

Report To:	Cabinet
Date of Meeting:	18 February 2014
Lead Member / Officer:	Councilor Hugh Irving
Report Author:	Peter McHugh – Head of Housing
Title:	Housing Revenue Account Rent Setting, Revenue Budgets and Capital Budgets 2014/15

1. What is the report about?

To seek approval from Cabinet for the proposed Rent and Service Charge increase and approve the Housing Revenue Account Capital and Revenue Budgets for 2014/15.

2. What is the reason for making this report?

It is a statutory requirement to set budgets and rent levels before the start of the new financial year and the budget must conform to the Housing Stock Business Plan (HSBP) which has been designed to fund improvements to reach WHQS by the end of April 2014 and maintain it until 2041.

3. What are the Recommendations?

That the Housing Revenue Account Budget for 2014/15 (Appendix 1) and the Housing Stock Business Plan (Appendix 2) be adopted.

That rents for Council dwellings be increased in accordance with the Rent Setting Policy guidance from Welsh Government (average 4.59% per week) with effect from Monday 7th April 2014.

That rents for Council garages be increased in line with Guideline Rents (average of 4.59% per week) and Heating Charges by 7.5% with effect from Monday 7th April 2014.

That the capital programme priorities for stock investment for the period 2014 – 2019 be approved. (Appendix 3) and subject to a full tendering exercise.

4. Report details.

The latest forecast outturn for 2013/14 is detailed in Appendix 1, in line with the monthly monitoring report. Balances, at year end, are forecast to be £1,152,000.

The proposed budget for 2014/15 is also detailed in Appendix 1. The budget has been calculated on the following basis:

- HRA Subsidy Determinations;
- Average rent increases of 4.59%;
- Management and Repairs and Maintenance expenditure in line with the HSBP base cost assumption of 2.0 % increase;

- 2 Right to Buy (RTB) Sales have been made to date with one further disposal prior to 31 March 2014. Two right to buy per annum has been forecast for subsequent years however this will be reviewed each year as part of the business planning process.

The Final HRA Subsidy Determinations have been received from Welsh Government. The Determination assumes that "Guideline Rents" are charged, that "Management and Maintenance" costs are fixed, and older supported capital repayments are made. The "notional" HRA account produced from this calculation is in surplus and this amount is paid to Welsh Government and on to the Treasury as negative subsidy. Following a national review of the Housing Revenue Account Subsidy System the Welsh Government intend to abolish the HRA subsidy system and replace it with a system of Self Financing where authorities shall be provided with a one off debt settlement (estimated to be approximately £39 million in the case of Denbighshire) and in return Authorities will be able to retain the negative subsidy payment paid to Welsh Government (presently worth over £3 million per year for Denbighshire) which would be used to service the £39 million debt. Welsh Government is looking to incorporate the Self Financing Settlement into the Housing Bill which is due to be passed by the Senedd in summer 2014 and commence the new financial regime with effect from 1st April 2015.

Welsh Government guidance has recommended the following uplift for HRA business plans for 2014/15:

- Management and Maintenance allowances to be uplifted by 6.09% to £2,769 compared to £2,610 per dwelling in 2013/14);
- Guideline Rent increases to £72.40 per dwelling per week which equates to a weekly increase of £3.18 per week. This is due to rents in Denbighshire being comparatively low and the policy of Welsh Government is for rental levels between Local Authorities and RSLs to converge. This will mean local authority rent levels rise at a larger rate than RSL rents to facilitate the convergence;
- Benchmark Rents (RSL) will increase from £75.21pw to £78.37pw an increase of £3.16 equating to 4.2% uplift.

It is estimated that the HRA Subsidy payment to Welsh Government for 2014/15 will total £3,307,000 which equates to an increase of 6.5% compared with 2013/14.

The service has undertaken considerable work to help manage and mitigate the impact of welfare reform. All affected households have had a home visit from their estates officer, explaining the benefit changes and how it will affect their HB payments. A total of 353 people have been identified as affected by the under occupancy charge (bedroom tax) and in line with good practice bad debt provision has been increased within the business plan for 2013/14 and 2014/15 to take account of the implications of welfare reform. To date arrears relating to the "bedroom tax" have increased by £17,842 which are contained within the bad debt provision which has been made and are lower than a number of other authorities.

