REPORT TO:	**CABINET**
DATE:	**26 JANUARY 2017**
TITLE:	**HOUSING REVENUE ACCOUNT BUDGET 2017/18**
PORTFOLIO HOLDERS:	**COUNCILLOR MIKE DANVERS, PORTFOLIO HOLDER FOR RESOURCES**
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This is a Key Decision
It is on the Forward Plan as Decision Number I006003
This decision is not subject to Call-in procedures for the following reasons
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 13 of this report are effective from 3 April 2017. This equates to an average weekly rent of £91.73**,** a statutory reduction of one percent**.**

B Service charges for individual dwellings, as set out in paragraphs 15 to 20 of this report, effective from 3 April 2017 for tenants and 1 April 2017 for leaseholders. This equates to an average weekly service charge to tenants of £1.97.

C Heating charges as set out in paragraphs 29 to 36 of this report, effective from 3 April 2017 for tenants and 1 April 2017 for leaseholders. Average weekly general needs charges are £7.20 per week (leaseholders £14.83 per week, equivalent) and, for sheltered accommodation, £6.63 per week.

D Garage rents are increased by five percent, to £9.22 per week (for a standard garage) and proportionate increases for other garages, car ports and car spaces, from 3 April 2017, as set out in paragraphs 37 and 38 of this report.

E Housing related support charges as set out in paragraphs 21 to 27 and Table 2*.* For service users effective from 1 April 2017.

F Other charges are increased, as set out in paragraphs 28 and 39 of this report, with effect from 1 April 2017.

G The growth and savings outlined in paragraphs 40 and 41 in respect of 2017/18 are approved.

H The Housing Revenue Account (HRA) budget as set out at Appendix A of this report is approved.

I A minimum HRA working balance of £4,327,000 at 31 March 2017, rising to £4,436,000 at 1 April 2017, as set out in paragraph 42 and Appendix C to this report, is agreed.

REASON FOR DECISION

A This report sets out the Housing Revenue Account (HRA) budget for 2017/18 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 Government passed legislation which made the following changes:

    (a) That tenants' rents would decrease by one percent per year over the four years (2016/17-2019/20).

    (b) The sale of the Council's high value void properties to support the payment of discounts to tenants of Housing Associations exercising their Right to Buy. In the November 2016 Autumn Statement, the Government announced a regional pilot scheme to evaluate this policy. CLG has advised that no payment will be required in 2017/18. Further details including how the payment will be calculated are to be advised. It is currently estimated that the direct financial impact on the Council could be in the region of £1.6million - £10million per year depending on the formula used (see Appendix B).

(c) Tenanted households earning over £31,000 would not now be compulsorily charged a higher rent from April 2017, with the additional rental charge being payable to the Treasury in support of funding Housing Association Right to Buys.

(d) The Government’s subsequent change of policy on tax credits will mean changes to Universal Credit and possible implications for the bad debt provision (see paragraph 53).

3. From 1 February 2017, housing property and environmental services will be provided by HTS (Property and Environment) Ltd in place of Kier Harlow Ltd. HTS Ltd is a wholly owned subsidiary of Harlow Council. The new contract may result in changes to expenditure budgets in line with changed priorities.

Principles

4. The principles within the HRA Business Plan remain:

a) Implement legislation to reduce dwelling rents annually by one percent in each of the four years commencing 2016/17.

b) Renew the Public Works Loan Board (PWLB) debt of £209million upon maturity of each loan and the repayment be kept under review.

c) Set a minimum HRA working balance as at 31 March 2017 of £4.327million, increasing the amount by CPI annually.

d) Retain the housing asset management plans as outlined below, and as detailed in Chapter 4 of the ‘HRA Business Plan 2016-2046’:

- Maintain compliance of the Council’s housing stock to the housing regulatory requirements by operating a reduced ‘just in time’ replacement regime for key components such as kitchens, bathrooms, central heating systems, roofs and external structure of homes.

- Target 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.

- Prioritise energy efficiency initiatives that alleviate fuel poverty.

- Defer the development of a longer term programme of Council house building and review annually.

- Prioritise resources for disabled adaptations to meet statutory requirements and keep this under review annually.

