

**Decision maker:** Cabinet Member for Housing  
City Council

**Subject:** COUNCIL HOUSING BUDGET FOR 2011/12

**Date of decision:** 1<sup>st</sup> February 2011  
8<sup>th</sup> February 2011

**Report by:** Head of Housing Management  
Strategic Director and Section 151 Officer

**Wards affected:** ALL wards

**Key decision:** Yes

**Budget and policy framework decision:** Yes

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## 1 Summary

- 1.1 The law requires that all income and expenditure relating to Council Housing is accounted for separately in the "Housing Revenue Account" or HRA. All other Council income and expenditure is accounted for together in a separate account called the General Fund. This report deals solely with the HRA.
- 1.2 The City Council has delegated to the Cabinet member for Housing the function of setting rents, charges and budgets for council housing. Following extensive consultation with resident's representatives this report seeks to deal with all HRA budget issues. The final recommendation, which proposes a delegation to enable decisions to be taken on Government proposals for "Self Financing" for Council Housing, requires Council approval and will be submitted to the Council Budget meeting on 8<sup>th</sup> February 2011.

## 2 Purpose of report

- 2.1 The purpose of this report is to seek the Cabinet Member's decisions on Council housing budgets, rents and other charges, debt repayment and the funding of Adventure Play Areas and to give authority for managers to incur expenditure in 2011/12.
- 2.2 Approval is also sought to allow officers to consult with resident's representatives, the Cabinet Member for Housing and Opposition spokespersons and if appropriate finalise arrangements for "Self Financing" for Council Housing, including taking on extra debt in exchange for ending payments to Government under the HRA Subsidy System.

### **3 Papers included in the Appendix to this report**

Page 1	“Council Housing Accounts - the law”, a summary of the legal framework governing the Housing Revenue Account.
Pages 2-3	Housing Strategy Executive Summary - top priorities
Page 4	Budget Principles for Health, Housing and Adult Social Care
Pages 5-6	Revenue budget sheets 2010/11 to 2016/17
Page 7	Payments to Government and Rent Rebate Subsidy Limitation
Page 8	Provisional timetable for consultation and implementation of the Self Financing “Buy out” of the Housing Revenue Account Subsidy System
Page 9	Worked example to show calculation of dwelling rent
Page 10	4.6% rent increase - Impact on average weekly rents
Page 11	4.6% rent increase - General Service charge proposals
Page 12	4% rent increase - Impact on average weekly rents
Page 13	4% rent increase - General Service charge proposals
Page 14	Garages and parking sites – Update on progress following review
Page 15	Mobile Home, Garage and Parking Site rents
Page 16	Sheltered Housing and Supporting People Service Charges
Pages 17-18	Heating charge options - increases capped at 15% or 20%

### **4 Final position for 2009/10**

- 4.1 Excluding the capital reserve the actual balance on the Housing Revenue Account at 31 March 2010 was £7.9 million, around £3.5 million more than that anticipated in the Revised Budget. The main reason for the improvement was an under spending on the Repairs & Maintenance budget. Total balances including the capital reserve were almost £17.3 million; see Appendix page 6, lines 113 to 124, column B.

## 5 Revised budget for this year 2010/11

5.1 This time last year the main changes made to rents and charges in setting the original budget for 2010/11 were:

- Rents up on average 3.4% (an average of 1.3% after taking account of the rent cut in Oct 2009) or £2.28 per dwelling per week.
- General charge:
  - Homes receiving cleaning and other special services up 74p to £4.74
  - All other dwellings up 14p per week to £2.06
- Mobile home rents up 3.4%.
- Garage changes to help bring charges in line with market demand:
  - Leigh Park charges for tenants, leaseholders & private lettings already equalised, increase of 3.1%.
  - Paulsgrove no change for leaseholders, 6.3% increase for tenants & 4.2% reduction for private lettings
  - Inside the City 5.3% increase for tenants and reductions of 3.7% for leaseholders & 12.8% for private lettings
- Parking sites increases between 3% and 12.5% to help bring charges in line with market demand
- Sheltered Housing Service Charges and Supporting People Charges
  - Category 1 no increase
  - Category 2 up 13.9%
  - Category 2.5 up 10.6%
- Heating charges – rises capped at 20%.

