

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 10 FEBRUARY 2015

Title of report	HOUSING REVENUE ACCOUNT (HRA) BUDGET AND RENT INCREASE 2015/16
Key Decision	a) Financial Yes b) Community Yes
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Purpose of report	To seek approval of the 2015/16 Housing Revenue Account (HRA) Budget and Rent and Service Charge increases.
Reason for Decision	To enable the Council to set a balanced Housing Revenue Account Budget for 2015/16.
Council Priorities	The HRA budget assists the Value for money priority.
Implications: Financial/Staff Link to relevant CAT	<p>As included in report.</p> <p>Delivering a HRA Budget for 2015/16 will allow the Council to achieve the objectives for the service as set out in the Housing Business Plan and Service Team Business Plans.</p>

Risk Management	The Council sets an HRA budget, which is regularly monitored throughout the year to ensure services are delivered within budget. Risks are managed through the corporate risk management process.
Equalities Impact Assessment	No impact identified.
Human Rights	None identified.
Transformational Government	Not applicable
Comments of Head of Paid Service	Report is satisfactory
Comments of Deputy Section 151 Officer	Report is satisfactory
Comments of Deputy Monitoring Officer	Report is satisfactory
Consultees	Corporate Leadership Team (CLT), Cabinet (18 November 2014, , Tenants Performance and Finance Working Group, Tenants and Leaseholders Consultation Forum, Public/Tenant consultation exercise undertaken via website, Policy Development Group (7 January 2015).
Background papers	HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS FOR 2015/16, Cabinet, 18 November 2014 HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS FOR 2015/16, Policy Development Group, 7 January 2015
Recommendations	<p>A. THAT THE ASSURANCE STATEMENT BY THE S151 OFFICER BE NOTED,</p> <p>B. THAT THE COUNCIL BE RECOMMENDED TO:</p> <ol style="list-style-type: none"> 1. APPROVE THAT COUNCIL HOUSE RENTS IN 2015/16 BE INCREASED BY AN AVERAGE OF 5.41% (AVERAGE INCREASE £4.27 PER WEEK). 2. APPROVE THE DECISION TO LET ALL PROPERTIES AT TARGET RENT ON RE-LET REGARDLESS OF THE STATUS OF THE INCOMING TENANT.

	<ol style="list-style-type: none"> 3. APPROVE THE INCREASE OF 2.3% (AVERAGE INCREASE 14 PENCE) IN GARAGE RENTS FOR 2015/16. 4. APPROVE THE INCREASE OF 10% FOR CENTRAL HEATING CHARGES FOR 2015/16 5. APPROVE THE AVERAGE INCREASE OF 1.82% (9 PENCE PER WEEK) IN THE WEEKLY SERVICE CHARGE FOR 2015/16. 6. APPROVE THE GROUND RENT INCREASE AT APPLEBY MAGNA CARAVAN SITE OF 2.3% (70 PENCE PER WEEK) ON THE ANNIVERSARY OF EACH INDIVIDUAL RENT AGREEMENT IN 2015/16. 7. APPROVE THE LIFELINE CHARGES INCREASE OF 2.3% (98 PENCE PER QUARTER) FROM JULY 2015. 8. APPROVE THE HOUSING REVENUE ACCOUNT BUDGET FOR 2015/16 ATTACHED AS APPENDIX A.
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1.0 INTRODUCTION

1.1 The Housing Revenue Account budget for 2015/16 is set out at Appendix A. The revised budget for the current year, together with the original 2014/15 budget are also included in Appendix A for information.

2.0 REVISED BUDGET 2014/15

2.1 Members will recall that Council approved the decision to fund the additional resources required for the 2015/16 Decent Homes Improvement Programme on 25 March and 16 September 2014. The impact of these changes on the original budget surplus is a revised budget with a £746k deficit which will be funded from HRA balances.

2.2 The overall forecast for the current year at period 9 shows a further increase in the forecast deficit from £746k to £1.267m. This is largely as a result of a technical accounting regulation which requires the Council to set aside £492k to an unusable reserve for the revaluation of garages for the year 2014/15.

2.3 As a result of this the balance on the Housing Revenue Account at 31 March 2015 is estimated to be £4.01m. This balance significantly exceeds our agreed minimum working balance on the HRA of £1m and 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. The first maturity loans of £10m and £3m fall due for repayment on 28 March 2022.

