REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**OVERVIEW AND SCRUTINY COMMITTEE** **CABINET** **COUNCIL**
DATE:	**11 FEBRUARY 2020** **26 FEBRUARY 2020** **26 FEBRUARY 2020**
SUBJECT:	**DRAFT HOUSING REVENUE ACCOUNT 2020/21**
REPORT FROM:	**CABINET MEMBER FOR FINANCE AND HOUSING**
CONTACT OFFICER:	**MIKE WOODHEAD, JOINT CHIEF FINANCIAL OFFICER**
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 2020/21 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	The report is prepared on the basis of the Government's *Policy Statement on Rents for Social Housing 2018* and the Rent Standard issued by the Regulator of Social Housing which allows for a maximum weekly increase in rents of 2.7% for 2020/21. Members are reminded that any increase below 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. Cabinet is recommended to note the report and request that the Council should consider all matters relating to the Housing Revenue Account 2020/21, 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. (b) increase the Rents for all HRA social rent formula and affordable rent dwellings by 2.7% from the first rent week in April. (c) increase Garage rents by 2.7% from the first rent week in April. (d) increase Sheltered Management and Amenity Charges by 2.7% from the first rent week in April. (e) approve that Sheltered support charges remain unchanged from the first rent week in April. (f) increase Sheltered heating charges by between 3% to 10% on an individual scheme basis as set out in section 3.4; increased charges to apply from the first rent week in April. (g) approve that Furnished Tenancy charges remain unchanged from the first rent week in April. (h) increase pitch fees at the Fernhill Caravan Site by 2.7% 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. The report fully details the Housing Revenue Account for 2020/21.
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes
Are there any legal implications?	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
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 WOODHEAD**

Joint Executive Team	Cabinet Member/Chair	Ward Members	Partners
	Yes		
Scrutiny Committee	Cabinet	Committee	Council
11 February 2020	26 February 2020		26 February 2020

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 Arm's 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 and is expected to be finalised by the end of the current financial year.

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 2019/20 is £13,058,600.

1.6 For 2020/21 the HRA is expected to have an average stock of 7,777 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 2020/21 the HRA is expected to have an average stock of 77 affordable rent dwellings plus 8 shared ownership dwellings.

1.8 Approval has been given for the HRA to acquire 13 empty properties; at the time of writing 10 have been acquired; the intention is that the remaining 3 will be acquired and refurbished by the end of 2020/21. 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 The 8 houses built on the Mayfair Avenue ex-garage sites were all sold on a shared ownership basis during June and July of this year; the shares purchased range from 35% to 75%. The scheme is being funded through Homes England (previously HCA) grant, HRA reserves/borrowing and sale proceeds.

1.10 10 affordable rent apartments are currently under development on the old Radcliffe Times Building site. These are due to be completed before the end of March this year and will be acquired by the Council. The scheme is being funded through Homes England grant, S106 monies and HRA borrowing.

1.11 This report is written on the basis of the Council's existing housing stock.

1.12 As a result of the HRA being a ring-fenced 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.

1.13 The implementation of the Government's Welfare Reforms will have an increasing impact on the Housing Revenue Account and on the approximately 50% of tenants who are entitled to support with their rent and charges.

1.14 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 48% (56% 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 £14.4m 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 2020/21).

1.15 There are currently over 1,500 tenants claiming Universal Credit.

2.0 RENT LEVELS 2020/21

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 was 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 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 removed this freedom and withdrew 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:

Estimated rental income lost over 4 year period 2016/17 – 2019/20	
	£m
Impact of 1% reduction on base rents	2.998
Impact of not applying CPI plus 1% increases	6.425
Total potential resources lost from HRA	**9.411**

2.7 The Government's *Policy Statement on Rents for Social Housing 2018,* along with the recently issued Rent Standard April 2020 from the Regulator of Social Housing, confirm a return to the previous rent policy i.e. weekly increases of up to Consumer Price index (CPI) plus 1% will apply from 2020/21 for a period of at least 5 years.

2.8 The CPI figure to be used is the September figure for the year prior to the increase. September 2019 CPI was 1.7% and therefore it is proposed that rents for all Social Rent Formula and Affordable Rent dwellings are increased by 2.7% from the first rent week in April 2020.