5.2 A safe level of balances is required to avoid the possibility of falling into deficit which would be against the law (see appendix page 1). When the budget was approved last February the balance as at 31 March 2011, excluding the capital reserve, was forecast to be £2.99 million. The revised forecast is £7.57 million, (£16.78 million including capital reserve) a safe level of balances which underpins the assumptions (described later in the report) upon which the 2011/12 budgets have been prepared. The main change is the improvement in balances brought forward at 31 March 2010 of £3.5 million described in Para 4.1 above. The revenue budget sheets attached at pages 5 and 6 of the Appendix, columns C and D, show the Original and Revised budgets for the current financial year 2010/11.

## **6 Housing Strategy and Budget Principles**

- 6.1 The Housing Strategy drives the Budget process. Budgets have been based on our Housing Strategy for 2005 to 2010 and a copy of the Executive Summary showing the top six priorities for action is attached (Appendix pages 2 and 3). After discussion with Residents Consortium representatives and the Cabinet Member for Housing the budget principles (Appendix page 4) were adopted.

## **7 Rent Restructuring**

- 7.1 Eight years ago the Government introduced “Rent Restructuring” with the intention of bringing all council housing and social landlord (Housing Association) dwelling rents on to the same basis of calculation over ten years, finishing in 2012/13. The calculation is based on the following main factors:

Property value at January 1999 compared to a national average property value.

Average earnings in Hampshire compared to national average earnings.

A “bed weighting” to give higher rents for properties with more bedrooms.

- 7.2 Following consultation three years ago the Government decided to extend the period over which Rent Restructuring is to be achieved from 2012 to 2016, then two years ago further extended the period from 2016 to 2022. Last year the end date was brought back to 2012 and this year it has been extended back to 2016. The main effects of this are to reduce the period for which “rent rebate subsidy limitation” (RRSL) will apply and reduce the amounts payable to Government via the Housing Revenue Account Subsidy System (HRASS). Appendix page 7 shows the estimated costs of RRSL on line 12 and HRASS on line 9.
- 7.3 Rent Restructuring also provides that rents are to be subject to “Limits” and “Caps”. The “limits” are to restrict annual rent changes to a maximum increase of inflation plus half a percent plus £2 per week. The “caps” are maximum rents set by the Government each year to avoid very high rents on valuable properties, however none of Portsmouth City Council’s homes have rents so high that these “caps” would come into effect. Appendix page 9 shows two worked examples of how rents have been calculated in the budget prepared for 2011/12.
- 7.4 The Rent Restructuring proposals cover only “rent” and not “service charges”. An example of a service charge is a charge made for cleaning of communal areas in flats and maisonettes. Councils can bring in service charges for new services introduced since 2001/2 without any effect on payments to/from the Government. However, if service charges are introduced for services that were already being provided in 2001/2 then payments to/from the Government may be worsened by diminishing percentages between now & 2016.

## **8 Duty to involve - Resident involvement in the budget process**

- 8.1 Representatives of the Residents Consortium (The RC) have again played a vital part in the detailed budget setting process. At the invitation of the Cabinet member for Housing, the Head of Housing Management (HHM) and the Head of Financial Services (HFS) a panel of resident's representatives have helped draw up both this council housing budget and also the Housing Investment Programme budget to be reported as part of the over all Capital Programme to City Council on 8<sup>th</sup> Feb.
- 8.2 A meeting was held with the full Residents Consortium on 14th January 2011 to brief them on the 2011/12 budget. The proposals set out below were discussed including the options for rents, service charges etc and other proposed charges as shown on the attached Appendix pages 10 to 18. The Residents Consortium (RC) were asked if they felt spending should be reduced and if so where they felt economies should be made. They were also asked if they felt that new services should be provided which could be financed by cuts in services or new service charges. The Residents Consortium are due to report back to the Cabinet Member for Housing on 27<sup>th</sup> January 2011 giving the views of those they represented on the proposed budget changes. The Housing Portfolio Holder has been invited to that meeting on the 27<sup>th</sup> January so he can hear details of resident's responses in time to take them into account when making his decisions at this meeting.
- 8.3 Both HHM and HFS would like to place on record their thanks for the invaluable help given by our Residents Representatives.

