

## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## CABINET – 11 FEBRUARY 2014

Title of report	<b>HOUSING REVENUE ACCOUNT BUDGET 2014/15 AND RENT INCREASE</b>
Key Decision	a) Financial Yes b) Community Yes
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Purpose of report	To seek approval of the 2014/15 Housing Revenue Account (HRA) Budget and Rent & Service Charge increases.
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.
Implications:	
Financial/Staff	As included in report.
Link to relevant CAT	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.
Risk Management	The Council sets an HRA budget, which is regularly monitored throughout the year to ensure services are delivered within budget.
Equalities Impact Assessment	No impact identified.
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. Public/Tenant consultation exercise undertaken via website.
Background papers	None
Recommendations	<p><b>A) THAT THE ASSURANCE STATEMENT BY THE S151 OFFICER IN SECTION 8 BE NOTED,</b></p> <p><b>B) THAT THE COUNCIL BE RECOMMENDED TO:</b></p> <ol style="list-style-type: none"> <li><b>1. APPROVE THE INCREASE OF 3.2% (AVERAGE INCREASE 19 PENCE) IN GARAGE RENTS FOR 2014/15.</b></li> <li><b>2. APPROVE THE AVERAGE INCREASE OF 1.02% (2 PENCE PER WEEK) IN THE WEEKLY SERVICE CHARGE FOR 2014/15.</b></li> <li><b>3. APPROVE THE GROUND RENT INCREASE AT APPLEBY MAGNA CARAVAN SITE OF 3.2% (74 PENCE PER WEEK) ON THE ANNIVERSARY OF EACH INDIVIDUAL RENT AGREEMENT IN 2014/15.</b></li> <li><b>4. APPROVE THE LIFELINE CHARGES INCREASE OF 3.2% (BETWEEN 6 PENCE AND 10 PENCE PER WEEK) FROM 1 JULY 2014.</b></li> <li><b>5. APPROVE THAT COUNCIL HOUSE RENTS IN 2014/15 BE INCREASED IN ACCORDANCE WITH THE GOVERNMENT'S RENT RESTRUCTURING POLICY BY AN AVERAGE OF 5.78% (AVERAGE INCREASE £4.30 PER WEEK).</b></li> <li><b>6. APPROVE THE HOUSING REVENUE ACCOUNT BUDGET FOR 2014/15 ATTACHED AS APPENDIX A.</b></li> </ol>

## **1.0 INTRODUCTION**

1.1 The 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 included in Appendix A for information.

## **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 £1.342m. This is largely as a result of a reduction in expected rental income of £251k 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 decrease in Supervision and Management expenses (£135k) and a reduction in other income of £18k.

2.3 As a result of this and other smaller differences, the balance on the Housing Revenue Account at 31<sup>st</sup> March 2014 is estimated to be £5.101m. 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.

2.4 The revised forecast now also includes the spend on the government grant funded element of the Decent Homes Improvement Programme of £8.500m, along with the associated government grant funding (Appendix A lines 19 and 30). This is a necessary reporting requirement and the relevant figures for the final year of the programme have also been included in the 2014/15 budget.

## **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 £4.933m.

3.3 Supervision and Management Expenditure (Appendix 'A' – line 4) in 2014/15 is expected to be £2.505m (6.8 % higher than the original 2013/14 budget). This is largely caused by the net effect of the service investments and budget savings 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 – 3) 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 has recently consulted on a proposal to cease the rent restructuring policy in 2015/16. The consultation finished on 24<sup>th</sup> December 2013, and the outcome is awaited. Through the rent restructuring 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 £1.674m for the year which will increase the estimated balance on the Housing Revenue Account at 31<sup>st</sup> March 2015 to £6.707m.
- 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 Consultation on the Housing Revenue Account 2014/15 budget has been completed via the Council's website, sharing the draft budget proposals as approved by Cabinet on 10 December 2013.
- 7.2 Proposals have also been shared with the tenants' Performance and Finance working group. There was general support for the proposed budget, and their specific feedback was:

That a wider range of communication methods should be used for future years budget consultations and not just the Council's website.

