

ANGUS COUNCIL

NEIGHBOURHOOD SERVICES COMMITTEE (SPECIAL MEETING) – 17 FEBRUARY
2009

SUBJECT: 2009/10 HOUSING REVENUE ACCOUNT ESTIMATES INCORPORATING
RENTS, CHARGES AND TAYOCK SITE RENTALS

JOINT REPORT BY THE DIRECTOR OF NEIGHBOURHOOD SERVICES, THE
DIRECTOR OF CORPORATE SERVICES & THE HEAD OF FINANCE

ABSTRACT

This report presents estimates of income and expenditure on the Housing Revenue Account (HRA) for the financial year 2009/10, and gives background for the review of rents and charges for the year.

1 RECOMMENDATION

1.1 It is recommended that the Committee:

- i. Reviews and approves the capital estimates as detailed in Appendix 1 or as varied by Committee and subject to making proper provision for financing costs in the revenue estimates for 2009/10;
([Appendix 1 summary/new build/regeneration/conversion/aids/improvements/heating/window/energy/sheltered/kitchen/bathroom/miscellaneous](#))
- ii. Reviews and approves the proposed revenue budget for 2009/10 as detailed in [Appendix 2](#) (Column 4), or as varied by Committee;
- iii. Approves rent increases of 5% all dwellings (including sheltered and homelessness accommodation), garages, garage sites and stores adjacent to garages.

In this regard, members are referred to Section 7 of this report for further information on the impact of these proposed increases.

- iv. Approves a rent increase of 5% relating to all pitches at the St Christopher's Travelling People Site at Tayock.

In this regard, members are referred to Section 10 of this report for further information on the impact of this proposed increase.

- v. Approves the prudential indicators as shown in [Appendix 3](#) in compliance with Prudential Code requirements.

2 INTRODUCTION AND BACKGROUND

2.1 The HRA meets all expenditure relating to staffing, office running costs, supplies and services, council support services, council house repairs and maintenance and capital financing charges associated with the housing service. It is a ring-fenced account and is regulated by the Housing (Scotland) Act 1987 (Section 203 -

Schedule 15), recording transactions relating to the Council's housing stock of some 7,861 houses (as at 31 December 2008).

- 2.2 This report primarily relates to the HRA revenue budget and leads to the point where the Committee can decide upon the level of rents and charges applicable for 2009/10.
- 2.3 The report also relates to the Tayock Site Rental and Service Charges to be levied in financial year 2009/10. Members should note that rental and service charges relating to Tayock are recorded within the Other Housing Account which forms part of the General Fund which is due to be considered on 19 February 2009.
- 2.4 Members will be aware that the Council has discretion to review the level of its council house rents. In this regard extensive consultation with tenants was carried out to meet the Council's requirements in terms of the Housing (Scotland) Act 2001. A significant amount of time and effort is invested by the Council's tenants in the rent setting process and on a monthly basis, tenants have given up their time and gathered from across Angus to meet, discuss, and sometimes argue, over the best way forward.
- 2.5 Angus Council can take pride in its tenant's movement; we have a very knowledgeable tenant's movement who are prepared to give up their valuable time to work with the Council to shape the future investment strategy for Angus.
- 2.6 Whilst this does of course fulfil one of our statutory obligations, it does however give us the bigger prize of being in touch with our tenants and enabling them to be a critical part of our policy process. Members should be assured that we intend to build on this recent history of involvement and ensure that we work hand in hand with our tenants as we modernise policies and seek to continue to improve our services.
- 2.7 Options were developed from discussions with the 2009/10 Rent Setting Group and a questionnaire was sent to every tenant explaining the budget proposals and requesting opinions.
- 2.8 The options put forward to tenants are shown in table 1 below.

Table 1

Options	Increase	Impact
Option 1 (RPI - 0.5%) *	4.5%	This increase may potentially reduce housing services and the housing improvement programme. However, upgrading to meet the Scottish Housing Quality Standard by 2015 will continue.
Option 2 (RPI only) *	5.0%	This increase will maintain current housing services and continue planned levels of investments in house improvements without any adjustments. Upgrading to meet the Scottish Housing Quality Standard by 2015 will continue.
Option 3 (RPI + 0.5%) *	5.5%	This increase could potentially mean more improvement of services, lead to a similar rate of house improvements and continue to upgrade to meet the Scottish Housing Quality Standard by 2015.

