**REPORT FOR:** **TENANTS' LEASEHOLDERS' & RESIDENTS CONSULTATIVE FORUM**

| | |
|---|---|
| **Date of Meeting:** | 31 January 2013 |
| **Subject:** | Housing Revenue Account Budget 2013-14 and Medium Term Financial Strategy 2014-15 to 2016-17<br>Rent strategy for 2013-14 and subsequent years |
| **Key Decision:** | Yes (when considered by Cabinet) |
| **Responsible Officer:** | Julie Alderson, Corporate Director of Resources<br>Paul Najsarek, Corporate Director of Community, Health and Wellbeing |
| **Portfolio Holder:** | Councillor Bob Currie, Portfolio Holder for Housing<br>Councillor Sachin Shah, Portfolio Holder for Finance |
| **Exempt:** | No |
| **Decision subject to Call-in:** | Yes (when considered by Cabinet) |
| **Enclosures:** | Appendix 1 – HRA Budget 2013-14<br>Appendix 2 – Average Rents & Service Charges (Tenants) |

# Section 1 – Summary

This report sets out the assumptions currently used in constructing the Housing Revenue Account ("HRA") Budget for 2013-14 and the medium term financial strategy (MTFS) to 2016-17 to be considered by Cabinet on 14th February 2013.

**Recommendations:**

To note the report and considerations in setting the HRA budget and provide feedback to Cabinet to assist in the decision making process.

To consider the strategy for setting rents for 2013-14 and subsequent years and to recommend a strategy to Cabinet for consideration.

**Reason: (For recommendation)**

To consult on proposals to be considered by Cabinet in setting the HRA budget for 2013-14 and subsequent years.

# Section 2 – Report

## Introductory paragraph

The Council has a statutory obligation to agree and publish the HRA budget for 2013-14. The MTFS to 2016-17 sets out the indicative income and expenditure for the HRA for this period and shows how the income collected will be spent in the management and maintenance of the Council's stock and in meeting its landlord obligations. The MTFS indicates a sustainable position in the medium term, consistent with the development of the 30 year HRA business plan to be presented to Cabinet in April 2013.

The budget and MTFS detailed in Appendix 1, is based on the new financial regime following HRA Reform and is consistent with the developing 30 year business plan for the HRA.

The HRA budget proposed reflects the costs of delivering services at current levels and takes account of areas of identified pressures and savings. It builds on the HRA forecast outturn position at Period 6 (reported to Cabinet 13 December 2012).

The key assumptions that continue to underpin the financial strategy are set out in the following sections.

**Consultation**

1. Under s.105 of the Housing Act 1985, the Council is required to maintain arrangements as it considers appropriate to enable secure tenants to be informed and consulted about housing management matters which substantially affect them. However, rent and other charges for facilities are specifically excluded from the definition of housing management, therefore there is no statutory requirement to consult secure tenants on proposed rent changes. The Council has however, always consulted through the Tenants Leaseholders and Residents Consultative Forum (TLRCF).

2. The Tenants' Leaseholders and Residents Consultative Forum (TLRCF) have the remit to consider and submit observations to Cabinet on the annual HRA budget and in particular on the consequent rent implications.

3. The current policy of continuing the Government's rent convergence process was considered by TLRCF in March 2011 and this remains the current policy for budgeting purposes. A workshop was held for residents and members on 26th November 2012 in respect of housing finance to raise awareness of finance within the HRA. This workshop included an overview of the need to balance expenditure and income, and highlighted the impact that expenditure decisions could have on rent income as this is the main source of revenue within the HRA. Following this workshop, at the special TLRCF meeting held on 4th December 2012, the need to consider options for rent increases as part of the budget and business planning processes was acknowledged. And it was agreed that rent options would be further considered by TLRCF at a special meeting to be held on the 31st January 2013. Feedback from that meeting will be appended to the final report on the HRA budget to be considered by Cabinet in February 2013.

