

**REPORT TO:** CABINET

**DATE:** 23 JANUARY 2020

**TITLE:** HOUSING REVENUE ACCOUNT BUDGET 2020/21

**PORTFOLIO HOLDERS:** COUNCILLOR MIKE DANVERS, PORTFOLIO  
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**This is a Key Decision**

**It is on the Forward Plan as Decision Number I010153**

**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 rents for individual dwellings as set out in paragraph 28 of this report are approved with effect from 6 April 2020. This equates to an average weekly rent of £92.28 an increase of 2.7 per cent.
- B** Service charges for individual dwellings, as set out in paragraphs 21 to 27 of this report are approved with effect from 6 April 2020 for tenants and from 1 April 2020 for leaseholders. This equates to an average weekly service charge to tenants of £2.79.
- C** Heating charges as set out in paragraphs 29 to 34 of this report are approved with effect from 6 April 2020 for tenants and from 1 April 2020 for leaseholders. Average weekly general needs charges are £9.23 per week (leaseholders

£18.19 per week, equivalent) and, for sheltered accommodation, £6.84 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 £10.67 per week (for a standard garage) and proportionate increases for other garages, car ports and car spaces from 1 April 2020, as set out in paragraphs 35 and 36 of this report.
- E** Housing related support charges are as set out in paragraphs 17 to 19 and Table 1 are approved for service users with effect from 6 April 2020.
- F** Other Leasehold charges set out in paragraphs 25 and 37 of this report are approved with effect from 6 April 2020.
- G** Other Tenant charges are set out in paragraphs 38 and 39 and are approved with effect from 1 April 2020.
- H** The growth items outlined in paragraph 42 in respect of 2020/21 are approved.
- I** The Housing Revenue Account (HRA) budget (attached as set out in Appendix A to the report) is approved.
- J** The minimum HRA working balance shall be £4 million as at 31 March 2021.

## **REASON FOR DECISION**

- A** This report sets out the HRA budget for 2020/21 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 2019-2049, 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;
  - b) Increased fire safety and associated Regulation following the tragic fire at Grenfell Tower in London in June 2017;

- c) An increase in the number of properties being identified with structural issues and the associated budgetary pressures upon the Housing Capital Programme;
  - d) Implementation of the Homelessness Reduction Act 2017 which imposed new statutory processes/duties;
  - e) Implementation of Universal Credit (UC) and benefit rules and its implications on tenants; and
  - f) 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 2019-2049 are:
- a) To increase dwelling rents annually by CPI+1 per cent commencing 2020/21. Uplifts are based on the Consumer Price Index (CPI) as at September annually. From April 2020 rents will increase by 2.7 per cent and an estimated three per cent annually thereafter.
  - 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 2020 at £4 million, being £2.5 million for extraordinary events and £1.5 million for fire safety work the final report of the Grenfell Tower Public Inquiry to be addressed once it has been published.
  - d) Retain the housing asset management plans as outlined below:
    - i) Maintain compliance of the Council's housing stock to the housing regulatory requirements. Continuing with the replacement regime (based on stock condition survey) for internal and external property components such as kitchens, bathrooms, central heating systems, roofs and external structure of homes;
    - ii) Prioritise resources to safeguard the well-being and safety of the Council's tenants in their homes in regard to increased statutory and legislative landlord requirements for fire safety, electrical (communal) safety, asbestos management and lift maintenance;
    - iii) Prioritise energy efficiency initiatives that alleviate fuel poverty;

- iv) Prioritise resources for disabled adaptations to meet statutory requirements and keep under review annually;
  - v) Reduce resources to garage-related works and re-prioritise the approved Garage and Hardstand Strategy;
  - vi) Realise further efficiencies from responsive repairs programmes and scope of works; and
  - vii) Develop a three year housing programme to outline the aspirations for the delivery of new housing. In accordance with local plan priorities, regeneration priorities, and affordability/viability.
- e) Assume annual increases of at least five per cent per year for garages and increases/decreases in service charges related to changes in expenditure, subject now though to a proposal to incentivise take-up in some areas of the town.

