REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**OVERVIEW AND SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**13 FEBRUARY 2013** **20 FEBRUARY 2013** **20 FEBRUARY 2013**
SUBJECT:	**DRAFT HOUSING REVENUE ACCOUNT 2013/14**
REPORT FROM:	**CABINET MEMBER FOR FINANCE AND RESOURCES AND CABINET MEMBER FOR NEIGHBOURHOODS AND REGENERATION**
CONTACT OFFICER:	**MIKE OWEN, EXECUTIVE DIRECTOR OF RESOURCES** **STEPHEN KENYON, ASSISTANT DIRECTOR OF RESOURCES (FINANCE AND EFFICIENCY)**
TYPE OF DECISION:	**COUNCIL**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain
SUMMARY:	The report details the proposed Housing Revenue Account for 2013/14 and explains that the Government's rent policy and convergence timetable would lead to an average rent increase for Dwellings and Garages of 5.0%. As a result of the introduction of rent restructuring individual property rents are now set according to their valuation, size and relative local earnings resulting in a range of rent increases/decreases throughout the Borough; these are detailed in the report on the basis of the Government's policy. The report also considers amended charges for Sheltered Support, Amenities and Heating and Furnished Tenancy charges.
OPTIONS & RECOMMENDED OPTION	The HRA Self-Financing settlement received by the Council assumes that the Council will increase target rents by the guideline rent increase and continue the

	process of rent restructuring based on formula rents with a restructuring period that assumes convergence in 2015/16. As a result the report is prepared on the basis of the Government's policy which leads to a 5.0% average rise. Members are reminded that any increase below the guideline would result in a reduction in rental income which may impact both on the authority's ability to work towards implementing target rents and may affect achievement of other aspects of the HRA Business Plan. Cabinet is recommended to note the report and request that the Council should consider all matters relating to the Housing Revenue Account 2013/14, the increase in Council House and garage rents and changes to other charges. Council is recommended to: (a) approve the Housing Revenue Account estimates set out in Appendix 1 subject to later amendment to reflect the agreed Management Fee payable to Six Town Housing. (b) increase the average Rent by 5.0% from the first rent week in April with actual rent increases/decreases on individual properties being determined by the rent formula. (c) approve that the first week of 2013/14 be an additional non-collection week as 2013/14 is a 53 week year. (d) increase Garage rents by 5.0% from the first rent week in April. (e) amend Sheltered heating charges from the first rent week in April in line with the proposed charges in this report. (f) continue the scheme of protection for the Sheltered Support Charges. (g) approve that Sheltered management, support and amenity charges and Furnished Tenancy charges remain unchanged from the first rent week in April.

IMPLICATIONS: **Corporate Aims/Policy Framework:**	The proposals accord with the Policy Framework
Statement by Section 151 Officer:	Financial and risk implications are detailed in the report.
Statement by Executive Director of Resources:	The report fully details the Housing Revenue Account for 2013/14.

	There are no other direct resource implications although the extent of the contribution into the Headroom Reserve may influence asset management issues relating to the housing stock.
Equality/Diversity implications:	
Considered by Monitoring Officer:	
Are there any legal implications?	No
Staffing/ICT/Property:	There are no direct staffing, ICT or property implications arising from this report although the HRA budget impacts on these areas.
Wards Affected:	All
Scrutiny Interest:	Overview and Scrutiny Committee

TRACKING/PROCESS **DIRECTOR: MIKE OWEN**

Chief Executive/ Management Board	Executive Member/Chair	Ward Members	Partners
	Yes		
Scrutiny Committee	Cabinet	Committee	Council
13 February 2013	20 February 2013		20 February 2013

1.0 INTRODUCTION

1.1 The Housing Revenue Account (HRA) is primarily a 'landlord account', recording revenue expenditure and income relating to the authority's own housing stock.

1.2 The HRA is a ring-fenced account i.e. the authority does not have any general discretion to transfer sums out of the HRA, or to support the HRA with contributions from the General Fund, (there are certain circumstances where transfers are permitted or prescribed but these are exceptions).