## **9 Budget for next year 2011/12**

- 9.1 The budget sheets attached as Appendix pages 5 and 6 incorporate the estimated effects of all the changes described above and columns C and D show the original and revised estimate for 2010/11 and columns E and F show the original and revised estimates for 2011/12. Also shown for comparative purposes are the estimated budgets through to 2016/17 both as they were at the time of the report on last years budget in February 2010 and as they are now estimated for this report. The last three columns on pages 5 and 6 show the total change over the seven year period.
- 9.2 It is important to note that from 2012/13 onwards "in year" net expenditure exceeds "in year" income and the shortfall is being funded by drawing on balances. This is not sustainable over the longer term and reductions in net expenditure will need to be identified to remedy the problem.

## **Government Grant**

- 9.3 The calculation of payments to/from Government in respect of council housing is based on a "Notional" Housing Revenue Account as set out in detail in Appendix page 7. The "Housing Revenue Account Subsidy Determination" for 2011/12 dictates that the amount our tenants have to pay to the Government will rise by £1 million from £5.3 million this year to £6.3 million next year. The Determination assumes that rents in Portsmouth will rise by over 6.8%. If there is no change to the system it is estimated that the HRA would have to pay over to the Government over £452 million pounds over the next 30 years. Appendix page 7, lines 1 to 9 show how this sum is calculated.
- 9.4 The effect of the Housing Revenue Account Subsidy System (HRASS) and Rent Rebate Subsidy Limitation (RRSL) is that whilst extra income is raised by increases in rent and service charge income around 50% is lost through increased payments to Government. In other words 50% of the extra rent paid by tenants will effectively be taken by central government.
- 9.5 Nationally from a total of 174 Councils that still retain their council housing less than 50 receive payments and the rest pay in to the HRASS. It is estimated that in 2011/12 the HRASS will withdraw around £574 million net resources from council housing nationally, effectively a "Tenant Tax" on council tenants.
- 9.6 In addition to the effects of HRASS described above for every council home sold under the "Right To Buy" (RTB) 75% of the proceeds has to be paid to the Government. It is estimated that for Portsmouth payments of receipts from council home sales to the Government will amount to over £163 million over the course of 30 years as shown at Appendix page 7, line 11.
- 9.7 In order to bring pressure to bear on the Government to achieve a fairer approach to Housing Finance and so reduce the burden on our tenants the City Council has linked up with over 70 other councils following an initiative proposed by Waverley BC. Around 30 of the councils contributed £900 each to fund the appointment of "Political Lobbyists" to strengthen our campaign for "Fair and Local Housing Finance".
- 9.8 The campaign mobilised tenants and politicians in all the authorities in order to get the best possible outcome from the Governments review. Over 4,000 Portsmouth residents signed a petition protesting against what they termed the "Tenant Tax" and in February 2009 a deputation of tenants visited the Prime Minister and Parliament to hand details of the petition in at 10 Downing Street. On the same day the MP for Portsmouth South formally deposited the petition in Parliament and also instigated a debate on this issue which enabled MP's to make very clear to the Housing Minister how unfair the current arrangements are and to press for change.

9.9 This sustained campaigning helped to persuade the previous Government to issue a consultation paper in March 2010 which proposed “Self Financing” for Council Housing with an end to the HRASS system allowing Council’s to retain rents and receipts from council home sales in exchange for a “debt redistribution”. The debt redistribution would mean Councils who pay in to the HRASS system would have to take on extra debt, whilst those who currently receive grant would receive a payment enabling them to reduce their debt. Here in Portsmouth that would have meant having to take on extra debt to “buy out” of the current arrangements, after which no further HRASS payments would be made to Government and we would retain all receipts from sales of council homes. Consultation with all residents was undertaken and the overwhelming majority of those responding were in favour of the Government’s proposals. Nationally there was a high level of support for the proposals.

