



WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

- 1.1 To seek approval of the 2016/17 Housing Revenue Account (HRA) budget, including the Housing Repairs Account.

2. RECOMMENDATION

- 2.1 That Council approves the Rent Policy for 2016/17 as set out in paragraph 3.9.

- 2.2 That Council approves:

- The revised Housing Revenue and Housing Repairs Account budgets for 2015/16 shown in Appendix 1 and Appendix 2
- The Housing Revenue and Housing Repairs Account budgets for 2016/17 shown in Appendix 1 and Appendix 2
- The proposed movement in reserves shown in Appendix 3

3. BACKGROUND TO THE REPORT

- 3.1 The budgets covered by this report relate to the Council's responsibilities as the landlord of around 3,300 dwellings. The Housing Revenue Account is the ring fenced account which presents financial performance for the following activities:

- Income from dwelling rents and associated charges, e.g. utilities
- Supervision & Management (General), e.g. lettings, waiting list, rent collection, tenant consultation
- Supervision & Management (Special) e.g. sheltered schemes, hostel, roads, paths, fences and grounds, which are not part of an individual property
- Housing Repairs & Maintenance, which has a separate account and deals with the maintenance of individual properties.

- 3.2 The Council, as landlord to properties within the Housing Revenue Account is required to review rent levels and advise tenants of their rent for the forthcoming year ahead as part of the budget setting process.

Rent setting

Policy from 2015/16

- 3.3 The Department of Communities of Local Government's (DCLG) revised rent policy from 2015/16 enabled an increase of Consumer Price Index (CPI) at September of the previous year plus 1.0%. The move from RPI to CPI followed the Office for National Statistics' announcement in January 2013 that the formula used to produce the RPI does not meet international standards. As a result, the Government looked to move to the CPI, where possible.

- 3.4 CPI at September 2014 was 1.2%.

- 3.5 Whilst use of this formula is not mandated, the DCLG stated that it **expected** that Councils will set rents in this manner.

Policy from 2016/17

- 3.6 On the 8 July 2015, as part of the summer budget, the government announced a revised rent policy which would apply for 4 years from 2016/17. The objective of this policy was to assist the public with their rent bills.
- 3.7 The new policy is to reduce social housing rent by 1% for the next 4 years and then increase by 1% plus Consumer Price Index (CPI).
- 3.8 The policy also states that for a period of 1 year supported housing will be excepted from the above reduction and will be limited to an increases of CPI Plus 1%.
- 3.9 Based on the 2016/17 policy the rents have been calculated on the following:
- Social housing rent will reduce by 1%
 - Supported housing element will be kept at its current rate
 - Void loss assumption of 2%
 - Garage rent increase of 1.1%
 - Sheltered scheme charges increase by 1.1%, capped at £15
- 3.10 After factoring in the above the forecast rental income for 2016/17 is £13,080,636.

Budget summary

- 3.11 The original Housing Revenue Account budget for 2015/16, revised budget for 2015/16 (based on November 2015 outturn) and the proposed budget for 2016/17 is set out in Appendix 1.
- 3.12 The original Housing Repairs Account budget for 2015/16, revised budgets for 2015/16 (based on November outturn) and the proposed budget for 2016/17 is set out in Appendix 2

Revised 2015/16 Budget

- 3.13 As part of setting the budget for 2016/17, a formal revised budget for 2015/16 has not been prepared. The original budgets for 2015/16 have, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements.
- 3.14 Appendix 1 identifies £111,421 of additional costs on the Housing Revenue Account to year end. This is due to the loss of support from Leicestershire County Council relating to the sheltered housing scheme, an additional post approved by council and extra supplies and services charges in the year. No other significant changes are currently forecast. Additionally the contribution to the regeneration reserve has been reduced by £292,705 to ensure the 2015/16 HRA balance is at £250 per property.
- 3.15 In addition, Appendix 2 identifies £5,834 of additional costs on the Housing Repairs Account to year end. This relates to additional supplies and services charges in the year. No other significant changes are currently forecast.

