County Council

22 February 2012

Housing Revenue Account Medium Term Financial Plan 2012/13 to 2016/17 and 2012/13 Budget

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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 2012/13 to 2016/17 and the 2012/13 budget.

Executive Summary

2. The HRA provides the income and expenditure associated with 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 2012/13 HRA budget, 30 year HRA Business Plan and five-year MTFP are recommended in this report.

4. The headline implications for 2012/13 are as follows:

- Dwelling rents for 2012/13 to increase in accordance with Government guidelines which result in an overall average increase of 6.25%;
- Average rent per week to increase from £59.34 per week to £63.05 per week – an increase of £3.71 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 2012/13 (excluding VAT) are £6.46, £6.63 and £7.01 in Durham City, Easington and Wear Valley respectively;
- Efficiency savings in housing management costs of £1.35m have been identified;

- A capital programme in 2012/13 of £44.854m.

Background

5. The HRA is a 'ring fenced' landlord account through which the Council manages and maintains 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 new 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. Our 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:

   - A 30 Year HRA Business Plan and 5 Year MTFP;
   - Capital Programme;
   - 2012/13 Detailed HRA Budget;
   - Treasury Management Position on loans and investments;
   - HRA Reserves.

30 Year HRA Business Plan and 5 Year MTFP

9. Cabinet has previously considered two reports detailing our preparations for a new system of self financing for the HRA (27 October 2011 and 14 December 2011). A key feature of the system of self financing is the replacement of annual subsidy arrangements with a one-off debt settlement payable to the Government. 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.

10. The following broad assumptions have been used in the 30 Year HRA Business Plan. Appendix 2 provides more details on the assumptions used:

- Rent increases following national rent policy with retail price index (RPI) plus 0.5% and rent convergence by 2015/16;
- Debt settlement of £240m which requires an estimated payment to DCLG in March 2012 of £53m;
- Interest rate on debt assumed as 5.25% initially then 6% for years 6 to 30;
- Inflationary increase of 2.5% year on year for expenditure;
- Voids levels at 1.5% on average;
- Assumed bad debts provision for non payment at 1.5% of gross rent for years 1 to 4 due to the potential impact of Government Welfare Reforms (which is treble the current rate) and then 1% thereafter;
- Efficiency savings of £3m delivered by 2013/14, of which £2.25m have already been earmarked (£1.35m 2012/13 and £0.90m 2013/14);
- Known adjustments to stock such as planned demolitions, new build properties and estimates of annual right to buy sales of 36 properties;
- Minimum level of HRA reserves of £7m.

11. 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 substantially paid off by year 30 with £1m outstanding;
- HRA reserves being maintained at least £7m;
- Capital programme shortfalls in the first 9 years of the Plan.

12. Appendix 4 provides forecasts for the five year Medium Term Financial Plan period 2012/13 to 2016/17 which have been taken directly from the 30 year Business Plan. During this period, a rental stream of some £330m will be available to the Council to meet its management, repairs, investment and debt costs.

