Manchester City Council
Report for Information

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny – 20 February 2017

Subject: Housing Revenue Account 2017/18 to 2019/20

Report of: Strategic Director (Development) and City Treasurer

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Purpose of the Report

This report presents members with details on the proposed budget for the Housing Revenue Account (HRA) for 2017/18 and indicative budgets for 2018/19 and 2019/20. Furthermore it highlights the current use of reserves, along with the risks that need to be managed.

The proposed budget reflects the latest information on implementation of recent legislation from the Housing and Planning Act 2016 and Welfare Reform Act 2016 the latter of which requires social housing rents to reduce by 1% per annum for four years from April 2016. The 2017/18 to 2019/20 budget period are the last three years of the four year mandatory 1% rent reduction which has been reflected in the financial plan. Based on Government guidance the proposed rents levels includes a reduction of 1% to all properties except for housing properties managed under a Private Finance Initiative (PFI) contract, where the rent will be increased by 2.0%.

Recommendations:

The recommendations below were approved by the Executive on 11 January 2017 and the report is presented for reference as part of the suite of budget reports.

The Executive has already agree to:

a) Note the forecast outturn in 2016/17 as detailed in section 4 and Appendix 1.

b) Approve the 2017/18 HRA budget as presented in Appendix 1 and note the indicative budgets for 2018/19 and 2019/20

c) Approve the proposed 1% decrease to dwelling rents (subject to the exception outlined above), and delegation of the setting of individual property rents, to the Director of Housing and the City Treasurer, in consultation with the Executive Member for Housing and Regeneration and the Executive Member for Finance and Human Resources.

d) Approve the proposal that where the 2017/18 rent is still not at the formula rent level, the rent is revised to the formula rent level when the property is re-let

e) Approve increased capital expenditure of £6.5m funded from the HRA for the Collyhurst Regeneration Scheme.

f) Approve the proposals for communal heating charges in 2017/18 as detailed in paragraph 5.14.

g) Approve the management fee to be paid to Northwards as detailed in paragraphs 5.26 for 2017/18.

h) Note that the Northwards fee for 2018/19 and 2019/20 is notional and will be reviewed during 2017.

i) Approve the proposed increase in garage rental charges as outlined in paragraph 6.1

Wards Affected: Charlestown, Cheetham, Crumpsall, Harphurhey, Higher Blackley, Moston, parts of Ancoats and Clayton, Ardwick, Bradford and Miles Platting and Newton Heath

Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Appropriate housing is vital to ensuring that residents achieve their full potential. Setting rents at an appropriate, affordable level will enable tenants to live in locations which meet their aspirations in terms of education and employment.
A highly skilled city: world class and home grown talent sustaining the city's economic success	People living in energy efficient housing in good repair and of adequate size are more likely to stay in good health and have suitable conditions and space for studying.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Quality housing is intrinsically linked to residents' health, well being and feeling about their community. Setting rents at an appropriate, affordable level will assist in this.
A liveable and low carbon city: a destination of choice to live, visit, work	Improving the quality and management of the housing offer is fundamental to creating neighbourhoods where people choose to live. Setting rents at an appropriate, affordable level will enable tenants to live in locations which meet their aspirations in terms of preferred neighbourhood.
A connected city: world class infrastructure and connectivity to drive growth	A healthy and fit for purpose housing market is essential for the economic growth of the City. People living in energy efficient housing in good repair are more likely to stay in good health and so be able to obtain employment and to stay in employment. Setting rents at an appropriate, affordable level will assist in this.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Expenditure and income on the provision of Council housing must been contained with the Housing Revenue Account which is a ring fenced budget separate to the Council's General Fund. The recommendations in this report will determine the financial plan for 2017/18 – 2019/20 and impact on the overall financial model for the HRA over a 30 year period.

The HRA financial plan covers a rolling period of 30 years and is made up of rental income, Private Finance Initiative (PFI) grant and heating charges, which must be used for the purpose of funding the costs of managing and maintaining HRA assets. The amount of income in the HRA excluding monies from reserves is approximately £88m in 2016-17.

