Report to Cabinet

Housing Revenue Account Estimates for 2019/20 to 2023/24 and Proposed Outturn for 2018/19

Portfolio Holder:
Joint Report of the Deputy Leader and Cabinet Member (Finance and Corporate Resources), Councillor Abdul Jabbar MBE and Cabinet Member (Housing), Councillor Hannah Roberts

Officer Contact: Anne Ryans, Director of Finance

Report Author: John Hoskins, Finance Manager
Ext. 1323

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Reason for Decision

The report sets out the Housing Revenue Account (HRA) detailed budget for 2019/20 and strategic estimates for the four years 2020/21 through to 2023/24 and the latest outturn estimate for 2018/19. The report also sets out the recommended dwelling and non-dwelling rents and service charge increases to be applied from April 2019.

Executive Summary

The report sets out the HRA proposed 2019/20 original budget and the forecast outturn for 2018/19. The opportunity is also taken to present the provisional strategic budgets for 2020/21 through to 2023/24.

After taking all relevant issues into account, the projected financial position for 2018/19 is estimated to be a £2.506m positive variance when compared to the original budget forecast for 2018/19 approved at the February 2018 Budget Council meeting. The majority of this variance is attributable to the re-profiling of HRA funded capital schemes into later years due to revisions to planned spending profiles.

The financial position for 2019/20 shows an estimated HRA closing balance of £19.477m which is considered to be sufficient to meet future operational commitments and the potential financial pressures identified in the risk assessment.

The 2019/20 position has been presented after allowing for an increase in rent of 3.4%.

Members will recall that the Government has already advised that PFI properties are exempt from Central Government's 1% Social Rent Reduction Programme. As all Oldham housing stock is contained within two PFI schemes the 2019/20 budget will follow historic rent setting guidance of CPI plus 1%, resulting in an increase of 3.4% (CPI is taken as at September 2018).

The HRA detailed budget for 2019/20 and strategic estimates for the four years 2020/21 through to 2023/24 and the outturn estimate for 2018/19 was presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 24 January 2019. The Select Committee was content to commend the report to Cabinet for approval.

Recommendations

That Cabinet approves and commends to Council the:

1. Forecast HRA outturn for 2018/19 (as per Appendix A).
2. Proposed HRA budget for 2019/20 (as per Appendix B).
3. Strategic estimates for 2019/20 to 2023/24 (as per Appendix D).
4. Proposed increase to dwelling rents for all properties of 3.4%.
5. Proposed increase to non-dwelling rents as per individual contracts.
6. Proposal that PFI 2 and 4 service charges are unchanged.
7. Proposal to set PFI 2 concierge charges in line with actual costs for full recovery.
8. Proposal that the Council takes whatever action is within its powers to support tenants in receipt of Universal Credit who are impacted by there being 53 rent weeks in 2019/20.

Housing Revenue Account Estimates for 2019/20 to 2023/24 and Proposed Outturn for 2018/19

1 Background

The budget and policy framework sets out an annual timetable for the HRA budget process. Production of this report and the ability to scrutinise the budget are key features of that framework, along with consultation with tenants. The HRA Budget report for 2019/20 is presented here with the intention that it will be considered by Council on 27 February 2019.

2 Current Position

Housing Stock

2.1 The Council's housing stock currently comprises 2,062 properties with all properties being managed and maintained within two Private Finance Initiative (PFI) schemes.

PFI 2 Sheltered Housing

2.2 The PFI 2 Contract between the Council and Housing 21 was signed in 2006 to provide 1,431 (plus one additional property subsequently added in 2016) sheltered accommodation dwellings in a mixture of bungalows and group schemes with construction finishing in May 2012. The operational contract runs to September 2036. The total construction value was £105m, all of which is payable through an annual unitary charge and funded by the annual PFI grant alongside rental income received.

PFI 4 Gateways to Oldham

2.3 The Gateways to Oldham PFI 4 scheme reached financial close in November 2011 and has seen the refurbishment of 317 existing properties and the creation of 317 new homes, with a total capital value of £77m. The Council has entered into a 25 year contract with Inspiral Oldham who utilised private finance to fund the construction works and to manage and maintain the properties for the duration of the contract through to October 2036. Construction was completed in December 2014 (317 refurbishments and 317 new homes in total) with all the required highway works and public open space improvements finalised in November 2015. The Council has subsequently sold four properties under the Right to Buy Scheme (RTB).