Capital Programme

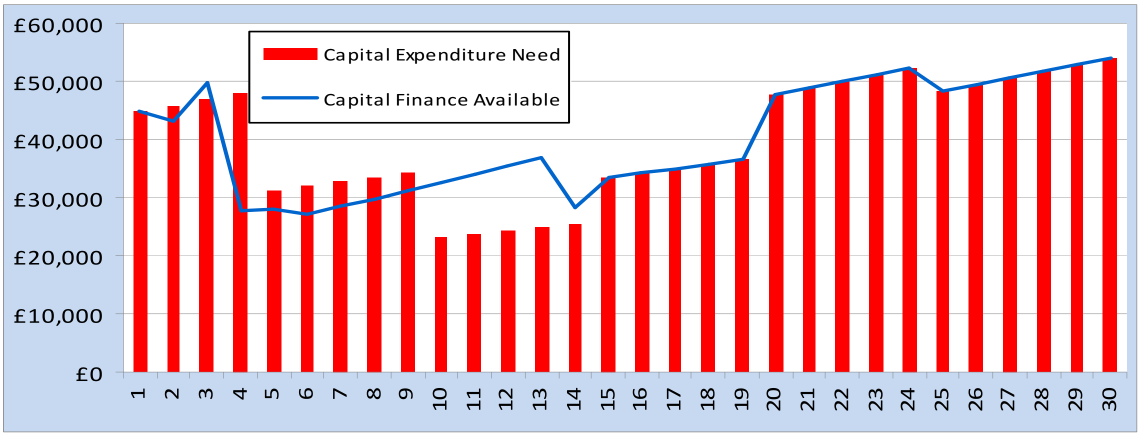
13. The HRA Capital Programme contributes significantly to the Housing Strategy Objective of *'Altogether Better Housing Standards'* by improving the condition of the housing stock and providing better homes with modern facilities which are warmer and more energy efficient.

14. 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.

15. Stock investment requirements form a central part of the HRA Business Plan and these have been derived from information from a stock condition survey undertaken in 2010 to identify the spending needs of the housing stock over a 30 year period.

16. 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



Figures are £'000. Years

17. The key focus for the Council is the medium term horizon and the next five 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 £120m (comprising of major repairs reserve and revenue contributions). After taking into account other sources of funding, the total estimated resources are £193m as shown in the following table:

Investment Resources	Year 1 2012/13 £'000	Year 2 2013/14 £'000	Year 3 2014/15 £'000	Year 4 2015/16 £'000	Year 5 2016/17 £'000	Total £'000
Major Repairs Reserve	17,158	17,538	17,932	18,345	18,767	**89,740**
Revenue Contribution	2,922	6,114	5,055	7,787	8,793	**30,671**
Capital Receipts	525	404	414	424	435	**2,202**
Backlog Funding Grant	13,000	12,000	26,286	0	0	**51,286**
Borrowing	11,249	7,100	0	1,452	0	**19,801**
Total Resources	**44,854**	**43,156**	**49,687**	**28,008**	**27,995**	**193,700**
Investment Need	44,854	45,850	46,926	48,024	31,250	216,904
Shortfall / (surplus)	**-**	**2,694**	**(2,761)**	**20,016**	**3,255**	**23,204**

18. There is a shortfall of up to £23m over the five year period (and £29m over 10 years). It should also be noted that Decent Homes Backlog Funding Grant has not yet been confirmed for 2013/14 and 2014/15 of the HRA Business Plan although it has been assumed in the above figures. If backlog funding is not granted in these 2 years there is a forecasted shortfall of £61m in the first five years.

19. Further detailed work is required on developing an appropriate 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.

20. A detailed capital programme covering the three geographical areas is being developed for 2012/13 and a summary of the proposed investment of £44.854m is shown in Appendix 6. Once the asset management plan has been finalised during 2012/13, detailed programmes and capital allocations will be allocated across the remaining four years of the MTFP.

2012/13 Detailed HRA Budget

21. The following paragraphs provide more details on the 2012/13 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

22. The main source of income for the HRA is rental income from dwellings paid to the Council by tenants. Local authority rents are decided 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'.

23. 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 Governments 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 6.1% and consists of the RPI to September 2010 of 5.6% and a real increase of 0.5%.

24. Applying the Government's guidelines results in an overall average increase of 6.25% for Durham which yields an average rent of £63.05 per week in 2012/13. The following table shows the impact on the average rent levels across the three management areas:

Average Rents

	Durham City		Easington		Wear Valley		Total	
	2011/12	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**
	£	£	£	£	£	£	£	£
Average Rent	61.13	65.19	57.73	61.18	59.99	63.73	59.34	63.05
Maximum Rent	76.03	81.69	73.90	78.12	72.66	78.16	76.03	81.69
Minimum Rent	*36.98	45.95	45.54	47.98	24.97	27.25	24.97	27.25

* This minimum rent relates to properties in Oversteads in Durham City which are planned for demolition and are not included in the 2012/13 rent base.

