

Report to Cabinet
5 February 2014
Report of Chief finance officer
Subject Housing Rents and Budgets 2014-15

Item

12

KEY DECISION

Purpose

To propose for approval the Housing Revenue Account budget for 2014/15, council housing rents for 2014/15, the prudent minimum level of HRA reserves 2014/15, the housing capital plan 2014/15 to 2018/19; and the housing capital programme 2014/15.

Recommendation

That cabinet recommends to council for the 2014/15 financial year:

1. That the proposed council housing rent increase ([para 6.6](#)) be approved or amended.
2. That the proposed Housing Revenue Account budgets be approved ([para 3.1](#)) subject to any amendment to the proposed rent increase ([para 6.13](#))
3. That the prudent minimum level of housing reserves be approved ([para 7.11](#))
4. That the housing capital plan 2014/15-2018/19 ([para 8.6](#)), and the housing capital programme 2014/15 ([para 9.1](#)) be approved

and

5. That cabinet notes that service charges will be determined under delegated powers in compliance with the constitution ([para 6.15](#)).

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

Mark Smith, Finance Control Manager

01603 212561

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 2013/14 into 2014/15](#)
4. [HRA Balances](#)
5. [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 2014/15-2018/19](#)
9. [Recommended Housing Capital Programme 2014/15](#)

Appendix 1 [Budget analysis by movement](#)

Appendix 2 [Budget analysis by service division](#)

Appendix 3 [Housing Rent Options](#)

Appendix 4 [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 2013/14 into 2014/15

- 3.1 The following table shows the proposed budget in summarised statutory form.

Statutory Division of Service	Original Budget 2013/14 £000s	Draft Budget 2014/15 £000s	Change £000s
Repairs & Maintenance	15,474	15,923	449
Rents, Rates, & Other Property Costs	6,656	6,178	(477)
General Management	10,354	11,382	1,028
Special Services	5,551	5,629	78
Depreciation & Impairment	22,078	21,925	(153)
Provision for Bad Debts	941	941	-
Gross HRA Expenditure	61,054	61,978	925
Dwelling Rents	(58,597)	(61,414)	(2,817)
Garage & Other Property Rents	(2,194)	(1,951)	243
Service Charges - General	(10,026)	(9,643)	383
Adjustments & Financing Items	16,186	17,089	903
Amenities shared by whole community	(732)	(700)	32
Interest Received	(150)	(150)	-
Gross HRA Income	(55,513)	(56,769)	(1,257)
Total Housing Revenue Account	5,541	5,209	(332)

3.2 The £0.332m movement from £5.541m deficit to £5.209m 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
Planned Growth	222	14	410	1,245	1,890
Recommended Growth	974	366	611	55	2,006
Recommended Income Reduction	39	-	-	1,011	1,050
Planned Savings	(23)	(190)	(572)	(140)	(924)
Recommended Savings	(153)	(110)	-	(721)	(984)
Planned Income Increase	-	-	-	(2,817)	(2,817)
Recommended Income Increase	(29)	(4)	-	(519)	(552)
Transfers	(1)	1	-	-	-
Draft Budget 2014/15	1,028	78	449	(1,887)	(332)

3.3 Budget movements for each type of movement are shown in [Appendix 1](#), and for each division of service are shown in [Appendix 2](#).

