

Agenda item:

Title of meeting: Housing Cabinet

Date of meeting: 29th January 2019

Subject: COUNCIL HOUSING BUDGET 2019/20

Report by: Director of Housing, Neighbourhood and Building 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 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 2019/20.
- 1.4 The report also seeks to:
- Approve the Revised Revenue budget 2018/19 and give authority to the Director Housing, Neighbourhood and Building Services & the Director of Finance and Information Services, to amend the budgets to reflect the latest available information prior to finalising budgets for 2019/20.
 - Note the forecast Revenue Budgets for 2020/21 to 2021/22 arising from the proposals set out in this report
 - Set rents in accordance with Central Government's social rent setting policy.

2. Recommendations

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

- (i) The revised budget as set out at appendix 3.
- (ii) All rents and charges to be effective from 1st April 2019 or such other date as determined by the Director of Housing, Neighbourhood and Building Services in consultation with the Director of Finance and Information Services.
- (iii) Dwelling rents for 2019/20 to be set as in accordance with Central Government's Social Rent Policy.
- (iv) General Service charges for 2019/20 to be set at this meeting as set out in this report, and in accordance with Appendix 5.
- (v) Sheltered Housing Service charges for 2019/20 to be set at this meeting as set out in this report, and in accordance with Appendix 6.
- (vi) Laundry charges for 2019/20 to be set at this meeting as set out in this report, and in accordance with Appendix 7.
- (vii) Heating charges to be set in accordance with Appendix 8.
- (viii) 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 Housing, Neighbourhood and Building Services in consultation with the Director of Finance and Information Services.
- (ix) Revenue budget 2019/20 as set out in Appendix 3 be approved and authority given to the Director of Housing, Neighbourhood and Building 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 2019/20.
- (xi) The relevant Managers be authorised to incur expenditure in 2019/20.
- (xii) The forecast Revenue Budgets for 2020/21 to 2021/22 as set out in Appendix 3 arising from the proposals contained in this report, be noted.

3. Housing Policy Changes 2019/20

Higher Value Vacant Assets

- 3.1 This policy, which formed part of the Housing and Planning Act 2016, was anticipated to require 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 was to fund the extension of the Right to Buy to Housing Associations. In August 2018 the Government announced that it planned to scrap this policy and therefore the risk to the Council's Housing revenue Account is less than it was a year ago. A pilot for the scheme still continues to operate in the Midlands and Council officers are continuing to monitor developments.

HRA Dwelling Rents

- 3.2 The Government made a commitment in the Summer 2015 Budget to reduce social rents by 1% a year for four years from April 2016, 2019/20 is the last year that this will be imposed. Since the start of this initiative through to 2019/20 this has reduced Dwelling Rental income by almost £2.5m per annum. During this time the cost of maintaining and operating the Housing Revenue Account stock has been increasing in line with inflation. This has added additional financial pressure on the Housing Revenue Account, consequently the Director for Housing, Neighbourhood Services and Building has reviewed the running costs and income opportunities available to provide a sustainable financial plan moving forward.

HRA Borrowing Cap

- 3.3 In the Autumn Budget delivered on the 23rd October the Government announced that the limit of indebtedness would be lifted with immediate effect from all Local authorities who operate a Housing Revenue Account. Previously the Council was limited on the amount of borrowing that it could incur in the Housing Revenue Account, for Portsmouth this was limited to £181m. This presented a problem for the Council as it was unable to invest in larger scale developments and instead had to rely on bidding for additional borrowing. Because of the late announcement no additional borrowing has been factored into the budget at this stage.
- 3.4 Whilst the Council welcomes this additional flexibility it has to ensure that any borrowing that it undertakes is not taken at the detriment of the Housing Revenue Account. The Council will seek to identify developments where rental income can meet the cost of any additional borrowing and maintenance of the asset.

Fire Safety Measures

- 3.5 Following the tragic events at Grenfell Tower in 2017, tests were carried out on all cladding and wall systems used on high rise tower blocks, which are similar to that which was used at Grenfell, a material called Aluminium Composite Material (ACM). The testing established that two of Portsmouth's high-rise

blocks, Horatia House and Leamington House, did have the same ACM cladding, and that cladding has subsequently been removed.

- 3.6 The cladding was removed at a cost of £1.3m to protect residents as soon as it became known. The Council have been in discussions with Homes England and the Department for Housing Communities and Local Government and have been able to secure funding that meets this cost.
- 3.7 Further structural testing identified that there were problems with the concrete slabs used in the large panel system construction of the building and that there was a risk to residents safety should there be an un piped gas explosion in either of the blocks. As a consequence the Council have taken the decision to permanently rehouse all residents from both blocks. Residents are entitled to receive a statutory home loss payment of £6,100 at an estimated cost of nearly £1.6m. This has been funded from the Housing Revenue Account Reserve.
- 3.8 The Council are currently looking at the ongoing viability of the Towers. At the time of writing this report the Council has yet to make a decision on the future of the Towers and therefore has not been factored into the 2019/20 budget.
- 3.9 The budget for 2019/20 will be reviewed once a decision is made and a funding source may need to be identified dependent on the decision made.