## Balances

4. HRA Balances are forecast to be £3.469m at the end of March 2013. The proposed budget estimates that, after additional investment in the stock and operational services (detailed in paragraph 40), balances of £3.700m at the end of March 2014 will remain. The business plan to be reported to Cabinet in April will look at the longer term investment in the stock and associated expenditure over 30 years and will note the likely level of balances over the longer term.

5. Given the raft of policy changes and potential impact on tenants, together with the financial economic environment in which the Council is operating and the potential implications of welfare reform on the HRA, balances at a level of around £3.5m are proposed.. This equates to more than £700 per tenanted dwelling or approximately 12% of gross annual HRA expenditure and will be reviewed as part of the final preparations for the business plan due to come to cabinet in April.

6. The business plan is a significant milestone and will guide the future direction around HRA resources and potentially changes in investment levels and use of Right to Buy Resources. The budget planning cycle for 2014/15 will be more informed, particularly around the potential impact of the welfare reforms.

7. Decisions regarding future levels of balances need to be taken in conjunction with considerations around future levels of capital investment, availability of Right-to-Buy receipts for use in the HRA, the Council's plans for new affordable housing as these become more developed, and the potential impact of welfare reform as the proposals are phased in. Further review of the relationship between the level and exposure to risk, in relation to the level of balances is required and is being developed as part of the business planning process.

## Income

Dwelling rents

8. The Government policy intends that by the end of 2015-16 similar properties in the same area will have similar rents even if owned by different social landlords. The aim is to deliver fairer rents, and greater transparency and choice for tenants. This is generally referred to as rent convergence, however the introduction of intermediate rents in the comprehensive spending review may alter this position as Registered Social Landlords have increased flexibility to enable new build investment.

9. The Council's rental strategy approved in March 2011 was based on a continuation of Government rent policy which assumes rents will increase annually by no more than RPI + 0.5% real growth + £2. At that time, RPI was assumed at 2.5%, however, as part of the annual determination issued by the Government in November, the September 2011 RPI figure was 5.6%; the September 2012 RPI figure was 2.6%.

10. As the self financing settlement assumes adherence to the national rent policy, the inflationary element has been updated. This results in an average rent increase of 3.76% in 2013-14, rather than 3.62% as assumed previously. This results in an average rent of £105.98 per week (the 2012-13 current average is £102.14). This will achieve rent convergence for 4,878 (99.31%) Council dwellings by the target date 2015-2016.

11. We are currently investigating the possibility of alternative options for rent setting and the above assumptions may change in the final version of the HRA budget, subject to the feasibility of the alternative options and the outcome of the appropriate consultation. The reasons for considering alternative options are two-fold:

- Firstly, whilst we are taking steps to develop strategies for dealing with the worst impacts of welfare reform and the introduction of the benefit cap, we do not currently know what the full impact on the HRA is likely to be. Increasing rents over and above the levels previously assumed would give rise to pot of money that could, at least in part, be set aside for use as an HRA hardship fund to complement the provisions being made within the General Fund.

- Secondly, given the extremely high levels of housing need within the Borough, part of any additional income could be used alongside other resources such as Right-to-Buy receipts to support and enable the commencement of a programme of new affordable housing development within the HRA to help alleviate some of this need

12. We have set out above the "no change" option, but an alternative option for setting rents is set out below. This option has been developed following confirmation from the Department for Communities and Local Government that they believe there is a mechanism in place to collect data relating to property values and that this data would then be fed into the calculation of Limit Rents for the purposes of calculating Rent Rebate Subsidy Limitation. This is important because it means that increases in rents as a result of increased property values would not ultimately result in a loss of part of the additional rental income raised through the effects of Rent Rebate Subsidy Limitation, although there may be some short-term losses as a result of timing differences in the rate of application of increases to actual rents compared with those applied to Limit Rents.

