



Report of the Director of Environment and Neighbourhoods

Scrutiny Board: Environment

Date: 26th March 2008

Subject: Environment and Neighbourhoods Revenue Budget 2008/2009

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 Background

1.1 At its meeting on the 30th January Scrutiny Board (Environment and Neighbourhoods) requested that during the current municipal year the Director of Environment and Neighbourhoods be invited to report back to the Board after the 2008/2009 budget had been finalised and agreed, to enable the Board to more fully consider the financial constraints affecting the Department and to identify the impact in any specific service areas.

1.2 This report sets out details of the Environment and Neighbourhoods, both General Fund and Housing Revenue Account, for the financial year 2008/2009.

2.0 General Fund services

2.0.1 The original estimate has been prepared at outturn prices.

2.1 Service Context

2.1.1 The approved Integrated Waste Strategy for Leeds will require significant investment by the Council over the forthcoming years, if objectives are to be met. The strategy incorporates the diversion of waste from landfill in the short to medium term (2007/08 to 2013/14) by the implementation of service developments designed to increase recycling and composting to more than 50% by 2020, and in the longer term, the utilisation of a residual waste technical solution to commence 2014.

2.1.2 In August 2007 the Council was informed of the Government's intention to address the backlog of unresolved asylum cases by July 2011. The implication of this target is that the Council will need to make available appropriate accommodation to meet

the requirements of this proposal.

- 2.1.3 The Leeds Housing Decency Programme will come to an end in 2010/11, with programmed investment declining year on year to this point. This reduction will have financial implications for those General Fund services that are reliant on work to support the programme.
- 2.1.4 In November 2007 Executive Board approved proposed changes to Area Committee responsibilities and working arrangements with a view to increasing the scope for services to be delivered at a local level.
- 2.1.5 A fundamental review of Jobs and Skills has been undertaken in order to reposition the service to respond to a changing national agenda for worklessness, and support the Council's own strategic objectives in this area. The change is intended to move the service away from being reliant on external funding to being a more prominent and effective provider of services, working with strategic partners to a defined agenda.
- 2.1.6 From 2008/09 the Department of Communities and Local Government has terminated the Neighbourhood Renewal Fund (NRF), a targeted area based grant available to local authority areas based on District ranking on the Index of Deprivation. Leeds was allocated £14.9m in 2007/08. NRF has been replaced by a new grant, the Working Neighbourhoods Fund (WNF), designed to improve employment and enterprise in disadvantaged neighbourhoods.
- 2.1.7 Unfortunately, Leeds, by a narrow margin is not eligible for funding under the qualifying criteria. The Council will receive transitional funding to manage its exit from NRF of £8.9m in 2008/09 and £3.5m in 2009/10. The work programme is being reviewed to manage the reduction in funding so as to minimise its impact and sustain improvements gained to date that are required to achieve the delivery of our strategic priorities.

2.2 Summary of the Revenue Budget

Actual 2006/07		Original Estimate (OE) 07/08	Latest Estimate (LE) 07/08	Variation OE to LE 07/08		Original Estimate (OE) 08/09	Variation OE 07/08 to OE 08/09	
				£000	%		£000	%
£000		£000	£000	£000	%	£000	£000	%
370,381	Gross Expenditure	353,336	361,893	8,557	2	353,760	423	0
253,944 Cr	Income	233,354 Cr	240,562 Cr	7,208 Cr	3	236,674 Cr	3,320 Cr	1
116,437	Net Expenditure	119,982	121,331	1,349	1	117,086	2,897 Cr	2 Cr
35,569 Cr	Charges to other directorates	36,293 Cr	34,281 Cr	2,012	6	30,438 Cr	5,855	16
80,868	Net Cost of Service	83,689	87,050	3,361	4	86,648	2,958	3

2.3 Explanation of variations between the Original Estimate 2007/08 and the Original Estimate 2008/09 (£2,958k)

- 2.3.1 The variation between the OE 2007/08 and the OE 2008/09 can be summarised as follows:

