

County Council

20 February 2013

Housing Revenue Account Medium Term Financial Plan 2013/14 to 2016/17 and 2013/14 Budget



Report of Cabinet

(Councillor Simon Henig, Leader of the Council)

Purpose of the Report

1. To provide County Council with the financial details of the Cabinet's budget recommendations in respect of the Housing Revenue Account (HRA) Medium Term Financial Plan (MTFP) for 2013/14 to 2016/17 and the 2013/14 budget.

Executive Summary

2. The HRA provides the income and expenditure associated with the management and maintenance of the Council's housing stock of just under 19,000 dwellings. The Council is required to set an annual HRA budget and set the level of tenants' rents and other charges.
3. The Council is the largest social landlord in County Durham owning around 40% of all social housing. Under the Government's new system of housing finance from April 2012, the Council is required to plan over the longer term and develop a 30 year HRA Business Plan to manage and maintain its housing assets. The proposed HRA budget for 2013/14, 30 year HRA Business Plan and four-year MTFP are considered in this report.
4. The headline implications for 2013/14 are summarised below:
 - Dwelling rents for 2013/14 to increase in accordance with Government guidelines which results in an overall average increase of 4.04%;
 - Average rent per week to increase from £63.13 per week to £65.68 per week – an increase of £2.55 per week on average (on a 52 week basis);
 - Increases in garage rents to be linked to the overall average increase in dwelling rents and the proposed charges per week for 2013/14 (on a 52 week basis) are £8.25 (for private tenants where we need to charge VAT) and £6.88 (for council tenants who are exempt from VAT);
 - Efficiency savings in housing management costs of £1.65m have been identified for 2013/14, in addition to the £1.35m already delivered in 2012/13 to give a total saving of £3m as required by the HRA MTFP;

- A substantial investment programme of £99m over the next two years - £49m in 2013/14 and £50m in 2014/15.

Background

5. The HRA is a 'ring fenced' landlord account through which the Council manages and maintains its almost 19,000 social housing dwellings. The main features of the HRA are:
 - it is primarily a landlord account, recording expenditure and income arising from the provision of housing accommodation by local housing authorities;
 - the main items of income are from tenants in the form of rents from Council dwellings, garage rents, shop rentals and where applicable service charges;
 - the main items of expenditure included in the account are management and maintenance costs, loan charges and depreciation costs.
6. The HRA contributes significantly to the aims and objectives of the Housing Strategy for Durham reflecting the '*Altogether Better Durham*' Vision of the Sustainable Community Strategy 2010-30 which the Council published in April 2010.
7. The Council's Housing Strategy '*Building Altogether Better Lives*' was agreed by the County Council in November 2010 and is designed to meet the challenging housing, economic, social and environmental needs of our communities. The three objectives of the Strategy – *Altogether Better Housing Markets*, *Altogether Better Housing Standards* and *Altogether Better at Housing People* - are used to frame the Council's Self Financing Business Plan.
8. The ensuing paragraphs provide details of the latest projections of the HRA and include:
 - Stock Options Appraisal Process;
 - A 30 Year HRA Business Plan and 4 Year MTFP;
 - Capital Programme;
 - 2013/14 Detailed HRA Budget;
 - Treasury Management Position on loans and investments;
 - HRA Reserves.

Stock Option Appraisal Process

9. Cabinet at its meeting on 12 December 2012 considered a detailed report on the outcome of the housing stock option appraisal project, which included a review of the options for the future ownership, financing and management of the council's housing stock.
10. Financial analysis of the business plan highlights a shortfall of available capital resources against spending needs over the first nine years of the business

plan. The deficit is exacerbated by the Council's inability to borrow above the debt cap of £245m to supplement the business plan.

11. Extensive consultation and partnership working with all key stakeholder groups during the option appraisal process has identified that the preferred option is a transfer of the housing stock out of the Council and into to a new registered social housing provider with a group structure based on the council's existing housing management organisational boundaries.
12. Government policy on stock transfer and the provision of funding for housing revenue account debt write off remains unclear and no stock transfers have been completed since the introduction of self financing arrangements in April 2012. However, the DCLG and HCA continue to engage with the council in the stock options appraisal process.
13. The Council has also worked with key stakeholder groups to identify an alternative option for the housing stock, should the transfer proposal be rejected by the Government, or by tenants through a ballot process. Stakeholders have selected the establishment of a single ALMO with area based arrangements to allow housing services to continue to operate as a business at arms length from the authority, achieve further efficiency savings through reductions in overheads and the joining up of services, and simplify housing management arrangements.
14. The HRA Business Plan contained in this report is based on a stock retention scenario.

