

HOUSING MANAGEMENT ADVISORY BOARD – 18TH JANUARY 2017

Joint report of the Head of Landlord Services and Head of Finance and Property Services

ITEM 4 CONSULTATION ON DRAFT HOUSING REVENUE ACCOUNT 2017/18

1. Purpose of the Report

- 1.1 To consider in detail the revenue pressures and savings in the draft housing revenue and capital budgets for 2017/18.

2. Recommendations

the Board is recommended to comment on:

- 2.1 the draft proposals for revenue and capital for 2017/18.
- 2.2 any tenant priorities not reflected in the draft budgets.

3. Background

- 3.1 At the meeting of 9 November 2016 the HMAB requested more detail regarding the service pressures and savings within the item on the draft Budget for 2017/18. This report provides that detail.

There have been some alterations to the service pressures since the HMAB item (which was written before the draft budget had been finalised) and its' recommended to concentrate on the pressures included in this report.

4. 2017/18 Original Budget position

- 4.1 The overall budget position for 2017/18 is a surplus of £2.226m. This surplus is mainly the result of a smaller planned capital programme than in 2016/17, which is a reduction from £7.341m to £5.532m (£1,809m) in 2017/18.

5. HRA Balances

- 5.1 The Chief Financial Officer's recommended minimum level of working balances is £110 per property. There are 5,618 properties anticipated at 31st March 2017 (anticipating 40 RTB sales) and working balances have been adjusted to reflect the recommended minimum at £618k.

Capital

- 5.2 The reduction in the planned capital programme from £7.341m to £5.532m has meant less revenue funding is required to finance this. Once the service

pressures requested for 2017/18 have been funded, the difference has been added to the HRA Financing Fund.

- 5.3 The final 2017/18 HRA Capital Programme will be presented to Cabinet in March 2017 and may include additional capital expenditure relating to sheltered units. If this is included it will reduce the contribution to the HRA Financing Fund, and increase revenue funding to capital expenditure.

HRA Financing Fund

- 5.4 The HRA Financing Fund was set up in 2016/17 in order to set aside money to cover anticipated future financial burdens. The HRA owes £79m in loans in its self-financing debt settlement payment. This costs the HRA £2.8m per year in interest payments and the £79m (which is a real cash loan) will need to be repaid over the next thirty years. The HRA Financing Fund can be used to build up a reserve to repay the principal as it falls due.
- 5.5 The other significant forthcoming pressure is the new legislation relating to councils of the sale of High Value Void properties. The Department of Communities and Local Government (CLG) are still working through the implications for this and collecting data from local authorities. Although the council has yet to be informed how much this cost will be, it is anticipated to be very significant (IE – millions of pounds). The delay in further details has meant that the updating of the HRA Business Plan has been put on hold, until the impact of this change on Charnwood is quantifiable.
- 5.6 During 2016/17 £35k has been used to finance the in-year costs of the temporary Housing Law Assistant Post. The anticipated contribution to the HRA Financing Fund in year is £2.494m making a total fund balance of £5.106m

6. 2017/18 HRA Budget

- 6.1 2017/18 will be the second year of four in which the recommendation for rents will be a reduction of 1% in line with government guidance. The draft budget therefore proposes a reduction of 1% for all properties from their 2016/17 rental level. The gross rent reduction between the two years is £367k.
- 6.2 The budget for depreciation is £2.931m which is a reduction of £4.003m from the 2016/17 budget. The methodology for calculating depreciation has been reviewed following advice from our external auditors during their 2016/17 audit. This is now calculated using a different valuation method which is 34% of the previous one. Depreciation is used to finance the HRA Capital Programme. Where the depreciation is not sufficient to fund the full cost of the capital programme, it is topped up with Revenue Contribution to Capital.
- 6.3 In the HMAB November 2016 report, there was reference to the implementation of service charges relating to flats (non-sheltered) for electricity/door entry systems etc. These have been delayed until 2018/19 to

ensure sufficient time to implement a full consultation with the affected tenants. However, if a new service is introduced during 2017/18 (EG – Cleaning of communal areas), a commensurate service charge would be introduced at that time, subject to appropriate consultation with tenants for this additional service. The budgets included within this report do not include any additional income from de-pooling of service charges nor budget for new service (EG – cleaning).

