

HRA BUDGET 2015/16

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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 2015/16. 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 2015/16 in order that the HRA reserve is not threatened with unplanned expenditure. The rent convergence target of 2015/16 will need to be met in order that the 30 year business plan's need for much greater investment in the housing stock is achievable.

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 and grown in some cases to meet future pressures.

1.0 Introduction

- 1.1 Finance and Housing officers have now collated a draft budget for 2015/16 which proposes a balanced budget position, shown here in Appendix 1. This means that we are able to predict with relative certainty the majority of the HRA budget areas.

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 excess of £13m in 2015/16.

- 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. It is proposed that £2,113k be budgeted as an annual contribution to the Housing Maintenance Fund to provide for any spikes in demand in future years. The Repairs budgets are showing an increase at present due to increased use of external contractors. However, officers intend to put plans in place to reduce this budget in time for the final budget report in January.
- 2.4 Recharges between the General Fund and HRA are yet to be finalised, but overall the position between the HRA and the General Fund has been assumed as increasing in line with estimated salary growth.

Rent

- 2.5 MDDC rents currently lag behind Formula Rent (the target that we are tasked with meeting by 2015/16). DCLG are increasing Formula Rent by 2.8%. This means that MDDC need to increase rent even more if the gap is to be closed in time.
- 2.6 By increasing the rents by an average of 3.4%, we will ensure that the vast majority of properties have reached the Formula Rent and those that lag further behind are moved towards Formula Rent as quickly as is possible.

Other Fees & Charges

- 2.7 It is proposed that garage plot ground rents are increased from £165 to £185 per annum. This move is designed to align them more closely with residential parking permits, which will cost £375 in the coming year. In addition, it is proposed that garage rents increase by 2.3% to £11.25 per week.

HRA Reserve

- 2.8 It is anticipated that the HRA reserve balance will stand at approximately £2m at the beginning of 2015/16. 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 now 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 about the details of new arrangements for the future. 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 The Supported Housing service is changing hugely in 2015/16 in that the Warden service will cease to operate from April onwards. This will reduce both income and expenditure and will give MDDC more certainty about its future income and expenditure streams.
- 3.3 This budget has been set on the basis of agreed funding, with a much reduced operational structure, following the decision by Cabinet. The service will then comprise Community Alarms provided to tenants and non-tenants as well as a small Warden service provided to clients with Learning Disabilities.
- 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 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 20/01/15.

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Background Papers: None
File Reference: None
Circulation of Report: Management Team

Housing Revenue Account Budget

Code	Best Value Unit	Previous Year Outturn	Current Year YTD Actuals	Current Year Budget	Movement	Proposed Budget 2015/16
BHO01	Dwelling Rents	(11,892,276)	(6,731,667)	(12,466,560)	(336,710)	(12,803,270)
BHO02	Non Dwelling Rents	(525,706)	(297,858)	(525,060)	(3,850)	(528,910)
BHO03	Warden Income	(330,507)	(101,156)	(329,080)	298,100	(30,980)
BHO04	Leaseholders' Service Charges	(12,712)	0	(13,500)	410	(13,090)
BHO05	Contributions Towards Expenditure	(37,860)	(18,530)	(35,300)	330	(34,970)
BHO06	Community Alarms Income	(133,637)	(115,110)	(133,930)	(4,240)	(138,170)
BHO06B	Miscellaneous & Solar Panel Income	(484,305)	(177,517)	(19,000)	(150,000)	(169,000)
BHO07	H.R.A. Investment Income	(27,108)	0	(41,000)	1,000	(40,000)
BHO09	Repairs And Maintenance	2,530,898	1,623,806	2,647,920	221,900	2,869,820
BHO10	Supervision & Management	1,437,182	966,022	1,800,000	160,580	1,960,580
BHO11	Special Services	394,796	190,165	382,970	(204,270)	178,700
BHO17	Bad Debt Provision Movement	(1,303)	0	25,000	0	25,000
BHO18	Share Of Corporate And Democratic	154,530	84,082	181,600	21,290	202,890
BHO20	Interest Payable	1,375,123	632,384	2,812,000	(1,344,210)	1,467,790
BHO22	H.R.A. Transfers between earmarked reserves	2,077,992	0	0	125,000	125,000
BHO23	Revenue Contribution to Capital	2,907,973	0	145,580	(17,180)	128,400
	TOTAL	(2,606,355)	(3,945,380)	(5,568,360)	(1,231,850)	(6,800,210)

