Report to	Cabinet	**Item**
	3 February 2016	6
Report of	Chief finance officer	
Subject	Housing Rents and Budgets 2016-17	

Purpose

To consider the Housing Revenue Account budget for 2016/17, council housing rents for 2016/17, the prudent minimum level of HRA reserves 2016/17, and housing capital programme 2016/17 to 2021/22.

Recommendation

1) To recommend to council, for the 2016/17 financial year, to:

   a) implement the minimum 1% rent reduction in accordance with legislation that is anticipated to be approved as part of the Welfare Reform and Work Bill 2015/16. In the event that the legislation is not passed, to approve that rent levels remain unchanged until alternative options are presented to cabinet and council (para 6.8).

   b) approve the proposed Housing Revenue Account budgets (para 3.1).

   c) approve the prudent minimum level of housing reserves (para 7.6).

   d) approve the proposed housing capital programme 2016/17 to 2020/21 (para 9.1).

   e) approve that garage rents remain unchanged (para 6.13)

2) To note 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 members: Councillor Harris **-** Deputy leader and housing and wellbeing

Councillor Stonard – Resources and income generation

Contact officers:		
	Justine Hartley, chief finance officer	01603 212440
	Shaun Flaxman, group accountant	01603 212805

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 2015/16 into 2016/17
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 Resources 2016/17-2020/21
9. Recommended Housing Capital Programme 2016/17 to 2020/21

Appendix 1 Budget movements by type

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 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 had 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. The level of government influence on the HRA has increased again recently with announcements in the summer budget 2015 about reductions in social rent levels, and with the introduction of measures included within the Housing and Planning Bill 2015.

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 2015/16 into 2016/17

3.1 The following table shows the proposed budget in summarised statutory form assuming a rent reduction in line with provisions in the Welfare Reform and Work Bill 2015/16 (see para 6.8).

Statutory Division of Service	Original Budget 2015/16 £000s	Draft Budget 2016/17 £000s	Change £000s
Repairs & Maintenance	16,323	15,499	(824)
Rents, Rates, & Other Property Costs	6,183	5,937	(246)
General Management	11,028	11,393	365
Special Services	4,997	5,069	72
Depreciation & Impairment	21,925	22,140	215
Provision for Bad Debts	584	334	-250
Gross HRA Expenditure	**61,040**	**60,372**	**(668)**
Dwelling Rents	(60,144)	(58,973)	1,171
Garage & Other Property Rents	(1,980)	(2,224)	-244
Service Charges – General	(9,145)	(8,343)	802
Adjustments & Financing Items (including revenue contribution to capital)	24,872	26,248	1,376
Miscellaneous Income	0	(75)	-75
Amenities shared by whole community	(560)	(549)	11
Interest Received	(150)	(175)	(25)
Gross HRA Income	**(47,107)**	**(44,091)**	**3,016**
Total Housing Revenue Account	**13,933**	**16,281**	**2,347**

3.2 The £2.347m movement from £13.933m to £16.281m use of reserves can be analysed by type of movement and statutory division of service as follows:

Item	General Mgt	Rents & Service Charges	Repairs & Maintenance	Special Services	Other HRA	Total HRA
Adj to Base/Transfers	223	0	30	(134)	989	1,109
Inflation	193	0	0	31	8	233
Growth	152	170	0	101	751	1,174
Income Reduction	0	920	0	0	0	920
Savings	(119)	(216)	(510)	(56)	(42)	(943)
Income Increase	(11)	(34)	0	0	(100)	(145)
Transfers	(61)	637	(90)	41	(526)	0
Draft Budget 2016/17	**377**	**1,479**	**(570)**	**(17)**	**1,080**	**2,347**

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 2014/15	(20,120)
Budgeted use of balances 2015/16	13,933
Forecast use of balances 2015/16	(2,476)
Carried Forward to 2016/17	**(22,596)**
Draft Budget 2016/17	16,281
Carried Forward to 2017/18	**(6,315)**

4.2 A forecast slight increase in the HRA reserve balance in 2015/16, will provide a substantial resource that is planned to be utilised to fund capital expenditure in 2016/17. This will bring resources down closer to the recommended minimum balance and reduce the requirement to borrow, 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 2015, members approved an average rent increase of 2.2% for 2015/16, which at the time, combined with the approved housing capital plan, indicated that it would be possible to repay HRA borrowing by year 22 of the 30 year HRA business 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 and 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 was 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 subsequent capital programmes.

