

# HOUSING REVENUE ACCOUNT (HRA) RENT SETTING 2011-2012

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<b>Cabinet Portfolio</b>	Social Services, Health and Housing
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<b>Papers with report</b>	Appendices 1, 2 & 3

## HEADLINE INFORMATION

<b>Purpose of report</b>	This report largely centres on recommended HRA rents and charges as well as the HRA budget for 2011/12.
<b>Contribution to our plans and strategies</b>	HRA resource priorities are aligned with, and enable the Council, to deliver its strategic housing objectives set out in the Housing Strategy and other housing services strategies such as the Homelessness strategy
<b>Financial Cost</b>	The proposals centre on the application of specific, ring-fenced HRA resources, which are contained within the overall HRA Fund. There is no direct impact on the Council's General Fund, however the HRA supports the Council's General Fund housing activities.
<b>Relevant Policy Overview Committee</b>	Social Services, Health and Housing
<b>Ward(s) affected</b>	All

## RECOMMENDATIONS

That Cabinet approve for recommendation to Council:

1. To use formula rents under the DCLG rent restructure policy to calculate HRA dwelling rents for 2011/2012.
2. To agree the average HRA rents, charges and allowances for 2011/12 as set out in Tables A to D of this report.
3. To agree the HRA Budget for 2011/12 as set out in Appendix 1 of this report.

## **INFORMATION**

### **Reasons for recommendation**

1. The purpose of this report is to seek Cabinet approval for the proposed Housing Revenue Account (HRA) rents, service charges and allowances for 2011/2012. Under current legislation, income from council tenants for rents and service charges must be separately shown in the Housing Revenue Account. Under Department for Communities and Local Government's (DCLG) general guidelines these charges must be reviewed regularly to ensure that the HRA does not go into deficit.

### **Alternative options considered**

2. Cabinet could amend or add to the proposals in respect of charges, but such amendments or additions must ensure that service charges levied cover the cost of providing services. Proposals in Table A to D reflect such costs;
3. To set rents higher or lower than those proposed in line with the Government rents restructuring policy. In both cases there would be a detrimental effect to the HRA. Setting rents higher would result in increased negative subsidy payable to the Government, with disproportionate increase in income generated. This effectively means we are charging higher rents to pass on to the Government. Setting rent lower would result in less income with the same amount of negative subsidy payable to the Government. Neither option can be recommended.

### **Comments of Policy Overview Committee**

4. None at this stage.

### **Supporting Information**

#### **A. Summary**

5. In accordance with the DCLG subsidy Determination, an average rent increase of £5.26 or 5.84% will increase the current average weekly rent for 2010/11 of £89.98 to £95.24 for 2011/12 for Hillingdon Council dwellings. This average rent has been calculated in line with the rent restructuring formula provided by DCLG.
6. Subsidy payable to the government is a key element within the HRA. The impact of the 2011/12 HRA Subsidy Determination issued by DCLG has had a broadly neutral impact on Hillingdon. The main reason for this is that management, maintenance and the major repairs allowances that form part of the subsidy settlement have been relatively favourable for Hillingdon as outlined in section E.
7. Normally the Determination is a key document and a detailed analysis also provides a pointer to future year resources. However the 2011/12 Subsidy Determination has been issued with the reform of HRA finances including the abolition of the Subsidy system in the background. The 2011/12 Subsidy Determination is likely to be the last one and needs to be viewed in a short term horizon. The new self-financing review could have a significant impact on resources available from 2012/13 onwards. It is worth noting that without the self-financing reform Hillingdon negative subsidy payment under the current system is projected to increase from £15.66m in 2011/12 to £25m in 2015/16 an increase of 60% in 4 years.

8. The current year monitoring is showing favourable variances and as a consequence, balances are expected to increase to £10.55m. The main reasons for the variances include:
- The closure of Hillingdon Homes has made available the former company's working balances of £1m.
  - There are lower charges for capital as a result of low interest rates.
  - There is some rephasing of works to the stock due to a need to retender the contracts. As this involves essential works the funding will need to be carried forward into the next year.
9. The proposed 2011/12 HRA budget includes the impact of increased notional subsidy guideline rent and the DCLG decision for 'first and second round' ALMOs to have their Decent Homes ALMO Allowance converted to debt for subsidy purposes. This will attract interest relief within the subsidy system and the corresponding financial benefit from decent homes funding will be spread over the long term. These will increase negative subsidy by £4.6m, but will be partially offset by rent increases of £2.9m. In addition, as noted in the previous paragraph the proposed budget allows for the spend on essential work to the stock that has been rephased into 2011/12. The various changes will result in a reduction of £2.1m in balances.
10. As indicated above, on the basis of current information, the HRA Balances are expected to decrease by £2.3m in 2011/12 and will continue to reduce thereafter. If the subsidy system continues beyond the next year or two then substantial savings would need to be found impacting on the overall service offered to tenants as well as maintenance of the dwelling stock. However, as the HRA Review is expected to have a significant impact on the future financing of the council housing operation, the longer term projection of the HRA resources for Hillingdon contained in this report are only indicative. In common with other authorities, a more thorough analysis of future revenue and capital spending requirements will be needed during 2011 when financial details for Hillingdon are announced as part of the new self-financing HRA regime.

## B. Background

11. This report sets out the recommended rent increase, the proposals for the increases of the other HRA charges and setting of budgets for expenditure. It also provides further details of the proposals for the 2011/12 HRA Capital Programme that are covered in the General Fund report elsewhere on the Agenda.
12. The purpose of this report is three fold, to:
- (i) provide Cabinet with proposals for HRA rents, fees and charges for 2011/12;
  - (ii) update Cabinet with the latest HRA income and expenditure projections for the current financial year 2010/11; and
  - (iii) provide Cabinet with the proposed HRA budget for 2011/12 for approval within the context of the budget process for 2011/12.
13. Local housing authorities are required to carry out a periodic review of rents for dwellings and charges for services and facilities provided to council tenants in connection with the provision of dwellings owned by the Council and accounted for within the HRA. The costs of providing accommodation and tenancy services to council tenants are charged to the

HRA. These costs are recharged to tenants by levying rents and service charges. There is a general directive from the DCLG that these charges are reviewed annually.

14. In preparing the HRA budget a local authority is required to estimate as accurately as possible the total level of income needed from rents and charges to fund planned expenditure. Statutory provisions prevent the HRA from planning for an overall account deficit (income less expenditure plus balances and provisions). The total income from rents and charges depends on a number of factors including:
    - the Government's rent restructure formula and guidelines;
    - the size and composition of the HRA stock of dwellings;
    - the level of voids;
    - income from commercial properties (e.g. shops owned by the HRA, way leaves);
    - ground rents;
    - provision for bad and doubtful debts from arrears;
    - provisions for future liabilities;
  15. The legislative provisions for charging rents and levying charges for services and facilities in the HRA are provided by Part 1 of Schedule 4 of the Local Government and Housing Act 1989.
  16. Key strategic objectives for the Housing Revenue Account (HRA) are:
    - to secure the best use of resources,
    - build on increasing tenants satisfaction, and
    - support the delivery of the Council's strategic objectives.
  17. The HRA is a ring-fenced account. The objective is to get the best service from the effective use of the whole HRA resource. In this context the expectation is that savings and efficiency gains would be reinvested HRA stock and services including wider affordable housing. Therefore our main financial objective is to deliver efficiency gains, and use funds released by such efficiencies to improve services, provide additional stock investment and take advantage of wider affordable housing opportunities.
  18. The budget proposals for the HRA have been compiled through a process involving:
    - a detailed review of the costs of providing the current level of housing services;
    - review of forecasted outturn for 2010/11 to project year-end balances to be carried forward to 2011/12
  19. Key areas of interest for Council tenants and HRA service users within this report are:
    - HRA dwelling rents for 2011/12, calculated using the Government's rents restructure formula;
    - the level of HRA funding available for investment in stock and service provision to tenants;
    - percentage increase for non-dwelling rents and charges for 2011/12.
  20. As in previous years, precise calculations for HRA rents, fees, charges and budget proposals can only be carried out after release of the relevant HRA subsidy determinations. The DCLG issued the HRA subsidy draft determination for 2011/12 on 5th November 2010 and the final determination was released on 10<sup>th</sup> January 2011. 2011.
  21. In accordance with requirements under the Housing Act 1985, tenants must be given 28 days notice of changes in their rents once set by Council in February 2011. Notices will
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be issued at the end of February 2011. This will ensure that tenants have four weeks notice of rent increases to come into force on Monday 4<sup>th</sup> April 2011, which is the first complete rent week in the new financial year.

