

REPORT TO: CABINET

DATE: 24 JANUARY 2019

TITLE: HOUSING REVENUE ACCOUNT BUDGET 2019/20

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This is a Key Decision

It is on the Forward Plan as Decision Number I008577

The decision is not subject to Call-in Procedures for the following reason:

The decision stands as a recommendation to Full Council

This decision will affect no ward specifically.

RECOMMENDED that Cabinet recommends to Full Council that:

- A** The rent reductions for individual dwellings as set out in paragraph 30 of this report are approved with effect from 1 April 2019. This equates to an average weekly rent of £89.84 a statutory reduction of one per cent.
- B** Service charges for individual dwellings, as set out in paragraphs 22 to 29 of this report are approved with effect from 1 April 2019 for both tenants and leaseholders. This equates to an average weekly service charge to tenants of £2.49.
- C** Heating charges as set out in paragraphs 31 to 38 of this report are approved with effect from 1 April 2019 for both tenants and leaseholders. Average weekly

general needs charges are £9.24 per week (leaseholders £16.09 per week, equivalent) and, for sheltered accommodation, £6.83 per week.

- D** Rents for garages held within the category 'Retain and Invest' as defined in the 'Garages and Hardstanding Improvement Strategy 2015' will increase by five per cent, to £10.16 per week (for a standard garage) and proportionate increases for other garages, car ports and car spaces from 1 April 2019. Rents of garages in other categories will reduce by 20 per cent in order to provide an incentive, as set out in paragraphs 39 and 40 of this report.
- E** Housing related support charges are as set out in paragraphs 17 to 21 and Table 1 are approved for service users with effect from 1 April 2019.
- F** Other charges set out in paragraphs 41 to 43 of this report are approved with effect from 1 April 2019. Note the addition of two new charges from 1 April 2019 for the provision of information to facilitate Equity Release £30.80 and Re-mortgage work £20.50 (both inclusive of VAT at 20 per cent).
- G** The growth items outlined in paragraph 46 in respect of 2019/20 are approved.
- H** The Housing Revenue Account (HRA) budget (attached as set Appendix A to the report) is approved.
- I** A minimum HRA working balance shall be £4 million as at 31 March 2020, with £2.5 million being the minimum level and with an additional £1.5 million added as an allowance towards any additional expenditure required as a result of the Grenfell Tower Public Inquiry, (as set out in Appendix B of this report) is approved.

REASON FOR DECISION

- A** This report sets out the HRA budget for 2019/20 and forecast outturn for the current year, together with the information necessary to set a balanced budget as required by legislation.

BACKGROUND

1. The HRA is the statutory landlord account for the Council and expresses in financial terms the level of housing service to be delivered within agreed policy guidelines. The Council has a legal duty to set a balanced budget in the February prior to the beginning of the financial year to which the budget relates.
2. The HRA Business Plan 2018-2048, reflects a number of themes which have developed over the past twelve months including:
 - a) the Council's ambition to build new housing of all tenures, both as social rent and affordable rent in its widest sense.

- b) increased fire safety and associated regulation following the tragic fire at Grenfell Tower in London in June 2017.
 - c) implementation of the Homelessness Reduction Act 2017 which imposed new statutory processes.
 - d) implementation of Universal Credit (UC) and benefit rules, the roll-out of which has been greatly delayed by Government, and its implications on tenants.
 - e) inflationary pressures, including that of the Council's contractual arrangement with HTS (Property and Environment) Ltd which undertake much work for tenants and leaseholders.
3. From 1 February 2017, housing, property and environmental services have been provided by HTS (Property and Environment) Ltd, a wholly owned subsidiary of the Council.

Principles

4. The principles within the HRA Business Plan 2018-2048 are:
- a) to reduce dwelling rents annually by one per cent in accordance with Government legislation between 2016/17 and 2019/20. 2019/20 will be the final year of the four years
 - b) renew the Public Works Loan Board (PWLB) debt of £208.837 million upon maturity of each loan, keeping repayment under review
 - c) set a minimum HRA working balance at 31 March 2019 at £4 million. This means that £2.5 million is allocated for ordinary unforeseen events and £1.5 million for any unbudgeted outcome from the Grenfell Tower Inquiry. Following completion of work relating to fire safety, from say 31 March 2020, to revert the minimum HRA working balance to £2.5 million
 - d) Revise the housing asset management plans and its priorities
 - e) Revise the garage management strategy, investment and its priorities, and assume annual increases of at least 5 per cent per year for garages and increases/decreases in service charges related to changes in expenditure. For 2019/20, however, it is proposed to incentivise take up of some garages by lowering charges.