1.3 From April 2012 the Government introduced a self-financing funding system whereby the HRA now retains its rental income locally and uses this to provide for management, maintenance and major works to the housing stock. To effect this change in funding each authority had their housing 'business' valued and this required us to take on £78.3m of HRA debt

1.4 The Government's calculation of our Self-Financing valuation was made on the assumption that we will adhere to the rent policy and the timetable for convergence; if rents are not increased in line with this then resources will be lost from the HRA which may impact on the longer term business plan and could require higher rent increases in future years or mean that Council and customer priorities for investment cannot be met.

1.5 In April 2005 Six Town Housing was established as an Arms Length Management Organisation (ALMO) to manage and maintain the authority's housing stock and related assets. A Management Agreement was signed between Six Town Housing and Bury Council which details the responsibilities that are delegated to the ALMO.

1.6 Bury Council agrees the level of Management Fee payable from the Housing Revenue Account to Six Town Housing for the provision of the delegated responsibilities; the fee agreed for 2012/13 is £12,718,600.

1.7 For 2013/14 the HRA is expected to have an average stock of 8,159 dwellings. The self-financing valuation was based on assumed levels of Right to Buy Sales for each authority. Our settlement assumed that we will have 37 RTBs in 2013/14 so the HRA estimates have been prepared on this basis. If the level of sales is below this figure, which given the current level of activity is likely to be the case, then this will result in more rental income to the HRA than has been assumed.

1.8 As a result of the HRA being a ringfenced account, any surplus or deficit on the HRA is carried forward into the next financial year and is called the working balance. Section 5 of this report contains an assessment of the minimum level of balances to be held.

1.9 The implementation of the Government's Welfare Reforms will have an increasing impact on the Housing Revenue Account and on the 70% of tenants who are entitled to support with their rent. The biggest impact in 2013/14 is expected to result from the introduction of the under occupation 'charge' (the so-called Bedroom Tax). From April 2013 tenants who are deemed to have one or more spare bedrooms will see their Housing Benefit reduced and will be expected to pay the balance of the rent due themselves. This change is expected to affect over 900 tenants and will result in a reduction in benefits totalling approximately £0.500m per annum which in term clearly poses a risk to the HRA's income. Affected tenants have been contacted by letter (produced jointly by Six Town Housing and the Council's Benefit Team) and Six Town Housing intends to follow this up with visits to each tenant.

1.10 The introduction of the Universal Credit, which will see benefits paid directly to the majority of claimants, as opposed to a simple transfer from the Council into rent accounts, is expected to have a huge impact on collection rates for rents and other charges. Currently around 70% of HRA rental income comes directly from Housing Benefit meaning that once the implementation of Universal Credit is completed £20.9m of HRA income will be have to be collected from tenants, presenting a large risk to income streams (based on the total assumed rental income for 2013/14).

1.11 The implementation of Universal Credit is due to be rolled out in three phases:

- Phase 1 (October 2013 to April 2014) will start to see some new claims to current benefits and credits phased out. Current advice from DWP is that certain types of claims in Bury will start to migrate from January 2014.

- Phase 2 (April 2014 until the end of 2015) will see some specified groups of existing claimants whose circumstances have not changed begin to be migrated. It is expected that the majority of these households will either have people in part-time work or be economically inactive.

- Phase 3 (end of 2015 to end of 2017) will see all remaining households transferred to Universal Credit.

1.12 The introduction of Universal Credit and direct payments will also impact on costs incurred by the Council and Six Town Housing, for example, increased 'cash' transaction costs.

1.13 Finally, many tenants will also be affected by the 10% cut made by the Government in their support towards the cost of Council Tax support.

2.0 RENT INCREASE 2013/14

2.1 In December 2000 the government issued a policy statement entitled 'The Way Forward for Housing' which proposed that rent setting in social housing should be brought onto a common system based upon relative property values and local earnings levels. The aim is that rents on similar properties in the same area should be the same no matter who is the landlord.

2.2 In order to achieve the objectives set out in the policy statement there is now a common formula for both Local Authority (LA) rents and those of Registered Social Landlords (RSL). Restructuring and convergence of LA and RSL rents was originally intended to be completed over 10 years i.e. April 2002 to March 2012. The target date for completion has been revised by the government on more than one occasion and currently stands at 2015/16.

