
MEETING: Resource & Performance Scrutiny Panel
The Executive
Council

DATE: 13th February 2007
14th February 2007
28th February 2007

SUBJECT: Housing Revenue Account 2007/08

REPORT FROM: Executive Members, Quality Council (Resource & Performance) and Learning Skills and Employment

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

TYPE OF DECISION: Council
Included in Forward Plan

FREEDOM OF INFORMATION STATUS: This paper is within the public domain

PURPOSE/SUMMARY:

The report details the proposed Housing Revenue Account for 2007/08 and recommends an average rent increase for Dwellings and Garages of 5.0% in line with the Housing Subsidy Determination for 2007/08. 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 but that the overall average increase will be limited to a maximum of 5.0%. 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 5.0% average rent increase for 2007/08 although, for comparative purposes, other scenarios highlighting alternative increases have been included in the report.

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 **5.0%** from the first rent week in April with actual rent increases/decreases on individual properties being determined by the rent formula (subject to restricting the overall average increase to 5.0%).
 - (c) Garage rents increase by **5.0%** from the first rent week in April.
 - (d) Sheltered support, amenity and heating 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 and Sheltered Amenity Charges.
 - (f) The scheme of transitional protection for Carelink Charges to be discontinued.
 - (g) Furnished Tenancy charges increase by **2.5%** 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 2006/07 and 2007/08.

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 Resource & Performance Scrutiny Panel

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
February 2007			
Scrutiny Panel	Executive	Committee	Council
Resource & Performance Scrutiny Panel 13 th February 2007	14 th February 2007		28 th February 2007

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 agrees 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 2006/07 was £12,621,500.
- 1.5 The Audit Commission undertook an inspection of Six Town Housing in October 2005. On January 19th 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 confirmed the release of supported borrowing approvals of £2.12m for 2005/06 and £6.52m for 2006/07.
- 1.6 A revised Building Cost Model was submitted to the DCLG in November 2006 and Ministers have now confirmed a supported borrowing approval of £7.92m for 2007/08; future years approvals will be determined following the government's Spending Review. The supported borrowing is used for capital investment on dwellings to meet the Decent Homes Standard and to provide investment in regeneration and sustainability projects.

- 1.7 For the year 2007/08 the HRA is expected to have an average stock of 8,354 dwellings and 411 garages (of which 409 are available for rent). The projected changes in the number of dwellings between 1st April 2006 and 1st April 2008 are shown below: -

Number of Dwellings 1 st April 2006	8,452
Right to Buy Sales 2006/07	(58)
Other Disposals	(3)

Number of Dwellings 1 st April 2007	8,391
Right to Buy Sales 2007/08	(75)

Number of Dwellings 1 st April 2008	8,316
Average number of dwellings 2006/07	8,422
Average number of dwellings 2007/08	8,354

The 'Other Disposals' refers to the approved disposal and subsequent redevelopment of Tulle Court. It is expected that the disposal of Tulle Court will take place during 2006/07, 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.

- 1.8 The number of dwellings, for subsidy purposes, for the year 2007/08 is the number deemed to be within the HRA on 1st April 2006. 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.
- 1.9 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.
- 1.10 The HRA estimates are set out in Appendix 1. These estimates are subject to the final agreement of the Management Fee payable to Six Town Housing for 2007/08.
- 1.11 This report has scheduled consultation with TRACC (25th January) and Resource & Performance Scrutiny Panel (13th 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 Following the three-year review of rent restructuring the Office of the Deputy Prime Minister (now the Department for Communities and Local Government – DCLG) implemented changes in 2006/07 to some of the factors in the formula that is used for calculating individual property rents.
- 2.6 The main changes to the formula were:-
- 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 For 2007/08 the formula itself will be unchanged however the level of inflation (RPI) used in the formula to uplift target and guideline rents is higher than for the current year. Applying the formula to each individual property would result in an overall average rent increase of 5.86%. However Ministers have clearly stated that they would not expect to see average increases of more than 5%, and consequently a new element has been introduced into the Housing Subsidy calculations to compensate authorities for rent lost if they adopt this 'maximum' average increase.
- 2.8 Within the 2007/08 Housing Subsidy Determination, the Government has set an average weekly limit rent of £56.57 (over 52 weeks) for Bury MBC; this takes into account the national guideline increase and the 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.
- 2.9 The table overleaf shows the difference between the current rents and the rents for 2007/08 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, but that the overall average increase is limited to 5%. The rents shown in the table are all on a 50 week basis.