ISSUES/PROPOSALS

5. For the fourth successive year local councils are required to reduce rents to tenants by one per cent. With inflation under the Consumer Price Index (CPI) at 2.4 per cent in September 2018, in ordinary circumstances housing rents would

have increased by 3.4 per cent from April 2019. The inflationary pressure on the HRA through employee costs (estimated increase, two per cent) and HTS (Property and Environment) Ltd contractual increases (estimated five per cent) erodes the working balance.

6. The tragic fire at Grenfell Tower in North Kensington in June 2017 focused national attention on fire safety and regulation in tower blocks. Phase One of the Public Inquiry ended in December 2018. Phase 2 is anticipated to commence in Autumn 2019 at the earliest. Whilst the Hackitt Review into Building Regulations and Fire Safety was published in May 2018, the Government response is still awaited. This will require the Council to potentially amend its Business Plan.
7. A review of the Council's tower block Fire Risk Assessments (FRAs) confirmed that all are inherently safe from fire. Officers, however, have continued to review FRAs, advice published by Ministry of Housing, Communities and Local Government (MHCLG) and procedures in response to feedback/outcomes from the ongoing inquiry. The outcome of the Inquiry may identify additional work necessary either in 2019/20 or 2020/21.
8. Works have already been identified which will require additional capital funding including works to communal areas within flat blocks and, following advice published by MHCLG in June 2018, the potential replacement of previously installed Glass Reinforced Plastic composite fire doors for individual flats, following further testing as part of the Grenfell Tower investigation.
9. The 'Homelessness Reduction Act 2017' was implemented from April 2018. It placed increased duties on councils to intervene at earlier stages to prevent homelessness, irrespective of whether or not an applicant has 'priority need' or may be 'intentionally homeless' and to prevent families and single people becoming homeless. Aside from the new legislation there is an ongoing demand for temporary accommodation which must be met by the Council. The projected outturn in 2018/19, of £921,000 at September 2018, demonstrates the increasing pressure for temporary accommodation that is likely to continue in 2019/20.
10. The cost of temporary accommodation is apportioned between the General Fund (GF) and HRA. Grant funding is available to support additional staffing costs. The estimates reflect the anticipated additional cost and grant funding available.
11. In 2018/19 the cost of gas rose substantially due to global factors and the weakening of Sterling on the currency markets. The resulting price rise impact upon the cost of communal heating to tenants and leaseholders both in 2018/19 and 2019/20. Estimates have been set based on the latest information available at the time.
12. The estimated operating balance as at 31 March 2020 is £4.147 million, £0.147 million above the minimum working balance.

13. The Cabinet is invited to note the projected outturn for 2018/19 and approve the HRA Estimates for 2019/20 as set out in Appendix A. The report should be read in conjunction with the HRA Business Plan 2018-2048 which forms a separate report on the Cabinet's agenda.

Basis of Estimates

14. The Council is obliged by law to set rents and other charges at a level to avoid a deficit on the HRA. This is the legal minimum balance at any time during the financial year must exceed zero. This must be done "during the months of January and February of the year immediately preceding the relevant year". This report proposes a HRA budget for 2019/20 (the "relevant year") that avoids a deficit. The HRA Business Plan sets out the medium and long term finances of the Council and likewise must plan to avoid a deficit.
15. Estimates for employee costs have been prepared including a two per cent pay award totaling £61,200 from 1 April 2019 and an assumed vacancy rate in 2019/20 of two per cent which is an equivalent saving of £78,800 for the year. Estimated total employee costs for 2019/20 are £3.94 million.
16. The budget also takes account of proposed dwelling rent levels, and service charges, which were unpooled from tenants' rents for the first time in 2007/08. Two further service charges were unpooled in 2018/19.