2.3 Under the current system a Target Rent is calculated for each dwelling. The target rent increases each year in line with the government's guideline which is usually the Retail Price Index (RPI) for the previous September plus 0.5%. The current rent then moves towards the target rent with reference to the current convergence timetable. Individual rent increases are 'capped' at RPI plus 0.5% plus £2.00 per week (on a 52 week basis).

2.4 At the Council meeting in February of last year an average increase of 7.63% was recommended, this being in line with the rent setting policy and convergence timetable, however a subsequent amendment was agreed that increased the rents by lower average figure of 6.2%.

2.5 For 2013/14 the rent increase calculation is based on 2.6% (being the RPI for September 2012) and a convergence date of 2015/16. Individual rent increases should be capped at 2.6% + 0.5% + £2.08 per week (on a 50 week basis). Feeding the guideline increase and the restructuring period into Bury's housing portfolio results in an average increase of 5.0% and an average rent of £74.54 (on a 50 week basis).

2.6 The Government has set a weekly average limit rent for Bury of £76.08 (50 week basis). If average rents were to rise above this limit rent then Subsidy on Rent Rebates will be restricted. There appears to be little danger of this limit being reached and so the figure is provided for information only.

2.7 Whilst the figures contained in the report are based on the national rent model the introduction of the self financing system does mean that the Council has more freedom regarding the level of rents that it sets (although the national rent policy continues and the calculation of the debt taken on by Bury assumed the achievement of rent convergence by 2015/16). Increases lower than that indicated by applying the national rent policy would result in rental income being lost to the HRA in 2013/14 and the following years.

2.8 Bury's rents are currently collected on a 50 week basis with 2 non-collection weeks in December. 2013/14 will be a 53 week year therefore it is proposed that there be an additional non-collection week at the beginning of 2013/14.

2.9 Currently Housing Benefit for our HRA tenants is paid in line with the 50 week collection basis. However the introduction of Universal Credit will see claimants receiving payments 4 weekly in arrears on the basis of a 52 week year. This means that there is a risk that tenants in receipt of Universal Credit could fall into arrears as the weekly rent due on a 50 week basis will be higher than the amount included in their direct payment. In light of this a review of the collection basis will be undertaken in 2013/14 in consultation with customers and stakeholders.

2.10 The following table shows the difference between the current rents and the rents for 2013/14 as calculated under the formula. The calculations show the effect of the authority's target rents rising in line with the national rent policy i.e. an average increase of 5.0%. The rents shown in the table are all on a 50 week basis.

TYPE	NUMBER OF BEDROOMS	VALUATION AT JAN' 1999 VALUES	RENT 2012/13	PROPOSED RENT 2013/14	INCREASE OVER ACTUAL 2012/13 RENT		RANGE OF INCREASES HIGHEST	LOWEST
		£	£	£	£	%	%	%
Bed-sit	0	22,807	55.49	58.40	2.91	5.2	7.8	4.0
Bungalow	1	30,705	64.48	68.02	3.54	5.5	6.7	4.0
Flat	1	28,392	63.56	66.88	3.32	5.2	6.9	2.9
House	1	29,410	65.12	68.25	3.13	4.8	4.8	4.8
Bungalow	2	39,487	76.41	79.83	3.42	4.5	5.4	3.8
Flat	2	29,546	70.32	73.83	3.51	5.0	6.3	2.5
House	2	34,641	72.93	76.51	3.58	4.9	7.6	3.0
Maisonette	2	31,132	72.13	75.58	3.45	4.8	4.9	4,8
Flat	3	29,702	75.27	79.33	4.06	5.4	5.8	2.6
House	3	37,567	80.22	84.05	3.83	4.8	6.7	2.5
Maisonette	3	33,843	78.84	82.52	3.68	4.7	4.9	4.3
House	4/6	38,619	87.50	91.34	3.84	4.4	5.7	3.1
		32,577	**70.99**	**74.54**	**3.55**	**5.0**	**7.8**	**2.5**

2.11 The last two columns in the table show the range of increases and decreases for individual properties within each category. The numbers of properties at the extremes of these ranges is often only a minority of the number of properties in the category.

