

**BARNSELY METROPOLITAN BOROUGH COUNCIL**

This matter is a Key Decision within the Council's definition and has been included in the relevant Forward Plan

**Joint Report of the Director  
of Finance, Property and  
Information Services and  
the Executive Director –  
Development Environment  
and Culture**

**HOUSING REVENUE ACCOUNT –DRAFT BUDGET 2015/16**

**1. Purpose of report**

1.1 This report provides a summary of:-

- (i) The Housing Revenue Account draft budget for 2015/2016;
- (ii) 2015/2016 Development Proposals;
- (iii) 2015/2016 Savings Proposals;
- (iv) 30 Year HRA Business Plan;
- (v) Use of the Working Balance; and
- (vi) The draft timetable to increase the rent.

**2. Recommendations**

**It is recommended:-**

- (i) That the Housing Revenue Account Draft Budget for 2015/2016 be approved, with any final amendments / additions being delegated to the Cabinet Spokesperson for Development, Environment & Culture and the Executive Director Development Environment and Culture;
- (ii) That the Development Proposals for 2015/2016 as set out at Appendix C be agreed;
- (iii) That the Saving Proposals for 2015/2016 as set out at Appendix D & Sections 4.3 to 4.9 be agreed;
- (iv) That individual dwelling rents be increased in line with the requirements of the Government's Rent policy to increase rents by the Consumer Price Index plus 1%.
- (v) That the rent increases be implemented with effect from 30<sup>th</sup> March 2015, collectable on the 6th April 2015;
- (vi) That the 2015/16 Berneslai Homes Management Fee of £13.946M is approved with any final amendments / additions being

delegated to the Assistant Director, Housing, Culture and Regulation and the Executive Director Development Environment and Culture in consultation with the Cabinet Spokesperson for Development, Environment and Culture;

- (vii) That the use of Berneslai Homes Ltd retained surplus as outlined in section 3.28 to 3.29 be approved; and
- (vii) That the earmarking of HRA Working Balance as outlined in section 3.20 and Appendix E be approved.
- (viii) The affordability of a new build development programme be investigated for implementation in 2017/18.
- (ix) A specific HRA reserve strategy will be developed clearly setting out how the Council's strategic housing aspirations will be supported over the medium term.

### 3. Introduction

3.0 During 2014/15 excellent progress continued to be made against the Company's key objectives and Berneslai Homes have maintained their excellent performance during a year of economic uncertainty and challenges.

To date externally benchmarked customer satisfaction surveys are as follows:

	2005	2014
Overall tenant satisfaction with Berneslai Homes	71%	91%
Repairs satisfaction	62%	88%
Neighbourhood as a place to live	78%	89%
Quality of the home	74%	85%
Value for money	61%	80%

3.1 The Board and Executive are mindful that Berneslai Homes manage the HRA on behalf of the stakeholder and see collaborative working as an integral part of what makes the relationship successful. It also ensures that tenant priorities are respected and the ring fence of the HRA remains intact. It is, therefore, important that Berneslai Homes demonstrates how they are aligned to the Council's Corporate Priorities and the Housing Strategy as a named member of One Barnsley.

#### Growing the Economy

3.2 Berneslai Homes currently employ 497 (463 FTE) staff of which 80% live and spend in the Barnsley area. We have signed up to Prospend and will shortly be able to report the percentage of expenditure spent locally. In addition we are also part of the Premier Supply scheme.

3.3 As well as its core business, Berneslai Homes has focussed on its contribution to worklessness and access to employment within the borough. As a signature to the One Barnsley Apprenticeship pledge Berneslai Homes meet the target of 2.5% with 3.6% of the workforce being apprentices and from April 2015 this will increase to 4.5%. In a joint venture with Barnsley Community Build, the Community Refurbishment Scheme employs and provides work experience to



100 apprentices, all working towards an NVQ Level 2 in Building Construction and 80% go on to full time employment or training. Berneslai Homes already operate a successful 'taster' work experience programme and discussions are taking place with Job Centre Plus to consider establishing a sector based academy.

- 3.4 The Family Intervention Service has a national reputation for delivering cross tenure support to families with multiple problems and in 2013 BMBC Children's Services commissioned Berneslai Homes to deliver the Troubled Families Service across Barnsley. This is a Payment By Results (PBR) scheme, and of the 319 outcomes claimed by the Council from January 2013 to March 2014 199 ( 63% ) were delivered by FIS ,which means that for the £200,000 per annum investment in FIS by the Council the FIS work has generated £875,500 income to date for the general fund.
- 3.5 Berneslai Homes is pro-actively involved in the economic renewal of Goldthorpe and the wider Dearne area. The company's Property Management Service provides a landlord management service to private rented landlords in the area and both this and Housing Management work closely on targeted enforcement activities. A total of 107 properties have been demolished in the area of which 19 were council properties and the site is now awaiting redevelopment. The HRA contributed £240K to this process and partnership discussions are taking place to consider developing a mini regeneration plan for the area.
- 3.6 A further programme of HRA new build is committed and 50 new homes are now on site, creating both jobs and affordable homes in the borough with a further 65 due in 2015/16 including the direct purchase of s106 affordable homes. To date 60 properties have been acquired for the HRA, 12 are in the pipeline and there is potential for a further 10 by the financial year end. These acquisitions have been funded from company reserves and a HRA capital budget. Many of these properties have been empty for over 6 months and this has allowed the Council to access government grant to reinvest.

#### Improving People's Potential and Achievement

- 3.7 Berneslai Homes' continued focus has been on Digital and Financial Inclusion. Our Change Your Life Get Online campaign has proved a great success and has forged a partnership with 'Get it Together Barnsley' accessing their volunteer tutor network. A total of 145 sessions have been held at community centres and sheltered housing schemes. These sessions have addressed the barriers of motivation, lack of skills, confidence and cost that tenants face to get on line. A total of 1150 people have attended and sessions are now targeting job seekers referred from Job Centre Plus.
- 3.8 Welfare Reform changes have impacted on many people in Barnsley and the focus for Berneslai Homes has been to 'help people help themselves'. Berneslai Homes has always had an excellent rent collection rate (99%) and one aspect of this is about providing money management advice and support to

tenants experiencing debt problems. Berneslai Homes fund an advice worker at the Citizens Advice Bureau and in 2013/4 they dealt with 286 cases against a target of 216, with a total of £ 757k of debt and identified £97k benefit gain. Our Tenancy Support team work with tenants affected by the under occupancy charge and to prepare for the introduction of Universal Credit and direct payment of benefits to tenants. To date the team offered support and advice to 749 families. The team are also a named partner with the Barnsley Foodbank Partnership and the Community Shop based in Goldthorpe and make referrals.

- 3.9 Berneslai Homes are a named signature to the Anti-Poverty Pledge which seeks to support residents resilience to poverty by promoting employment (see sections 3.2 and 3.3) fostering independence by supporting residents to manage their income more effectively (see section 3.8) and protecting the vulnerable. Berneslai Homes' approach to this last area is embodied in its vulnerability strategy 'Something Doesn't Look Right', its partnership working with both Adult and Child Safeguarding Boards and the Community Safety Partnership. The HRA provides £306,000 funding to the successful cross sector community safety partnership plus low level ASB work through its housing management officers, as well as its Family Intervention Service.

#### Changing the Relationship between the Council and the Community

- 3.10 Berneslai Homes has a nationally recognised tenant and leaseholder engagement model which provides a range of options for engagement, consultation, involvement in decision making, scrutiny of service outcomes and service re-modelling. These are known as the Service Excellent Assessment programme and Challenge Berneslai and are run in partnership with the Barnsley Federation of Tenants and Residents.
- 3.11 Our communities building team is responsible for the sheltered housing service and the focus is on independence in the home. The service includes a scheme manager who is responsible for building safety and security and the tenants well-being, with an emphasis on residents having a 'good neighbour' role. All our schemes have touch screen systems and free WiFi access in the communal areas and we are investing £750k across a number of schemes to modernise facilities and entrance lobbies to ensure they remain viable schemes for letting.
- 3.12 One of Berneslai Homes' objectives is to be a successful well managed company and proper and strong governance is central to the on-going success of the relationship between the Council and Berneslai Homes. Each year an annual governance self-assessment is undertaken which is substantiated by Internal Audit and no areas of concern have been identified.

#### Value For Money

- 3.13 Value for money is an integral part of Berneslai Homes approach and the focus is high performance/low cost. Since 2005/06 Berneslai Homes have generated £43.5m efficiencies and attracted £31.8M of external funding for investment into the stock and services. We are aware of base line costs and



at budget setting carry out base budget reviews. We regularly review our structures, since 2007 228 posts have been deleted, a 31% reduction with only a corresponding 10% reduction in stock numbers. The management fee itself is 25% lower in real terms after allowing for inflation. Berneslai Homes has a number of significant service level agreements with the Council, such as Barnsley Connects, Neighbourhood Pride, Fleet Services and ICT. In total Berneslai Homes commission shared services to the value of £3.5M from the Management fee, £1.2M from Construction Services trading account and £1.48M from the HRA (detailed in the table below).

