

Agenda item:

Title of meeting: Cabinet Member for Housing

Date of meeting: 24th January 2017

Subject: COUNCIL HOUSING BUDGET 2017/18

Report by: Director of Property and Housing Services
Director of Finance and Information Services

Wards affected: ALL wards

Key decision: Yes

Full Council decision: No

1. Purpose of report

- 1.1 The law requires that all income and expenditure relating to Council Housing is accounted for separately in the Housing Revenue Account (HRA). All other Council income and expenditure is accounted for together in a separate account called the General Fund. This report deals solely with the HRA.
- 1.2 The City Council has delegated the function of setting rents, charges and budgets for Council Housing to the Cabinet Member for Housing. Following extensive consultation with residents and leaseholders this report seeks to deal with all HRA budget issues.
- 1.3 The purpose of this report is to seek the Cabinet Member's decisions on Council Housing budgets, rents and other charges and to give authority for managers to incur expenditure in 2017/18.
- 1.4 The report also seeks to:
- Approve the Revised Revenue budgets for 2016/17 and 2017/18 and give authority to the Director of Property and Housing Services & the Director of Finance and Information Services, to amend the budgets to reflect the latest available information prior to finalising budgets for 2017/18.
 - Note the forecast Revenue Budgets for 2018/19 to 2020/21 arising from the proposals set out in this report
 - Set rents in accordance with Central Government's amended social rent setting policy.

2. Recommendations

It is recommended that the Cabinet Member for Housing approve the following:

- (i) All rents and charges to be effective from 1st April 2017 or such other date as determined by the Director of Property and Housing Services in consultation with the Director of Finance and Information Services.
- (ii) Dwelling rents for 2017/18 to be set as in accordance with Central Government's Social Rent Policy.
- (iii) General Service charges for 2017/18 to be set at this meeting as set out in this report, and in accordance with Appendix 5.
- (iv) Sheltered Housing Service charges for 2017/18 to be set at this meeting as set out in this report, and in accordance with Appendix 6.
- (v) Laundry charges for 2017/18 to be set at this meeting as set out in this report, and in accordance with Appendix 7.
- (vi) Heating charges to be set in accordance with Appendix 8.
- (vii) Garages and parking site rents as shown on Appendix 9 be approved and authority to let garages at reduced rents where demand is low be delegated to the Director of Property and Housing Services in consultation with the Director of Finance and Information Services.
- (viii) Revenue budgets for 2016/17 and 2017/18 as set out in Appendix 3 be approved and authority given to the Director of Property and Housing Services in consultation with the Director of Finance and Information Services to amend the budgets to reflect the latest available information prior to finalising budgets for 2017/18.
- (ix) The relevant Managers be authorised to incur expenditure in 2017/18.
- (x) The forecast Revenue Budgets for 2018/19 to 2020/21 as set out in Appendix 3 arising from the proposals contained in this report, be noted.

3. Housing Policies and Legislation Amendments

3.1 Two pieces of legislation were passed following the HRA budget being set on the 28th January 2016, both of which have an impact on the Housing Revenue Account 30 year plan. They were:

- Welfare Reform and Work Act 2016
- Housing and Planning Act 2016

Welfare Reform and Work Act 2016

- 3.2 The Welfare Reform and Work Act 2016 received Royal Assent on 16th March 2016. Section 23 of this Act, Reduction in Social Housing Rents, sets out the requirement for all social rents to decrease by 1% in cash terms each year until 2019/20. The overall financial impact of this policy change in 2017/18 results in a loss in rent of approximately £660k, in addition to the £670k lost in 2016/17. This anticipated loss is expected to rise by a further £1.3m by 2019/20.

The overall reduction in resources has been accommodated mainly by reducing the level of work undertaken on major repairs and planned maintenance schemes.

Housing and Planning Act 2016

- 3.3 The Housing and Planning Act 2016 received Royal Assent on 12th May 2016. Part 4 of this Act contained two pieces of legislation that were expected to have an impact on the Housing Revenue Accounts financial plan from 1st April 2017:

- Vacant Higher Value Local Authority Housing

This policy requires Local Housing Authorities in England to make a payment to Central Government based on the market value of its higher value housing that was likely to become vacant. The purpose of this payment is to fund the extension of the Right to Buy to Housing Associations.