4. HRA Balances

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

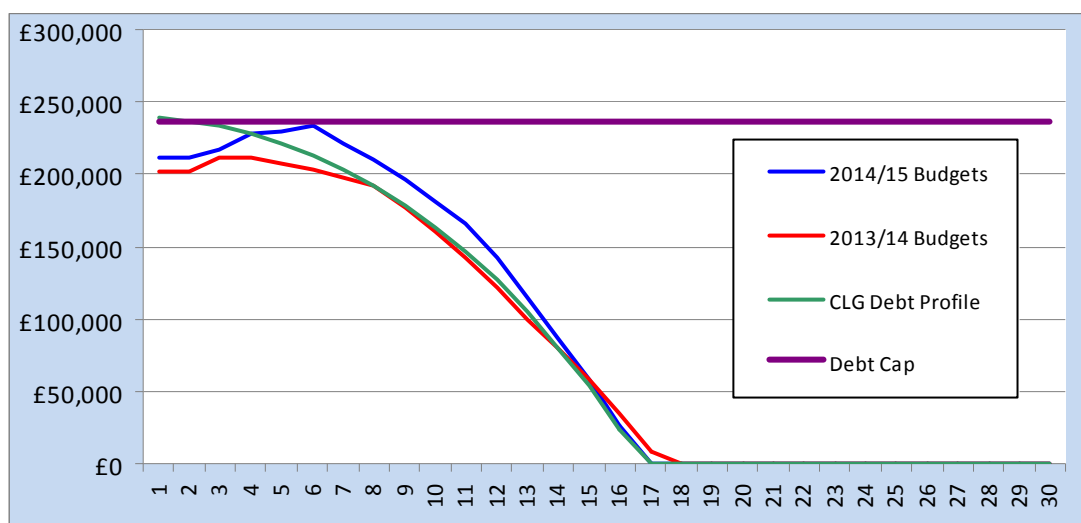
Item	£000s
Brought Forward from 2012/13	(27,788)
Budgeted use of balances 2013/14	6,166
Forecast Outturn 2013/14	(843)
Carried Forward to 2014/15	(22,465)
Draft Budget 2014/15	5,209
Carried Forward to 2015/16	(17,256)

4.2 Potential future uses of the HRA balance are considered in financial planning for the HRA as set out in paragraphs 5.1-5.4 of this report.

5. Financial Planning for the HRA

5.1 Financial planning for the HRA is based upon the 30-year Business Plan (BP).

5.2 The following diagram shows the debt curve of the Business Plan as impacted by the revenue and capital budget proposals and proposed council housing rent increase.



5.3 This shows that the proposed revenue budgets, rent increase, and capital plan (incorporating the Norwich Standard and initial elements of the Housing Investment Strategy) can be contained within the Business Plan.

5.4 Other BP outputs show stable revenue balances, consistent with the objectives behind the BP of financing the housing investment programme while maintaining balances in excess of the minimum prudent balance assessed.

6. Council Housing Rents

Rent policy context

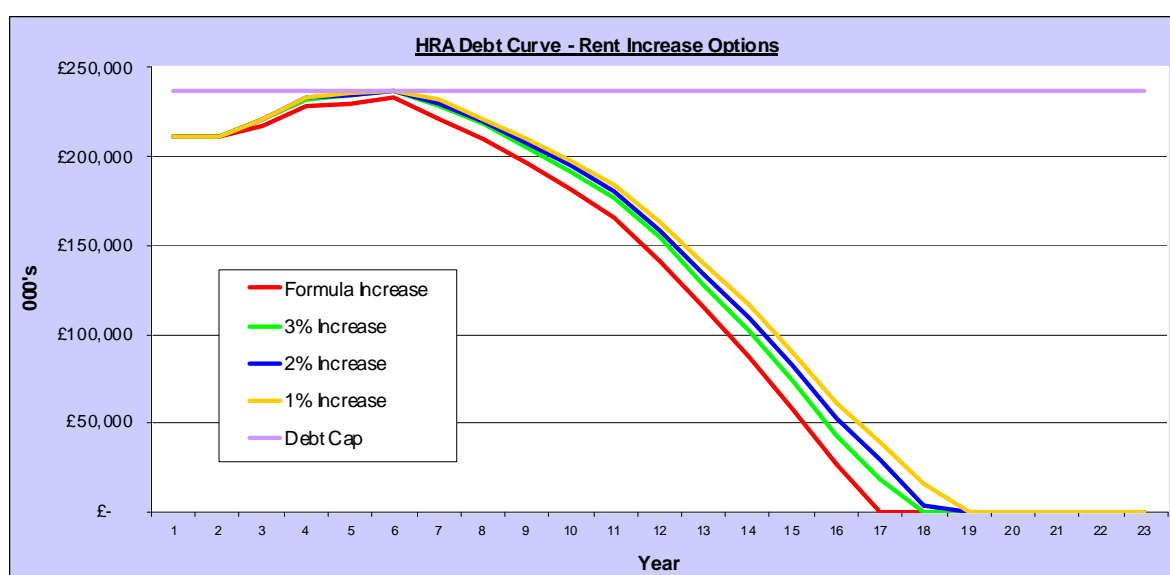
- 6.1 In December 2002 the Executive agreed to introduce the Government's Rent Restructuring from April 2003. Under this system a target rent for each property is calculated. Rents for individual properties are set to collect the general increase, and move rent levels towards the target rents. The Government initially intended that Council and Registered Social Landlord rents, for properties of similar sizes and locations, would converge by April 2011, now extended to April 2017. This means that the amount of increase in rent can vary for properties depending on how near they are 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 improves this position, enabling a higher level of investment, which has informed the capital proposals set out in paragraphs 8.1-9.3 of this report.
- 6.4 The level of rent tenants pay continues to be a decision for the council, although under the principles of self financing the incentive to follow rent restructuring policy is lessened. However, it remains the expectation of ministers and assumption of the HRA business plan that authorities will continue to follow the existing (and future) 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 by 2016/17 means that following the rent restructuring formula would generate an average increase of **5.57%** (£4.21) for Norwich tenants.
- 6.7 The rationale for applying this increase is as follows:
 - a) That it maximises resources for future investment
 - b) That it is consistent with the basis of the HRA Business Plan
 - c) That it reduces the risk of having to refinance borrowing in future at less advantageous terms
 - d) That it provides certainty that the Norwich Standard and Housing Investment Strategy can be delivered within planned timescales
 - e) That it preserves consistency of rents with private sector rent increases and other local authority landlords
 - f) That the distribution of increases is "fair" in that it incorporates convergence on formula rents
- 6.8 The rationale for applying a lower rate of increase is almost entirely one of affordability for tenants.
- 6.9 Alternatives have been modelled for the increase of dwelling rent charges:

Option	Average Increase (%)	Average Increase (£)	Description
1	5.57%	£4.21	RPI at September 2013 + ½%
2	3.00%	£2.27	Flat rate of 3% for all tenants
3	2.00%	£1.52	Flat rate of 2% for all tenants
4	1.00%	£0.76	Flat rate of 1% for all tenants

6.10 62% 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.

6.11 The impact of rent increase options will directly affect only the rent income budget and the contribution to HRA balances, since service charge increases have been de-linked from rents, and the responsive repairs and contribution to capital budgets will be reformulated within the draft budget totals.

6.12 The impact of the alternative rent increase options would be to reduce the “headroom” (capacity to borrow below the debt cap) resources available to support the housing capital plan, and to extend the date at which the council would be able to pay off its housing debt, as illustrated below:



6.13 The budget impact of an alternative (lower) rent increase on the 2014/15 budget would be to reduce income budgets and so to increase the use of contributions to/from HRA balances, as follows:

Budget Impact	Flat 3% £000s	Flat 2% £000s	Flat 1% £000s
Rent Income	(1,392)	(1,445)	(1,497)
Contribution to/from HRA balances 2014/15	1,392	1,445	1,497

- 6.14 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.
- 6.15 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.

Relationship with Investment Strategy & Housing Revenue Account budgets

- 6.16 The relationship of rents with the Investment Strategy and the HRA revenue budgets is incorporated in detail within the HRA Business Plan which currently assumes the implementation of 5.57% average rent increase in 2014/15.

Consultation with tenants

- 6.17 Tenant representatives have been consulted over the proposed increase and other options, through the Tenant Involvement Panel on 5 December 2013 and a tenant briefing 14 January 2014 – see [Appendix 3](#).
- 6.18 A range of responses were received supporting all three proposed options. Many tenants appreciate that rent increases are inevitable if the level of investment is to be maintained. However there are concerns about the effect of higher increases on those struggling in the current financial climate, and the equity of all tenants having the same increase whether or not their homes currently meet the Norwich standard.
- 6.19 All those who attended the briefing have been offered the opportunity to make further comment and any differing subsequent feedback will be reported orally.

