

Item No. 14.	Classification Open	Date: 13 December 2016	Meeting Name: Cabinet
Report title:		Housing Revenue Account – Indicative Rent Setting and Budget Report 2017-18	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing	

FOREWORD – COUNCILLOR STEPHANIE CRYAN, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING

This year's indicative rent setting and budget report for the Housing Revenue Account sets out recommendations and key considerations before formally being agreed by cabinet in January 2017.

We are beginning to feel the impact of the National Rent Reduction of 1% a year which forms part of the Welfare Reform and Work Act 2016 and it is estimated that by 2020 this could be the equivalent loss of £62.5m to the Housing Revenue Account.

We face a further challenge to the Housing Revenue Account funding due to the end of our agreement with Thames Water that ends on 31 March 2016 when all council tenants will need to enter into a direct billing arrangement with the water company.

The Housing and Planning Act could also have an impact on the HRA however we have made a commitment not to implement pay-to-stay on a voluntary basis and welcome the delay in the implementation of the forced void levy and the voluntary right-to-buy for housing association tenants.

We remain committed to ensure that savings are generated through efficiencies and whilst there are some increases to tenant service charges and garage charges we will not be proposing an increase to our sheltered housing services charges or to district heating and hot water charges.

We plan to consult on the recommendations of this report before the final report is presented to Cabinet in January, and I am asking cabinet to accept the recommendations for the indicative setting prior to this.

RECOMMENDATIONS

1. That cabinet notes on a provisional basis a rent decrease of 1.0% for all HRA dwellings (including estate voids and hostels) with effect from 3 April 2017. This is in accordance with the provisions of the Welfare Reform and Work Act 2016. The average dwelling rent in 2017-18 under such a reduction would be £99.48 per week.
2. With regard to other HRA-wide charges, cabinet notes on a provisional basis an increase in tenant service charges, comprising estate cleaning, grounds

maintenance, communal lighting and door entry maintenance as set out in paragraphs 42 – 43 with effect from 3 April 2017.

3. That cabinet notes on a provisional basis no increase to sheltered housing service charges as set out in paragraph 44 with effect from 3 April 2017.
4. That cabinet notes on a provisional basis an increase in charges for garages, as set out in paragraph 45.
5. That cabinet notes on a provisional basis no increase to district heating and hot water charges as set out in paragraphs 46 – 48 with effect from 3 April 2017.
6. That cabinet notes the decision of the government not to make the provisions within the Housing and Planning Act 2016 with regard to higher income social tenants (“pay-to-stay”) mandatory, and resolves not to introduce said provisions on a voluntary basis.
7. That cabinet notes that the council will no longer be responsible for the billing and collection of water and sewerage charges levied by Thames Water with effect from 1 April 2017 as set out in paragraphs 26 – 27.
8. That cabinet reaffirms its commitment to ensure that savings proposals are primarily based on efficiencies, and where staffing reductions form part of any savings proposal, that due consultation and process is followed with trade unions.
9. That cabinet instructs officers to provide a final report on Rent Setting and the HRA Budget for 2017-18 after due consultation processes with residents have been followed for consideration at their meeting on 24 January 2017.

BACKGROUND INFORMATION

Statutory framework

10. The Housing Revenue Account (HRA) reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the council’s housing stock, offset by tenant rents and service charges, homeowner service charges and other income. The council has a statutory responsibility to set a balanced HRA budget (i.e. all budgeted expenditure must be matched by income).
11. The Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016 made specific and significant provision for changes to the law affecting social housing providers with effect from both April 2016, with further changes timetabled for April 2017. These changes included the statutory reduction of rents by 1% each year for four years, the introduction of “pay-to-stay” and the higher-value levy on void sales, and revisions regarding the granting of new social housing tenancies.