9.10 The new Government has continued with the Self Financing proposals and a senior civil servant has advised that details of their proposals are expected to be issued “at the end of January” which will set out in detail how the “debt redistribution” would work. However there are a number of key changes since the March Consultation Paper as follows:

- The Government will have the power to implement Self Financing once the Localism Bill is enacted, see sections 140 to 147 of the current version of the Bill here:  
<http://www.publications.parliament.uk/pa/cm201011/cmbills/126/11126.vi-xi.html>
- Implementation could be in April 2012 if the bill is passed by Nov 2011
- The Government have increased the interest rates councils will have to pay on the debt taken on by approximately 1%
- The Government will not now allow Councils to retain all receipts from Right to Buy sales of council housing.
- The Localism Bill as currently drafted imposes a cap on borrowing, though that may not be a problem for PCC if the settlement follows the same methodology as the March 2010 consultation paper.
- The Localism Bill as currently drafted would allow the Government to re-open the settlement and either require Council’s to make further payments to Government or make payments to Councils.
- A Private Members bill allowing some council’s to “go early” has been submitted and both Portsmouth MP’s have been asked to investigate whether Portsmouth could be added to the Bill.
- The implementation of the Government’s “Universal Credit” proposals may pose a risk to the 60% plus of rents & charges that are met by Housing Benefit.

- 9.11 The City Council & residents have both clearly indicated that they support a move to Self Financing, provided it is on terms that allow for the proper management & maintenance of our council homes over a minimum 30 year period. The timing of the Self Financing process is not yet final but it is clear that the Government firmly intend to implement it and equally clear that the process will definitely involve the City Council taking on tens of millions of pounds in additional debt at a time of significant uncertainty on future interest rate changes. A provisional timetable for the implementation of Self Financing is set out on Appendix Page 8.
- 9.12 Accordingly it is recommended that authority to make the decisions needed to enable Self Financing to proceed, including “going early” via the Private Members Bill if possible, should be delegated to the Head of Housing Management and the Strategic Director and Section 151 Officer in consultation with the Housing Portfolio Holder. Unlike the other decisions on this report this decision will require City Council approval. Before any key decisions are made of course it will be essential to evaluate the options thoroughly on behalf of our tenants and leaseholders to identify the financial effects, risks and benefits of the proposal and be as sure as possible that it would enable the City Council to properly manage & maintain our council homes.
- 9.13 What is clear is that the details of “Self Financing” for Council Housing described above will come too late to be taken into account in this budget process. The budgets, rents & charges set out in this report therefore have therefore had to be based on the existing Housing Finance arrangements.
- 9.14 Note that following the withdrawal of Government support for the Somerstown Phase 2 Private Finance Initiative the City Council’s ability to implement regeneration in Somerstown is largely dependent on a satisfactory outcome of the Self Financing process delivering additional HRA resources.

### **Rents and General Service charge 2011/12**

- 9.15 For next year it is suggested that rents currently below the Government’s “Rent Restructuring” rent should move up to that rent as quickly as possible based on the 2016 Rent Restructuring convergence date, but no increase will be more than inflation plus 0.5% plus £2 per week. Rents currently above the Governments “Rent Restructuring” rent should move to that rent in even stages between now and the 2016 deadline for implementation of Rent Restructuring. Appendix page 9 shows example calculations to illustrate how this would be done.
- 9.16 As described in Para 9.3 above the Government’s Housing Revenue Account Subsidy Determination assumes that rents in Portsmouth will rise by 6.8%. However the “Credit Crunch” has materially altered the financial environment for everyone, including our tenants. Unemployment is higher. Interest rates have been reduced to an historic low, disadvantaging those who rely on interest income from savings. Things have changed little over the last two years and it remains important to do what we can to help offset the effects of the Credit Crunch on our tenants.



