

Housing and Central Services Committee
26th January 2006

Housing Revenue Report

Report of the Director of Services and the Head of Financial Services

Housing Revenue Account – Budget 2006/07

1.0 Report summary

- 1.1 This report sets out financial arrangements for the Housing Revenue Account and asks Members to set the rent levels and consider Supporting People charges, and service charges for 2006/07.

2.0 Recommendations

- 2.1 The Committee is recommended to :-

i) consider and approve the Housing Revenue Account estimates and to determine the following rents and charges with effect from week one of 2006/07:-

- a) Rents of Council dwellings – implement the progression towards restructured rents which equates to an average increase of 3.1% - £1.83 per week (average rent presently £58.91 per week)
- b) Rents of Council garages - determine the level of increase (rent £6.27 per week, plus VAT for non-Council tenants)
- c) Service charges - delegate to the Head of Housing Management and Head of Financial Services the setting of the service charges
- d) Supporting People charges - delegate to the Head of Housing Management and the Head of Financial Services the setting of the Supporting People charges to match the ODPM funding when details are issued.

3.0 Introduction

- 3.1 Preparation of the Housing Revenue Account is a very technical process particularly around the core issues of the calculation of :-

- a) rents
- b) capital charges (Resource Accounting)
- c) housing subsidy

- 3.2 This report seeks to explain the main issues to enable Members to set rent levels for 2006/07, and also provides more detailed explanations in the appendices for Members who require an understanding of some of those technical issues.

4.0 The Housing Revenue Account

- 4.1 The Housing Revenue Account (HRA) pulls together the total costs of the Council's provision of the Housing landlord service.
- 4.2 The account is ring-fenced, in that expenditure and income relates only to the provision of the housing service and there is no cross subsidy between the HRA and council tax.
- 4.3 Council housing stock numbers are estimated as follows : -

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>
Stock at 1st April	2,786	2,754	2,742
Less sales and disposals	<u>(32)</u>	<u>(12)</u>	<u>(12)</u>
Stock at 31st March	<u>2,754</u>	<u>2,742</u>	<u>2,730</u>

- 4.4 Since the introduction of the Right to Buy legislation in 1980 over 2,200 properties have been sold, although as can be seen from the above table, sales have dwindled recently.
- 4.5 There are 1,088 garages.

5.0 Estimated Out-Turn 2005/06

- 5.1 The revised summary account for 2005/06, detailed in column 2 of annex 2 shows a lower opening balance than forecast because the Committee agreed that any surplus resulting from savings in 2004/05 should be transferred to a Capital Reserve Account to fund future capital expenditure.

The forecast out-turn position for the current financial year shows a small operational deficit of just £4,000.

	<u>Estimate</u> <u>2005/06</u>	<u>Revised</u> <u>Estimate</u> <u>2005/06</u>
	<u>Col 1</u>	<u>Col 2</u>
	<u>£'000</u>	<u>£'000</u>
Expenditure	7,938	8,004
Income	<u>7,983</u>	<u>8,000</u>
Net (Surplus)/Deficit	(45)	4
Balance b/fwd 01/04/05	1,163	1,120
Forecast c/fwd 31/03/06	1,208	1,116

6.0 The Housing Revenue Account for 2006/07

6.1 The projected expenditure and income for the HRA in 2006/07 is as follows:-

	Estimate 2006/07 <u>Col 3</u>
	<u>£'000</u>
Expenditure	8,006
Income	<u>7,972</u>
Net (Surplus)/Deficit	34
Balance brought forward 1.4.06	1,116
Balance carried forward 31.3.07	1,082

6.2 These projections take into account the 'roll forward' budget from 2005/06 updated for inflation and include projections of Housing Subsidy and increased rent income that flows from the rent restructuring move to Formula Rents, which is described more fully below.

Rent Restructuring

6.3 In 2002/03, as part of its Social Rent Reforms in the Local Authority sector, the Government introduced a mechanism to standardise the process for calculating rents.