30 Year HRA Business Plan and 4 Year MTFP

15. A key feature of the system of self financing which was implemented on 1 April 2012, is the abolition of the annual subsidy determination which set out the resources available to housing authorities on an annual basis only based on the Government's notional assessment of spending needs. As there are no annual resource allocations in future, this gives the Council the ability to strategically plan financially over the longer term allowing it to shape its housing business in line with local service and investment priorities.
16. The Council prepared its first 30 Year HRA Business Plan under the new 'self financing' arrangements for the period commencing 2012/13 onwards and this report updates that Plan by rolling forward a further year. The following broad assumptions have been used in the updated 30 Year HRA Business Plan. Appendix 2 provides more details on the assumptions used:
 - Rent increases to follow national rent policy, with increases linked to the retail price index (RPI) as at September 2012 (2.6%) plus 0.5% and rent convergence by 2015/16;
 - Opening Debt of £235m;
 - Interest rate on debt assumed as 5.25% initially then 6% for years 5 to 30;
 - Inflationary increase of 2.5% year on year for expenditure;
 - Void property levels at 1.5% on average;

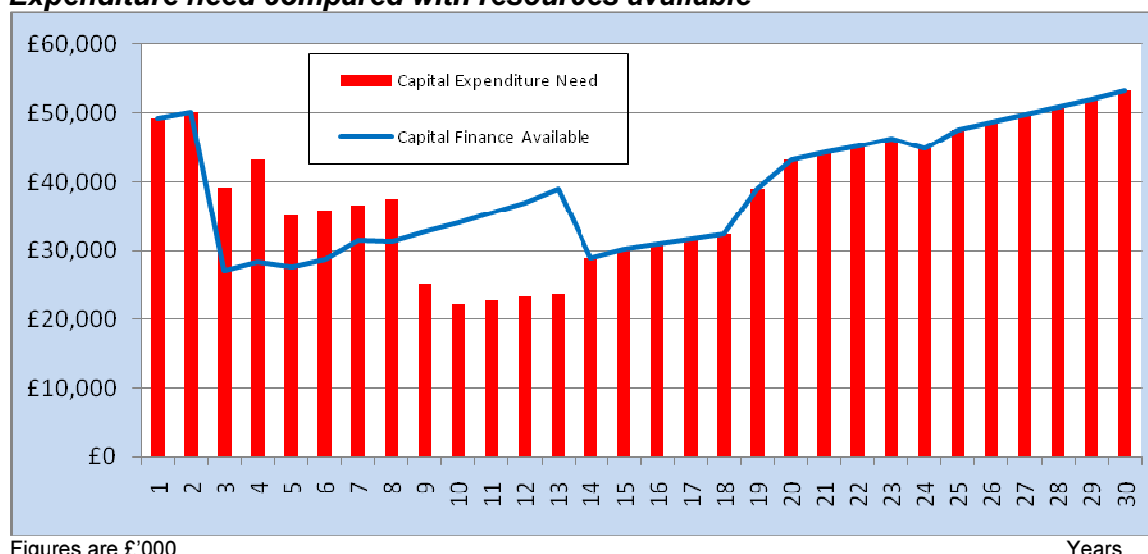
- Assumed bad debts provision for non payment of rent at 1.5% of gross rent for years 1 to 3 due to the potential impact of Government Welfare Reforms (which is treble the 2011/12 base budget) and then 1% thereafter;
 - Efficiency savings of £3m delivered by 2013/14, of which £1.65m has been identified for 2013/14 (and £1.35m already delivered in 2012/13);
 - A further £0.5m saving (2015/16) in management costs based on retention of housing stock under a single ALMO model should the large scale voluntary transfer (LSVT) not proceed;
 - Known adjustments to stock such as planned demolitions, new build properties and estimates of annual right to buy sales of 44 properties;
 - Minimum level of HRA reserves of £7m adjusted for inflation from year 6 onwards.
17. The outputs of the modelling process over the full 30 year period are shown in Appendix 3 which shows the revenue account projected over the next 30 years. In summary, the results show:
- A balanced revenue budget over the full 30 year period;
 - Housing debt fully repaid by year 27;
 - HRA reserves being maintained at least £7m (plus inflation);
 - Capital programme shortfalls in years 3 to 8 of the Plan.
18. Appendix 4 provides forecasts for the four year Medium Term Financial Plan period 2013/14 to 2016/17 which have been taken directly from the 30 year Business Plan. During this period, a rental stream of some £268m will be available to the Council to meet its management, repairs, investment and debt costs.

Capital Programme

19. The HRA Capital Programme contributes significantly to the Housing Strategy Objective of '*Altogether Better Housing Standards*' by improving the condition of the housing stock and providing better homes with modern facilities which are warmer and more energy efficient.
20. The condition of the Council's housing stock is maintained through its annual repairs and maintenance budget and improved and refurbished through its capital programme. The size of the capital programme depends on the balance between the need of the Council to improve its stock and the availability of funds to finance the improvements.
21. Stock investment requirements form a central part of the HRA Business Plan and these have been derived from information from a stock condition survey finalised in 2012 to identify the spending needs of the housing stock over a 30 year period.

22. The headline outputs over the full 30 year period can be represented graphically as follows which shows the expenditure requirements compared with available resources:

Expenditure need compared with resources available



23. The key focus for the Council is the medium term horizon and the next four years in particular, as it continues to explore options for the future of its housing stock. The Council's projections show a balanced revenue budget with revenue support to the capital programme of £103m (comprising of major repairs reserve and revenue contributions). After taking into account other sources of funding, the total estimated resources are £155m as shown in the following table:

Investment Resources	Year 1 2013/14 £'000	Year 2 2014/15 £'000	Year 3 2015/16 £'000	Year 4 2016/17 £'000	Total £'000
Major Repairs Reserve	16,306	16,676	17,054	17,441	67,477
Revenue Contribution	7,763	7,877	9,509	10,591	35,740
Capital Receipts	426	437	448	460	1,771
Backlog Funding Grant	19,000	19,286	0	0	38,286
Other Contributions	400	0	0	0	400
Borrowing	5,105	5,724	384	0	11,213
Total Resources	49,000	50,000	27,395	28,492	154,887
Investment Need	49,000	50,000	39,302	43,283	181,585
Shortfall / (surplus)	0	0	11,907	14,791	26,698