* The Retail Price Index (RPI) at the September 2008 benchmark date was 5.0%.

- 2.9 A total of 830 questionnaires were returned by tenants which represents 10.6% of all tenants. The results are summarised in table 2 below.

Table 2

	Replies	%
No Increase	7	0.8
Option 1 (4.5%)	114	13.7
Option 2 (5.0%)	658	79.3
Option 3 (5.5%)	51	6.2
Total	830	100.0

3 CAPITAL PROGRAMME 2008/09 TO 2011/12

- 3.1 The Housing Capital Programme reflects the costs of upgrading and enhancing the Division's housing stock and other related assets over a period of time. There are however also significant revenue costs as a result of borrowing and capital financed from current revenue (CFCR) attached to financing the proposed capital programme.
- 3.2 The latest estimated capital spend is £9,949,000 for the current financial year (2008/09). The latest estimate of financing this projected outturn is shown in table 3 below. A more detailed update of the position in respect of the current year capital programme is contained in report 132/09 also on the agenda of this meeting.

Table 3

2008/09 Capital Estimates		
Revised Funding Sources	£,000	£,000
Prudential Borrowing		1,300
HRA Balances - to fund receipts shortfall	1,471	
HRA Balances - to fund overspend	99	
HRA Balances – total		1,570
Capital Receipts		2,029
CFCR (Inc. £200k HRA Balances)		5,050
Total Funding Sources		9,949

- 3.3 The capital estimates for 2009/10 at £10,389,000 are as shown in Appendix 1; the level of spend in 2010/11 and 2011/12 is estimated to be £9,342,000 and £9,850,000 respectively.
- 3.4 Members will note the proposal to increase the Financial Plan capital spend in 2009/10 and to reduce capital spending in the following financial year. This is mainly due to the advancement of capital expenditure to allow an early completion of the Bulk Kitchen Replacement programme and the requirement to provide financing amounting to some £530,000 to progress the Mayfield Regeneration Project in financial year 2009/10.
- 3.5 The 2009/10 programme also includes proposals in respect of the development of two new affordable housing properties on the site of the former Police Station at Monifieth. The proposals are for the construction of two bedroom properties.

- 3.6 The level of capital expenditure within the Financial Plan allows for the requirements in respect of the Scottish Housing Quality Standard (SHQS) Delivery Plan for Angus Council. Projects included in respect of the SHQS are denoted with the letter 'Y' on the individual pages of Appendix 1.
- 3.7 The extent of the works within the Financial Plan will undoubtedly continue to pose a considerable draw on the Property Division's staffing resource and also to the construction industry. However, the position presently on commitments arising from Bulk Procurement contracts provides a sound base to assist in meeting the challenge.
- 3.8 The capital estimates (£10,389,000) in 2009/10 have been prepared on the basis of the anticipated funding package in Table 4 below. The consequent impact of this funding package on capital financing costs, etc. has been reflected within the proposed 2009/10 HRA revenue budget.

Table 4

Anticipated Capital Funding - 2009/10	£,000
Prudential Borrowing	3,732
Capital Receipts Estimate	1,480
Capital Financed from Current Revenue	5,177
Total Funding Sources	10,389

- 3.9 If the 2009/10 Capital Programme does not achieve a spend of £10,389,000 it is anticipated that the first option would be to reduce the intended prudential borrowing accordingly.
- 3.10 The estimated capital receipts position includes sales of council houses and other HRA land and property. The downturn in the national economy has had a significant impact on the overall Housing market and the Angus area is not immune from the current downturn in the market. To reflect this position the capital receipts estimate has been considerably reduced from the £3,500,000 total budgeted for in 2008/09 to £1,480,000 in financial year 2009/10. Should the estimated position on capital receipts not be achieved it may be necessary to vary levels of CFCR, borrowing or HRA balances. Any such re-consideration of the funding package would require to consider the Reserves Strategy which is to be developed as noted at paragraph 7.4 of this report.
- 3.11 The level of borrowing to fund the estimated capital expenditure in 2009/10 is significantly higher than in previous years. This is necessary in order to maintain the capital programme at the levels considered to be required and also because of the substantial reduction in capital receipt income. This level of borrowing has however been factored into the separate analysis of long term affordability which is detailed within Section 4 below.

