

# PROPOSED SELF-FINANCING IMPLEMENTATION FOR THE HOUSING REVENUE ACCOUNT (HRA)

<b>Cabinet Members</b>	Councillor Jonathan Bianco Councillor Philip Corthorne
<b>Cabinet Portfolios</b>	Finance, Property and Business Services. Social Services, Health and Housing
<b>Officer Contact</b>	Neil Stubbings – Social Care, Health and Housing
<b>Papers with report</b>	None

## 1. HEADLINE INFORMATION

<b>Purpose of report</b>	To agree a broad strategic direction for the HRA under Self-financing.
<b>Contribution to our plans and strategies</b>	This project will directly contribute to the council's objectives of: <ul style="list-style-type: none"><li>• Making better use of HRA property.</li><li>• Achieving value for money – providing financial benefit to the Council by providing inward investment.</li><li>• Helping to meet housing targets within the Local Development Framework (LDF)</li></ul>
<b>Financial Cost</b>	There are no direct costs but the HRA finances are expected to improve in the medium and long term.
<b>Relevant Policy Overview Committee</b>	Social Services, Health and Housing
<b>Ward(s) affected</b>	All Wards

## 2. RECOMMENDATIONS

That Cabinet:

1. Note that, subject to the enactment of the Localism Bill, the financial regime for the HRA will significantly change from April 2012;
2. Note that a further report based on the actual self financing settlement will be brought before Cabinet in February as part of the 2012-13 rent and budget setting process;

3. **Agree a broad strategy for the HRA which involves the development of supported housing and planned investment in the housing stock and;**
4. **Delegate authority to the Chief Financial Officer and Corporate Director of Adult Social Care, Health and Housing, in consultation with the Leader of the Council and Cabinet Members for Finance, Property and Business Services & Social Services, Health and Housing, to agree and submit the Council's response to the Government's draft self-financing determination.**

#### **Reasons for recommendation**

To make use of the strategic opportunity provided by this new financial regime for the HRA to develop supported housing accommodation to meet service and financial (MTFF) priorities and to gain approval for the key priority areas for investment in existing council housing stock.

#### **Alternative options considered / risk management**

As this is a mandatory scheme required by legislation, no alternatives have been considered. Risk management issues are contained within the body of the report.

#### **Comments of Policy Overview Committee(s)**

None at this stage.

### **3. INFORMATION**

#### **Supporting Information**

This report provides information on the likely impact of Government plans to implement self-financing for the Housing Revenue Account (HRA). It includes a broad outline of the investment plans for Council housing.

The change to a new system follows the Government HRA review which was prompted by increasing dissatisfaction with the current subsidy system. The report sets out the process and timetable for the changeover and proposes a broad strategy for a long term business plan for the HRA to respond to and take advantage of the self-financing regime that is due to be implemented from 1<sup>st</sup> April 2012. The core elements of the strategy centre on the maintenance of existing dwellings to an acceptable standard expected from a responsible landlord and the development of supported housing units to improve the lives of people who would otherwise have to be placed in more costly residential care accommodation.

The new self-financing regime provides opportunities but also has risks attached which need to be taken into account. The Treasury Management Strategy for HRA debt as a

result of this change will be dealt with as part of a formal budget report once the final figures are received. It is expected that Hillingdon will be required to take on approximately £172m of debt in return for keeping at least £15.6m (and rising) annually in negative subsidy payments to central Government.

Cabinet will also be provided with a final report based on the actual self financing settlement with the government in February 2012 as part of the 2012/13 rent and budget setting process detailing the 10 year investment proposals for the HRA based on the broad strategy within this report.

Essentially, the changes mean the provision of Council housing becomes a multi-million pound business funded through the payment of rent and other charges rather than a service funded through government allowances and subsidy.

### **Background**

Cabinet received the report, *National Housing Revenue Account (HRA) Review*, in June 2010 outlining the previous Government's proposal to reform the Housing Revenue Account finance regime. The report provided a briefing on the main financial benefit that would potentially be available to the Council for the HRA.