6.4 The stated policy objectives were that :

- a) social rents should remain affordable and well below those in the private sector
- b) social rents should be fairer and less confusing for tenants
- c) there should be a close link between rents and the qualities which tenants value in properties
- d) differences between the rents set by local authorities and Registered Social Landlords (RSL) should be removed.

6.5 In order to implement these policies the Government derived a mechanism to calculate relative rents using three bases :

- a) 70% of the rent calculation to be based on average earnings within the local authority area compared to national average earnings

b) 30% of the rent calculation to be based on the value of the property compared to the national average property valuation

c) relative sizes of properties to be weighted depending on the number of bedrooms for each property eg 2-bed = 1.0, 3-bed = 1.1, 4-bed = 1.2 etc.

- 6.6 This calculation generates a Formula Rent, which each property rent is required to achieve by 2012.
- 6.7 In most cases this Formula Rent was significantly different to the 'current rent', some higher and some lower, so a limit of inflation plus 1% plus or minus £2 per week was placed on any increase in the move towards the Formula Rent.
- 6.8 A more technical example of this process is demonstrated in appendix 1
- 6.9 The Council has followed the guidelines since 2002/03, but for 2006/07 the Government have changed the rules, and rents have had to be recalculated back to the 2002/03 base figures.
- 6.10 Introduction of the new formula means that apart from 59 units, all of Adur's rents will now need to move upwards towards the new Formula Rent. For 2005/06 approximately 500 rents went down.
- 6.11 This means that the projected Formula Rent for 2012 is now on average 9% higher than before, and some rents that were moving down to the Formula Rent, will now go back up again.
- 6.12 Previous rules limited any rent reductions towards a lower Formula Rent, to inflation plus 1% minus £2, but that limit is now removed.
- 6.13 There are only 47 units affected by this change, at Golden Sands and Albion Street where Formula Rents are significant less than current rents.
- 6.14 Rents on these properties will therefore fall by between £4 to £5 per week.

Rent Levels

- 6.15 In requiring local authorities to calculate rents for the coming year there are differently defined *rents* that have to be taken into account
- 6.16 *Guideline Rent*, which is the basis for determining the rents in the Notional Housing Revenue Account for the calculation of the Housing Subsidy is set at £60.65 per week, an increase of £4.9, or 7.2%.
- 6.17 *Formula Rent* is the level of rent expected to be achieved through the rent restructuring process as is described more fully above and in appendix 1.
- 6.18 *Limit Rent* which is the level of rent that has to be applied in calculating the rent Rebates Subsidy Limitation, which is described further from para 6.27.

- 6.19 The affect of implementing the new rent restructuring formula in line with Government guidelines of a 3.2% increase, plus up to £2 per week as a move towards the Formula Rent would mean that rents would automatically increase by an average of 4.9%.
- 6.20 This would put the HRA into surplus, which is not considered necessary because of the relatively comfortable state of the account.
- 6.20a Sufficient additional income can be generated by applying the restructuring rules. as further described in Appendix 1, which generates an average increase of 3.1% £1.82 per week.
- 6.21 This would leave the account with a small deficit in the sum of approximately £34,000, which can be funded from reserves.

Garage Rents

- 6.22 Present garage rents have been frozen for the past six years at £6.27 per week (plus VAT for non-Council tenants) because of previous problems with garage voids. The Committee has had a number of reports on garages, and piloted rent reductions. This appears to have produced the desired effect because garage rent voids in the current year have reduced from a peak 12% in 1999/2000 to just 5% in 2005/06. If Members are of a mind to increase rents, a 1% increase generates £3,500 of additional income.

Housing Subsidy

- 6.23 The Housing Subsidy calculation is based on a notional Housing Revenue Account. Allowances are made per property for Management and Maintenance costs, to which are added funded capital charges. From these are deducted notional rent income based on Guideline Rents.
- 6.24 This has resulted in increases in the maintenance and management allowances of £237,000 (6.2%) plus £76,000 of capital charges. This is partially offset by additional notional rent income of £568,000 (7.2%), and a net increase in negative subsidy of £287,000.

