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**MEETING:** Economy, Environment & Transport Scrutiny Commission  
Resource and Performance Scrutiny Panel  
The Executive  
Council

**DATE:** 9<sup>th</sup> February 2006  
14<sup>th</sup> February 2006  
15<sup>th</sup> February 2006  
22<sup>nd</sup> February 2006

**SUBJECT:** Housing Revenue Account 2006/07

**REPORT FROM:** Executive Members, Quality Council (Resource &  
Performance) and Environment & Transport

**CONTACT OFFICER:** Mike Owen, Director of Finance and E-Government

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**TYPE OF DECISION:** Council  
Included in Forward Plan

**REPORT STATUS:** For Publication

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**PURPOSE/SUMMARY:**

The report details the proposed Housing Revenue Account for 2006/07 and recommends an average rent increase for Dwellings and Garages of 4.98%. As a result of the introduction of rent restructuring individual property rents are now set according to their valuation, size and relative local earnings resulting in a range of rent increases/decreases throughout the Borough; these are detailed in the report. The report also recommends amended charges for Sheltered Support, Amenities and Heating and Furnished Tenancy charges.

**OPTIONS AND RECOMMENDED OPTION (with reasons):**

The Housing Subsidy Determination received by the Council assumes that the Council will increase target rents by the national guideline rent increase and continue the process of introducing rent restructuring based on formula rents; this requires an average weekly increase of 4.98% for 2006/07. Any increase in excess of this could result in lost subsidy, any increase below would result in a reduction in rental income and would impact on the authority's ability to work towards implementing target rents by the end of 2011/12. This report has been prepared on the basis of a 4.98% average rent increase although, for comparative purposes, other scenarios highlighting alternative increases have been included in the report (Paragraph 7.2).

It is recommended that:

- (a) The Housing Revenue Account estimates set out in Appendix 1 are approved, subject to amendment to reflect the agreed Management Fee payable to Six Town Housing.
- (b) The Average Rent will increase by 4.98% (Paragraph 7.1) from the first rent week in April with actual rent increases/decreases on individual properties being determined by the revised rent formula.
- (c) Garage rents increase by 4.98% (Paragraph 7.3) from the first rent week in April.
- (d) Sheltered support (Paragraph 8.2.3), amenity (Paragraph 8.3.1) and heating (Paragraph 8.4.1) charges are amended from the first rent week in April in line with the proposed charges in this report.
- (e) The scheme of transitional protection should be continued for the next 12 months for the Sheltered Support Charges (Paragraph 8.2.6) and Sheltered Amenity Charges (Paragraph 8.3.3).
- (f) The scheme of transitional protection for Carelink Charges should be continued but at a reducing level of protection, with 25% protection being offered for 2006/07 (Paragraph 8.5.6).
- (g) Furnished Tenancy charges increase by 2% (Paragraph 8.6.3) from the first rent week in April.

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## **IMPLICATIONS -**

### **Financial Implications and Risk Considerations**

These are detailed in the report.

### **Corporate Aims/Policy Framework:**

Do the proposals accord with the Policy Framework?      Yes

Are there any legal implications?      No

### **Considered by Monitoring Officer:**

### **Statement by Director of Finance And E-Government:**

The report fully details the Housing Revenue Account for 2005/06 and 2006/07.

### **Staffing/ICT/Property:**

There are no direct human resource, IT or land and property implications arising from this report although the HRA budget impacts on these areas.

### **Wards Affected:**

All Wards

### **Scrutiny Interest:**

The report is to be considered by Economy, Environment & Transport Scrutiny Commission and Resource Scrutiny Panel

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**TRACKING/PROCESS****DIRECTOR: Mike Owen**

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
February 2006			
Scrutiny Panel	Executive	Committee	Council
Economy, Environment & Transport Scrutiny 9th February 2006 Resource and Performance Scrutiny Panel 14 <sup>th</sup> February 2006	15 <sup>th</sup> February 2006		22 <sup>nd</sup> February 2006