The Self-Financing Housing Revenue Account

2.4 April 1 2012 saw the introduction of the Self Financing Housing Revenue Account, replacing the Government housing subsidy regime. In practical terms the HRA is now a self-sufficient ring-fenced account which will retain and utilise rental income, and in the case of Oldham, PFI credits, to meet all its management, maintenance and repairs commitments, including the respective unitary charges. The aim of the reforms was to enable Councils to manage their housing stock for the benefit of local residents in a transparent, accountable and cost effective way.

2.5 As part of the self-financing settlement the Department for Communities & Local Government (DCLG) fully re-paid the debt allocated to the HRA. Linked to the settlement, DCLG also issued a 'limit of indebtedness', which in practical terms enabled the Council's HRA to raise approximately £9m in new borrowing.

2.6 A further key element of the self-financing arrangement was a decision taken by Government to provide a five year transition period, during which depreciation need not be charged to the HRA. This transitional period finished in 2016/17 with the first actual depreciation charge against the HRA due to be made in 2017/18. Charging depreciation within the HRA is aimed at ensuring Authorities are accumulating appropriate balances in order to have sufficient resources to allow for any repairs needed to their housing stock.

2.7 As Oldham's entire housing stock is contained within two PFI schemes, there already exists an allocation of funding for ongoing repairs and maintenance within the unitary charge paid. Based on conversations with the Ministry of Housing, Communities and Local Government (MHCLG) Oldham has been advised that this directive does not apply to our housing stock given its PFI status. However discussions have been ongoing with Central Government and External Audit for some time with the aim of formally approving an approach that reflects stock contained within PFI contracts. Despite pressing for a response the Council has not yet received official confirmation from the MHCLG. However, guidance and advice received to date suggests that the Council has interpreted the policy correctly. As a result the HRA Business Plan has been calculated assuming that all future repairs and maintenance will be catered for within the unitary charge payments.

Rent Restructuring

2.8 Rent restructuring (convergence) was originally introduced in 2002/03. This set out a new methodology for the calculation of dwelling rents, attempting to equalise rent charges between Local Authorities and Housing Associations over ten years.

2.9 Oldham Council has complied with all proposed Central Government rent restructuring guidance in every year from 2002/03 to the present day.

2.10 In October 2013 the Government issued consultation papers entitled "Rents for Social Housing from 2015/16" and also "Direction on the Rent Standard 2013" in which it recommended that the date of convergence be brought forward by one year from 2015/16 to 2014/15. In addition the paper also outlined a move away from annual increases in weekly rents from RPI + 0.5% to CPI + 1% (effective from April 2015). These proposals were formalised in the Government document, "Direction on the Rent Standard 2014" published 23 May 2014. Reasons for the shift to CPI were that the move brought with it increased stability for both tenants and landlords as the calculations did not include mortgage costs which in previous years had led to increased rate volatility.

2.11 In the Chancellor's Summer Budget announcement in July 2015 and the subsequent Welfare Reform and Work Act, Government detailed legislative moves to impose social rent reductions at 1% for four years (2016/17 to 2019/20), in effect unwinding previous policies of rent convergence. The Chancellor indicated that given the level of social rents funded by Housing Benefit the move would lead to significant public sector savings. However an exemption to this was issued for properties covered by PFI contracts meaning that Oldham has continued to determine rents based on the Government guidance set out in paragraph 2.10.

2.12 The level of rents recommended for approval for 2019/20 and included in the 2019/20 budget projections follows current Government guidance. The 2019/20 proposed annual rents for all HRA tenants will therefore see rents increase by 3.4% (based on CPI as at September 2018 of 2.4% plus 1%).

2.13 Based on this Government guidance, it is estimated that the average rent increase from April 2019 will be £1.10 per week (from £84.87 to £85.97). The weekly increase has been mitigated in part because 2019/20 is a 53 week rent year with 49 chargeable weeks rather than the 48 chargeable weeks in 2018/19 (for information, a 48 week chargeable year would have resulted in an increase of £2.89 per week but with an additional free week).