KEY ISSUES FOR CONSIDERATION

National rent reduction

12. For the first time in many years the government legislated regarding social rents, by the inclusion of sections within the Welfare Reform and Work Act 2016 compelling councils and housing associations to reduce rents by 1% each year from April 2016 to April 2019 inclusive (i.e. 2016-17 to 2019-20).
13. Southwark policy for a number of years was to keep rent rises low (in accordance with government guidance/expectations), and Southwark's rents remain c.10% lower than the government's assumed target and rank 7th lowest of the 29 London Boroughs with retained housing stock.
14. Under previous government policy, the rent rise at CPI + 1% for the next ten years had been guaranteed, enabling councils to plan their resources accordingly. For Southwark, the working assumption had been that given historically low inflation levels at present, the resultant rent increases should be assumed to be accordingly low, at 1% per annum, in tune with the previous commitment.
15. Whilst the initial impact of the compulsory rent reduction was contained within the existing parameters of the HRA last year, the effect of four years of enforced reductions requires re-profiling and re-prioritisation of budget plans in order to preserve the statutory requirement to set a balanced budget, with the impact falling broadly as follows:
 - An increased level of HRA-related savings beyond those already programmed under the originally anticipated rent level
 - A reduction in revenue support to the investment programme and
 - A re-evaluation (and extension) in the profile of debt repayment.
16. These changes have been reflected in the business plan which is subject to continuous review to ensure that the key budget drivers are accurate, up to date and aligned with the council's fairer future policy priorities.

Pay-to-stay

17. After several rounds of consultation stretching back a number of years, central government enacted proposals around a compulsory version of the so-called "pay-to-stay" policy, whereby higher-earning tenants are automatically charged a higher rent (whether at market or "affordable" levels) within the Housing and Planning Act 2016. This policy was due to commence in April 2017.
18. On 21 November 2016 the Minister for Housing and London confirmed in a written statement that the policy would no longer be made mandatory from April 2017. Local authorities and housing associations continue to be able to introduce the policy on a voluntary basis. Southwark will not be implementing pay-to-stay and has no plans to do so in the future.

Lifetime tenancies

19. The Housing and Planning Act 2016 set out changes to arrangements regarding secure tenancies from April 2016 onward. With some caveats, the statutory default position is for new tenancies to be limited to a five year, renewable period. Government intentions are to enable local housing authorities to more efficiently apply their stock, potentially including consideration of the ability of individual tenants to pay more market-related rents. However, it should be stressed that this latter interpretation is not council policy. The administrative costs of this additional responsibility are still being evaluated, but will be contained within current budgets within the Resident Services division.

Higher-value void property sales

20. The Housing and Planning Act 2016 contains sections setting out the government's intention to require local authorities to remit sums to them equivalent to the value of sales of higher-value void properties. The Department of Communities and Local Government (DCLG) intend to estimate this figure in advance and therefore local authorities could, if they were able, finance this by other means than void property sales. To all practical terms however, the sums involved are likely to be so great that only void sales could meaningfully realise them. It is the government's intention to part-fund the extension of right-to-buy to housing association tenants by this route.
21. Whilst an indicative matrix of trigger points by bed-size and region beyond which the definition of "higher value" was published during the 2015 general election campaign, councils were anticipating the publication of regulations setting out the formal operation of the process during autumn/winter 2016. However, in late November 2016 CLG indicated that since the voluntary right-to-buy extension has been supplanted as a policy priority by the need to prepare for the United Kingdom's exit from the European Union, the policy has been formally postponed to some future date.
22. As with other aspects of recent legislation set out above, the consequence of the forced sale of higher-value voids will be further deviation from the stock and rental income assumptions underpinning the self-financing settlement in 2012.
23. The HRA budget report to cabinet in January 2017 will provide a further updated position, if one becomes available.