Over one third of the Housing Stock is designated as sheltered accommodation or rented by retired persons in general needs housing whom are exempt from the under occupancy charge and 66% of all tenants are in receipt of some form of Housing Benefit therefore the impact of welfare reform has been less than in some other areas and remains within the bad debt provision which has been set.

The Guideline Rent uplift for 2014/15 would result in the charges outlined below:

	Actual Rent 2013/14	Guideline/Actual Rent 2014/15
Bed-sit	£59.01	£61.72
1 Bedroom	£62.08	£64.93
2 Bedrooms	£67.12	£70.20
3 Bedrooms	£77.43	£80.98
4 Bedrooms	£85.15	£89.06

Housing Stock Business Plan (HSBP)

As part of the budget process it is necessary to review the Housing Stock Business Plan and this is achieved through a due diligence exercise on an annual basis to review the assumptions used and to validate the robustness of the financial model. In addition the review undertakes a sensitivity analysis and produces a risk register.

The latest review was undertaken in October 2013 which confirmed that the Business Plan is both viable and robust. It states that the assumptions made are prudent and the plan is viable over the next 30 years. The review was informed by a fresh stock condition survey undertaken in 2012 by Rand Associates which identified the future investment needs of the stock which has informed the next 5 year Improvement Programme which will concentrate on external components such as roofing works, rainwater goods, external rendering, outbuilding etc which are not addressed through the Welsh Housing Quality Standard as well as catch up works for “acceptable fails”.

Garages

Rents for garages shall increase in line with the business plan resulting in 4.59% uplift for 2014/15. A review of garages to ascertain how they are presently being utilized, to compare and contrast investment costs against income derived and to consider the medium to longer term options for garage sites will be undertaken in 2015 as part of the asset management strategy.

Heating Charges

Four estates have communal heating systems with central boilers without individual meters. All other tenants pay their own heating costs direct to the supplier.

Energy supplier costs have been increasing and whilst Housing Services will not pass on the full cost increase it is recommended that heating costs rise by 7.5% which will result in an average heating cost of £9.38 per week. It's worth noting that other authorities have traditionally passed on the full increase for fuel charges.

A project team has been set up provide advice to tenants on energy saving measures which should help to improve energy efficiency and reduce fuel poverty.

Welsh Housing Quality Standard

The Council is on course to deliver the Welsh Housing Quality Standard to all the Housing Stock (apart from a small number of “acceptable fails” where for example tenants refuse the improvement works due to ill health etc) for mid April 2014 which will ensure that Denbighshire are one of only 4 Councils to achieve this top Welsh Government priority.

Contracts have been drawn up and split into “Lots” 1-8. In 2013/14 Lots 6 & 7 have been completed and Lot 8 is due to complete in mid April 2014. During the course of 2013/14 589 homes will have brought up the standard.

The stock condition survey has identified repairs, maintenance and improvement costs for the next 30 years which have subsequently been built into the business plan and shall inform the developing asset management plan.

5. How does the decision contribute to the Corporate Priorities?

The provision of good quality housing is a Corporate Priority and tendering the 5 year capital programme will provide a boost to the local economy by maximizing the local employment, training and supply chain opportunities for local people and businesses.

6. What will it cost and how will it affect other services?

The Housing Revenue Account is generally ring fenced and costs of implementation are covered by the increased income through rents and service charges.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision What consultations have been carried out?

The EqIA has highlighted the need to ensure tenants have access to appropriate advice and assistance to maximize take up of entitlements. This is being done.

8. What consultations have been carried out?

The Denbighshire Tenants’ and Residents’ Federation will be consulted on the proposed rent and service charge increase and the capital programme.

9. Chief Finance Officer Statement

A recent review of the Housing Stock Business Plan (HSBP) and the Housing Subsidy Determinations for 2014/15 show that the Plan remains robust and financially viable. There are sufficient resources to meet the investment needs of the stock. This will be the last year that there is a housing subsidy system in Wales. A self-financing model will be introduced from April 2015. The details are being debated and developed nationally but it is probable that the revenue impact will be positive. A new HSBP will be required once self-financing has been introduced.

10. What risks are there and is there anything we can do to reduce them?

Failure to follow the Housing Stock Business Plan and to set budgets could lead to financial problems and potential intervention by Welsh Government. Housing Services will work closely with welfare rights and the corporate welfare reform group to manage, mitigate and minimize the impact of welfare reform upon tenants.

11. Power to make the Decision

The Council has the power to make this decision and does not require any external approvals in order to do so.