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**MEETING:** Resource & Performance Scrutiny Commission  
The Executive  
Council

**DATE:** 12<sup>th</sup> February 2008  
13<sup>th</sup> February 2008  
20<sup>th</sup> February 2008

**SUBJECT:** Housing Revenue Account 2008/09

**REPORT FROM:** Executive Members, Resource & Performance and  
Learning, Skills and Employment

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

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

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

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**PURPOSE/SUMMARY:**

The report details the proposed Housing Revenue Account for 2008/09 and recommends an average rent increase for Dwellings and Garages of 5.33% in line with the Housing Subsidy Determination for 2008/09. 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 rent restructuring based on formula rents but with an extended restructuring period assuming convergence in 2016/17. Any increase

below this 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 the extended restructuring period i.e. 2016/17. This report has been prepared on the basis of a 5.33% average rent increase for 2008/09 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) Members give consideration to the scale of the average rent increase for Council House and Garages bearing in mind the forecast HRA balance and the rent options set out in section 7 of the report.
- (c) Sheltered support and amenity charges are amended from the first rent week in April in line with the proposed charges in this report.
- (d) Sheltered heating charges remain unchanged until June 2008 when the new authority gas contracts come into force; proposals for any amendments to charges to be taken to a future meeting of the Executive.
- (e) The proposed schemes of protection should be continued for the next 12 months for the Sheltered Support Charges and Sheltered Amenity Charges.
- (f) Furnished Tenancy charges should increase by **2%** 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 2007/08 and 2008/09.

**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 Commission

| Chief Executive/<br>Management Board   | Executive Member/<br>Chair     | Ward Members | Partners                       |
|--|--------------------------------|--------------|--------------------------------|
| 4th February 2008  |                                |              |                                |
| Scrutiny Commission  | Executive                      | Committee    | Council                        |
| Resource &<br>Performance Scrutiny<br>Commission<br>12 <sup>th</sup> February 2008 | 13 <sup>th</sup> February 2008 |              | 20 <sup>th</sup> February 2008 |

## 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 2007/08 was £12,902,600.
- 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 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 with Ministers confirming in January 2007 a supported borrowing approval of £7.92m for 2007/08. We have recently received confirmation of supported borrowing approvals of £7.93m for 2008/09 and £2.53m for 2009/10. 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 2008/09 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 1<sup>st</sup> April 2007 and 1<sup>st</sup> April 2009 are shown below: -

|  |         |
|--|---------|
| Number of Dwellings 1 <sup>st</sup> April 2007 | 8,383   |
| Right to Buy Sales 2007/08                     | (75)    |
|  | -----   |
| Number of Dwellings 1 <sup>st</sup> April 2008 | 8,308   |
| Right to Buy Sales 2008/09                     | (75)    |
|  | -----   |
| Number of Dwellings 1 <sup>st</sup> April 2009 | 8,233   |
| Average number of dwellings 2007/08            | 8,345.5 |
| <br>   |         |
| Average number of dwellings 2008/09            | 8,270.5 |

- 1.8 The number of dwellings, for subsidy purposes, for the year 2008/09 is the number deemed to be within the HRA on 1<sup>st</sup> April 2007. 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 2008/09.
- 1.11 This report has been scheduled for consultation with the Resource & Performance Scrutiny Commission on 12<sup>th</sup> February 2008.