- 6.4 This draft budget includes some additional service pressures that will be included in the final budget going to Cabinet in February 2017. These are an increase in budgeted expenditure on materials for repairs and maintenance, and changes in Council Tax on Empty Homes. More details are included in the service pressure table.

Draft HRA 2017/18 Budget

2015/16 Actual	Housing Revenue Account	2016/17 Original Budget	2017/18 Draft Budget
£000		£000	£000
	Expenditure		
4,632	Supervision and Management	4,404	4,757
5,480	Repairs and Maintenance	6,104	6,369
105	Rents, Rates and other charges	128	138
1	Rent Rebates	1	1
281	Provision for Bad and Other Charges	383	383
6,506	Depreciation/Revaluation increase/Impairment of non-current assets	6,398	2,931
(4,127)	Net Revaluation increase of non-current assets	0	0
11	Debt Management Expenses	15	13
12,889	Expenditure Sub-total	17,433	14,592
	Income		
21,777	Dwelling Rent Income	21,518	21,160
356	Rent of Income from Shops, Land and Garages	354	377
322	Warden Service Charges	65	60
264	Central Heating and Communal Charges	322	325
126	Leasehold Flat and Shop Service Charges	128	128
14	Hostel Service Charges	13	24
11	Council Tax recharged	12	11
22,870	Income Sub-total	22,412	22,085
(9,981)	Net (income)/Cost of service	(4,979)	(7,493)
(83)	Transfer from General Fund - Grounds Maintenance	(76)	(83)
2,780	Interest Payable	2,780	2,781
(29)	Investment Income and Mortgage Interest	(17)	(32)
(7,313)	Net Operating Expenditure/(Income)	(2,292)	(4,827)
2,441	Revenue Contribution to Capital	702	2,601
(156)	Pension Adjustment	0	0
6	Accumulated Absence Adjustment	0	0
3,963	Reversal of Gain on Revaluation	0	0
153	Adjusted to charges based on impairment of General Fund Asset	0	0
6,407	Appropriations	702	2,601
(906)	(Surplus)/Deficit for the Year	(1,590)	(2,226)

2015/16 Actual		2016/17 Original	2017/18 Original
£		£	£
HRA BALANCES:			
(1,002)	HRA Balance at Beginning of Year	(1,158)	(751)
(906)	(Surplus)/Deficit for the Year	(1,590)	(2,226)
750	Transfer to/from the HRA Financing Fund	1,997	2,359
(1,158)	HRA Balance at end of Year	(751)	(618)
0	HRA Financing Fund at Beginning of Year	(750)	(2,747)
(750)	Transfer to/from the HRA Financing Fund	(1,997)	(2,359)
(750)	HRA Financing Fund at End of Year	(2,747)	(5,106)

7 Service Pressures and Savings

7.1 There are ongoing service savings of £12.4k, one-off service pressures of £257.6k and ongoing service pressures of £173.5k, giving net pressures of £418.7k for 2017/18. The budgets within Landlord Services inclusive of the staffing structure were re-organised and rebased during 2016/17.

7.2 Service Pressures and savings are presented in the following tables. The first table is the additional £418k service pressures. The second table details all budget virements over £10k where the budget has been found from savings within existing budgets. The compensating reductions in budgets (totalling £67k) have been found via smaller virements within services all individually under £10k and agreed with budget holders.

Draft HRA budget 2017/18
Revenue Pressures

Item	Budget Pressure (Additional budget required)	Budget before pressure	Total budget for 2017/18	Reason/comments	2014/15 Actuals	2015/16 Actuals
	£	£	£		£	£
Extra TEM Officer - 12 month temp contract	32,200	100,000	132,200	One Off, 12 month contract before evaluating effect and impact. To carry out proactive work such as estate walkabouts, garden inspections and tenancy audits (eg. illegal subletting). Travel costs for this post have been funded from existing budgets. Currently 111 hours of TEM Officer on establishment, extra 37 to make 148 hours.	98,051	84,590
Laundry machine replacements	40,800	23,500	64,300	One Off. To replace laundry equipment in the sheltered courts which is at the end of its life. Leasing equipment has been considered and concluded to not be cost effective.	13,093	50,701
Increased planned maintenance budget	100,000	438,000	538,000	One Off. To meet the Charnwood Standard for planned maintenance and painting there is an extensive backlog of works. The Bell Foundry estate is a priority for 2017/18. If additional works not carried out now, the backlog will increase and further deterioration would increase costs.	124,507	399,054

