



COUNCIL: 19th October 2016

Report of: Director of Housing and Inclusion

Contact for further information: Marc Taylor (Ext. 5092)
marc.taylor@westlancs.gov.uk

SUBJECT: HOUSING REVENUE ACCOUNT POLICY OPTIONS 2017-18

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To consider financial performance in the current year, and to report the results of the Policy Options 2017/18 consultation before agreeing a final set of Policy Options for implementation.

2.0 RECOMMENDATIONS

- 2.1 That the financial performance at the mid year point as set out in Appendix 1 be noted.
 - 2.2 That the results of the Policy Options consultation set out in Appendix 2 be noted.
 - 2.3 That the Policy Option proposals set out in Appendix 3 be approved.
 - 2.4 That the Director of Housing and Inclusion be given authority to take all necessary action in connection with the implementation of the approved proposals.
-

3.0 BACKGROUND

3.1 The HRA (which covers all activities concerning the Council's Housing stock) had a business plan in place that was based on rents increasing by inflation plus 1% in line with a Government framework formula. However in the Summer of 2015 the Government changed these rules and now requires that rent levels are reduced by 1% per year over the 4 year period 2016-17 to 2019-20, although there are different rules in supported housing that enabled a 0.9% increase to be made in 2016/17. This change in approach, combined with the Government's welfare reform agenda, has created a budget gap in the business plan between planned expenditure and the resources that will be available to fund it.

- 3.2 This financial position meant that a £1.0m package of savings had to be agreed for the 2016/17 budget. Looking to the future, the HRA's forecast financial position up to March 2020 projects an estimated budget gap of £1.799m in 2017/18, £1.764m in 2018/19 and £4.391m in 2019/20, giving an overall cumulative savings target of £7.954m over the next 3 years.
- 3.3 The July Council report approved a package of budget streamlining and other measures that would deliver estimated savings over the 4 year period 2016-20 of £3.453m, which would then leave a remaining budget gap of £4.501m. This forecast position does not however take into account the potential impact of the Government Pay to Stay and Sale of Higher Value Property initiatives, as their details remain unknown. The July report then set out a further series of potential options for consultation, which are summarised below.

Code	Policy Option / Initiative
HRA1	Removal of Mains Water Replacement Programme from the Capital Programme
HRA2	Removal of capital scheme to replace fencing and paving and replacing it with cyclic repairs from the existing revenue budget
HRA3	Revision of the Council Housing Disabled Adaptations Policy
HRA4	Introduction of charging for gardening services

- 3.4 While every effort has been given to maximising efficiencies and income, the scale of the budget gap means that options have to be considered that will have an impact on tenants and service levels. However these Policy Option proposals have been designed to minimise these effects given the level of savings that need to be achieved. None of these options have any direct staffing implications.

4.0 BUDGET MONITORING MID YEAR REVIEW

- 4.1 It is our standard practice to review financial performance at the mid-year point to ensure that budgets are being effectively controlled so that any issues can be addressed in a timely fashion. A summary of the HRA Revenue position is shown in Appendix 1, which identifies that a favourable budget variance of £0.967m is projected for the year. This is equivalent to 3.7% of the overall budget requirement, and so is a modest variance in relative terms. The main reasons for this position are that the active management of staffing levels should deliver a favourable budget variance of just over £400,000 based on current trends, and because there have been no calls to date on the central contingency budget of £398,000.
- 4.2 The projections have been calculated on a prudent basis, and consequently it can be confidently expected that the HRA will meet its budget targets. This will continue our track record of managing our financial performance to ensure that the outturn position is in line with the budget. Consideration will be given to how this favourable budget variance can be used as part of next year's budget setting process.

5.0 CONSULTATION RESULTS

5.1 In total 118 responses were received to the 2016 Meeting the Budget Challenge consultation from Council housing tenants, and the results are set out in Appendix 2. For all proposals, more respondents agreed than disagreed with the proposals. The highest level of agreement is with the proposal to end the planned programme to replace fencing and paving from March 2017, while the lowest level of agreement concerned the introduction of charges for gardening services.

5.2 From the comments received the main concerns appear to be the potential for:

- Health issues relating to drinking water if lead pipes are not replaced as part of the water mains programme
- An increase in health and safety hazards if paving is not replaced or regularly checked
- Any housing moves as part of the disabled adaptations policy could cause disabled people some stress or worry
- The cost of a gardening service could be too much for some vulnerable Council tenants on low income, although this was a mixed view with some others feeling that the proposed charge was reasonable

5.3 My comments in relation to the concerns are as follows:

- Currently the programme would only apply to properties owned by the Council and therefore would not be a complete solution to the issue as existing lead pipes to other residents would not be replaced. Monitoring of existing water indicates that this conforms to acceptable standards. The budget was originally provided in case there was a requirement to replace in future years but this has not been necessary.
- The policy option proposal was to reduce the budget by £4.337m to carry out renewals of fencing and paving. Instead, the proposal was on a 5 year cycle to carry out repairs to fencing and paving which would include replacement if necessary. This inspection regime would be on a 5 year rolling programme supplemented by tenants reporting concerns and staff picking up issues whilst in the vicinity.
- It is generally accepted that moving house is a stressful time for people whether they are disabled or not. The intention is to support disabled tenants to move and where necessary, to organise removals etc. to make the move less stressful.
- The current minimum wage for those over the age of 25 is £7.20 per hour. The proposed change is £5 per week which compares favourably. The service is not mandatory and if residents are unwilling to pay, they have the choice to commission a service themselves or move to accommodation where there is no garden, such as sheltered housing.

6.0 FINAL POLICY OPTIONS FOR 2017/18

6.1 It is proposed that all 4 of the Policy Options that have been out for consultation should be approved as set out in Appendix 3. This position takes account of the HRA's medium term financial position and the support shown from tenants for these options in the consultation.

7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 7.1 Every effort will be made through the Policy Option process to minimise the impact of the need to make budget savings on priority areas. Creating a sustainable budget is a priority for all organisations and this report seeks to achieve this.

8.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 8.1 If the proposals in this report are approved it will generate savings of £6.155m for the HRA over the period 2017/18 to 2019/20. In addition there may be savings generated from proposals on changing car allowances that are contained in the GRA policy options report elsewhere on the agenda. This would be more than sufficient to meet the remaining estimated budget gap of £4.501m over the next 3 years. However this would provide headroom to deal with the potential implications of the Government Pay to Stay and Sale of Higher Value Property initiatives as well as potentially creating opportunities for investment in high priority areas.

9.0 RISK ASSESSMENT

- 9.1 The difficult financial position facing the HRA is a key risk that is included on the Council's Key Risk Register, and the Policy Option process is the main process for managing and controlling this risk. The financial scenario facing the HRA means that "doing nothing" is not an option, and that a large scale package of savings needs to be agreed over a medium term period.
- 9.2 In considering the estimated budget gap over the next 3 years, it is important to recognise that these are projections based on the best available information at the current time using a prudent, but not worse case, scenario. However there is scope for considerable variation, and the value and scale of issues identified in the forecast may change and new issues may emerge.

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

There is a significant direct impact on members of the public, employees, elected members and / or stakeholders and therefore an equality impact assessment is required. This assessment has been included in Appendix 4.

Appendix

Appendix 1 – Budget monitoring mid-year review

Appendix 2 – Meeting the Budget Challenge 2016 Consultation – Council Housing
Tenants

Appendix 3 – Final Policy Option proposals

Appendix 4 – Equality Impact Assessment