6.4 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.

6.5 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% 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.

6.6 For 2015/16, the government's rent policy changed to state that rent should be increased by Consumer Price Index (CPI) as of September the preceding year, plus 1% and that rent would no longer converge with target rents. This equated to a rent increase of 2.2% for Norwich tenants.

6.7 The level of rent tenants pay has historically been a decision for the council, but it was the expectation of ministers and assumption of the HRA business plan that authorities would follow the guidelines.

2016/17 rent adjustment

6.8 In July 2015 following the initial summer budget by the new government, it was announced that councils with retained housing stock and other social rented housing provided by registered providers (RPs) would be subjected to a mandatory minimum 1% reduction in rent. This is anticipated to last for four years from April 2016 to the end of March 2020. The reduction is set out in the Welfare Reform and Work Bill 2015/16 which is currently in passage through parliament. This budget has been built on the assumption that the bill will be passed and therefore a 1% rent reduction is recommended for approval. In the event that the legislation is not passed, it is proposed that the rent levels remain unchanged and further options will be brought to cabinet and council including input from consultation with tenants.

6.9 For Norwich tenants, a 1% reduction in rent generates an average weekly rent of £78.44 which equates to a reduction of £0.79.

6.10 The 1% rent reduction for four years has a negative impact on the HRA Business Plan and would require HRA borrowing to significantly exceed the borrowing cap. It would not be possible to repay the borrowing and the debt would increase to £318m by the end of the 30 year life of the plan.

6.11 In order to mitigate the negative impact of the anticipated statutory 1% rent reduction, it has been necessary to make changes to future proposed capital programmes to ensure that HRA borrowing continues to remain within allowable borrowing limits. As a consequence, the total planned capital spend over the 30 year life of the plan has been reduced by an average of £7.4m per annum.

6.12 This council has invested significantly in improving its housing stock over recent years to its own 'Norwich standard'. That programme is now nearing completion which will result in reduced spend going forward. In order to meet the required spend reductions, whilst maintaining the 'Norwich standard', scheduled work has also been realigned to the full extent of current expected lifecycles for kitchens, bathrooms, roofs etc., and the level of neighbourhood enhancements has been reduced. In addition, significant reductions in cost have been secured as a result of recent contract retendering.

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.