Financial Consequences – Capital

Within the proposed HRA budget a mandatory charge for depreciation is credited to the Major Repairs Reserve and this can be used to either fund capital expenditure or reduce any housing debt. This results in a charge of £13.286m to the HRA in 2017/18 which will be made available for capital investment. Due to a previously forecast surplus on the HRA, approval was given to set aside £64m for further capital investment between 2013/14 to 2019/20.

The proposed capital programme for 2017-18 and 2018-19 includes a further £6.5m in relation to the Collyhurst regeneration scheme which is included in the proposed five year capital strategy 2017-2022 for the Council.

Contact Officers:

Name:	Eddie Smith
Position:	Director of Strategic Development
Telephone:	0161 234 3030
E-mail:	e.smith@manchester.gov.uk
Name:	Paul Beardmore
Position:	Director of Housing
Telephone:	0161-234-4811
E-mail:	p.beardmore@manchester.gov.uk
Name:	Rachel Rosewell
Position:	Head of Finance
Telephone:	0161-234-1070
E-mail	r.rosewell@manchester.gov.uk

Name: Mike Roberts
Position: Group Finance Lead, Strategic Development
Telephone: 0161-234-4780
E-mail: m.roberts3@manchester.gov.uk

Background documents (available for public inspection):
None

1. Introduction

1.1. The purpose of this report is to approve the Housing Revenue Account (HRA) 2017/18 budget and provide members with recommendations for approval in respect of the 2017/18 tenants' rent, garage rents and communal heating charges.

1.2. This report sets out the HRA budgetary proposals for 2017/18, and the indicative position for 2018/19 and 2019/20. Furthermore it highlights the current use of reserves, along with the risks that need to be managed.

2. Background

2.1. Since the introduction of Self Financing in April 2012 the Council has had to manage its housing stock on a self financing basis. This has entailed developing a rolling 30 year business plan, and reviewing the use of existing assets to ensure that benefits are maximised.

2.2. In developing the 30 year business plan it is essential that the Council considers all risks, and ensures that any investment decisions are affordable both in the short and long term.

2.3. During 2016 there has been significant legislative change following the introduction of the Housing and Planning Act and Welfare Reform Act, in addition to this there have been policy changes that have affected the HRA budget, both in the short term and in future years.

- The imposition of a 1% annual rent cut for four years from 1st April 2016 has had a significant effect on available resources over the life of the plan.
- A requirement for local authorities to sell high value voids to pay toward the extension of the right to buy scheme to housing associations is expected to have a major impact, although to date we do not have details on how this will impact on the Council as DCLG have indicated that the scheme has now been deferred until 2018/19 at the earliest whilst a further larger scale pilot of extended right to buy is implemented.
- The Government is reviewing the use of lifetime tenancies in social housing with the aim to ensure the best use of the country's social housing stock and that households are offered tenancies that match their needs. DCLG have indicated that the timetable for implementation is still April 2017 although there are industry views that this could slip.

2.4 It has recently been announced by the Government that the policy set out in the Housing and Planning Act 2016 to enforce Local Authorities to charge a higher level of rent to households with an annual income in excess of £31,000 (known as Pay to Stay) will no longer be going ahead.

2.5 It was identified in 2016/17 that due to the loss of rent income the current forecast reserves mean that the HRA is no longer viable in the medium/longer term. The current business plan shows that reserves fall below the £50m level required to avoid having to pay interest charges on debt in addition to that already incurred in 2023/24, and the reserves run out by 2032/33. There is much that will impact upon the forecasts used, in particular around rent increases and high value sales, but clearly savings will have to be identified in order to ensure that the HRA does not run into a deficit.

