

HRA BUDGET 2014/15

Cabinet Member Cllr Neal Davey, Cllr Ray Stanley
Responsible Officer Head of Finance, Head of Housing

Reason for Report: This report provides an estimate of the budget required for the operation of the Housing Revenue Account (HRA) in 2014/15. The remaining uncertainties are the specifics of the rent increase and the ongoing effect that welfare reform will have.

RECOMMENDATION: That the PDG note the content of this report.

Relationship to Corporate Plan: The financial resources of the Council directly impact on its ability to deliver its Corporate Plan objectives/pledges.

Financial Implications: A balanced and realistic budget must be set for 2014/15 in order that the HRA reserve is not threatened with unplanned expenditure. The 30 year business plan shows a need for much greater investment in the housing stock, meaning that the rent convergence target of 2015/16 will need to be met.

Legal Implications: It is a statutory requirement for the Council to set a balanced budget.

Risk Assessment: Service managers and Finance staff have assessed volatility in income and large contractor budgets. In addition, reserves will continue to be maintained at prudent levels.

1.0 Introduction

1.1 The Finance and Housing officers have now collated a draft budget for 2014/15 which proposes a balanced budget position, shown here in Appendix 1. It is important to note that uncertainty remains in two significant areas, as follows.

- **Rent increase** – we know that formula rent will increase by 3.7% and so can expect a rent increase of between 4% and 5%. This is in order to meet the convergence target of 2015/16. However, the Housing Benefit Limit Rent will not be published at this stage.
- **Welfare reform** – this is the most significant issue facing social housing across the country currently. There is huge uncertainty about what the financial and operational impact of this will be in both the short and long term. Assumptions will be made and estimates will be determined, but it will not be for some time that we have a degree of certainty over this area.

- 1.2 This means that we are able to predict with relative certainty the majority of the HRA budget areas, but that two significant uncertainties remain.

2.0 Draft Budget

- 2.1 We are required to set an HRA budget where expenditure is balanced by income. The income is made up primarily of dwelling rents whereas the expenditure consists of day-to-day operations, corporate overheads and capital expenditure. The largest expenditure in the HRA is an annual debt repayment of £2,645k that is made to the Public Works Loan Board.
- 2.2 Our rent income (both dwelling and non-dwelling) is expected to generate in the region of £13m in 2014/15.
- 2.3 The major challenge for managers in setting next year's budget is to meet the significant demand for investment in property maintenance in the long term. The latest stock condition survey (2010) showed a shortfall of approximately £3.5m per annum over 30 years.
- 2.4 It is proposed that £2,389k be budgeted as an annual contribution to the 30 year maintenance shortfall. The Repairs Manager is currently working on a five year plan so that figures from the original stock condition survey are updated and the need is identified more specifically.
- 2.5 Recharges between the General Fund and HRA are yet to be finalised. Overall, the position between the HRA and the General Fund has been assumed as remaining at the same level as 2013/14.

Rent

- 2.6 MDDC rents currently lag behind Formula Rent (the target that we are tasked with meeting by 2015/16). DCLG are increasing Formula Rent by 3.7%. This means that MDDC need to increase rent even more if the gap is to be closed by 2015/16.

Other Fees & Charges

- 2.7 It is proposed that garage plot ground rents are increased by 10%. This move is designed to align them more closely with parking permits, which cost significantly more. In addition, it is proposed that garage rents increase by 1.9% to £11.00 per week.

HRA Reserve

- 2.8 It is anticipated that the HRA reserve balance will stand at approximately £2.4m at the beginning of 2014/15. There is no plan to utilise the reserve to fund revenue expenditure. It seems sensible for members to revisit the level of reserve and agree upon a level appropriate to the situation that the HRA finds itself in.
- 2.9 The work identified in the most recent stock condition survey means that there will be increased pressure on the HRA reserve over the coming

years. Managers will need to invest time in business planning and strategy in order to meet the funding demands of the work identified.

