

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 10 DECEMBER 2013

Title of report	DRAFT HOUSING REVENUE ACCOUNT BUDGET 2014/15 AND RENT INCREASE
Key Decision	<p>a) Financial Yes</p> <p>b) Community Yes</p>
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Purpose of report	To seek approval of the draft 2014/15 Housing Revenue Account (HRA) Budget and Rent & Service Charge increases for consultation.
Reason for Decision	To enable the Council to set a balanced Housing Revenue Account Budget for 2014/15.
Council Priorities	The HRA budget assists the Value for money priority.
<p>Implications:</p> <p>Financial/Staff</p> <p>Link to relevant CAT</p> <p>Risk Management</p> <p>Equalities Impact Assessment</p>	<p>As included in report.</p> <p>Delivering a HRA Budget for 2014/15 will allow the Council to achieve the objectives for the service as set out in the Housing Business Plan.</p> <p>The Council sets an HRA budget, which is regularly monitored throughout the year to ensure services are delivered within budget.</p> <p>No impact identified.</p>

Human Rights	None identified.
Transformational Government	Not applicable
Comments of Head of Paid Service	The report is satisfactory.
Comments of Section 151 Officer	As report author the report is satisfactory
Comments of Monitoring Officer	The report is satisfactory.
Consultees	Corporate Leadership Team (CLT). Tenants Performance and Finance Working Group. Tenants and Leaseholders Consultation Forum.
Background papers	None
Recommendations	<p>1. THAT CABINET NOTES THE ASSURANCE STATEMENT BY THE S151 OFFICER</p> <p>2. THAT CABINET APPROVES THE DRAFT HRA BUDGET AS DETAILED IN THIS REPORT AND ASSOCIATED APPENDICES FOR CONSULTATION</p>

1.0 INTRODUCTION

- 1.1 The draft Housing Revenue Account budget for 2014/15 is set out at Appendix A. The revised budget for the current year, together with the original 2013/14 budget are also attached for information.
- 1.2 This report seeks Cabinet approval to consult on the draft HRA budget, with the outcome of this consultation exercise being fed back into the subsequent report to Cabinet, for Cabinet to make recommendations on the final budget to Council.

2.0 REVISED BUDGET 2013/14

- 2.1 The overall forecast for the current year shows a decrease in the forecast surplus from £1.473m to £1.274m. This is largely as a result of a reduction in expected rental income of £238k due to an increased level of empty properties and an increased number of property sales through the 'Right to Buy.'
- 2.2 There is a small decrease in Supervision and Management expenses (£25k) and a reduction in other income of £17k.
- 2.3 As a result of this and other smaller differences, the balance on the Housing Revenue Account at 31st March 2014 is estimated to be £5.034m. This balance significantly exceeds our agreed minimum balance of £1m but this has been developed to provide a loan repayment reserve provision against the future repayment of debts taken out on a maturity repayment basis, within the HRA Business Plan.

3.0 2014/15 BUDGET OVERVIEW

- 3.1 The budget is based on prices at November 2013 plus known increases, for example contractual obligations.
- 3.2 Repairs and maintenance of dwellings (Appendix 'A' – line 1) in 2014/15 is anticipated to total £4.931m.
- 3.3 Supervision and Management Expenditure (Appendix 'A' – line 4) in 2014/15 is expected to be £2.322m (1 % lower than the original 2013/14 budget). This is largely caused by the net effect of the service investments and budget reductions detailed in Appendices 'B' and 'C.'
- 3.4 Garage rent levels (Appendix 'A' – line 15) are proposed to rise by 3.2 % which is in line with the Retail Prices Index (RPI) as at September 2013.
- 3.5 Appleby Magna Caravan Site is a General Fund asset but managed within Housing. Ground rents for the site are proposed to be increased by 3.2% on the anniversary of each individual rent agreement in 2014/15.
- 3.6 It is proposed that Lifeline Charges (included in Appendix A – line – 13) are increased by 3.2% from 1 July 2014.
- 3.7 The budget investment and budget reductions proposals included in the 2014/15 budget are shown at Appendices B and C.