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**1.0 INTRODUCTION**

- 1.1 The Housing Revenue Account (HRA) is primarily a 'landlord account', recording revenue expenditure and income relating to the authority's own housing stock. The main items of expenditure included in the HRA are loan charges and management and maintenance costs with the main areas of income being rents from tenants and Housing Subsidy.
- 1.2 The HRA is a ring-fenced account i.e. the authority does not have any general discretion to transfer sums out of the HRA, or to support the HRA with contributions from the General Fund, (there are certain circumstances where transfers are permitted or prescribed but these are exceptions).
- 1.3 In April 2005 Six Town Housing was established as an Arms Length Management Organisation (ALMO) to manage and maintain the authority's housing stock and related assets. A Management Agreement was signed between Six Town Housing and Bury MBC which details the responsibilities that are delegated to the ALMO.
- 1.4 Bury MBC agreed the level of Management Fee payable from the Housing Revenue Account to Six Town Housing for the provision of the delegated responsibilities; the fee agreed for 2005/06 was £12,243,000.
- 1.5 The Audit Commission undertook an inspection of Six Town Housing in October 2005. On January 19<sup>th</sup> 2006 the Audit Commission published its judgement of Six Town Housing as a 'good' 2 star service with promising prospects for improvement. Following this rating the ODPM has confirmed the release of supported borrowing approvals of £2.12m for 2005/06 and £6.52m for 2006/07; this borrowing will be used for capital investment on dwellings to meet the Decent Homes Standard and to provide investment in regeneration and sustainability projects.
- 1.6 For the year 2006/07 the HRA is expected to have an average stock of 8,404 dwellings and 411 garages (of which 408 are available for rent). The projected changes in the number of dwellings between 1 April 2005 and 1 April 2007 are shown overleaf: -

Number of Dwellings 1 April 2005	8,594
Right to Buy Sales 2005/06	(74)
Other Disposals	(66)
	-----
Number of Dwellings 1 April 2006	8,454
Right to Buy Sales 2006/07	(100)
	-----
Number of Dwellings 1 April 2007	8,354
Average number of dwellings 2005/06	8,524
Average number of dwellings 2006/07	8,404

The 'Other Disposals' refers to the approved disposal and subsequent redevelopment of Tulle Court and Kersal Close. The sale of Kersal Close has been completed in the current year and it is expected that the disposal of Tulle Court will take place during 2006/7, however once properties are vacated they are removed from the rent roll as this provides a more accurate forecast of rental income and numbers of empty properties available for letting and also has a beneficial effect in terms of Housing Subsidy calculations (see paragraph 1.7 below).

- 1.7 The number of dwellings, for subsidy purposes, for the year 2006/07 is the number deemed to be within the HRA on 1 April 2005. Therefore Right to Buy sales and any initiatives which involve transfers of stock in this financial year will result in the loss of rent now, but the compensation through the subsidy system will not commence for 2 years, with that cost being found by the HRA in the meantime.
- 1.8 As a result of the HRA being a ringfenced account, any surplus or deficit on the HRA is carried forward into the next financial year and is called the working balance.
- 1.9 The HRA estimates and major variations are set out in Appendix 1. These estimates are subject to the final agreement of the Management Fee payable to Six Town Housing for 2006/07.
- 1.10 This report has scheduled consultation with TRACC (26<sup>th</sup> January), Economy, Environment & Transport Scrutiny Commission (9<sup>th</sup> February) and Resource Scrutiny Panel (14<sup>th</sup> February).

## **2.0 RENT RESTRUCTURING**

- 2.1 In December 2000 the government issued a policy statement entitled 'The Way Forward for Housing' which proposed that rent setting in social housing should be brought onto a common system based upon relative property values and local earnings levels. The aim is that rents on similar properties in the same area should be the same – no matter who is the landlord.