## **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 was originally intended 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 In 2007/08 we complied with Ministers wishes to keep average increases to 5% (rather than 5.86% which would have been the increase resulting from applying the rent formula to each individual property). A new element within the Housing Subsidy calculations (the Rental Constraint Allowance) was introduced to compensate authorities for rent lost if they adopted the 'maximum' average increase.
- 2.7 For 2008/09 Ministers are no longer recommending a maximum average increase but instead the 2008/09 Housing Subsidy Determination assumes that the restructuring period is extended by five years with rent convergence now being 2016/17; this assumption is intended to allow affordable rent increases for tenants and provide some compensation to authorities as the Rental Constraint Allowance has been removed. However the removal of this compensation results in a loss of rental income to the HRA on a reducing scale for the next nine years. Following representations from authorities on the draft subsidy determination the DCLG have indicated that there will be a mechanism introduced to compensate for the removal of the Rental Constraint Allowance however this will operate a year in arrears. The estimated loss of income in 2008/09 (assuming that the rent increase implemented is no higher than that calculated on the basis of the guideline increase) is around £172,000.
- 2.8 Within the 2008/09 Housing Subsidy Determination, the Government has set an average weekly limit rent of £59.45 (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.
- 2.9 **Within these upper and lower constraints there is some flexibility as to the average rent increase that could be adopted.** An increase above that required by the guideline rent would generate additional income for the HRA. Current information from other authorities in the area indicates that average increases will range from around 4% to over 8% which suggests that some authorities are attempting to recoup some of the 'losses' resulting from the changes in the subsidy calculations.

- 2.10 Section 7 outlines a number of possible rent increase options and shows the impact each would have on the resources available to the HRA.
- 2.11 The following table shows the difference between the current rents and the rents for 2008/09 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 and adopting the extended restructuring period i.e. the **minimum 'required' increase of 5.33% (average)**. The rents shown in the table are all on a 50 week basis.

| TYPE       | NUMBER OF BEDROOMS | VALUATION AT JAN' 1999 VALUES<br>£ | RENT 2007/08<br>£ | PROPOSED RENT 2008/09<br>£ | INCREASE OVER ACTUAL 2007/08 RENT |            | RANGE OF INCREASES |            |
|------------|--------------------|------------------------------------|-------------------|----------------------------|-----------------------------------|------------|--------------------|------------|
|            |                    |                                    |                   |                            | £                                 | %          | HIGHEST            | LOWEST     |
| Bed-sit    | 0                  | 23,012                             | 43.07             | 45.60                      | 2.53                              | 5.9        | 11.5               | 4.3        |
| Bungalow   | 1                  | 30,705                             | 50.73             | 53.65                      | 2.92                              | 5.8        | 7.5                | 4.3        |
| Flat       | 1                  | 28,419                             | 50.55             | 53.37                      | 2.82                              | 5.6        | 9.9                | 3.2        |
| House      | 1                  | 29,410                             | 52.69             | 55.41                      | 2.72                              | 5.2        | 5.2                | 5.2        |
| Bungalow   | 2                  | 39,487                             | 63.13             | 66.16                      | 3.03                              | 4.8        | 5.7                | 4.1        |
| Flat       | 2                  | 29,542                             | 56.61             | 59.62                      | 3.01                              | 5.3        | 8.8                | 3.0        |
| House      | 2                  | 34,657                             | 59.05             | 62.12                      | 3.07                              | 5.2        | 8.9                | 3.3        |
| Maisonette | 2                  | 32,132                             | 58.52             | 61.52                      | 3.00                              | 5.1        | 5.2                | 5.1        |
| Flat       | 3                  | 30,366                             | 60.54             | 63.86                      | 3.32                              | 5.5        | 5.9                | 3.0        |
| House      | 3                  | 37,566                             | 65.44             | 68.77                      | 3.33                              | 5.1        | 9.4                | 2.9        |
| Maisonette | 3                  | 33,843                             | 64.37             | 67.59                      | 3.22                              | 5.0        | 5.3                | 4.6        |
| House      | 4/6                | 38,502                             | 73.01             | 76.25                      | 3.24                              | 4.4        | 6.6                | 3.4        |
|            |                    | <b>32,510</b>                      | <b>57.06</b>      | <b>60.10</b>               | <b>3.04</b>                       | <b>5.3</b> | <b>11.5</b>        | <b>2.9</b> |

