Housing Management Consultative Sub-Committee	**Agenda Item 38** Brighton & Hove City Council

Subject:		**Housing Revenue Account Budget 2013/14**		
Date of Meeting:		**18 December 2012**		
Report of:		**Strategic Director Place** **Director of Finance**		
Contact Officer:	**Name:**	**Sue Chapman**	**Tel:**	**29-3105**
	E-mail:	**sue.chapman@brighton-hove.gov.uk**		
Key Decision:	**Yes**			
Wards Affected:	**All**			

The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that this report was being brought forward from the 12 February 2013 meeting at the Chair's request, to maximise opportunities for additional consultation and to enable observations from HMSCS to be included in final version presented to Housing Committee.

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

1.1 This report presents the proposed Budget for 2013/14 as required by the Local Government and Housing Act 1989. Members are required to consider the budget proposals including changes to rents, fees and charges as well as savings and service pressures.

1.2 The council's Housing Revenue Account (HRA) contains the income and expenditure relating to the council's landlord duties, of approximately 11,935 properties and 2,555 leasehold properties. These properties are accounted for separately from the council's other services/activities which form part of the council's General Fund.

2. RECOMMENDATIONS:

2.1 That Housing Management Consultative Sub-Committee note the proposed draft 2013/14 revenue budget to be reported to Housing Committee, (subject to confirmation from the Government of the 2013/14 rent restructuring indices and target rent convergence date) for recommendation that Policy & Resources Committee:

(a) Approves and recommends to Council the budget for 2013/14 as shown in Appendix 1.

(b) Approves individual rent increases and decreases in line with rent restructuring principles as determined by the Government and detailed in paragraphs 3.13 to 3.15.

(c) Approves the changes to fees and charges as detailed in Table 2, paragraphs 3.16 to 3.18 and delegate authority to the Strategic Director Place to increase communal heating electricity charges following the corporate procurement of new contract prices.

3. HRA BUDGET PROPOSALS 2013/14

Summary

3.1 The HRA Budget 2013/14 aims to balance the priorities of both the City Council and housing residents within the context of the Corporate Plan 2011-2015, which sets out the council's strategic direction and priorities for the next three years, based around the five council priorities:

- Tackling inequality
- Creating a more sustainable city
- Engaging people who live and work in the city
- A responsible and empowering employer
- A council the city deserves

3.2 The HRA revenue strategy focuses upon investment to deliver corporate priorities:

1. **Investment to tackling Inequality and sustain rental income**
   - § Investment in providing specialist support services for vulnerable council housing residents on low incomes including the development services which promote financial inclusion. The current economic climate and social welfare reforms present challenges for the HRA in relation to maintaining income collection performance. Through the development of the Community Banking Partnership model, specialist money advice and financial literacy and community banking interventions will help to sustain current income collection whilst also having an impact on the local economy which goes beyond client households. Recent research published by Citizens Advice shows that tenants could be £10 per week better off as a result of financial skills training from their landlords;
   - § Investment through EU 'Interreg' grant funding in the 'Learning Cities' project will deliver interventions to council tenants that enhance the employability of individuals, and so improve their and their families' life chances;
   - § Continued investment in specialist tenancy management and support services to support vulnerable council housing residents, and services which tackles anti-social behaviour;
   - § No increases in the service charges for communal cleaning, supporting people, TV digital aerials or garages and car parks. Heating charges will increase by inflation but consumption will be reviewed to ensure residents are charged based on latest estimates of usage.

2. **Creating a more sustainable city**

   The Housing & Social Inclusion service is developing a Sustainability Action Plan according to One Planet Living principles. Actions to be delivered in 2013/14 will include working with the Sustainability working group on:
   - § Pilot smart meter loan scheme and behavioural change campaign leading to lower energy usage, reduced carbon emissions and lower fuel bills from council managed housing;

- Providing energy advice to council tenants from operatives as part of the annual gas check.

