

Report to Cabinet
4 February 2015
Report of Chief finance officer
Subject Housing Rents and Budgets 2015-16

Item

7(b)

Purpose

To propose for approval the Housing Revenue Account budget for 2015/16, council housing rents for 2015/16, the prudent minimum level of HRA reserves 2015/16, the housing capital plan 2015/16 to 2019/20; and the housing capital programme 2015/16.

Recommendation

That cabinet recommends to council for the 2015/16 financial year:

1. That the proposed council housing rent increase of 2.2% ([para 6.7](#)) be approved.
2. That the proposed Housing Revenue Account budgets be approved ([para 3.1](#)).
3. That the prudent minimum level of housing reserves be approved ([para 7.11](#)).
4. That the housing capital plan 2015/16-2019/20 ([para 8.6](#)), and the housing capital programme 2015/16 ([para 9.1](#)) be approved.

And

That cabinet notes that service charges will be determined under delegated powers in compliance with the constitution ([para 6.14](#)).

Corporate and service priorities

The report helps to meet the corporate priorities “Decent housing for all” and “Value For Money services”.

Financial implications

These are set out in the body of the report

Ward/s: All wards

Cabinet member: Councillor Bremner – Housing

Contact officers

Justine Hartley, Chief finance officer

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Background documents

None.

Report

1. Contents of report

1.1 The contents of this report are set out as follows:

2. [Budgetary context](#)
3. [Summary HRA Budget 2014/15 into 2015/16](#)
4. [HRA Balances](#)
5. [Background to financial Planning for the HRA](#)
6. [Council Housing Rents](#)
7. [Report by the Chief Financial Officer on the robustness of estimates, reserves and balances](#)
8. [Housing Capital Plan 2015/16-2019/20](#)
9. [Recommended Housing Capital Programme 2015/16](#)

Appendix 1 [Budget analysis by movement](#)

Appendix 2 [Calculation of Prudent Minimum Balance](#)

2. Budgetary context

- 2.1 The Housing Revenue Account (HRA) is a “ring fenced” account that the authority must maintain in relation to its council housing stock. The HRA must fund all expenditure associated with the management and maintenance of the housing stock. The HRA is a complex account, the format of which is prescribed by government.
- 2.2 The HRA has moved from a position of being heavily influenced by central government, through the Housing Subsidy system, to a position under Self-Financing where the council has considerably greater discretion over the use of HRA resources. Rent and other income, under Self-Financing, remain within the council’s HRA rather than being subsumed into a national pool.
- 2.3 The proposed budgets have been drawn up within the framework of the Corporate Plan, corporate Medium Term Financial Strategy (MTFS), the Neighbourhood & Strategic Housing Services’ Service Plans, the HRA Business Plan, the Housing Asset Management Plan, and the Housing Investment Strategy.

3. HRA Budget 2014/15 into 2015/16

- 3.1 The following table shows the proposed budget in summarised statutory form assuming a rent increase in line with the Government's rent policy (see para 6.7).

Statutory Division of Service	Original Budget 2014/15 £000s	Draft Budget 2015/16 £000s	Change £000s
Repairs & Maintenance	15,923	16,323	400
Rents, Rates, & Other Property Costs	6,178	6,183	5
General Management	11,383	11,028	(355)
Special Services	5,629	4,997	(632)
Depreciation & Impairment	21,925	21,925	-
Provision for Bad Debts	941	584	(357)
Gross HRA Expenditure	61,979	61,040	(939)
Dwelling Rents	(58,916)	(60,144)	(1,228)
Garage & Other Property Rents	(1,951)	(1,980)	(29)
Service Charges – General	(9,644)	(9,145)	499
Adjustments & Financing Items (including revenue contribution to capital)	17,089	24,872	7,783
Amenities shared by whole community	(700)	(560)	(140)
Interest Received	(150)	(150)	-
Gross HRA Income	(54,272)	(47,107)	7,165
Total Housing Revenue Account	7,707	13,933	6,226

- 3.2 The £6.353m movement from £7.707m to £13.933m use of reserves can be analysed by type of movement and statutory division of service as follows:

Item	General Management	Special Services	Repairs & Maintenance	Other HRA	Total HRA
Adjustment to Base / Transfers	(328)	(361)	409	237	(43)
Inflation and Growth	253	113	807	8,282	9,454
Income Reduction	-	5	-	272	277
Savings	(278)	(372)	(817)	(666)	(2,132)
Income Increase	-	(17)	-	(1,312)	(1,329)
Draft Budget 2015/16	(354)	(632)	399	6,813	6,226

Details of budget movements by type are shown in [Appendix 1](#).