2016/17 Budget

Service Priorities and links to other documents

- 3.16 The 2016/17 budget has been created with clear links to the Council's strategic and service objectives.
- 3.17 In addition to the Corporate Plan, the overarching strategic document for the HRA is the HRA Investment Plan which was approved by Council in July 2013. The key objectives for future housing provision outlined in this document were taken into account in producing both the revenue and capital HRA budgets. These are as follows:
- Continue to invest in existing stock to maintain good quality homes
 - Invest in new build schemes/acquire affordable housing to increase the amount of affordable housing available.
 - Refurbishment/regeneration of stock which no longer meets needs.
 - Environmental improvements to estates to ensure they are clean and safe.
 - Invest in service delivery
 - Develop and maintain effective engagement with tenants
 - The investment has been updated to reflect the budget for 2016/17. A revised document will be presented to Council in due course which will also allow for any other changes arising from the latest HRA directives.

Budget Assumptions and the Budget Strategy

- 3.18 The 2016/17 Housing Revenue Budget has been prepared following a robust process outlined in the 2016/17 Budget Strategy.
- 3.19 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) stood at 1.1% in November 2015, the application of 0% represents an effective saving on running costs. For contracts, an inflation rate of 1.1% has been used, unless otherwise specified within the terms of the specific contract.
- 3.20 The salaries and wages budgets form one of the most significant elements of the revenue budget. For pay costs, the 2016/17 estimates includes the agreed 1% pay increase as outlined by the NJC in November 2014. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (£80,415 for the HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2014/15.
- 3.21 Service costs totaling £67,393 endorsed by the Strategic Leadership Board have been included in the draft budget. Of this amount:
- £49,493 relates to the net loss of Leicestershire County Council sheltered housing fund
 - £10,630 represents an increase in equipment budgets for Sheltered Schemes to ensure appropriate replacements can be made
 - £7,270 relates to ongoing supplementary budgets

Housing Repairs budgets

- 3.22 The housing repairs operational budgets (Planned and Responsive repairs) have been prepared taking into account forecast need and the capacity for this to be

delivered in 2016/17. Supplies and Services costs have increased by £139,301 in 2016/17. The main reasons are summarised below:-

- £95,000 Asbestos surveys required under Health and Safety regulations.
- £65,000 Stock condition surveys to be carried out in 2016/17 (every 5 years thereafter)
- -£23,500 Reduction in consultancy support.

3.23 On the basis of these costs and the efficiencies identified in year, the housing repairs account is forecast to achieve an operating surplus (i.e. before transfer to reserves) of £675,876 and £515,237 in 2015/16 and 2016/17 respectively.

Working balances

3.24 The Council has the following policies relating to levels of balances and reserves in the HRA:

- Maintain HRA balances (non earmarked) of £250 per property. For 2016/17, this equates to minimum balance of £829,000 based on 3,316 properties at the point of rent setting
- Maintain a breakeven position within the Housing Repairs Account with all surpluses transferred to earmarked reserves
- Where possible, all actual service under-spends and excess balances should be transferred to earmarked reserves to plan for specific future costs or financial risks.
- There should be no direct contribution from revenue to capital except for specific identified projects.

3.25 The projected movement of the Housing Revenue Account balance is detailed below and indicates that sufficient balances are forecast as at 31st March 2017 based on the minimum balance thresholds outlined in 3.21. Required transactions to achieve minimum balances for 2016/17 will be considered as part of the outturn process. ¹

	2015/16	2015/16	2016/17
	ORIGINAL	LATEST	ORIGINAL
	ESTIMATE	ESTIMATE	ESTIMATE
	£	£	£
Opening Balance at 1st April	(904,000)	(711,000)	(829,000)
Closing Balance at 31st March	(841,000)	(829,000)	(857,000)

3.26 The Housing Repairs Account balance is forecast as follows:

	2015/16	2015/16	2016/17
	ORIGINAL	LATEST	ORIGINAL
	ESTIMATE	ESTIMATE	ESTIMATE
	£	£	£
Opening Balance at 1st April	(570,000)	(697,000)	(595,000)
Closing Balance at 31st March	(474,000)	(595,000)	(373,000)

¹ (x) Relates to credit/positive balances

Reserves

3.27 Appendix 3 provides a summary of earmarked HRA reserves, together with estimated movements during 2014/15 and 2015/16. Based on these calculations, it is estimated that the Council will hold £9,455,900 in earmarked HRA reserves as at 31st March 2016 and £7,406,800 at 31st March 2017. This amount excludes any “unapplied grants and contributions” which are treated as earmarked reserves in accordance with accounting regulations but relate to specific grants where conditions have not yet been met.