3. **Engaging people who live and work in the city**
   - Establishing the new tenant scrutiny panel to ensure that tenants and leaseholders have a stronger voice in the management of council housing
   - Continuing to maximise the social value arising from investment in the Repairs and Improvement Partnership with Mears, through provision of local jobs, raising the aspirations of young people through apprenticeships, and creating local supply chain opportunities. As well as the successful scheme delivering 20 apprentices per year this includes:
     - 95% local employment
     - 28 local businesses employed as subcontractors
     - Partnership with City College to enable 35 construction students to gain experience refurbishing empty homes
     - Estate Development Budget run as a not-for-profit business model

3.3 A local authority's HRA must be in balance, meaning that the authority must show in it's financial planning that HRA income meets expenditure and that the HRA is consequently viable. The introduction of self financing of the HRA from 1st April 2012 means that the authority needs to ensure sufficient funds are available to meet the future management, repairs and investment needs of the stock. Self financing has given authorities the freedom to plan for the longer term and has given greater emphasis to the 30 year business plan.

3.4 The Commissioning framework for the HRA aims to reduce management unit costs to enable re-investment in services, to reduce inequality (support), and improve homes and neighbourhoods (investment) As the HRA is a ring-fenced account, any savings achieved are reinvested into council housing services. However, the significance of the HRA budget reaches beyond housing service provision, and provides the opportunity to tackle inequality, create jobs and training opportunities, and improve the lives and well-being of residents.

3.5 Benchmarking of both service quality and cost is used extensively throughout the service to identify opportunities for reducing unit costs. Benchmarking against comparator organisations and an analysis of the outcome of the Housing Quality Network value for money review has identified a savings target of £1.028m over 2 years to ensure that the service provides value for money. The savings target is split over the two years as:

Target 2013/14	£0.590m
Indicative Target 2014/15	£0.438m

Budget Variations

3.6 The HRA budget for 2013/14 is shown in Appendix 1 with the main budget variations detailed in Table 1. Employees' costs include a 1% pay increase along with any known increments. In preparing this year's base budget, individual National Insurance contributions have been calculated, rather than the previous practice of using an average rate, which has resulted in a budget reduction of £0.142 million.

3.7 An inflation rate of 2% has been applied to non employee costs with the exception of some contracts where inflationary increases are agreed within the terms of the contract. All income budgets are zero based and therefore charges are estimated based on known increases in costs or inflation. The major works leasehold income budget has increased by £0.520 million to reflect a significant increase in planned major works during 2012/13 to blocks containing leaseholders. The transfer of an estimated 201 homes to Brighton & Hove Community Seaside Homes during 2012/13, increasing the number of leaseholders, has resulted in an increase in service charges income and this impact is included in the net increase in service charges of £0.260 million below.

3.8 A review of the Mears Partnership overheads has identified that a greater proportion of these should be treated as revenue expenditure supporting the responsive repairs and empty homes programme rather than capital expenditure supporting the investment programme. Therefore, there is a reduction in resources of £0.449 million shown below, which is simply an accounting adjustment, switching the current costs from capital to revenue.

3.9 The budget for capital financing costs has increased by £0.929 million reflecting an increase in repayment of capital and set aside, which represents £2.336 million of the total cost of £8.148 million.

3.10 The budget variances result in an increase in the overall surplus of £2.137 million which will be used to support the capital programme and is shown as ‘revenue contributions to capital’ within the Revenue Budget. Savings proposals, service pressures and changes to rent and fees and charges are detailed in paragraphs 3.11 to 3.18.

Table 1: Main Budget Variations

	£'000
Adjusted Budget 2012/13	**(400)**
Increases in Resources:	
Savings Proposals as detailed in paragraph 3.11	(671)
Increase in rent for dwellings (net of empty properties)	(2,532)
Net Increase in service charges	(260)
Increase in major works income from leaseholders	(520)
Budgeting at actual National Insurance contributions	(142)
Other minor variances	(63)
Reductions in Resources:	
Employees pay award and other inflation	473
Service Pressures as detailed in paragraph 3.12	600
Accounting adjustment – repairs overheads costs	449
Increase in capital financing costs	929
Revenue contribution to capital schemes	2,137
Original Budget 2013/14	**0**