- 2.2 In order to achieve the objectives set out in the policy statement there is now a common formula for both Local Authority (LA) rents and those of Registered Social Landlords (RSL). Restructuring and convergence of LA and RSL rents is to be completed over 10 years i.e. from April 2002 to March 2012.
- 2.3 Under the new system a Target Rent is calculated for each dwelling on the following basis :-
- 70% of the rent is based on relative local earnings with weightings applied to reflect the number of bedrooms
- and* 30% of the rent is based on relative property values
- 2.4 This target rent will increase each year in line with the government's guideline for its sector – either Local Authority or Registered Social Landlord. The current rent then moves towards the target rent.
- 2.5 At this time last year the Office of the Deputy Prime Minister suggested proposed amendments to some of the factors in the formula that is used for calculating individual property rents; this followed the three-year review of rent restructuring. Following representations from many authorities the changes were not implemented in 2005/06 but are now to be implemented in 2006/07.
- 2.6 The main changes to the formula are:-
- Increased weightings for properties with 3 or more bedrooms.
  - A change in the inflation measure used to uplift target rents.
  - Increases in the national average property value and the national average rent.
- 2.7 Within the 2006/07 Housing Subsidy Determination, the Government has set an average weekly limit rent of £53.82 (over 52 weeks) for Bury MBC; this takes into account the national guideline increase and the introduction of the new formula for setting rents. If average rents were to rise above the limit rent then Subsidy on Rent Rebates will be restricted; conversely any increase lower than the required level for rent restructuring will result in a loss of rental income to the HRA and will have effects in future years, given that implementation of target rents is, as far as possible, expected to be completed within ten years.
- 2.8 The following table shows the difference between the current rents and the rents for 2006/07 as calculated under the revised formula. The calculations assume that the authority's target rents rise in line with the Government's guideline increase included within the subsidy. Bury's average weekly increase for 2006/07 comes out at 4.98%. The rents shown in the table are all on a 50 week basis.

TYPE	NUMBER OF BEDROOMS	VALUATION AT JAN' 1999 VALUES £	RENT 2005/06 £	PROPOSED RENT 2006/07 £	INCREASE OVER ACTUAL 2005/06 RENT		RANGE OF INCREASES	
					£	%	HIGHEST %	LOWEST %
Bedsit	0	22,998	38.16	40.55	2.39	6.3	12.1	2.8
Bungalow	1	30,716	45.06	47.82	2.76	6.1	8.8	2.7
Flat	1	28,437	45.44	47.94	2.50	5.5	9.8	0.6
House	1	29,773	48.58	50.80	2.22	4.4	4.7	-0.7
Bungalow	2	39,487	58.47	60.74	2.27	3.9	6.0	2.4
Flat	2	29,559	51.35	53.92	2.57	5.0	8.3	0.0
House	2	34,666	53.79	56.35	2.56	4.8	12.8	0.8
Maisonette	2	32,132	53.44	55.91	2.47	4.6	4.8	4.6
Flat	3	30,248	54.21	57.22	3.01	5.6	6.6	0.1
House	3	37,550	59.93	62.60	2.67	4.5	9.1	-0.1
Maisonette	3	31,314	59.94	62.22	2.28	3.8	5.0	2.9
House	4	38,708	68.19	70.58	2.39	3.5	7.0	0.9
			<b>51.84</b>	<b>54.42</b>	<b>2.58</b>	<b>5.0</b>		

- 2.9 The last two columns in the table show the range of increases and decreases for individual properties within each category. The numbers of properties at the extremes of these ranges is often only a minority of the number of properties in the category.
- 2.10 The biggest impact of the changes to the factors in the rent formula for 2006/07 is on properties with 3 or 4 bedrooms. The increased bedroom weighting factor for these properties results in higher target rents which require higher than average increases, whereas in previous years the percentage increases for these properties have on average been lower than on bedsits and 1 or 2 bedroom properties. However, as rent increases on individual properties are limited to a maximum weekly increase of 'inflation plus ½% plus £2.08' (on a 50 week basis), there are now around 950 properties where the calculated increase under the formula cannot be implemented; the rents on these properties will not now reach their target level by the end of the ten year restructuring period.
- 2.11 Appendix 2 contains forecasts of the number of properties in various rent decrease/increase bands.

### **3.0 HOUSING SUBSIDY**

- 3.1 The Office of the Deputy Prime Minister (ODPM) currently calculates an authority's entitlement to HRA Subsidy, (government grant), on the basis of a notional HRA; this is basically a model comprising estimates of what the O.D.P.M. believes an

authority should spend on management, maintenance, loan charges and major repairs, set against what income the O.D.P.M. believes an authority should raise from rents, with the difference being the authority's subsidy entitlement or assumed HRA surplus.