Item	Budget Pressure (Additional budget required)	Budget before pressure	Total budget for 2017/18	Reason/comments	2014/15 Actuals	2015/16 Actuals
	£	£	£		£	£
Extra Compliance Co-ordinator agency post	24,600	40,400	65,000	One Off. Additional admin for 12 months, with the impact to be assessed before budgeted for future years. To carry out the admin associated with FRAs, electrical testing, door entry systems, fire alarms, gas servicing etc. Currently 59 hours of Compliance Co-ordinator on establishment, extra 37 to make 96 hours.	36,181	29,191
Procurement of Decent Homes contract	60,000	0	60,000	One Off. Contract ends in March 2018.	0	0
Extra 22.5 hours Lifeline Assistant	14,500	10,100	24,600	On going. Existing post is for 14.5 hours only, additional hours will allow admin duties to be maintained throughout the day for back office activities and for front line staff.	9,769	9,078
Door Entry System maintenance	38,000	42,900	80,900	On going. Additional systems have been installed. Systems are critical in the prevention of ASB.	90,545	68,704
Responsive repairs materials	55,000	282,500	337,500	On going. Review of the expenditure on the purchase of materials within 2015/16 and in the 2016/17 to date has led to a revision of the budgetary requirements going forward. This increase in budget is based on volumes purchased and consumed, rather than the price which was subject to a mini-tender/framework contract in 2015/16.	305,849	288,962

Item	Budget Pressure (Additional budget required)	Budget before pressure	Total budget for 2017/18	Reason/comments	2014/15 Actuals	2015/16 Actuals
	£	£	£		£	£
Void repairs materials	35,000	181,000	216,000	On going. Review of the expenditure on the purchase of materials within 2015/16 and in the 2016/17 to date has led to a revision of the budgetary requirements going forward. This increase in budget is based on volumes purchased and consumed, rather than the price which was subject to a mini-tender/framework contract in 2015/16.	230,284	146,098
Apprentice Levy	21,000	0	21,000	New government levy for funding apprenticeships, 0.5% of salary budget less a government allowance.	0	0
Council tax on void properties	10,000	128,100	138,100	CBC increase to 150% for council tax in long-term empty properties.	105,188	116,532
	431,100					

Revenue Savings

Item	Budget Saving (Budget reduction required)	Budget before saving	Total budget for 2017/18	Reason/comments	2014/15 Actuals	2015/16 Actuals
Savings on the Danwood printing contract (and Printing)	(9,400)	45,100	35,700	On going. Corporate savings determined centrally.	40,264	42,985
Solar Panel income	(3,000)	0	(3,000)	On going. New income from solar panels on council properties.	0	(3,218)
	(12,400)					

Total HRA Pressures and Savings **418,700**

2017/18 Landlord Services

Virements >£10k and <£50K included in the budget

Item	Virement Amount	Budget before virement	Total budget for 2017/18	Reason/comments	Spend 2014/15	Spend 2015/16
	£	£	£		£	£
Subscriptions	(10,000)	25,800	15,800	Housemark repairs toolkit only required every other year	19,311	23,646
Communal cleaning project	25,000	0	25,000	One off deep clean of stairwell areas, Bellfoundry a priority. Communal areas can then be handed over to an ongoing cleaning contractor. This work would be service charged to affected tenants; this is currently covered by housing benefit.	0	0
Court costs income (ASB)	(13,500)	0	(13,500)	Starting to be collected in 2016-17 year. Will probably require a bad debt provision for non-collection.	0	0
Staff Training for all Landlord Services	(27,300)	52,300	25,000	Backlog of training now cleared, lower costs expected. Original budget included saving from converting plumber post to apprentice post (£22.3k), but training for apprentice only £1,000.	27,777	35,923
Furniture replacements in sheltered schemes	10,000	14,000	24,000	Replacements for one sheltered scheme. Four schemes are currently outstanding.	17,471	23,352
HRA Lifeline Alarm income	(20,000)	(142,000)	(162,000)	Based on number of customers and £0.10/week increase	0	(76,461)

