

Agenda item:

Title of meeting: Housing Cabinet

Date of meeting: 27th January 2020

Subject: COUNCIL HOUSING BUDGET 2020/21

Report by: Director of Housing, Neighbourhood and Building Services
Director of Finance and Resources

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 revenue 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 2020/21.
- 1.4 The report also seeks to:
- Approve the Revised Revenue budget 2019/20 and give authority to the Director Housing, Neighbourhood and Building Services & the Director of Finance and Resources, to amend the budgets to reflect the latest available information prior to finalising budgets for 2019/20.
 - Note the forecast Revenue Budgets for 2021/22 to 2022/23 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 2020 or such other date as determined by the Director of Housing, Neighbourhood and Building Services in consultation with the Director of Finance and Resources.
- (iii) Dwelling Rents for 2020/21 to be set in accordance with Central Government's Social Rent Policy.
- (iv) General Service charges for 2020/21 to be set at this meeting as set out in this report, and in accordance with Appendix 5.
- (v) Sheltered Housing Service charges for 2020/21 to be set at this meeting as set out in this report, and in accordance with Appendix 6.
- (vi) Laundry charges for 2020/21 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 in 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 Resources.
- (ix) Revenue Budget 2020/21 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 Resources to amend the budgets to reflect the latest available information prior to finalising budgets for 2020/21.
- (x) The relevant Managers be authorised to incur expenditure in 2020/21.
- (xi) The forecast Revenue Budgets for 2021/22 to 2022/23 as set out in Appendix 3 arising from the proposals contained in this report, be noted.

3. Housing Policy Changes 2020/21

HRA Dwelling Rents

- 3.1 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 was the last year that this was 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.
- 3.2 As a result of this the annual reduction in rents, Dwelling Rent income is £4m lower than it was in 2016. This has resulted in a real terms reduction of £12m in Dwelling Rents since the reform came in.
- 3.3 From 2020/21 the decision to increase rents has passed back to Local Authorities that operate a Housing Revenue Account. The Council has the option to increase rents by the increase in the Consumer Price Index (CPI) plus 1%. This is the case for to the financial year 2025/26.

HRA Borrowing Cap

- 3.4 In the 2018 Autumn Budget 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.
- 3.5 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, acting prudently and ensuring the sustainability of the HRA over the medium to longer term.

4 Proposed Rents and Charges for 2020/21

Dwelling Rents

- 4.1 In accordance with the rent policy, it is proposed to increase Dwelling Rents from an average of £84.85 per week, to £87.07 per week, as summarised in Appendix 4. This is in line with the maximum amount that the Council can increase rents which is CPI plus 1%. The reference date for CPI inflation is

September 2019 where CPI was 1.7%, and therefore it is proposed that average rents increase by 2.7% in 2020/21.

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 2020/21.
- 4.4 The proposed charges for 2020/21 are shown in Appendix 5 and summarised as follows:

Category	2019/20 General Service Charge (per week)	2020/21 General Service Charge (per week)
Low Rate	£6.16	£6.30
High Rate	£14.98	£15.26

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 2020/21 are shown below, with a more detailed breakdown of these charges in Appendix 6.

Category	2019/20 Combined Sheltered Housing Charges (per week)	2020/2021 Combined Sheltered Housing Charges (per week)
Cat 1	£15.54	£16.10
Cat 2	£49.14	£51.10
Cat 2.5	£86.38	£89.60

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, the Council are content that the current charges are sufficient to recover the cost of running the service, and no cross subsidy exists.
- 4.8 Therefore the Council are recommending that these charges do not increase in 2020/21. The proposed charges will remain as follows:

Token Type	2019/20 Laundry Token Charge	2020/21 Laundry Token Charge
Wash	£2.00	£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 needs to ensure that it fully recovers the cost of Heating on a full cost basis. However, the Council's Building Service team has been able to negotiate a fixed price for 2020/21 which means that it does not propose to increase the amount it charges to residents in the New Year.

- 4.11 Appendix 8 breaks down the proposed charges for 2020/21.

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 2020/21 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 The proposal is therefore to increase the cost of a non-local parking and garage permit by 5%. The Local rate is proposed to be increased by CPI at 1.7% in all areas.
- 4.15 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 Resources.

5 Budget for next year 2020/21

- 5.1 The budget sheets attached at Appendix 3 show the forecast outturn position for 2019/20 as well as the proposed budget for 2020/21. Also shown are the forecast budgets through to 2022/23.
- 5.2 The 2020/21 Housing Revenue budget assumes that there will be an in year deficit of £1.2m, this deficit is proposed to be met from the specific Housing Revenue Account ring fenced reserve.

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 £19.5 million at 31st March 2021, 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 in year 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 Council's Finance Team attended the Residents Consortium meeting in November & December 2019 as well as January 2020 to set out the proposals and to ask for feedback from residents around the proposed new charges. Due to the Council being in purdah as a result of the 2019 General Election the Cabinet Member and other Councillors were not permitted to attend the meetings in 2019. The Cabinet Member had been made aware of the details of residents' responses and reviewed the feedback from the Housetalk supplement in time to take them into account when proposing the recommendations at this meeting.
- 8.4 Both the Director of Housing, Neighbourhood and Building Services and the Director of Finance and Resources 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 2019/20 (revised) and 2020/21 at levels that are sufficient to provide decent accommodation and good quality services whilst maintaining financial sustainability and resilience.

10. Integrated impact assessment (IIA)

- 10.1 An integrated impact assessment has been completed and is attached at Appendix 10.
- 10.2 The assessment identifies no negative impacts associated with any of the options outlined.

11. Legal Implications

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

12. Director of Finance comments

- 12.1 The Director of Finance and Resources has been consulted and is in agreement with the recommendations to this report.

Signed by:

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James Hill – Director of Housing, Neighbourhood and Building Services

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Chris Ward – Director of Finance and Resources

Appendices:

- 1 Council Housing Accounts – The Law
- 2 Budget Principles 2019/20 – 2022/23
- 3 Revenue budget sheets 2019/20 to 2022/23
- 4 Average Rents 2020/21
- 5 General Service Charges 2020/21
- 6 Sheltered Housing Charges 2020/21
- 7 Laundry Charges 2020/21
- 8 Heating Charges 2020/21

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

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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 2020/21

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.