- 3.2 The calculation of our 'notional' HRA results in assumed surpluses of £3,130,200 for 2005/06 and £3,202,600 for 2006/07; these amounts must be paid to the O.D.P.M. (in ten monthly instalments from May to February each year).
- 3.3 Appendix 3 details the 'notional' HRA for 2005/06 and 2006/07 which result from the Housing Subsidy Determinations for 2005/06 and 2006/07.

#### **4.0 PERFORMANCE**

##### **4.1 Voids**

- 4.1.1 The rent lost on empty properties is projected to be 2.19% over 2005/06; this will mean a reduced rent loss of around £80,000 as the original budget allowed for a void level of 2.57%.
- 4.1.2 The void loss level for 2006/07 has been assumed at 2.2%; if void levels can be reduced then this would result in an increase in rental income to the HRA which could either be carried forward into 2007/08 or targeted during the coming financial year for service developments. The voids position will continue to be monitored and reported.
- 4.1.3 Appendix 4 details the loss or increase in rental income at different void levels if the 2.2% is not achieved in 2006/07.

##### **4.2 Rent Arrears**

- 4.2.1 The opening arrears and current levels for 2005/06 are shown below :-

	Opening Arrears 2005/06 £	Position at end of December 2005/06 £	Increase/ (Reduction) in arrears £
Current Arrears	889,300	729,000	(160,300)
Former Tenant Arrears	874,300	917,000	42,700
	----- 1,763,600	----- 1,646,000	----- (117,600)

- 4.2.2 Around £123,000 of Former Tenant Arrears has been written off during 2005/06 and it is anticipated that a further £90,000 will be written off before the end of the financial year. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by The Executive.
- 4.2.3 Authorities are required to make suitable provision, in accordance with proper accounting practices, to cover the write-off of rent and service charge arrears.

- 4.2.4 The Bad Debt Provision for rent arrears, which is currently held on the Authority's Balance Sheet, currently stands at £1,267,300. The requirement for the year is calculated with reference to the type of arrear and the amount outstanding on each individual case.
- 4.2.5 The original budget for 2005/06 allowed for a contribution of £100,000 to the Bad Debt Provision but due to the improving arrears position it is now estimated that the provision will only need contributions of £60,500 in 2005/06. Due to the volatility of arrears it is felt prudent to allow for a contribution of £100,000 in 2006/07. If the arrears position should continue to improve then a lower contribution may be required which would release additional resources in the HRA; conversely if the arrears position should deteriorate and require additional contributions to the Bad Debt Provision then these would need to be found from the HRA balances.

### 4.3 Rechargeable Repairs

- 4.3.1 The amount due from tenants for rechargeable repairs currently stands at £912,000 of which £827,000 is debt over 120 days old.
- 4.3.2 The Bad Debt Provision for rechargeable repairs, which is held on the Authority's Balance Sheet, currently stands at £441,700. The HRA estimates for 2005/06 and 2006/07 allow for a £50,000 contribution to this provision in each year, therefore at the end of 2006/07 the provision will stand at £541,700; this amount will be reduced by the amount of any accounts that are written off before the end of 2006/07.
- 4.3.3 With effect from 2003/04 any income from rechargeable repairs over and above the budgeted figure has been used to increase the bad debt provision at the end of the financial year. It is estimated that this should provide additional contributions to the provision of at least £60,000 for both 2005/06 and 2006/07.
- 4.3.4 If a large part of the debt ends up being irrecoverable there will be the requirement for a significant proportion of the debt to be written off - there is currently insufficient bad debt provision and any write-off would impact on the Housing Revenue Account. Urgent recovery action must therefore continue to be pursued to recover as much of the outstanding debt as possible.
- 4.3.5 Six Town Housing have established a working group to review rechargeable works policies and procedures; part of this review will look at billing and recovery of income.

