

Report to Cabinet
13 February 2013
Report of Chief finance officer
Subject Housing Rents & Budgets 2013-14

Item
9

KEY DECISION

Purpose

To propose for approval the Housing Revenue Account budget for 2013-14, council housing rents for 2013-14, the prudent minimum level of HRA reserves 2013-14, the housing capital plan 2013-14 to 2017/18; and the capital programme 2013-14.

Recommendation

That cabinet recommends to council for the 2013-14 financial year:

1. That the Housing Revenue Account budgets set out in paragraph 3 and Appendices 1 and 2 are approved.
2. That the council housing rent increase set out in paragraph 26 and Appendix 3 is approved.
3. That the prudent minimum level of housing reserves set out in paragraph 63 and Appendix 4 is approved..
4. That the housing capital plan 2013-14-2017/18 set out in paragraph 69, and the housing capital programme 2013-14 set out in paragraph 71, should be approved

and

5. That cabinet notes that service charges will be determined under delegated powers in compliance with the constitution, as set out in paragraph 41.

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 McDonald – Housing

Contact officers

Mark Smith, Finance Control Manager

01603 212561

Background documents

Working papers held in Finance.

Report

Housing Revenue Account

Introduction

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. 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.

Summary HRA Budget 2012-13 into 2013-14

3. The following table shows the proposed budget in summarised statutory form. The budget is analysed by service and subjective in Appendix 1.

Statutory Division of Service	Original Budget 2012-13 £000s	Draft Budget 2013-14 £000s	Change £000s
Repairs & Maintenance	15,561	15,384	(176)
Rents, Rates, & Other Property Costs	6,144	6,656	511
General Management	10,754	11,286	532
Special Services	5,696	5,536	(160)
Depreciation & Impairment	27,216	22,078	(5,138)
Provision for Bad Debts	215	941	726
Gross HRA Expenditure	65,585	61,881	(3,704)
Dwelling Rents	(55,298)	(58,597)	(3,298)
Garage & Other Property Rents	(2,383)	(2,194)	189
Service Charges - General	(9,785)	(10,026)	(241)
Adjustments & Financing Items	1,808	15,983	14,175
Amenities shared by whole community	(735)	(732)	3
Interest Received	(150)	(150)	0
Gross HRA Income	(66,543)	(55,715)	10,828
Total Housing Revenue Account	(958)	6,166	7,124

4. In broad terms, the £7.124m movement from £0.958m surplus to £6.116m deficit can be analysed as follows:

Budget Movement	£000s
Base Budget	958
Unavoidable Growth	2,001
Recommended Growth	14,520
Increased Income	(3,385)
Decreased Income	823
Savings	(7,794)
Total Budget Movements	7,124

5. The most notable feature of the proposed budget is a revenue contribution to capital of £13,692k to fund the Norwich Standard and the housing investment strategy, representing the application of balances arising from previous revenue surpluses in accordance with the Housing Capital Plan and Capital Programme which are set out in paragraphs 64-74 of this report
6. For management purposes, the HRA is divided into four divisions of service. The following paragraphs and tables set out reasons for significant movements, which make up the movements summarised above and are detailed in Appendix 2.

General Management

7. General Management covers services and other operational costs provided to all tenants as a whole. Budget movements proposed are shown in Appendix 2 and summarised below:

General Management	£000s
Unavoidable Growth	413
Recommended Growth	222
Decreased Income	52
Increased Income	(77)
Savings	(541)
Transfers	463
Total General Management	532

8. Significant budget items within General Management include:
- Unavoidable Growth of £100k to cover the cost of advertising vacant properties
 - Recommended Growth of £100k to establish a Tenancy Sustainment fund to provide short-term assistance to tenants to sustain their tenancies.
 - Savings of £290k in corporate overhead costs principally as a result of shared services arrangements

Special Services

9. Special Services covers services provided to groups of tenants. Many of these services are funded through service charges which are designed to recover the costs of each service from those tenants benefiting. Budget movements proposed are shown in Appendix 2 and summarised below:

Special Services	£000s
Unavoidable Growth	213
Recommended Growth	153
Decreased Income	27
Increased Income	(19)
Savings	(446)
Transfers	(88)
Total Special Services	(160)

10. Significant budget items within Special Services include:
- Savings of £199k in fuel costs as a result of improved energy efficiency and revised budget calculations
 - Recommended growth of £82k for work on Sheltered Housing reconfiguration
 - Recommended growth of £65k to cover grounds maintenance on previously untended areas

Repairs & Maintenance

11. Repairs & Maintenance covers day-to-day responsive repairs and some planned maintenance of the housing stock. Budget movements proposed are shown in Appendix 2 and summarised below:

Repairs & Maintenance	£000s
Unavoidable Growth	264
Recommended Growth	453
Decreased Income	96
Increased Income	0
Savings	(984)
Transfers	(5)
Total Repairs & Maintenance	(176)

12. Significant budget items within Repairs & Maintenance include:
- Unavoidable Growth of £332k to cover the cost of surveying and maintaining ducts and flues in high-rise properties
 - Recommended Growth of £291k to cover increased void refurbishment costs as a result of tenants down-sizing because of benefit reform and other increased demands

- c) Savings of £400k from reduced requirement for external painting
- d) Net savings of £199k from reduced contract prices
- e) Savings of £170k on repairs to be funded from capital instead of revenue

HRA Financing Items

13. HRA Financing Items covers all other transactions in the HRA, including income, capital charges, and Housing Subsidy. Budget movements proposed are shown in Appendix 2 and summarised below:

HRA Financing Items	£000s
Unavoidable Growth	1,112
Recommended Growth	13,692
Decreased Income	649
Increased Income	(3,289)
Savings	(5,823)
Transfers	(370)
Total Financing Items	5,970

14. Significant budget items within Financing items include:
- a) Unavoidable Growth of £755k to cover the anticipated increase in arrears and bad debts arising from benefit reforms (under-occupancy, non-dependents, and cap)
 - b) Recommended Growth of £13,692k as a contribution to capital to fund the Norwich Standard and the housing investment strategy, being the application of balances arising from previous revenue surpluses in accordance with the Housing Capital Plan which is set out in paragraph 64 of this report
 - c) Decreased income of £217k from tenants' service charges, reflecting savings made on fuel and from restructuring of caretaking and sheltered housing.
 - d) Decreased income of £114k from garage rents reflecting slower than anticipated improvement in garage void levels.
 - e) Increased income of £2,994k as the product of the recommended rent increase (see paragraphs 21-27 below).
 - f) Increased income of £139k from leaseholders' service charges reflecting an increase in management & administration costs recovered.
 - g) Increased income of £121k from recovery of water rates, reflecting Anglian Water's increases.
 - h) Savings of £5,138k on capital charges (interest on borrowings) arising from the low rate of interest on HRA Self-Financing borrowing of £149m
 - i) Savings of £373k on the costs of historic restructuring of HRA borrowings
 - j) Savings of £308k from improved performance on void turnaround

HRA Balances

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

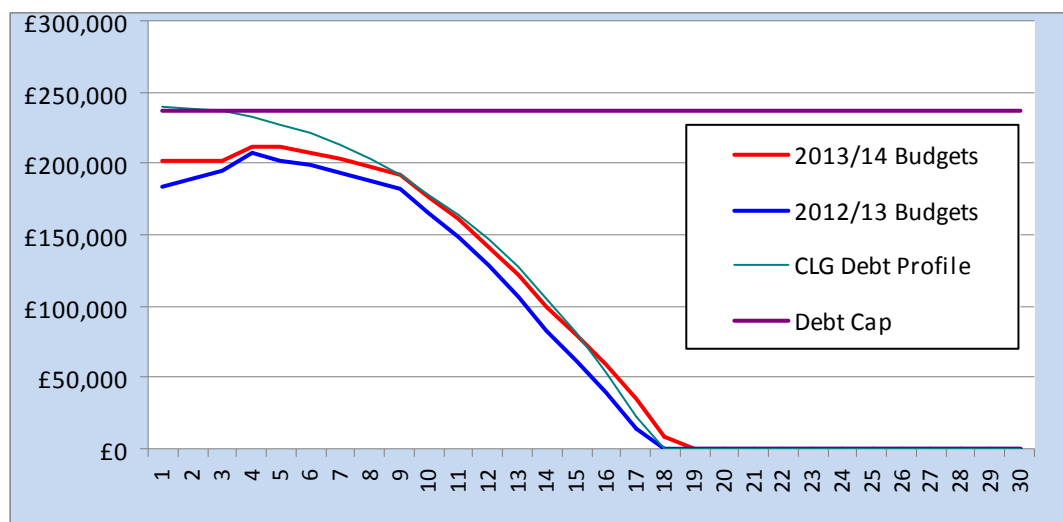
Item	£000s
Brought Forward from 2011/12	(14,725)
Budgeted contribution to balances 2012-13	(958)
Forecast Outturn 2012-13	(8,040)
Carried Forward to 2013-14	(23,723)
Draft Budget 2013-14	6,166
Carried Forward to 2014/15	(17,557)

16. Potential future uses of the HRA balance are considered in financial planning for the HRA as set out in paragraphs 17-20 of this report..