Under the current system Department of Communities and Local Government (CLG) publishes an annual Determination which sets out the subsidy position for all local housing authorities. The subsidy figure is calculated by the use of a complex formula which is used to represent various elements of an authority's HRA. This involves working out notional amounts for rent and other minor items of income such as interest receivable as well as expenditure amounts such as costs for management, maintenance and major repairs. The individual expenditure elements are based on a formula that is meant to reflect need after taking into account a number of elements such as geographical cost factors as well as size and type of dwellings.

The current system leaves a significant number of authorities in deficit and HRA subsidy is payable by Government to the individual authorities to balance the HRA (positive subsidy authorities). This money is taken from local authorities who are deemed to have more funding (negative subsidy authorities) of which Hillingdon is one. Understandably the losers in particular put pressure on the Government to modify the formulae but this only resulted in different sets of gainers and losers for the following year.

### **National HRA Review**

In response to the criticism the CLG set up a review of HRA finances in 2008. This culminated in a paper from CLG which included technical details of debt settlement based on a Net Present Value calculation of future subsidy projections based on increased allowances. It also assumed rents would continue to be based on the Government's rent restructure policy with convergence of social housing rents during 2015/16. The offer set out the following principles:

- Government acknowledged underfunding especially for repairs and maintenance and major repairs, and
- Accepted that costs in London are higher

The new Coalition Government also took the view that the HRA system is inherently unfair and resolved to progress the reform of the HRA. The principles established in the earlier consultation were generally kept with the main difference being that a voluntary settlement was being considered by the last Government whilst the current settlement is being imposed by statute.

Government plans for bringing in the mandatory self-financing regime to replace the current HRA Subsidy system have been included in the Localism Bill which is currently going through parliament and expected to receive Royal Assent in November this year.

The self-financing implementation guidelines published by CLG confirm the broad parameters which will form the basis of the new system to replace the current HRA Subsidy regime. Instead of working out HRA subsidy on an annual basis and then enforcing this through an annual determination the current proposals will result in a long term self financing settlement that will put an end to the HRA subsidy regime.

The new settlement is based on the Government making assumptions about the income individual authorities will receive over the next 30 years under the rent restructuring regime. Assumptions have also been made about expenditure allowances for management, maintenance and major repairs and other costs that currently form part of the annual subsidy determination. For most councils, such a calculation produces a surplus and this, when discounted, effectively represents a buyout sum which will be converted to a debt figure. In this way, instead of paying an annual (negative) subsidy amount to the Government, Hillingdon will pay a lump sum by taking on a loan. The self-financing settlement is however, based on more generous expenditure allowances, which are not available if the current system is retained and as a consequence the settlement is more favourable than the current regime.

### **Self Financing implementation in Hillingdon**

Hillingdon's indicative position will significantly improve and a direct comparison with the subsidy system is shown in appendix 1. An extract from appendix 1 which has been updated by the 28<sup>th</sup> July Cabinet 2011 decision to invest in the Supported Housing Programme is set out in the table below.

	1	2	3	4	5
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
	Projection £(000)				
Subsidy Payable to Government	15,492	16,922	19,440	22,135	24,950
Interest on Additional Debt	9,466	9,335	9,197	9,052	8,898
<b>Surplus</b>	<b>6,027</b>	<b>7,587</b>	<b>10,243</b>	<b>13,083</b>	<b>16,052</b>
Principal	2,376	2,507	2,644	2,790	2,943
Cash Flow	3,651	5,081	7,599	10,294	13,109
Supported Housing Programme	511	600	688	268	267
<b>Net Cashflow</b>	<b>3,140</b>	<b>4,481</b>	<b>6,911</b>	<b>10,026</b>	<b>12,842</b>

The table shows an indicative 5 year projection that is based on a direct comparison with the current HRA based on the subsidy system but also includes the financial implications of the July 2011 Cabinet decision to approve the Supported Housing Programme.

