Waveney District Council

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AUDIT & GOVERNANCE COMMITTEE

Thursday, 12th January 2017

HOUSING REVENUE ACCOUNT BUDGET (REP1340)

EXECUTIVE SUMMARY

1. Under the Self-financing regime, the future resources and spend of the HRA are based on local decisions. This report outlines the Housing Revenue Account (HRA) Income and Expenditure Budgets for the financial years 2017/18 to 2020/21, including revisions to the 2016/17 Budget. In addition to this, a summary of its reserves and balances is included. The HRA budgets are fully funded from existing funds to meet the Council's HRA spending plans, including the Capital investment programme and reserve balances as per the HRA Financial Business Plan. At this time there is no use being made of the £9 million borrowing headroom available to the HRA.

2. The report provides details on the affects of the Welfare Reform Act 2012, 1% decrease on Affordable and Social Housing Rents from 2016/17 to 2019/20.

3. The Committee is asked to recommend that Council approves the:

   - HRA budget for 2017/18, the revised budgets for 2016/17, and the indicative figures for 2018/19 to 2020/21;
   - Movements in Reserves and Balances;
   - Reduction in the weekly housing rent of 1% for 2017/18, giving an average weekly rent of £83.73 over a 50 week collection year;
   - Service charges and associated fees for 2017/18; and
   - Changes affecting public and private sector housing and welfare also to be noted.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards within the District

Cabinet Member:	Councillor Sue Allen Cabinet Member for Housing Councillor Mike Barnard Cabinet Member for Resources and Welfare Reforms

Supporting Officer:	Homira Javadi Chief Finance Officer (01394) 444529 homira.javadi@eastsuffolk.gov.uk

1 BACKGROUND- STATUTORY FRAMEWORK

1.1 The Housing Revenue Account (HRA) reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for Local Authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenant rents, service charges and other income. The council has a statutory responsibility to set a balanced HRA budget (i.e. all budgeted expenditure must be matched by income).

1.2 The Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016 made specific and significant provision for changes to the law affecting social housing providers with effect from April 2016 for both, with further changes timetabled for April 2017. These changes included the statutory reduction of rents by 1% each year for four years, the introduction of "pay-to-stay" and the higher-value levy on void sales, and revisions regarding the granting of new social housing tenancies.

2 KEY ISSUES AND CONSIDERATIONS

2.1 For the first time in many years the Government implemented legislations regarding social rents, by the inclusion of sections within the Welfare Reform and Work Act 2016 compelling Councils and Housing Associations to reduce rents by 1% each year from April 2016 to April 2019 inclusive (i.e 2016-17 to 2019-20). The move has been made by the Government in an attempt to help reduce the country's Housing Benefit bill.

2.2 Previous to this announcement, the HRA Financial Business Plan was modelled on an annual rent increase of 3.1%. By reducing the rents by 1%, the impact is a 4.1% decrease year on year, on the rental income forecast until 2019/20. This is a total of 16.4% income lost over the four year period. This had a significant impact on the HRA Business Plan, as the Business Plan has forecasted a shortfall on rental income of £7.7 million over the four year period, which then has a knock on affect over the 30 year business plan.

2.3 Whilst the initial impact of the compulsory rent reduction was contained within the existing parameters of the HRA last year, the effect of four years of enforced reductions requires re-profiling and re-prioritisation of budget plans in order to preserve the statutory requirement to set a balanced budget.

Pay to Stay

2.4 After several rounds of consultation, central Government enacted proposals around a compulsory version of the so-called "pay-to-stay" policy, whereby higher-earning tenants are automatically charged a higher rent (whether at market or "affordable" levels) within the Housing and Planning Act 2016. This policy was due to commence in April 2017.

2.5 On 21 November 2016 the Minister for Housing stated that the policy would no longer be made mandatory from April 2017. Local Authorities and Housing Associations continue to be able to introduce the policy on a voluntary basis. Waveney District Council will not be implementing pay-to-stay and has no plans to do so in the future.

Higher Value Void Property Sales

2.6 The Housing and Planning Act 2016 contains sections setting out the Government's intention to require Local Authorities to remit sums to them equivalent to the value of sales of higher-value void properties. The Department of Communities and Local Government (DCLG) intend to estimate this figure in advance and therefore Local Authorities could, if they were able, finance this by other means than void property sales. It is the Government's intention to part-fund the extension of right-to-buy to Housing Association tenants by this route.

2.7 Whilst an indicative matrix of trigger points by bed-size and region beyond which the definition of “higher value” was published during the 2015 general election campaign, councils were anticipating the publication of regulations setting out the formal operation of the process during autumn/winter 2016. However, in late November 2016 DCLG indicated that since the voluntary right-to-buy extension has been supplanted as a policy priority by the need to prepare for the United Kingdom’s exit from the European Union, the policy has been formally postponed to some future date.