4. HRA Balances

4.1 The proposed budgets will impact on the HRA Balance as follows:

Item	£000s
Brought Forward from 2013/14	(25,128)
Budgeted use of balances 2014/15	7,707
Forecast Outturn 2014/15	(834)
Carried Forward to 2015/16	(18,256)
Draft Budget 2015/16	13,933
Carried Forward to 2016/17	(4,323)

4.2 This will bring the HRA reserve balance down closer to the recommended minimum balance. This is as a result of applying reserves to fund capital spend before resorting to borrowing which incurs greater costs.

5. Background to financial Planning for the HRA

5.1 Financial planning for the HRA is based upon the 30-year Business Plan (BP). In February 2014, members acknowledged that as a result of a lower than government formula rent increase for 2014/15, in order to balance future capital plans, savings in capital spend would need to be made or planned capital expenditure would need to be slipped into future years.

5.2 In addition to reduced rental income, construction costs have risen significantly in recent months. Subsequently, it has been necessary to make changes to the future detailed capital programmes supporting the Business Plan approved last year to ensure that HRA borrowing continues to remain within allowable borrowing limits. As a consequence total capital spend over the four years from 2015/16 has reduced by £10.4m of which the main changes are to:

- Neighbourhood Housing budgets, which pay for housing upgrades and improvements, which have reduced by £5.3m from £120m to £115m; and
- Housing Investment budgets which have reduced by £3.8m from £26.1m to £22.2m.

5.3 On 12 November 2014, members approved the submission of a bid for an increase in the HRA borrowing headroom under the Local Growth Fund. On 23 December 2014, the Secretary of State approved an increase of £6,844,904 in the HRA borrowing headroom for Norwich linked to the building of new social housing. With this additional borrowing the current plan supports the building of 183 new Council homes over the 5 years of the plan.

6. Council Housing Rents

Rent Policy Context

6.1 In December 2002 the Executive agreed to introduce the Government's Rent Restructuring from April 2003. Under this system a target rent for each

property is calculated. Rents for individual properties are set to collect the general increase, and move rent levels towards the target rents. The Government initially intended that Council and Registered Social Landlord rents, for properties of similar sizes and locations, would converge by April 2011, then extended to April 2017. This meant that the amount of increase in rent could vary for properties depending on how near they were to the target rent as calculated by the Rent Restructuring Formula.

- 6.2 From 2012-13, the housing subsidy system has been abolished and councils are now “self financing”. The proceeds of rent increases now remain with the council instead of being negated by housing subsidy payments.
- 6.3 Under the previous subsidy system, the council was able to finance the Decent Homes Standard but was unable to maintain service and investment standards in the medium and long term. The introduction of self financing improved this position, enabling a higher level of investment, which has informed the capital proposals set out in paragraphs 8.1-9.4 of this report.
- 6.4 The level of rent tenants pay continues to be a decision for the council. However, it remains the expectation of ministers and assumption of the HRA business plan that authorities will continue to follow the guidelines.
- 6.5 More significantly for council landlords, the self-financing regime relies on councils raising sufficient money through rents to fund their liabilities and investment needs, assessed through their HRA Business Plans.
- 6.6 For 2014-15, the combination of September 2013 inflation at 3.2% and the movement towards converging rents 2016/17 meant that following rent restructuring formula would have generated an average rent increase of 5.57% (£4.21) for Norwich tenants. However, having considered the financial implications, this council determined that an increase of 1.5% should be applied to all rents, with no additional movement towards convergence with target rents.

2015/16 Rent Increase

- 6.7 For 2015/16, the Government’s rent policy has changed. The guidelines now state that the rent should be increased by CPI (Consumer Price Index) as of September 2014 (1.2%) plus 1% and that it is no longer intended that the rent should converge with target rents. This would equate to a rent increase in 2015/16 of 2.2% which would generate an average weekly increase of £1.70 for Norwich tenants. The table below shows maximum and minimum rent increases at 2.2%.