<b>Service</b>	<b>Berneslai Homes Management Fee £M</b>	<b>Construction Services £M</b>	<b>HRA £M</b>
Central Support Charges (BLISS, IT, BSS, Corporate and Democratic Core)	1.374	0.315	0.059
Fleet Services		0.856	
Head Office Rental, Service Charges & Rates	0.463	0.073	
Insurance	0.455		
Grounds Maintenance	1.078		
Customer Support Organisation	0.045		
Other IT including Hyperwave & Printing charges	0.138		
Corporate and Democratic Core Charge			0.224
Asset Management (Estates Charges)			0.364
Strategic Housing Charges			0.523
Contribution to Community Safety and ASB			0.309
<b>TOTAL</b>	<b>3.553</b>	<b>1.244</b>	<b>1.479</b>

- 3.14 Independent externally verified benchmarking undertaken by Housemark clearly demonstrates that Berneslai Homes has maintained its excellent position as a low cost, high performing ALMO. The latest report includes Berneslai Homes with a peer group containing ALMOs and Local Authorities who have a stock level of over 10,000 units. Of the 13 key indicators

Berneslai Homes is in the upper quartile for 10 of these. With the 2nd lowest cost per property for housing management services, the 3<sup>rd</sup> lowest overhead costs, 4<sup>th</sup> best average re-let times and the 2<sup>nd</sup> highest tenant satisfaction demonstrating that the company continues to offer excellent value for money.

- 3.15 In 2014 Berneslai Homes achieved Investors in People Gold and the Health and Wellbeing Good Practice award and moved up 11 places in the Sunday Times Top 100 not for profit companies to 66<sup>th</sup>.

Draft Budget

- 3.16 The cost of continuing existing policies is shown at Line 20 in Appendix A. There is an increased budget requirement of £8,965,230 (£24,611,870 less £15,646,640) compared to the 2014/15 Budget.

- 3.17 A summary of the major base budget variations is attached at Appendix B. Explanations for the main variations are given below:-

	<b>Additional Costs</b>	£	
(i)	Repairs and Maintenance - inflationary uplift at 1.2%	+199,710	
(ii)	Increase in Bad Debt Provision due to Universal Credit implementation	+1,002,520	
(iii)	Increase in contribution to the Major Repairs Reserve in line with the Self Financing Settlement	+599,000	
(iv)	Removal of the Shared Amenties Charge	+397,720	
(v)	Removal of the Troubled Famillies Grant	+240,000	
(vi)	Increase in Revenue Contribution to Capital in line with the draft 2015/16 Council Housing Capital Programme	+6,762,430	
(vii)	Other (Net)	+251,930	
		<hr/>	<b>+9,453,310</b>
	<b>Offset by Reduced Costs</b>		
(i)	Reduction in interest charge due to lower interest rates and debt	-338,080	
(ii)	Increase in Renewable Heat Incentive Income	-150,000	<b>-488,080</b>
	<b>2015/16 Base Budget Increase</b>	<hr/>	<b>+8,965,230</b>

- 3.18 The draft budget is based on an average housing stock of 18,828 dwellings compared to 18,858 in 2014/15.



### Available HRA Working Balances

- 3.19 There is currently a projected balance of £2.559M available for general support to the 30 year self financing business plan together with £23.178M earmarked for revenue contributions to the capital programme. This gives a total available of £25.737M.
- 3.20 Of this sum £23.557M is required to support the 2015/16 budget (Appendix A, line 21).
- 3.21 It is proposed to earmark the balance of £2.18M (£25.737m less £23.557M) for Welfare Reform taking the total earmarked sum to mitigate against this risk to £5.519M. The financial impact of Welfare Reform still presents major risks to the business plan. The financial provisions made to date assume a smooth roll out of the reforms. Although the Spare Room Subsidy was implemented on time & is being managed effectively & within projections, it is the implementation of Universal Credit (UC) which brings the greatest uncertainties. Experience of UC in the 'Demonstrator' projects has highlighted the volatile impact on rent arrears and the disproportionate amount of staff time required to deal with it. The scheduled date for the roll out of Universal Credit for single persons has recently been released and is now February 2015 with full implementation expected during 2016.

### Development Proposals

- 3.22 Appendix A also incorporates 2015/16 Development and Savings Proposals which taken together with the cost of continuing existing policies and utilisation of working balance result in a rent increase requirement of £1.74 (line 25).
- 3.23 Development proposals totalling £0.520M in 2014/15 and £0.220M in future years are shown in Appendix C.

### Savings Proposals

- 3.24 Savings proposals totalling £0.034M have also been included. The savings proposals are summarised in Appendix D.

### Rent Reform

- 3.25 The Government's proposals on rent policy (Rents for Social Housing from 2015-16 Consultation, published October 2013) meant that 2014/15 was the last year that rents for existing tenants moved in annual steps towards the target rent. From April 2015 rents for the vast majority of existing tenants will be uplifted only by CPI (Consumer Price Index) plus 1% each year. However, empty properties will go straight to target rent on relet.

- 3.26 For 2015/16 the CPI figure (September 2014) is 1.2%, giving a rent increase of 2.2% (CPI plus 1%). This leads to an average rent increase of £1.74 compared to £4.66 in 2014/15.

Management Fee

- 3.27 The proposed Berneslai Homes Management Fee for 2015/16 is £13.946M compared to the original 2014/15 budget of £13.775M as detailed below.

	£
<b>Original Management Fee 2014/15</b>	<b>13,774,540</b>
<b>Approved variations</b>	
Full Year Effect of 2014/15 Developments	151,280
Full Year Effects of 2013/14 Developments	-57,500
End of Troubled Families Grant Funding	-240,000
<b>Base Variations</b>	
Salaries (1% pay award) and Increments	120,730
Other	-12,570
<b>Draft Management Fee 2015/16 (excluding 15/16 Development Proposals)</b>	<b>13,736,480</b>
Development Proposals (per Appendix C)	210,000
<b>Proposed Management Fee 2015/16</b>	<b>13,946,480</b>

- 3.28 As set out in Appendix C it is proposed to use £0.125M of Berneslai Homes Retained reserves to fund time limited development proposals. In addition approval is requested for a £0.128M investment from the Company's retained surplus for improvements to facilities at Construction Services Head Office at Carlton depot. This includes insulation and sound proofing works, improvements to ventilation systems and installation of a new footpath and lighting.
- 3.29 Previously approved priorities for investing the Company's retained surplus also include the following:-
- Service impacts of Welfare Reform,
  - £4M for the Acquisition Programme to increase the supply of affordable housing in the borough and support the Council's empty homes strategy.
  - Financial risk, including risks around the PRIP arrangement,



- Further modernisation of the service which may be around looking at digital inclusion, e-access and aligning to the Council's Customer Services Organisation Project,
- Support to the 2014/15 Berneslai Homes budget (time limited Development Proposals),

Approval for any investment proposals funded from the surplus will be in consultation with, and the agreement of the Assistant Director, Culture and Regulation.

#### **4. Consideration of alternative approaches**

- 4.1 The package of budget proposals set out in the HRA Budget report and the Council Housing Capital Programme report include the reinvestment of savings on the capital programme (£7M) and inclusion in the base budget of limited development proposals. An alternative approach would be to utilise resources to repay debt. Repaying debt would reduce the risk to the business plan of future increases in interest charges. However, reinvestment in the areas proposed will support the Council's corporate objectives and also through the new build and acquisition programmes produce income generating assets which contribute to the plan in future years. Further the business plan continues to remain viable as measured by the ability to repay the debt within the 30 year planning period (see section 7.3). Hence a strategy of repayment of debt is not proposed at this stage.

##### Development Proposals

- 4.2 A number of development proposals are detailed in Appendix C and these are considered to be key to meeting the priorities for the Landlord Service and aligning with the Council's Corporate Objectives.

##### Savings Proposals

- 4.3 Savings and income generation proposals have been identified as part of our strategy to maximise Value for Money and to release resources for reinvestment in priority areas these are summarised at Appendix D and detailed below.
- 4.4 In respect of service charges those for communal facilities (excluding Sheltered Schemes) and door entry/CCTV are proposed to increase for inflation at 1.2%. With charges for garages and garage sites increasing in line with the average rent increase.
- 4.5 It is proposed that the communal facilities charge for those in sheltered schemes should reduce from £8.38 to £7.81 per week over 48 weeks in line with projected actual costs of the services provided.

