government's rent formula on average rents for different categories of property. In accordance with the decision of the 21st July 2003 meeting of the Cabinet, 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 can be seen from the range of increases listed for each category of property in Appendix C, certain properties will still face very large increases, particularly where their base rent is low in comparison with other properties in their "family".
- 3.3.4 **In considering these proposals, Members must consider them alongside the Equality Impact Assessment** and satisfy themselves that any decision taken 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.

3.4 **District Heating Charges**

- 3.4.1 It is considered that the current level of charges (which were last increased from 6th April 2009) will cover the costs of operating the district heating account in 2011/12, and it is therefore proposed that no increase be applied to these charges for 2011/12.

3.5 **Other Associated and Miscellaneous Charges**

- 3.5.1 Unlike the setting of rents, service charges are within the discretion of local authorities, although the Government does issue a suggested (or 'guideline') increase which is 0.5% above the inflation rate as measured by the Retail Price Index; for 2011/12 this would give an increase of 5.1% and produce additional income of £131,000.
- 3.5.2 The recommendations for the level of associated and miscellaneous charges (except for district heating charges) and payments to be applied in 2011/12 are given in Appendix D.

3.6 'Self-Financing' for the HRA

- 3.6.1 It is likely that 2011/12 will be the final year of the current HRA subsidy system, since the Government intends to introduce a new housing finance system, known as 'self-financing', from 2012/13. Under this new system, the Government will allocate an amount of national housing debt to each HRA and, in return, will end the existing subsidy system. Therefore, Leicester's HRA will no longer have to make annual payments of negative subsidy to the Government (such as the £20.4m for 2011/12 detailed in this report) but will no longer receive any support for capital expenditure (such as the Major Repairs Allowance of some £13.5m per year), and will have to pay the financing costs on the allocated debt.
- 3.6.2 Based on the indicative debt allocation issued to local authorities by the previous Government, the proposed new system appeared to be generally beneficial to Leicester's HRA, as reported to Cabinet on 2nd August, 2010. However, while the current Government intends to proceed with 'self-financing' it has already made some changes to the earlier proposals (e.g., local authorities will now still be required to pay 75% of capital receipts from 'Right to Buy' sales to the Government, which will deprive Leicester's HRA Capital Programme of some £3m of annual financing resources compared to the original proposals) and will, in due course, issue revised debt settlement figures to each HRA.
- 3.6.3 Given the current economic situation, it is highly likely that the revised debt settlement allocations will be significantly less favourable than the earlier indicative figures. Therefore, to ensure the future viability of the HRA it is necessary to take measures, commencing in 2011/12, to substantially reduce the ongoing annual revenue expenditure of the HRA, and to maximise the level of the HRA working balance. The initial cost reduction measures proposed for the HRA are shown in Appendix B for Members' approval.

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. The four national indicators and two locally determined indicators for the HRA are given in Appendix E for approval by the Council. These indicators fully-reflect:
- i) recommendations made in this report regarding unsupported borrowing for investment in the HRA housing stock; and
 - ii) the Housing Capital Programme recommended for 2011/12 (elsewhere on this Agenda).

3.7.4 In compiling the draft 2011/12 Housing Capital Programme, officers have once again taken advantage of the freedoms offered by Government via the Prudential Borrowing Framework. It should be noted that there is more risk associated with any new Prudential Borrowing by the HRA than has previously been the case, due to the uncertainties created by the likely replacement of the current HRA subsidy system with a new 'self financing' system from April 2012 (as described in Section 3.6 above). **Officers do, however, consider that £4m of prudential borrowing should be utilized towards financing HRA capital expenditure in 2011/12** since:

- i) the resultant revenue costs (£60,000 in 2011/12, £280,000 in 2012/13 and reducing in subsequent years as principal repayments reduce the outstanding debt) are relatively small in comparison with the overall size of the HRA;
- ii) the expenditure will reduce demand for day to day repairs;
- iii) HRA savings (as detailed in Appendix B) have already been identified for 2011/12 onwards;
- iv) it is possible to slow down or stop schemes later on in the financial year should the situation be substantially worse than expected when details of the new housing finance system are announced by the Government later this year; and
- v) 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 provides further reassurance that the proposed level of unsupported borrowing remains affordable and prudent.