3.28 The following transfers to reserves require approval by Council:

Reserve	Transfer £	Use
2015/16		
Regeneration Reserve	2,952,445	This reserve has been set up to fund the implementation of the Housing Investment Plan. The transfer to reserves has been funded by both the HRA and the Housing Repairs Account
2016/17		
Piper Alarm Reserve	10,400	Reserve set aside for additional costs that may be incurred on provision of the Piper Alarm service. This service is currently under review by the Council
Regeneration Reserve	2,769,235	This reserve has been set up to fund the implementation of the Housing Investment Plan. The transfer to reserves has been funded by both the HRA and the Housing Repairs Account

3.26 It is proposed that HRA reserves will only be used for capital purposes in 2016/17. Full details are included in the Capital Programme.

HRA Business Plan

3.27 The HRA Business and Investment plan outlines how the HRA business will deliver services and capital projects over a 30 year period. The plan has been updated to reflect the budget for 2016/17. A revised document will be presented to Council in Summer 2016 which will also allow for any other changes arising from the latest HRA directives.

4. FINANCIAL IMPLICATIONS [TF]

4.1 Contained in the body of the report

5. LEGAL IMPLICATIONS [MR]

5.1 This budget is drawn up and approved in accordance with the Statutory requirements as to the keeping of a Housing Revenue Account (HRA), as contained in the Local Government and Housing Act 1989 (‘the Act’). It is a duty of each local authority to approve its HRA budget in the January and February immediately before the commencement of the financial year to which it relates.

5.2 The provisions include a duty, under Section 76 of the Act, to budget to prevent a debit balance on the HRA and to implement and review the budget. The Account must relate to the income of the authority for the year from rents and other charges in

respect of houses and other property within their Housing Revenue Account and the expenditure of the authority for the year in respect of the repair, maintenance, supervision and management of such property and any other requirements of the Secretary of State.

6. CORPORATE PLAN IMPLICATIONS

6.1 The proposed budgets will allocate resources to enable the Council to achieve its objectives for its own housing stock.

7. CONSULTATION

7.1 Relevant council officers have been consulted in the preparation of the budgets.

7.2 A full consultation exercise on priorities for Housing Investment was conducted in 2013/2014, the results of which were considered in preparation of the Housing Investment Plan.

8. RISK IMPLICATIONS

8.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

8.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

8.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	<p>A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.</p> <p>The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.</p> <p>Sufficient levels of reserves and balances are maintained to ensure financial resilience</p>	S. Kohli

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 The budget will allow management and maintenance of properties throughout the Borough in accordance with the HRA Investment Plan.