- 4.6 In 2014/15 Charges for District Heating were increased to 11p as a first step towards returning the charge to an actual cost basis (currently around 14p KWHR) it is proposed to increase the 2015/16 charge to 12p to moving towards actual cost. Implementation of the policy of moving all schemes on to heat meters is planned for completion in winter 2015. However, there will remain a small number of properties sold under the right to buy, where the owner has chosen not to have a heat meter fitted. It is proposed that the standard weekly heating charge for those without a heat meter be increased in line with the percentage increase in charge for heat meters.
- 4.7 There are currently around 130 tenants on the Furnished Tenancy scheme. A review of current charges on the scheme has been undertaken. The proposed charges based upon recovery of actual costs range from £9.80 to £20.27 per week (over 48 weeks) dependent upon the number of bedrooms and the furnishings included (see Appendix D (viii)). The revised charges will lead to an increase of £0.02p per week (over 48 weeks) for all packages.
- 4.8 It is proposed that water charges in those sheltered schemes where tenants do not pay Yorkshire Water direct should increase in line with the actual costs of water consumed. The revised weekly charges based upon pooling the costs over all relevant schemes as follows:-

<b>Property</b>	<b>Current Charge £</b>	<b>Proposed Charge £</b>
Bedsit	2.66	2.89
1 Bed	3.28	3.55
2 Bed	3.89	4.22
3 Bed	4.61	5.00

- 4.9 There are 24 New build properties with shared facilities for which service charges are levied. It is proposed to increase the charges in line with estimated actual costs as detailed at Appendix D (vii).

## **5. Proposal and justification**

- 5.1 It is proposed that individual dwelling rents be increased in line with the Government's Rent policy and that consideration be given to the Development Proposals (Section 4.2 and Appendix C) and Savings Proposals (Sections 4.3 to 4.9 and Appendix D). In addition it is proposed that the use of Berneslai Homes Ltd retained surplus as set out in sections 3.27 to 3.28 be approved and that the HRA earmarked working balances as set out in Appendix E be approved.



## **6. Implications for local people / service users**

- 6.1 The effective management of the HRA helps to consistently drive forward service improvements for the benefit of both council tenants and the wider community.

## **7. Financial implications**

- 7.1 In total these proposals will leave an estimated closing Working Balance for 2015/16 of £11.064M. After deducting earmarked items as set out in Appendix E this would be sufficient to maintain the General Contingency at the required level of £1 million.
- 7.2 The proposals in this report will leave the Council and Berneslai Homes well placed to move into the uncertain future arising from Welfare Reform. The proposed level of revenue contribution to the Council Housing capital programme will enable the Barnsley Homes standard to be maintained over the approved 5 year programme.
- 7.3 With the new freedoms and flexibilities of self financing comes the responsibility to plan over the long term. The proposed 2015/16 budget is set within the context of the HRA 30 year business plan. An update on the Business Plan is given at Appendix G this shows that the plan remains viable as measured by the ability to repay the debt within the 30 year planning period.
- 7.4 Moving forward there is the potential for significant increased investment utilising the headroom between HRA 'debt' (Capital Financing Requirement) and the Government debt cap. The scope for a new build development programme will be investigated in the context of maintaining the viability and sustainability of the HRA Business Plan. Implementation will be planned for 2017/18 once the impact of the roll out of Universal Credit on rent collection rates and the cost of rent collection has become clear. A reserve strategy is currently being developed.

## **8. Employee implications**

- 8.1 The employee implications of development proposals will be addressed as the detailed proposals are developed and approved.

## **9. Communications implications**

- 9.1 A joint press release will be issued.

## **10. Consultations**

- 10.1 Discussions have taken place with the Assistant Chief Executive –Finance, Property & Information Services and the Executive Director – Development and Culture.

## **11. Risk management issues**

- 11.1 In preparing the draft budget for 2015/16 a number of risks have been identified which will require attention during the financial year. Risks have been identified where they would have a significant impact on the ability of the Council and Berneslai Homes to achieve the stated objectives and to ensure a balanced budget at the year-end.

### **(1) Repairs and Maintenance**

- 11.1.1 The decent homes programme completed in December 2010 when 13,273 dwellings had benefited from whole house improvement and the stock achieved 100% decency. From January 2011 we commenced the Barnsley Home Standard Programme. This is similar in many ways to the Decent Homes programme and tackles homes falling out of the standard over a five year planning period, so that going forward the stock continues to have 100% decency. In the 2015/16 financial year 808 properties are to be improved under the programme.
- 11.1.2 Performance in responsive repairs and planned maintenance continues to be at or near upper quartile. From April 15 new targets have been set for the PRIP Contract as part of the PRIP review. This partnership carries out most of the repairs and planned maintenance. The contract has also had a number of financial changes including a reduction on caps and a change from RPI to CPI. This should help keep repair costs stable. High performance and a good quality housing stock should reduce the risk on the repairs budgets and over recent years we have seen this firmly established, with both reduced demand and lower job costs. This has enabled the responsive element of the budget to be reduced and to be targeted at more planned revenue works and to give support to the capital programme.
- 11.1.3 Risks around the responsive repairs budget however remain and are closely monitored. In 14/15 the number of void properties has reduced from the 13/14 peak when a number of tenants downsized to avoid the under occupation cap on Housing Benefit. The number of voids does however remain a risk particularly as we enter another period of welfare reform.

Other risks can be summarised as:

- The Barnsley Homes standard, whilst tackling the property, has had little impact on the environment around properties.
- Regulatory pressure to improve safety in the home and protect workers.
- Adverse weather.
- The large increases in energy costs meaning that tenants heat their homes less and a consequential rise in condensation and surface mould within properties.



11.1.4 In the last year we have continued with higher levels of planned works funded from the revenue account against the level of responsive repair. We intend to maintain this strategy as long as budgets permit. The strategy is linked closely to maintaining emergency and urgent repairs at as low a level as possible. It also allows partner contractors to effectively plan workloads and obtain best value for the service.

## **(2) Income**

- 11.1.5 The first 6 months of 2014/15 has seen a decrease in the number of properties becoming void compared to 2013/14. The number of properties becoming empty is now more in line with historic trends. Void turnaround times remain strong standing at around 23 days compared to 60 days in 2002. The implementation of the new age restrictions on properties and a successful marketing campaign has seen a significant number of long term difficult to let properties being successfully let. The combination of these factors is that rent loss due to void properties at £318,000 (0.89% against a target of 1.2%) is significantly lower than the £405,000 in the first 6 months of 2013/14.
- 11.1.6 Rent collection continues to be adversely affected by Welfare Reform and the Government's austerity measures. The collection rate of 98.13% at the end of the second quarter of 2014/15 is comparable to the 98.27% at the same point last year. During the first 6 months of the year the overall percentage of tenants in arrears was 36% which is a 2% increase since April 2014. The reduction in available Discretionary Housing Payments and the closure of the 1996 Housing Benefit loophole have removed financial cushions for many tenants effected by the under occupation charge with 46% of those tenants now in arrears. We remain proactive with the arrears escalation process having served 2905 Notices of Seeking Possession in the first six months of this financial year compared to 3067 in the whole of last year. Our Tenant Support Officers and Rents Staff supported by our Money Advise Worker at the CAB and housing management teams continue to target support at vulnerable households. Despite this some 20 evictions were carried out in the first 6 months of 2014/15 compared to 22 for the whole of 2013/14.
- 11.1.7 Welfare Reform continues to be a major risk to the 30 year Business Plan, particularly the roll out of Universal Credit which will see many working age claimants receive their rent included as part of their monthly benefit rather than paid directly to the landlord in the form of Housing Benefit. Under the HRA Self Financing arrangements, around £71m rent income is collected each year. The consequence of Welfare Reform is that an additional £30m included within the £71m has to be collected directly from around 7,750 tenants who have not previously had to pay rent themselves. Targeted communications with tenants directly affected are taking place. Although there is still some uncertainty regarding the exact implementation timetable in Barnsley it is expected that Universal Credit will start its local roll out in March 2015.

- 11.1.8 The annual provision for Bad Debts within the Business Plan has been increased because of the risks surrounding Welfare Reform. The budget has been increased from £1.1M in 2013/14 & 2014/15 to £2.1M in 2015/16.

### **(3) Treasury Management**

- 11.1.9 With the introduction of self financing the HRA exposure to treasury management risk has significantly increased as the protection from increased interest rates provided by the previous Housing subsidy system has ceased. The Council's approach to managing treasury management risk is set out in the Treasury Management Strategy agreed annually as part of the budget process. The types of risk which are most relevant to the HRA are interest rate risk and refinancing risk.
- 11.1.10 Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances. Working balance of £2.329M is earmarked to mitigate against this risk.
- 11.1.11 Refinancing risk is the risk that maturing borrowings cannot be refinanced on terms that reflect the provisions made by the Council. The Prudential indicators agreed within the Treasury Management Strategy place limits on the maturity structure of borrowing to limit the refinancing risk.

### **(4) Right to Buy**

- 11.1.12 The level of sales through the 'Right to Buy' is greater following Government changes which have made the scheme more attractive through increases to the amount of discount which tenants receive. The actual sales for 2013/14 were 111 compared to 40 sales in 2011/12. The estimate for 2014/15 and 2015/16 is 115. The first call against the receipt from each **additional** sale is to meet the debt for that property taken on under the self financing regime. Yet increased sales through 'Right to Buy' still places a burden on the 30 year plan due to the loss of economies of scale, difficulties in downsizing to match new lower income levels and potential restructuring costs. Maintaining stock levels by taking advantage of acquisition and new build opportunities will mitigate against this risk.
- 11.1.13 The Council Housing Capital Programme 2014/19 included provision for 110 new build properties (50 will be on site during 2014/15). A proposal for a further £1M investment in New Build (subject to affordability) is being proposed in this report. Acquisitions funded from a £1M HRA acquisitions budget and £4M funded by Berneslai Homes retained reserves is anticipated to deliver 92 homes. Approval is also being sought for an additional £4.6M HRA Acquisition budget to purchase further dwellings.