- Reduce resources to garage-related works and re-prioritise the approved Garage and Hardstand Strategy.

- Realise further efficiencies from responsive repairs programmes and scope of works.

e) Assume annual increases of at least five percent per year for garages and increases/decreases in service charges related to changes in expenditure.

Implications

5. 2017/18 is the second year in which dwelling rents are statutorily reduced by one percent. This has a direct impact on income to the HRA and on the funding of the Housing Capital Programme.

6. The policy for councils to contribute towards the discount payable on the sale of housing association homes from the sale of high value voids has not been deferred (Appendix B). It is proposed that the Government will make an assessment of the sum due, which will be payable in advance of any potential sale. It is assumed that the Council would need to sell high value dwellings and to administer this would create a time lag between the decision and the receipt from sale. The annual levy could be between £1.6million and £10million depending on the way the scheme is implemented. On 28 January 2016, Cabinet approved the addition of £1.6million to the Minimum HRA Working Balance as a provision in respect of this potential liability. It is likely that the policy will be implemented from 2018/19. (Appendix B).

7. In order to ensure that the operating balance is above the minimum working balance, as at 31 March 2021 many of the savings identified in 2016/17 in respect of 2017/18 have been included in the estimates along with additional efficiencies. A total £823,000 savings have been identified (see Table 4).

8. The estimated operating balance as at 31 March 2022 is £4.935million, £134,000 above the minimum working balance. This does not allow for any resources to be set aside for debt repayment, or to build further Council homes.

9. The Cabinet is invited to note the revised budget and projected outturn for 2016/17 and approve the HRA Estimates for 2017/18 as set out in Appendix A. The report should be read in conjunction with the HRA Business Plan 2016-46 which forms a separate report on the Cabinet's agenda.

Basis of Estimates

10. The Council is obliged by law to set rents and other charges at a level to avoid a deficit on the Housing Revenue Account (i.e. 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 an HRA budget for 2017/18 (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.

11. The Budget has been prepared in line with the Government's budget guidelines which limits public sector pay awards to one percent a year. Estimates for employee costs have therefore been prepared including a one percent pay award totaling £24,850 from 1 April 2017 and an assumed vacancy rate in 2017/18 of two percent, which is an equivalent saving of £63,720 for the year.

12. 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.

Rent Setting

13. Under the Welfare Reform and Work Act 2016 the rents for social housing are reduced by one percent a year for four years from 2016/17. For 2017/18, this reduction of one percent is applied to the 2016/17 rent of each property and equates to an average weekly rent of £91.73.

14. Service Charges are made in addition to rents and are discussed below.

Service Charges

15. 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.

16. 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 (i.e. any difference in 2015/16 charges will be collected/refunded in 2017/18).

b) Charges should be consistent to tenants and leaseholders and be fully recovered wherever possible. Following the new contract with HTS (Property and Environment) Ltd the cost of services and therefore of charges will be reviewed in 2017/18 to determine the level of service charges to be levied in future years.

17. There is adjustment of three pence over all service charges in respect of 2015/16 for tenants.

18. Proposals for service charges based on the above methodology are set out in Table 1 and will apply to both tenants and leaseholders.

TABLE 1:

Service Charges to tenants and leaseholders, 2017/18				
	Highest weekly charge (£)	***Lowest weekly charge (£)***	***Average weekly charge (£)***	***Average weekly charge (for all tenants) (£)***
Amenity Cleaning – gully cleaning	1.20	0.01	0.08	0.06
Amenity Cleaning –bins	1.32	0.06	0.30	0.02
Caretaking	13.87	0.81	6.38	0.49
Cleaning	14.82	0.16	4.76	0.70
Door Entry Management	1.31	1.31	1.31	0.11
Grounds Maintenance	2.25	0.01	0.33	0.27
Landlord's Lighting	3.75	0.33	0.93	0.29
Sub Total				1.94
Adjustment in respect of tenants 2015/16				0.03
Total				**1.97**

19. In addition to the above, the following service charges apply to leaseholders only from 1 April 2017:

a) Lift maintenance (plus associated charges for powering the lift). The annual charge will be in the range £98.70 to £295.60 per leaseholder.

b) The management cost is a flat rate estimate of £180.65 per leaseholder.

c) The charge for the registration of a sublet will increase to £82.53 (£81.71 in 2016/17). The charge applies to individuals who acquire a leasehold property for the purpose of sub-letting under the Right to Buy 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 £86.15 per leaseholder.