9.17 Accordingly options for Rents and General Charges have been prepared which are as low as possible whilst still meeting the need to have a safe level of balances remaining at the end of March 2012. Two options are shown below, both of which are affordable and will raise a similar level of income.

OPTION 1 – lower net effect on those receiving more services including cleaning, mainly bedsits, maisonettes and flats:

- 4.6% rent increase, average increase £3.19 per week per dwelling
- 48p/week increase in General charge for properties receiving few services
- £1.93/week increase in General charge for properties receiving services such as cleaning

OPTION 2 - lower net effect on those receiving fewer services, mainly houses and bungalows:

- 4% rent increase, average increase £2.77 per week per dwelling
- 55p/week increase in General charge for properties receiving few services
- £2.12/week increase in General charge for properties receiving services such as cleaning

9.18 Appendix pages 10 (4.6% increase) and 12 (4% increase) show how the two Options effect average rents for different types of dwelling. It must be emphasised that every single rent calculation is different and the figures shown are averages. Appendix pages 11 and 13 show proposed service charges for the two options, with details of previous year's charges and budgeted changes in future years.

9.19 The appendix shows that for both options rents for houses and bungalows will rise faster than rents for flats, maisonettes and bedsits, even though almost £6 million of the Special Management expenses we incur relate almost exclusively to services for flats, maisonettes and bedsits. For Option 2 when rents and service charges are considered together the higher average rent increases for houses and bungalows will be partly offset by the higher General Charge increase which will effect mainly flats, maisonettes and bedsits. Note rents are paid fortnightly and will be rounded to the nearest four pence to facilitate Housing Benefit calculations.

9.20 For 2011/12 it is estimated that Portsmouth's rents will still be low compared with other adjacent Councils and Housing Associations, for example Housing Association average rents in Portsmouth for the current year are estimated to be over £80 per week, around £8/week higher than average council rents.

9.21 The Cabinet Member for Housing's decision is requested on the level of rents and service charges for next year.

### **Mobile homes**

9.22 Following extensive consultation with residents rent increases for mobile homes have been linked to the “Retail Price Index, all items excluding Mortgage Interest Payments & indirect taxes” (RPI) for the preceding September. RPI has been recommended in the anticipation that it will give a reasonable guide to changes in the costs of management and maintenance of Mobile Home sites. The method agreed with residents uses an average of the monthly changes for the twelve months up to and including the preceding September, see proposed charges in Appendix page 15, lines 2 to 5.

9.23 It is recommended that this method of setting rents for Mobile Homes should be adopted to reflect inflationary increase in the future. Note that legally rent increases can be set at a higher rate if the net costs of running Mobile Homes rose above the RPI level of inflation.

### **Garage and Parking Site rents**

9.24 Three years ago a review of garages and parking sites was undertaken to determine how to make best use of these resources in line with the Budget Principle “Get the best return possible from non-core activities”. A summary of progress and proposed charges for next year based on continuing to implement the review proposals are shown on Appendix pages 14 and 15. It is recommended that authority to let garages at reduced rents where demand is low be delegated to HHM in consultation with the HFS.

### **Heating Charges**

9.25 A list of the recommended fortnightly heating charges is attached at appendix pages 17 and 18. Heating charge calculations are based on a five year rolling average of energy use to smooth out peaks and troughs due to variations in the weather and are intended to recover the full costs of providing the service. However, six years ago there were unexpected increases in gas and electricity costs ranging from 30% to over 70%. That would have resulted in increases of up to 70% for some homes. At the request of Owen Buckwell, Head of Housing Management, and after discussion with Residents Representatives a proposal to step in the increases over up to 3 years was agreed.

9.26 However over the last five years there have been further high increases in gas and electricity costs so yet again it is suggested that increases in charges to residents should be capped, either at 15% or at 20%. It is estimated that even if future inflationary increases in gas and electricity charges are around 3% per annum it will still take 7 years at 15% increases per annum before income from charges to residents matches the costs incurred. At 20% per annum it would take 5 years. In the meantime the shortfall on the HRA between total electricity and gas costs and income from charges made to residents is a net cost to the Housing Revenue Account.