3.0 2015/16 BUDGET OVERVIEW

- 3.1 The budget is based on prices and levels of charges for Council Housing related services at October 2014 plus known increases, for example contractual obligations.
- 3.2 Repairs and maintenance of dwellings expenditure (Appendix A – line 1) in 2015/16 is anticipated to total £5.1m.
- 3.3 Supervision and management expenditure (Appendix A – line 4) in 2014/15 is expected to be £2.6m. This is largely caused by the net effect of the service investments and budget savings detailed in Appendices B and C. All budget proposals that have been given a green rating are included within the budget.
- 3.4 For 2015/16, the level of revenue contribution to capital outlay (RCCO, Appendix A – line 28) is proposed to be £2.61m (as opposed to £2.9m in 2014/15) in order to maintain 100% decency in respect of the Decent Homes standard. This significant annual transfer from revenue to capital to fund improvements will be an ongoing feature of the HRA budget going forwards, as the Council will no longer be in receipt of any Decent Homes Backlog Funding Grant after 2014/15.
- 3.5 The budget for 2015/16 is estimated to produce an operating surplus of £183k. This is a revised position when compared to the draft budgeted operating surplus presented to Cabinet on 18 November 2014 which was £28k, due to a number of budget changes since this date (see Appendix D and section 7.4).
- 3.6 The HRA business plan model is expected to produce one future year with a budget deficit in 2016/17 (of £144k), followed by surpluses in each year going forward from 2017/2018. Annual surpluses are planned to rise incrementally from £113k in 2017/18 to £2.536m in 2020/21.
- 3.7 It is proposed to fund the deficit for the single year of 2016/17 from HRA reserves, which is considered to be a prudent approach, as opposed to the alternative of borrowing money and incurring additional interest costs.

4.0 2015/16 BUDGET – RENTS (APPENDIX A – LINE 13)

- 4.1 Government rent policy guidance, introduced nationally for local authorities in April 2002, has in previous years established the local authority average guideline rent increase. This has been done by applying the Government's recognised inflation measure of Retail Price Index (RPI) at the previous September plus 0.5%, and a convergence factor of up to £2 per week. The £2 per week convergence factor cap reflected the policy objective of increasing Local Authority rents to similar levels to those charged by Registered Providers (Housing Associations). North West Leicestershire District Council has adhered to this guidance since its implementation.
- 4.2 Following consultation the Government has announced that from 2015/16 this guidance will be replaced by new guidance that requires rent increases to be via a formula of September CPI + 1% for the next 10 years. Consumer Price Index (CPI) is another inflation index recognised and used by central Government. Historically CPI has been lower than RPI, so the expected impact of this policy would be to reduce annual rent

increases, and therefore significantly reduce the rental income predictions on which our business plan is based.

- 4.3 To illustrate the difference, the comparative inflation indices for September 2014 and resultant formula rent increase are as follows:

Inflation Index		Formula increase (RPI + 0.5% / CPI + 1%)
RPI	2.3%	2.8%
CPI	1.2%	2.2%

- 4.4 On the introduction of its new rent increase guidance the Government's existing rent restructuring policy will cease from 2015/16, with the exception of re-letting properties at the converged rent level when a new tenancy starts. Currently approximately 26% of our tenants are paying the target rent for their home, with 74% paying rents below this level. Principally this is because we were historically a lower rent level Council so the increases required for individual properties to reach target rents were larger and the impact of the "cap" has meant most of our properties are yet to reach their target rent level. Because of their lower rent starting point, all homes are not forecast to reach their target rent until 2019/20 under the former rent policy.
- 4.5 Whilst the move to the new social rent policy represents potentially lower rent increases for tenants, the removal of rent convergence and change in formula represents a real, and significant, loss of rental income to the Council. More importantly it maintains the situation where existing tenants are being charged considerably less rent than incoming new tenants. Currently tenants in neighbouring properties can pay up to £16.90 per week more/less for the same property. If the new guidance is adopted and the Council no longer continues to converge rents, these individual property differentials will only be closed when a property is moved to target rent when re-let.
- 4.6 There is no statutory underpinning for rent setting. Local authorities are free to set any rent they see fit as long as it meets the provisions of the 1985 Housing Act. Section 24 of the 1985 Act states the following:
- 24 (1) A local housing authority may make such reasonable charges as they may determine for the tenancy or occupation of their houses
- 24 (2) The Authority shall from time to time review rents and make such changes, either of rents generally or particular rents, as circumstances may require
- 4.7 The 1989 Local Government and Housing Act added clauses 24 (3) and 24 (4) which stated that in exercising their functions under this section, a local housing authority shall have regard in particular to the principle that the rents of houses of any class or description should bear broadly the same proportion to private sector rents of houses of any other class or description. However, this was repealed in England (it is still extant in Wales) by the Local Government Act 2003. Therefore, local authorities have no restriction other than reasonableness when deciding on the basis to set rents.
- 4.8 However, Government guidance on rent increases has formed part of the HRA financial world for many years, and in the past factors such as the national Housing Subsidy system

controlled rent increases by ensuring that any increase at a rate different to the policy level had a negative impact on income.