Financial Planning for the HRA

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

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



19. 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.

20. 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.

Council Housing Rents

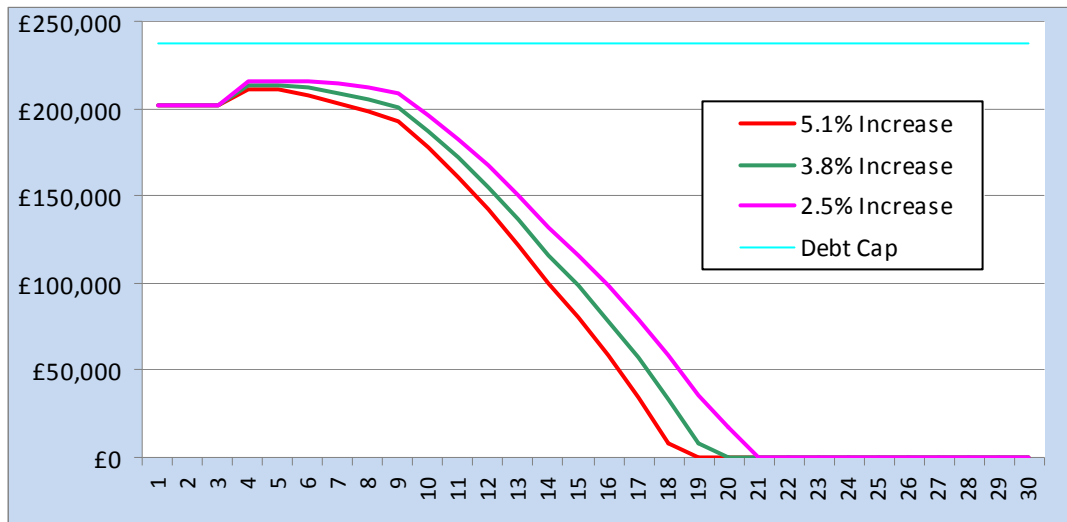
Rent policy context

21. 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.
22. 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.
23. 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 64-74 of this report.
24. The level of rent tenants pay continues to be a decision for the council, although under the principals 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 guidelines.
25. 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.
26. For 2013-14, the combination of September 2012 inflation at 2.6% and the intention to converge rents by 2016/17 means that following the rent restructuring formula would generate an average increase of 5.1% (£3.69) for Norwich tenants.
27. 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 maximises scope for reduced rent increases for 2014/15, when Housing Benefit reforms will add to pressures on affordability and rent collection
 - f) That it preserves consistency of rents with private sector rent increases and other local authority landlords
 - g) That the distribution of increases is "fair" in that it incorporates convergence on formula rents
 - h) That tenant feedback to date indicates a level of acceptance
28. The rationale for applying a lower rate of increase is entirely one of affordability for tenants.
29. Alternatives have been modelled for the increase of dwelling rent charges:

Option	Average Increase (%)	Average Increase (£)	Based on RPI	Description
1	5.1%	£3.69	2.6%	RPI at September 2012
2	3.8%	£2.74	1.3%	Half rate of RPI
3	2.5%	£1.79	.0.0%	Zero rate of RPI

30. The system of caps and limits means that the maximum increase any individual tenant would receive is 3.1% plus £2.00.
31. 59% 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.
32. 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.
33. 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:



34. The impact of a rent increase of **3.8%** on the 2013-14 budget would be a loss of £748,766 and require the following budget amendments:

Budget Impact	£000s
Rent Income	749
Contribution to/from HRA balances 2013-14	(749)

35. The impact on HRA balances would be as follows:

Item	£000s
Brought Forward to 2013-14 (as para 15)	(23,723)
Draft Budget 2013-14 (as para 3)	6,166
Impact of reduced rent increase (as para 34)	749
Carried Forward to 2014/15	(16,808)

36. The impact on the HRA Business Plan would be to reduce income over the planning period by £51,780,455.

37. The impact of a rent increase of **2.5%** on the 2013-14 budget would be a loss of £1,497,533 and require the following budget amendments:

Budget Impact	£000s
Rent Income	1,498
Contribution to HRA balances 2013-14	(1,498)

38. The impact on HRA balances would be as follows:

Item	£000s
Brought Forward to 2013-14 (as para 15)	(23,723)
Draft Budget 2013-14 (as para 3)	6,166

Impact of reduced rent increase (as para 37)	1,498
Carried Forward to 2014/15	(16,059)

39. The impact on the HRA Business Plan would be to reduce income over the planning period by £104,583,070.
40. It is proposed that garage rents remain unchanged from current levels in order to maintain affordability and encourage new tenants thereby reducing the number of void garages.
41. Levels of tenants' service charges will be determined by officers under delegated powers, in accordance with the constitution, in consultation with the portfolio holder and after engagement with tenant representatives.

