Report to Council

Housing Revenue Account Estimates for 2018/19 to 2021/22 and Proposed Outturn for 2017/18

Portfolio Holder: Joint Report of Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and HR, and Councillor Barbara Brownridge, Cabinet Member for Cooperatives and Neighbourhoods

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Reason for Decision

The report sets out the latest Housing Revenue Account (HRA) outturn estimate for 2017/18, the detailed budget for 2018/19 and strategic estimates for the three years 2019/20 through to 2021/22. The report also sets out the recommended dwelling and non-dwelling rents and service charge increases to be applied from April 2018.

Executive Summary

The report sets out the HRA proposed 2018/19 original budget and the forecast outturn for 2017/18. The opportunity is also taken to present the provisional strategic budgets for 2019/20 through to 2021/22.

After taking all relevant issues into account, the projected financial position for 2017/18 is estimated to be a £1.785m positive variance when compared to the original budget forecast for 2017/18 approved at the March 2017 budget meeting. The majority of this variance can be attributed to the re-profiling of HRA funded capital schemes into later years due to revisions to planned spending profiles.

The financial position for 2018/19 shows an estimated HRA closing balance of £18.870m which is considered to be sufficient to meet future operational commitments and the potential financial pressures identified in the risk assessment.

The 2018/19 position has been presented after allowing for an increase in rent of 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 2018/19 budget will follow historic rent setting guidance of CPI plus 1%, resulting in an increase of 4% (CPI is taken as at September 2017).

The Housing Revenue Account estimates for 2018/19 to 2021/22 and proposed outturn for 2017/18 was presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 25 January 2018. The Select Committee was content to commend the report to Cabinet for approval. Cabinet duly considered and approved the report at its meeting on 19 February 2018 and commended the report to Council.

Recommendations

That Council approves the:

1. Forecast HRA outturn for 2017/18 (as per Appendix A)
2. Proposed HRA budget for 2018/19 (as per Appendix B)
3. Strategic estimates for 2019/20 to 2021/22 (as per Appendix D)
4. Proposed increase to dwelling rents for all properties of 4%.
5. Proposed increase to non-dwelling rents as per individual contracts.
6. Proposed increase to PFI 2 service charges to continue on previously approved transitional arrangements but without an inflationary uplift.
7. Proposed no inflationary increase to PFI 4 service charges.

Housing Revenue Account Estimates for 2018/19 to 2021/22 and Proposed Outturn for 2017/18

1 Background

1.1 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. As part of this process the HRA Budget report for 2018/19 was presented to the Overview and Scrutiny Performance and Value for Money Select Committee (PVFM) on 25 January 2018. The Select Committee accepted the recommendations in the budget report and commended the report to Cabinet. Cabinet duly considered and approved the report at its meeting on 19 February 2018 and commended the report to Council.

2 Current Position

Housing Stock

2.1 The Council's housing stock currently comprises 2,064 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 two 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 then Department for Communities & Local Government (DCLG) fully re-paid the debt allocated to the HRA (as part of a Government restructure the DCLG was renamed on 8 January 2018 to the Ministry for Housing, Communities and Local Government (MHCLG)). Linked to the settlement, the now MHCLG also issued a 'limit of indebtedness', which in practical terms enables the 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 transitional 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 will ensure Authorities are accumulating appropriate balances in order to have sufficient resources to allow for any repairs needed to their housing stock.

2.7 Oldham's entire housing stock is contained within two PFI schemes, therefore within the unitary charge paid, there already exists an allocation of funding for ongoing repairs and maintenance. Oldham has therefore assumed that this directive does not apply to its housing stock. Discussions have taken place with Central Government and External Audit on this issue. Whilst official confirmation has not yet been received, 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 2018/19 and included in the 2018/19 budget projections follows current Government guidance. The 2018/19 proposed annual rents for all HRA tenants will therefore see rents increase by 4% (based on CPI as at September 2017 of 3% plus 1%).

2.13 Based on this Government guidance, it is estimated that the average rent increase from April 2018 will be £3.26 per week (from £81.60 to £84.86 on a 48 week basis).

The Revised HRA Budget 2017/18

2.14 The 2017/18 estimated outturn is attached at Appendix A and shows an estimated year end working balance of £19.587m, £1.785m higher than the original budget. The majority of this variance can be attributed to the re-profiling of HRA funded capital schemes into later years.

2.15 The composition of the balance is summarised below:

Analysis of HRA Balances 2017-18	Original Budget £000	Revised Budget £000	Variance £000
HRA Balances b/fwd	(18,366)	(18,366)	0
(Surplus)/Deficit for the year on HRA Services	564	(1,221)	(1,785)
HRA Balances c/fwd	**(17,802)**	**(19,587)**	**(1,785)**

The HRA Budget 2018/19

2.16 The proposed HRA budget for 2018/19 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 4% higher than for 2017/18 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 48 chargeable rent weeks in 2018/19;
4) Service Charges and Extra Care Housing charges are continued/applied from April 2018 in line with previous approvals.