## (5) Impairments

- 11.1.14 Prior to Self Financing impairment charges (see glossary at section 12) were made for all HRA assets but then reversed out so they did not impact on rent levels. Under Self Financing, the Government has moved to impairment being a true charge to the HRA (i.e. the charges are not reversed out and therefore hit the 'bottom line'). However, for a 5 year transitional period they are allowing the previous arrangements to continue for HRA dwellings. This transitional allowance does not apply to HRA non dwelling assets (e.g. shops and community centres).
- 11.1.15 Impairment charges present a challenge in setting the budget as they are difficult to predict and can vary significantly from year to year. The impairment charge in 2012/13 was £2.4M and in 2013/14 it was £0.564M. The total value of HRA non dwelling assets is around £16M. The draft base budget for 2015/16 includes £1M together with £2M earmarked in the HRA working balance to mitigate against the potential for changes in the charge.
- 11.1.16 CIPFA is in discussion with CLG over proposals to revert to the position prior to self- financing where impairments did not impact on rent levels. These talks have been on-going for around two years.

## 12. Glossary

**CIPFA** - Chartered Institute of Public Finance and Accountancy

**CLG** - Department for Communities and Local Government

**Delivery Plan** - This document sets out Berneslai Homes' priorities, planned outputs and targets for the coming year and is agreed with the Council.

**HRA** - Housing Revenue Account

**Working Balance** - The accumulated surplus (excess of income over expenditure) on the Housing Revenue Account

**Earmarked Working Balance** - Working Balance which is set aside to meet planned future expenditure

**Unallocated Working Balance** - Working balance which is not set aside and is potentially available to fund priority additional expenditure items

**PRIP** - Property Repairs and Improvement Partnership

**MRR** - Depreciation Charges to the HRA are transferred to the Major Repairs Reserve pending their use to fund capital schemes

**RSL** - Registered Social Landlord, for example a housing association

**Impairment Charges** - these are made to reflect reductions in the value of assets due to changes in the physical condition of the property over and above normal wear and tear and reductions due to changes in market conditions. These charges can first be made against the revaluation reserve of the asset (if one exists). Charges in excess of the revaluation reserve have to be made to the income and expenditure statement.

**13. List of appendices**

- Appendix A - Housing Revenue Account Draft Budget 2015/16
- Appendix B - Major Variations
- Appendix C - Development Proposals
- Appendix D - Savings Proposals
- Appendix E - Working Balance
- Appendix F - Rent Increase Timetable
- Appendix G - 30 Year Business Plan

**14. Background papers**

- 14.1 CLG Consultation Rents for Social Housing from 2015-16 October 2013  
(Available for inspection at Gateway Plaza, Off Sackville Street)
- 14.2 Budget working papers containing exempt information - not available for inspection.

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Tel No: 773101

Executive Director – Development, Environment and Culture

Tel No: 772001

Date December 2014



**Housing Revenue Account - Draft Budget 2015/16**

APPENDIX A

	2014/15		2015/16	
	Original £	Revised £	Draft £	Rent Equiv (48wks) p
<b><u>INCOME</u></b>				
1 Dwellings Rent	70,713,450	70,503,550	70,747,700	7,989
2 Non Dwellings Rents	381,920	383,550	367,170	41
3 Heating Charges	742,710	742,710	694,860	78
4 Other Charges for Services and Facilities	560,290	528,861	523,120	59
5 Shared Amenities	397,720	397,720	0	0
6 Contributions towards Expenditure	677,890	854,070	601,060	68
	73,473,980	73,410,461	72,933,910	8,236
<b><u>EXPENDITURE</u></b>				
7 Repairs and Maintenance (including fees)	17,861,170	18,061,170	18,137,300	2,048
8 Supervision, Management & Special Services	16,046,260	14,618,274	16,172,730	1,826
9 Rents, Rates, Taxes and Other Charges	297,890	217,760	219,800	25
10 Increased Provision for Doubtful Debts	1,100,000	1,100,000	2,102,520	237
11 Depreciation & Impairment of Fixed Assets	13,027,970	13,027,970	13,027,970	1,471
12 Debt Management Costs	92,710	93,640	93,640	11
	48,426,000	47,118,814	49,753,960	5,618
<b>13 Net Cost of Services</b>	<b>-25,047,980</b>	<b>-26,291,647</b>	<b>-23,179,950</b>	<b>-2,617</b>
14 Interest Payable and similar charges	12,970,940	11,832,520	12,632,860	1,426
15 Amortised Premiums and Discounts	77,570	77,570	77,570	9
16 Investment Income	-191,820	-286,000	-117,970	-13
<b>17 Net Operating Expenditure</b>	<b>-12,191,290</b>	<b>-14,667,557</b>	<b>-10,587,490</b>	<b>-1,196</b>
<b>Appropriations</b>				
18 Transfer to/from Major Repairs Reserve	7,057,170	7,057,170	7,656,170	865
19 Revenue Contribution to Capital	20,780,760	0	27,543,190	3,110
<b>20 Base Budget</b>	<b>15,646,640</b>	<b>-7,610,387</b>	<b>24,611,870</b>	<b>2,779</b>
21 Use of (-) / Contribution to Working Balance	-15,646,640	7,610,387	-23,557,250	-2,660
22 2015/16 Development Proposals	0	0	520,000	59
23 2015/16 Savings Proposals	0	0	-33,680	-4
<b>24 Surplus (-) /Deficit to be Financed</b>	<b>0</b>	<b>0</b>	<b>1,540,940</b>	<b>174</b>
<b>25 Funded by RENT INCREASE</b>			<b>1,540,940</b>	<b>174</b>

Product of 1p rent

@ 48 weeks = £8,856

Housing Revenue Account - Draft Budget 2015/16

ITEM	£	£
<b>1 2014/15 BUDGET</b>		15,646,640
<b>2 ADD VARIATIONS</b>		
3 Repairs & Maintenance - inflationary uplift of 1.2%	199,710	
4 Council Tax on Unoccupied Properties change in Council policy on charging	-75,000	
5 Increase in Bad Debt Provision due to Universal Credit Implementation	1,002,520	
6 Removal of the Shared Amenities Charge	397,720	
7 Increased Back funding pension costs	158,920	
8 Reduction in interest charges due to lower interest rates and debt	-338,080	
9 Increase in Transfer to Major Repairs Reserve re Depreciation in line with the Self Financing Settlement	599,000	
10 Removal of Troubled Families Grant	240,000	
11 Increase in Revenue Contribution to Capital	6,762,430	
12 Increase in Renewable Heat Incentive Income	-150,000	
13 Other Variations	62,660	
<b>14 TOTAL VARIATIONS</b>		8,965,230
<b>15 2015/16 DRAFT BASE BUDGET</b>		<b>24,611,870</b>



Housing Revenue Account - Draft Budget 2015/16

<b><u>DEVELOPMENT PROPOSALS</u></b>	<b>2015/16</b>		<b>Full Year</b>
	<b>Expenditure £</b>	<b>Rent Equiv p</b>	<b>Effect £</b>
<b>Housing Revenue Account</b>			
i Concrete and External Painting Buckley/Albion Flats	400,000	45.17	-
<b>Berneslai Homes Management Fee</b>			
ii Mobile Working	100,000	11.29	100,000
iii Rebrand and Rebuild BH Website	25,000	2.82	-
iv Welfare Reform - Restructure of Customer & Estate Services	120,000	13.55	120,000
v Two year Extension of Current Temporary Posts Investment and Regeneration	90,000	10.16	90,000
vi Less Funded by Berneslai Homes Retained Reserves	-125,000	-14.11	-
vii <b>Sub Total- Berneslai Homes</b>	<b>210,000</b>	<b>23.71</b>	<b>310,000</b>
viii <b>Less funded from Capital Programme</b>	<b>-90,000</b>	<b>-10.16</b>	<b>-90,000</b>
<b>ix Net Cost to HRA</b>	<b>520,000</b>	<b>23.71</b>	<b>220,000</b>

**HOUSING REVENUE ACCOUNT – DRAFT BUDGET 2015/16**

**DETAILED DEVELOPMENT PROPOSAL**

**Concrete Repair Works and External Painting to Buckley and Albion Flats**

1. Introduction

Britannia and Buckley Flats were built in 1967 and are identical construction. Albion House was built ten years later in 1977 and although similar in construction has different detail less exposed concrete and more brickwork. All the flats have cantilevered concrete balconies, which are more susceptible to weather degradation than the main structure.

2. Present

Britannia House had a structural concrete survey followed by repair, coating and painting works in 20012/13 and is in good external condition. Buckley shows similar sign of concrete surface degradation to those experienced at Britannia and is in need of similar survey repair, coating and painting work. Albion House has less degradation although there is some concrete spalling and cracking, which requires attention. The balcony guarding's are also in need of painting.