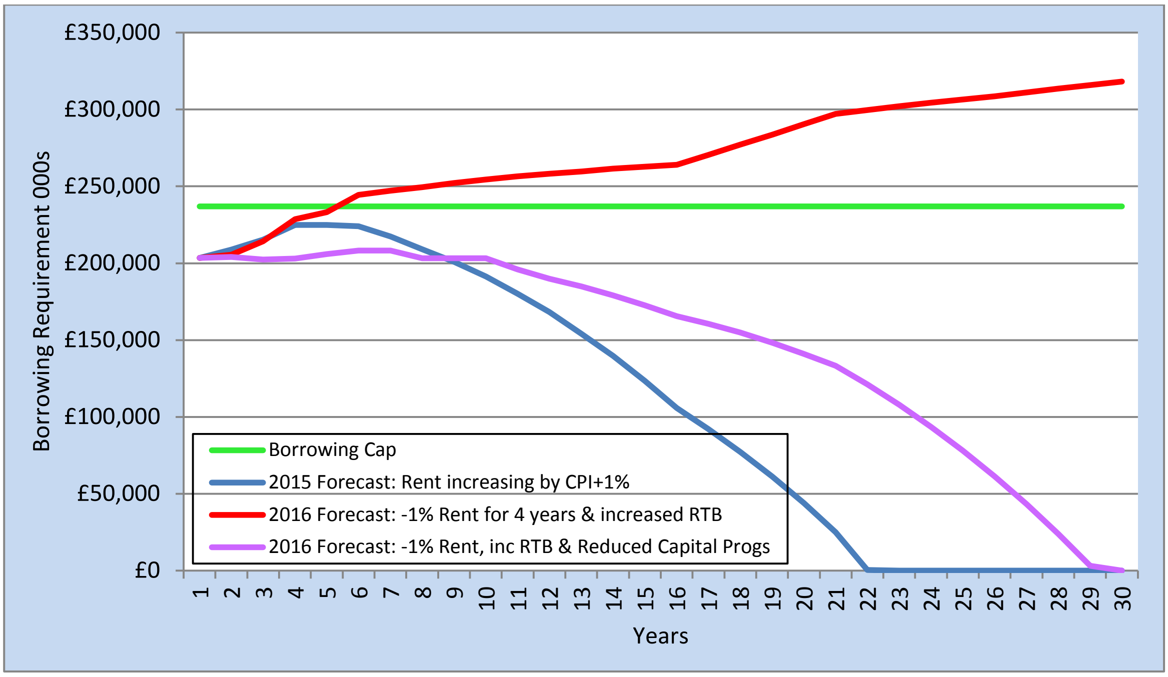
Housing and Planning Bill 2015/16

6.15 During 2015 the government introduced their Housing and Planning Bill which included the following two elements that could potentially have significant financial impact on the HRA Business Plan:

- Pay to Stay requirements which mean that social housing tenants (households) earning over £30,000 per annum will have to pay at or near market rents
- Extension of Right to Buy legislation to Registered Providers, with financial losses resulting from discount to be recovered from the funds generated by the sale of high value void council dwellings.

6.16 It is anticipated that as a result of increased rents, the Pay to Stay requirements will generate an increased level of Right to Buy sales following its implementation in 2017. As any additional rental income raised will not be retained by the council but returned to the government and the loss of housing stock will reduce future rental income, this has a negative impact on the HRA Business Plan. A forecast increase in Right to Buy sales has therefore been included within the modelling shown below.

6.17 The chart below illustrates the impact of the 1% rent reduction and the anticipated higher Right to Buy sales on the updated HRA Business Plan and HRA borrowing requirement. This is shown against the previously anticipated position and an updated forecast incorporating revised future proposed capital programmes.



6.18 In addition, in order to compensate Registered Providers for financial losses incurred as a result of the extended Right to Buy legislation, the Housing and Planning Bill makes provision for a determination to be imposed on Housing Revenue Accounts based on the value of their stock, in lieu of being forced to sell high value void dwellings. Although the formula upon which the determination will be based is as yet unknown, it has been indicated that the sum may represent an additional significant annual capital cost.

6.19 In order to mitigate the impact of a determination and maintain HRA borrowing below the cap with full repayment within 30 years, a number of options exist:

- Further reduction to housing capital investment programme
- Sale of void council dwellings
- Review of HRA expenditure to explore possible future reductions

6.20 As the formula upon which the determination will be calculated is not as yet known, it is not possible to estimate the cost to the council or to draw up any detailed plans to address this. However, for illustrative purposes only, the table below details the level of determination that could be funded from varying levels of annual void sales.

No of sales of void dwellings per annum	Determination that could be funded
15	Could fund a determination of £0.7m per annum for 4 years, reducing to £0.44m for 2 years and £0.25m per annum thereafter
30	Could fund a determination of £2.75m per annum for 4 years, reducing to £1.75m for 2 years and £1m per annum thereafter
50	Could fund a determination of £5.5m per annum for 4 years, reducing to £3.5m for 2 years and £2m per annum thereafter

6.21 Once the exact value of the determination is known, a further report will be provided illustrating the impact on the HRA Business Plan along with detailed options for mitigation.

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 authority 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, the proposals in the Housing and Planning Bill 2015 are causing significant uncertainty for the setting of the 2016/17 budget. Until the level of the anticipated high value voids determination is known detailed actions to address it cannot be built into the HRA business plan. At this stage therefore, this plan accommodates the 1% rent reduction announced in the summer budget and is also anticipated to accommodate the impact of increased Right to Buy sales from the proposed Pay to Stay policy. The prudent minimum balance for reserves has been increased by £2.75m for 2016/17 because of uncertainties around the anticipated high value voids determination, but no further allowance for the determination has been made because at this stage we have no indication of the level that the determination might be. The government's expectation is that the council will sell properties which become empty to fund the determination.

7.4 Further work will be done to accommodate the determination once the level is known.

7.5 Allowing for the above comment on uncertainty and the need to adapt the plan once the value of the high value determination is known, 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

7.6 A risk assessment has been undertaken to determine the level of general reserves required by the council, which has been set at £5.968m as set out in Appendix 2.

7.7 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.

7.8 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.

7.9 Earmarked reserves remain legally part of the general fund although they are accounted for separately.

7.10 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.

7.11 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

7.12 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 £5.968m.

