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Council **25 February 2015**

Housing Revenue Account Estimates for 2014/15 to 2018/19

Report of the Interim Director of Finance and the Executive Director, Economy & Skills

Portfolio Responsibility: Joint Report of the Cabinet Member (Finance and HR), Councillor Abdul Jabbar and Cabinet Member (Housing, Planning and Transport), Councillor David Hibbert

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Extension: 4902

Purpose of Report

The report sets out the latest Housing Revenue Account (HRA) outturn estimate for 2014/15, the detailed budget for 2015/16 and strategic estimates for the three years 2016/17 through to 2018/19. The report also sets out the recommended dwelling, non-dwelling rent and service charge increases to be applied from April 2015.

Executive Summary

The report sets out the HRA estimated outturn for 2014/15 and the proposed 2015/16 Original Budget. The opportunity is also taken to present the provisional Strategic budgets for 2016/17 through to 2018/19.

After taking all relevant issues into account, the projected financial position for 2014/15 is estimated to be a £409k adverse variance when compared to the original forecast made in March 2014. This variance is largely attributable to the escalation in utility costs sustained due to the delays in the renovation of the St Marys Boiler House into a fully operational bio-mass heating system. In addition the HRA incurred further liabilities as a result of unforeseen void properties and additional contract management advisory costs.

The financial position for 2015/16 shows an estimated HRA closing balance of £17,492k which is considered to be sufficient to meet the future operational commitments and the potential financial pressures identified in the risk assessment.

The 2015/16 position has been presented after allowing for an average increase in rent of 2.2%. This increase is as a result of the adoption of Government guidance informing the setting of rents in line with the rent restructuring initiative and also having regard to the recently approved service charging arrangements. The proposed increases in dwellings and non-dwelling rents are also presented. The introduction of Phase 2a Extra Care Housing (ECH) charges are also included in the report as approved by Cabinet on the 26th January 2015. The financial projection for 2015/16 presents the expected HRA balance with regard to the currently approved position.

The strategic estimates for 2016/17 to 2018/19 are included in the report and highlight that due to the limited nature of activity in the HRA and as a result of the operation of the two PFI contracts, then the HRA financial position is expected to be stable going forward.

The HRA budget report has been subject to review by the Overview and Scrutiny Performance and Value for Money Select Committee on 22nd January 2015 and was approved by Cabinet at its meeting on 16th February 2015.

Recommendations

That Council approves:

1. The forecast HRA out-turn for 2014/15;
2. The proposed HRA budget for 2015/16;
3 The strategic estimates for 2016/17 to 2018/19
4. The proposed increases in dwelling rents, non-dwelling rents, service charges and leaseholder service charges

Council **25th February 2015**

Housing Revenue Account Estimates for 2014/15 to 2018/2019

Joint Report of the Cabinet Member (Finance & HR), Councillor Abdul Jabbar and Cabinet Member (Housing, Planning and Transport), Councillor David Hibbert

1. Background

1.1 The budget and policy frame work, sets out an annual timetable for the HRA budget process. Production of this report and the ability to scrutinise the budget, are key features of that framework, along with consultation with tenants. The HRA Budget report for 2015/16 is therefore presented for approval by Council having been subject to scrutiny at the Overview and Scrutiny Performance and Value for Money Select Committee on 22nd January and considered by Cabinet at its meeting on 16th February 2015.

2. Current Position

2.1 The HRA currently comprises 2,065 properties with all properties now being managed and maintained within the two Private Finance Initiative (PFI) schemes. In addition, there is currently a proposal for the Council to build out the remainder of Primrose Bank - Phase 1, potentially resulting in an additional 17 new builds to the HRA estate. If approved, it is intended that these additional properties will be completed by 31st March 2016. However it should be noted that the allocation of these properties into the HRA is a fall-back position, the initial focus being that all properties will be sold privately. Whilst a final decision is still to be determined on this project, all anticipated revenue streams have been excluded from current projections.

PFI 2

2.2 The PFI 2 contract between the Council and Housing 21, was signed in 2006 to provide 1,431 sheltered accommodation dwellings in a mixture of bungalows and group schemes with construction finishing behind schedule in May 2012. The operational contract runs to September 2036. The total construction value is £105m, all of which is payable through the annual unitary charge and funded by the annual PFI grant.