2.9 The policy of reletting dwellings at Target rents, which came into effect in April 2016, has resulted in 281 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 £5.91 which equates to approximately £0.083m 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 The following table shows the difference between the current and proposed rents on the basis of an increase of 2.7% 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 2019/20	PROPOSED RENT 2020/21	INCREASE OVER ACTUAL 2019/20 RENT	
		£	£	£	£	%
Bed-sit	0	23,235	61.21	62.86	1.65	2.7
Bungalow	1	30,711	68.35	70.20	1.85	2.7
Flat	1	28,320	67.47	69.29	1.82	2.7
House	1	29,467	68.55	70.40	1.85	2.7

Bungalow	2	39,487	79.40	81.54	2.14	2.7
Flat	2	29,617	73.80	75.79	1.99	2.7
House	2	34,577	75.72	77.77	2.05	2.7
Maisonette	2	32,132	76.00	78.05	2.05	2.7
Flat	3	29,916	79.11	81.25	2.14	2.7
House	3	37,493	82.96	85.20	2.24	2.7
Maisonette	3	33,853	82.17	84.38	2.21	2.7
House	4/6	38,425	89.77	92.20	2.43	2.7
		32,421	**74.11**	**76.11**	**2.00**	**2.7**

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

2.12 Affordable rents for properties acquired and developed are determined on an individual property basis at 80% of the assessed Market Rent.

2.13 There are currently 252 HRA owned garages (of which 143 are currently let). Garages are charged for at the rate of £7.17 per week (50 weeks). The last increase was in April 2019. It is proposed that the charge is increased by 2.7% from April, in line with September CPI plus 1%; this results in a weekly increase of £0.19 giving a rate of £7.36 per week (over 50 weeks).

2.14 For shared ownership properties the purchasers pay a monthly rent based on the market value of the share of the property that has been retained by the Council. This rent is increased in line with the terms of the shared ownership leases and will be calculated with reference to the Retail Price Index (RPI) for February 2020.

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 2020/21 as shown below.

	Current Charge £	Proposed Charge 2020/21 £
Sheltered schemes (other than Extra Care)	11.51	11.82
Extra Care schemes (Falcon House/Griffin House)	22.10	22.70

3.1.5 The proposed increase is 2.7% being September CPI plus 1%; this increase is in line with the current Regulator of Social Housing 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 2020/21. 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 2020/21.

3.2 Sheltered Amenity Charges

3.2.1 The Sheltered Amenity Charges were increased by 3.4% for 2019/20. It is proposed that the current charges are increased by 2.7% from the first rent week in April 2020; 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 2020/21 £
Clarkshill	17.86	18.34
Elms Close	2.09	2.15
Falcon House	10.43	10.71

Griffin House	10.12	10.39
Harwood House	20.26	20.81
Moorfield	23.18	23.81
Mosses House	18.39	18.89
Stanhope Court	9.34	9.59
Taylor House	20.69	21.25
Top O'th Fields 1	19.95	20.49
Waverley Place	21.93	22.52
Wellington House	29.66	30.46

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 4 details the total Sheltered Management, Support and Amenity Charges for each scheme; this shows weekly increases ranging between £0.31 and £1.11.

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 between 5% and 15% on an individual scheme basis for 2019/20. The charges are based on expected contract prices and estimated levels of consumption. On this basis it is proposed that the charges are increased on an individual scheme basis for 2020/21; this will be the first increase in the charges since 2013/14.

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

	Present Charge £	Proposed Charge £	Proposed Increase %
Taylor House	11.00	11.88	8
Clarks Hill	7.58	8.34	10
Harwood House	9.44	9.72	3

3.4.4 Heating Charges are not eligible for Housing Benefit however many Sheltered Tenants will be eligible for Winter Fuel Payments; for winter 2019/20 the rates for these are £200 per household for those born on or before 5 April 1954, rising to £300 per household for those born on or before 22 September 1939 (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; 209 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 Pending the outcome of the review of the scheme and given that the current charges are expected to be sufficient to cover costs it is proposed that the charges remain unchanged for 2020/21.