TYPE	NUMBER OF BEDROOMS	VALUATION AT JAN' 1999 VALUES £	RENT 2006/07 £	PROPOSED RENT 2007/08 £	INCREASE OVER ACTUAL 2006/07 RENT		RANGE OF INCREASES HIGHEST LOWEST	
					£	%	%	%
Bedsit	0	23,012	40.54	43.07	2.53	6.2	11.1	2.9
Bungalow	1	30,705	47.81	50.73	2.92	6.1	8.4	2.7
Flat	1	28,420	47.93	50.55	2.62	5.5	9.2	0.6
House	1	29,410	50.30	52.69	2.39	4.8	4.8	4.8
Bungalow	2	39,487	60.74	63.13	2.39	3.9	6.0	2.4
Flat	2	29,545	53.91	56.61	2.70	5.0	8.0	0.0
House	2	34,659	56.35	59.05	2.70	4.8	12.0	0.8
Maisonette	2	32,132	55.91	58.52	2.61	4.7	4.8	4.6
Flat	3	30,366	57.38	60.54	3.16	5.5	6.5	0.0
House	3	37,558	62.63	65.44	2.81	4.5	8.7	-0.1
Maisonette	3	33,843	61.65	64.37	2.72	4.4	5.0	3.6
House	4/6	38,742	70.46	73.01	2.55	3.6	6.8	0.9
		32,521	54.36	57.08	2.72	5.0	12.0	-0.1

- 2.10 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.
- 2.11 The combined effect of the changes to the rent formula from 2006/07 and the recommended maximum average increase of 5% means that our properties will not now reach their target level by the end of the ten year restructuring period. At present it is not clear whether the 5% maximum average increase recommendation will continue beyond 2007/08 or whether the assumed restructuring period will be extended; Ministers' decisions on these questions will have an effect on the levels of rent increases required in future years.
- 2.12 Appendix 2 contains forecasts of the number of properties in various rent decrease/increase bands.

3.0 HOUSING SUBSIDY

- 3.1 The Department for Communities and Local Government (DCLG) 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 DCLG. believes an authority should spend on management, maintenance, loan charges and major repairs, set against what income they believe 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 £3,206,900 for 2006/07 and £3,630,900 for 2007/08; these amounts must be paid to the D.C.L.G. (in ten monthly instalments from May to February each year).
- 3.3 Appendix 3 details the 'notional' HRA for 2006/07 and 2007/08 which result from the Housing Subsidy Determinations for 2006/07 and 2007/08.

4.0 PERFORMANCE

4.1 Voids

- 4.1.1 The rent lost on empty properties is projected to be 2.03% over 2006/07; this will mean increase rent income of approximately £37,500 as the original budget allowed for a void level of 2.2%.
- 4.1.2 The void loss level for 2007/08 has been assumed at 2.0%; this is a challenging target and 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 2008/09 or targeted during the coming financial year for service developments. The voids position will continue to be monitored and reported.
- 4.1.3 Six Town Housing have recently been undertaking a 'Whole Systems Review' of voids which has looked at the 'end to end' voids process to identify system failures and aims to implement changes to improve service to customers and promote efficiency; it is hoped that this review will lead to improved performance and contribute towards the achievement of the 2007/08 target.
- 4.1.4 Appendix 4 details the loss or increase in rental income at different void levels if the 2.0% is not achieved in 2007/08.

4.2 Rent Arrears

- 4.2.1 The opening arrears and current levels for 2006/07 are shown in the table on the following page. The figures reflect the fact that around £12,200 of Former Tenant Arrears has been written off during 2006/07 and it is anticipated that a further £160,000 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.