In the Chancellors Autumn Statement on 23 November 2016, Phillip Hammond announced that this policy would be delayed until April 2018 at the earliest, and as a result this policy does not form part of the 2017/18 Housing Revenue Account budget. Should the policy be enacted in future years, it is likely to reduce the financial resources available for new social housing and housing repairs by approximately £0.7m per annum. At present this is not reflected in the Housing Revenue Account 30 year plan.

- Rents for High Income Local Authority Tenants

This policy requires Local Housing Authorities in England to charge a market or near market rent to social housing tenants with household incomes of £40,000 and above in London, and £30,000 and above in the rest of England.

Local authorities have had the ability to do this on a voluntary basis for a number of years, however the number of tenants that were anticipated to be affected and the anticipated cost of administering and monitoring, generally deemed it to be unattractive, especially as any

additional rental income collected would be passed to Central Government.

In his Autumn Statement, the Chancellor announced that this policy would be abolished and remain a voluntary policy. As a result this policy does not form part of the 2017/18 Housing Revenue Account budget.

Dwelling Rents

- 3.4 In accordance with the rent policy, it is proposed to reduce rents from an average of £86.67 per week, to £85.80 per week, as summarised in Appendix 4.

General Service Charges

- 3.5 General Service charges are made to all tenants and relate to the provision of a number of different services, including the Estate Services Officers, Anti-Social Behaviour team, the Green and Clean Service and Residents Development Team. In general, a lower rate is charged to tenants living in houses and bungalows, and a higher rate to those who receive additional services in flats and maisonettes.
- 3.6 The charges made to tenants for these services cannot exceed the cost of providing them and, as a result, it is proposed to continue to set charges that meet the full cost of the services in 2017/18.
- 3.7 The proposed charges for 2017/18 are therefore shown in Appendix 5 and summarised as follows:

Category	2016/17 General Service Charge (per week)	2017/18 General Service Charge (per week)
Low Rate	£5.04	£5.88
High Rate	£13.58	£14.14

Sheltered Housing Charges

- 3.8 Sheltered Housing is intended to meet the needs of residents who require support to live independently. There are three levels of service, each with increasing levels of need and support: Category 1, Category 2 and Category 2.5. Sheltered Housing was set up originally on the basis that the extra costs of providing the service, over and above those arising from normal Council

Housing provision, would be recovered from the tenants in Sheltered Housing via a “Combined Sheltered Housing Service Charge”. The Combined Sheltered Housing Service Charge, is made up of a landlord related charge which is eligible for Housing Benefits, and a care related charge, which is not eligible for Housing Benefits but is part funded through Supporting People Grant.

- 3.9 The proposals for 2017/18 are shown below, with a more detailed breakdown of these charges in Appendix 6.

Category	2016/17 Combined Sheltered Housing Charges (per week)	2017/18 Combined Sheltered Housing Charges (per week)
Cat 1	£14.46	£14.98
Cat 2	£40.04	£45.36
Cat 2.5	£77.92	£81.06

Laundry Charges

- 3.10 The Council provides a number of laundry facilities that operate from within blocks and sheltered housing schemes. Although the charges for both washing and drying facilities are reviewed each year, they continue to remain much lower than the commercial market price. In addition, following a review of the cost of running the service, it was evident that the charges continue to recover the cost of running the service.
- 3.11 The proposal for 2017/18 continues to maintain full cost recovery, whilst still remaining much cheaper than alternative commercial providers. The proposed charges are as follows:

Token Type	2016/17 Laundry Token Charge	2017/18 Laundry Token Charge
Wash	£1.00	£1.50
Dry	£1.50	£1.50

Heating Charges

- 3.12 Heating charge calculations are based on the usage data from previous years. This data is used to calculate the estimated cost of heating the relevant

dwellings. Residents have always been keen to continue to support a full cost recovery model and reduce the level of subsidy required from other HRA tenants.