3.8 Capital Expenditure charged to Revenue Account (CERA)

3.8.1 The financial position of the HRA for 2011/12 gives scope – in addition to the proposed prudential borrowing of £4m for Decent Homes work – for the HRA to make a CERA of £1m to supplement the HRA Capital Programme.

3.8.2 This will further help to ensure that the Council meets the Decent Homes Standard and manage the transition to the new finance system in an orderly fashion without (unlike prudential borrowing) committing any revenue resources beyond 2011/12.

3.9 Summarised Position for the 2011/12 HRA

3.9.1 The draft summarized budget position for the 2011/12 HRA is as follows:

| | |
|---|-------------|
| | <u>£000</u> |
| Deficit on base budget (see Appendix A) | 2,858 |
| Average rent increase of 6.3% for 2011/12 | (4,192) |
| Recommended increase in service charges (excluding district heating) (5.1%) | (131) |
| CERA – for financing of HRA Capital Programme | 1,000 |
| 2011/12 cost of £4m new prudential borrowing for Decent Homes work | 60 |
| Initial Cost reduction measures (Appendix B) | (1,047) |

| | |
|---|-----------------------|
| Net position for 2011/12 (surplus) | (1,452) |
| Balances b/fwd 01/04/11 | (1,991) |
| Balances c/fwd 31/03/12 | <u>(3,443)</u> |

- 3.9.2 Members are reminded that Cabinet has, many years ago, set minimum HRA balances at £1.5m to meet any unforeseen expenditure or shortfall in income. The projected balances of £3.443m at 31st March, 2012 are, therefore, some £1.9m above the minimum. However, given the uncertainties about the future change in the housing finance system, it is considered this higher level of balances is appropriate at this time.
- 3.9.3 Members are also asked to note that costs charged to the General Fund are currently being reviewed in the light of the overall General Fund position. Any changes made may impact on the HRA and reduce balances in hand.

4. FINANCIAL IMPLICATIONS – Graham Troup ext. 29 7425

- 4.1 Under the continuation of the Government's rent restructuring process, the average rent increase for Leicester's HRA for 2011/12 will be 6.3%. This will produce £4.2m extra income although £2.8m (67%) will effectively be 'clawed back' by the Government via a worsening of the Council's negative subsidy position.
- 4.2 The HRA will in 2011/12, commence a process of substantially reducing annual revenue expenditure and increasing working balances to improve the ongoing viability of the HRA following the likely introduction of a new housing finance system from 2012/13.

5. LEGAL IMPLICATIONS – Joanna Bunting ext 29 6450

- 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.
- 5.2 The report identifies the use of Prudential Borrowing under s1 of the Local Government Act 2003 and the need to have regard to the Prudential Code. This, in particular, requires Housing Authorities to have regard to the impact on acceptable rent levels when considering capital plans for housing. The report also considers issues arising from the consultation paper on the reform of housing finance. Further risks could arise through strain on rent collection through changes in housing benefit levels.
- 5.3 The report considers a proposal for rent increase and an increase in charges. Any variation to rents must comply with the process contained in the Housing Act 1985 and accordingly the proposals contained in this report must so comply. An equality impact assessment has been undertaken and this should be considered carefully, in particular to identify possible indirect discrimination - in other words the effect is particularly disadvantageous on groups who share any of the "protected characteristics" under the Equalities Act 2010. Should officers require specific advice report then they can contact legal services as appropriate.
- 5.4 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 | Yes | 7.1 |
| Policy | No | |
| Sustainable and Environmental | No | |
| Crime and Disorder | No | |
| Human Rights Act | No | |
| Elderly/People on Low Income | Yes | 7.1 |
| Corporate Parenting | No | |
| Health Inequalities Impact | No | |

7. EQUAL OPPORTUNITY IMPLICATIONS

- 7.1 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. Members need to satisfy themselves that charges are reasonable and affordable and do 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. CLIMATE CHANGE IMPLICATIONS

- 8.1 Apart from the plan to close cash offices, which will result in less energy use at Neighbourhood Offices, this report has no direct impact on the climate change agenda although officers are continually working to identify new, less energy hungry, ways of delivering front line services e.g. the introduction and roll out of Mobile Working.

9. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972

- b) Budget Book 2010/11
- c) Draft HRA Subsidy Determination 2011/12 (CLG, November, 2010)
- d) 'Council Housing – A Real Future' (CLG, March 2010)
- e) Report of the Director of Housing Services and Chief Finance Office on 'Reform of Housing Revenue Account Finance' to Cabinet 02/08/10.

10. CONSULTATIONS

This is a joint report of the Divisional Director of Housing Services and Chief Finance Officer. All Divisions have been consulted through the Senior Management Board. The Trade Unions and Housing Performance Panel have also been consulted as part of the formal consultative procedures.

11. AIMS AND OBJECTIVES

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

12. REPORT AUTHORS

Dave Pate, Divisional Director of Housing Services, ext 29 8222
Graham Troup, Principal Accountant (HRA) – ext 29 7425

HOUSING REVENUE ACCOUNT

| 2009/10 Actual | | 2010/11 Original Budget | 2011/12 Base Budget | Variance |
|---------------------------|-------------------------------------|--|--------------------------------|-----------------|
| £000s | | £000s | £000s | £000s |
| | <u>Income</u> | | | |
| 64,870 | Dwellings Rents | 66,001 | 66,541 | -540 |
| 5,713 | Other Issues | 5,754 | 5,816 | -62 |
| 70,583 | Total Income | 71,755 | 72,357 | -602 |
| | <u>Expenditure</u> | | | |
| 26,381 | Repairs and Maintenance | 27,150 | 28,000 | +850 |
| 17,252 | Landlord Services | 17,638 | 17,638 | - |
| 58 | Contribution to Bad Debts Provision | 200 | 200 | - |
| 8,673 | Capital Financing Costs | 9,824 | 8,961 | -863 |
| | Capital Expenditure financed from | | | |
| 3,119 | Revenue Account (CERA) | 550 | - | -550 |
| 17,151 | Negative Subsidy | 16,458 | 20,416 | +3,958 |
| 72,634 | Total Expenditure | 71,820 | 75,215 | +3,395 |
| 2,051 | (Surplus)/Deficit for year | 65 | 2,858 | +2,793 |
| (4,502) | Working Balance b/fwd | (2,451) | (1,991) | |
| (2,451) | Working Balance c/fwd | (2,386) | 867 | |

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.

HOUSING REVENUE ACCOUNT – INITIAL SAVINGS PROPOSED

| | 2011/12 | 2012/13 | 2013/14 |
|---|---------------------|---------------------|---------------------|
| | £000s | £000s | £000s |
| 1 Close cash offices | 300 | 412 | 412 |
| 2 Bring TV services 'in-house' | 80 | 80 | 80 |
| 3 Reduce highways & grounds maintenance expenditure | 60 | 60 | 60 |
| 4 Reduce HRA contribution to Leicester Anti-Social Behaviour Unit (LASBU) | 50 | 50 | 50 |
| 5 Divisional Efficiency Savings | 557 | 1,000 | 1,000 |
| 6 Savings from implementation of Single Status | - | 150 | 514 |
| | <u>1,047</u> | <u>1,752</u> | <u>2,116</u> |