Supported Housing

17. The Council's Supported Housing service consists of 16 sheltered housing schemes, one extra care scheme for the frail elderly, and a community support function for 1,000 private clients living independently across the town.
18. Essex County Council (ECC) formally acts as the responsible organisation, and commissions Housing Related Support (HRS) services from the Council. HRS commissioning services funded by the County Council form part of the Government's Health and Social Care agenda that promotes older persons wellbeing and independence. The Act does not stipulate specific services to fulfil this requirement. The Council's role, as a landlord, is to maintain the fabric of the building, deliver the contractual HRS services and manage its tenancies.
19. A report to the Scrutiny Committee on 28 November 2017 outlined recommendations, previously approved by Cabinet in January 2017, for the future of the service. Following a period of consultation and review the report recommends a five year financial plan to maintain intensive housing support, meet housing need and make use of assisted technology. The Financial Plan proposes a framework for reducing resources both within the Council's GF, and HRA, balancing priorities against reduced resources with the wider priorities of the local council landlord service. This will include additional HRS service charges, seeking additional income opportunities, as well as making best use of older persons designated stock.

20. Officers have been working with service users of HRS, consulting widely with them and their families to ensure awareness has been raised of the funding gaps, signposting benefit entitlement, as well as possible financial support from other agencies. This is in an attempt to maximise income.

Table 1 – Proposed Housing Related Support Charges 2019/20

Service	Weekly Charge from April 2019
Dispersed Community Alarms	£4.38
Harlow Community Support	£7.29
Sheltered Housing Support	£8.14
Extra Frail Support, Summers Farm Close	£1.91
Intensive Housing Management	£2.00

21. Work is underway to extend the number of extra frail units at Sumners Farm Close by a further four units. This will be achieved by converting the current vacant farm house located in the grounds of the Sumners Farm Close into four, one bedroomed disabled adapted flats, which will link to the main Sumners Farm Close scheme and provide much needed extra care accommodation for older people. This work is expected to commence on site in 2019/20.

Service Charges

22. Service charges are made in addition to rents.
23. Seven service charges were unpooled from rents in 2007/08. In addition, the Council has published a range of service standards to support the implementation of service charges. These are regularly reviewed in consultation with tenants and leaseholders to ensure the principles of service charges in terms of transparency, improved service delivery and greater accountability are delivered in practice.
24. The key features to the calculation of service charges are:
- a) actual, not estimated, cost of service charges are recovered from both tenants and leaseholders, subject to the availability of reasonable data. This means that any difference between the actual cost and estimated cost will be collected or refunded in the year following closure of accounts. This means that any difference in 2017/18 charges will be collected/refunded in 2019/20

b) charges should be consistent to tenants and leaseholders and be fully recovered wherever possible.

25. There is adjustment of four pence over all service charges in respect of 2017/18 for tenants.

26. Proposals for service charges based on the above methodology are set out in Table 2 below and will apply to both tenants and leaseholders.

Table 2 – Service Charges to Tenants and Leaseholders – 2019/20

	Highest weekly charge	Lowest weekly charge	Average weekly charge	Average weekly charge (for all tenants)
	(£)	(£)	(£)	(£)
Amenity Cleaning – gully cleaning	1.35	0.01	0.09	0.06
Amenity Cleaning –bins	1.34	0.06	0.30	0.03
Caretaking	14.93	0.87	6.87	0.74
Cleaning	16.19	0.17	5.19	0.74
Door Entry Management	1.46	1.46	1.46	0.12
Grounds Maintenance	2.77	0.01	0.40	0.31
Landlord’s Lighting	4.56	0.37	1.18	0.40
Window Cleaning General Needs	0.18	0.04	0.09	0.01
Window Cleaning Sheltered	0.57	0.10	0.22	0.01
Cleaning - Sumners Farm Close	7.19	7.19	7.19	0.03
Sub Total				2.45
Adjustment in respect of tenants 2017/18				0.04
Total				2.49