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

20. 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 3 April 2017 for tenants and 1 April 2017 for leaseholders.

21. 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 1,200 private clients living across the town.

22. Essex County Council formally acted as the commissioning body for housing related support (HRS) services delivered by the Council on a contractual basis.

23. It is expected that the funding for the Housing Related Support (HRS) care element will be removed completely for service users leaving the Council to either, find a way to fund those care elements (e.g. charging), or the service ceasing altogether. Initial indications show that this amounts to a further £160,000 income reduction from Essex County Council affecting the 16 sheltered housing blocks (e.g. weekly visits and intensive management).

24. This further reduction is in addition to the previous year’s 50 percent reduction for funding in relation to Care-line Services, Sumners Farm Close and community support activities. The HRS charging mechanism will continue recommending charges for Sheltered Housing, Supported Housing, and Extra Care services, whilst having measures to ensure that the Council works with affected individuals to identify how any additional financial burdens can be mitigated.

25. A review of the Supported Housing Service is to be undertaken in 2017 and will make recommendations on how the Council’s objectives for HRS should be pursued within the resources available to the Council from Essex County Council.

26. Table 2 shows the anticipated charges reported to Scrutiny Committee and those proposed due to the loss of funding from ECC. As in 2016/17 the new service charges relate to existing users only. New users from 1 April 2017 will pay the full service charge applicable. It is proposed that the sheltered housing

support charges will be phased over a 3 year period to fully recover costs of service delivery, from £4.10 per week in 2017/18 to £10.14 in 2019/20.

TABLE 2:

Service	Current Charge 2016/17	HRS Charge from April 2017
Dispersed Community Alarms	£1.95	£3.89
Harlow Community Support	£3.56	£7.12
Sheltered Housing Support net of Housing Benefit	£0.84	£2.94
Sheltered Housing Support (benefit not payable)	2.00	4.10
Extra Frail Support, Summers Farm Close	£1.29	£1.68

27. Current HRS charges are met in full from Essex County Council grant funding for service users in receipt of Housing Benefit. In 2017/18 the grant funding for Sheltered Housing Support will be £4.10 per week, with £1.16 being met from Housing Benefits, therefore requiring a charge to tenants of £2.94 per week. The Council will continue to work with individuals affected by the proposed service charges to identify how any additional financial burden can be mitigated.

28. Tenants who exercise their Right to Buy 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 one percent (September 2016) to £5,207 (2016/17 £5,155*).*

Heating Charges

29. Heating charges are made in respect of blocks of flats and clustered properties where communal heating is provided. The charges have been reviewed to take into account previous over and under recoveries in expenditure. Costs are split between fuel and non fuel charges. Non-fuel charges (e.g. boiler maintenance, management costs) are admissible for housing benefit unlike the cost of providing gas, electricity and oil.

30. Under new Government legislation (Heat Network (Metering and Billing) Regulations 2014), the Council must ensure that tenants and leaseholders on communal and district heating schemes are charged for the actual costs of fuel (gas) consumed in their individual homes. This will be achieved by installing individual heat meters in each home, which will ensure they pay fairly for their

own heat consumption, provide control over their energy bills and incentive to reduce energy consumption. Residents must also receive regular invoices which are expected to be raised quarterly. Officers have therefore been piloting a new billing system and heat meters in three schemes, working with residents to understand any anomalies between the current system and the new that have arisen.

Details of the new scheme are included as Appendix D to this report. It is anticipated that the first three schemes will be invoiced under the new system from 1 April 2017. There are no leasehold properties in the schemes commencing in April 2017 but a programme to cover all heating schemes will be rolled out over the next 5 years.

As part of the review of heating systems it was noted that the electricity usage to power such systems is negligible, the major cost being the use of gas. It is therefore proposed from April 2017 to recover the cost of electricity supplied to general and sheltered properties through the electricity charge for landlords lighting.