24. There is a shortfall of up to £27m over the four year period (and £52m over years 3 to 8). It should be noted that Decent Homes Backlog Funding Grant has been confirmed for 2013/14 and 2014/15 and the HCA has allowed us to bring forward £7m of grant funding from 2014/15 into 2013/14. This will allow 447 extra homes to be made decent in 2013/14.
25. The Council and its partners have been developing an asset management plan and investment strategy to focus and prioritise our use of limited resources taking into account sustainability issues, ensuring comparable

investment standards, and targeting investment standards on assets returning the best value for investment.

26. A detailed capital programme covering the three geographical areas is currently being finalised for 2013/14 and 2014/15. The value of the programme proposed is £49m (2013/14) and £50m (2014/15) which is a significant level of investment in our housing stock.

2013/14 Detailed HRA Budget

27. The following paragraphs provide more details on the 2013/14 budget which is shown in Appendix 5. Assumptions used are shown in Appendix 2 and the ensuing paragraphs focus on the significant items of expenditure and income only as follows:

- Dwelling Rent Income
- Other Rental Income
- Housing Management Costs
- Interest Payments
- Depreciation

HRA Income

Dwelling Rent Income

28. The main source of income for the HRA is rental income from dwellings paid to the Council by tenants. Local authority rents are determined by a formula set by Government based on capital values and regional earnings. The Government's strategic aim is for similar properties in the same area to have similar rent charges no matter if they are owned by different social landlords. The aim is to deliver fairer rents and greater transparency and choice for tenants. This policy is generally known as 'rent convergence'.
29. Each year, Government sets a guideline increase or decrease for each authority based on the Retail Price Index (RPI) in the previous September and the extent to which rents need to move to meet convergence targets in the social housing sector. The Government's self financing determination assumes that local authorities follow this guideline. Where they do not, authorities are required to meet any funding gap without further government support. Where rents need to increase to hit targets, authorities must limit their weekly increases to $RPI + 0.5\% + £2$ to minimise the impact on tenants. The baseline increase before rent restructuring equates to 3.1% and consists of the RPI as at September 2012 of 2.6% and a real increase of 0.5%.
30. Applying the Government's guidelines results in an overall average increase of 4.04% for Durham which yields an average rent of £65.68 per week in 2013/14 (based on 52 weeks). The table overleaf shows the impact on the average rent levels across the three management areas:

Average Rents (based on 52 weeks)

	Durham City		Easington		Wear Valley		Total	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£	£	£	£	£	£	£	£
Average Rent	65.27	68.07	61.18	63.54	63.94	66.51	63.13	65.68
Maximum Rent	93.39	97.84	78.12	80.92	88.44	91.18	93.39	97.84
Minimum Rent	45.95	48.63	47.98	49.54	27.25	28.75	27.25	28.75

Average Changes in Rent 2012-13 and 2013-14

	Durham City		Easington		Wear Valley		Total	
	%	£	%	£	%	£	%	£
Average Increase	4.29	2.80	3.86	2.36	4.02	2.57	4.04	2.55

31. A significant proportion of Council tenants are in receipt of housing benefit which helps meet the cost of their rental payments due to the Council and this applies to around 70% (approximately 13,000) of our tenants. It is anticipated that proposed changes relating to the Governments Welfare Reform agenda will reduce the level of housing benefit some of our tenants are entitled to and this is explained further in paragraphs 41 to 43.

Other Rental Income

32. The HRA includes responsibility for managing and maintaining around 2,700 garages which generate income to the account. For 2013/14 it is proposed that increases in garage rents are linked to the average overall increase in dwelling rents of 4.04%. Private tenants are required to pay VAT on garage rents, whilst Council tenants are excluded from the VAT charge. The proposed weekly charges for 2013/14 (based on 52 weeks) are £6.88 (for council tenants who are exempt from VAT) and £8.25 (for private tenants where we need to charge VAT)
33. Also included in the HRA are certain commercial properties such as shops. Rents from such properties are subject to periodic rent reviews and those properties that are subject for a rent review in 2013/14 will be considered in light of prevailing market rates. The total budgeted income for 2013/14 is £121,000.
34. In addition to their rent, tenants may also be required to pay service charges. Service charges usually relate to additional services provided to specific tenants. Different tenants may receive different types of service reflecting their housing circumstances. Local authorities have discretion to decide what services to charge for separately, and what services should be included within the rent.
35. It is recommended that changes to existing service charges proposed by the three service providers be approved subject to the agreement of the Head of

Housing in consultation with Cabinet Portfolio Holder for Housing and the Head of Finance as provided for under delegated powers in the Councils constitution.