Average Changes in Rent 2011-12 and 2012-13

	Durham City		Easington		Wear Valley		Total	
	%	£	%	£	%	£	%	£
Average Increase	6.64	4.06	5.98	3.45	6.23	3.74	6.25	3.71

The above figures exclude new build properties.

25. 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, although the relative proportion in the Durham City area is slightly lower.

Other Rental Income

26. The HRA includes responsibility for managing and maintaining around 2,900 garages which generate income to the account. For 2012/13 it is proposed that increases in garage rents are linked to the average overall increase in dwelling rents of 6.25%.

27. 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 2012/13 will be considered in light of prevailing market rates. The total budgeted income for 2012/13 is £96,000.

28. 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.

29. It is recommended to County Council 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 Corporate Director of Resources.

HRA Expenditure

Housing Management Costs

30. 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 former 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. These management arrangements reflect the position that the County Council inherited from the former district authorities prior to local government reorganisation (LGR).

31. 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.

32. Management costs continue to be examined for efficiencies and the MTFP assumes £3m in savings will be secured over 2012/13 and 2013/14.The following table identifies savings of £2.25m put forward by providers leaving £0.75m outstanding at this stage and shows that current differences in unit costs are being reduced.

Provider	Mgt Costs 2011/12	Identified Savings 12/13	Identified Savings 13/14	Revised Unit Cost per property (after all savings)
Durham City Homes	7,486,180	200,000	-	1,203
Dale and Valley Homes	5,911,000	400,000	150,000	1,271
East Durham Homes (1)	12,497,780	600,000	600,000	1,348
DCC – Central Support	2,266,139	150,000	150,000	106
Total	**28,161,099**	**1,350,000**	**900,000**	**1,393**

(1) includes £142,780 of costs charged direct to HRA and Mgt Fee to EDH of £12,355,000.

33. 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.

34. The implications for management fees in 2012/13 for our three housing management providers, after the above savings, are as follows:

Durham City Homes	£7,217,250 (a)
Dale and Valley Homes	£5,511,000
East Durham Homes	£11,755,000 (b)

(a) Durham City Homes reduced by £200,000 above plus a further reduction in central support charges of £68,930.
(b) Management fee to EDH is £12,355,000 less £600,000. Costs of £142,780 are charged direct to the HRA and not paid to EDH.

Interest Payments

35. This reflects the cost of borrowing to support the Housing Capital Programme. In 2012/13 starting debt has been estimated as £227m (which includes a £53m settlement payment to be made to DCLG on 28 March 2012) plus further net borrowing of £11m during the year taking the estimated closing debt at 31 March 2013 to £238m. The interest payments of £12m reflect an overall average rate of interest of 5.25%.

Depreciation

36. 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

37. The Council will in future be responsible for servicing and managing its own debt from the rental income it is now able to retain locally. The cost of servicing interest on this debt was previously borne by Central Government. The Council will need to allocate existing and future borrowing costs between the housing revenue account and the general fund as the current statutory method of apportioning debt charges between the general fund and HRA will cease.

38. The Chartered Institute of Public Finance and Accountancy (CIPFA) has set out a methodology for splitting loans to meet the requirements of the new system. The principles that CIPFA suggest should be followed in attributing loans are as follows:

- The underlying principle for the splitting of loans, at transition, must be at no detriment to the General Fund (GF).
- Local authorities are required to deliver a solution that is broadly equitable between the Housing Revenue Account (HRA) and General Fund.
- Future charges to the HRA in relation to borrowing are not influenced by General Fund decisions, giving a greater degree of independence, certainty and control.