Notional Housing Revenue Account for subsidy purposes

	Estimate 2005/06	Revised Estimate 2005/06	Estimate 2006/07
	£000s	£000s	£000s
Management Allowance	2,560	2,560	2,737
Maintenance Allowance	1,290	1,290	1,350
	3,850	3,850	4,087
Capital Charges	899	899	975
	4,749	4,749	5,062
Notional Rent Income	(7,944)	(7,944)	(8,512)
Interest Receipts	(2)	(2)	(2)
NET PAYABLE	(3,165)	(3,165)	(3,452)
Major Repairs Allowance	1,881	1,881	1,873

Total subsidy - net	(1,284)	(1,284)	(1,579)
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6.25 The total sum that will have to be paid over to Central Government for 2006/07, the so-called 'moon-light robbery scheme', amounts to £3,452,000, although this is partially offset by the MRA contribution of £1,873,000.

Rent Rebates

6.26 Rent rebates had always been accounted for within the HRA but from 2004/05 have been transferred to the General Fund, where they are now directly funded by the Department for Work and Pensions.

6.27 The Rent Rebate Subsidy Limitation Scheme regulations introduced in 1996/97 remains in operation, the consequences of which have to be funded from within the HRA. Members are reminded that Rent Rebate Subsidy is only payable on rebates granted up to the limit rent, set each year by Government.

6.28 Rebates on rent above the limit figure are not subsidised and have to be funded by the HRA.

6.29 For example, the rent rebate limit for average rents for 2006/07 is £63.01 per week. If the average rent were say £65.00 per week, only £63.01 would be grant-funded and the balance would have to be met from the HRA.

6.30 This is because it is considered that the setting of rents above limit levels is a 'landlord' decision and as such the costs should remain within the HRA. A contribution from the HRA to the General Fund would therefore be required so that the effect of the transfer of rebates is cost-neutral to the General Fund.

6.31 The *Limit Rent* has been increased by some £4.45 to £63.01 for 2006/07 and as the average rent included in the projections is only £60.76, no Rent Rebate Limitation Scheme contribution is required, which negates the need for the £75,000 contribution that was required in 2005/06.

Repairs and Maintenance

6.32 The condition of housing stock is maintained and improved in two ways. Firstly, by routine revenue repairs of a day-to-day nature and by planned maintenance such as repainting or boiler servicing.

6.33 The Council operates a Housing Repairs Account, which has been established to equalise charges and therefore contributions from the HRA.

Housing Capital Programme

6.34 Secondly, by way of capital investment in refurbishment and improvement on a larger scale for schemes such as new central heating and double-glazing.

6.35 The main sources of funding are :-

a) Major Repairs Allowance (MRA). This is a direct cash grant, which amounts to over £1.873 million and is earmarked against housing stock major repairs and improvements. The level of the initial capital programme means that this is not fully utilised and there is a forecast balance of £673,000 on the account at the end of 2006/07.

b) Revenue Contribution to Capital (see 6.38 below)

c) Supported Capital Expenditure (Revenue) – SCE(R). This is the equivalent of the former Basic Credit Approval in that it is notional permission to borrow, and the resultant revenue costs (capital charges) of those funds are supported via Housing Subsidy. The SCE(R) for 2006/07 is just £238,000, a reduction of £474,000 against the 2005/06 allocation.

d) The Prudential Code for Capital Finance in Local Government, which became effective from April 2004 and provides a new freedom to borrow for capital schemes provided it is 'affordable, sustainable and prudent'.

6.36 The capital programme previously considered and approved by this Committee amounts to £4,007,000.

6.37 The overall capital programme will be considered by Policy and Strategy Committee on 2 February, and it is expected that the programme can be funded from within the above resources.

Revenue Contribution to Capital Expenditure.