Relationship with Investment Strategy & Housing Revenue Account budgets

42. 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 5.1% average rent increase in 2013-14.

Consultation with tenants

43. Tenant representatives have been consulted over proposed increases, primarily through a special tenants' forum held in November.
44. 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.
45. All those who attended the briefing have been offered the opportunity to make further comment and any differing subsequent feedback will be reported verbally at your meeting.

Recommended Rent Increase of 5.1%

46. The following table sets out the range of increases tenants would receive in April 2013 if this option is agreed.

Increase	Number of tenants	Percentage of tenants
-£0.00 to £0.49	1	<1%
£0.50 to £0.99	0	<1%
£1.00 to £1.49	1	<1%
£1.50 to £1.99	81	<1%

£2.00 to £2.49	1271	8%
£2.50 to £2.99	639	4%
£3.00 to £3.49	2616	17%
£3.50 to £3.99	5271	34%
£4.00 to £4.49	5244	33%
£4.50 to £4.99	580	4%
£5.00 to £5.49	16	<1%

Alternative Rent Increase of 3.8%

47. The following table sets out the range of increases tenants would receive in April 2013 if this option is agreed.

Increase	Number of tenants	Percentage of tenants
-£0.99 to -£0.50	1	<1%
-£0.49 to £0.00	0	<1%
-£0.00 to £0.49	1	<1%
£0.50 to £0.99	3	<1%
£1.00 to £1.49	1586	10%
£1.50 to £1.99	248	2%
£2.00 to £2.49	2017	13%
£2.50 to £2.99	5478	35%
£3.00 to £3.49	6254	40%
£3.50 to £3.99	132	<1%

Alternative Rent Increase of 2.5%

48. The following table sets out the range of increases tenants would receive in April 2013 if this option is agreed.

Increase	Number of tenants	Percentage of tenants
-£1.99 to -£1.50	1	<1%
-£1.49 to -£1.00	0	0%
-£0.99 to -£0.50	1	<1%
-£0.49 to £0.00	1	<1%
-£0.00 to £0.49	1777	11%
£0.50 to £0.99	56	<1%
£1.00 to £1.49	1083	7%

£1.50 to £1.99	6311	40%
£2.00 to £2.49	6479	41%
£2.50 to £2.99	11	<1%

Future Rent Levels

49. Future rent levels are difficult to predict with any certainty owing to unpredictable inflation rates, but the HRA Business Plan assumes that the government's rent restructuring policy will continue to be followed until formula rents converge in April 2017.
50. Where councils have increased rents at lower rates than following the rent restructuring policy would have resulted in, it is likely that a sizeable number of dwellings will not actually have achieved convergence by that date.
51. It is anticipated that in due course, the Homes and Communities Agency (HCA) may issue guidance regarding the setting of future rents.

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

52. Section 25 of the Local Government Act 2003 requires that the Chief Financial Officer of the reports to members on the robustness of the budget estimates and the adequacy of Council's reserves.
53. The Chief Financial 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

54. 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 Management 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.
55. Allowing for the above comment on uncertainty it is the opinion of the Chief Financial Officer that in the budgetary process all reasonable steps have been taken to ensure the robustness of the budget.

Reserves

56. A risk assessment has been undertaken to determine the level of general reserves required by the Council, attached as Appendix 3.

57. 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.
58. 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.
59. Earmarked reserves remain legally part of the General Fund although they are accounted for separately.
60. 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.
61. 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

62. 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.
63. The risk analysis attached as Appendix 4 shows that an adequate level of HRA reserves for the Council will be in the order of £3.0 million.

The Housing Capital Plan

64. 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.

65. 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.
66. The following table indicates the anticipated levels of resources available to the Housing Capital Programme in future years.