Savings & Service Pressures

3.11 Housing Management has identified savings of £0.671 million in the following areas:

- The full year effect of the introduction of Customer Access Review phase 3 in July 2012 achieved savings of £0.130 million resulting in a reduction in Housing Management unit costs.
- A review of all HRA budgets through zero based budgeting and the centralisation of office management purchasing has achieved savings of £0.141 million.
- Reduction in the management costs of £0.030 million associated with managing temporary accommodation properties following the leasing of these properties to Brighton & Hove Seaside Community Homes.
- A saving of £0.300 million for the Mears responsive repairs and empty property works through service efficiencies and a reduction in unit costs.
- The gas servicing and maintenance contract with Mears and PH Jones has achieved efficiencies of £0.070 million.

3.12 Service pressures and improvements of £0.600 million are:

- Investment of £0.094m in staff to support the management of capital and service contracts and reduce the need for expenditure on specialist consultant support.
- Additional staff and associated supplies and services to support future HRA housing development and regeneration projects, including the redevelopment of the garage sites at an investment of £0.286 million.
- The introduction of benefit reductions for those tenants that are classified as under occupying and changes to disability allowance from April 2013 may have a significant impact on collection rates, so £0.070m will be included in the budget to increase the contribution to the bad debt provision.
- To implement a range of measures to tackle financial exclusion through the development of a range of specialist money and debt advice services at an estimated cost of £0.150 m to support households in financial difficulty. This investment will also help to sustain rental and service charge income collection to the HRA.

Rents 2013/14

3.13 Rents will continue to be calculated in accordance with the government's rent restructuring guidelines. Target rents for each property are calculated based on the relative property values, bedroom size and local earnings. The act of moving tenants' current rents to the target rent is called rent convergence. In order to limit increases in current rents to reach target rents, the guidance specifies a maximum rent increase equivalent to inflation + ½% + £2 per week.

3.14 The draft budget assumes that Local Authorities must continue to use the September 2012 Retail Price Index of 2.6% plus 0.5% for setting rent inflationary increases and that the rent convergence date remains at 2015/16. The Government has yet to confirm these factors for 2013/14. As the majority of the rents are increasing towards target rents, this results in an **average rent increase of 4.26% for Brighton & Hove**. This is the equivalent to an increase of £3.24 per week, increasing the average rent to £79.29. However, in line with rent restructuring, all rents are moving towards their individual targets and some rents will be increasing by more or less than the average rent. The maximum increase will be approximately £6.11, with the lowest increase being £0.22 per week. Approximately 78% of tenants are in receipt of housing benefit.

3.15 Approximately 13% of HRA properties will not reach their target rents by the convergence date of 2015/16. This is because the increases required to reach the target rent are greater than the maximum rent increase allowed by the rent restructuring guidance (which is an increase of RPI + ½ % + £2 per week). It is therefore proposed to adopt target rents for all future empty property lettings to support bringing as many properties as possible to target rents. This will not affect current tenancies.

Fees and Service Charges 2013/14

3.16 The proposed changes to fees and charges for 2013/14 are set out in Table 2. All service charges are reviewed annually to ensure full cost recovery and also to identify any service efficiencies which can be offset against inflationary increases in order to keep increases to the minimum.

Table 2 : Proposed Increases to Fees and Service Charges

	Number of tenants affected	Eligiblef or HB	2012/13 Average Weekly Charge	2013/14 proposed increase/ (decrease) %	2013/14 Proposed average increase/ (decrease) per week £	Comments
Grounds Maintenance	5,800	yes	£0.63	2%	£0.01	Contractual increase
Communal cleaning	5,535	yes	£2.77	0%	Nil	
Communal heating - gas	1,115	no	£9.28	(4%)	(£0.36)	See paragraph 3.17
Communal heating - electric	79	no	£7.13	tba	tba	See paragraph 3.18
TV Aerials	5052	yes	£0.56	0%	Nil	
Sheltered Services – common ways	853	yes	£8.23	2.5%	£0.21	Contractual increase and full cost recovery
Sheltered Services- laundry	827	yes	£1.26	5.7%	£0.07	Contractual increase
Water	147	no	£3.21	7%	£0.22	Estimated Contractual increase
Guest rooms	n/a	no	£8.80 per night	9.3%	£0.79	Increase for cost recovery
Supporting People	783	SP grant	£12.85	0%	Nil	Grant to remain at 2012/13 level
Garages & Car Parking	2,365	no	£8.04	0%	Nil	