39. Officers have applied CIPFA guidance to splitting debt between the GF and HRA using the 'two pool' approach which is the most widely supported proposal among local authorities. This will ensure that HRA debt will be managed as a separate loan portfolio in future, although all debt whether HRA of GF still remains the debt of the authority. A loan portfolio of £174m has been allocated to the HRA at an average rate of 5.5% using the above principles.

40. 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 Housing CFR 31/3/12	174,507
Settlement Payment to CLG on 28 March 2012	52,891
Amended Closing HRA CFR	**227,398**
Net Borrowing to be undertaken in 2012/13	11,249
Closing HRA CFR 31/3/13	**238,647**
Housing Debt Cap	245,747

HRA Reserves

41. HRA reserves are forecast to reach around £7.688m by 31st March 2012 equivalent to around £410 per dwelling. Interest is receivable on HRA cash balances and £115,000 has been assumed for 2012/13.

42. 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

43. It is recommended that County Council agrees: -

- The 30 Year HRA Business Plan (Appendix 3) and five year HRA MTFP (Appendix 4);
- To set dwelling rents for 2012/13 in accordance with Government guidelines which result in an overall average increase of 6.25%;
- To increase garage rents in line with the overall increase in housing rents;
- That approval of service charges proposed by the three service providers be delegated to the Head of Housing in consultation with Cabinet Portfolio Holder for Housing and the Head of Finance;
- A HRA capital programme of £44.854m in 2012/13;
- To agree ALMO/INMO management fee levels as follows;
    - Durham City Homes £7,217,250
    - Dale and Valley Homes £5,511,000
    - East Durham Homes £11,755,000
- To split the Council's loans in two separate pools as suggested by CIPFA using the principles outlined in paragraph 38 of this report;
- To authorise the Corporate Director Resources to make appropriate arrangements to enable the Council to implement self financing including decisions on borrowing and making the settlement payment to DCLG on 28 March 2012.

Background Papers:
Report to Cabinet: Response to Government Proposals for Dismantling the HRA, 29 June 2010
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
Report to Special Cabinet: HRA Self Financing and Medium Term Financial Plan, 27 October 2011
Report to Cabinet: HRA Self Financing and Medium Term Financial Plan, 14 December 2011
Report to Special Cabinet: HRA Self Financing and Medium Term Financial Plan, 8 February 2012
Self financing determination, DCLG 1 February 2012

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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 2012/13.

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.

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

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

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

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

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

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

<table>
<tr><th>Item</th><th>Assumptions</th></tr>
<tr><td>Stock Numbers</td><td>

- For rent purposes, the following overall stock numbers have been assumed over the MTFP period:

Year	Opening Stock	RTB	Demolitions	Other	New Build	Closing Stock	Average Stock
2011-12	18,647	-27	-42		17	18,595	18,621
2012-13	18,595	-48	-12	1	50	18,586	18,591
2013-14	18,586	-36	-20			18,530	18,558
2014-15	18,530	-36				18,494	18,512
2015-16	18,494	-36				18,458	18,476
2016-17	18,458	-36				18,422	18,440

- Right to Buy sales of 36 have been assumed each year throughout life of the business plan (yrs 6 to 30).
- The breakdown of the opening stock for rent purposes over the 3 management areas is as follows:

Year	Durham City	Easington	Wear Valley	Total
2011-12	6,025	8,399	4,223	18,647
2012-13	5,997	8,380	4,218	18,595
2013-14	5,976	8,346	4,264	18,586
2014-15	5,960	8,330	4,240	18,530
2015-16	5,944	8,314	4,236	18,494
2016-17	5,928	8,298	4,232	18,458

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<tr><td>Rent Increases</td><td>

- Rent increases assumed as follows:
  - 2012-13: 5.6% inflation + 0.5% - increase of 6.1% + rent restructuring
  - 2013-14 to 2015-16: 2.5% inflation + 0.5% - increase of 3.0% + rent restructuring
  - 2016-17onwards: 2.5% inflation + 0.5% - increase of 3.0%

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<tr><td>Voids</td><td>

- 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.