Right to Buy Scheme

2.8 In April 2012 the Government reinvigorated the Right to Buy (RTB) scheme by increasing the maximum discount available to 70% or £77,900 as at 1 April 2016, which ever is lower. In 2012 the Council entered into an agreement with the DCLG to retain a share of its RTB receipts to reinvest in the provision of new affordable homes. The receipts used can only fund up to 30% of any investment into new affordable homes.

2.9 Between April 2012 and April 2016 (2012/13 to 2015/16) the average number of houses sold though the Right to Buy scheme was 17 annually. From April 2016 we have increased estimates for future years to 25.

2.10 The implications of Right to Buy sales is a reduction in dwelling rents received, adding to the importance of increasing the HRA housing stock. These are taken into account when setting the budgets.

3 WELFARE REFORM

3.1 The Welfare Reform Act 2012 introduced major changes to the way people receive housing benefit and other welfare benefits which present new risks to HRA income collection from tenants.

Universal Credit

3.2 The welfare reform introduced Universal Credit. This is to replace most existing working-age benefits with a single payment made directly to the claimant. The new Universal Credit will also limit the total amount of benefit a household can claim. As a result of this change there is a high risk that income previously guaranteed to the HRA may now not be collected.

3.3 Universal Credit was rolled out across the country and was introduced in Lowestoft and Beccles in March 2015. The introduction initially only applied to people that were single and would have previously applied for Jobseekers Allowance. During late spring 2016, this roll out has been expanded to Lowestoft to include all new claims to what is called “legacy benefits”. These are benefits that currently exist; Housing Benefit, Working Tax Credit, Child Tax Credit, Income Support, Jobseekers Allowance and Employment and Support Allowance.

3.4 Universal Credit has given cause for concern within Housing. Landlords, including the HRA who were once guaranteed income, now have to rely on claimants to make payments. Measures are currently being put in place to monitor the effects of Universal Credit since the roll out in spring 2016.

Under-Occupation Charge

3.5 The Welfare Reform Act also gave the Government power to introduce the new ‘under-occupation charge’. This came into effect in April 2013. The criteria means that any working-age household deemed to be under-occupying their home receives a cut in their housing benefit (or universal credit). The cut is a fixed percentage of the housing benefit-eligible rent.

3.6 Government has set this at a 14% cut for one extra bedroom and a 25% cut for two or more extra bedrooms. This means in essence for every £100 in rent, tenants will need to contribute an additional £14 or £25 per week from their own resources. To help alleviate the pressure of this penalty, the Council's HRA offers the incentive of 'Cash-for-Moving'. This is a widely used scheme across Councils to encourage tenants to downsize. Tenants can bid for a smaller property on Gateway to Home-Choice, and if successful the tenant could receive up to £2,000 depending on the number of bedrooms given up. The scheme was in place before the welfare reform to encourage better use of the housing stock.

Single People Entitlement

3.7 From April 2018 the Government will change the entitlements single people under the age of 35 have regarding housing benefits. The changes will remove the ability of tenants in this age bracket to claim housing benefits for self-contained units of housing accommodation and will only be paid in future where shared facilities are present, such as kitchens or bathrooms.

3.8 Taking the above into account, the Council established an HRA Hardship Reserve in 2012/13 with a fund of £500k, recognising the unexpected and exceptional difficulties tenants might face arising from these changes. No use of this reserve has been made in the four years since it was set up, and at this time no further contributions to the reserve are budgeted for. The need for the reserve will be reassessed in 2017/18.

Rent Arrears

3.9 In addition to the loss of rental income, there is growing concern regarding rent arrears. In 2015 the Housing Benefit cap was reduced from £26k to £20k. This, combined with the roll out of Universal Credit in Waveney in spring 2016, the under occupancy charge, and other general factors relating to the economy, has increased the risk of rent arrears not being collected.

3.10 Rent arrears as at 31 March 2016 were at £511k, and as at 04 December 2016 they were £775k. This is an increase of £264k (34%) in eight months. This is directly linked to the roll out of Universal Credit, but it is currently difficult to evidence this. Software is to be purchased, to help monitor the effects of Universal Credit, along side setting up a specific project team to minimise the effects, and in turn reducing rent arrears. This will continue to be monitored closely.

4 SELF-FINANCING ARRANGEMENT

4.1 The Self-Financing regime was introduced in April 2012. The Council had to take on a significant amount of debt (£68 million) in exchange for not paying future Housing Subsidy. This change is anticipated to be beneficial to the HRA over the long-term. It also means the future resources and spend of the HRA are now based on local decisions.

4.2 A 30 year financial business model is used to support the delivery of the HRA under the Self-Financing regime. It makes assumptions regarding the level of income available and the key risks facing the housing service delivery within this timeframe. It programmes in the years we are expected to pay back the current borrowing, whilst delivering the needs of the service.