2.6 In order to ensure that resources are utilised as efficiently as possible, a review was commissioned during 2016/17 to consider the most appropriate housing management business model for MCC in respect of the stock managed by Northwards, taking into account the current performance of Northwards, the current operating environment, and the options available to MCC for its future as a landlord in light of its wider strategic objectives. A separate report will be considered by Executive in relation to this matter. Some of the savings identified have been agreed with Executive Members and have already been applied to the business plan in this report

3. Statutory Duties in Determining the HRA Budget Strategy

3.1. The rules governing the maintenance of the HRA were established pursuant to the Local Government and Housing Act 1989 and provide that:

- The Council must formulate proposals in respect of HRA income and expenditure for the financial year which, on the best assumptions and estimates that the Council is able to make at the time, ensure that the HRA does not show a deficit balance;
- The Council is required to keep a HRA in accordance with proper practice. The Council has the responsibility to determine a strategy that is designed to ensure that the HRA is in balance taking one year with another.
- The HRA continues to be a ring-fenced account, this means that it must, in general, balance on a year-to-year basis, so that the costs of running the Housing Service, which include debt charges, administration costs and maintenance expenditure must be met from HRA income.

4. Budget Position 2016/17

4.1. The forecast based on the position at the end of October 2016 showed that the HRA will have an in year surplus of £142k. This is £8m less than the deficit originally budgeted, and the main reasons for this change are as follows:

- RCCO - £5.7m underspend - The reduction in the forecast need for revenue to support the capital programme is due to large amounts of underspend in the current year’s capital programme.

- PFI Contractor payments - £1.421m underspend – The main issue is the delay in capital works at Brunswick which is resulting in a reduced monthly unitary charge and delayed capital payments. Payment of the capital payments (£1.072m) will be carried forward into 2017/18.

- Rental Income - £179k underspend – Void levels have been lower than had been forecast, resulting in a higher level of income.

- Bad Debt Provision - £498k underspend – The latest assessment of the required level of bad debt provision suggests that we are still over providing in relation to Housing rents by around £250k, which is in line with previous years, although we have not yet seen the full impact of Welfare benefit changes. However, there is the possibility that some of this reduction will be required to cover bad debts in relation to leaseholder charges, and it is anticipated that this will become clearer later in the year.

- Communal Heating (Income & Expenditure) - £324k underspend – Forecast income and expenditure at a similar level to 2015/16. If the winter period is colder or warmer than last year then this will affect the estimated under spend.

5. Budget Strategy 2017/18 - 2019/20

5.1 The HRA financial plan has been prepared taking into account all known changes to housing stock numbers, ongoing management arrangements, proposed investment needs and also assumptions in line with the City Council medium term financial plan around pay and inflationary increases. It also takes account of assumptions on the impact of Welfare Reform which initially commenced in April 2013, but is continuing to be rolled out over the next few years. To date the anticipated reduction in income has not materialised but the position will continue to be monitored closely, and an increased bad debt provision has been retained in the budget for future years.

5.2 The HRA budget shows statutory compliance in that a surplus is forecast (before the use of reserves to fund capital works) at the end of each year within the three year budget strategy period. However, the imposition of the four year 1% rent reduction has meant that this is not sustained over the life of the 30 year business plan. Action will be required to identify what efficiencies can be made to ensure that reserves are kept at a sufficient level to enable risk to be managed and resources to be available to fund future investment requirements to manage the housing stock.

Management of Housing Stock and Implications of “Right to Buy”

5.3 The Council continues to own and manage over 16,000 properties within the HRA under various arrangements. These include three PFI schemes, as well as stock managed by either Northwards Housing or other Registered Social Landlords (RSL’s). During 2016/17, the City Council currently anticipate selling around 160 properties under the Right to Buy (RTB) scheme. This is significantly more than in 2015/16 due to the introduction of improved discounts in 2015/16. It is assumed the RTB numbers will remain at a similar level (1%) for the duration of the business plan period of 30 years. This will reduce the level of rent income achieved and the numbers of right to buys will continue to be closely monitored to determine the impact on the financial plan.

5.4 In the Council's role as landlord there is an on going requirement to manage each of the Housing PFI contracts, the West Gorton management contract, the Alderley Edge management contract, the two Tenant Management Organisations and the Northwards management agreement, together with managing the HRA itself.