Housing Capital Resources	2013-14	2014/15	2015/16	2016/17	2017/18
Forecast resources brought forward	(8,275)	(8,275)	(8,274)	(8,275)	(8,275)
Capital grants	(394)	(394)	(394)	(394)	(394)
Major Repairs Reserve – depreciation charges	(17,574)	(13,690)	(13,626)	(13,562)	(15,446)
HRA borrowing from headroom under debt cap	0	0	(4,302)	0	0
Revenue Contribution to Capital	(15,019)	(19,132)	(22,214)	(10,757)	(8,874)
Leaseholders contributions to major works	(250)	(250)	(250)	(250)	(250)
Capital receipts – properties uneconomic to repair	(822)	(822)	(822)	(822)	(822)
Capital receipts arising from RTB (25%)	(806)	(806)	(806)	(806)	(806)
Gross forecast resources	(43,141)	(43,369)	(50,689)	(34,867)	(34,867)
Forecast resources utilised	34,866	35,095	42,414	26,592	26,592
Forecast resources carried forward	(8,275)	(8,274)	(8,275)	(8,275)	(8,275)

67. The level of RTB receipts included in the proposed Capital Plan represents the number projected in the Business Plan and included in the calculation of the £149m debt settlement. Additional receipts which may be received and retained as a consequence of the coalition government's enhancement to RTB discounts, though uncertain and therefore not included in the proposed Capital Plan, will be applied as they arise to support the new build programme, subject to meeting the constraints imposed on their use.
68. 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 recently approved Housing Investment Strategy.
69. The following indicates the anticipated levels of expenditure until 2017/18 and constitutes the Housing Capital Plan:

Housing Capital Plan	2013-14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Neighbourhood Housing	29,231	28,510	36,101	22,507	22,507
Strategic Housing	1,504	1,144	1,144	1,144	1,144
Housing Investment	4,131	5,441	5,169	2,941	2,941

Total Housing Capital Programmes	34,866	35,095	42,414	26,592	26,592
Available resources applied	(34,866)	(35,095)	(42,414)	(26,592)	(26,592)
Surplus/(Deficit) in Housing Capital Plan	0	0	0	0	0

70. All planned capital costs and resources are incorporated into the HRA Business Plan projections.

Recommended Housing Capital Programme 2013-14

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

Scheme	£000s
Home Upgrades	10,665
Heating Upgrades	3,968
Window & Door Upgrades	3,458
Community Safety	250
Sheltered Housing Regeneration	500
Preventative Maintenance	8,500
Supported Independent Living	1,340
Bin Stores	550
Neighbourhood Housing	29,231
New Build Social Housing - Riley Close	390
New Build Social Housing - Pointers Field	800
Bringing Empty Homes back into use	100
Mortgage Rescue/RTB Buyback	250
Additional Home Improvement Agency Works	246
Thermal Comfort (External Wall Insulation)	820
Renewable energy programme	1,325
Estate Improvement programme	200
Housing Investment	4,131
Home Improvement Agency Works	894
Capital Grants To Housing Associations	360
Site Formation Budget	250
Strategic Housing	1,504
Total Housing Capital Programme 2013-14	34,866

72. The proposed capital programme reflects the continuing delivery of the Norwich Standard and initial components of the Housing Investment Strategy, and so represents significantly enhanced levels of investment over previous years:

Housing Capital Expenditure	2011/12 Expenditure £000s	2012-13 Expenditure £000s	Change 2011/12 to 2012-13	2013-14 Expenditure £000s	Change 2012-13 to 2013-14
Neighbourhood Housing	16,613	27,017	10,404	29,231	2,214
Strategic Housing	3,571	3,258	(313)	1,504	(1,754)

Housing Investment	0	0	0	4,131	4,131
Total	20,184	30,275	10,091	34,866	4,591

(The reduction in Strategic Housing expenditure is because grants to Housing Associations for new build are being superseded by investment in new build council housing)

73. 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	Change 2011/12 to 2012-13	2013-14 Outcomes	Change 2012-13 to 2013-14
New kitchens	750	1,264	+ 564	1,531	+ 267
New bathrooms	357	747	+ 390	655	- 92
Heating systems/boilers	Over 1,200	Over 950	- 250	Over 1,000	+ 50
New composite doors	642	479	- 163	1,309	+ 830
New PVCu windows	2,300	2,400	+ 100	1,320	- 1,080
Whole house imp's	0	20	+ 20	20	0

74. The capital programme proposed above will be supplemented by the resources and commitments brought forward from the 2012-13 capital programme, as identified in the Capital Monitoring report on this cabinet agenda.