That the e-form link for tenants to make comment should also include a space for telephone number and address should users not have their own email address (for example, using Library computer and internet).

That the proposed Energy Strategy Officer is a vital role for the next few years for the Housing Service to ensure that energy efficiency matters were being considered and necessary actions implemented.

That the Resident Involvement restructure provision was reasonable. As involved tenants, the group expressed views in relation to the need for additional administrative support to release Officer time for more development work.

- 7.3 The formal consultation closed on 17 January 2014 and no further comments were received.
- 7.4 Since the Cabinet meeting on 10 December 2013 the following amendments have been made to the budget investment and budget reduction proposals;

Tenancy Support Officer – budget provision no longer required as the proposal has been funded from the existing salary provision as part of the restructure of the Housing Management service, saving £40k.

Green and Decent project assessment costs - reduced from £13,400 to £7,000 following a reassessment of the budget provision required.

Energy Strategy Officer was given a 'green' status to reflect views expressed by the Performance and Finance working group during consultation.

- 7.5 Leicestershire County Council has been undertaking a market testing exercise for the provision of Older Persons Housing Related Support (formerly known as the Warden Service) and Assistive Technology (the Central Control Service). The County Council has recently decided to cease the Housing Related Support tender process, and it is now anticipated that the current Older Persons Support and Central Control contract

will be extended to September 2015. The draft HRA budget had been prepared assuming this tender process would go ahead, producing a net saving of £171k per annum by reducing staffing capacity and redesigning the service. The detailed budget implications of the County Council's decision not to proceed with the tender are still being assessed at the time of producing this report. It is therefore proposed that the projected savings from the service redesign and associated tender process are removed from the budget.

## **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.

## HOUSING REVENUE ACCOUNT SUMMARY

LINE NO.	DETAIL	2013/2014		2014/2015
		Budget £	Forecast (p9) £	Estimate £
<b>HOUSING REVENUE ACCOUNT</b>				
1.	TOTAL REPAIRS & MAINTENANCE	4,849,230	4,879,170	4,933,190
SUPERVISION & MANAGEMENT				
2.	General	2,114,740	2,041,070	2,117,130
3.	Special / Supporting People	229,830	168,600	387,720
4.		2,344,570	2,209,670	2,504,850
5.	PROVISION -DOUBTFUL DEBTS	96,760	96,760	170,790
6. CAPITAL FINANCING:-				
7.	Depreciation - MRA & other	4,008,170	4,008,170	4,008,170
8.	Debt Management Expenses	1,380	1,380	1,390
9.		4,009,550	4,009,550	4,009,560
10.	HOUSING SUBSIDY PAYMENT TO NATIONAL POOL	0	0	0
11.	TOTAL EXPENDITURE	11,300,110	11,195,150	11,618,390
12. RENT INCOME				
13.	Dwellings	16,051,250	15,800,430	16,741,400
14.	Service Charges	316,550	303,680	304,550
15.	Garages & Sites	89,020	83,340	80,920
16.	Other	26,100	26,100	26,100
17.		16,482,920	16,213,550	17,152,970
18. GOVERNMENT GRANTS				
19.	Decent Homes Backlog Grant	0	8,500,000	8,560,000
		0	8,500,000	8,560,000
20.	TOTAL INCOME	16,482,920	24,713,550	25,712,970
21.	NET COST OF SERVICES	-5,182,810	-13,518,400	-14,094,580
22.	CAPITAL FINANCING - HISTORICAL DEBT	175,000	175,000	175,000
23.	CAPITAL FINANCING - SELF FINANCING DEBT	3,257,170	3,257,170	3,257,170
24.	INVESTMENT INCOME	-25,200	-25,200	-25,200
25.	PREMATURE LOAN REDEMPTION PREMIUMS	19,270	19,270	14,470
26.		3,426,240	3,426,240	3,421,440
27.	NET OPERATING EXPENDITURE	-1,756,570	-10,092,160	-10,673,140
28.	REVENUE CONTRIBUTION TO CAPITAL	250,000	250,000	490,000
29.	DEPRECIATION CREDIT - VEHICLES	0	0	-50,730
30.	DECENT HOMES BACKLOG GRANT FINANCING	0	8,500,000	8,560,000
31.	CONTINGENCY	33,000	0	0
32.		283,000	8,750,000	8,999,270
33.	NET (SURPLUS) / DEFICIT	-1,473,570	-1,342,160	-1,673,870
<b><u>HRA BALANCES</u></b>				
34.	Balance Brought Forward	-3,759,156	-3,759,156	-5,033,586
35.	(Surplus)/Deficit for Year	-1,473,570	-1,342,160	-1,673,870
36.	Balance as at year end	-5,232,726	-5,101,316	-6,707,456

