

REPORT FOR DECISION

MEETING:	OVERVIEW AND SCRUTINY COMMITTEE CABINET COUNCIL
DATE:	14 FEBRUARY 2018 21 FEBRUARY 2018 21 FEBRUARY 2018
SUBJECT:	DRAFT HOUSING REVENUE ACCOUNT 2018/19
REPORT FROM:	CABINET MEMBER FOR FINANCE AND HOUSING
CONTACT OFFICER:	STEPHEN KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION
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 2018/19 and proposals for Dwelling and Garage rents, Sheltered Support, Management, Amenities and Heating charges, Furnished Tenancy charges and Fernhill Caravan site tenancy charges.
OPTIONS & RECOMMENDED OPTION	<p>The report is prepared on the basis of the Government's requirement for a decrease in dwelling rents of 1% for 2018/19 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 that the Council should consider all matters relating to the Housing Revenue Account 2018/19, 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 4.0% from the first rent week in April.</p> <p>(d) increase Sheltered Management and Amenity Charges by 4.0% from the first rent week in April.</p> <p>(e) approve that Sheltered support charges remain unchanged from the first rent week in April.</p> <p>(f) reduce Sheltered heating charges by 20% from the first rent week in April.</p> <p>(g) reduce Furnished Tenancy charges by 5% from the first rent week in April.</p> <p>(h) increase tenancy charges at the Fernhill Caravan Site by 4.0% from the first rent week in April.</p>
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 2018/19.
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes
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

INTERIM DIRECTOR: STEPHEN KENYON

Chief Executive/ Management Board	Executive Member/Chair	Ward Members	Partners
	Yes		
Scrutiny Committee	Cabinet	Committee	Council
14 February 2018	21 February 2018		21 February 2018

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.
- 1.4 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.
- 1.5 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 2017/18 is £13,058,600.
- 1.6 For 2018/19 the HRA is expected to have an average stock of 7,902 social rent formula dwellings. Given the current level of activity the HRA estimates have been prepared on the basis of 60 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.
- 1.7 Approval has been given for the HRA to acquire 13 empty properties; at the time of writing 7 have been acquired, with a further property currently in conveyance. The intention is for all 13 properties to be acquired and refurbished by the end of 2017/18. These properties will be let at affordable rents i.e. 80% of the assessed Market Rent on an individual property basis. The properties are being funded through a combination of Homes and Communities Agency (HCA) grant, S106 monies and HRA reserves.
- 1.8 Construction of the new 60 apartment Extra Care Scheme in Bury is underway. 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.
- 1.9 Construction has also begun on the Mayfair Avenue ex-garage sites; this development will provide 8 houses to be sold on a shared ownership basis; completion is expected in the 3rd quarter of 2018/19. The scheme is being funded

through HCA grant, HRA borrowing and sale proceeds once the initial shares are purchased.

- 1.10 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.
- 1.11 The implementation of the Government's Welfare Reforms will have an increasing impact on the Housing Revenue Account and on the approximately 64% of tenants who are entitled to support with their rent and charges.
- 1.12 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 57% (59% at this time last year) of HRA rental income comes directly from Housing Benefit meaning that once the current welfare reforms have been fully implemented up to £16.6m 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 2018/19).
- 1.13 There are currently around 401 tenants claiming Universal Credit so at this stage it is still difficult to assess the impact on the HRA for the coming year.
- 1.14 An updated impact assessment of the welfare reforms has been undertaken through the Welfare Reform Board.
- 1.15 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 2018/19

- 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.
- 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.
- 2.5 At the Council meeting in February of last year the following proposal was agreed:

- rents were decreased by 1% for all HRA dwellings.

- 2.6 For 2018/19 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 It has recently been announced that following the period of rent reductions there will be a return to the previous rent policy i.e. CPI plus 1% will apply from 2020/21.
- 2.9 The policy of reletting dwellings at Target rents, which came into effect in April 2016, has resulted in 366 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 £6.31 which equates to approximately £0.140m in a full year.
- 2.10 Bury's rents are currently collected on a 50 week basis with 2 non-collection weeks in December.
- 2.11 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.
- 2.12 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 Social Rent Formula dwellings.