2.3 The project has had a lengthy dispute profile, and on three occasions the Authority's right to levy deductions has been referred to Adjudication, the last of which was in May 2012. In all cases the Authority has been successful in defending its position. Following further negotiation, in July 2013 a Deed of Variation was signed between the Council and Housing 21, committing Housing 21 to a comprehensive schedule of works to bring the dwellings up to the agreed contractual standards by 2016. A condition of the deed was the withdrawal of a number of compensation claims that had been submitted by Housing 21.

2.4 Until all the works are completed, there obviously remains a residual financial and operational risk and the Council will maintain its rigorous inspection regime for the period of the works. The HRA budget for 2015/16 has been prepared on the assumption that payments to Housing 21 will be in accordance with the satisfactory undertaking of the deed of variation.

PFI 4 Gateways to Oldham

2.5 The Gateways to Oldham PFI 4 scheme reached financial close on 30 November 2011 and encompasses the refurbishment of 317 existing properties and the creation of 317 new homes, with a total capital value of £77m. The Council has entered into a 25 year contract with Inspiral Oldham who is using private finance to fund the construction works and manage and maintain the properties for the duration of the contract through to October 2036. Construction was originally planned to be completed by November 2014 and whilst the houses themselves (317 refurbishments and 317 new homes in total) were completed in December 2014 certain highway works and public open space will not now be completed until March 2015. As a result of these delays there will be a small saving to the 2014/15 unitary charge.

2.6 To assist with overall programme affordability, the Authority is making a total capital contribution of £12.026m with payments phased as dwellings are commissioned. The balance of £5.540m is currently forecast to be paid in 2014/15, signifying the end of the capital investment on this scheme.

The Self-Financing Housing Revenue Account

2.7 April 1st 2012 saw the introduction of the Self Financing Housing Revenue Account, replacing the Government housing subsidy regime. In practical terms the HRA is now a self-sufficient ring fenced account which will retain and use rental income, and in the case of Oldham, PFI credits, to meet all its management, maintenance and repairs commitments, including the respective unitary charges. The aim of the reforms is to enable Councils to manage their housing stock for the benefit of local residents in a transparent, accountable and cost effective way.

2.8 As part of the self-financing settlement the Department for Communities & Local Government (DCLG) fully re-paid the debt allocated to the HRA. Linked to the settlement DCLG also issued a 'limit of indebtedness', which in the case of Oldham was essentially a negative borrowing cap which in practical terms prevents the HRA from taking on any new borrowing.

2.9 A further key element of the self-financing arrangement was a decision taken by Government to provide a 5 year transitional period for the charging of HRA depreciation. The impact of this directive is to ensure Authorities are accumulating appropriate balances in order to have sufficient resources to allow for the incurring of the charge.

Rent Restructuring

2.10 Rent restructuring (convergence) was introduced in 2002/03. This set out a new methodology for the calculation of dwelling rents, attempting to equalise rent charges between Local Authorities and Housing Associations over ten years.

2.11 Oldham Council has complied with the restructuring guidance in each year since 2002/03 including those years when voluntary individual rent increase limits was requested.

2.12 In October 2013 the Government issued consultation papers entitled “Rents for Social Housing from 2015-16” and also “Direction on the Rent Standard 2013” in which it recommended that the date of convergence be brought forward by one year from 2015/16 to 2014/15. In addition the paper also outlined a move away from annual increases in weekly rents from RPI + 0.5% to CPI + 1% (effective from 1st April 2015). These proposals were formalised in the government document, “Direction on the Rent Standard 2014” published 23rd May 2014. Reasons for the shift to CPI were that the move brought with it increased stability for both tenants and landlords as the calculations did not include housing costs which in previous years has led to increased rate volatility.

2.13 When setting rents using the government guidance outlined above, the annual rent increase for HRA tenants in 2015/16 will be CPI (1.2% as at September 2014) + 1.0%, a total increase of 2.2%.

2.14 The proposed budget for 2015/16 assumes full compliance with all current government rent guidance.

2.15 Based on the new government guidance for rent increases, it is estimated that the average rent increase from April 2015 will be 2.2% (£1.67 [from £76.05 to £77.72], on a 48 week basis).