HRA Proposed Investments (including contract uplifts) 2014/15

APPENDIX B

Investments (included in proposed budget)	What is the investment for ?	£'s	Period	Status
Increase in Bad Debt Provision	Increase to reflect increase in arrears due to welfare reform	74,030	Recurring	Green
SoR (Schedule of rates) Void Costs - Increase in Number of Voids	Additional budget to reflect increase in number of void properties	109,000	Recurring	Green
SoR (Schedule of Rates) Increase - Contract Inflationary Increase	Inflation increase in repairs contract prices	52,000	Recurring	Green
HRA Salary cost of living rise	1% assumed as per GF	74,470	Recurring	Green
RCCO - Revenue Contribution to Capital outlay	Estimated RCCO - to be confirmed	240,000	Recurring	Green
Electricity costs - Increase in Utility Costs		13,300	Recurring	Green
Green & Decent advisor costs	Costs for Energy Saving Trust in monitoring and evaluating pilot	7,000	1 year	Green
Garage & Garage Site Reduction in Income Due to Voids and Review of Sites	Fewer garages let, and projected reduction due to redevelopment	8,100	Recurring	Green
Energy Strategy Officer	Option to fund post that would lead on our approach to energy efficiency related work in relation to Council Housing	31,000	2 years	Green
Resident Involvement Restructure provision	Increase in capacity to reflect recent restructure (Team Leader role)	27,000	Recurring	Green
ICT Project Officer fixed term extension	To allow proper conclusion to mobile working project	9,000	1 year	Green
Mobile working licence costs	Additional license costs over an above existing budget	9,000	Recurring	Green
Service Charges - Increased Provision in Relation to Additional Void Properties		12,000	Recurring	Green
Increase in Corporate recharges	As seen in draft GF budget for 2014/15	50,000	Recurring	Green
Gas costs - Increase in Utility Costs		16,810	Recurring	Green
Void Loss	Increase in rent lost as per an increase in void properties	185,600	Recurring	Green
De Minimus items (under £5k)	Inflation Increase in Gas Servicing Contract (£2,250), Increase in properties for gas servicing due to conversion from solid fuel ( £ 3,740), Inflation increase in Cleaning contract ( £ 1,570), Inflation increase in Grounds Maintenance contract ( £ 1,150), Assistive telecare equipment & phone bills costs ( £ 2.350), Open Housing Improvement Group ICT systems enhancements ( £ 3,000)	14,060	Recurring	Green
		<b>932,370</b>		

Investments (included in proposed budget but not yet finalised)	What is the investment for ?	£'s	Period	Status
HRA Hardship Fund	Option to have additional DHP type provision for Council tenants only	10,500	Recurring	Amber
Under Occupation Incentive	Option to help tenants move if affected by under occupation charge	10,000	2 years	Amber
		<b>20,500</b>		