Heating

3.17 The heating and hot water service charges for residents with communal gas fired boilers are proposed to **reduce** by an overall average of 4% (£0.36 per week) from 1 April 2013, with a maximum reduction of 12.5%, £1.12 per week and a maximum increase of 5.6%, £0.41 per week. Under the current corporate gas supply contract, the unit price for gas is revised annually in October each year. From October 2013, the unit price for gas has increased by an average of 2%, for blocks with communal boilers. However, the latest review of gas consumption shows a reduction in estimated energy consumption in a number of blocks resulting from a mixture of improvements including boiler upgrades and replacements, and the installation of solar panels for hot water. This has therefore resulted in an overall average reduction in service charges by 4%.

3.18 Two council blocks (Elwyn Jones Court and Broadfields) are heated by electric heating systems. Service charges for these blocks will be amended from 1st April to reflect the new contract price and the latest estimates of consumption. The new contract is currently being procured and prices will not be known until March 2013, at the earliest. Indications are that the unit price may increase by as much as 27%. If this were to be the case, tenants in these blocks would receive increases of, on average, £1.93 per week. However, these tenants have benefited from fixed heating costs over the last three years and, in fact, received a 16.51% reduction in their heating charges from 1st April 2010 with no increases since.

Medium Term Financial Forecast

3.19 The introduction of self financing has provided additional resources from the retention of all rental income and, through greater control locally, will enable longer term planning to improve the management and maintenance of council homes. Although there are additional resources available in the long term, self financing includes a cap (or limit) on the amount of HRA borrowing for capital investment by each local authority. This limit is set at £158.2 million for Brighton and Hove and the estimated total borrowing up to 31 March 2014 is £127m providing additional borrowing capacity of £31m.

3.20 The HRA 30 year Business Plan will be updated to reflect the proposed 2013/14 budget and reviewed to assess the opportunities for additional investment (as outlined in the Housing Investment 2012-2020: Strategy & Implementation Plan report to Housing Committee on 26 September 2012) and how the housing debt could be structured to accommodate these plans or possibilities. In the meantime, until a debt strategy is developed, the Budget Strategy assumes that all revenue surpluses that are not required for capital investment are set aside for the repayment of debt. This will reduce the interest payments on existing debt and provide greater headroom in the borrowing limit for future development opportunities. The current Medium Term Financial Forecasts are detailed in Appendix 2.

Projected HRA Revenue Reserves

3.21 Table 3 details the projected revenue reserves for 2013/14 which are estimated at £3.394 million as at 31 March 2014. Movements in reserves include a contribution of £3.270 million to fund the 2012/13 capital programme, £1.500 million to fund the 2013/14 capital programme and an estimated contribution of £1.045 million from the 2012/13 revenue forecast outturn. The main variances from the 2012/13 forecast outturn as at month 7 are detailed in Appendix 1.

3.22 The 2012/13 revenue budget was set with a surplus of £0.400 million to establish an earmarked reserve to fund commissioning priorities plans when developed to tackle financial exclusion and inequality, promoting access to services and improving support for vulnerable families and adults on low incomes. These plans have now been funded within the 2013/14 budget (at an annual cost of £0.150m as detailed in paragraph 3.12) and absorbed within the underspending in 2012/13 so there is no longer a need to maintain an earmarked reserve for this purpose. Therefore the projected reserves include the release of this earmarked reserve.

3.23 The recommended working balance (minimum level of reserves) is £2.800 million. Therefore usable revenue reserves are projected at £0.594 million at 31 March 2014, which can be used to support one off items of expenditure.