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<tr><td>Other Income - Garage Income</td><td>

- The County Council inherited a range of different garage charges across the three former districts and a harmonisation policy has been proposed which involves converging rents towards Dale and Valley levels over three years and also ensuring that VAT is charged to private tenants in the Easington area. 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.

Estimated occupied no. of garages	Durham City	Wear Valley	Easington
2011 -12	880	458	1,585
2012 -13	880	419	1,577
2013 -14	836	398	1,498
2014 -15	794	378	1,423
2015 -16	754	359	1,352
2016 -17	717	341	1,284

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<tr><td>Other Income - Shops</td><td>

- There are a small number of shops accounted for in the HRA generating rental income which has been maintained at the base budget position of £96,000.

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Item	Assumptions

Housing Management	• Housing Management costs can broadly be broken down into 2 distinct areas:
	  ○ 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.
	• 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 £0.75m are also outstanding and these have been built in to the plan although the allocation of this amount across the various providers has not been determined.
	Rent Rates Taxes and Other Charges
	• 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.
	• Some additional costs will be incurred for void properties that are earmarked for demolition and provision of £100,000 and £50,000 has been made in years 1 and 2 of the MTFP.

Bad Debts	• The base budget assumed 0.43% of rental income. For the MTFP a more prudent assumption is proposed with a trebling of the current provision to 1.5% of gross rental income for years 1 to 4 and then 1% thereafter. This is to reflect potential impact of the Government's Welfare Reforms on rent income collecting.
Repairs	• 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	• A starting debt of £227m has been assumed based on a settlement payment to DCLG of £53m, plus estimated closing debt of £174m for 2011/12. For the first 5 years an interest rate of 5.25% has been used, thereafter a rate of 6% for years 6-30.
Debt Management	• This is to reflect the treasury management cost of dealing with the substantial loan portfolio of up to £247m.
Interest Received	• Represents interest earned on all HRA balances and accounts.
Depreciation	• 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.
Borrowing	• This reflects repayments of borrowing where surplus resources become available in any year.
RCCO	• Revenue Resources remaining after meeting all management costs and interest payments are available to contribute towards the capital programme (revenue contributions to capital).
Balances	• A minimum reserve balance of £7m has been used equating to around £370 per dwelling.

