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Date: 3 February 2015

Dear Councillor,

### **Overview and Scrutiny Committee**

A Meeting of the **Overview and Scrutiny Committee** will be held in the **Council Chamber**, on **Wednesday, 11 February 2015 at 18:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**  
Councillor Mrs. Plenderleith (Chairman), Councillor Atkin (Vice-Chairman) and Councillors Mrs. Hood and Mrs. Patten.

**Labour Group**  
Councillors Bambrick, Heath, Mrs. Mead and Pearson.



## **AGENDA**

### **Open to Public and Press**

- 1** Apologies
  
- 2** To receive the Open Minutes of the Meeting held on 22.10.2014 and 10.12.2014.  
Open Minutes 22.10.2014 **3 - 7**  
  
Open Minutes 10.12.2014 **8 - 10**
  
- 3** To note any declarations of interest arising from any items on the Agenda
  
- 4** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
  
- 5** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
  
- 6** HRA BUDGET 2015-2016 AND PROPOSED RENT INCREASE **11 - 20**
  
- 7** CEMETERY PROVISION (VERBAL UPDATE BY COUNCILLOR ATKIN)

### **Exclusion of the Public and Press:**

The Chairman may therefore move:-

That in accordance with Section 100 (A) of the Local Government Act 1972 the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.

- 8** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

Details

OVERVIEW AND SCRUTINY COMMITTEE

10<sup>th</sup> DECEMBER 2014

PRESENT:-

CONSERVATIVE GROUP

Councillor Mrs Plenderleith (Chairman), Councillor Atkin (Vice-Chairman), Councillor Mrs Hood and Councillor Mrs Patten

LABOUR GROUP

Councillor Bambrick, Councillor Mrs Heath, Councillor Pearson

OS/23. APOLOGIES

Apologies for absence were received from Councillor Mrs J Mead.

OS/24. DECLARATIONS OF INTEREST ARISING FROM ITEMS ON AGENDA

None received.

OS/25. QUESTIONS RECEIVED BY MEMBERS OF THE PUBLIC PURUSANT TO COUNCIL PROCEDURE RULE NO. 10

None received.

OS/26. QUESTIONS RECEIVED BY MEMBERS OF THE COUNCIL PURUSANT TO COUNCIL PROCEDURE RULE NO. 11

None received.

OS/27. PROGRESS REPORT ON NHS DENTAL SERVICE PROVISION (Verbal report by Councillor Mrs Patten)

Councillor Mrs Patten reported that a low response has been received on the dental provision. There does seem to be some provision in Swadlincote, although it seems there are some residents not using a dental service.

Hatton residents were looking towards Tutbury as there was no NHS provision across their own area. Quite a few residents in Hatton were on a dental plan and the same could be said for Hilton and Etwall.

Councillor Mrs Patten's recommendation would be to pass it on to County to find out why there has been no commissioning since 2006.

The Chair requested Councillor Mrs Patten to write a formal letter to Councillor Bambrick, which would formally finish off the review.

Kevin Stackhouse confirmed the number of responses from the on-line feedback was 12.

There have been gaps identified and the next step would be NHS England, which is a County issue.

Councillor Atkin read out an email he received from a private dental practice in Melbourne, stating that to understand how dental practices are funded can be difficult but went on to explain the current system as:

*'In 2006 a new contract was introduced. Prior to this the dentist was paid on a fee per item basis, so that every item had a charge. The new contract was different based around three bands.*

*Since 1<sup>st</sup> April 2006 NHS dentists in England and Wales have been paid according to how many "Units of Dental Activity" (UDA) they do in a year. The actual value of a UDA is set by the local Commissioning Group. The average value is around £20 and it varies around the country. In fact two practices on the same road may have totally different UDA values. Each dental procedure has been classified into a band which determines what patients pay and the amount of UDAs a dentist gets. The main bands are:*

*Band 1 (1 UDA) – Diagnosis, treatment planning and maintenance. Examination, x-rays, scale and polish, preventative work, for example an assessment of a patient's oral health, minor changes to dentures.*