Table 3: Projected Unearmarked Revenue Reserves at 31 March 2014

	£'000
Reserves at 1 April 2012	6,719
Less: Contribution to fund the capital programme 2012/13	(3,270)
Plus: Forecast contribution from 2012/13 Revenue Outturn	1,045
Release of earmarked reserve for commissioning priorities	400
Projected reserves at 31 March 2013	**4,894**
Less: Use of revenue reserves to fund the capital programme 2013/14	(1,500)
Total Projected Balance at 31 March 2014:	**3,394**
Applied to:	
Working Balance	**2,800**
Usable revenue reserves	**594**

3.24 Estate Development Budget reserves, which are held separately from the HRA general reserves, are £0.146 million as at 1 April 2012. These reserves relate to committed revenue and capital expenditure for schemes agreed in previous financial years that are not yet completed.

4. CONSULTATION

4.1 The service has undertaken consultation with residents as part of the budget setting process, based around their priorities for the service. The consultation took place at Area Housing Panels in October with a follow up session at the City Assembly meeting in November. Each session used electronic voting technology to enable residents to register their views confidentially and see real time results. Each session was introduced with a quiz to provide background and context to the Housing Revenue Account budget.

4.2 The Area Panel sessions involved council offers presenting the case for two different budget areas with questions and discussion. This was followed by voting on which area is the most important budget priority or if they should be treated in balance. The results were as follows:

Option 1	Option 2	Resident priority
Spending money on making your homes Safe and more accessible	Spending money on making your homes warmer and more energy efficient	Both in balance
Investment in prevention (e.g. tackle problems early and services such as money advice)	React as problems arise (e.g. reactive repairs, tackle ASB as it arises)	Both in balance
Make efficiencies to reinvest in properties (e.g. close offices to support house building and investment in homes)	Maintain services as they are with no growth	Option 1

4.3 At the Citywide Assembly, in November 2012, residents looked at each of the priorities identified at Area Panels and discussed in groups their views about each area. They then identified specific areas of work that they as a group would like to see prioritised. The wider Assembly then voted on each of these areas. Priorities which received the most support included:

- Solar panels for revenue generation and reducing bills
- Review assets to see if any can be sold e.g. offices, garages or land
- Reacting and feeding back on anti social behaviour
- Increase rents for new homes and those who can afford it
- Lifts to be repaired quicker
- Draft proofing checks for homes
- Faster response when repairs are reported
- Reacting quickly when a vulnerable tenant has not been seen

4.4 The review and challenge of the options as they were developed for this paper included members from all political parties. A Scrutiny Panel considered the HRA budget strategy proposals in December 2012.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

5.1 Financial Implications are included in the main body of the report

Finance Officer Consulted: Sue Chapman Date: 22/11/12

Legal Implications

5.2 The Council is required to keep a separate Housing Revenue Account (HRA) by virtue of the Local Government and Housing Act 1989. Preceding any financial year, the council must formulate for that year proposals relating to i) the income from rent and charges of all property within the HRA, ii) the expenditure on repair, maintenance, supervision and management of that property and iii) any other prescribed matters. In formulating the proposals, the council must use its best assumptions and estimates to secure that on their implementation the account will not show a debit balance. Within one month of formulating the proposals it must prepare and place on deposit a statement setting out the proposals and estimates. The report is compatible with the council's statutory obligations.

Lawyer Consulted: Liz Woodley Date: 5/12/12

Equalities Implications:

5.3 The HRA budget will fund services to people with special needs due to age, vulnerability or health needs. In order to ensure that the equality impact of the budget proposals is fully considered as part of the decision making process, an Equality Impact Assessment screening document for the HRA budget proposals has been prepared and is included elsewhere on the agenda. Full equality impact assessments have been developed on specific areas where required. As part of the Council's engagement process, a series of meetings are being held with specific communities of interest in January to explore the issues for these groups arising from the Council's budget changes

Sustainability Implications:

5.4 The HRA budget will fund a range of measures that will benefit and sustain the local environment. The self financing settlement will provide a framework within which all local authorities can sustain their stock in a good condition in the future. This should enable the council to deliver a range of measures that will benefit and sustain the local environment.