Risk Management

75. Risks to the Housing Capital Plan have been assessed and the main risks and mitigations identified in the table below

Risk	Probability	Impact	Mitigation
Capital Receipts not received from RTB sales	M	M	Relatively low levels of RTB receipts have been forecast
Capital Receipts not received from sale of houses beyond economic repair	M	L	No plans to use funding until it has been received
Capital Receipts delayed	H	M	Use capital balances until funding secured
Level of returns from leaseholders does not match forecast	L	L	Robust charging procedures within contract to ensure amounts due are recovered
Cost overruns	L	L	New contract arrangements ensure

Risk	Probability	Impact	Mitigation
			maximum cost in standard areas. Quoted works will be managed within available budget. Incentivisation will help keep costs to a minimum
Contractor failure prevents/delays capital works being carried out	L	M	
Contractor capacity insufficient to deliver capital works	L	L	
Transition to Joint Venture prevents effective management and/or delivery of capital works	L	H	Risk management arrangements in the transition plan and effective joint venture governance arrangements

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:	13 February 2013
Head of service:	Caroline Ryba, Chief Finance Officer
Report subject:	Housing Budgets & Rents 2013-14
Date assessed:	22 January 2013
Description:	This integrated impact assessment covers the proposed housing budgets and council housing rents for 2013-14

	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				

Analysis of draft Housing Revenue Account budgets 2013-14

Analysis by Service & Team

Service/Team	Approved Budget 2012-13	Draft Budget 2013-14	Change
ABATE	473	497	24
Caretaking	598	520	(78)
Community Alarm Service	712	849	137
Families Unit	274	311	36
Finance Client	166	167	1
Home Ownership	812	880	68
Housing Income Services	(67,160)	(69,768)	(2,607)
Housing Rents	1,703	1,690	(13)
Neighbourhood Housing	37,883	47,558	9,675
Neighbourhood Housing Services	2,759	2,626	(133)
Tenancy Services	483	503	20
Tenancy Support	1,902	1,744	(158)
Tenant Involvement	367	359	(8)
Subtotal Neighbourhood Housing	(19,028)	(12,064)	6,964
Facilities Management	1,767	1,983	217
Housing Asset Management	406	445	39
Housing Property Services	15,897	15,801	(96)
Subtotal Property Services	18,070	18,230	160
Total Housing Revenue Account	(958)	6,166	7,124

Analysis by Subjective Group

Subjective Group	Approved Budget 2012-13	Draft Budget 2013-14	Change
Employees	7,232	5,923	(1,310)
Premises	24,436	26,425	1,989
Transport	169	117	(52)
Supplies & Services	2,479	2,336	(143)
Third Party Payments	23	114	92
Capital Financing	27,729	22,842	(4,886)
Rev Contribs to Capital	1,327	15,019	13,692
Recharge Expenditure	6,735	6,744	10
Gross HRA Expenditure	70,130	79,521	9,391
Government Grants	(239)	(239)	-
Receipts	(68,726)	(71,014)	(2,288)
Recharge Income	(2,123)	(2,101)	21
Gross HRA Income	(71,088)	(73,355)	(2,267)
Total Housing Revenue Account	(958)	6,166	7,124

APPENDIX 2

Budget Movements by Statutory Group ✓

HRA General Management	
Movement	Reason for Movement
100,000	Advertising vacant properties
90,544	Salaries increments etc.
72,665	Increased insurance costs
39,000	Increased Wardens recharge from GF
32,410	Pension Fund Contributions
19,000	ASB call budget reinstated
15,480	Price inflation
15,152	Other unavoidable Growth
15,000	Increased income collection costs
13,403	New Build project costs
412,654	Unavoidable Growth
100,000	Tenancy Sustainment fund
79,840	Money advice project
17,500	Postage for TLC
15,000	Mobile ICT for visiting officers
9,000	EPCs on increased RTBs
1,000	Other recommended growth
222,340	Recommended Growth
51,650	Costs not chargeable to Capital
51,650	Decreased Income
(40,200)	Additional water rate commission
(36,701)	Proceeds from Area Office recharges
(76,901)	Increased Income
(289,623)	CDS Overhead Charges
(91,390)	Savings from reduced demand
(83,620)	Savings from Area Office closures
(39,080)	Savings on salaries
(22,270)	Savings on contract prices
(8,170)	LGSS Savings
(6,750)	Other savings
(540,903)	Savings
463,472	Transfers within HRA
463,472	Transfers
532,312	Total HRA General Management

HRA Special Services	
Movement	Reason for Movement
55,869	Salaries increments etc.
49,015	Price increases
48,000	NCAS Call System maintenance
21,060	Pension Fund Contributions
21,027	Increased insurance costs
6,200	Price inflation
11,705	Other unavoidable growth
212,876	Unavoidable Growth
82,400	Sheltered Housing reconfiguration
62,500	Additional Grounds Maint. Areas
8,360	Other recommended growth
153,260	Recommended Growth
27,000	Reduced NCAS income
27,000	Decreased Income
(18,800)	Increased NCAS income
(18,800)	Increased Income
(199,100)	Savings on fuel usage
(78,173)	Sheltered Housing salary savings
(63,618)	Savings on Caretaker salaries
(34,040)	Savings on contract prices
(17,500)	Savings on Call Out system
(15,620)	Reduced liability for SP costs
(37,790)	Other savings
(445,841)	Savings
(88,362)	Transfers within HRA
(88,362)	Transfers
(159,867)	Total HRA Special Services

