

Committee: Housing Board

Agenda Item

Date: 9th January 2014

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**Title: Housing Revenue Account 2014/15 Budget
and 5 year Business Plan Strategy**

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Summary

1. This report sets out the following:
 - A proposed Housing Revenue Account(HRA) budget and reserves position for 2014/15
 - A proposed 5 year financial forecast for the period from 2014/15 to 2018/19
2. The Housing Board is required to determine its recommended 2014/15 budget and medium term financial forecast for consideration by the following:
 - This report was presented at Tenants forum on the 7th January 2014
 - Scrutiny 6th February 2014
 - Cabinet 18th February 2014
 - Full Council 27th February 2014

Recommendations

3. Housing Board is requested to recommend to Cabinet for approval
 - 2014/15 Budget as set out in the report
 - The use of headroom funds for Business Plan Projects
 - The working balance and allocation of earmarked reserves

Financial Implications

4. These are included in the body of the report

Background Papers

5. None

Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Background

6. The HRA budget for 2014/15 reflects the service arrangements and investments in relation to the council's housing services for the third year under 'Self Financing'.
7. The new financial arrangements enable the service to stand alone financially and take 'local' decisions for housing services.
8. As part of the self- financing agreement and the Right to Buy scheme we are required to implement a 1 for 1 housing replacement programme.
9. The Council's overall aims and objectives for housing services over a 30 year period is reflected in the HRA Business Plan which was approved by Housing Board in January 2012.
10. The dwelling rental income has increased by an average of 5.05%.
11. Income and expenditure budgeted on an incremental and inflationary basis to reflect the financial and operational needs of the housing service, using 2013/14 as a base.
12. The HRA budget is detailed in Appendix A.

Housing Revenue Account Budget 2014/15

13. The budget identifies a net operating surplus of £3.4m made up of total income of £15.4m and total expenditure of £12.0m. The surplus has been allocated to fund agreed projects as detailed in the Business Plan. The tables below give a breakdown of the budget and associated variances.

Budget Summary

	2013/14 Restated Budget £'000	2014/15 Original Budget £'000	Increase / Decrease (-) £'000
Dwelling Rents	(13,520)	(14,390)	(870)
Other income	(984)	(1,000)	(16)
Income	(14,504)	(15,390)	(886)
Housing Finance & Business Management	476	503	26
Housing Maintenance & Repairs Service	3,026	2,872	(154)
Housing Management & Homelessness*	838	865	28
Expenditure Direct Services	4,340	4,240	(100)
Capital Repairs	3,118	3,261	143
Interest on HRA Loan	2,632	2,625	(7)
Pension Cost	86	217	131
General Fund Recharge	1,285	1,464	179
Bad Debt Provision	130	150	20
Supporting People	45	53	8
Pay Award	4	20	16
Other Costs	7,300	7,790	490
Total Expenditure	11,640	12,030	390
Operating (Surplus)	(2,864)	(3,360)	(496)
Working Balance	0	(132)	(132)
Allocation of Headroom	2,719	3,492	773
Total	(145)	0	145

*This is the management cost of the service rather than the actual service cost for homelessness which is funded from the General Fund Account.

Dwelling Rents

Further details of the rent calculation are available in the accompanying 'Rent and Service Charges' report, agenda item 3.

Average weekly rent 2013/14	Average weekly rent 2014/15	Average weekly increase	Average % increase per week
£93.60	£98.33	£4.73	5.05%

Budget Movements

	Inflation £'000	Service Investment £'000	Efficiencies £'000	Adjustments £'000
Rates and Property charges	0	0	0	(859)
Business & Performance	6	51	(13)	(20)
Estate Maintenance	1	0	0	(20)
Common Services Flats	0	0	0	(10)
Housing Services	5	0	(7)	(3)
Property Services	5	140	(30)	0
Depot	0	0	0	2
Housing Repairs	35	115	(9)	(381)
Sheltered Housing	(2)	21	0	(17)
Supporting People	0	0	0	8
Housing Sewerage	0	0	0	4
Other Costs	0	0	0	490
Sum of immaterial variances				-8
Total Budget movements	50	327	(59)	(814)

Variances (Greater than £10k)