    The alternative strategy we are suggesting should be considered is that of re-valuing properties to reflect the significant levels of investment that have taken place since the original valuations were carried out in 1999, and therefore the enhanced condition of the housing stock compared with that time. Our valuers have suggested that it would be appropriate to apply an increase of 7.5% to the original values to reflect this investment. The result of these increases in property values would be to increase the target rent by an average of 2.85%, or £3.06 per week on top of the existing calculation. We would then have two options:

- apply the whole of this increase next year, which would obviously generate additional income, but would definitely result in a "loss of income" (i.e. a charge to the HRA to offset some of the income) through rent rebate subsidy limitation, regardless of the fact that the increase in property valuations was factored into the limit rent calculations. This is because limit rents are assumed to follow a convergence path, and any increase in the convergence target would mean higher increases in limit rent each year until convergence is reached, rather than in one go.

- phase in the increase, which would result in the additional income being generated over the remainder of the convergence period. This would result in no loss of rent income through rent rebate subsidy limitation as limit rents would then be converging with the higher target rents calculated using the increased valuations

13. In the event that a decision is taken to increase property values in line with the above, the impact on rent levels and the HRA for next year would be as shown in the table below, with the "no change" option being also shown for comparative purposes.

    It should be noted that any increase in the January 1999 valuations would be solely for the purposes of calculating target rents, and would not impact on the balance sheet value of the properties.

    It can be seen that if the option to increase valuations and apply the increase in full were chosen as the preferred option, whilst this would result in additional income of over £0.75m, nearly 50% of this would be lost as a result of rent rebate subsidy limitation. In subsequent years the amount lost would reduce until such time as convergence was reached, at which point no rent would be lost. If the increase was phased in, there should be no rent lost as result of rebate subsidy limitation as limit rents would also increase, and the full amount of additional income would be retained. This would increase over time as convergence continued, at which point the gross additional income would be in excess of £0.75m.

| **Comparison of rent options for 2013/14** | | Increase property values by 7.5% - target rent increases by £3.06 | |
|---|---|---|---|
| | No Change option | Increase phased in | Increase applied in year |
| Average rent | £105.98 | £106.88 | £109.04 |
| Increase from 2012/13 | 3.76% | 4.64% | 6.76% |
| | | | |
| Total gross rent | £27.230m | £27.460m | £28.016m |
| | | | |
| Additional rent generated | Nil | £0.230m | £0.786m |
| | | | |
| Estimated rent lost through subsidy limitation | Nil | Nil | (£0.388m) |
| | | | |
| Net additional income | Nil | £0.230m | £0.398m |

14. Regardless of the increase for next year, void dwellings are assumed to continue to be re let at target rents for new tenants. Rents for existing tenants will gradually move towards convergence based on the formula and maximum rent increase.

15. Detailed below are some of the other increases being considered across London for comparison purposes. The 3.76% proposed increase is still lower than some Councils. This may be for many reasons, including the number of properties which are already at the target rent, or that some Councils may have decided to increase rents above the Government formula to maximise rental income (although this may result in their actual rents being above limit rents, and the HRA having to fund an element of rent rebates as a consequence of rent rebate subsidy limitation).

| Council | Rent Increases |
|---|---|
| Harrow | 3.76% |
| Ealing | 3.00% |
| Southwark | 4.85% |
| Lambeth | 4.17% to 4.54% |

16. There have been eleven sales under Right-to-Buy so far in 2012-13 as a result of new discounts and a further five sales are anticipated by the year end. A stock level of 4,949 at the start of April 2013 is therefore assumed. It is envisaged the HRA will continue to be viable if Right-to-Buy sales continue at these levels. A sustained increase in sales could result in increased risk in this area, although maintaining close control over cost levels would mitigate this risk.

<u>Service charges: Tenants & Leaseholders</u>

17. Tenants who benefit from specific estate based services will pay a charge to the Council on a weekly basis in addition to their weekly rent charge. This service charge will increase by 2.61% on average resulting in an average weekly charge of £2.75 (2012-13 current service charge £2.68), an increase of £0.07 on the current weekly charge.