10. CORPORATE IMPLICATIONS

10.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

Background papers: None

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Appendix 1

HOUSING REVENUE ACCOUNT	2015/16 ORIGINAL ESTIMATE £	2015/16 LATEST ESTIMATE £	2016/17 ORIGINAL ESTIMATE £
INCOME			
Dwelling Rents	(13,262,955)	(13,262,955)	(13,080,621)
Non Dwelling Rents (garages & land)	(80,616)	(80,616)	(81,490)
Contributions to Expenditure	(16,830)	(16,830)	(17,020)
	(13,360,401)	(13,360,401)	(13,179,146)
EXPENDITURE			
Supervision & Management (General)	1,915,352	1,994,349	2,073,180
Supervision & Management (Special)	607,498	639,922	626,953
Contribution to Housing Repairs A/C	3,192,165	3,192,165	3,192,165
Depreciation (Item 8 Debit)	2,974,420	2,974,420	3,018,550
Capital Charges : Debt Management	4,220	4,220	4,220
Increase in Provision for Bad Debts	144,000	144,000	120,000
Lump sum Pension Contribution	53,000	53,000	72,680
Interest on Borrowing	2,099,100	2,099,100	2,095,800
Further net pressures identified in year	-	-	-
	10,989,755	11,101,176	11,203,548
Net (Income)/Cost of Services	(2,370,646)	(2,259,225)	(1,975,598)
Transfer from Major Repairs Reserve	(778,000)	(778,000)	(822,130)
Interest Receivable	(30,020)	(30,020)	(67,000)
IAS19 Adjustment	(19,120)	(19,120)	(50,540)
Net Operating (Income)/Cost	(3,197,786)	(3,086,365)	(2,915,268)
CONTRIBUTIONS			
Contribution to/(from) Piper Alarm Reserve	10,400	10,400	10,400
Contribution to/(from) Service Improvement Reserve	(20,000)	(20,000)	-
Contribution to Pension Reserve	3,520	3,520	3,520
Transfer to Major Repairs Reserve	800,000	800,000	844,130
Contribution to Regeneration Reserve	2,467,150	2,174,445	2,029,235
(Surplus) / Deficit	63,284	(118,000)	(27,983)
Relevant Year Opening Balance at 1st April	(904,034)	(711,000)	(829,000)
Relevant Year Closing Balance at 31st March	(840,750)	(829,000)	(856,983)

Appendix 2

	2015/16 ORIGINAL ESTIMATE £	2015/16 LATEST ESTIMATE £	2016/17 ORIGINAL ESTIMATE £
HOUSING REPAIRS ACCOUNT			
Administration			
Employee Costs	362,350	363,184	416,882
Transport Related Expenditure	7,250	7,250	5,960
Supplies & Services	121,710	126,710	266,011
Central Administrative Expenses	261,850	261,850	240,170
Further savings in year	-	-	-
Total Housing Repairs Administration	753,160	758,994	929,023
Programmed Repairs	560,230	560,230	560,230
Responsive Repairs	1,202,655	1,202,655	1,202,655
GROSS EXPENDITURE	2,516,045	2,521,879	2,691,908
Contribution from HRA	(3,192,165)	(3,192,165)	(3,192,165)
Other Income	(2,010)	(2,010)	-
IAS19 Adjustment	(3,580)	(3,580)	(14,980)
TOTAL INCOME	(3,197,755)	(3,197,755)	(3,207,145)
Contribution to HRA Reserves	778,000	778,000	740,000
Carry forwards	0	0	0
NET EXPENDITURE / (INCOME)	96,290	102,124	224,763
Relevant Year Opening Balance at 1st April	(570,885)	(697,272)	(595,148)
Relevant Year Closing Balance at 31st March	(474,595)	(595,148)	(372,975)

Appendix 3

	Opening balance - 1st April 2015	Items in 2015/16 Original Budget	Supplementary Budgets - Revenue	Final Capital Programme forecast	Revised Balance - 31st March 2016	Transfer to reserves	Revenue spend	Capital spend	Forecast Balance 31st March 2016
						2016/2017	2016/2017	2016/2017	
	£	£	£	£	£	£	£	£	£
Piper Alarm Reserve	(138,000)	(10,400)	0	0	(148,400)	(10,400)	0	0	(158,800)
Communal Furniture Reserve	(4,000)	0	0	0	(4,000)	0	0	0	(4,000)
Regeneration Reserve	(8,754,000)	(3,245,000)	293,000	2,465,000	(9,241,000)	(2,769,000)	0	4,832,000	(7,178,000)
Repayment Reserve	(0)	0	0	0	0	0	0	0	0
Service Improvement Reserve	(50,000)	20,000	0	0	(30,000)	0	0	0	(30,000)
Pension Contribution Reserve	(29,000)	(3,500)	0	0	(32,500)	(3,500)	0	0	(36,000)
Total	(8,975,000)	(3,238,900)	293,000	2,465,000	(9,455,900)	(2,782,900)	0	4,832,000	(7,406,800)