6.38 A revenue contribution to capital expenditure has been a core resource in financing the Housing capital programme in previous years. It is proposed to retain this at a basic level of £200,000 plus the surplus of £150,000 created by the Supporting People process for 2006/07, although the Supporting People monies may be subject to reduction, or alternative use.

6.39 Depending on the state of the HRA in future years it may be prudent to utilise these revenue contributions to support the revenue costs of Prudential Code borrowing.

Supporting People

6.40 The overall impact of Supporting People to the HRA is that it is cost-neutral, the basic requirement being that £150,000 of costs is removed from the HRA and directly funded externally from Supporting People Grant.

6.41 Supporting People funds are allocated, initially County-wide, and then re-allocated across Districts on an agreed basis.

6.42 Details of the allocation for 2006/07 have not yet been finalised although an uplift of 1.5% might be expected, it is not considered prudent to set the Supporting People charges until total figures are available. It is therefore suggested that the setting of these charges be delegated to the Head of Housing Management and Head of Financial Services.

Management

- 6.43 The decision on closure of the local housing offices have been deferred until beyond March 2007, when the cash offices have been closed and customer usage of the offices had been reviewed.

Service Charges – contract price increases

- 6.44 As well as core rent charges, some tenancies are also subject to service charges as they receive services which are specific to their circumstances. Contracts in respect of services to tenants, such as door entry maintenance and communal way cleaning, are normally subject to an annual Retail Price Index (RPI) or equivalent increase. This increase is passed on to tenants receiving those services by way of an equivalent increase in their weekly service charge. Unfortunately not all contracts have provision for such increases to be applied at the beginning of a financial year. This means that such increases cannot be incorporated into the annual rent increase process and additional costs are incurred in notifying tenants separately and amending Housing Benefit entitlements when such an increase arises.
- 6.45 Members are advised that in future, contract review dates are being revised to be effective from 1st April each year. However the situation may still arise when a very small increase needs to be applied to such a small group of tenants that it is not cost effective to apply the charge immediately. Members are therefore requested to delegate to the Head of Housing Management and the Head of Financial Services authority to defer such an increase to a more cost-effective date.

7.0 Reallocations of Salaries and Central Costs

- 7.1 All salaries, staff expenses, administration buildings and central support services, are collated centrally within this Committees general fund budget and re-allocated to the services of this and other Committees to show the full-cost of service provision.
- 7.2 Major changes in the allocations have been necessary during this budget round because of the following :-
- a) the transfer of the leisure centres to Impulse Leisure
 - b) the departmental restructurings of 2005 and 2006 which involve the departure of two Directors and several Divisional Managers
 - c) the establishment of Street Scene section
 - d) the establishment of Community Wellbeing section
 - e) partnership working within CenSus
 - f) ongoing partnership working with Worthing
 - g) changes in the definition of what can be allocated to Corporate Management – therefore equivalent reductions in Housing and Central Service Committee.
 - h) changes in the allocation of pension costs following the actuarial revaluation in April 2005 - therefore equivalent reductions in Non Distributed Costs within this Committee.

- 7.3 Managers have been required to re-assess their sections time spent on services and allocate the costs accordingly.
- 7.4 Allocations were last changed three years ago and this latest review has inevitably thrown up a number of quite significant variations between services.
- 7.5 The bases of the allocations are explained more fully in Appendix 3.
- 7.6 Capital charges are made to services for the use of capital assets. These charges are generally based on the value of the asset multiplied by an interest rate of 3.5%, as prescribed, plus a depreciation figure based on the useful life of the asset. These entries are merely book keeping entries because total capital charges are credited to the Asset Management Revenue Account where they are offset against the actual financing costs of capital expenditure. This account then forms part of the overall budget summary for the Council.