2.19 The estimated 2018/19 HRA closing balance of £18.870m 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 2018/19 HRA budget based on the proposed position.

2.20 The estimated HRA budget for 2018/19 to 2021/22 is detailed at Appendix D. Expenditure on rent, rates and other charges are significantly higher in 2018/19 and 2020/21 due to large capital projects being funded in these years. These include the Supported Housing for Adults with a Learning Disability and/or complex behaviour project (SHALD) as well as the Social Housing element of the Oldham Town Centre Masterplan.

Dwelling Rent, Non-Dwelling Rents and Services Charges Increases 2018/2019

2.21 The proposed 2018/19 HRA budget is based on dwelling rents increasing in line with current rent setting Government guidance as outlined in paragraph 2.10 above. Non-dwelling rents will be increased in line with individual agreements. It is the Council's intention to increase service charges in line with transitional arrangements only, with no inflationary increase.

2.22 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.

2.23 Service charges will continue to be passed on to all PFI 2 tenants in 2018/19, following the widespread consultation in October 2013. The Cabinet meeting of 16 December 2013 approved service charging with a phased five year implementation with increases on a straight line 20% basis. PFI 4 service charges for 2018/19 will be based on the actual costs incurred during 2017/18.

2.24 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.

2.25 The Council has recognised the financial pressure that a 4% rent uplift will have on tenants and for this reason it has chosen to freeze service charges at 2017/18 prices. Transitional arrangements will continue where applicable, however no inflation will be applied to the 2018/19 service charges.

Extra Care Housing (ECH)

2.26 Four ECH schemes (Trinity House, Aster House, Charles Morris House and Tandle View) have now completed their phased 3 year charging period for Concierge Services. It is proposed that the weekly charge is now decreased to £19.39 to reflect the actual cost incurred by the Council. The Council has negotiated a fee reduction with Housing & Care 21 based on reduced administration costs.

2.27 A further two schemes, Old Mill House and Hopwood Court were upgraded to ECH in Autumn 2015. These schemes were subject to the same 3 year phasing as the original four ECH schemes with the final year of phasing being 2017/18. It is therefore proposed to increase the charge to £19.39 per week in 2018/19 in line with the agreement on full cost recovery.

Pay to Stay Policy

2.28 Pay to Stay was a Government policy whereby Local Authority tenants with taxable incomes of £31,000 or more (£40,000 or more in London) were expected to move from social rents to having to pay "market or near market rents". The measure was originally planned to come into effect in April 2017 with the Institute for Fiscal Studies estimating that the policy would impact upon 10% of social housing tenants. Previously Councils had the option of charging near market rates to those with incomes of £60,000 or more.

2.29 Any additional rental income generated by Local Authorities due to the charging of market rent in place of social rent would not have benefitted Councils but was expected to be transferred to Central Government less an amount that the Council could use to cover the administration costs.

2.30 However, as announced by the MHCLG on 21 November 2016, the Government has decided not to implement Pay to Stay. The Government will work to deliver its commitment to ensure that social housing is occupied by those who need it most through other measures.

2.31 The policy is still available to Authorities on a voluntary basis. However Oldham's current stance is that the benefits of the Pay to Stay policy are not deemed significant enough to introduce this policy.

Sale of High Value Council Homes

2.32 Another proposed Government policy is the requirement that Councils sell high value Council stock once a property becomes vacant. The aim of the policy is to encourage Councils to sell properties in their higher value areas and use the capital receipt to build more houses where housing costs are lower.

2.33 However, recent press reports have suggested that due to the uncertainty of this policy now being brought in, very few Local Authorities have made any provision for the forced sale and hand over of receipts to Government.

2.34 The Government has since indicated that it accepts Councils will need more time to prepare for the implementation of the policy. As a result of this lead in time the Government has chosen to delay implementation of the policy which had originally been planned to start in April 2017. The Secretary for Housing, Communities and Local Government, Sajid Javid has said that Local Authorities will not be expected to make a payment for high value asset sales in 2018/19.

2.35 In addition to this there are also plans to extend to Right to Buy (RTB) legislation to cover Housing Associations. In the Chancellor's Autumn Budget on 22 November 2017, a pilot project of this offer was announced for the Midlands area from April 2018. As this only affects Housing Associations there are no direct implications for the Council, however the position will be monitored as the scheme progresses.

Local Housing Allowance (LHA)

2.36 As part of the strategic estimates for future years, consideration has also been given to potential changes to the Local Housing Allowance (LHA) and the capping of Housing Benefits to this level for some/all tenants originally intended to be implemented in April 2019.