2.12 Appendix 2 contains forecasts of the number of properties in various rent decrease/increase bands.

2.13 There are currently 380 HRA owned garages (of which 215 are currently let). Garages are charged for at the rate of £6.06 per week (50 weeks). The last increase was in April 2012 when the charges rose in line with the percentage increase in council house rents; increases for 2013/14 in line with the proposed rent increase of 5% would result in a weekly increase of £0.30 giving a rate of £6.36 per week (over 50 weeks);

2.14 Following a review of garage sites across the Council a report was taken to Cabinet on 28 November 2012. Cabinet accepted the recommendations of the Review Team regarding the proposed future use of a number of garage sites.

3.0 SHELTERED AND FURNISHED TENANCIES CHARGES

3.1 Supporting People

3.1.1 New funding arrangements for supported accommodation were introduced from April 2003 which had a major impact on the way Sheltered Accommodation is funded; charges for support costs are no longer eligible for Housing Benefit but instead a subsidy is paid for eligible tenants from a locally administered Supporting People 'pot' that also funds other supported accommodation in the Borough.

3.1.2 The costs associated with Sheltered communal areas are not eligible as support costs and therefore from April 2003 a separate amenity charge was levied for tenants in affected schemes.

3.2 Sheltered Management and Support Charges

3.2.1 The management and provision of Sheltered support services are provided by Adult Care Services for which they receive payment from the Housing Revenue Account.

3.2.2 With effect from April 2008 all Sheltered tenants have been charged the same weekly charge. Charging in this way is a much fairer system as all tenants receive the same level of service.

3.2.3 Following a review of the costs of the services provided by Adult Care Services, to ensure that the costs of management and support were charged for appropriately, a Sheltered Management charge was introduced in 2012/13. This charge covers additional housing management costs that should not be funded through Supporting People funding.

3.2.4 It is proposed that the current Sheltered Management charges remain unchanged for 2013/14:

Standard weekly charge per unit (on a 50 week basis):

Sheltered schemes (other than Extra Care)	£10.18
Extra Care schemes (Falcon House/Griffin House)	£14.17

3.2.5 These charges will be eligible for Housing Benefit purposes and it is expected that benefits will be payable to accepted claimants.

3.2.6 Following the review of the charging structure and the introduction of the Sheltered Management charge the standard weekly Support Charge per unit was reduced to £8.33 (on a 50 week basis) for 2012/13. It is proposed that this charge remains unchanged for 2013/14. This charge applies at all Sheltered schemes other than the Extra Care schemes at Falcon House and Griffin House and is eligible for Supporting People funding for eligible tenants.

3.2.7 There are currently 2 remaining tenants receiving protection as they were existing tenants, not in receipt of housing benefit, who would have been unduly affected by the introduction of the standard weekly charge in April 2008. It is proposed that this protection should be continued; the proposed reductions in the weekly charge are:

- Elms Close £2.96
- Maple Grove £2.21

The total cost to the HRA of the protections proposed is £258 in 2013/14.

3.2.8 An Extra Care Sheltered Scheme has been established covering the Falcon House and Griffin House schemes. There are different support charges which reflect different levels of support offered dependant on the assessed needs of the individual tenants; this support is provided by Adult Care Services and they will be reviewing the charges for 2013/14.

3.3 Sheltered Amenity Charges

3.3.1 It is proposed that the current Sheltered Amenity Charges remain unchanged for 2013/14; therefore the charges per unit per week (over 50 weeks) will be as shown in the table below with Appendix 6 detailing the total Sheltered Management, Support and Amenity Charges for each scheme:-

	Current Charge / Proposed Charge 2013/14 £
Clarkshill	15.45
Elms Close	1.80
Falcon House	9.03
Griffin House	8.76
Harwood House	17.53
Moorfield	20.06
Mosses House	15.91
Stanhope Court	8.07
Taylor House	17.90
Top O'th Fields 1	17.27
Waverley Place	18.97
Wellington House	25.66

3.3.2 Amenity charges are eligible for Housing Benefit purposes and it is expected that benefits will be payable to accepted claimants.

