



Meeting:	Cabinet
Meeting date:	23 February 2021
Title of report:	The Housing Revenue Account 2021/22
Report by:	Leader of the Council and Cabinet Member for Finance and Growth
Decision Type:	Key Decision
Ward(s) to which report relates	All

Executive Summary:

- 1.1 The report forms part of a suite of documents relating to the Council's budget setting process for 2021/22 and sets out the proposed Housing Revenue Account for 2021/22 and proposals for Dwelling and Garage rents, Sheltered Support, Management, Amenities and Heating charges, Furnished Tenancy charges and Fernhill Caravan site tenancy charges.

Recommendation(s)

That Cabinet:

- increase the Rents for all HRA social rent formula and affordable rent dwellings by 1.5% from the first rent week in April;
- increase Garage rents by 1.5% from the first rent week in April;
- increase Sheltered Management and Amenity Charges by 1.5% from the first rent week in April;
- approve that Sheltered support and heating charges remain unchanged from the first rent week in April;

- **approve that Furnished Tenancy charges remain unchanged from the first rent week in April;**
- **increase pitch fees at the Fernhill Caravan Site by 1.5% from the first rent week in April.**

Key considerations

Background

- 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 new Management Agreement was signed between Six Town Housing and Bury Council on 1st April 2020; this details the responsibilities that are delegated to the ALMO.
- 1.5 Bury Council agrees the level of Management Fee payable from the Housing Revenue Account to Six Town Housing for the provision of the delegated responsibilities; the fee being paid for 2020/21 is £13,058,600.
- 1.6 For 2021/22 the HRA is expected to have an average stock of 7,729 social rent formula dwellings. Given the current level of activity, and the build-up of applications due to Right To Buy valuations being suspended for a number of months during the pandemic, the HRA estimates have been prepared on the basis of 40 RTB sales in 2020/21 and 80 in 2021/22. If the level of sales is above or below these figures this will result in less or more rental income to the HRA than has been assumed.
- 1.7 Funding has been secured under the Next Steps Accommodation Programme (NSAP) towards the acquisition and refurbishment of 4 properties during the current financial year. The rents for these properties will be set using the social rent formula.
- 1.8 For 2021/22 the HRA is expected to have an average stock of 84 affordable rent dwellings plus 8 shared ownership dwellings.
- 1.9 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 purchased as problematic empty homes are identified. 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 England grant, S106 monies and HRA reserves.

- 1.10 10 affordable rent apartments, developed on the old Radcliffe Times Building site, were acquired during 2020/21. 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 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 45% (50% at this time last year) of tenants are in receipt of full or partial Housing Benefit with 43% (48% at this time last year) of HRA rental income coming directly from this source. This means that once the current welfare reforms have been fully implemented a further £13.1m 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 2021/22).
- 1.15 There are currently over 2,400 tenants claiming Universal Credit.

2 RENT LEVELS 2021/22

- 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 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

- 2.6 The Government's *Policy Statement on Rents for Social Housing 2018*, along with the revised Rent Standard from the Regulator of Social Housing, confirmed 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.
- 2.7 At the Council meeting in February 2020 an increase of 2.7% was approved, this being in line with the rent setting policy.
- 2.8 The CPI figure to be used is the September figure for the year prior to the increase. September 2020 CPI was 0.5% and therefore it is proposed that rents for all Social Rent Formula and Affordable Rent dwellings are increased by 1.5% from the first rent week in April 2021.
- 2.9 The policy of reletting dwellings at Target rents, which came into effect in April 2016, has resulted in 204 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 £6.06 which equates to approximately £0.062m 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 1.5% 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 2020/21	PROPOSED RENT 2021/22	INCREASE OVER ACTUAL 2020/21 RENT	
		£	£	£	£	%
Bed-sit	0	23,235	63.17	64.12	0.95	1.5
Bungalow	1	30,711	70.55	71.61	1.06	1.5
Flat	1	28,328	69.59	70.64	1.05	1.5
House	1	29,468	70.44	71.49	1.05	1.5
Bungalow	2	39,487	81.75	82.97	1.22	1.5
Flat	2	29,608	76.03	77.17	1.14	1.5
House	2	34,551	77.86	79.03	1.17	1.5
Maisonette	2	32,132	78.05	79.22	1.17	1.5
Flat	3	29,973	81.77	83.00	1.23	1.5
House	3	37,493	85.32	86.60	1.28	1.5
Maisonette	3	33,855	84.90	86.18	1.28	1.5
House	4	38,335	92.53	93.92	1.39	1.5
		32,402	76.30	77.44	1.14	1.5

