

# REPORT FOR DECISION

<b>MEETING:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE CABINET COUNCIL</b>
<b>DATE:</b>	<b>13 FEBRUARY 2019 20 FEBRUARY 2019 20 FEBRUARY 2019</b>
<b>SUBJECT:</b>	<b>DRAFT HOUSING REVENUE ACCOUNT 2019/20</b>
<b>REPORT FROM:</b>	<b>CABINET MEMBER FOR FINANCE AND HOUSING</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 2019/20 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 2019/20 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 2019/20, 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) approve that the first week of 2019/20 be an additional non-collection week as 2019/20 is a 53 week year.</p> <p>(d) increase Garage rents by 3.4% from the first rent week in April.</p> <p>(e) increase Sheltered Management and Amenity Charges by 3.4% from the first rent week in April.</p> <p>(f) approve that Sheltered support charges remain unchanged from the first rent week in April.</p> <p>(g) reduce Sheltered heating charges by between 5% to 15% on an individual scheme basis as set out in section 3.4; reduced charges to apply from the first rent week in April.</p> <p>(h) reduce Furnished Tenancy charges by 10% from the first rent week in April.</p> <p>(i) increase pitch fees at the Fernhill Caravan Site by 3.4% from the first rent week in April.</p>
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<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 Interim Executive Director of Resources &amp; Regulation</b>	The report fully details the Housing Revenue Account for 2019/20.
<b>Equality/Diversity implications:</b>	No
<b>Considered by Monitoring Officer:</b>	Yes
<b>Are there any legal implications?</b>	The relevant consultation and legal process for the review of rents, charges and pitch fees must be followed in conjunction with Legal Services before any changes take place
<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
13 February 2019	20 February 2019		20 February 2019

**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; this is currently being reviewed in light of the review of Housing Services carried out by Savills.
- 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 2018/19 is £13,058,600.
- 1.6 For 2019/20 the HRA is expected to have an average stock of 7,832 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 For 2019/20 the HRA is expected to have an average stock of 76 affordable rent dwellings plus 8 shared ownership dwellings (the shares owned by the HRA will depend on the share bought by the individual purchasers).
- 1.8 Approval has been given for the HRA to acquire 13 empty properties; at the time of writing 8 have been acquired; the intention is that the remaining 5 will be acquired and refurbished by the end of 2019/20. These properties are 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 (now Homes England), S106 monies and HRA reserves.

- 1.9 Construction of the new 60 apartment Extra Care Scheme in Bury has been completed and letting of the Peachment Place apartments is underway. This scheme, which supports the Housing Strategy and the social care agenda, has been funded through a combination of HCA grant and HRA borrowing. The apartments will be let at affordable rents.
- 1.10 Construction has also been completed on the Mayfair Avenue ex-garage sites; this has provided 8 houses which are currently being marketed on a shared ownership basis. The scheme is being funded through HCA grant, HRA borrowing and sale proceeds once the initial shares are purchased.
- 1.11 5 potential development sites were submitted to Homes England as part of bidding for additional HRA borrowing approval however the HRA Debt Cap has subsequently been abolished altogether. The scheme details will now be developed further with future reports to Cabinet once full appraisals are available; the sites being considered are:
- Former Radcliffe High School
  - Seedfield
  - Millwood
  - William Kemp Heaton
  - Wheatfields Day Care Centre
- 1.12 The Council has very strong growth / regeneration ambitions to address housing needs, create jobs, and to generate resources (Rent, Council Tax, Business Rates) for the Council going forward.
- 1.13 Regeneration will be Borough wide, with an initial focus on Town Centres. Clearly housing development will be key to this approach, with a clear role for the Housing Revenue Account in taking these ambitions forward.
- 1.14 The Director of Growth and Infrastructure is leading Business Planning / Due Diligence work in respect of growth / regeneration, which will lead to a revised HRA Business Plan, which will be reported to Members when available.
- 1.15 This report is written on the basis of the Council's existing housing stock.
- 1.16 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.
- 1.17 The implementation of the Government's Welfare Reforms will have an increasing impact on the Housing Revenue Account and on the approximately 58% of tenants who are entitled to support with their rent and charges.
- 1.18 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 56% (57% 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 £16.4m 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 2019/20).