27. In addition to the above, the following service charges apply to leaseholders only from 1 April 2019:

- a) Lift maintenance (plus associated charges for powering the lift). The annual charge will be in the range £106.93 to £443.99 per leaseholder
- b) The management cost is a flat rate estimate of £213 per leaseholder
- c) The charge for the registration of a sublet will increase to £87.05 (£85 in 2018/19). The charge applies to individuals who acquire a leasehold property for the purpose of sub-letting under the Right To Buy (RTB) or on the open market for the purpose of subletting the dwelling. Under the terms of the leases all landlords must advise the Council of any under lease and these must be registered appropriately and that a fee may be charged
- d) The insurance cost is an average estimate of £169.18 per leaseholder

e) Routine repairs and major repairs are recharged at the full actual cost to the Council.

28. Leaseholders pay an annual charge. Tenants pay the same charge, if relevant, divided into equal weekly instalments. It is proposed that changes in service charges are effective from 1 April 2019 for tenants and for leaseholders.
29. Tenants who exercise their RTB make a one off contribution into an In Perpetuity Fund for grounds maintenance, amenity cleaning and litter picking. The contribution to the fund is intended to cover future maintenance for 80 years. It is proposed that this charge will increase in line with CPI of 2.4 per cent (September 2018) to £5,490 (2018/19 – £5,363).

Rent Setting

30. Under the Welfare Reform and Work Act 2016, the rents for social housing are reduced by one per cent a year for four years from 2016/17. For 2019/20, this reduction of one per cent is applied to the 2018/19 rent of each property and equates to an average weekly rent of £89.84. 2019/20 is a 53 week rent year so the charge will remain in force until 6 April 2020.

Heating Charges

31. Heating charges are made in respect of blocks of flats and clustered properties where communal heating and hot water is provided via a District Heating System. These systems are considered to be both cost effective and more efficient than individual domestic boilers. The Council supplies the gas used to run the communal boilers and re-charges residents for the energy they use within their homes under the fuel charge levied. Leaseholders are also charged the non-fuel costs such as boiler maintenance and management costs. These latter are admissible for housing benefit unlike the cost of providing gas and electricity.
32. The Council continues to monitor the cost at which it procures energy and is committed to demonstrating value for money for both its tenants and leaseholders. Gas is purchased by the Council through a consortium arrangement via the use of an energy framework that allows the Council to purchase gas and electricity directly from the wholesale market. The framework used by the Council aligns similar contracts of multiple customers in order to achieve savings when purchasing energy in large quantities. The use of a framework also allows the supplier to take advantage of favourable market conditions to ensure energy is purchased at the best possible price for the Council.
33. In July 2017 Cabinet approved the introduction of a new framework agreement which commenced in September 2018. As part of the implementation of the new framework the Council has entered an initial 'bridging' contract with the energy supplier. Residents will see an increase in the price of energy under the bridging contract initially for the first 12 months but, although the cost of energy under the 'bridging' contract has increased, detailed market analysis shows that the

wholesale price of gas across the UK has increased over the last year, mainly due to unprecedented demand and weaker Sterling exchange rate. While under the bridging contract, the framework provider will be procuring energy at a lower rate for the years following the initial term which will produce savings for the Council and therefore residents in the medium term, providing residents with value for money.