- 2.12 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.
- 2.13 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 £3,618,900 for 2007/08 and £4,321,700 for 2008/09; these amounts must be paid to the D.C.L.G. (in ten monthly instalments from May to February each year).
- 3.3 The subsidy determination is disappointing from our point of view as in addition to the loss of rental income resulting from the removal of the Rental Constraint Allowance (as discussed in paragraph 2.7) changes to other factors in the calculation of our Management, Maintenance and Major Repairs Allowances have 'withdrawn' potential HRA and capital resources.
- 3.4 Our Management Allowance per property has increased by 3.10%; this is significantly lower than the average increase for the region and below the average for most other regions. Our Maintenance Allowance per property has increased by only 0.12% which is mainly due to a change in the regional cost factor applied to reflect price rises for repair works. Again this increase is below the average for the region and significantly below that for some other regions thus highlighting the redirection of resources. Resources have further been 'withdrawn' due to the continued 'top slicing' of our calculated allowances to provide cash protection for authorities whose calculated entitlements are lower than they currently receive.
- 3.5 A change in the regional cost factor applied in the calculation has resulted in our Major Repairs Allowance only increasing by 1.49% per property.
- 3.6 The overall effect of the subsidy determination (excluding the element relating to Capital Charges) is to increase the amount payable to the DCLG from £696 per property in the current year to £857 for 2008/09.
- 3.7 Appendix 3 details the 'notional' HRA for 2007/08 and 2008/09 which result from the Housing Subsidy Determinations for 2007/08 and 2008/09.

## **4.0 PERFORMANCE**

### **4.1 Voids**

- 4.1.1 The rent lost on empty properties is projected to be 1.95% over 2007/08; this will mean increased rent income of approximately £11,500 as the original budget allowed for a void level of 2%.
- 4.1.2 The void loss level for 2008/09 has been assumed at 1.95%; this remains a challenging target and if void levels can be reduced further then this would result in an increase in rental income to the HRA which could either be carried forward into 2009/10 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 undertaken a 'Whole Systems Review' of voids which has looked at the 'end to end' voids process, identifying system failures and implementing changes to improve services to customers and promote efficiency. Examples of the changes implemented are:
- Properties are offered on notice rather than waiting for keys to come in
  - Pre-termination inspections are now carried out by Community Housing Officers
  - A new void lettable standard has been introduced

- Communication has been improved, for example, through the introduction of regular void reconciliation meetings

4.1.4 Appendix 4 details the loss or increase in rental income at different void levels if the 1.95% is not achieved in 2008/09.

## 4.2 Rent Arrears

4.2.1 The opening arrears and current levels for 2007/08 are shown in the following table. The figures reflect the fact that around £115,000 of Former Tenant Arrears has been written off during 2007/08 and it is anticipated that a further £183,000 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<br>Arrears<br>2007/08<br>£ | Current<br>Position<br>£ | Increase/<br>(Reduction)<br>in arrears<br>£ |
|-----------------------|------------------------------------|--------------------------|---|
| Current Arrears       | 877,200                            | 839,500                  | (37,700)                                    |
| Former Tenant Arrears | 803,700                            | 845,900                  | 42,200                                      |
|                       | -----                              | -----                    | -----                                       |
|                       | 1,680,900                          | 1,685,400                | 4,500                                       |

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 £1,200,900. 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 2007/08 allowed for a contribution of £200,000 to the Bad Debt Provision but looking at the current position it is now estimated that the provision will only need a contribution of £153,000 in 2007/08. The 2008/09 estimates allow for a contribution of £161,000 however it should be recognised that the level of arrears can be volatile. 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 £989,900 of which £706,300 is debt over 1 year old.

4.3.2 The Bad Debt Provision for rechargeable repairs, which is held on the Authority's Balance Sheet, currently stands at £658,400. The HRA estimates for 2007/08 and 2008/09 allow for a £50,000 contribution to this provision in each year, therefore at the end of 2008/09 the provision will stand at £758,400; this amount will be reduced by the amount of any accounts that are written off before the end of 2008/09.



