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**Report to Special Council**

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**Date of Meeting: 10 February 2011**

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**Subject: Housing Revenue Budget 2011/12 and Capital Programme  
2011/12**

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**Report by: Head of Community & Regulatory Services**

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**1.0 Purpose**

- 1.1 This report presents the budget of income and expenditure for the Housing Revenue Account in the financial year 2011/12. It highlights the key factors influencing the budget and outlines the main income and expenditure assumptions of the budget setting.
- 1.2 Recommended rent levels and other charges are set out in Appendix 4. Summary information on the budget income and expenditure is shown in Appendix 1.
- 1.3 The report also considers the main housing priorities that shape the 2011/12 to 2014/15 Housing Capital Programme, and presents in outline the proposed annual capital programme for the coming year, 2011/12, together with draft programmes for the next three years. The programme is outlined in Appendix 2.

**2.0 Recommendations**

- 2.1 It is recommended that Council:
- 2.2 Approve the summary budget on income and expenditure based on the HRA Business Plan, as set out in the report and Appendix 1.
- 2.3 Approve an increased level for Council house rents of 6.6% for financial year 2011/12.
- 2.4 Approve the same level of increase to be applied to charges for homeless temporary accommodation, lock-ups, garage sites and the Travelling Peoples site.
- 2.5 Approve the proposed Housing (HRA) Capital Programme for 2011/12 as set out in Appendix 2.

**3.0 Background**

- 3.1 The Council's Housing Revenue Account (HRA) has a statutory requirement to be separately accounted from the General Fund. The HRA records income and

expenditure associated with dwellings provided under the Housing (Scotland) Act 1987.

## **4.0 Considerations**

### **4.1 Scottish Housing Quality Standard (SHQS)**

4.1.1 The Clackmannanshire Standard Delivery Plan (SDP) approved by Communities Scotland has been progressing well with approximately 75% of the stock estimated to be meeting the standard. The aim is that all Council properties meet the SHQS by 2015 and sustain the standard to 2035.

4.1.2 The delivery of this standard supports the Council decision taken in January 2009 to approve the Housing Business Plan for Clackmannanshire Council Housing 2008-13. This demonstrated how the Council would manage its assets ensuring the long term management and maintenance of the housing stock, and the financial assumptions required to underpin this.

4.1.3 The Council's stock condition survey is due to be completed in February 2011. This will independently confirm the current condition of our stock against the national standard (SHQS), and ensure we remain on track with the Delivery Plan.

### **4.2 Local Clackmannanshire Standard (LCS)**

4.2.1 As previously reported to Council, during the consultation on the SHQS delivery plan tenants concluded that their investment priorities exceeded the SHQS standard; with specific recommendations for full external door, kitchen and bathroom replacement programmes.

4.2.2 These recommendations were central to the discussions with tenants on the Housing Business Plan for Clackmannanshire Council Housing 2008-13. The plan sets out the capital and revenue priorities over a 5 year period alongside long-term requirements for sustained, above inflation (RPI) rent increases to ensure financial stability of the HRA. The HRA Business Plan, includes the levels of income generation, the investment cost implications and the priorities and areas for improvements.

4.2.3 The Housing (Scotland) Bill 2010, which will come into force as an act during 2011, requires Ministers to publish a Scottish Social Housing Charter which sets out the standards and outcomes which social landlords should aim to achieve when performing housing activities. The aim of the Charter is to see greater empowerment for tenants, and outcomes of the Government consultation on the Charter so far are recommendations for greater transparency of the Housing Revenue Account and tenant involvement with the assessment of landlord performance. Discussions are already underway with Clackmannanshire Tenants and Residents Federation and there will be wider consultation with all tenants during the year to ensure that tenant priorities will be delivered through the review of the HRA Business Plan. This will ensure that the Council works in partnership with tenants to secure value for money and transparency in the delivery of services.

4.2.4 The 2010/11 Capital Programme has seen further progress in delivery of the Clackmannanshire Standard and the SHQS programme. The changes in the

procurement legislation and the outcome of the kitchen and bathroom contract have resulted in a review of the capital programme procurement strategy. This has led to delays in parts of the programme. The implementation and resourcing of the procurement strategy will be monitored by the Services to Communities senior management team.