The Revised HRA Budget 2018/19

2.14 The 2018/19 estimated outturn is attached at Appendix A and shows an estimated year end working balance of £21.366m, £2.506m higher than the original budget approved at the February 2018 Budget Council meeting. The majority of the 'in-year' variance can be attributed to the re-profiling of HRA funded capital schemes into later years. Members will also note that the final outturn position for 2017/18 resulted in HRA Balances brought forward of £20.162m, £0.575m higher than the position reported at the February 2018 Budget Council Meeting.

2.15 The composition of the balance is summarised below:

Analysis of HRA Balances 2018-19	Original Budget £000	Revised Budget £000	Variance £000
HRA Balances b/fwd	(19,587)	(20,162)	(575)
(Surplus)/Deficit for the year on HRA Services	727	(1,204)	(1,931)
HRA Balances c/fwd	**(18,860)**	**(21,366)**	**(2,506)**

The HRA Budget 2019/20

2.16 The proposed HRA budget for 2019/20 is attached at Appendix B including all income and expenditure due to be funded from HRA Balances.

2.17 PFI credits for the two schemes are paid on an annuity basis; that is, they remain constant throughout the life of the contracts. In the early years of the schemes, these credits exceed the unitary charges and other costs payable. These early year surpluses, together with any interest earned, are retained to meet later year deficits as unitary charge payments to the service provider are increased year on year by an inflationary factor. All HRA balances are specifically earmarked for these contracts and associated capital schemes, as identified in Appendix B.

2.18 Other key assumptions made in determining the budget are that:

1) Average rents are 3.4% higher than for 2018/19 for all HRA tenants;
2) Void levels have been assumed at 2% per annum on PFI 4 properties and at 3% per annum on PFI 2 properties. PFI 2 void percentages have historically been higher as a result of the ongoing tenancy placement work, ensuring tenant mixes in the six Extra Care Schemes are appropriate to the levels of care provision required. The 3% void levels have been considered to be a more prudent assessment of the PFI 2 property void position;
3) There are 49 chargeable rent weeks in 2019/20;
4) Service Charges and Extra Care Housing charges are continued/applied from April 2019 in line with previous approvals.

2.19 The estimated 2019/20 HRA closing balance of £19.477m is considered to be sufficient to meet future operational commitments and the potential financial pressures identified in the risk assessment. Appendix B presents the projected 2019/20 HRA budget based on the proposed position.

2.20 The estimated HRA budget for 2019/20 to 2023/24 is detailed at Appendix D. Expenditure includes the use of a Revenue Contributions to Capital Outlay (RCCO) to support the expected level of capital expenditure being funded.

Dwelling Rent, Non-Dwelling Rents and Services Charges Increases 2019/20

2.21 The proposed 2019/20 HRA budget is based on dwelling rents increasing in line with current rent setting Government guidance as outlined in paragraph 2.10 above. However, there are 53 weeks in 2019/20 rather than the usual 52. Whilst this does not affect the amount of rent collected in total during the year it does create a potential problem for tenants in receipt of Universal Credit. The Universal Credit system has been designed around rent payments over 52 weeks and so does not allow for a 53 week rent year. This will mean that those tenants will potentially have a week of arrears on their accounts. There are currently representations being made by the Local Government Association (LGA) to the Department of Work and Pensions (DWP) to find a resolution to the problem. If a resolution is notified then the Council will implement this accordingly. However, whatever the outcome nationally, the Council will take whatever action is within its powers to support tenants in receipt of Universal Credit who are impacted by there being 53 rent weeks in 2019/20.

2.22 Non-dwelling rents will be increased in line with individual agreements. It is the Council's intention not to increase service charges.

2.23 Central heating charges remain for some of the PFI properties and it is proposed to continue recharging tenants on the basis of actual costs incurred.

2.24 Service charges will continue to be passed on to all tenants in 2019/20. After a period of transitional charges on PFI 2 properties all tenants are now paying full charges.

2.25 From the Council's perspective, service charges were deemed necessary as it helped minimise long term risk to the Council's HRA Business Plan, whilst also allowing the establishment of a more stable and realistic financial environment in which to manage the housing stock.

2.26 The Council has recognised the financial pressure that a 3.4% rent uplift will have on tenants and for this reason it has chosen to freeze service charges for a second consecutive year at 2017/18 prices.