4 FINANCIAL PLAN AFFORDABILITY

- 4.1 Members will be aware that the level of borrowing must be prudent, affordable and sustainable. In pursuit of this, Prudential Indicators must be set and these are detailed in Appendix 3 which reflects a capital spend of £10,389,000 in 2009/10 and includes application of the 2007/08 and 2008/09 approved rent rises of 4.6% and 4.9% respectively. Appendix 3 assumes approval of the proposed rent increase of 5% for 2009/10. Appendix 3 also assumes, for the purposes only of estimating the

indicators for the forward years, further rises of 1% in each of years 2010/11 and 2011/12.

- 4.2 Members are asked to note however that the indicators may need to change depending on decisions that the committee may make in respect of the 2009/10 budget. Should changes be necessary, these will be worked through and reported for approval at the next possible Neighbourhood Services Committee.
- 4.3 Members will be aware from the regular capital monitoring reports presented to the Neighbourhood Services Committee each cycle, that an exercise has been ongoing to develop an initial long term affordability plan in respect of overall HRA capital investment and the Housing Revenue Account Income and Expenditure streams. Additionally, this work has been reviewing the best method of funding the projected overspend on the HRA capital budget in 2008/09 as well as the period beyond the current year.

2008/09 Capital Budget Affordability

- 4.4 Report 132/09 also on the agenda of this meeting presents members with the latest budget monitoring information for 2008/09 and indicates that there will be a shortfall in funding for the estimated capital budget outturn of £1,570,000. Although various options are available to make up this shortfall, including increasing the level of HRA borrowing, there is not considered to be any advantage in pursuing these other options when uncommitted resources are available in HRA Balances. On this basis this report assumes that the final level of capital funding shortfall at the end of the 2008/09 financial year will be met by drawing down HRA Balances. This approach is considered to be reasonable in the context of longer term affordability considerations for HRA capital investment because it avoids borrowing which would require to be repaid in future years.

2009/10 – 2011/12 Capital Budget Affordability

- 4.5 Although significant work has been completed on the long term affordability exercise over a 20 – 25 year period, further work is required to conclude this exercise and develop it to a stage ready for member scrutiny. This is due to the complexities involved and a number of crucial ongoing matters such as the future strategic approach and sustainability of the very sheltered housing programme, which is currently the subject of ongoing work between council departments and external advisers, all of which affect the affordability review.
- 4.6 In the absence of a fully completed 20 – 25 year affordability review the affordability of the 2009/2012 HRA Financial Plan has been assessed in accordance with practice in previous years which is based on fulfilling the requirements of the Prudential Code and in particular the setting of the Prudential Indicators contained in Appendix 3. This gives sufficient assurance on the affordability and sustainability of the capital spending proposals for HRA.
- 4.7 In light of the Prudential Indicators and the affordability assessment work completed to date, it is the view of the Head of Finance that the suggested HRA Financial Plan for 2009/2012 and associated borrowing is affordable, sustainable and prudent.
- 4.8 Further refinement of the longer term affordability work will be undertaken over the next few months with the intention of being able to present this to the Neighbourhood Services Committee prior to the summer recess.

5 2008/09 REVENUE BUDGET

5.1 Members are asked to note that it is currently projected that there will be a deficit on the Housing Revenue Account in 2008/09 amounting to some £1,459,000 leaving remaining balances projected to be £1,722,000 at 31 March 2009.

5.2 The deficit primarily results from the projected shortfall in capital funding of £1,570,000 which is largely due to the shortfall in capital receipts. A detailed commentary in respect of the current year Housing Revenue Account position is contained in report 132/09 also on the agenda of this meeting.

6 2009/10 REVENUE BUDGET ON THE BASIS OF NO RENT INCREASE

6.1 The 2009/10 revenue budget estimates, on the basis of no rent or charges increase, are shown in Appendix 2 (column 3).