£000

Net Cost of Service – Original Estimate 2007/08	83,689
Transfer to/from Revenue Support Grant	827 Dr
Adjusted Base	84,516
Changes in prices	3,346 Dr
Service budget changes	
• Other factors not affecting the level of service	4,314 Cr
• Changes in service levels	3,745 Dr
• Efficiency savings (cashable)	1,529 Cr
	2,098 Cr
Technical adjustments	361 Cr
Variations in charges for capital	1,245 Dr
Net Cost of Service – Original Estimate 2008/09	86,648 Dr

2.4 Changes in prices

- 2.4.1 The impact of the budgeted pay award together with an increase in the employer's superannuation contribution will result in an increase of £1,624k. Other price variations of £890k reflect known fuel and waste site gate fee increases. A further £8 per tonne increase in Landfill Tax based on projected tonnages will cost £1,773k.
- 2.4.2 In total increases in income of £941k reflect a 5% price increase, and in respect of car parking, this increase will be implemented following a review of price and tariff bandings for both on street and off street parking.

Provision has been made for a 2% increase on grants to voluntary organisations.

2.5 Service Budget Changes

- 2.5.1 Income from the mandatory licensing of high risk houses in multiple occupation (HMOs) has been less than anticipated, and in order to reflect this level of demand, running costs now reflect the reduced level of activity (£309k).
- 2.5.2 The contract for operating a regional asylum facility at Hillside has been adjusted by £68k, and also the impact of asylum case resolution which will reduce income down by £210k.
- 2.5.3 In respect of Homelessness accommodation and the Sheltered Warden service, it is intended to review the process to increase the recovery level of eligible income (£150k).
- 2.5.4 In October 2007 responsibility for management of the Hollies and Pennington hostels transferred to the private sector with relevant staff being subject to TUPE. Residual costs associated with these facilities are partially offset by the reconfiguration of the night worker service at these establishments (£248k).
- 2.5.5 The budgeted deficit in respect of the door factory in Roseville Enterprises is expected to increase in 2008/2009 reflecting a reduction in the level of anticipated orders from the ALMOs (£232k), as the Housing Decency Programme nears completion over the next three years.
- 2.5.6 Additional resources (£100k) have been provided to support the

development of the Joint Services Centre programme.

- 2.5.7 A sum of £50k has been incorporated into the budget, to match a similar amount being provided by Bradford City Council, and this resource will be used to promote regeneration and development opportunities with the Leeds-Bradford corridor.
- 2.5.8 In response to the repositioning of the service to meet the Council's priorities in relation to worklessness, combined with the loss of external funding and other income reductions within the Jobs and Skills service, there have been consequential impacts in respect of expenditure on staff, premises, materials, contractor payments as well as a reduction in payments to other providers (£223k).
- 2.5.9 In line with the Waste Strategy additional resources (£1,171k) have been provided to enhance the current collection service. Although the service developments have yet to be finalised, it is intended that the Garden Waste Brown Bin Collection service is expanded to build on the success of the pilot introduced in October 2006 and introduce, where appropriate a fortnightly SORT kerbside collection. In addition further resources will be provided to support the implementation of these service enhancements including enhanced education and awareness to help and further increase participation in recycling (£365k).
The service developments are designed to increase the combined recycling and composting rate to 30% by the year end.
- 2.5.10 Disposal costs associated with recycling and reuse are projected to increase by £273k although this is offset by a 10% reduction in the amount of waste taken to landfill. This reduction in volume will result in landfill tax and gate fees savings of £540k and £377k respectively.
- 2.5.11 Through the Landfill Allowance Trading Scheme (LATS), which was introduced in 2005/2006 as a means of ensuring compliance with the European Union targets on the reduction of biodegradable waste sent to landfill, income of £597k is anticipated through the sale of surplus permits in 2008/2009.
- 2.5.12 Additional resources (£750k) have been provided to support the implementation of the Authority's Waste Strategy including the procurement of a residual waste facility.
- 2.5.13 Income which is receivable from electricity generation at the closed Gamblethorpe landfill site is projected to reduce by £135k. This is due to a reduction in the amount of electricity being generated from the site being offset by an increase in the price received from its sale.
- 2.5.14 Vehicle repair budgets within Streetscene Services have been increased by £263k in order to more accurately reflect the level of expenditure that is actually being incurred. This increase will largely be offset by the delivery of efficiencies relating to the management of the Refuse Collection fleet.
- 2.5.15 Within Streetscene Services income is budgeted to reduce by £114k largely as a result of reductions in income receivable for second collections and trade waste.