HRA Social Rent Formula dwellings						
TYPE	NUMBER OF BEDROOMS	VALUATION AT JAN' 1999 VALUES	RENT 2017/18	PROPOSED RENT 2018/19	INCREASE / (DECREASE) OVER ACTUAL 2017/18 RENT	
		£	£	£	£	%
Bed-sit	0	23,235	61.12	60.51	(0.61)	(1.0)
Bungalow	1	30,725	68.88	68.19	(0.69)	(1.0)
Flat	1	28,319	67.91	67.23	(0.68)	(1.0)
House	1	29,467	69.44	68.75	(0.69)	(1.0)
Bungalow	2	39,487	80.24	79.44	(0.80)	(1.0)
Flat	2	29,609	74.51	73.76	(0.75)	(1.0)
House	2	34,586	76.84	76.07	(0.77)	(1.0)
Maisonette	2	32,132	76.60	75.83	(0.77)	(1.0)
Flat	3	29,858	79.66	78.86	(0.80)	(1.0)
House	3	37,534	84.23	83.39	(0.84)	(1.0)
Maisonette	3	33,846	83.44	82.61	(0.83)	(1.0)
House	4/6	38,496	91.46	90.55	(0.91)	(1.0)
		32,471	75.01	74.26	(0.75)	(1.0)

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

- 2.13 Affordable rents for properties acquired and developed will be set on an individual property basis at 80% of the assessed Market Rent. For those properties that are tenanted before the end of this financial year a 1% reduction will apply for 2018/19.
- 2.14 There are currently 258 HRA owned garages (of which 149 are currently let). Garages are charged for at the rate of £6.66 per week (50 weeks). The last increase was in April 2017. It is proposed that the charge is increased by 4.0% from April, in line with September CPI plus 1%; this results in a weekly increase of £0.27 giving a rate of £6.93 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 2018/19 as shown below.

	Current Charge	Proposed Charge
	£	2018/19 £
Sheltered schemes (other than Extra Care)	10.70	11.13
Extra Care schemes (Falcon House/Griffin House)	20.55	21.37

- 3.1.5 The proposed increase is 4.0% being September CPI plus 1%; this increase is in line with the current Homes & Communities Agency Rent Standard guidance and our established policy.
- 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 2018/19. 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 2018/19.

3.2 Sheltered Amenity Charges

- 3.2.1 The Sheltered Amenity Charges were increased by 2.0% for 2017/18. It is proposed that the current charges are increased by 4% from the first rent week in April 2018; this being September CPI plus 1% in line with current guidance and our established policy.

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:-

	Current Charge	Proposed Charge 2018/19
	£	£
Clarkshill	16.61	17.27
Elms Close	1.94	2.02
Falcon House	9.70	10.09
Griffin House	9.41	9.79
Harwood House	18.84	19.59
Moorfield	21.56	22.42
Mosses House	17.11	17.79
Stanhope Court	8.68	9.03
Taylor House	19.24	20.01
Top O'th Fields 1	18.55	19.29
Waverley Place	20.39	21.21
Wellington House	27.58	28.68

- 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 Net impact of changes in Sheltered Charges and rent reductions

- 3.3.1 Appendix 2 details the total Sheltered Management, Support and Amenity Charges for each scheme alongside the average reduction in weekly rent at each scheme. Those schemes where there is no amenity charge (or only a small one) will see a net reduction in the average weekly charges. The other schemes will see an average net weekly increase ranging between £0.19 and £0.85 (£9.50 to £42.50 for the full year).

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 At the Council meeting in February of last year charges were frozen at the same level as for the previous year. The charges are based on expected contract prices and estimated levels of consumption. On this basis it is proposed that the charges are reduced by 20% for 2018/19.

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

	Present Charge	Proposed Charge	Proposed Increase/ (Decrease)
	£	£	%
Taylor House	14.79	11.83	(20)
Clarks Hill	9.98	7.98	(20)
Harwood House	13.87	11.10	(20)

3.4.4 Heating Charges are not eligible for Housing Benefit however many Sheltered Tenants will be eligible for Winter Fuel Payments; for winter 2017/18 the rates for these are £200 per household for those born on or before 5 August 1953, rising to £300 per household for those born on or before 24 September 1937 (payments may be different depending on the household circumstances).

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 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.

3.5.3 It was expected that a 'cap' on rents and charges at Local Housing Allowance (LHA) levels would be introduced in April 2019. In light of this the intention was to review the types/rents of properties used for furnished tenancies to see if the scheme was affordable and sustainable in the longer term. It was announced in October of last year that the 'cap' at LHA levels will no longer be imposed.

3.5.4 Six Town Housing, who manage the furnished tenancies, now intend to review the packages offered and tenancies available under the scheme to determine whether a wider range of options may have a positive impact on tenancy sustainment; any proposed changes to the current scheme will be subject to appropriate consultation and approval.

3.5.5 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 means that there is an increased risk of non-payment of these charges.

3.5.6 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.

