

# Improving Places Select Commission

26 October 2016

## **Housing Revenue Account 30 Year Business Plan**

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# Overview of session

- What is the HRA Business Plan?
- Policy Background driving changes to the Plan
- HRA Business Plan
- Q&A session

# What is the HRA Business Plan?

- Localism Act
- Self Financing introduced 2012-13
- Risk Vs Reward
- Long term planning – sustaining the Housing stock

# Housing & Planning Act 2016

- Mandatory Fixed Term Tenancies
- Pay to Stay
- Extension of the Right to Buy
- Levy / enforced sale of high value stock

# Welfare Reforms

- 1% rent reduction
- Universal Credit
- Local Housing Allowance
  - Under 35's
  - Under 21's
- Benefit Cap

# Universal Credit ...

... is a means-tested benefit for people of working-age who are on a low income/out of work. It is paid monthly, in arrears, into a bank account and combines six existing means-tested benefits:

- Income support
- Housing benefit
- Child tax credit, and
- Income based JSA
- Working tax credit
- Income related Employment Support Allowance

# Benefit Cap – 5 December 2016

- Further reduction will take the cap from £26,000 to £20,000.
  - This will affect around 400 families with 1,400 children, of which 190 with 520 children on our tenants.
- Except for supported housing, the limits will be:
- **£384.62** per week for couples – with or without dependent children
  - **£384.62** a week for lone parents with dependent children
  - **£257.69** a week for single people without children

# Housing Benefit V Local Housing Allowance

## **Local Housing Allowance – private rented sector**

Based on the household size, eg, 2 person household (mother and son) would qualify for the 2 bed rate ....

## **Housing Benefit - social rented sector**

Based on the property size, eg, 2 bed roomed property costs less than a 4 bed roomed property ...



# Different rates payable

Locally calculated, based on the bottom 30% of private sector rents:

- Shared room rate £58.50
- One bedroom £79.40
- Two bedrooms £96.96
- Three bedrooms £101.00
- Four bedrooms £138.08

RMBC rents (average by property size, not type):

- Bedsit rate £67.81
- One bedroom £69.49
- Two bedrooms £75.19
- Three bedrooms £80.74
- Four bedrooms £87.74

# Different rates payable

LHA is locally calculated, based on the bottom 30% of private sector rents:

- **Shared room rate £58.50**
- One bedroom £79.40
- Two bedrooms £96.96
- Three bedrooms £101.00
- Four bedrooms £138.08

RMBC rents (average by property size, not type):

- **Bedsit rate £67.81**
- One bedroom £69.49
- Two bedrooms £75.19
- Three bedrooms £80.74
- Four bedrooms £87.74

# Extent of the problem ...

1929 applicants to the housing register who are under 35 years old

- 1592 staying with family, others are rough sleeping, no fixed abode or staying in hostels/temporary accommodation
- Commences 1 April 2018 for tenancies that started on/ after 1 April 2016

