

# REPORT FOR DECISION

<b>MEETING:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE CABINET COUNCIL</b>
<b>DATE:</b>	<b>16 FEBRUARY 2017 22 FEBRUARY 2017 22 FEBRUARY 2017</b>
<b>SUBJECT:</b>	<b>DRAFT HOUSING REVENUE ACCOUNT 2017/18</b>
<b>REPORT FROM:</b>	<b>DEPUTY LEADER OF THE COUNCIL AND CABINET MEMBER FOR FINANCE AND HUMAN RESOURCES AND CABINET MEMBER FOR STRATEGIC HOUSING AND SUPPORT SERVICES</b>
<b>CONTACT OFFICER:</b>	<b>STEPHEN KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION</b>
<b>TYPE OF DECISION:</b>	<b>COUNCIL</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	This paper is within the public domain
<b>SUMMARY:</b>	The report details the proposed Housing Revenue Account for 2017/18 and proposals for Dwelling and Garage rents, Sheltered Support, Management, Amenities and Heating charges, Furnished Tenancy charges and Fernhill Caravan site tenancy charges.
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	<p>The report is prepared on the basis of the Government's requirement for a decrease in dwelling rents of 1% for 2017/18 for General Needs and Sheltered/Extra Care properties. Members are reminded that any decrease more than this level would result in a reduction in rental income which will impact on future years and could jeopardise the financial viability of the HRA and the sustainability of the business plan.</p> <p>Cabinet is recommended to note the report and request</p>

	<p>that the Council should consider all matters relating to the Housing Revenue Account 2017/18, the increase/decrease in Council House and garage rents and changes to other charges.</p> <p>Council is recommended to:</p> <p>(a) approve the Housing Revenue Account estimates set out in Appendix 1.</p> <p>(b) decrease the Rents for all HRA dwellings by 1% from the first rent week in April.</p> <p>(c) increase Garage rents by 2.0% from the first rent week in April.</p> <p>(f) increase Sheltered Management and Amenity Charges by 2.0% from the first rent week in April.</p> <p>(g) approve that Sheltered support charges and heating charges remain unchanged from the first rent week in April.</p> <p>(h) reduce Furnished Tenancy charges by 5% from the first rent week in April.</p> <p>(i) increase tenancy charges at the Fernhill Caravan Site by 2.0% from the first rent week in April.</p>
<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	The proposals accord with the Policy Framework
<b>Statement by Section 151 Officer:</b>	Financial and risk implications are detailed in the report.
<b>Statement by Executive Director of Resources:</b>	The report fully details the Housing Revenue Account for 2017/18.
<b>Equality/Diversity implications:</b>	No
<b>Considered by Monitoring Officer:</b>	Yes
<b>Are there any legal implications?</b>	No
<b>Staffing/ICT/Property:</b>	There are no direct staffing, ICT or property implications arising from this report although the HRA budget impacts on these areas.
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	Overview and Scrutiny Committee

**TRACKING/PROCESS**

**INTERIM DIRECTOR: STEPHEN KENYON**

Chief Executive/ Management Board	Executive Member/Chair	Ward Members	Partners
	Yes		
Scrutiny Committee	Cabinet	Committee	Council
16 February 2017	22 February 2017		22 February 2017

## 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.
- 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 being paid for 2016/17 is £13,058,600.
- 1.7 For 2017/18 the HRA is expected to have an average stock of 7,955 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 44 RTBs in 2017/18, however given the current level of activity the HRA estimates have been prepared on the basis of 70 sales. If the level of sales is above or below this figure then this will result in less or more rental income to the HRA than has been assumed.
- 1.8 Approval has been given for the HRA to acquire 13 empty properties; these properties will be acquired and refurbished by the end of 2017/18 and will be let at affordable rents i.e. 80% of the assessed Market Rent on an individual property basis. The properties are to be funded through a combination of Homes and Communities Agency (HCA) grant, S106 monies and HRA reserves.
- 1.9 Approval has been given for the development of a 60 apartment Extra Care Scheme in Bury. This scheme, which supports the Housing Strategy and the

social care agenda, will be funded through a combination of HCA grant and HRA borrowing. The scheme is expected to be completed during the latter half of 2018/19 and the apartments will be let at affordable rents.