HRA Expenditure

Housing Management Costs

36. The housing stock is managed by three separate housing providers. Two Arms Length Management Companies (Dale and Valley Homes and East Durham Homes) manage the stock in the Wear Valley and Easington areas. These companies are wholly owned by the Council. An in-house provider, Durham City Homes, manages the stock in the Durham City area.
37. Housing Management costs can broadly be broken down into 3 distinct areas:
- Repairs and Maintenance: relates to the day to day repairs and maintenance of the housing stock including responsive and void repairs;
 - Supervision and Management (General): costs of policy and management, tenancy administration, rent collection and accounting;
 - Supervision and Management (Special): running costs of services that benefit specific groups of tenants including communal heating, lighting, lifts, caretaking, cleaning and ground maintenance.
38. Management costs continue to be examined for efficiencies and the MTFP savings target of £3m has been secured over 2012/13 and 2013/14. The following table identifies savings put forward by providers and shows that current differences in unit costs are being reduced.

Savings in Management Costs from 2009/10

Year	EDH	DVH	DCH	DCC - Central	Total
2009/10	0	0	0	250,000	250,000
2010/11	0	0	0	3,000,000	3,000,000
2011/12	0	0	561,392	0	561,392
2012/13	600,000	400,000	200,000	150,000	1,350,000
2013/14	1,000,000	200,000	200,000	250,000	1,650,000
Total	1,600,000	600,000	961,392	3,650,000	6,811,392

39. The variation in unit costs of management fees between the three providers is reducing and the Council as Landlord will make continuing efforts to ensure service standards are consistent across the three geographical areas whilst also aspiring to be a low cost, high performing function. The stock transfer proposals assume that a further £0.5m in management savings will be achieved by a new provider and likewise under a stock retention option based on a single ALMO model, a similar saving requirement has been built into the HRA Business Plan.

40. The implications for management fees in 2013/14 for our three housing management providers, after the above savings, allowing for an inflation increase of 1.5% and other minor budget adjustments to reflect transfer of functions, are as follows:

	<u>2012/13</u>	<u>2013/14</u>	<u>Cost per Unit</u>
Durham City Homes	£7,217,250	£7,133,000	£1,192
Dale and Valley Homes	£5,511,000	£5,406,000	£1,268
East Durham Homes	£11,755,000	£11,063,000	£1,327

Other Budget Pressures

41. As a result of the Government's proposals on Welfare Reform a number of risks have been identified on the collection of rental income. As mentioned previously a significant proportion of council tenants have their rents paid directly to the Council through the housing benefit system, however, under the Government's proposed changes relating to their Welfare Reform agenda, these payments will in the future be made directly to the tenant.
42. Furthermore from 1 April 2013 housing benefit entitlement will be linked to occupancy levels. It is expected that in some instances housing benefit entitlement may be reduced as a result of under occupancy based on number of bedrooms (current data indicates that over 3,000 tenants could have their housing benefit entitlements reduced as a result of under-occupancy).
43. Both of these issues could have adverse implications on achieving rental income resulting in higher rent arrears and less resources available to maintain homes. A one-off provision of £500k has been built into the 2013/14 budget to establish an earmarked fund to be used for the provision of specialist support projects to assist tenants as the reform of the Welfare System is implemented. This is not a hardship fund for tenants to bid for.
44. The budget for Council Tax on empty properties has been increased from £100k to £310k to allow for the change in Council policy of withdrawing the exemption for properties empty less than 6 months.

Interest Payments

45. This reflects the cost of borrowing to support the Housing Capital Programme. In 2013/14 starting debt has been estimated as £235m plus further net borrowing of £5m during the year taking the estimated closing debt at 31 March 2014 to £240m. The interest payments of £12m reflect an overall average rate of interest of 5.25%.

Depreciation

46. Depreciation costs effectively represent resources available to support the capital programme to maintain our housing asset. DCLG has allowed Council's to use the self financing Major Repairs Allowance as the basis for the depreciation charge in the HRA up to five years, whilst we move to a system of component based depreciation in line with accounting practice.

Treasury Management

47. The Council is responsible for servicing and managing its own HRA debt from the rental income it is now able to retain locally.
48. When implementing self financing for the HRA in 2012/13, officers applied CIPFA guidance to splitting debt between the General Fund (GF) and HRA using the 'two pool' approach which ensures that HRA debt will be managed as a separate loan portfolio, although all debt whether HRA or GF still remains the debt of the authority. A loan portfolio of £173m was originally allocated to the HRA at an average rate of 5.5% using the above principles. A further £53m was borrowed to finance the self financing payment to Government taking the total closing actual HRA debt to £226m. The following table shows the maturity profile of the existing HRA loan portfolio as at 31 March 2013.

Existing Loan Portfolio				Maturity Profile				
PWLB Loans £m	Opening Balance 31/03/2012	Repayments	Closing Balance 31/03/2013*	Within 1 year 31/03/2014	2 Years 31/03/2015	3 to 5 Years 31/03/2018	6 to 10 Years 31/03/2023	10 Years +
Annuity	4.942	(1.151)	3.791	0.973	0.757	0.381	0.410	1.270
Maturity	220.722	(5.500)	215.222	2.000	3.544	16.652	28.201	164.825
Total	225.664	(6.651)	219.013	2.973	4.301	17.033	28.611	166.095

* excludes new borrowing in 2012/13

49. Before March 2013 there will be a borrowing need to replace the £6.6m of loans maturing during this year but also an additional £9m will be required to finance the current year (2012/13) capital programme – leaving a projected revised year end balance of £235m.
50. The Government is applying a debt cap to the Council for the HRA which has been set at £246m. The following table identifies the movements in the Housing Borrowing Requirement for next year and shows that borrowing levels will be contained within the Government's debt cap.