31. Market forces have resulted in a small increase in electricity costs and a minor fall in the cost of gas in 2016/17 which has been reflected in the prices paid by the Council for gas and electricity supplies. These changes will be passed on to tenants and leaseholders through the proposed estimates for 2017/18.

32. It is recommended that tenants will not be re-charged for the management and maintenance costs at this time until the pilots have concluded, as it is included within the weekly rent charge. Leaseholders will still be expected to pay this charge.

33. Tenants and leaseholders are fully recharged the respective cost of the service. The average charge to tenants for fuel provided will be £7.20 per week (2016/17: £7.80) prior to any adjustment for the difference between the estimated and actual charges in 2015/16; and for leaseholders for fuel and non-fuel, £14.83 per week (2016/17: £15.94).

34. Residents in sheltered accommodation also benefit from communal heating. In 2007 the Housing Committee agreed to safeguard against fuel poverty, so as to limit the amount paid by tenants in sheltered accommodation. The fuel poverty caps are adjusted annually based on CPI in the previous September (CPI was one percent at September 2016: State Pension increases are expected to be two and a half percent from April 2017) so that for 2017/18 charges will not exceed £17.58 for a one bed property and £23.72 for a two or three bed property.

35. The average charge for sheltered accommodation will be £6.63 per week (2016/17: £6.42). In 2017/18 no sheltered properties out of 460 have charges

that will be limited by the fuel poverty caps.

36. Heating charges to tenants in properties that were re-designated from sheltered housing to general needs in 2010/11 will have the same fuel poverty caps applied as sheltered tenants.

Garage Rents

37. It is proposed to increase all garage related charges by five percent. The rent of a standard garage would rise by 44 pence per week to £9.22.

38. It is proposed that changes in garage rents are effective from 3 April 2017.

Other Charges

39. It is proposed that the charges for other miscellaneous items be as follows:

    a) Solicitor’s enquiries with copy of an insurance schedule will rise from £136.45 to £137.81 (inclusive of VAT at 20 percent).

    b) Solicitor’s enquiries without copy of an insurance schedule will rise from £99.68 to £100.68 (inclusive of VAT at 20 percent).

    c) Solicitor’s enquiries for additional information will rise from £36.26 to £36.62 (inclusive of VAT at 20 percent).

    d) Interest free loans and voluntary charges available to leaseholders in respect of major works are subject to an administration fee of £309.70 (2016/17 £306.64).

    e) The administration fee for a Lease Extension will increase from £157.56 to £159.14 (inclusive of VAT).

    f) The administration fee for Mandatory Loans will increase from £130.00 to £131.30 per loan agreed.

    g) Meal charges at Sumners Farm Close will move from £5.65 to £5.70, with effect from 1 April 2017.

    h) The contract for laundry charges within sheltered housing schemes was re-tendered in 2016/17. The new charges will remain the same for three years with a review in 2019/20. 2017/18 charges: £2 per wash and 20 pence per each 10 min dry.

    i) The rent charged for temporary accommodation will remain at £35 per week per single room and £50 per week for a double room.

j) A new charge for the use of sheltered housing communal rooms by external organisations of £10 per half day and £20 per full day, as per "Review of Sheltered Housing Phase 2", Scrutiny Committee 29 November 2016.

Growth Bids

40. A growth bid for a new role within housing services for a Tenancy Fraud Officer to support the implementation of the new Corporate Fraud Strategy, focusing initially on tenancy enforcement, Right to Buy applications and housing applications

The proposed Corporate Plan will prioritise the development of a new programme of Council house building, with commencement in early 2017 of a feasibility study looking at different models of delivery and their financing, making use of the new HTS Group Ltd opportunities and funding opportunities.

The Homes and Communities Agency (HCA) which oversees housing regulation for all providers is proposing to separate into two separate bodies, one regulatory body and the other investment orientated. The increased funding for the regulatory organisation is required to be levied from registered housing providers, including councils on the basis of the amount of stock held.