- 4.9 With the introduction of HRA Self-Financing in March 2012, the settlement which resulted in loans of £77m being taken on by the Council was calculated on the basis of projected income from rent convergence level increases, albeit with adjustments recognising the impact of the up to £2 per week convergence increases. Therefore rents were increased to meet interest and debt repayment requirements in accordance with the projected levels in the Business Plan.
- 4.10 The application of the new rent policy guidance in North West Leicestershire therefore presents a potentially inequitable outcome which will retain large rental differences between neighbouring properties until they become vacant. A number of other Local Authorities are also considering alternative rent increase options for 2015/16 and beyond. All Councils are at different places in their rent convergence processes, as some started from higher average rent levels so had lower levels of increase to make each year. For those with most of their properties already at convergence levels, the impact of the new rent policy is far less significant on their future income projections than it is for Councils such as ourselves, with a majority of properties not yet at target rent levels.
- 4.11 The policy adopted by Cabinet in April 2008 means that empty properties are only moved to a target rent upon letting to a new tenant. Therefore, under the current approach, if a tenant has a tenancy that pre-dates April 2008 and transfers to another property, they will do so at the lower rent for that property rather than at the advertised target rent. Under a revised approach from 2015/16, it is proposed that all properties are re-let at target rent, regardless of the tenancy status of the incoming tenant. It should be noted that as 94% of all homes will have a target rent by April 2016, any 'disincentive' for tenants with a tenancy pre-dating April 2008 to transfer to another Council property will only apply for a 12 month period.
- 4.12 Following a review of the current rent plan, the following rent increase options were developed for consideration for consultation by Cabinet on 18 November 2014:

Option A – Former policy

Rents are increased by the former rent guidance of RPI + 0.5% (+ £2 for those properties not at limit rent) which is due to end in March 2015. This option is a clear departure from the Government's revised guidance through continuation of the current policy and rent convergence.

Option B – New Government guidance

This option implements the Government's revised guidance for social rents due to commence from April 2015 and would be followed with annual increases of CPI + 1% only, with no continuation of rent convergence.

Option C – Accelerated Convergence

Under this option the Government's revised guidance for social rents from April 2015 is followed with annual increases of CPI + 1%, however rent convergence would continue at an accelerated rate of up to £4 per week.

- 4.13 Cabinet approved option C as the recommended approach for the 2015/16 rent increase for consultation. Whilst all three options were financially modelled and presented within the Cabinet Paper on 18 November and Policy Development Group on 7 January, the appendices to this report include only the favoured option (Option C, CPI + £4).
- 4.14 Following this accelerated convergence path the majority of properties (94%) would converge by 2016/17 (and within the rent rebate subsidy limitation – the limit that the government imposes in respect of rent charges and the maximum amount of Housing Benefit that can be claimed), with the remaining 6% by 2018/19 (See Appendix E). This option therefore presents a more equitable outcome with similar rent values being charged for similar properties.
- 4.15 Higher rental income will also be generated during the early years to 2018/19 as a result of the application of accelerated convergence at up to £4 per week for those properties not at target rent. Rental income and average rent per property will overall be lower than option A from 2017/18 onwards as a result of following the revised guidance in respect of CPI +1% increases.
- 4.16 Subject to the level of converged properties and the level of CPI in September 2015, rent increases from 2016/17 may impose a financial penalty through Housing Benefit Subsidy limitation as a result of the average rent exceeding the rent rebate subsidy limitation figure. Rent increase policy for 2016/17 and beyond should therefore make reference to the rebate subsidy limitation figure as prescribed by Government.
- 4.17 New issues may be presented in future years upon the introduction of Universal Credit (UC) when all welfare benefits for a claimant, including housing benefit, will be rolled up into one single payment paid directly to the individual. Detailed information is not currently available in respect of how the Housing element of UC will be calculated, however, should it be in line with the new government guidance for CPI + 1% formula rent increases, this may cause issues in terms of Housing Benefit eligible tenants UC benefit not being aligned with their actual rent. Whilst this uncertainty exists, it would be prudent for the council to maximise the numbers of homes at target rent levels.
- 4.18 Appendix E contains detailed projections with regards to these rent increase options over the next 10 years to 2024/25 including average rent levels and rent increases per year on a 50 week payment basis.
- 4.19 Following Cabinet approval of option C as the recommended approach for the 2015/16 rent increase for consultation, and following the subsequent consultation, it is proposed to increase the average weekly rents under this option by £4.27 (5.41%) from £78.94 to £83.21. Members may recall from the final Council report of February 2014 that the average approved rent was 2014/15 was £78.75. Due to re-lets at target rent in accordance with Council policy the revised average actual rent is £78.94. For those properties already at target rent the average increase is 2.2%. Appendix F provides a full breakdown of average property increases by ward and by bedroom size.