PROJECTED RENT MOVEMENTS 2010/11 TO 2011/12

| Property Type | 2010/11 | 2011/12 | | | |
|------------------|----------------------------|----------------------------|----------------------------|-----------|---------|
| | Avg Weekly Rent £ | Avg Weekly Rent £ | Avg Weekly Rent £ | Ranging | |
| | | | | From % | To % |
| Bedsit | 45.56 | 48.39 | 6.2% | 3.0% | 11.0% |
| 1 Bed Flat | 50.07 | 53.19 | 6.2% | 3.0% | 10.0% |
| 1 Bed House | 54.31 | 57.13 | 5.2% | 3.0% | 9.0% |
| 2 Bed Flat | 58.97 | 62.65 | 6.2% | 4.0% | 8.5% |
| 2 Bed House | 61.61 | 65.37 | 6.1% | 3.0% | 9.5% |
| 3 Bed Flat | 65.27 | 69.45 | 6.4% | 4.0% | 7.0% |
| 3 Bed House | 66.89 | 71.32 | 6.6% | 4.0% | 10.0% |
| 4+ Bed House | 76.84 | 82.09 | 6.8% | 4.0% | 8.0% |
| All stock | 60.11 | 63.89 | 6.3% | | |

Note:

Rents are shown on a 50 week basis

OTHER SERVICE CHARGES AND PAYMENTS

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. It is, therefore, recommended that a 50p increase be applied to this charge for 2011/12 in line with the rent increase.

(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. It is, therefore, recommended that the charge for replacing Rent Swipe Cards are increased to £3.00 for 2011/12.

(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.

No increase in charge was applied last year. It is, therefore, recommended that the charge be increased from £80 to £100 for 2011/12.

(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) LeicesterCare Charges

The charge for the LeicesterCare Alarm service be increased by 6% from April 2011.

(vi) Warden Services

It is proposed to increase the charge for Warden Services by 5.1% in line with other charges on the HRA.

(vii) Other HRA Properties

There are a small number of properties on the HRA that have a protected rent. In these cases it is proposed to increase their charge by 4.6% in line with RPI.

(viii) Other Charges

All other charges made to increase in line with the Government's guideline figure of 5.1%.

Miscellaneous Payments

The current list of payments has not been increased for a number of years and now require revision. Despite the difficult financial situation it is recommended that they be increased by 25% from 4th April 2011.

HRA PRUDENTIAL INDICATORS**1. NATIONALLY-SET INDICATORS**

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

- i) The actual ratio of financing costs to net revenue stream for 2009/10 and estimates for the current year and for the period 2011/12 to 2013/14 are:

| | 2009/10 Actual | 2010/11 Estimate | 2011/12 Estimate | 2012/13 Estimate | 2013/14 Estimate |
|-----------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| HRA Ratio | 10.48% | 10.33% | 10.38% | 10.42% | 10.07% |

- 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:

| | 2011/12 Estimate | 2012/13 Estimate | 2013/14 Estimate |
|-------------------|-----------------------------|-----------------------------|-----------------------------|
| HRA Rent (£61.43) | £0.05* | £0.23* | £0.22* |

* based on 2011/12 average recommended weekly rent of £61.43 (52 week basis).

In practice, this indicator (which is intended to show the amount 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 2009/10 and estimates of capital expenditure to be incurred in the current year and for the period 2011/12 to 2013/14 are:

| | 2009/10 Actual £000 | 2010/11 Estimate £000 | 2011/12 Estimate £000 | 2012/13 Estimate £000 | 2013/14 Estimate £000 |
|-------------------|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| HRA Capital Spend | 22,042 | 34,458 | 19,880 | 19,880 | 19,880 |

- iv) The Capital Financing Requirement measures the Authority's underlying need to borrow for a capital purpose. On 24th 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 2009/10 and estimates of the Capital Financing Requirement for the current financial year and the period 2011/12 to 2013/14 are:

| | 31.03.10 Actual £000s | 31.03.11 Estimate £000s | 31.03.12 Estimate £000s | 31.03.13 Estimate £000s | 31.03.14 Estimate £000s |
|-----------------------------------|--------------------------------------|--|--|--|--|
| HRA Capital Financing Requirement | 212,144 | 224,303 | 227,928 | 226,561 | 225,194 |

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 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, although this will need to be reviewed once details of the Government's HRA debt-reallocation are known.