*Band 2 (3 UDAs) – Treatment. Simple treatment, for example fillings (including root canal treatment), extractions and periodontal (gum) treatment.*

*Band 3 (12 UDAs) – Complex treatment that includes a lab element, for example bridges, crowns and dentures (excludes mouth guards).*

*The patient cost is:*

*Band 1 £18.50*

*Band 2 £50.50*

*Band 3 £219.00*

*If the patient is exempt from NHS charges (ie they are under 18 years or are a pregnant lady) then they obviously pay nothing. The money the practice receives from the patients that do pay is deducted from the monthly amount that is paid to the practice by NHS England.*

*At 1<sup>st</sup> April 2006 the total value of the practice contract was based on historic data. Each practice was set a figure of how many UDAs they had to provide each financial year. The Commissioning Group/Local Area Team allow a 2% under or over performance. No extra money is available for an over perform. If you under perform the options are to make up the shortfall in the next year (whilst also making the required target as well), or there is a withholding of monies. Also the contract is reduced the next year. This is sometimes viewed as a treadmill.*

*The contract is fixed. No extra money to increase this has been available. It is my understanding that the Local Area Team feel that the area has sufficient coverage of NHS dentistry, as patients could access NHS treatment in Swadlincote (25 mins away by car!!).*

*The NHS funding all comes from the Commissioning Groups, but ultimately from NHS England.*

*Private patients either pay as a fee per item basis, or via an insurance scheme, such as Denplan.'*

The Chair said she was happy to accept the recommendation for this to be passed on to County for further recommendation.

OS/28. **REVIEW OF CUSTOMER SERVICES AND PAYMENTS**

The Chair gave an overview on her visit, together with Councillor Mrs Heath to the Customer Services desk, Civic Offices at 10am Monday 3rd November and Monday 1st December. A member of staff took them through the Customer Services areas and behind the scenes to the Call Centre. They had the opportunity to ask questions. The waiting area was no more than a third full at any time and enquiries were being dealt within approximately 10 minutes.

During the visits they spoke informally to some of the residents who were waiting, asked why they were waiting and, if it was for Council Tax payments,

whether they would welcome a kiosk to make a quicker payment. Opinion was divided fairly equally: some would prefer to hand their cheque/cash directly to a person and were reasonably content to wait; others through the option of a kiosk would speed things up.

During both visits, they were able to see at first hand the processes Customer Services have put in place to reduce waiting times to the minimum – both in the Council Offices and over the telephone. They were satisfied that the processes were as efficient as possible – and it was the sheer volume of enquiries that was causing the pressure at peak times.

The Review was to also consider the installation of a kiosk. From visits to Derby City the Chair agreed kiosks would be a good idea. There are two machines in Derby City that deal with around 3,000 transactions per month. The machines have been in use for around two and a half years and in that time have only broken down three times. The Chair reported that these machines very easy to use and two machines in Derby City have replaced eight cashiers. South Derbyshire deals with around 2,500 payments but would probably be processing about 2,000 transactions. The cost of two machines would be in the region of £33,000. The only on-going costs would be a maintenance plan. Derby City would be happy to share their business case with SDDC.

Using machines would significantly reduce the flow of traffic through the office. People can pay until the offices close. Part payments can be taken by the machines. Cheques could be problematic, more like professional fees, need further investigation on this. Security wise it is good as the machines can take up to £9,000 as opposed to £1,000 from Customer Service Assistant before taking money out of front office.

The Chair confirmed she would be happy to submit a recommendation to Finance & Management to look at obtaining two machines and to look at the physical restrictions of the building to alleviate pressures on Customer Services.

Kevin Stackhouse said hopefully the recommendation will go to the special budget of F&M on 16<sup>th</sup> January 2015.