## **ISSUES/PROPOSALS**

5. The Council has developed a plan to build new council homes as well as having a long term asset management plan to keep the current stock in good order.
6. From 2020/21 rents are allowed to increase by CPI plus one per cent. CPI in September 2019 was 1.7 per cent therefore from April 2020 housing rents will increase by 2.7 per cent.
7. A review of the Council's tower block Fire Risk Assessments (FRAs) confirmed that all are inherently safe from fire. Officers continue to review FRAs, advice published by Ministry of Housing, Communities and Local Government (MHCLG) and procedures in response to feedback/outcomes from the Grenfell Tower Public Inquiry. The outcome of the Inquiry may in due course identify additional work and require the business plan to be reviewed.
8. Fire Safety works include related Health and Safety work to tower blocks. This enables the Council to tackle more complex works to ensure the Council's assets remain safe and align to Building Regulation, and Statutory/Regulatory requirements both in the short and long term.
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 2019/20, of £1,151,000 at September 2019, demonstrates the increasing pressure for temporary accommodation. A further 30 per cent

increase is anticipated in 2020/21 (Cabinet 23 January 2020) resulting in a forecast outturn of £1,508,000.

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 after allowing for the 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 continues to impact the cost of communal heating to tenants and leaseholders both in 2019/20 and 2020/21. Estimates have been set based on the latest information available at the time.
12. The estimated operating balance as at 31 March 2021 is £4.191 million, £0.191 million below the new minimum working balance. However this is forecast to return to be over the £4 million minimum level in 2021/22 and is only reducing below the minimum as a result of the need to front fund pensions contributions.
13. The Cabinet is invited to note the projected outturn for 2019/20 and approve the HRA Estimates for 2020/21 as set out in Appendix A. The report should be read in conjunction with the HRA Business Plan 2019-2049 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. The legal minimum balance at any time during the financial year must exceed zero. This report proposes a HRA budget for 2020/21 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 totalling £62,158 from 1 April 2020 and an assumed vacancy rate in 2020/21 of two per cent which is an equivalent saving of £83,000 for the year. Estimated total employee costs for 2020/21 are £4.1 million.
16. The budget also includes the proposed increases for dwelling rent levels, and service charges as set out and recommended within this report.

### **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. Housing Related Support (HRS) forms 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

in addition to its role as landlord delivers HRS services to older vulnerable people.

19. Following the reports to Cabinet and Scrutiny Committee in 2017, Officers have continued to work 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 in order to protect service users whilst increasing service income.

**Table 1 – Proposed Housing Related Support Charges 2020/21**

<b>Service</b>	<b>Weekly Charge From April 2020</b>
Dispersed Community Alarms	£4.45
Harlow Community Support	£7.41
Sheltered Housing Support	£8.28
Alarm System – Monitoring Only	£1.94
Intensive Housing Management	£2.03

20. Work is underway to extend the number of extra frail facilities by an additional four units at Sumners Farm Close. This will be achieved by converting the current vacant farm house 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**

21. Service charges are made in addition to rents. In total nine separate service charges are applied and 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.
22. 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 2018/19 charges will be collected/refunded in 2020/21.

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

23. There is adjustment of three pence over all service charges in respect of 2018/19 for tenants.

24. 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 – 2020/21**

	<b>Highest weekly charge</b>	<b>Lowest weekly charge</b>	<b>Average weekly charge</b>	<b>Average weekly charge (for all tenants)</b>
	<b>(£)</b>	<b>(£)</b>	<b>(£)</b>	<b>(£)</b>
Amenity Cleaning – gully cleaning	1.29	0.01	0.09	0.06
Amenity Cleaning –bins	1.37	0.06	0.30	0.03
Caretaking	15.46	0.90	7.11	0.75
Cleaning	16.85	0.18	5.40	0.77
Door Entry Management	1.50	1.50	1.50	0.12
Grounds Maintenance	2.88	0.01	0.42	0.32
Landlord’s Lighting	5.35	0.48	1.18	0.68
Window Cleaning General Needs	0.19	0.04	0.10	0.01
Window Cleaning Sheltered	0.60	0.11	0.23	0.01
Cleaning - Sumners Farm Close	7.59	7.59	7.59	0.04
Sub Total				2.79
<b>Adjustment in respect of tenants 2018/19</b>				<b>(-)0.03</b>
<b>Total</b>				<b>2.76</b>

25. In addition to the above, the following service charges apply to leaseholders only from 1 April 2020:

- a) Lift maintenance (plus associated charges for powering the lift). The annual charge will be in the range £111.99 to £488.24 per leaseholder;
- b) The management cost is a flat rate estimate of £208.62 per leaseholder;
- c) The charge for the registration of a sublet will increase to £88.55 (£87.05 in 2019/20). 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) Insurance is charged on an individual property basis to leaseholders; and

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

26. 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 6 April 2020 for tenants and from 1 April 2020 for leaseholders.