## C. Rents and Charges

### *HRA Rent Setting Framework*

22. The HRA account framework is regulated by the DCLG. Dwelling rents are calculated using the formula rent in line with the DCLG national rent restructure programme. The rent restructure programme was introduced in 2002/2003.

### *Rent Restructure*

23. In 2011/2012 council dwelling rents are expected to increase nationally by 6.8%. The Hillingdon dwelling rents proposal recommends an average increase of 5.84%. This average is based on property specific calculations using the rent restructuring formula provided by DCLG. The slightly lower percentage increase is due to Hillingdon rents getting close to the nationally determined target rents. It is worth noting that the application of the formula at individual property level varies around this average according to property size and the market value of each property, as valued in January 1999. The maximum increase for any property in Hillingdon will be 6%.

24. The 2011/12 HRA Subsidy Determination assumes an increase of this magnitude. Consequently, in order to minimise HRA subsidy losses in the HRA, it is recommended that rents be increased by an average of 5.84%. Table A below provides the estimated average rents for HRA dwellings.

Table A: HRA Dwelling Rents

TABLE A:		PREVIOUS YEAR	PREVIOUS YEAR	CURRENT YEAR	NEXT YEAR PROPOSED:- WITH NEW BUILD - PART YEAR EFFECT	
HRA DWELLING RENTS		2008/09 RENT	2009/10 RENT	2010/11 RENT	2011/12 RENT	2011/12 RENT
		ACTUAL RENT pw	ACTUAL RENT pw	RENT RESTRUCTURE pw	RENT RESTRUCTURE pw	% Increase
	<b>HRA COUNCIL DWELLING RENTS (AVERAGE)</b>	<b>£86.09</b>	<b>£88.70</b>	<b>£89.98</b>	<b>£95.24</b>	<b>5.84%</b>
a.	Flats/Maisonettes 1 bed	£70.48	£72.69	£73.37	£77.70	5.90%
b.	Flats/Maisonettes 2 beds	£79.75	£82.05	£83.32	£88.29	5.97%
c.	Flats/Maisonettes 3+ beds	£92.59	£95.43	£96.39	£102.00	5.82%
d.	Houses/Bungalows 1 bed	£79.53	£81.96	£82.77	£87.58	5.82%
e.	Houses/Bungalows 2 beds	£92.32	£95.15	£96.31	£101.94	5.85%
f.	Houses/Bungalows 3 beds	£104.81	£108.02	£109.12	£115.48	5.83%
g.	Houses/Bungalows 4+ beds	£112.22	£115.65	£118.44	£125.37	5.85%

25. Without these increases balances would fall by around £2.9m.

26. Included in the rent restructuring calculation for rents set out in the table is an inflation factor prescribed by the DCLG. The national average increase of 6.8% includes other

elements of the rent restructuring formula including an element to convergence of social housing rents. This will result in an average increase of 5.84% for HRA tenants within the Borough.

### Non Dwelling Rents

27. HRA non-dwelling rents cover garages, hard standings, carports, shops and commercial premises. This report deals with garages, hard standings and carports. Shops and commercial premises are managed as part of the Council's Corporate Landlord.
28. Garage, hard standing and carport rents are not covered by rent restructuring. Historically, we have always increased non-dwelling rents by the same base percentage used to increase dwelling rent each year. For 2011/2012, officers are recommending a 5.1% percentage increase to the existing average charges listed in Table B below.

Table B: HRA Non-Dwelling Rents

<b>Table B</b>		<b>PREVIOUS YEAR</b>	<b>CURRENT YEAR</b>	<b>NEXT YEAR PROPOSED</b>	
	<b>HRA NON DWELLING RENTS</b>	<b>2009/10 AVERAGE WEEKLY CHARGES</b>	<b>2010/11 AVERAGE WEEKLY CHARGES</b>	<b>2011/12 WEEKLY CHARGES</b>	<b>% Increase</b>
<b>a.</b>	<b>Garages</b>	<b>£9.80</b>	<b>£9.80</b>	<b>£10.30</b>	<b>5.1%</b>
<b>b.</b>	<b>Car Ports</b>	<b>£5.60</b>	<b>£5.60</b>	<b>£5.89</b>	<b>5.1%</b>
<b>c.</b>	<b>Hard Standings / Parking Spaces</b>	<b>£3.80</b>	<b>£3.80</b>	<b>£3.99</b>	<b>5.1%</b>

### D. Service Charges and Allowances

29. The HRA subsidy arrangements allow a limited category of costs to cover general management and maintenance costs (M&M Allowance) and are included in base dwelling rents. These M&M allowances do not cover certain services provided to tenants such as caretaking, cleaning, grounds maintenance, CCTV cameras etc. Government expectations are that these costs are identified and de-pooled from the general level of rents and charged for separately. Local authorities can recover the actual cost of the relevant service, and only tenants receiving the service (either individually or as a group) within similar types of properties, can be charged the appropriate amount.
30. In order to fully comply with DCLG rents restructure and service charge de-pooling policies the following de-pooling strategy was adopted in February 2006: -
- In 2006/2007 grounds maintenance costs were de-pooled from rents;
  - For 2007/2008 de-pool other miscellaneous charges (e.g. CCTV)
  - In 2008/2009 de-pool caretaking and cleaning costs from rent charges.
31. The policy has been implemented and a review of de-pooled service charges will be carried out every year to ensure there is a reasonable balance between cost of de-pooled services and income collected.
32. In previous years the Council's policy has been to increase existing service charges and allowances by inflation plus a nominal rate to support actual cost of service provision. Officers are recommending changes listed in Table C to Table D below for 2011/12. The base inflation rate used in calculating HRA rent increase for 2010/11 is 5.1%. We are recommending that service charges go up by this rate; except for energy supplies where

the policy is to recover costs so that in some cases charges can be reduced to reflect efficiencies or reductions in costs.

33. The weekly charge for using the Careline community alarm system for private tenants is included within the Budget MTF report elsewhere on this agenda. The charge to council tenants was originally set to equal the ringfenced Supporting People grant for careline users which for 2010/11 is £1.33 per wk. The government have now removed the Supporting People ringfence and as a result it is recommended that this charge is now set to be the same as private tenants (£1.13p per week). For approx 90% of tenants this make no difference as their careline charge is covered by Supporting People.

Table C i: Ancillary charges

	ANCILLARY CHARGES	CURRENT YR	Proposed Change		ESTIMATE
		2010/11 CHARGES & ALLOWANCE	%	£	2011/12 CHARGES & ALLOWANCE
a.	Careline Council Tenants	£5.76 monthly (£1.33 pw)	-15%	-£0.85 (0.20 pw)	£4.91 monthly (1.13 pw)
b.	Grounds Maintenance Cost of cutting grass, weeding and general open space management within the HRA.	£1.09 - £3.26	5.10%	£0.06 - £0.17	£1.15 - £3.43
c.	CCTV Cost of maintaining CCTV cameras on HRA estates	£0.55 wk	5.10%	£0.03	£0.58 wk
d.	Door Entry Cost of managing and maintaining door entry systems on HRA estates	£0.21 wk	5.10%	£0.01	£0.22 wk
e.	Window Cleaning Window cleaning for shelter schemes	n/a	New Charge	n/a	£0.25 wk

34. As stated above the policy for energy related charges is to recover costs. HRA energy contracts are managed within the LBH LASER energy procurement contract and this contract is allowing us to procure energy at an average of 20% below market prices. Taking this into account, the cost of energy for the HRA has gone up by between 16% and 20% in 2010/11, this is below the average national increase in energy prices of 36% to Dec 2010. Estimated charges are shown in Table C (ii) below: actual energy charges are however, also dependent on energy usage.