OS/29. **CEMETERY PROVISION UPDATE**

Kevin Stackhouse updated the committee, saying the main message being we are still struggling on our own managed sites to secure any more spaces. We have identified some land in Findern that would extend the cemetery space there. We know Etwall are under pressure for providing space for burials in

the future. He went on to say there is a piece of land at Newhall Cemetery we are looking at and also there is land at Findern, which is farm land but it is our land. Over time the farmer has encroached on it but we have claimed it back and fenced it off.

Councillor Atkin said from looking at the report he is not satisfied everything is covered within the cemetery provisions and would suggest creating a new data base of all the grave yards and cemeteries within South Derbyshire and all plots including those reserved. Councillor Atkin said he is happy to take on the project and will liaise with Malcolm Roseburgh. Chair confirmed she is happy for Councillor Atkin to work on this and bring it back to the meeting February/March 2015.

The meeting terminated at 6.40pm

MRS. A. PLENDERLEITH

CHAIRMAN

OVERVIEW AND SCRUTINY COMMITTEE

22<sup>nd</sup> OCTOBER 2014

**PRESENT:-**

**CONSERVATIVE GROUP**

Councillor Mrs Plenderleith (Chairman), Councillor Atkin (Vice-Chairman), Mrs Hood and Councillor Mrs Patten

**LABOUR GROUP**

Councillor Bambrick, Councillor Mrs Heath, and Councillor Mrs Mead

OS/14. **APOLOGIES**

Apologies for absence were received from Councillor Pearson.

OS/15. **MINUTES**

The minutes of the meeting held on 25<sup>th</sup> June 2014 were agreed as a true record.

OS/16. **DECLARATIONS OF INTEREST ARISING FROM ITEMS ON AGENDA**

None received.

OS/17. **QUESTIONS RECEIVED BY MEMBERS OF THE PUBLIC PURUSANT TO COUNCIL PROCEDURE RULE NO. 10**

None received.

OS/18. **QUESTIONS RECEIVED BY MEMBERS OF THE COUNCIL PURUSANT TO COUNCIL PROCEDURE RULE NO. 11**

None received.



OS/19. **PROGRESS REPORT ON NHS DENTAL SERVICE PROVISION (Verbal report by Councillor Mrs Patten)**

Councillor Mrs Patten reported that only a small number of responses have been received from the survey published on the website and via Twitter. She said he has publicised it as much as she can and is now planning to go out and talk to members of the public face to face. Date of closure for the survey is likely to be the end of November and she asked for members of the committee to pass details of the survey on to colleagues to help publicise it further.

Director of Finance & Corporate Services advised that a press release was issued but there was no take-up with the media to report on the subject.

Councillor Pattern suggested having the survey printed out and put in Councillors pigeon holes.

It was agreed to bring the verbal report back to December's meeting when a further update can be made.

OS/20. **FINANCE AND GOVERNANCE TRAINING SESSION UPDATE (Verbal explanation by Director of Finance and Corporate Services)**

The Audit Sub-Committee requested some up to date training which is taking place in November and opened it up to all members who wish to attend. The purpose of the training is to find out what the Audit Sub-Committee do and what internal and external audit do. Training will be delivered by the Audit Manager from Derby City Council. Around a dozen members have put their names forward so far.

OS/21. **DRAFT SCOPING DOCUMENT – CUSTOMER SERVICES AND PAYMENT FACILITIES AT THE CIVIC OFFICES (Additional item brought to the meeting by Director of Finance & Corporate Services)**

Director of Finance & Corporate Services advised on a report he put forward for consideration by the Finance and Management Committee on 16<sup>th</sup> October 2014, regarding the introduction of cash machines in the Civic Offices, for people paying bills. The report also considered the more fundamental issue of current payment facilities being withdrawn, together with the need to provide a better experience for people contacting the Council and visiting the offices with queries and looking for information.

The Finance Committee agreed that the issue of payment facilities should be reviewed by the Overview and Scrutiny Committee and that this should be part

of a wider review of Customer Services given the increasing demand from people contacting the Council.

Director of Finance & Corporate Services reported on the increase of number of transactions made by Customer Services over the last few years.