Movements in Housing Borrowing Requirement	£'000
Estimated Closing HRA CFR 31/3/13	234,533
Net Borrowing to be undertaken in 2013/14	5,105
Estimated Closing HRA CFR 31/3/14	239,638
Housing Debt Cap	245,747

HRA Reserves

51. HRA reserves are forecast to reach around £7m by 31st March 2013 equivalent to approximately £377 per dwelling. Interest is receivable on HRA cash balances and £104,000 has been assumed for 2013/14.
52. The significant changes arising from the reform of Council housing finance including the transfer of some risks to the Council in future (such as interest payments on debt and fluctuations in interest rates) mean that an adequate level of reserves needs to be maintained. At the same time, the Council's stock option appraisal process is ongoing and resources might be needed to deal with any costs associated with the preferred outcome. At this point in

time, it is therefore prudent to ensure balances are maintained at broadly the same level to ensure the Council's financial position is not adversely affected.

Recommendations

53. It is recommended that County Council agrees: -

- The 30 Year HRA Business Plan (Appendix 3) and four year HRA Medium Term Financial Plan for 2013/14 – 2016/17 (Appendix 4);
- To set dwelling rents for 2013/14 in accordance with Government guidelines which result in an overall average increase of 4.04%;
- To increase garage rents in line with the overall increase in housing rents;
- To establish a financial inclusion fund of £500,000 to support our tenants in the transition to the Government's Welfare Reforms;
- That approval of service charges proposed by the three service providers be delegated to the Head of Economic Development and Housing in consultation with Cabinet Portfolio Holder for Housing and the Head of Finance;
- A HRA capital programme of £49m in 2013/14 and £50m in 2014/15;
- To authorise the Corporate Director - Resources to make appropriate arrangements on borrowing to finance the capital programme;
- To agree ALMO/INMO management fee levels as follows;
 - Durham City Homes £7,133,000
 - Dale and Valley Homes £5,406,000
 - East Durham Homes £11,063,000

Background Papers:

Implementing Self Financing for Council Housing issued by DCLG on 1 February 2011

Self financing: Planning the transition issued by DCLG on 28 July 2011

Self financing determination, DCLG 21 November 2011

Contact:	Azhar Rafiq - Finance Manager	Tel: 03000 263 480
	John Hughes - Principal Accountant	Tel: 03000 263 486

Appendix 1: Implications

Finance – The financial implications have been identified throughout the report. The report sets out a full 30 year HRA Business Plan developed in line with robust estimates of expenditure needs and resource availability. Firm budgets have been developed over the MTFP with rent levels and management fee levels for providers being agreed for 2013/14.

Staffing – There are no direct implications on staffing from the information contained within this report.

Risk – where possible prudent and conservative estimates have been used when preparing the HRA Business Plan. A number of risks previously borne by the Government will transfer to the Council in future, such as changes in interest rates, stock numbers, debt and inflation. Appropriate plans and strategies have been developed to accommodate this transfer. Welfare Reform poses a risk to achieving rental income collection, a one-off budget of £500k has been established to provide resources to assist facilitate transition to the new system.

Equality and Diversity / Public Sector Equality Duty – There are no direct implications from the information contained within this report.

Accommodation – There are no direct implications from the information contained within this report.

Crime and Disorder – There are no direct implications from the information contained within this report.

Human Rights - There are no human rights implications from the information contained within this report.

Consultation – Significant external consultation has been held during 2010 in the development of the Council's Housing Strategy for Durham. The Council's three housing management providers have robust consultation arrangements with our tenants and the spending plans reflect the outcome of feedback from tenants and customers. Significant consultation has been held during 2011 as part of the stock options appraisal process. Housing rents and annual rent increases are effectively determined by national policy considerations. The proposals in this report have been considered by the HRA Provider Group.

Procurement – Wherever possible Procurement savings are reflected in savings plans.

Disability Issues – No direct implications arising from the information contained in this report.

Legal Implications – Under the provisions of the Local Government and Housing Act that Council is required to prepare a budget that will ensure that the HRA is not in deficit. The Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of the estimates and the level of reserves. There are legal constraints relating to what can and cannot be contained in the HRA. The Council must ensure the provisions contained in the Localism Act for self financing are implemented.