- 1.19 There are currently around 700 tenants claiming Universal Credit however at this stage it is still difficult to assess the impact on the HRA for the coming year.
- 1.20 An updated impact assessment of the welfare reforms was undertaken through the Welfare Reform Board.
- 1.21 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 2019/20**

- 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 2019/20 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 as follows:

<b>Estimated rental income lost over 4 year period 2016/17 – 2019/20</b>	
Impact of 1% reduction on base rents	£2,986,000
Impact of not applying CPI plus 1% increases	£6,425,300
<b>Total potential resources lost from HRA</b>	<b>£9,411,300</b>

- 2.8 It has been confirmed that following the period of rent reductions there will be a return to the previous rent policy for a period of at least 5 years 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 325 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 £6.17 which equates to approximately £0.100m in a full year.
- 2.10 Bury's rents are currently collected on a 50 week basis with 2 non-collection weeks in December. 2019/20 will be a 53 week year therefore it is proposed that there be an additional non-collection week at the beginning of 2019/20.
- 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.

<b>HRA Social Rent Formula dwellings</b>						
TYPE	NUMBER OF BEDROOMS	VALUATION AT JAN' 1999 VALUES	RENT 2018/19	PROPOSED RENT 2019/20	INCREASE / (DECREASE) OVER ACTUAL 2018/19 RENT	
		£	£	£	£	%
Bed-sit	0	23,235	61.11	60.50	(0.61)	(1.0)
Bungalow	1	30,725	68.60	67.91	(0.69)	(1.0)
Flat	1	28,321	67.68	67.00	(0.68)	(1.0)
House	1	29,467	69.04	68.35	(0.69)	(1.0)
Bungalow	2	39,487	79.98	79.18	(0.80)	(1.0)
Flat	2	29,616	74.18	73.44	(0.74)	(1.0)
House	2	34,581	76.29	75.53	(0.76)	(1.0)
Maisonette	2	32,132	76.30	75.54	(0.76)	(1.0)
Flat	3	29,858	78.86	78.07	(0.79)	(1.0)
House	3	37,520	83.57	82.73	(0.84)	(1.0)
Maisonette	3	33,853	82.56	81.73	(0.83)	(1.0)
House	4/6	38,496	90.62	89.72	(0.90)	(1.0)
		<b>32,451</b>	<b>74.55</b>	<b>73.81</b>	<b>(0.74)</b>	<b>(1.0)</b>

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

- 2.13 Affordable rents for properties acquired and developed are 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 2019/20.
- 2.14 There are currently 252 HRA owned garages (of which 147 are currently let). Garages are charged for at the rate of £6.93 per week (50 weeks). The last increase was in April 2018. It is proposed that the charge is increased by 3.4% from April, in line with September CPI plus 1%; this results in a weekly increase of £0.24 giving a rate of £7.17 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 2019/20 as shown below.

	<b>Current Charge</b>	<b>Proposed Charge</b>
	<b>£</b>	<b>2019/20</b>
		<b>£</b>
Sheltered schemes (other than Extra Care)	11.13	11.51
Extra Care schemes (Falcon House/Griffin House)	21.37	22.10

- 3.1.5 The proposed increase is 3.4% 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 2019/20. 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 2019/20.

## **3.2 Sheltered Amenity Charges**

- 3.2.1 The Sheltered Amenity Charges were increased by 4.0% for 2018/19. It is proposed that the current charges are increased by 3.4% from the first rent week in April 2019; 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:-

	<b>Current Charge</b>	<b>Proposed Charge</b>
	<b>£</b>	<b>2019/20</b>
		<b>£</b>
Clarkshill	17.27	17.86
Elms Close	2.02	2.09
Falcon House	10.09	10.43
Griffin House	9.79	10.12
Harwood House	19.59	20.26
Moorfield	22.42	23.18
Mosses House	17.79	18.39
Stanhope Court	9.03	9.34
Taylor House	20.01	20.69
Top O'th Fields 1	19.29	19.95
Waverley Place	21.21	21.93
Wellington House	28.68	29.66

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 £0.10 and £0.67 (£5.00 to £33.50 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 reduced by 20% for 2018/19. The charges are based on expected contract prices and estimated levels of consumption. On this basis it is proposed that the charges are reduced on an individual scheme basis for 2019/20.

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

	<b>Present Charge</b>	<b>Proposed Charge</b>	<b>Proposed Increase/ (Decrease)</b>
	<b>£</b>	<b>£</b>	<b>%</b>
Taylor House	11.83	11.00	(7)
Clarks Hill	7.98	7.58	(5)
Harwood House	11.10	9.44	(15)

3.4.4 Heating Charges are not eligible for Housing Benefit however many Sheltered Tenants will be eligible for Winter Fuel Payments; for winter 2018/19 the rates for these are £200 per household for those born on or before 5 November 1953, rising to £300 per household for those born on or before 23 September 1938 (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 a maximum of 235 furnished tenancies available under the scheme; 208 properties are currently let as Furnished Tenancies.