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

	Year	Rents (after Voids)	Other Income	Total Income	Manag'ment Expenditure	Bad Debts	Repairs	Total Revenue Expenditure	Interest Paid	Debt Mgt	Interest Received	Depreciation	Net Operating Income	Borrowing	RCCO	Annual Cashflow	Opening HRA Balance	Closing HRA Balance
1	2012.13	60,116	995	61,111	-15,919	-915	-11,869	-28,703	-12,234	-186	115	-17,158	2,945	-	-2,922	23	7,688	7,711
2	2013.14	62,321	1,072	63,393	-14,575	-949	-12,166	-27,690	-12,715	-198	146	-17,538	5,398	-	-6,114	-716	7,711	6,995
3	2014.15	64,637	1,060	65,697	-14,939	-984	-12,470	-28,393	-12,864	-165	173	-17,932	6,516	-1,452	-5,055	9	6,995	7,004
4	2015.16	67,025	1,047	68,072	-15,312	-1,021	-12,782	-29,115	-12,864	-170	207	-18,345	7,785	-	-7,787	-2	7,004	7,002
5	2016.17	68,910	1,026	69,936	-15,696	-700	-13,101	-29,497	-12,902	-185	207	-18,767	8,792		-8,793	-1	7,002	7,001
6	2017.18	70,838	1,052	71,890	-16,088	-719	-13,429	-30,236	-14,745	-198	207	-20,822	6,096	-	-6,095	1	7,001	7,002
7	2018.19	72,820	1,078	73,898	-16,490	-739	-13,765	-30,994	-14,745	-203	207	-21,301	6,862	-	-6,861	1	7,002	7,003
8	2019.20	74,857	1,105	75,962	-16,903	-760	-14,109	-31,772	-14,745	-208	207	-21,791	7,653	-	-7,653	0	7,003	7,003
9	2020.21	76,950	1,133	78,083	-17,326	-781	-14,462	-32,569	-14,745	-213	207	-22,292	8,471	-	-8,472	-1	7,003	7,002
10	2021.22	79,102	1,161	80,263	-17,759	-803	-14,823	-33,385	-14,745	-219	207	-22,804	9,317	-	-9,318	-1	7,002	7,001
11	2022.23	81,314	1,190	82,504	-18,202	-826	-15,194	-34,222	-14,745	-224	207	-23,328	10,192	-	-10,192	0	7,001	7,001
12	2023.24	83,587	1,220	84,807	-18,657	-849	-15,574	-35,080	-14,745	-230	207	-23,864	11,095	-	-11,096	-1	7,001	7,000
13	2024.25	85,924	1,250	87,174	-19,124	-872	-15,963	-35,959	-14,745	-235	207	-24,412	12,030	-	-12,029	1	7,000	7,001
14	2025.26	88,325	1,282	89,607	-19,602	-897	-16,362	-36,861	-14,389	-241	207	-24,973	13,350	-11,857	-1,482	11	7,001	7,012
15	2026.27	90,793	1,314	92,107	-20,092	-922	-16,771	-37,785	-13,804	-247	207	-25,547	14,931	-7,636	-7,299	-4	7,012	7,008
16	2027.28	93,330	1,346	94,676	-20,594	-948	-17,190	-38,732	-13,305	-231	207	-26,133	16,482	-9,001	-7,479	2	7,008	7,010
17	2028.29	95,937	1,380	97,317	-21,109	-974	-17,620	-39,703	-12,721	-216	207	-26,733	18,151	-10,486	-7,665	0	7,010	7,010
18	2029.30	98,617	1,415	100,032	-29,637	-1,001	-18,061	-40,699	-12,043	-202	207	-27,347	19,948	-12,093	-7,854	1	7,010	7,011
19	2030.31	101,371	1,450	102,821	-22,178	-1,029	-18,512	-41,719	-11,266	-189	207	-27,974	21,880	-13,831	-8,049	0	7,011	7,011
20	2031.32	104,202	1,486	105,688	-22,732	-1,058	-18,975	-42,765	-10,693	-177	207	-28,616	23,644	-5,265	-18,387	-8	7,011	7,003
21	2032.33	107,111	1,523	108,634	-23,300	-1,087	-19,449	-43,836	-10,343	-171	207	-29,272	25,219	-6,398	-18,820	1	7,003	7,004
22	2033.34	110,101	1,561	111,662	-23,883	-1,118	-19,935	-44,936	-9,922	-165	207	-29,944	26,902	-7,639	-19,263	0	7,004	7,004
23	2034.35	113,174	1,600	114,774	-24,480	-1,149	-20,434	-46,063	-9,423	-159	207	-30,630	28,706	-8,990	-19,716	0	7,004	7,004
24	2035.36	116,332	1,640	117,972	-25,091	-1,181	-20,945	-47,217	-8,839	-153	207	-31,332	30,638	-10,456	-20,180	2	7,004	7,006
25	2036.37	119,578	1,682	121,260	-25,719	-1,214	-21,468	-48,401	-8,004	-148	207	-32,051	32,863	-17,404	-15,453	6	7,006	7,012
26	2037.38	122,914	1,724	124,638	-26,362	-1,248	-22,005	-49,615	-6,893	-115	207	-32,785	35,437	-19,609	-15,826	2	7,012	7,014
27	2038.39	126,343	1,767	128,110	-27,021	-1,283	-22,555	-50,859	-5,646	-89	207	-33,536	38,187	-21,976	-16,209	2	7,014	7,016
28	2039.40	129,866	1,811	131,677	-27,697	-1,318	-23,119	-52,134	-4,251	-69	207	-34,305	41,125	-24,524	-16,600	1	7,016	7,017
29	2040.41	133,488	1,856	135,344	-28,389	-1,355	-23,697	-53,441	-2,697	-53	207	-35,090	44,270	-27,265	-17,001	4	7,017	7,021
30	2041.40	137,210	1,902	139,112	-29,098	-1,393	-24,289	-54,780	-973	-41	208	-35,894	47,632	-30,216	-17,412	4	7,021	7,025