The Revised HRA Budget 2014/15

2.16 The 2014/15 estimated outturn is attached at Appendix A showing an estimated year-end working balance of £16,062k, £409k lower than estimated in the Budget Council meeting held in March 2014. Reasons for this adverse variance include an escalation in utility costs incurred due to the delays in renovating the St Marys Boiler House into a fully operational bio-mass heating system, additional liabilities incurred as a result of unforeseen void properties and additional contract management advisory costs.

2.17 The composition of the balance is summarised below;

Analysis of HRA Balances 2014-15	Original Budget £k	Latest Forecast £k	Variance to Budget £k
HRA Balances Brought Forward	(20,727)	(20,727)	0
(Surplus)/Deficit for the year on HRA Services	4,256	4,665	409
HRA Balances carried forward	**(16,471)**	**(16,062)**	**409**

2.18 The Housing Revenue Account has benefitted in year from unitary charge deductions relating to the PFI 4 contract and the delays incurred. This has led to a small variance against original expenditure projections of approximately £100k. This reduction in budgeted expenditure has assisted in the realignment of financial resources to cover other in-year budget pressures including the funding of contract management advisory costs and utility cost pressures.

The HRA Budget 2015/16

2.19 The proposed HRA budget for 2015/16 is attached at Appendix B including all balances, income and expenditure met from the two PFI reserves.

2.20 PFI credits for the two schemes are paid on an annuity basis; that is, they remain constant throughout the life of the projects. In the early years of the schemes, these credits exceed the unitary charges and other costs payable. These early year surpluses, together with any interest earned, are retained to meet later year deficits as unitary charge payments to the service provider are increased year on year by an inflationary factor. All HRA balances are specifically earmarked for these projects, as identified in Appendix B.

2.21 Other key assumptions made in determining the budget are that:

(1) All PFI 4 properties have been completed in 2014/15.

(2) Void levels have been assumed at 2% per annum across both schemes. PFI 4 void percentages had initially been inflated to reflect the assumption that general needs housing and in particular tower blocks attract higher vacancy turnovers when compared to those housing elderly tenants.

(3) Average rents are 2.2% higher than for 2014/15;

(4) There are 48 chargeable rent weeks in 2015/16;

(5) The bad debt provision is retained at 1.5% to accommodate the expected impact of ongoing changes to the benefits system;

(6) Service Charges and Extra Care Housing charges are continued/applied from April 2015.

2.22 The estimated 2015/16 HRA closing balance of £17,492k is considered to be sufficient to meet the future operational commitments and the potential financial pressures identified in the risk assessment. Appendix B presents the projected 2015/16 HRA budget based on the currently approved position.

Dwelling Rent, Non-Dwelling Rents and Services Charges Increases 2015/2016

2.23 The HRA 2015/16 budget has been calculated taking into account an average rent increase of 2.2% as outlined at paragraphs 2.10 to 2.15 above. It is therefore recommended that the same percentage increase is applied to non-dwelling rents.

2.24 Central Heating charges remain for some of the PFI properties and it is proposed to continue recharging tenants on the basis of actual costs incurred.

2.25 Service charges will continue to be passed on to all PFI 2 tenants in 2015/16, following the widespread consultation in October 2013. The Cabinet meeting of 16th

December 2013 approved service charging with a phased 5-year implementation with increases on a straight line 20% basis.

2.26 From the Council's perspective, service charges were deemed necessary as it helped minimise long term risk to the Council's HRA Business Plan whilst also serving to establish a more stable and realistic financial environment in which to manage the housing stock.

Extra Care Housing (ECH) Phase 1

2.27 Four PFI 2 schemes were identified to benefit from an enhanced care, support and security offer starting in 2014. Venues chosen were Trinity House (Coldhurst), Aster House (Coldhurst), Tandle View Court (Royton) and finally Charles Morris House (Failsworth). This accommodation is for those who need additional care and support that is not available within other available housing with care options e.g. Sheltered Accommodation.

2.28 On the 24th February 2014 Cabinet approved a plan to implement a new care and support offer during the day, with a night time concierge service for residents delivered by our PFI partner Housing 21. This took the four schemes from Sheltered Accommodation to Extra Care Accommodation. Extra Care Housing is a step up from Sheltered Housing and a step down from 24 hour residential or nursing placements. An exercise was undertaken to review the offer within the other 4 schemes with consultation now having been completed for two of these sites, namely Old Mill House and Hopwood Court. At its meeting on 26th January 2015, Cabinet approved proposals for the implementation of Extra Care within Old Mill House and Hopwood Court (Extra Care Phase 2a).