5.0 SERVICE CHARGES, FEES AND OTHER CHARGES

- 5.1 Approximately one third of the Council's properties have a service charge, covering a range of items such as communal heating, communal lighting and the maintenance of

communal areas. Service charges are covered by Housing Benefit, whilst all other fees and charges are not.

- 5.2 For 2015/16 average weekly service charges (Appendix A – line 14) are proposed to be increased by 1.82%.
- 5.3 Central heating charges (Appendix A – line 2) are proposed to increase by 10% as a result of proposed energy prices increases anticipated for 2015/16, although this will be reviewed if energy prices remain stable or decline.
- 5.4 Garage rent levels (Appendix A – line 15) are proposed to rise by 2.3% which is in line with the Retail Prices Index (RPI) as at September 2014.
- 5.5 Appleby Magna Caravan Site is a General Fund asset but managed by the Housing Service. Ground rents for the site are proposed to be increased by 2.3% on the anniversary of each individual rent agreement in 2015/16.
- 5.6 It is proposed that Lifeline Charges (Appendix A – line 3) are increased by 2.3% from July 2015
- 5.7 A table detailing each charge increase can be found in Appendix G.
- 5.8 Approval to award a new contract for the provision of tenant's home contents insurance will be considered by Cabinet at it's meeting on 10 February 2015 (See Cabinet report titled 'TENANT HOME CONTENTS INSURANCE'). The charges in respect of this service under the proposed framework agreement reflect an average decrease in premiums of 11% per week for basic cover.
- 5.9 A table detailing each premium charge under the proposed new contract can be found in Appendix H

6.0 HRA BUSINESS PLAN

- 6.1 Significant annual surpluses on the HRA are required in future years in order to meet the loan repayment commitments in the HRA Business Plan should the commitment to repay debt in 2021/22 be retained. The business plan model (please see Appendix I under HRA In Year Cashflow) shows projected surpluses that rise incrementally from £113k in 2017/18 to £2.54m in 2020/21. An in year deficit of £144k is presented in 2016/17. A further £6.7m deficit arises in 2021/22 as a result of repayment of maturity loans.
- 6.2 Partly as a result of Council's decision on 16 September 2014 to fund the additional costs associated with the Decent Homes programme, a funding shortfall of £1.39m currently exists in year 8, 2021/22, when two maturity loans of £10m and £3m fall due for repayment which must be factored into future planning.
- 6.3 The overall impact to the HRA Business Plan for 2015/16 and future years is ultimately dependant on the rent policy adopted as well as the level of voids which for modelling purposes is set at 1.8% in the medium term.

- 6.4 The budget for 2015/16 is therefore estimated to produce an operating surplus of £183k for the year. This will increase the estimated balance on the Housing Revenue Account at 31 March 2016 to £4.18m.
- 6.5 It is proposed to fund the estimated deficit of £144k in 2016/17 from HRA reserves, which is considered to be a prudent approach, as opposed to the alternative of borrowing money and incurring additional interest costs. This will subsequently reduce the estimated balance on the Housing Revenue Account at 31 March 2017 to £4.04m. The balance on the HRA will subsequently increase to reach an estimated £7.72m by 31 March 2021.
- 6.6 The impact of the draft budget under the proposed rent increase presented in section 4 can be found in Appendix I. It is assumed that to pay off the two maturity loans in 2021/22 will require a payment from the Council of £1.39m.

7.0 CONSULTATION PROCESS

- 7.1 Consultation on the Housing Revenue Account 2015/16 draft budget proposals (as approved by Cabinet on 18 November 2014) has been completed via the Council's website and via hard copy upon request (following details of the consultation exercise being published in the tenant lead quarterly magazine 'In Touch'). The formal consultation closed on 16 January 2014 and no comments were received.
- 7.2 Members the Tenants and Leaseholders Consultation Forum (the Council's Resident Involvement formal consultation body) were provided with a copy of the proposals. Comments received were as follows:

A question was raised in relation to the reason behind increasing all property rent charges when some properties have had little renovation. The Council's response on this matter has been to outline the need for fairness and equity in relation to rent charges and to explain the process for upgrading properties in line with the Decent Homes standard and the useful economic lives of property components,

A suggestion was made in relation to external painting and the phasing out of the programme by replacement of wooden with PVC doors & windows. The Council's response is that all doors and windows are now PVC and that a saving of £20k for 2015/16 has been submitted as part of the budget. The Repairs & Investment Team have confirmed that it is too soon to commit to further savings but that these would be taken toward the end of 2015/16 if available and also reflected in the 2016/17 and future HRA budget.