6.2 Particular attention is drawn to the following:

(a) The principal, interest, debt management expenses and CFCR figures are based on a capital spend of £10,389,000 as stated at paragraph 3.8 above;

(b) Rental income from houses is based on an actual stock profile at 31 December 2008 adjusted for estimated house sales for the remainder of 2008/09 and an average no of house sales in 2009/10 and as indicated above assumes no rent increase;

(c) Inclusion of Homelessness Funding totalling £668,000 (£619,000 Homelessness Task Force and £49,000 Temporary Dispersed Accommodation);

(d) Inclusion of Furniture Tenancies funding (£63,000);

(e) Inclusion of a budget for Corporate and Democratic Core Income (£145,000); and

(f) A significant reduction has been applied to the estimated income earned on HRA balances held. This is due to the reduction in the level of balances during 2008/09 and prevailing market interest rates.

6.3 On the basis of the foregoing there would be a deficit for financial year 2009/10 of £919,000. As a result the projected HRA balances at the end of the year would reduce to £803,000. This would be £303,000 above the Council minimum policy level of £500,000. The only other means of minimising the impact on HRA balances under a no rent increase scenario would be to reduce the capital programme by deferring or cancelling improvement projects. This would lead to a corresponding reduction in the level of Capital Financed from Current Revenue required but would be detrimental to the overall condition of the housing stock.

7 PROPOSED 2009/10 REVENUE BUDGET

7.1 The 2009/10 proposed HRA revenue budget as shown in Appendix 2 (column 3) has been developed in column 4 using the following assumptions:

(a) An assumed rent increase of 5% (averaging £2.20 per week) has been applied to all dwellings (including sheltered and homelessness accommodation).

If approved, the application of the assumed rent increase of 5% will result in an average rent of £46.22 based on the current year average rent figure of £44.02 on a 52-week basis and total rental income from houses (after adjusting for the rent profile and including Sheltered Housing Service Charges of £216,468) of

£18,995,760 - an increase of some £910,000 compared to a nil rent increase budget.

If approved, the application of the assumed rent increase of 5% will result in an average annual rent in 2009/10 of £2,403 against the current average annual rent in 2008/09 of £2,289.

- (b) An assumed rent increase of 5% has been applied to garages, garage site rentals and stores adjacent to garages.

If approved, this would increase rents to the levels in the following table, which also shows 2008/09 levels for comparison:

Table 5

	2008/09	2009/10	Increase
	£ per annum	£ per annum	£ per annum
Garage Rents	198.12	208.00	9.88
Garage Site Rentals	64.86	68.10	3.24
Stores adjacent to Garages	175.06	183.81	8.75

- 7.2 On the basis of the foregoing there would be a break-even position on the HRA revenue budget for financial year 2009/10.

HRA Balances Position Based on Proposed 2009/10 Budget

- 7.3 Report 132/09 also on the agenda of this meeting presents members with the latest budget monitoring and outturn projections information for 2008/09 and indicates that a funding shortfall on capital of £1,570,000 will exist at the year end and that a small underspend on the overall HRA Revenue Budget of £111,000 will arise. This report is based on the net overall funding shortfall taking revenue and capital together of £1,459,000 being funded from HRA Balances. This would mean an uncommitted HRA Balances level at the end of financial year 2008/09 of £1,722,000. The proposed 2009/10 budget outlined above would deliver a break even position and thus HRA Balances at the end of 2009/10 would remain unchanged at a projected £1,722,000. This would be £1,222,000 above the Council's minimum policy level of £500,000. In the current economic climate this is considered to provide a sound cushion from which to take forward HRA business and investment into the future.
- 7.4 In respect of the retained balances, members are however asked to note that the Government have requested that all Councils develop a Reserves Strategy and have requested that this be subject to external audit scrutiny. This strategy will be developed by officers from Housing and Finance and will be reported to the Neighbourhood Services Committee in due course.
- 7.5 Should the Committee decide to vary the overall budget from that proposed the Director of Neighbourhood Services and the Head of Finance will restate the budget position accordingly, so as to allow for the timeous preparation and issuing of statutory rent increase notices.

8 OPTIONS

- 8.1 The options for the HRA available to the Committee include the following:
- (a) No rent increases for the 2009/10 financial year resulting in a deficit for the year of £919,000. This would require a large call on HRA balances and / or likely reductions in the upgrading and modernisation of housing stock therefore

jeopardising the attainment of the Scottish Housing Quality Standard over the longer term.

- (b) Implement a dwellings (including sheltered and homelessness accommodation) rent increase of 5% per week (an average of £46.22 on a 52 week basis) and apply 5% increases in garage, garage site and store rentals.