Future Rents

- 6.20 The government has recently closed consultation on a successor policy to Rent Restructuring. This would mean two key changes:
- (1) To end the “convergence” of actual rents on Formula Rents. This means that the council would not continue to increase rents by as much as under Rent Restructuring (except when dwellings are re-let) and so would receive less income in future than expected.
 - (2) To replace the “RPI + ½%” increase with a “CPI + 1%” increase. Because CPI is expected to remain well below RPI, this means lower increases in future years and therefore less income to the council.
- 6.21 Councils continue to have absolute discretion over rents and increases, however, so will not be obliged to adopt any new government policy. It is likely that the government will seek to incentivise councils to adopt any new government policy by tying future Limit Rent (maximum housing benefit level) to its expectations.

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 In the current budget round the budget process is being integrated with the service planning process thus ensuring a strong link between the council's priorities and the financial resources available to deliver them. This process has been further enhanced by holding a series of Corporate Leadership Team budget review meetings. As with all future estimates there is a level of uncertainty and this has been taken into account when assessing the levels of reserves.
- 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 4](#).
- 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 4 shows that an adequate level of HRA reserves for the Council will be in the order of £3.067m.

8. Housing Capital Plan 2014/15-2018/19

- 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	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
Forecast resources brought forward	0	0	0	0	0
Capital grants	(408)	(408)	(408)	(408)	(408)
Major Repairs Reserve - depreciation charges	(16,611)	(12,333)	(12,346)	(12,312)	(12,276)
HRA borrowing from headroom under debt cap	0	(1,026)	(5,916)	0	0
Revenue Contribution to Capital	(19,885)	(31,538)	(16,809)	(13,684)	(17,434)
Leaseholder contributions to major works	(250)	(250)	(250)	(250)	(250)
Capital receipts - properties uneconomic to repair	(802)	(782)	(762)	(743)	(725)
Capital receipts arising from RTB (25%)	(2,583)	(758)	(758)	(744)	(757)
Retained "one for one" RTB Receipts	(2,013)	(5,179)	(1,962)	(91)	0
Gross forecast resources	(42,551)	(52,273)	(39,211)	(28,232)	(31,849)

Housing Capital Resources	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
Forecast resources utilised	42,551	52,273	39,211	28,232	31,849
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 2018/19 and constitutes the Housing Capital Plan:

Housing Capital Plan	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
Neighbourhood housing	30,070	33,121	30,781	26,039	29,959
Strategic housing	1,570	1,390	1,390	1,390	1,390
Housing investment	10,911	17,762	7,040	803	500
Total Housing Capital Programmes	42,551	52,273	39,211	28,232	31,849
Available resources applied	(42,551)	(52,273)	(39,211)	(28,232)	(31,849)
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 2014/15

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

Scheme	£000s
Home Upgrades	14,100
Heating Upgrades	5,680
Window & Door Upgrades	2,710
Community Safety	180
Sheltered Housing Regeneration	270

Preventative Maintenance	5,830
Supported Independent Living	1,200
Bin Stores	100
Neighbourhood Housing	30,070
Sheltered Housing Regeneration	3,750
New Build Social Housing	6,661
RTB Buyback Programme	500
Housing Investment	10,911
Home Improvement Agency Works	1,140
Capital Grants to Housing Associations	180
Site Formation	250
Strategic Housing	1,570
Total Housing Capital Programme 2014/15	42,551

- 9.2 The programme includes provision for the door replacement programme, as the window replacement programme comes to an end, and for development of new council housing at Goldsmith Street and commencement of regeneration schemes for the sheltered housing stock.
- 9.3 The outcomes that will be supported by the increased level expenditure on the council's own stock, compared to last year, will be as follows:

Housing Capital Programme	2011/12 Outcomes	2012-13 Outcomes	2013-14 Outcomes	2014/15 Outcomes	Change 2013/14 to 2014/15
New kitchens	750	1,264	1,531	1,557	+ 26
New bathrooms	357	747	655	1,049	+ 394
Heating systems/boilers	>1,200	>950	>1,000	999	- 1
New composite doors	642	479	1,309	4,015	+ 2,706
New PVCu windows	2,300	2,400	1,320	34	- 1,286
Whole house imp's	0	20	20	20	0

- 9.4 These outcomes reflect the winding-down of the windows programme, and the stepping up of the doors programme.
- 9.5 The capital programme proposed above will be supplemented by resources and commitments brought forward from the 2013/14 capital programme, as identified in the Capital Monitoring report on this cabinet agenda.