8. Housing capital resources 2016/17-2020/21

8.1 The abolition of the HRA subsidy system from 1 April 2012 and the inception of 'self-financing' for council housing 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, 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 anticipated 1% minimum rent reduction for social housing announced in the summer budget has led to significantly reduced resources for capital being anticipated over the life of the business plan. The following table indicates the anticipated levels of resources available to the Housing Capital Programme in future years.

Housing Capital Resources	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Forecast resources brought forward	0	0	0	0	0
Capital grants	(568)	(408)	(408)	(408)	(408)
Major Repairs Reserve - depreciation charges	(2,423)	(6,060)	(10,915)	(12,780)	(12,648)
HRA borrowing from headroom under debt cap	(9,110)	(2,139)	0	0	0
Revenue Contribution to Capital	(26,104)	(10,788)	(6,572)	(4,843)	(4,523)
Contributions to costs	(275)	(275)	(275)	(275)	(275)
Capital receipts - properties uneconomic to repair	(1,225)	(1,225)	(1,225)	(1,225)	(1,225)
Capital receipts arising from RTB (25%)	(2,876)	(3,452)	(3,452)	(3,164)	(2,876)
Retained "one for one" RTB Receipts	(4,759)	(3,346)	(382)	(746)	0
Gross forecast resources	**(47,339)**	**(27,693)**	**(23,230)**	**(23,441)**	**(21,955)**
Forecast resources utilised	47,339	27,693	23,230	23,441	21,955
Forecast resources carried forward	**0**	**0**	**0**	**0**	**0**

8.4 The level of RTB receipts included in the proposed capital plan anticipates a further increase in RTB sales because of the government's increased incentives and the impact of the Housing and Planning Bill's 'Pay to Stay' requirements. The additional 'one for one' resources consequently forecast in the capital plan are anticipated to be applied to support the provision of new social 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 All planned capital costs and resources are incorporated into the HRA Business Plan projections.

8.7 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 2016/17 – 2020/21

9.1 The following table details the proposed *Housing capital programme* for approval:

Scheme	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Proposed carry-forward from 2015/16	554				
Home Upgrades	12,415	5,835	5,835	5,835	5,835
Heating Upgrades	3,506	2,600	3,900	2,900	3,900
Window & Door Upgrades	2,090	655	555	555	555
Insulation	1,250	400	400	400	400
Community Safety & Environment	450	275	275	275	275
Sheltered Housing Regeneration	450	225	225	225	225
Preventative Maintenance	10,074	8,025	8,025	8,025	8,025
Supported Independent Living	880	500	500	500	500
Site Formation	50	50	50	50	50
Fees	715	715	715	715	715
Neighbourhood Housing	**32,434**	**19,280**	**20,480**	**19,480**	**20,480**
Proposed carry-forward from 2015/16	7,527				
New Build Social Housing	4,144	5,138	1,275	2,486	0
RTB Buyback Programme	500	500	500	500	500
Sheltered Housing Regeneration	150	0	0	0	0
Housing Investment	**12,321**	**5,638**	**1,775**	**2,986**	**500**
Proposed carry-forward from 2015/16	185				
Capital Grants to Housing Associations	1,200	1,800	0	0	0
Home Improvement Agency Works	1,200	975	975	975	975
Strategic Housing	**2,585**	**2,775**	**975**	**975**	**975**
Total Housing Capital Programme	**47,339**	**27,693**	**23,230**	**23,441**	**21,955**

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	2013/14 Outcomes	2014/15 Outcomes	2015/16 Outcomes	2016/17 Planned	*Change 2015/16 to 2016/17*
New kitchens	1,531	1,557	1,575	1,144	-431
New bathrooms	655	1,049	1,049	1,559	510
Heating systems/boilers	>1,000	999	984	617	-367
New composite doors	1,309	4,015	2,622	3,436	814
New PVCu windows	1,320	34	68	9	-59
Whole house improvements	20	20	18	20	2

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

9.4 In addition, future capital programmes anticipate the building of 162 new council homes over the next 5 years.

9.5 The capital programme proposed above will be supplemented by resources and commitments brought forward from the 2015-16 capital programme.

Integrated impact assessment

NORWICH City Council

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

Report author to complete	
Committee:	Cabinet
Committee date:	3 February 2016
Head of service:	Justine Hartley, chief finance officer
Report subject:	Housing Budgets and Rents 2016-17
Date assessed:	
Description:	This integrated impact assessment covers the proposed housing budgets and council housing rents for 2016-17.