This would result in a break-even position on the Housing Revenue Account and maintain services at current levels while allowing the department to continue to progress towards meeting the requirements of the Scottish Housing Quality Standard.

9 COMPARISON WITH OTHER LOCAL AUTHORITY RENT LEVELS

- 9.1 In previous years, Angus Council tenants enjoyed rents amongst the lowest in Scotland. The Council currently has the fourth lowest average rent of 26 housing authorities on a 52 week basis. Naturally much depends on rent increases currently being considered by all authorities, but even allowing for the increases outlined above, it is believed that the Council will continue to have one of the lowest average rents within Scottish Local Authorities.
- 9.2 Information available at this time indicates that the proposed 2009/10 average weekly rent (52-week/year) in Angus (£46.22) will compare favourably to neighbouring local authorities.
- 9.3 For information, 2008/09 original average rent levels for selected authorities on a 52 week basis were as follows:

Table 6

	£ per week
Aberdeenshire Council	49.06
Angus Council	44.02
City of Aberdeen Council	54.23
Dundee City Council	52.33
East Ayrshire Council	48.63
Fife Council	48.42
Midlothian Council	42.96
Perth & Kinross Council	46.36
Scottish Average	49.36

Note: Around 54% of Angus Housing Revenue Account tenants are presently on Housing Benefit. Tenants will be encouraged to apply and reapply for Housing Benefit as appropriate.

10 ST. CHRISTOPHER'S SITE, TAYOCK

- 10.1 Pitch rentals and service charges currently apply at the St Christopher's travelling people's site at Tayock. There are 18 pitches available (ten single and eight double).
- 10.2 The annual review of pitch rentals has been carried out and having taken cognisance of: the number of pitches; active levels of occupation; maintenance needs; associated management overheads; inflation; and security/warden coverage etc, it is

recommended that pitch rentals and service charges for the 2009/10 year be increased by 5%.

- 10.3 If approved, a rent increase of 5% will yield an additional sum of £1,720 in the year and will increase pitch rentals (including service charge) to the levels in the following table, which also shows 2008/09 levels for comparison:

Table 7

	2008/09 £ per week	2009/10 £ per week	Increase £ per week
Single Pitch Rentals	35.28	37.04	1.76
Double Pitch Rentals	38.54	40.47	1.93

- 10.4 These pitch rentals were last increased in April 2008, when single and double pitch rentals were increased by 4.9%.

11 GENERAL FUND CONTRIBUTION

- 11.1 As a result of changes to the Scottish Government's distribution of revenue grants, Homelessness and Furniture Tenancies grants are now distributed with the Council's overall General Fund revenue grant settlement.

- 11.2 These grants were previously ring-fenced directly to the HRA and whilst this income will be contained within the General Fund Other Housing Budget, expenditure will continue to be contained within the Housing Revenue Account and the grant funding transferred from the Other Housing Budget to Housing Revenue Account Budget during the year.

- 11.3 The budget proposals have therefore been prepared on the basis that there will be no contribution from the General Fund.

12 HUMAN RIGHTS IMPLICATIONS

- 12.1 There are no Human Rights implications arising as a result of this report.

13 EQUALITIES IMPLICATIONS

- 13.1 The issues dealt with in this Report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required.

14 SINGLE OUTCOME AGREEMENT

- 14.1 This report contributes to the following local outcomes contained within the Single Outcome Agreement for Angus:

- Good quality housing is available throughout Angus; and
- Crisis response for homeless households is provided.

15 CONSULTATION

- 15.1 The Chief Executive and the Heads of Law and Administration, Property and Housing have been consulted on the contents of this report.

- 15.2 In addition to the normal internal Council consultation, consultation has been ongoing with Angus Council tenants through the Rent Setting Group. As in previous years

members will be pleased to know that the development of the options and proposals in the rent report, and the recommendation on the rental increase, has been driven by Angus Council's tenant movement.

16 CONCLUSION

- 16.1 The effect of applying an increase in Rental Income of 5% will ensure that the Housing Revenue Account enables the Neighbourhood Services Department, working with their tenants, to continue providing its planned programme of upgrading and modernisation of its Housing stock into the future.

NOTE

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

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