Extra Care Housing (ECH)

2.27 All six ECH schemes (Trinity House, Aster House, Charles Morris House, Tandle View Court, Old Mill House and Hopwood Court) have now completed their phased 3 year charging period for Concierge Services. It is proposed that the weekly charge is increased in line with Housing and Care 21's pay inflation from £19.39 to £19.69 reflecting the actual cost incurred by the Council.

Sale of High Value Council Homes

2.28 Members will recall that there was a proposed Government policy, first announced in 2015, that recommended a requirement that all Councils sell high value Council stock once a property becomes vacant. The aim of the policy was to encourage Councils to sell properties in their higher value areas and use the capital receipt to build an increased number of houses where housing costs are lower.

2.29 As part of the Social Housing Green Paper published in August 2018, this policy has now officially been dropped.

Extension of Right To Buy (RTB)

2.30 The Government has also announced plans to extend the Right to Buy (RTB) legislation to include Housing Associations. A pilot project of this offer was announced for the Midlands area starting in April 2018. As this only affects Housing Associations there are no direct implications for the Council, however the Council will continue to monitor the situation as the scheme progresses.

Local Housing Allowance (LHA)

2.31 The Government had announced that it will not apply the LHA to Supported Housing and the wider social rented sector and had suggested an alternative funding method from April 2020. After consultation, the Government announced in August 2018 that it had abandoned plans to bring in grants and a sheltered rent to fund social housing and that it would continue to be funded via Housing Benefits.

Increase in Borrowing Limits

2.32 Within the November 2017 Autumn Budget it was announced that Local Authorities in high demand areas would be invited to bid to allow for an increase in their borrowing caps. This was intended to stimulate the growth in the provision of Social Housing. In order to be eligible to bid, the qualifying criteria was such that average private rent within an area needed to be at least more than £50 per week higher than average social rent. However, once the list of eligible authorities was announced it was confirmed that Oldham would not qualify.

2.33 In the Budget Announcement of October 2018 the Government revealed plans to remove the borrowing cap for all authorities by the end of the month. A draft determination statement was issued by The Secretary of State for Housing, Communities and Local Government, the Rt Hon James Brokenshire MP stating that Councils would be able to borrow for new build, provided they followed current prudential borrowing guidelines. Comments were invited on the draft determination by 24 October 2018, following which the determination came into force on 1 November 2018. While this offers great potential for funding larger projects, consideration needs to be given around the length of time the loan would take to repay along with the interest payable. Lending and borrowing interest rates currently make it prudent to use balances before any loan is sought. There are already a number of planned capital projects which will utiise some of the HRA balances and detailed consideration is needed to determine, what if any, prudential borrowing is appropriate given the requirement to finance the cost of any such borrowing from the HRA.

Strategic HRA Estimates 2020/21 to 2023/24

2.34 The projected forecasts for 2020/21 to 2023/24 are attached at Appendix D. As per paragraph 2.1, the HRA only includes properties which are managed under the two PFI contracts. Based on current estimates, it is expected that the HRA balance will be £17.351m at the end of 2020/21, £13.365m at the end of 2021/22, £14.417m at the end of 2022/23 and £16.174m at the end of 2023/24.

2.35 It should be noted that in both PFI schemes a proportion of the unitary charge is indexed with reference to inflation based on the Retail Prices Index (RPI) rather than the Consumer Price Index (CPI).

3 Options/Alternatives

3.1 In order for the Council to comply with legislative requirements, it must consider and approve a HRA budget for 2019/20.

3.2 Within the Summer Budget Announcement of July 2015, the Government announced legislation to impose a 1% per annum social rent reduction for 4 years. All Oldham housing stock is exempt from this decrease and therefore an increase has been applied since this date in accordance with previous Government rent setting guidance.

3.3 Should the Council wish to move away from the established practice of following Government guidelines, then two potential scenarios have been assessed by way of example, the:

- Proposed rent increase of 3.4% is amended to 2%
- Proposed rent increase is removed altogether.

The loss to the HRA for 2019/20 in terms of rental income would be, £0.114m at a 2% rent increase and £0.278m with no rent increase, as shown below.