34. The Council remains committed to tackling fuel poverty for residents. The cost of energy that is passed on to both tenants and leaseholders of the Council is assessed each financial year to ensure the Council is not putting its residents at risk of fuel poverty. Although the cost of energy procured under the 'bridging' contract has increased, these rates have been benchmarked against the 2015 energy rates charged to residents within District Heating schemes and found to be equal. In 2015 the Council commissioned the Home Energy Study by Rickaby Thompson Associates which identified a small number of properties to be at risk of fuel poverty. The study used what was the current energy pricing at the time as part of the assessment of fuel poverty and therefore allows the Council to benchmark against energy rates for that year.
35. Alongside the programme of district heating modernisation, work has also been undertaken to ensure the Council's compliance with new legal requirements under the Heat Network (Metering and Billing) Regulations 2014 through the installation of individual property heat meters at all schemes that benefit from district heating. This facilitates billing for energy use on a property by property basis based upon individual energy use/consumption. Heat meters measure individual heat and hot water usage and ensure that residents are charged fairly for the heating and hot water they use. Residents receive a quarterly statement showing their energy consumption and their tariff information, ensuring that the Council is providing transparency over the way in which it charges residents for heating and hot water within District Heating schemes.
36. In April 2018, four additional schemes were added to the new billing system, with tenants being charged for their individual heat and hot water consumption throughout the financial year. The charge applied to the rest of the District Heating schemes will continue to be apportioned based on the number of bedrooms in each property until the scheme is fitted with heat meters and added to the Council's new billing system. There is a programme to roll out heat meters to all remaining District Heating schemes which is expected to complete in 2020/21.
37. Tenants and leaseholders with communal heating are fully recharged the respective cost of the service. The average charge to tenants for fuel provided will be £9.24 per week (2018/19 – £6.53) prior to any adjustment for the difference between the estimated and actual charges in 2017/18, and for leaseholders for fuel and non-fuel, £16.09 per week (2018/19 – £13.60).
38. The average charge for sheltered accommodation will be £6.83 per week (2018/19 – £5.25). In 2019/20 no sheltered properties out of 460 have charges that will be limited by the fuel poverty caps.

Garage Rents

39. It is proposed to increase the rent on garages held as "retain and invest" and related charges by five per cent. The rent of a standard garage would rise by 48 pence per week to £10.16. In addition there are a number of garages which due to the location and their condition, will be offered at rents reduced by 20 per cent.
40. It is proposed that changes in garage rents are effective from 1 April 2019.

Other Charges

41. It is proposed that the charges for the other miscellaneous items be raised in respect of Leasehold Services as follows:
- a) Solicitor's enquiries with copy of an insurance schedule will rise from £140.60 to £143.43 (inclusive of VAT at 20 per cent)
 - b) Solicitor's enquiries without copy of an insurance schedule will rise from £102.70 to £104.75 (inclusive of VAT at 20 per cent)
 - c) Solicitor's enquiries for additional information will rise from £37.36 to £38.10 (inclusive of VAT at 20 per cent)
 - d) Insurance Policy Key Facts will rise from £10.80 to £11.00 and the charge for Non Compliance Letters from £43.36 to £47.30
 - e) Two new charges from 1 April 2019 are proposed for the provision of information to facilitate Equity Release £30.80 and re-mortgage work £20.50 (both inclusive of VAT at 20 per cent)
 - f) Interest free loans and voluntary charges available to leaseholders in respect of major works are subject to an administration fee of £322.20 (2018/19 – £315.90)
 - g) The administration fee for a Lease Extension will increase from £162.32 to £165.60 (inclusive of VAT)
 - h) The administration fee for Mandatory Loans will increase from £135.24 to £138.50 per loan agreed.
42. It is proposed that the charges for the other miscellaneous items be raised in respect of Sheltered Services as follows:
- a) Meal charges at Sumners Farm Close will move from £5.87 to £6.00, with effect from 1 April 2019
 - b) The contract for laundry charges within sheltered housing schemes was re-tendered in 2016/17. The charges will remain the same for three

years with a review in 2019/20. 2019/20 charges – £2 per wash and 20 pence per each 10 minute dry

- c) A charge for the use of sheltered housing communal rooms by external organisations of £10 per half day and £20 per full day.

43. It is proposed that the charges for the other miscellaneous items be raised in respect of Homelessness Services as follows:

- a) The rent charged for temporary accommodation in the HRA will remain at £35 per week per single room, £50 per week for a double room and £100 per week for a family room. In addition there is a service charge, personal charge and recharge of council tax totaling £19.36 per week for a single room, £21.86 per week for a double room and £29.36 per week for a family room
- b) Nightly lets will be charged against a weekly rate of: one room £129.23; one bed studio/property £129.23; two bed property £145.39; three or more bedrooms £185.89
- c) Charge for Bed and Breakfast accommodation – £129.23 per week based on the Local Housing Allowance (LHA) rate
- d) Charge for Non HRA Temporary Accommodation flats: one bedroom – £115.37 and three bedroom – £176.53.