9.27 The Cabinet Member for Housing's decision is requested on the level of heating charges for next year.

### **Sheltered Housing Service Charges and Supporting People Charges**

9.28 Sheltered Housing is intended to meet the needs of residents who require support to live independently. There are three levels of service with increasing levels of support termed Category 1, Category 2 and Category 2.5. Sheltered Housing was set up originally on the basis that the extra costs of provision of the service over and above those arising from normal Council Housing provision would be recovered from the tenants in Sheltered Housing via a "Sheltered Housing Service Charge".

9.29 With effect from 2003/04 the Government introduced "Supporting People" legislation requiring all landlords, including the City Council, to identify the level of "support" provided through their residential schemes providing sheltered care. A number of significant changes occurred resulting in a reduced Sheltered Housing Service Charge (which is eligible for Housing Benefit) and the creation of a new "Supporting People Charge" charge (which is NOT eligible for Housing Benefit).

9.30 The policy adopted was that tenants receiving any Housing Benefit (HB) towards their rent and/or Sheltered Housing Service Charge (around 80% in each category) would not have to pay anything towards their Supporting People Charge. For some years thereafter the shortfall in income arising because tenants on HB did not pay their Supporting People Charge was offset by Supporting People Grant from the Government.

9.31 The new arrangements also provided that those tenants not receiving Housing Benefit who were in their current tenancy in March 2003 should only have to pay increases in Supporting People Charges in line with inflation.

9.32 In the last two years the Government has cut Supporting People Grant significantly and so it no longer meets the loss of income arising because tenants on HB do not pay their SP charge. Those grants cuts are the main reason why the recommended budgets reflect income for Sheltered Housing which is more than £522,000 less than expenditure. These extra net costs have to be funded via increased rents and the average cost to each of our 15,169 tenants is circa 66p/week. This issue has been raised with tenant's representatives during the budget consultation process and generally they felt it would be reasonable to investigate in future the effects of Sheltered Housing Tenants in receipt of Housing Benefit paying for at least a proportion of the costs of the support they receive.

9.33 Consultation with residents over the night service for Category 2.5 schemes has been completed and is the subject of a report elsewhere on the agenda for this meeting. The budgets detailed in the appendix reflect the "on site" service recommended by that report.

9.34 Accordingly Appendix page 16 on Sheltered Housing Service Charges and Supporting People Charges shows the existing charges for 2010/11 and the recommended charges for 2011/12.

### **Support Service, Front Line Service and City Government charges.**

9.35 A first estimate of charges for the costs of professional services, office services, accommodation etc. for next financial year has been made but will continue to be reviewed prior to being reported to City Council on 8th February. The figures shown on Appendix page 5, lines 14 and 15 may therefore change, though it is not anticipated that the changes will be significant enough to affect the process of setting rents and charges.

### **Revenue Contributions**

9.36 Following a review of the systems for repair and maintenance of council homes a number of changes were made two years ago in response to demand for services from our residents. Resources were moved away from capital schemes within the Housing Investment Programme to finance the improved repairs and maintenance services to residents. Recommended budgets (Appendix page 5, lines 48 and 55) continue to reflect that change in use of resources.

### **“Decent Homes” and Repairs and Maintenance**

9.37 The Government have issued a “Public Service Agreement” which defines a “Decent home” and seeks to ensure that “all social housing meets a set standard of decency by 2010” and our Budget Principles (Appendix page 4) reflect these proposals. Recommended budgets have been set at a level which the Head of Housing Management is satisfied will be sufficient to provide for all day-to-day repairs and, in conjunction with the capital provision in the Housing Investment Programme, will also be sufficient to properly maintain & improve our council homes during 2011/12.