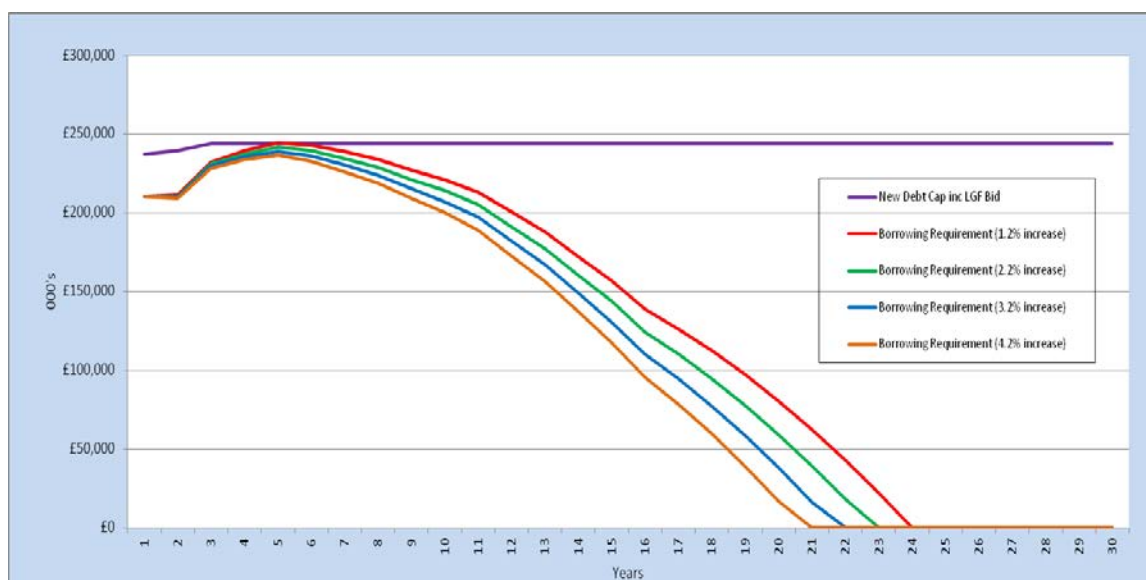
Item	Average £ per week	Maximum £ per week	Minimum £ per week
Rent 2014/15	77.32	139.45	55.64
CPI (@1.2%)	0.93	1.67	0.67
Additional 1%	0.77	1.39	0.56
Rent 2015/16	79.02	142.52	56.86
Increase	£1.70	£3.07	£1.22

- 6.8 Alternative rent increases have been modelled and are shown in the table below along with the impact on forecast HRA balances over the life of the HRA business plan (30 years).

Rent Increase	Weekly Increase	2015/16 Average Rent	Impact on Forecast HRA Balances (30 years)
1.20%	£0.93	£78.25	-£39.06m
2.20%	£1.70	£79.02	-
3.20%	£2.47	£79.79	+£38.16m
4.20%	£3.25	£80.57	+£75.54m

- 6.9 The level of capital spend included in this proposed budget assumes that borrowing will reach the allowable debt limits in the early years of the Business Plan. The impact of the rent increase options on the HRA borrowing compared to allowable debt is shown in the chart below.

HRA Debt Curve – Rent Increase Options 2015/16



- 6.10 A rent increase below the proposed 2.2% would require HRA borrowing to exceed the HRA debt cap and would extend the date at which the council would be able to pay off its housing debt. As the HRA debt must not exceed the debt cap, it would therefore be necessary to reduce future capital programmes by either deferring capital works to existing homes or building fewer new homes.
- 6.11 Conversely, a rent increase above the proposed 2.2% would generate additional funds for future investment within the HRA and would bring forward the date at which the council would be able to pay off its housing debt or would allow future capital spend to be brought forward.
- 6.12 60% of tenants are in receipt of Housing Benefit, which will in most cases rise to cover the increased rent set out above. The financial impact of the increases will fall hardest on those just above the benefit entitlement

threshold, either impacting on their disposable income or forcing them into benefit. For tenants affected by the benefit changes for non-dependants and under-occupation the position will be worsened.

- 6.13 It is proposed that garage rents again remain unchanged from current levels in order to maintain affordability and encourage new tenants thereby reducing the number of void garages.
- 6.14 In accordance with the constitution, levels of tenants' service charges will be determined by officers under delegated powers, in consultation with the portfolio holder and after engagement with tenant representatives.