4.2.5 It is expected that by the end of this financial year the kitchen programme will have been completed. This means that two of the major commitments to our tenants, the door programme and the kitchen programme, will have been delivered.

4.2.6 On the 23rd September 2010 the Council approved the commencement of the Council's new house building programme. As previously reported and endorsed by the government this will not conflict with our current priorities in terms of overall financial viability of the capital programme. The review of the business plan will aim to further expand the new build programme of Council housing including rent restructuring options to support this.

#### 4.3 Capital Investment Fund and Prudential Borrowing

4.3.1 The increased pressure on borrowing and capital financed from current revenue (CFCR), due to the reduction in capital receipts from house sales, still presents significant challenges between now and 2015 to meet the objectives set out in the HRA Business Plan.

4.3.2 Therefore, to provide continued support for the stock retention strategy the proposed increase of 6.6% is required to support the delivery on priorities agreed by tenants and Council. It will also ensure compliance with one of the main Prudential Code indicators approved at Council in February 2010, which is the ratio of financing costs to gross rental income.

#### 4.4 HRA Revenue Expenditure and Income 2011/12

4.4.1 Total Revenue Expenditure is estimated at £13.299m.

#### 4.5 Repairs and Maintenance

4.5.1 As part of the Council's 'Growing in Excellence' programme, the financial management of the repairs service within Facilities Management, will focus on delivering an efficient and effective service to tenants. This will be achieved by continuing to challenge costs and apportionment of overheads relating to the repairs service.

4.5.2 The review of the costing structure and the efficiency improvements will be reported during the year.

4.5.3 For next year though, the budget has been set to reflect the expenditure pattern during 2010/11 including the severe winter and so the budget is increased by £300K.

#### 4.6 Supervision and Management

4.6.1 The HRA Business Plan, set out the pace of the required reductions in Supervision and Management costs. Steady reductions in line with the Business Plan have

been achieved while still making provision for the outcomes arising from single status job evaluation. For 2011/12 we are reducing the budget by £287K.

#### 4.7 HRA Revenue Income 2011/12

4.7.1 In the 2008-13 approved business plan the rent levels requirements were 2% over the rate of inflation (RPI) until 2015, and by 1% above RPI for the rest of the 30 year plan period. This would provide continued financial stability for the HRA and support the financial health of the plan including the stock retention decision, work towards attainment of the SHQS, the Clackmannanshire Standard as well as delivering service priorities. The financial assumptions were supported by the Working Group of Tenant Representatives, the Tenants Federation and the Independent Tenant Advisor, and was the basis of extensive wider consultation with tenants during 2009.

4.7.2 The Retail Price Index (RPI) at September 2010 was 4.6% and reached 4.7% in December 2010. Therefore, in line with the approved Business Plan the rent increase is proposed at 6.6% (4.6% + 2%). The Bank of England (Monetary Policy Committee) has forecast that inflation is likely to remain high throughout 2011. Members should note a 1% adjustment to the rent is the equivalent to approximately £5M over the 30 year plan period. As previously stated in section 4.3.1, the HRA Business Plan is facing financial challenges and any adjustments against the agreed plan will have a cumulative impact over the life of the plan.

4.7.3 This increase is also required for HRA charges including those related to the Travelling Peoples site, lock-ups, garage sites and service charges. This is consistent with the Standard Delivery Plan (SDP) and the 30 year HRA Business Plan.

4.7.4 The projected base rental charges and other income are estimated at £14.756m.

4.7.5 This means a projected balance of £1.457m is budgeted for and will transfer to the Capital Investment Fund for tenant priorities. Appendix 3 shows the HRA Accumulated Account to the end of 2011/12.

4.7.6 In 2010/11 the average rent in Clackmannanshire is £56.92 per week (Appendix 4). This is lower than the average Council house rent in Scotland for 2010/11 which was approximately £59.16<sup>1</sup>. The average rent in Clackmannanshire in 2011/12 will be £60.68 (based on an increase of 6.6%). Other authorities will also have to give consideration to inflation rates and the Scottish average rent for 2011/12 is likely to increase because of this.

#### 4.8 Capital Programme Plan 2011/15

4.8.1 Appendix 2 gives details of programme expenditure. These are shown in the format directed by the SHQS and the Government's reporting requirements. These figures will be subject to review on completion of the stock condition survey.