A more detailed self financing projection needs to take account of a number of other factors. These include elements that are considered in the remainder of this report and include:

- treasury management issues including proposals for the repayment of existing as well as the new self-financing debt;
- allowances for mitigating future financial and operational risks and;
- strategic opportunities including plans for the management of the existing stock.

Appendix 2 sets out a 10 year projection that takes these into account these factors.

### **Treasury Management Strategy**

This will be dealt with as part of the budget report once the actual debt figure is known and will include risk management issues.

### **Key Issues and Risks**

Notwithstanding the potential increase in resources, there are significant risks that need to be addressed. These relate to future borrowing, Right to Buy (RTB) receipts regulations and future income stability.

#### *Future HRA Borrowing*

One of the key issues for the Treasury was the likelihood of an escalation in borrowing within the HRA as councils benefiting financially from the review proposals undertake new build capital projects. This would increase the Public Sector Borrowing Requirement (PSBR), which would have a corresponding adverse impact on the Government's macro economic policy. Consequently, CLG will not allow further borrowing in the near future. However, as indicated above the self-financing settlement will determine an additional borrowing requirement which will then be added to current subsidy borrowing requirement. As our actual current HRA borrowing is £40m lower than that assumed for subsidy purposes, our actual total debt level after the self-financing transaction has been carried out will be around £40m lower. This will, as a consequence, provide Hillingdon with a £40m headroom to borrow for investment purposes.

#### *RTB Receipts*

The Government intention, according to documents published to date, is to retain the present rules for RTB sales whereby 75% of any net receipts are passed to the Treasury. This is contentious as these receipts should be available to councils for recycling into affordable housing. By undertaking this action the Government will receive 75% of the receipts from the sales whilst the HRA will be left with a debt to repay but without any asset from which to generate income to service the debt. Under current RTB regulations this risk may be mitigated by relatively low number of RTB sales.

This position characterised by a low level of RTB sales could change significantly as a result of proposals for the RTB scheme which have recently been announced by the current government. The previous Government reduced the discount and this in turn reduced the take-up of the RTB scheme. The Government intends to bring in a more generous scheme and the money from council house sales would be invested into building new affordable homes. The level of the new right-to-buy discounts is not yet

known but will depend on the length of tenancy and a ceiling on the total amount. The details are expected soon but at this stage the likelihood is for RTB sales increasing leaving the HRA without any asset from which to generate income to service the debt that will still remain as the government want RTB receipts to be used for new affordable housing projects. The announcement from Government is that authorities will be allocated sufficient capital to pay off the debt for each property sold however this does not correlate with the intention to use receipts to build new affordable housing.

Such changes could have a significant impact on the likely 30 year revenue projections which underpins the HRA finance settlement. The current indicative settlement includes RTB forecast based on the 2010/11 out-turns. As indicated above these are likely to be underestimated so a fair settlement would have take account of revised forecasts of RTB sales. The impact of the discounts will also need to be gauged as it can affect the overall valuation of the HRA stock, which in turn has an impact on revenue items such as rent levels. As there would be a time lag between this policy and the new homes coming on stream, the likely impact of this change in policy will need to be assessed once the details are available.

London Councils are seeking clarification from officials and ministers and officers will continue to make representations to seek clarification of this and to try to ensure the potential impact of these changes are reflected in the final detail of the settlement.

#### *Loss of income*

A loss of income may arise from changes in Government policy in housing benefit and tenure regulations. Changes in housing benefit and rent policies would have an impact on the HRA as the income is dependent on rent policy and, as around 60% of our tenants are in receipt of housing benefit, any adverse policy change could have a material change on future resources. That is, there will be a shortfall in income if housing benefit for council tenants is capped below rent levels for HRA tenants. However, it should be noted that such changes could equally apply to the current HRA Subsidy regime.

