

LONDON BOROUGH OF HARROW

CABINET – 18 FEBRUARY 2016

REFERENCE FROM TENANTS', LEASEHOLDERS' AND RESIDENTS' CONSULTATIVE FORUM – 2 FEBRUARY 2016

HOUSING BUDGET CHANGES – IMPACT FOR RESIDENTS

The Forum received a presentation from the Housing Finance Business Partner on the Housing Revenue Account (HRA) and the draft budget which would be presented for decision by the Council in February 2016.

The officer made the following points:

- the Government require the Council to maintain an HRA as a means of accounting for all income and expenditure relating to the Council's Housing stock. It was a self-contained and ring-fenced account;
- at the moment the Council had a balanced HRA. This means that the income received into the HRA is equal to the expenditure made from the account;
- the Council had set a business plan for the HRA in July 2015 with ambitious targets and objectives. However last summer the Government had introduced a number of policy changes which significantly impacted upon the HRA;
- firstly the Government had proposed a reduction in the existing benefit cap. This would mean that those residents on benefits could have less money to pay their rents;
- secondly the Government also proposed to introduce universal credit. This mean that all benefits would be combined as one payment meaning that it could be more difficult for the Council to collect rent and it was anticipated that the number of residents in arrears would increase;
- the right to buy (RTB) properties by residents was proposed to be extended to housing associations, which could mean that there would potentially be less affordable housing on the market. In addition to this the Council would be required to sell off any high value void housing stock, with the proceeds used to fund the RTB extension;
- the Government had also proposed a 'Pay to Stay' scheme. This meant that if a tenant's income reached a certain level, they may be required to pay more rent. Affordability would be an issue and those who were earning more may wish to buy the property outright rather than paying any further increases in rent;
- lastly the Government wished to impose a 1% reduction in the amount of rent paid. However the benefits of this reduction would only be received by about

30% of tenants as the remaining residents would have been impacted by the reduction in the level of benefits;

- the proposed 1% reduction in the rent paid by tenants would cost the HRA approximately £10 million over 4 years and approximately £140 million over the 30-year lifetime of the HRA business plan;
- the proposed budget for the Council had assumed this 1% reduction in rents being implemented;
- all capitals budgets had been frozen as a result of the new proposals;
- there was currently no assumption in the draft budget for a reduction in services. It was believed that efficiencies could be achieved to contribute to the savings required for the next financial year. However this was not sustainable for the long term and choices about what services could be delivered had to be made;
- there were currently no definite proposals regarding which services to reduce and the input of the Forum would be essential in determining priorities;
- a set of alternative ideas for savings proposals was presented. These were intended to be for discussion purposes and would form the basis of the group session following the presentation. It was stressed that these were not proposals but simply ideas to start thinking about what choices should be made;
- the Council was currently lobbying the Government for an exemption from the requirement to reduce rents by 1%. The Council were attempting to demonstrate that ultimately this would not be in the interests of tenants;
- it was important to bear in mind that only 50% of expenditure under the HRA was directly controlled by the Housing Department, which meant that it was more difficult to deliver the required level of savings.

At the conclusion of the presentation, the Forum held a group session where their thoughts and ideas were provided to officers for consideration for the future.

Resolved to RECOMMEND: (to Cabinet)

That the presentation be noted and the comments referred to Cabinet.

Background Documents:

None

Contact Officer:

Vishal Seegoolam, Senior Democratic Services Officer

Tel: 020 8424 1883

Email: vishal.seegoolam@harrow.gov.uk