Building New Homes

44. It is an ambition and a key priority for the Council to build new homes including council dwellings. In 2018/19 preparatory work was undertaken to enable the provision of four new one bed units at Sumners Farm Close and in addition a one bed unit, a two bed unit and four additional bedrooms, for both general needs and temporary accommodation.

45. Plans are also in hand for new building/new council homes. More details are available in the Capital & Treasury Report 2019 which is attached as Appendix B to the report.

Growths

46. Two growth bids are included in the HRA estimates:

- a) Housing Procurement Officer to support the contract work inherent in the level of capital works being undertaken
- b) For the maintenance of water tanks which is a health and safety issue.

Table 3 – 2019/20 HRA Growth

2019/20 HRA GROWTH	£'000S
Procurement Officer	38
Water Hygiene	80
TOTAL	118

Working Balance

47. The Local Government Act 2003, section 25 (1) (b), requires that the Head of Finance reports to the Council on the adequacy of reserves when the budget and Council Tax are being set by reference to a number of factors considered in Appendix C. It has been recommended that the minimum HRA working balance should be set at £4 million at 31 March 2019 and maintained at this level at 31 March 2020. This is to ensure a provision for potential costs of fire safety works in 2019/20. The Government has decided not to enact the legislation that would require Councils to sell high value void properties.
48. The HRA minimum working balance is set by the Head of Finance to ensure that the account will not fall into a deficit and to mitigate for various risks as set out in Appendix B and the HRA Business Plan 2018-2048.
49. Based upon the budget figures set out at Appendix A, the movement of the Operating Account Working Balance is as set out in table 4 below.

Table 4 – HRA Operating Account Working Balance

HRA OPERATING ACCOUNT WORKING BALANCE	£'000s
Working Balance at 1 April 2018	14,104
Budgeted deficit 2018/19	(-)3,270
Working Balance at 31 March 2019	10,834
Budgeted deficit, 2019/20	(-)6,687
Working Balance at 31 March 2020	4,147

Major Repairs Reserve

50. The Major Repairs Reserve (MRR) is the statutory account which holds the annual depreciation charge on HRA properties. The charge for depreciation in 2018/19 is estimated at £9.94 million (Original 2018/19 £11.439 million) and is made by debiting the HRA and crediting the MRR.

51. The rules require that the MRR balance can be used either to finance the capital programme or to repay housing debt. The HRA Business Plan 2018-2048 proposes the renewal rather than the repayment of debt.
52. The Housing Capital Programme can be found as a separate item on this agenda. It is estimated that there will be a nil balance on the MRR at 31 March 2019, as the estimated sum of £9.94 million will be fully used to support the Housing Capital Programme in 2018/19.
53. Likewise in 2019/20 the estimated sum of £10.085 million will be used to support the Housing Capital Programme. The balance on the MRR as at 31 March 2020 will again be nil.

Table 5 – Major Repairs Reserve

MAJOR REPAIRS RESERVE	£,000's
Balance at 1 April 2018	0
Depreciation charge	9,940
Capital Financing	(-)9,940
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Balance at 31 March 2019	0
Depreciation charge	10,085
Capital Financing	(-)10,085
Estimated Balance at 31 March 2020	0

Risks

54. Budgets are prepared using the best assumptions available at the time. The size of the HRA is large with income and expenditure totalling £49.68 million and £56.36 million respectively. This report covers in detail the first two years of the HRA Business Plan 2018-2048, within which there is a commentary on risks facing the HRA and a section on Sensitivity Analysis.

Housing Capital Programme

55. A separate report on the proposed Housing Capital Programme 2018/19 to 2019/20 and a Capital Compendium containing the Medium Term Financial Strategy (MTFS) appear elsewhere on the Cabinet's agenda.
56. It should be noted that £9.191 million has been planned as a revenue contribution to capital in 2019/20 in addition to the statutory transfer made to the MRR.

Human Resources Issues

57. The proposed 2019/20 budget has no identified human resource implications.

Welfare Reform

58. Since the introduction of the Government's welfare reform legislation, UC has been fully launched in Harlow with effect from the 20 September 2017. This brings together the majority of welfare benefits including Housing Benefit under one claim process. As of 2 December 2018, 1,112 Council tenants are currently in receipt of UC, with these numbers expected to continually rise until full migration has been achieved. The Department of Work and Pensions aim to complete a full migration to UC by 2023. The Council will continue to monitor the impact this is having on tenants rent accounts and will continue to provide support and early intervention to assist tenants with budget and debt management.