The models in this report make due allowance for these additional risks as a result of these changes. In total it is recommended that these contingencies are increased from their current base:

- I. Increase in property risk contingency from £300k to £500k
- II. Increase void contingency by £526k rising to £600k
- III. Increase in bad debts provision by £531k rising to £600k

#### **Management of Risks**

In order to mitigate the impact of the risks detailed above, the following financial policies can be adopted:

- Adjustment of property risk contingency.
- Adjustment of void assumption resulting in a revision of rent income
- Increase in bad debts provision.
- Revise minimum balance strategy.

- Reduce the level of debt by paying off principle – as part of a Treasury Management strategy for the HRA
- Reduce the level of investment in the stock and services

### **The Strategic Challenge**

The settlement will increase resources for most councils. Taking all factors into account and based on the indicative settlement data provided by CLG, there is a need to draw up a long term plan covering 30 years to take advantage of the opportunity provided by the change in regime. The changes essentially mean that the council is now running a multi-million pound housing company funded through rents and other charges as opposed to a housing service funded through allowances and subsidy.

Providing we meet the technical timetable and the risks detailed above are adequately managed, a "steady state" response would result in the Council increasing HRA balances whilst maintaining current levels of investment and service. Such an option is not recommended as it would fail to take advantage of the strategic opportunities and would result in historic under funding of certain areas remaining. As this is now a housing business based on rental income, the overall business plan must focus on maintaining the rental income which relies on the underlying principle of maintaining the basic asset at a lettable standard.

The self-financing regime even with the HRA ring-fence regulations will continue to provide strategic opportunities to meet some key long-term challenges, including:

- supporting other General Fund areas especially by providing supported housing;
- meeting the maintenance needs of the existing stock that will remain over the long term.

### ***Supported Housing***

Supported housing provides the best strategic option for reducing current and future pressures within the adult social care area of the General Fund. Although the properties will have a significant financial benefit for the General Fund within the adult social care area, the development proposals included in this report will be carried out within the HRA. The proposed schemes will be mainly financed from borrowing which will be paid from rental streams over a 40 year period. Such a proposal to develop and provide supported housing from the HRA will provide alternative accommodation instead of more expensive residential care within the social care area. This will have a significant impact in delivering MTFF savings as well as helping to reduce future pressures on the General Fund.

Such a strategy will meet both preventative objectives and, as stated above meet current savings objectives too. Further detailed appraisals will quantify the savings, however as an illustration net savings are likely to be around £13k per annum per placement for older people and £19k per annum per placement for people with learning disability. So for example a 20 flat extra care housing development for people with learning disabilities would yield £380k savings per annum with an improved quality of life for each individual supported in their own flat rather than being in a care home placement.

The impact on the HRA will depend on factors such as the availability of land and the rent policy that is adopted. These two factors will determine whether the HRA would have to absorb some costs to facilitate the development of supported housing. On the basis of work carried out for the April 2011 Cabinet report, the HRA would incur some costs if social rents, in line with those charged under the rent restructuring formula for existing council dwellings. However, if intermediate rents were charged then the schemes would essentially be self-financing. The Council is currently in the process of finishing two strategic builds namely Triscott House and Ickenham Park to provide 47 and 48 units of supported accommodation respectively which will support the adult social care MTFF strategy.

In addition to making a contribution to the key challenges set out above the council could choose to fund and build units to support the adult social care agenda and it is intended that if approved these proposals will be brought to Members as part of the MTFF cycle for 2012-13 to 2014-15.

### ***Maintenance of existing stock***

As noted above, the spending plans in the area of dwelling stock maintenance have been constrained by the budget available under the current HRA finance regime. The indicative amounts for future years set out in the annual rent setting report represent the minimum required to keep the stock lettable. However, this minimum level does not allow sufficient investment in the stock to fully meet needs.