HRA Repairs & Maintenance	
Movement	Reason for Movement
331,710	Survey & maintenance of tower block ducts
90,250	Increases in contract prices
57,000	Increased provision for Bad Debts
35,000	Increased in demand
(250,000)	Leaseholders' contribution to Capital
263,960	Unavoidable Growth
291,000	Increased in demand
81,850	Costs arising from new contracts
80,000	Increases in contract prices
452,850	Recommended Growth
96,000	Reduced rechargeable repairs
96,000	Decreased Income
(400,000)	Reduced demand for painting
(361,070)	Savings on contract prices
(170,000)	Repairs to be funded from Capital
(50,000)	Reduced demand
(3,000)	Other R&M savings
(984,070)	Savings
(5,040)	Transfers within HRA
(5,040)	Transfers
(176,300)	Total HRA Repairs & Maintenance

HRA Financing Items	
Movement	Reason for Movement
755,000	Increased provision for Bad Debts
250,000	Leaseholders' contribution to Capital
81,180	Increased Empty Property rates
6,197	Price inflation
19,225	Other unavoidable Growth
1,111,602	Unavoidable Growth
13,692,000	Contribution to Capital Expenditure
13,692,000	Recommended Growth
250,000	Leaseholders' contribution to Capital
220,261	Decreases in Tenant Service Charges
113,898	Reduction in garage lettings
64,592	Rent loss on properties not HRA
648,751	Decreased Income
(2,993,890)	Product of rent increase
(138,570)	Increases in Leaseholders Service Charges
(120,890)	Net increase in water rate income
(16,300)	Increases in Non-Dwelling Rents
(3,220)	Increases in Tenant Service Charges
(16,400)	Other increased income
(3,289,270)	Increased Income
(5,138,000)	Capital charges savings from lower interest rates
(373,197)	Reduced premium costs on debt
(308,460)	Improved void performance
(3,800)	Other savings
(5,823,457)	Savings
(370,070)	Transfers within HRA
(370,070)	Transfers
5,969,556	Total HRA Financing Items