Table C (ii): Heating and Energy Charges

Energy Charges	2010/11	2011/12		
	Current Weekly Charge	Increase / (reduction) %	Increase / (reduction) £	Estimated Charge
Communal Electric (Cost of providing communal and street lighting on estates)	0.94	21%	0.20	1.14
Sheltered Heating - Communal Element (supply to communal arrears)	£2.39 to £3.20	Recovery of Cost	Recovery of Cost	£2.63
Sheltered Heating - Property Element (supply to dwellings)	£3.58	Recovery of Cost	Recovery of Cost	£4.12 to £9.10
District Heating	£3.54 to £14.43	Recovery of Cost	Recovery of Cost	£4.07 to £11.82

35. Table C(iii) below lists all allowances paid in the HRA for redecoration and home release payments. We are recommending that these allowances are frozen at the current rate.

Table C(iii): Allowances

		CURRENT YR		ESTIMATE
	ALLOWANCES	2010/11 CHARGES & ALLOWANCE	Proposed Change	2011/12 CHARGES & ALLOWANCE
1	REDECORATION ALLOWANCES		%	
a.	Living Room	£105.00	No Change	£105.00
b.	Dinner/Kitchen	£150.00	No Change	£150.00
c.	Staircase	£105.00	No Change	£105.00
d.	Landing/Hallway	£50.00	No Change	£50.00
e.	Double Bedroom	£105.00	No Change	£105.00
f.	Single Bedroom	£75.00	No Change	£75.00
g.	Bathroom	£75.00	No Change	£75.00
h.	WC	£30.00	No Change	£30.00
i.	Dining Recess	£25.00	No Change	£25.00
j.	Working Kitchen	£105.00	No Change	£105.00
k.	Sweeping Flue	£5.00	No Change	£5.00
l.	Two Room Allowance	£260.00	No Change	£260.00
2	OTHER ALLOWANCES			
a.	Home Release Reward - Reduction by 1 Bed	£750.00	No Change	£750.00
b.	Home Release Reward - Reduction by 2 Bed	£1,000.00	No Change	£1,000.00
c.	Home Release Reward - Reduction by more than 2 Beds	£1,250.00	No Change	£1,250.00
d.	Statutory Home Loss	£4,700.00	Set by DCLG	£4,700.00

36. Table D below is the list of caretaking charges. We have reviewed caretaking costs and as a result of efficiencies and cost reduction activities we are able to maintain costs at the current level. We are not recommending an increase for the majority of the charges with the exception of double bin collections, where charges is going up and we are recommending a inflationary increase of 5.1%.

Table D: Caretaking Charges

	PREVIOUS YEAR 2008/09 CHARGES & ALLOWANCE wk	PREVIOUS YEAR 2009/010 CHARGES & ALLOWANCE wk	CURRENT YEAR 2010/11 CHARGES & ALLOWANCE wk	NEXT YEAR PROPOSED		2011/12 CHARGES & ALLOWANCE wk
				Increase/ (Decrease)		
Caretaking Band				%	£	
A	£10.00	£10.00	£10.00	No change		£10.00
B	£6.50	£6.50	£6.50	No change		£6.50
C	£4.50	£4.50	£4.50	No change		£4.50
D	£3.50	£3.50	£3.50	No change		£3.50
E	£2.50	£2.50	£2.50	No change		£2.50
F	£1.50	£1.50	£1.50	No change		£1.50
Sheltered Housing	£5.00	£5.00	£5.00	No change		£5.00
Queens Lodge	£6.30	£6.30	£6.30	No change		£6.30
Additional Refuse Collection	£1.75	£1.75	£1.75	5.1%	£0.09	£1.84



## E. Impact of the 2011/2012 HRA Subsidy Determination on Hillingdon

### *National 2011/12 Subsidy Determination Headlines*

37. For 2011/12 the HRA budget setting process will continue to be largely dependent upon the HRA Subsidy Determination which is the responsibility of DLGG. The draft Determination includes the parameters for the calculation of subsidy including management, maintenance and major repairs allowances. Since the introduction of rent restructuring in 2002, the Determination effectively has also provided government direction for individual council rents.
38. The Final HRA Determination for 2011/12 was issued on 10<sup>th</sup> January 2011. An analysis of the Determination proposals indicates that average rents in Hillingdon will need to increase by 5.9% so that the current average rent of £89.98 per week will increase by £5.26 to £95.24 per week. However, from 2011/12 Hillingdon as all 'first and second round' ALMOs will have their Decent Homes ALMO Allowance converted to debt for subsidy purposes which will attract interest relief within the subsidy system and the corresponding financial benefit from decent homes funding will be spread over the long term.
39. These figures have been calculated from *draft* Determination, the *final* Determination was issued on the 10th January 2011. As in recent years the change between the draft and final Determinations has not been significant. The main reason for this is that over the last three years DCLG has kept stable the broad parameters for the subsidy system to reduce volatility from year to year pending the HRA Review. The outcome of this review should mean that this is the last year for the HRA subsidy system as the government has planned to replace this with self-financing from April 2012 subject to parliamentary approval of the Localism Bill.
40. Self-financing will then be implemented through a mandatory one-off settlement payment between each local authority and central government, which will be determined by a valuation of each local authority's social housing business. These valuations will take account of income and expenditure needs over 30 years and the level of housing debt. DCLG are planning to publish a policy document in January 2011 detailing the methodology behind the settlement. It will also include a model with updated data that will enable local authorities to calculate the likely impact for them of the self-financing deal. Such a model along with data was published as part of the consultation document '*Council housing: a real future*' in April 2010. The indicative figures for Hillingdon within the consultation document were favourable mainly due to the current system being disadvantageous and any change would therefore most likely improve the HRA finances.
41. The subsidy calculation involves working out allowances for expenditure items along with assumed income from rent levels. If the net amount is positive then the authority receives subsidy whereas if the net amount is negative the authority has to pay a net negative sum to the DCLG. Hillingdon has been in a negative position for a number of years largely as a result of having a relative low level of debt. The draft subsidy Determination for 2011/12 indicates that Hillingdon will need to pay over a negative subsidy amount of £15.71m. An increase of £4.67m compared to the £11.04m provision for this current financial year. The main reasons for this increase relates to Government assumptions about a few key income and expenditure items that are used to determine the net