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 135 are currently let). Garages are charged for at the rate of £7.36 per week (50 weeks). The last increase was in April 2020. It is proposed that the charge is increased by 1.5% from April, in line with September CPI plus 1%; this results in a weekly increase of £0.11 giving a rate of £7.47 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 2021.

3 SHELTERED AND OTHER TENANCY CHARGES

Sheltered Management and Support Charges

- 3.1 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 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.
- 3.3 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.
- 3.4 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 2021/22 as shown below.

	Current Charge	Proposed Charge 2021/22
	£	£
Sheltered schemes (other than Extra Care)	11.82	12.00
Extra Care schemes (Falcon House/Griffin House)	22.70	23.04

- 3.5 The proposed increase is 1.5% being September CPI plus 1%; this increase is in line with the current Regulator of Social Housing Rent Standard guidance and our established policy.
- 3.6 These charges will be eligible for Housing Benefit purposes and it is expected that benefits will be payable to accepted claimants.
- 3.7 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.
- 3.8 It is proposed that this charge remains unchanged for 2021/22. This charge applies at all Sheltered schemes other than the Extra Care schemes at Falcon House and Griffin House.
- 3.9 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 2021/22.

Sheltered Amenity Charges

- 3.10 The Sheltered Amenity Charges were increased by 2.7% for 2020/21. It is proposed that the current charges are increased by 1.5% from the first rent week in April 2021; 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.
- 3.11 The current and proposed charges per unit per week (over 50 weeks) will be as shown in the table below:-

	Current Charge	Proposed Charge 2021/22
	£	£
Clarkshill	18.34	18.62
Elms Close	2.15	2.18
Falcon House	10.71	10.87
Griffin House	10.39	10.55
Harwood House	20.81	21.12
Moorfield	23.81	24.17
Mosses House	18.89	19.17
Stanhope Court	9.59	9.73
Taylor House	21.25	21.57
Top O'th Fields 1	20.49	20.80
Waverley Place	22.52	22.86
Wellington House	30.46	30.92

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

Net impact of changes in Sheltered Charges and rent reductions

- 3.13 Appendix 4 details the total Sheltered Management, Support and Amenity Charges for each scheme; this shows weekly increases ranging between £0.18 and £0.64.

Sheltered Heating Charges

- 3.14 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.

3.15 At the Council meeting in February of last year charges were increases by between 3% and 10% on an individual scheme basis for 2020/21. 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 is sufficient to cover the expected heating costs at the schemes and therefore it is proposed that the charges remain unchanged for 2021/22.

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

	Present Charge £	Proposed Charge £	Proposed Increase %
Taylor House	11.88	11.88	0
Clarks Hill	8.34	8.34	0
Harwood House	9.72	9.72	0

3.17 It is likely that new boilers will be installed at Clarks Hill in the near future. When this happens a new metering system will also be installed that will allow tenants to receive individual bills; at this point there will no longer be a weekly heating charge at this scheme.

3.18 Heating Charges are not eligible for Housing Benefit however many Sheltered Tenants will be eligible for Winter Fuel Payments; for winter 2020/21 the rates for these are £200 per household for those born on or before 5 October 1954, rising to £300 per household for those born on or before 27 September 1940 (payments may be different depending on the household circumstances).

Furnished Tenancies Charges

3.19 A Furnished Tenancy Scheme was introduced during 2005/06. The scheme provides furniture packages for which an additional weekly charge is payable.

3.20 There are currently a maximum of 235 furnished tenancies available under the scheme; 211 properties are currently let as Furnished Tenancies.

3.21 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 can now be carried out as the new Management Agreement with Six Town Housing has been finalised.

