

Report To: Cabinet

Date of Meeting: 16 February 2016

Lead Member / Officer: Councillor Julian Thompson-Hill / Richard Weigh

Report Author: Geoff Davies Lead Officer – Community Housing / Richard Weigh, Chief Finance Officer.

Title: Housing Rent Setting & Housing Revenue and Capital Budgets 2016/17

1. What is the report about?

To seek approval from Cabinet for the proposed rent increase for council housing and to approve the Housing Revenue Account Capital and Revenue Budgets for 2016/17

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 2016/17 (Appendix 1) and the Housing Stock Business Plan (Appendix 2) be adopted.

That rents for Council dwellings be increased in accordance with the Welsh Government Policy for Social Housing Rents introduced in April 2015 to an average weekly rent of £77.74 with effect from Monday 4th April 2016.

That rents for Council garages be increased in line with the increase in rents for Council dwellings to £6.68 for Council Tenants & £8.02 for other Tenants per week.

4. Report details.

The latest forecast outturn for 2015/16 is detailed in Appendix 1, in line with the monthly monitoring report. Balances, at year end, are forecast to be £2,021,480.

The proposed budget for 2016/17 is also detailed in Appendix 1. The budget has been calculated on the following assumptions.

The income level assumptions allow us to ensure we can effectively manage our supervision and management costs and repair and maintenance commitments whilst allowing us to increase and improve stock through a well-managed capital programme.

Income collection management in housing services continues to be high performing and amongst the best in Wales and ensure that tenants can meet their weekly commitments however assumptions have been made to protect the council through prudent bad debt provision.

Five Right to Buy (RTB) Sales have been made to date in 2015/16. 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. The Business plan has been tested with the assumption of no sales and there is no detrimental effect on the plan.

Welsh Government developed a 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 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 up to £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

In December 2015 the Welsh Government confirmed the uplift as previously agreed. This means that the rent uplift is 1.4% (CPI+1.5% plus £2)

By adopting the Welsh Government policy, the council will be able to maintain the momentum around increasing and improving its stock through investment in our homes and the environment of our neighbourhoods, through acquisition of land and homes and partnerships with RSL's and developers to provide more homes to meet need.

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

	2015/16	2016/17
Average Weekly rent (from the previous year)	£71.01	£75.16
Plus: Uplift (CPI + 1.5%)	£1.99	£1.05
Adjusted Average Weekly rent	£72.93	£76.22
Plus: £2 uplift if below Target rent	£2.00	£1.53
Average Weekly Rent	£74.93	£77.74

	Target Rent 2015/16	Target Rent 2016/17
Low End	£76.60	£77.31
Mid Point	£80.63	£81.38
High End	£84.86	£85.45

- 78% of tenants will have the % uplift plus the maximum £2 charge
- 7% of tenants will have the % uplift plus an additional uplift lower than the £2 charge as this brings them up to target rent level.
- 15% of tenants will be at target rent with % uplift only.

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 and the rent policy. A loan of £40m 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.

Service Charges

Service chargeable income remains consistent with last year although individual properties may be subject to a varied charge.

Garages

Rents for garages shall increase in line with increases in rents on Council dwellings for the business plan to £6.68 for Council Tenants & £8.02 for other Tenants per week.

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 2016/17.

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.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision

The Council appreciates that any increase in weekly rent could have an impact on some of our customers' ability to meet their weekly commitments. The Income Collection service will continue to offer advice and support to all customers to ensure that customers can manage their finances effectively and maximise their income.

8. What consultations have been carried out?

The Denbighshire Tenants and Residents Federation (DTARF) have been consulted and the reason for the rent increase and the impact on the HRA business plan has been fully explained to the group.

It is noted that feedback from customers in the STAR survey in 2015 returned high levels of satisfaction with rent and service charge value for money.

The outcomes were as follows:

- 96% were satisfied that their rent provides value for money
- 94% were satisfied that their service charge provides value for money

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. Following exit from the HRAS a settlement figure of £40m has been included in the HSBP.

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.