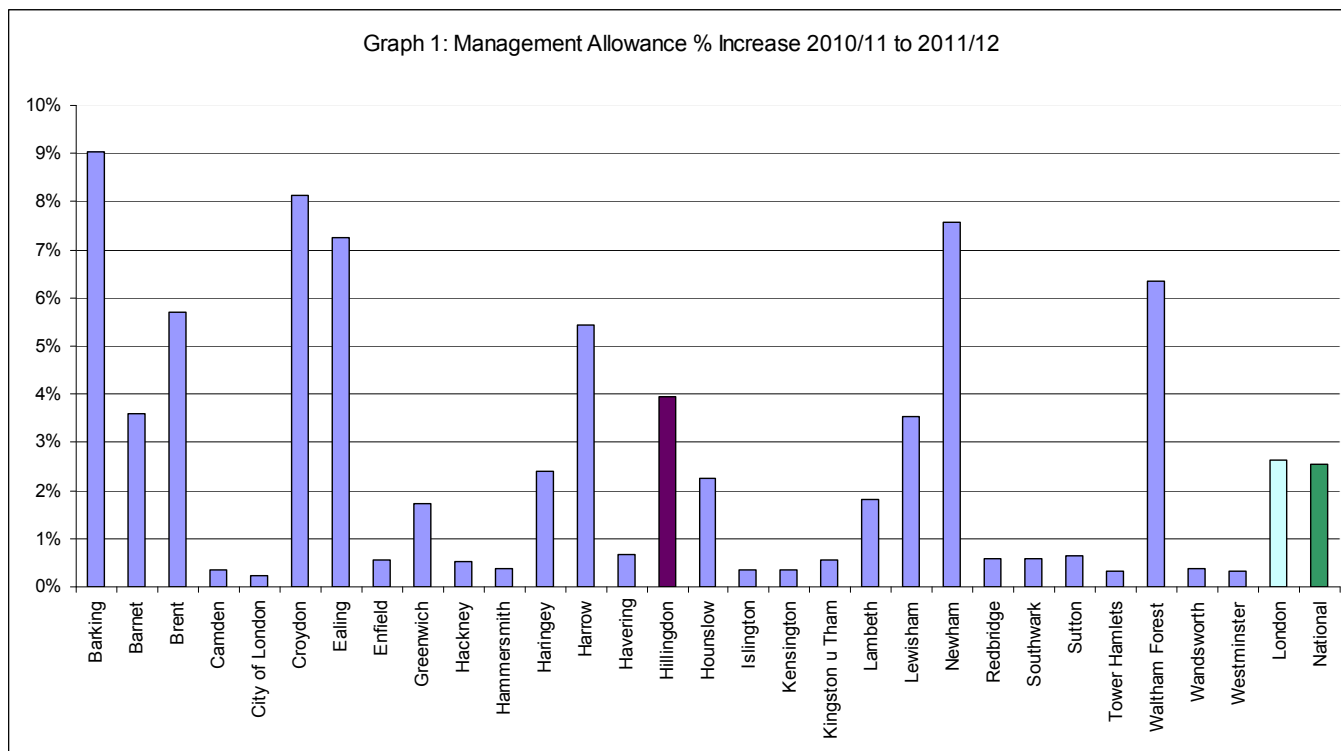
subsidy amount. A brief sketch of the impact on Hillingdon is outlined in the following paragraphs.

*Hillingdon’s Relative Position within the London Region*

42. Once rent assumptions have been ‘determined’, the net change in subsidy payable for an authority like Hillingdon depends on the various allowances that are set off against the assumed rent increase. If increases in management, maintenance and major repairs allowances in particular match formula rent increases, then the overall change in subsidy remains neutral. As the Government effectively determines the overall level of these allowances as part of the wider Comprehensive Spending Review, movements in allowances for individual authorities depends on comparative relative position of each council. Favourable improvements have the effect of mitigating the overall negative subsidy payable to the government.

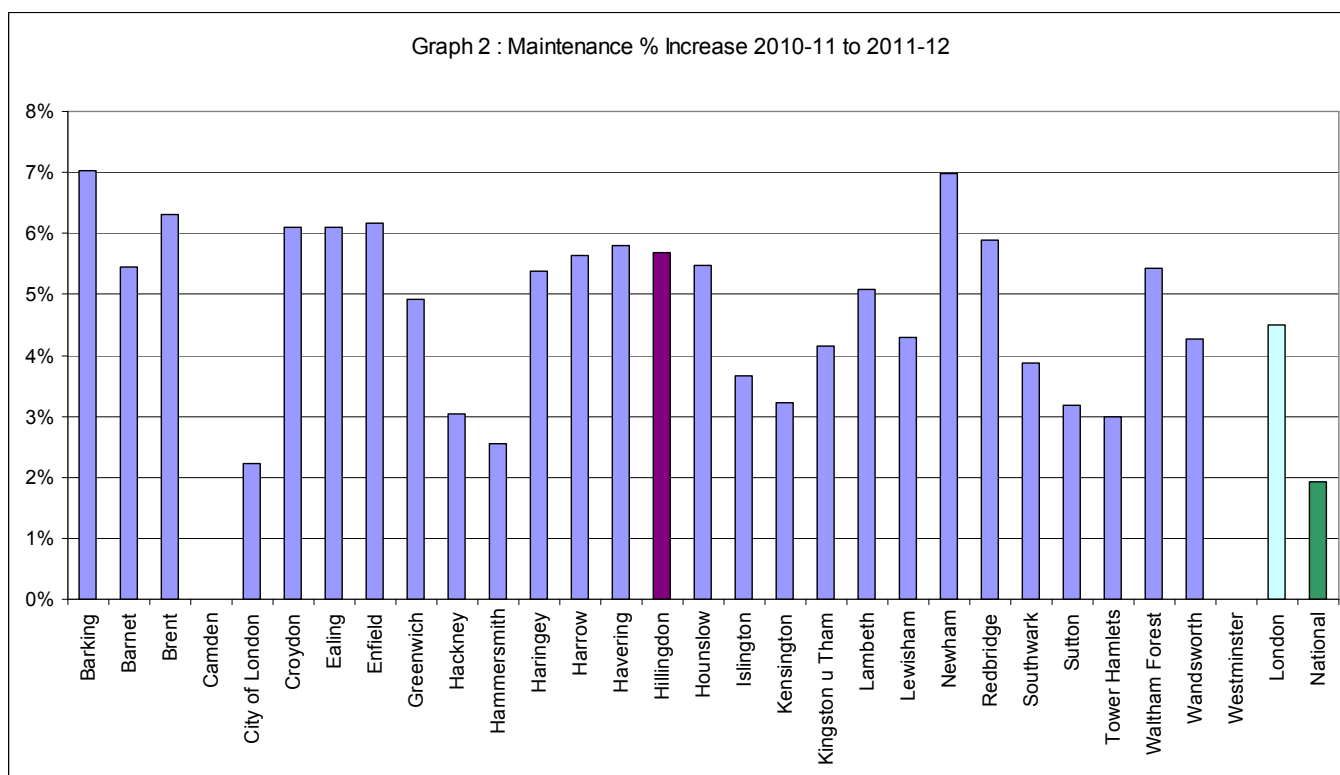
43. Within the overall national context, there is a fair degree of variation in these various calculated expenditure allowances inside the London region. Hillingdon’s 2011/12 relative position has remained a little better than the median within the 30 London Housing Authorities that have responsibility for council housing.

44. Graph 1 below shows the London variation for Management Allowances. The graph shows considerable variation between authorities along with Hillingdon’s relative position within London. The London variation ranges from the City of London with only 0.2% increase compared with Barking and Dagenham with 9.0%. Only seven Boroughs will receive a higher rate of increase per dwelling than Hillingdon with twenty one Boroughs receiving a lower rate of increase in Management Allowance for 2011/12. The rate of increase for Hillingdon, 3.9% is higher than the London average increase of 2.6% and the national average of 2.5%.



