

# REPORT FOR DECISION

<b>MEETING:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE CABINET COUNCIL</b>
<b>DATE:</b>	<b>11 FEBRUARY 2015 25 FEBRUARY 2015 25 FEBRUARY 2015</b>
<b>SUBJECT:</b>	<b>HOUSING REVENUE ACCOUNT 2015/16</b>
<b>REPORT FROM:</b>	<b>LEADER OF THE COUNCIL AND CABINET MEMBER FOR FINANCE DEPUTY LEADER AND CABINET MEMBER FOR HEALTH AND WELLBEING</b>
<b>CONTACT OFFICER:</b>	<b>MIKE OWEN, EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION  STEPHEN KENYON, ASSISTANT DIRECTOR OF RESOURCES AND REGULATION (FINANCE)</b>
<b>TYPE OF DECISION:</b>	<b>COUNCIL</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	This paper is within the public domain
<b>SUMMARY:</b>	The report details the proposed Housing Revenue Account for 2015/16 and proposals for Dwelling and Garage rents, Sheltered Support, Management, Amenities and Heating charges, Furnished Tenancy charges and Fernhill Caravan site tenancy charges.
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	<p>The report is prepared on the basis of the Government's rent policy increase of 2.2%. 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 sustainability of the business plan.</p> <p>Cabinet is recommended to note the report and request</p>

	<p>that the Council should consider all matters relating to the Housing Revenue Account 2015/16, the increase in Council House and garage rents and changes to other charges.</p> <p>Council is recommended to:</p> <p>(a) approve the Housing Revenue Account estimates set out in Appendix 1 subject to later amendment to reflect the agreed Management Fee payable to Six Town Housing.</p> <p>(b) increase the Rents by 2.2% from the first rent week in April.</p> <p>(c) increase Garage rents by 2.2% from the first rent week in April.</p> <p>(d) increase Sheltered Management charges in line with the proposals set out in section 3.2.4 and implement the scheme of protection outlined in section 3.2.6.</p> <p>(e) increase Sheltered amenity charges by 1.2% from the first rent week in April.</p> <p>(e) continue the scheme of protection for the Sheltered Support Charges.</p> <p>(f) approve that Sheltered support, Sheltered heating and Furnished Tenancy charges remain unchanged from the first rent week in April.</p> <p>(g) increase tenancy charges at the Fernhill Caravan Site by 2.2% from the first rent week in April.</p>
<p><b>IMPLICATIONS:</b></p> <p><b>Corporate Aims/Policy Framework:</b></p>	<p>The proposals accord with the Policy Framework</p>
<p><b>Statement by Section 151 Officer:</b></p>	<p>Financial and risk implications are detailed in the report.</p>
<p><b>Statement by Executive Director of Resources:</b></p>	<p>The report fully details the Housing Revenue Account for 2015/16.</p> <p>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.</p>
<p><b>Equality/Diversity implications:</b></p>	
<p><b>Considered by Monitoring Officer:</b></p>	
<p><b>Are there any legal implications?</b></p>	<p>No</p>
<p><b>Staffing/ICT/Property:</b></p>	<p>There are no direct staffing, ICT or property implications arising from this report although</p>

	the HRA budget impacts on these areas.
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	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
11 February 2015	25 February 2015		25 February 2015

### 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 2014/15 is £12,946,400.
- 1.7 For 2015/16 the HRA is expected to have an average stock of 8,068 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 43 RTBs in 2015/16, however given the current level of activity the HRA estimates have been prepared on the basis of 50 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.

- 1.8 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 72% of tenants who are entitled to support with their rent and charges.
- 1.10 The introduction of the Universal Credit, 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 65% of HRA rental income comes directly from Housing Benefit meaning that once the current welfare reforms have been fully implemented up to £19.9m 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 2015/16).
- 1.11 There are currently only around 35 tenants claiming Universal Credit so at this stage it is difficult to assess the impact on the HRA for the coming year.
- 1.12 The Council's Support Fund was financed by specific grant, however this ceased in the 2015/16 Settlement. Similarly funding for Discretionary Housing Payments has seen a 20% reduction. Both of these developments are likely to have an adverse impact on vulnerable tenants and potentially impact upon rent arrears in the future.
- 1.13 The roll out of Universal Credit and direct payments will also impact on costs incurred by the Council and Six Town Housing, for example, increased 'cash' transaction costs.