2.29 As part of the implementation of Phase 1 Extra Care Housing, the HRA budgeted to help fund a range of non- recoverable one-off costs. The latest estimates are that these will total approximately £240k. In addition to these costs the HRA will also incur an additional non-recoverable, recurrent, CCTV revenue maintenance cost estimated to be in the region of £25k per year, whilst also committing to underwrite the phased implementation of night concierge cost recovery. The original expectation was that Extra Care Housing Phase 1 would be implemented as from April 2014, however due to difficulties in identifying a suitable care partner and also issues encountered when recruiting to the night concierge positions the first ECH site didn't go live until September 2014.

2.31 The profiled impact on the HRA of the adoption of ECH Phase 1 is as follows –

Description	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Night Concierge Costs	53,625	108,320	109,410	110,500
Night Concierge Costs Recovery	(17,875)	(54,160)	(91,175)	(110,500)
One off Costs	240,000			
CCTV maintenance	25,000	25,000	25,000	25,000
Net Impact on HRA	**300,750**	**79,160**	**43,235**	**25,000**

2.31 The proposed HRA budget and associated balances are based on current estimates. This has led to a reduction of the HRA balance relating to Extra Care Phase 1 of £300,750 in 2014/15, £79,160 in 2015/16, a further £43,235 in 2016/17 and an on-going £25,000 thereafter.

Extra Care Housing Phase 2a & 2b

2.32 As mentioned in para 2.28, consultation has now been finalised with all the concerned stakeholders and formal approval granted by Cabinet regarding the introduction of Extra Care Housing to a further two schemes in 2015/16, namely Old Mill House and Hopwood Court.

2.33 The profiled impact on the HRA of the adoption of ECH Phase 2a is as follows –

Description	2015/16 £	2016/17 £	2017/18 £
Night Concierge Costs	79,600	80,400	81,200
Night Concierge Costs Recovery	(26,530)	(53,600)	(81,200)
One off Costs	200,000		
Net Impact on HRA	**253,070**	**26,800**	**0**

2.34 Pending additional feasibility reports and dependant on the continued success of Phase 1 and Phase 2a, it is anticipated that a further 2 schemes (Phase 2b) will be implemented, bringing the total Extra Care Housing schemes in Oldham to eight. Current forecasts are that Phase 2b may be implemented, following further consultation with affected tenants, around January 2016, with the first full year of cost recovery beginning 2016/17.

2.35 At this stage it is not possible to fully assess the financial implications of the Phase 2b scheme however it is considered that the HRA balances are sufficient to meet known obligations for the foreseeable future pending the approval of this scheme.

Strategic HRA estimates 2016/17 to 2018/19

2.36 The projected forecasts for 2016/17 to 2018/19 are attached at Appendix D. As per 2.1, the HRA will include properties which are contained within the two PFI contracts. It is expected that the HRA balance will be £20.003m at the end of 2016/17, £20.107m at the end of 2017/18 increasing to £20.161m at the end of 2018/19. It is anticipated that HRA balances will remain broadly stable on an annual basis which gives the Council the opportunity to consider how it could use the HRA balance for new housing projects

2.37 It should be noted that in both PFI schemes a proportion of the unitary charge is indexed with reference to inflation (RPI). Nonetheless, the HRA remains in a strong financial position going forward.

3 Options/Alternatives

3.1 In order that the Council complies with legislative requirements, it must consider and approve an HRA budget for 2015/16.

3.2 The Self-Financing Housing Revenue Account is underpinned by a 30 year business plan that uses the guideline rent calculation as the basis of the income stream. The rental assumption reflects the current guidance which prescribes that all calculations are based on CPI plus 1% as the annual inflator.

3.3 Should the Council wish to move away from the established practice of following Government guidelines, then two potential scenarios have been assessed by way of example, the:

- proposed rent increase of £1.67 per week is reduced to £0.80
- proposed rent increase is removed altogether.

The loss to the HRA in terms of rental income would be:

Average increase in rent	£0.80 £k	£0.00 £k
Impact in 2015/16	81	159
Impact over life of Business Plan	2,341	4,557

3.4 Clearly, whilst the impact in 2015/16 is not huge, the cumulative impact of sustained income losses of income would have a lasting impact on the long term financial strength of the HRA and potentially its ability to meet its current and future financial commitments.