18. Currently the costs of the leasehold service (excluding contribution towards estate based costs) total £627k. These costs are largely funded by various charges including the recovery of the annual insurance to leaseholder and the annual administration charge (currently £45 per leaseholder). In recent years we have been unable to recharge certain of the costs to leaseholders (e.g. grounds maintenance) due to a lack of the supporting information required to provide the necessary evidence to justify the charges. The risk of successful challenges in respect of unsubstantiated charges, and the associated possibility of incurring court costs and the loss of trust resulting from this, has been seen as too high to warrant levying charges in respect of these items. We are now developing the necessary systems and coding structures to enable us to accurately identify the full costs associated with leasehold properties, and to produce the detailed information needed to recover the full cost of services in the knowledge that we can support any charges made. This will result in increased income over time. In 2013/14 there is estimated to be a shortfall in the region of £104k, and this is projected to reduce over the period of the MTFS.

19. Leaseholders are no longer charged an estimated service charge but are invoiced annually by the end of September for the previous financial year, based on actual recovery of costs (resulting in the leasehold financial year spanning the 30th Sept

to 31st August rather than the financial year of 1st April to 31st March) Leaseholders are required to settle these invoices within 30 days, but in practice the challenge process and the payment options available to leaseholders results in some leaseholders not settling their accounts until well into the following financial year. The total income expected to be recovered from leaseholders in 2013-14 (excluding s20 income in relation to capital schemes) is £523k and reflects the recovery of costs associated with estate based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges. Leasehold arrears at the start of the financial year 01/04/12 was £69K. However following invoicing of the annual service charges of £382K in September 2012, the service charge arrears figure now stands at £187K as at 30th November 2012. Note the service charge year is Sept 2012– Sept 2013.

Other income

20. Historically other rental income from garages, car parking, and facilities charges are recommended to increase by an annual percentage, consistent with fees & charges across the Council. The charge for garage rents in 2011-12 was held pending a review of the strategy and investment requirements; in 2012-13 the TLRCF recommended at their meeting in January 2012 that the charge should be frozen pending finalisation of the Garage Strategy Review. Given that the review is now nearing completion, we are proposing to continue this policy by freezing rents for HRA garages and car parking pending finalisation of the review. We anticipate that the outcome of the Garage Strategy Review may include alternative pricing strategies for garages and car parking, and a further report will be presented following completion of this work.

21. Costs in relation to community centres are now being separately captured, with the exception of associated repair costs and are making a surplus in the region of £31k.

## Expenditure

Employee Costs

22. The HRA budgets are based on the staffing establishment, and assume a pay reduction of 1% in from January 2013 consistent with the Council-wide implementation of new terms and conditions, and increases of 1% in 2013/14 and 2014/15, and 2% annually thereafter in line with public sector pay policy.

23. Some Housing staff spend their time on both HRA and General Fund activities and as a result staff costs are split based on percentages of time spent on relevant services. Salary allocations between the HRA and the General Fund have been reviewed as HRA Reform has led to a change in emphasis of work; this has resulted in an increase in the time spent on HRA services and increased staffing costs of £215k being charged back to the HRA.

Utility Costs

24. Annual charges are made for energy costs i.e.; gas, electricity and water. Historically the budgets associated with these charges have been difficult to establish with any certainty and has led to an under recovery of costs. We anticipate carrying out a joint housing/finance project early in 2013 to identify the full costs of providing services to residents in order that full recovery of costs can

be phased in. In 2012-13 energy budgets were reviewed and have been based on consumption data provided by the utility companies. These budgets have been uplifted in 2013-14 by 10%, 5% subsequently, as this is the corporate assumption on the general level of increases for utilities costs; if a lower rate of inflation were to be used, any under recovery of costs would increase.