3.5.3 Six Town Housing, who manage the furnished tenancies, 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; this review will be carried out once the new Management Agreement with Six Town Housing has been finalised.

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 10% for 2019/20.

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

	<b>Present Charge £</b>	<b>Proposed Charge £</b>
1 bed property	16.17	14.55
2 bed property	19.04	17.13
3 bed property	21.92	19.72

### **3.6 Fernhill Caravan Site Pitch Fees**

- 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 residents 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 agreements alongside those of HRA rents and charges.
- 3.6.2 Residents 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 4.0% (September 2017 CPI plus 1%). It is proposed that the weekly charges for 2019/20 are increased by 3.4% in line with our established policy of September CPI plus 1%, therefore the current and proposed charges per plot per week are:

	<b>Current Charge £</b>	<b>Proposed Charge 2019/20 £</b>
Single Plot – pitch fee	57.81	59.78
Double Plot – pitch fee	78.78	81.46
Single Plot – water charge	6.52	6.74
Double Plot – water charge	9.05	9.36

## **4.0 HOUSING REVENUE ACCOUNT PERFORMANCE**

### **4.1 Voids**

- 4.1.1 The rent lost on empty properties is projected to be 1.19% over the course of 2018/19; this will mean an increase in rent income of approximately £3,000 as the original budget allowed for a void level of 1.2%.
- 4.1.2 The level of void loss for 2019/20 has been assumed at 1.1%, 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 2019/20 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 2020/21 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 1.1% is not achieved in 2019/20.

## 4.2 Rent Arrears

4.2.1 The opening arrears and current levels for 2018/19 are shown in the following table. The figures reflect the fact that around £94,000 of Former Tenant Arrears has been written off during 2018/19. It is anticipated that a further £20,000 could be written off before the end of 2018/19. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

	Opening Arrears 2018/19 £	Current Position £	Increase/ (Reduction) in arrears £
Current Arrears	877,700	974,100	96,400
Former Tenant Arrears	563,300	648,500	85,200
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	1,441,000	1,622,600	181,600

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 £1,134,600 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 2018/19 allowed for additional contributions to the provision totalling £473,300; £178,400 for uncollectable debts and £294,900 for the impact of benefit reforms. Looking at the arrears position, it is now estimated that the additional provision required in 2018/19 may only be £338,100. All things being equal this suggests that the Provision will stand at £1,358,700 at the end of 2018/19 against arrears of £1,622,600. 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 Anti-Poverty Strategy.

4.2.5 The 2019/20 estimates allow for additional contributions to the provision, totalling £466,400 (this is for social rent properties only):

- For uncollectable debts £174,900  
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 2019/20.
- For the impact of benefit reforms £291,500  
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 £416,000 of which £351,500 is debt over 1 year old. Of the debt over 1 year old around £283,000 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 £72,700 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 2019/20 the provision will stand at £203,800; this amount will be reduced by the amount of any further write-offs done before the end of 2019/20. In order to ensure that the Bad Debt Provision provides adequate cover for the expected level of debt any income from rechargeable repairs over and above the budgeted figure will be used to increase the bad debt provision at the end of the financial year. It is estimated that this should provide an additional contribution to the provision of at least £27,600 for 2018/19 and around £39,200 in 2019/20 bringing the forecast bad debt provision at 31 March 2020 to some £270,600 (covering 61% of the expected outstanding debt); the balance on the Bad Debt Provision will continue to 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 2019/20 HOUSING REVENUE ACCOUNT (HRA), HRA CAPITAL RESOURCES AND THE HRA WORKING BALANCE**

### **5.1 2019/20 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; the government has confirmed that there are now no current plans to enact this.

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 2019/20 is currently being reviewed in light of the review of Housing Services. The HRA Estimates for 2019/20 assume the Management Fee to be £13,058,600 this being the current year's figure; any changes to this figure will impact on the level of HRA balances.
- 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.

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.

5.1.6 Work is currently taking place to assess eligible expenditure within the Communities & Wellbeing Directorate, that could be charged to the HRA during 2019/20. This work is ongoing, and currently not factored into the figures in this report. Once completed, detailed proposals will be agreed between the Executive Director (Communities & Wellbeing) and the s151 Officer. Details will be clearly outlined in HRA monitoring reports produced during 2019/20.

## **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 31<sup>st</sup> January last 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 has been assumed that the resources made available from the HRA for capital expenditure should be £9.830m for 2019/20.

5.2.5 These resources will provide for specific capital schemes (those for 2019/20 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 forms 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 £
2018/19	7,936	793,600
2019/20	7,918	791,800
2020/21	7,863	786,300

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 2019/20 the HRA balances should not be allowed to fall below **£1,040,000**.

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

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