BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Assistant Director of Supported Living	**Report Number: JHB/03/17**
To: Joint Housing Board	**Date of meeting: 16 January 2017**

HOUSING REVENUE ACCOUNT RENTS AND SERVICE CHARGES

1. Purpose of Report

1.1 To provide Joint Housing Board Members with the early headlines for the Housing Revenue Account (HRA) Budget 2017/18.

1.2 To provide Members with an overview of the impact of the Housing and Planning Act 2016 and Government announcements on the HRA.

2. Recommendations

2.1 That the mandatory decrease of 1% in Council House rents, equivalent to an average rent reduction of £0.91 a week as required by the Welfare Reform and Work Bill be implemented.

2.2 That rent increases under Pay to Stay for tenants with a household income above £60k is not introduced.

2.3 That garage rents in Babergh be increased by 10% to provide some additional income to the HRA (an average increase of 88 pence per week per garage).

2.4 That garage rents in Mid Suffolk be increased by 10% to provide some additional income to the HRA (an average increase of 74 pence per week per garage).

2.5 Sheltered Housing service charges to be increased by a maximum of £4 per week for each scheme.

2.6 That New Build and Acquisition spend in Babergh is increased by £1.5m in 2017/18.

2.7 That capital spend in Mid Suffolk is reduced by £1.5m in 2017/18 and for each year from 2018/19 to 2021/22, to ensure it stays within the debt cap for the 30 year Capital programme.

3. Risk Management

3.1 Key risks are set out below:

HRA			
Ongoing impacts of the Welfare and Funding Reforms could lead to unpreparedness for further changes.	Unlikely - 2	Bad – 3	Ensure adequate bad debt provision and that the Income Management Strategy seeks to mitigate the impact of the changes on residents, the Council's income streams and budgets.
Failure to spend retained RTB receipts within 4 year period, will lead to requirement to repay to Government with an additional 4% interest.	Unlikely - 2	Bad - 3	Provision has been made in the updated HRA Investment Strategy to enable match funding and spend of RTB receipts, subject to the announcement of the details of the Housing & Planning Bill measures affecting council housing.
Council Housing self-financing results in a greater risk to investment and service delivery plans from inflation and other variables.	Unlikely - 2	Noticeable – 2	Inflation and interest rate assumptions have been modelled in the HRA business plan. Capital receipts and capital programme funding reviewed.

4. Key Information

4.1 The HRA Business Plans faces some short to medium term challenges exacerbated by the proposals announced in the Chancellor's July 2016 Budget:

- The Welfare Reform and Work Bill includes a requirement for all social landlords to reduce their rents by 1% each year from 2016 to 2019

- This Bill reduced the benefit cap for working age families from £23k to £20k

- The Housing and Planning Bill includes requirements for households with an income higher than £30k to be charged higher rents. However in the Autumn Statement 2016 this amount was amended to £60k and changed it from being a mandatory policy to discretionary. To implement this policy would increase costs and work pressures to the HRA.

- This Bill also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants. A letter from the Housing Minister following the Autumn Statement explained that the pilot scheme for housing association Right to Buy will be expanded. The government will fund the expanded scheme and the levy will not be brought in for 2017/18. Details of how the levy will be calculated are still unknown. On the advice of the Chartered Institute of Housing the budget does not include a figure for the levy.

- The impact of these measures and the action required to mitigate them are described below.

5. Impact on HRA

5.1 Although the 4 year rent reduction may be seen as good news for some tenants, the reductions in rental income has a significant impact on the Councils' Housing Revenue Accounts (HRA) and Business Plans, and therefore the resources available to deliver services, property and estate improvements and development plans.

5.2 The announced reduction in rents by 1% per year for four years will have a significant impact on the HRA. The cumulative impact of the rent reduction results in a reduced income (against business plan projections) to the HRA as follows:

Babergh

Year 1:	£0.3m
Years 1 to 4:	£4.5m
Years 1 to 10:	£18.1m

Mid Suffolk

Year 1:	£0.3m
Years 1 to 4:	£4.0m
Years 1 to 10:	£15.6m

6. HRA Budget 2017/18

6.1 A balanced HRA budget must be achieved for 2017/18. The early headlines (based on a 52 week year) are:

- Property rents will reduce by an average of 84p from £83.58 to £82.74 for MSDC and by 91p from £90.82 to £89.91 for BDC.

- A new BMBS team will be in place by April 2017 to provide repairs and maintenance and capital work to the HRA. It is predicted that a loss will be made in 2017/18 but a surplus will be made from year 2 onwards.

- The Sheltered Housing Review concluded that some schemes which are difficult to let should be 'de-sheltered' ahead of a predicted reduction in Housing Related Support funding. This will lead to a one-off increase in revenue spend in 2017/18 as accommodation is de-sheltered.

6.2 **Garage rents**

These are not controlled by the same regime as council house rents. Members therefore have the option to impose a rent increase and may wish to take the opportunity to raise additional income through this route. A 10% increase will provide £26k additional income for Babergh and £42k for Mid Suffolk.

6.3 **Service Charges**

Babergh - Sheltered Accommodation Service Costs are currently subsidised by £400k per annum. Proposals to increase the service charge by a maximum £4 per week will reduce the subsidy by £72k

Mid Suffolk - Sheltered Accommodation Service Costs are currently subsidised by £100k per annum. Proposals to increase the service charge by a maximum £4 per week will reduce the subsidy by £80k

6.4 **Capital Spend**

Babergh - Increasing the New Build and Acquisition spend by £1.5m (£3.5m to £5m total) will enable Babergh to look into new ways of providing affordable homes (either by building or buying), regeneration schemes or other opportunities that will increase income.

Mid Suffolk - HRA Business Plans are currently viable over the next 8 years only; and shortfalls in the available funding then continue for some 11 years before returning to surplus over the remainder of the 30 year period. This is an improvement on 2016/17 by 4 years due to the predicted underspend of £2.4m this year and the proposed £1.5m reduction on spend in 2017/18. However, if we wish to remain within the debt cap for the 30 years Capital programme we will need to reduce Capital spend by a £1.5m for a further 4 years. This does not include a provision for the High Value Asset Levy

6.5 Further savings may be required for 2018/19 once the detail is received regarding the amount of contribution required for the High Value Assets Levy.

7. Next Steps:

7.1 Our approach to HRA business planning includes, reviewing and realigning housing stock condition data and capital programme expenditure. Our current stock condition data is six years old. A project is underway to renew the data to enable an evidence based programme of capital works to be designed for 2017/18 and the following two years.

7.2 Reviewing the existing Capital Projects Team (formerly part of the Asset Management Team) and Private Sector Housing Team has brought them together in one team called Property Services. This has led to a change in the way the work is being carried out and how the teams are structured to introduce a more efficient and consistent way of working. The new structure will be in place by March 2017.

7.3 Babergh & Mid Suffolk Building Services (BMBS) team will be in place from April 2017.

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