The self-financing regime will explicitly increase management and maintenance as well as the major repairs allowances in recognition of national level of under funding for these key aspects of the Council housing. There is an expectation from Government that establishing a sustainable maintenance plan, as part of a wider asset management strategy, will be a core element of the long term business plan. Five key asset management challenges have been identified for the stock which must be address as part of the 30 year business plan and indicative amounts for each of the key challenges have been included in Appendix 2 lines 33 to 37. These amounts are only indicative and final proposals for expenditure would be included within budget setting reports to Cabinet in February 2012.

The first key challenge is to ensure property compliance and meet all applicable statutory requirements that provide for the health and safety of the occupants in their homes such as gas, electrical and fire safety. The essential elements of this work are currently being delivered, but there is the need for additional funds to achieve full compliance.

The second key challenge is maintaining the decent homes standard. The decent homes standard was achieved by the end of March 2008. However, a number of properties were not completed due to tenant refusal. On top of this all the properties that had elements that were not old enough to be considered non-decent will need to be checked every year subsequent to 2010 to ensure that they remain decent.

The third key challenge is how to best use the existing stock to facilitate the care and support model that the department has adopted – supporting independence and avoiding the creation of dependency relationships – by helping to meet the need for supported

housing. A longer term solution to interim bed requirements is also being developed and may include the remodelling or redevelopment of the Council's assets such as sheltered housing units. There remains a continuing need to adapt properties to meet the needs of tenants and others in their households with disabilities. There are other works required and desired that go beyond maintenance of the existing stock fabric. In the main these are the development of new housing to meet need, which remains a priority for the council, and the requirement to re-model or change existing stock, such as bedsits, to make them acceptable and lettable.

The fourth key challenge is the energy efficiency of the housing stock. Tenants in fuel poverty should have affordable warmth, and we need to respond to the need to make council housing stock more energy efficient to reduce energy use and reduce carbon dioxide emissions. The approach will continue to be to improve the basic measures, adopting a fabric first approach – getting the fabric of the properties as efficient as possible as well as going down the route of 'engineering' solutions such as photovoltaic panels or ground source heat pumps where the opportunities arise. This challenge demands more resource if these objectives are to be achieved.

The fifth key challenge is to tackle the issues facing many of the estates - a decent home in a decent place. The parts of the estate that we manage that make the environment a more pleasant place to live are essential to the wellbeing of the residents and the community. Funding restrictions mean that for the moment, estate improvements are under funded and delivered in a targeted manner. There is now an opportunity to pilot an approach on estates that aims to improve the environment through investment in better lighting, fencing and security, brightening up the internal shared spaces, improving signage, repairing or removing sheds and garage blocks, tackling parking issues, remodelling drying areas, planting or landscaping the outside spaces, repair and redecoration.

### **Timetable**

Self-financing is being introduced as part of the Localism Bill which is currently progressing through Parliament. This will allow the Secretary of State to dismantle the current HRA subsidy system and replace it with self-financing. As the bill progressed through Parliament a technical exercise to determine the settlement for each authority has been carried out by the CLG and is nearing completion. The broad timetable to enable implementation of the self-financing regime in April 2012 is set out in the table below.

<b>Milestone</b>	<b>Activity / Task</b>
Nov 2011	Royal Assent for Localism Bill
Dec 2011	Draft Self Financing Determination
Jan 2012	Final Determination Published
28 March 2012	Debt transactions with DCLG

A draft self-financing determination is to be published in November. This will need to be thoroughly reviewed as soon as possible but no later than the end of December. An

appropriate response then needs to be sent to CLG by the deadline that will be notified to us in November but which is likely to be around mid-December.

## **4. EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES**

### **What will be the effect of the recommendation?**

The impact of the proposals from Government have the potential to provide additional resources within the HRA for investment in the council housing stock for the benefit of the tenants and residents. As detailed in this report, a further report will be provided to Cabinet once the final determinations have been received from Government.

### **Consultation carried out or required**

Further consultation will be carried out as required with tenants and residents once the final outcomes are confirmed.