4.3 The HRA funds the costs of borrowing for the initial debt settlement. The Council has chosen to incorporate this debt into the Council's overall borrowing portfolio, creating a single pool and charging interest to the HRA in proportion to the debt it holds.

4.4 Self-Financing must not jeopardise the Government's priority to bring borrowing under control. It will give Council landlords direct control over a very large rental income stream, so borrowing financed from this income must be affordable within national fiscal policies as well as locally. Therefore, a limit has been placed on the total housing debt that each Local Authority can support from its HRA. Waveney's HRA limit is currently placed at £87.26 million.

4.5 The total debt for the Council's HRA is currently at £78 million (£68 million from the self-financing settlement and £10 million pre Self-financing), leaving a £9 million borrowing headroom available to the HRA at this time. The HRA spending plans, including its capital investment programme, are currently fully funded from existing resources. Therefore, at this point, there is no need to make use of this additional borrowing.

4.6 Under Self-Financing, Local Authorities now have the opportunity with greater certainty to adopt a more strategic, long term approach to ensure that housing needs are met, that the housing stock is maintained, and where possible additional homes are provided. Waveney have used this strategic approach to introduce the Housing Development Programme.

5 HRA 2016/17 REVISED BUDGET AND FORWARD BUDGETS

5.1 The items set out below represent the key variations between the 2016/17 original budget position (movement in the HRA balance) and the 2016/17 revised budgets.

	£000's
Original 2016/17 Budget Position	**36**
Add:	
Increase transfer to the Debt Repayment Reserve	2,300
Increase transfer to Direct Revenue Financing	788
Ill Health Retirement costs	141
Increased revenue costs in relation to the Housing Development Programme	104
Reduced Garage Rent income	17
Increased Council Tax charges	13
Other minor variation	7
Increased Bank Fees	6
Redundancy costs	2
Less:	
Right to Buy money to be transferred to the Debt Repayment Reserve	(1,400)
Additional dwelling rental income from affordable rent applied to re-lets	(815)
Reduced Bad Debt Provision	(597)
Additional Right to Buy money towards loss of income	(581)
Remove budget for refurb of housing offices at depot	(250)
Staffing Restructure	(158)
Additional Right to Buy admin fees	(112)
Ofgem income for energy efficiencies previously no budget	(107)
Reduced Utility costs. Energy Efficiencies	(63)
Additional Service Charges Income	(58)
Supporting People Income not originally anticipated for 2016/17	(58)
Interest payable reduced due to drop in interest rates	(45)
Remove budget for Fraud work	(40)
Reduce budget for 'Cash for Moving' to match actual costs	(30)
Reduced Repairs & Maintenance costs	(18)
Reduce IT Budgets to match actual costs	(12)
Revised 2016/17 Budget Position	**(930)**

5.2 Much of the additional income in the 2016/17 revised budget relates to the Right to Buy Scheme. There are a number of complex accounting rules and regulations associated with the income received from Right to Buy properties. These have been reviewed and reflected in the 2016/17 HRA budgets. Once a property is sold under Right to Buy, there are five elements to the money received. (1) An admin fee to transfer to the HRA revenue income for processing Right to Buy applications, (2) A contribution to the loss of dwelling income to be transferred to the HRA revenue income, (3) A contribution to pay down the debt associated with the property, to be transferred to the Debt Repayment Reserve, (4) A payment to Central Government, and (5) The remaining balance is to fund new builds or acquisitions.

5.3 In 2012/13 an additional £500k was added to the HRA Bad Debt Provision. This prudent approach had been taken due to the uncertainties regarding the Welfare Reform, and at the time was a common approach across many Councils. Since then, the Bad Debt Provision has been kept at 6.50% of the total HRA budgeted income for the year. Four years on, the Bad Debt Provision has been reviewed, and a decision has been made to reduce the level of Bad Debt Provision. The Bad Debt Provision will be reduced to £639k (from £1.240 million held at 31 March 2016), which represents 3.25% of the total HRA budgeted income for the year. This has been calculated on actual rent arrears and outstanding debtor payments as at December 2016. Rent arrears will be monitored closely, and the Bad Debt Provision adjusted as necessary at the next budget review. The saving of £639k will be transferred to the Debt Repayment Reserve.

5.4 The large sums of additional income and savings in 2016/17 are directly linked to increasing the value transferred to the Debt Repayment Reserve.