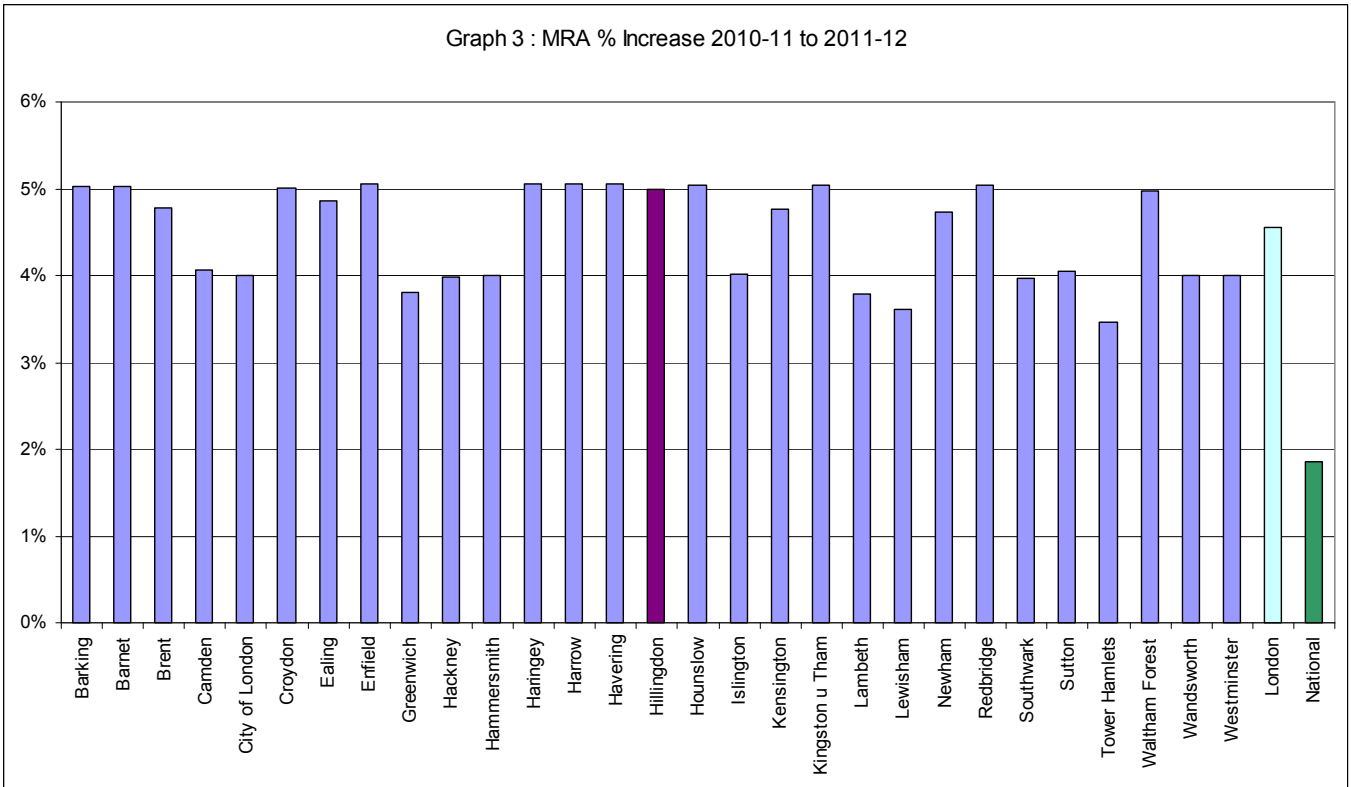
45. Graph 2 below shows the increase for the Maintenance allowance for London authorities. The graph shows that eight boroughs will receive a higher rate of increase per dwelling

than Hillingdon and that twenty boroughs will receive a lower rate of increase in Maintenance Allowance for 2011/12. The 5.7% rate of increase for Hillingdon is higher than the London average of 4.5% and considerably higher than the national average increase of 1.9%. There is a fair degree of variation with Barking and Dagenham and Newham having the highest level of increase of 7.0% while Camden and Westminster do not have any increase in allowances.



46. Graph 3, below, shows the percentage increase in MRA for the various London Authorities. As a result of the DCLG wish to restrict volatility within the subsidy settlement relatively uniform increases have been set for London ranging between 3.5% for Tower Hamlets to 5.1% for a number of boroughs. Hillingdon's relative position appears favourable representing an increase of 5.0%. The graph also shows that London authorities have had favourable increases from the Determination with the London average increase of 4.6% for MRA being substantially higher than the 1.9% national average increase. This reflects the view that costs for major repairs are higher in London.

Graph 3 : MRA % Increase 2010-11 to 2011-12



47. The three graphs show that the management, maintenance and major repairs allowances increases for 2010/ 11 have been relatively favourable for Hillingdon. As a consequence, the overall change in subsidy payable to the government in 2011/12 has been broadly neutral.

48. A more detailed analysis of the Subsidy Determination for Hillingdon is shown in Table E below. This also includes the subsidy payments to DCLG for 2009/10 to 2010/11 for comparison. For 2011/12 the increased payment to DCLG amounts to £4.5m. This anticipated increase is due mainly to technical adjustments to subsidy funding for decent homes borrowing, this allowance is now being spread over a longer period . Taking this into account, subsidy payable to DCLG amounts to £15.5m out of the Gross Income figure of £57.1m.

Table E: Subsidy Payments to DCLG - 2009/10 to 2011/12

	2009/2010	2010/2011	2011/2012	Change Between	% Change Between	Comments
	Subsidy Budget	Subsidy Budget	Subsidy Budget	2010/2011 & 2011/2012	2010/2011 & 2011/2012	
	£	£	£	£		
Dwellings Excluding Shared Ownership	10,537	10,423	10,298	(125)	(1.20)%	
Dwellings Including Shared Ownership	10,591	10,476	10,350	(126)	(1.20)%	
Management Allowance	6,663,203	6,878,011	7,116,114	238,103	3.46%	Management Allowance increased by 4.72% which is reduced to 3.46% due to loss of 126 dwellings
Maintenance Allowance	12,215,657	12,708,243	13,379,271	671,028	5.28%	Maintenance Allowance increased by 6.56% which is reduced to 5.28% due to loss of 126 dwellings
Major Repairs Allowance	7,986,247	8,224,164	8,580,869	356,705	4.34%	Major Repairs Allowance increased by 5.60% which is reduced to 4.34% due to loss of 126 dwellings
Charges for Capital	1,837,521	1,836,317	3,367,646	1,531,329	83.39%	Conversion of ALMO allowance of £4,744,000 / 8% to debt relief of into £59,300,000 additional debt for HRA, giving more debt relief
ALMO Allowance	4,744,000	4,744,000	0	(4,744,000)	(100.00)%	However, government have removed ALMO allowance
Other Items of Reckonable Expenditure	517,054	22,010	0	(22,010)	(100.00)%	End of Ealing Family relief for leased properties
Interest on Receipts	(13,814)	(7,573)	(5,725)	1,848	(24.40)%	Interest Rate fall
<b>Total General Allowances</b>	<b>33,949,868</b>	<b>34,405,172</b>	<b>32,438,175</b>	<b>(1,966,997)</b>	<b>(5.72)%</b>	
Guideline Rent Income	(44,537,995)	(45,445,171)	(47,930,436)	(2,485,265)	5.47%	Rent Increase Inflationary Rise of September RPI 4.6%
<b>Payment to DCLG</b>	<b>(10,588,127)</b>	<b>(11,039,999)</b>	<b>(15,492,260)</b>	<b>(4,452,261)</b>	<b>40.33%</b>	<b>Increased Payment</b>

49. In summary, the government's overall subsidy assumption is that Hillingdon will have greater income through rent increases compared with our need to spend on management and maintenance and major repairs allowances. Whereas the assumed income increase in rents is matched by actual increases in rents, the expenditure assumptions are difficult to relate to actual needs and costs at the local level.

50. Consequently, the replacement of the current subsidy regime is to be broadly welcomed. Government proposals for the future HRA self-financing regime are expected within the Localism and Regeneration bill released on Monday 13 December 2010, indicative financial details for individual councils being published in late January 2011. This is expected to dismantle the current subsidy system in exchange for a self financing package that could be effective from 2012/2013. Such a fundamental change in the financing of the HRA will have a major impact on future financial planning of the HRA. Details of any such offer along with an assessment of the impact for Hillingdon will be brought to Cabinet in the near future.

