Appendix D

Government Policy changes affecting the HRA Business Plan

There are several government policy changes that are already affecting or will affect the health of the HRA Business Plan. These are summarised below:-

Social Rent Policy

In April 2016 the government introduced a revised Social Rent Policy which saw a reduction in rents of 1% per year for four years. This will last until 2019-20. After this time the Government has now confirmed that social rents will be permitted to increase by CPI + 1% for a period of five years until 2024-25. Future Business Plan assumptions after 2019-20 are based on this formula, from 2025-26 onwards it is assumed rents will be permitted to increase at CPI. This is line with most other social housing providers' assumptions. This change in rent formula for the period 2020-21 to 2024-25 has resulted in an increase in income of £104m over the life of the business plan when compared to the previous version, a reduction in interest receivable on HRA balances of £5.2m and no longer having a shortfall of funding for the capital programme in years 7 to 19 of £12.9m.

Benefit Cap

The Welfare Reform Act was passed by Parliament in March 2012 which introduced the concept of a Benefits Cap. The amount at which the cap would be introduced was reduced as part of the Summer Budget 2015, the details of how groups are affected is below:

	£ per week	£ per week Autumn 2016	£ per annum now	£ per annum Autumn 2016
Single	350.00	257.69	18,200	13,400
Lone Parent	500.00	384.62	26,000	20,000
Couple	500.00	384.62	26,000	20,000
Couple with children	500.00	384.62	26,000	20,000

Housing benefit is the first payment to be cut if a household is affected by the benefit cap. From data provided by the DWP (Department of Work and Pensions), 142 council tenancies are currently affected in Rotherham which have an average arrears balance of £433.06 per tenancy.

Whilst the benefit cap does not directly affect the HRA, it means that a number of tenants have no immediate means to pay their rent, which may cause significant strain on bad debts over the medium term as well increase in void rates as tenants seek to move to smaller properties.

Other potential factors that will impact the HRA Business Pan include:

- Households in private rented accommodation may apply for re-housing to more affordable council accommodation.

- Affected council tenants may require money advice to assist them with budgeting.
- Rent arrears may increase from larger households in receipt of welfare benefits

Spare Room Subsidy

The Spare room subsidy (often referred to as the 'bedroom tax') commenced in April 2013. There are currently 2,983 tenancies affected of which 1,908 tenants are in arrears with an average balance of £262. Total arrears balances for tenants affected have now begun to stabilise with an increase of 4% over the past 12 months.

Universal Credit

The way in which benefits will be paid to tenants in the future presents a risk. At the current time 64% of HRA income is received via direct payment of Housing Benefit, with the remainder paid direct by tenants.

Universal Credit commenced in Rotherham on 7 December 2015, at the current time there are 295 tenants claiming Universal Credit. Throughout 2017-18 the number of UC claimants has steadily increased following the roll out of Full Service Universal Credit in the neighbouring DWP areas of Barnsley and Doncaster. This roll out means over 1,100 working age tenants will transfer to Universal Credit when they have a change in circumstances if they are claiming any of the following benefits:

- Income Support
- Job Seekers Allowance
- Employment and Support Allowance
- Child Tax Credits
- Working Tax Credits
- Housing Benefit

The Council anticipate approximately ten tenants per week in the area will be affected based solely on Housing Benefit data we hold.

During the past year the Council has written to all tenants that will be affected by the initial roll out of Universal Credit and offered support. Alongside this there have been regular articles in Home Matters magazines to raise awareness amongst all tenants. The remaining roll out in Rotherham will take place in July 2018. It is anticipated up to 100 tenants will transfer to Universal Credit each week when this roll out takes place.

As at the end of October 2017 the arrears balance of tenants on Universal Credit stood at £212,000; an average balance of £720. This is approximately twice the average balance of tenants whose rent is paid by Housing Benefit or fully themselves.

