AGENDA ITEM 6

COMMUNITY AND SOCIAL AFFAIRS COMMITTEE

24 JANUARY 2017

JOINT REPORT OF HEAD OF CENTRAL SERVICES & HEAD OF COMMUNITIES & NEIGHBOURHOODS

REVENUE BUDGET PROPOSALS 2017-18 - HOUSING REVENUE ACCOUNT (HRA)

1.0 PURPOSE OF REPORT

1.1 To set the rents of Council dwellings, approve the HRA estimates for 2017-18 and set the working balance for 2017-18.

2.0 RECOMMENDATIONS

It is recommended that:

2.1 The Committee approve a rent decrease of 1% for all Council dwellings for 2017-18 with effect from 3 April 2017 and that when a property is re-let the rent continues to be brought into line with the Governments formula rent;

2.2 The estimates for 2017-18 be approved subject to the receipt of the limit rent Determination with delegated authority being given to the Head of Central Services in consultation with the Head of Communities & Neighbourhoods to amend the estimated working balance based on any changes to this determination;

2.3 The charge for communal cleaning remains at its 2016/17 amount whilst a new contract is procured, with any savings or additional costs to be included in the fees and charges report to be brought to this committee in September 2017 for the 2018/19 charge;

2.4 The Accommodation Support charge for Gretton Court for 2017-18 be reduced by £7.27 per week, being the staff element in this otherwise accommodation based charge, and instead £11.32 be charged for the move to the Intensive Housing Management Service in line with the other Sheltered Housing Schemes;

2.5 A working balance of £999,084 is budgeted for at 31 March 2018 based on a 1% rent decrease.

2.6 These estimates are approved subject to this committee's approval of the Housing repairs service & contract review report which is to be brought to an Ad Hoc meeting of this committee on Wednesday 1st February 2017, with delegated authority being given to the Head of Central Services in consultation with the Head of Communities & Neighbourhoods to amend this working balance based on the full amount approved in that report.

3.0 KEY ISSUES

3.1 Background

(a) The operation of the HRA is governed by the Local Government and Housing Act 1989. Some of the key requirements are detailed below:

- The HRA is a ring-fenced landlord account recording certain defined transactions arising from the powers conferred on local housing authorities by Part II of the Housing Act 1985 and certain provisions of earlier legislation;

- The Council has a duty to keep an HRA in accordance with proper accounting practices;
- The Council has a duty to produce and publish an annual budget for the HRA which avoids a deficit;
- The Council has a duty to review and if necessary revise that budget from time to time. If it appears that the HRA is heading for a deficit, all reasonable and practicable steps must be taken to avoid a deficit at the end of the year.

(b) Rent income is one of the main components of the HRA and the Government from 2015-16 stated that the increase was to be the September CPI figure + 1% so in 2017/18 rents could have been increased by 2%. In the budget in 2015 however, the Chancellor promised to reduce social rents by 1%, this means therefore that rents in 2017-18 will be 3% less (or £210k less) than they could have been. Rent restructuring is not being applied this year as all properties will have the 1% reduction. The average rent for 2017/18 will therefore become £75.77 per week.

This 1% reduction was announced to continue for 4 years and has a cumulative effect on the 30 year business plan of approx. £31m. Although no specific cuts in expenditure are currently envisaged, the annual contribution to the Regeneration & Development reserve is affected and has not been increased to the same level that it would have been had rents been increased by 2%. This will apply more each year as the target working balance is maintained.

(c) Each year the Department for Communities and Local Government (DCLG) continues to set a limit rent for each Council to apply to its housing stock in addition to the formula rent decrease noted above. If the Council continues to set rents above a prescribed "limit rent" then rent rebate subsidy limitation applies. This reduces the Council's entitlement to benefit subsidy, which ultimately has an initial impact on the General Fund (GF) as rent rebates are charged to the GF, but is then recharged to the HRA accordingly. During 2016-17 we have not reached the limit rent and so no charge to the HRA will apply. There will also be no impact of this recommended rent decrease to the HRA for 2017-18 in respect of this subsidy, which continues to apply under self-financing.