5.5 The table at Appendix 1 provides a detailed analysis of the overall proposed budget which is forecasting a surplus of £9.0m in 2017/18 (before the use of reserves for capital works).

5.6 The key budget assumptions used in preparing the HRA budget are as follows:

Rent Income

5.7 Prior to the announcement of the rent reduction, Government had advised that rents would increase by CPI + 1% until 2024/25. In the absence of any confirmation as to what rent increases will be permitted from 2020/21 onwards, it has been assumed that the rent increase will revert to CPI from that point on. In 2016/17 the rent reduction did not apply to sheltered housing or PFI properties, however for 2017/18 and the following two years, only PFI properties will be exempt. For those properties where formula rent has not been achieved (approximately 1,000), the rent can still be amended when a property is re-let.

5.8 This report seeks approval for April 2017 to:

- Increase rents relating to properties managed under PFI arrangements by 2.0% in line with Government advice
- Reduce rents for all other dwelling houses by 1%

5.9 The budget has been prepared on this basis, and this would produce an average weekly rent (based on 52 weeks) of:

- General Needs £73.18
- Supported Housing £67.13
- PFI Managed £77.74

Other Income

5.10 Details of other Income as shown in appendix 1 is as follows:

- Non dwelling rents and other income includes:
  - Non dwelling rents – income from garage rents, office rents, ground rent and telecoms masts

  - Other income and contributions – girobank charges to Northwards, contributions from the Council towards grounds maintenance at Miles Platting and solar panel income
- Recharge to Homelessness – rental income in relation to HRA properties used by Homelessness Services provided by the Council.
- VAT Shelter Credits – income from other registered providers in relation to VAT recovery on repairs and maintenance costs following stock transfers.
- HRA Investment Income – the HRA receives income on balances held within the Council's bank account.
- Income from Leaseholders

Private Finance Initiative Allowances

5.11 As part of the PFI negotiations for the Brunswick scheme, the Council agreed to make a capital contribution totalling £24m between 2014/15 and 2019/20, which results in savings of approximately £48m over the life of the PFI contract through lower annual Unitary payments.

5.12 The three stock management PFI schemes will run at a surplus for 2017/18 as the income from rents and PFI credits is greater than the Unitary Charge payments. This budget proposes to continue to change PFI rents in line with the original rent policy.

5.13 "Smoothing" reserve funds had been established for all the PFI contracts, to smooth the costs over the duration of the PFI scheme. Following the introduction of self financing and the removal of the subsidy system, PFI rental income and grant can be used to fund the annual unitary charge, which removed the ongoing requirement to contribute towards a smoothing reserve. The current PFI reserve will continue to remain frozen as at 31 March 2016 and will be used to part fund the outstanding HRA debt.

Communal Heating

5.14 Work has been undertaken during the past year to review communal heating systems across the Council's stock and where improvements are required, it has been factored into the Capital Programme. The individual scheme charges have been reviewed in more detail and this has identified that whilst the overall cost of communal heating has reduced, the apportionment between those who pay as part of their weekly rent and those who use a prepayment meter needs to be adjusted. This has resulted in the need to increase the charge for those on prepayment meters and reduce the charge for those who pay through their rent

5.15 In order to ensure that the costs of gas used are recovered through the tariffs charged, it would be necessary to increase the charge for those that pay using prepayment cards by an average of 58.3%, and to reduce the charge for those that pay via rent by an average of 36.8%.

5.16 It is proposed that the full 36.8% reduction in charges for tenants paying via their rent is made from April 2017 and an increase for those that pay via prepayment cards is phased in at 10% from April 2017. The 10% increase is not sufficient to cover the costs of the gas used and will have a projected net cost to the HRA of £48k in 2017/18. Further increases in later years will be reviewed and considered as part of the planning for 2018/19 onwards.

5.17 There is planned capital investment to replace heating equipment which will help to reduce inefficiencies in the schemes. The costs of gas used against the tariffs charged will continue to be monitored to ensure that these are aligned.