The Chair said she would be happy to take a lead on the matter and Councillor Mrs Mead said she would be happy to assist and come in to the Civic Offices to monitor customer services to undertake a service review.

**RESOLVED:-**

**That the Chair and Councillor Mrs Mead undertake a service review at the Civic Offices and verbally report back to the December meeting with a view to reporting back to the Finance Committee before its meeting on 15<sup>th</sup> April 2015.**

**RESOLVED:-**

**That the Director of Finance & Corporate Services liaise with Angie Lees to contact the Chair to organise the service review being undertaken.**

The Chair confirmed the acceptance of the draft Scoping document.

OS/22. **WORK PROGRAMME**

The Chair requested a discussion on the issue of Church Cemeteries for December's meeting. The Director of Finance & Corporate Services said he would ask Malcolm Roseburgh to attend and update the committee.

The meeting terminated at 6.40pm

MRS. A. PLENDERLEITH

CHAIRMAN

Request by Chair to put the work programme sheet at end of agenda.

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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>11 FEBRUARY 2015</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE &amp; CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/budget round 1516/base budget policy reports/6 HRA/budget report 15 16
<b>SUBJECT:</b>	<b>HOUSING REVENUE ACCOUNT BUDGET 2015/16 and PROPOSED RENT INCREASE</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE:</b>

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## **1.0 Recommendations**

- 1.1 That an average rent increase of 2.2% for tenanted properties is approved for 2015/16.
- 1.2 That the proposed estimates of income and expenditure for 2015/16 for the Housing Revenue Account are considered and referred to the Finance and Management Committee for approval.
- 1.3 That the updated financial projection on the HRA Business Plan as detailed in **Appendix 1** is approved.

## **2.0 Purpose of the Report**

- 2.1 As part of the annual financial planning cycle, the report details the Housing Revenue Account's (HRA) base budget for 2015/16. The report also sets out details of the proposed rent increase for 2015/16 in accordance with the strategy approved in the HRA Business Plan.

## **3.0 Detail**

- 3.1 During 2014, the Business Plan for the HRA was subject to a detailed review and update. This was to consider the resources available for New Build and to update the financial projection following the first 2 years of "self-financing" together with the impact of changes to the national rent setting guidelines, to be implemented in April 2015.
- 3.2 The Business Plan review was [Page 11 of 20](#) undertaken by a group consisting of members and tenants, supported by officers. The group reported in November 2014 and

the revised business plan, comprising a 30-year financial projection, was considered and approved by the Committee in December 2014.

- 3.3 This report confirms the base budget resources for 2015/16, with updates where necessary, together with the proposal for a rent increase in 2015/16. This is in accordance with the Policy approved in the updated Business Plan.

### **Formulating the 2015/16 Base Budget**

- 3.4 Many budgets have generally been calculated on an incremental basis, i.e. they are maintained at the same level as the previous year adjusted only for known changes and variations that have been identified through a restructure or efficiency programme. This approach is mainly applied to staffing costs.
- 3.5 However, many other budgets are subject to a base line review which is used to justify proposed spending. This process places greater responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner.
- 3.6 In addition to identifying possible budget savings, it can also identify potential cost pressures.

### **On-going Service Provision**

- 3.7 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 3.8 However, the full year effects of previous year's restructures and efficiencies are included, with any non-recurring items removed as identified in the report.

### **The Position entering the Budget Round**

- 3.9 The Financial Plan, approved in December 2014, was based on updated spending information following the 2013/14 budget out-turn for the HRA, together with changes following the previous review in January 2014.
- 3.10 Various factors are modelled into the Plan with assumptions regarding future interest rates and inflation. In addition, the Plan was based on:
- The approved first phase of the New Build programme starting in 2014/15.
  - Revisions to the staffing structure in Housing implemented in July 2014.
  - Recent increases in right to buy sales.
  - Base inflation for rent increases starting at 1.5% and rising to an average of 2.5% over the planning period.
  - An assumed rent increase of 2.5% in 2015/16

- An increase in interest paid on the variable element of the “self- financing debt.”