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

1 bed property	£14.55
2 bed property	£17.13
3 bed property	£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 3.4% (September 2018 CPI plus 1%). It is proposed that the weekly charges for 2020/21 are increased by 2.7% 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 2020/21 £

Single Plot – pitch fee	59.78	61.39
Double Plot – pitch fee	81.46	83.66
Single Plot – water charge	6.74	6.92
Double Plot – water charge	9.36	9.61

4.0 HOUSING REVENUE ACCOUNT PERFORMANCE

4.1 Voids

4.1.1 The rent lost on empty properties is projected to be 1.05% over the course of 2019/20; this will mean an increase in rent income of approximately £14,400 as the original budget allowed for a void level of 1.1%.

4.1.2 The level of void loss for 2020/21 has been assumed at 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 2020/21 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 2021/22 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% is not achieved in 2020/21.

4.2 Rent Arrears

4.2.1 The opening arrears and current levels for 2019/20 are shown in the following table. The figures reflect the fact that there have been no Former Tenant Arrears written off during 2019/20 as yet. Around £100,000 of arrears have been submitted for write off and are currently awaiting approval; it is anticipated that a further £50,000 could be written off before the end of 2019/20. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

	Opening Arrears 2019/20 £	Current Position £	Increase/ (Reduction) in arrears £
Current Arrears	970,900	1,071,900	101,000
Former Tenant Arrears	685,200	802,000	116,800
	1,656,100	1,873,900	217,800

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 £1,415,800 at the beginning of this financial year. The requirement for the year is calculated with reference to the type of arrear and the amount outstanding on each individual case.

4.2.4 The original budget for 2019/20 allowed for additional contributions to the provision totalling £477,500; £186,400 for uncollectable debts and £291,500 for the impact of benefit reforms. Looking at the arrears position, it is now estimated that the additional provision required in 2019/20 may only be £317,000. However rent arrears are volatile and with increasing numbers of Universal Credit cases it can be difficult to determine what the position at the end of the financial year will be. All things being equal though this suggests that the Provision will stand at £1,582,800 at the end of 2019/20 against arrears of £1,873,900.

4.2.5 The 2020/21 estimates allow for additional contributions to the provision, totalling £484,300:

- For uncollectable debts £181,600
  This figure represents 0.6% of the rent roll.

- For the impact of benefit reforms £302,700
  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 have on the level of rent arrears.

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

4.3 Rechargeable Repairs

4.3.1 The amount due from tenants for rechargeable repairs currently stands at around £312,700 of which £244,400 is debt over 1 year old. Of the debt over 1 year old around £200,500 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 £51,500 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 £241,000.

Taking into account the expected write offs, at the end of 2020/21 the provision will stand at £189,400; this amount will be reduced by the amount of any further write-offs done before the end of 2020/21. 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 around £12,000 for 2019/20 and around £8,000 in 2020/21 bringing the forecast bad debt provision at 31 March 2021 to some £209,200 (covering 62% 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 2020/21 HOUSING REVENUE ACCOUNT (HRA), HRA CAPITAL RESOURCES AND THE HRA WORKING BALANCE

5.1 2020/21 Housing Revenue Account

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

5.1.2 One of the most significant impacts on the HRA for the coming year and in future years continues to be from the implementation of welfare reforms. This along with other key factors, such as void levels and the level of rent arrears, are factored into 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 2020/21 is currently being reviewed in light of the review of Housing Services. The HRA Estimates for 2020/21 assume the Management Fee to be £13,319,800 this being a 2% increase on 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 could be 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.

5.1.4 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 2018 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 2020/21.

5.2.5 These resources will provide for specific capital schemes (those for 2020/21 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.

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 established a Golden Rule regarding the minimum level of HRA balances. Using his judgement and experience, the Executive Director of Resources and Regulation 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 £
2019/20	7,910	791,000
2020/21	7,862	786,200
2021/22	7,809	780,900

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 Joint Chief Financial Officer (the Council's s151 Officer) is now recommending that for 2020/21 the HRA balances should not be allowed to fall below **£1,050,000.**

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

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