Depreciation

5.18 Prior to the introduction of self financing in 2012/13, the depreciation charge was only a notional charge and as such there was no financial impact upon the HRA. Under self-financing the rules changed so that in order to reflect the reducing value of the HRA assets, a depreciation charge should be made to the HRA. Local Authorities were given a five year transition period to continue with existing practices. This was so that an affordable longer term solution to reflect the true costs of depreciation and impairment could be arrived at. 2016/17 was the final year of the transition period. The latest information is that DCLG proposes to amend the Determination with effect from 1st April 2017, to:

- Continue to allow impairment charges on dwelling assets to be reversed out of the HRA following the end of the transitional period.
- Extend the principle to non-dwelling assets in the HRA from 2017-18.
- To confirm that from 2017-18 depreciation should be charged to the HRA in accordance with proper practices (as a transfer to the Major Repairs Reserve where it can be used to fund capital or pay off debt).

It is anticipated that this change will be manageable within available resources for the foreseeable future.

Debt Financing and Borrowing Costs

5.19 The 2017/18 opening HRA debt is anticipated to be £121.26m, and due to the forecast level of reserves the debt will be funded through a combination of market loans and internal funding. This provides the benefit of reducing the costs of borrowing, but it is important that any future investment decisions need to be carefully considered if it is proposed to use any of the reserves.

5.20 Due to the reduced rental income over the next four years and based on existing capital spending plans, it is currently forecast that in 2023/24 the HRA will not be in a position to continue funding the debt in the same way. Unless savings are identified to mitigate the rent reductions there will be further increased costs of borrowings.

5.21 The HRA is making provision only for the interest repayments in relation to the outstanding debt. Consideration will need to be given to refinancing the debts as and when they become repayable.

Provision for Bad Debts

5.22 For the 2016/17 business plan, the level of contribution towards the provision for bad debts was forecast to be 2.0%, increasing by 0.5% a year to a maximum of 5% in 2022/23, to reflect the anticipated impact of the introduction of direct payments as part of welfare reform. It is still anticipated that the required level of provision will increase, but we have revised the figures to 1.5% for 2017/18, increasing by 0.5% per year to 4.5% by 2023-24, and then reducing by 0.5% per year before stabilising at 2% for the remainder of the plan. This is to reflect the expectation that the impact of welfare reform will be managed over a number of years.

5.23 The full implications of Welfare Reform will be kept under review as it is rolled out and the bad debt provision requirements adjusted accordingly.

Northwards Management Fee

5.24 As part of the 2016/17 fee discussions, Northwards advised that in order to maintain the existing level of service provision they would require a further increase of £300k (plus retain the £432k given as a one-off increase for 2015/16) to give a total fee of £21.474m. There was also a further payment of £365k for Intensive Housing Management and a Complex Families Keyworker. No agreement was made on the level of fee beyond 2016/17, but it was agreed that a fundamental review of how the City Council delivered its housing management services and the options that are open to it needed to be undertaken by the Council within 12 months with a view to a recommendation being brought back to Members.

5.25 The review highlighted areas where Northwards could improve as follows:

- A stronger strategic focus on value for money and service transformation to deliver cost savings.
- A reduction to the cost of planned maintenance and overheads which seemed comparatively high.
- Improvement to key performance areas i.e. timescales for re-letting properties, rent collection and arrears rates.

5.26 Northwards has identified savings to enable a reduced fee to be paid for 2017/18 and have committed to continuing to review services in order to make further savings going forward. The agreed savings include:

- Staffing savings in neighbourhood management following the creation of a new tenancy team
- Savings in the costs of running the customer call centre following its transfer from Mears
- Management of IT systems
- Management of IT and Finance service

In addition to these, there are anticipated savings from the reprocurement of the Repairs and Maintenance contract, which will be reflected in the management fee of £20.646m for 2017/18.

5.27 A further recommendation from the report is to agree the management fee for a three year period to enable Northwards to plan with more certainty in the levels of funding that will be available. The Council and Northwards will be working on this and aim to reach an agreement for 2018/19 and future years during the summer of 2017.