5.5 The items set out below represents the key variations between 2016/17 revised budget and the 2017/18 budget.

	£000's
Revised 2016/17 Budget Position	**(930)**
Add:	
Increase in Direct Revenue Financing	1,410
Reduced Right to Buy income to transfer to the Debt Repayment Reserve	1,100
Reduced Rental Dwelling income	656
One off saving on reducing the HRA bad debt provision in 2016/17	579
Additional Right to Buy income identified in 2016/17	451
Increased Depreciation charge	163
Supporting People income not anticipated for 2017/18	58
Reduced Interest income	40
Other minor variations	12
Less:	
Reduced transfer to the Debt Repayment Reserve	(500)
Reduced costs on revenue Repairs and Maintenance	(394)
Reduced HRA Contribution to the Superannuation Backfunding	(198)
2017/18 Budget Position	**2,447**

5.6 There is a substantial movement between the 2016/17 revised budgets and the 2017/18 budgets. The four large contributing factors to this are as follows;

1. The increase in Direct Revenue Financing is due to the new Housing Development Programme which, the planned development work is likely to start in 2017/18.
2. The Government policy to reduce affordable and social rents by 1% will result in reduced rent income.
3. In 2016/17 the HRA Bad Debt Provision was reduced which created a one off saving in 2016/17.

4. Through analysing the way Right to Buy income can be accounted for, a large sum of income was identified in 2016/17. From 2017/18 this value is treated as an annual estimate.

5.7 The following table summarises the 2016/17 revised budget and forward budgets to 2020/21.

	2016/17 Original £000	2016/17 Revised £000	2017/18 Budget £000	2018/19 Budget £000	2019/20 Budget £000	2020/21 Budget £000
Income						
Dwelling Rent	(18,583)	(19,979)	(18,872)	(18,863)	(18,729)	(18,971)
Non-Dwelling Rent	(196)	(176)	(176)	(178)	(180)	(182)
Service & Other Charges	(973)	(2,489)	(1,337)	(1,348)	(1,358)	(1,369)
Interest Income	(101)	(121)	(81)	(96)	(106)	(128)
Total Income	**(19,853)**	**(22,765)**	**(20,466)**	**(20,485)**	**(20,373)**	**(20,650)**
Expenditure						
Repairs & Maintenance	4,050	4,030	3,620	3,703	3,741	3,820
Supervision & Management	5,199	4,706	4,525	4,522	4,582	4,618
Property Charges	75	88	90	90	92	93
Movement in Bad Debt Provision	(3)	(600)	(21)	-	(4)	8
Interest Charges	2,335	2,290	2,305	2,305	2,280	2,280
Capital Charges	3,401	3,401	3,564	3,655	3,712	3,713
Revenue Contribution to Capital	4,632	5,420	6,830	3,977	3,849	3,822
Transfer to Earmaked Reserves	200	2,500	2,000	2,000	2,000	2,000
Total Expenditure	**19,889**	**21,835**	**22,913**	**20,252**	**20,252**	**20,354**
Movement in the HRA balance	**36**	**(930)**	**2,447**	**(233)**	**(121)**	**(296)**
HRA Balance carried forward	**(5,262)**	**(6,228)**	**(3,781)**	**(4,014)**	**(4,135)**	**(4,431)**

5.8 The above table demonstrates a healthy HRA working balance. The actual carry forward balance from 2015/16 was £5.298 million. Best practice is considered to have a minimum working balance that approximates to 10% of the total income. In 2016/17 the total income budget is £22.765 million, giving a minimum working balance of £2.276 million. The projected HRA revenue working balance for 2016/17 is £6.228 million. This is 27.36% of the total income, demonstrating that the forecast is well within the acceptable level. Even once the balance is drawn down in 2017/18, the forecast balance of £3.781 million is 18.47% of the total income projected for 2017/18.

6 RENTS, SERVICE AND OTHER CHARGES

6.1 The HRA Financial Business Plan was previously updated with the new reduced level of income. It has since been updated with the revised 2016/17 budget, and the 2017/18 to 2020/21 budgets. It demonstrates that the Council still has the ability to service its current debt, maintain its housing stock at its existing levels, and proceed with the Housing Development Programme as it currently stands. However, anything additional to this will need further consideration, particularly with the uncertainty of Government policy on rent increases from 2020/21. Continued savings and efficiencies will need to be identified over the coming years to further help compensate for the loss on income from the 1% rent decrease.

6.2 The HRA Financial Business Plan is taking a prudent approach to budgeting dwelling income for 2020/21. Local Authorities and Housing Associations will be able to increase rents again, but there is a level of uncertainty surrounding what the Government's plans will be in the future. Therefore, an assumption of a 1% increase in 2020/21 has been made, with an increase of 2% thereafter. These assumptions will need to be revisited as and when the Government makes further announcements.

6.3 The Government expects the majority of new properties to continue being let at affordable rent. Affordable rent allows the Council to set rents at a level that are typically higher than social rents. The intention behind this flexibility is to enable Local Authorities to generate additional capacity for investment in new affordable homes. The Council is applying affordable rents to new or re-let properties and is able to do so as it has an agreement in place with the Secretary of State. The agreement allows the Council to retain Right to Buy receipts for investment in new affordable rented homes.

6.4 The current average weekly rent as at the 12 December 2016 is £84.58, based on a 50 week collection year. This is a decrease of £0.94 from 2015/16. The estimated average weekly rent for 2017/18 is £83.73, a further reduction of £0.85 between 2016/17 and 2017/18.