## 5.0 2006/07 HOUSING REVENUE ACCOUNT

- 5.1 The Housing Revenue Account Estimates and variations are detailed in Appendix 1.
- 5.2 The Housing Revenue Account pays a Management Fee to Six Town Housing to provide the services delegated under the ALMO Management Agreement. The level of this Management Fee for 2006/07 is currently being finalised between Six Town Housing and Bury MBC; discussions centre around the levels of inflation, service developments etc., therefore the HRA Estimates for 2006/07 assume the Management Fee to be at the same level as that agreed for 2005/06 i.e. £12,243,000.



- 5.3 Any agreed increases in the Management Fee for 2006/07 will be a call on the HRA balances; it is expected that an amendment to this report will be put forward for consideration at Executive on 15<sup>th</sup> February 2006 reflecting the agreed Management Fee and the impact of this on the HRA Estimates for 2006/07.
- 5.4 The Housing Revenue Account pays a contribution towards the costs of the Strategic Housing Unit (which now forms part of the Environmental and Development Services Directorate). Whilst the HRA should pay for those costs that can be defined as relating to 'landlord' services there has been a recognition by the Council that currently the HRA is contributing to 'strategic' services which should be a call on the General Fund; the HRA Estimates for 2006/07 assume that a further £100,000 of these costs will be 'transferred' to the General Fund.
- 5.5 The Repairs and Maintenance Contract is currently being subjected to competitive tendering. When the results of this are known it may be necessary to revisit the level of Management Fee that has been agreed for this area of operation; any change in the Management Fee will impact on projected level of HRA balances for 2006/07.
- 5.6 The detailed Housing Revenue Account shown in Appendix 1 assumes an increase in rents equivalent to an average of 4.98% (Para 2.9).

## **6.0 THE ASSET MANAGEMENT PLAN AND WORKING BALANCE**

### **6.1 Asset Management Plan**

- 6.1.1 The following table shows the planned levels of Capital Works and Regeneration for the next six years along with the assumed levels of resources:

	<b>Planned Expenditure</b>			<b>Assumed Resources</b>		
	Future Capital Works £m	Regeneration Schemes £m	Total Investment £m	Major Repairs Allowance / HRA Revenue £m	ALMO Funds £m	Total Resources £m
2005/06	7.89	-	7.89	5.77	2.12	7.89
2006/07	10.78	0.49	11.27	4.75	6.52	11.27
2007/08	12.30	0.37	12.67	4.75	7.92	12.67
2008/09	12.31	0.37	12.68	4.75	7.93	12.68
2009/10	7.28	-	7.28	4.75	2.53	7.28
2010/11	4.75	-	4.75	4.75	-	4.75
<b>Total</b>	<b>55.31</b>	<b>1.23</b>	<b>56.54</b>	<b>29.52</b>	<b>27.02</b>	<b>56.54</b>

- 6.1.2 The Audit Commission's judgement of Six Town Housing, as a 2 star ALMO, has confirmed the ODPM's allocation of supported borrowing approval for the first two years of the programme i.e. £2.12m for 2005/06 and £6.52m for 2006/07.
- 6.1.3 Six Town Housing are arranging a series of stakeholder events that will be held before the end of March 2006. These events will help to inform and shape an 18 month detailed investment programme and a 5 year indicative programme.

## 6.2 The HRA Working Balance

- 6.2.1 The six year Asset Management Plan, set out in the previous section, is based on the ALMO bid submitted to the ODPM in December 2003. This plan relies on ALMO funds being available to finance capital repairs and improvements; no additional HRA resources are assumed to finance this expenditure.
- 6.2.2 While rent levels are a key factor within the Business Plan, the effects of inflation, operational performance and stock levels will all impact on the longer term sustainability of the HRA working balance.
- 6.2.3 The HRA opening balance for 2005/06 was a surplus of £3,700,000, being an increase of £1,084,100 over the budgeted working balance. The main reason for the increased surplus was slippage of expenditure in 2004/05 on schemes in the Capital Programme which meant that the budgeted HRA contribution to capital investment was not required; as the majority of this slippage will fall to be funded in the current year, revenue contributions have been included within the HRA estimates for 2005/06 to cover this expenditure.
- 6.2.4 It is estimated that the working balance will be £1,898,400 at 31<sup>st</sup> March 2006 and £1,995,000 at 31<sup>st</sup> March 2007. The working balance at 31<sup>st</sup> March 2007 will be dependent on the finalised Management Fee payable to Six Town Housing (see Paragraph 5.4)
- 6.2.5 Appendix 1 contains details of the major increases and reductions in budgets.