TABLE 3:

2017/18 HRA GROWTH	**£'000s**
Fraud Officer – Area Housing	37
Feasibility Study re. building of Council Dwellings	50
HCA regulatory fee	50
TOTAL	**137**

Savings

41. Efficiencies detailed below as part of the savings required to ensure the HRA maintains a balance above the minimum required.

TABLE 4:

2017/18 HRA SAVINGS	**£'000S**
2 vacant staff posts Area Management	(-)67
1 vacant staff post Business Support Team	(-)37
Drainage and lighting	(-)16
Void security	(-)10
Priority Estate homeloss and compensation payments	(-)551
Programme and project management fees	(-)129
Equipment and maintenance	(-)5

Training	(-)3
Outside contractors	(-)5
TOTAL	**823**

Working Balance

42. The Local Government Act 2003, section 25 (1) (b), requires that the Chief Financial Officer 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 increased from £4,327,000 at 31 March 2017 to £4,436,000 at 31 March 2018. The higher balance since 2016/17 reflects the potential payment to Government for the sale of high value voids

43. The HRA minimum working balance is set by the Chief Financial Officer to ensure that the account will not fall into a deficit and to mitigate for various risks as set out in Appendix C. The forecast working balance will continue to rise in order to mitigate the potential risks identified (see HRA Business Plan 2016-46).

44. Based upon the budget figures set out at Appendix A, the movement of the Operating Account Working Balance is as follows:-

TABLE 5:

HRA OPERATING ACCOUNT WORKING BALANCE	£'000s
Working Balance at 1 April 2016	12,298
Budgeted deficit 2016/17	(-)2,056
Working Balance at 31 March 2017	10,242
Budgeted deficit, 2017/18	(-)2,109
Working Balance at 31 March 2018	**8,133**

Major Repairs Reserve

45. The Major Repairs Reserve (MRR) is the statutory account which holds the annual depreciation charge on HRA properties. The charge for depreciation in 2016/17 is estimated at £10.859 million (Original 2016/17: £10.777 million) and is made by debiting the HRA and crediting the MRR.

46. 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 2016-

2046 proposes the renewal rather than the repayment of debt.

47. 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 2017, as the estimated depreciation of £10.859 million to be transferred to the MRR at year end will be used to support the Housing Capital Programme in 2016/17.

48. The estimate for 2017/18 also has a nil balance at the 31 March 2018 as the full depreciation of £10.928 million charged to the HRA and credited to the MRR will be used to support the Housing Capital Programme.

TABLE 6:

MAJOR REPAIRS RESERVE	**£,000's**
Balance at 1 April 2016	0
Depreciation charge	10,859
Capital Financing	(-)10,859
Balance at 31 March 2017	0
Depreciation charge	10,928
Capital Financing	(-)10,928
Estimated Balance at 31 March 2018	**0**

Risks

49. Budgets are prepared using the best assumptions available at the time. The size of the Housing Revenue Account is large with income and expenditure totalling £52.22million and £50.11million respectively. The following risks have been identified:-

(i) Inflationary Risk – a +/-1% change on CPI in 2017/18 for items which are not fixed price charges, would be +/-£82,000 (see HRA Business Plan 2016-2046, sensitivity A).

(ii) The proportion of void empty properties to the whole stock is estimated as 0.70%. Therefore a 0.1 percent change in the level of voids is +/- £44,210.

(iii) A 0.5% change in employee pay levels is +/- £15,495.

(iv) The unknown cost in respect of high value voids and impact on the working balance is delayed until 2018/19.

(v) Impact of Welfare Reform on the bad debt provision.

(vi) Componentisation of housing assets from April 2017 – see ‘HRA Business Plan 2016-2046’ for further information.

(vii) Guidance on rent levels after 2019/20 has not been announced but it is assumed it will return to CPI+ one percent per year.

(viii) Managing the transition from the current Joint Venture Company (Kier Harlow Ltd) for the provision of housing repairs and environment maintenance services to the new HTS (Property and Environment) Ltd.

(ix) Uncertainty concerning the future commissioning and funding of Housing Related Support as it effects the provision of Sheltered Housing.

(x) Implementation of the Government’s proposed policy in respect of fixed term tenancies.