- 1.10 These developments (and any further ones that may approved) will be incorporated into future HRA monitoring reports.
- 1.11 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.
- 1.12 The implementation of the Government's Welfare Reforms will have an increasing impact on the Housing Revenue Account and on the approximately 72% of tenants who are entitled to support with their rent and charges.
- 1.13 The introduction of the Universal Credit, which sees 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 59% of HRA rental income comes directly from Housing Benefit meaning that once the current welfare reforms have been fully implemented up to £17.3m of HRA income will have to be collected from tenants, presenting a large risk to income streams (based on the total assumed rental income for 2017/18).
- 1.14 There are currently around 348 tenants claiming Universal Credit so at this stage it is still difficult to assess the impact on the HRA for the coming year.
- 1.15 An updated impact assessment of the welfare reforms has been undertaken through the Welfare Reform Board.
- 1.16 The roll out 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.

## **2.0 RENT LEVELS 2017/18**

- 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 was revised by the government on more than one occasion however the government's rent policy for 2015/16 onwards assumed that convergence had been completed in 2014/15.
- 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 for 2015/16 was the Consumer Price Index (CPI) for the previous September plus 1%.

- 2.4 In July 2015 the Chancellor of the Exchequer announced that social rents would reduce by 1% each year for the next four years. This requirement is contained within the Welfare Reform and Work Act. Supported Accommodation was exempted from this requirement for 2016/17 but will not be exempt from 2017/18 onwards.
- 2.5 At the Council meeting in February of last year the following proposals were agreed:
- rents were decreased by 1% for dwellings other than those in Sheltered and Extra Care Schemes
  - rents were increased by 0.9% (September CPI plus 1%) for Sheltered and Extra Care dwellings
- 2.6 For 2017/18 it is proposed that rents are decreased by 1% for all HRA dwellings.
- 2.7 The introduction of the self financing system did mean that the Council had more freedom regarding the level of rents that it set (although the national rent policy continued and the calculation of the debt taken on by Bury assumed the achievement of rent convergence by 2015/16). The requirement within the Welfare Reform and Work Act to reduce rents by 1% for each of the four years from 2016/17 removes this freedom and withdraws resources on an ongoing basis from the Housing Revenue Account. The total resources lost from the HRA over the four year period is estimated to be more than £5.5m.
- 2.8 The policy of reletting dwellings at Target rents, which came into effect in April 2016, has resulted in 543 properties being let at target rents in the first 9 months of the current financial year; the average weekly increase in rental income for these properties is £6.23 which equates to approximately £0.169m in a full year.
- 2.9 Bury's rents are currently collected on a 50 week basis with 2 non-collection weeks in December.
- 2.10 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 monthly 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.
- 2.11 The following table shows the difference between the current and proposed rents on the basis of a decrease of 1% applied to the rents of all current HRA dwellings.

<b>All Housing Revenue Account dwellings</b>						
TYPE	NUMBER OF BEDROOMS	VALUATION AT JAN' 1999 VALUES	RENT 2016/17	PROPOSED RENT 2017/18	INCREASE / (DECREASE) OVER ACTUAL 2016/17 RENT	
		£	£	£	£	%
Bed-sit	0	23,235	61.00	60.39	(0.61)	(1.0)
Bungalow	1	30,725	69.18	68.49	(0.69)	(1.0)
Flat	1	28,319	67.99	67.31	(0.68)	(1.0)
House	1	29,467	69.54	68.84	(0.70)	(1.0)
Bungalow	2	39,487	80.74	79.93	(0.81)	(1.0)
Flat	2	29,584	74.73	73.98	(0.75)	(1.0)
House	2	34,616	77.32	76.55	(0.77)	(1.0)
Maisonette	2	32,132	76.89	76.12	(0.77)	(1.0)
Flat	3	29,751	79.90	79.10	(0.80)	(1.0)
House	3	37,543	84.88	84.03	(0.85)	(1.0)
Maisonette	3	33,845	83.37	82.53	(0.84)	(1.0)
House	4/6	38,547	92.11	91.19	(0.92)	(1.0)
		<b>32,491</b>	<b>75.39</b>	<b>74.64</b>	<b>(0.75)</b>	<b>(1.0)</b>

The rents shown in the tables are all on a 50 week basis.

- 2.12 Affordable rents for future acquisitions and developments will be set on an individual property basis at 80% of the assessed Market Rent. Future increases or decreases will be incorporated into this report at the appropriate time.
- 2.13 There are currently 258 HRA owned garages (of which 161 are currently let). Garages are charged for at the rate of £6.53 per week (50 weeks). The last increase was in April 2016. It is proposed that the charge is increased by 2.0% from April, in line with September CPI plus 1%; this results in a weekly increase of £0.13 giving a rate of £6.66 per week (over 50 weeks).