Appendix 2: HRA Business Plan Assumptions

Item	Assumptions																																																																	
Stock Numbers	<ul style="list-style-type: none">For rent purposes, the following overall stock numbers have been assumed over the MTFP period:<table><tr><th>Year</th><th>Opening Stock</th><th>RTB</th><th>Demolitions</th><th>Other</th><th>New Build</th><th>Closing Stock</th><th>Average Stock</th></tr><tr><td>2013-14</td><td>18,579</td><td>-44</td><td></td><td></td><td></td><td>18,535</td><td>18,557</td></tr><tr><td>2014-15</td><td>18,535</td><td>-44</td><td></td><td></td><td></td><td>18,491</td><td>18,513</td></tr><tr><td>2015-16</td><td>18,491</td><td>-44</td><td></td><td></td><td></td><td>18,447</td><td>18,469</td></tr><tr><td>2016-17</td><td>18,447</td><td>-44</td><td></td><td></td><td></td><td>18,403</td><td>18,425</td></tr></table>Right to Buy sales of 44 have been assumed each year throughout life of the business plan (yrs 1 to 30).The breakdown of the opening stock for rent purposes over the 3 management areas is as follows:<table><tr><th>Year</th><th>Durham City</th><th>Easington</th><th>Wear Valley</th><th>Total</th></tr><tr><td>2013-14</td><td>5,982</td><td>8,335</td><td>4,262</td><td>18,579</td></tr><tr><td>2014-15</td><td>5,966</td><td>8,313</td><td>4,256</td><td>18,535</td></tr><tr><td>2015-16</td><td>5,950</td><td>8,291</td><td>4,250</td><td>18,491</td></tr><tr><td>2016-17</td><td>5,934</td><td>8,269</td><td>4,244</td><td>18,447</td></tr></table>	Year	Opening Stock	RTB	Demolitions	Other	New Build	Closing Stock	Average Stock	2013-14	18,579	-44				18,535	18,557	2014-15	18,535	-44				18,491	18,513	2015-16	18,491	-44				18,447	18,469	2016-17	18,447	-44				18,403	18,425	Year	Durham City	Easington	Wear Valley	Total	2013-14	5,982	8,335	4,262	18,579	2014-15	5,966	8,313	4,256	18,535	2015-16	5,950	8,291	4,250	18,491	2016-17	5,934	8,269	4,244	18,447
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Rent Increases	<ul style="list-style-type: none">Rent increases assumed as follows:<ul style="list-style-type: none">2013-14: 2.6% inflation + 0.5% - increase of 3.1% + rent restructuring2014-15 to 2015-16: 2.5% inflation + 0.5% - increase of 3.0% + rent restructuring2016-17onwards: 2.5% inflation + 0.5% - increase of 3.0%																																																																	
Voids	<ul style="list-style-type: none">Assumptions on voids across the three geographical areas have been assumed at an average of 1.5% and calculated as a percentage of gross rental income.																																																																	
Other Income - Garage Income	<ul style="list-style-type: none">Increases in garage rents have been directly linked to the increase in dwelling rents.The following number of garage units have been assumed to derive garage income over the MTFP period. There is a 5% year on year reduction in the number of occupied garages.<table><tr><th>Estimated occupied no. of garages</th><th>Durham City</th><th>Wear Valley</th><th>Easington</th></tr><tr><td>2013 -14</td><td>753</td><td>424</td><td>1,494</td></tr><tr><td>2014 -15</td><td>715</td><td>403</td><td>1,419</td></tr><tr><td>2015 -16</td><td>680</td><td>383</td><td>1,348</td></tr><tr><td>2016 -17</td><td>646</td><td>364</td><td>1,281</td></tr></table>	Estimated occupied no. of garages	Durham City	Wear Valley	Easington	2013 -14	753	424	1,494	2014 -15	715	403	1,419	2015 -16	680	383	1,348	2016 -17	646	364	1,281																																													
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Other Income - Shops	<ul style="list-style-type: none">There are a small number of shops and other premises accounted for in the HRA generating rental income which has been estimated at £121,000.																																																																	
Housing Management	<ul style="list-style-type: none">Housing Management costs can broadly be broken down into 2 distinct areas:<ul style="list-style-type: none">Management (General): costs of policy and management, tenancy administration, rent collection and accounting.Management (Special): running costs of services that benefit specific groups of tenants including communal heating, lighting, lifts, caretaking, cleaning and ground maintenance.The stock is managed by 3 providers – 2 ALMOs (Dale and Valley Homes and East Durham Homes) and 1 in house (Durham City Homes) which reflects the position inherited from the former district authorities.																																																																	

Item	Assumptions
	<ul style="list-style-type: none"> ● Inflationary increases in costs have been assumed in the model although savings will be required to deal with the shortfall in resources in the first five years of the MTFP. ● Efficiency savings of £0.5m have been built in to the plan in 2015/16, this is based on the retention of the housing stock under one single ALMO. ● A £500k budget has been made available to provide resources to facilitate changes arising from Welfare Reform <p><i>Rent Rates Taxes and Other Charges</i></p> <ul style="list-style-type: none"> ● This includes all items that are liable in respect of HRA property. It includes council tax on empty properties, lease rental on properties, rates and water charges payable on non-dwellings. ● The base budget has been increased to £310,000 to allow for the change in Council Policy of charging council tax on all empty properties.
Bad Debts	<ul style="list-style-type: none"> ● For the MTFP a prudent assumption is proposed of 1.5% of gross rental income for years 1 to 3 and then 1% thereafter. This is to reflect the potential impact of the Government's Welfare Reforms on rent income collecting.
Repairs	<ul style="list-style-type: none"> ● Relates to the day to day repairs and maintenance of the housing stock including responsive and void repairs. The management fees for the 3 providers contain provision for these costs.
Interest Paid	<ul style="list-style-type: none"> ● A starting debt of £235m has been assumed. For the first 4 years an interest rate of 5.25% has been used, thereafter a rate of 6% for years 5-30.
Debt Management	<ul style="list-style-type: none"> ● This is to reflect the treasury management cost of dealing with the substantial loan portfolio of up to £246m.
Interest Received	<ul style="list-style-type: none"> ● Represents interest earned on all HRA balances and accounts.
Depreciation	<ul style="list-style-type: none"> ● For the purposes of the MTFP, the self financing Major Repairs Allowance has been used in line with guidelines from DCLG that allow this treatment for the first 5 years of HRA Self Financing.
Borrowing	<ul style="list-style-type: none"> ● This reflects repayments of borrowing where surplus resources become available in any year.
RCCO	<ul style="list-style-type: none"> ● Revenue Resources remaining after meeting all management costs and interest payments are available to contribute towards the capital programme (revenue contributions to capital).
Balances	<ul style="list-style-type: none"> ● A minimum reserve balance of £7m has been used equating to around £377 per dwelling.