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:	5 February 2014
Head of service:	Caroline Ryba, Chief Finance Officer
Report subject:	Housing Budgets & Rents 2014/15
Date assessed:	22 January 2014
Description:	This integrated impact assessment covers the proposed housing budgets and council housing rents for 2014/15

	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 2014/15

Budget movements by type

Planned Growth	£000s
Revenue Contribution to Capital	1,189
External Wall Insulation	200
Replace tanks & lead water mains	125
Payroll cost increase	94
Neighbourhood Warden costs	61
Repairs costs for HRA Shops	60
Interest charges on HRA debt	56
Insurance costs increase	24
Other Planned Growth	81
Total Planned Growth	1,890

Recommended Growth	£000s
Revenue cost of Estate Aesthetics	800
Fuel cost increases	241
New Build development costs	192
Internal Wall Insulation	180
Technical staffing costs	146
Pension cost increase	61
Budgeting Adviser posts	60
Sheltered Housing Review costs	39
Decoration Allowances increase	35
Choice Based Lettings advertising	30
Tree Planting Programme	19
Loss of Social Housing Fraud Grant	19
Other Recommended Growth	185
Total Recommended Growth	2,006

Recommended Income Reduction	£000s
Tenant Water Charges reduction	491
Tenant Service Charges reduction	216
Garage void increase	148
Reduction in Non-Dwelling rents	113
Dwelling void reduction	13
Other Recommended Income Reduction	70
Recommended Income Reduction	1,050

Planned Savings	£000s
Savings from plastic windows	(350)
Reduced repair requirements	(206)
Grounds Maintenance savings	(158)
Interest charges on HRA debt	(140)
Other Planned Savings	(71)
Total Planned Savings	(924)

Recommended Savings	£000s
Anglian Water cost reduction	(512)
Interest charges on HRA debt	(211)
Overhead cost decrease	(71)
TV Aerial Maintenance	(39)
"Heats & Smokes" savings	(35)
Pension cost decrease	(24)
Fuel cost savings	(14)
Other Recommended Savings	(77)
Total Recommended Savings	(984)

Planned Income Increase	£000s
Dwelling rent increase 5.57%	(2,587)
Dwelling void reduction	(230)
Total Planned Income Increase	(2,817)

Recommended Income Increase	£000s
Tenant Service Charges increase	(322)
RTB admin costs recovered	(164)
Reduction in Non-Dwelling rents	(31)
Other Recommended Income Increase	(35)
Recommended Income Increase	(552)

Draft Housing Revenue Account budgets 2014/15

Budget movements by service division

General Management	£000s
Technical staffing costs	476
New Build development costs	192
Payroll cost increase	118
Overhead cost decrease	(68)
Neighbourhood Warden costs	61
Budgeting Adviser posts	60
Sheltered Housing Review costs	39
Decoration Allowances increase	35
Choice Based Lettings advertising	30
Pension cost increase	8
Other General Management	77
Total General Management	1,028

Special Services	£000s
Fuel cost increases	226
Grounds Maintenance costs	(158)
TV Aerial Maintenance	(39)
"Heats & Smokes" savings	(35)
Pension cost increase	29
Payroll cost increase	(25)
Tree Planting Programme	19
Tree Planting Programme	14
Overhead cost decrease	(6)
Other Special Services	52
Total Special Services	78

Repairs & Maintenance	£000s
Revenue cost of Estate Aesthetics	800
Technical staffing costs	(369)
Savings from plastic windows	(350)

Repairs & Maintenance	£000s
Reduced repair requirements	(206)
External Wall Insulation	200
Internal Wall Insulation	180
Replace tanks & lead water mains	125
Repairs costs for HRA Shops	60
Other Repairs & Maintenance	9
Total Repairs & Maintenance	449