Consultation

59. The Council has engaged in consultation through the Housing Standards Board on which tenant and leaseholders are represented, in line with the Tenant Engagement Strategy. This report was reviewed at its meeting on 8 January 2019.

60. Tenants and leaseholders have been consulted through the Property Standards Panel and Tenancy Standards Panel on 7 January 2019, the Leasehold Standards Panel on 17 January 2019 and at Tenants Forum which met on 9 January 2019.

Conclusion

61. The proposed budget shows an estimated net deficit for the year of £6.687 million and a projected working balance at 31 March 2020 of £4.147 million.

IMPLICATIONS

Place (Includes Sustainability)

As contained within the report.

Author: Andrew Bramidge, Project Director – Enterprise Zone and Interim Head of Planning

Finance (Includes ICT)

As contained within the report.

Author: Simon Freeman, Head of Finance and Deputy to the Managing Director

Housing

As outlined in the body of the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

None specific.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – HRA Estimates

Appendix B – Assessing the HRA Minimum Working Balance

Background Papers

CIPFA. LAAP Bulletin 55 – February 2003. Guidance Note on Local Authority Reserves and Balances

Welfare Reform and Work Act 2016

Local Government & Housing Act 1989

Glossary of terms/abbreviations used

CPI – Consumer Price Index

FRA – Fire Risk Assessment

GF – General Fund

HRA – Housing Revenue Account

HRS – Housing Related Support

HTS – HTS (Property and Environment) Ltd

LHA – Local Housing Allowance

MHCLG – Ministry of Housing, Communities and Local Government

MRR – Major Repairs Reserve

MTFS – Medium Term Financial Strategy

PWLB – Public Works Loan Board

RTB – Right to Buy

UC – Universal Credit

APPENDIX A

Housing Revenue Account Summary

	2017/18 Actual £	2018/19 Original £	2018/19 Forecast £	2019/20 Original £
EXPENDITURE				
General Management	11,112,332	11,148,751	11,816,513	11,543,970
Special Management	6,787,566	7,350,377	7,468,703	7,695,181
Repairs & Insurance Appropriations	9,906,904	10,090,160	10,262,275	10,872,720
Rents Rates Taxes & Other Charges	109,603	35,000	47,500	52,000
Provision for Bad & Doubtful Debts	85,242	300,000	200,000	280,000
Supporting People Transitional Arrangements	5,295	5,300	5,300	5,000
Major Repairs Reserve (Net Depreciation)	11,801,259	11,439,000	9,940,000	10,085,000
Debt Management Expenses	16,520	16,520	16,520	16,520
Interest Charges	6,778,765	6,669,000	6,686,000	6,624,000
Revenue Contribution to Capital Expenditure	1,503,339	5,914,000	6,451,000	9,191,000
	48,106,824	52,968,108	52,893,811	56,365,391
INCOME				
Dwelling Rents	(-)43,883,886	(-)43,175,000	(-)42,856,835	(-)43,004,000
Garage Rents	(-)987,963	(-)1,142,000	(-)969,320	(-)1,018,520
Other Rents	(-)62,266	(-)65,150	(-)66,150	(-)66,150
Charges for Services & Facilities	(-)4,213,291	(-)5,005,995	(-)5,623,654	(-)5,485,588
Interest Receivable	(-)88,104	(-)62,075	(-)109,000	(-)103,000
	(-)49,235,509	(-)49,450,220	(-) 49,624,959	(-)49,677,258
Balance in hand at 1 April	12,974,857	8,272,415	14,103,542	10,834,690
Surplus / (Deficit) for year	1,128,685	(-)3,517,888	(-)3,268,852	(-)6,688,133
Balance in hand at 31 March	14,103,542	4,754,527	10,834,690	4,146,557
<i>Figures based on:</i>				
Housing Stock				
	No.	No.	No.	No.
Housing Stock at 1 April	9,425	9,290	9,279	9,174
Less Right To Buy Disposals	(-)69	(-)50	(-)50	(-)40
Other Disposals	(-)77	(-)55	(-)55	0
Plus Additions	0	0	0	7
Housing Stock at 31 March	9,279	9,185	9,174	9,141
Weekly Charges				
Average Rent (per dwelling)	£91.73	£90.74	£90.74	£89.84
Average Service Charge (per dwelling)	£1.95	£2.03	£2.17	£2.45
Average Rent (per garage)	£9.22	£9.68	£9.68	£10.16