## 7.0 RENT INCREASE

- 7.1 As discussed earlier in paragraph 2.8, the Government has set a weekly average limit rent for Bury of £53.82, which takes into account national guideline increases and the continued implementation of rent restructuring. Ministers have stated their intention that the maximum rise in an authority's average rent should be limited to 5%. Applying the rent formula to the current stock results in an average increase of 4.98% therefore the figures in this report are based on the recommendation that we increase rents on average by this percentage.
- 7.2 The following table illustrates the reduction in rent income if this increase is not adopted:-

	Extra Rent Generated £	Reduction in rent income £
Rent Increase :		
3.5%	745,300	315,200
4.0%	851,800	208,700
<b>4.98%</b>	<b>1,060,500</b>	-

- 7.3 There are currently 408 garages being charged at the rate of £4.31 per week (50 weeks). The last increase was in April 2005 when the charges rose in line with the percentage increase in council house rents; increases for 2006/07 in line with the recommended rent increase of 4.98% would result in a weekly increase of £0.21 giving a rate of £4.52 per week (over 50 weeks); this would bring in £4,284 of extra income into the HRA in 2006/07. Increases of 6% and 4% would give weekly rates of £4.57 and £4.48 respectively.
- 7.4 Six Town Housing are currently undertaking a review of garage provision. This review will look at running costs, income, investment requirements and demand for each of the colonies; the outcome of this may result in changes to the charging policies from 2007/08, subject to appropriate consultation with customers.

## **8.0 SHELTERED, CARELINK AND FURNISHED TENANCIES CHARGES**

### **8.1 Supporting People**

- 8.1.1 New funding arrangements for supported accommodation were introduced from April 2003 which had a major impact on the way Sheltered Accommodation is funded; charges for support costs are no longer eligible for Housing Benefit but instead a subsidy is paid for eligible tenants from a locally administered Supporting People 'pot' that also funds other supported accommodation throughout the Borough.
- 8.1.2 Existing tenants who were in receipt of Housing Benefit towards their support charges were 'passported' to free provision under Supporting People and in addition a means tested assessment was introduced for those who did not qualify for Housing Benefit but may have been entitled to assistance under the 'fairer charging' regime.
- 8.1.3 New tenants who are eligible for Housing Benefit assistance also receive a subsidy from Supporting People or, if not in receipt of Housing Benefit, can apply for an assessment under the 'fairer charging' regime.
- 8.1.4 The costs associated with Sheltered communal areas are not eligible as support costs and therefore from April 2003 a separate amenity charge was levied for tenants in affected schemes.

### **8.2 Sheltered Support Charges**

- 8.2.1 The management and provision of Sheltered support services was transferred from Housing Services to Social Services during 2004/05; following the restructure of directorates the services are now provided by Adult Care Services.
- 8.2.2 The charges set for 2005/06 remained the same as for the previous year due to restrictions in the Supporting People budget and impending reviews of individual schemes; the scheme reviews are now expected to be completed within the first half of 2006/07. Supporting People funding for 2006/07 will only allow for a 1% increase in charges at each scheme; this level of increase will mean that Adult Care Services have a limited budget from which to provide Warden related services.

8.2.3 Therefore it is proposed that Support Charges are increased by 1% from the first rent week in April 2006. The current support charges for 2005/06 and the proposed support charges for 2006/07 are as follows. The charges shown are per unit per week calculated over 50 weeks.