- 2.5.16 A reassessment of the overall provision for the implementation of job evaluation across all directorates of the Council, has resulted in £619k of the provision within Environment and Neighbourhoods being transferred to other directorates.
- 2.5.17 The reduction in cost in respect of the administration of Housing Benefits (£449k) is due to a combination of savings on running costs and a change in the method of apportioning costs between Housing and Council Tax Benefits which has reduced the recharge to Housing Benefits.
- 2.5.18 In order to continue the fortnightly collection of SORT material from bin yards, £100k has been provided to maintain this service, whilst an additional £115k provides for the increased cost associated with replacing lost or damaged wheeled bins in residential properties.
- 2.5.19 Income associated with Penalty Charge Notices is projected to increase by £191k largely as result of the Government requiring Local Authorities to review and revise the current level of statutory charges.
- 2.5.20 Budgeted resources in the 2007/2008 base budget, which reflect contributions to and from the Authority's General Reserves, are no longer required (£420k).
- 2.5.21 Central Recharges have reduced by £1,001k largely reflects the realignment of support budgets to reflect the new directorates structures across the Council.
- 2.5.22 In 2008/2009 NRF and SSCF grant has reduced and this will require the Directorate to manage corresponding expenditure reductions.

2.6 Efficiency savings

- 2.6.1 Following the publication of the Gershon report on public sector efficiencies, in setting the budget the council is required to identify actions to improve efficiency and quantify the expected gains. Cashable gains represent the potential to release savings in cash for other areas of spend; non-cashable efficiencies relate to improved outputs or enhanced service quality for the same expenditure, efficiencies that achieve reductions in fees and charges to the public, and improvements to productive time (unless fewer staff are needed as a result). In terms of this directorate the following savings have been identified.

Nature of saving	Total £k
<i>Staffing efficiencies will generated through an increase in the budgeted number of vacant posts across a range of services that include Environmental Health, Housing Needs, Regeneration and Support Services.</i>	606
<i>The continued review of the utilisation of staff and focus upon managing all areas of expenditure within Community Centres will generate efficiency savings.</i>	100
<i>Within Streetscene Services efficiencies will derive through the extent to which overtime and Agency staff are utilised to deal with service demands.</i>	100
<i>More informed utilisation of bulky collection resources will require fewer resources to be deployed to provide this service.</i>	100
<i>A fundamental review of the deployment and utilisation of the Refuse Collection fleet has identified efficiency savings particularly around the size of the reserve fleet.</i>	250
<i>Within the Street Cleansing service there will be a reduction in the level of provision set aside to cover sickness.</i>	100
<i>Within Refuse Collection, revised contract arrangements have resulted in a reduction in external hire arrangements</i>	38
<i>A detailed review of the Directorate's budget will generate efficiency savings.</i>	235

2.7 Prudential Borrowing

2.7.1 In addition to the above budget, provision of £699k has been made for the revenue implications of approved prudential borrowing schemes:

Care Ring

Gamblethorpe Flare Stack

Replacement Wheeled Bins

New Wheeled Bins – SORT and Garden

East Leeds Household Waste Site re-development.

Kirkstall Road Car Park

Car Park Pay and Display Machines replacement programme

2.8 Technical Adjustments

2.8.1 The authority is required to comply fully with accounting standard FRS 17 – Retirement

Benefits. This means that the pension costs shown in service accounts are required to be the current service cost rather than the amounts actually paid out in relation to pensions during the year. The overall impact of this adjustment year on year is to decrease the net cost of service by £361k. There is no impact on Council Tax levels as the effect of the FRS 17 adjustment is reversed by a contribution from the Pensions Reserve.

2.9 Variations in charges for capital

- 2.9.1 Overall capital charges have increased by £1,245k. Depreciation charges have increased by £138k, whilst there has been an increase of £1,107k in deferred charges which reflects increased expenditure on Disabled Facilities Grant and on Housing private sector renewal schemes.