3.0 Future Issues

- 3.1 The single biggest issue facing social housing is welfare reform. Great uncertainty exists, even at this late stage, about the details of new arrangements for 2014/15. What is more, the implications of these changes are difficult to quantify. Once new arrangements have bedded in, it will be clearer what action MDDC need to take. For instance, it is not clear when Universal Credit will be introduced, if at all.
- 3.2 In addition, the introduction of flexible tenancies, whilst helping to free up much needed housing, may lead to increased workload and demand greater resources.
- 3.3 There is uncertainty over the future of the Supported Housing service. This budget has been set on the basis of agreed funding, with a reduced operational structure, following the decision by Cabinet. Future changes are necessary in the nature of the service offered and the basis on which the service is allocated. The new service is coming into being as we speak and should be fully in place in the next few months.
- 3.4 The prospect of building new social housing raises the issue of significant financing requirements. It means that reserves may need to be built up or additional debt taken on (subject to the cap on debt) in the near future, increasing the pressure on the revenue budget each year.
- 3.5 The government has stated that councils must change the way in which they calculate depreciation for the HRA. This is likely to have a significant effect on the revenue budget, but is not clear to what extent yet. This will be determined over coming months.
- 3.6 Further reports will be set before members as and when there are developments on any of these issues.

4.0 Conclusion

- 4.1 The proposals from this meeting will be used to prepare the final budget proposals, to be brought before this group on 21/01/14.

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Code	Best Value Unit	Outturn 2012/13	CY YTD Actuals	Budget 2013/14	Movement	Proposed Budget 2014/15
BHO01	Dwelling Rents	(11,438,614)	(6,419,240)	(11,829,720)	(621,040)	(12,450,760)
BHO02	Non Dwelling Rents	(523,013)	(300,331)	(522,430)	(2,630)	(525,060)
BHO03	Warden Income	(272,377)	(130,263)	(329,840)	760	(329,080)
BHO04	Leaseholders' Service Charges	(25,276)	0	(13,700)	200	(13,500)
BHO05	Contributions Towards Expenditure	(26,762)	(15,834)	(21,890)	(13,410)	(35,300)
BHO06	Community Alarms Income	(197,235)	(122,224)	(122,680)	(11,250)	(133,930)
BHO06B	Miscellaneous Income	(179,752)	(17,560)	(19,000)	0	(19,000)
BHO07	H.R.A. Investment Income	(27,552)	0	(21,950)	(19,050)	(41,000)
BHO09	Repairs And Maintenance	2,230,876	1,784,930	2,571,580	76,340	2,647,920
BHO10	Supervision & Management	1,315,766	766,983	1,446,640	301,900	1,748,540
BHO11	Special Services	399,900	246,713	482,800	(99,830)	382,970
BHO17	Bad Debt Provision Movement	7,624	0	25,000	0	25,000
BHO18	Share Of Corporate And Democratic	140,727	70,210	151,070	(6,770)	144,300
BHO20	Interest Payable	1,414,833	1,307,336	2,924,010	(112,010)	2,812,000
BHO23	Contribution to Reserves	2,112,272	0	132,380	13,200	145,580
	Contribution to Housing Maintenance Fund			1,895,480		2,389,430
	TOTAL (DIRECT COSTS)	(5,068,585)	(2,829,280)	(3,252,250)	(493,590)	(3,251,890)

	Recharges			1,130,890		1,130,890
	Capital charges			2,121,360		2,121,000
	TOTAL			0		0

Assumptions

Dwelling rent to increase by approximately 4.1%

New properties to generate £140k in income

Garage rents to increase from £10.80 to £11.00

95% occupancy in HRA retail units

DCC to maintain Targetted Support grant of £264k (for Warden Services)

Community alarm customer numbers to remain high

HRA cash balances to remain high

Planned Maintenance budget to include works previously charged to capital programme

Planned Maintenance staffing budget to move from Repairs to Supervision & Management

Reduced level of staffing in Supported Housing

Debt repayments of £2,645k to PWLB and £167k to GF

£2,389k contribution to the Housing Maintenance Fund to be made

Recharges included at 2013/14 budget level

Appendix 2

8104 PDG Report Proforma

BHO01 Dwelling Rents

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
4000	Cost Of Goods And Services	33,609	25,000	30,000	5,000
7000	Income	(11,472,223)	(11,854,720)	(12,480,760)	(626,040)
	TOTALS	(11,438,614)	(11,829,720)	(12,450,760)	(621,040)

Cost Centre	Cost Centre Name
HO700	Genl Needs Housing Rents

Major Budget Movements

Formula Rent has increased by 3.7%. Therefore, an average increase of 4.1% has been assumed.