	Impact			
Economic (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☐	☒	☐	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	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☒	☐	☐	
Social (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	
Advancing equality of opportunity	☒	☐	☐	
Environmental (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	
Natural and built environment	☐	☒	☐	The proposed housing capital programme will provide for the Norwich Standard for properties to be maintained
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☐	☒	☐	The proposed housing capital programme will provide for the Norwich Standard for properties to be maintained which includes improvements in thermal and carbon efficiency

(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	☐	☒	☐	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

APPENDIX 1

Draft Housing Revenue Account budgets 2015/16

Budget movements by type

Adjustment to Base / Transfers	£000s
Reduction in corporate recharges	(19)
Other recharge changes	151
Removal of unrequired budgets	108
Revenue Contribution to Capital	869
Adjustment to Base / Transfers	**1,109**

Inflation/Pensions Growth	£000s
Contract/expenditure inflation	(19)
Staff salary inflation and increments	148
Pension added years and pension deficit inflationary adjustments	104
Total Inflation/Pensions Growth	**233**

Growth	£000s
Increase in estimated depreciation costs	767
Removal of remainder of 2015/16 savings budget not covered by staff restructuring	90
Increase in capital contribution relating to leasehold income	28
Reduction in service charge income based on anticipated charges and void levels	137
Increase in number of right to buy valuations	24
Additional recharges from the GF to HRA as a result of Neighbourhood Model Review	98
Increase in parking permit requirement due to relocation of NHOs	30
Total inflation and Growth	**1,174**

Income Reduction	£000s
Reduction in rents	920
Income Reduction	**920**

Savings	£000s
Deletion of sheltered housing project manager post	(45)
Furniture & fittings budget not required for 2016/17 as no further sites to be developed	(30)
Reduction in general estate tidiness budget	(250)
Reduction in balcony repairs budget	(50)
Reduction in external wall insulation budget	(150)
Closed area offices	(40)
Reduction in 'garage repairs' budget	(50)
Savings (individually under £10k)	(74)
Reduction in HRA share of debt management expenses	(38)
Reduction in garage voids	(216)
Total Savings	**(943)**

Income Increase	£000s
Recovered court costs - previously unbudgeted	(75)
Increase in interest	(25)
Annual recalculation of garage income figures	(25)
Additional Income (individually under £10k)	(20)
Income Increase	**(145)**

APPENDIX 2

Housing Revenue Account – Prudent Minimum Balance

Estimate of prudent level of HRA reserves 2016/17

Description	Level of risk	Amount at risk	Risk
Employee Costs	*High*	6,378,712	31,894
Supplies and Services	*High*	2,373,314	5,933
Premises Costs	*High*	7,828,784	19,572
Transport Costs	*High*	172,538	431
Contracted Services	*Medium*	15,525,472	116,441
Fees and Charges	*Medium*	1,902,765	28,541
Investment Income	*Medium*	175,000	5,250
Rents & Service Charges	*Low*	68,520,778	171,302
Financing Items	*Medium*	36,673,927	110,022
Total One Year Operational Risk			489,386
Allowing three years cover on operational risk			**1,468,159**
Balance Sheet risk			
Issues arising from Welfare reform			**750,000**
Set aside for high value voids determination (for 2016/17 only)			**2,750,000**
General Risk			
Unforeseen events			**1,000,000**
ESTIMATED REQUIRED LEVEL OF HRA RESERVES			**5,968,159**

Operational cost risk profiles

		Low Risk	*Med Risk*	*High Risk*
Employee Costs	overspend	1.00%	2.50%	5.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	15,947	23,920	31,894
Supplies and Services	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	2,373	4,450	5,933
Premises Costs	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	7,829	14,679	19,572
Transport Costs	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	173	324	431
Contracted Services	overspend	5.00%	10.00%	15.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	77,627	116,441	116,441
Fees and Charges	overspend	5.00%	10.00%	15.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	23785	28541	28541
Investment Income	shortfall	10.00%	20.00%	30.00%
	probability	20.0%	15.0%	10.0%
	amount at risk	3,500	5,250	5,250
Rents & Service Charges	shortfall	1.00%	1.50%	2.00%
	probability	25.0%	15.0%	5.0%
	amount at risk	171,302	154,172	68,521
Financing Items	overspend	1.00%	2.00%	3.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	55,011	110,022	55,011