

Agenda item:

**Title of meeting:** Cabinet Member for Housing

**Date of meeting:** 28<sup>th</sup> January 2016

**Subject:** COUNCIL HOUSING BUDGET 2016/17

**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

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**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 2016/17.
- 1.4 The report also seeks to:
- Approve the Revised Revenue budgets for 2015/16 and 2016/17 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 2016/17.
  - Note the forecast Revenue Budgets for 2017/18 to 2019/20 arising from the proposals set out in this report
  - Set rents in accordance with Central Government's amended social rent setting policy from 2016/17 until 2019/20.

## **2. Recommendations**

Recommendations submitted for approval by the Cabinet Member for Housing:

- (i) All rents and charges to be effective from 1st April 2016 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 2016/17 to be set as in accordance with Central Government's Social Rent Policy.
- (iii) General Service charges for 2016/17 to be set at this meeting as set out in this report, with a view to be set to achieve full cost recovery, as summarised in Appendix 5.
- (iv) Sheltered Housing Service charges for 2016/17 to be set at this meeting as set out in this report, and in accordance with Appendix 6.
- (v) Laundry charges for 2016/17 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 2015/16 and 2016/17 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 2016/17.
- (ix) The relevant Managers be authorised to incur expenditure in 2016/17.
- (x) The forecast Revenue Budgets for 2017/18 to 2019/20 as set out in Appendix 3 arising from the proposals contained in this report, be noted

## **3. Rent Restructuring and Social Rent Policy**

3.1 Rent restructuring has been in place since 2002 with the initial aim to achieve the alignment of social sector rents, by calculating all council housing and social landlord (Housing Association) dwelling rents on the same basis by 2012. This was known as rent convergence and the calculation was based on the following main factors:

- Property value at January 1999 compared to national average value.

- Average earnings in Hampshire compared to national average earnings.
- A “bed weighting” to give higher rents for properties with more bedrooms.

- 3.2 On 20th March 2013, the Chancellor of the Exchequer announced that in order to give financial certainty to landlords and their investors, the Department for Communities and Local Government (DCLG) would be amending the social rent policy from 2015/16 to 2024/25, by setting all rent increases to CPI plus 1%.
- 3.3 In order to ensure the HRA was no worse off as a result of this change, the decision was taken at the Cabinet Member for Housing's meeting on 28<sup>th</sup> February 2014 to move average rents to meet convergence in 2014/15, resulting in a rent increase of 7.4%.
- 3.4 Subsequently, in 2015/16, and in accordance with Central Government's amended Social Rent Policy, rents increased by CPI + 1%, which equated to 2.2%.
- 3.5 In his 2015 Budget Speech, the Chancellor of the Exchequer made a further change to the Social Rent Policy, which stated that all social rents would reduce by 1% each year for a period of 4 years.
- 3.6 As a result, for 2016/17 we are proposing to reduce rents from an average of £87.38 per week, to £86.51 per week, as summarised in Appendix 4.

### **General Service Charges**

- 3.7 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 Participation Team. A low rate is charged to tenants living in houses and bungalows, and a higher rate to those who receive additional services in flats and maisonettes.
- 3.8 The charges made to tenants for these services cannot exceed the cost of providing them and a decision had been made in the past to ensure full cost recovery by 2017/18. However, as a result of the HRA taking on additional services (including youth clubs and play parks) and the change in rent policy reducing rental income, it is now proposed to meet full cost recovery in 2016/17, a year earlier than previously anticipated.
- 3.9 The proposed charges for 2016/17 are therefore shown in Appendix 5 and summarised as follows:

<b>Category</b>	<b>2014/15 General Service Charge (per week)</b>	<b>2015/16 General Service Charge (per week)</b>	<b>2016/17 General Service Charge (per week)</b>
Low Rate	£2.61	£3.08	£5.04
High Rate	£9.26	£9.94	£13.58

### **Sheltered Housing Charges**

3.10 Sheltered Housing is intended to meet the needs of residents who require support to live independently. There are three levels of service with increasing levels of 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 "Sheltered Housing Service Charge".

3.11 Following a thorough and detailed review of the costs of providing the sheltered housing service and their eligibility for Housing Benefit in 2015/16 it was possible to offer a reduction in charges to Sheltered Housing tenants and reduce the HRA subsidy to zero. However, a limit to the level of Supporting People Grant available, an increase in costs which are ineligible for Housing Benefit, and a reduction in the number of tenants living in Sheltered Housing, has resulted in a need to increase charges once more. The proposals for 2016/17 are shown below, with a more detailed breakdown of these charges in Appendix 6.

<b>Category</b>	<b>2014/15 Sheltered Housing Charges (per week)</b>	<b>2015/16 Sheltered Housing Charges (per week)</b>	<b>2016/17 Sheltered Housing Charges (per week)</b>
Cat 1	£15.49	£13.71	£17.58
Cat 2	£41.16	£32.10	£46.73
Cat 2.5	£87.45	£72.59	£84.44

### **Laundry Charges**

3.12 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.

- 3.13 The proposal for 2016/17 seeks to achieve full cost recovery, whilst still remaining much cheaper than alternative commercial providers. The proposed charges are as follows:

<b>Token Type</b>	<b>2014/15 Laundry Token Charge</b>	<b>2015/16 Laundry Token Charge</b>	<b>2016/17 Laundry Token Charge</b>
Wash	£1.00	£1.00	£1.00
Dry	£0.50	£1.00	£1.50

### **Heating Charges**

- 3.14 Heating charge calculations are based on the usage data from previous years. This 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.
- 3.15 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 heating charge increases being on average minimal, whilst still maintaining full cost recovery.
- 3.16 Appendix 8 breaks down the proposed charges for 2016/17.

### **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 2016/17**

- 4.1 The budget sheets attached as Appendix 3 shows the original and revised estimate for 2015/16 and the original and revised estimates for 2016/17. Also shown for comparative purposes are the estimated budgets through to 2019/20 both as they were following the decisions made at last year's budget meeting in January 2015 compared to as they are now estimated for this report.

- 4.2 It is important to note that there are a number of years that show in-year deficits where expenditure exceeds anticipated income and the resulting shortfalls are being funded by drawing on HRA balances. These deficits are mainly due to changes to Government policies, for example the social rent reduction policy, as well as revenue contributions to fund major capital schemes that have been incorporated into the 30 year plan. It is anticipated that these areas will be reviewed over the forthcoming year, and a number of other service reviews investigated, with the purpose of identifying ways that the deficit budgets can be brought back to breakeven, and ensure that the HRA balances as a whole do not fall into deficit over the whole 30 year period.

- 4.3 A Contingency Provision of £100,000 in 2016/17 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). It is forecast that the level of balances will be approximately £10.7 million at 31st March 2017, excluding the earmarked capital reserves.

#### **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 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 Husetalk 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 Husetalk 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 2016/17.

## **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 2019/20
- 4 Average Rents 2016/17
- 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:

<b>Title of document</b>	<b>Location</b>
1 Budget files	Financial Services Housing Accountancy team

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.

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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.