Appendix 3: Durham County Council 30 Year HRA Financial Business Plan

	Year	Rents (after Voids)	Other Income	Total Income	Manag' ment Expenditu re	Bad Debts	Repairs	Total Revenue Expenditu re	Interest Paid	Debt Mgt	Interest Received	Depreciati on	Net Operating Income	Borrowing	RCCO	Annual Cashflow	Opening HRA Balance	Closing HRA Balance
1	2013.14	63,633	1,075	64,708	-15,012	-969	-12,123	-28,104	-12,447	-194	104	-16,306	7,761	-	-7,761	0	7,000	7,000
2	2014.15	64,734	1,064	65,798	-15,081	-986	-12,426	-28,493	-12,731	-161	139	-16,676	7,876	-	-7,876	0	7,000	7,000
3	2015.16	67,111	1,051	68,162	-14,957	-1,022	-12,737	-28,716	-12,892	-165	173	-17,054	9,508	-	-9,508	0	7,000	7,000
4	2016.17	68,960	1,032	69,992	-15,331	-700	-13,055	-29,086	-12,902	-180	207	-17,441	10,590	-	-10,590	0	7,000	7,000
5	2017.18	70,862	1,012	71,874	-15,714	-719	-13,382	-29,815	-14,745	-193	207	-21,204	6,123	-	-6,123	0	7,000	7,000
6	2018.19	72,813	1,038	73,851	-16,107	-739	-13,716	-30,563	-14,745	-198	209	-21,685	6,870	-	-6,692	178	7,000	7,178
7	2019.20	76,256	1,064	77,320	-16,510	-774	-14,059	-31,343	-14,745	-203	215	-22,176	9,068	-	-8,889	179	7,178	7,357
8	2020.21	76,877	1,090	77,967	-16,923	-780	-14,411	-32,114	-14,745	-208	220	-22,678	8,443	-	-8,259	184	7,357	7,541
9	2021.22	78,993	1,117	80,110	-17,346	-802	-14,771	-32,919	-14,745	-213	226	-23,191	9,268	-	-9,080	188	7,541	7,729
10	2022.23	81,166	1,145	82,311	-17,779	-824	-15,140	-33,744	-14,745	-219	231	-23,716	10,120	-	-9,927	193	7,729	7,922
11	2023.24	83,399	1,174	84,573	-18,224	-847	-15,519	-34,589	-14,745	-224	237	-24,252	10,999	-	-10,801	198	7,922	8,120
12	2024.25	85,692	1,203	86,896	-18,680	-870	-15,907	-35,456	-14,745	-230	243	-24,801	11,907	-	-11,704	203	8,120	8,323
13	2025.26	89,742	1,233	90,975	-19,147	-911	-16,304	-36,362	-14,665	-235	249	-25,362	14,600	-2,658	-11,732	210	8,323	8,533
14	2026.27	90,469	1,264	91,733	-19,625	-918	-16,712	-37,255	-14,232	-241	255	-25,935	14,325	-11,771	-2,332	221	8,533	8,754
15	2027.28	92,955	1,296	94,251	-20,116	-944	-17,130	-38,189	-13,497	-247	262	-26,522	16,059	-12,746	-3,094	219	8,754	8,973
16	2028.29	95,510	1,328	96,838	-20,619	-970	-17,558	-39,146	-12,678	-231	268	-27,121	17,930	-14,528	-3,176	226	8,973	9,199
17	2029.30	98,133	1,361	99,495	-21,134	-996	-17,997	-40,127	-11,749	-216	275	-27,734	19,944	-16,453	-3,260	231	9,199	9,430
18	2030.31	100,829	1,396	102,224	-21,663	-1,024	-18,447	-41,133	-10,700	-202	282	-28,360	22,112	-18,528	-3,347	237	9,430	9,667
19	2031.32	105,590	1,430	107,020	-22,204	-1,072	-18,908	-42,184	-9,641	-189	289	-29,000	26,295	-16,749	-9,306	240	9,667	9,907
20	2032.33	106,441	1,466	107,907	-22,759	-1,081	-19,381	-43,220	-8,741	-177	296	-29,655	26,410	-13,251	-12,915	244	9,907	10,151
21	2033.34	109,363	1,503	110,865	-23,328	-1,110	-19,865	-44,304	-7,894	-171	304	-30,324	28,477	-15,003	-13,220	255	10,151	10,406
22	2034.35	112,364	1,540	113,904	-23,911	-1,141	-20,362	-45,414	-6,937	-165	311	-31,008	30,692	-16,900	-13,531	261	10,406	10,667
23	2035.36	115,446	1,579	117,025	-24,509	-1,172	-20,871	-46,552	-5,861	-159	319	-31,708	33,064	-18,947	-13,849	268	10,667	10,935
24	2036.37	118,612	1,618	120,231	-25,122	-1,204	-21,393	-47,719	-4,582	-153	327	-32,423	35,682	-23,705	-11,700	277	10,935	11,212
25	2037.38	124,208	1,659	125,867	-25,750	-1,261	-21,927	-48,938	-3,059	-148	336	-33,154	40,903	-27,044	-13,577	283	11,212	11,495
26	2038.39	125,206	1,700	126,906	-26,394	-1,271	-22,476	-50,140	-1,423	-115	344	-33,901	41,670	-27,482	-13,902	287	11,495	11,782
27	2039.40	128,637	1,743	130,380	-27,054	-1,306	-23,037	-51,397	-300	-89	649	-34,665	44,579	-9,984	-14,234	20,361	11,782	32,143
28	2040.41	132,162	1,786	133,948	-27,730	-1,342	-23,613	-52,685	0	-69	1,432	-35,446	47,180	-	-14,574	32,607	32,143	64,750
29	2041.42	135,782	1,831	137,613	-28,423	-1,379	-24,204	-54,006	0	-53	2,428	-36,244	49,738	-	-14,922	34,816	64,750	99,566
30	2042.43	139,501	1,877	141,378	-29,134	-1,416	-24,809	-55,359	0	-41	3,492	-37,060	52,410	-	-15,278	37,132	99,566	136,698