Central Recharges

25. The costs of central recharges have increased by £104k against those previously approved for 2013-14 following a review of recharges across the Council. These costs are expected to reduce in future years as departmental costs, particularly back office costs, are reviewed to ensure resources are targeted towards front line service delivery. It has not been possible at this stage to estimate the likely level of reduction in this respect and moving forward, annual inflationary increases of 2% have been assumed.

The Housemark benchmarking report 2011/12 highlighted that Harrow are 13th out of 20 in relation to high level central recharge costs compared with other London Boroughs and ALMOS.

Repairs

26. The responsive and void repairs budgets will be increased in 2013-14 over the previously approved levels by £448k and £213k reflecting both the reinvestment of procurement savings achieved following the successful re-tendering of the repairs contracts in 2012 and an increase in the revenue budget following changing patterns of Health & Safety expenditure. Cyclical repairs will be reduced by £240k against that previously approved reflecting reallocation to works to response and void works and the implementation of the repairs charter.

27. The proposed 2013-14 budget assumes response repairs at £3.026m (and 19,764 jobs) and £0.943m in relation to void repairs (290 jobs).

28. The benefits of the re-procurement exercise also extended to External Decorations and cyclical repairs which are estimated at £434k and £301k respectively in 2013-14. Programmes for these works are being constructed and will be consulted with TLRCF. Section 20 income will be recovered as appropriate in relation to these programmed works.

Additional Revenue Investment Proposals

29. Additional investment of £1.4m for 2013-14, rising to £1.55m over the term of the MTFS was assumed in the 2012-13 HRA budget. Options have already been developed in respect of a restructure of Resident Services in support of our objective of getting closer to the customer, the development of a repairs charter to improve the repairs service we deliver to our tenants and leaseholders, and in respect of improving communications and our complaints procedures. Additional options are being considered for the remaining unallocated resources, and these will be the subject of further discussion and Member approval. The service improvements already developed reflect the objectives that were considered important to tenants and residents at the special meeting held at the end of September 2011 and are summarised in the table below:

| Improvement Area | 2013-14 £000 |
|---|---|
| Repairs service | 311 |
| Resident Services - Getting Closer to the Customer | 453 |
| Communications | 44 |
| Complaints Officer | 20 |
| **Sub total** | **828** |
| Cash Incentives | 250 |
| Balance of Improvement budget | 322 |
| Total | **1,400** |

For the purposes of developing the business plan we are currently assuming that these changes would be a permanent increase in expenditure, and this represents a worst-case scenario. In practice, we will aim to review service provision regularly with a view to ensuring that we are meeting the needs of the service, whilst at the same time controlling costs in line with stock numbers and delivering value for money.

Charges for Capital

30. Capital charges to the HRA are expected to continue to be charged on the basis of a single pool and combined rate of interest. The combined rate of interest increased from the 4.238% budgeted for in 2012-13 to an actual rate of 4.3% as a result of the final loans pool calculations in that year, and this rate is budgeted to apply in 2013-14 and future years.

31. The capital charges also include the HRA share of the Council debt redemption premium and discounts over the next five years. As part of the business planning process, consideration will be given to the ability to repay debt, and to reduce capital charges to the HRA. Interest rate risk is one of the key risks associated with the longer term planning of the HRA finances, and whilst the risk is relatively small as the loans pool is predominantly comprised of long-term fixed rate loans, the main risk will be as a result of the rates available as existing loans are re-financed on maturity.

32. Interest on HRA balances, including the Major Repairs Reserve are expected to be earned at a rate of 0.65% for 2013-14.

Capital Investment

33. Under HRA reform further capital investment in the stock is planned on an annual basis, and will enable the investment requirements of the stock condition data to be fully delivered over the 30 years of the business plan – this is in the region of £222m at today's prices.

34. The additional resources freed up under the reforms meant that the capital programme was able to increase to £7.497m in 2012-13 (to include adaptations to Council properties), and will increase over the term of the MTFS, enabling the historic backlog of repairs to be achieved much sooner than had originally been anticipated. Furthermore, the efficiencies achieved following the re-procurement

exercise should enable tenants to see significant improvements made to their properties. In the medium term further improvements to Council dwellings and estates, and in the longer term, consideration of wider housing issues can now be considered.