27. 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 1.7 per cent (September 2019) to £5,585 (2019/20 – £5,490).

### **Rent Setting**

28. 2020/21 will be the first year that rents will rise since the Welfare Reform Act 2016 imposed a statutory four year period of rent reductions. The permitted increase will be CPI plus one per cent which equates to a 2.7 per cent increase in rent from 6 April 2020. The average rent will be £92.28 per week.

### **Heating Charges**

29. 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. The latter are admissible for housing benefit unlike the cost of providing gas and electricity.

30. 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.



31. 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.
32. 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.
33. In April 2019 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 remaining District Heating schemes will continue to be apportioned based on the number of bedrooms in each property until the schemes are 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, with all remaining District Heating schemes being charged individually from April 2022.
34. 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 £9.23 per week (2019/20 – £9.24), for leaseholders for fuel and non-fuel, £18.19 per week (2019/20 – £16.09) and for sheltered accommodation £6.84 per week (2019/20 – £6.83). All service charges are prior to any adjustment for the difference between the estimated and actual charges in 2018/19.

### **Garage Rents**

35. 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 51 pence per week to £10.67. The Garage and Hardstanding Strategy will be reviewed in 2020
36. It is proposed that changes in garage rents are effective from 6 April 2020.

### **Other Charges**

37. 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 £143.60 to £146.30 (inclusive of VAT at 20 per cent)

- b) Solicitor's enquiries without copy of an insurance schedule will rise from £104.75 to £106.85 (inclusive of VAT at 20 per cent)
- c) Solicitor's enquiries for additional information will rise from £38.10 to £38.86 (inclusive of VAT at 20 per cent)
- d) Insurance Policy Key Facts will rise from £11.00 to £11.25 and the charge for Non Compliance Letters from £47.30 to £48.25
- e) Equity Release will rise from £30.80 to £31.40 (inclusive of VAT at 20 per cent)
- f) Re-mortgage work will rise from £20.50 to £20.95 (inclusive of VAT at 20 per cent)
- g) Interest free loans and voluntary charges available to leaseholders in respect of major works are subject to an administration fee of £300.00 (2019/20 – £322.20). This is a reduction due to lower registration fees.
- h) The administration fee for a Lease Extension will increase from £165.60 to £168.91 (inclusive of VAT)
- i) The administration fee for Mandatory and Discretionary Loans will increase from £138.50 to £140.85 per loan agreed.

38. It is proposed that the charges for the other miscellaneous items in respect of Sheltered Services are as follows:

- a) Meal charges at Sumners Farm Close will move from £6 to £6.10 with effect from 1 April 2020.
- b) The contract for laundry charges within sheltered housing schemes was re-tendered in 2016/17. The charges will remain the same until 31 March 2022 at £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.

39. 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 increase to £36.05 (2019/20 £35) per week per single room, £51.50 per week for a double room (2019/20 £50). In addition there is a service charge, personal charge and recharge of council tax totalling £20.30 (2019/20 £19.36) per week per 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, unchanged from 2019/20;
- c) Charge for Bed and Breakfast accommodation – £129.23 per week based on the Local Housing Allowance (LHA) rate; and
- d) Charge for Non HRA Temporary Accommodation flats: one bedroom – £129.23 (2019/20 £115.37) and three bedroom – £185.89 (2019/20) £176.53.

## **Building New Homes**

- 40. It is an ambition and a key priority for the Council to build new homes including council dwellings. During 2019/20 planning permission was granted for the provision of four new one bed units at Sumners Farm Close with completion anticipated in 2020/21. In addition a one bed unit, a two bed unit and four additional bedrooms, for both general needs and temporary accommodation were completed in 2019/20.
- 41. Plans are also in hand for new build council homes. More details are available in the Capital & Treasury Report 2020 which is attached as Appendix B to the report.