High Value Sales

5.28 The Government has not indicated what the level of payment due is likely to be at this stage therefore consistent with the HRA for the 2016/17 budget, a notional amount of £2m per annum (increasing by CPI) has been included in the business plan from 2018/19.

Other Expenditure

5.29 Details of other expenditure as shown in Appendix 1 is as follows:

- Retained stock maintenance and repairs – this covers repairs to offices, pruning of trees, and some lift maintenance
- Supervision and management – this covers the City Council costs of managing the HRA, including the cost of staff in Strategic Housing (HRA related), corporate, central and departmental recharges, and other costs.
- Other management arrangements – stock management fee to Guinness Partnership (171 properties in West Gorton) and Peaks and Plains (11 properties in Alderley Edge)
- Council Tax – due on properties held empty for demolition
- Insurance / compensation - compensation fees payable plus an annual contribution to the insurance reserve from which HRA claims are met
- Revenue Contribution to Capital Outlay – this is where funds held within the HRA are set aside to contribute towards the cost of capital works

These costs are currently under review as part of the ongoing budget strategy for the HRA.

Cost Pressures

5.30 Cost pressures are in line with the Council's current assumptions in that pay and prices increase by 1% per annum. The majority of inflation in the business plan is linked to the CPI rate, which has used the Bank of England forecast for 2017/18 and 2% thereafter.

6. Garage Rents

6.1 For 2015/16 it was agreed that garage rents should be brought in line with dwelling rents in respect of the increases that had been applied. To achieve this, it was agreed that garage rents were to be increased by 3.92% on top of the increase applied to dwelling rents for the five year period 2015 – 2020, of which 2017/18 will be year 3. Therefore, it is proposed that garage rents increase by 2.92% in 2017/18, as shown below:

	Annual Charge 2016/17	**Weekly Charge 2016/17**	**Proposed Weekly Charge 2017/18**	**Proposed Weekly Increase**
Site Only	£88.40	£1.70	£1.75	£0.05
Prefabricated	£196.04	£3.77	£3.88	£0.11
Brick Built	£230.36	£4.43	£4.56	£0.13

7. Reserves Forecast

7.1 Current projections now show that due to the 1% rent reduction, the HRA will no longer generate annual surpluses over the duration of the business plan. Based on the current assumptions within the plan, the HRA continues to hold sufficient surpluses in its reserves to avoid paying an increased amount of interest for the next five years, but after that it incurs significant additional costs and moves into an unsustainable position in fifteen years' time.

7.2 The table below sets out details of the anticipated HRA reserves position, over the next three years if there are no additional investment proposals above the approved amounts included for RCCO and the contribution towards Brunswick capital costs. Given the low interest rates payable on balances, the HRA is currently using around £50m of its own reserves to internally fund part of the HRA debt rather than take out external borrowing. This provides annual interest savings of around £1.4m per annum. The continuation of this arrangement will need to be considered if any investment proposals are to be funded by the use of reserves.

Reserves Forecast 2016/17 to 2019/20

Reserve Description	**2016/17 £000's**	**2017/18 £000's**	**2018/19 £000's**	**2019/20 £000's**
General Reserve	51,308	35,880	24,152	23,490
Residual Liabilities Fund	24,000	24,000	24,000	24,000
PFI Reserve	10,000	10,000	10,000	10,000
Insurance Reserve	845	845	845	845
Major Repairs Reserve	1,166	1,015	75	38
Total Reserves	**87,319**	**71,740**	**59,072**	**58,373**

7.3 The significant reduction in general reserves in 2017/18 relates predominantly to the profiling of previously approved capital investment totalling £40m, and an anticipated use of a further £6.5m for the Collyhurst scheme. This is subject to the outcome of a funding submission to the Homes and Communities Agency and a further report will be brought back to Executive in Spring 2017 when the outcome of the bid is confirmed.

7.4 The Residual Liabilities Fund was established to cover any potential environmental and other risks associated with the large and small scale voluntary transfers that have taken place during the past 15 years. There is no reason to change the level of reserve from that recommended in an independent report previously commissioned, and therefore the fund balance will be held at £24m as at 31 March 2016.