### **Adventure Play Areas**

9.38 Six Adventure Play Areas (APAs) are now held within the Housing Revenue Account. Up to now the costs of maintaining & improving the APAs have been met by the HRA but all other costs of running them met by the General Fund. After consultation with resident’s representatives it is proposed to transfer the costs of running APAs to the HRA. The net cost to the HRA after allowing for a charge to the General Fund to represent use by non-tenants has been estimated at around £500,000, equivalent to an average cost of 63p per week for all tenants, and that amount has been included in the recommended budgets for 2011/12 as part of the contingency provision (Appendix Page 5, line 59). There is also a logical argument to consider how this change would impact on the management of APAs which could link more closely to the Housing Management Service.

9.39 These proposals will of course be subject to the decisions made on General Fund services and budgets at the City Council Budget meeting on 8<sup>th</sup> February. It is therefore recommended that authority be delegated to the Head of Housing Management & the Strategic Director & Section 151 Officer, in consultation with the Head of Legal Services and the Cabinet Member for Housing, to implement changes to management & funding of the APA’s.

## Other budget issues

- 9.40 The City's Council Tax (General Fund) budgets will not be set until the Council meeting 8th February 2011. Some of the decisions taken at that time may have a knock-on effect on the Housing Revenue Account. It is therefore recommended that authority be delegated to the Head of Financial Services and Head of Housing Management to amend the budgets to reflect the latest available information prior to finalising budgets for 2011/12.
- 9.41 To achieve the lowest possible increases in rents and charges the recommended budgets provide that **Debt repayments** continue to be suspended but this policy will be reviewed annually. Each annual review will seek to identify an affordable sum to be repaid from additional capital receipts from right to buy sales, using 2004/05 HIP budgets approved in February 2004 as the baseline. The Head of Financial Services will determine the sum to be repaid up to an overall maximum of 2% per annum of overall council housing debt.
- 9.42 The **Local Pay Review**, a process required by the government which sought to assess the relative complexities of every council job, was implemented with effect in April 2009. Where pay reduced there was a two year salary protection up to March 2011. Pay related budgets reflect the reduced costs arising from the end of the salary protection.
- 9.43 A **Contingency Provision** of £200,000 in 2011/12 and £100,000 per annum across the following five years has been provided to cover any unforeseen costs that cannot be met by reducing other budgets or by generating extra income. This is in addition to the £500,000 for Adventure Play Areas described above.

## 10 Future years budgets and the level of balances in hand

- 10.1 The law requires that a budget be set to avoid a deficit on the council housing account (Housing Revenue Account). It is forecast that the level of balances will be almost £12.2 million at 31st March 2012, including the earmarked capital reserves, so unless very significant unforeseen costs or losses of income arise this requirement will be achieved for 2011/12.
- 10.2 The financial models maintained by the Head of Financial Services estimate what will happen on the council housing accounts for 30 years into the future. Prudent estimates have been made on inflation, interest rates, capital spending, etc so that the model can estimate the effects that budgets, rents and charges decisions made now could have on future years.

10.3 It must be emphasised that the most significant factor affecting the stability of our council housing accounts is the amount of money taken each year by the government. Currently our model shows that after reflecting over £0.45 billion being paid to the Government over the course of 30 years the account is only in balance for the next 10 years. However that is based on assumptions as to what the Government will do for future years and takes no account of the changes that may result from the probable introduction of “Self Financing” for Council Housing described in Para’s 9.3 to 9.13 above.

10.4 The advantage of longer term financial planning over 30 years is to enable actions to be taken well in advance to achieve a medium term balanced budget. The aim for the Council Housing Account is to remain in balance over the medium term, i.e. over a minimum rolling 6 year period.

## **11 Authority to incur revenue expenditure**

11.1 It is proposed that subject to the City Council approving the revenue budgets on 8th February 2011, Heads of Service be authorised to incur expenditure in accordance with the City Council Constitution. The only exceptions would be those items members consider should be the subject of a separate report before expenditure is incurred.