35. Some of the costs in relation to the capital investment programme will be recovered from leaseholders in relation to external works to properties purchased under the RTB scheme. The costs recovered from leaseholders will be dependent on the scheme, the number of leasehold properties, the scope of works and consultation with leaseholders in accordance the section 20 process.

36. As leaseholders are required to contribute to the cost of these works, some of them will receive significant bills. As a result of the likely increase in cost of works to leasehold properties, a Major Work Loan Policy for leaseholders has been agreed by Cabinet; once finalised and operational on the SAP system this policy is intended to offer leaseholders a range of payment options to assist with these bills, particularly in this economic climate. These include payment plans spanning several years dependent on the amount of the works, as well as the Council placing a legal charge on the property until it is sold. To minimise the financial risk to the Council initial discussions have taken place with its Citizen Advice Bureau partner with a view to commissioning them to undertake affordability assessments on all leaseholders prior to agreeing any loan. In addition, to ensure impartiality, leaseholders will be advised to seek independent financial advice.

37. The proposed capital programme is in excess of £7.6m for 2013-14, and is the subject of a separate report on this agenda. This relates to major investment work in the housing stock, compared with the repairs figures shown in Appendix 1, which relate to more day-to-day type expenditure. The detailed investment programme for 2013-14 provides for the replacement of 159 kitchens, 219 bathrooms and 159 heating systems. External works to our stock includes the replacement of 599 external doors and 386 sets of windows, these being largely carried out as part of a wider enveloping programme. Detailed programmes for 2014-15 and 2015-16 are in the process of being formulated. Following the implementation of HRA Reform, the HRA is at its borrowing cap and so cannot borrow any more money to carry out investment. It is therefore funding the majority of its capital programme from amounts set aside from the revenue account.

38. The amount of money available for investment in the stock is part of the balancing act of the HRA, and is dependent on the availability of resources to fund the necessary investment. As a result of the current view to maintain the HRA balances at around £3.5m throughout the period of the MTFS, and that Right-to-Buy receipts should not be used to fund HRA capital expenditure, it has been necessary to scale back the programme of investment by just over £1m over the period to 2016/17 so as to reduce the funding demand on the revenue account. Further discussions on this will develop as part of the final preparations for the HRA business plan which will be presented to Cabinet in April 2013.

39. It should be borne in mind that whilst we have had to reduce the investment programme slightly, the level of investment forecast to be delivered is still far in excess of that which would have been possible before the implementation of self-financing. In the final year of the HRA Subsidy system, our projections for HRA capital investment for 2012/13 to 2014/15 were in the region of £6.2m per annum, whereas under self-financing, the average of the equivalent years' expenditure is in excess of £7.7m, an average increase of £1.5m pa. As indicated above, we

would anticipate future levels of HRA capital investment to be considered as part of the overall review of risks, resources and reserves, and that the profile of investment could potentially change as factors impacting on the HRA start to crystallise.

40. To ensure an element of flexibility with the housing investment programme, it is proposed that Housing Services is granted delegated authority to consult on and implement variations to the HRA Capital programme, within agreed limits and within the Council's scheme of delegation and financial regulations, to meet the requirements of the Housing Asset Management Strategy. As is currently the case, the HRA Capital programme would continue to be funded from HRA revenue resources, and therefore any such variations would not affect the Council's borrowing position or General Fund resources.

Impairment Allowance

41. Current tenant arrears continue to reduce. However, whilst a number of payment arrangements have been agreed for former tenant arrears, former tenant arrears remain high and require a significant level of provision. The continuing welfare benefit changes are likely to have an impact on arrears, although it is difficult to quantify at this stage. The annual increase in the provision is budgeted to be £300k in 2013-14, rising to £400k in 2014-15 reflecting the full impact of the welfare changes, then dropping to £300k per annum in subsequent years.