Consultation with tenants

- 6.15 Tenant representatives have been consulted over the proposed increase and other options, at a tenant briefing on 15 January 2014.
- 6.16 A range of responses were provided at the event with almost all tenants present, supporting a rent increase in line with Government policy (2.2%). Many tenants appreciate that rent increases are inevitable if the level of investment is to be maintained. However, concerns were also raised regarding the effect of higher increases on those struggling in the current financial climate.
- 6.17 All those who attended the briefing have been offered the opportunity to make further comment and any differing subsequent feedback will be reported orally.

7. Report by the Chief Financial Officer on the robustness of estimates, reserves and balances

- 7.1 Section 25 of the Local Government Act 2003 requires that the Chief Finance Officer of the reports to members on the robustness of the budget estimates and the adequacy of council's reserves.
- 7.2 The Chief Finance Officer is required to provide professional advice to the council on the two above matters and is expected to address issues of risk and uncertainty.

Estimates

- 7.3 As with all future estimates there is a level of uncertainty and this has been taken into account when building the Business Plan and assessing the levels of reserves. In particular, significant increases in construction costs have been seen over recent months and if these continue they will impact on the ability to deliver the capital plan proposed.
- 7.4 Allowing for the above comment on uncertainty it is the opinion of the Chief Finance Officer that in the budgetary process all reasonable steps have been taken to ensure the robustness of the budget.

Reserves

- 7.5 A risk assessment has been undertaken to determine the level of general reserves required by the Council, attached as [Appendix 2](#).

- 7.6 In making a recommendation for the level of reserves the Chief Finance Officer has followed guidance in the CIPFA LAAP Bulletin 77 – Guidance notes on Local Authorities Reserves and Balances.
- 7.7 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 7.8 Earmarked reserves remain legally part of the general fund although they are accounted for separately.
- 7.9 There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:
- a) the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992)
 - b) Chief Finance Officers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003 when the authority is considering its budget requirement (England and Wales)
 - c) the requirements of the Prudential Code
 - d) auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.
- 7.10 Whilst it is primarily the responsibility of the local authority and its Chief Finance Officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

Role of the Chief Finance Officer

- 7.11 Within the existing statutory and regulatory framework, it is the responsibility of the Chief Finance Officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose. The risk analysis attached as Appendix 2 shows that an adequate level of HRA reserves for the Council will be in the order of £3.111m.

8. Housing Capital Plan 2015/16-2019/20

- 8.1 The abolition of the HRA subsidy system from 1 April 2012 and the inception of "self financing" for council housing has allowed the council, in consultation with its tenants, to develop plans for increased investment in maintaining and improving council housing in Norwich.
- 8.2 The additional resources made available by retaining rent income within the city, rather than passing surpluses to the government, have enabled the council to adopt the Norwich Standard for maintenance and improvements of tenants' homes rather than the basic Decent Homes Standard, and to adopt a Housing Investment Strategy (as considered by cabinet on 14 November 2012) to deliver new council housing, reconfiguration of sheltered housing,

estate renewal, renewable energy solutions, and support to private sector housing in the city.

- 8.3 The following table indicates the anticipated levels of resources available to the Housing Capital Programme in future years.

Housing Capital Resources	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Forecast resources brought forward	0	0	0	0	0
Capital grants	(504)	(408)	(408)	(408)	(408)
Major Repairs Reserve - depreciation charges	(12,118)	(2,255)	(5,984)	(10,956)	(12,921)
HRA borrowing from headroom under debt cap	(2,845)	(24,340)	(6,787)	0	0
Revenue Contribution to Capital	(25,235)	(12,957)	(12,455)	(13,127)	(6,207)
Leaseholder contributions to major works	(200)	(200)	(200)	(200)	(200)
Capital receipts - properties uneconomic to repair	(780)	(780)	(780)	(780)	(780)
Capital receipts arising from RTB (25%)	(1,472)	(698)	(695)	(692)	(689)
Retained "one for one" RTB Receipts	(1,171)	(720)	(678)	(328)	0
Gross forecast resources	(44,326)	(42,358)	(27,987)	(26,491)	(21,205)
Forecast resources utilised	44,326	42,358	27,987	26,491	21,205
Forecast resources carried forward	0	0	0	0	0