- 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 an additional contribution to the provision of at least £43,000 for 2007/08.
- 4.3.4 Work is currently underway to identify older static and irrecoverable debts with the intention of writing these off against the Bad Debt Provision. £50,000 has been written off in the current financial year with a further £77,000 expected to be written off by the end of March. In addition to these amounts £220,000 of debt has been identified that will be at least 6 years old by the end of the current year; the majority of this debt is likely to be irrecoverable and is likely to be put forward for write off once further analysis has been completed to identify any accounts where payments are being made by instalments or legal action is still being pursued.
- 4.3.5 Accounts that have been raised more recently are subject to established recovery procedures with reminders/final notices being routinely issued and accounts passed to collection agencies (for debts under £750) where payment is not received or instalment arrangements agreed.
- 4.3.6 Six Town Housing have undertaken a Whole Systems Review of the rechargeable repairs process. As a result of this review a revised charging policy has been drawn up and this was approved through the operational decision process in January of this year. Six Town Housing, in conjunction with Council officers, are currently redesigning the procedures that will back up this policy. The policy is due to be implemented from April 2008.

## **5.0 2008/09 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 2008/09 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 2008/09 assume the Management Fee to be £13,111,200 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 2008/09 will be a call on the HRA balances and any amount below this figure will add to the 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 2008/09 assume that a further £125,000 of these costs will be 'transferred' to the General Fund.

- 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 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 5.33%. The balance would increase should Members decide to raise the rent by any of the other options set out in section 7.**

## 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<br>£m | Regeneration Schemes<br>£m | Total Investment<br>£m | Major Repairs Allowance/<br>HRA Revenue /<br>Other<br>£m | ALMO Funds<br>£m | Total Resources<br>£m |
| 2007/08      | 13.67                      | 0.37                       | 14.04                  | 6.12   | 7.92             | 14.04                 |
| 2008/09      | 14.95                      | 0.37                       | 15.32                  | 7.39   | 7.93             | 15.32                 |
| 2009/10      | 7.57                       | -                          | 7.57                   | 5.04   | 2.53             | 7.57                  |
| 2010/11      | 5.06                       | -                          | 5.06                   | 5.06   | -                | 5.06                  |
| 2011/12      | 5.09                       | -                          | 5.09                   | 5.09   | -                | 5.09                  |
| 2012/13      | 5.12                       | -                          | 5.12                   | 5.12   | -                | 5.12                  |
| <b>Total</b> | <b>51.46</b>               | <b>0.74</b>                | <b>52.20</b>           | <b>33.82</b>   | <b>18.38</b>     | <b>52.20</b>          |

- 6.1.2 The table above does not reflect the requests that have been submitted for additional capital resources for 2008/09 for carrying out DDA compliance works at Sheltered schemes and for additional disabled facilities works. If these requests are approved then the spending plans will be revised.
- 6.1.3 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 submission of a revised Building Cost Model in November 2006 the DCLG confirmed a supported borrowing approval of £7.92m for 2007/08. Supported borrowing approvals of £7.93m for 2008/09 and £2.53m for 2009/10 have recently been confirmed.

## 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; the only additional HRA resources assumed to finance this expenditure is the new subsidy allocation for the provision of energy performance certificates.
- 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 2007/08 was a surplus of £1,678,200, being an increase of £98,000 over the budgeted working balance.
- 6.2.4 It is estimated that the working balance will be £1,305,500 at 31<sup>st</sup> March 2008 and £367,400 at 31<sup>st</sup> March 2009.
- 6.2.5 Current projections indicate that the HRA may go into an overall deficit position during 2009/10 unless remedial action is taken. It is strongly recommended that a detailed review of the HRA take place during the coming nine 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 £59.45, which takes into account national guideline increases and the extended period for the implementation of rent restructuring. Adopting the guideline increase and the extended restructuring period in the rent formula results in an average increase of **5.33%** and the figures in this report are based on the assumption that we increase rents on this basis.
- 7.2 However there is some flexibility to increase rents by more than the guideline increase level thus generating additional income for the HRA. The following options have been examined :
- Adopt the guideline increase but continue on the original restructuring timetable – this option results in an average increase of **6.31%**
  - Follow the extended restructuring period but implement an increase that brings rent levels back to what they would have been if the 5% maximum average increase had not been adopted for 2007/08 – this option would result in an average increase of **6.08%**
  - Adopt the ‘maximum’ increase so that each individual rent increases by RPI plus ½% plus £2.08 per week (except where this would make an individual rent higher than its target rent or where an individual rent is reducing to reach its target) – this option would result in an average increase of **7.39%**