Service Charges

6.5 Service Charges are those charges payable by tenants to reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities, e.g. heating services and communal facilities in sheltered accommodation (Grouped Homes).

6.6 Under the Self-Financing regime, Councils can review its service charges annually. Service charges should be sufficient to cover the cost of providing the service and are not governed by the same factors as rents. In previous years Local Authorities would endeavour to keep increases for service charges within the rent increase. From 2016/17 onwards, due to the rent decrease, this will not be the case.

6.7 The proposed service charges for 2017/18 are set out in Appendix A of this report. The costs of providing the services have been reviewed and set at a level to ensure that the costs are recovered.

6.8 Grouped Home service charges relate to services provided to sheltered schemes and communal utility costs. The proposed general service charge for grouped homes for 2017/18 is set at an average weekly charge of £12.92 based on a 50 week collection year. This is an increase of £1.13 compared to 2016/17. It is worth noting that the service charges were not increased in 2016/17, and the new charge reflects the increase in costs to providing the service.

6.9 Heating charges are set to decrease in 2017/18, for the third consecutive year. This reflects the energy efficiency measures that have been put in place. For grouped homes the 2017/18 average is £11.25 based on a 50 week collection year. This is an average weekly decrease of £1.25 compared to 2016/17 (Following a decrease of £0.29 in 2016/17 and a decrease of £1.77 in 2015/16).

6.10 Garage rents are also set out in Appendix A. Garage rents are also collected on a 50 week collection period and for 2017/18 it is proposed that the weekly garage rent for Council tenants is increased. It is proposed to increase garage rents to £6.20, a £0.10 increase on the 2016/17 charge of £6.10. The Non-Tenant Garage rent of £9.10 (Inclusive of VAT) is set to stay the same, to close the gap between Tenant & Non-Tenant charges.

7 REPAIRS AND MAINTENANCE

7.1 The HRA repairs and maintenance (R & M) programme is split between capital and revenue, however both are currently funded from the revenue income derived from rents.

7.2 The repairs and maintenance revenue budget for 2017/18 has been set at £3.62 million, compared to £4.03 million in the 2016/17 revised budget. An analysis of the R & M revenue budget is set out in Appendix B. The £410k decrease is mainly due to £222k of carry forwards being used in 2016/17, £114k on 'one off' projects in 2016/17, and the remaining amount relating to savings identified in 2017/18.

7.3 The amounts included in the repairs and maintenance revenue budget are deemed sufficient to allow the Council to carry out all necessary major works and to maintain the decent homes standard in all its properties.

HRA Capital Programme

7.4 The HRA capital programme forms part of the Council's overall capital programme, which is presented to Cabinet and Council at the same meeting as the HRA Budget Report. The HRA capital programme consists of capital budgets for housing repairs and the Housing Development Programme.

7.5 The HRA capital programme will be funded via the rental income it retains, the Major Repairs Reserve (MRR), and capital receipts held. Details of the MRR are set out in paragraph 8.2 below. Funding of the repairs and maintenance aspect of the capital programme is through the rental income retained. This is known as Direct Revenue Financing (DRF). The 2017/18 capital programme is partly funded by DRF, which totals £6.83 million. This represents £3.117 million for capital housing repair work and £3.713 million towards the Housing Development Programme.

7.6 The Private Sector Housing Team continues to work hard, improving some of the most vulnerable stock in the District and ensuring that Disabled Facilities Grants are delivered to those who need such works to enable them to stay in their own home. These funds are provided by Central Government with the HRA paying the cost of such works for its own council properties.

8 HRA BALANCE AND RESERVES

8.1 The HRA has five Reserves as well as the HRA revenue working balance (see paragraph 5.8 for details on the revenue working balance). Appendix C shows the movement and balances of these reserves for the budget period 2016/17 to 2020/21.

8.2 Following the introduction of the self-financing on 1 April 2012 and to meet changes in Accounts and Audit Regulations from 2012/13, depreciation charged to the HRA is no longer in the movement on the HRA statement. Instead, the depreciation charged to the HRA is credited to the Major Repairs Reserve (MRR). The MRR can be used to repay the principal elements of the HRA debt, as well as to finance new capital expenditure. There are no plans to use this reserve to fund the capital work planned in 2016/17. It is however planned to fund a substantial amount of the new Housing Development Programme in 2017/18. £7.489 million is planned to be used in 2017/18. The balance as at 31 March 2021 is projected to be a healthy £17.897 million.

8.3 The viability of the Self-Financing regime depends ultimately on the Council acting prudently and in doing so, setting sufficient sums aside to begin to meet its future liabilities. The transfer of funds to the Debt Repayment Reserve gives the Council flexibility around its future decisions for repaying the debt. The HRA has identified a number of savings and efficiencies from 2016/17 to 2020/21, which has resulted in accelerating the payments into the Debt Repayment reserve. The balance as at 31 March 2021 is forecasted to be £14.9 million, which sufficiently covers the first instalment of debt repayment. The first instalment of £10.286 million for repaying the debt is due 28 March 2022. Future debt repayment instalments will be funded by both the Debt Repayment Reserve and the MRR.