Recharges			1,205,890	12,060	1,217,950
Capital charges			4,362,470	1,219,790	5,582,260
TOTAL			0		0

Assumptions

Social Rents to increase by an average of 3.4% to give an average of £81.20

Formula Rent to increase by 2.8%

Affordable Rents to increase by 2.8%

Garage rents to increase from £11.00 to £11.25 per week

95% occupancy in HRA retail units

The Warden Service to cease operation

Community alarm customer numbers to remain high + 50 customers from within the tenant population

HRA cash balances to remain high in the short term

Debt repayments of £2,645k to PWLB and £125k to GF

£2,113k contribution to the Housing Maintenance Fund to be made

Recharges to grow with salary inflation

8104 PDG Report Proforma**SHO01 Dwelling Rents Inc**

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
4000	Cost Of Goods And Services	20,802	30,000	30,000	0
7000	Income	(11,913,078)	(12,496,560)	(12,833,270)	(336,710)
	TOTALS	(11,892,276)	(12,466,560)	(12,803,270)	(336,710)

Cost Centre	Cost Centre Name
HO700	Genl Needs Housing Rents

Major budget movements

Dwelling rents increasing by an average of 3.4%

The overall increase is only 2.7% - this is due to the fact that so many properties have been sold and so we are budgeting for fewer

SHO04 Non Dwelling Rents Inc

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
4000	Cost Of Goods And Services	562	0	0	0
7000	Income	(526,268)	(525,060)	(528,910)	(3,850)
	TOTALS	(525,706)	(525,060)	(528,910)	(3,850)

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. However, the increase in ground rents is largely offset by increased void garages.

SHO06 Tenant'S Ch For Services

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
4000	Cost Of Goods And Services	432	0	0	0
7000	Income	(330,939)	(329,080)	(30,980)	298,100
	TOTALS	(330,507)	(329,080)	(30,980)	298,100

Cost Centre	Cost Centre Name
HO855	Supported Housing Other Income
HO860	Warden Service Income
HO865	Learning Disability Income

Major budget movements

Reduction in income due to cessation of Warden services.

Therefore, Devon County Council funding has been removed from the budget, leaving only the Learning Disability contract income.

SHO07 Leaseholders' Ch For Serv

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
7000	Income	(12,712)	(13,500)	(13,090)	410
	TOTALS	(12,712)	(13,500)	(13,090)	410

Cost Centre	Cost Centre Name
HO870	Leaseholders' Service Charges

Major budget movements

No major movements

SHO08 Contributions Towards Exp

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
4000	Cost Of Goods And Services	13,017	25,000	26,500	1,500
7000	Income	(50,878)	(60,300)	(61,470)	(1,170)
	TOTALS	(37,860)	(35,300)	(34,970)	330

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

Major budget movements

No major movements

SHO09 Private Sector Income

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
4000	Cost Of Goods And Services	45	0	0	0
7000	Income	(133,683)	(133,930)	(138,170)	(4,240)
	TOTALS	(133,637)	(133,930)	(138,170)	(4,240)

Cost Centre	Cost Centre Name
HO920	Community Alarm Income

Major budget movements

No major movements

SHO10 H.R.A. Investment Income

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
7000	Income	(27,108)	(41,000)	(40,000)	1,000
	TOTALS	(27,108)	(41,000)	(40,000)	1,000

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

Major budget movements

No major movements

SHO11 Misc. Income

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
4000	Cost Of Goods And Services	2,633	0	0	0
7000	Income	(486,938)	(19,000)	(169,000)	(150,000)
	TOTALS	(484,305)	(19,000)	(169,000)	(150,000)

Cost Centre	Cost Centre Name
HO696	Capital Grants And Contributio
HO960	Sundry Income Incl. Wayleaves
HO962	Solar Panel Scheme Income

Major budget movements

£150k budgeted for expected receipts from the Solar Panel scheme (this will be transferred to the Renewable Energy Fund).