Average Increase in Rent	2% £000	0% £000
Impact in 2019/20	114	278
Impact over remaining life of Business Plan	4,150	10,077

3.4 Although losses in income for 2019/20 could be considered manageable, it is the cumulative impact of sustained losses of income that would have a lasting and significant impact on the long term financial strength of the HRA and potentially its ability to meet its current and future financial commitments. This is emphasised with the inflation factor built into the Unitary Charge. A proportion of the Unitary Charge expenditure currently increases by an inflation factor linked to the Retail Price Index (RPI), therefore were the Council not to introduce the proposed rent increase, or to increase rents at a level below the current proposal, it would limit the ability of the HRA to meet its future financial commitments.

4 Preferred Option

4.1 The preferred option is that dwelling rent increases of 3.4% are considered together with other recommendations of the report as listed in the summary.

5 Consultation

5.1 Consultation has taken place with Executive Members, Service Providers and Tenants throughout the year. Where schemes have had a significant impact on a particular group of tenants or subsequently had a material impact on the HRA budget, the Council has endeavoured to undertake a thorough consultation with tenants. For example the Council has staged additional, more frequent drop-in sessions and Court Voices meetings where tenants are encouraged to raise any concerns thus allowing a forum for further consultation. It was through Court Voices that tenants, in conjunction with Housing Officers, compiled a list of specific wants which were then considered and approved as part of the HRA element of the Council's Capital Strategy.

5.2 The HRA detailed budget for 2019/20 and strategic estimates for the four years 2020/21 through to 2023/24 and the outturn estimate for 2018/19 was presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 24 January 2019. The Select Committee was content to commend the report to Cabinet without amendment.

6 Financial Implications

6.1 The proposals set out in this report are based upon the best assessment of the likely financial position of the Council's HRA for 2018/19 to 2023/24. Prudent assessments have been included within these estimates and the financial impact of any variances is identified in the Risk Assessments undertaken.

6.2 At this time, the HRA balances are deemed sufficient to meet known obligations for the foreseeable future. (John Hoskins)

7 Legal Services Comments

7.1 It is a statutory requirement that the Authority set a balanced HRA budget, having due regard to an appropriate level of working balances and giving due consideration to the risks involved. (Colin Brittain)

8 Co-operative Agenda

8.1 The HRA budget has been prepared so that resources are utilised to support the aims, objectives and co-operative ethos of the Council.

9 Human Resources Comments

9.1 None.

10 Risk Assessments

10.1 The HRA budget set out in this report is based on the best assessment of the likely financial position of the HRA in 2018/19 to 2023/24. Attached at Appendix C is a risk register as at February 2019. Forecasting remains challenging and there are a number of key issues that, should they change, affect the proposed budget.

11 IT Implications

11.1 None.

12 Property Implications

12.1 None.

13 Procurement Implications

13.1 None.

14 Environmental and Health & Safety Implications

14.1 There are non-specific at this stage.

15 Equality, community cohesion and crime implications

15.1 Continuation of a robust consultation process open to all tenants and tenants representatives will ensure maximum engagement and provide the opportunity for the views of all groups to be considered in setting the HRA budget and the provision of services to tenants.

16 Equality Impact Assessment Completed?

16.1 Not Applicable.

17 Key Decision

17.1 Yes.

18 Key Decision Reference

18.1 FCR–14-18

19 Background Papers

19.1 The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as defined by that Act.

File Ref:	Background papers are attached as Appendices A to D
Officer Name:	John Hoskins, David Leach and Anne Ryans
Contact No:	0161 770 1323/6679/4902

20 Appendices

Appendix A	Revised HRA Income & Expenditure Account 2018/19.
Appendix B	Original HRA Income & Expenditure Account 2019/20.
Appendix C	2019/20 – 2023/24 Risk Assessment as at February 2019.
Appendix D	HRA Income & Expenditure Account 2019/20 to 2023/24 Strategic Forecasts.