Thames Water charges

24. Cabinet will be aware that the council lost the test case involving the application of the Water Resale Orders 2001 and 2006, with judgement from the High Court (Chancery Division) being handed down in March 2016. Following the decision not to appeal against this judgement, systems were put in place to identify and refund current and former tenants for calculated overpayments of water charges under the provisions of the Water Resale Orders covering the period 1 April 2001 to 28 July 2013, with interest applicable to the end of the month where the refund was calculated/made.
25. Credits to rent accounts totalling £19.1m have been processed to date, and once offsets for arrears are taken into account, net refunds of £15.3m have been made to tenants. The council made provision in the 2015-16 HRA accounts to

cover the maximum potential amount attributable to current tenants, and has made a further provision going forward in respect of former tenants. Whilst this approach means that there is no specific budget adjustment in the indicative 2017-18 budget as a result, it should be noted that there is a significant opportunity cost in terms of resources foregone to support other policy priorities previously identified.

26. As reported to cabinet on 1 November 2016, Thames Water have given formal notice of their intention to terminate the agreement with the council. The notice period is six months and means that from 1 April 2017 all council tenants will enter into a direct billing relationship with the water company, and the council will no longer receive any commission from Thames Water as a recognition of the costs of billing or collection, or relating to the transfer of risk of non-payment inherent in such an arrangement. Save for the loss of the annual commission identified as a financial commitment for the HRA elsewhere in this report, the budget position is neutral.
27. Since notice was served, the council has been working actively with Thames Water to ensure as seamless a transition for council tenants as possible, with particular reference to tenants with vulnerabilities. It is likely that the transfer will open up possibilities for individual tenants to explore more advantageous tariffs with Thames Water than was previously possible.

Savings and service development

28. For reference, the table below sets out the principal budget pressures/commitments in the HRA over the last five years, which have been financed through relatively modest rent and charge increases (£11m), and £34.1m of efficiency savings and budget rationalisation measures, which have been successfully delivered whilst maintaining and improving the quality of services to residents.

	Inflation	Financing and rents	Commitment/redistribution	Efficiency and other savings	Net Change
	£'000	£'000	£'000	£'000	£'000
2012-13	1,400	856	4,100	(6,356)	-
2013-14	1,978	(6,609)	10,663	(6,032)	-
2014-15	1,704	135	4,054	(5,893)	-
2015-16	2,384	(5,029)	8,107	(5,462)	-
2016-17	2,446	(349)	8,230	(10,327)	-
Total	9,912	(10,996)	35,154	(34,070)	-

29. Whilst the funding regimes for the HRA and the council's General Fund are different, the budget principles are aligned. The process of budget review and rationalisation is a continuous one, particularly given the imposition of a national rent reduction, rising service demands, an increasing cost base and the commitment to the council's fairer future promises (July 2014). In 2015 the council plan expanded on this, adding six key themes. Appendix A sets out in full the theme most directly linked to the HRA, 'Quality Affordable Homes'. Sound financial management of the HRA is a key aspect in ensuring the council continues to improve housing standards, build more homes of every kind, make all council homes warm, dry and safe and start the roll-out of the quality kitchen and bathroom guarantee.

30. Moving into 2017-18, savings of £7.6m have been predicated as part of setting a balanced budget (as statutorily required). The HRA continually strives to become more efficient, particularly with regard to back-office, departmental and corporate overhead functions in order to protect front-line services; this is a recurring theme throughout the savings proposals put forward for next year.
31. This includes a prudent reduction in the level of arrears provisions held, consequent to the water refund exercise and the subsequent decision by Thames Water to terminate the agreement with the council. It has been possible to off-set outstanding arrears from sums due to tenants, leading to a reduction in the existing arrears position and the level of risk borne by the council from April 2017 onward, as tenants switch to a direct billing/payment relationship with Thames Water.
32. In previous years, setting a balanced budget for the HRA has entailed consideration/identification of additional support for the Housing Investment Programme (HIP). Whilst the need for resources overall remains high, the Warm Dry Safe programme (WDS) (formerly Decent Homes) is now substantially complete and, this specific budget provision can be released to meet the gap.
33. Savings in utility costs (particularly gas) across the council continue to be realised, a substantial proportion of which benefits the district heating account, which enables the budget to be realigned to more accurately reflect the anticipated cost during the coming year. This remains ring-fenced within the overall HRA to avoid cross-subsidy with non-district heating properties.
34. Alongside this, more robust contract management and control of high value/high volume budgets within the asset management division continue to deliver better value for money contributing to the saving target. There are also savings derived through volume/activity changes due to lower void turnover, stock loss (predominantly right to buy), and to a greater extent the sizeable capital investment in the housing stock over the last few years. Moving towards a planned/preventative asset management approach, designed to reduce the need for reactive repairs remains the priority. This is also consistent with a redefined repairs offer to reduce unnecessary works and deliver savings to protect other high priority service areas.
35. However, in the current financial environment, resources are unlikely to ever fully match the needs of the housing stock, particularly the scale of capital investment required, which inevitably requires the prioritisation, rationalisation and re-profiling of works programmes in order to achieve best value and ensure the HRA remains sustainable over the long-term. Appendices B – E set out the indicative revenue budget movements as they relate to 2017-18, comprising savings, proposed charge increases and other income generation measures and unavoidable commitments.

