

**Report To:** Cabinet

**Date of Meeting:** 17 February 2015

**Lead Member / Officer:** Councilor Julian Thompson-Hill / Paul McGrady

**Report Author:** Richard Weigh, Chief Accountant

**Title:** Housing Rent Setting & Housing Revenue and Capital Budgets 2015/16

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### **1. What is the report about?**

To seek approval from Cabinet for the proposed rent increase and the introduction of service charges and to approve the Housing Revenue Account Capital and Revenue Budgets for 2015/16.

### **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 be consistent with the assumptions within the Housing Stock Business Plan (HSBP) which has been designed to maintain Welsh Housing Quality Standard throughout the 30 year business plan.

### **3. What are the Recommendations?**

That the Housing Revenue Account Budget for 2015/16 (Appendix 1) and the Housing Stock Business Plan (Appendix 2) be adopted.

That rents for Council dwellings be increased in accordance with the Housing (Wales) Act 2014 to an average weekly rent of £74.93 with effect from Monday 6th April 2015.

That rents for Council garages be increased in line with the increase in rents for Council dwellings.

That fixed average service charges of £1.99 per week are introduced where applicable in line with the Housing (Wales) Act 2014.

### **4. Report details.**

The latest forecast outturn for 2014/15 is detailed in Appendix 1, in line with the monthly monitoring report. Balances, at year end, are forecast to be £1,322,000.

The proposed budget for 2015/16 is also detailed in Appendix 1. The budget

has been calculated on the following basis:

- Adoption of the new Rent Policy as stated in the Housing (Wales) Act 2014;
- Service charges are de-pooled from the average weekly rent for 2014/15 of £73.00. This means that the average service charge of £1.99 is taken away from this figure and then the recommended uplift of 2.7% plus £2 applied to the remainder. This is shown in more detail in the table below. The average rent increase is 2.64%
- Introduction of fixed service charge of £1.99 per week where applicable
- Two Right to Buy (RTB) Sales have been made to date in 2014/15. One RTB sale per annum has been forecast for subsequent years however this will be reviewed each year as part of the business planning process.
- A programme of new build has been assumed in the HSBP for planning purposes until specific schemes are developed.

Part 5 of the Housing (Wales) Act 2015 allows for the HRAS system to be abolished, which will mean that the current guideline rent system will also end. Welsh Government developed a new policy for social housing rents that will be applied consistently by all social landlords and reflect the type, size, location and quality of the Landlord's properties. The policy was implemented by housing associations in April 2014 and will be adopted by the local housing authorities following exit from the HRAS system in April 2015.

The mechanism for uplifting rents is now based on the following:

- Between 2015/16 and 2018/19, the annual uplift is CPI plus 1.5%, plus £2 per week for individual tenants, where a landlord is seeking to bring its average weekly rent within the 'target rent band' – target rent is the Government's calculation of what average rents for housing association and council tenants should be
- The only exception to this will be where CPI falls outside a range of between 0% and 4%. Where this occurs, a Ministerial decision will be required on the level of rent increase to be applied in that year
- The rent policy allows the council to apply a 'higher, mid or lower end' target rent level depending on the overall condition and energy rating of the stock. Target rent has been kept at the low end throughout the 30 year Plan and it remains financially viable. Assuming target rent increases by 3.5% per annum, the council's rents would converge in 2017/18.

Comparative rent levels are detailed below along with the Council's target rent bands:

	2014/15	2015/16
Average Weekly rent (from the previous year)	£69.80	£73.00
Less: Service charge de-pooled	-	£1.99
<b>Adjusted Average Weekly rent</b>	<b>£69.80</b>	<b>£71.01</b>
Plus: Uplift (CPI + 1.5%)	£3.20	£1.92
Adjusted Average Weekly rent	£73.00	£72.93
Plus: £2 uplift if below Target rent	-	£2.00
<b>Average Weekly Rent</b>	<b>£73.00</b>	<b>£74.93</b>
<b>Average weekly service charge</b>	<b>-</b>	<b>£1.99</b>
<b>Total weekly Payment</b>	<b>£73.00</b>	<b>£76.92</b>

	Target Rent 2014/15	Target Rent 2015/16
Low End	£75.09	£76.60
Mid Point	£79.05	£80.63
High End	£83.00	£84.86

### **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.

A new HSBP has been developed to incorporate the removal of the HRAS system, the new rent policy and the introduction of fixed service charges. A loan of £39m to fund the Council's settlement figure (to buy itself out of the HRAS system) has been included in the HSBP. The Business Plan remains both viable and robust and the assumptions made are prudent.

### **Garages**

Rents for garages shall increase in line with increases in rents on Council dwellings for the business plan. A review of garage sites will be undertaken in 2015/16 as part of the asset management strategy. Garage rents for tenants will therefore increase from £6.42 to £6.59.

### **Heating Charges**

Energy prices generally remain low with no immediate signs of upward movement, and to date expenditure on gas is being fully recovered from tenants, therefore it is recommended that heating costs do not increase in 2015/16. Charges in previous years have not recovered the full cost and this is reflected in the flat position this year. This will be reviewed during the course of the year in line with the latest position on energy prices.

### **Welsh Housing Quality Standard**

The Council achieved the Welsh Housing Quality Standard to all the Housing Stock in September 2014. Capital spend has been included in the HSBP which maintains this standard over the 30 year plan.

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 the 5 year capital program 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 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 HRAS Steering Group was consulted on the introduction of service charges in 2014/15. Tenant 'drop in' sessions around the County were held in August and September 2014. In addition details regarding the introduction of service charges have been included in the Tenants newsletter 'Housing News'.

#### **9. Chief Finance Officer Statement**

A recent review of the Housing Stock Business Plan (HSBP) shows that the Plan remains robust and financially viable. There are sufficient resources to meet the investment needs of the stock. The exit from the HRAS and an estimated £39m settlement figure has been assumed in the HSBP based on original WG estimates. The settlement figure and associated interest rates are still being negotiated.

#### **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.

#### **11. Power to make the Decision**

Rent policy is determined by the Housing (Wales) Act 2014. The Housing Revenue Account is ring-fenced by statute.