REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**OVERVIEW AND SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**12 FEBRUARY 2014** **19 FEBRUARY 2014** **19 FEBRUARY 2014**
SUBJECT:	**DRAFT HOUSING REVENUE ACCOUNT 2014/15**
REPORT FROM:	**DEPUTY LEADER and CABINET MEMBER FOR FINANCE AND CORPORATE AFFAIRS and CABINET MEMBER FOR ADULT CARE, HEALTH AND HOUSING**
CONTACT OFFICER:	**MIKE OWEN, EXECUTIVE DIRECTOR OF RESOURCES** **STEPHEN KENYON, ASSISTANT DIRECTOR OF RESOURCES (FINANCE AND EFFICIENCY)**
TYPE OF DECISION:	**COUNCIL**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain
SUMMARY:	The report details the proposed Housing Revenue Account for 2014/15 and proposals for Dwelling and Garage rents, Sheltered Support, Management, Amenities and Heating charges and Furnished Tenancy charges.
OPTIONS & RECOMMENDED OPTION	The report is prepared on the basis of the Government's guideline rent increase of 3.7% but without any further move towards convergence. Members are reminded that any increase below the guideline would result in a reduction in rental income compared to that shown in the appendices. Cabinet is recommended to note the report and request that the Council should consider all matters relating to the Housing Revenue Account 2014/15, the increase in

	Council House and garage rents and changes to other charges. Council is recommended to: (a) approve the Housing Revenue Account estimates set out in Appendix 1 subject to later amendment to reflect the agreed Management Fee payable to Six Town Housing. (b) set a rent level for Council houses in 2014/15, recognising that the draft HRA is based on a rent increase of 3.7% from the first rent week in April. (c) increase Garage rents from the first rent week in April by the same level that Council house rents are increased. (d) increase Sheltered amenity charges by 3.2% from the first rent week in April. (e) continue the scheme of protection for the Sheltered Support Charges. (f) approve that Sheltered management, support and heating charges and Furnished Tenancy charges remain unchanged from the first rent week in April.

IMPLICATIONS: **Corporate Aims/Policy Framework:**	The proposals accord with the Policy Framework
Statement by Section 151 Officer:	Financial and risk implications are detailed in the report.
Statement by Executive Director of Resources:	The report fully details the Housing Revenue Account for 2014/15. There are no other direct resource implications although the extent of the contribution into the Headroom Reserve may influence asset management issues relating to the housing stock.
Equality/Diversity implications:	
Considered by Monitoring Officer:	
Are there any legal implications?	No
Staffing/ICT/Property:	There are no direct staffing, ICT or property implications arising from this report although the HRA budget impacts on these areas.
Wards Affected:	All
Scrutiny Interest:	Overview and Scrutiny Committee

TRACKING/PROCESS **DIRECTOR: MIKE OWEN**

Chief Executive/ Management Board	Executive Member/Chair	Ward Members	Partners
	Yes		
Scrutiny Committee	Cabinet	Committee	Council
12 February 2014	19 February 2014		19 February 2014

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 2013/14 is £12,718,600.

1.7 For 2014/15 the HRA is expected to have an average stock of 8,120 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 42 RTBs in 2014/15, which given the current level of activity would seem to be a reasonable assumption, so the HRA estimates have been prepared on this basis. 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 As a result of the HRA being a ringfenced account, any surplus or deficit on the HRA is carried forward into the next financial year and is called the working

balance. Section 5 of this report contains an assessment of the minimum level of balances to be held.

1.9 The implementation of the Government's Welfare Reforms will have an increasing impact on the Housing Revenue Account and on the approximately 70% of tenants who are entitled to support with their rent and charges. The biggest impact in 2013/14 has been from the introduction of the under occupation 'charge' (the so-called Bedroom Tax).

1.10 The introduction of the Universal Credit, which will see benefits paid directly to the majority of claimants, as opposed to a simple transfer from the Council into rent accounts, is expected to have a huge impact on collection rates for rents and other charges. Currently around 68% of HRA rental income comes directly from Housing Benefit meaning that once the current welfare reforms have been fully implemented £20.8m 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 2014/15).

