

**HOUSING REVENUE ACCOUNT DRAFT BUDGET  
FOR CONSIDERATION BY CABINET 18 JANUARY 2011**

	2009/10 Outturn £	2010/11 Budget £	2010/11 Revised £	2011/12 Budget £	2012/13 Forecast £	2013/14 Forecast £
<b>INCOME</b>						
Rental Income - Council Housing (Gross)	-11,416,100	-11,717,900	-11,720,600	-12,527,200	-13,113,400	-13,718,900
Rental Income - Other (Gross)	-183,900	-188,600	-192,700	-193,100	-196,400	-200,300
Charges for Services & Facilities	-1,874,900	-1,841,900	-1,821,800	-1,835,000	-1,871,300	-1,911,100
Grant Income	-7,700	-7,700	-7,700	-7,700	-7,700	-7,700
Contributions from General Fund	-167,900	-165,200	-165,200	-165,200	-165,200	-165,200
<b>Total Income</b>	<b>-13,650,500</b>	<b>-13,921,300</b>	<b>-13,908,000</b>	<b>-14,728,200</b>	<b>-15,354,000</b>	<b>-16,003,200</b>
<b>EXPENDITURE</b>						
Repairs & Maintenance	4,236,600	4,028,500	3,943,100	4,071,900	4,001,900	4,282,800
Supervision & Management	3,012,600	3,357,300	3,393,600	3,285,300	3,341,500	3,413,300
Rents, Rates, Taxes & Other Charges	92,600	99,400	94,000	103,200	112,100	121,300
Negative Housing Revenue Account Subsidy Payable	946,900	1,574,500	1,748,600	2,348,000	2,680,200	3,069,800
Increase in Provision for Bad and Doubtful Debts	209,600	155,800	180,000	182,000	183,100	184,300
Depreciation & Impairment of Fixed Assets	14,268,900	2,369,000	2,370,300	2,346,800	2,393,700	2,441,100
Debt Management Costs	1,100	1,100	1,100	1,100	1,100	1,100
<b>Total Expenditure</b>	<b>22,768,300</b>	<b>11,585,600</b>	<b>11,730,700</b>	<b>12,338,300</b>	<b>12,713,600</b>	<b>13,513,700</b>
<b>NET COST OF HRA SERVICES</b>	<b>9,117,800</b>	<b>-2,335,700</b>	<b>-2,177,300</b>	<b>-2,389,900</b>	<b>-2,640,400</b>	<b>-2,489,500</b>
(Gain) or Loss on Sale of HRA Fixed Assets	-65,600	0	0	0	0	0
Interest Payable & Similar Charges	798,800	808,000	717,700	751,400	801,900	831,000
Amortisation of Premiums & Discounts	0	158,500	158,500	159,000	161,000	161,700
Interest & Investment Income	-33,100	-55,000	-22,900	-32,500	-53,700	-74,200
Pensions Interest Costs & Expected Return on Pensions Assets	481,900	68,000	68,000	68,000	68,000	68,000
<b>(SURPLUS) OR DEFICIT FOR THE YEAR</b>	<b>10,299,800</b>	<b>-1,356,200</b>	<b>-1,256,000</b>	<b>-1,444,000</b>	<b>-1,663,200</b>	<b>-1,503,000</b>
Adjustments to reverse out Notional Charges included above	-11,740,600	-65,400	-63,200	-63,200	-63,200	-63,200
Net charges made for retirement benefits	-295,300	-68,000	-68,000	-68,000	-68,000	-68,000
Transfer to/(from) Major Repairs Reserve	143,900	0	-411,100	73,100	355,400	330,600
Transfer to/(from) Earmarked Reserves	409,100	238,400	9,600	199,900	225,300	177,100
Capital Expenditure funded by the Housing Revenue Account	1,153,700	1,251,200	1,961,900	1,302,200	1,213,700	1,126,500
<b>TOTAL (SURPLUS) / DEFICIT FOR THE YEAR</b>	<b>-29,400</b>	<b>0</b>	<b>173,200</b>	<b>0</b>	<b>0</b>	<b>0</b>
Housing Revenue Account Balance brought forward	-493,900	-350,000	-523,200	-350,000	-350,000	-350,000
<b>Housing Revenue Account Balance carried forward</b>	<b>-523,300</b>	<b>-350,000</b>	<b>-350,000</b>	<b>-350,000</b>	<b>-350,000</b>	<b>-350,000</b>