**Total Investments**

**952,870**



**HRA Proposed Savings (including increases in income) 2014/15**
**APPENDIX C**

Savings (included in proposed budget)	How will the saving be made ?	£'s	Period	Status
Reduction of overtime paid for boiler stoking	Solid fuel boilers no longer in use	10,000	Recurring	Green
Reduction in tipping charges	Increased budget last year, has not been used in full	6,000	Recurring	Green
Mobile working	Reduction in repairs budget due to mobile working efficiencies	77,100	Recurring	Green
Assistive Telecare Maintenance Contract	Reduction in charges from new contractor	7,500	Recurring	Green
Dwelling rents	Annual rent increase at 5.78% average	875,750	Recurring	Green
End of pension added years provision	Budget provision that is not required	18,000	Recurring	Green
Consultation budget	Budget provision not required in 2014/15 as STAR survey is only carried out bi-annually	8,000	1 year	Green
Defective Double Glazing	Removal of one-off growth from 2013/14	50,000	Recurring	Green
Minor adaptations budget	Surplus budget capacity - not required.	10,000	Recurring	Green
Council Tax	Reduction in budget to reflect actual 2013/14 spend	41,700	Recurring	Green
Capitalised Salaries Income	Charging Planned Investment team salary costs to capital	38,000	Recurring	Green
De Minimus items (under £5k)	Reduction in In House Repairs Team vehicle fuel costs (£4,000), Reduced number of properties for solid fuel servicing due to conversion to gas ( £ 2,180), Annual increase in Lifeline charges ( £ 4,000), Reduced Refuse Collection costs due to closed schemes ( £ 1,400), Reduced uniforms budget for Customer Services staff ( £ 4.700), Income received from sale of recycling materials ( £ 2,000), Increased Central Heating Charges ( £ 2,400), Reduced Premium on historical premature loan redemptions ( £ 4,800)	25,480	Recurring	Green
		<b>1,167,530</b>		

<b>Total savings</b>
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<b>1,167,530</b>
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<b>Net Budget saving/(investment)</b>
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<b>214,660</b>
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Examples of Proposed Rent Charges 2014/2015 (excluding service charges)

ASSET LOCATION	BEDSIT						ONE BEDROOM						TWO BEDROOM						THREE BEDROOM						FOUR / FIVE BEDROOM					
	Existing Rent (2013/14)			New Rent (2014/15)			Existing Rent (2013/14)			New Rent (2014/15)			Existing Rent (2013/14)			New Rent (2014/15)			Existing Rent (2013/14)			New Rent (2014/15)			Existing Rent (2013/14)			New Rent (2014/15)		
	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	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.	37.26	45.54	52.35	40.64	48.42	54.28	43.28	56.89	67.78	46.88	60.23	70.85	52.78	71.54	79.32	56.73	75.61	82.25	73.17	81.61	88.11	77.88	86.34	91.37	82.97	87.50	95.19	88.04	92.45	98.71
Castle Donington	41.43	47.44	53.45	44.96	50.20	55.43	46.05	57.50	67.82	49.75	61.39	72.33	65.55	75.93	82.65	69.98	80.24	85.71	60.66	83.66	91.44	64.90	88.50	94.82	84.80	88.34	92.33	89.94	93.61	97.75
Ibstock, Moira, Ravenstone, Thringstone, Whitwick.	46.09	49.77	53.45	49.80	52.62	55.43	33.99	57.94	70.55	37.25	61.41	73.16	41.98	70.49	83.78	45.53	74.55	86.88	68.90	82.37	92.53	73.45	87.12	95.95	85.95	88.15	96.30	91.13	93.27	99.87
Ashby, Blackfordby, Coleorton, Diseworth, Donisthorpe, Kegworth, Long Whatton, Measham, Newbold Coleorton, Oakthorpe, Pakington	34.62	50.59	59.02	37.90	53.52	61.20	41.70	59.93	70.55	45.24	63.56	73.16	54.77	71.22	82.11	58.80	75.34	85.15	70.56	82.40	96.42	75.17	87.07	99.99	78.23	86.83	102.35	83.12	91.89	106.14
Appleby Magna, Belton, Breedon, Chilcote, Heather, Hemington, Lockington, Newton Burgoland, Normanton Le Heath, Osgathorpe, Snaresstone, Swannington, Swepestone, Tonge.	53.54	55.68	56.24	57.52	58.25	58.32	56.00	63.76	70.55	60.07	67.69	73.16	62.83	73.36	84.88	67.15	77.37	88.03	81.25	85.69	93.64	86.26	90.59	97.10	90.26	90.26	90.26	95.60	95.60	95.60

SUMMARY	£		£	%
Average Rent	78.75	Average Increase	4.30	5.78
Lowest Rent	37.25	Lowest Increase	1.88	3.69
Highest Rent	106.14	Highest Increase	5.43	9.59

Figures based upon stock levels as at 11th November 2013: 4310 properties