4. Proposed Rents and Charges for 2019/20

Dwelling Rents

- 4.1 In accordance with the rent policy, we are proposing to reduce rents from an average of £85.24 per week, to £84.58 per week, as summarised in Appendix 4.

General Service Charges

- 4.2 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.
- 4.3 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 2019/20.
- 4.4 The proposed charges for 2019/20 are therefore shown in Appendix 5 and summarised as follows:

Category	2018/19 General Service Charge (per week)	2019/20 General Service Charge (per week)
Low Rate	£6.02	£6.16
High Rate	£14.42	£14.98

Sheltered Housing Charges

- 4.5 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.
- 4.6 The proposals for 2019/20 are shown below, with a more detailed breakdown of these charges in Appendix 6.

Category	2018/19 Combined Sheltered Housing Charges (per week)	2019/2020 Combined Sheltered Housing Charges (per week)
Cat 1	£15.42	£15.54
Cat 2	£48.69	£49.14
Cat 2.5	£85.45	£86.38

Laundry Charges

- 4.7 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 current charges are not

sufficient to recover the cost of running the service. The current charge does not make provision for the cost of replacing the machines. A review of the machines and their current life was undertaken in 2018/19 with a view to ensuring future charges accounts for the replacement of the machines.

- 4.8 The proposal for 2019/20 is to increase washing machine charges to achieve full cost recovery, whilst still remaining much cheaper than alternative commercial providers. The proposed charges are as follows:

Token Type	2018/19 Laundry Token Charge	2019/20 Laundry Token Charge
Wash	£1.50	£2.00
Dry	£1.50	£1.50

Heating Charges

- 4.9 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.
- 4.10 The Building Services team continue to undertake work to both reduce energy consumption and negotiate better tariffs with our energy providers. This proactive approach has resulted in the heating charge remaining static in recent years. The Council need to ensure that it fully recovers the cost of Heating on a full cost basis. The Cost of electricity has continued to grow over recent years and it is not sustainable for the Council to continue to hold the price of these charges. Therefore in 2019/20 it is recommended that Heating charges are increased by 10%.
- 4.11 Appendix 8 breaks down the proposed charges for 2019/20.

Garages and Parking Sites

- 4.12 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.
- 4.13 It is proposed that the 2019/20 budget continues to assist the marketing of the park and ride scheme, by offering '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 aims to encourage those who drive into the city to consider using the Council's park and ride facility.

- 4.14 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 Housing Neighbourhood and Building Services in consultation with the Director of Finance and Information Services.

5. Budget for next year 2019/20

- 5.1 The budget sheets attached at Appendix 3 show the forecast outturn position for 2018/19 as well as the proposed budget for 2019/20. Also shown are the estimated budgets through to 2021/22 .
- 5.2 The 2019/20 Housing Revenue budget assumes that there will be an in year deficit of £1.8m, this deficit is proposed to be met from the specific Housing Revenue Account ring fenced reserve.
- 5.3 The main reasons for the in year deficit are the continuation of a 1% fall in Dwelling rents which reduces income by £640,000, and the loss of rent from Horatia and Leamington Houses of £1,100,000.

6 Future years budgets and the level of balances

- 6.1 The law requires that a budget be set to avoid a deficit on the council housing account (Housing Revenue Account). It is forecast that the level of balances will be approximately £23.1 million at 31st March 2020, excluding earmarked capital reserves.
- 6.2 When setting a new budget the Council must consider the effect on the Housing Revenue Account's 30 year business plan. The Current reserve is sufficient to meet the ongoing commitments in the short to medium term, however the Director of Housing, Neighbourhood and Building Services is working through ways in which to reduce and eradicate the current deficit continuing in future years.

7 Authority to incur revenue expenditure

- 7.1 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.

8 Duty to involve - Resident involvement in the budget process

- 8.1 Consultation meetings have been held with resident groups in the City, 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 4 to 9.
- 8.2 In addition to obtaining feedback from these 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.
- 8.3 The Cabinet Member for Housing has attended the Residents Consortium meeting in December 2018 to set out the proposals, the Cabinet Member has listened to the details of residents' responses and reviewed the feedback from the Housetalk supplement in time to take them into account when proposing the recommendation at this meeting.
- 8.4 Both the Director of Housing, Neighbourhood and Building 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.

9. Reasons for recommendations

- 9.1 To set budgets, rents and charges for council housing for 2018/19 (revised) and 2019/20.

10. Equality impact assessment (EIA)

- 10.1 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:

.....
James Hill – Director of Property and Housing Services

.....
Chris Ward – Director of Finance and Information Services

Appendices:

- 1 Council Housing Accounts – The Law
- 2 Budget Principles 2017/18 – 2020/21
- 3 Revenue budget sheets 2017/18 to 2021/22
- 4 Average Rents 2019/20
- 5 General Service Charges 2019/20
- 6 Sheltered Housing Charges 2019/20
- 7 Laundry Charges 2019/20
- 8 Heating Charges 2019/20
- 9 Garages and Parking Sites Rents 2019/20

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	Housing and Regeneration Finance

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

.....
Signed by:

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.

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 are 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, and remain in accordance with Government Policy.

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.