- 7.3 For all the options considered there is still a limit on the maximum increase that can be applied to an individual rent i.e. RPI plus ½% plus £2.08 per week and this has been taken into account in all the options shown in the following table.
- 7.4 The following table illustrates the rental income generated by each of the options discussed in paragraph 7.2 and shows the increased revenue to the HRA if the increase adopted was to be greater than the average guideline increase of 5.33%.

|                 | <b>Extra Rent Generated<br/>£</b> | <b>Increased rental income to HRA<br/>£</b> |
|-----------------|-----------------------------------|---|
| Rent Increase : |                                   |   |
| <b>5.33%</b>    | <b>1,233,300</b>                  | -   |
| 6.08%           | 1,406,600                         | 173,300                                     |
| 6.31%           | 1,459,900                         | 226,600                                     |
| 7.39%           | 1,709,700                         | 476,400                                     |

- 7.5 There are currently 409 garages being charged at the rate of £4.75 per week (50 weeks). The last increase was in April 2007 when the charges rose in line with the percentage increase in council house rents; increases for 2008/09 in line with the recommended rent increase of 5.33% would result in a weekly increase of £0.25 giving a rate of £5.00 per week (over 50 weeks); this would bring in £5,112 of extra income into the HRA in 2008/09. Increases of 6.08%, 6.31% and 7.39% would give weekly rates of £5.04, £5.05 and £5.10 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 With effect from April 2008 it is planned to change the way that the Sheltered support service is delivered and charged for. The new warden service will be expanded into the wider community to provide services to older people who require support to remain in their own homes. This will reduce the overall cost of the service and allow support to be provided to more people. A member of the warden team will continue to visit Sheltered housing schemes on a daily basis (Monday to Friday) to check tenants' wellbeing and deal with any scheme issues. The new service will be called 'Support at Home' and the wardens will work in teams which will cover Sheltered schemes and individual properties that fall within their area.
- 8.2.3 The charges set for 2007/08 allowed for a 2% increase in charges at each scheme. The current charges were set on a scheme by scheme basis with the amount payable dependant on the size of the scheme and the support provided. With effect from April 2008 it is proposed to charge all Sheltered tenants the same weekly charge. Charging in this way is a much fairer system as all tenants will receive the same level of service. This will also bring us in line with the majority of other local authority Sheltered housing charging policies. This approach and the proposed charge have been agreed with the Supporting People Commissioning Body.
- 8.2.4 An operational decision has been made not to let a number of identified sheltered dwellings pending the outcome of a review/options appraisal of a number of Sheltered schemes in the borough. A joint Strategic Housing Unit/Six Town Housing/Adult Care working group, looking at the 'Difficult to let' issue has commissioned an options appraisal of the more unpopular Sheltered schemes, particularly those with bed-sit accommodation and shared facilities which fail to comply with the Decent Homes Standard.
- 8.2.5 Pending the outcome of this review, which could recommend the renovation, decommissioning, demolition or disposal of these dwellings, it was decided to suspend lettings to the following schemes:
- Clarkshill, Prestwich (bedsits only)
  - Elton Square House, Bury
  - Huntley House, Bury
  - St. Mary's, Prestwich (bedsits only)
  - Wesley House, Tottington
  - Griffin Close, Bury (upper floor flats only)
- 8.2.6 The following schemes have been included in the review but lettings to these schemes have not been suspended as there is no alternative sheltered provision within the locality.