- 7.3 Members of the Performance and Finance Working Group (The Council's Resident Involvement technical finance working group who were consulted on 4 December 2014) were supportive of the recommended proposals. The Group accepted that increases ought to be higher than Government guidance if the service was to be able to afford to continue with a programme of housing improvements.
- 7.4 Since the Cabinet meeting on 18 November 2014 a number of accounting and budget estimate amendments have been made which has resulted in an additional surplus of approximately £155k, moving the surplus position from £28k to £183k. The largest of these amendments is a £127k favourable movement in relation to rental income, as a result of a revised estimate in relation to the number of properties currently at or due to go

to target rent upon re-let and an additional allowance for 2 days debit for the 2015/16 financial year. In addition, the 2015/16 RCCO has increased by £20k due to increased budgets for Major Aids and Adaptations and New Build provisions, offset by revisions to forecast outturn on the 2014/15 capital programme which in turn has increased the amount of capital funding carried forward and therefore reduced the need for revenue contributions (see Cabinet report '2015/16 HRA CAPITAL PROGRAMME'). One additional budget proposal of £10k has been included for the production of a 'Housing DVD' to be used for introducing new tenants to the Council Housing Service. A full reconciliation of the budget amendments can be found in Appendix D.

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 2015/16 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.

HOUSING REVENUE ACCOUNT SUMMARY

APPENDIX A

LINE NO.	DETAIL	2014/2015	Forecast (p9)	2015/2016
		Budget £	£	Estimate £
1.	TOTAL REPAIRS & MAINTENANCE	4,933,190	4,827,210	5,097,110
	SUPERVISION & MANAGEMENT			
2.	General	2,117,130	2,083,950	2,234,580
3.	Special / Supporting People	387,720	331,580	341,230
4.		2,504,850	2,415,530	2,575,810
5.	PROVISION -DOUBTFUL DEBTS	170,790	170,790	170,790
6.	CAPITAL FINANCING:-			
7.	Depreciation - MRA & other	3,995,170	3,995,170	3,995,170
8.	Debt Management Expenses	1,390	1,390	1,390
9.		3,996,560	3,996,560	3,996,560
10.	HOUSING SUBSIDY PAYMENT TO NATIONAL POOL	0	0	0
11.	TOTAL EXPENDITURE	11,605,390	11,410,090	11,840,270
12.	RENT INCOME			
13.	Dwellings	16,741,400	16,469,670	17,521,680
14.	Service Charges	304,550	295,080	310,710
15.	Garages & Sites	80,920	83,400	82,820
16.	Other	26,100	26,100	26,100
17.		17,152,970	16,874,250	17,941,310
18.	GOVERNMENT GRANTS			
19.	Decent Homes Backlog Grant	7,941,105	7,376,620	0
		7,941,105	7,376,620	0
20.	TOTAL INCOME	25,094,075	24,250,870	17,941,310
21.	NET COST OF SERVICES	-13,488,685	-12,840,780	-6,101,040
22.	CAPITAL FINANCING - HISTORICAL DEBT	175,000	149,000	147,670
23.	CAPITAL FINANCING - SELF FINANCING DEBT	3,257,170	3,257,170	3,257,170
24.	INVESTMENT INCOME	-25,200	-53,420	-53,020
25.	PREMATURE LOAN REDEMPTION PREMIUMS	14,470	14,470	7,060
26.		3,421,440	3,367,220	3,358,880
27.	NET OPERATING EXPENDITURE	-10,067,245	-9,473,560	-2,742,160
28.	REVENUE CONTRIBUTION TO CAPITAL	2,922,413	2,922,410	2,610,160
29.	DEPRECIATION CREDIT – VEHICLES	-50,730	-50,730	-50,730
30.	DECENT HOMES BACKLOG GRANT FINANCING	7,941,105	7,376,620	0
31.	IMPAIRMENT - GARAGES	0	492,300	0
32.		10,812,788	10,740,600	2,559,430
33.	NET (SURPLUS) / DEFICIT	745,543	1,267,040	-182,730
	<u>HRA BALANCES</u>			
34.	Balance Brought Forward	-5,268,158	-5,268,158	-4,001,118
35.	(Surplus)/Deficit for Year	745,543	1,267,040	-182,730
36.	Balance as at year end	-4,522,615	-4,001,118	-4,183,848