**2011/12 BUDGET**  
**HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS**  
**FOR CONSIDERATION BY CABINET 18 JANUARY 2011**

**APPENDIX B**



RISK AREA	NOTES/DETAILS
Reductions in stock from Right to Buy sales - CHS	The rate of sales in 2010/2011 remains very low with only 1 RTB so far this year. This compares to 2 in each of 2008/9 and 2009/10 and is reduced from an average of 59 for the preceding 5 years. It is anticipated that this trend is likely to continue in the short to medium term leading to higher levels of rental income than would previously have been predicted. Low sales levels leads to lower levels of capital receipts. Sales impact on the revenue position as income is reduced but many costs are fixed. Significant reduced rental streams would lead to deterioration in the HRA budgetary position unless measures could be taken to reduce costs within the HRA.
Management of Void Properties - CHS	Rent losses through void properties continue to be maintained at a lower level and this has been built into the budgets. The reduction follows the introduction of improved void management arrangements within Health & Housing Services.
Rent Arrears - CHS	Recent budgets have required contributions to the Bad Debts Provision to be adjusted to reflect current arrears trends. The provision now stands at an appropriate level. There is a negative effect on future years' budgets if arrears management deteriorates and a positive effect if it improves. The target is year on year improvement.
Support Grant - CHS	Lancashire County Council provide an annual grant of £240,000 for 3 contracts providing support services in sheltered housing and community alarm support. County are currently reconfiguring their commissioning strategy for these services and support and the contracts are being retendered. Once proposals are finalised, the impact on HRA will need to be assessed. The assessment will determine if any service adjustments need to be made.
Rental Income	The estimates as set out assume an increase of 6.9% which is the optimum level of increase for the Council based on the Government's proposals in the Determination. This equates to an average actual rent of £64.20 which is below the Government's Limit Rent of £65.70. Increases above the Limit Rent would result in a penalty through the Rent Rebate Subsidy Limitation. Proposals are also below the Formula Rent, which is calculated at £68.59, the difference between the Actual Rent and Formula Rent represents our gap in convergence.
Changes to HRA Subsidy System	Whilst the Spending Review confirmed the intention to reform the HRA Subsidy System, it did not contain details of a revised debt settlement. The Localism Bill will take powers to repeal the existing Subsidy System and replace it with powers for the Secretary of State to introduce self financing. This is anticipated to be in place for April 2012. Depending on what arises, this could, potentially, have major implications for the HRA.
Projections of HRA Subsidy	The main reason for the increase in negative subsidy payable to the Government in 2011/12 is due mainly to the low increase in allowances (2.9% on Management and Maintenance and .825% on Major Repairs Allowance) whilst guideline rent increases are at 6.69%. Also the impact on the consolidated rate of interest due to the reclassification of leases has had a further negative impact on the subsidy payable. For future years, it has been assumed that the Council will receive this at similar levels. These assumptions have been based on the Determination for 2011/12 and no guidance has been provided by the Government beyond this.
Stock Condition Survey - CHS	A Stock Condition Survey was undertaken during 2008/09. The results of the survey have not been analysed pending the addition of the results of the 2010/11 attribute survey being carried out in accordance with KPMG audit requirement. Upon acceptance of the survey, all results will be analysed during 2011/12. This includes determining any impact on the 30 year Business Plan.