3.11 The Plan was fully costed over its 30 year life and showed a sustainable financial position whilst delivering the existing capital investment programme, repaying debt and delivering the 1<sup>st</sup> phase of the New Build Programme.

3.12 This was on the basis that the HRA’s General Reserve would remain at a minimum level of £1m from year to year as set out in the Council’s Financial Strategy.

### **Updated Budget 2015/16**

3.13 Most of the assumptions and variables in the financial plan remain unchanged following the base budget review. There have been 3 main changes and these relate to:

- The proposed rent increase in 2015/16 – reducing from 2.5% to 2.2% (*if approved*) due to a reduction in the base rate of inflation.
- The interest rate forecast on variable rate debt – reduced from 1.5% to 1.1% based on latest interest rates.
- The phasing of New Build – with the main projects currently approved commencing fully in 2015/16. The Business Plan had assumed that the New Build programme would commence in 2014/15. Although sites have been identified and a procurement exercise has been undertaken, actual works are not expected to start on site now until early in 2015/16.

3.14 Compared to the financial plan previously approved, this has increased estimated net expenditure in 2015/16 by £52,000. This has not materially affected the overall financial position in 2015/16.

### **Longer term Plan**

3.15 The financial model is established and is designed so that a £1m minimum balance is maintained on the HRA’s general reserve and that planned resources are set aside for debt repayment. These are the priority financial objectives to ensure that the Business Plan is sustainable.

3.16 Given that these two objectives are met, any increase or decrease in resources are reflected in the planned capital or new build programmes and these are flexed accordingly into the longer term. Effectively, the financial model is based on sustaining the core housing service.

3.17 Unless there is a significant change in resources in any year, this should not affect the short to medium term position. However, the cumulative effects of a change in one year, over 30-years, can affect the longer term aspirations built into the Plan.

3.18 The main focus of the Plan is over the medium term period of between 5 and 10 years. This ensures that any changes do not materially affect plans already in place to deliver the approved capital investment and new build programmes.

3.19 The updated 10 year projection is detailed in **Appendix 1**. A summary of the base budget for the HRA is shown in the following table.

HRA Base Budgets 2014/15 to 2015/16	Approved Budget 2014/15 £'000	Proposed Budget 2015/16 £'000	Change £'000
<b>INCOME</b>			
Rental Income	12,390	12,591	201
Void Losses	-81	-82	-1
Service Charges	140	140	0
Garage and Other Income	103	105	3
Grants & Recharges	284	284	0
<b>Total Income</b>	<b>12,835</b>	<b>13,038</b>	<b>203</b>
<b>EXPENDITURE</b>			
General Management	1,573	1,617	44
Supported Housing	839	756	-83
Bad Debt Provision	43	44	1
Responsive & Cyclical Repairs	3,287	3,395	108
<b>Total Revenue Expenditure</b>	<b>5,742</b>	<b>5,812</b>	<b>70</b>
<b>Add : Interest/Capital Adjustments</b>			
Interest Paid	1,599	1,685	86
Cost of Servicing Debt	275	8	-267
Interest Received from General Fund	-13	-16	-3
Depreciation	2,805	2,853	48
<b>Total Expenditure</b>	<b>10,408</b>	<b>10,342</b>	<b>-66</b>
<b>Net Operating Income</b>	<b>2,427</b>	<b>2,696</b>	<b>269</b>

3.20 The net operating income is transferred to the Major Repairs Reserve which is the fund used for the capital investment programme. The provision for depreciation is also transferred to this Fund.

3.21 The increase in rental income (subject to approval) assumes an average rent increase of 2.2% in 2015/16, adjusted for right to buy sales. The increase in responsive and cyclical repairs is in accordance with the main Business Plan and allows for inflation in the building cost index.

3.22 The cost of servicing debt in 2014/15 relates to the early termination payment on a fixed interest loan that was repaid on 2<sup>nd</sup> October 2014. This was reported to the Finance and Management Committee in December 2014. The subsequent savings on future interest payments of £48,000 per year were included in the Business Plan review.