3.22 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.

3.23 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.

3.24 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 2021/22.

3.25 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

Fernhill Caravan Site Pitch Fees

3.26 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.

3.27 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.

3.28 At the Council meeting in February of last year charges were increased by 2.7% (September 2019 CPI plus 1%). It is proposed that the weekly charges for 2021/22 are increased by 1.5% 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
	£	2021/22
		£
Single Plot – pitch fee	61.39	62.31
Double Plot – pitch fee	83.66	84.91
Single Plot – water charge	6.92	7.02
Double Plot – water charge	9.61	9.75

4 HOUSING REVENUE ACCOUNT PERFORMANCE

4.1 In considering the following areas of performance it should be noted that they have all to some degree been affected by the operating restrictions and financial impacts resulting from the pandemic; this makes forecasting with any certainty very difficult.

Voids

- 4.2 The rent lost on empty properties is projected to be 1.16% over the course of 2020/21; this will mean a reduction in rent income of approximately £48,800 as the original budget allowed for a void level of 1%.
- 4.3 The level of void loss for 2021/22 has been assumed at 1%, which will be a challenging target. Recent performance will need to be maintained however this could be impacted upon by any further restrictions resulting from the pandemic. 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 2021/22 allows for this possibility as discussed in section 5.
- 4.4 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 2022/23 or targeted during the coming financial year for service developments.
- 4.5 Appendix 3 details the loss or increase in rental income at different void levels if the 1% is not achieved in 2021/22.

Rent Arrears

- 4.6 The opening arrears and current levels for 2020/21 are shown in the following table. The figures reflect the fact that £175,700 of Former Tenant Arrears have been written off during 2020/21. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

Arrears Position – As at December 2020			
	Opening Balance 2020/21	Current Balance December 2020	Increase/ (Reduction)
	£m	£m	£m
Current Arrears	1.225	1.442	0.217
Former Tenant Arrears	0.850	0.780	(0.070)
Total	2.075	2.222	0.147

Authorities are required to make suitable provision, in accordance with proper accounting practices, to cover the write-off of rent and service charge arrears.

- 4.8 The Bad Debt Provision for rent arrears, which is held on the Authority's Balance Sheet, stood at £1,821,800 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.
- 4.9 The original budget for 2020/21 allowed for additional contributions to the provision totalling £484,300; £181,600 for uncollectable debts and £302,700 for the impact of

benefit reforms. Looking at the arrears position, it is now estimated that the additional provision required in 2020/21 may be £453,600. 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 £2,099,700 at the end of 2020/21 against arrears of £2,222,400.

- 4.10 The 2021/22 estimates allow for additional contributions to the provision, totalling £491,500:
- **For uncollectable debts £184,300.** This figure represents 0.6% of the rent roll.
 - **For the impact of benefit reforms £307,200.** This figure represents 1.0% of the rent roll and has been included as an additional contribution to the Bad Debt Provision to reflect the potential impact that welfare benefit changes have on the level of rent arrears.
- 4.11 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.

Rechargeable Repairs

- 4.12 The amount due from tenants for rechargeable repairs currently stands at around £290,000 of which £276,000 is debt over 1 year old. Of the debt over 1 year old around £206,000 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 £45,000 of accounts have been identified as potential write offs.
- 4.13 The Bad Debt Provision for rechargeable repairs, which is held on the Authority's Balance Sheet, currently stands at £177,000. Taking into account the expected write offs, at the end of 2020/21 the provision will stand at £132,000 and cover 54% of the expected outstanding debt. The pandemic and resulting operating restrictions has impacted on the level of rechargeable repairs being carried out as well as the billing and recovery of these works; it is very difficult at present to estimate what the position will be at the year end or for the coming financial year however the HRA has sufficient resources to provide additional contributions to the Bad Debt Provision should this prove necessary.
- 4.14 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 2021/22 HOUSING REVENUE ACCOUNT (HRA), HRA CAPITAL RESOURCES AND THE HRA WORKING BALANCE

2021/22 Housing Revenue Account

- 5.1 The Housing Revenue Account Estimates are set out in Appendix 1.
- 5.1 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.
- 5.3 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 2021/22 is subject to negotiation under the Management Agreement. The HRA Estimates for 2021/22 assume the Management Fee remains at the same level as for the current year i.e. £13,058,600; 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.
- 5.4 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.