**APPENDIX B**

<b>RISK AREA</b>	<b>NOTES/DETAILS</b>
Meeting the Decent Homes Standard - CHS	Sufficient funds need to be set aside within the Revenue Budget / Major Repairs Reserve in order to ensure that the 30 Year HRA Capital Programme can continue to be financed. Any significant reduction in available capital financing (e.g. through revenue growth) could have an adverse impact on the position.
Repair & Maintenance Services - CHS	RMS is a high turnover activity with charges set to recover costs. The budget is based on the current Repairs and Maintenance Section establishment. Changes in the level of the establishment, the efficiency of the workforce, or the amount of work available to RMS will impact on the ability of the unit to recover its costs and could lead to a surplus or deficit.

APPENDIX C (1)

RESERVES AND PROVISIONS - FOR CONSIDERATION BY CABINET 18 JANUARY 2011

	HRA General Balances		Major Repairs Reserve/ Business Plan Support		Total Earmarked Reserves	Plats - Planned Maintenance		Central Control Equipment		Telecare		Non-Sheltered Scheme Equipment		IT Replacement		Office Equipment Reserve		Sheltered - Equipment		Sheltered - Planned Maintenance		Sheltered Support Grant Maintenance		Management Restructure Reserve		Not Earmarked on Earmarked Reserves			
	£'00	£'00	£'00	£'00		£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00	£'00		
Revised Estimate 2010/11	523	6886			2287	818	73	10	125	314	52	231	328	137	100	100													
Contributions to Reserves		2307			400	136	10	15	57	10	30	63	19	50													10		
Appropriations to/from ( ) Reserves - Revenue	-173	-411			-314	-10	-19	-95			-24	-60		-67													-100		
Appropriations from Reserves - Capital		-2307			-76																								
Projected Balance 31st March 2011	350	6457			2287	844	64	20	45	365	62	236	330	156	84												2287		
Estimate 2011/12																													
Contributions to Reserves		2325			336	136	10	15	57	10	30	49	19	50														200	
Appropriations to/from ( ) Reserves - Revenue		73			-116	-7						-20	6														-84		
Appropriations from Reserves - Capital		-2325			-20																								
Projected Balance 31st March 2012	350	6530			2497	1053	74	30	60	412	72	248	373	175													2487		
Estimate 2012/13																													
Contributions to Reserves		2371			327	136	10	15	57	10	30	40	19	50														225	
Appropriations to/from ( ) Reserves - Revenue		355			-41	-11						-26	4														-4		
Appropriations from Reserves - Capital		-2371			-60							-60																	
Projected Balance 31st March 2013	350	6886			2722	1178	84	40	75	469	82	252	349	194														2722	
Estimate 2013/14																													
Contributions to Reserves		2417			320	136	10	15	57	10	30	33	19	50															177
Appropriations to/from ( ) Reserves - Revenue		331			-83	-34						-24																-60	
Appropriations from Reserves - Capital		-2417			-60							-60																	
Projected Balance 31st March 2014	350	7216			2869	1280	94	50	90	526	92	257	297	213														2869	
Estimate 2014/15																													
Contributions to Reserves		2500			356	132	10	15	57	10	30	73	19	50															356
Appropriations to/from ( ) Reserves - Revenue		-2500																											
Appropriations from Reserves - Capital		-2500																											
Projected Balance 31st March 2015	350	7216			3295	1412	104	60	105	583	102	287	370	232														3295	
Estimate 2015/16																													
Contributions to Reserves		2500			356	132	10	15	57	10	30	73	19	50															356
Appropriations to/from ( ) Reserves - Revenue		-2500																											
Appropriations from Reserves - Capital		-2500																											
Projected Balance 31st March 2016	350	7216			3611	1544	114	70	120	640	112	317	443	251														3611	

\* Note that Major Repairs Reserve incorporates support for the HRA Business Plan.  
 \* Please note that further expenditure may be funded from the above reserves, but the timing is uncertain.



Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
<b>Capital Reserves</b>				
<b>Major Repairs Reserve (MRR) / Business Plan Support</b>	<p>Can be applied to Capital improvements to HRA housing stock (specifically excluding demolition) and, additionally from 1<sup>st</sup> April 2004, repayment of HRA debt and credit liabilities (including premia on early repayment of PWLB loans).</p> <p>The Council's thirty year HRA Business Plan has projected increasing levels of balances in early years to fund deficits in later years, and it is intended that these balances will be held in the MRR.</p>	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate in year grant and support to capital programme.
<b>Revenue Reserves</b>				
<b>Flats – Planned Maintenance Reserve</b>	<p>Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest.</p> <p>Reserve to be applied to major works to communal facilities in flats.</p>	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate revised in year contribution of £136K and transfer £10K to revenue budget for increased expenditure on Planned maintenance.