	Opening Arrears 2006/07 £	Current Position £	Increase/ (Reduction) in arrears £
Current Arrears	789,100	868,600	79,500
Former Tenant Arrears	824,100	774,500	(49,600)
	1,613,200	1,643,100	29,900

- 4.2.2 Authorities are required to make suitable provision, in accordance with proper accounting practices, to cover the write-off of rent and service charge arrears.
- 4.2.3 The Bad Debt Provision for rent arrears, which is held on the Authority's Balance Sheet, currently stands at £1,228,500. The requirement for the year is calculated with reference to the type of arrear and the amount outstanding on each individual case.
- 4.2.4 The original budget for 2006/07 allowed for a contribution of £100,000 to the Bad Debt Provision but due to the arrears position it is now estimated that the provision will need contributions of £200,000 in 2006/07. Due to the volatility of arrears it is felt prudent to allow for a contribution of £200,000 in 2007/08. If the arrears position should 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 £1,002,200 of which £850,200 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 £578,100. The HRA estimates for 2006/07 and 2007/08 allow for a £50,000 contribution to this provision in each year, therefore at the end of 2007/08 the provision will stand at £678,100; this amount will be reduced by the amount of any accounts that are written off before the end of 2007/08.
- 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 £70,000 for 2006/07 and £50,000 for 2007/08.
- 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 are embarking on a Whole Systems Review of the rechargeable repairs process in order to inform the development of an efficient and transparent policy backed up by clear procedures; it is hoped that this will ensure that customers are aware of their responsibilities and the charges that they will incur if they do not meet their obligations. The effects of this review on the levels of outstanding debt and recovery rates will be monitored and reported both within Six Town Housing and Bury MBC.

5.0 2007/08 HOUSING REVENUE ACCOUNT

- 5.1 The Housing Revenue Account Estimates 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 2007/08 is currently being finalised between Six Town Housing and Bury MBC and will be based on an allowance for inflation, efficiency savings and service developments etc. The HRA Estimates for 2007/08 assume the Management Fee to be £12,720,300 which is based on the current year's Fee amended to reflect one-off adjustments and a minimum allowance for inflation; any further agreed increases in the Management Fee for 2007/08 will be a call on the HRA balances.
- 5.3 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 2007/08 assume that a further £150,000 of these costs will be 'transferred' to the General Fund. This has also been reflected in the authority's draft Revenue Budget for the year.
- 5.4 Springs Tenant Management Co-operative (TMO) are currently undertaking a tenant-led Stock Options feasibility study, funded by the DCLG, to look at the potential for a small scale voluntary transfer of the properties covered by their Management Agreement. A report on the outcomes of this study will be brought to a future meeting of the Executive where a decision will be required as to whether this process should move on to a Development Phase. If this were to be the approved route then Bury MBC would be required to provide 25% of the costs of this phase which would cost around £12,000 in 2007/08 and would be a call on HRA balances.
- 5.5 The detailed Housing Revenue Account shown in Appendix 1 assumes an increase in rents equivalent to an average of 5.0%.

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:

	Planned Expenditure			Assumed Resources		
	Future Capital Works £m	Regeneration Schemes £m	Total Investment £m	Major Repairs Allowance / HRA Revenue £m	ALMO Funds £m	Total Resources £m
2006/07	10.78	0.49	11.27	4.75	6.52	11.27
2007/08	12.34	0.37	12.71	4.79	7.92	12.71
2008/09	12.41	0.37	12.78	4.85	7.93	12.78
2009/10	7.44	-	7.44	4.91	2.53	7.44
2010/11	4.97	-	4.97	4.97	-	4.97
2011/12	5.02	-	5.02	5.02	-	5.02
Total	52.96	1.23	54.19	29.29	24.90	54.19

6.1.2 The Audit Commission's judgement of Six Town Housing, as a 2 star ALMO, confirmed the DCLG'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. Following the recent submission of a revised Building Cost Model the DCLG has confirmed a supported borrowing approval of £7.92m for 2007/08; Ministers will consider the on-going funding for existing ALMOs beyond 2007/08 once the outcome of the Spending Review is known.