8.4 An alternative form of funding that is currently being progressed by the HRA is to sell High Value Void properties on the open market. The properties being identified no longer meet the required housing portfolio. This could be based on their location, construction or condition, and it is considered more appropriate to sell the properties to reinvest in new housing. This will bring better quality and a low maintenance housing stock to the Council. The capital receipts received would be ring-fenced for reinvestment in the Housing Development Programme.

8.5 The Government will be enforcing stock holding Councils to sell its high value stock from April 2018 (at the earliest), to fund the role out of the Right to Buy scheme amongst Housing Associations. This has been pushed back from the previous planned date of April 2017. It is currently unknown as to how the scheme will work, and how the amount Councils are expected to pay to the Government/Housing Associations will be calculated. The Government is still in the progress of collecting data from Local Authorities.

8.6 As at the 31 March 2016 the Council housing stock totalled 4,492. Between 31 March 2016 and the 14 December 2016 there has been 18 RTB sales, but also, the addition of nine new properties built. This brings the current housing stock to 4,483.

8.7 As additional properties are brought into the HRA housing stock there will be an increased income stream. The Council will also benefit from the New Homes Bonus attached to new affordable housing in the District.

9 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

9.1 The HRA Budget directly supports the Councils aim of Financial Self Sufficiency. With balanced budgets, and the ability to pay of its current debt, it demonstrates its ability to be self sufficient.

9.2 In addition to demonstrating self sufficiency, the budget provides the finances to contribute to a number of the East Suffolk Business Plan action points, including specifically for Waveney, 'Increase the number of new Council Houses'.

10 FINANCIAL AND GOVERNANCE IMPLICATIONS

10.1 The HRA self-financing regime transfers the financial risk to the Council. The HRA manages this risk through careful budgeting and the use of the 30 year Financial Business Plan. Ensuring adequate funds are set aside to repay the debt. It also gives the HRA the opportunities to meet its business objectives whilst creating efficiencies and savings, giving added value for money.

11 OTHER KEY ISSUES

11.1 This report has been prepared having taken into account the results of an Equality Impact Assessment, a Sustainability Impact Assessment and a Partnership Impact Assessment, none of which have been identified.

12 CONSULTATION

12.1 The proposed 1% rent decrease will be presented at the next Housing Benefit and Tenants Services Consultation Group in March 2017. Unfortunately as this is a mandatory Rent decrease and there will be no options to challenge this.

13 OTHER OPTIONS CONSIDERED

13.1 There are no other options regarding the rent setting for 2017/18. All Local Authorities and Housing Associations must follow the 1% rent decrease set out under Section 21 of the Welfare Reform Act and Work Bill. If the Council did not comply, it would risk the possibility of a legal challenge.

13.2 The impact of the loss of income through the mandatory rent decrease between 2016/17 and 2019/20 has resulted in reduced funding available for the new Housing Development Programme. Although challenging, the HRA can fund the current housing developments committed, while still paying back current borrowing by year 30 of the Financial Business Plan. The HRA has the option to borrow a further £9 million to fund additional projects, but the affordability of taking any additional borrowing would need to be assessed. At this time there is no need to make use of this additional borrowing.

13.3 Currently the Government has advised that from 2020/21 Local Authorities will be allowed to increase rents as before. Therefore the HRA could budget to increase rents in 2020/21 by 3.1%. But a more prudent approach has been taken and rental income has been increased by 1% in 2020/21, then 2% in 2021/22. The uncertainty surrounding the Governments decisions regarding rent setting is the reason behind this prudent approach. If the Government were to reduce this any further, it would have a serious impact on the HRA's ability to pay back the current borrowing levels whilst providing the level of service and Housing Development Programme planned. Officers are monitoring this risk closely to avoid such problems.

14 REASON FOR RECOMMENDATION

14.1 Approval of the Housing Revenue Account Budget, the average weekly housing rent, service and other charges and movements in reserves and balances are required as part of the overall setting of the Council's Budget and Medium Term Financial Strategy.

14.2 To advise Members of the wider housing and welfare changes that will impact on future service delivery.

RECOMMENDATIONS

1. That Full Council approves the following;

   (a) The Housing Revenue Account Budget for 2017/18, the revised estimates for 2016/17 and the indicative figures for 2018/19 to 2020/21;

   (b) Movements in Reserves and Balances;

   (c) Weekly housing rent decrease of 1% for 2017/18, giving an average weekly rent of £83.73 over a 50 week collection period; and

   (d) Service Charges and associated fees for 2017/18.

