

Report of Head of Finance, Environment & Neighbourhoods

Report to Housing Advisory Board

Date: 29^h November 2016

Subject: HRA budget 2017/18 – Key issues influencing the determination of the 2017/18 revenue budget

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

1. Summary of main issues

This report considers the factors which are influencing the determination of the HRA budget for 2017/18. Specifically it references the impact of current Government legislation in respect of rent reductions, Right to Buy policy and the roll out of Universal Credit. It also highlights the potential financial implications of new legislation such as the Housing and Planning Act 2016.

The Council is still in the process of considering what options are available to address these issues. Once the options have been finalised then they will be shared with Board members for comment.

2. Purpose of the Report

Housing Advisory Board is requested to note the factors influencing the determination of the 2017/18 HRA budget.

3. Background

Policy changes already implemented by Government will have a significant impact on the HRA budgets from 2017/18 to 2019/20, particularly in respect of rental income streams. These changes are as follows:-

- The 2016 Welfare Reform and Work Act introduced the requirement for all registered social housing providers to reduce social housing rents by 1% for the 4 years from 2016/17. This reduction was implemented by the Council in 2016/17 with a subsequent loss of £2.1m in rental income. Reducing rents by a further 1% in each of the three years from

2017/18 to 2019/20 equates to an additional estimated loss of £18.5m in rental income over this period. When compared to the level of resources assumed in the Financial Plan (and assuming that from 2020/21 rent increases will revert back to the previous policy of CPI+1%) this equates to a loss of £283m of rental income over the 10 year period (2016/17 to 2024/25). The reduction in rental income will need to be managed in addition to other pay, price and service pressures.

- The rollout of Universal Credit in Leeds commenced in 2016 and once fully implemented it will require the Council to collect rent directly from around 24,000 tenants who are in receipt of full or partial Housing Benefit. Although the financial impact of this is still difficult to quantify it is likely to have implications for the level of rental income receivable since the level of arrears is anticipated to increase.
- A reduction in the qualifying period after which tenants are able to submit an application to purchase a council house through the Government's Right to Buy legislation continues to sustain an increase in the number of sales with a subsequent reduction in the amount of rent receivable.

In addition to the above, the Housing and Planning Act 2016 which received Royal Assent in May 2016 introduces a number of Government proposals which when implemented are likely to have a significant impact on HRA resources.

The Act requires local authorities to sell their higher value homes and allows the Government to estimate the amount of money that they expect each local authority to receive from such sales each financial year. Authorities will then be required to pay a proportion of these receipts to the Treasury every quarter. Details of the definition of higher value homes and the mechanism by which the Government will calculate the amount to be paid by each Authority are yet to be published. It is also unclear the date from which this legislative change will be implemented from.

The Act also requires local authority tenants with a higher income (defined as a household earning more than £31,000 per year) to pay a higher rent from April 2017. The Act requires that tenants declare their income to their landlord and that additional income collected is paid to the Treasury. While it is understood that authorities will be able to retain reasonable administrative costs of applying the policy, it is anticipated that initially, significant staffing resources from the service will be needed to implement the policy. It is also anticipated that the policy may lead to an increase in Right to Buy applications, as a mortgage will offer greater value for money for some tenants.

Since detailed regulations in respect of the Housing and Planning Act 2016 have yet to be issued the financial implications of the legislation upon the Housing Revenue Account cannot readily be assessed.

4. Consultation

The Council's Initial Budget Proposals for the HRA in respect of 2017/18 will be considered at the Council's Executive Board in December. In advance of these proposals being received this document and the subsequent report which details the Council's proposals will form a part of the consultation process which will help inform

the final budget proposals which are to be received at Executive Board and Full Council in February 2017.

5. Equality and Diversity/Cohesion and Integration

Since this is a report for information, and not a decision report, so it is not necessary to conduct an equality impact assessment. However when the final budget proposals have been determined and are presented to both the Executive Board and Council then it will be necessary to undertake appropriate assessments.

6. Council's policies and the Best Council Plan

The HRA budget when received at Executive Board and Council will reference how it will contribute towards the Council's Best Council Plan.

7. Legal implications, Access to Information and Call In

There are no legal implications arising from this report.

8. Resources and Value for Money

As an information report there are no specific issues. The 2017/18 budget to be presented at both Executive Board and Council will be required to address these issues.

9. Risk Management

There is a comprehensive risk management process in the Council to monitor and manage key risks. Any issues arising as a result of the budget process can be escalated through this process.

10. Conclusion

All of the legislative issues that are set out in this report have implications for the level of rental income receivable within the Housing Revenue Account. However despite this reduction in income the Council remains committed to maintaining the current level of resources provided to maintain and improve homes. At the same time resources will be prioritised to deliver the strategy agreed by Executive Board to replace homes lost through Right to Buy (RTB) by the planned investment in new homes and buying up empty homes.

The reduction in income will have to be managed within the context of the requirement to set a balanced budget for the HRA in 2017/18.

In order to achieve a balanced budget position a number of options are being considered and these will be reported to Housing Advisory Board.

11. Recommendation

The Board is recommended to note the contents of this report.