1.11 The timetable for the implementation and roll out of Universal Credit has changed and currently we are not expecting any roll out to Bury until October 2014 at the earliest and even then it is likely to be on a limited basis in terms of client groups affected.

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

2.0 RENT INCREASE 2014/15

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 but it has now been confirmed that the government's rent policy for 2015/16 onwards assumes that convergence has 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 is currently the Retail Price Index (RPI) for the previous September plus 0.5%; from 2015/16 guideline increases will be on the basis of the Consumer Price Index (CPI) plus 1%. For 2014/15 the guideline rent increase calculation is based on 3.2% (being the RPI for September 2013) and a convergence date of 2015/16. Individual rent increases should be capped at 3.2% + 0.5% + £2.08 per week (on a 50 week basis).

2.4 At the Council meeting in February of last year an average increase of 5.0% was recommended, this being in line with the rent setting policy and convergence timetable, however a subsequent amendment was agreed that increased the rents by a lower average figure of 4.1%.

2.5 For 2014/15 it is proposed that rents are increased by 3.7% (being RPI plus 0.5%) with no further adjustment towards convergence.

2.6 The Government has set a weekly average limit rent for Bury of £80.32 (50 week basis). If average rents were to rise above this limit rent then Subsidy on Rent Rebates will be restricted. There appears to be little danger of this limit being reached and so the figure is provided for information only.

2.7 The introduction of the self financing system does mean that the Council has more freedom regarding the level of rents that it sets (although the national rent policy continues and the calculation of the debt taken on by Bury assumed the achievement of rent convergence by 2015/16). Increases lower than that indicated by applying the national rent policy result in a lower rental income base within the HRA for current and future years.

2.8 Bury's rents are currently collected on a 50 week basis with 2 non-collection weeks in December.

2.9 Currently Housing Benefit for our HRA tenants is paid in line with the 50 week collection basis. However the introduction of Universal Credit will see claimants receiving payments 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. A review of the collection basis is underway and consultation will be undertaken with customers and stakeholders. The delay in implementing Universal Credit means that there is unlikely to be any significant impact from retaining a 50 week collection basis for 2014/15.

2.10 The following table shows the difference between the current and proposed rents on the basis of an increase of 3.7% applied across the board. The rents shown in the table are all on a 50 week basis.

TYPE	NUMBER OF BEDROOMS	VALUATION AT JAN' 1999 VALUES	RENT 2013/14	PROPOSED RENT 2014/15	INCREASE OVER ACTUAL 2013/14 RENT	
		£	£	£	£	%
Bed-sit	0	23,235	58.13	60.29	2.16	3.7
Bungalow	1	30,706	67.26	69.75	2.49	3.7
Flat	1	28,326	66.26	68.71	2.45	3.7
House	1	29,410	67.70	70.20	2.50	3.7
Bungalow	2	39,487	79.31	82.24	2.93	3.7
Flat	2	29,560	73.19	75.90	2.71	3.7
House	2	34,641	75.88	78.69	2.81	3.7
Maisonette	2	32,132	74.97	77.74	2.77	3.7
Flat	3	29,702	78.47	81.37	2.90	3.7
House	3	37,564	83.42	86.50	3.08	3.7
Maisonette	3	33,843	81.90	84.93	3.03	3.7
House	4/6	38,477	90.68	94.03	3.35	3.7
		32,551	**73.88**	**76.61**	**2.73**	**3.7**

2.11 There are currently 325 HRA owned garages (of which 218 are currently let). Garages are charged for at the rate of £6.31 per week (50 weeks). The last increase was in April 2013 when the charges rose in line with the percentage increase in council house rents; increases for 2014/15 in line with the proposed rent increase of 3.7% would result in a weekly increase of £0.23 giving a rate of £6.54 per week (over 50 weeks);

3.0 SHELTERED AND FURNISHED TENANCIES CHARGES

3.1 Supporting People

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

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

3.2 Sheltered Management and Support Charges

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

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

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

3.2.4 It is proposed that the current Sheltered Management charges remain unchanged for 2014/15:

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

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

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

3.2.6 Following the review of the charging structure and the introduction of the Sheltered Management charge the standard weekly Support Charge per unit was reduced to £8.33 (on a 50 week basis) for 2012/13 and remained unchanged for 2013/14.