3.0 Housing Revenue Account

- 3.0.1 The 2008/09 Original Estimate has been prepared at outturn prices which means that allowances for inflation have been included in the budget submission.
- 3.0.2 This report includes the ongoing financial arrangements in respect of the Arms Length Management Organisations (“ALMO’s”) which took responsibility for managing the Council’s stock of housing from February 2003. Following an ALMO review, including a city wide ballot of tenants, the management function has been delivered by three new ALMOs from 1st April 2007.
- 3.0.3 In accordance with the Council’s Policy and Budget Framework, decisions as to the Council’s budget and Housing Rent increases are reserved to Council. As such the purpose of this report is to propose a budget to Council, and thus the decisions recommended by this report are not eligible for call in.

3.1 Variation Original Estimate 2007/08 to Original Estimate 2008/09

- 3.1.1 The budget for 2008/09 has been constructed on the achievement of working balances of £3.7m at 31 March 2009, which represents around 2.5% of the non-ALMO costs including negative subsidy. This is considered to be an acceptable minimum level of balances following the transfer of services and responsibilities to the ALMOs. The transfer of services also includes an element of transfer of risk and the ALMOs are able to retain their own working balances.

- 3.1.2 The reasons for the movement from 2007/08 to 2008/09 are:

- a) The negative subsidy the Council is required to pay back to the Government has increased significantly following the housing subsidy settlement. The Council revenue contribution per property in negative subsidy has increased from £1,008 (net of Rental Constraint Allowance) per property to £1,154 which is a £7.4m increase. Additionally falling interest rates and reduced premiums and discounts have generated a cost of £2.1m, although this is offset by reductions in actual capital charges.
- b) There is no proposed increase in the management fee to ALMOs, apart from the disaggregation of budgets during the year, although further provision has been made for ALMO Performance Incentives of £0.271m to reflect the ALMO’s contribution to the CPA assessment.

- c) Finalisation of the SCA allowances payable through the Housing Subsidy grant to the ALMOs is still awaited from CLG.
- d) The transfer of HR and payments staff to the new Business Support Centre during 2007/08, along with the revised treatment of regeneration staff as an internal recharge rather than direct employee cost, has resulted in a reduction of £0.8m in employee costs.
- e) For the staff directly employed within the Housing Revenue Account, a pay award of 2.0% has been provided, which together with other inflationary increases means additional costs of £0.28m, plus FRS17 pension adjustments of £0.17m.
- f) Increases in net rentals & service charges are expected to generate an additional £5.9m, details of which are given below in section 4.
- g) The number of claims for disrepair has been steadily falling throughout the year with the average number of cases per month now around 9. Accordingly it has been possible to further reduce the provision required to meet these claims by £0.025m.
- h) Improved collection of current and historical debt has allowed a reduction of £1.026m in the cost of bad debts;
- i) Costs relating to support & other services reflect a £2.36m increase. This increase reflects increased costs relating to customer services (£1.235m), and £1.1m PPU and regeneration charges for the Little London and Beeston Hill & Holbeck PFI schemes. There is an ongoing review of the appropriateness of the support charges to the HRA and any changes arising from this review will be phased in over later budgets.
- j) After an increase in the unitary charge for Swarcliffe (£0.315m), a budgeted contribution of £0.5m (£0.8m 2007/08 OE) will be made to the sinking fund which represents the net surplus made in the year.
- k) Interest rates have dropped marginally, but the major change in the capital budget is the deferment of the planned repayment of unsupported heat lease borrowing by one year to fund budgetary pressures in 2008/09.

3.2 Swarcliffe PFI

- 3.2.1 There is also a contribution to the Swarcliffe PFI sinking fund of £508k in 2008/09. The contract for Swarcliffe PFI commenced on 1 April 2005.
- 3.2.2 This reflects the net surplus made in year being the excess of income, including government grant and the unitary charge. This is as a result of the way in which the Government allocates grant support for PFI which results in surpluses in the early years of such schemes.
- 3.2.3 The reserve is to be retained to fund deficits in future years.