- Harwood House, Tottington
- Mosses House, Bury
- Taylor House, Bury

8.2.7 The review report is in the process of being finalised. When the final draft report is available the recommendations will be considered by the working group and will then be presented to Management Board, portfolio holders, Six Town Housing's Board and Bury MBC's Executive.

8.2.8 It is proposed that Support Charges are increased from the first rent week in April 2008, with a standard weekly charge per unit being introduced. The current support charges for 2007/08 and the proposed support charges for 2008/09 are shown in the following table. The charges shown are per unit per week calculated over 50 weeks.

|                                  | <b>Current<br/>Support<br/>Charge<br/>2007/08<br/>£</b> | <b>Proposed<br/>Support<br/>Charge<br/>2008/09<br/>£</b> |
|----------------------------------|---|--|
| Beech Close                      | 20.17   | 20.21  |
| Chelsea Avenue                   | 35.09   | 20.21  |
| Clarkshill                       | 20.29   | 20.21  |
| Elms Close                       | 14.83   | 20.21  |
| Elton Square House               | 23.62   | 20.21  |
| Griffin Close                    | 15.09   | 20.21  |
| Hampson Fold                     | 25.76   | 20.21  |
| Harwood House                    | 23.99   | 20.21  |
| Huntley House                    | 21.42   | 20.21  |
| Limegrove                        | 26.97   | 20.21  |
| Maple Grove                      | 20.80   | 20.21  |
| Moorfield                        | 19.14   | 20.21  |
| Mosses House                     | 39.19   | 20.21  |
| St. Mary's Court                 | 20.41   | 20.21  |
| Stanhope Court                   | 30.91   | 20.21  |
| Taylor House                     | 27.58   | 20.21  |
| Top O'th Fields 1                | 22.84   | 20.21  |
| Top O'th Fields 2 – Welcomb Walk | 28.56   | 20.21  |
| Waverley Place                   | 23.16   | 20.21  |
| Wellington House                 | 23.67   | 20.21  |
| Wesley House                     | 25.36   | 20.21  |

8.2.9 Tenants at most of the schemes will see a reduction in their weekly charge or in the case of Beech Close an increase of less than 2% (2% would have been the likely increase in charges had the current charging structure been retained).

8.2.10 Tenants residing at Elms Close, Griffin Close and Moorfield will see increases of more than 2%, therefore in order to avoid any undue hardship it is proposed that existing tenants who are not in receipt of Housing Benefit should pay a reduced charge. The proposed reductions in the weekly charge and the current number of tenants to whom this would apply are:

- Elms Close           £5.08           4 tenants
- Griffin Close       £4.82           5 tenants
- Moorfield           £0.69           4 tenants

8.2.11 Tenants at Maple Grove who were resident at the time of the introduction of the Supporting People funding arrangements in April 2003 and were not in receipt of Housing Benefit have been receiving protection. Even though the proposed charge at this scheme is a reduction over the current charge it is still higher in real terms than the charge that was in place before April 2003. Therefore it is proposed that the one remaining tenant to whom protection would apply should have their charge reduced by £4.34 per week.

8.2.12 The total cost to the HRA of the protections proposed above is estimated to be £2,600 in 2008/09.

8.2.13 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 2008/09.

8.2.14 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 £32,600 in 2008/09.