(xi) Other risks identified in Appendix C to this report.

Housing Capital Programme

50. A separate report on the proposed Housing Capital Programme 2016/17 to 2021/22 appears elsewhere on the agenda.

51. It should be noted that a further £6.136 million has been planned as a revenue contribution to capital in 2017/18. This is because the balance on the Major Repairs Reserve will be exhausted (see Table 6).

Human Resources Issues

52. The proposed 2017/18 budget has no identified human resource implications.

Welfare Reform

53. The Government’s Welfare Reform legislation, including the introduction of Universal Credit in Harlow from February 2016 has brought together the majority of welfare benefits including Housing Benefit under one claim process. This has impacted on over 50 Harlow Council tenants so far. In addition, the Department of Work and Pensions have announced that from 7 November 2016, the Benefit Cap will be decreased further from £500 to £385 per week for families and couples and from £350 to £258 per week for single claimants which will impact on over 100 Council tenants.

Consultation

54. 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 24 January 2017.

55. Tenants and Leaseholders have been consulted through the Property Standards Panel and Tenancy Standards Panel on 4 January 2017, the Leasehold Standards Panel on 19 January 2017 and at Tenants Forum which met on 10 January 2017.

Conclusion

56. The proposed budget shows an estimated net deficit for the year of £2.109 million and a projected working balance at 31 March 2018 of £8.133 million**.**

IMPLICATIONS

Place Services (includes Regeneration)
Contained within the report.
Author: **Graeme Bloomer, Head of Place Services**

Finance (Includes ICT)
The financial implications are contained in the report.
Author: **Simon Freeman, Head of Finance**

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: **Brian Keane, Head of Governance**

Appendices

Appendix A – HRA Estimates
Appendix B – Impact of High Value Voids
Appendix C – Re-assessing the HRA minimum working balance
Appendix D – Heating Charges Metering and Billing

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

CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Department for Communities and Local Government
CPI	Consumer Price Index
ECC	Essex County Council
GF	General Fund
HCA	Homes and Communities Agency
HRA	Housing Revenue Account
HRS	Housing Related Support
HTS	HTS (Property and Environment) Ltd
JVCo	Joint Venture Company (i.e. Kier Harlow Ltd)
MRR	Major Repairs Reserve

APPENDIX A

Housing Revenue Account Summary

	2015/16 Actual £	2016/17 Original £	2016/17 Revised £	2017/18 Original £
EXPENDITURE				
General Management	10,729,287	11,710,084	11,615,485	11,379,124
Special Management	5,276,568	5,573,057	5,647,071	6,709,837
Repairs & Insurance Appropriations	9,003,825	9,477,990	9,302,252	9,936,724
Rents Rates Taxes & Other Charges	22,043	30,000	40,000	46,000
Provision for Bad & Doubtful Debts	123,222	200,000	200,000	300,000
Supporting People Transitional Arrangements	5,996	6,100	5,500	5,100
Major Repairs Reserve (Net Depreciation)	11,105,061	10,777,000	10,859,000	10,928,000
Debt Management Expenses	6,832	16,520	16,520	16,520
Interest Charges	6,739,672	6,677,000	6,737,525	6,765,000
Revenue Contribution to Capital Expenditure	6,426,115	7,559,000	8,010,000	6,136,000
	49,438,620	**52,026,751**	**52,433,353**	**52,222,305**
INCOME				
Dwelling Rents	46,226,033	45,183,000	44,974,000	44,210,000
Garage Rents	991,950	1,005,000	1,050,900	1,103,000
Other Rents	19,784	22,000	22,000	22,000
Charges for Services & Facilities	3,555,663	3,791,197	4,258,017	4,731,570
Interest Receivable	73,774	57,000	72,130	47,000
	50,867,205	**50,058,197**	**50,377,047**	**50,113,570**
Balance in hand at 1 April	**10,869,802**	**7,225,847**	**12,298,386**	**10,242,079**
Surplus / (Deficit) for year	**1,428,585**	**(-)1,968,554**	**(-)2,056,307**	**(-)2,108,735**
Balance in hand at 31 March	**12,298,386**	**5,257,293**	**10,242,078**	**8,133,344**
Figures based on:				
Housing Stock	*No.*	*No.*	*No.*	*No.*
Housing Stock at 1 April	*9,637*	*9,509*	*9,583*	*9406*
Less Right To Buy Disposals	*(-)73*	*(-)60*	*(-)99*	*(-)60*
Other Disposals	*0*	*(-)69*	*(-)78*	*(-)75*
Plus Additions	*19*	*0*	*0*	*0*
Housing Stock at 31 March	*9,583*	*9,380*	*9,406*	*9,271*
Weekly Charges				
Average Rent (per dwelling)	*£93.54*	*£92.66*	*£92.66*	*£91.73*
Average Service Charge (per dwelling)	*£1.92*	£2.05	£2.05	*£1.95*
Average Rent (per garage)	£8.36	£8.78	£8.78	*£9.22*