3. Proposal

To carry out concrete repair works and external painting to Buckley and Albion Flats.

4. Financial Implications

The proposal will cost £400,000.



## Appendix C (ii)

### HOUSING REVENUE ACCOUNT – DRAFT BUDGET 2015/16

#### DETAILED DEVELOPMENT PROPOSAL

##### Mobile Working

#### 1. Introduction

Welfare Reform puts new increased pressure and risk on the business to collect the rent owed, to support tenants who need assistance to adapt to the changes and improve productivity across the company.

The main benefits which should be delivered by adopting mobile working include:

- Increased productivity
- Increased time spent out on the estates and with customers
- Delivery of a personalised service
- Back office efficiencies as processes are streamlined and automated
- Increased customer satisfaction
- Improved staff morale
- Contribute to business continuity planning

#### 2. Present

Construction Services implemented mobile technology several years ago. This has brought many benefits including increased productivity, a control on fuel costs as staff do not return to central site only to have to go back out and certificates produced at the point of contact saving on postage costs and delays. Extending the use of mobile working within Berneslai Homes will generate the opportunity for efficiencies and increased customer satisfaction.

#### 3. Proposal

To develop and implement a mobile working solution for Berneslai Homes' frontline staff.

#### 4. Financial Implications

The proposals will cost £100,000 in 2015/16 and support and maintenance in future years.

**HOUSING REVENUE ACCOUNT – DRAFT BUDGET 2014/15**

**DETAILED DEVELOPMENT PROPOSAL**

**Rebrand and rebuild of Berneslai Homes website**

2. Introduction

The current Berneslai Homes website was built around 10 years ago. The website is too content heavy and inward focused and this creates an obstacle to encouraging customers to use the site as a first choice for self service. It is also built in a style more suitable to desktop users and less suitable for mobile phone and tablet use.

4. Present

Customer satisfaction with the website currently stands at only 19.5%. It does not provide an appropriate platform which supports a digital first service and the ambitions of the Customer Service Programme

5. Proposal

It is proposed to rebuild the Berneslai Homes website to be customer first focused and which will with the minimum of clicks and links process customer transactions and enquiries. It is anticipated that this will increase customer self-service, reduce customer face to face and telephone enquiries (handled by Barnsley Connects), support the Customer Service Programme, support the digital first agenda, increase customer satisfaction and free up back office staff as a result of automating services so as to provide a more efficient service.

4. Financial Implications

The proposal to be funded from Berneslai Homes reserves will cost £25,000 in 2015/16.

**HOUSING REVENUE ACCOUNT – DRAFT BUDGET 2015/16**

**DETAILED DEVELOPMENT PROPOSAL**

**Welfare Reform- Restructure of Customer and Estates Services Division**

1. Introduction

The Welfare Reform Act sets out the most radical changes to the welfare system in a generation. The reforms will have a major impact on many tenants and a number of the reforms will have a direct financial impact on the Housing Revenue Account Self Financing Business Plan, these include:

- Under-occupancy charge (already in force)
- Universal Credit including payment of rent directly to the tenant rather than landlord (due to commence roll out in Barnsley from March 2015 and estimated to apply to approximately 7762 tenants on completion)
- Requirements for claims to be made on-line.

In addition to Welfare Reform, many tenants are experiencing financial hardship as a result of the state of the economy, rising utility bills etc.

2. Present

The result is that workloads are already increasing significantly in several parts of Berneslai Homes as rent arrears and former tenants' arrears begin to increase. There is a particular pressure on the Rents Team which is responsible for setting up and managing tenants' accounts including pursuing rent arrears and former tenants' arrears. New working methodologies need to be introduced in relation to setting up Alternative Payment Arrangements for those in serious arrears and the provision of financial advice and support to tenants

3. Proposal

In the Self-Financing HRA Business Plan, the collection of rent is of vital importance. A restructure of the rents team is required to ensure that tenants are given adequate support and advice and enforcement.

4. Financial Implications

£120,000 in 2015/16 and future years.



**HOUSING REVENUE ACCOUNT – DRAFT BUDGET 2015/16**

**DETAILED DEVELOPMENT PROPOSAL**

**Extension of Current Temporary Posts in the Investment and Regeneration Team**

1. Introduction

This proposal details the extension of the current temporary posts required to deal with a number of complex capital projects over the next two years.

2. Present

The Investment and Regeneration Team has a very successful track record for programme and scheme delivery. Customer satisfaction on the BHS programme is very high at more than 96%. This success is a team effort with Construction Services and Kier but involves a significant workload for both Project Liaison Officers (PLO's) and Capital Projects Officers. All the work of both the PLO's and the Capital Projects Officer is very time sensitive in order for the BHS and other Capital schemes to be delivered on time and on budget

3. Proposal

During the period 2015-17 a number of additional capital projects are to be undertaken. Some of these projects are very complex and require additional temporary customer care and technical support. These schemes are:

- New Build Schemes
- Shop Rationalisation and Conversion Works
- Elderly Persons Scheme Upgrade Works
- Communal Heating Scheme Upgrades
- Property Acquisition Works
- Sprinkler System Installations
- Installation of Air Source Heating Systems - this is a complex, challenging initiative requiring a significant increase in Project Liaison and Technical Officer time.
- Empty Homes Community Grant Programme

The proposal is to extend three current temporary posts for a period of a further two years in order to cover both confirmed and anticipated workloads.

4. Financial Implications

The proposals will cost £90,000 in 2015/16 and 2016/17

**Housing Revenue Account - Draft Budget 2015/16**

<b><u>SAVINGS PROPOSALS</u></b>	<b>2015/16</b>		<b>Full Year</b>
	<b>Expenditure</b> <b>£</b>	<b>Rent Equiv</b> <b>p</b>	<b>Effect</b> <b>£</b>
<b>Housing Revenue Account</b>			
i Garages and Garage Plots	5,060	0.57	5,060
ii Door Entry/CCTV	280	0.03	280
iii Communal facilities charge (Sheltered Schemes)	-20,990	-2.37	-20,990
iv Communal facilities charge (Other)	340	0.04	340
v Water Charges	2,750	0.31	2,750
vi Heating Charges	47,850	5.40	47,850
vii New Build service charge	-1,730	-0.20	-1,730
viii Furnished Tenancy Scheme	120	0.01	120
<b>TOTAL - Savings Proposals</b>	<b>33,680</b>	<b>3.80</b>	<b>33,680</b>

There are no individual reports for items (i) to (vi) which are covered in sections 4.3 to 4.9 in the report

**HOUSING REVENUE ACCOUNT – DRAFT BUDGET 2015/16****DETAILED SAVINGS PROPOSAL****Service Charges New Build**1. Introduction

Service charges are levied for communal services/facilities on new build developments. There are currently 24 new build properties with communal facilities/services. Charges are calculated on a scheme by scheme basis.

2. Present

The charges have been reviewed based upon actual costs.

3. Proposal**Vernon Crescent**

	2014/15 £	2015/16 £
Communal cleaning	1.74	0.85
External window cleaning	0.16	0.16
Communal garden	1.36	1.36
Internal window cleaning & bin stores	1.33	Included in communal cleaning charge
Communal lighting	1.02	0.86
Water	0.15	0.54

**Lidgett Close.**

Communal cleaning	1.61	1.61
External window cleaning	0.33	0.37
Internal window cleaning & bin store	0.30	Included in communal cleaning charge
Communal lighting	0.42	1.32

**Halifax Street ( Rockingham St)**

Communal cleaning	1.74	1.61
External window cleaning	0.16	
Internal window cleaning & bin store	1.07	Included in communal cleaning charge
Communal lighting	1.23	2.39
Water	0.31	0.28
Communal Garden	-	0.78

4. Financial Implications

The proposal will result in a reduction of income of £1,730 in 2015/16 and subsequent years.



## HOUSING REVENUE ACCOUNT – DRAFT BUDGET 2015/16

## DETAILED SAVINGS PROPOSAL

## Furnished Tenancy Charges

1. Introduction

The Council has approximately 130 Furnished Tenancies.

2. Present

A review of current charges on the Furnished Tenancy scheme has been undertaken.