3.3 Rentals

- 3.3.1 The level of Council House rents are controlled through the application of the Government's Rent Restructuring programme.
- 3.3.2 The Government's Rent Restructuring Policy is based upon the following principles:
- social rent should remain affordable and well below those in the private sector;
 - social rent should be fairer and less confusing for tenants;
 - there should be a closer link between rent and the qualities which tenants value in properties; and,
 - differences between the rent set by local authorities and Registered Social Landlords (RSL) should be removed.

3.4 Rent Restructuring

- 3.4.1 The intention of the rent restructuring policy is that tenants across the country should be paying comparable social rents, allowing for variations in type of property and 'economic' circumstances. A formula has been devised to enable rents across the country to move to 'convergence' by the extended date of 2016/17.
- 3.4.2 In order for the Council's rents to reach convergence with the rest of the country, rents need to increase by 7.8% in 2008/09. This rental increase is 'relatively' high in order to 'catch up' after the dampening effect caused by the two years of 5% rent caps in 2006/07 and 2007/08, and that Leeds's rents are comparatively low compared to the rest of the country; rents should have risen by 7.3% in 2007/08 if this cap of 5% hadn't been implemented by the Government. Assuming no changes in inflation rates, then rents would also rise by around 4.9% in 2009/10; if rents are raised by 5.8% in 2008/09, then the equivalent rise in 2009/10 would be 6.5% to 'restore' convergence.
- 3.4.3 It should be noted that in calculating the Housing Subsidy grant, the Government has assumed that rents will increase by 5.8%, called the guideline rent. In making this assumption, the Government have given the Council the 'freedom' to raise additional rental income over and above the rental income it takes back through the subsidy system, through application of the 'convergence' rent of 7.8%.
- 3.4.4 Subsequently, Government policy implies a rent increase that should be 7.8% under rent restructuring, but no lower than 5.8% under the Housing Subsidy system; a 5.8% rent increase impacts upon the ability of the HRA to resource any uplift in the ALMO management fee.

3.5 Rent Compensation

- 3.5.1 After two years during which rent increases have been capped at 5%, CLG have informed Authorities that this cap is no longer applicable. Rents are again to be set under the rent restructuring formulae in accordance with their rent restructuring policy, but with a

convergence date put back to 2016/17; this convergence date is still subject to review and may change. As a consequence of this removal of the 5% cap, the compensation mechanism (Rental Constraint Allowance) in operation during these two years has been removed. Instead, authorities are expected to replace the loss of this compensation through the newly restored 'freedom' to raise rents above their guideline rent.

3.5.2 Compensation will no longer be paid in the year in which the rental loss has been incurred. Instead, CLG have proposed that compensation will be based upon the lost rent incurred through capping rent increases by inflation + a half % (4.4%) +/- £2.00 per week, and will be recognised in the following year's subsidy determination.

3.6 Overall changes in rents

3.6.1 Following the application of the seventh year of the Government's rent restructuring policy, the basis of which is partly determined by the value of properties & the number of bedrooms in each property, would mean that average rents would rise by 7.8%, representing an average rent increase of £4.23 over 48 weeks. Individual tenants are protected from large increases in rent in that the formula only allows rents to rise by inflation + a half % (4.4%) +/- £2.00 per week.

3.6.2 However, it is proposed that a lower average rent 'cap' of 5.8% is applied, representing a lower average rent increase of £3.16 over 48 weeks; although the effects on individual tenants will vary according to the restructuring formulae.

3.6.3 Consequently, rental income from housing stock is now budgeted to increase by £8.7m offset by a reduction of £2.8m through changes in property numbers.

The comparative figures are:

	<u>2007/08</u>	<u>2008/09</u>		
Actual Rent (average)	£54.54	£57.70	+5.8%	+£3.16

3.6.4 Rentals from garages (currently £5.25 per week) fall outside the rent restructuring rules and normally rise in line with average rental increases. It is proposed to increase garage rents by 5.8% to £5.55 per week.

3.7 Service Charges

3.7.1 Service charges, which fall within the constraints of rent restructuring, are subject to the same 5.8% average increase as rents.

3.7.2 It is the intention of the Government's rent restructuring policy that service charges will be disaggregated by the end of the ten year implementation programme (2010/2011) and that rental income will reflect purely management & maintenance of properties. This is not currently the case and will need to be kept under review between

now and the end of rent restructuring.