It is proposed that this charge remains unchanged for 2014/15. This charge applies at all Sheltered schemes other than the Extra Care schemes at Falcon House and Griffin House and is eligible for Supporting People funding for eligible tenants.

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

- Elms Close £2.96
- Maple Grove £2.21

The total cost to the HRA of the protections proposed is £258 in 2014/15.

3.2.8 An Extra Care Sheltered Scheme has been established covering the Falcon House and Griffin House schemes. There are different support charges which reflect different levels of support offered dependant on the assessed needs of

the individual tenants; this support is provided by Adult Care Services and they will be reviewing the charges for 2014/15.

3.3 Sheltered Amenity Charges

3.3.1 The current Sheltered Amenity Charges have remained unchanged since 2012/13 but in order to cover current costs it is proposed that they are increased in 2014/15 in line with the September RPI figure of 3.2%.

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:-

	Current Charge **£**	**Proposed Charge 2014/15** **£**
Clarkshill	15.45	15.94
Elms Close	1.80	1.86
Falcon House	9.03	9.32
Griffin House	8.76	9.04
Harwood House	17.53	18.09
Moorfield	20.06	20.70
Mosses House	15.91	16.42
Stanhope Court	8.07	8.33
Taylor House	17.90	18.47
Top O'th Fields 1	17.27	17.82
Waverley Place	18.97	19.58
Wellington House	25.66	26.48

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

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

3.4 Sheltered Heating Charges

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

3.4.2 The schemes are part of the Council's overall procurement of energy and 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 2014/15.

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

Taylor House	£17.29
Clarks Hill	£11.67
Waverley Place	£16.80
Harwood House	£16.22

3.4.4 Heating Charges are not eligible for Housing Benefit however most Sheltered Tenants should be eligible for Winter Fuel Payments; for winter 2013/14 the rates for these are £200 per household for those born on or before 5 January 1952, rising to £300 per household for those aged 80 or over at 22 September 2013.

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. The scheme has been expanding on a self funding basis with increases of 20% per annum in the number of furnished tenancies. Six Town Housing manage the furnished tenancies and have indicated that they do not have the staffing capacity to support further expansion of the scheme from within their existing resources.

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

3.5.4 Increases in charges to cover inflation in the costs of the scheme e.g. costs of replacement furniture and fittings are normally implemented from the first rent week in April of each year.

However it is proposed that the current charges remain unchanged for 2014/15 as efficient procurement continues to deliver stability in replacement costs. The current weekly charges, (on a 50 week basis), are:

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

4.0 HOUSING REVENUE ACCOUNT PERFORMANCE

4.1 Voids

4.1.1 The rent lost on empty properties is projected to be 1.83% over the course of 2013/14; this will mean a reduction in rent income of approximately £9,000 as the original budget allowed for a void level of 1.8%.

4.1.2 The level of void loss for 2014/15 has been assumed at 1.8% which should be an achievable target given current performance but recognises that there may be an impact on void levels from the implementation of welfare benefit changes; 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 2014/15 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 2015/16 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 1.8% is not achieved in 2014/15.

4.2 Rent Arrears

4.2.1 The opening arrears and current levels for 2013/14 are shown in the following table. The figures reflect the fact that around £131,000 of Former Tenant Arrears has been written off during 2013/14. Write offs totalling £14,500 are awaiting approval and it is anticipated that a further £24,000 could be written off before the end of 2013/14. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

	Opening Arrears 2013/14 £	Current Position £	Increase/ (Reduction) in arrears £
Current Arrears	522,200	538,900	16,700
Former Tenant Arrears	293,100	331,800	38,700
	815,300	870,700	55,400

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 £588,900 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 2013/14 allowed for additional contributions to the provision totalling £603,000; £180,900 for uncollectable debts and £422,100 for the impact of benefit reforms. Looking at the arrears position, it is now estimated that the additional provision can be reduced to £291,800 in 2013/14. All things being equal this suggests that the Provision will stand at £711,200 at the end of 2013/14 against arrears of £870,700. 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 2014/15 estimates allow for additional contributions to the provision, totalling £622,000:

- For uncollectable debts £186,600
  This figure represents 0.6% of the rent roll and is an increase over the expected contribution in the current year; this is to reflect the volatility in arrears levels and the higher rent levels assumed for 2014/15.