## **5. CORPORATE IMPLICATIONS**

### **Corporate Finance**

This report is a joint report between Housing and Corporate Finance. As such Corporate Finance is satisfied that the financial implications are as set out in the body of the report. However, the final implications will not be known until the settlement is announced in December 11 and the final treasury management strategy for taking on the debt is also finalised. Both these will be reported to Cabinet as part of the budget setting process for 2012/13.

### **Legal**

The operation of the Housing Revenue Account ["HRA"] for local housing authorities has to date been governed by the Local Government and Housing Act 1989.

The Coalition Government decided to replace the current HRA system and therefore in February 2011 it published a paper, 'Implementing self-financing for Council Housing' which set out the rationale, methodology and financial parameters for the introduction of HRA self-financing in England and it confirmed that the new system will commence in April 2012.

The Government's proposals for reform are set out in Part 6, Chapter 3 of the Localism Bill. This report sets out how the new system will work in practice in Hillingdon and it fully accords with the provisions of the Localism Bill.

### **Corporate Landlord**

The Corporate Landlord is in support of the recommendations within this report.

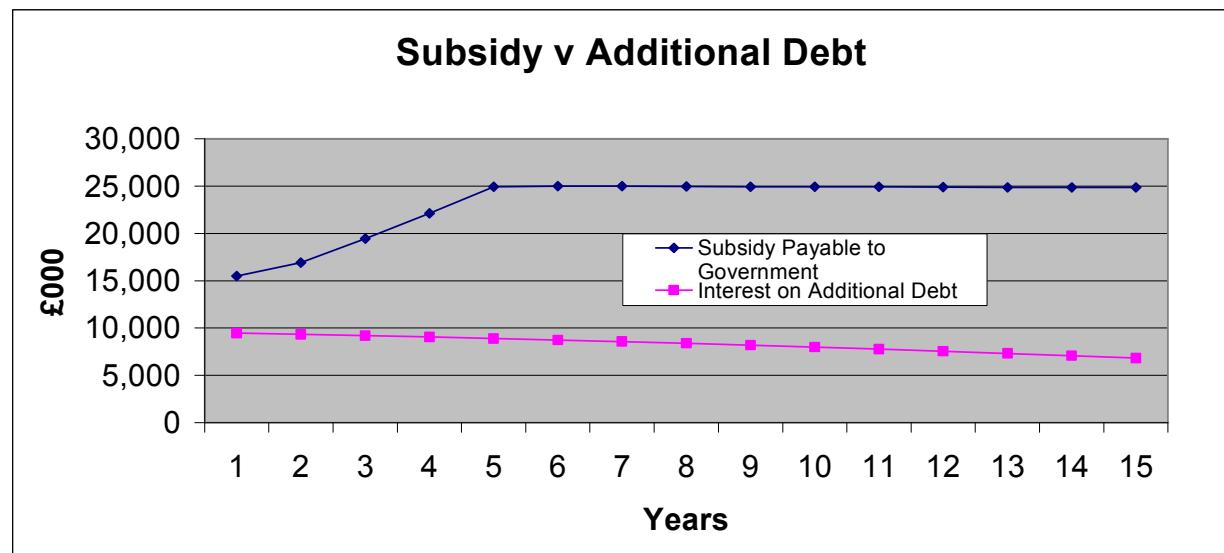
## **6. BACKGROUND PAPERS**

Finance papers held within Corporate Finance.