### **3.0 SHELTERED AND OTHER TENANCY CHARGES**

#### **3.1 Sheltered Management and Support Charges**

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

- 3.1.2 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.
- 3.1.3 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.
- 3.1.4 Sheltered Management charges are set to ensure that the costs of the services provided are recovered from those receiving them. It is proposed that the weekly charges per unit (on a 50 week basis) are increased for 2017/18 as shown below.

	<b>Current Charge</b>	<b>Proposed Charge 2017/18</b>
	<b>£</b>	<b>£</b>
Sheltered schemes (other than Extra Care)	10.49	10.70
Extra Care schemes (Falcon House/Griffin House)	20.15	20.55

- 3.1.5 The proposed increase is 2.0% being September CPI plus 1%.
- 3.1.6 These charges will be eligible for Housing Benefit purposes and it is expected that benefits will be payable to accepted claimants.
- 3.1.7 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 and has remained at this level since then. Charges for support costs are not 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.
- 3.1.8 It is proposed that this charge remains unchanged for 2017/18. This charge applies at all Sheltered schemes other than the Extra Care schemes at Falcon House and Griffin House.
- 3.1.9 The Extra Care Sheltered Scheme, covering the Falcon House and Griffin House schemes, has different support charges which reflect different levels of support offered dependant on the assessed needs of the individual tenants; this support is provided by the Department of Communities and Wellbeing and they will be reviewing the charges for 2017/18.

## **3.2 Sheltered Amenity Charges**

- 3.2.1 The Sheltered Amenity Charges were increased by 0.9% for 2016/17. It is proposed that the current charges are increased by 2.0% (September CPI figure plus 1%) from the first rent week in April 2017. The additional income generated will offset increased costs of providing the service, for example pay awards.

The current and proposed charges per unit per week (over 50 weeks) will be as shown in the table below with Appendix 4 detailing the total Sheltered Management, Support and Amenity Charges for each scheme:-

	<b>Current Charge</b>	<b>Proposed Charge 2017/18</b>
	<b>£</b>	<b>£</b>
Clarkshill	16.28	16.61
Elms Close	1.90	1.94
Falcon House	9.51	9.70
Griffin House	9.23	9.41
Harwood House	18.47	18.84
Moorfield	21.14	21.56
Mosses House	16.77	17.11
Stanhope Court	8.51	8.68
Taylor House	18.86	19.24
Top O'th Fields 1	18.19	18.55
Waverley Place	19.99	20.39
Wellington House	27.04	27.58

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

### **3.3 Sheltered Heating Charges**

3.3.1 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.

3.3.2 At the Council meeting in February of last year charges were reduced by 10% for the current year. The charges are based on expected contract prices and estimated levels of consumption. On this basis it is expected that the current level of charges are sufficient to cover the expected heating costs at the schemes and therefore it is proposed that the charges remain unchanged for 2017/18.

3.3.3 The current and proposed charges per unit per week, (exclusive of VAT), are:-

Taylor House	£14.79
Clarks Hill	£9.98
Harwood House	£13.87
Waverley Place	£14.36 (current year only; see 3.3.4)

3.3.4 A new heating and metering system has recently been installed at Waverley Place which will allow tenants to receive individual bills. It is intended to introduce this from April 2017 therefore there will no longer be a weekly heating charge at this sheltered scheme.

- 3.3.5 Heating Charges are not eligible for Housing Benefit however most Sheltered Tenants should be eligible for Winter Fuel Payments; for winter 2016/17 the rates for these are £200 per household for those born on or before 5 May 1953, rising to £300 per household for those aged 80 or over in the week beginning 19 September 2016.