Item	Virement Amount	Budget before virement	Total budget for 2017/18	Reason/comments	Spend 2014/15	Spend 2015/16
	£	£	£		£	£
Fuel for responsive repairs fleet	(10,600)	35,600	25,000	New fleet delivered in December 2016. Smaller fleet and more fuel efficient vehicles leading to fuel savings.	34,352	25,637
Tipping and skip collection charges	23,000	12,000	35,000	Supplier (TBD Morris) increased charges and cost of mixed waste skips.	13,277	23,569
Lone worker system and health checks	11,400	600	12,000	£7k for lone worker system (alarm system for staff visiting tenants alone) and £3.4k for repairs operatives' health checks (eg. Asbestos) which are required by H&S procedures.	0	0
Consultants for capital team	20,000	25,000	45,000	Eg. Quantity Surveying work on the decent homes contract.	8,034	47,810
Gas Servicing contract	49,000	595,000	644,000	Retender of contract has gone through the procurement process and has led to higher costs. More systems to service following installations through the capital scheme. £110 each for 5,352 properties (£589k) plus solid fuel servicing (£15k) plus courts (£40k).	590,179	594,822
Electrical surveys and associated works	10,000	10,000	20,000	Electrical testing is required every 5 years.	84	1,794
	67,000					

FINAL DRAFT CAPITAL PROGRAMME 2017/18

Component	Budget required 17/18 at draft budget stage	Comments	Budget 16/17 approved by Cabinet March 2016	Budget required 17/18 at final budget stage	Reason for change
Electrical upgrades	£300,000		£500,000	£250,000	Fewer kitchens will be done - see below
CHS kitchens	£650,000		£1,620,000	£560,000	Contractor had capacity to increase number of properties completed in 16/17. Programme smaller than previous years as Charnwood Standard (20 years kitchens and 30 years bathrooms) will be reached early 2017
CHS bathrooms	£225,000		£910,000	£285,000	Some tenants who had previously refused have now asked for the work to be done. Programme smaller than previous years for reason above
CHS heating planned & responsive	£220,000		£370,000	£260,000	
Windows	£10,000		£20,000	£20,000	Additonal demand since draft budget
Doors	£315,000		£315,000	£315,000	
Roofs & guttering	£600,000	Increase since 16/17 for Bellfoundry	£400,000	£600,000	
Major structural works (subsidence, damp, drainage, concrete repairs etc)	£400,000		£530,000	£400,000	
Asbestos management inc removal	£75,000		£150,000	£150,000	

Fire safety capital	£100,000		£300,000	£100,000	
Carbon monoxide and smoke alarms	£50,000		£50,000	£50,000	
Insulation	£50,000		£20,000	£50,000	
Minor adaptations	£50,000		£150,000	£50,000	
Major Adaptions	£450,000		£450,000	£450,000	
Stair lifts	£60,000		£60,000	£60,000	
Major capital voids	£280,000		£250,000	£280,000	
Solid wall insulation (EWI)	£10,000		£50,000	£10,000	
Estate and communal works, lighting, mobility scooter storage environmental works, communal area improvements	£300,000	Increase since 16/17 for Bellfoundry	£205,000	£300,000	
Internal lighting	£50,000		£50,000	£50,000	
Capitalisation of salaries (estimate)	£286,800		£315,000	£286,800	
Communal areas electrical including lighting	£100,000		£50,000	£100,000	
Door entry systems & CCTV	£200,000	Increase since 16/17 for Bellfoundry	£100,000	£200,000	
Sheltered housing improvements	£300,000		£200,000	£300,000	
New build/acquisitions (use of right to buy retention)	£350,000		£0	£350,000	
IT upgrades inc PNC Lifeline computer	£100,000		£35,000	£35,000	PNC upgrade brought forward to 16/17
Totals	£5,531,800		£7,100,000	£5,511,800	