2. That forthcoming change affecting public and private sector housing and welfare is noted.

APPENDICES	
Appendix A	HRA Service and Other Charges
Appendix B	HRA Repairs and Maintenance Revenue Budgets
Appendix C	HRA Balance and Reserve Summary
Appendix D	HRA Budget Key Assumptions

BACKGROUND PAPERS - Please note that copies of background papers have not been published on the Council's website but copies of the background papers listed below are available for public inspection free of charge by contacting the relevant Council Department.		
Date	**Type**	**Available From**

APPENDIX A

HRA SERVICE AND OTHER CHARGES

The following charges are based on a 50 week collection year. Under current policies, the following increases in charges are proposed for 2017/18.

	Average Weekly Charge 2016/17 £	Average Proposed Weekly Charge 2017/18 £	Average Weekly Increase £
Grouped Homes Service Charges:			
General Service Charge	11.79	12.92	1.13
Heating Charge	12.50	11.25	-1.25
Communal Water Charge	2.81	2.85	0.04
Support Charge	3.12	3.33	0.21
Gas Service Charge	2.30	2.30	0.00

	Weekly Charge 2016/17 £	Proposed Weekly Charge 2017/18 £	Weekly Increase £
Caretaker:			
St Peter's Court	4.71	5.00	0.29
Dukes Head Street	3.47	3.65	0.18
Chapel Court	2.46	2.60	0.14
Servicing:			
Gas Central Heating System	2.30	2.30	0.00
Electric Central Heating System (Warm Air) - No longer used from 2017/18	1.55	N/A	-1.55
Electric Central Heating System (Wet Systems)	2.30	2.30	0.00
Solid Fuel Central Heating System	2.16	2.38	0.22
Gas Fire	0.40	0.40	0.00
Oil System - No longer used from 2017/18	2.30	N/A	-2.30
Ecodan Central Heating System Air Source Heat Pump	2.50	2.50	0.00
Septic Tank Emptying/Servicing	5.03	5.03	0.00
Flue Maintenance	2.22	2.38	0.16
Grounds Maintenance - New for 2017/18	0.00	1.72	1.72
Other:			
Communal Area Cleaning Service	0.41	0.50	0.09
Communal Water Charge	2.05	2.05	0.00

	Weekly Charge 2016/17 £	Proposed Weekly Charge 2017/18 £	Weekly Increase £
Garage Rents:			
Tenants	6.10	6.20	0.10
Non Tenants (net of VAT)	7.58	7.58	0.00

APPENDIX B

HRA REPAIRS & MAINTENANCE REVENUE BUDGETS

	2016/17 Original Budget	2016/17 Revised Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget
Responsive Maintenance	**£**	**£**	**£**	**£**	**£**	**£**
Leasholder Charges	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000
Jobbing Repairs	997,900	1,073,700	1,067,900	1,093,900	1,119,600	1,141,500
Tenant Allowances	50,000	50,000	50,000	50,000	50,000	50,000
Disabled Adaptations	38,100	38,100	36,100	37,600	37,600	39,000
Environmental Works	10,000	10,000	5,000	5,000	5,000	5,000
Fire Fighting Equipment and Detection	12,500	14,500	14,500	14,500	14,500	14,500
Door Porter and Security Systems	27,000	15,000	15,000	16,000	17,000	18,000
Solid Fuel and Heating repairs	12,000	12,000	14,000	15,000	15,000	15,000
Emergency Lighting	4,000	4,000	4,000	4,000	4,000	4,000
Drainage and Pumping Stations	10,500	9,500	10,000	10,500	10,500	11,000
Insurance / Misc - recovered	-14,000	-14,000	-14,000	-14,000	-14,000	-14,000
Insurance / Misc - expenditure	17,000	17,000	17,000	17,000	17,000	17,000
Rechargeable Works - Incl's Leaseholder Properties	50,000	53,000	65,000	65,000	65,000	65,000
Relet Repairs (Voids)	913,000	913,000	865,000	884,000	884,000	905,000
Lifts	5,000	5,000	5,500	6,000	6,000	6,000
Roof and PVC Panelling Cleaning	33,400	33,400	35,000	36,000	36,000	37,000
External Decoration (See note 1 below)	381,200	361,200	110,000	114,100	114,100	120,000
Loft Insulations	5,000	5,000	5,000	5,000	5,000	5,000
Servicing Contracts & Repairs	519,200	511,500	550,200	562,500	564,500	567,000
Asbestos - removal (See note 2 Below)	130,000	130,000	80,000	80,000	80,000	80,000
Asbestos - Testing	85,500	85,500	85,500	85,500	85,500	85,500
Legionella (See note 3 below)	7,500	7,500	3,000	3,000	3,000	3,000
Electrical Testing & Repairs	141,600	100,000	140,000	144,400	144,400	150,200
Communal Areas	53,000	53,000	54,600	56,200	56,200	58,000
Total Responsive Maintenance	**3,479,400**	**3,477,900**	**3,208,300**	**3,281,200**	**3,309,900**	**3,372,700**
Planned Maintenance	**£**	**£**	**£**	**£**	**£**	**£**
Bathrooms (See note 4 below)	0	0	0	0	0	0
Chimneys	30,000	30,000	30,000	30,000	30,000	30,000
External Walls	40,000	40,000	25,000	25,000	25,000	25,000
Canopy / Porches	20,000	10,000	12,000	12,000	12,000	12,000
Paths / Hardstanding	265,200	280,200	210,000	218,200	226,600	235,000
Boundary / Retaining Walls	42,000	42,000	20,000	22,200	22,200	25,000
Outbuildings	50,000	30,000	35,000	35,000	35,000	35,000
Structural/Damp/Drainage/etc	120,000	120,000	80,000	80,000	80,000	85,000
Total Planned Maintenance	**567,200**	**552,200**	**412,000**	**422,400**	**430,800**	**447,000**
Total HRA Housing Repairs	**4,046,600**	**4,030,100**	**3,620,300**	**3,703,600**	**3,740,700**	**3,819,700**