Appendix 4: Four Year HRA Medium Term Financial Plan

2012.13 Memo Budget Information	Year	2013.14	2014.15	2015.16	2016.17	Total
	£'000	Year 1	Year 2	Year 3	Year 4	4 years
	INCOME:					
61,031	Rental Income	64,602	65,720	68,133	70,010	268,465
-915	Void Losses	-969	-986	-1,022	-1,050	-4,027
995	Non-Dwelling Income	1,075	1,064	1,051	1,032	4,222
61,111	Total Income	64,708	65,798	68,162	69,992	268,660
	EXPENDITURE:					
-13,777	General Management	-12,718	-12,729	-12,547	-12,860	-50,854
-555	Special Management	-497	-510	-522	-536	-2,065
-1,587	Other Management	-1,797	-1,842	-1,888	-1,935	-7,462
-915	Bad Debt Provision	-969	-986	-1,022	-700	-3,677
-11,869	Responsive & Cyclical Repairs	-12,123	-12,426	-12,737	-13,055	-50,341
-28,703	Total Revenue Expenditure	-28,104	-28,493	-28,716	-29,086	-114,399
-12,234	Interest Paid	-12,447	-12,731	-12,892	-12,902	-50,972
-186	Debt Management	-194	-161	-165	-180	-700
115	Interest Received	104	139	173	207	623
-17,158	Depreciation	-16,306	-16,676	-17,054	-17,441	-67,477
2,945	Net Operating Income	7,761	7,876	9,508	10,590	35,735
	APPROPRIATIONS:					
0	Borrowing Repayment	0	0	0	0	0
-2,922	Revenue Contribution to Capital	-7,761	-7,876	-9,508	-10,590	-35,735
-2,922	Total Appropriations	-7,761	7,876	-9,508	-10,590	-35,735
23	ANNUAL CASHFLOW	0	0	0	0	0
7,688	Opening Balance	7,000	7,000	7,000	7,000	n/a
7,711	Closing Balance	7,000	7,000	7,000	7,000	n/a

Appendix 5: HRA 2013/14 – Analysis of Budget by Area

	<i>2013/14 Easington</i>	<i>2013/14 Wear Valley</i>	<i>2013/14 Durham City</i>	<i>2013/14 General</i>	<i>2013/14 Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Income					
Dwelling Rents: – Rents	(28,037)	(15,013)	(21,552)	-	(64,602)
– Voids	421	225	323	-	969
	(27,616)	(14,788)	(21,229)	-	(63,633)
Non Dwelling Rents: – Garages	(534)	(151)	(269)	-	(954)
– Shops/Other	(92)	(11)	(18)	-	(121)
Charges for Services and Facilities – General	-	-	(354)	-	(354)
Charges for Services and Facilities – Special			(20)		(20)
Total Income	(28,242)	(14,950)	(21,890)	-	(65,082)
Expenditure					
ALMO Management Fee (1)	11,063	5,406	-	-	16,469
Repairs and Maintenance	15	-	4,338	-	4,353
Supervision and Management - General	-	-	2,776	1,624	4,400
Supervision and Management - Special	65	33	393	-	491
Rent, Rates, Taxes and Other Charges	-	-	-	310	310
Depreciation and Impairment of Fixed Assets	-	-	-	16,306	16,306
Bad Debt Provision and Debts Written Off	420	225	323	-	968
Debt Management Costs	-	-	-	194	194
Total Expenditure	11,563	5,664	7,830	18,434	43,491
Net Cost of HRA Services per I&E Account	(16,679)	(9,286)	(14,060)	18,434	(21,591)
Share of Corporate and Democratic Core	-	-	-	1,085	1,085
Share of Other Costs Not Allocated to Services	239	52	111	-	402
Net Cost of HRA Services	(16,440)	(9,234)	(13,949)	19,519	(20,104)
Interest Payable and Similar Charges	-	-	-	12,447	12,447
Direct Revenue Financing	-	-	-	7,761	7,761
Interest and Investment Income	-	-	-	(104)	(104)
(Surplus)/Deficit for Year	(16,440)	(9,234)	(13,949)	39,623	0
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
HRA Reserves	-	-	-	7,000	7,000

(1) The management fee covers repairs and maintenance and supervision and management expenditure.