## **12 Recommended that**

### Recommendations submitted for approval by the Housing Portfolio Holder:

- (i) All new rents and charges to be effective from 4th April 2011 or such other date as determined by the Head of Housing Management (HHM) in consultation with the Head of Financial Services (HFS).
- (ii) Dwelling rents and the General Charge for next year to be set at this meeting by reference to the two options set out in this report.
- (iii) Mobile home license fees as shown on Appendix page 15 be approved. Future years licence fees to rise in line with the average of the “RPI” measure of inflation for the twelve months up to and including the preceding September, with any further increase above this level to be subject to the proper legal processes including consultation with Mobile Home residents.
- (iv) Garage and parking site rents as shown on Appendix page 15 be approved and authority to let garages at reduced rents where demand is low be delegated to HHM in consultation with the HFS.
- (v) Sheltered Housing Service Charges and Supporting People Charges as shown on Appendix page 16 be approved.
- (vi) Heating Charges to be set at this meeting in accordance with the options in Appendix pages 17 and 18.

- (vii) Authority be delegated to the Head of Housing Management & the Strategic Director & Section 151 Officer, in consultation with the Head of Legal Services and the Cabinet Member for Housing, to implement changes to the management & funding of Adventure Play Areas within approved HRA & General Fund budgets.
- (viii) Revenue budgets for 2010/11 and 2011/12 be approved and authority given to the HHM in consultation with the HFS to amend the budgets to reflect the latest available information prior to finalising budgets for 2011/12.
- (ix) The relevant Managers be authorised to incur expenditure in 2011/12.
- (x) Repayment of debt to be calculated annually as described in this report.

Recommendation requiring approval by the City Council:

- (xi) Authority be delegated to the Head of Housing Management and Strategic Director & Section 151 Officer, in consultation with resident's representatives and the Cabinet Member for Housing, to implement Self Financing for council housing, including any necessary borrowing required.

### **13 Reasons for recommendations**

- 13.1 To set budgets, rents and charges for council housing for 2011/12 and delegate authority to implement both Self Financing for council housing and changes to the funding & management of Adventure Play Areas.

### **14 Options considered and rejected**

- 14.1 This report outlines options for rents and charges and seeks the Cabinet Member's decision.

### **15 Corporate priorities**

- 15.1 This report and the project it refers to contribute to the following Corporate Priorities:

- Reduce crime and the fear of crime
- Increase availability, affordability and quality of housing
- Protect and support our most vulnerable residents
- Improve efficiency and encourage involvement
- Raise standards in English and maths
- Regenerate the city
- Cleaner and greener city

### **16 Financial implications**

- 16.1 The HFS has been consulted and is in agreement with the recommendations to this report.

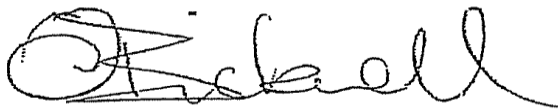
**17 Equality impact assessment (EIA)**

17.1 A preliminary EIA has been carried out which indicates that the requirement for a full EIA is low.

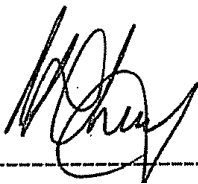
**18 Legal implications**

18.1 The recommendations to this report cover approval to budgets and increases in rents and charges which do not require the City Solicitor’s comments. The Head of Legal advice will be sought before exercising the delegations to implement Self Financing and changes to the funding & management of Adventure Play Areas.

Signed by:



**Owen Buckwell – Head of Housing Management**



**Roger Ching - Strategic Director responsible for financial administration (S.151 Local Government Act 1972)**

**Appendices:**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
1 Budget files	Financial Services Housing Accountancy team
2	
3	
4	



Recommendations (i) to (x) set out above were approved/ approved as amended/ deferred/ rejected by the Cabinet Member for Housing on 1st Feb 2011.

.....  
**Signed by: Cabinet Member for Housing**

Recommendation (xi) set out above was approved/ approved as amended/ deferred/ rejected by the City Council on 1st Feb 2011.

.....  
**Signed by: Leader of the Council**