4 Preferred Options

4.1 The preferred option is that the recommendations of the report are approved by Council.

5 Consultation

5.1 Consultation has taken place with Executive Members, service providers and tenants. Where schemes have had a significant impact on a particular group of tenants or subsequently had a material impact on the HRA budget such as Extra Care Housing, the Council has endeavoured to undertake a thorough consultation with tenants. In addition, the Council has implemented additional, more regular forums such as Court Voices where tenants are encouraged to raise any concerns and allowing a forum for further consultation. A key element of the consultation process was the consideration of the HRA budget by the Overview & Scrutiny Performance & Value for Money Select Committee at its meeting on the 22nd January 2015. The HRA budget was also presented to Cabinet on 16th February 2015 and recommendations were approved.

6 Financial Implications

6.1 Proposals set out in this report are based upon the best assessment of the likely financial position for 2015/16. Prudent assessments have been included within these estimates and the financial impact of any variances is identified in the Risk Assessments undertaken.

6.2 The HRA balances are deemed sufficient to meet known obligations for the foreseeable future. (John Hoskins).

7. Legal Services' Comments

7.1 It is statutory requirement that the Authority set a balanced HRA budget, having due regard to an appropriate level of working balances and giving due consideration to the risks involved. (Bill Balmer)

8. Cooperative Agenda

8.1 The HRA budget has been prepared so that resources are utilised to support the aims, objectives and co-operative ethos of the Council.

9 Human Resources Comments

9.1 None

10 Risk Assessment

10.1 The HRA budget set out in this report is based on the best assessment of the likely financial position of the HRA in 2014/15 and 2015/16. Attached at Appendix C is a risk register as at January 2015. Forecasting remains challenging and there are a number of key issues that, should they change, affect the proposed budget. These are set out below:

- There would be a risk to income if the void level was higher than the 2015/16 budgeted levels. The impact upon income is that a 1% increase in voids costs approximately £77k in a full year.

- In relation to PFI4, a number of compensation claims remain unresolved and the Authority is in the process of agreeing these disputes. A suitable provision has been built into the 2015/16 HRA budget to cater for the likely financial impacts these disputes may incur.

11 IT Implications

11.1 None.

12 Property Implications

12.1 None.

13 Procurement Implications

13.1 None

14 Environmental and Health & Safety Implications

14.1 There are none specific at this stage.

15 Equality, community cohesion and crime implications

15.1 Continuation of a robust consultation process open to all tenants and tenants representatives will ensure maximum engagement and provide the opportunity for the views of all groups to be considered in setting the HRA budget and the provision of services to tenants.

16 Equality Impact Assessment Completed?

16.1 Not applicable

17 Key Decision

17.1 Yes

18 Forward Plan Reference

18.1 CFHR – 25 - 14

19 Background Papers

19.1 The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100D (1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as defined by that Act.

File Ref:	Background papers are provided in Appendices A to D
Officer Name:	John Hoskins/David Leach /Anne Ryans
Contact Number:	0161 770 1323/6679/4902

20 Appendices

Appendix A	Revised HRA Income & Expenditure Account 2014/15
Appendix B	Original HRA Income & Expenditure Account 2015/16
Appendix C	2015/16 – 2018/19 Risk Assessment as at February 2015
Appendix D	HRA Income & Expenditure Account 2016/17 to 2018/19 Strategic Forecasts

Appendix A

Revised HRA Income & Expenditure Account 2014/15	Revised Budget	Latest Forecast	Variance to Budget
	£k	£k	£k
Income			
Dwellings rents (gross)	(6,972)	(6,972)	0
Non Dwelling Rents	(37)	(37)	0
Charges for services and facilities	(290)	(290)	0
Contributions towards Expenditure	(1,007)	(1,553)	(546)
PFI Grant	(18,786)	(18,786)	0
Total Income	**(27,092)**	**(27,638)**	**(546)**
Expenditure			
Unitary Charge Payments (PFI2 and PFI4)	20,565	20,565	0
Supervision & Management	521	521	0
Depreciation and impairment of Fixed Assets	146	146	0
Rent, rates and other charges	9,297	10,992	1,695
Debt management costs	145	145	0
Increased provision for bad or doubtful debts	133	133	0
Total Expenditure	**30,807**	**32,502**	**1,695**
Net Cost of HRA Services per I & E Account	**3,715**	**4,864**	**1,149**
HRA share of Corporate and Democratic Core	101	101	0
Net Cost of HRA Services	**3,816**	**4,965**	**1,149**
Interest payable and other similar charges	0	0	0
Interest and Investment Income	(279)	(300)	(21)
Surplus/Deficit for the year on HRA Services	**3,537**	**4,665**	**1,128**
HRA Balances brought forward	(20,727)	(20,727)	0
HRA Balances carried forward	**(17,190)**	**(16,062)**	**1,128**