- 8.4 The level of RTB receipts included in the proposed capital plan anticipates a short term increase in RTB sales because of the government's increased incentives, but that numbers of sales will decline within a few years toward the current "normal" rate. The additional "one for one" resources consequently forecast in the capital plan are anticipated to be applied to support the provision of new council housing.
- 8.5 Proposed housing capital expenditure includes continuing to maintain the structural integrity of tenants' homes, delivering the Norwich Standard of maintenance and improvement, and investment in accordance with the objectives set out in the Housing Investment Strategy.
- 8.6 The following indicates the anticipated levels of expenditure until 2019/20 and constitutes the Housing Capital Plan:

Housing Capital Plan	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Neighbourhood housing	33,620	33,369	23,833	23,743	19,550
Strategic housing	1,251	1,155	1,155	1,155	1,155
Housing investment	9,455	7,834	2,999	1,593	500
Total Housing Capital Programmes	44,326	42,358	27,987	26,491	21,205
Available resources applied	(44,326)	(42,358)	(27,987)	(26,491)	(21,205)
Surplus/(Deficit) in Housing Capital Plan	0	0	0	0	0

- 8.7 All planned capital costs and resources are incorporated into the HRA Business Plan projections.
- 8.8 All risks relating to the resourcing and delivery of the capital plan are identified and managed in accordance with the council's Risk Management Strategy.

9. Recommended Housing Capital Programme 2015/16

9.1 The following table details the proposed Housing Capital Programme for approval:

Scheme	£000s
Home Upgrades	14,120
Heating Upgrades	5,230
Window & Door Upgrades	1,810
Insulation	950
Community Safety & Environment	550
Sheltered Housing Regeneration	775
Preventative Maintenance	8,220
Supported Independent Living	1,000
Site Formation	250
Fees	715
Neighbourhood Housing	33,620
New Build Social Housing	8,905
RTB Buyback Programme	500
Sheltered Housing Regeneration	50
Housing Investment	9,455
Strong & Well Scheme	96
Home Improvement Agency Works	1,155
Strategic Housing	1,251
Total Housing Capital Programme 2015/16	44,326

9.2 The outcomes that will be supported by the planned expenditure on the council's own stock compared to previous years, will be as follows:

Housing Capital Programme	2012/13 Outcomes	2013/14 Outcomes	2014/15 Outcomes	2015/16 Planned	Change 2014/15 to 2015/16
New kitchens	1,264	1,531	1,557	1,575	-2
New bathrooms	747	655	1,049	1,049	0
Heating systems/boilers	>950	>1,000	999	999	0
New composite doors	479	1,309	4,015	4,025	+10
New PVCu windows	2,400	1,320	34	0	0
Whole house improvements	20	20	20	20	0

9.3 These outcomes reflect the end of the windows programme, and the continued focus on the replacement doors programme.

9.4 In addition, the capital plan anticipates the building of 183 new council homes over the 5 years of the plan.

- 9.5 The capital programme proposed above will be supplemented by resources and commitments brought forward from the 2014/15 capital programme.

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	4 February 2015
Head of service:	Justine Hartley, Chief Finance Officer
Report subject:	Housing Budgets & Rents 2015/16
Date assessed:	
Description:	This integrated impact assessment covers the proposed housing budgets and council housing rents for 2015/16

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The recommendations of the report will secure continuing value for money in the provision of works and services to council tenants
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The proposed housing capital plan and programme will provide for improvements to tenanted properties and the surrounding environment
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The proposed housing capital plan and programme will provide for improvements in thermal and carbon efficiency

	Impact			
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The risks underlying the budgets, rent increase, and capital plan and programme have been assessed and prudent provision made for the financial consequences of those risks both within the budgets and the recommended prudent minimum level of HRA reserves
Recommendations from impact assessment				
Positive				
None				
Negative				
None				
Neutral				
None				
Issues				
None				

Draft Housing Revenue Account budgets 2015/16

Budget movements by type

Adjustment to Base / Transfers	£000s
Reduction in corporate recharges	(24)
Other adjustments / transfers	(19)
Adjustment to Base / Transfers	(43)