Proposed Savings

Ref	Savings Bid Title	How will the Savings be Made?	Period	Income or Expenditure Budget	14/15 Budget	Value	Revised 15/16 Budget	Status
R1	External painting contract	Reduced provision as a result of the cyclical external painting programme. All external areas painted during 2014/15, future external painting programme schedule for 2019/20.	5 years	expenditure	85,000	20,000	65,000	G
R2	Energy performance certificates (EPC's)	Reduced provision as a result of all properties certification being updated following full stock condition surveys. Remaining budget provision to updated EPC as per government requirement of every 10 years.	on-going	expenditure	21,600	6,000	15,600	G
R3	Cleaning contract	Overall budget saving based on reduction in number of schemes requiring cleaning, including annual contract increase.	on-going	expenditure	83,340	6,100	77,240	G
R4	Reduction in budget for waste disposal	Reduced provision as a result of increase in recycling activity.	on-going	expenditure	37,540	8,450	29,090	G
R7	Reduction in revenue repairs	Reduced provision based on a forecast reduction of 5% in market rates for repairs.	on-going	expenditure	2,596,910	50,000	2,546,910	G
R8	2015/16 Rent increase	Annual rent increase at recommended rent increase option of CPI (1.2%) + 1% + £4 convergence factor where relevant (option c). Budget provision includes void loss of 1.8%	on-going	income	16,741,400	652,600	17,394,000	G
R10	2015/16 Services charge increase	Increased service charges based on assessment of individual cost areas. Proposed increase of 1.82%.	on-going	income	304,550	6,161	310,711	G
R14	Solid Fuel Servicing	Revised budget provision based on reduction in solid fuel properties for servicing. Includes provision for annual contract increase of 2.3%	ongoing	expenditure	38,040	13,960	24,080	G
R15	Recovered court cost fees	Increased provision based on recovery of increase in charges in respect of court costs	ongoing	income	9,800	6,500	16,300	G
R16	Revenue Contribution to Capital Outlay (RCCO)	Reduction in the estimated RCCO required to meet capital expenditure for 2015/16.	ongoing	expenditure	2,922,410	332,595	2,589,815	G
DMR	De-minimus savings (below £5k)	Increase in tenants insurance receipts £700 (R5); DD Promotions budget reduction £2,000 (R6); Reduction in protective clothing budget £1,000 (R9); Increase in Caravan site pitch fees £500 (R11); Increase in garage rent £1,900 (R12); Increase in lifeline charges £3,150 (R13)	ongoing	various		9,250		
TOTAL SAVINGS						1,111,616		

Proposed Investment

Ref	Investments Bid Title	What is the Investment for	Period	Income or Expenditure Budget	14/15 Budget	Value	Revised 15/16 Budget	Status
I4	Annual Servicing of smoke detectors	Provision for biennial servicing of smoke detectors on the basis of a 5 year programme consisting of a single visit to every property.	ongoing	expenditure	0	15,000	15,000	G
I6	Professional fees - court costs	Increased provision based on increase in charges in respect of court costs.	ongoing	expenditure	23,200	10,000	33,200	G
I8	Renewal of defective double glazed units	Provision to complete repairs to a 3 year backlog of defective double glazing.	1 year	expenditure	0	27,000	27,000	G
I9	Environmental repairs and improvements	Increase in provision to carry out programme of external works to pathways and pavements.	ongoing	expenditure	40,000	20,000	60,000	G
I11	Housing 'Health Check' recommendations	Provision to implement report recommendations following review.	1 year initially	expenditure	0	200,000	200,000	G
I14	Mobile working licence costs	Increased provision for annual charges for the mobile working and dynamic scheduling system.	ongoing	expenditure	110,160	21,600	131,760	G
I15	Increase in HRA salary provision	Increase in HRA salary provision based on incremental increases, pension costs and 1% pay of existing posts. Provision is net of changes to the existing structure, which include provision for the Director of Housing, and 0.5FTE Scheduler and removal of ICT Project Officer fixed term post, essential car allowances of x2 0.5FTE Resident Involvement Officer roles, 1FTE Logistics Support Officer, 1FTE Older Persons Project Officer and 0.5FTE Older Persons Team Leader.	ongoing	expenditure		6,800	6,800	G
I17	Housing apprentice	Cost of employing one Housing Apprentice.	ongoing	expenditure	0	6,000	6,000	G
I18	Older Persons service remodelling	Provision for potential costs associated with reshaping the Older Persons Service.	1 year	expenditure	0	20,000	20,000	G
DMI	De-minimus investments (below £5k)	Increase in gas servicing £3,260 (I1); Online document access for involved tenants £1,000 (I12); Increase in maintenance costs of older persons technology £993 (I16); Increase in void garden maintenance £3,670 (I19); Reduction in older persons income stream £610 (I20); budget reduction in central heating charges as a result of void loss £,3220 (I22)	ongoing	various		12,753		
TOTAL INVESTMENT						339,153		