8.0 Conclusion

- 8.1 With the implementation of the latest set of government regulations for the progress towards Formula Rents, the Housing Revenue Account is virtually self-balancing.
- 8.2 Whilst progression to Formula Rents is not mandatory, there is a strong wish from Government that all authorities comply.
- 8.3 Column 3 of Annex 1 includes the progression of rents towards the Formula Rent, which results in an average increase of 3.1% (£1.82) per week and produces a net deficit of £34,000 which can be funded from reserves.
- 8.4 Overall rent variations range from reductions of £4.59 per week to increases of up to £4.42 per week.
- 8.5 The report will be considered by the Adur Consultative Forum who will report their views to the meeting

Local Government Act 1972

Background papers:

- Internal file "Revenue Estimates 2006/07" (working papers). (Except exempt confidential data).
- Housing Revenue Account and Housing Revenue Account Subsidy: Item 8 and Subsidy Determinations for 2006/07 Revised Administration Determination - ODPM letter, determinations and enclosures received 21 December 2005.

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Appendix 1

RENT RESTRUCTURING – SAMPLE CALCULATIONS TO FORMULA RENT –

Comparing original and revised calculations.

			£		£
			45.60		54.62
			41,350		49,750
			54,500		54,500
			332.50		332.50
			316.40		316.40
			18.03		17.95
			33.54		40.18
			51.57		58.13
		Rents increased by		Rents increased by	
	Year	% increase	Weekly rent	% increase	Weekly rent
	2000/01		51.57		58.13
	2001/02	4.5%	53.89	4.3%	60.63
	2002/03	3.5%	55.78	2.2%	61.96
	2003/04	3.25%	57.59	2.2%	63.32
	2004/05	3.96%	59.87	3.3%	65.41
	2005/06	4.03%	62.28	3.6%	67.76
	2006/07	3.2%	64.27	3.2%	69.93
	2007/08	3.2%	66.33	3.2%	72.17
	2008/09	3.2%	68.45	3.2%	74.48
	2009/10	3.2%	70.64	3.2%	76.86
	2010/11	3.2%	72.90	3.2%	79.32
	2011/12	3.2%	75.23	3.2%	81.86
			75.23		81.86
			Increase over original data		8.8%

Note - the examples from 2006/07 are based on the Government guideline for rent increases.

This actual equates to an average increase of 3.1% for 2006/07 when applied individually against council property.

Projections beyond 2006/07 assume the same level of increase.

Progression from current rents to Formula Rent

In the example above the Formula Rent for 2006/07 is	£69.96
As an example, assume the current rent for that property is say	£50.00
Difference in Formula Rent to current rent	£19.96
There are 6 years to 2011/12 to achieve Formula Rent – divide difference by 6	£3.32
Revised rent	£53.32
Increase would be limited to £50.00 plus 3.2% plus £2.00, but the base increase can apply	£53.60
Rent can therefore increase to	£53.32

BUT

If current rent level was say £45.00

In the example above the Formula Rent for 2006/07 is	£69.96
As an example, if the assumed current rent for that property is say	£45.00
Difference in Formula Rent to current rent	£24.96
There are 6 years to 2011/12 to achieve Formula Rent – divide difference by 6	£4.16
Revised rent	£49.16
Increase limited to £45.00 plus 3.2% plus £2.00	£48.44
Rent can therefore only increase to	£48.44