### **3.4 Furnished Tenancies Charges**

- 3.4.1 A Furnished Tenancy Scheme was introduced during 2005/06. The scheme provides furniture packages for which an additional weekly charge is payable.
- 3.4.2 There are currently 235 furnished tenancies. Prior to 2014/15 the scheme was expanded on a self funding basis with increases of 20% per annum in the number of furnished tenancies.
- 3.4.3 Six Town Housing, who manage the furnished tenancies, are reviewing the packages and tenancies available under the scheme to determine whether a wider range of options may have a positive impact on tenancy sustainment. However the intended introduction in April 2019 of a 'cap' on rents and charges at Local Housing Allowance (LHA) levels means that this review also needs to look at the types/rents of properties used for furnished tenancies. The aim of this will be to ensure that the scheme remains affordable and sustainable in the longer term; any proposed changes to the current scheme will be subject to appropriate consultation and approval.
- 3.4.4 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.
- 3.4.5 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.
- 3.4.6 However pending the outcome of the wider review of the scheme and to recognise the continued efficient procurement of furniture and fittings it is proposed that the charges are reduced by 5% for 2017/18.
- 3.4.7 The current and proposed charges per unit per week are:-

	<b>Present Charge £</b>	<b>Proposed Charge £</b>
1 bed property	17.92	17.02
2 bed property	21.10	20.04
3 bed property	24.28	23.07

### 3.5 Fernhill Caravan Site Tenancy Charges

- 3.5.1 Management of the Fernhill Caravan Site passed over to Six Town Housing in 2014/15 for which they receive a separately determined Management Fee. Whilst income from tenants and payment of the Management Fee are accounted for in the General Fund not the Housing Revenue Account it is felt appropriate to consider increases in the charges under these tenancies alongside those of HRA rents and charges.
- 3.5.2 Tenants at the site are charged a weekly pitch fee and a weekly charge for water; these charges are payable on a 52 week basis i.e. there aren't any non-collection weeks.
- 3.5.3 At the Council meeting in February of last year charges were increased by 0.9% (September 2015 CPI plus 1%). It is proposed that the weekly charges for 2017/18 are increased by 2.0% (September 2016 CPI plus 1%), therefore the current and proposed charges per plot per week are:

	<b>Current Charge</b>	<b>Proposed Charge 2017/18</b>
	<b>£</b>	<b>£</b>
Single Plot – pitch fee	54.50	55.59
Double Plot – pitch fee	74.26	75.75
Single Plot – water charge	6.15	6.27
Double Plot – water charge	8.53	8.70

### 4.0 HOUSING REVENUE ACCOUNT PERFORMANCE

#### 4.1 Voids

- 4.1.1 The rent lost on empty properties is projected to be 1.82% over the course of 2016/17; this will mean a reduction in rent income of approximately £66,000 as the original budget allowed for a void level of 1.6%. The level of void loss in 2016/17 was affected by the number of decant properties being provided for those tenants affected by the Boxing Day floods; a factor that hopefully will not be repeated in the coming year.
- 4.1.2 The level of void loss for 2017/18 has been assumed at 1.6% which could be a challenging target given 2016/17 performance to date and the potential impact on void levels from the implementation of welfare benefit changes; 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 2017/18 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 2018/19 or targeted during the coming financial year for service developments.
- 4.1.4 Appendix 2 details the loss or increase in rental income at different void levels if the 1.6% is not achieved in 2017/18.

## 4.2 Rent Arrears

4.2.1 The opening arrears and current levels for 2016/17 are shown in the following table. The figures reflect the fact that around £120,200 of Former Tenant Arrears has been written off during 2016/17. It is anticipated that a further £15,000 could be written off before the end of 2016/17. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

	Opening Arrears 2016/17 £	Current Position £	Increase/ (Reduction) in arrears £
Current Arrears	654,100	675,700	21,600
Former Tenant Arrears	502,100	490,100	(12,000)
	1,156,200	1,165,800	9,600

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 £893,800 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 2016/17 allowed for additional contributions to the provision totalling £481,100; £180,400 for uncollectable debts and £300,700 for the impact of benefit reforms. Looking at the arrears position, it is now estimated that the additional provision required in 2016/17 may only be £220,000. All things being equal this suggests that the Provision will stand at £978,600 at the end of 2016/17 against arrears of £1,165,600. The reduced requirement has resulted from delays in the implementation of some welfare benefit changes whilst the effects of others have been mitigated through the actions of the Welfare Reform Group and close working with Partners in implementing the Corporate Debt Policy.

4.2.5 The 2017/18 estimates allow for additional contributions to the provision, totalling £477,000:

- For uncollectable debts £178,800  
This figure represents 0.6% of the rent roll and is a decrease compared to the expected contribution in the current year; this reflects the lower rent levels assumed for 2017/18.
- For the impact of benefit reforms £298,200  
This figure represents 1.0% 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 could have on the level of rent arrears, including the reassessment of cases currently in receipt of Discretionary Housing Payments and roll out of Universal Credit.