## Appendix 1

### Subsidy v. Additional Interest on Debt 15 Year Projection

Input Data				Notes											
Additional Debt @ 6.5% NPV				£172,100 K											
Interest Rate				5.50%											
Number of Years for Repayment				30											
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	
Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	Projection £(000)	
Subsidy Payable to Government	15,492	16,922	19,440	22,135	24,950	25,011	24,990	24,968	24,958	24,940	24,922	24,904	24,886	24,868	24,850
Interest on Additional Debt	9,466	9,335	9,197	9,052	8,898	8,736	8,565	8,385	8,195	7,995	7,783	7,560	7,324	7,076	6,814
<b>Surplus</b>	<b>6,027</b>	<b>7,587</b>	<b>10,243</b>	<b>13,083</b>	<b>16,052</b>	<b>16,275</b>	<b>16,425</b>	<b>16,583</b>	<b>16,763</b>	<b>16,945</b>	<b>17,139</b>	<b>17,344</b>	<b>17,562</b>	<b>17,792</b>	<b>18,036</b>
Principal	2,376	2,507	2,644	2,790	2,943	3,105	3,276	3,456	3,646	3,847	4,058	4,282	4,517	4,766	5,028
Cash Flow	3,651	5,081	7,599	10,294	13,109	13,170	13,149	13,127	13,117	13,099	13,081	13,063	13,045	13,027	13,009