Other HRA	£000s
Revenue Contribution to Capital	1,189
Tenant Water Charges reduction	491
Garage void increase	148
Reduction in Non-Dwelling rents	82
savings on subj 2850	26
Loss of Social Housing Fraud Grant	19
Overhead cost decrease	2
Tenant Service Charges	(105)
RTB admin costs recovered	(164)
Dwelling void reduction	(217)
Interest charges on HRA debt	(295)
Anglian Water cost reduction	(512)
Dwelling rent increase 5.57%	(2,587)
Misc Other HRA	38
Total Other HRA	(1,887)

Council Housing Rent Increase

The following are extracts from presentations made to the Tenant Involvement Panel on 5 December and a tenant briefing session on 14 January, to invite tenants' feedback on their preferred balance between rent increases and resources for revenue and capital investment.

Restructured Rent Increase

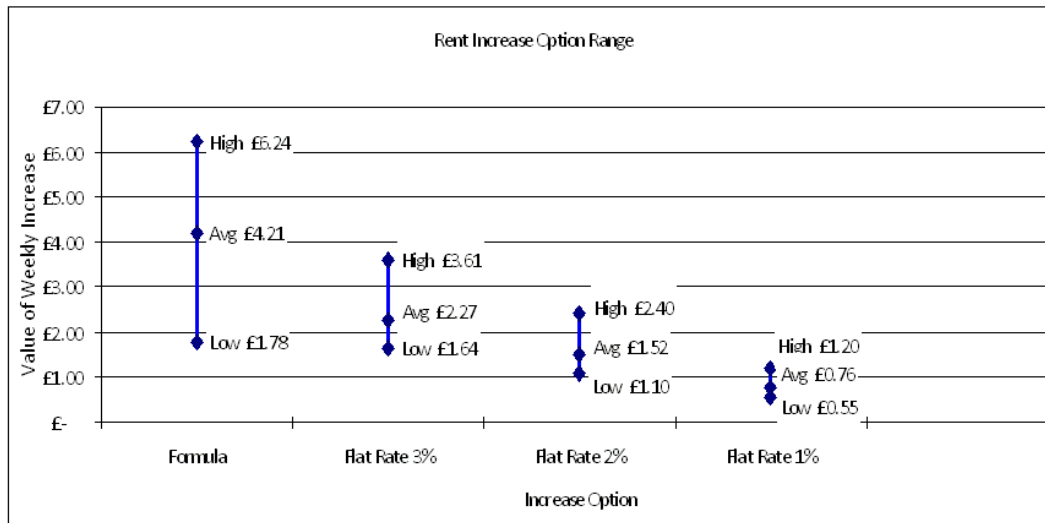
- Based on September RPI of 3.2%
- Plus ½% annual increase
- Plus convergence by 2016/17
- Equates to 5.57% (£4.21) increase on average

Item	Average £	Maximum £	Minimum £
Rent 2013/14	75.80	114.63	74.25
RPI (@ 3.2%)	2.43	3.67	2.38
Additional ½%	0.38	0.57	0.37
Convergence	1.41	2.00	-0.97
Rent 2014/15	80.01	120.87	76.03
Increase	£4.21 5.57%	£6.24 5.44%	£1.78 2.40%

By the public sector, for the public sector



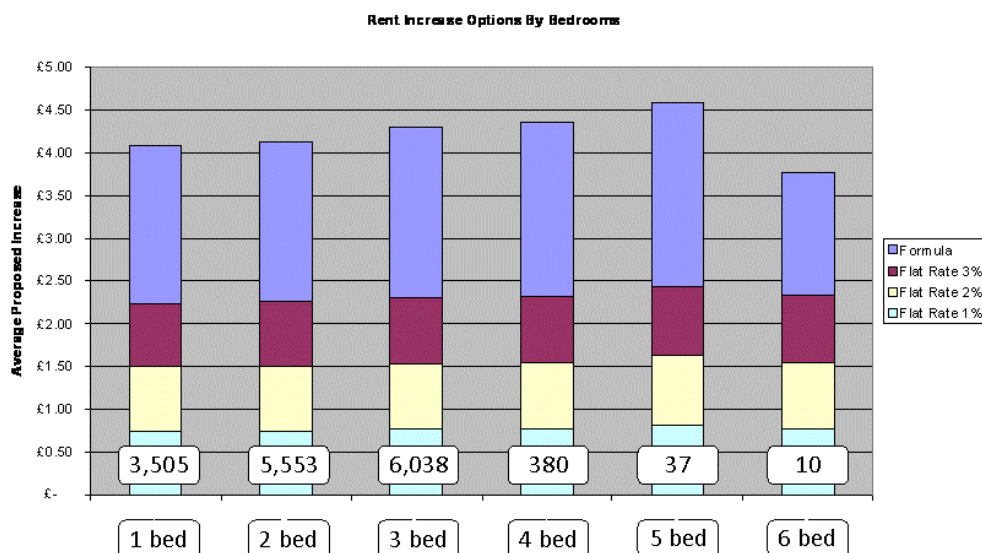
Other options for increases (2)