3. Proposal

The proposed charges based upon recovery of actual costs are detailed below:-

Package	Includes	New Charge
1 - 1 bed property	Floor coverings, curtains, fridge and cooker	£9.80
2 - 1 bed property	Floor coverings, curtains, fridge, cooker, 2 seat sofa, small dining table and 2 dining chairs	£12.22
3 - 1 bed property	Floor coverings, curtains, fridge, cooker, double bed, combined chest and wardrobe	£11.61
4 - 1 bed property	Floor coverings, curtains, fridge, cooker, 2 seat sofa small dining table, 2 dining chairs, double bed, combined chest and wardrobe	£14.03
5 - 2 bed property	Floor coverings, curtains, fridge and cooker	£10.75
6 - 2 bed property	Floor coverings, curtains, fridge, cooker, 3 seat sofa, small dining table, 4 dining chairs	£14.01
7 - 2 bed property	Floor coverings, curtains, fridge, cooker, double bed, single bed, 2 combined chest and wardrobe	£14.29
8 - 2 bed property	Floor coverings, curtains, fridge, cooker, 3 seat sofa, small dining table, 4 dining chairs, double bed, single bed, 2 combined wardrobes/chest of drawers	£17.55
9 - 3 bed property	Floor coverings, curtains, fridge and cooker	£11.71
10- 3 bed property	Floor coverings, curtains, fridge, cooker, large dining table, 4 dining chairs, 3 seat sofa, 1 armchair	£16.10
11 - 3 bed property	Floor coverings, curtains, fridge, cooker, double bed, 1 single bed, 1 set of bunk beds, 2 combined wardrobes/drawers	£15.92
12 - 3 bed property	Floor coverings, curtains, fridge, cooker, large dining table, 4 dining chairs, 3 seat sofa, 1 armchair, double bed, 1 single bed, 1 set of bunk beds, 2 combined wardrobes/drawers	£20.27

4. Financial Implications

The revised charges will lead to increases of £0.02 per week (over 48 weeks) for all of the packages generating additional income of £120.

## APPENDIX E

Housing Revenue Account - Draft Budget 2015/16

WORKING BALANCE	2014/15		2015/16	
	Original £	Revised £	Draft £	Rent Equiv p
1 Balance Brought Forward	24,123,658	27,010,389	34,620,776	3,909
2 Use of Working Balance (Appendix A line 22)	-15,646,640	7,610,387	-23,557,250	-2,660
<b>3 Balance Carried Forward</b>	<b>8,477,018</b>	<b>34,620,776</b>	<b>11,063,526</b>	<b>1,249</b>
<b>Earmarked for :</b>				
4 General Contingency	1,000,000	1,000,000	1,000,000	113
5 Heating Services Unit Contingency	50,000	50,000	50,000	6
6 Disrepair Insurance	136,121	106,654	106,654	12
7 Sheltered Scheme Decoration & Furnishings	15,960	15,960	15,960	2
8 Garage Access Regularisation	15,000	15,000	15,000	2
9 Welfare Reform	3,339,110	3,339,110	5,518,749	623
10 Interest Rate Risk	2,328,769	2,328,769	2,328,769	263
11 Revenue Contribution to Capital	0	23,177,791	0	0
12 Impairment Charges	1,582,058	2,018,394	2,018,394	228
13 Other	10,000	10,000	10,000	1
14 Support for 30 Year Business Plan	0	2,559,098	0	0
<b>15 Total</b>	<b>8,477,018</b>	<b>34,620,776</b>	<b>11,063,526</b>	<b>1,249</b>

**Appendix F**

**HOUSING REVENUE ACCOUNT – 2015/16 BUDGET**

**DRAFT TIMETABLE TO INCREASE HOUSING RENTS**

- |                                       |                                |
|---------------------------------------|--------------------------------|
| 1. Cabinet                            | 15 <sup>th</sup> January 2015  |
| 2. Council                            | 5 <sup>th</sup> February 2015  |
| 3. Rent increase notices printed      | 23 <sup>rd</sup> February 2015 |
| 4. Rent increase notices delivered by | 27 <sup>th</sup> February 2015 |
| 5. Four weeks notice expires          | 29 <sup>th</sup> March 2015    |
| 6. New rent increase applicable       | 30 <sup>th</sup> March 2015    |



## Housing Revenue Account 30 Year Business Plan

### Introduction

1. Self financing commenced from April 2012. This means that from 2012/13 the housing subsidy system ceased and the Council now keeps all the rent income to fund the Housing Revenue Account.
2. The first call against the rent income is the cost of borrowing. After paying £22M to the Government to 'buy' itself out of the subsidy system the Council entered the self financing regime with an actual Housing Revenue Account debt of £291M and a maximum debt cap of £301M
3. The 30 year HRA Business Plan which was reported to Cabinet in January 2014 (15.1.2014/8.1) has been updated to reflect the latest information and assumptions on costs and income.

### Current Position

4. The plan continues to be based upon current levels of service and the maintenance of the Barnsley Homes Standard. In the original plan there was no funding included for service enhancements, for environmental works, or to meet the tenants' aspirations for an enhanced Decent Homes Plus Standard.
5. It has been possible in the latest plan to accommodate some limited additional spend aligned with the Council's corporate objectives, including the following:-
  - £4.6M for an extension to the current acquisition programme and £1.0M for additional support to the New Build Budget
6. However, there remains no provision within the plan for large scale regeneration of estates or replacement of stock which has passed its useful life (demolition & rebuild). The updated 30 year revenue and capital plans are attached at Annex 1 and 2 respectively.

### Government rent policy

7. From April 2015 Government Rent policy has changed. Rent convergence whereby all tenants were moving towards a target rent has ceased and the annual inflationary uplift to rents is now based upon CPI (Consumer Price Index) plus 1% rather than RPI (Retail Price Index) plus 0.5%. This change is modelled within the plan. Over the last ten years RPI has averaged over 1% above CPI and the position at September 2014 is continuing this trend with CPI at 1.2% and RPI at 2.3% a difference of 1.1%. Whilst it is not possible to predict the future

gap within the two measures of inflation, based upon past trends, the move to CPI plus 1% appears to reduce the level of rent going forward.

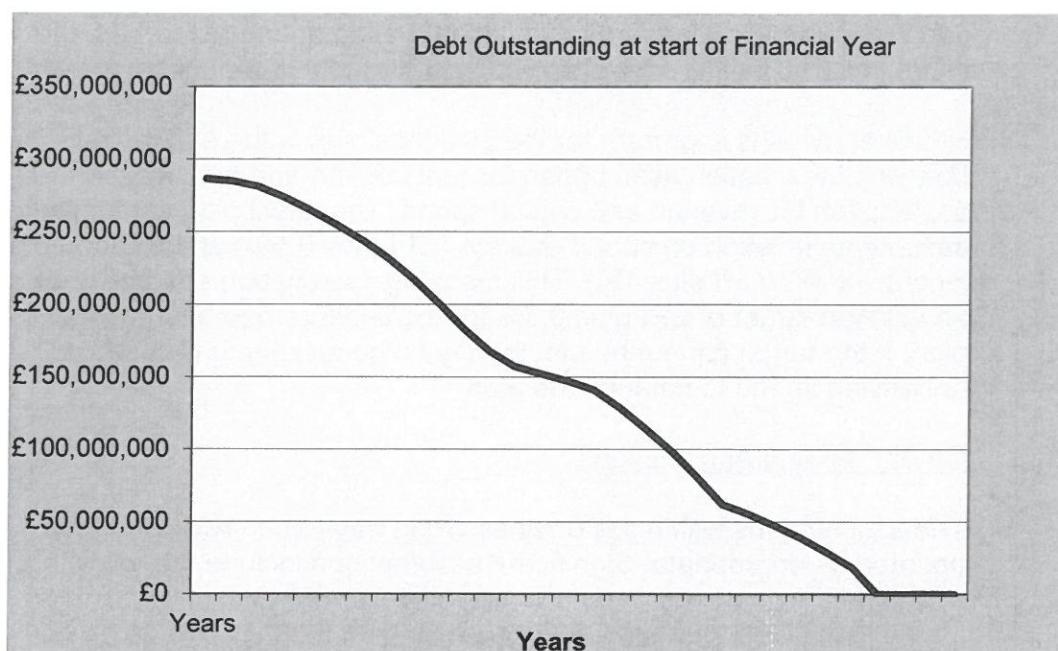
8. However, what is important for the business plan is the differential between the inflation assumption for rent income and the inflation assumption for revenue and capital spend. The latest plan continues to assume an inflation on spend of 2.5% (CPI plus 0.5%) and inflation on income of 3% (CPI plus 1%). This planning assumption effectively sets an inflation target of CPI plus 0.5% for expenditure over the 30 year plan. If the target cannot be met it may be necessary to reduce underlying spend to balance the plan.

#### Other Planning Assumptions

9. The assumptions within the Business Plan have been reviewed and updated as appropriate. Significant assumptions include the following:
  - Bad Debts provision increased by £1M to £2.1M for 2015/16 (2.88% of rent income) and later years due to Welfare Reform
  - Interest rates in years 1 to 5 in the range 4.4% to 4.6% with rates in year 6 to 10 at 5%. The rates are based upon the actual loans taken on by the HRA following the splitting of the Council's debt pool and latest projections of rates on new borrowing and variable rate loans. Rates for years 11 to 30 remain at 5.5%
  - Increased levels of Right to Buy from 3,625 to 3,810 over the 30 year plan based upon estimates provided by the Council.
  - Reduced losses of income from voids from 1.19% to 1.05% of rent income in line with the current void numbers

#### Viability of the plan

10. The updated plan remains viable as measured by the ability to repay debt within the 30 year planning period with debt fully repaid by year 26 (2040/41). This is a small deterioration from the previous forecast where debt was anticipated to be repaid by 2039/40. This reflects September 2014 CPI being lower than previously forecast at only 1.2%. In addition the 1 day rent accrual has been removed to reflect the fact that under Universal credit the Government will not pay a 53 week rent year. The plan also shows the removal of shared amenities income which accounts for around £22M across the 30 years. A sensitivity analysis has been included at Annex 3 to demonstrate the impact on the viability of the 30 year HRA Business Plan should there be any change to the variables that have been assumed in the latest modelling of the plan.