General Contingency

42. In addition to the HRA balances, an annual amount of £200k is set aside to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock.

**Summary**

43. The HRA Budget and MTFS detailed in Appendix 1 continues to reflect the significantly improved position reported in last year's budget as a result of HRA reform. The HRA business plan is currently in development, and will build on the final budget and MTFS to forecast the HRA over 30 years. Current forecasts suggest that significant balances could be generated within the HRA over the period of the business plan, depending on expenditure and income decisions made in the future, with current levels of projected investment expenditure being fully funded over this period. This remains an extremely positive position for the Council to be able to report and will enable the Council to meet both the challenges faced by the service from the Government changes and the increasing expectations of its tenants and Members.

## Financial Implications

44. Financial matters are integral to this report

## Corporate Priorities

45. The report is in line with the corporate priority of 'united and involved communities' by engaging more effectively with residents.

## Section 3 - Statutory Officer Clearance

| | | |
|---|---|---|
| Name: Donna Edwards.<br><br>Date: 25 January 2013.. | X | on behalf of the<br>Chief Financial Officer |
| Name: …Paresh Mehta…………<br><br>Date: 25 January 2013.. | X | on behalf of the<br>Monitoring Officer |

## Section 4 - Contact Details and Background Papers

**Contact:**
Dave Roberts, Housing Finance Business Partner
Direct 0208 420 9678

**Background Papers: None**

**Appendix 1**

**HRA Proposed Budget 2013-14 and MTFS 2014-15 to 2016-17- Expenditure**

| **All figures in £s** | **Budget 2013-14 (proposed)** | **Budget 2014-15 (proposed)** | **Budget 2015-16 (proposed)** | **Budget 2016-17 (proposed)** |
|---|---|---|---|---|
| **Operating Expenditure:** | | | | |
| Employee Costs | 2,428,020 | 2,448,510 | 2,489,040 | 2,530,360 |
| Supplies & Services | 904,260 | 821,710 | 822,680 | 823,670 |
| Utility cost (Water & Gas) | 594,460 | 624,180 | 655,390 | 688,160 |
| Estate & Sheltered Services | 2,648,200 | 2,685,240 | 2,772,020 | 2,815,620 |
| Central Recharges | 3,534,170 | 3,604,860 | 3,676,960 | 3,750,490 |
| **Operating Expenditure** | **10,109,110** | **10,184,500** | **10,416,090** | **10,608,300** |
| **Repairs Expenditure:** | | | | |
| Repairs - Voids | 943,230 | 974,390 | 983,770 | 982,330 |
| Repairs - Responsive | 3,026,110 | 3,132,290 | 3,196,190 | 3,235,210 |
| Repairs – Other | 2,292,040 | 2,322,710 | 2,363,720 | 2,405,540 |
| **Repairs Expenditure** | **6,261,380** | **6,429,390** | **6,543,680** | **6,623,080** |
| **Other Expenditure:** | | | | |
| Contingency - General | 200,000 | 200,000 | 200,000 | 200,000 |
| Investment in Services | 571,740 | 473,750 | 458,780 | 443,560 |
| Impairment allowance | 300,000 | 400,000 | 300,000 | 300,000 |
| RCCO | - | 1,179,980 | 1,719,720 | 2,304,240 |
| Charges for Capital | 6,387,890 | 6,358,500 | 6,346,560 | 6,346,620 |
| Depreciation | 6,103,330 | 6,103,330 | 6,103,330 | 6,103,330 |
| **Other Expenditure** | **13,562,960** | **14,715,560** | **15,128,390** | **15,697,750** |
| **Total Expenditure** | **29,933,450** | **31,329,450** | **32,088,160** | **32,929,130** |