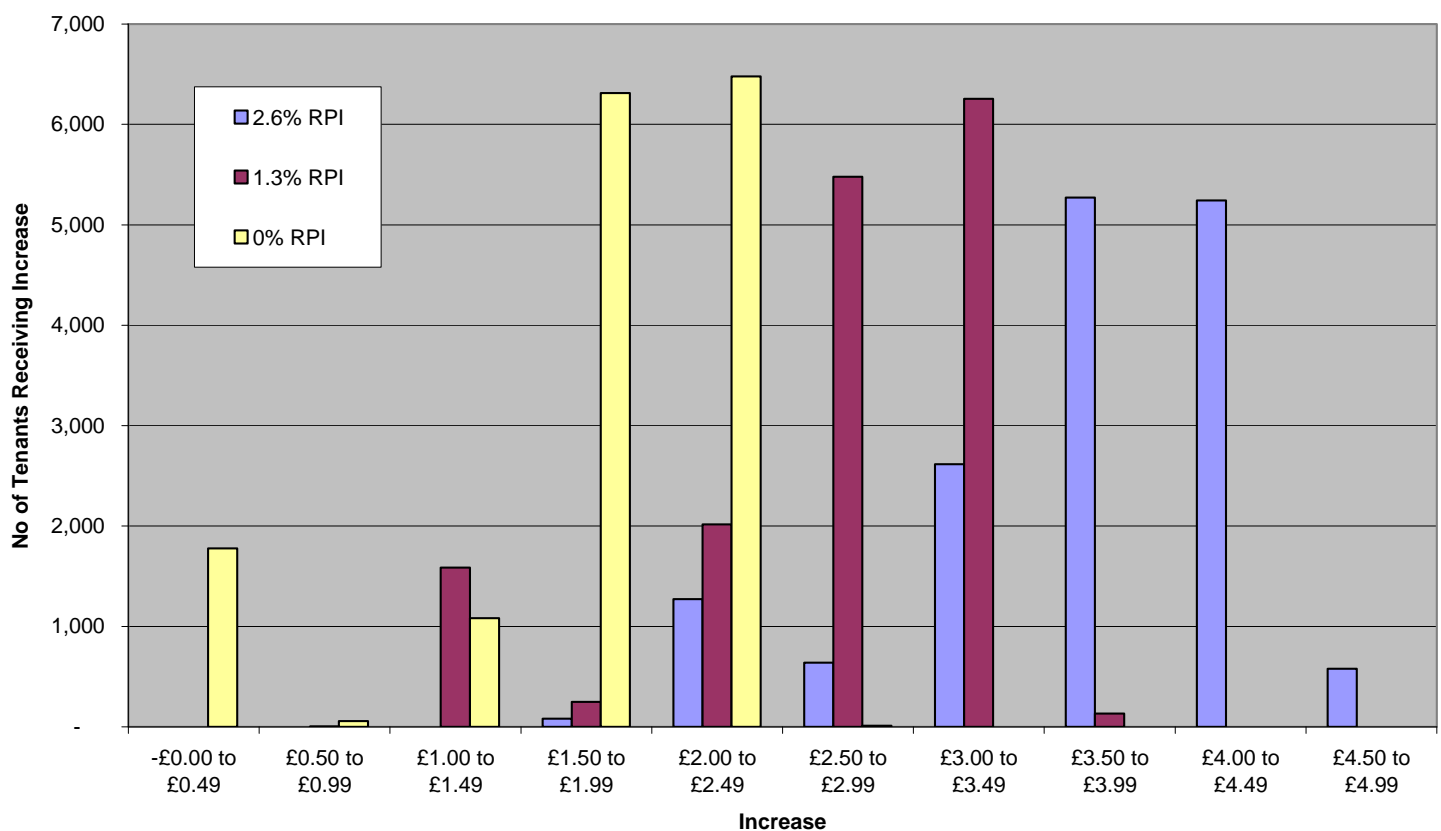
Council Housing Rent Increase

Details of “rent restructuring” increase calculation.

Item	Average £	Maximum £	Minimum £
Rent 2012-13	71.94	109.24	72.95
RPI (@ 2.6%)	1.87	2.84	1.90
Additional ½%	0.36	0.55	0.36
Convergence	1.45	2.00	-0.94
Rent 2013-14	75.62	114.63	74.27
Increase £	3.69	5.39	1.32
<i>Increase %</i>	<i>5.12%</i>	<i>4.93%</i>	<i>1.81%</i>

Distribution of increases (options as set out in paragraph 25.

Distribution of Rent Increase - Options 2013/14



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>	5,922,592	29,613
Supplies and Services	<i>High</i>	2,336,004	5,840
Premises Costs	<i>High</i>	11,041,108	27,603
Transport Costs	<i>High</i>	117,214	293
Contracted Services	<i>Medium</i>	19,974,360	149,808
Fees and Charges	<i>Medium</i>	2,925,630	43,884
Investment Income	<i>Medium</i>	150,000	4,500
Rents & Service Charges	<i>Low</i>	68,622,867	171,557
Subsidy & Finance Items	<i>Medium</i>	27,980,182	55,960
Total One Year Operational Risk			489,058
Allowing three years cover on operational risk			1,467,175
Balance Sheet risk			
Issues arising from Annual Governance Report			0
General Risk			
Unforeseen events			1,500,000
ESTIMATED REQUIRED LEVEL OF HRA RESERVES			2,967,175

Operational cost risk profiles

		<i>Low Risk</i>	<i>Med Risk</i>	<i>High Risk</i>
Employee Costs	overspend probability amount at risk	1.00% 25.0% 14,806	2.50% 15.0% 22,210	5.00% 10.0% 29,613
Supplies and Services	overspend probability amount at risk	1.00% 10.0% 2,336	2.50% 7.5% 4,380	5.00% 5.0% 5,840
Premises Costs	overspend probability amount at risk	1.00% 10.0% 11,041	2.50% 7.5% 20,702	5.00% 5.0% 27,603
Transport Costs	overspend probability amount at risk	1.00% 10.0% 117	2.50% 7.5% 220	5.00% 5.0% 293
Contracted Services	overspend probability amount at risk	5.00% 10.0% 99,872	10.00% 7.5% 149,808	15.00% 5.0% 149,808
Fees and Charges	Shortfall probability amount at risk	5.00% 25.0% 36,570	10.00% 15.0% 43,884	15.00% 10.0% 43,884
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% 171,557	1.50% 15.0% 154,401	2.00% 5.0% 68,623
Subsidy & Finance Items	Shortfall probability amount at risk	1.00% 15.0% 41,970	2.00% 10.0% 55,960	3.00% 5.0% 41,970