- 3.13 Housing Management continue to undertake work to both reduce energy consumption and negotiate better tariffs with our energy providers. This proactive approach has resulted in the majority of heating charges remaining in line with 2016/17 charges, whilst still maintaining full cost recovery.
- 3.14 Appendix 8 breaks down the proposed charges for 2017/18.

Garages and Parking Sites

- 3.17 The way that the HRA garages and parking sites are marketed and managed continues to evolve in response to changes in demand whilst maintaining the underlying Budget Principle to “Get the best return possible from non-core activities”. Income is still rising steadily, although charges still remain very competitive when compared to other parking providers in the city and Leigh Park.
- 3.18 Steps have been taken in this year's budget to continue to assist the marketing of the park and ride scheme, by continuing to offer 'local/non-local' parking rates. Whilst maintaining the ethos of charging more for high-demand areas, all parking spaces irrespective of location will be charged at two rates, a lower rate for those people who live near to where they park, and a higher rate for those who do not live within easy walking distance from where they park. This should encourage those who drive into the city to consider using the Council's park and ride facility.
- 3.19 A summary of the proposed charges for next year can be found in Appendix 9. It is recommended that authority to let garages at reduced rents where demand is low be delegated to the Director of Property and Housing Services in consultation with the Director of Finance and Information Services.

4 Budget for next year 2017/18

- 4.1 The budget sheets attached as Appendix 3 shows the outturn position for 2015/16 as well as the original and revised estimate for 2016/17 and the original and revised estimates for 2017/18. Also shown for comparative purposes are the estimated budgets through to 2020/21 both as they were following the decisions made at last year's budget meeting in January 2016 compared to as they are now estimated for this report.
- 4.2 A Contingency Provision of £100,000 in 2017/18 has been provided to cover any unforeseen costs that cannot be met by reducing other budgets or by generating extra income.

5 Future years budgets and the level of balances

- 5.1 The law requires that a budget be set to avoid a deficit on the council housing account (Housing Revenue Account). Although the 2017/18 budget shows an in year deficit of approximately £0.7m, following higher than anticipated surplus positions in 2015/16 and 2016/17, the level of balances will still be approximately £14.0 million at 31st March 2018, excluding earmarked capital reserves.
- 5.2 Ongoing reviews to maximise value for money, reduce costs and increase income will continue to be undertaken in order to ensure the ongoing viability of the HRA over the 30 year period.

6 Authority to incur revenue expenditure

- 6.1 It is recommended that Directors and their service managers be authorised to incur expenditure in accordance with the City Council Constitution. The only exceptions would be those items members consider should be the subject of a separate report before expenditure is incurred.

7 Duty to involve - Resident involvement in the budget process

- 7.1 A number of meetings have been held with Resident Groups across the City and in the Borough of Havant, where the proposals set out in this report were discussed, including the proposals for rents, service charges etc and other proposed charges as shown on the attached Appendices 5 to 9.
- 7.2 In addition to obtaining feedback from these residents meetings, a consultation supplement was published with the December edition of Housetalk magazine, which aimed to inform all residents and leaseholders of the issues, and encouraged them to respond with their views on the matters raised.
- 7.3 The Cabinet Member for Housing has attended the Residents Consortium meetings, listened to the details of residents' responses and reviewed the feedback from the Housetalk supplement in time to take them into account when making his decisions at this meeting.
- 7.4 Both the Director of Property and Housing Services and the Director of Finance and Information Services would like to place on record their thanks for the continued support and contribution given by our resident representatives, tenants and leaseholders.

8. Reasons for recommendations

- 8.1 To set budgets, rents and charges for council housing for 2017/18.

9. Equality impact assessment (EIA)

- 9.1 A preliminary EIA has been carried out which indicates that the requirement for a full EIA is low.

10. Legal Implications

- 10.1 The body of the report contains a discussion of the key legal issues, and the Council is empowered to approve the recommendations.

11. Director of Finance comments

- 11.1 The Director of Finance and Information Service has been consulted and is in agreement with the recommendations to this report.