## **2.0 RENT INCREASE 2015/16**

- 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 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 for 2015/16 is the Consumer Price Index (CPI) for the previous September plus 1%. For 2015/16 the guideline rent increase calculation is based on 1.2% (being the CPI for September 2014). Individual rent increases should be capped at 2.2% i.e. CPI + 1%.

- 2.4 At the Council meeting in February of last year an average increase of 3.7% was recommended, this being in line with the rent setting policy but without any further adjustment for convergence, however a subsequent amendment was agreed that increased the rents by a lower average figure of 2.5%.
- 2.5 For 2015/16 it is proposed that rents are increased by 2.2% (being CPI plus 1%).
- 2.6 The Government sets a weekly average limit rent for Bury and this is expected to be £82.09 for 2015/16 (on a 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.

2.10 The following table shows the difference between the current and proposed rents on the basis of an increase of 2.2% 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 2014/15	PROPOSED RENT 2015/16	INCREASE OVER ACTUAL 2014/15 RENT	
		£	£	£	£	%
Bed-sit	0	23,235	59.59	60.90	1.31	2.2
Bungalow	1	30,706	68.94	70.46	1.52	2.2
Flat	1	28,321	67.91	69.40	1.49	2.2
House	1	29,467	69.52	71.05	1.53	2.2
Bungalow	2	39,487	81.29	83.08	1.79	2.2
Flat	2	29,559	75.02	76.67	1.65	2.2
House	2	34,637	77.77	79.48	1.71	2.2
Maisonette	2	32,132	76.84	78.53	1.69	2.2
Flat	3	29,702	80.43	82.20	1.77	2.2
House	3	37,566	85.51	87.39	1.88	2.2
Maisonette	3	33,843	83.95	85.79	1.84	2.2
House	4/6	38,444	92.88	94.93	2.05	2.2
		<b>32,530</b>	<b>75.69</b>	<b>77.35</b>	<b>1.66</b>	<b>2.2</b>

2.11 There are currently 311 HRA owned garages (of which 201 are currently let). Garages are charged for at the rate of £6.47 per week (50 weeks). The last increase was in April 2014 when the charges rose in line with the percentage increase in council house rents; increases for 2015/16 in line with the proposed rent increase of 2.2% would result in a weekly increase of £0.14 giving a rate of £6.61 per week (over 50 weeks);

### 3.0 SHELTERED AND OTHER TENANCY 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 The Sheltered Management charges have remained unchanged since their introduction in 2012/13. Unfortunately in order 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 2015/16 as shown below.

	<b>Current Charge</b> £	<b>Proposed Charge</b> <b>2015/16</b> £
Sheltered schemes (other than Extra Care)	10.18	10.40
Extra Care schemes (Falcon House/Griffin House)	14.17	19.97

3.2.5 For Sheltered schemes (other than Extra Care) the proposed increase is 2.2% in line with the proposed rent increase i.e. September CPI plus 1%.

3.2.6 For the Extra Care scheme, which comprises the Falcon House and Griffin House sheltered scheme, an additional increase is being proposed. This additional increase is to recover costs relating to the management team at the scheme which have not previously been included in the charges made to tenants. An assessment has been made of the costs attributable to additional housing management duties undertaken by the postholders.

It is recognised that the proposed charge will particularly affect those existing tenants who do not receive Housing Benefit for all or part of the Sheltered Management charge. Therefore it is proposed that tenants in this position at the end of the current financial year should receive protection up to a maximum of £5.49 per week, this being the element of the proposed increase over and above a general increase of 2.2% (as discussed in the previous paragraph).

On current information it is anticipated some level of protection would apply to 12 tenants with a potential cost to the HRA of £2,700 in 2015/16.

- 3.2.7 These charges will be eligible for Housing Benefit purposes and it is expected that benefits will be payable to accepted claimants.
- 3.2.8 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.

It is proposed that this charge remains unchanged for 2015/16. 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.

- 3.2.9 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 2015/16.

- 3.2.10 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 the Department of Communities and Wellbeing and they will be reviewing the charges for 2015/16.