Commitments/unavoidable demands

36. General inflation: As with assumptions for the General Fund, employee-related inflation has been assumed at 1% for the national pay award with effect from 1 April 2017 and a further 2% for other incremental and contractual uplifts. In addition, there is a new 0.5% levy on basic pay to fund the apprenticeship levy required from all employers operating in the UK with a pay bill over £3m each year. There is a general inflation rate of zero applicable across all operational

budgets, with the exception of works/service contracts that are tied to CPI/RPI or industry-specific rates. The total is estimated at £1.9m.

37. Appendix E lists other budget commitments for 2017-18, which are estimated at £3.3m comprising:

- Loss of commission paid by Thames Water to the council in recognition of the transfer of risk relating to billing and collection of water rates on their behalf
- Development and implementation of a new IT strategy is paramount in helping deliver efficiency savings throughout council services. A critical element in achieving this is the restructuring of the in-house IT client to build the necessary capacity and resilience to support the council's modernisation agenda going forward
- Buildings insurance renewal premium (fully recoverable from homeowners under the terms of their lease), and volume-driven increases in possession claims on-line (PCOL), held within the income management function within exchequer services.

HRA financing

38. The self-financing settlement assumed that residual debt would be extinguished over the thirty-year life of the HRA business plan. Whilst there is no statutory requirement for a minimum prepayment set-aside (unlike the General Fund), £58.3m has been repaid since 2012 and the HRA continues to make prudent provision for debt repayment, providing greater budget flexibility and increasing the council's HRA borrowing headroom, which is a critical element in financing the investment programme.

39. Given the scale of the housing investment programme (c. £221m 2016-17), there is an expectation that additional borrowing will be required over the medium-term to meet the funding gap, by utilising the council's existing loans pool. The resultant financing costs can be managed within the existing budget in the short-term (2016-17 and 2017-18) by extending the debt repayment profile. As loans mature, the reserve turns negative in 2020-21 and will require a recurring budget commitment going forward from 2018-19 onwards. This remains subject to review in light of other available resources and the extent of the financing requirement at year end.

HRA reserves

40. In common with other local authorities and the council's General Fund, the HRA holds reserves, together with general balances for cash-flow purposes. In accordance with the medium term resource strategy (MTRS), the council has adopted a structured approach to the maintenance and replenishment of balances over the last few years. It is appropriate to keep reserves under periodic review and maintained at a level to mitigate future risks, fulfil future commitments already made and enable the transformation and modernisation of services going forward.

41. Reserves and working balances at 31 March 2016 stood at £16.6m, which is a significant reduction on the previous year, and is partly a consequence of the

water refunds policy currently being followed by the council. It should be noted that c. 73% are earmarked for pre-determined purposes, with £4.5m held in contingency, which is considered to be below the optimal level. It remains a priority objective for the HRA to address these circumstances and establish a more prudent reserve position. Any surplus (or deficit) generated during the year will continue to be applied to, or met from reserves in the normal way.