8. Conclusions

8.1. The proposals contained in this report seek to ensure that the HRA business plan provides a sound basis of managing the existing stock, whilst also identifying the potential risks that need to be monitored on an ongoing basis.

8.2. The budget proposals will allow for continued service delivery and investment within the stock, within the confines of the available resources.

8.3. Under the provisions of the Local Government and Housing Act 1989, the Authority must ensure that the HRA does not result in a deficit balance. The proposed budget for 2017/18, together with the indicative budget for the following two years, is attached at Appendix 1 and shows this provision being met (before proposed use of reserves to fund capital works).

8.4. Despite the reduction in rental income, the HRA is still budgeting for an annual surplus. These surpluses will be used to fund additional capital works until 2018/19, and ongoing contributions toward the capital costs of the Brunswick PFI scheme until 2019/20, which will lead to savings over the life of the PFI contract.

8.5. Based on forecasts, over the next three years the HRA can continue to fund existing debts, together with the ongoing management and maintenance costs whilst also maintaining a positive reserves position. The reserves provide longer term benefits to the HRA through debt financing, reducing the overall interest payable, contributing towards increased resources available for further investment in the longer term. The medium/longer term forecast position has been affected significantly by the reduction in rents, and will be further affected by the enforced sale of high value assets to fund the extension of Right to Buy to Housing Associations.

9. Key Polices and Considerations

(a) Equal Opportunities

The rents have been set in line with the Governments increased guideline rent, and the Housing Benefit system will provide support to the most needy within the constraints of the proposed welfare reform.

(b) Risk Management

Under the provisions of the Local Government and Housing Act 1989, the Authority must ensure that the Housing Revenue Account does not result in a debit balance. The proposed change in rents and identification of savings within this report, together with regular budget monitoring will assist in managing this risk over the short term. Work will continue to ensure that the HRA remains viable in the longer term.

(c) Legal Considerations

The City Solicitor has reviewed this report and is satisfied that any legal considerations have been incorporated within the body of this report.

Appendix 1

Housing Revenue Account Budget 2016/17 – 2019/20

	2016/17 (Forecast) **£000**	**2017/18** **£000**	**2018/19** **£000**	**2019/20** **£000**	**See Para.**
Income					
Housing Rents	(62,050)	(60,950)	(60,482)	(61,283)	5.7
Heating Income	(1,335)	(1,020)	(1,043)	(1,066)	5.14
PFI Credit	(23,597)	(23,600)	(23,600)	(23,600)	5.11
Other Income	(1,544)	(1,292)	(1,093)	(1,057)	5.1
Funding from General HRA Reserve		(15,428)	(11,728)	(662)	7.2
Total Income	**(88,526)**	**(102,290)**	**(97,946)**	**(87,668)**	
Northwards R&M & Management Fee	21,839	20,646	20,813	21,063	5.24
PFI Contractor Payments	31,371	31,921	32,620	34,086	5.11
Communal Heating	1,267	1,069	1,092	1,116	5.14
Supervision and Management	5,711	5,354	5,354	5,417	5.29
Contribution to Bad Debts	750	922	1,220	1,545	5.22
Depreciation	13,037	13,286	13,617	13,960	5.18
Other Expenditure	1,403	1,299	1,264	1,416	5.29
RCCO	9,538	24,358	16,697	3,958	5.29
High Value Void Sales	0	0	2,000	2,044	5.28
Interest Payable and similar charges	3,467	3,434	3,269	3,063	5.19
Funding to General HRA Reserve	143				7.2
Total Expenditure	**88,526**	**102,290**	**97,946**	**87,668**	
General Reserve:					
Opening Balance	51,165	51,308	35,880	24,152	7.2
Funding (from)/to Revenue	143	(15,428)	(11,728)	(662)	
Closing Balance	**51,308**	**35,880**	**24,152**	**23,490**	

*Northwards fee for 2018/19 and 2019/20 not yet agreed, figures provided are for planning purposes only.