### **3.3 Sheltered Amenity Charges**

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

As outlined in paragraph 2.3 the government's rent policy uses CPI as an inflation measure for 2015/16 rather than RPI. Therefore it is proposed that the current charges are increased by 1.2% (September's CPI figure) from the first rent week in April 2015. 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 overleaf with Appendix 4 detailing the total Sheltered Management, Support and Amenity Charges for each scheme:-

	<b>Current Charge</b>	<b>Proposed Charge 2015/16</b>
	<b>£</b>	<b>£</b>
Clarkshill	15.94	16.13
Elms Close	1.86	1.88
Falcon House	9.32	9.43
Griffin House	9.04	9.15
Harwood House	18.09	18.31
Moorfield	20.70	20.95
Mosses House	16.42	16.62
Stanhope Court	8.33	8.43
Taylor House	18.47	18.69
Top O'th Fields 1	17.82	18.03
Waverley Place	19.58	19.81
Wellington House	26.48	26.80

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 current charges have remained unchanged since April 2013 and 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 2015/16.

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 2014/15 the rates for these are £200 per household for those born on or before 5 July 1952, rising to £300 per household for those aged 80 or over at 21 September 2014.

### **3.5 Furnished Tenancies Charges**

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

3.5.2 There are currently 235 furnished tenancies. Prior to the current year the scheme was expanding on a self funding basis with increases of 20% per annum in the number of furnished tenancies.

Six Town Housing, who manage the furnished tenancies, are looking to review the packages 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 packages and pricing will be subject to appropriate consultation and approval.

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 2015/16 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

### **3.6 Fernhill Caravan Site Tenancy Charges**

3.6.1 Management of the Fernhill Caravan Site passed over to Six Town Housing in 2014/15 for which they receive a separately determined Management Fee. Whilst income from tenants and payment of the Management Fee are accounted for in the General Fund not the Housing Revenue Account it is felt appropriate to consider increases in the charges under these tenancies alongside those of HRA rents and charges.

3.6.2 Tenants at the site are charged a weekly pitch fee and a weekly charge for water; these charges are payable on a 52 week basis i.e. there aren't any non-collection weeks.

3.6.3 It is proposed that the weekly charges for 2015/16 are increased in line with the rent increase proposed for HRA dwellings i.e. 2.2% therefore the current and proposed charges per plot per week are:

	<b>Current Charge</b>	<b>Proposed Charge</b>
	<b>£</b>	<b>2015/16</b>
		<b>£</b>
Single Plot – pitch fee	54.02	55.21
Double Plot – pitch fee	73.60	75.22
Single Plot – water charge	6.10	6.23
Double Plot – water charge	8.45	8.64

#### **4.0 HOUSING REVENUE ACCOUNT PERFORMANCE**

##### **4.1 Voids**

4.1.1 The rent lost on empty properties is projected to be 2.12% over the course of 2014/15; this will mean a reduction in rent income of approximately £94,000 as the original budget allowed for a void level of 1.8%.

4.1.2 The level of void loss for 2015/16 has been assumed at 1.8% which could be a challenging target given 2014/15 performance to date and the potential 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 2015/16 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 2016/17 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 2015/16.

##### **4.2 Rent Arrears**

4.2.1 The opening arrears and current levels for 2014/15 are shown in the following table. The figures reflect the fact that around £74,200 of Former Tenant Arrears has been written off during 2014/15. Write offs totalling £15,000 are awaiting approval and it is anticipated that a further £20,000 could be written off before the end of 2014/15. All write offs are done in accordance with the Corporate Debt Write Off Policy as approved by the then Executive.

	Opening Arrears 2014/15 £	Current Position £	Increase/ (Reduction) in arrears £
Current Arrears	488,600	503,000	14,400
Former Tenant Arrears	361,900	402,100	40,200
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	850,500	905,100	54,600

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

4.2.3 The Bad Debt Provision for rent arrears, which is held on the Authority's Balance Sheet, stood at £617,700 at the beginning of this financial year. The requirement for the year is calculated with reference to the type of arrear and the amount outstanding on each individual case.

4.2.4 The original budget for 2014/15 allowed for additional contributions to the provision totalling £614,800; £184,400 for uncollectable debts and £430,400 for the impact of benefit reforms. Looking at the arrears position, it is now estimated that the additional provision required in 2014/15 may only be £181,500. All things being equal this suggests that the Provision will stand at £684,300 at the end of 2014/15 against arrears of £905,100. 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 2015/16 estimates allow for additional contributions to the provision, totalling £499,200:

- For uncollectable debts £187,200  
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 2015/16.
- For the impact of benefit reforms £312,000  
This figure represents 1.0% of the rent roll and has been included as an additional contribution to the Bad Debt Provision to reflect the potential impact that welfare benefit changes could have on the level of rent arrears, including the reassessment of cases currently in receipt of Discretionary Housing Payments and roll out of Universal Credit.