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<sup>1</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/HRATables>

- 4.8.2 The programme includes carry forward from 2010/11 of approximately £4.436m which is spread across the four years to 2015.
- 4.8.3 The capital programme proposals continue the Council's progress towards meeting the SHQS as detailed in the Standard Delivery Plan as well as the enhanced Clackmannanshire Standard. It is expected that by the end of 2010/11 the kitchen programme will be completed.
- 4.8.4 Disabled adaptations and conversions, though not part of the SHQS, represent key priorities in enabling people with particular needs to remain in their homes. This expenditure area is constantly reviewed to ensure people's needs are met.
- 4.8.5 The programme also includes the Council's expenditure on the proposed new build as mentioned in paragraph 4.2.6. The review of the Business Plan during 2011/12 will be seeking to support a continuation of the new build programme.
- 4.8.6 The service is seeking an alternative IT system to promote effective and efficient delivery of housing management services including work scheduling for the repairs service. Provision for the capital element of the new Housing Business Management IT system is also included in 2011/12 and 2012/13.
- 4.9 HRA Priorities
- 4.9.1 The Housing (Scotland) Act 2001 requires the Council to consult with tenants on rent levels and must have regard to the views expressed by those consulted.
- 4.9.2 The commitment to comprehensive tenant consultation was a feature of the work of the Stock Options Appraisal and Standard Delivery Plan.
- 4.9.3 The proposed rent increase for 2011/12 is based on the approved Business Plan for Clackmannanshire Council Housing 2008-13 which involved extensive tenant consultation in 2009. This specifically agreed an annual rent increase of RPI plus 2% linked to attainment of the SHQS and Local Clackmannanshire Standard. Discussions have already started with tenants on the review of the current Business Plan to agree on tenants priorities for the next planning period of 2013-18. The consultation will focus on setting a number of clear priorities within the financial business planning context. Consideration will also be given to the rent levels required to deliver on these priorities. The outcome of this consultation including required rent levels and tenant priorities will be reported to Council by December 2011.
- 4.9.4 Tenant participation supported by an Independent Tenant Advisor has continued into the housing rents and business planning discussions. The introduction of the Scottish Social Housing Charter will increase the opportunities for tenants to help shape how services are delivered and in setting standards, outcomes and priorities.
- 4.9.5 The Homelessness Delivery Group is taking forward the Council's priority to reduce the use of B&B and the associated costs and to provide more suitable temporary, interim and supported accommodation to homeless people and families. The review of the Business Plan will seek to support this key priority.

## 5.0 Sustainability Implications

5.1 The sustainability implications of this report are comprehensively positive in terms of community participation, the local economy, energy efficiency, the environment, asset management and human resources.

## 6.0 Resource Implications

### 6.1 Financial

6.1.1 As set out in the report.

### 6.2 Staffing

6.2.1 As set out in the report.

## 7.0 Declarations

7.1 The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

### (1) **Our Priorities 2009 - 2011** (Please tick )

The area has a positive image and attracts people and businesses	<input checked="" type="checkbox"/>
Our communities are more cohesive and inclusive	<input checked="" type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input checked="" type="checkbox"/>
Our communities are safer	<input checked="" type="checkbox"/>
Vulnerable people and families are supported	<input checked="" type="checkbox"/>
Substance misuse and its effects are reduced	<input checked="" type="checkbox"/>
Health is improving and health inequalities are reducing	<input checked="" type="checkbox"/>
The environment is protected and enhanced for all	<input checked="" type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

### (2) **Council Policies** (Please detail)

Housing Stock Retention Policy 2006

## 8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes

No

## 9.0 Legality

9.1 In adopting the recommendations contained in this report, the Council is acting within its legal powers Yes

## 10.0 Appendices

10.1 Appendix 1 - HRA Revenue Budget Summary 2011/12

Appendix 2 - Proposed 5 Year Housing Capital Programme 2010/15

Appendix 3 - Housing Revenue Accumulated Account 2011/12

Appendix 4 - Proposed Average Rent Charges 2011/12

## 11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

The Business Plan for Clackmannanshire Council Housing 2008/13 (January 2009)