# Impact on the HRA Business Plan

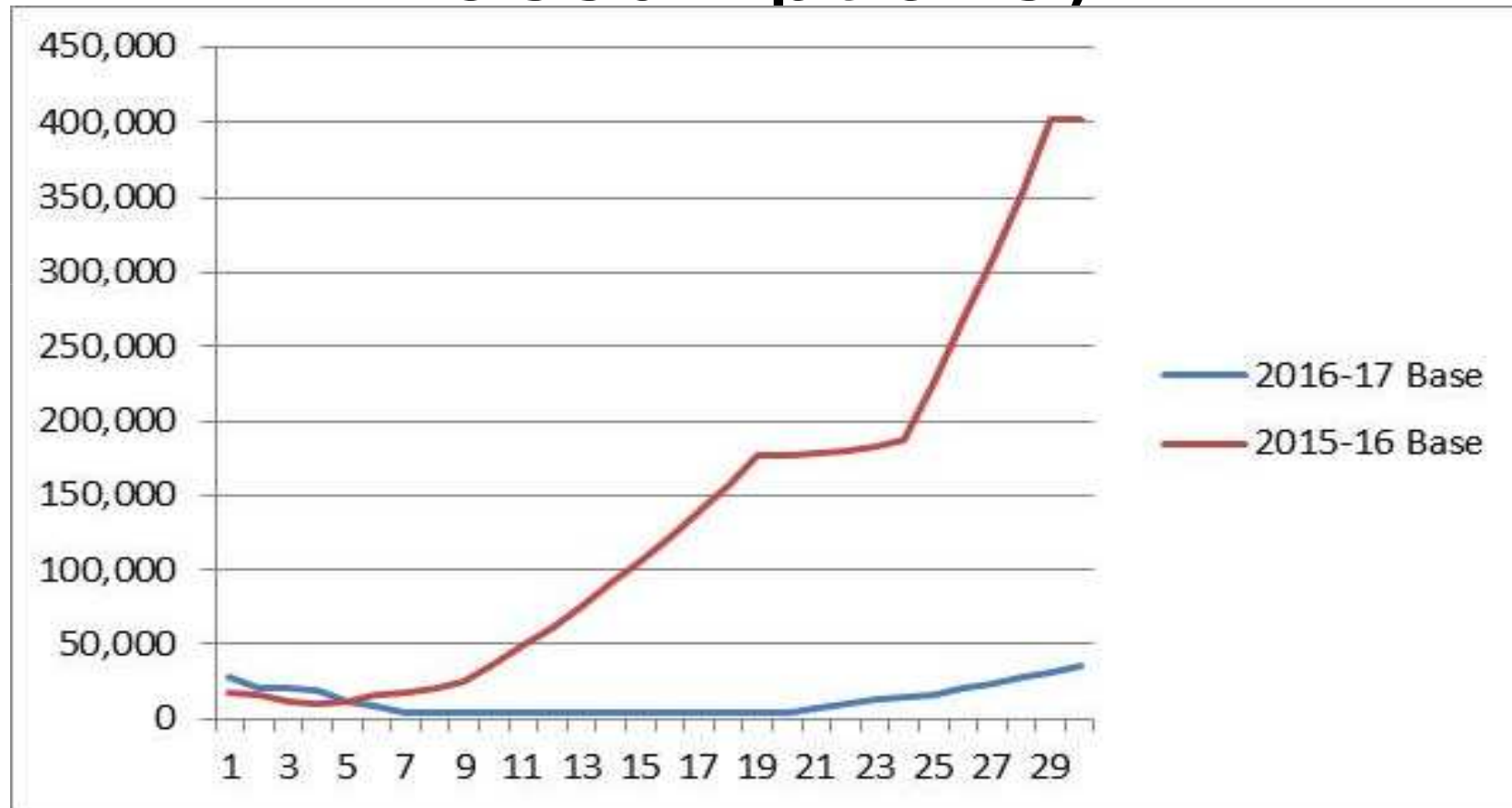
## **1% rent reduction**

- Loss of income over next 30 years equivalent to £638m
- Assume rent will now increase by CPI only after the 4 year rent reduction (was previously CPI + 1%)

Policy	Issue	Potential financial impact	Year of implementation
Benefit Cap	Reduction in Housing Benefit income leading to an increase in rent arrears, resulting in an increased bad debt provision	£400k per anum	October 2016
Social Sector Size Criteria (Bedroom tax)	Reduction in Housing Benefit Income	£100k per anum	Ongoing
Universal credit	Reduction in Local Housing Allowance income. Increase in rent arrears, resulting in an increased bad debt provision	£200k per anum and increasing	Ongoing
Restriction of Housing Benefit for 18-21 year olds	Fewer tenancies to 18-21 year olds. Increasing arrears, leading to increased bad debt provision	Up to £500k per anum	April 2017

Policy	Issue	Potential financial impact	Year of implementation
Pay to stay	Increasing RTB Charging market rents, leading to increased rent arrears Increased administration costs	Not yet know	April 2017
Local Housing Allowance (LHA) rate capped for under 35's	Fewer tenancies to single under 35's. Harder to let properties Increase rent arrears, leading to increased bad debt provision	£1.3m per anum	April 2018
Cap Social rents to Local Housing Allowance (LHA) rate	Cost of a furnished tenancy not covered fully by Housing Benefit due to LHA cap	Up to £1.3m per anum to General Fund	April 2018
Fixed term tenancies	Increase tenancy turnover, leading to increased void costs	Not yet known	April 2018
Higher Vaue property levy	Sale of properties becoming vacant and/ or payment of annual determination from DCLG	£2m per annum (awaiting Regulations)	2016/17?

# Impact on the HRA Operating Account balance (based on model assumptions)



# Summary

- Savings of circa £50m required over the next 5 years when compared to the previous plan
- Healthy reserves balance of £28.5m; but forecast to reduce considerably to £3m by Year 8
- Reduction in forecast surpluses at year 30 from £401m to £35m
- RTB average 200 per year; the housing stock size will have reduced to circa 15,500 units i.e. a reduction of around 5,000 units.
- Strategic property acquisitions will cease in 2017-18, rather than 2020-21 as in the 2015-16 Base case. This will save £36.38m and mean around 360 fewer council properties are acquired.
- There will be £273m less to spend on property investment
- There will be £98m less to spend on supervision and management



# Issues to consider?

- Have we got our assumptions right?
- Are we being too cautious vs ambition?
- What impact will future policy changes have?
- Member and tenant involvement in future governance of the plan?
- How does the HRA contribute to the 'One Council' approach?

Thank you for listening..

*Questions?*