3.2 HRA Estimates and Rent Decrease Options

(a) A summary of the estimates for the HRA is attached at Appendix A.

(b) The table below shows the projected surplus and the year-end position for the HRA working balance. The 2017-18 figures assume that rents will reduce by 1%, compared to 2016-17.

	2016-17		**2017-18**
	Original Estimate	**Estimated Year End Position**	**Estimate**
	£	**£**	**£**
Surplus/Deficit (-) for year	-247,980	-400,490	-59,910
Working Balance B/fwd	1,264,080	1,459,484	1,058,994
Working Balance C/fwd	1,016,100	1,058,994	999,084

(c) The carried forward working balance is broadly within the target working balance of £750,000 and does allow for some level of flexibility.

(d) The Estimated Year End position is broadly in line with the current in-year forecasting.

(e) Under the Local Government Act 2003 new borrowing freedoms for Councils to fund their capital programmes if affordable and sustainable were introduced. This is known as prudential borrowing or unsupported borrowing and does not attract any form of Government financial support for the debt repayment. Where unsupported borrowing is undertaken for the HRA it is considered prudent to make a provision for repayment, however following self-financing reform the Government continues to impose a cap on HRA borrowing to the amount of the self-financing debt level. Local authorities are therefore no longer able to borrow amounts above this cap. The cap for MBC is £33.554m. The headroom between actual debt and the borrowing cap is expected to be around £2m at 1 April 2018, assuming no other borrowing is undertaken by the end of this or the next financial year.

(f) For the self financing settlement the Government has stated that the repayment of borrowing is not required but the Council can opt to repay the debt rather than build up cash reserves where it considers this to be in the best interests of the Council and the Housing Service. No repayment of debt is proposed in 2017-18.

3.3 **High Value Housing**

(a) An extended pilot for 2017-18 for Housing Association tenants to benefit from Right to Buy was announced in the Autumn Statement in November, which was confirmed by the Minister of State for Housing & Planning & Minister for London as funded by the Government. Had this been implemented as originally intended it would have meant that high value houses owned by the council would have needed to be sold or the equivalent value paid to the Government. This deferral means that no high value asset payments will be taken from Local Housing Authorities in 2017-18.

3.4 **Pay to Stay**

(a) The Government had consulted on a new pay to stay scheme whereby tenants earning over £31,000 (£40,000 in London) would be expected to pay an increased rent – upto the market rent.

(b) The government has now decided not to continue with this policy in its current compulsory form. There are therefore no cost implications from this policy.

3.5 **Additional HRA Support Allocation of Costs**

(a) With the movement to Universal Credit our most vulnerable tenants on housing benefit will see a change to the way their benefit is paid, instead of being paid direct to us as the landlord it will be paid direct to the tenant 4 weeks in arrears. We, as a Council have considered this and want to proactively use our resources now to help these vulnerable tenants to manage their money in order that they do not get behind in paying their rent and Council Tax as well as encouraging the move to more digital means of communication. The possible increase in arrears from the move to Universal Credit could be critical to the business plan as around 51% of our tenants are claiming housing benefit (as per the mid-year return), as an illustration 51% of 4 weeks rental income is estimated to be around £284k.

(b) Therefore included in these estimates is an additional contribution of £30k in 2017-18, to total £80k, to the General Fund from the HRA to support this via the Me and My Learning scheme.

3.6 **HAMP Update**

(a) Officers have updated the HRA Business Plan to take into account the changes to rent levels, updates to the capital programme and any known legislative changes.

This refreshed document will be brought to this committee in March.