	Current Support Charge 2005/06 £	Proposed Support Charge 2006/07 £
Beech Close	19.57	19.77
Chapelfield	30.43	30.73
Chelsea Avenue	34.06	34.40
Clarkshill	19.69	19.89
Elms Close	14.40	14.54
Elton Square House	22.93	23.16
Griffin Close	14.64	14.79
Hampson Fold	25.00	25.25
Harwood House	23.29	23.52
Huntley House	20.79	21.00
Limegrove	26.18	26.44
Maple Grove	20.19	20.39
Moorfield	18.57	18.76
Mosses House	38.04	38.42
St. Mary's Court	19.81	20.01
Stanhope Court	30.00	30.30
Taylor House	26.77	27.04
Top O'th Fields 1	22.17	22.39
Top O'th Fields 2 – Welcomb Walk	27.72	28.00
Waverley Place	22.49	22.71
Wellington House	22.98	23.21
Wesley House	24.61	24.86

8.2.4 An Extra Care Sheltered Scheme is now established covering the Falcon House and Griffin House schemes. There are now three levels of support charge which reflect different levels of support offered dependant on the assessed needs of the individual tenants; this support is provided by Adult Care Services and they will be reviewing the charges for 2006/07.

8.2.5 It is estimated that continuing the scheme of protection for pre April 2003 tenants who are not in receipt of Housing Benefit or eligible for a subsidy under a 'fairer charging' assessment would cost the HRA around £2,800 in 2006/07.

8.2.6 Given that the cost to the HRA of providing protection is reducing, it is recommended that the scheme should be extended for a further period of twelve months.

8.2.7 The proposed support charges reflect voids for Sheltered Accommodation of 8%, however as void levels can vary considerably between schemes there are likely to be gains or losses in terms of the amount of income collectable. It is estimated that the net effect of different void levels is likely to cost the HRA around £14,500 in 2006/07.

### 8.3 Sheltered Amenity Charges

8.3.1 In summary the present and proposed amenity charges per unit per week, (over 50 weeks), are shown in the following table. Appendix 5 details the total Support and Amenity Charges for each scheme:-

	Current Amenity Charge 2005/06 £	Proposed Amenity Charge 2006/07 £	Proposed Amenity Charge Increase %
Clarkshill	11.62	11.81	1.6
Elton Square House	9.89	10.56	6.8
Falcon House	7.37	7.37	0.0
Griffin House	7.39	7.58	2.6
Harwood House	14.68	15.56	6.0
Huntley House	17.08	13.47	(21.1)
Moorfield	14.41	14.79	2.6
Mosses House	12.36	12.50	1.1
St. Mary's Court	9.57	10.19	6.5
Stanhope Court	4.67	4.89	4.7
Taylor House	15.83	16.53	4.4
Top O'th Fields 1	10.15	10.89	7.3
Waverley Place	13.41	14.25	6.3
Wellington House	14.29	14.92	4.4
Wesley House	12.70	13.49	6.2

8.3.2 Changes in amenity charges reflect increases in the costs of maintaining communal facilities e.g. pay awards for domestic staff; these amenity charges are eligible for Housing Benefit purposes and therefore benefits should be payable to accepted claimants.

8.3.3 It is estimated that continuing the scheme of protection for pre April 2003 tenants who are not in receipt of Housing Benefit or eligible for a subsidy under a 'fairer charging' assessment would cost the HRA around £162 in 2006/07.

8.3.4 Given that the cost to the HRA of providing protection is reducing, it is recommended that the scheme should be extended for a further period of twelve months.

8.3.5 The proposed amenity charges reflect voids for Sheltered Accommodation with communal facilities of 10%, however as void levels can vary considerably between schemes there are likely to be gains or losses in terms of the amount of income collectable. It is estimated that the net effect of different void levels is likely to cost the HRA around £8,700 in 2006/07.

#### 8.4 Sheltered Heating Charges

8.4.1 Heating charges are only levied at Sheltered schemes where there is a communal heating system with no separate metering of individual consumption; the aim of the charges is to recover the actual energy costs incurred at each scheme. In summary, the present and proposed heating charges per unit per week, (exclusive of VAT), are :-

	<b>Present Charge</b> £	<b>Proposed Charge</b> £	<b>% change</b>
Taylor House	7.01	7.53	7.43
Clarks Hill	4.35	4.67	7.43
St. Mary's Court	5.56	5.97	7.43
Waverley Place	5.83	6.26	7.43
Harwood House	5.53	5.94	7.43
Wesley House	5.43	5.83	7.43

8.4.2 The above Sheltered schemes are part of the Council's overall procurement of energy, which when renegotiated from June 2005 was subject to a 12.8% increase over the previous negotiated price (the current charges had assumed a 5% increase).