Signed by:

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Owen Buckwell – Director of Property and Housing Services

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Chris Ward – Director of Finance and Information Services

Appendices:

- 1 Council Housing Accounts – The Law
- 2 Budget Principles 2015/16 – 2019/20
- 3 Revenue budget sheets 2015/16 to 2020/21
- 4 Average Rents 2017/18
- 5 General Service Charges
- 6 Sheltered Housing Charges
- 7 Laundry Charges
- 8 Heating Charges
- 9 Garages and Parking Sites Rents

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
1 Budget files	Financial Services Housing Accountancy team

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by:

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COUNCIL HOUSING ACCOUNTS - THE LAW

The Council Housing accounts are termed the "Housing Revenue Account" in the following notes. The rest of the City Council's accounts are termed the "General Fund".

LOCAL GOVERNMENT AND HOUSING ACT 1989

This Act has provided the main framework for Housing Finance since 1 April 1990. In summary the Housing Revenue Account provisions are as follows:

- 1 Local Housing Authorities must keep a separate Housing Revenue Account (HRA).
- 2 Amounts to be credited or debited to the Housing Revenue Account can only be in respect of items detailed in the Act or covered by regulations issued by the Secretary of State.
- 3 Budgets must be prepared each year for the Housing Revenue Account which will avoid a debit balance on the account. Action must be taken if in any year it appears a debit balance may arise.
- 4 An authority should maintain a separate Housing Repairs Account.
- 5 A transfer must be made between the General Fund and the Housing Revenue Account in respect of amenities provided by the Housing Revenue Account but shared by the whole community.
- 6 With the exception of 5 above no contribution can be made by the General Fund to the Housing Revenue Account except for certain items detailed in regulations issued by the Secretary of State.

In addition, the Act provides the main framework for the Capital Finance of Local Authorities

LEASEHOLD REFORM, HOUSING & URBAN DEVELOPMENT ACT 1993

The above Act came into force in 1993 and gave Housing Authorities the power to provide Welfare Services and to account for them within either the Housing Revenue Account or the General Fund at the Authorities discretion.

The Act also gave the Secretary of State wide powers to amend this provision and regulations have been made which prevent "personal services" such as regular feeding or bathing or cooking of meals from being accounted for within the Housing Revenue Account. Accordingly the net costs relating to the element of personal services provided by staff in sheltered accommodation are funded by the General Fund.

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BUDGET PRINCIPLES 2015/16 to 2019/20

Budgets to be driven by PCC Strategies to meet Corporate Priorities with particular emphasis on all forms of regeneration & creation of sustainable communities to achieve safe, secure, independent & healthy living for our residents, tenants & leaseholders with increased economic well-being, including the following:

- Offering access to respite care and other support for carers and service users
- Assessing individuals needs and developing care/support to those needs
- Contributing to effective rehabilitation for people leaving hospital
- Enabling and contributing to the provision of good quality low cost homes with well-planned infrastructure
- Delivering and promoting high quality house design combined with exceptional environmental performance.
- Tackling fuel poverty
- Working to reduce carbon emissions and to eliminate negative environmental impacts from all areas of work.

Budgets to be prepared in consultation with residents, tenants & leaseholders & reflect their views

Balanced budgets to be prepared for a minimum 3 years for revenue budgets & 5 years for capital budgets

Work with suppliers & partners, particularly the Health Service, to try & co-ordinate services in the best interests of residents, tenants & leaseholders.

Support effective preventive measures wherever possible.

Maintain & improve homes by:

- Tackling disrepair in private housing to ensure vulnerable people housed in decent homes.
- Reducing the number of unfit and inaccessible private sector homes
- Maintaining the cycle of planned external inspection & repair of council dwellings.
- Improving the quality of council dwellings and maintaining decent homes.
- Working towards a “Decent Environment” for all council dwellings.
- Improving energy efficiency and opportunities for microgeneration.
- Encouraging the reduction, reuse and recycling of materials.

Maintain high management standards for council dwellings

To set rents, charges and Council Tax charges that avoid any unreasonable burden.

Get the best return possible from non-core activities i.e. provision of garages and parking

Achieve continuous improvement through systems thinking methods, designing services against customer demand

Comply with the law.