	Variance £'000	Reason for variance
Dwelling Rents income	(870)	Formula rent uplift (average 5.05%) and reduction in void properties
Garage Rents	10	Loss of income due to sites being demolished for future new housing development
Sheltered Support service income	(19)	Current trend shows higher level of users
Business and Performance Staffing	37	Increase in administration posts by 1.6 FTE
Property Services staffing	109	2.6 FTE increase to cover business plan actions, includes a redefinition/grading of 2 current posts
Housing Repairs	33	2 FTE increase plus savings generated from re-grading due to retirement
	72	Electrical testing survey for health and safety in housing stock
	(425)	Presentational adjustment of the internal fees charges and works completed internally instead of using external contractors. Increased budget to reflect realistic fees
Sheltered Housing staffing	20	1 FTE increase
General Fund recharge for central services	135	Increase in support mainly from Financial and Corporate services to reflect extra resource for the self –financing and business plan requirement
Pension costs	131	Additional upfront payment to achieve a saving for the 3 year (see reserves table for draw down to offset future years payments)
Pay award	16	Estimated at 1%
Bad Debt provision	20	Minor uplift for anticipated rent arrears

Movement in Reserves

Reserve	2013/14				2014/15		
	Opening Balance	Use of Reserves	Additions to Reserves	Closing Balance	Use of Reserves	Additions to Reserves	Closing Balance
Working Balance (note 1)	680			680	(132)		548
Major Repairs	0			0			0
Change Mgt	200	(23)		177			177
Potential Projects	800		991	1,791			1,791
Revenue Projects	60	(40)		20			20
Sheltered Housing (note 2)				0		798	798
Capital Projects (note 3)	1,223	(600)		623	(550)		73
Total	2,963	(663)	991	3,291	(682)	798	3,407

Notes:

- 1 - Working Balance - The Council is required to make arrangements to pay off the pension deficit within the period specified by the County Council (based on actuarial advice); this is currently 30 years, this arrangement is reviewed and recalculated every three years. Different options have been provided based on the principle that paying larger sums earlier can reduce the costs overall, reserves have been used to smooth the budgetary impact and achieve best value.
- 2 - Sheltered Housing Reserve – for continued redevelopment of sheltered housing stock
- 3 - Capital Projects Reserve – balance of financing requirement not met by Capital receipts for Mead Court.

HRA Business Plan and 5 Year Strategy

14. The Housing Service prepared a 30 year HRA Business Plan in line with the Self-Financing Agreement; from this business plan a 5 year working plan has been extracted detailing specific priorities/projects up until 2018/19. This is a rolling programme and is continuously updated. The Capital programme and the capital financing tables show that all projects have been fully financed from within the HRA reserves.
 - Appendix B – details all planned projects for the 5 year period 2014/15 – 2018/19
 - Appendix C – identifies the capital financing for the period 2014/15 – 2018/19

15. A 5 year budget forecast summary table, Appendix D, shows that the HRA budgets over the medium term are stable and the HRA is fully able to meet loan payments and fund the projects in the business plan along with providing a consistent level of services to residents.

16. The authority is continuing to deliver a significant programme of investment in the first five years of the HRA business plan - the largest investment in the stock/service for many years. To date the Council has made around £11.2million of investment since the introduction of self-financing to improve the standard and availability of council housing. Progress with the priorities identified in the HRA business plan is attached in Appendix E. In summary as a landlord the council has delivered the following:

- Developed a housing asset management and development strategy
- Improved the information on the housing stock
- Decent homes – all housing stock now meets this national standard
- Completed 8 new build Council houses Holloway Crescent - let from June 2013
- Implemented an improved integrated monitoring, response and maintenance service for sheltered schemes and Lifeline users
- Reduction of rent arrears
- Achieved re-letting times which are substantially quicker, placing the council among the top performers (and improvers) for reducing void rent loss
- Reviewed Housing Allocations Scheme to take advantage of new opportunities and flexibilities provided by the Localism Act 2011
- Introduced fixed term tenancies
- Developed a Housing Regulation Panel to scrutinise the performance of the Housing Service and to undertake service reviews

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Changes in legislation may alter the assumptions contained in the proposed 2014/15 Budget and HRA Business Plan	2	2	Prudent Budget Management and assumptions are built into the budget predictions. This is supported by the minimum operational balance and earmarked reserves to provide a short term contingency
Rent arrears increase	2	2	Increased officer support to tenants now in place and successfully reduced arrears in 2013/14
Failure to deliver major housing and development projects	2	2	Robust project planning and resources aligned to deliver projects

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Appendices

Appendix A – 2014/15 Summary Budget

Appendix B – Capital Programme (5 year)

Appendix C – Capital Financing Requirement (5 year)

Appendix D – 5 year Budget Summary (2014/15 – 2018/19)

Appendix E – Action Plan/Progress/Priorities