## **Growth**

- 42. Two growth bids are included in the HRA estimates:
  - a) Quantity Surveyor: Following the realignment of technical services, Housing Property Services and the demobilisation of Savills the Council is currently procuring the services of a Quantity Surveyor through the Essex Framework as the Council does not have in house support to call upon. As part of the Asset Management Strategic framework the Council requires a Quantity Surveyor to overview the financial reconciliation and elemental monitoring of the Housing Capital Programme to ensure value for money against each capital work stream.
  - b) Digital Portal: A growth item is required to fund the annual subscription for Housing's Digital Portal. The Digital Portal allows customers to interact with both the Housing Service and HTS (Property and Environment) Ltd to complete key transactions online at any time of the day or night. The Portal aligns with the key objectives contained in the Council's corporate Customer Access Strategy to encourage customers to channel shift and will bring a number of efficiencies and benefits to the Housing Service.

**Table 3 – 2020/21 HRA Growth**

<b>2019/20 HRA GROWTH</b>		<b>£s</b>
Quantity Surveyor		<b>67,000</b>
Housing Digital Portal (annual cost for 5 years)		<b>31,000</b>
<b>TOTAL</b>		<b>98,000</b>

**Working Balance**

43. 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 of which £1.5 million is held specifically to deal with immediate actions which may be required following the publication of the final recommendations of the Grenfell Tower Public Inquiry.
44. 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 2019-2049.
45. As a result of an option to pay the Council's pensions deficit in advance following the triennial revaluation exercise there will be a minor variation in the level of the working balance which will reduce it below the £4 million threshold temporarily in 2020/21. However, the HRA Business Plan report demonstrates that the working balance is projected to be restored to the full recommended level of £4 million in 2021/22. The Head of Finance has reviewed this position and given the benefits the pensions option delivers to the Council over the three year period has agreed this temporary position for 2020/21.
46. 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**

<b>HRA OPERATING ACCOUNT WORKING BALANCE</b>		<b>£'000s</b>
Working Balance at 1 April 2019		13,731
Budgeted deficit 2019/20		(-)7,303
Working Balance at 31 March 2020		6,428
Budgeted deficit, 2020/21		(-)2,237
<b>Working Balance at 31 March 2021</b>		<b>4,191</b>

## Major Repairs Reserve

47. The Major Repairs Reserve (MRR) is the statutory account which holds the annual depreciation charge on HRA properties. The charge for depreciation in 2019/20 is estimated at £10.092 million (Original 2019/20 £10.085 million) and is made by debiting the HRA and crediting the MRR.
48. 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 2019-2049 proposes the renewal rather than the repayment of debt.
49. 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 2020, as the estimated sum of £10.092 million will be fully used to support the Housing Capital Programme in 2019/20.
50. Likewise in 2020/21 the estimated sum of £10.229 million will be used to support the Housing Capital Programme. The balance on the MRR as at 31 March 2021 will again be nil.

**Table 5 – Major Repairs Reserve**

<b>MAJOR REPAIRS RESERVE</b>	<b>£,000's</b>
Balance at 1 April 2019	0
Depreciation charge	10,092
Capital Financing	<u>(-)10,092</u>
Balance at 31 March 2020	0
Depreciation charge	10,229
Capital Financing	<u>(-)10,229</u>
<b>Estimated Balance at 31 March 2021</b>	<b>0</b>

## Risks

51. Budgets are prepared using the best assumptions available at the time. The HRA accounts for significant income and expenditure transactions totalling £50.62 million and £52.85 million respectively. This report covers in detail the first two years of the HRA Business Plan 2019-2049, within which there is a commentary on risks facing the HRA and a section on Sensitivity Analysis.

## Housing Capital Programme

52. A separate report on the proposed Housing Capital Programme 2019/20 to 2020/21 and a Capital Compendium containing the Medium Term Financial Strategy (MTFS) appear elsewhere on the Cabinet's agenda.

53. It should be noted that £2.198 million has been planned as a revenue contribution to capital in 2020/21 in addition to the statutory transfer made to the MRR.

### **Human Resources Issues**

54. The proposed 2020/21 budget has no identified human resource implications.

### **Welfare Reform**

55. 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 2019, 1,717 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**

56. 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 14 January 2020.
57. Tenants and leaseholders have been consulted through the Property Standards Panel and Tenancy Standards Panel on 6 January 2020, the Leasehold Standards Panel on 16 January 2020 and at Tenants Forum which met on 8 January 2020.