3.7 **Communal Cleaning Charges**

(a) There will be a new procurement exercise to contract for the cleaning of communal areas, while in the meantime intermittent deep cleans are carried out. It is recommended that the 2016/17 charge to tenants remains the same for 2017/18 and any savings or additional costs from the new contract and the temporary deep cleans be worked into the 2018/19 charges.

3.8 **New Intensive Housing Management Charge to Gretton Court**

(a) The Support Service provided at Gretton Court will move to 'Help at Home from 1 February 2017, so that there is only 1 provider for both care and support. Therefore, as previously approved by this committee and the Policy, Finance and Administration committee, the wardened service is removed and the Intensive Housing Management Service will become operational providing Intensive Housing Support (separate to personal support). The charge to be applied for this service is £11.32 per week, as it is for other sheltered housing schemes which the council operates. The current staff element for the previously approved accommodation charge of £7.27 for Gretton Court residents will be removed, reducing this charge to £29.65 per week for 2017/18. No other charges to the residents are expected to change following this move.

3.9 **Housing Repair Contract**

(a) This review is to be brought to an ad-hoc meeting of this committee on 1st February 2017, with its proposed costs, not yet being built into these estimates. Any approval that committee gives will require these estimates to be updated under the delegated authority of the Head of Central Services in consultation with the Head of Communities & Neighbourhoods.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 There are no further policy and corporate implications arising from this report.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 Full financial and other resource implications are addressed in this report and at Appendix A.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 There are no legal implications directly arising from this report.

7.0 COMMUNITY SAFETY

7.1 There are no direct links to community safety arising from this report.

8.0 EQUALITIES

8.1 An Equalities Impact Assessment has been considered for the budget by the Head of Communities & Neighbourhoods which confirms that there are no specifically adversely affected groups and therefore no action plan is necessary. Rent levels are assessed based on the property and not on the occupants from any particular groups. The tenants are allocated properties in line with the Council's Allocation Policy and Choice Based lettings scheme, which have previously been assessed and the ability to pay is assessed through Housing Benefits assessments.

9.0 **RISKS**

9.1 Self-financing puts new pressures on the Council to continue to provide decent housing for its tenants outside of the subsidy system. The requirement to profile spending to need may mean that large short-term balances within the HRA are built up and it is imperative that these balances are saved for future spending.

9.2 Further risks in regard to the self financed HRA have been identified as follows:

LIKELIHOOD

A	**Very High**				
B	**High**	**4**			
C	**Significant**		**7**	**8**	
D	**Low**			**3,5**	
E	**Very Low**			**1,2,6**	
F	**Almost Impossible**				
		Negligible 1	**Marginal 2**	**Critical 3**	**Catastrophic 4**

IMPACT

Risk No	Risk Description
1	Interest Rate fluctuation on short and long term borrowing undermines the business plan
2	Proportion of RTB receipts not retained within the HRA due to pressures on other funds
3	Long term ability to fund stock to ensure kept within the decent homes standard
4	Impact of the inability to borrow beyond the self-financing cap to fund capital repairs
5	Maintenance of stock within budget constraints
6	Robustness of stock condition survey
7	Impact on the business plan of the determination on high value housing properties in future years
8	Increase in arrears following introduction of Universal Credit and the inability of tenants to manage their funds and prioritise rent payment

10.0 **CLIMATE CHANGE**

10.1 There are no climate change issues directly arising from this report.

11.0 **CONSULTATIONS**

11.1 The Budget Holders and the Head of Communities & Neighbourhoods carried out the review of estimates with the assistance of the Service Accountant as required with reference to current budget monitoring protocols.

11.2 The Tenants Forum Executive Committee has been consulted on this report on 13 December 2016.

12.0 **WARDS AFFECTED**

12.1 All wards are affected.

Contact Officer:	Carol King
Date:	5 January 2017
Appendices:	Appendix A – HRA estimates
Background Papers:	Oracle Financial Reports HRA Budget Setting Working Papers
Reference:	X: Committees/CSA/201617/24-1-17/HRA Revenue Budget Proposals 2017-18