2.37 It had previously been assumed that no Housing Benefit will be paid on rents and service charges falling above the set levels as presented below (2017/18 figures):

Area	Shared	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Oldham (M post codes)	£67.20	£101.98	£119.98	£133.32	£186.47
Oldham (OL post codes)	£55.90	£83.91	£97.81	£113.92	£149.59

2.38 Currently general need tenants who are deemed to be under-occupying their property or only qualify for shared accommodation housing due to their age are asked to contribute the difference between actual rent and their Housing Benefits entitlement.

2.39 The LHA impact would have been particularly pertinent with Supported Housing where traditionally service charges and rents are higher than general needs. The Government has recently announced that it will not apply the LHA to Supported Housing and the wider social rented sector and has suggested an alternative funding method from April 2020. This is currently under consultation. The Council submitted a response to the consultation by the deadline of 23 January 2018. This uncertainty has been noted in the risk register at Appendix C.

Increase in Borrowing Caps

2.40 In the recent Autumn Budget delivered on 22 November 2017 it was also announced that Local Authorities in high demand areas will be invited to bid for an increase in their borrowing caps. This is to stimulate the growth in the provision of Social Housing. However, it was not made clear what would constitute a high demand area so it is currently not known whether this initiative will be available to the Council. The position will be monitored and reported as appropriate.

Strategic HRA Estimates 2019/20 to 2021/22

2.41 The projected forecasts for 2019/20 to 2021/22 are attached at Appendix D. As per paragraph 2.1, the HRA only includes properties which are managed under the two PFI contracts. It is expected that the HRA balance will be £21.102m at the end of 2019/20, £15.955m at the end of 2020/21, and £18.009m at the end of 2021/22.

2.42 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 2018/19.

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 an increase will be applied in accordance with current Government 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 4% is amended to 2%
- proposed rent increase is removed altogether.

The loss to the HRA in terms of rental income would be:

Average Increase in Rent	2% £000	0% £000
Impact in 2018/19	157	315
Impact over remaining life of Business Plan	3,954	7,908

3.4 Although losses in income for 2018/19 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 4% are approved 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 such as the introduction of Extra Care Housing, the Council has endeavoured to undertake a thorough consultation with tenants. For example additional, more frequent drop-in sessions and Court Voices where tenants are encouraged to raise any concerns and allowing a forum for further consultation. A key element of this consultation process was the consideration of the HRA budget by the PVFM Select Committee on 25 January 2018. The Select Committee was content to accept the recommendations in the report.

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 2017/18 to 2021/22. 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 2017/18 and 2018/19. Attached at Appendix C is a risk register as at February 2018. Forecasting remains challenging and there are a number of key issues that, should they change, affect the proposed budget. For example, there would be a risk to income if the void level was higher than the 2018/19 budgeted levels. The impact upon income is that a 1% increase in voids across both PFI 2 and PFI 4 properties costs approximately £0.079m in a full financial year and will expose the Council to the risk of future censure by its external auditors.

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 CFHR-17-17

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

20.1

Appendix A	Revised HRA Income & Expenditure Account 2017/18.
Appendix B	Original HRA Income & Expenditure Account 2018/19.
Appendix C	2018/19 – 2021/22 Risk Assessment as at February 2018.
Appendix D	HRA Income & Expenditure Account 2018/19 to 2021/22 Strategic Forecasts.

Revised HRA Income & Expenditure Account 2017/18 **Appendix A**

Revised HRA Income & Expenditure Account 2017/18	Original Budget	Latest Forecast	Variance to Budget
	£000	£000	£000
Income			
Dwellings Rents (gross)	(7,871)	(7,871)	-
Non Dwelling Rents	(39)	(37)	2
Charges for Services and Facilities	(988)	(1,189)	(201)
Contributions towards Expenditure	(43)	(43)	-
PFI Grant	(18,786)	(18,786)	-
Total Income	(27,727)	(27,926)	(199)
Expenditure			
Unitary Charge Payments (PFI2 and PFI4)	22,776	22,776	-
Supervision & Management	457	457	-
Depreciation and Impairment of Fixed Assets	146	146	-
Rent, Rates and Other Charges	5,131	3,545	(1,586)
Total Expenditure	**28,510**	**26,924**	**(1,586)**
Net Cost of HRA Services	**783**	**(1,002)**	**(1,785)**
Interest and Investment Income	(219)	(219)	-
(Surplus)/Deficit for the year on HRA Services	564	(1,221)	(1,785)
HRA Balances brought forward	(18,366)	(18,366)	-
HRA Balances carried forward	**(17,802)**	**(19,587)**	**(1,785)**

