

**Report To:** Cabinet

**Date of Meeting:** 24 January 2017

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

**Report Author:** Geoff Davies, Lead Officer – Community Housing / Richard Weigh, Head of Finance

**Title:** Housing Rent Setting & Housing Revenue and Capital Budgets 2017/18

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

To seek approval from Cabinet for the Denbighshire Housing annual rent increase, the Housing Revenue Account Capital and Revenue Budgets for 2017/18 and Housing Stock Business Plan.

### **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. 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 2017/18 (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 £81.77 with effect from Monday 3rd April 2017.

That rents for Council garages be increased in line with the increase in rents for Council dwellings to £6.85 for Council Tenants and £8.22 for other Tenants per week.

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

The latest forecast outturn for 2016/17 is detailed in Appendix 1, in line with the monthly monitoring report. Balances, at year end, are forecast to be £2,314,670.

The proposed budget for 2017/18 is also detailed in Appendix 1. The budget has been calculated on the following basis:

- There have been 9 Right to Buy (RTB) Sales in 2016/17. The Business Plan has been tested with the assumption of no sales in future and there is no detrimental effect on the plan.
- 2 former council homes have been purchased during the year.
- A programme of new build has been assumed in the HSBP for planning purposes until specific schemes are delivered.

### Welsh Government Rent Policy

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 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 would 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 2016 the Welsh Government confirmed the uplift as previously agreed. This means that the rent uplift is 2.5% (CPI + 1.5%) plus £2 (where applicable).

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

	2016/17	2017/18
Average Weekly rent (from the previous year)	£75.17	£77.96
Plus: Uplift (CPI + 1.5%)	£1.05	£1.95
Adjusted Average Weekly rent	£76.22	£79.91
Plus: £2 uplift if below Target rent	£1.52	£1.86
Average Weekly Rent	£77.74	£81.77

For information target rent levels are:

	Target Rent 2016/17	Target Rent 2017/18
Low End	£77.31	£80.77
Mid Point	£81.38	£85.02
High End	£85.45	£89.27

- 71% of tenants will have the % uplift plus the maximum £2 charge.
- 29% of tenants will have the % uplift plus an additional uplift lower than the maximum £2 charge as this brings them up to target rent level.

## **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.

The current Housing Stock Business Plan assumes a balance of £2m is maintained over the mid-term to mitigate against any future risks. This level of retained balance exceeds 10% of the annual revenue turnover and is deemed prudent and sensible in the current economic climate, allowing some scope in the event of any unforeseen circumstance arising over the short to mid- term of the Plan.

Maintaining the balance at a manageable level reduces the need to extend the current level of borrowing with the resultant savings in annual capital financing costs. This strategy also allows for further scope in future years of the Plan to extend the borrowing requirement if needed but at the same time ensuring the Authority remains within the HRA Limit on Indebtedness as set by the Welsh Government.

### **Service Charges**

Service chargeable income collects actual costs for specific services and overall shows a slight increase over last year of £2,229 to £349,001. Individual properties may be subject to a varied charge. The average charge per property is £1.97 per week.

### **Garages**

Rents for garages shall increase in line with increases in rents on Council dwellings for the business plan.

### **Heating Charges**

At 3 schemes with a communal heating boiler, the council collects charges for fuel usage. We are anticipating an increase in fuel costs in 2017 / 2018 however there is sufficient surplus on the accounts to be able to avoid an increase in the weekly charge which will mitigate the impact of the increase on customers.

### **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 ensure sufficient resources are available to continue to maintain 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 income through rents and service charges.

**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.

**9. Chief Finance Officer Statement**

A full review of the Housing Stock Business Plan (HSBP) has confirmed that the Plan remains robust and financially viable. There are sufficient resources to support the management and supervision of the housing service and the investment needs of the stock. Balances are at a prudent level while allowing the funding of new capital expenditure to be provided in the most cost effective way.

**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 concerns 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.