SYNOPSIS
This report sets out the final budget for 2014/15, as recommended by One Corby Policy Committee on 4th February. An average rents increase of 3.5% is recommended. The budget supports a sustainable position in line with the Medium Term Financial Strategy.

1. Relevant Background Details
The Budget for 2014/15 now presented for final approval represents the culmination of a process that has involved Members, Officers, and a period of public consultation. This budget, and the recommended rental increase of 3.5%, was approved by One Corby Policy Committee on 4th February.

2. Report
Service Budgets 2014/15
The proposed budget for 2014/15 for the Housing Revenue Account is detailed in Appendix A, and shows a net deficit of £81k. This is in line with the parameters of the MTFS.

Changes from 2013/14 Approved Budget
The net increase of £85k is made up of a significant number of variances. A schedule of these is set out in Appendix B and summarised in the table below.

<table>
<thead>
<tr>
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<th>£'000</th>
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<tbody>
<tr>
<td>Inflation and other Cost Increases/(Decreases)</td>
<td>160</td>
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<tr>
<td>Unavoidable Growth &amp; Spending Pressures</td>
<td>36</td>
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<tr>
<td>Efficiency &amp; Other Savings</td>
<td>(13)</td>
</tr>
<tr>
<td>Changes in Income Volumes</td>
<td>(737)</td>
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<tr>
<td>Technical Adjustments</td>
<td>352</td>
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<td>Pressures Agreed for Consultation</td>
<td>525</td>
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<td>Savings Proposals Agreed for Consultation</td>
<td>(238)</td>
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<tr>
<td><strong>Total Variances</strong></td>
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Changes in Rental Income
The 2014/15 budget allows for a 3.5% increase in rents. This follows the recommendation made to Full Council by OCPC on 4th February. This equates to an average increase of approximately £2.90 per week.
At its meeting on 5th February, OCPC members voted for a 3.5% increase rather than a 5% increase, which would be the relevant uplift to apply if the increase was calculated in line with the Governments rent restructuring and convergence policy. The rent convergence policy was introduced by the previous government and is about council housing rents converging with those charged by other registered social landlords. The overall rents should be set based on a combination of local rents, wages and salaries and property values.

In previous years, the rent convergence policy has been linked to increases in subsidy payments. Now that we have bought our stock from the government there is no longer a subsidy mechanism in place and so the potential financial penalty from not following the rent restructuring policy is no longer in place. However, any divergence from this rent convergence policy would impact on the income from rents.

In order to accommodate a 3.5% rather than a 5% increase in rents, the future revenue funding of the capital programme has been reduced by £265k to £5.56m per annum.

**HRA Balances & Risks**

The projected level of HRA balances in hand at the end of 2013/14 is around £6.5m. This includes a general reserve of £2m that is above the prudent minimum of £800k.

The £6.5m also includes a Borrowing Repayment Reserve of £400k. This will increase each year through a budgeted revenue contribution, so that the £71m of borrowing undertaken to buy the stock from the government in 2012 can be repaid over the next 30 years.

The other main reserve that makes up the £6.5m is a Housing Stock Reserve of £4m. Although this is not specifically earmarked for anything, it is intended that this will be utilised for any additional long term capital works that may be required over and above the annual budget of £5.8m on the housing stock. It can also be used to buy back any additional properties.

It is proposed that this level of reserves is maintained in order to address any medium-term risks to the ongoing viability of the HRA.

The most significant of these is the introduction of Welfare Reform, the need to repay borrowing and the ongoing capital investment required in the stock over the next 30 years.

3. **Options to be considered**

The budget savings and originally proposed rent increase of 5% has been subject to public consultation in December and January. If all proposals are agreed and can be implemented there is a net deficit of approximately £81k. This assumes a revised rental increase of 3.5%, offset by a reduction in future year’s capital programme, following OCPC on the 4th February. Every 1% represents approximately £175k. Therefore, if rents are not increased by 3.5%, either further savings will need to be made, or debt repayments will need to be restructured so that more is set aside in future years, or the housing capital programme which is fully funded from revenue will need to be reduced.

4. **Issues to be taken into account:**

   **Policy Priorities**

   Budgetary savings and expenditure should be clearly linked to the Council’s One Corby priorities.

   **Financial/Risks**

   These are referred to within the report. There is clearly a need to set a budget in line with the requirements of the Medium Term Financial Strategy.
Performance Information

Heads of Service are charged with delivering service improvements included in their service plan within the budgets allocated.

Legal

There is a legal requirement to set a robust budget and maintain minimum balances.

Human Rights, Equalities, Community Safety, Sustainability

Consideration will need to be given to the impact of the changes on all the above statutory and policy priority areas.

5. Conclusion

The budget process has highlighted a number of spending pressures and compensating efficiency and other savings.

The recommended average increase in Housing Rents of 3.5% is in line with the parameters of the MTFS.

6. Recommendations

That Full Council:

(i) Approve the Budget for 2014/15 as set out in Appendix A; and

(ii) Approve an Average Rent Increase of 3.5%

Background Papers

Budget Working Papers

Consultations

Public consultation on budget proposals was undertaken through December and January with a closing date of 17th January 2013. This included writing to each Parish Council, press and radio interviews, and public feedback through the Council’s website.

In total 18 individual responses were received. 10 supported the average rent increase of 5% and 8 did not. Suggestions for rent increases were 0%, 3% and in line with inflation. The only individual comment made was in relation to unnecessary repairs expenditure.

List of Appendices

Appendix A – HRA Proposed Budget Summary 2014/15

Appendix B - Variance Analysis 2013/14 to 2014/15

Wards

All

Officer to Contact

Adrian Sibley, Director of Corporate Services, 01536 464125
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<td>2013/14 Approved Budget</td>
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**Inflation & Other Cost Increases/Decreases**

- Increase in Pension deficit funding contribution: 45,240
- 2014/15 Pay award (excluding on costs): 52,520
- Increments Growth and Establishment changes: 20,640
- Insurance Recharges: 41,720

**Unavoidable Growth/Spending Pressures**

- RPI Increase on Kier Grounds Maintenance/Other: 3,640
- Council Tax on Void Properties: 25,000
- Mileages & Other: 7,740

**Efficiency and Other Savings**

- Salix Loan reduction: (5,880)
- Misc Supplies & Services: (7,430)

**Changes In Income Volumes**

- Dwelling Rental Income Increase MTFS: (730,340)
- Other Income Changes: (7,000)

**Growth/Savings under Consultation**

- Total growth as per OCPC 03/12/13:
  - Housing Strategy: 25,000
  - Reallocation of Service Recharge to HRA: 500,000

- Total savings as per OCPC 03/12/13:
  - Central Heating: (100,00)
  - Special Project: (16,500)
  - Training: (9,390)
  - Vehicle Fleet: (14,000)
  - Garages: (40,000)
  - Rent Cards and Letters: (3,000)
  - Tennant Participation Grants: (3,900)
  - Flat Utilities: (5,000)
  - Voids: (22,730)
  - Painting: (2,640)
  - Responsive Repairs Callout: (3,740)
  - Other Miscellaneous Costs: (17,000)

**Technical Adjustments**

- Provision for Debt Repayment: 500,000
- Intensive Housing Management: 60,050
- Central Support Service recharges: 76,902
- Item 8 - Debit: (19,800)
- Reduction in Revenue Contribution to Capital: (265,000)

**Variance between 13/14 Approved & 14/15 Draft Estimate**

85,102