3.5.7 However pending the outcome of the 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 2018/19.

3.5.8 The current and proposed charges per unit per week are:-

	Present Charge £	Proposed Charge £
1 bed property	17.02	16.17
2 bed property	20.04	19.04
3 bed property	23.07	21.92

3.6 Fernhill Caravan Site Tenancy Charges

- 3.6.1 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.
- 3.6.2 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.
- 3.6.3 At the Council meeting in February of last year charges were increased by 2.0% (September 2016 CPI plus 1%). It is proposed that the weekly charges for 2018/19 are increased by 4% in line with our established policy of September CPI plus 1%, therefore the current and proposed charges per plot per week are:

	Current Charge £	Proposed Charge 2018/19 £
Single Plot – pitch fee	55.59	57.81
Double Plot – pitch fee	75.75	78.78
Single Plot – water charge	6.27	6.52
Double Plot – water charge	8.70	9.05

4.0 HOUSING REVENUE ACCOUNT PERFORMANCE

4.1 Voids

- 4.1.1 The rent lost on empty properties is projected to be 1.18% over the course of 2017/18; this will mean an increase in rent income of approximately £125,000 as the original budget allowed for a void level of 1.6%.
- 4.1.2 The level of void loss for 2018/19 has been assumed at 1.2%, which means that recent performance will need to be maintained throughout the coming year; 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 2018/19 allows for this possibility as discussed in section 5.

- 4.1.3 If the target was to be bettered then this would result in an increase in rental income to the HRA which could either be carried forward into 2019/20 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 1.2% is not achieved in 2018/19.

4.2 Rent Arrears

- 4.2.1 The opening arrears and current levels for 2017/18 are shown in the following table. The figures reflect the fact that around £96,600 of Former Tenant Arrears has been written off during 2017/18. It is anticipated that a further £55,400 could be written off before the end of 2017/18. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

	Opening Arrears 2017/18 £	Current Position £	Increase/ (Reduction) in arrears £
Current Arrears	734,100	959,500	225,400
Former Tenant Arrears	501,300	526,200	24,900

	1,235,400	1,485,700	250,300

- 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 £950,700 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 2017/18 allowed for additional contributions to the provision totalling £477,500; £179,100 for uncollectable debts and £298,400 for the impact of benefit reforms. Looking at the arrears position, it is now estimated that the additional provision required in 2017/18 may only be £356,000. All things being equal this suggests that the Provision will stand at £1,154,700 at the end of 2017/18 against arrears of £1,485,700. 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 2018/19 estimates allow for additional contributions to the provision, totalling £473,300:
- For uncollectable debts £178,400
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 2018/19.

- For the impact of benefit reforms £294,900
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 £366,900 of which £303,400 is debt over 1 year old. Of the debt over 1 year old around £235,800 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 £26,800 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 £269,700.

Taking into account the expected write offs, at the end of 2018/19 the provision will stand at £242,900; this amount will be reduced by the amount of any further write-offs done before the end of 2018/19. 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 2018/19; 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 2018/19 HOUSING REVENUE ACCOUNT (HRA), HRA CAPITAL RESOURCES AND THE HRA WORKING BALANCE

5.1 2018/19 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 There is provision within the Housing and Planning Act for enforced payments from the HRA equating to an assessment of expected sales of higher value void properties; whilst this has not as yet been enacted it could be in the future which could significantly impact on future HRA resources.

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 2018/19 is to be frozen at the 2017/18 level i.e. £13,058,600 at least until the end of September 2018, this being the agreed extension period of the Management Agreement. A review of Housing Services is currently underway.
- Springs Tenant Management Cooperative (TMO) are 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 changes to the funding system for Supported Housing from April 2020; consultation on this closed on 23rd January. Changes to the current arrangements could 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 Cabinet at its meeting on 31st January this year approved the Asset Management Strategy for the Public Housing stock 2018-21 and endorsed a 3 year Investment Plan of £9.830m per annum.

5.2.4 This level of investment is affordable and sustainable therefore it is proposed that for each of the 3 years from 2018/19 the resources made available from the HRA for capital expenditure should be £9.830m.

5.2.5 These resources will provide for specific capital schemes (those for 2018/19 are listed in Appendix 4), Disabled Facilities Adaptations and general capital expenditure such as essential renewals arising when properties become vacant and structural works.

5.2.6 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 £
2017/18	7,972	797,200
2018/19	7,949	794,900
2019/20	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 2018/19 the HRA balances should not be allowed to fall below **£1,030,000**.

Councillor Eamonn O'Brien,
Cabinet Member for Finance and Housing

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