### **Conclusion**

58. The proposed budget shows an estimated net deficit for the year of £2.237 million and a projected working balance at 31 March 2021 of £4.191 million.

## **IMPLICATIONS**

### **Environment & Planning (Includes Sustainability)**

As contained within the report.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (Includes ICT)**

As contained within the report.

**Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive**

## **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**

None.

## **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

	2018/19 Actual £	2019/20 Original £	2019/20 Forecast £	2020/21 Original £
<b>EXPENDITURE</b>				
General Management	11,418,687	11,543,970	11,287,179	13,958,313
Special Management	7,227,420	7,695,181	7,689,500	8,333,900
Repairs & Insurance Appropriations	10,303,821	10,872,720	10,814,681	11,022,615
Rents Rates Taxes & Other Charges	49,849	52,000	80,000	80,000
Provision for Bad & Doubtful Debts	204,873	280,000	280,000	240,000
Supporting People Transitional Arrangements	4,981	5,000	5,000	5,000
Major Repairs Reserve (Net Depreciation)	10,362,047	10,085,000	10,092,000	10,229,000
Debt Management Expenses	8,534	16,520	16,520	16,520
Interest Charges	6,695,520	6,624,000	6,658,000	6,770,000
Revenue Contribution to Capital Expenditure	3,950,317	9,191,000	10,586,000	2,198,000
	<b>50,226,048</b>	<b>56,365,391</b>	<b>57,508,880</b>	<b>52,853,348</b>
<b>INCOME</b>				
Dwelling Rents	(-)42,907,526	(-)43,004,000	(-)42,886,000	(-)42,838,000
Garage Rents	(-)964,614	(-)1,018,520	(-)1,019,000	(-)1,049,000
Other Rents	(-)63,313	(-)66,150	(-)65,400	(-)65,400
Charges for Services & Facilities	(-)5,779,310	(-)5,485,588	(-)6,134,369	(-)6,600,668
Interest Receivable	(-)138,828	(-)103,000	(-)101,000	(-)61,000
	<b>(-)49,853,590</b>	<b>(-)49,677,258</b>	<b>(-)50,205,769</b>	<b>(-)50,616,068</b>
<b>Balance in hand at 1 April</b>	<b>14,103,542</b>	<b>10,834,690</b>	<b>13,731,084</b>	<b>6,427,973</b>
<b>Surplus / (Deficit) for year</b>	<b>(-)372,458</b>	<b>(-)6,688,133</b>	<b>(-)7,303,111</b>	<b>(-)2,237,280</b>
<b>Balance in hand at 31 March</b>	<b>13,731,084</b>	<b>4,146,557</b>	<b>6,427,973</b>	<b>4,190,692</b>
<i>Figures based on:</i>				
<b>Housing Stock</b>				
	No.	No.	No.	No.
Housing Stock at 1 April	9,279	9,174	9,180	9,121
Less Right To Buy Disposals	(-)44	(-)40	(-)62	(-)60
Other Disposals	(-)55	0	0	0
Plus Additions	1	7	3	4
Housing Stock at 31 March	9,181	9,141	9,121	9,065
<b>Weekly Charges</b>				
Average Rent (per dwelling)	£90.74	£89.84	£89.84	£92.28
Average Service Charge (per dwelling)	£2.17	£2.45	£2.45	£2.79
Average Rent (per garage)	£9.68	£10.16	£10.16	£10.67



## 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
<b>Budget assumptions.</b>	
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. Revised Estimate 62 RTB sales in 2019/20 and 60 sales in 2020/21. 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 2019/20 the Building Maintenance Index (BMI) uplift was 4.6% (original estimate 5%). The uplift in 2020/21 based on CPI+1% (CPI, October 2019 = 1.5%), is 2.5%. 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 risks. Firstly, the outcomes from the Grenfell Tower Public Inquiry, not expected till 2021/22, 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 increases in 2020/21.

<b>Factor</b>	<b>Response</b>
<b><i>Financial standing and management</i></b>	
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 £18.9m 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. From 2020/21 Government guidance on rents allows rents to increase by CPI + 1%. (CPI is at September 2019). HRA Business Planning ensures 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 2020/21 budget.

**Conclusion:** The minimum working balance should be £4.0 million at 31 March 2021.