Analysis of HRA Balances carried forward	**£k**	**£k**	**£k**
Balances specifically earmarked for PFI 2 scheme	(16,815)	(15,690)	1,125
Balances specifically earmarked for PFI 4 scheme	(375)	(372)	3
HRA Balances carried forward	**(17,190)**	**(16,062)**	**1,128**

Appendix B

Proposed HRA Budget 2015/16

Revised HRA Income & Expenditure Account 2015/16	**Original Budget**
	£k
Income	
Dwellings rents (gross)	(7,510)
Non Dwelling Rents	(36)
Charges for services and facilities	(1,464)
Contributions towards Expenditure	(745)
PFI Grant	(18,786)
Total Income	(28,541)
Expenditure	
Unitary Charge Payments (PFI2 and PFI4)	22,395
Supervision & Management	436
Depreciation and impairment of Fixed Assets	146
Rent, rates and other charges	4,053
Debt management costs	145
Increased provision for bad or doubtful debts	16
Total Expenditure	**27,191**
Net Cost of HRA Services per I & E Account	**(1,350)**
HRA share of Corporate and Democratic Core	106
Net Cost of HRA Services	**(1,244)**
Interest payable and other similar charges	0
Interest and Investment Income	(186)
-Surplus/Deficit for the year on HRA Services	(1,430)
HRA Balances brought forward	(16,062)
HRA Balances carried forward	**(17,492)**

Analysis of HRA Balances carried forward	**£**
Balances specifically earmarked for PFI 2 scheme	(14,834)
Balances specifically earmarked for PFI 4 scheme	(2,658)
HRA Balances carried forward	**(17,492)**

Appendix C

HOUSING REVENUE ACCOUNT

2015/16 – 2018/19 RISK ASSESSMENT AS AT FEBRUARY 2015

RISK EVENT/ DESCRIPTION	LIKELIHOOD	IMPACT	RESERVE POSITION
1. The void level assumed on dwelling properties increases.	The budget has been set assuming a 2015/16 void rate of 2% across both schemes thereafter. These are believed to be realistic estimates at this time.	A change in the void percentage of 1% (approximately 21 properties) has the impact, in a full year, of £77k.	The loss of income arising from movement in void levels would need to be met from reserves. The HRA has sufficient balances to absorb the movement on voids, again it should be noted that the lost income is likely to be offset by reduced Unitary Charge payments.
2. Impact of changes in rental income collection rates.	The collection of rental income is a key performance indicator and one in which the PFI providers have performed at the highest level. Historically It has been considered a low risk that this collection rate will deteriorate to a level to the point where it has a significant impact on the revenue budget. Changes in the benefits system do though have potential to impact on the collection on rent.	Rental income is accounted for in the HRA on a rents receivable not received basis. However, it is now considered that the level of uncollected income will increase, As result there has been an increase from 0.5% to 1.5% in the percentage revenue provision required for bad and doubtful debts	A specific bad debts provision of £186k is contained within the HRA budget for 2015/16. This is considered sufficient to deal with any impending changes in the benefits system
3. PFI 4 Compensation claims	A number of compensation claims have been submitted by the building contractor to Inspiral who in turn further validates the claims before submitting to	The number and total value of the claims submitted is in line with the Authority's expectations.	The cost of the claims is expected to be fully mitigated by post contract cost reductions and a reduced