## F. Latest Projected Expenditure and Income For 2010/2011 and 2011/2012

51. An update on the projected expenditure for 2010/2011 and the proposed Original Budget for 2011/2012 is provided in Appendix 1.
52. To summarise the account shows that we are maintaining over £2m uncommitted HRA balances that is considered prudent for the HRA by external audit. At the end of 2011/12 total cash reserves is projected at £8.5m. However, £5.5m of this balance needs to be set aside for planned expenditure on fire and electrical safety and building compliance work on estates from 2012/13. This will leave an uncommitted HRA cash balances of £2.9m at the end of 2011/12. Increase in HRA cash balances is largely the result of savings and efficiencies. The level of revenue funded investment in stock will increase to £11.5m in 2011/12. There is also an external funding contribution of £0.5m, pushing the total investment in stock to £12m.

### *2010/2011 Latest Projections*

53. In summary, for the current financial year 2010/11, a cash balance of £10.5m is projected. This includes a £1.6m under spend against the revised budget for the year. A total of £6.8m is planned to be spend on fire and electrical safety and building compliance work on estates between 2011/12 and 2020/21. This will leave an uncommitted cash balance of £3.7m at the end of 2010/11.
54. The key variances for 2010/11 are likely to be as follows:

- a.) A £1m return of trading balance from the closure of Hillingdon Homes.
- b.) A £0.7m favourable balance within the capital funded for revenue budget as a result of rephasing work in the lift and roof maintenance programmes. This sum will be needed in 2011/12 for completion of planned works.
- c.) There are also a number of small favourable variances totaling £633k ...

### *2011/2012 Original Budget*

55. The major factors in the preparation of the draft budget for 2011/12 are the rent increase proposals and the subsidy position as set out in sections C and E above. The proposed budget for 2011/12 set out in appendix 1 shows a closing cash balance of £8.5m. A total of £5.5m is planned to be spent on fire and electrical safety in future years. The in-year deficit of £2.1m is the result of increase negative subsidy payable to government and increase in expenditure to meet essential fire and electrical safety work on estates. The overall budget also includes Medium Term Financial Forecast (MTFF) savings of over £947k which are listed in summary of savings in Appendix 2. This appendix also sets out other changes to the base budget,
56. Appendix 3 shows a 10 year projection for the HRA. From 2011/12 a higher level of subsidy will be payable to the government. The main reason for this is that the government will reimburse the actual costs on decent homes borrowing support instead of a more favourable allowance. As a consequence, balances are shown to marginally decrease annually from 2011/12 onwards. However, this projection is based on the current subsidy arrangements and, as indicated in paragraphs 39 and 40 above, these assumptions will be affected significantly by the HRA Review. This could have a major

impact on future funding of the council housing sector and the longer term projection of HRA resources for Hillingdon contained in this report is only indicative and a more thorough analysis of revenue and capital requirements will be needed during 2011. The implications of future arrangements and their national and local impact for both the short and medium term will be reported to Cabinet in March 2010 after firm proposals for the future are issued by the DCLG

## G. HRA Capital Programme 2011/2012

57. Table F below provides a summary of the proposed capital programme for 2011/12.

Table F: Capital Programme

<b>Capital Program 2008/09 - 2014/15</b>	<b>Outturn 2008/09 (£000s)</b>	<b>Outturn 2009/10 (£000s)</b>	<b>Projected Outturn 2010/11 (£000s)</b>	<b>Draft Program 2011/12 (£000s)</b>	<b>Draft Program 2012/13 (£000s)</b>	<b>Draft Programme 2013/14 (£000s)</b>	<b>Draft Programme 2014/15 (£000s)</b>
<b>Capital Expenditure</b>							
Works to Existing Stocks	11,285	10,254	9,149	2,365	2,150	2,150	2,235
Estates Improvements		273	1,002	500			
Redevelopment Schemes	120	179					
Other HRA Projects	97						
Cash Incentive Scheme	130	100					
Long Lane - Mental Health Units	306	28					
Townfields Community Centre		634					
HRA New Build - Pipeline Sites Phase 1			5,100	2,109			
HRA New Build - Pipeline Sites Phase 2				4,241			
HRA New Build - Pipeline Sites Phase 2 (Gilbert Road)			191	447			
HRA New Build - Extra Care Site			2,100	5,000	176		
HRA New Build - Learning Disability Sites			100	188			
<b>Program Total</b>	<b>11,938</b>	<b>11,468</b>	<b>17,642</b>	<b>14,850</b>	<b>2,326</b>	<b>2,150</b>	<b>2,235</b>
<b>Capital Financing : Sources</b>							
Specific Capital Grants - MRA	7,624	7,986	8,224	0	0	0	0
Specific Capital Grants - SHG Pipeline			3,606				
Specific Capital Grants - SHG Pipeline Phase 2			190	725			
Specific Capital Grants - SHG Supported Care			2,085	2,085			
Specific Capital Grants - SHG Learning Disability			54	91			
Specific Capital Grants - Estates Improvements		273	1,002	500			
Specific Capital Grants - Works To Stock		164	90				
Specific Funding For Townfield Community Centre		634					
Capital Receipts	306	28	1,556	4,742			
Prudential Borrowing - Pipeline Phase 1				2,109			
Prudential Borrowing - Pipeline Phase 2				856			
Prudential Borrowing - Pipeline Phase 2 Gilbert Road				91			
Prudential Borrowing - Learning Disability				97			
Prudential Borrowing - Supported Care				1,189	176		
Revenue Contribution to Capital - Works to Stock	3,126	1,916	822	2,365	2,150	2,150	2,235
Revenue Contribution to Capital - Other	347	467	13				
Other External Funding	535						
<b>Program Total</b>	<b>11,938</b>	<b>11,468</b>	<b>17,642</b>	<b>14,850</b>	<b>2,326</b>	<b>2,150</b>	<b>2,235</b>

58. A total budget of £14.85m is proposed for the HRA capital programme for 2011/2012. The major elements of this programme are Works to Existing Stock of £2.86m and £11.99m of New Build Affordable Housing. The New Build programme is being financed by grants from the Homes and Communities Agency, capital receipts and prudential

borrowing. The prudential borrowing costs will be met by rental streams from the individual dwellings that are being developed.

### *Work to Existing Stock*

59. The Council makes use of the Major Repairs Allowance (MRA) for works to existing stock with a top-up from revenue. For 2011/12 the MRA will increase from £8.22m to £8.53m.
60. The approach to investment in the existing stock is to provide a reasonable balance between investment in decent homes standards, investment in wider renewal, and in environmental schemes to improve the quality of life of residents. The aim therefore is to deliver a mixed programme that reflects the following priorities for investment.
- *Making better use of stock* – supporting the council in increasing high priority housing units through the stock management program.
  - *Other maintenance and improvements* – necessary works on estates
  - *Adaptations* – to provide greater opportunities for independent living to people with disabilities
  - *Security, health and safety* – programs of works that enhance the safety and security of residents - key aspects of quality of life.
  - *Energy efficiency* – to support the council's strategic priority of home energy conservation
  - *Environmental improvements* – investment in landscaping and other external enhancements that improve the environment, change perceptions of the area and address specific management issues.

### *New Build Affordable Program*

61. Table G below provides an analysis of the programme since 2005/06. In previous years this has produced 60 units of housing including 30 units at Lady Craig Court for older people as well as 9 units at Hamlet Lodge for people with mental health needs. The 2011/12 New Build program proposal amounts to £11.99m. This includes the HRA Pipeline programme which is funded from the DCLG Challenge Fund that the Council was successful in bidding. The extra funding will take the total spend, since 2005/06, to £27m.