APPENDIX B

Government Announcement on the Sale of “High Value” Council Homes

The Government is introducing the extension of Right to Buy (RTB) to housing association tenants.

As a means of providing financial compensation to housing associations for the loss of properties under this proposal, and to support a one for one replacement programme, the Government has indicated that high value void Council properties should be sold and amounts raised by local authorities. It gave illustrative high values of properties by region. Locally it was estimated that 64 council properties in Harlow may fall into this category. The Housing and Planning Act 2016, requires councils to pay the Treasury equivalent to the market value of high value housing likely to come vacant in the financial year and consider selling high value homes.

At this stage the market value of “high value housing” has not been determined and it should be noted that Councils will be under no obligation to sell homes but would otherwise need to find the resources to make the necessary mandatory payments. The policy when finalised is now expected to take effect from 2018/19.

Councils will be assessed on a notional amount ahead of the new financial year, which will be subject to consultation and a determination much like the pre self-financing subsidy system. The notional amount will be based on the market value of high value properties becoming void in the previous year. It is anticipated, but not clear, that Councils will receive an adjustment for loss of future rental income in a similar way as it currently does for RTB reinvigoration receipts.

The notional amount is intended to pay for deposits given by housing associations to their tenants exercising a Right To Buy. It is unclear how the Exchequer will, if at all, correlate the receipts from Councils with the actual demand for Right To Buy.

At the time of publication of this Plan, the Department for Communities and Local Government (CLG) has “gathered detailed local data to inform development of the Sale of High Value Assets policy”. CLG in November 2016 requested an update on the information gathered to be submitted by 20 December 2016 and advised that no payment would be required in 2017/18.

In the Autumn Statement the Government announced a substantial regional pilot scheme to assess RTB sales in Housing Associations which will advise CLG’s deliberations over the development of policy. The impact of the policy is still unknown. Professional housing bodies have suggested a wide range of notional sums payable, in one instance as high as £10m per year for Harlow. To include such an amount in a set of estimates for 2017/18 would be speculative.

It is reasonable to assume that Harlow would need to sell high value dwellings and to administer this will create a time lag between decision and receipt from sale. Based on 64 properties there may be a temporary cash flow effect of approximately £1.6m. This amount has been included as an addition to the Minimum HRA Working Balance and it is likely to be integral to the 2018/19 budget setting process.

APPENDIX C

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 Chief Financial Officer (s151 officer) 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 continue at a steady rate as a result of the Government's RTB Reinvigoration Policy. Revised Estimate 99 RTB sales in 2016/17 and 60 sales in 2017/18. 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.	The Kier Harlow Joint Venture Partnership ends 31 January 2017 and will be replaced by HTS Ltd a wholly owned subsidiary of the Council. Some variation in contract pricing has been taken account of in the expenditure charged to the HRA which is based largely on a fixed contract fee. Repairs subject to schedule of rates but monitored. A joint risk management methodology will be in operation between HTS Ltd and the Council. About 83% of the business has an impact on the housing service. The uplift in 2016/17 is based on the projected Building Maintenance Index at March 2016, of (-)0.2%.The new contract commences 1 February 2017 and includes an uplift of 2.9% and reallocation of resources. Any change in estimated uplift will have a positive or adverse effect on balances.