3.3.3 The proposed amenity charges reflect anticipated void levels for those schemes where current voids are below 12%; for those schemes with higher current void levels 12% has been assumed. Void levels can vary considerably between schemes and over time therefore there are likely to be gains or losses in terms of the amount of income collectable. Should there be a significant increase in the actual level of voids above the estimate then the income target assumed within the HRA will not be achieved.

3.4 Sheltered Heating Charges

3.4.1 Heating charges are only levied at Sheltered schemes where there is a communal heating system with no separate metering of individual consumption; the aim of the charges is to recover the actual energy costs incurred at each scheme.

3.4.2 The present and proposed heating charges per unit per week, (exclusive of VAT), are:-

	Present Charge £	**Proposed Charge 2013/14 £**	**Proposed Increase/ (Decrease) %**
Taylor House	16.63	17.29	4.0
Clarks Hill	10.29	11.67	13.4
Waverley Place	14.14	16.80	18.8
Harwood House	14.29	16.22	13.5

3.4.3 The above Sheltered schemes are part of the Council's overall procurement of energy and the proposed charges are based on expected contract prices and estimated levels of consumption.

3.4.4 Heating Charges are not eligible for Housing Benefit however most Sheltered Tenants should be eligible for Winter Fuel Payments; for winter 2012/13 the rates for these are £200 per household for those born on or before 5 July 1951, rising to £300 per household for those aged 80 or over at 23 September 2012.

3.5 Furnished Tenancies Charges

3.5.1 A Furnished Tenancy Scheme was introduced during 2005/06. The scheme provides furniture packages for which an additional weekly charge is payable.

3.5.2 The scheme is currently being expanded on a self funding basis with a planned increase of 20% per annum in the number of furnished tenancies. There are currently 196 furnished tenancies.

3.5.3 Furnished Tenancy charges are eligible for Housing Benefit purposes and therefore benefits should be payable to accepted claimants. The introduction of Universal Credit and direct payments will mean that there is an increased risk of non-payment of these charges.

3.5.4 Increases in charges to cover inflation in the costs of the scheme e.g. costs of replacement furniture and fittings are normally implemented from the first rent week in April of each year. However it is proposed that the current charges remain unchanged for 2013/14 as efficient procurement continues to deliver stability in replacement costs. The current weekly charges, (on a 50 week basis), are:

- 1 bed property £17.92
- 2 bed property £21.10
- 3 bed property £24.28

4.0 HOUSING REVENUE ACCOUNT PERFORMANCE

4.1 Voids

4.1.1 The rent lost on empty properties is projected to be 1.52% over the course of 2012/13; this will mean an increase in rent income of approximately £136,000 as the original budget allowed for a void level of 2%.

4.1.2 The level of void loss for 2013/14 has been assumed at 1.8% which should be an achievable target given current performance but recognises that there may be an impact on void levels from the implementation of welfare benefit changes such as the Bedroom Tax; if the target is not achieved then there would be a reduction in rental income to the HRA. The assessed level of minimum HRA balances for 2013/14 allows for this possibility as discussed in section 5.

4.1.3 If the target was to be exceeded then this would result in an increase in rental income to the HRA which could either be carried forward into 2014/15 or targeted during the coming financial year for service developments.

4.1.4 Appendix 3 details the loss or increase in rental income at different void levels if the 1.8% is not achieved in 2013/14.

4.2 Rent Arrears

4.2.1 The opening arrears and current levels for 2012/13 are shown in the following table. The figures reflect the fact that around £135,000 of Former Tenant Arrears has been written off during 2012/13. Write offs totalling £20,000 are awaiting approval and it is anticipated that a further £40,000 could be written off before the end of 2012/13. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

	Opening Arrears 2012/13 £	Current Position £	Increase/ (Reduction) in arrears £
Current Arrears	443,200	538,800	95,600
Former Tenant Arrears	348,800	329,800	(19,000)
	792,000	868,600	76,600

4.2.2 Authorities are required to make suitable provision, in accordance with proper accounting practices, to cover the write-off of rent and service charge arrears.

4.2.3 The Bad Debt Provision for rent arrears, which is held on the Authority's Balance Sheet, stood at £594,200 at the beginning of this financial year. The requirement for the year is calculated with reference to the type of arrear and the amount outstanding on each individual case.