This should mean average weekly rent moving from £74.96 to approximately £78.03. This will be constrained by the Housing Benefit Limit Rent.

These calculations will be revisited for the January PDG.

BHO02 Non Dwelling Rents

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
7000	Income	(523,343)	(522,430)	(525,060)	(2,630)
	TOTALS	(523,343)	(522,430)	(525,060)	(2,630)

Cost Centre	Cost Centre Name
HO760	Car Parking Income
HO770	Garage Income
HO780	Ground Rent Income
HO790	Shop Income
HO795	Leased Accommodation
HO800	Land Licence

Major Budget Movements

No major movements.

BHO03 Tenant Charges For Services

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
7000	Income	(272,547)	(329,840)	(329,080)	760
	TOTALS	(272,547)	(329,840)	(329,080)	760

Cost Centre	Cost Centre Name
HO750	Sup Ac - Other Income
HO855	Supported Housing Other Income
HO860	Warden Service Income
HO865	Learning Disability Income

Major Budget Movements

No major movements.

BHO04 Leaseholders' Service Charges

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
7000	Income	(25,276)	(13,700)	(13,500)	200
	TOTALS	(25,276)	(13,700)	(13,500)	200

Cost Centre	Cost Centre Name
HO870	Leaseholders' Service Charges

Major Budget Movements

No major movements.

BHO05 Contributions Towards Expend.

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
4000	Cost Of Goods And Services	825	25,000	25,000	0
7000	Income	(27,587)	(46,890)	(60,300)	(13,410)
	TOTALS	(26,762)	(21,890)	(35,300)	(13,410)

Cost Centre	Cost Centre Name
HO885	Contributions Towards Exp
HO890	Rechargeable Repairs Income

Major Budget Movements

Additional income to be generated from maintenance service being offered to the public.

BHO06 Other Charges For Services

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
7000	Income	(197,323)	(122,680)	(133,930)	(11,250)
	TOTALS	(197,323)	(122,680)	(133,930)	(11,250)

Cost Centre	Cost Centre Name
HO920	Community Alarm Income

Major Budget Movements

Community Alarms service is expected to continue performing well (747 private customers currently).

BHO07 H.R.A. Investment Income

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
7000	Income	(27,552)	(21,950)	(41,000)	(19,050)
	TOTALS	(27,552)	(21,950)	(41,000)	(19,050)

Cost Centre	Cost Centre Name
HO930	Investm'T Income - Capital Bal
HO950	Mortgage Interest

Major Budget Movements

Balances are expected to remain high, therefore income generated from investments should increase.

BHO06B Miscellaneous Income

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
4000	Cost Of Goods And Services	0	0	0	0
7000	Income	(179,752)	(19,000)	(19,000)	0
	TOTALS	(179,752)	(19,000)	(19,000)	0

Cost Centre	Cost Centre Name
HO960	Sundry Income Incl. Wayleaves
HO962	Solar Panel Scheme Income

Major Budget Movements

No major movements.

BHO09 Repairs And Maintenance

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
1000	Employees	1,114,042	1,102,900	963,680	(139,220)
2000	Premises	60,076	62,000	7,000	(55,000)
3000	Transport	202,824	235,480	267,580	32,100
4000	Cost Of Goods And Services	2,169,967	1,984,410	2,252,080	267,670
7000	Income	(1,316,033)	(813,210)	(842,420)	(29,210)
	TOTALS	2,230,876	2,571,580	2,647,920	76,340

Cost Centre	Cost Centre Name
HO120	Disabled Adaptations
HO130	Planned & Cyclical Maintenance
HO133	Planned Gen Maintenance
HO137	Estate Caretaking
HO140	Voids Maintenance
HO150	Responsive Repairs
HO160	Stores

Major Budget Movements

Staffing budget reduced since Planned Maintenance staff are now charged to Repairs Management (4 people).