Tenant service charges

42. Tenant service charges were de-pooled from rent as part of the government's rent restructuring regime in 2003-04. This was to enable greater consistency and transparency between local authority and RSL sectors. After a freeze of several years, charges were last re-based in 2015-16 but were increased in line with the dwelling rent increase for that year (September CPI + 1%), rather than implementing the full extent of the cost increase over that period. The uplift this time rebases to current cost, hence the greater than normal increase. In the case of estate cleaning, the main driver is contractual inflation, and is mainly staffing-related. This is true (to a lesser degree) for grounds maintenance, where lower inflation on internal running costs has mitigated the increase somewhat. Conversely, the communal lighting increase is not primarily cost-driven, but is a reflection in the reduction of tenancies liable for the charge, due to cumulative regeneration decants and the reinvigoration of the right to buy policy by central government. The contract cost for door entry maintenance is unchanged.
43. In consequence it is proposed to amend the individual tenant service charges for 2017-18 as set out in the table below. The council reserves the right to continue to review these charges annually.

	2016-17 £ per week	2017-18 £ per week	Percentage change
Estate Cleaning	4.70	5.21	10.8%
Grounds Maintenance	1.11	1.16	4.5%
Communal Lighting	1.20	1.33	10.8%
Door Entry System Maintenance	0.70	0.70	0.0%
Total	7.71	8.40	8.9%

44. The council does not propose to alter the level of the sheltered housing service charge; whilst provision has increased, this has been mirrored by an increase in users to match during 2016-17. On that basis, cabinet is recommended to leave the base charge unchanged for 2017-18.

Garage charges

45. Garage charges were last subject to change in 2012/13, and small-scale service charges were introduced during the current year. Tenant councils and homeowner councils have been consulted on a 10% increase for 2017-18, as set out in the table below. Following recent benchmarking, the proposed charge levels remain reasonably competitive in comparison to other providers and offers value for money, particularly with regards to the provision of storage. The proposed increase will generate additional income of £448,000 in a full year and assist in mitigating the need to find greater savings in other more critical budget areas impacting residents, such as repairs. The £5.00 concessionary charge

reduction for elderly and Blue Badge holders is preserved under these proposals.

	2016-17 £ per week	2017-18 £ per week	Percentage change
Standard charge	18.62	20.50	10.1%
Concessionary charge	13.62	15.50	13.8%
Pram sheds/small sites	10.00	11.00	10.0%
Non-resident charge	27.50	30.25	10.0%

District heating charges

46. Council-wide utility contracts have delivered substantial savings equating to an average of around 28% across gas and electricity portfolios compared to retail market prices. Energy costs are pooled across the dwelling stock and standardised charges are set on a borough-wide basis for tenants, depending on the number of bedrooms and type of heating installation. Homeowners are charged actual costs, comprising energy and repairs and maintenance as determined by their lease.
47. The council reviews charges annually to ensure that within the context of these flexibly-priced gas supply contracts, charges are set at a level to smooth price volatility as far as possible over the contract period. On-going investment in the infrastructure to increase energy efficiency/reduce consumption contributes to the financial sustainability of the heating account which has enabled charges to be maintained at the same level over a number of years.
48. The ring-fenced heating account is able to absorb reasonable price fluctuations and consumption spikes due to bad weather; through the potential use of the accrued balances as has been demonstrated in the last two financial years, which means that charges can be held at existing levels once again for 2017-18.

Homeowner and other income streams

49. Tenant rents and service charges constitute c. 75% of HRA income; the remainder comprises homeowner revenue and capital service charges, commercial property rents, interest, commission and capitalised/rechargeable costs.
50. Homeowner contributions represent the actual costs incurred within the HRA that are fully recoverable under the terms of the lease. The budget for revenue service charges has been reviewed in light of current activity and expected right-to-buy sales and remains neutral except for the addition of the buildings insurance increase referred to previously. This represents the only change to the budget for 2017-18.
51. Capital works charges are determined by the scale and delivery of investment in the stock overall and the extent to which it pertains to leasehold property. The base budget contains a relatively prudent expectation of income in order to avoid frequent budgetary fluctuations due to the variable nature of the works programme. Following a review and given the successful Warm Dry Safe programme is winding down, it is not proposed to alter the income expectations in this area for 2017-18.