3.8 Housing Subsidy

3.8.1 Housing subsidy is a notional calculation based on what the Government estimates we ought to spend on housing management and maintenance plus capital financing costs, offset by our guideline rental income & assumed mortgage interest receivable. Where this is negative we have to pay money to CLG. Leeds is a negative subsidy authority.

3.8.2 Allowances by property compared with the current year are:

<u>Housing Subsidy</u>	<u>2007/08</u>	<u>2008/09</u>	<u>change</u>	<u>change</u>
	£	£	£	%
Guideline rent	(2,645.18)	(2,799.03)	(153.85)	5.8
Rental Constraint Allowance	113.53	0.00	(113.53)	(100.00)
Management allowance	537.68	564.86	27.18	5.1
Maintenance allowance	985.87	1080.49	94.62	9.6
Management & maintenance	1,523.55	1,645.35	121.80	8.0
Negative subsidy per property	(1,008.10)	(1,153.68)	(145.58)	14.4
Major Repairs Allowance (MRA)	581.10	636.10	55.00	9.5
Total allowances	(427.00)	(517.58)	(90.58)	21.2

3.8.3 The overall impact on subsidy, after allowing for changes in property numbers and unit allowances is as below:

	<u>Final</u> <u>Determination</u> <u>2007/08</u>	<u>Final</u> <u>Determination</u> <u>2008/09</u>	<u>Change</u>	
	£K	£K	£K	%
Management & maintenance	93,168	98,810	5,643	6.1
Guideline rent & RCA	(151,739)	(164,754)	(13,015)	8.6
	(58,571)	(65,944)	(7,373)	12.6
Capital allowances	21,659	19,558	(2,100)	(9.7)
Negative subsidy	(36,912)	(46,386)	(9,473)	25.7
ALMO allowances	30,581	30,581	0	0.0
PFI	6,097	6,097	0	0.0
	(234)	(9,708)	(9,473)	4,039.0
MRA	34,702	37,294	2,592	7.5
	34,468	27,586	(6,881)	(20.0)

3.8.4 Initial expectations were for a two year settlement covering 2008/09 and 2009/10. However, this determination is only for 2008/09 and a new determination will be issued for 2009/10. On the 12th December 2007, Housing Minister Yvette Cooper announced a review of the Housing

Revenue Account subsidy system. This review will make its final report in spring 2009, setting out a way forward for the subsidy system, rents policy across all social housing, and spending needs for council housing; earlier advice is expected in 2008 to inform decisions about council rents and subsidy determinations for 2009/10 and 2010/11.

3.8.5 Subsidy trigger (2007/08)

3.8.5.1 Within subsidy, there is a possible variation in the basis of calculation of property numbers whereby if stock changes by 10% or 3,000 properties over two years, subsidy is then based on average stock in the year, whereas if we fail to hit that trigger, subsidy is based on property numbers at the start of the previous year (i.e. 1 April 07 for 2008/09). Property numbers need to fall by at least 1,802 to meet this trigger in 2007/08.

3.8.5.2 The current projections for 2007/08 are for sales of 469 properties (393 actually sold between 1 April and 31 December) compared with a total of 1,191 sold in 05/06 and 665 in 06/07. Additionally, demolitions of 578 are projected and other changes of 80; sales of 420 properties are currently projected for 2008/09.

3.8.5.3 There are a number of factors affecting RTB sales, not least:

- Property valuations are increasing generally.
- Decency work is being undertaken and it may be that potential applications are held up awaiting completion of this work. This will have an impact on valuations as well.
- The maximum discount in this region is £24,000 for both flats and houses, meaning that any increase in valuations is met by the potential purchaser.
- Discounts are also affected by the amount of expenditure on a property in the years prior to sale. Only approx. half a dozen RTBs are affected by this each year, although with expenditure on decency this may increase.
- From 18 January 2005 new tenants have to have a five year qualifying period. This is most likely to have an impact from 08/09 onwards as these tenants would have been entitled to exercise RTBs under the old rules at that point.