SHO13 Disabled Adaptations

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
1000	Employees	140,598	120,140	131,590	11,450
2000	Premises	181	0	0	0
3000	Transport	12,706	15,960	13,590	(2,370)
4000	Cost Of Goods And Services	222,666	171,500	279,340	107,840
7000	Income	(334,022)	(219,420)	(250,000)	(30,580)
	TOTALS	42,129	88,180	174,520	86,340

Cost Centre	Cost Centre Name
HO120	Disabled Adaptations

Major budget movements

The overall increase is due to increasing the materials budget by £76k to match actual expectations.

There has been an increased need to use contractors where existing resources have been insufficient to complete workload.

SHO14 Planned Works

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
1000	Employees	199,734	41,560	30,850	(10,710)
2000	Premises	10,521	7,000	7,000	0
3000	Transport	9,219	2,340	1,270	(1,070)
4000	Cost Of Goods And Services	999,821	1,296,890	1,184,040	(112,850)
	TOTALS	1,219,295	1,347,790	1,223,160	(124,630)

Cost Centre	Cost Centre Name
HO130	Planned & Cyclical Maintenance
HO133	Planned Gen Maintenance
HO137	Estate Caretaking

Major budget movements

Reduction in employee costs due to the move from 2.0 FTE to 1.5 FTE

Asbestos budget reduced from £125k to £50k.

Air Source Heat Pump servicing budget reduced from £50k to £25k.

Carbon monoxide detector budget reduced from £70k to £40k.

SHO15 Responsive Repairs

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
1000	Employees	470,402	766,020	737,280	(28,740)
3000	Transport	177,902	248,490	196,780	(51,710)
4000	Cost Of Goods And Services	588,237	782,590	1,118,750	336,160
7000	Income	(3,960)	(623,000)	(618,000)	5,000
	TOTALS	1,232,582	1,174,100	1,434,810	260,710

Cost Centre	Cost Centre Name
HO140	Voids Maintenance
HO150	Responsive Repairs

Major budget movements

Overall increase is caused by contractor and material budgets increasing by £189k on Responsive and £146k on Voids, in order to meet demand

Decrease in staffing due to a reduction of 1.5 FTE offset by the addition of an apprentice.

Decrease in transport costs due to £30k of finance leases being moved to capital charges and running costs reducing as fleet replaced more frequently.

Waste disposal costs increasing by £23k as they are now based on actuals instead of estimates.

Where existing resources have been insufficient to complete workload, external contractors have been used.

SHO16 Stores

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
1000	Employees	34,686	35,960	35,210	(750)
3000	Transport	906	790	750	(40)
4000	Cost Of Goods And Services	1,300	1,100	1,370	270
	TOTALS	36,892	37,850	37,330	(520)

Cost Centre	Cost Centre Name
HO160	Stores

Major budget movements

No major movements

SHO17 Managing Tenancies

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
1000	Employees	362,092	442,880	467,490	24,610
2000	Premises	81,082	94,630	108,580	13,950
3000	Transport	17,787	20,350	21,080	730
4000	Cost Of Goods And Services	92,648	139,550	157,110	17,560
7000	Income	(606)	0	0	0
	TOTALS	553,003	697,410	754,260	56,850

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
HO370	Rent Collection & Accounting
HO380	Income Collection

Major budget movements

Increase in employee budget since Community Housing Support Officers are being introduced in the absence of wardens.

Increase in premises budget due to planned works on HRA shops.

Increase in goods and services is due to road maintenance budget moving from Responsive Repairs to sit with other Property Services controlled budgets.

SHO19 Policy And Management

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
1000	Employees	680,304	929,200	1,001,950	72,750
2000	Premises	6	0	0	0
3000	Transport	16,317	23,810	23,820	10
4000	Cost Of Goods And Services	187,553	149,580	180,550	30,970
	TOTALS	884,179	1,102,590	1,206,320	103,730

Cost Centre	Cost Centre Name
HO295	Solar Panel Scheme Expenditure
HO300	Other Admin Costs
HO310	Repairs Management
HO312	Planned Maintenance Team
HO320	Housing Services Management
HO325	Housing Business Support
HO330	H.R.A. Strategy
HO332	Development Training
HO334	C.P.D. Training
HO350	Finance And Performance
HO390	Sale Of Council Houses

Major budget movements

Increased employee budget due to larger structure in Housing's rent accounting team.

Several smaller increases in corporate membership, printing, stationery, software and photocopying.