Standard Delivery Plan (May 2006)

### Author(s)

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### Approved by

NAME	DESIGNATION	SIGNATURE
John Gillespie	Head of Community & Regulatory Services	
Nikki Bridle	Director of Finance and Corporate Services	



HRA

APPENDIX 1

	Original Budget 2010/11	Revised (Oct) Budget 2010/11	Projection Dec 2010 2010/11	Draft Budget 2011/12
<b>Repairs &amp; Maintenance (R&amp;M)</b>				
Private Contractors	392,040	392,040	400,057	418,460
Voids	999,780	999,780	987,510	1,032,935
General Maintenance	1,980,010	1,980,010	2,268,272	2,172,613
Cyclical Maintenance	758,080	758,080	730,000	763,580
Gas	345,100	345,100	350,000	366,100
Minor Social Work Repairs	0	0	20,000	20,920
	<b>4,475,010</b>	<b>4,475,010</b>	<b>4,755,839</b>	<b>4,774,608</b>
<b>Supervision &amp; Management (S&amp;M)</b>				
Staff Cost	2,737,450	2,710,130	2,270,064	2,296,429
Premises	22,810	22,810	22,967	26,124
Transport	62,110	62,110	49,647	51,489
Supplies & Services	360,860	360,860	378,783	269,000
3rd Party Supplies	219,950	219,950	216,787	150,000
Support Services	1,173,580	1,173,580	1,374,824	1,478,825
<b>Gross S&amp;M</b>	<b>4,576,760</b>	<b>4,549,440</b>	<b>4,313,072</b>	<b>4,271,867</b>
Income	(186,360)	(186,360)	(130,486)	(168,800)
<b>Net Supervision &amp; Management</b>	<b>4,390,400</b>	<b>4,363,080</b>	<b>4,182,586</b>	<b>4,103,067</b>
<b>Capital Financing</b>	<b>3,388,240</b>	<b>3,388,240</b>	<b>3,239,228</b>	<b>3,328,948</b>
<b>Other Expenses</b>				
Insurance	250,000	250,000	192,819	250,000
Stair Lighting	10,000	10,000	10,356	10,615
Void Rent	262,500	262,500	307,272	327,552
Ground Maintenance	62,020	62,020	62,020	62,020
Garden Aid	102,020	102,020	102,020	102,020
Special Uplift	127,590	127,590	127,590	127,590
Pest	12,690	12,690	12,690	12,690
Bad Debt	225,000	225,000	180,000	191,880
Miscellaneous	3,050	3,050	5	5
Council Tax on Voids	3,150	3,150	10,300	7,782
	<b>1,058,020</b>	<b>1,058,020</b>	<b>1,005,072</b>	<b>1,092,154</b>
<b>Gross Expenditure</b>	<b>13,311,670</b>	<b>13,284,350</b>	<b>13,182,725</b>	<b>13,298,777</b>
<b>Income</b>				
Rents	(13,912,900)	(13,912,900)	(13,890,828)	(14,680,815)
Other	(44,280)	(44,280)	(43,726)	(40,587)
Interest	(69,740)	(69,740)	(34,781)	(34,781)
	<b>(14,026,920)</b>	<b>(14,026,920)</b>	<b>(13,969,335)</b>	<b>(14,756,183)</b>
<b>Net Expenditure</b>	<b>(715,250)</b>	<b>(742,570)</b>	<b>(786,610)</b>	<b>(1,457,406)</b>
<b>Projected y/e balance before CFCR</b>	<b>(4,976,926)</b>	<b>(5,004,246)</b>	<b>(5,048,286)</b>	<b>(4,065,708)</b>
<b>After CFCR</b>	<b>(2,536,942)</b>	<b>(2,564,262)</b>	<b>(2,608,302)</b>	<b>(1,850,590)</b>