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 updated for assumed future levels of Major Repairs Allowance. 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 2006/07 was a surplus of £1,855,000, being a reduction of £43,400 over the budgeted working balance.

6.2.4 It is estimated that the working balance will be £1,580,200 at 31st March 2007 and £1,323,600 at 31st March 2008. The working balance at 31st March 2008 will be dependent on the finalised Management Fee payable to Six Town Housing.

6.2.5 However, initial indications are that the balances will come under significant pressure during 2009/10 and so a major review of the HRA will commence during the coming twelve months.

7.0 RENT INCREASE

- 7.1 As discussed earlier in paragraph 2.7, the Government has set a weekly average limit rent for Bury of £56.57, 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 5.86%, however the figures in this report are based on the recommendation that we increase rents on average by 5% in line with Ministers' recommendations.
- 7.2 Individual property rents continue to be calculated according to the formula but we have then applied a scaling factor to achieve the 5% overall increase - there will continue to be a range of increases – some above 5% and some below.
- 7.3 The following table illustrates the reduction in rent income if this increase is not adopted:-

	Extra Rent Generated	Reduction in rent income
	£	£
Rent Increase :		
4.0%	859,000	214,700
4.5%	966,300	107,400
5.0%	1,073,700	-

- 7.4 2007/08 will be a 53 week year so as rents are collected over 50 weeks there will be an additional week when rent is not collected; it is expected that this will be the first rent week of the new year.
- 7.5 There are currently 409 garages being charged at the rate of £4.52 per week (50 weeks). The last increase was in April 2006 when the charges rose in line with the percentage increase in council house rents; increases for 2007/08 in line with the recommended rent increase of 5% would result in a weekly increase of £0.23 giving a rate of £4.75 per week (over 50 weeks); this would bring in £4,692 of extra income into the HRA in 2007/08. Increases of 6% and 4% would give weekly rates of £4.79 and £4.70 respectively.

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 in 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 departments the services are now provided by Adult Care Services.
- 8.2.2 The charges set for 2006/07 allowed for a 1% increase in charges at each scheme. Supporting People funding is only expected to allow a 2% increase in charges for 2007/08; this means that Adult Care Services will continue to have a limited budget from which to provide the Warden related services.
- 8.2.3 Under the Council's Officer Delegation Scheme an Executive Decision was made in November 2006 relating to Chapelfield – this scheme has been 'de-sheltered' which allows empty properties to be made available for general letting; the small number of incumbent tenants will continue to receive support from Adult Care Services, who will be responsible for setting future charges.
- 8.2.4 It is proposed that Support Charges are increased by 2% from the first rent week in April 2007. The current support charges for 2006/07 and the proposed support charges for 2007/08 are shown overleaf. The charges shown are per unit per week calculated over 50 weeks.

	Current Support Charge 2006/07 £	Proposed Support Charge 2007/08 £
Beech Close	19.77	20.17
Chelsea Avenue	34.40	35.09
Clarkshill	19.89	20.29
Elms Close	14.54	14.83
Elton Square House	23.16	23.62
Griffin Close	14.79	15.09
Hampson Fold	25.25	25.76
Harwood House	23.52	23.99
Huntley House	21.00	21.42
Limegrove	26.44	26.97
Maple Grove	20.39	20.80
Moorfield	18.76	19.14
Mosses House	38.42	39.19
St. Mary's Court	20.01	20.41
Stanhope Court	30.30	30.91
Taylor House	27.04	27.58
Top O'th Fields 1	22.39	22.84
Top O'th Fields 2 – Welcomb Walk	28.00	28.56
Waverley Place	22.71	23.16
Wellington House	23.21	23.67
Wesley House	24.86	25.36

- 8.2.5 An Extra Care Sheltered Scheme is now established covering the Falcon House and Griffin House schemes. There are 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 2007/08.
- 8.2.6 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 £2,400 in 2007/08.
- 8.2.7 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.
- 8.2.8 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 £25,800 in 2007/08.
- 8.2.9 Should there be a significant increase in the actual level of voids above the estimate then the income target assumed within the HRA will not be achieved.