HRA Budget 2015/16 - summary of changes since Cabinet report 18/11/14

		£
2015/16 surplus from Cabinet report 18/11/14 :		(26,920)
Changes		
Housing Services DVD	5080 new	10,000
Additional employee costs from agreed pay award	various	2,940
Additional DLO employee costs from agreed pay award & DLO Central recharges (including fleet costs)	5005 / 5103	32,420
Central Recharges - Admin Buildings/ Insurances / Printing / Telephones etc..	various	14,430
Corporate Service Management Recharges	various	(17,840)
Departmental Service Management Recharge - reduction of Director of Services percentage charged to HRA	1203 1332 5019/5030/5070	(12,820)
Corporate and Democratic Core Recharges	1360	8,480
Grounds Maintenance recharges	5015 various	3,180
Refuse collection container recharges - deletion of budget due to cancellation of contract June 2014	5030 0424	(2,990)
Deletion of HRA share of non distributed costs budget due to sale of former Highfield Street Depot	5019 1361	(27,310)
Creation of income budget for RTB admin allowance deducted from Capital receipt (assume 20 sales in 15/16 @ £1,300)	5030 9302	(26,000)
Additional Dwelling rent income - mainly from 2 additional days debit in 2015/16 from week 53 in 2014/15 but also now includes moves to target rent in 14/15 & estimate for target rent moves in 15/16	5290 2180	(127,180)
Reduced budget requirement for premium on past debt rescheduling	5296 1460	(7,410)
Reduced budget requirement for interest on pooled loans pre self financing - based on previous year out-turns	5296 1457	(27,330)
Increased income from General Fund for interest on balances	5296 2201	(28,000)
Reduced income from mortgages due to natural & premature redemptions	5296 2202	180
Reduced Capitalised salary recharge to match Capital Budget	1207 1597	29,000
Other		100
Surplus @ 13/01/15		(203,070)
RCCO		20,340
Surplus @ 16/01/15		<u>(182,730)</u>

Examples of rent charges 2015/2016 (excluding service charges) for Bedsits and 1 & 2 Bedroom Houses

ASSET LOCATION	BEDSIT						ONE BEDROOM						TWO BEDROOM					
	Existing Rent (2014/15)			Proposed Rent (2015/16)			Existing Rent (2014/15)			Proposed Rent (2015/16)			Existing Rent (2014/15)			Proposed Rent (2015/16)		
	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest
Albert Village, Coalville, Ellistown, Hugglescote, Overseal, Worthington.	40.64	48.85	55.43	45.53	51.53	56.65	46.88	60.49	73.16	51.91	63.19	74.77	56.73	75.75	82.25	61.98	79.40	87.01
Castle Donington	44.96	50.20	55.43	49.95	53.30	56.65	49.75	61.81	72.33	54.84	66.30	74.77	69.98	80.53	85.71	75.25	84.49	87.60
Ibstock, Moira, Ravenstone, Thringstone, Whitwick.	49.80	52.62	55.43	54.90	55.77	56.65	52.11	61.85	73.16	57.26	64.66	77.72	60.75	74.73	86.88	66.09	77.98	88.79
Ashby, Blackfordby, Coleorton, Diseworth, Donisthorpe, Kegworth, Long Whatton, Measham, Newbold Coleorton, Oakthorpe. Packington	37.90	54.00	61.20	42.73	55.98	62.55	45.24	63.69	73.16	50.24	66.95	74.77	58.80	75.47	88.03	64.09	79.52	89.97
Appleby Magna, Belton, Breedon, Chilcote, Heather, Hemington, Lockington, Newton Burgoland, Normanton Le Heath, Osgathorpe, Snarestone, Swannington, Sweepstone, Tonge.	57.52	58.25	58.32	59.60	59.60	59.60	60.07	67.78	73.16	65.39	71.11	74.77	67.15	77.43	88.03	72.63	81.14	89.97

Examples of rent charges 2015/2016 (excluding service charges) for 3, 4 & 5 Bedroom Houses

ASSET LOCATION	THREE BEDROOM						FOUR / FIVE BEDROOM					
	Existing Rent (2014/15)			Proposed Rent (2015/16)			Existing Rent (2014/15)			Proposed Rent (2015/16)		
	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest
Albert Village, Coalville, Ellistown, Hugglescote, Overseal, Worthington.	77.88	86.58	91.37	81.58	91.75	93.38	88.04	92.58	98.71	93.98	97.96	101.64
Castle Donington	64.90	88.63	94.82	70.33	94.00	96.91	89.94	94.33	99.31	95.92	100.10	103.90
Ibstock, Moira, Ravenstone, Thringstone, Whitwick.	73.45	87.25	95.95	79.07	92.47	98.06	91.13	93.28	99.87	97.13	99.04	104.34
Ashby, Blackfordby, Coleorton, Diseworth, Donisthorpe, Kegworth, Long Whatton, Measham, Newbold Coleorton, Oakthorpe. Packington	75.17	87.28	99.99	80.82	92.20	102.19	83.12	91.88	101.57	88.95	97.51	103.80
Appleby Magna, Belton, Breedon, Chilcote, Heather, Hemington, Lockington, Newton Burgoland, Normanton Le Heath, Osgathorpe, Snarestone, Swannington, Sweepstone, Tonge.	86.26	90.76	97.10	92.16	96.11	99.24	95.60	96.87	104.47	101.70	102.42	106.77