In setting budget projections beyond the short term these changes to benefits make accurate estimation difficult. There is a lack of information to accurately assess the scale of bad debt provision required, which means over the coming years there is a need to regularly review the impact on:

- Rent payment levels
- Cost of collection
- Tenancy turnover

If tenants on Universal credit do not pay their rent, in addition to an Alternative Payment Arrangement, the landlord can also apply for a direct deduction of up to 20% for the non-housing element of their claim. This allows some degree of certainty that rent will be paid eventually so at the current time bad debt provision has been left at 1.72% up to year 10 of the plan.

Backdating of Housing Benefit

As of 1 April 2016 Housing Benefit claims commenced only being backdated by 4 weeks. This impacts on rent payments where a tenant was eligible for Housing Benefit but did not submit an earlier claim. As a result the Housing Income team now attend all tenancy sign up meetings to ensure that Housing Benefit claims are submitted at the start of a tenancy to minimise the detrimental impact this may have on income collection. Clearly this may also impact on existing tenants when there is a change in circumstances, which will be dealt with when identified through the arrears management process. Going forward this will reduce as tenants transfer gradually onto Universal Credit.

Restriction of Housing benefit for 18 to 21 year olds

From April 2018, 18-21 year olds submitting a claim for Universal Credit will not be automatically eligible for the housing cost element (equivalent of Housing Benefit). There will be some exceptions for:

- Parents whose children live with them
- Vulnerable groups
- Those who have previously been living independently and working continuously for six months

The HRA has 214 tenancies that fall into this category for which £10,592 income per week is received via Housing Benefit. Based on an average tenancy duration of 13 months for this client group it is inevitable there will be a risk that some of the £550,000 annual income would not be recovered from April 2018 onwards. This will lead to further pressure on HRA income and bad debt provision.

Local Housing Allowance

Previously announced plans to cap Housing benefit payments at the often lower Local Housing Allowance rates have now been scrapped following an announcement

by the Prime Minister to Parliament on 25 October 2017. Whilst this would not have had a direct impact on the HRA Business Plan, it would have potentially led to a considerable increase in rent arrears amongst groups affected.

Fixed term tenancies

When fully brought into force the Housing and Planning Act 2016 introduces the requirement for fixed term tenancies of up to 10 years for social housing with the aim of making best use of the stock so only people in housing need remain. Whilst this will not reduce income to the HRA, it will probably increase the turnover rate for stock so increasing housing management and void costs at a time when cost savings are required.

This policy would also apply to succession rights, with the exception of a partner or spouse inheriting the tenancy. However, there is local discretion currently and the new RMBC Tenancy Agreement extends qualifying persons beyond statutory rights.

Higher Value Property Sales

The Housing and Planning Act introduced a requirement on Local Authorities to consider the sale of higher value properties that become vacant.

This duty is a result of the introduction of Right to Buy for Housing Association tenants. Originally it was intended that this would be funded by the sale of higher value council properties when they became vacant. It is now clear that Local Authorities will receive an annual determination from the DCLG which may or may not reflect the actual turnover of higher value properties.

It will be for Rotherham MBC to consider if it wishes to sell a higher value property when it becomes vacant. No guidance has been issued yet to define what is meant by higher value. Irrespective of whether the council chooses to sell or not, it will be required to make a payment from the HRA each year to the DCLG based on the determination it receives.

Previous estimates, assuming the highest value properties by bedroom size would be subject to review and therefore captured by the levy / determination, this could cost the HRA up to £3.1m per annum.

As of November 2017 no detailed regulations have been issued. For planning purposes it has been assumed the HRA will incur a charge of £2m per annum under this policy. Once the regulations have been published a review of this assumption will take place. This is a significant risk to the HRA Business Plan.

Rent and Service Charges

Rent and service charges to tenants are detailed in a separate report, HRA Rent and Service Charges 2018-19. This should be read in conjunction with this report. The 2018-19 Business Plan assumes all recommendations contained in the accompanying report are approved.