Table G: HRA Affordable Programme

HRA Affordable Housing Programme	Prior Years : 2005/06 to 2009/10		2010/2011*		2011/2012*		Total (£000s)
	Units	(£000s)	Units	(£000s)	Units	(£000s)	
HRA -New Build - 5 Sites :St Martins Close; Hayman Crescent; Queens Road, The Oaks Hayes. (Includes other HRA disposal works)	15	2326					2,326
HRA -New Build - Lavendar rise	4	187					187
Redevelopment Schemes - Hobart Lane	2	179					179
Redevelopment Schemes - Middlesex Lodge (Lady Craig Court)	30	4049					4,049
Long Lane (Hamlet Lodge) - Mental Health Units	9	334					334
HRA New Build - Pipeline Sites Phase 1			31	5100	16	2,109	7,209
HRA New Build - Pipeline Sites Phase 2					29	4,241	4,241
HRA New Build - Pipeline Sites Phase 2 (Gilbert Road)				191	5	447	638
HRA New Build - Extra Care Site				2100	47	5,000	7,100
HRA New Build - Learning Disability Sites			1	100	3	188	288
<b>Totals</b>	<b>60</b>	<b>7,075</b>	<b>32</b>	<b>7,491</b>	<b>100</b>	<b>11,985</b>	<b>26,551</b>

\* Denotes Estimate

## Financial Implications

62. As this report is concerned with the setting of rents for council dwellings and the budget for the HRA as a whole, the financial implications are covered in the body of the report.

## EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

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

63. The effect of the recommendation will result in an average increase in rent for those residents who are council tenants by £5.26 with an average rent for 2011/12 of £95.24 a week. There will be no direct impact, however, for the majority of tenants, of which 67% are in receipt of housing benefit.

### Consultation Carried Out or Required

64. The Council consulted with tenants and tenant representatives through the Senate in December 2010. At this meeting the key principles in setting rents outlined as being based on the government rent restructure policy, which resulted in an increase of just below 6% were explained.

## CORPORATE IMPLICATIONS

### Corporate Finance

65. Corporate Finance has reviewed this report and confirms the budgetary proposals published here are consistent with those for the GF Council Budget.

66. The level of reserves has grown to £10.5m however the budget for 2011/12 will see these reduced due to increased negative subsidy payable to central government and the

drawdown of reserves to pay for fire and electrical safety and building compliance work, leaving approximately £3m of uncommitted reserves.

67. Dwelling rental increases proposed are determined by formula rents under DCLG rent restructure policy and will enable the HRA to maintain its ongoing maintenance programme for what is likely to be the final year under the current Subsidy regime. If these were not implemented, virtually all uncommitted reserves would need to be utilised leaving the HRA with little reserves during the transitional years to a self-financing funding regime
68. The proposed new-build Pipeline developments are to be financed from a combination of grants from HCA, non-pooled capital receipts and some Prudential borrowing of up to £4.3m. Future year's capital financing costs are to be met from rents pertaining to the new builds for which the Council will be able to exclude from the Subsidy system, should it still be in place.
69. It is highly probable that 2011/12 will see major reform of the HRA financing system with a move away from subsidy, for which Hillingdon will passport £15.5m in 2011/12 to central government, to a regime where Housing Authorities locally manage their housing requirement retaining all rental income. In return for this, the current Housing national debt will be redistributed to Authorities for which Hillingdon's share is likely to be approximately £236m. It is proposed that this debt portfolio will be ringfenced but managed within the remit of the Council's treasury strategy, hence the prudential indicators reflecting Operational and Authorised borrowing limits have been adapted to reflect this. These are reported to Council as part of GF Budget report.

### **Legal**

70. Part VI of the Local Government & Housing Act 1989 requires the Council to keep and maintain a Housing Revenue Account (HRA) and to comply with statutory provisions concerning what may be charged and debited to the account. The COUNCIL is also required in either January or February of each year to review rent and other charges in connection with housing to ensure that the HRA does not fall into a deficit in the forthcoming financial year.
71. The proposals in this report take account of government guidance and have also been subject to consultation. The proposals comply with the legislation and there are no legal impediments to them being implemented.

### **Corporate Property**

72. The Head of Corporate Property Services has no comments on the recommendations as his team do not have any management responsibilities in the setting and collection of HRA rents on residential dwellings.

### **BACKGROUND PAPERS**

None.

# Appendix 1

## HOUSING REVENUE ACCOUNT

### DRAFT BUDGET FOR 2011-12

2010/2011		
REVISED BUDGET	P09 YE OUTTURN	VARIANCE
(£000) JAN'11	(£000) JAN'11	(£000) JAN'11

#### EXPENDITURE

##### HILLINGDON HOUSING SERVICES (HHS)

GENERAL SERVICES	8,399	8,399	0
SPECIAL SERVICES	5,930	5,930	(0)
REPAIRS SERVICES	11,068	11,068	0
REPAIRS SERVICES - Major Repairs	0	0	0
NEW BUILD	0	0	0
SUPPORTING PEOPLE CONTRIBUTION	0	0	0
<b>HHS NET OPERATIONS</b>	<b>25,397</b>	<b>25,397</b>	<b>0</b>

##### LONDON BOROUGH OF HILLINGDON (LBH)

GENERAL SERVICES	1,488	1,212	(276)
SPECIAL SERVICES	928	807	(121)
REPAIRS CONTRIBUTION	0	0	0
<b>LBH NET OPERATIONS</b>	<b>2,416</b>	<b>2,019</b>	<b>(397)</b>

GENERAL SERVICES	9,887	9,611	(276)
SPECIAL SERVICES	6,858	6,737	(121)
REPAIRS SERVICES - Day to Day & Planned	11,068	11,068	0
REPAIRS SERVICES - Major	0	0	0
NEW BUILD	0	0	0
<b>HRA OPERATIONS</b>	<b>27,813</b>	<b>27,416</b>	<b>(397)</b>
RENTS PAID	87	70	(17)
SUBSIDY PAYMENT TO GOVERNMENT	11,040	11,313	273
CHARGES FOR CAPITAL (RCCO)	2,904	2,437	(467)
	9,746	9,046	(700)
NEW BUILD :PIPELINE /EXTRA CARE PROJECT COSTS	723	593	(130)
DEBTS	300	200	(100)
OTHER EXPENSES - PENSIONS WORKS OVER PRECISED LIMIT RECEIPTS	0	0	0
CONTINGENCY	300	200	(100)
<b>TOTAL EXPENDITURE</b>	<b>52,913</b>	<b>51,275</b>	<b>(1,638)</b>

#### INCOME

DWELLINGS	(47,868)	(47,920)	(52)
NON-DWELLINGS	(1,770)	(1,789)	(19)
INTEREST - ON MORTGAGES	(10)	(6)	4
INTEREST - ON BALANCES	(39)	(54)	(15)
PAYMENTS	(92)	(86)	6
HEATING CHARGES	(359)	(358)	1
LEASEHOLDER'S CHARGES	(883)	(926)	(43)
OTHER SERVICE CHARGES	(1,959)	(1,954)	5
RECEIPTS	(350)	(250)	100
SUPPORTING PEOPLE CONTRIBUTION	(1,258)	(1,258)	(0)
REPAIRS CONTRIBUTION	(215)	(183)	32
<b>TOTAL INCOME</b>	<b>(54,803)</b>	<b>(54,784)</b>	<b>19</b>

#### BALANCES

BROUGHT FORWARD RESERVES LBH	(5,334)	(6,045)	(711)
IN YEAR (SURPLUS) /DEFICIT	(1,890)	(3,509)	(1,619)
EX HH LTD RESERVES	0	(1,000)	(1,000)
CARRIED FORWARD RESERVES Planned spend on major works, fire, electrical safety and building compliance	(7,223)	(10,554)	(3,330)
		6,780	
<b>Uncommitted HRA Cash Bal C/fwd</b>	<b>(3,774)</b>		

2010/11 BASE BUDGET	2010/2011 changes						2011/2012
	Inflation	Fees & Charges	Technical Adjustment	Unavoidable Growth / Reduction	Growth	Savings	LATEST PRJCTN (£000) Yr 0