2. LOCALLY-SET INDICATORS

The two locally-set HRA Prudential Indicators are as follows:

i) Annual Movement in HRA Unsupported Borrowing

| | 2011/12 Estimate £000 | 2012/13 Estimate £000 | 2013/14 Estimate £000 |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Historic Unsupported Borrowing b/fwd | 25,031 | 28,656 | 27,289 |
| New Unsupported Borrowing | 4,800* | - | - |
| Less Unsupported Borrowing Repaid | (1,175) | (1,367) | (1,367) |
| Total Unsupported Borrowing c/fwd | 28,656 | 27,289 | 25,922 |

* comprises:

| | |
|----------------------------|-------|
| Slippage on 'New Build' | £800k |
| New Decent Homes Borrowing | £4m |

ii) The actual ratio of unsupported capital financing costs to net revenue stream for 2009/10 and estimates for the current year and for the period 2011/12 to 2013/14 are:

| | 2009/10 Actual | 2010/11 Estimate | 2011/12 Estimate | 2012/13 Estimate | 2013/14 Estimate |
|-----------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| HRA Ratio | 2.07% | 2.12% | 2.59% | 2.85% | 2.72% |

EQUALITY IMPACT ASSESSMENT

| | |
|---------------------------------|--|
| Name and date of meeting | Cabinet – 27 January 2011 |
| Title of Report | Housing Revenue Account - Budget 2011/2012 |
| Lead Officer | Dave Pate - Director of Housing Services |
| Date of EIA | 20 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 Housing Capital Programme for HRA dwellings.</p> <p>The report highlights that officers have been working with trade unions and successfully 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 2011/12, rents will be increased 6.3% and service charges to be applied in 2011/12 where applicable will be increased by 5.1% 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 70% 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 21,696 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 25,514 Council tenants (some properties have joint tenancies), with an equality profile as follows:

- 10.77% are Asian
- 20.23% are Black,
- 3.64% are Chinese
- 42.25% are White,
- 3.64% are of dual heritage
- 1.01% are other
- 18.46% ethnicity is not known.

The majority of council tenants are women and this is above the City average at 59.49%. The age range is very varied and goes beyond 75 years old. 31% 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.

| | |
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| c. | If there are differential outcomes between different diversity groups, how can the outcomes be made more equitable for all diversity groups? |
|----|---|

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 also 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: 31% of tenants are over 60years 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: 1.3% 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: 59.49% 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: 39% 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 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 access | 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 Income Management Team | Heads of Service | Ongoing |

| | | | | | |
|---------------------|---|--|--|------------------|---------|
| | benefits and entitlements. | | | | |
| 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. | Heads of Service | 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. | Heads of Service | 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 | Heads of Service | Ongoing |
| Religion/ Belief | Information about the increase and advice and assistance is available in local places of worship. Surgeries and advices sessions to be held on days and times that do not conflict with prayer times | More tenants being able to pay their rent and service charges. | % of people paying their rent and service charges. % increase of people using the services provided by the Income Management Team | Heads of Service | 2011/12 |
| Sexual | Information about the increase and | More tenants being able to pay | % of people paying their rent | Heads of Service | 2011/12 |

| | | | | | |
|--|--|--|---|---------------------------------------|----------------|
| Orientation | <p>advice and assistance is available at the LGBT Centre.</p> <p>Services need to be LGBT friendly; staff need to have had awareness training.</p> | <p>their rent and service charges.</p> <p>More people feeling they are in a safe environment when they approach the service for assistance</p> | <p>and service charges.</p> <p>% increase in people using the services provided by the Income Management Team</p> | | |
| Other associated issues (if appropriate) | <p>Housing Management to monitor arrears, non-payment and affordability issues with tenants and intervene where necessary to provide assistance.</p> | <p>The service would be able to identify and intervene when people need assistance.</p> | <p>Reducing arrears cases and any formal action against tenants.</p> | <p>Rent Arrears and Recovery Team</p> | <p>Ongoing</p> |