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

### **4.3 Rechargeable Repairs**

4.3.1 The amount due from tenants for rechargeable repairs currently stands at around £327,800 of which £301,000 is debt over 1 year old. Of the debt over 1 year old around £213,700 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 £23,400 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 £300,800.

Taking into account the expected write offs, at the end of 2015/16 the provision will stand at £277,400; this amount will be reduced by the amount of any further write-offs done before the end of 2015/16. 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 2015/16; 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 2015/16 HOUSING REVENUE ACCOUNT (HRA), HRA CAPITAL RESOURCES AND THE HRA WORKING BALANCE**

### **5.1 2015/16 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 2015/16.

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 2015/16 is currently being finalised between Six Town Housing and the Council. The HRA Estimates for 2015/16 assume the Management Fee to be £13,158,400 this being the current year's figure uplifted for inflation and the full year effect of changes agreed part way through 2014/15; any changes to this figure during negotiations will impact on the level of HRA balances.

§ Springs Tenant Management Co-operative (TMO) have been undertaking 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. An update on progress was taken to Cabinet on 21 January 2015 with Cabinet deciding to continue to support the work on the transfer proposals. No provision has currently been made within the HRA for any additional costs that may arise from transfer.

§ Bury Council's current tenancy agreement was last reviewed in 2009. In line with good practice the Council and its managing agent, Six Town Housing, have reviewed the document, in particular, to take into account changes in national legislation and local policies. At their meeting of 14 December 2014 Cabinet approved the consultation on the new draft tenancy agreement including for any changes arising from the consultation to be delegated to the Executive Director for Communities and Wellbeing. This will allow the new tenancy agreement to be implemented from 1 April 2015.

§ From July 2014 further changes have been made to Right to Buy discounts with the maximum discount increased from £75,000 to £77,000 and the maximum percentage discount on houses increased from 60% to 70%. The

Government has appointed RTB Agents and established a capital fund to improve access to mortgage finance. These changes may increase the number of applications and sales but it is too early after the changes to quantify this; the impact of these changes will continue to 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 **2.2%**.

## **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 Since the introduction of HRA self financing the resources made available from the HRA for capital expenditure agreed by the Council was at the level assumed in the self financing determination. However at the Council meeting in February of last year an amendment was agreed to provide a contribution of £12.357m from the Business Plan Headroom Reserve over the period of 2014/15 to 2016/17 to facilitate improvements to bathrooms, kitchens and heating systems in Council owned properties in addition to the existing programme of improvements.

5.2.4 An operational decision in June 2014 confirmed HRA funding for the AGMA NEDO heating project; it is estimated that this will require £503,000 in 2015/16.

5.2.5 Therefore it is proposed that for 2015/16 the resources made available from the HRA for capital expenditure should be:

Housing programme Major works	£7.619m
HRA component modernisation Council approval	£4.119m
Disabled Facilities Adaptations – Housing Stock	£0.552m
NEDO Heating Project	£0.503m
<b>Total capital resources 2015/16</b>	<b>£12.793m</b>

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

## **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 and Regulation has previously recommended that the HRA balances should not be allowed to fall below £100 per property. However the actual minimum level of balances to be retained still needs to be reviewed each year based on a risk assessment of the major issues that could affect the financial position of the HRA.

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

Financial Year	Average no of Properties	Balance at year end £
2014/15	8,115	811,500
2015/16	8,068	806,800
2016/17	8,018	801,800

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 Regulation and the Council's s151 Officer are now recommending that for 2015/16 the HRA balances should not be allowed to fall below **£1,000,000**.

**Councillor Mike Connolly,  
Leader of the Council and Cabinet Member for Finance**

**Councillor Rishi Shori,  
Deputy Leader of the Council and Cabinet Member Health and Wellbeing**

**Contact Details:-**

Mike Owen, Executive Director of Resources and Regulation (Tel: 0161 253 5002);  
E-mail : [m.a.owen@bury.gov.uk](mailto:m.a.owen@bury.gov.uk)

Stephen Kenyon, Assistant Director of Resources and Regulation (Tel: 0161 253 5237)  
E-mail : [s.kenyon@bury.gov.uk](mailto:s.kenyon@bury.gov.uk)