52. Other contributory income elements include a net increase in the rental stream from the commercial property portfolio and demand driven RTB loan, mortgage and fee income.

Consultation and notification

53. Whilst there is no statutory requirement to consult, the council is committed to engaging with residents, particularly under the terms of the Tenancy Agreement. This process commences with an interim scene-setting report to cabinet on 13 December 2016 setting out the indicative budget and implications for rents and other charges in order that consultation with residents can commence before Christmas. This report will be presented to Tenant Council, area housing forums, TMO Liaison Committee and Homeowner Council (HOC) during December 2016 and January 2017. HOC are unable to make recommendations in the matter of tenant rents and service charges, but may do so in respect of proposals regarding non-residential rents and other charges and in terms of the budget proposals pertinent to the calculation of their service charges.
54. Cabinet will consider the final rent setting and HRA budget report at their meeting on 24 January 2017. As normal, the results of the consultation processes will be reported to cabinet at that meeting for their consideration.
55. As previously noted, the revised HRA budget for 2016-17 and indicative budget for 2017-18 is summarised in Appendix F, and set out by division in Appendix G.

Statutory and contractual notifications

56. Subsequent to the approval of the final report on 24 January 2017, either as set out or as amended by cabinet, and the passing of the necessary date for its implementation, the council will issue a statutory and contractual notification of variation in rents and other charges to all tenants, not less than 28 days prior to the operative date (3 April 2017) for the commencement of the new rents and charges referred to above.

Community impact statement

57. Transparency and fairness form part of the seven budget principles and are an underlying principle in the council plan. As with previous budgets, each division undertakes equality analysis on its budget options.
58. This will help the council to understand the potential effects that the HRA budget proposals may have on different groups. The analysis will also consider if there may be any unintended consequences and about how these issues can be mitigated. Analysis will also be undertaken to consider any cross-cutting and organisation-wide impacts.
59. The equality analysis undertaken will build on work done within previous HRA budget-setting. The council is committed to conducting a rigorous equalities assessment for budget proposals and the equality analysis is underway at this early stage to ensure that it informs decision-making at each stage of the process.
60. Screening templates/reports are being completed for each budget proposal or group of proposals within the proposed HRA budget. The screening templates

use a risk matrix that assesses whether the potential impact of the proposal is high, medium or low. A high level requires that a full equality analysis is undertaken.

61. The screening templates/reports are being collated centrally and an over-arching analysis undertaken to ensure that there are no cumulative impacts on one or more of the protected characteristics in the Equalities Act.
62. All equality screening reports and or full equality analyses will be shared with cabinet members to allow decision-makers to consider equality issues when making their budget proposals and making their decisions. All cabinet members have also been briefed on equality issues and decision-making and the responsibilities that the council has under equalities and human rights legislation.
63. To date no cumulative impacts have been identified through the divisional analysis. However, this process will be completed in time to be reported on in the Final HRA Budget report in January 2017. Any potential impacts on staff will also have equality analysis undertaken at each stage of implementation to assess their potential impact on different categories of staff in accordance with the council's policies on reorganisation.
64. This approach to equalities screening and analysis has been shared with Southwark's Equalities and Human Rights Panel (FEHRS) who have agreed it is a robust approach and the cross council analysis will be shared with the Panel when complete so that they can challenge the analysis.
65. The council works in accordance with the single public sector equality duty contained within section 149 of the Equality Act 2010. This means the council must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, and advance equality of opportunity and foster good relations between different groups.
66. This report is primarily to set rents and associated charges and the scoping exercise noted above established there is no differential effect for any community or protected group. It should be noted that 2017-18 to 2019-/20 will cover nationally-set rent reductions; it is recognised that in other circumstances a rent increase may present particular difficulties for people on low incomes, although rents and tenant service charges remain eligible for housing benefit.
67. There is a statutory requirement to set a balanced HRA budget. Extensive consultation previously undertaken incorporated savings proposals totalling £34.1m over the period 2012-13 to 2016-17, which have all been delivered. For 2017-18 the extent and composition of savings proposed (£7.6m) are detailed as part of Appendix D.
68. There are wider issues impacting both nationally and locally in terms of the government's on-going welfare reforms and associated housing benefit changes. These have also been considered and measures to mitigate the effects on the community have been implemented together with the provision of additional resources to support tenancy sustainment, including assistance through the provision of Discretionary Housing Payments (DHP) from the HRA, for which Southwark has sought and received governmental approval. The provision of further DHP support nationally is subject to annual confirmation from central government.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