8.4.3 The contract negotiated from June 2005 runs for a two year period to June 2007. Whilst this means that the recently reported increases in energy costs have largely been avoided for 2006/07 there could well be a significant increase in costs when the contract is renegotiated; this could result in large increases in heating charges in 2007/08.

8.4.4 Energy efficiency work is about to be carried out at the above schemes (except for St Mary's Court). The works will involve topping up of loft insulation and should be completed by the end of March.

#### 8.5 Carelink Charges

8.5.1 The Carelink service is a telephone alarm system linked to a 24 hour central control; it provides reassurance to elderly and disabled people. The service can be provided to Council tenants, tenants of other landlords or individuals within their own home.

8.5.2 Prior to April 2003 council tenants who received the service did so free of charge. With the introduction of the Supporting People framework it was not possible to continue to directly subsidise this provision from the HRA therefore members approved the introduction of charges for council tenants.

8.5.3 Those council tenants who were receiving the service at 31<sup>st</sup> March 2003 do not have to pay all of the charge as they are either funded through Supporting People or part of the cost is picked up by the HRA under the scheme of protection agreed last year.

8.5.4 Council tenants who applied for the service after 31<sup>st</sup> March 2003 are not eligible for HRA protection but may still receive the service for free depending on their circumstances. Private sector customers do not receive Supporting People funding.

- 8.5.5 During 2004/05 the management and provision of the Carelink service was transferred from Housing Services to Social Services; following the restructure of directorates the service is now provided by Adult Care Services. The current charge is £137.24 per year; the charges for 2006/07 will be reviewed by Adult Care Services but it is expected that eligible council tenants should still be funded through Supporting People.
- 8.5.6 For 2005/06 the council chose to protect those tenants who were receiving the service at 31<sup>st</sup> March 2003 who would have been liable to pay the charge; this protection was agreed at the rate of 50% and currently covers around 49 tenants who are not entitled to have the charge paid for by Supporting People. If this protection is to be continued (based on current charges) it is estimated that it would cost the HRA around £3,362 in 2006/07, however it is recommended that the level of protection be reduced to 25% for 2006/07, which would cost the HRA £1,681; this cost will increase if Carelink charges are increased for 2006/07 and any additional cost would need to be found from HRA balances.

## 8.6 Furnished Tenancies Charges

- 8.6.1 A Furnished Tenancy Scheme was introduced during the current financial year. The scheme provides furniture packages for which an additional weekly charge is payable.
- 8.6.2 These charges are eligible for Housing Benefit purposes and therefore benefits should be payable to accepted claimants.
- 8.6.3 In summary the present and proposed charges per week, (over 50 weeks), are shown in the following table:-

	Current Furnished Tenancy Charge 2005/06 £	Proposed Furnished Tenancy Charge 2006/07 £	Proposed Furnished Tenancy Charge Increase %
1 bed property	16.39	16.72	2
2 bed property	19.31	19.70	2
3 bed property	22.22	22.66	2

- 8.6.4 The proposed increase in charges is to cover expected increases in the costs of purchasing/replacing equipment.

## 9.0 RISK ASSESSMENT

- 9.1 The HRA estimates for 2006/07 are based on a number of assumptions:
- The level of Management Fees payable to Six Town Housing
  - The level of HRA contributions required towards the cost of the services provided by the Strategic Housing Unit
  - Void Levels
  - Number of Right to Buy sales
  - Arrears Levels
- 9.2 The effect of changes in void levels is detailed in section 4.1 and Appendix 4.

9.3 The effect of changes in the other assumptions could include:

- Six Town Housing Management Fees – any agreed increase will be a call on the HRA balances
- Number of Right to Buy sales  
Higher numbers of sales would mean an increased loss of rental income with no compensation under the subsidy system until future years
- Arrears Levels  
Higher levels of arrears may require a higher contribution to the Bad Debt Provision

9.4 It is considered that the working balance on the HRA is sufficient to mitigate against material inaccuracies in the underlying assumptions.

**Councillor Mike Connolly, Executive Member for Quality Council**  
**Councillor John Byrne, Executive Member for Environment and Transport**

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**List of Background Papers:-**  
Budget Working Papers

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