HRA Capital Resources

- 5.5 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.
- 5.6 Investment needs to be undertaken on a sustainable basis and in line with the Council's overarching Housing Strategy.
- 5.7 For the years 2018/19 to 2020/21 an annual investment of £9.830m was approved, in line with the Asset Management Strategy for the Public Housing stock 2018-21.
- 5.8 Whilst longer term investment strategies are being assessed it has been assumed that this level of resources should be made available from the HRA for capital expenditure for 2021/22.

- 5.9 These resources will provide for specific capital schemes (those for 2021/22 are listed in Appendix 4), Disabled Facilities Adaptations and general capital expenditure such as essential renewals arising when properties become vacant and structural works.
- 5.10 A stock condition survey will be undertaken during 2021/22 to assess the cost implication of achieving zero carbon by 2038.
- 5.11 The investment programme for 2021/22 is therefore assumed to be £9.830m; the HRA estimates also allow for slippage of schemes (and resources) from 2020/21 to 2021/22.
- 5.12 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.

The HRA Working Balance

- 5.13 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.
- 5.14 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.
- 5.15 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 and it was agreed 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.
- 5.16 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 £
2020/21	7,821	0.782
2021/22	7,751	0.775
2022/23	7,691	0.769

- 5.17 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 Council's s151 Officer is now recommending that for 2021/22 the HRA balances should not be allowed to fall below **£1,083,000**.

Community impact / Contribution to the Bury 2030 Strategy

Delivery of the Bury 2030 strategy is dependent on resources being available. The delivery of the strategy may be impacted by changes in funding and spending.

Equality Impact and considerations:

24. *Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:*

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

25. *The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.*

Assessment of Risk:

The following risks apply to the decision:

Risk / opportunity	Mitigation
Council has a statutory requirement to set its annual budget before 1 March 2021.	

Consultation:

Legal Implications:

Housing Revenue Account and Rents

The Local Government & Housing Act 1989 Part VI sets a statutory regime for housing finance. The Council has a general duty to review the rents of its houses from time to time and in fixing rents the Council must have regard, in particular, to the principle that the rents of dwellings of any class or description should bear broadly the same proportion to private sector market rents as the rents of dwellings of any other class or description. The review of the rents is a Cabinet function and is undertaken with regard to the provisions of Part VI of the 1989 Act which governs housing finance and housing subsidy. Rents for council houses are a credit to the HRA and outgoings a debit. The Council is under a duty to prevent a debit balance on the HRA which is ring-fenced. There are restrictions in the way in which the account can be operated and the proposals in this report must comply with these accounting requirements to ensure that the rent should be set so as to ensure that the Council is able to comply with its duty to prevent a debit balance arising on the HRA.

Financial Implications:

The financial implications are set out in the report and all proposals can be delivered within the funding available.

Report Author and Contact Details:

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Background papers:

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning

	Housing Revenue Account	
	2020/21 £m	2021/22 £m
INCOME		
Dwelling rents	29.963	30.421
Non-dwelling rents	0.194	0.193
Heating charges	0.038	0.037
Other charges for services and facilities	0.935	0.949
Contributions towards expenditure	0.062	0.052
Total Income	31.193	31.653
EXPENDITURE	0.000	0.000
Repairs and Maintenance	7.039	6.902
General Management	7.452	7.324
Special Services	1.366	1.391
Rents, rates, taxes and other charges	0.060	0.045
Increase in provision for bad debts - uncollectable debts	0.182	0.184
Increase in provision for bad debts - impact of Benefit Reforms	0.303	0.307
Cost of Capital Charge	4.632	4.861
Depreciation of fixed assets - council dwellings	8.544	7.437
Depreciation of fixed assets - other assets	0.043	0.035
Debt Management Expenses	0.041	0.045
Contribution to/(from) Business Plan Headroom Reserve	-1.925	-3.711
Total Expenditure	27.736	24.821
Net cost of services	-3.457	-6.832
	0.000	0.000
Amortised premia / discounts	0.000	0.000
Interest receivable - on balances	-0.067	-0.048
Interest receivable - on loans (mortgages)	0.000	0.000
Net operating expenditure	-3.525	-6.879
	0.000	0.000
Appropriations	0.000	0.000
	0.000	0.000
Appropriation relevant to depreciation and MRA	0.000	0.000
Housing set aside (Principal repayments on new developments)	0.193	0.000
Revenue contributions to capital	3.322	6.846
	0.000	0.000
(Surplus) / Deficit	-0.010	-0.033
	0.000	0.000
Working balance brought forward	-1.040	-1.050
Working balance carried forward	-1.050	-1.083