3.8.5.4 The RTB sales are a major factor in achieving the subsidy trigger. As a result of the reduction in RTB numbers this year, for the reasons outlined in 5.5.3., it is projected that the subsidy trigger will not be achieved resulting in an increase in negative subsidy of £2.0m.

3.8.5.5 Should we hit the subsidy trigger, then negative subsidy will decrease by £2.0m, although there will be a partial offset through an decrease in the MRA of £1.1m; MRA resource is related to housing capital expenditure.

3.9 ALMO Management Fees

3.9.1 The Management Fees to the ALMOs are divided into three elements: one for repairs; one for management costs; and a third category for grounds maintenance was introduced in 2005/2006. The principles for allocating repairs & management budgets to the ALMOs was established in 2003/2004, broadly based on the national housing subsidy model, and the allocation of grounds maintenance is based on land area.

3.9.2 The total repairs budget for the ALMOs takes account of the percentage increase given by the Government for repairs, adjusted for the reduction in stock. The ALMOs management costs are allocated in accordance with a formula, which follows the same factors which the Government use to allocate resources to Local Authorities and thus, in effect, treats each ALMO as if it were a mini HRA. The formula allocates resources to each area based on the numbers of properties, factors which acknowledge the additional costs associated with flats, and the extent of crime and social deprivation in an area.

3.9.3 It is proposed to hold the 2008/09 ALMO management fee at the 2007/08 level. The impact on the HRA budget is shown at Appendix 1.

3.9.4 Disaggregation

3.9.4.1 After discussions with the ALMOs, it has been agreed to disaggregate Emergency tree work (£102k) and grant funding RTGs (Resident Tenant Groups, £17k).

3.9.5 Performance Incentives

3.9.5.1 A number of performance incentives have been put in place to reward ALMO performance, especially in relation to contributions to a successful CPA assessment. Additional Performance Incentives are in place for arrears & voids management.

4.0 Recommendations

4.1 Members are asked to consider the information contained in this report and:

- a) Advise whether they require any further information and:
- b) Determine whether they wish to make any recommendations

Appendix 1

Housing Revenue Account Draft Budget - 2008/2009

Summary Budget

	<u>2007/08 OE</u> £000s	<u>2007/08 LE</u> £000s	<u>2008/09 OE</u> £000s
Employees	9,755	9,887	9,401
Premises	1,721	1,724	1,798
Supplies & Services	15,080	15,551	12,960
Transport	231	232	230
Internal charges	7,938	8,065	10,383
Provisions	3,435	2,230	2,325
Capital	21,029	22,622	18,735
	<hr/>	<hr/>	<hr/>
	59,189	60,310	55,832
internal income	(1,216)	(1,216)	(1,216)
rents	(153,872)	(154,701)	(159,854)
recharges to ALMOs	(6,151)	(7,019)	(6,602)
other income (inc. service charges)	(7,424)	(7,832)	(7,129)
	<hr/>	<hr/>	<hr/>
	(109,474)	(110,457)	(118,968)
Housing Subsidy	36,917	37,917	46,386
ALMO Allowances	(34,839)	(30,581)	(30,581)
PFI allowance	(6,097)	(6,097)	(6,097)
	<hr/>	<hr/>	<hr/>
	(113,493)	(109,218)	(109,260)
contribution to pensions Reserve	(41)	(41)	(113)
contribution to PFI Reserve	801	801	508
Contribution from specific reserves	0	(675)	
Contribution from ALMO Insp . reserve	0	(1,000)	
	<hr/>	<hr/>	<hr/>
	(112,733)	(110,133)	(108,865)
 <u>Payments to the ALMOs</u>			
Management fees	76,844	76,844	76,844
Disaggregation of budgets	0	0	119
Distribution of ALMO Inspn. reserve	0	1,000	
Performance incentives	1,050	1,708	1,321
SCA Allowances	34,839	30,581	30,581
Budgeted Deficit	<hr/>	<hr/>	<hr/>
	0	0	0
 <u>Reserves</u>			
General Reserves b/f	3,712	3,712	3,712
In year projected outturn	0	0	0
Budgeted deficit	0	0	0
	<hr/>	<hr/>	<hr/>
	3,712	3,712	3,712