	OMBC. A large proportion of the claims submitted have been rejected at that point. The Authority is currently assessing those claims that have been submitted and has either rejected or disputed some of the claims.		unitary charge resulting from construction delays.
4. Service Charge Recovery	2015/16 will be the second year that service charges will be charged to PFI 2 tenants. Implementation is to be phased in over 5 years i.e. 40% recovery in 15/16, 60% recovery in 16/17. Service charges are eligible for Housing Benefits so it is of relatively low risk that the majority of service charge costs will be recovered. Self-payers however may incur some level of difficulty however the percentage of self-payers as part of the overall tenancy profile is relatively small	In 2015/16 each tenant will need to pay on average £267 towards service charges. Costs of initiating and maintaining recovery processes will also need to be considered.	Each tenant failing to pay their service charge will have a detrimental effect on the reserve, although given the close correlation to Housing Benefit, the levels of collection are estimated to be high.
5. Extra Care Housing (ECH) Charge Recovery	2015/16 will be the second year that ECH charges will be charged to 4 group schemes within PFI 2 and the first year for tenants in Phase 2a. Implementation is to be phased in over 3 years i.e. 33% recovery in the first year, 66% recovery in the second and full recovery the years following. ECH charges are eligible for Housing Benefits so it is of relatively low risk that the majority of ECH charge costs will be recovered. Self-payers however may incur some level of	In 2015/16 each qualifying tenant i.e. a tenant within one of the four/six approved Extra Care Housing Group Schemes, will need to pay on average £343 towards ECH charges. Costs of chasing recovery will also need to be considered.	Each tenant failing to pay their ECH charge will have a detrimental effect on the reserve, although given the close correlation to Housing Benefit, the levels of collection are estimated to be high.

	difficulty however the percentage of self-payers as part of the overall tenancy profile is relatively small and the transitional phasing of these costs should help.		
6.Rent Restructuring	In October 2013 the DCLG approved a move to CPI plus 1% as the basis of the annual rental increase calculation as opposed to previously using the inflator of RPI plus 0.5%. The largest inflationary cost increase to the HRA is the uplift in the unitary charge which is linked to RPI. The move to different measures of inflation potentially being applied to income and expenditure, may introduce increased risk exposure to an inflationary pressure in the event that CPI+1% falls below RPI+0.5%	As of September 2014, the month used for all rent calculations, there was a 0.6% difference in the two inflators. The business plan has been modelled on this basis for the duration of the plan.	The movement in the respective indices will be monitored on an on-going basis, it is however considered that there is sufficient tolerance within the predicted cumulative HRA balances to manage this risk

Appendix D

Proposed HRA Budget 2016/17 – 2018/19

HRA Income & Expenditure Account 2016/17 to 2018/19 Strategic Forecasts	**Original 2016/2017**	**Original 2017/2018**	**Original 2018/2019**
	£k	**£k**	**£k**
Income			
Dwellings rents (gross)	(7,675)	(7,844)	(8,016)
Non Dwelling Rents	(37)	(37)	(38)
Charges for services and facilities	(1,602)	(1,722)	(1,818)
Contributions towards Expenditure	(778)	(812)	(848)
HRA Subsidy ~ PFI Credits	(18,786)	(18,786)	(18,786)
Total Income	(28,878)	(29,201)	(29,506)
Expenditure			
Unitary Charge Payments (PFI2 and PFI4)	23,010	23,332	23,661
Supervision & Management	441	451	460
Depreciation and Impairment of Fixed Assets	146	2,531	2,531
Rent, rates and other charges	2,723	2,774	2,827
Debt management costs	145	145	145
Increased provision for bad or doubtful debts	3	3	3
Total Expenditure	**26,468**	**29,236**	**29,627**
Net Cost of HRA Services per I & E Account	**(2,410)**	**35**	**121**
HRA share of Corporate and Democratic Core	108	111	114
Net Cost of HRA Services	**(2,302)**	**146**	**235**
Interest payable and other similar charges	0	0	0
Interest and Investment Income	(209)	(250)	(289)
-Surplus/Deficit for the year on HRA Services	**(2,511)**	**(104)**	**(54)**
HRA Balances brought forward	(17,492)	(20,003)	(20,107)
HRA Balances carried forward	**(20,003)**	**(20,107)**	**(20,161)**

Analysis of HRA Balances carried forward	**£**	**£**	**£**
Balances specifically earmarked for PFI 2 scheme	(15,070)	(12,937)	(12,973)
Balances specifically earmarked for PFI 4 scheme	(4,933)	(7,170)	(7,188)
HRA Balances carried forward	**(20,003)**	**(20,107)**	**(20,161)**