Sheltered Support and Amenity Charges

APPENDIX 2

Current charges 2020/21 and proposed charges 2021/22

Scheme	Management Charge 2020/21	Support Charge 2020/21	Amenity Charge 2020/21	Total Charges 2020/21	Proposed Management Charge 2021/22	Proposed Support Charge 2021/22	Proposed Amenity Charge 2021/22	Total Proposed Charges 2021/22	Increase over current charges
	£	£	£	£	£	£	£	£	£
Beech Close	11.82	8.33		20.15	1.5%	0%	1.5%	20.33	0.18
Chelsea Avenue	11.82	8.33		20.15	12.00	8.33		20.33	0.18
Clarkshill	11.82	8.33	18.34	38.49	12.00	8.33	18.62	38.95	0.46
Elms Close	11.82	8.33	2.15	22.30	12.00	8.33	2.18	22.51	0.21
Falcon House	22.70	0.00	10.71	33.41	23.04	0.00	10.87	33.91	0.50
Griffin Close	11.82	8.33		20.15	12.00	8.33		20.33	0.18
Griffin House	22.70	0.00	10.39	33.09	23.04	0.00	10.55	33.59	0.50
Hampson Fold	11.82	8.33		20.15	12.00	8.33		20.33	0.18
Harwood House	11.82	8.33	20.81	40.96	12.00	8.33	21.12	41.45	0.49
Limegrove	11.82	8.33		20.15	12.00	8.33		20.33	0.18
Maple Grove	11.82	8.33		20.15	12.00	8.33		20.33	0.18
Moorfield	11.82	8.33	23.81	43.96	12.00	8.33	24.17	44.50	0.54
Mosses House	11.82	8.33	18.89	39.04	12.00	8.33	19.17	39.50	0.46
Stanhope Court	11.82	8.33	9.59	29.74	12.00	8.33	9.73	30.06	0.32
Taylor House	11.82	8.33	21.25	41.40	12.00	8.33	21.57	41.90	0.50
Top O'th Fields 1	11.82	8.33	20.49	40.64	12.00	8.33	20.80	41.13	0.49
T O'th F 2 (Welcomb Walk)	11.82	8.33		20.15	12.00	8.33		20.33	0.18
Waverley Place	11.82	8.33	22.52	42.67	12.00	8.33	22.86	43.19	0.52
Wellington House	11.82	8.33	30.46	50.61	12.00	8.33	30.92	51.25	0.64

HRA VOID LEVEL OPTIONS - 2021/22

NB Springs TMO has a fixed voids allowance - currently 2%

VOIDS	RENT LOSS	DIFFERENCE FROM ASSUMED VOID LEVEL (1%)
%	£m	£m
0.40	0.123	-0.184
0.50	0.154	-0.154
0.60	0.184	-0.123
0.70	0.215	-0.092
0.80	0.246	-0.061
0.90	0.276	-0.031
1.00	0.307	0.000
1.10	0.338	0.031
1.20	0.369	0.061
1.30	0.399	0.092
1.40	0.430	0.123
1.50	0.461	0.154
1.60	0.492	0.184
1.70	0.522	0.215
1.80	0.553	0.246

Proposed Specific Capital Projects 2021/22**Internal Schemes - Kitchens, bathrooms, heating**