4.2.4 The original budget for 2012/13 allowed for additional contributions to the provision totalling £252,100; £151,300 for uncollectable debts and £100,800 for the impact of benefit reforms. Looking at the arrears position, it is now estimated that the additional provision can be reduced to £171,000 in 2012/13. All things being equal this suggests that the Provision will stand at £570,200 at the end of 2012/13 against arrears of £868,600.

4.2.5 The 2013/14 estimates allow for additional contributions to the provision, totalling £608,100:

- For uncollectable debts £182,400
  This figure represents 0.6% of the rent roll and is an increase over the expected contribution in the current year; this is to reflect the volatility in arrears levels and the higher rent levels assumed for 2013/14.

- For the impact of benefit reforms £425,700
  This figure represents 1.4% of the rent roll and has been included as an additional contribution to the Bad Debt Provision to reflect the potential impact that welfare benefit changes, particularly the introduction of under occupation charges, could have on the level of rent arrears.

4.2.6 If the arrears position is not as severely impacted upon as has been estimated then a lower contribution may be required which would release additional resources in the HRA; conversely if the arrears position should deteriorate more significantly then additional contributions to the Bad Debt Provision could be required and these would need to be found from the HRA balances. The position is kept under regular review and reported to members in the quarterly Finance and Performance Monitoring Report.

4.3 Rechargeable Repairs

4.3.1 The amount due from tenants for rechargeable repairs currently stands at around £644,000 of which £531,300 is debt over 1 year old. Of the debt over 1 year old around £380,000 appears to be static debt i.e. there have been no payments received at all. Accounts totalling £127,600 are identified as potential write offs.

4.3.2 The Bad Debt Provision for rechargeable repairs, which is held on the Authority's Balance Sheet, currently stands at £609,800. The HRA estimates for 2012/13 and 2013/14 allow for a £50,000 contribution to this provision in each year therefore, taking into account the expected write offs, at the end of 2013/14 the provision will stand at £582,200; this amount will be reduced by the amount of any further write-offs done before the end of 2013/14. Given the level of Bad Debt Provision that has now been built up the HRA should not need to routinely make contributions to the provision in future; the balance on the Bad Debt Provision will be monitored to ensure that it provides adequate cover.

4.3.3 Accounts raised are subject to established recovery procedures with reminders/final notices being routinely issued and accounts passed to collection agencies (for debts under £750) where payment is not received or instalment arrangements agreed. Billing and recovery arrangements will be continually reviewed to ensure effective recovery.

5.0 2013/14 HOUSING REVENUE ACCOUNT (HRA), HRA CAPITAL RESOURCES AND THE HRA WORKING BALANCE

5.1 2013/14 Housing Revenue Account

5.1.1 The Housing Revenue Account Estimates are set out in Appendix 1. These estimates are subject to the final agreement of the Management Fee payable to Six Town Housing for 2013/14.

5.1.2 Clearly the most significant impact on the HRA for the coming year and increasingly in future years is from the implementation of welfare reforms; this is a key factor in the determination of the HRA working balance.

5.1.3 Other areas worthy of note that have not been covered in other sections of this report are:

- The Housing Revenue Account pays a Management Fee to Six Town Housing to provide the services delegated under the ALMO Management Agreement. The level of this Management Fee for 2013/14 is currently being finalised between Six Town Housing and the Council. The HRA Estimates for 2013/14 assume the Management Fee to be £12,718,600 this being the agreed level for the current financial year; any changes to this figure during negotiations will impact on the level of HRA balances.

- Under the new self-financing regulations, the Council no longer has to pay Housing Subsidy to the Government (approx £6 million pa), however the Council has to inherit housing debt calculated by the Government (£78m). In simple terms, the saving on subsidy more than pays for the servicing of both the existing and the newly acquired HRA debt and so this leaves a degree of "headroom" within the 30 Year Business Plan.

  The headroom means that additional funds are potentially available to support investment in the Housing Stock and/or any other Council housing priorities, including a revised rent strategy. It is important that any investment is undertaken prudently and on a sustainable basis and for this reason headroom monies are currently being set aside in a reserve pending the completion of key studies, e.g. Housing Stock Asset Management Plan and the Housing Strategy.