SHO22 Floating Supp & Com Alarm

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
1000	Employees	270,922	231,740	61,950	(169,790)
2000	Premises	39,495	33,820	39,170	5,350
3000	Transport	17,431	18,710	4,110	(14,600)
4000	Cost Of Goods And Services	95,852	128,270	102,990	(25,280)
7000	Income	(28,905)	(29,570)	(29,520)	50
	TOTALS	394,796	382,970	178,700	(204,270)

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

Major budget movements

Significant budget reduction due to cessation of Warden service being provided.

SHO29 Bad Debt Provision

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
4000	Cost Of Goods And Services	(1,303)	25,000	25,000	0
	TOTALS	(1,303)	25,000	25,000	0

Cost Centre	Cost Centre Name
HO610	Bad Debt Provision Movement

Major budget movements

No major movements

SHO30 Share Of Corp And Dem

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
1000	Employees	154,530	181,600	202,890	21,290
	TOTALS	154,530	181,600	202,890	21,290

Cost Centre	Cost Centre Name
HO620	Share Of Corp And Dem

Major budget movements

The pension valuation process now sets a minimum cash payment figure which must be attained and new auto-enrolment process has increased participation levels.

SHO32 H.R.A. Int Pay & Amort Of Dp

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
4000	Cost Of Goods And Services	1,375,123	2,812,000	1,467,790	(1,344,210)
	TOTALS	1,375,123	2,812,000	1,467,790	(1,344,210)

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

Major budget movements

This budget previously covered interest and principal repayments on HRA loans, but from now on includes interest only.

The principal is now shown as part of capital charges - please see appendix 1.

SHO34 H.R.A. Trf To/From Emr

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
4000	Cost Of Goods And Services	3,023,761	0	150,000	150,000
7000	Income	(945,769)	0	(25,000)	(25,000)
	TOTALS	2,077,992	0	125,000	125,000

Cost Centre	Cost Centre Name
HO698	Hra Trf To/From Emr

Major budget movements

This budget represents the transfer to the renewable Energy Fund of the estimated income and expenditure of the Solar Panel scheme.

It is estimated that there will be £150k income to transfer to reserves and £25k to be funded from reserves.

SHO36 Contribution to capital expenditure

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
4000	Cost Of Goods And Services	120,811	145,000	139,000	(6,000)
	TOTALS	120,811	145,000	139,000	(6,000)

Cost Centre	Cost Centre Name
HO660	H.R.A. R.C.C.O.
HO692	Transfr To/From H.R.A. Reserve
HO695	Financing Of Capital Exp Hra

Major budget movements

Contribution to capital projects as follows.

£30k Digital transformation

£59k Vehicle replacement

£50k Sewage pumping station

SHO37 Right to buy admin charge

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
7000	Income	(31,200)	(7,800)	(15,600)	(7,800)
	TOTALS	(31,200)	(7,800)	(15,600)	(7,800)

Cost Centre	Cost Centre Name
HO688	Admin Costs On Disposal Of Nca

Major budget movements

No major movements

SHO38 Major Repairs Res Adj

Group	Description	2013/14 Actuals	2014/15 Budget	2015/16 Budget	Movement £
4000	Cost Of Goods And Services	2,641,324	8,380	5,000	(3,380)
	TOTALS	2,641,324	8,380	5,000	(3,380)

Cost Centre	Cost Centre Name
HO690	Trf To/From Major Repairs Res

Major budget movements

No major movements

Appendix 3

SHO14

Planned Works

Cost centre	Account	Account Description	Proposed Budget 2015/16
HO130	4110	Equipment Maintenance	4,890
HO130	4213	Planned Asbestos Work	50,000
HO130	4215	External Contr - Legionella	3,500
HO130	4216	External Contr - Electrical	100,000
HO130	4230	External Contr -Gas Servicing	368,150
HO130	4231	External Contr -Lift Maint	500
HO130	4232	External Contr - Paint & Reps	440,000
HO130	4236	Air Source Heat Pump Servicing	25,000
HO130	4237	Solar Panel Maintenance	1,000
HO130	4238	Scaffolding	15,000
HO130	4239	Carbon Monoxide Detectors	40,000
HO130	4522	Solid Fuel Repairs	15,000
HO130	4524	Garage Repairs	30,000
HO130	4526	Cyclical Testing	88,000
HO137	4403	Mobile Telephones	1,000
HO137	4505	Materials Stock Issues	2,000
		TOTAL	1,184,040