69. Statutory requirements as to the keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989 ('the 1989 Act'). The 1989 Act provisions include a duty, under Section 76 of the 1989 Act, to budget to prevent a debit balance on the HRA and to implement and review the budget.
70. Under Section 24 of the Housing Act 1985, local housing authorities have the power to "make such reasonable charges as they may determine for the tenancy or occupation of their houses". Section 24 also requires local authorities, from time to time, to review rents and make such changes as circumstances may require. This provision conferring discretion as to rents and charges made to occupiers, effectively limited by the above HRA provision, is subject to further restrictions arising from the provisions of the Welfare Reform and Work Act 2016 ('the Act') which received royal assent on 16 March 2016.
71. Section 23 of the 2016 Act introduces for a period of four years, a 1% annual reduction to the rent payable by social tenants. Schedule 2 of the Act introduces, for a period of four years commencing 2016, requirements about the maximum levels of rent for social tenancies beginning after the beginning of 8 July 2015; these requirements apply to tenancies of new homes and re-lets to a new tenant, but not the grant of a new tenancy to an existing tenant. The Welfare Reform and Work Act 2016 (Commencement No. 1) Regulations 2016 set out exceptions to and circumstances in which exemptions may be given from the rent regime otherwise applicable and make alternative provision for certain exempt categories. For social rent properties, the reduction applies to the rent element and not to service charges.
72. Rent and other charges are excluded from the statutory definition of matters of housing management in respect of which local authorities are required to consult their tenants pursuant to Section 105 of the Housing Act 1985 and Sections 137 and 143A of the Housing Act 1996 in relation to secure, introductory and demoted tenants respectively. As a term of the tenancy agreement with its tenants however, Southwark Council has undertaken to consult with the Tenant Council before seeking to change rent and other charges. The report indicates consultation will take place in order to comply with this term.
73. It is further provided by Section 103 of the Housing Act 1985 in relation to secure tenancies, which also applies in respect of introductory tenancies by virtue of Section 111A of the Housing Act 1985, together with the council's agreement with its tenants, that they are notified of variation of rent and other charges at least 28 days before the variation takes effect by service of a notice of variation.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Housing Revenue Account – Final Rent Setting and Budget Report 2016-17	160 Tooley Street London SE1 2QH	Paula Thornton, Constitutional Team
Link: http://moderngov.southwark.gov.uk/documents/s59180/Report%20HRA%20final%20rent%20setting%20and%20budget%20report.pdf		

APPENDICES

No.	Title
Appendix A	The 'Quality Affordable Homes' Priority Theme
Appendix B	HRA Indicative Budget Movements 2016-17 – 2017-18
Appendix C	HRA Revised Base 2016-17 and Indicative Budget 2017-18
Appendix D	HRA Summary Savings/Income Generation Schedule 2017-18
Appendix E	HRA Summary Commitments Schedule 2017-18
Appendix F	HRA Revised 2016-17 and Indicative Budget 2017-18
Appendix G	HRA Indicative Base Budget 2017-18 by Division

AUDIT TRAIL

Cabinet Member	Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Ian Young, Departmental Finance Manager, Housing and Modernisation	
Version	Final	
Dated	1 December 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS/DIRECTORATES/CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	No	No
Date final report sent to Constitutional Team		1 December 2016