1.0 RESOURCE ACCOUNTING – CAPITAL CHARGES

- 1.1 The Financial Framework for Local Authority Housing – Resource Accounting in the Housing Revenue Account – came into effect from April 2001.
- 1.2 The objectives of Resource Accounting were spelt out in the ODPM consultation paper of December 1998:-
 - encourage more efficient use of housing assets
 - increase the transparency of the HRA
 - assist authorities in planning their housing strategy
 - bring council housing onto a more directly comparable basis with Registered Social Landlords
 - achieve consistency with central government resource accounting and budgeting
 - put authorities' housing accounts on a more businesslike basis.
- 1.3 The major element of the accounting arrangements is the basis on which capital charges are calculated. These are now based on the **value** of housing assets instead of the previous format that was based on **net debt outstanding**. Fundamental to the calculation is a valuation of the whole of the housing and garage stock which was carried out during the year based on a 1st April 2005 valuation date, and valued the stock at approximately £164 million, a reduction of £21 million over the April 2004 valuation. For the purpose of the HRA interest is charged on the open market capital value of the asset at a rate of 3.5%. This value is not realisable as actual valuations are based on existing tenanted use, which is generally only 20% to 25% of the open market value.
- 1.4 The overall effect of these capital charges is cost neutral to the HRA because there is an equivalent reduction in the interest credited via the Asset Management Revenue Account.
- 1.5 The resultant 'Net Cost of Services' is therefore supposed to reflect the true cost of providing the Housing services and enable Members to more rationally fulfil the objectives detailed above.
- 1.6 In reality the introduction of the new form of capital charges and depreciation is a 'bookkeeping entry', with the notional charges being deducted through the Asset Management Revenue Account (AMRA), and then substituted by the actual cost of financing the outstanding debt.
- 1.7 Strangely, the rules also require the interest receivable on revenue balances and the Revenue Contribution to Capital to be shown in the AMRA rather than being included in the Net Cost of Service.

ALLOCATION OF SALARIES AND CENTRAL COSTS

1.0 CIPFA BEST VALUE ACCOUNTING – CODE OF PRACTICE

- 1.1 The Council's service budgets include the full reallocation of all salaries, administration buildings and central support costs from Housing and Central Services Committee to reflect the total cost of providing those services. This process has been carried out in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.2 CIPFA issue an annual Statement of Recommended Practice (SORP) that must be followed as part of the 'best practice' requirements under sections 5 and 6 of the Local Government Act 1999.
- 1.3 In order to facilitate the re-allocation process Divisional Managers are required to charge the costs of their divisions to services. Departments are divided into Divisions and thence into a series of costs centres to facilitate the reallocation process. Each cost centre is recharged to services on various bases that are incorporated in detail in the individual Service Plans. Data is backed up by various means - time sheets, numbers of transactions, direct charges etc.
- 1.4 The definition of Corporate Management has meant that officers time charged to this corporate heading is reduced and costs allocated direct to services. The definition is now more restrictive and limits charging primarily to the Head of Paid Service and core Council functions such as corporate and emergency planning, CPA, Best Value and audit.
- 1.5 Expenditure in the service budget tables is shown in the 2005/06 budget under the following main headings:-
 - a) Direct Salaries - salaries of the staff whose time is almost exclusively spent on the specific service..
 - b) Management and Administration – salaries of management staff whose time is allocated to the service.
 - c) Support Costs – salaries of support staff whose time is allocated to the service together with administration buildings and office expenses such as postage, telephones, ICT services etc.
- 1.6 Management and Administration and Support Costs have been combined under the single heading of Support Costs for 2006/07 as the analysis is no longer required.

1.0 Council Objective

1.1 Budget preparation is fundamental to providing the resources to meet all of the Council's objectives

2.0 Specific Targets

2.1 Matter considered and no issues identified

3.0 Sustainability Issues

3.1 Well-balanced communities rely upon a diversity of accommodation being available, enabling residents to make housing choices based upon consideration of size, type, tenure and affordability. A vital component of this mixture is accommodation provided by social landlords and the Council is the largest provider of such accommodation in the Adur District. To keep this accommodation well-managed and in good repair, the Council needs a flexible, adaptable approach, albeit with a diminished local freedom to tailor local solutions to meet local needs.