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 table overleaf. Appendix 5 details the total Support and Amenity Charges for each scheme:-

	Current Amenity Charge 2006/07 £	Proposed Amenity Charge 2007/08 £	Proposed Amenity Charge Increase %
Clarkshill	11.81	12.60	6.7
Elton Square House	10.56	12.67	20.0
Falcon House	7.37	7.73	4.9
Griffin House	7.58	7.95	4.9
Harwood House	15.56	16.23	4.3
Huntley House	13.47	14.06	4.4
Moorfield	14.79	15.52	4.9
Mosses House	12.50	13.07	4.6
St. Mary's Court	10.19	11.49	12.8
Stanhope Court	4.89	5.11	4.5
Taylor House	16.53	17.33	4.8
Top O'th Fields 1	10.89	13.07	20.0
Waverley Place	14.25	15.13	6.2
Wellington House	14.92	17.21	15.3
Wesley House	13.49	14.12	4.7

8.3.2 Changes in amenity charges reflect increases in the costs of maintaining communal facilities e.g. pay awards for domestic staff and increases in energy costs. Proposed increases for some schemes are significantly higher than others due to the recent increases in energy costs; the level of increase depends on the facilities provided at each scheme.

8.3.3 Amenity charges are eligible for Housing Benefit purposes and it is expected that benefits will be payable to accepted claimants.

8.3.4 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 £100 in 2007/08.

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

8.3.6 The proposed amenity charges reflect voids for Sheltered Accommodation with communal facilities of 12%, 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 £7,000 in 2007/08.

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 :-

	Present Charge £	Proposed Charge £	% change
Taylor House	7.53	11.22	49.0
Clarks Hill	4.67	6.90	47.8
St. Mary's Court	5.97	8.47	41.9
Waverley Place	6.26	10.90	74.1
Harwood House	5.94	9.36	57.6
Wesley House	5.83	9.29	59.3

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.

8.4.3 The latest contract price, effective from June 2007, is 71% higher than the previous one.

8.4.4 The 2006/07 HRA report recognised that there could potentially be significant increases in charges for 2007/08 – "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."

8.4.5 Unfortunately this has proved to be the case hence the large increases proposed for 2007/08. Whilst Heating Charges are not eligible for Housing Benefit, Sheltered Tenants should be in receipt of Winter Heating Allowances and the majority of affected schemes have benefited from recent works to improve insulation, which may result in reduced consumption in future years.

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 31st 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 agreed scheme of reducing protection.
- 8.5.4 Council tenants who applied for the service after 31st 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 £156.00 per year; the charges for 2007/08 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 2006/07 the council chose to protect those tenants who were receiving the service at 31st March 2003 who would have been liable to pay the charge; this protection was agreed at the rate of 25% and currently covers around 34 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 £1,300 in 2007/08, however it is recommended that this protection is now discontinued.

8.6 Furnished Tenancies Charges

- 8.6.1 A Furnished Tenancy Scheme was introduced during 2005/06. 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 2006/07 £	Proposed Furnished Tenancy Charge 2007/08 £	Proposed Furnished Tenancy Charge Increase %
1 bed property	16.72	17.14	2.5
2 bed property	19.70	20.19	2.5
3 bed property	22.66	23.23	2.5

- 8.6.4 The proposed increase in charges is to cover inflation in the costs of the scheme e.g. costs of replacement equipment and fittings.

9.0 RISK ASSESSMENT

9.1 The HRA estimates for 2007/08 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 further 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 for 2007/08 is sufficient to mitigate against material inaccuracies in the underlying assumptions.

Councillor Mike Connolly, Executive Member, Quality Council (Resources & Performance)

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List of Background Papers:-

Budget Working Papers

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