- For the impact of benefit reforms £435,400
  This figure represents 1.4% of the rent roll and has been included as an additional contribution to the Bad Debt Provision to reflect the potential impact that welfare benefit changes could have on the level of rent arrears, including the reassessment of cases currently in receipt of Discretionary Housing Payments.

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 £433,700 of which £376,000 is debt over 1 year old. Of the debt over 1 year old around £276,400 appears to be static debt i.e. there have been no payments received at all. Accounts totalling £72,000 have been written off so far in the current year with a further £74,700 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 £481,200. The HRA estimates for 2013/14 allowed for a £50,000 contribution to this provision therefore, taking into account the expected write offs, at the end of 2014/15 the provision will stand at £384,500; this amount will be reduced by the amount of any further write-offs done before the end of 2014/15. 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 2014/15; 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 2014/15 HOUSING REVENUE ACCOUNT (HRA), HRA CAPITAL RESOURCES AND THE HRA WORKING BALANCE

5.1 2014/15 Housing Revenue Account

5.1.1 The Housing Revenue Account Estimates are set out in Appendix 1. These estimates are subject to the final agreement of the Management Fee payable to Six Town Housing for 2014/15.

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

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

- The Housing Revenue Account pays a Management Fee to Six Town Housing to provide the services delegated under the ALMO Management Agreement. The level of this Management Fee for 2014/15 is currently being finalised between Six Town Housing and the Council. The HRA Estimates for 2014/15 assume the Management Fee to be £12,875,000 this being the current year's figure uplifted for inflation only; any changes to this figure during negotiations will impact on the level of HRA balances.

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

  The headroom means that additional funds are potentially available to support investment in the Housing Stock and/or any other Council housing priorities, including a revised rent strategy. It is important that any investment is undertaken prudently and on a sustainable basis and for this reason headroom monies are currently being set aside in a reserve pending the completion of key studies; the new Housing Strategy 2014-24 is currently in draft form and is scheduled to be presented to Cabinet on 5 March.

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

- The Government has announced further proposals around the Right to Buy including higher maximum discount percentages for houses, the appointment of RTB Agents and the establishment of a capital fund to improve access to mortgage finance. The impact of these proposals on the numbers of applications and sales in 2014/15 will be reported to members in the quarterly Finance and Performance Monitoring Report.

5.1.4 The detailed Housing Revenue Account shown in Appendix 1 assumes an increase in rents of **3.7%**.

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 As discussed in 5.1.3 any investment needs to be undertaken on a sustainable basis and in line with the Council's overarching Housing Strategy.

5.2.3 At this stage therefore it is proposed that for 2014/15 the resources made available initially from the HRA for capital expenditure should be set at the level assumed in the self-financing determination; the HRA estimates for 2014/15 have been prepared on this basis:

Major Works	£7,361,500
Disabled Facilities Adaptations	£533,500
Total capital resources 2014/15	£7,895,000

5.2.4 These proposed resources will maintain Decent Homes and tackle some of the current investment needs of the stock and the surrounding environment.

5.2.5 Approval of the Capital Programme will form part of the consideration of the overall Council budget so should there be any change to the assumed level of resources this will impact on the amount contributed to the HRA Business Plan Headroom Reserve.

5.3 The HRA Working Balance

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

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

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

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

Financial Year	Average no of Properties	Balance at year end £
2013/14	8,159	815,900
2014/15	8,120	812,000
2015/16	8,077	807,700

5.3.5 Appendix 4 details a risk assessment of the major issues that could affect the financial position of the HRA, including the sensitivity of the voids and arrears targets. This shows that on a risk assessed basis, the minimum level of HRA balances shown above may not be adequate given the need to provide for the increased risks associated with the new self-financing system and the implementation of welfare reforms. Therefore the Executive Director of Resources and the Council's s151 Officer are now recommending that for 2014/15 the HRA balances should not be allowed to fall below **£1,000,000.**

Councillor John Smith,
Deputy Leader and Cabinet Member for Finance and Corporate Affairs

Councillor Rishi Shori,
Cabinet Member for Adult Care, Health and Housing

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