4.0 Equality Issues

4.1 Matter considered and no issues identified

5.0 Community Safety issues (Section 17)

5.1 Matter considered and no issues identified

6.0 Human Rights Issues

6.1 Matter considered and no issues identified

7.0 Financial Implications

7.1 Contained in the body of the report

8.0 Legal Implications

8.1 Matter considered and no issues identified

9.0 Consultations

9.1 Consultation is carried out with

10.0 Risk assessment

10.1 Matter considered and no issues identified

11.0 Health & Safety Issues

11.1 Matter considered and no issues identified

HOUSING REVENUE ACCOUNT**ANNEX 1**

	ESTIMATE 2005-06	REVISED ESTIMATE 2005-06	ESTIMATE 2006-07
	Col 1 £	Col 2 £	Col 3 £
EXPENDITURE			
1 GENERAL MANAGEMENT	2,266,090	2,277,100	2,382,430
2 SPECIAL SERVICES	881,200	884,590	912,440
3 RENTS, RATES, TAXES & OTHER CHARGES	16,240	18,420	18,960
4 CONTRIBUTION TO REPAIRS ACCOUNT	1,849,500	1,849,500	1,820,000
5 RENT REBATES	75,000	75,000	0
6 CHARGES FOR CAPITAL	8,799,200	8,065,150	8,036,700
TOTAL EXPENDITURE	13,887,230	13,169,760	13,170,530
INCOME			
7 DWELLING RENTS	(8,253,770)	(8,261,130)	(8,530,000)
8 NON-DWELLING RENTS	(364,470)	(365,120)	(365,860)
9 HEATING CHARGES	(51,440)	(49,770)	(49,770)
10 LEASEHOLDER'S SERVICE CHARGES	(50,000)	(66,000)	(66,000)
11 OTHER SERVICE CHARGES	(475,760)	(468,910)	(468,910)
12 CONTRIBUTIONS TOWARDS EXPENDITURE	(23,730)	(25,170)	(20,870)
13 HRA SUBSIDY RECEIVABLE	3,165,100	3,165,100	3,453,000
14 MAJOR REPAIRS ALLOWANCE	(1,880,600)	(1,880,540)	(1,873,250)
15 TRANSFER RE SHARED AMENITIES	(47,920)	(48,710)	(50,600)
TOTAL INCOME	(7,982,590)	(8,000,250)	(7,972,260)
NET COST OF SERVICES	5,904,640	5,169,510	5,198,270

Asset Management Revenue Account

16 CHARGES FOR CAPITAL-CONTRA	(6,487,150)	(5,737,400)	(5,737,400)
17 LOAN CHARGES INTEREST	449,750	448,030	430,110
18 INTEREST RECEIVABLE	(142,080)	(130,990)	(111,300)
NET OPERATING EXPENDITURE	(274,840)	(250,850)	(220,320)
19 APPROPRIATION re DEPRECIATION	(117,200)	(95,570)	(95,570)
20 HOUSING SET ASIDE	0	0	0
21 REVENUE CONTRIBUTION TO CAPITAL	347,000	350,000	350,000
(SURPLUS) / DEFICIENCY	(45,040)	3,580	34,110

Balances

1ST APRIL	(1,163,030)	(1,119,380)	(1,115,800)
31ST MARCH	(1,208,070)	(1,115,800)	(1,081,690)

HOUSING REPAIRS ACCOUNT

ANNEX 1 cont.

	ESTIMATE 2005-06	REVISED ESTIMATE 2005-06	ESTIMATE 2006-07
	£	£	£
CONTRIBUTION FROM REVENUE ACCOUNT	1,849,500	1,849,500	1,820,000
EXPENDITURE			
Repairs	1,849,500	1,849,500	1,880,500
Direct Salary Costs	70,370	56,430	56,610
less Service charges & other income	(59,500)	(106,500)	(106,500)
NET EXPENDITURE	1,860,370	1,799,430	1,830,610
(SURPLUS)/DEFICIENCY	10,870	(50,070)	10,610
Balances			
1ST APRIL	(429,920)	(490,270)	(540,340)
31ST MARCH	(419,050)	(540,340)	(529,730)

MAJOR REPAIRS RESERVE

	ESTIMATE 2005-06	REVISED ESTIMATE 2005-06	ESTIMATE 2006-07
	£	£	£
TRANSFER FROM REVENUE ACCOUNT	1,880,550	1,880,540	1,873,250
CAPITAL EXPENDITURE			
Various schemes	1,649,000	1,411,000	2,721,000
NET EXPENDITURE	1,649,000	1,411,000	2,721,000
(SURPLUS) / DEFICIENCY	(231,550)	(469,540)	847,750
Balances			
1ST APRIL	(1,559,330)	(1,050,970)	(1,520,510)
31ST MARCH	(1,790,880)	(1,520,510)	(672,760)

General

The Housing Revenue Account has been prepared in accordance with CIPFA's Best Value Accounting Code of Practice

Expenditure**1 General Management**

The main items under this heading are salaries, staff expenses, office accommodation and running costs, administrative support, insurances, removal and transfer incentive scheme costs and tenants charter expenses.