Revised HRA Income & Expenditure Account 2018/19 **Appendix A**

Revised HRA Income & Expenditure Account 2018/19	Original Budget	Latest Forecast	Variance to Budget
	£000	£000	£000
Income			
Dwellings Rents (gross)	(8,185)	(8,185)	0
Non Dwelling Rents	(37)	(38)	(1)
Charges for Services and Facilities	(1,087)	(1,001)	86
Contributions towards Expenditure	(35)	(20)	15
PFI Grant	(18,786)	(18,799)	(13)
Total Income	(28,130)	(28,043)	87
Expenditure			
Unitary Charge Payments (PFI2 and PFI4)	23,064	23,289	225
Supervision & Management	461	461	0
Depreciation and Impairment of Fixed Assets	146	146	0
Rent, Rates and Other Charges	2,730	3,074	344
Revenue Contribution to Capital Outlay (RCCO)	2,675	88	(2,587)
Total Expenditure	**29,076**	**27,058**	**(2,018)**
Net Cost of HRA Services	**946**	**(985)**	**(1,931)**
Interest and Investment Income	(219)	(219)	0
(Surplus)/Deficit for the year on HRA Services	727	(1,204)	(1,931)
HRA Balances brought forward	(19,587)	(20,162)	(575)
HRA Balances carried forward	**(18,860)**	**(21,366)**	**(2,506)**

Original HRA Income & Expenditure Account 2019/20 **Appendix B**

Original HRA Income & Expenditure Account 2019/20	Original Budget
	£000
Income	
Dwellings Rents (gross)	(8,464)
Non Dwelling Rents	(38)
Charges for Services and Facilities	(1,076)
Contributions towards Expenditure	(39)
PFI Grant	(18,799)
Total Income	**(28,416)**
Expenditure	
Unitary Charge Payments (PFI2 and PFI4)	23,639
Supervision & Management	465
Depreciation and Impairment of Fixed Assets	146
Rent, Rates and Other Charges	2,425
Revenue Contribution to Capital Outlay (RCCO)	3,849
Total Expenditure	**30,524**
Net Cost of HRA Services	**2,108**
Interest and Investment Income	(219)
(Surplus)/Deficit for the year on HRA Services	1,889
HRA Balances brought forward	(21,366)
HRA Balances carried forward	**(19,477)**

Appendix C

HOUSING REVENUE ACCOUNT

2019/20 – 2023/24 RISK ASSESSMENT AS AT FEBRUARY 2019

RISK EVENT/ DESCRIPTION	LIKELIHOOD	IMPACT	RESERVE POSITION
1. The void level assumed on dwelling properties increases.	The proposed budget assumes a void rate of 2% on PFI 4 properties and a 3% void rate on PFI 2 properties. These are believed to be realistic estimates at this time; however the full impact of welfare reform from a limit on Housing Benefits could force more tenants out of social housing and increase void levels.	A change in the void percentage of 1% (approximately 21 properties) has the impact, in a full year, of £0.087m.	The loss of income arising from movement in void levels would need to be met from HRA balances. The HRA has sufficient balances to absorb small movements on voids.
2. Impact of changes in rental income collection rates.	The collection of rental income is a key performance indicator and one in which the PFI providers have performed at the highest level. Historically it has been considered a low risk that this collection rate will deteriorate to a level to the point where it has a significant impact on the HRA budget. However, Welfare Reform has the potential to impact on rent collection levels.	Rental income is accounted for within the HRA on a rents receivable not received basis. Continuous monitoring of the levels of uncollected income will help inform the provisions position needed for bad or doubtful debts.	The current HRA bad debt provision is considered to be prudent for the levels of uncollected income currently being held/forecast within the HRA. Balances are considered sufficient to deal with any impending changes to the benefits system.
3. Service Charge Recovery	Service charges are currently eligible for Housing Benefits so it is relatively low risk that the majority of service charge costs will be unrecovered. Self-payers may incur some level of difficulty however the percentage of self-payers as part of the overall tenancy profile is relatively small.	In 2019/20 the total level of service charges is budgeted in excess of £0.500m (excluding concierge and court manager costs). Any reduction in this could impact the HRAs ability to maintain and develop new schemes and services.	Tenants failing to pay their service charges will have a detrimental effect on the HRA reserve, although given the high number of tenants on Housing Benefit, the level of collection is still expected to remain high.
4. Extra Care Housing (ECH) Charge Recovery	ECH charges are eligible for Housing Benefits so it is of relatively low risk that the majority of ECH charge costs will be unrecovered. Self-	In 2019/20 it is expected each qualifying tenant i.e. a tenant within one of the six approved Extra Care	Tenants failing to pay their ECH charge will have a detrimental effect on the reserve, although