Notes:

Note 1 - External decoration has additional costs in 2016/17 compared to future years as the external works to St Peters Court have been completed this year.

Note 2 - Asbestos removal budget decreases in future years to reflect the reduced asbestos present.

Note 3 - Increased costs in 2016/17 relate to a one off job on the water tank at St Peters Court.

Note 4 - As of 2015/16 all Bathroom work goes through capital expenditure.

Note 5 - All other reductions from 2017/18 form part of an efficiency and saving exercise to reduce both revenue and capital R&M costs across the HRA, whilst maintaining the decent homes standard.

APPENDIX C

HRA BALANCE AND RESERVE SUMMARY

HRA WORKING BALANCE

	Closing Balance 31/03/16 £'000	*2016/17 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/17 £'000	*2017/18 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/18 £'000	*2018/19 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/19 £'000	*2019/20 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/20 £'000	*2020/21 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/21 £'000
HRA Working Balance	**-5,298**	-930	0	**-6,228**	0	2,447	**-3,781**	-233	0	**-4,014**	-121	0	**-4,135**	-296	0	**-4,431**
10% Requirement	**-2,005**			**-2,276**			**-2,047**			**-2,049**			**-2,037**			**-2,065**

HRA EARMARKED RESERVES

	Closing Balance 31/03/16 £'000	*2016/17 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/17 £'000	*2017/18 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/18 £'000	*2018/19 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/19 £'000	*2019/20 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/20 £'000	*2020/21 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/21 £'000
Debt Repayment Reserve	**-4,406**	-2,500	0	**-6,906**	-2,000	0	**-8,906**	-2,000	0	**-10,906**	-2,000	0	-12,906	-2,000	0	-14,906
Hardship Reserve	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**	0	0	-500	0	0	-500
MMI Reserve	**-66**	0	0	**-66**	0	0	**-66**	0	0	**-66**	0	0	-66	0	0	-66
Impairment/Revaluation Reserve	**-256**	0	0	**-256**	0	0	**-256**	0	0	**-256**	0	0	-256	0	0	-256
Total HRA Earmarked Reserves	**-5,228**	-2,500	0	**-7,728**	-2,000	0	**-9,728**	-2,000	0	**-11,728**	-2,000	0	**-13,728**	-2,000	0	**-15,728**

HRA CAPITAL RESERVE

	Closing Balance 31/03/16 £'000	*2016/17 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/17 £'000	*2017/18 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/18 £'000	*2018/19 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/19 £'000	*2019/20 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/20 £'000	*2020/21 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/21 £'000
HRA Major Repairs Reserve	**-12,639**	-3,383	0	**-16,022**	-3,546	7,489	**-12,079**	-3,636	3,400	**-12,315**	-3,693	1,804	**-14,204**	-3,693	0	**-17,897**

HRA BUDGET KEY ASSUMPTIONS

The following key assumptions have been made in the budgets.

Income	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Dwelling rents annual increase	-1.00%	-1.00%	-1.00%	1.00%
Allowance for voids - % of total rent roll	1.85%	1.85%	1.85%	1.85%
Garage rents annual increase	1.60%	2.00%	2.00%	2.00%
Non-dwelling rents annual increase	0%	0%	0%	0%
Charges for Services & Facilities annual increase	1.00%	1.00%	1.00%	1.00%
Write-off allowance	£100,000	£100,000	£100,000	£100,000
Number of dwellings lost through Right To Buys (RTB's)	25	25	25	25
Number of new dwellings added to the stock	88	31	30	27
Average interest rate on HRA balances	0.63%	0.63%	0.63%	0.63%
Expenditure				
Bad Debt Provision - % of total income	3.25%	3.25%	3.25%	3.25%
Average interest rate on variable debt	0.67%	0.67%	0.67%	0.67%
Utility costs annual increase	0%	0%	0%	0%