Original HRA Income & Expenditure Account 2018/19 **Appendix B**

Original HRA Income & Expenditure Account 2018/19	Original Budget
	£000
Income	
Dwellings Rents (gross)	(8,185)
Non Dwelling Rents	(37)
Charges for Services and Facilities	(1,087)
Contributions towards Expenditure	(44)
PFI Grant	(18,786)
Total Income	**(28,139)**
Expenditure	
Unitary Charge Payments (PFI2 and PFI4)	23,064
Supervision & Management	461
Depreciation and Impairment of Fixed Assets	146
Rent, Rates and Other Charges	5,404
Total Expenditure	**29,075**
Net Cost of HRA Services	**936**
Interest and Investment Income	(219)
(Surplus)/Deficit for the year on HRA Services	717
HRA Balances brought forward	(19,587)
HRA Balances carried forward	**(18,870)**

Appendix C

HOUSING REVENUE ACCOUNT

2018/19 – 2021/22 RISK ASSESSMENT AS AT FEBRUARY 2018

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 on 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 £0.079m.	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	The financial year 2018/19 will be the fifth year that service charges will be charged to PFI 2 tenants. Implementation was to be phased in over 5 years i.e. 80% recovery in 2017/18, 100% recovery in 2018/19. These 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. Although it has now been announced that the LHA will not apply	In 2018/19 the total level of service charges is budgeted at circa £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.

RISK EVENT/ DESCRIPTION	LIKELIHOOD	IMPACT	RESERVE POSITION
	to Supported Housing, the details are still not fully known so there is a possibility that the new funding mechanism may put a pressure on the HRA. The recent consultation period ended in January 2018. The outcome of this consultation is awaited.		
4. Extra Care Housing (ECH) Charge Recovery	The financial year 2018/19 is the first year all tenants will be paying the full cost of concierge services after the transitional charging period. 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-payers may incur some level of difficulty. However the percentage of self-payers as part of the overall tenancy profile is relatively small. Although it has now been announced that the LHA will not apply to Supported Housing, the details are still not fully known so there is a possibility that the new funding mechanism may place additional financial pressure on the HRA.	In 2017/18 each qualifying tenant i.e. a tenant within one of the six approved Extra Care Housing Group Schemes, will need to pay on average £875 pa towards ECH charges. Costs of chasing recovery will also need to be considered.	Tenants failing to pay their ECH charge will have a detrimental effect on the reserve, although given the close correlation to Housing Benefit, the levels of collection are expected to remain high.
5.Rent Restructuring	In October 2013 the MHCLG 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 2017, the month used for all rent calculations, there was a -1.0% difference between the two indices. 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 ceased on 31 March 2017 so from 2017/18 onwards there is now a requirement to set aside an amount equal to	The current forecast amount that would need to be set aside from 2017/18 is approx. £2.4m per annum. This would place the HRA	Continuing advice is being sort from MHCLG, External Auditors and other stock owning Authorities. The position will be

RISK EVENT/ DESCRIPTION	LIKELIHOOD	IMPACT	RESERVE POSITION
	depreciation into the Major Repairs Reserve (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 not required as all the R&M has already been financed. The Council has yet to receive clarification from MHCLG 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.	in deficit by 2026, but at the same time create a MRR in excess of £20m	reviewed once the guidance has been issued.

HRA Income & Expenditure Account 2018/19 to 2021/22 Strategic Forecasts **Appendix D**

HRA Income & Expenditure Account 2018/19 to 2021/22 Strategic Forecasts	Original 2018/19	Original 2019/20	Original 2020/21	Original 2021/22
	£000	£000	£000	£000
Income				
Dwellings Rents (gross)	(8,185)	(8,431)	(8,684)	(8,944)
Non Dwelling Rents	(37)	(38)	(38)	(39)
Charges for Services and Facilities	(1,087)	(1,089)	(1,091)	(1,093)
Contributions towards Expenditure	(44)	(63)	(110)	(135)
HRA Subsidy ~ PFI Credits	(18,786)	(18,786)	(18,786)	(18,786)
Total Income	**(28,139)**	(28,407)	(28,709)	(28,997)
Expenditure				
Unitary Charge Payments (PFI2 and PFI4)	23,064	23,354	23,701	24,053
Supervision & Management	461	466	470	475
Depreciation and Impairment of Fixed Assets	146	146	146	146
Rent, Rates and Other Charges	5,404	2,428	9,758	2,488
Total Expenditure	**29,075**	**26,394**	**34,075**	**27,162**
Net Cost of HRA Services	**936**	**(2,013)**	**5,366**	**(1,835)**
Interest Payable and Other Similar Charges				
Interest and Investment Income	(219)	(219)	(219)	(219)
(Surplus)/Deficit for the year on HRA Services	**717**	**(2,232)**	**5,147**	**(2,054)**
HRA Balances brought forward	(19,587)	(18,870)	(21,102)	(15,955)
HRA Balances carried forward	**(18,870)**	**(21,102)**	**(15,955)**	**(18,009)**