- 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 £318,900 of which £298,000 is debt over 1 year old. Of the debt over 1 year old around £229,000 appears to be static debt i.e. there have been no payments received at all. No accounts have been written off so far in the current year however £14,600 of accounts have been 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 £276,500.

Taking into account the expected write offs, at the end of 2017/18 the provision will stand at £261,900; this amount will be reduced by the amount of any further write-offs done before the end of 2017/18. Given the level of Bad Debt Provision that has now been built up the HRA will not need to make a contribution to the provision for 2017/18; 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 2017/18 HOUSING REVENUE ACCOUNT (HRA), HRA CAPITAL RESOURCES AND THE HRA WORKING BALANCE**

### **5.1 2017/18 Housing Revenue Account**

- 5.1.1 The Housing Revenue Account Estimates are set out in Appendix 1.

- 5.1.2 The most significant impacts on the HRA for the coming year and in future years will continue to be from the implementation of rent reductions and welfare reforms; these are key factors in the determination of the HRA working balance.

- 5.1.3 Other provisions within the Welfare Reform and Work Act and the Housing and Planning Act could also have a significant impact on future HRA resources and our tenants, for example:

- Sale of higher value voids
- Social rents 'capped' at Local Housing Allowance levels

The impact of these and other changes will be assessed as further information becomes available.

5.1.4 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 2017/18 is to be frozen at the 2016/17 level i.e. £13,058,600.
- Following a detailed appraisal of the business case for Springs Tenant Management Cooperative (TMO) to undertake a small scale voluntary transfer, their Management Board has agreed that this is not a viable option. Springs are now working with the Council around becoming a self-financing, tenant management organisation. The details of how this will work have yet to be finalised, however, there are potential costs associated with setting up a new management agreement and related service level agreements. No provision has currently been made within the HRA for any additional costs that may arise from this agreement.
- The Government is proposing that the funding system for Supported Housing will be changed from April 2019; at the time of writing this is currently out to consultation (closes 13<sup>th</sup> February). Changes to the current arrangements will impact on Sheltered schemes within the HRA as well as the new Extra Care development.

5.1.5 The detailed Housing Revenue Account shown in Appendix 1 assumes that the proposals within this report for increases/decreases to rents and other charges are approved.

## **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 Investment needs to be undertaken on a sustainable basis and in line with the Council's overarching Housing Strategy.

5.2.3 Since the introduction of HRA self financing the resources made available from the HRA for capital expenditure agreed by the Council was at the level assumed in the self financing determination. However at the Council meeting in February of 2014 an amendment was agreed to provide a contribution of £12.357m from the Business Plan Headroom Reserve over the period of 2014/15 to 2016/17 to facilitate improvements to bathrooms, kitchens and heating systems in Council owned properties in addition to the existing programme of improvements.

5.2.4 Six Town Housing, on behalf of the Council, commissioned a stock condition survey of 20% of the housing stock earlier this financial year; initial results from this have been received recently however analysis of the full data will take some time.

5.2.5 The initial results from this survey, along with current information, support the focussing of investment on internal improvements for the coming year along

with additional health and safety priorities such as fire alarm system replacements and structural remedial works.

5.2.6 The proposed programme is detailed in Appendix 4 and provides a level of investment that will enable standards to be maintained in the short term. Further analysis of the stock condition survey will identify the stock investment needs for the next 30 years; this will be used to inform the HRA Business Plan and shape future years programmes and resource requests.

5.2.7 Therefore it is proposed that for 2017/18 the resources made available from the HRA for capital expenditure should be:

Housing programme major works	£9.490m
Disabled Facilities Adaptations – Housing Stock	£0.500m
Total capital resources 2017/18	£9.990m

5.2.8 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 or from the HRA Business Plan Headroom Reserve and the proposed programme.

### **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 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 rent reductions and 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 and Regulation 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 (including additions)	Balance at year end £
2016/17	8,020	802,000
2017/18	7,961	796,100
2018/19	7,928	792,800

5.3.5 Appendix 5 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 self-financing system and the implementation of welfare reforms. Therefore the Interim Executive Director of Resources and Regulation (the Council's s151 Officer) is now recommending that for 2017/18 the HRA balances should not be allowed to fall below **£1,020,000.**

**Councillor Jane Lewis,**  
**Deputy Leader of the Council and Cabinet Member for Finance and Human Resources**

**Councillor Sandra Walmsley,**  
**Cabinet Member for Strategic Housing and Support Services**

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