**Appendix 1 (cont'd)**

**HRA Proposed Budget 2013-14 and MTFS 2014-15 to 2016-17 – Income**

| **All figures in £s** | **Budget 2013-14 (proposed)** | **Budget 2014-15 (proposed)** | **Budget 2015-16 (proposed)** | **Budget 2016-17 (proposed)** |
|---|---|---|---|---|
| **Income** | | | | |
| Rent Income – Dwellings | (27,086,090) | (27,985,500) | (28,917,890) | (29,688,450) |
| Rent Income – Non Dwellings | (714,650) | (716,290) | (717,970) | (719,680) |
| Service Charges - Tenants | (1,135,860) | (1,164,480) | (1,193,940) | (1,223,660) |
| Service Charges – Leaseholders | (462,890) | (466,080) | (469,340) | (472,660) |
| Facility Charges (Water & Gas) | (518,870) | (540,350) | (562,820) | (586,310) |
| Interest | (3,600) | (3,000) | (2,500) | (2,000) |
| Other Income | (80,000) | (80,000) | (80,000) | (80,000) |
| Recharge to General Fund | (163,000) | (163,000) | (163,000) | (163,000) |
| **Total Income** | **(30,164,960)** | **(31,118,700)** | **(32,107,460)** | **(32,935,760)** |
| **In Year Deficit / (Surplus)** | **(231,510)** | **210,750** | **(19,300)** | **(6,630)** |
| **BALANCE brought forward** | **(3,468,590)** | **(3,700,100)** | **(3,489,350)** | **(3,508,650)** |
| **BALANCE carried forward** | **(3,700,100)** | **(3,489,350)** | **(3,508,650)** | **(3,515,280)** |

The 2013-14 HRA budget reflects updated assumptions as detailed in the main body of the report. The MTFS for 2014-15 to 2016-17 details the likely position for future years and will be updated in subsequent budget rounds.

**Appendix 2**

## Average Rent & Service Charges

| | Number of Dwellings | 2012-13 | 2013-14 | | | Increase / (decrease) |
|---|---|---|---|---|---|---|
| | | Total Weekly Charge | Rent | Service Charge | Total | £ |
| 0 Bedsit bungalow | 21 | £93.93 | 94.60 | 2.44 | 97.04 | 3.11 |
| 1 Bed bungalow | 115 | £103.86 | 105.40 | 2.10 | 107.50 | 3.64 |
| 2 Bed bungalow | 25 | £119.21 | 119.64 | 3.26 | 122.90 | 3.69 |
| 0 Bedsit flat | 84 | £81.41 | 80.73 | 3.73 | 84.46 | 3.05 |
| 1 bed flat | 1222 | £90.34 | 90.48 | 3.28 | 93.75 | 3.41 |
| 2 bed flat | 821 | £102.35 | 102.81 | 3.76 | 106.56 | 4.21 |
| 3 bed flat | 45 | £112.11 | 112.96 | 4.39 | 117.34 | 5.24 |
| 2 bed Maisonette | 53 | £101.71 | 102.36 | 3.44 | 105.79 | 4.08 |
| 3 bed Maisonette | 48 | £112.55 | 114.08 | 3.97 | 118.05 | 5.50 |
| 2 bed Parlour House | 35 | £113.27 | 116.24 | 1.18 | 117.42 | 4.15 |
| 3 bed Parlour House | 544 | £125.75 | 128.71 | 1.59 | 130.30 | 4.56 |
| 4 bed Parlour House | 57 | £136.35 | 139.16 | 2.23 | 141.39 | 5.04 |
| 2 bed Non Parlour House | 521 | £110.62 | 112.69 | 1.87 | 114.56 | 3.94 |
| 3 bed Non Parlour House | 746 | £120.85 | 123.55 | 2.01 | 125.56 | 4.70 |
| 4 bed Non Parlour House | 30 | £135.47 | 136.69 | 2.77 | 139.47 | 4.00 |
| 0 bed Sheltered bedsit | 55 | £83.48 | 83.48 | 2.47 | 85.59 | 2.11 |
| 1 bed Sheltered flat | 490 | £89.04 | 88.78 | 2.94 | 91.72 | 2.68 |