Also included are the salary and associated costs relating to the overall planning and clerical processes for repairs.

Provision is also made for the continuing flow of information and consultation with tenants consequent upon the Housing Act, 1988.

2 Special Services

The main items under this heading are wardens' salaries, maintenance of grassed areas, maintenance of lighting in stairways of flats, lift and door entry system maintenance and the maintenance and cleaning of communal areas.

Also included are the heating, lighting and other running costs for sheltered schemes and the hostels, together with the cost of providing community alarm facilities in both sheltered accommodation and aged persons flats.

4 Contribution to Repairs Account

The Repairs Account equalises fluctuating costs over the years.

5 Rent Rebates

Since 2004/05 the full cost is taken into account within the General Fund. A transfer is required in 2005/06 in accordance with the Rent Rebate Subsidy Limitation scheme so that the HRA pays for the proportion of rebates on rent above the Government guidelines.

From 2006/07 this transfer will cease, due to limit rent levels having been increased above actual rents.

6 Charges for Capital

Under Resource Accounting rules the charges are calculated at 3.5% of the stock valuation plus depreciation.

The 'notional' interest and depreciation on non-dwelling stock are subsequently deducted through the Asset Management Revenue Account under items 16 and 19.

Income**7 Dwelling Rents**

The estimate for dwelling rents for 2006/07 is shown with a rent increase

8 Non-Dwelling Rents

This heading includes garage and shop rents together with ground rents from flats.

9 Heating Charges

This heading is for the income from the charges for 'common' heating in sheltered schemes and the hostels where there is not a separate supply/meter for each dwelling.

10 Leaseholder's Service Charges

This heading is for the income from the service charges relating to flats sold under the Right to Buy legislation.

11 **Other Service Charges**

The main items under this heading are income from service charges for sheltered accommodation, together with charges for community alarms and the cleaning of communal areas. The majority of this income is received from Supporting People funding.

Also included are the service charges which have been unpooled from the rents.

12 **Contributions Towards Expenditure**

The main item under this heading is the Defective Housing Subsidy relating to the repurchase, between 1985 and 1989, of properties in Tower Road, Lancing and Nelson Close, Sompting and is based upon 75% of debt charges.

Also included is income from tenants in sheltered and hostel accommodation where the water supply is metered.

13/14 **HRA Subsidy Receivable**

This support to the HRA is determined by reference to a notional HRA constructed in accordance with Government guidelines for rent and management and maintenance increases and which from 2001/02 also includes the Major Repairs Allowance.

Since

15 **Transfers re Shared Amenities**

This transfer relates to the proportion borne by the General Fund for the community use of grassed areas on Council housing estates.

Asset Management Revenue Account

16 **Loan Charges Interest**

The estimates are based on the averaged external borrowing interest rate charge multiplied by the net housing debt outstanding, as required under the Local Government and Housing Act 1989 and amended by the Local Government Act 2003.

17 **Interest Receivable**

The estimated income is derived from the interest charged to mortgagors who "borrowed" money from the Council to purchase their Council houses together with interest calculated on the Housing Revenue balances.

19 **Housing Set Aside**

Since 2004/05 there is no requirement for the MRP to be made and it has also been removed from the subsidy calculations.

20 **Revenue Contribution to Capital**

The level of the revenue contribution has been maintained to fund the Housing Capital programme.

The surplus created by Supporting People has to be used to fund capital works as specified in the business plan i.e provision of communal facilities at The Green, Southwick and also towards Decent Home Standard works within the Housing Capital programme.