## Appendix 2

## Self-financing 10 year projection (5.5% interest rate)

With Existing Rents & New Build (HRA Pipeline Programme)																					
Last Year	Line Ref	HRA 10 Year Projection	Year 1		Year 2		Year 3		Year 4		Year 5		Year 6		Year 7		Year 8		Year 9		
			2010/11	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	LATEST PRJCTN	LATEST PRJCTN	LATEST PRJCTN	LATEST PRJCTN	LATEST PRJCTN	LATEST PRJCTN	LATEST PRJCTN	
		<b>Outturn</b>																			
8,597	1	General Services		9,973	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773		
6,330	2	Special Services		6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687		
11,175	3	Repairs Services - Responsive		11,403	11,403	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048		
	4	Repairs Services - Major		9,185	8,700	8,700	8,165	8,350	8,350	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950		
0	5	NEW BUILD (Management and Maintenance cost)		96	96	97	98	99	100	101	102	102	102	102	102	102	102	102	102		
<b>26,102</b>	<b>6</b>	<b>HRA OPERATIONS</b>		<b>37,344</b>	<b>36,660</b>	<b>36,305</b>	<b>35,771</b>	<b>35,957</b>	<b>35,958</b>	<b>35,559</b>	<b>35,560</b>	<b>35,560</b>	<b>35,560</b>	<b>35,560</b>	<b>35,560</b>	<b>35,560</b>	<b>35,560</b>	<b>35,560</b>	<b>35,560</b>		
11,319	7	Subsidy Payment to Government		15,492	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
8,647	8	Capital Charges		2,538	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
		<b>Change to Financing Arrangements</b>																			
	9	Interest on existing Loans			3,520	3,471	3,420	3,366	3,309	3,249	3,185	3,118	3,048								
	10	Interest on Allocated Debt			9,466	9,335	9,197	9,052	8,898	8,736	8,565	8,385	8,195								
	11	Principal repayment existing Loans			884	932	983	1,037	1,095	1,155	1,218	1,285	1,356								
	12	Principal repayment Allocated Debt			2,376	2,507	2,644	2,790	2,943	3,105	3,276	3,456	3,646								
	13	Incremental Debt Premium + Debt																			
<b>19,966</b>	<b>14</b>	<b>Management Expenses</b>			263	255	248	242	236	230	226	221	188								
		<b>Sub Total - Financing</b>			<b>18,030</b>	<b>16,509</b>	<b>16,500</b>	<b>16,492</b>	<b>16,487</b>	<b>16,481</b>	<b>16,475</b>	<b>16,470</b>	<b>16,465</b>	<b>16,433</b>							
2,626	15	Capital Funded From Revenue (RCCO)		2,365	2,150	2,150	2,235	2,050	2,050	2,050	2,050	2,050	2,050	2,050							
	16	Current Bad Debt Expense		300	300	300	300	300	300	300	300	300	300	300							
1,030	17	Additional Bad Debt Expense			531	552	575	599	599	599	599	599	599	599							
	18	Other Expenditure		710	260	260	260	260	260	260	260	260	260	260							
	19	Property Risk Contingency		300	500	500	500	500	500	500	500	500	500	500							
<b>49,724</b>	<b>20</b>	<b>TOTAL EXPENDITURE</b>			<b>59,049</b>	<b>56,910</b>	<b>56,568</b>	<b>56,134</b>	<b>56,153</b>	<b>56,148</b>	<b>55,744</b>	<b>55,739</b>	<b>55,734</b>	<b>55,702</b>							
(48,126)	21	Dwelling Income		(50,850)	(53,104)	(55,239)	(57,515)	(59,884)	(59,884)	(59,884)	(59,884)	(59,884)	(59,884)	(59,884)							
(6,981)	22	Other Income		(6,124)	(5,480)	(5,480)	(5,480)	(5,480)	(5,480)	(5,480)	(5,480)	(5,480)	(5,480)	(5,480)							
<b>(55,107)</b>	<b>24</b>	<b>TOTAL INCOME</b>			<b>(56,974)</b>	<b>(58,058)</b>	<b>(60,172)</b>	<b>(62,425)</b>	<b>(64,771)</b>	<b>(64,771)</b>	<b>(64,771)</b>	<b>(64,771)</b>	<b>(64,771)</b>	<b>(64,771)</b>							
(5,383)	25	In-Year (Surplus) / Deficit			<b>2,076</b>	<b>(1,148)</b>	<b>(3,603)</b>	<b>(6,291)</b>	<b>(8,618)</b>	<b>(8,623)</b>	<b>(9,028)</b>	<b>(9,032)</b>	<b>(9,037)</b>	<b>(9,069)</b>							
(6,045)	26	LBH HRA cash reserve B/fwrd			(12,983)	(10,846)	(11,994)	(15,598)	(21,889)	(30,507)	(39,131)	(48,158)	(57,191)	(66,228)							
(1,494)	27	Ex HH Ltd cash reserves																			
(61)	28	Earmarked Reserve				61															
<b>(12,983)</b>	<b>29</b>	<b>Total HRA CASH reserves Bal C/fwrd</b>				<b>(10,846)</b>	<b>(11,994)</b>	<b>(15,598)</b>	<b>(21,889)</b>	<b>(30,507)</b>	<b>(39,131)</b>	<b>(48,158)</b>	<b>(57,191)</b>	<b>(66,228)</b>	<b>(75,297)</b>						
		<i>Supported Housing (Approved by 28 July 2011 Cabinet)</i>																			
30		New Supported Housing (Principal Repayment)		0	60	123	190	201	212	223	236	249	262								
31		New Supported Housing (Net Expenditure)		0	451	477	498	67	55	44	99	153	206								
32		<b>Supported Housing Sub Total</b>		0	<b>511</b>	<b>600</b>	<b>688</b>	<b>268</b>	<b>267</b>	<b>267</b>	<b>335</b>	<b>402</b>	<b>468</b>								
		<i>Proposed Key challenge expenditure</i>																			
33		Property Compliance		95	206	2,867	2,166	1,996	1,401	801	49	201	201								
34		Maintaining Decent Homes		39	1,009	1,058	1,135	685	635	550	550	550	550								
35		Existing Supported Housing Maintenance			750	1,025	1,025	1,125	1,125	1,120	1,070	1,070	1,070								
36		Energy Efficiency			0	1,103	1,113	1,113	1,113	1,113	1,113	1,113	1,113								
37		Decent Home in a Decent Place		105	0	935	910	760	760	760	760	760	760								
0	38	<b>Key challenge Sub Total</b>		239	<b>1,965</b>	<b>6,988</b>	<b>6,349</b>	<b>5,679</b>	<b>5,034</b>	<b>4,344</b>	<b>3,542</b>	<b>3,694</b>	<b>3,694</b>								
		<b>Total</b>		239	2,476	7,588	7,037	5,947	5,301	4,611	3,877	4,096	4,162								
(12,983)	39	<i>HRA Balance c/fwrd if New Supported Housing and Key Challenges approved</i>			(10,607)	(9,518)	(5,534)	(4,788)	(7,459)	(10,782)	(15,198)	(20,354)	(25,295)	(30,202)							