APPENDIX B

Re-assessing the HRA Minimum Working Balance

Under the Local Government and Housing Act 1989 the Council has a statutory responsibility to set an HRA budget which, at all times, avoids a deficit working balance.

The Council's Statutory Finance Officer (s151 officer), being the Head of Finance has a statutory responsibility to ensure that the Council holds an adequate level of balances, and that there are "clear protocols for their establishment and use". Guidance notes, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), list a number of factors which should be considered in determining a minimum working balance.

Factor	Response
Budget assumptions.	
The treatment of inflation and interest rates	Included in the report. The Council receives regular economic bulletins from its Treasury Management advisors which include advice on investments and take into account rapidly changing economic and market conditions.
Estimates of the level and timing of capital receipts.	Right to Buy sales are slowing down despite the Government's RTB Reinvigoration Policy. Estimate 50 RTB sales in 2018/19 and 40 sales in 2019/20. Significant variances would affect income receivable, although offset by an adjustment to pooling payment.
The treatment of demand led pressures.	Through budget monitoring process.
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments.	A contract with HTS Ltd a wholly owned subsidiary of the Council commenced 1 February 2017. About 83% of the business has an impact on the HRA. In 2018/19 the Building Maintenance Index (BMI) uplift was 3.7% (original estimate 3%). The uplift in 2019/20 based on the projected BMI at March 2019, is 5%. Any change in estimated uplift will have a positive or adverse effect on balances.
The availability of other funds to deal with major contingencies and the adequacy of provisions.	There are three major risks. Firstly, the outcomes from the Grenfell Tower Public Inquiry may recommend urgent and potentially expensive capital work to tower blocks. An allowance has been made in the Housing Capital Programme but this might be insufficient. The minimum working balance is maintained at a higher level to soften any immediate impact. Secondly, demand for temporary accommodation could further increase following the implementation of the 'Homelessness Reduction Act 2017'. Thirdly, assumptions for price increases have been made which may prove understated if inflation remains stubbornly high against the backdrop of statutory fixed rent reductions. It should be noted that the

Factor	Response
	Government has confirmed that its policy on high value voids will not be implemented.
<i>Financial standing and management</i>	
The overall financial standing of the authority (level of borrowing, debt outstanding, council rate tax collection rates etc).	High rent collection percentage. Welfare Reform is likely to have a negative, unquantified impact on rent collection rates and costs. The Council is proposing to borrow £14.7m between 2019/20 and 2022/23 to support a planned programme of building council homes.
The authority's track record in budget and financial management including the robustness of the medium term plans.	The HRA Business Plan includes assumptions for rents in line with draft Government rent policy. The financial security of the Council is undermined by the change in Government rent policy whereby rents are reduced by 1% a year for 4 years from April 2016. This resulted in a detailed review of service provision to ensure that there is long term sustainable funding for services. Additionally HRA Business Planning has taken on increased focus to ensure the sustainability of the HRA over 30 years.
The authority's capacity to manage in-year budget pressures.	A process of monthly budget monitoring is in place with meetings of Cost Centre Managers and the Head of Service held. Corrective action is taken where the minimum balance is likely to be breached. Reports are provided to Senior Management Board and Cabinet.
The strength of the financial information and reporting arrangements.	
The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level.	Closure of accounts – free of qualification from auditor.
The adequacy of the authority's insurance arrangements to cover unforeseen risks.	The Council will continue to replenish the Insurance Fund as approved when setting the 2019/20 budget.

Conclusion: The minimum working balance should be £4.0 million at 31 March 2019 to include £1.5 million for any additional fire stopping work identified following reports from the Grenfell Tower Public Inquiry.