SUMMARY		£	%
Average Rent	Average Increase	4.27	5.41
Lowest Rent	Lowest Increase	1.16	2.20
Highest Rent	Highest Increase	6.16	12.74

Figures based upon stock levels as at 24th November 2014: 4277 properties

COMPARISON OF 2014/15 AND 2015/16 HOUSING CHARGES							
Chargeable Service	2014/15		2015/16			2015/16 Comments	
	Estimates 2014/15	Charge	Estimates 2015/16	Increase/ (Decrease)	Percentage Change	Charge	Basis of Increase
Service charges	339,159	Varies per property	345,320	6,161	1.82%	Varies per property	Based on assessment of all chargeable services.
Central Heating (before adjustments to income for void loss)	113,097	0 Bed: £7.58pw 1 Bed: £9.13pw 2 Bed: £10.48pw 3 Bed: £12.04pw	124,557	11,460	10.00%	0 Bed: £8.72pw 1 Bed: £10.50pw 2 Bed: £12.05pw 3 Bed: £13.85pw	Based on market assessment of predicted increase in utility costs during 2015/16. Will be reviewed if energy costs subsequently reduce or remain stable.
Garage & Garage Site Rent (before adjustments to income for void loss)	164,251	Garage: £6.11pw Site: £3.92pw	168,029	3,778	2.30%	Garage: £6.25pw Site: £4.01pw	RPI based increase in line with previous years.
Appleby Magna Caravan Site Rent (before adjustments to income for void loss)	22,688	Site: £30.25pw	23,213	525	2.30%	Site: £30.95pw	RPI based increase at anniversary date of each licence in line with previous years.
Shop Leases	14,300	n/a	14,300	0	0.00%	n/a	Proposal currently undetermined. Report to Cabinet timetabled for December 2014.
Tenants Contents Insurance	33,600	Premiums from £0.72p pw to £4.22pw	33,600	0	0.00%	Scheme proposed will provide premiums from £0.43p pw to £4.05 pw	Level of premium tenants will pay will reduce as a result of procurement of a new contract.
Lifelines for private customers	99,360	£42.68 per quarter	101,645	2,285	2.30%	£43.66 per quarter	RPI based increase in line with previous years.
Lifelines (East Midlands Housing Association)	37,350	Various depending on scheme	38,209	859	2.30%	Various depending on scheme	RPI based increase in line with previous years.
Choice Based Lettings Advertising Costs	28,000	n/a	28,000	0	0.00%	n/a	No increase proposed.
Total Services	851,805		876,873	25,068	2.94%		

Standard Cover Weekly Charge

Sum Insured	NWLDC Marsh
£6,000	£0.43
£8,000	£0.57
£10,000	£0.72
£12,000	£0.86
£15,000	£1.07
£20,000	£1.43
£25,000	£1.79

Additional Cover Weekly Charge

Sum Insured	NWLDC Marsh
£6,000	£0.97
£8,000	£1.30
£10,000	£1.62
£12,000	£1.94
£15,000	£2.43
£20,000	£3.24
£25,000	£4.05

**2015/16 Rent Summary
HRA Business Plan Impact**

Accelerated Convergence CPI (1.2%) + 1% + £4

**Capital Programme Planned
Expenditure**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Value (£)'000	-9,105	-7,850	-7,852	-7,820	-7,922	-6,471	-4,531	-4,531	56,080

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Rent Income											
Value (£)'000	17,522	17,960	18,307	18,643	18,994	19,512	20,050	20,604	21,176	21,764	194,531

These values typically lower as affected by RTB's, Rent Loss due to Voids, Disposals etc

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
HRA CFR Borrowing											
Value (£)'000	-	-	-	-	-	-	1,387	-	-	-	1,387

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
RCCO											
Value (£)'000	2,610	3,345	3,431	3,457	3,623	2,216	13,156	361	1,766	1,764	35,729

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
HRA In Year Cash flow (Deficit) / Surplus											
Value (£)'000	182	-144	113	422	607	2,536	-6,720	5,699	4,890	5,504	13,089

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
HRA Closing Balance										
Value (£)'000	4,182	4,039	4,152	4,574	5,181	7,716	996	6,695	11,585	17,089