8,399	0		(368)	500		(275)	8,256
5,930	0		178			(275)	5,833
11,068	0		190		395	(250)	11,403
0	0		8,335		850		9,185
0					96		96
0				0			0
<b>25,397</b>							<b>34,773</b>

1,488	0		200	149		(120)	1,717
928	0		(74)				854
0							0
<b>2,416</b>							<b>2,571</b>

9,887	0		(168)	649	0	(395)	9,973
6,858	0		104	0	0	(275)	6,687
11,068	0		190	0	395	(250)	11,403
0	0	0	8,335	0	850	0	9,185
0	0		0	0	96	0	96
<b>27,813</b>	<b>0</b>	<b>0</b>	<b>8,461</b>	<b>649</b>	<b>1,341</b>	<b>(920)</b>	<b>37,344</b>
87						(27)	60
11,040			4,452				15,492
2,904			(366)				2,538
10,000			(7,635)				2,365
723				(73)			650
300							300
0							0
300							300
<b>53,167</b>	<b>0</b>	<b>0</b>	<b>4,912</b>	<b>576</b>	<b>1,341</b>	<b>(947)</b>	<b>59,049</b>

(47,868)	(2,982)						(50,850)
(1,770)				18			(1,752)
(10)				4			(6)
(39)							(39)
(92)				6			(86)
(359)			74				(285)
(883)				(43)			(926)
(1,959)							(1,959)
(350)				100			(250)
(1,258)				614			(644)
(215)				38			(177)
<b>(54,803)</b>	<b>0</b>	<b>(2,982)</b>	<b>74</b>	<b>737</b>	<b>0</b>	<b>0</b>	<b>(56,974)</b>

(6,045)							(10,554)
(1,636)	0	(2,982)	4,986	1,313	1,341	(947)	2,076
0							0
(7,681)							(8,478)
							5,535
<b>0</b>							<b>(2,943)</b>

## Appendix 2

Base Budget Changes  
£000's

### LBH Savings, Unavoidable Growth/ Reduction

#### Savings :

1.) Increase repairs productivity targets	(250)
2.) Application of BID common operating module in HHS	(550)
3.) Reduction of Insurance charges	(50)
4.) Reduction in miscellaneous costs	(70)
5.) End of lease for Ealing Family Housing Association	(27)

**(947)**

#### Growth :

1.) Electrical Safety Works	395
2.) Fire Safety Doors Major repairs	850
3.) Incremental New Build Management and Maintenance charges	96

**1,342**

#### Unavoidable Growth / Reduction :

1.) MTFF Saving - growth in rechargeable costs to HRA from General Fund	500
2.) Departmental Finance and Administration recharge cost increase	149
3.) HRA Pipeline reduction in project costs from expected completion of Phase 1	(73)
4.) Reduced Interest on Mortgages and Cash collection on Supporting People charges	10
5.) Reduced Garage occupancy	18
7.) Realignment of Leaseholder's credit note adjustments	(5)
8.) Reduction of Works Over Prescribed Limits	100
9.) Reduction in Supporting People grant contribution	614

**1,313**

#### Technical Adjustments :

1.) Realignment classification of costs between Special, General and Repairs	
General Services reduced by :	(368)
Special Services increased by :	178
Repairs Services - Day to Day and Panned increased costs by :	190
2.) Reclassification of the funding of Major repairs cost from	
Revenue Contribution to Capital reduction	(8,335)
To Repairs Services - Major increase	8,335
3.) Capital Slippage in 2010/11 to 2011/12 for £200k for Roofing replacement works and £500k for completion of Lift Refurbishment programme of works	700
4.) Reduction to Charges for Capital due to reducing interest cost	(366)
5.) Increase in subsidy payment to government as explained in Table E	4,452
6.) Housing delay in Information systems projects due to be completed in 2011/12	200

**4,986**

#### Fees and Charges :

1.) Effect of 5.84% average increase in Dwelling rent as indicated in Table A.	(2,982)
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**(2,982)**

<b>Current Year</b>		<b>HRA 10 Year Projection</b>									
<b>2010/11</b>		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>LATEST PRJCTN</b>		<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
<b>LATEST PRJCTN</b>		<b>LATEST PRJCTN</b>	<b>LATEST PRJCTN</b>	<b>LATEST PRJCTN</b>	<b>LATEST PRJCTN</b>	<b>LATEST PRJCTN</b>	<b>LATEST PRJCTN</b>	<b>LATEST PRJCTN</b>	<b>LATEST PRJCTN</b>	<b>LATEST PRJCTN</b>	<b>LATEST PRJCTN</b>
9,611	General Services	9,973	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773	9,773
6,737	Special Services	6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687	6,687
11,068	Repairs Services - Responsive	11,403	11,403	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048
	Repairs Services - Major	9,185	8,700	8,700	8,165	8,350	8,350	7,950	7,950	7,950	7,950
0	NEW BUILD (Management and Maintenance cost)	96	96	97	98	99	100	101	102	102	102
<b>27,416</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>
11,313	Subsidy Payment to Government	15,492	16,922	19,440	22,135	24,950	25,011	24,990	24,968	24,958	24,940
9,046	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
3,300	Other Expenditure	3,548	3,292	3,217	3,142	3,080	3,031	3,033	3,034	3,024	3,024
200	Contingency	300	300	300	300	300	300	300	300	300	300
<b>51,275</b>	<b>TOTAL EXPENDITURE</b>	<b>59,049</b>	<b>59,324</b>	<b>61,413</b>	<b>63,583</b>	<b>66,337</b>	<b>66,351</b>	<b>65,932</b>	<b>65,913</b>	<b>65,893</b>	<b>65,874</b>
(47,920)	Dwelling Income	(50,850)	(53,104)	(55,239)	(57,515)	(59,884)	(59,884)	(59,884)	(59,884)	(59,884)	(59,884)
(6,864)	Other Income	(6,124)	(5,480)	(5,480)	(5,480)	(5,480)	(5,480)	(5,480)	(5,480)	(5,480)	(5,480)
<b>(54,784)</b>	<b>TOTAL INCOME</b>	<b>(56,974)</b>	<b>(58,583)</b>	<b>(60,718)</b>	<b>(62,994)</b>	<b>(65,364)</b>	<b>(65,364)</b>	<b>(65,364)</b>	<b>(65,364)</b>	<b>(65,364)</b>	<b>(65,364)</b>
<b>(3,509)</b>	<b>In-Year (Surplus) / Deficit</b>	<b>2,076</b>	<b>740</b>	<b>695</b>	<b>589</b>	<b>973</b>	<b>987</b>	<b>567</b>	<b>548</b>	<b>528</b>	<b>510</b>
(6,045)	LBH HRA cash reserve B/fwd	(10,554)	(8,478)	(7,738)	(7,043)	(6,454)	(5,481)	(4,494)	(3,927)	(3,378)	(2,850)
(1,000)	Ex HH Ltd cash reserves										
<b>(10,554)</b>	<b>Total HRA CASH reserves Bal C/fwd</b>	<b>(8,478)</b>	<b>(7,738)</b>	<b>(7,043)</b>	<b>(6,454)</b>	<b>(5,481)</b>	<b>(4,494)</b>	<b>(3,927)</b>	<b>(3,378)</b>	<b>(2,850)</b>	<b>(2,340)</b>
6780	Planned Expenditure on Fire, Electrical Safety and Building Compliance	5535	4290	3400	2960	2520	2080	1640	1200	760	320
<b>(3,774)</b>	<b>Uncommitted HRA Cash Reserves C/fwd</b>	<b>(2,943)</b>	<b>(3,448)</b>	<b>(3,643)</b>	<b>(3,494)</b>	<b>(2,961)</b>	<b>(2,414)</b>	<b>(2,287)</b>	<b>(2,178)</b>	<b>(2,090)</b>	<b>(2,020)</b>

The figures in the shaded area for years 2012/13 onwards are illustrative only as the HRA financing system is due to change as set out in the Localism Bill.