Inflation and Growth	£000s
Revenue Contribution to Capital	8,277
Increase in entry phone maintenance costs	53
Requirement to test tower block lateral power distribution bars	50
Increase in central heating servicing costs	41
Change in regulations requiring additional electrical testing	66
Increase in exterior painting programme	200
Increase in cavity wall insulation costs	250
Increase in asbestos survey costs	10
Increase in drainage maintenance costs	100
Increase in costs of environmental health and hoarding clearances	15
Increase in costs of mutual exchange compensation	15
Increase in HMCTS possession hearing court fees	53
Increased staffing costs due to increased right to buy work	19
Increase in standing charges relating to void dwellings	10
Replacement of warden call equipment	15
New furniture and fittings for St James House following renovation work	30
Additional costs of Sheltered Housing Handyman - partially recovered through service charges	20
Other HRA Growth	44
HRA salary cost inflation	97
Digital ariel inflation	20
Sheltered Housing utilities cost inflation	15
Waste collection cost inflation	41
Other HRA inflation	10
Total inflation and Growth	9,454

Income Reduction	£000s
Reduction in amounts to be recovered from leaseholders	217
Reduction in Non-Dwelling rents	55
Other Income Reduction	5
Income Reduction	277

Savings	£000s
Housing Property Management reduced costs	(220)
Reduced costs of one off relocation compensation	(29)
Reduction in depreciation	(459)
Reduction in costs of fire alarm maintenance	(23)
Reduction in extractor fan servicing costs	(23)
Reduction in landlord lighting maintenance programme due to fluctuation between years	(115)
Reduction in automatic vent servicing costs	(43)
Reduction in revenue estate aesthetics budgets	(506)
Reduction in water mains renewal costs	(100)
Reduction in bad debt provision	(201)
Review of Norwich community alarms service to realise efficiency savings	(333)
Other Savings	(80)
Total Savings	(2,132)

Income Increase	£000s
Dwelling rent increase 2.2%	(1,228)
Room Hire	(17)
Increase in Non-Dwelling rents	(84)
Income Increase	(1,329)

APPENDIX 2

Housing Revenue Account – Prudent Minimum Balance

Estimate of prudent level of HRA reserves 2014/15			Page 1/2
<u>Description</u>	<u>Level of risk</u>	<u>Amount at risk</u>	<u>Risk</u>
Employee Costs	<i>High</i>	6,473,459	32,367
Supplies and Services	<i>High</i>	2,482,133	6,205
Premises Costs	<i>High</i>	8,207,695	20,519
Transport Costs	<i>High</i>	147,281	368
Contracted Services	<i>Medium</i>	16,058,460	120,438
Fees and Charges	<i>Medium</i>	2,801,350	42,020
Investment Income	<i>Medium</i>	150,500	4,515
Rents & Service Charges	<i>Low</i>	70,611,454	176,529
Financing Items	<i>Medium</i>	25,362,000	50,724
Total One Year Operational Risk			453,686
Allowing three years cover on operational risk			1,361,058
Balance Sheet risk			
Issues arising from Welfare reform			750,000
General Risk			
Unforeseen events			1,000,000
ESTIMATED REQUIRED LEVEL OF HRA RESERVES			3,111,058

Operational cost risk profiles

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		<i>Low Risk</i>	<i>Med Risk</i>	<i>High Risk</i>
Employee Costs	overspend probability amount at risk	1.00% 25.0% 16,184	2.50% 15.0% 24,275	5.00% 10.0% 32,367
Supplies and Services	overspend probability amount at risk	1.00% 10.0% 2,482	2.50% 7.5% 4,654	5.00% 5.0% 6,205
Premises Costs	overspend probability amount at risk	1.00% 10.0% 8,208	2.50% 7.5% 15,389	5.00% 5.0% 20,519
Transport Costs	overspend probability amount at risk	1.00% 10.0% 147	2.50% 7.5% 276	5.00% 5.0% 368
Contracted Services	overspend probability amount at risk	5.00% 10.0% 80,292	10.00% 7.5% 120,438	15.00% 5.0% 120,438
Fees and Charges	overspend probability amount at risk	5.00% 25.0% 35,017	10.00% 15.0% 42,020	15.00% 10.0% 42,020
Investment Income	shortfall probability amount at risk	10.00% 20.0% 3,010	20.00% 15.0% 4,515	30.00% 10.0% 4,515
Rents & Service Charges	shortfall probability amount at risk	1.00% 25.0% 176,529	1.50% 15.0% 158,876	2.00% 5.0% 70,611
Financing Items	overspend probability amount at risk	1.00% 15.0% 38,043	2.00% 10.0% 50,724	3.00% 5.0% 38,043