**RESERVES AND PROVISIONS- For Consideration by Cabinet 18 January 2011**

**APPENDIX C (2)**

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
<b>Central Control Equipment Reserve</b>	Established to smooth the costs of major renewal or replacement of Central Control Equipment and systems	Funded from Central Control subscriptions with additional appropriations in lieu of interest.  Reserve is to be applied to renewal or replacement of major items of equipment and systems for Central Control system. Also used for chargeable enhancements throughout the life of the system.	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate in year contribution of £10K and transfer £19K to Capital budget to cover the purchase of equipment and software.
<b>Telecare</b>	Established to smooth the costs of renewal or replacement of Telecare Equipment.	Funded from Lifeline subscriptions.  Reserve is to be applied to renewal or replacement of items for Telecare equipment.	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate in year contribution of £10K
<b>Non-sheltered scheme equipment</b>	Established to fund purchases of equipment for non-sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest.  Reserve to be applied to purchases of equipment for non-sheltered schemes.	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate in year contribution of £15K and a transfer of £95k to reduce the balance of the reserve.



**RESERVES AND PROVISIONS- For Consideration by Cabinet 18 January 2011**

**APPENDIX C (2)**

	<b>Reason for/purpose</b>	<b>How &amp; when it be used</b>	<b>Management &amp; control</b>	<b>Reviewed</b>	<b>Recommendations</b>
<b>IT Replacement</b>	Established to fund future major IT systems replacement.	To be applied to future replacements / choice based lettings.	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate in-year contribution of £57K and transfer £16K to support Capital Programme.
<b>Office Equipment Reserve</b>	Established to fund purchases of minor IT and other office equipment.	Used to fund ad-hoc purchases of major office furnishings resultant from health & safety legislation and risk assessments (desk, chairs, cabinets etc) and minor office equipment items e.g. pc upgrades.	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate in year contribution of £10K.
<b>Sheltered Equipment Reserve</b>	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes.	Council Housing Services/ Financial Services	Budget & Outturn	Maintain in year contribution at £30K and transfer £23.5K to revenue budget for sheltered equipment purchases.
<b>Sheltered – Planned Maintenance</b>	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate in year contribution of £62.6K and to transfer £60K to capital for boiler renewals.

**RESERVES AND PROVISIONS- For Consideration by Cabinet 18 January 2011**

**APPENDIX C (2)**

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
<b>Sheltered – Support Grant Maintenance</b>	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges, but classed as Support Costs under County Guidelines.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	Council Housing Services/ Financial Services	Budget & Outturn	Incorporate in year contribution of £19K.
<b>JE Reserve</b>	Established to fund the support of the pay structure	Contribution to the reserve to be approved by Cabinet. Use of the reserves to be determined (and agreed) by both the Head of Legal & Human Resources and Head of Financial Services.	Council Housing Services/ Financial Services	Budget & Outturn	Fair Pay structure fully implemented and contribution towards revenue expenditure of £66.5K.
<b>Management Restructure Reserve</b>	Established to fund potential one-off staff costs arising from the Senior Management Restructure.	Contribution to the reserve to be approved by Cabinet. Use of the reserve restricted to restructurings approved through Personnel Committee.	Council Housing Services/ Financial Services	Budget & Outturn	Management Restructure has concluded. Reserve balance to zero.

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
<b>Provisions Bad Debts</b>	This provision is used to write off all Housing Revenue Account bad debts that have been approved.	The provision is funded by an annual contribution based on assessment of the level of debt outstanding.	Financial Services / Debt Management Group	Budget & Outturn	Increase of £24.2K due to an increase in current tenant arrears and rechargeable repairs.



