



AGENDA ITEM: 10

CABINET: 15th September 2015

**EXECUTIVE OVERVIEW &
SCRUTINY COMMITTEE:
1st October 2015**

Report of: Assistant Director Housing and Regeneration

Relevant Managing Director: Managing Director (Transformation)

Relevant Portfolio Holder: Councillor J. Patterson

**Contact for further information: Mr B. Livermore (Extn. 5200)
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SUBJECT: NATIONAL BUDGET – IMPLICATIONS FOR TENANTS AND HRA

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To advise Cabinet of the budget impact on tenants.

2.0 RECOMMENDATIONS TO CABINET

- 2.1 That the report be noted.
- 2.2 That the Assistant Director Housing and Regeneration work with political groups and Tenants in order to bring budget proposals to Council in February 2016.
- 2.3 That the Assistant Director Housing and Regeneration provide any background information to organisations like Association of Retained Council Housing (ARCH), or the District Council Network (DCN) in order to protect the HRA.
- 2.4 That the report be presented to the Executive Overview and Scrutiny Committee for information.
- 2.5 That Call In is not appropriate for this item as the report is being submitted to the next meeting of the Executive Overview and Scrutiny Committee on 1st October 2015.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

- 3.1 That the report be noted.
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4.0 BACKGROUND

- 4.1 'Self Financing' was introduced in 2012/13 to the HRA. This meant that, in return for a debt of £88M, the Council would be able to withdraw from the National HRA 'subsidy' system which saw a regular and increasing contribution made by West Lancashire Borough Council into the 'subsidy' system.
- 4.2 The 'Self Financing' system saw the HRA take on a major debt as indicated in 3.1 above, but as the Council structured it's borrowing to make an annual contribution to debt and associated interest which was lower than the former 'subsidy' contribution, this was beneficial to the Council.
- 4.3 Additionally the Government of the day agreed that rent increases would be 1% above inflation which meant that the Council's Business Plan was healthy and would support major investment in the housing stock together with strengthening the service offered to tenants generally.

5.0 CURRENT POSITION

- 5.1 This year looks as if it will be the last year that there will be significant financial benefits to the HRA.
- 5.2 The announcements which will impact are as follows:
- a) Rents to be reduced by 1% per year for the next 4 years.
 - b) Introduction of compulsory 'pay to stay' regime for tenants with a household income of over £30K forcing them to pay market rents.
 - c) Review of lifetime tenancies to limit their use and ensure households are offered tenancies that match their needs and ensure best use is made of social housing.
 - d) Welfare changes which will introduce a reduction in the benefit cap from £26K to £20K.
 - e) Freezing of working age benefits for 4 years.
 - f) Removing automatic entitlement to housing benefit for new claimants of Universal Credit for 18-21 year olds.
 - g) DHP to be limited to £800M over the next 5 years.
 - h) Requiring Local Authorities to sell 'high' value properties when these become vacant.
 - i) A package of reforms to Tax Credits and Universal Credit, including reducing some entitlements, ensuring claimant are better off in work.
 - j) From April 2017, new claimants on ESA (Employment and Support Allowance) who are placed in work related activity groups will receive the same as those claiming Jobseekers Allowance.

6.0 IMPACT

6.1 All of the budget proposals will have an impact. At this stage some will be known and others will need to be estimated. I have attempted to weigh the impact for WLBC and its tenants:

- a) Whilst the rent reduction will have a cash impact on the HRA of over £^{1/4} next year, this will also have a compounded impact for the following 3 years. Because the Business Plan is based on assumptions of increased income using CPI + 1% the impact will be a loss of £11.3M over the next 4 years. The savings of £11.3M will impact as follows:

2016/17	£1.5M
2017/18	£3.6M
2018/19	£3.6M
2019/20	£2.6M

Looking at the Business Plan over its life, this will have a negative impact of £260M. The HRA will need to find savings of £1.5M next year and identify savings of £11.3M over the next 4 years; in view of this I propose that I work with Political Groups and Tenants to bring suggestions forward so that a balanced HRA can be proposed to Council for budget setting purposes.

- b) The detail on the 'pay to stay' proposals are sketchy. The proposal is that market rents will be charged for households with income over £30K. Additionally, rents charged will be collected by WLBC and given to Government. The impact to tenants may force some to consider buying or moving out of the social sector. The Council will incur costs of enforcing these arrangements and it's unclear whether the Council or the Government will incur any bad debt or payment liability.
- c) The review of lifetime tenancies will no doubt incur administration costs and implement costs which, at this stage, are unknown.
- d) Currently there are 14 households which are affected by the Benefit Cap. Reducing the Cap to £20K from £26K will increase the number of households which will have a potential reduced income. Work is currently in hand to identify those affected. This reduction in income will affect larger households the most and will increase child poverty. Once the scale is known, the impact can be better assessed. Arrears will no doubt increase.
- e) The freeze of working age benefits will hit those on limited income and has the potential to increase arrears and will impact on those in receipt of benefit, particularly if inflation increases over the next 4 years.
- f) Last year we housed around 70 young people between the age of 18-21. If there was no entitlement to Housing Benefit from a business perspective, we would not wish to house this age group as this would force young people into debt. A decision would need to be made on whether housing would be offered and if there were any conditions.
- g) Further work is being undertaken to assess impact on DHP.
- h) The original proposal was that "high value" properties would be sold when these became empty. Initially I believed this would have limited impact because of using North West average prices. However, I understand that the value will be based on the average property price in a specific housing market area. Also, Government Officials are looking at turnover rates and talking about imposing a 'levy' based on churn rates and average "high

- value” properties. This is much more concerning to the business plan but, as the picture becomes clearer, I can advise further on this matter.
- i) If tenants have less income there is potential for arrears to increase and greater staff resources and time needed to assist tenants.
 - j) The changes to ESA will have the same impact as i) above.
- 6.2 Overall the position is disappointing with the Business Plan losing £260M over the next 30 years which could have been invested to improve housing conditions and create job opportunities in the area.
- 6.3 Arrears will undoubtedly increase which will impact on the HRA which will need to be managed to reduce revenue costs, either by reducing staffing, efficiencies or reducing the Capital Investment Programme.
- 6.4 The next 4 years will see measures having to be introduced to make savings of around £10M in order to balance the books.
- 6.5 In my opinion, the ‘deal’ agreed by Government for self-financing is now dead in the water and the freedoms and flexibilities we have benefited from will cease; this may be the start of further measures introduced by Government to reduce the impact on Welfare Reform spending. For those tenants who pay full rent and have an income of less than £30K, there is a benefit in the 1% reduction in the rent. Based on a rent of £80pw, the reduction would be 80p pw.

7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 7.1 See above about the impact. Action as highlighted in 5.2 – 5.4 will need to be taken to ensure the HRA is viable.
- 7.2 The impact to the HRA is a variance with the Community Strategy.

8.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 8.1 The financial or resource implications have been highlighted in paragraph 5.
- 8.2 Further work will need to be undertaken to better quantify the impact so that informed choices can be taken in February on how to bridge the budget gap that will immerge for the HRA over the next 4 years and possibly beyond.

9.0 RISK ASSESSMENT

- 9.1 Dependant on the assumptions made on the impact to the HRA and corrective action proposal will determine the risks associated for the future. In the Council report in February 2016, Members will need to set a balanced budget with a degree of caution about what the future holds.
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Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

This report is for information and so no Equality Impact Assessment is required.

Appendices

Appendix A – Minute of the Landlord Services Committee (Cabinet Working Group) held on 10 September 2015

Appendix B – Minute of Cabinet 15 September 2015