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

|                    | <b>Current<br/>Amenity<br/>Charge<br/>2007/08<br/>£</b> | <b>Proposed<br/>Amenity<br/>Charge<br/>2008/09<br/>£</b> | <b>Proposed<br/>Amenity<br/>Charge<br/>Increase<br/>%</b> |
|--------------------|---|--|---|
| Clarkshill         | 12.60   | 13.64  | 8.3   |
| Elton Square House | 12.67   | 14.43  | 13.9  |
| Falcon House       | 7.73  | 8.12   | 5.0   |
| Griffin House      | 7.95  | 8.22   | 3.4   |

|                   |       |       |      |
|-------------------|-------|-------|------|
| Harwood House     | 16.23 | 16.64 | 2.5  |
| Huntley House     | 14.06 | 14.35 | 2.1  |
| Moorfield         | 15.52 | 17.02 | 9.7  |
| Mosses House      | 13.07 | 13.35 | 2.1  |
| St. Mary's Court  | 11.49 | 12.56 | 9.3  |
| Stanhope Court    | 5.11  | 5.33  | 4.3  |
| Taylor House      | 17.33 | 17.76 | 2.5  |
| Top O'th Fields 1 | 13.07 | 15.26 | 16.8 |
| Waverley Place    | 15.13 | 16.09 | 6.3  |
| Wellington House  | 17.21 | 19.68 | 14.4 |
| Wesley House      | 14.12 | 14.45 | 2.3  |

- 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. The level of increase depends on the facilities provided at each scheme. Continued increases in energy costs are the main cause of the higher increases required at some schemes.
- 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 2008/09.
- 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 anticipated void levels for Sheltered Accommodation with communal facilities where current voids are below 12%; for those schemes with higher current void levels 12% has been assumed. Void levels can vary considerably between schemes and over time therefore 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 £22,000 in 2008/09.

## 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. The present heating charges per unit per week, (exclusive of VAT), are:-

|                  | Present Charge<br>£ |
|------------------|---------------------|
| Taylor House     | 11.22               |
| Clarks Hill      | 6.90                |
| St. Mary's Court | 8.47                |



|                |       |
|----------------|-------|
| Waverley Place | 10.90 |
| Harwood House  | 9.36  |
| Wesley House   | 9.29  |

8.4.2 The above Sheltered schemes are part of the Council's overall procurement of energy, which when renegotiated from June 2007 was subject to a 71% increase over the previous negotiated price.

8.4.3 Negotiation of the next contract, to be effective from June 2008, has not been concluded and as yet there is no indication of what the change in contract price may be. In order to ensure that tenants are charged on the basis of known prices it is recommended that the present heating charges remain unchanged until the contract has been finalised. A review of the level of charges required from June 2008 will be undertaken with any proposed changes being taken to the Executive.

8.4.4 Heating Charges are not eligible for Housing Benefit however Sheltered Tenants should be in receipt of Winter Heating Allowances.

## 8.5 Furnished Tenancies Charges

8.5.1 A Furnished Tenancy Scheme was introduced during 2005/06. The scheme provides furniture packages for which an additional weekly charge is payable. The original scheme allowed for a maximum of 65 furnished tenancies to be established.

8.5.2 The scheme is currently being expanded on a self funding basis with a planned increase of 20% per annum in the number of furnished tenancies.

8.5.3 Furnished Tenancy charges are eligible for Housing Benefit purposes and therefore benefits should be payable to accepted claimants.

8.5.4 In summary the present and proposed charges per week, (over 50 weeks), are shown in the following table:-

|                | <b>Current<br/>Furnished<br/>Tenancy<br/>Charge<br/>2007/08<br/>£</b> | <b>Proposed<br/>Furnished<br/>Tenancy<br/>Charge<br/>2008/09<br/>£</b> | <b>Proposed<br/>Furnished<br/>Tenancy<br/>Charge<br/>Increase<br/>%</b> |
|----------------|---|--|---|
| 1 bed property | 17.14   | 17.48  | 2   |
| 2 bed property | 20.19   | 20.59  | 2   |
| 3 bed property | 23.23   | 23.69  | 2   |

8.5.5 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 2008/09 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 2008/09 is sufficient to mitigate against material inaccuracies in the underlying assumptions.

**Councillor Peter Redstone, Executive Member, Resource & Performance**

**Councillor Iain Gartside, Executive Member, Learning, Skills and Employment**

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### **List of Background Papers:-**

Budget Working Papers

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