11. The accepted benchmark assessment of the viability of the plan is based on the ability to repay the opening debt within 30 years, as demonstrated at section 10. Yet, there is no requirement to repay the debt. Moving forward the asset base of the dwellings could give security for continued borrowing which would potentially allow additional investment in the stock over and above current plans. However, in the early years of the plan there is limited headroom for additional investment. Further there is significant uncertainty currently around the impact of Welfare Reform on HRA income.

### Risks

12. The major risks to the long term plan are the same as those for the 2015/16 HRA budget which are outlined in the main report together with those associated with the change in Government rent policy which are detailed in sections 7 to 8 above.

Annex 1 – HRA 30 Year Business Plan  
 Annex 2 – Capital 30 Year Business Plan  
 Annex 3 – Sensitivity analysis



Year	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27
£000s	1	2	3	4	5	6	7	8	9	10	11	12
<b>INCOME:</b>												
Rental Income	73,057	75,303	77,392	79,379	81,247	83,005	84,671	86,161	87,391	88,448	89,681	91,466
Void Losses	-768	-792	-814	-835	-854	-873	-890	-906	-919	-930	-943	-962
Service Charges	504	516	529	543	556	570	584	599	614	629	645	661
Non-Dwelling Income	372	382	391	401	411	421	432	442	454	465	476	488
Grants & Other Income	1,344	1,377	1,412	1,447	1,483	1,520	1,558	1,597	1,637	1,678	1,720	1,763
<b>Total Income</b>	<b>74,509</b>	<b>76,786</b>	<b>78,910</b>	<b>80,934</b>	<b>82,843</b>	<b>84,644</b>	<b>86,355</b>	<b>87,894</b>	<b>89,176</b>	<b>90,290</b>	<b>91,580</b>	<b>93,417</b>
<b>EXPENDITURE:</b>												
General Management	-16,293	-16,897	-17,320	-17,753	-18,197	-18,652	-19,118	-19,596	-20,086	-20,588	-21,102	-21,630
Other Management	-220	-225	-231	-237	-243	-249	-255	-261	-268	-275	-281	-288
Bad Debt Provision	-2,103	-2,167	-2,227	-2,285	-2,338	-2,389	-2,437	-2,480	-2,515	-2,546	-2,581	-2,632
Responsive & Cyclical Repairs	-18,537	-18,638	-19,018	-19,371	-19,692	-19,987	-20,257	-20,484	-20,648	-20,771	-20,934	-21,226
<b>Total Revenue Expenditure</b>	<b>-37,152</b>	<b>-37,928</b>	<b>-38,796</b>	<b>-39,645</b>	<b>-40,470</b>	<b>-41,276</b>	<b>-42,066</b>	<b>-42,821</b>	<b>-43,517</b>	<b>-44,179</b>	<b>-44,899</b>	<b>-45,777</b>
Interest Paid & Administration	-12,804	-12,911	-12,999	-12,497	-12,170	-12,590	-12,025	-11,360	-10,577	-9,720	-9,775	-9,063
Interest Received	118	67	71	78	86	113	128	143	161	182	166	121
Depreciation	-20,684	-21,300	-21,935	-22,091	-22,766	-23,463	-24,181	-24,421	-25,184	-25,970	-26,781	-27,616
<b>Net Operating Income</b>	<b>3,986</b>	<b>4,714</b>	<b>5,251</b>	<b>6,779</b>	<b>7,522</b>	<b>7,427</b>	<b>8,211</b>	<b>9,435</b>	<b>10,059</b>	<b>10,602</b>	<b>10,290</b>	<b>11,082</b>
<b>APPROPRIATIONS:</b>												
Debt Repayment	0	-2,215	-4,954	-6,482	-7,211	-7,101	-7,876	-9,082	-9,688	-10,259	-9,975	-8,680
Revenue Contribution to Capital	-27,543	-2,150	0	0	0	0	0	0	0	0	0	-2,147
<b>Total Appropriations</b>	<b>-27,543</b>	<b>-4,365</b>	<b>-4,954</b>	<b>-6,482</b>	<b>-7,211</b>	<b>-7,101</b>	<b>-7,876</b>	<b>-9,082</b>	<b>-9,688</b>	<b>-10,259</b>	<b>-9,975</b>	<b>-10,827</b>
<b>ANNUAL CASHFLOW</b>	<b>-23,557</b>	<b>348</b>	<b>298</b>	<b>298</b>	<b>311</b>	<b>326</b>	<b>334</b>	<b>353</b>	<b>371</b>	<b>343</b>	<b>315</b>	<b>255</b>
Opening Balance	34,621	11,063	11,412	11,709	12,007	12,318	12,644	12,979	13,332	13,703	14,046	14,360
<b>Closing Balance</b>	<b>11,063</b>	<b>11,412</b>	<b>11,709</b>	<b>12,007</b>	<b>12,318</b>	<b>12,644</b>	<b>12,979</b>	<b>13,332</b>	<b>13,703</b>	<b>14,046</b>	<b>14,360</b>	<b>14,616</b>

Year	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39
£000s	13	14	15	16	17	18	19	20	21	22	23	24
<b>INCOME:</b>												
Rental Income	93,706	96,141	98,715	101,343	104,040	106,806	109,613	112,468	115,386	118,364	121,390	124,442
Void Losses	-986	-1,011	-1,038	-1,066	-1,094	-1,123	-1,153	-1,183	-1,214	-1,245	-1,277	-1,309
Service Charges	678	695	712	730	748	767	786	806	826	846	867	889
Non-Dwelling Income	501	513	526	539	553	566	581	595	610	625	641	657
Grants & Other Income	1,807	1,852	1,899	1,946	1,995	2,045	2,096	2,148	2,202	2,257	2,313	2,371
<b>Total Income</b>	<b>95,706</b>	<b>98,190</b>	<b>100,814</b>	<b>103,492</b>	<b>106,241</b>	<b>109,060</b>	<b>111,922</b>	<b>114,834</b>	<b>117,810</b>	<b>120,847</b>	<b>123,935</b>	<b>127,051</b>
<b>EXPENDITURE:</b>												
General Management	-22,171	-22,725	-23,293	-23,876	-24,472	-25,084	-25,711	-26,354	-27,013	-27,688	-28,381	-29,090
Other Management	-296	-303	-311	-318	-326	-334	-343	-351	-360	-369	-378	-388
Bad Debt Provision	-2,697	-2,767	-2,841	-2,917	-2,994	-3,074	-3,155	-3,237	-3,321	-3,407	-3,494	-3,581
Responsive & Cyclical Repairs	-21,620	-22,053	-22,516	-22,988	-23,469	-23,960	-24,457	-24,960	-25,473	-25,992	-26,517	-27,043
<b>Total Revenue Expenditure</b>	<b>-46,783</b>	<b>-47,848</b>	<b>-48,961</b>	<b>-50,098</b>	<b>-51,262</b>	<b>-52,452</b>	<b>-53,666</b>	<b>-54,902</b>	<b>-56,167</b>	<b>-57,456</b>	<b>-58,769</b>	<b>-60,102</b>
Interest Paid & Administration	-8,636	-8,362	-8,068	-7,562	-6,829	-6,011	-5,100	-4,091	-3,379	-2,987	-2,544	-2,043
Interest Received	103	106	108	111	114	117	120	123	126	129	132	135
Depreciation	-28,477	-29,365	-30,279	-31,221	-32,192	-33,192	-34,222	-35,283	-36,376	-37,502	-38,662	-39,856
<b>Net Operating Income</b>	<b>11,913</b>	<b>12,720</b>	<b>13,615</b>	<b>14,722</b>	<b>16,073</b>	<b>17,521</b>	<b>19,054</b>	<b>20,681</b>	<b>22,014</b>	<b>23,031</b>	<b>24,092</b>	<b>25,185</b>
<b>APPROPRIATIONS:</b>												
Debt Repayment	-3,711	-4,488	-5,313	-12,147	-13,642	-15,206	-16,870	-18,631	-6,034	-6,845	-7,707	-8,600
Revenue Contribution to Capital	-7,855	-7,882	-7,918	-2,156	-2,027	-1,902	-1,756	-1,615	-15,546	-15,726	-15,917	-16,096
<b>Total Appropriations</b>	<b>-11,566</b>	<b>-12,370</b>	<b>-13,231</b>	<b>-14,303</b>	<b>-15,669</b>	<b>-17,108</b>	<b>-18,626</b>	<b>-20,246</b>	<b>-21,579</b>	<b>-22,571</b>	<b>-23,624</b>	<b>-24,696</b>
<b>ANNUAL CASHFLOW</b>												
	<b>346</b>	<b>350</b>	<b>383</b>	<b>418</b>	<b>403</b>	<b>414</b>	<b>428</b>	<b>435</b>	<b>434</b>	<b>460</b>	<b>468</b>	<b>489</b>
Opening Balance	14,616	14,962	15,312	15,696	16,114	16,518	16,931	17,359	17,794	18,229	18,689	19,157
<b>Closing Balance</b>	<b>14,962</b>	<b>15,312</b>	<b>15,696</b>	<b>16,114</b>	<b>16,518</b>	<b>16,931</b>	<b>17,359</b>	<b>17,794</b>	<b>18,229</b>	<b>18,689</b>	<b>19,157</b>	<b>19,646</b>