## HRA Reserves

3.23 The HRA has 3 separate reserves as follows:

<b>Working Balance or General Reserve</b>	Held as a contingency with a minimum balance of £1m.
<b>New Build Reserve</b>	Accumulated Capital Receipts pending expenditure on building new properties. The financial model assumes that these are drawn down each year to finance New Build ahead of any further borrowing. Therefore, the carrying balance from year to year remains low.
<b>Debt Repayment Reserve</b>	Sums set-aside to repay the initial “self-financing” debt; contributions to the Reserve start from 2018/19 in accordance with the debt repayment profile.

## Key Variables and Assumptions

3.24 The Business Plan details the key variables on which the financial plan is based. These are summarised in the following table.

<b>Cost inflation</b>	Based on the latest economic forecast of 2.2% per year.
<b>Annual rent increase</b>	Inflation (as at September) as measured by the CPI +1% - based on the Government’s national rent guideline.
<b>Void level</b>	0.65% - based on historical levels.
<b>Supported Housing Grant</b>	£250,000 per year – cash limited.
<b>Right to Buys</b>	<ul style="list-style-type: none"> <li>• 2014/15 - 20</li> <li>• 2015/16 - 15</li> <li>• 2016/17 - 15</li> <li>• 2017/18 - 15</li> <li>• 2018/19 - 13</li> <li>• 2019/20 – 13</li> </ul>
<b>Capital Receipts</b>	In accordance with current policy, all HRA retained receipts (after Pooling) are reinvested back into New Build as part of the “1-2-1” agreement with the Government.

<b>New Build Units</b>	<ul style="list-style-type: none"> <li>• 2015/16 – 50 (financed)</li> <li>• 2016/18 – 60 (planned)</li> <li>• Up to 2024 – 130 (subject to resources)</li> </ul>
<b>Responsive and Cyclical Maintenance</b>	£950 per property per year, plus £350,000 per year for disabled adaptations.
<b>Capital Improvements</b>	£27m investment programme over the first 5 years of the Plan and then £36,659 per property over 30 years as identified in the latest stock condition survey.
<b>Interest Rates</b>	Predominantly fixed; £10m variable debt at 0.7%, in 2014/15 rising to 1.1% in 2015/16 and to 2% in 2019 at maturity.
<b>Minimum HRA Working Balance</b>	£1m

## Financial Risks

3.25 The Plan remains affordable if the above parameters and associated budgets are met. As planned at the outset of the self-financing framework, the HRA starts to generate surpluses after 2018/19 in order to repay debt.

3.26 The biggest risk is still considered to be future rent rises. The Financial Plan is fundamentally based on the Government's national rent guideline from 2015/16, i.e. inflation +1% year on year. If corresponding income levels are not achieved, this will have an effect on projected spending plans and investment.

## New Build Programme

3.27 A Phase 1 programme has been approved and initial contractors appointed. Land has been identified and assembled and some initial works undertaken. The main projects are expected to commence in 2015/16.

3.28 This phase has a budget of £5.4m and is being financed mainly from resources already in the HRA and accumulated capital receipts. It is planned to provide up to 50 new properties.

3.29 The Plan also allows for the HRA to borrow a further £8m up to its debt cap over the life of the plan. This is designed to maximise the amount of New Build within available resources.

3.30 Although the Plan allows for a further 60 properties by 2018 and then 130 up to 2024, each phase in the future will need to be subject to a separate financial assessment and appropriate approval. The Business Plan Group recommended that alternative delivery models should be considered in the future to achieve the aims set out in the Plan.



## Future Rent Levels

- 3.31 As previously reported, 2014/15 is the last year of rent restructuring and the convergence of all local rents to a level based on a national formula. From 2015/16, the Government's national rent setting policy is based on a guideline increase of inflation (as measured by the rate of CPI as at September) + 1%.
- 3.32 The Business Plan is based on this guideline. Therefore, all individual property rents, whether they have converged or not, will be increased from their actual level in 2014/15 based on this new guideline each year.