Crime & Disorder Implications:

5.5 The Budget includes financial provision for Crime and disorder implications.

Risk & Opportunity Management Implications:

5.6 Financial risks have been assessed throughout the development of the council's budget. The introduction of Self Financing means that all the risks inherent in running a housing business will now transfer from the government to the local authority. The key risks which will need to be managed and developed as sensitivities and scenarios within the model may include:

- Inflationary risk that expenditure inflation is greater than income, particularly with rental increases determined by national rent policy.
- Managing interest rate fluctuations and debt portfolio
- Long term capital and maintenance responsibilities cannot be met by available resources
- Balancing regeneration and redevelopment needs with tenants priorities

5.7 A full risk register will therefore be developed in preparing the HRA Business Plan.

Corporate / Citywide Implications:

5.8 The Budget seeks to improve the quality of housing and services provided to tenants across the City.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 There are no alternative options proposed.

6.2 Rents have been set in accordance with the Government's rent restructuring guidance. In previous years, the Housing Subsidy Determination controlled rent setting increases by removing resources from local authorities through non compliance. Although the subsidy system is now abolished increases in rents above rent convergence will be subject the rent rebate limitation which sets a limit on how much rents can be increased. Any increases above this limit result in a loss of Housing Benefit Subsidy which is payable by the HRA.

6.3 The government's policy for rent restructuring is to ensure rents are fair and equitable nationally so, although the authority can set rents at a lower level than rent restructuring, this will bring the rents out of line nationally and provide a lower level of resources to fund repairs, maintenance and improvements works both in this years and future financial years. For example a 1% reduction in the rental increase (saving each tenant an average of £0.76 per week in rent increase) will result in a loss of rental income of approximately £0.870 million over the next three years.

7. REASONS FOR REPORT RECOMMENDATIONS

7.1 The Local Government and Housing Act 1989 requires each Local Authority to formulate proposals relating to income from rent and charges, expenditure on repairs, maintenance, supervision and management and any other prescribed matters in respect of the HRA. In formulating these proposals using best estimates and assumptions the Authority must set a balanced account. This budget report provides a breakeven budget and recommends rent increases in line with current government guidance.

SUPPORTING DOCUMENTATION

Appendices:

1. HRA Forecast Outturn 2012/13 and Budget 2013/14
2. Medium Term Financial Forecasts

Documents in Members' Rooms

None

Background Documents

1. 2013/14 Housing Revenue Account Working Papers

Appendix 1

HRA Forecast Outturn 2012/13 and Budget 2013/14

	2012/13 Adjusted Budget £'000	2012/13 Forecast Outturn £'000	2013/14 Original Budget £'000
EXPENDITURE			
Employees	8,518	8,121	8,543
Premises - Repairs	10,645	10,280	11,139
Premises - Other	3,442	3,296	3,443
Transport	167	154	143
Contribution to Bad Debt Provision	214	214	288
Supplies & Services	1,692	1,539	1,660
Third Party Payments	55	66	147
Support Services - From Other Departments	1,981	1,927	1,999
Revenue Contributions to Capital Schemes	18,642	19,042	20,779
Capital Financing Costs	7,219	7,219	8,148
Total Expenditure	**52,575**	**51,858**	**56,289**
INCOME			
Rents Dwellings	(46,702)	(46,860)	(49,234)
Rents Car Parking / Garages	(800)	(810)	(824)
Commercial Rents	(446)	(446)	(446)
Service Charges	(4,152)	(4,342)	(4,932)
Supporting People	(465)	(484)	(465)
Other Recharges and Interest	(410)	(361)	(388)
Total Income	**(52,975)**	**(53,303)**	**(56,289)**
TOTAL DEFICIT / (SURPLUS)	**(400)**	**(1,445)**	**0**

Targeted Budget Management (TBM) 2012/13 as at Month 7

The forecast outturn for month 7 is an underspend of £1.045 million, which will provide a contribution to revenue reserves to be reinvested in the Housing Revenue Account Capital Investment Programme for 2013/14.