Appendix 4: Five Year HRA Medium Term Financial Plan

Year £'000	2012.13 Year 1	2013.14 Year 2	2014.15 Year 3	2015.16 Year 4	2016.17 Year 5	Total 5 years
INCOME:						
Rental Income	61,031	63,270	65,621	68,046	69,959	327,927
Void Losses	-915	-949	-984	-1,021	-1,049	-4,918
Non-Dwelling Income	995	1,072	1,060	1,047	1,026	5,200
Total Income	**61,111**	**63,393**	**65,697**	**68,072**	**69,936**	**328,209**
EXPENDITURE:						
General Management	-13,777	-12,447	-12,758	-13,077	-13,404	-65,463
Special Management	-555	-553	-566	-580	-595	-2,849
Other Management	-1,587	-1,575	-1,615	-1,655	-1,697	-8,129
Bad Debt Provision	-915	-949	-984	-1,021	-700	-4,569
Responsive & Cyclical Repairs	-11,869	-12,166	-12,470	-12,782	-13,101	-62,388
Total Revenue Expenditure	**-28,703**	**-27,690**	**-28,393**	**-29,115**	**-29,497**	**-143,398**
Interest Paid	-12,234	-12,715	-12,864	-12,864	-12,902	-63,579
Debt Management	-186	-198	-165	-170	-185	-904
Interest Received	115	146	173	207	207	848
Depreciation	-17,158	-17,538	-17,932	-18,345	-18,767	-89,740
Net Operating Income	**2,945**	**5,398**	**6,516**	**7,785**	**8,792**	**31,436**
APPROPRIATIONS:						
Borrowing Repayment	0	0	-1,452	0	0	-1,452
Revenue Contribution to Capital	-2,922	-6,114	-5,055	-7,787	-8,793	-30,671
Total Appropriations	**-2,922**	**-6,114**	**-6,507**	**-7,787**	**-8,793**	**-32,123**
ANNUAL CASHFLOW	**23**	**-716**	**9**	**-2**	**-1**	**-687**
Opening Balance	7,688	7,711	6,995	7,004	7,002	n/a
Closing Balance	**7,711**	**6,995**	**7,004**	**7,002**	**7,001**	**n/a**

Appendix 5: HRA 2012/13 – Analysis of Budget by Area

	2012/13 Easington £000	2012/13 Wear Valley £000	2012/13 Durham City £000	2012/13 General £000	2012/13 Total £000
Income					
Dwelling Rents: – Rents	(26,578)	(14,124)	(20,329)	-	(61,031)
– Voids	399	212	305	-	916
	(26,179)	**(13,912)**	**(20,024)**	**-**	**(60,115)**
Non Dwelling Rents: – Garages	(482)	(144)	(273)	-	(899)
– Shops/Other	(70)	(10)	(16)	-	(96)
Charges for Services and Facilities – General	-	-	(20)	-	(20)
Charges for Services and Facilities – Special			(36)		(36)
Total Income	**(26,731)**	**(14,066)**	**(20,369)**	**-**	**(61,166)**
Expenditure					
ALMO Management Fee (1)	11,755	5,511	-	-	17,266
Repairs and Maintenance	15	-	4,084	-	4,099
Supervision and Management - General	148	-	2,757	1,420	4,325
Supervision and Management - Special	133	-	432	-	565
Rent, Rates, Taxes and Other Charges	-	-	-	100	100
Depreciation and Impairment of Fixed Assets	-	-	-	17,158	17,158
Bad Debt Provision and Debts Written Off	399	212	305	-	916
Debt Management Costs	-	-	-	186	186
Total Expenditure	**12,450**	**5,723**	**7,578**	**18,864**	**44,615**
Net Cost of HRA Services per I&E Account	**(14,281)**	**(8,343)**	**(12,791)**	**18,864**	**(16,551)**
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	**(14,042)**	**(8,291)**	**(12,680)**	**19,949**	**(15,064)**
Interest Payable and Similar Charges	-	-	-	12,234	12,234
Direct Revenue Financing	-	-	-	2,922	2,922
Interest and Investment Income	-	-	-	(115)	(115)
(Surplus)/Deficit for Year	**(14,042)**	**(8,291)**	**(12,680)**	**34,990**	**(23)**
	£000	*£000*	*£000*	*£000*	*£000*
HRA Reserves	-	-	-	7,711	7,711