Premises budget decreases where programmes of work have come to an end.

Transport costs increased by £32k due to finance leases being charged here instead of to capital costs.

Several major programmes of work will be funded here instead of through the capital programme, including servicing of Air Source Heat Pumps,

Asbestos works and removal and Carbon Monoxide Detectors.

BHO10 Supervision & Management

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
1000	Employees	981,436	1,088,640	1,321,580	232,940
2000	Premises	94,713	85,950	94,630	8,680
3000	Transport	38,300	33,220	43,200	9,980
4000	Cost Of Goods And Services	202,181	238,930	289,130	50,200
7000	Income	(863)	(100)	0	100
	TOTALS	1,315,766	1,446,640	1,748,540	301,900

Cost Centre	Cost Centre Name
HO200	A.S.B.
HO210	Estate Management
HO220	General Tenancy
HO222	Creedy Neighbourhood Team
HO224	Culm Neighbourhood Team
HO226	Exe Neighbourhood Team
HO230	General Tenancy Recharge
HO250	H.R.A. Shops
HO270	Lettings & Waiting Lists
HO280	Tenant Involvement
HO295	Solar Panel Scheme Expenditure
HO300	Other Admin Costs
HO310	Repairs Management
HO320	Housing Services Management
HO325	Housing Business Support
HO332	Development Training

HO334	Cpd Training
HO350	Finance And Performance
HO360	Finance And Perform Rech
HO370	Rent Coll & Accounting
HO380	Income Collection
HO390	Sale Of Council Houses

Major Budget Movements

Staffing budget increased due to transfer of Planned Maintenance staffing costs (4 people).

Repairs Management has also increased by 3 posts and some additional hours in the support team.

Inflationary increases in postage (£14k), computer software, computer hardware, valuation fees and other costs.

Choice Based Lettings will be charged directly to the HRA instead of the General Fund (£10k)

BHO11 Special Services

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
1000	Employees	292,865	312,810	231,740	(81,070)
2000	Premises	31,304	35,060	33,820	(1,240)
3000	Transport	26,489	27,580	18,710	(8,870)
4000	Cost Of Goods And Services	77,884	128,540	128,270	(270)
7000	Income	(28,643)	(21,190)	(29,570)	(8,380)
	TOTALS	399,900	482,800	382,970	(99,830)

Cost Centre	Cost Centre Name
HO400	Warden Service Expenditure
HO410	Community Alarms Exp
HO550	Learning Disability Support

Major Budget Movements

Budget reduced in line with restructure.

BHO17 Bad Debt Provision Movement

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
4000	Cost Of Goods And Services	7,624	25,000	25,000	0
	TOTALS	7,624	25,000	25,000	0

Cost Centre	Cost Centre Name
HO610	Bad Debt Provision Movement

Major Budget Movements

No major movements.

BHO18 Share Of Corporate And Democr.

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
1000	Employees	140,727	151,070	144,300	(6,770)
4000	Cost Of Goods And Services	0	0	0	0
	TOTALS	140,727	151,070	144,300	(6,770)

Cost Centre	Cost Centre Name
HO620	Share Of Corp And Dem

Major Budget Movements

No major movements.

BHO20 H.R.A. Int Pay & Amort Of Dp

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
4000	Cost Of Goods And Services	1,414,833	2,924,010	2,812,000	(112,010)
	TOTALS	1,414,833	2,924,010	2,812,000	(112,010)

Cost Centre	Cost Centre Name
HO640	H.R.A. Interest Payable

Major Budget Movements

Budget reduced to reflect actual level of repayments.

BHO23 Adj Accounts V Funding Hra

Group	Description	2012/13 Actuals	2013/14 Budget	2014/15 Budget	Movement £
4000	Cost Of Goods And Services	2,101,274	138,380	153,380	15,000
7000	Income	10,998	(6,000)	(7,800)	(1,800)
	TOTALS	2,112,272	132,380	145,580	13,200

Cost Centre	Cost Centre Name
HO660	H.R.A. R.C.C.O.
HO692	Transfr To/From H.R.A. Reserve

Major Budget Movements

This budget covers works to Birchen Lane and Westex South.