Year	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45
£000s	25	26	27	28	29	30
<b>INCOME:</b>						
Rental Income	127,531	130,644	133,775	136,986	140,260	143,602
Void Losses	-1,341	-1,374	-1,407	-1,441	-1,475	-1,510
Service Charges	911	934	958	981	1,006	1,031
Non-Dwelling Income	673	690	707	725	743	762
Grants & Other Income	2,431	2,491	2,554	2,617	2,683	2,750
<b>Total Income</b>	<b>130,205</b>	<b>133,385</b>	<b>136,586</b>	<b>139,869</b>	<b>143,217</b>	<b>146,634</b>
<b>EXPENDITURE:</b>						
General Management	-29,817	-30,563	-31,327	-32,110	-32,913	-33,735
Other Management	-398	-407	-418	-428	-439	-450
Bad Debt Provision	-3,670	-3,760	-3,850	-3,942	-4,037	-4,133
Responsive & Cyclical Repairs	-27,570	-28,098	-28,625	-29,162	-29,707	-30,262
<b>Total Revenue Expenditure</b>	<b>-61,455</b>	<b>-62,828</b>	<b>-64,220</b>	<b>-65,642</b>	<b>-67,095</b>	<b>-68,580</b>
Interest Paid & Administration	-1,481	-681	-178	-182	-187	-192
Interest Received	139	155	259	441	628	821
Depreciation	-41,085	-42,351	-43,655	-43,655	-43,655	-43,655
<b>Net Operating Income</b>	<b>26,323</b>	<b>27,681</b>	<b>28,793</b>	<b>30,830</b>	<b>32,907</b>	<b>35,029</b>
<b>APPROPRIATIONS:</b>						
Debt Repayment	-9,558	-18,454	0	0	0	0
Revenue Contribution to Capital	-16,274	-4,982	-3,222	-4,419	-5,656	-6,911
<b>Total Appropriations</b>	<b>-25,832</b>	<b>-23,436</b>	<b>-3,222</b>	<b>-4,419</b>	<b>-5,656</b>	<b>-6,911</b>
<b>ANNUAL CASHFLOW</b>						
Opening Balance	19,646	20,137	24,381	49,951	76,363	103,614
<b>Closing Balance</b>	<b>20,137</b>	<b>24,381</b>	<b>49,951</b>	<b>76,363</b>	<b>103,614</b>	<b>131,732</b>



Year	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
£000s	1	2	3	4	5	6	7	8	9	10	11
<b>EXPENDITURE:</b>											
Planned Fixed Expenditure	-47,649	-24,172	-20,877	-21,399	-21,934	-21,643	-22,711	-23,274	-23,249	-24,132	-35,297
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0
<b>Total Capital Expenditure</b>	<b>-47,649</b>	<b>-24,172</b>	<b>-20,877</b>	<b>-21,399</b>	<b>-21,934</b>	<b>-21,643</b>	<b>-22,711</b>	<b>-23,274</b>	<b>-23,249</b>	<b>-24,132</b>	<b>-35,297</b>
<b>FUNDING:</b>											
Major Repairs Reserve	19,069	21,346	20,201	20,710	21,233	20,942	21,997	22,560	22,522	23,405	34,558
Right to Buy Receipts	965	676	677	689	702	702	714	714	727	727	739
Unsupported Borrowing	0	0	0	0	0	0	0	0	0	0	0
Other Receipts/Grants	72	0	0	0	0	0	0	0	0	0	0
Other Reserves	0	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	27,543	2,150	0	0	0	0	0	0	0	0	0
<b>Total Capital Funding</b>	<b>47,649</b>	<b>24,172</b>	<b>20,877</b>	<b>21,399</b>	<b>21,934</b>	<b>21,643</b>	<b>22,711</b>	<b>23,274</b>	<b>23,249</b>	<b>24,132</b>	<b>35,297</b>

<b>2026.27</b>	<b>2027.28</b>	<b>2028.29</b>	<b>2029.30</b>	<b>2030.31</b>	<b>2031.32</b>	<b>2032.33</b>	<b>2033.34</b>	<b>2034.35</b>	<b>2035.36</b>	<b>2036.37</b>	<b>2037.38</b>	<b>2038.39</b>	<b>2039.40</b>
<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>25</b>
-36,179	-37,084	-38,011	-38,961	-34,154	-35,008	-35,883	-36,780	-37,700	-52,736	-54,055	-55,406	-56,791	-58,211
0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>-36,179</b>	<b>-37,084</b>	<b>-38,011</b>	<b>-38,961</b>	<b>-34,154</b>	<b>-35,008</b>	<b>-35,883</b>	<b>-36,780</b>	<b>-37,700</b>	<b>-52,736</b>	<b>-54,055</b>	<b>-55,406</b>	<b>-56,791</b>	<b>-58,211</b>
33,281	28,477	29,365	30,279	31,221	32,192	33,192	34,222	35,283	36,376	37,502	38,662	39,856	41,085
752	752	764	764	777	789	789	802	802	814	827	827	839	852
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,147	7,855	7,882	7,918	2,156	2,027	1,902	1,756	1,615	15,546	15,726	15,917	16,096	16,274
<b>36,179</b>	<b>37,084</b>	<b>38,011</b>	<b>38,961</b>	<b>34,154</b>	<b>35,008</b>	<b>35,883</b>	<b>36,780</b>	<b>37,700</b>	<b>52,736</b>	<b>54,055</b>	<b>55,406</b>	<b>56,791</b>	<b>58,211</b>

HOUSING CAPITAL PROJECTIONS

<b>2040.41</b>	<b>2041.42</b>	<b>2042.43</b>	<b>2043.44</b>	<b>2044.45</b>
<b>26</b>	<b>27</b>	<b>28</b>	<b>29</b>	<b>30</b>
-48,185	-49,390	-50,625	-51,890	-53,188
0	0	0	0	0
<b>-48,185</b>	<b>-49,390</b>	<b>-50,625</b>	<b>-51,890</b>	<b>-53,188</b>
42,351	43,655	43,655	43,655	43,655
852	2,513	2,551	2,579	2,622
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
4,982	3,222	4,419	5,656	6,911
<b>48,185</b>	<b>49,390</b>	<b>50,625</b>	<b>51,890</b>	<b>53,188</b>



Sensitivity Analysis

Scenario	Outstanding debt year 30	Debt Repayment Year	Maximum Capital Shortfall	Revenue Shortfalls	Revenue Surplus in year 30	Cumulative Revenue Surplus at year 30
Base	Nil	26	Nil	Nil	£28M	£132M
1% real increase in capital costs years 1 to 10	£84M	35	Nil	Nil	Nil	minimum
1% real increase in repair costs years 1 to 10	£31M	32	Nil	Nil	Nil	minimum
1% real increase in management costs year 1 to 10	£0.003M	31	Nil	Nil	Nil	minimum
1% increase in inflation years 1 to 10	Nil	22	Nil	Nil	£32M	£206M
1% increase in interest rates (CRI) years 1 to 10	£0.011M	31	Nil	Nil	Nil	minimum
10% increase in Right to Buy Sales Years 1 to 10	Nil	27	Nil	Nil	£27M	£118M
1% increase in rent loss (through voids or bad debts) Years 1 to 30	Nil	28	Nil	Nil	£26M	£76M
Extra £10M per annum capital spend years 1 to 5	£125M	after year 35	£23M in 2019/20	Nil	Nil	minimum
1% increase in rent loss (through voids or bad debts) Years 1 to 30 together with 1% increase in interest rates years 1 to 10	£43M	32	Nil	Nil	Nil	minimum
1% increase in rent loss (through voids or bad debts) Years 1 to 30 together with 1% increase in interest rates years 1 to 10 together with 1% real increase in capital costs year 1 to 10	£299M	after year 35	Nil	Nil	Nil	minimum

Key

Outstanding debt at Year 30 - the total value of debt still outstanding at year 30 of the plan - It indicates the overall viability of the plan

Debt Repayment Year - the year in which all debt is paid off

Maximum capital shortfall - Where there is not enough funding in the plan to meet all capital spend in any year then the excess of planned spend over resources is carried forward to the following year. The maximum capital shortfall is the amount where this rolled forward sum reaches its maximum before resources in the plan are adequate to start to reduce and eventually clear this sum. It highlights pinch points within the 30 year plan

Maximum revenue shortfall - Where there is not enough funding in the plan to meet all revenue spend in any year whilst maintaining the minimum working balance

Revenue surplus at Year 30 - the surplus of income over expenditure which is generated in year 30 of the plan

Cumulative revenue surplus at year 30 - the total of all surpluses generated over the 30 years of the plan ( i.e.the HRA working balance at year 30)