Factor	Response
The availability of other funds to deal with major contingencies and the adequacy of provisions.	Government policy is not fully developed in the area of high value void sales (see Appendix B), with the date of implementation to be advised. No payment will be required in 2017/18. It is reasonable to assume at this stage that £1.6m *might* be the cashflow impact of a high value sales policy. Provisions are made for bad and doubtful debts. There is a risk that arrears may increase following full implementation of Welfare Reform. This impact and the payment behaviour of tenants is one of the greatest unknowns again in this year's budget setting process. A regular review is undertaken to ensure that provisions are adequate. There are also in perpetuity funds (e.g. grounds maintenance) but these are mostly weak, however, the grounds maintenance reserve has benefitted in recent years from the increase in right to buy sales.
Financial standing and management	
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 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 Corporate Management Team and Cabinet.
The strength of the financial information and reporting arrangements.	
The authority's virement and end of year procedures in relation to	Closure of accounts – free of qualification from auditor. New regulations are challenging for the Council. Proposals on accounting for depreciation will

Factor	Response
budget under/overspends at authority and departmental level.	have to be finalised by 2017/18. The guidance required that non-dwellings are treated differently in the accounts from 2012/13.
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 2017/18 budget.

Conclusion: The minimum working balance should be maintained at or above £4,327,000 at 31 March 2017 and £4,436,000 at 31 March 2018 the higher balances being held to mitigate the possible impact of high value voids on the HRA.

APPENDIX D

HEATING CHARGES METERING AND BILLING

BACKGROUND

The Heat Network (Metering and Billing) Regulations 2014 impose a requirement for all providers of communal or district heating schemes to provide the fair and transparent charging of tenants and leaseholders for heat used, based on actual consumption.

As part of its programme to upgrade its communal and district heating systems the Council have been installing individual Heat Meters to tenant and leaseholder properties, and have been collecting the data on actual consumption of energy, on three schemes for over 12 months in preparation for a new approach to charging.

From April 2017 this is to be implemented for the following “pilot” schemes:
- Tilegate House
- St Michaels Close
- Netteswellbury Farm

CURRENT ARRANGEMENTS

Tenants and leaseholders currently pay a proportion of the gross cost of gas supply to the scheme according to a formula based on the size of their home, with a proportion charged to communal areas.

The current charging arrangement does not provide tenants and leaseholders with any control over their energy bills or provide any incentive to reduce energy consumption. It also no longer meets the new regulatory requirements. Charges for heating costs are estimated for the year ahead and collected weekly.

An analysis in October 2016 on the three pilot schemes showed that in some instances there are over 100% differences in the amount of consumption between residents in similar properties within the same scheme. This demonstrates that the current procedure is unfair and may leave the Council open to challenge.

Consultation on the principle has been held with Tenant and Leaseholder Panels and Forums, and has been well received.

NEXT STEPS

The current pilot has shown approximately 62% will pay less and 38% more, the majority only by a small amount. Experience has shown that individuals when faced with individual bills based on usage are more economical and reduce usage.

Individual meetings and consultations on the process at the three proposed schemes will be held during w/c 23 January 2017. Individual tenants whose readings show very high usage, and therefore additional costs have already been visited on a one to one basis, and will be visited again to talk through the information being recorded.

The Council will learn from the "pilot" scheme, and will consult widely continuing the installation of heat meters and additional schemes on a "phased" basis after 12 months of piloting usage through newly installed heat meters.

It is expected tenants and leaseholders in receipt of district heating will:

- Pay for their actual, or estimated, consumption based on actual usage over the previous 12 months and still be reconciled annually.
- Pay a fixed daily charge which reflects the cost of administering and managing the metering system.
- Leaseholders will continue to make contributions to the maintenance and future replacement of the heat network as part of their service charge.
- Reviews of charges/tariffs will take place at least annually to reflect changing costs to Harlow Council.
- Charges will continue to be recovered as part of rent charges and administered through Orchard, or any future financial system of Harlow Council.
- Recovery of unpaid charges will follow the existing Harlow debt recovery.

Heating charges on an annual basis will be subject to approval as part of the wider Fees and Charges report to Cabinet.