The Employees budget is forecast to underspend by £0.397 million due to vacancies throughout the service while recruitment to the new Housing and Social Inclusion structure was being finalised. The underspend also includes underspends on pension costs as fewer staff than budgeted are members of the pension scheme.

The Premises repairs budget is forecast to underspend by £0.365 million from the following major variances:

- Responsive repairs are forecast to underspend by £0.200 million due to the continuation of the policy implemented last year to review responsive repairs within the context of the replacement programme, resulting in lower than expected values and numbers of responsive repairs.
- Further underspends on the costs of gas servicing of £0.104 million as a result of re- basing of the open book contract after the budget was set.
- Works to empty properties is also underspent by £0.138 million as a result of fewer properties than budgeted becoming empty.
- These underspends are partly off-set by an overspend on asbestos works of £0.080 million.

Premises Other is forecast to underspend by £0.146 million from the following significant variances:

- £0.054 million underspend on premises costs relating to the housing centre due to uncertainties of the operating costs at budget setting time;
- £0.050 million on electricity costs and £0.020 million on council tax payments due to fewer empty properties than expected.
- an anticipated £0.027 million underspend for decorating vouchers.

The Supplies & Services underspend of £0.153 million is also made up of a number of major variances, namely: £0.050 million for professional fees no longer required in this financial year due to the changing or delay of projects and more utilisation of in-house staff. There are also forecast underspends on computer hardware; legal fees for leaseholder tribunals and many other small underspends on supplies throughout the service. These underspends are off-set by £0.078 million additional expenditure on the financial inclusion project which aims to procure a money advice service for residents. This expenditure was approved as part of the 2012/13 budget process to be funded out of earmarked reserves but has now been funded by these underspends.

The disabled adaptations programme for Council tenants had identified an increased investment requirement of £0.400 million, which can be funded from an increase in revenue contributions to the capital programme, due to the overall underspend on the revenue budget.

Rental income is forecast to over recover by £0.158 million due to a reduction in the number of long term empty properties now that many have been transferred to Seaside Community Homes.

Service charge income from leaseholders is forecast to over-recover by £0.280 million due in the main to an unexpected increase in the 2011/12 repairs service charge for leaseholders (billed in 2012/13) due to more repairs works being carried out to leaseholders’ properties during the last financial year. This is off-set by small amounts of under-recovery from various service charges totalling £0.097 million caused in part by the transfer of properties to Seaside Homes which was difficult to predict at budget setting time.

Appendix 2

Medium Term Financial Forecasts

Revenue Budget	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**
Expenditure			
Employees	8,543	8,426	8,444
Premises -Repairs	11,139	11,317	11,500
Other expenditure	8,680	8,067	8,128
Capital Financing	8,148	9,451	9,877
Total Expenditure	35,510	37,261	37,949
Income			
Rental Income	(49,234)	(50,237)	(52,247)
Other Income	(7,055)	(6,355)	(6,123)
Total Income	(56,289)	(56,592)	(58,370)
NET SURPLUS	**20,779**	**19,331**	**20,421**
Allocated to :			
Revenue Contribution to Capital schemes	20,779	19,331	20,421

Assumptions

1. Inflation is included at 2% per annum with pay increases at 1% for 2013/14 and 2% per annum thereafter to cover pay award and pay related matters.
2. Efficiency savings are assumed at £0.738 million over 2014/15 and 2015/16.
3. Capital financing costs are projected to increase reflecting the capital repayment/set aside of £3.946m and £4.358m for 2014/15 and 2015/16 respectively. The total estimated borrowing as at 31 March 2016 is £119m, against the debt cap of £158m, providing the opportunity for additional borrowing of £39m subject to affordability.
4. Rents are assumed to increase by 4% for 2014/15 and 4% for 2015/16, which includes provision for increases to meet rent convergence at target rents.
5. Other income is projected to increase by 1%. However, income from major works to leasehold properties is projected to reduce by £0.800 million from 2014/15 and reduce by a further £0.300 million in 2014/15.

The net revenue surpluses over the three year period will be used to fund the HRA Capital Programme 2013 – 2016