By the public sector, for the public sector



Other options for increases (4)



By the public sector, for the public sector



Impact of rent options on Business Plan (2)

Option	Average increase	Year Debt Repayable	Slippage in investment	Size of Yr 6-10 investment
Formula	£4.21	2030	£0m	£54m
Flat Rate 3%	£2.27	2030	£2m	£44m
Flat Rate 2%	£1.52	2031	£5m	£34m
Flat Rate 1%	£0.76	2031	£11m	£21m

By the public sector, for the public sector



Impact of rent options on Business Plan (3)

Option	Slippage in investment	Options for slippage in investment
Flat Rate 3%	£2m	Defer tower block programme by 1 year or Defer construction of 19 new builds for 2 years or Estate aesthetics programme halved for 5 years, extended over 10 years
Flat Rate 2%	£5m	Defer tower block programme by 2 years or Defer construction of 54 new builds for 2 years or Estate aesthetics <u>and</u> door programmes halved for 5 years, extended over 10 years
Flat Rate 1%	£11m	Defer tower block programme by 2-3 years or Defer construction of 94 new builds for 2-3 years or Defer estate aesthetics <u>and</u> door programmes for 5 years

By the public sector, for the public sector



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>	6,467,099	32,335
Supplies and Services	<i>High</i>	2,300,943	5,752
Premises Costs	<i>High</i>	9,063,663	22,659
Transport Costs	<i>High</i>	122,263	306
Contracted Services	<i>Medium</i>	15,909,569	119,322
Fees and Charges	<i>Medium</i>	2,801,350	42,020
Investment Income	<i>Medium</i>	150,000	4,500
Rents & Service Charges	<i>Low</i>	71,056,864	177,642
Financing Items	<i>Medium</i>	17,230,913	34,462
Total One Year Operational Risk			438,999
Allowing three years cover on operational risk			1,316,996
Balance Sheet risk			
Issues arising from Welfare reform			750,000
General Risk			
Unforeseen events			1,000,000
ESTIMATED REQUIRED LEVEL OF HRA RESERVES			3,066,996

Operational cost risk profiles

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2/2

		<i>Low Risk</i>	<i>Med Risk</i>	<i>High Risk</i>
Employee Costs	overspend probability amount at risk	1.00% 25.0% 16,168	2.50% 15.0% 24,252	5.00% 10.0% 32,335
Supplies and Services	overspend probability amount at risk	1.00% 10.0% 2,301	2.50% 7.5% 4,314	5.00% 5.0% 5,752
Premises Costs	overspend probability amount at risk	1.00% 10.0% 9,064	2.50% 7.5% 16,994	5.00% 5.0% 22,659
Transport Costs	overspend probability amount at risk	1.00% 10.0% 122	2.50% 7.5% 229	5.00% 5.0% 306
Contracted Services	overspend probability amount at risk	5.00% 10.0% 79,548	10.00% 7.5% 119,322	15.00% 5.0% 119,322
Fees and Charges	shortfall 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% 3,000	20.00% 15.0% 4,500	30.00% 10.0% 4,500
Rents & Service Charges	shortfall probability amount at risk	1.00% 25.0% 177,642	1.50% 15.0% 159,878	2.00% 5.0% 71,057
Financing Items	overspend probability amount at risk	1.00% 15.0% 25,846	2.00% 10.0% 34,462	3.00% 5.0% 25,846