4.0 2014/15 BUDGET – RENTS (APPENDIX 'A' – LINE 13)

- 4.1 Existing Government policy, introduced nationally for local authorities in April 2002 is to establish the local authority average guideline rent increase by applying RPI inflation at the previous September plus 0.5%, and a convergence factor of up to £2 per week to reflect the number of years to rental convergence with the housing association sector.
- 4.2 The Government has proposed that from 2015/16 this will be replaced by a formula of CPI + 1% for the next 10 years. Historically CPI has been lower than RPI, so the expected impact of this policy would be to reduce annual rent increases. For September 2013 CPI was 0.5% below RPI, so the new formula would have produced an identical increase (for the inflation related element) for 2014/15 had it been in place now.
- 4.3 The Government is proposing to cease the rent restructuring policy in 2015/16. Through this process all properties are moving towards their "target rent" in steps of up to £2pw per year. Currently only approximately 30% of our tenants are paying the target rent for their home, principally because we were historically a lower rent level Council. This means the steps required to get to target rents are larger and the impact of the £2pw increase "cap" has restricted many properties progress to their target. Because of their lower rent starting point, many of our homes are not forecast to reach their target rent until after 2016/17. Our business plan forecasts assume that all properties will reach their target rents. If rent restructuring ceases in 2015/16 a significant proportion of our properties will not have reached their target rent. This will reduce the income projected from future rent increases, and mean that we will have different rent levels for similar properties throughout the housing stock.
- 4.4 September 2013 RPI inflation was 3.2%. This has been used as the basis to calculate the rent increase for 2014/15 in line with the Government's Rent Convergence Policy.

- 4.5 Members may recall that the original average rent for 2013/14 approved at Council on 26th February 2013 was £74.25. As part of the 2008/2009 budget setting process and following tenant consultation, Members agreed that upon re-let, if the tenant was new to the service, the rent charged would be the target rent. Such re-lets since the approval of the 2013/14 rent now mean that the average rent has increased by 20 pence to £74.45
- 4.6 In accordance with Government's Rent Convergence Policy therefore it is proposed to increase the average weekly rents by £4.30 per week (5.78%) from £74.45 to £78.75. For those properties already at the target rent the increases are 3.7%.
- 4.7 A table showing a sample of rents across property types and areas is attached at Appendix "D" for Member's information. This excludes any service charge.

5.0 SERVICE CHARGES

- 5.1 About one third of the Council's properties have a service charge of one type or another, covering a range of items such as communal heating, communal lighting and the maintenance of communal areas. The estimated income from these charges is shown at line 14 of Appendix "A".
- 5.2 For 2014/15 average weekly service charges are proposed to be increased by 2 pence (1.02%) from £1.43 to £1.45. This gives a combined average rent/service charge increase of £4.32 per week (5.69%), from £75.88 to £80.20.

6.0 HOUSING REVENUE ACCOUNT BALANCE

- 6.1 The budget for 2014/15 produces an operating surplus of £1.808m for the year which will increase the estimated balance on the Housing Revenue Account at 31st March 2015 to £6.841m.
- 6.2 Significant surpluses on the HRA are required in 2013/14 and 2014/15 and beyond so as to be able to meet the loan repayment commitments in the HRA Business Plan.

7.0 CONSULTATION PROCESS

- 7.1 The contents and appendices of this report will be used to consult with Council tenants on the proposals for the 2014/15 Housing Revenue Account budget.
- 7.2 This will include consulting with tenant members of the Performance and Finance Working Group (the Council's Resident Involvement technical finance working group) and the Tenants and Leaseholders Consultation Forum (the Council's Resident Involvement decision making body) to review and comment on the proposals.
- 7.3 In addition, the contents and appendices of this report will be published on the Council's Housing internet page.
- 7.4 A copy of the consultation timetable can be found in Appendix E.

8.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

- 8.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy

of the proposed reserves. Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.

- 8.2 Taking into account identified risks, the Section 151 Officer considers that the estimates which form the Housing Revenue Account Budget for 2014/15 are robust and prudent and the proposals are deliverable.
- 8.3 The Section 151 Officer also considers that the overall level of Housing Revenue Account reserves is adequate.