RISK EVENT/ DESCRIPTION	LIKELIHOOD	IMPACT	RESERVE POSITION
	payers may incur some level of difficulty. However the percentage of self-payers as part of the overall tenancy profile is relatively small.	Housing Group Schemes, will need to pay approx. £950 pa towards ECH charges. Costs of chasing recovery will also need to be considered.	given the close correlation to Housing Benefit, the levels of collection are expected to remain high.
5.Rent Restructuring	In October 2013 the DCLG approved a move to CPI plus 1% as the basis of the annual rental increase calculation as opposed to previously using the index of RPI plus 0.5%. The largest inflationary cost increase to the HRA is the uplift in the unitary charge which is linked to RPI. The move to different measures of inflation potentially being applied to income and expenditure, may introduce increased risk exposure to an inflationary pressure in the event that CPI+1% falls below RPI+0.5%.	As of September 2018, the month used for all rent calculations, the difference between the two indices was under 1.0%. The business plan has been modelled on this basis.	The movement in the respective indices will be monitored on an on-going basis, it is however considered that there is sufficient tolerance within the predicted cumulative HRA balances to manage this risk.
6. Change in Guidance on the charging of depreciation	The transitional period for how the HRA accounts for depreciation ceases on 31 March 2017 so from 2017/18 onwards there is now a requirement to set aside an amount equal to depreciation into the Major Repairs Reserves (MRR) to cover repairs and maintenance on HRA stock. However all Oldham Council stock of approx. 2,000 properties are covered under PFI contracts whereby the Unitary Charge paid has an element included for repairs and maintenance (R&M). This will mean that if there is a transfer into the MRR The Council will accumulate a high level of reserves that are required as all the R&M has already been paid financed.	The current forecast amount that would need to be set aside from 2019/20 is approx. £4.9m per annum. This would soon place the HRA in deficit but at the same time create an unrequired MRR.	Advice is being sort on an on-going basis from MHCLG, External Auditors and other stock owning Authorities. The position will be reviewed once the guidance has been issued.

RISK EVENT/ DESCRIPTION	LIKELIHOOD	IMPACT	RESERVE POSITION
	Despite pressing the MHCLG on the subject, the Council has yet to receive official clarification on this matter. Guidance and advice received to date suggests that the Council has interpreted the policy correctly. The Council is advised that any change from the assumed approach would not become a material issue in the auditing of the accounts for several years.		

HRA Income & Expenditure Account 2019/20 to 2023/24 Strategic Forecasts **Appendix D**

HRA Income & Expenditure Account 2019/20 to 2023/24 Strategic Forecasts	Original 2019/20	Original 2020/21	Original 2021/22	Original 2022/23	Original 2023/24
	£000	£000	£000	£000	£000
Income					
Dwellings Rents (gross)	(8,464)	(8,752)	(9,049)	(9,357)	(9,675)
Non Dwelling Rents	(38)	(38)	(39)	(39)	(39)
Charges for Services and Facilities	(1,076)	(1,076)	(1,076)	(1,076)	(1,076)
Contributions towards Expenditure	(39)	(84)	(109)	(228)	(233)
HRA Subsidy ~ PFI Credits	(18,799)	(18,799)	(18,799)	(18,799)	(18,799)
Total Income	(28,416)	(28,749)	(29,072)	(29,499)	(29,822)
Expenditure					
Unitary Charge Payments (PFI2 and PFI4)	23,639	23,992	24,350	24,713	25,082
Supervision & Management	465	470	475	479	484
Depreciation and Impairment of Fixed Assets	146	146	146	146	146
Rent, Rates and Other Charges	2,425	2,453	2,484	2,528	2,572
Revenue Contribution to Capital Outlay (RCCO)	3,849	4,033	5,822	800	0
Total Expenditure	**30,524**	**31,094**	**33,277**	**28,666**	**28,284**
Net Cost of HRA Services	**2,108**	**2,345**	**4,205**	**(833)**	**(1,538)**
Interest Payable and Other Similar Charges					
Interest and Investment Income	(219)	(219)	(219)	(219)	(219)
(Surplus)/Deficit for the year on HRA Services	**1,889**	**2,126**	**3,986**	**(1,052)**	**(1,757)**
HRA Balances brought forward	(21,366)	(19,477)	(17,351)	(13,365)	(14,417)
HRA Balances carried forward	**(19,477)**	**(17,351)**	**(13,365)**	**(14,417)**	**(16,174)**