## Proposed Rent Increase 2015/16

- 3.33 The Consumer Price Index (CPI) stood at 1.2% in September 2014. After adding on 1%, the proposed increase for 2015/16 is **2.2%**.
- 3.34 Based on this proposal, the average rent level would rise to £80.59 per week in 2015/16 (£79.23 in 2014/15). The average increase is £1.73, with the highest being £2.21 and the lowest £1.27 per week.
- 3.35 The highest rented property in the current housing stock would rise to £102.63 per week, with the lowest at £59.02 per week.
- 3.36 The Council does not have to adhere to the national guideline. However, if a lower increase is set, the impact on the Business Plan would need to be assessed as it could affect its longer term sustainability.
- 3.37 For every ½% reduction, this would reduce resources by approximately £60,000 per year and cumulatively over 10 years, this would equate to £600,000.

## Limit Rents

- 3.38 If higher increase was set, then this would need to be considered against the Limit Rent set for the Council. This is effectively a cap (set by the DWP each year) that the Council's average rent needs to stay below, to avoid a financial penalty through loss of benefit subsidy for rent rebates.
- 3.39 For 2014/15, this limit was set at £79.58, which is just above the Council's average of £79.23. For 2015/16, the Limit Rent has been increased by the national guideline of 2.2%, to £81.33 per week.
- 3.40 The Council could increase its average rent by a further 74p per week (almost 1%) without being penalised. However, at that level, this would leave no leeway if the Council's average increased during the year through changes to overall stock numbers, for example right to buy sales. Changes can affect the average rent per week over a year.

## **Overall Rent Strategy**

3.41 As part of the Business Plan, the following Rent Strategy was approved:

- Let all New Build and acquired properties at Affordable Rent Levels, i.e. 80% of Market Rent (*these rents do not count against the Limit Rent*).
- Let all existing properties at their “old formula rent” if still below this level where they become void and then subsequently relet (*this is a continuation of existing policy*).
- Increase the rent annually of all properties at the national guideline of CPI + 1%.

### **4.0 Financial Implications**

4.1 As detailed in the report

### **5.0 Corporate Implications**

5.1 There are no other legal, HR or other corporate implications apart from that considered in the report.

### **6.0 Community Implications**

6.1 The proposed budgets and spending within the HRA provides the financial resources to enable many of the on-going services and Council priorities associated with council housing to be delivered to its tenants.

### **7.0 Background Papers**

7.1 HRA Business Plan – December 2014:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1730/Committee/367/Default.aspx>

APPENDIX 1

HOUSING REVENUE ACCOUNT UPDATED FINANCIAL PROJECTION (as at January 2015)