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

Appendix 6: Draft HRA Capital Programme 2012/13

Improvement	2012.13 Durham City		2012.13 Easington		2012.13 Wear Valley		2012.13 Demolitions		2012.13 Total	
	£'000	No. of Dwellings Improved	£'000	No. of Dwellings Improved	£'000	No. of Dwellings Improved	£'000	No. of Dwellings Improved	£'000	No. of Dwellings Improved
Windows and Doors	1,308	527	30	9	-	-	-	-	1,338	536
Kitchens	1,321	464	3,242	1,351	1,321	458	-	-	5,884	2,276
Bathrooms	788	464	2,421	1,345	894	391	-	-	4,103	2,200
Heating/Boilers	2,390	676	6,559	1,733	890	330	-	-	9,839	2,739
Electrical/Wiring	690	328	2,934	1,048	1,180	514	-	-	4,804	1,890
Roofing/Chimneys	-	-	2,561	369	100	30	-	-	2,661	399
External/ Walls/ Fascias	-	-	4,395	586	100	22	-	-	4,495	608
Environmental	176	-	-	-	25	-	-	-	201	-
Asbestos	-	-	300	-	150	-	-	-	450	-
Disabled Adaptations	420	-	750	990	400	125	-	-	1,570	1,115
Related Assets	-	-	50	-	-	-	-	-	50	-
Exceptional Works:										
- Communal hall conversions	100	-	-	-	-	-	-	-	100	-
- Non- Traditional properties	-	-	1,000	-	-	-	-	-	1,000	-
- Floor Failures/Dampness	-	-	500	-	-	-	-	-	500	-
- Structural Repairs	-	-	130	-	-	-	-	-	130	-
Other Works:										
- Thermal Insulation Upgrades	-	-	193	-	30	166	-	-	223	166
- Green Deal Retro fits	-	-	-	-	20	5	-	-	20	5
- Periodical Electrical Testing	-	-	-	-	75	903	-	-	75	903
- Empty homes reinstatement	340	-	1,200	85	-	-	-	-	1,540	85
- Decoration allowances	100	-	325	-	-	-	-	-	425	-
- Furniture storage	50	-	50	-	-	-	-	-	100	-
- One-off replacement /ad hoc gas replacement	276	-	300	70	-	-	-	-	576	70
- Other	-	-	510	-	-	-	-	-	510	-
Housing Regeneration – acquisition/demolition	-	-	-	-	-	-	1,754	-	1,754	-
Capital Programme Management	541	-	1,550	-	415	-	-	-	2,506	-
Total	**8,500**		**29,000**		**5,600**		**1,754**		**44,854**	

Note: some dwellings will receive more than one improvement (e.g. a new kitchen and a new bathroom) so the actual number of dwellings improved will be less than the figures stated above. These are indicative figures based on proposals by three management providers that will be subject to Council's capital approval protocol process.