

BARNSELY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the Forward Plan

**Joint Report of the Director of Finance,
Assets and IS and the
Executive Director – Place**

HOUSING REVENUE ACCOUNT 2016/17 MID YEAR REVIEW

1. Purpose of the Report

1.1 This report provides a summary of the latest position on:

- (i) The Housing Revenue Account 2016/17 budget;
- (iii) Current issues affecting the Housing Revenue Account

2. Recommendations

It is recommended:

- 2.1 That the revised Housing Revenue Account 2016/17 estimates be approved; and**
- 2.2 That the increase to the Berneslai Homes Management Fee of £0.225M be approved; and**
- 2.3 That approval is given to carry forward any underspend on the Berneslai Homes mobile working project.**

3. Introduction

- 3.1 Council approved the 2016/17 Housing Revenue Account Budget in February 2016. This report provides a summary of the latest position on the Housing Revenue Account following the mid-year review.

Revised Estimate of the 2016/17 Housing Revenue Account

- 3.2 Taken as a whole there is an improvement in the financial position of £1.586M compared to the approved budget. A comparison of the revised estimate to the approved budget is shown at Appendix A. The main variations between the approved and revised budgets are detailed in Appendix B. The more significant variations are also highlighted below:

Budgetary Procedures Variations		£
(i)	Reduced Impairment Charges based upon latest estimates from Asset Management	-500,000
(ii)	Reduced debt repayment in line with the approved Council debt repayment policy	-354,560
(iii)	Reduced bad debt provision due to delays in the roll out of universal credit	-304,460
(iv)	Increase in Renewable Heat Incentive income	-140,000
(v)	NPS profit share	-104,260
(vi)	Reduced interest charges due to lower interest rates	-100,000
(vii)	Increase in rent income compared to the budget	-100,000
(viii)	Reduced Heating Charge income based upon latest forecasts	100,000
(ix)	Other variations	-82,330
(x)	Overall Improvement in the Financial Position	-1,585,610

- 3.4 As a result of savings and slippage on the Council Housing Capital Programme the planned revenue contribution to capital of £7.344M will not be utilised in 2016/17. It will be carried forward in the HRA working balance to fund commitments on the programme in 2017/18.

Management Fee

- 3.5 The Original 2016/17 Berneslai Homes Management Fee budget was approved at £13.946M. Additional funding of £0.225M for the Family intervention Service increases this to £14.171M. The income for the family intervention service is credited to the HRA, offsetting the equivalent increase in the management fee.
- 3.6 Berneslai Homes have an approved budget of £0.266M in 2016/17 for the development and implementation of a mobile working solution for frontline staff. Research for potential solutions including consultation with staff has been carried out and the tender documents are due to be published in early October. It anticipated that the contract will be awarded in February/March 2017. However this is a challenging timetable. Hence, in line with the requirements of the Services Agreement approval is requested if necessary to carry forward any underspend on this project into 2017/18.

4. Current Issues

- 4.1 The Chancellor of the Exchequer in his budget announcement on the 8th of July 2015 announced that social housing rents would decrease by 1% per annum for the next four years. Over 30 years this removes £500m of rent income from the business plan.
- 4.2 Welfare Reform is still a significant financial risk. As claimants transfer on Universal Credit their rent will be paid directly to them rather than to the landlord. Universal Credit started its roll out in March 2015 and to date Barnsley have been notified of 95 claimants. Full roll out of Universal Credit for new claims has been delayed until at the earliest April 2017 for Barnsley with full roll out for others now anticipated in 2020/21.
- 4.3 The Housing and Planning Act announced three key policies that will have a significant impact on the supply of affordable housing and the financial viability of the council's Housing Revenue Account.
- Enforced Sales – Local Authorities are required to sell higher value voids in order to pay an annual levy back to the government. The actual scale of enforced sales is not yet known until final determinations are published.
 - Pay to Stay – Households earning over £31,000 pa will have to start to pay rent moving towards a market rent. It is still not clear pending release of the regulations if this is going live in April 2017. The policy is likely to increase the number of Right to Buys (RTB's).
 - Fixed Term Tenancies – Secure life time tenancies will cease for all new tenants again increasing the demand for RTB.

5. Proposal and Justification

5.1 It is proposed:

- That the revised Housing Revenue Account 2016/17 estimates be approved;
- That the increase to the Berneslai Homes Management Fee of £0.225M be approved;
- That approval be given to carry forward into 2017/18 any underspend on the Berneslai Homes Mobile Working project.

6. Consideration of Alternative Approaches

6.1 The mid-year review of the HRA is an established requirement of Berneslai Homes with regard to their management of this budget.

7. Implications for Local People/Service Users

7.1 The effective management of the HRA helps to consistently drive forward service improvements for the benefit of both council tenants and the wider community.

8. Financial Implications

8.1 The latest forecast shows an improvement of £1.586M in the financial position compared to the approved position.

9. Employee Implications

9.1 There are no employee implications arising directly from this report.

10. Communications Implications

10.1 None arising directly from this report.

11. Consultations

11.1 Consultations on the financial implications have taken place with the Director of Finance.

12. Risk management Issues, including Health and Safety

12.1 In earmarking the working balance regard is given to the most significant areas of financial risk identified for the Housing Revenue Account and Berneslai Homes Ltd.

13. Glossary

HRA	Housing Revenue Account
MRR	Major Repairs Reserve – funding for capital works to dwellings.
Working Balance	The accumulated surplus (excess of income over expenditure) on the HRA
Earmarked Working Balance	Working Balance which is set aside to meet planned future expenditure
Revenue Contribution to Capital	Direct funding of capital expenditure from revenue resources

14. List of Appendices

- Appendix A - Housing Revenue Account Revised Budget 2016/17`
- Appendix B - Major Variations

15. Background Papers

- 15.1 Housing Revenue Account Budget report 2016/17 - available for inspection at Gateway Plaza, Off Sackville Street, Barnsley.
- 15.2 Budget working papers containing exempt information - not available for inspection.

Financial Implications/Consultations:

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 Date September 2016