Year	2014.15	2015.16	2016.17	2017.18	2018.19	2019.2	2020.21	2021.22	2022.23	2023.24
All figures in £'000	1	2	3	4	5	6	7	8	9	10
<b>INCOME:</b>										
Rental Income	12,390	12,591	13,131	13,668	14,038	14,420	14,812	15,215	15,933	16,612
Void Losses	-81	-82	-85	-89	-91	-94	-96	-99	-104	-108
Service Charges	140	140	140	140	140	140	144	147	151	155
Non-Dwelling Income	103	105	108	110	113	116	119	122	125	128
Grants & Other Income	284	284	285	285	285	286	287	288	289	289
<b>Total Income</b>	<b>12,835</b>	<b>13,038</b>	<b>13,578</b>	<b>14,114</b>	<b>14,485</b>	<b>14,868</b>	<b>15,265</b>	<b>15,673</b>	<b>16,393</b>	<b>17,076</b>
<b>EXPENDITURE:</b>										
General Management	-1,573	-1,617	-1,659	-1,703	-1,745	-1,789	-1,833	-1,879	-1,929	-1,980
Supported Housing	-837	-756	-775	-794	-814	-834	-855	-877	-898	-921
Bad Debt Provision	-43	-44	-46	-48	-49	-50	-52	-53	-56	-58
Responsive & Cyclical Repairs	-3,287	-3,395	-3,501	-3,588	-3,678	-3,770	-3,897	-4,055	-4,200	-4,353
<b>Total Revenue Expenditure</b>	<b>-5,742</b>	<b>-5,812</b>	<b>-5,980</b>	<b>-6,133</b>	<b>-6,286</b>	<b>-6,443</b>	<b>-6,637</b>	<b>-6,864</b>	<b>-7,083</b>	<b>-7,312</b>
<b>Interest and Capital Adjustments</b>										
Interest Paid	-1,599	-1,685	-2,020	-2,120	-2,220	-2,269	-2,379	-2,533	-2,265	-2,622
Cost of Servicing Debt	-275	-8	-10	-8	-9	-9	-10	-11	-12	-13
Interest Received from General Fund	13	16	14	26	36	65	125	89	45	45
Depreciation	-2,805	-2,853	-2,977	-3,037	-3,099	-3,162	-3,228	-3,352	-3,468	-3,595
<b>Net Operating Income</b>	<b>2,427</b>	<b>2,696</b>	<b>2,604</b>	<b>2,842</b>	<b>2,908</b>	<b>3,049</b>	<b>3,135</b>	<b>3,003</b>	<b>3,611</b>	<b>3,579</b>
<b>APPROPRIATIONS:</b>										
FRS 17 /Other HRA Reserve Adj	94	1,236	0	0	0	0	0	10,000	0	10,000
Revenue Contribution to Debt/Capital	-4,245	-3,745	-2,695	-2,832	-3,053	-3,095	-3,129	-13,013	-3,537	-13,643
<b>Total Appropriations</b>	<b>-4,151</b>	<b>-2,508</b>	<b>-2,695</b>	<b>-2,832</b>	<b>-3,053</b>	<b>-3,095</b>	<b>-3,129</b>	<b>-3,013</b>	<b>-3,537</b>	<b>-3,643</b>
<b>ANNUAL CASHFLOW</b>										
	-1,724	188	-91	10	-145	-46	7	-10	74	-64
Opening HRA Balance	2,810	1,087	1,275	1,184	1,194	1,050	1,003	1,010	1,000	1,074
<b>Closing HRA Balance</b>	<b>1,087</b>	<b>1,275</b>	<b>1,184</b>	<b>1,194</b>	<b>1,050</b>	<b>1,003</b>	<b>1,010</b>	<b>1,000</b>	<b>1,074</b>	<b>1,010</b>
New Build Units Planned	0	50	50	10				50	39	45
Variable Interest Rate	0.70%	1.10%	1.60%	1.80%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

HRA Base Budgets 2014/15 to 2015/16	Approved	Proposed	Change	
	Budget	Budget		
	2014/15	2015/16	£'000	£'000
	£'000	£'000	£'000	£'000
<b>INCOME</b>				
Rental Income	12,390	12,591	201	
Void Losses	-81	-82	-1	
Service Charges	140	140	0	
Garage and Other Income	103	105	3	
Grants & Recharges	284	284	0	
<b>Total Income</b>	<b>12,835</b>	<b>13,038</b>	<b>203</b>	203
<b>EXPENDITURE</b>				
General Management	1,573	1,617	44	
Supported Housing	839	756	-83	
Bad Debt Provision	43	44	1	
Responsive & Cyclical Repairs	3,287	3,395	108	
<b>Total Revenue Expenditure</b>	<b>5,742</b>	<b>5,812</b>	<b>70</b>	70
<b>Add : Interest/Capital Adjustments</b>				
Interest Paid	1,599	1,685	86	
Cost of Servicing Debt	275	8	-267	
Interest Received from General Fund	-13	-16	-3	
Depreciation	2,805	2,853	48	
<b>Total Expenditure</b>	<b>10,408</b>	<b>10,342</b>	<b>-66</b>	-66
<b>Net Operating Income</b>	<b>2,427</b>	<b>2,696</b>	<b>269</b>	269
	5,232	5,549		