  Having said this, it is very clear that headroom monies should not be retained unnecessarily and it is recognised that tenants will wish to see these monies returned in one way or another. Once the key documents mentioned above are available in spring 2013 then Members will be in a position to quickly make sound decisions on the utilisation of the headroom, and this will be done in consultation with Six Town Housing and tenants.

- Springs Tenant Management Co-operative (TMO) have undertaken a tenant-led Stock Options feasibility study to look at the potential for a small scale voluntary transfer of the properties covered by their Management Agreement. Further work is being undertaken to update the feasibility study and understand the full impact of any potential transfer on the HRA Business Plan and on Springs' own business model. Work is progressing on this matter although no provision has currently been made within the HRA for any additional costs that may arise.

5.1.4 The detailed Housing Revenue Account shown in Appendix 1 assumes an increase in rents equivalent to an average of **5.0%**.

5.2 HRA Capital Resources

5.2.1 The introduction of a self-financing HRA system means that major works to the housing stock are now funded from rental income. The identification and timing of future major works are key factors in the development of the 30 Year HRA Business Plan.

5.2.2 Six Town Housing have developed an Asset Management Strategy in consultation with customers and stakeholders. This will inform the Housing Strategy and the HRA Business Plan. However as discussed in 5.1.3 any investment needs to be undertaken on a sustainable basis and in line with the Council's overarching Housing Strategy, which is due to be completed in the early part of 2013/14..

5.2.3 At this stage it is therefore proposed that for 2013/14 the resources made available initially from the HRA for capital expenditure should be set at the level assumed in the self-financing determination:

Major Works	£7,112,500
Disabled Facilities Adaptations	£515,400
Total capital resources 2013/14	£7,627,900

5.2.4 These proposed resources will maintain Decent Homes and tackle some of the current investment needs of the stock and the surrounding environment. It will not, however, tackle outstanding replacement works to certain old kitchens, bathrooms, heating systems and flat blocks which exist at properties that currently meet the Decent Homes Standard. Six Town Housing have estimated the costs of this investment work to be around £13.9m.

5.2.5 The HRA estimates for 2013/14 have been prepared on this basis. Approval of the Capital Programme will form part of the consideration of the overall Council budget so should there be any change to the assumed level of resources this will impact on the amount contributed to the HRA Business Plan Headroom Reserve.

5.3 The HRA Working Balance

5.3.1 The HRA needs to have a certain level of balances in order to finance occurrences that cannot be predicted and to mitigate against material inaccuracies in the assumptions underlying the budget.

5.3.2 The ending of the Housing Subsidy system has removed the unpredictability associated with awaiting an annual determination but the introduction of a self-financing HRA has brought new risks particularly in relation to interest rate changes and any factors that impact on the level of rental income assumed. The implementation of welfare reforms has been identified throughout this report as bringing significant risks relating to the level of rent that will be collectable in future years.

5.3.3 There is no statutory definition of the minimum level however as part of a longer-term approach to HRA finances the Council have established a Golden Rule regarding the minimum level of HRA balances. Using his judgement and experience, the Executive Director of Resources has previously recommended that the HRA balances should not be allowed to fall below £100 per property. However the actual minimum level of balances to be retained still needs to be reviewed each year based on a risk assessment of the major issues that could affect the financial position of the HRA.

5.3.4 Applying the above rule would require the minimum HRA working balance to be:

Financial Year	Average no of Properties	Balance at year end £
2012/13	8,184	818,400
2013/14	8,159	815,900
2014/15	8,120	812,000

5.3.5 Appendix 4 details a risk assessment of the major issues that could affect the financial position of the HRA, including the sensitivity of the voids and arrears targets. This shows that on a risk assessed basis, the minimum level of HRA balances shown above may not be adequate given the need to provide for the increased risks associated with the new self-financing system and the implementation of welfare reforms. Therefore the Executive Director of Resources and the Council's s151 Officer are now recommending that for 2013/14 the HRA balances should not be allowed to fall below **£1,000,000.**

Councillor Tony Isherwood,
Cabinet Member for Finance and Resources

Councillor Gill Campbell,
Cabinet Member for Neighbourhoods and Regeneration

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