-
Taggwood/Dundee/Peel Brow
Ainsworth
Bolton Road Radcliffe Ph2
Parrenthorn (Wilton Court)
Victoria Estate Ph2
Bent Hill

External Schemes***Windows, doors etc:***

Victoria Estate Ph3
Bent Hill

Roofing:

Nipper Lane
Wilton Court
The Close

-

COMMUNAL AREAS (Door Entry, Floor Coverings, Decoration, Emergency lighting)

-
Fountain Place
Wilton Court
Harwood Crescent
Charles Walk
Kestrel Drive

-

HOUSING REVENUE ACCOUNT - RISK ASSESSMENT

Risk Event	Impact	Risk Level	Likelihood	Max. Impact	Min. Provision
				£m	£m
Increased stock loss - level exceeds the provision made in the estimates	The loss of a property costs the HRA approx. £3,900 in lost rental income in a full year. A loss of 45 properties throughout the year would cost around £88k.	H 100%	Budget 2021/22 assumes 80 sales. Sales have been affected by the operating restrictions and economic effects of the pandemic making forecasting with any certainty very difficult.	0.088	0.088
Higher level of void (empty) properties - increase loss of rental income	A 0.75% increase in void loss costs the HRA £230k in a full year.	H 100%	Budget 2021/22 assumes 1% void rental loss. This would be challenging in 'normal' times but with the uncertainties of current times this target may well not be met.	0.23	0.23
Numbers of properties moving to target rents not as high as anticipated	A property moving to target rent will increase the weekly rental income by an average of £6.15.	H 100%	The numbers of properties moving to target rent will depend on how many properties become void during the year and whether their rents are already at target level (which is increasingly be the case).	0.029	0.029
-	-	-	-	-	-
Increase in arrears levels	Rental income is accounted for in the HRA on a rents receivable basis rather than actual rent received. However an increase in arrears could impact on the level of contribution required to the Bad Debt Provision.	H 100%	Budget 2021/2022 allows for contributions of £492k to the Bad Debt Provision. This is based on 1.6%; the level of arrears has been affected by the operating restrictions and economic effects of the pandemic making forecasting with any certainty very difficult.	0.307	0.307

Interest rates - Cost of Capital	Under self financing the risks associated with changes in interest rates impact directly on the HRA. A 0.5% increase across the assumed HRA borrowing (excluding the loans taken for self financing) would cost £206k.	L 60%	The loans taken on for self financing are long term fixed rate so the interest charges are known. However there could be an impact on the HRA if it picks up a larger share of existing higher interest rate debt or when pre self financing loans are replaced. Borrowing for new developments could be at a higher rate than when the schemes were appraised.	0.206	0.124
Capital Investment requirements - newly arising need.	Under self financing the resources for capital investment in the housing stock come directly from the HRA.	L 60%	The 2021/22 capital investment programme is determined on the basis of the resources required to maintain the stock at a Decent Homes Plus level however it is felt prudent to allow for the possibility of any unforeseen or urgent investment requirements or changes.	0.246	0.148
Increase in Management Fee paid to Six Town Housing	Six Town Housing can request additional pay and non pay costs as an addition to the Management Fee however this is subject to negotiation with the Council (it is not an automatic payment).	L 60%	The STH Management Fee has not yet been agreed for 21/22 therefore it is felt prudent to allow for a 1% increase over and above that provided for in the 21/22 budget.	0.131	0.079

Other HRA expenditure	There are costs and charges within the HRA that are outside of the Management Fee paid to Six Town Housing; these include payments to the Department of Communities and Wellbeing and other departments of the Council for services provided to HRA customers. If these costs were to be 2% higher than assumed then this would amount to around £47k.	M 80%	The majority of these charges are agreed in advance and as such should not vary throughout the year. However it is felt prudent to allow for the possibility that unforeseen circumstances within services outside of the HRA could have an impact on the charges made.	0.047	0.038
Springs Tenant Management Co-operative - potential progress towards self financing TMO.	As these proposals progress there may be costs that fall on the HRA associated with this.	H 100%	The 2021/22 budget does not contain any provision for these costs as the timing and extent of such costs has not yet been fully established.	0.040	0.040
-	-	-	-	1.324	1.083