<b>Proposed Housing Capital Programme 2011/15</b>				
	<b>Revised 2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>Scottish Housing Quality Standard (SHQS) Elements</b>				
Tackling Serious Disrepair				
<b>Primary Building Elements</b>				
Structural Works	173,000	150,000	85,000	85,000
<b>Secondary Building Elements</b>				
Damp Proof Course & Rot Works	25,000	25,000	21,000	21,000
Roofs/Rainwater/External Walls	427,000	413,000	413,000	505,000
External Doors etc	0	0	0	0
Windows	0	0	71,000	180,000
<b>Energy Efficiency</b>				
Full/ Efficient Central Heating (Including Community Energy Saving Programme)	1,608,600	437,000	437,000	437,000
<b>Modern Facilities &amp; Services</b>				
Kitchen Renewal	1,017,000	154,000	154,000	153,000
Bathroom Renewal	1,076,000	1,167,000	2,945,000	2,796,055
Related Capital Enhancements	0	0	0	0
<b>Healthy Safe &amp; Secure</b>				
Internal Lead Pipework	0	0	0	0
Safe Electrical Systems	557,000	376,000	376,000	376,000
Communal Areas (Environmental)	194,000	90,000	88,000	88,000
<b>Total SHQS Expenditure</b>	<b>5,077,600</b>	<b>2,812,000</b>	<b>4,590,000</b>	<b>4,641,055</b>
<b>NON SHQS ELEMENTS</b>				
<i>Particular Needs Housing (Care In The Community)</i>				
Conversions & Upgrades	49,000	50,000	50,000	50,000
Disabled Adaptions & Conversions	178,000	200,000	200,000	200,000
Area Improvements	0	0	0	0
External Lead Pipe Replacements	52,000	100,000	0	0
Demolitions	297,000	0	0	0
Feasibility Work	105,000	20,000	20,000	20,000
Council House New Build (Transforming Communities)	606,000	1,221,000	50,000	0
Housing Business Management System	263,000	265,000	0	0
Other Costs	0	0	0	0
<b>Total Non SHQS Expenditure</b>	<b>1,550,000</b>	<b>1,856,000</b>	<b>320,000</b>	<b>270,000</b>
<b>Total Programme Expenditure</b>	<b>6,627,600</b>	<b>4,668,000</b>	<b>4,910,000</b>	<b>4,911,055</b>
House Sales	892,032	814,351	798,418	781,418
Funding Requirement (Borrowing/CFCR)	5,735,568	3,853,649	4,111,582	4,129,637

HRA accumulated account

		<b>£000</b>
<b>Actual</b>	<b>2009/10</b>	£4,262
<b>Projected surplus (Dec 2010)</b>	<b>2010/11</b>	£786
<b>Projected CFCR (Dec 2010)</b>	<b>2010/11</b>	(£2,440)
<b>Housing Investment Fund at year-end 2010/11</b>		<u>£2,608</u>
<b>Draft Budget</b>	<b>2011/12</b>	£1,457
<b>Projected accumulated balance 2011/12</b>		<u>£4,065</u>
<b>Less CFCR</b>	<b>2011/12</b>	(£2,215)
<b>Housing Investment Fund at year-end 2011/12</b>		<u>£1,850</u>
to fund tenant capital priorities		

<b>House</b>	<b>2010/11</b>	<b>Increase for 2011/12 6.6%</b>	<b>Revised Charge 2011/12</b>	
1 Apartment	£54.39	£3.59	£57.98	
2 Apartment	£55.70	£3.68	£59.38	
3 Apartment	£57.05	£3.77	£60.82	
4 Apartment	£58.21	£3.84	£62.05	
5 Apartment	£59.66	£3.94	£63.60	
6 Apartment	£61.12	£4.03	£65.15	
<b>Flat</b>				
1 Apartment	£53.40	£3.52	£56.92	
2 Apartment	£54.68	£3.61	£58.29	
3 Apartment	£56.03	£3.70	£59.73	
4 Apartment	£57.24	£3.78	£61.02	
5 Apartment	£58.68	£3.87	£62.55	
Average Rent (48 weeks)	£56.92	£3.76	£60.68	
Average Rent (52 weeks)	£52.54	£3.47	£56.01	
Average Increase		<b>£3.76</b>		
Lock-Up Rent	£5.41	£0.36	£5.77	
Lock-Up with VAT	£6.49	£0.43	£6.92	<b>( £1.15 VAT)</b>
Garage Site Rent	£4.82	£0.32	£5.14	
Garage Site Rent with VAT	£5.78	£0.38	£6.17	<b>( £1.03 VAT)</b>

(VAT increased to 20% on 4th January 2011)