



Derby City Council

COUNCIL CABINET
21 January 2015

Report of the Cabinet Member for Housing
Finance and Welfare

ITEM 17

Housing Revenue Account Business Plan 2015/45 and Rent and Service Charge Increase 2015/2016

SUMMARY

- 1.1 The Housing Revenue Account (HRA) remains in a financially robust position as a result of a combination of strong cost control and rent increases above the level of inflation over the past decade, bringing council rents much closer to Housing Association levels. The HRA still, however, faces a number of challenges:
- Welfare Reform – Universal Credits impact on rental income collection and arrears
 - Rental Constraint – Future rent increases limited to CPI plus 1%
 - Right to Buy – Continued stock losses
 - Service Charges - Universal Credit may result in charges no longer recoverable
- 1.2 The partnership of Derby City Council and Derby Homes remains strong and focussed on delivery of new homes through that partnership. The HRA and Derby Homes both have plans to deliver additional homes and to add to the stock of well managed affordable homes in Derby.
- 1.3 Overall, the plan indicates that there remains the financial capacity to deliver around 400 homes through the HRA .This combined with an additional 300 homes to be delivered by Derby Homes ensures financial capacity for around 700 new affordable homes by March 2019. Identifying appropriate sites remains an issue with meeting this objective, but plans are progressing well at this stage.
- 1.4 The HRA Business Plan assumes a rent increase of CPI plus 1% which amounts to an average increase of 2.2%. This is a considerably lower increase than recent years but never the less is sufficient to enable the new build delivery referred to above and ensure that the core service to existing tenants is able to remain at its current level, with homes being actively managed and maintained to a decent standard.

RECOMMENDATIONS

- 2.1 To approve the 2014/15 update of the rolling 30 year HRA business plan, as set out at appendix 2
- 2.2 To approve a rent increase of 2.2% in line with Government Policy of CPI + 1%
- 2.3 To approve an increase to all service charges of 2.3% with the exception of those detailed at paragraph 4.10 in this report.
- 2.4 To agree that increases to other Council rents (see paragraph 4.10 below) are set in-line with RPI at January 2015.

REASONS FOR RECOMMENDATION

- 3.1 Housing is a long-term asset and it is important that a longer term view is taken around asset management. Approval is sought for the proposed 2014/15 update to the rolling 30 year HRA business plan that sets a strategy to manage the HRA into the future
- 3.2 The HRA Business Plan is based on an assumed rent increase paragraph 1.4 above. Without this rent increase resources would be reduced considerably and the viability of the plan and the objectives that it supports would need to be revisited.
- 3.3 Other Council rents such as for accommodation at Milestone House and Imari Park Travellers site that are required to be set from April 2014 and service charges to tenants, need to keep pace with inflation if the Council is to be able to operate these sites and services without making a financial loss.

SUPPORTING INFORMATION

- 4.1 The Housing Revenue Account remains in a financially robust position as a result of a combination of strong cost control and rent increases above the level of inflation over the past decade, bringing council rents much closer to Housing Association levels. The HRA still, however, faces a number of challenges:
- Welfare Reform – Universal Credits impact on rental income collection and arrears
 - Rental Constraint – Future rent increases limited to CPI plus 1%
 - Right to Buy – Continued stock losses
 - Service Charges - Universal Credit may result in charges no longer being recoverable via Housing Benefit
- 4.2 Despite these challenges the HRA business plan has the financial capacity to deliver around 400 homes over the next few years – subject to site availability.
- 4.3 In parallel with the Council's own development plans, Derby Homes will supplement the City's social Housing stock with around 300 homes under their direct ownership.
- 4.4 Given the significant level of new build investment it is important that the service offer to tenants is not adversely affected. Allowing for the new build investment, services to tenants will remain at an appropriate level and resources are available to maintain the Decent Homes standard.
- 4.5 The government have set a 10 year rent policy of CPI plus 1% as a maximum rent increase – this equates to a rental increase of 2.2%. This replaces the previous rent restructuring policy of RPI plus 0.5% plus an element to move towards target rents.

- 4.6 The Council can legally set any rent level it chooses as long as it is below market rented levels, but the Council would have to pay rent rebate subsidy limitation (RRSL) penalties to the government if the average rent it sets is above Target rent.
- 4.7 The current HRABP is set on the basis of rents being in line with government policy of CPI plus 1% and it is therefore proposed that the Council continues with its long standing policy to increase rents at the recommended level with a view to all property rents reaching Target rent over time.
- 4.8 This year's proposed increase of 2.2% if approved would be the lowest for many years, and be indicative of the more moderate increases in rent that can be expected for council tenants from now on.
- 4.9 The Estates Pride Programme is now established in the HRABP at an underlying £0.5m a year. It is proposed that the underlying level that is required for this service be increased to £750k a year, with £1m a year for the next 3 years to help to clear any backlog of works.
- 4.10 It is proposed that other rents such as for Milestone House and Imari Park and service charges rise in line with RPI of 2.3% as normal, with the following exceptions:
- Energy bills at sheltered schemes – these have been increasing at around 10% a year with energy costs. It is proposed that these should be frozen in line with the general energy market cost at the moment.
 - It is also proposed to freeze furniture packs charges

OTHER OPTIONS CONSIDERED

- 5.1 The proposed HRA business plan and associated rent and service charge increases for 2015/16 have been subject to extensive consultation with tenants, officers, members and Derby Homes. It is now considered that the plan in its current form and the proposed rental and service charge increases best reflects the views of those consulted
- 5.2 Other options are possible but the current plan delivers a low rent increase, at a time of great financial pressure for many tenants, whilst maintaining current management and maintenance standards and delivering on the Council's new build ambitions

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Olu Idowu Toni Nash N/A Steve Sprason Perveez Sadiq Peter Shillcock, David Enticott
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List of appendices:	Appendix 1 – Implications Appendix 2 – HRA Business Plan
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IMPLICATIONS

Financial and Value for Money

- 1.1 Contained within the report

Legal

- 2.1 The Council is required to set a balanced budget for its Housing Revenue Account and ensure that costs are charged appropriately to either the HRA or to the General Fund.
- 2.2 We are obliged to set and publicise our rents before they come into effect in April 2015 and the recommendation, if approved, gives effect to that obligation

Personnel

- 3.1 None directly.

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- 4.1 None directly.

Equalities Impact

- 5.1 Many of the Council's tenants belong to the Council's equality target groups.

Health and Safety

- 6.1 None directly.

Environmental Sustainability

- 7.1 Several environmental initiatives are included within the HRA business plan such as improving thermal efficiency, installation of modern energy efficient heating systems and the construction of new homes to modern thermal efficiency standards.

Property and Asset Management

- 8.1 A bespoke Asset Management plan underpins the HRA cyclical maintenance programme.

Risk Management

- 9.1 Risks are managed through a number of Council and Derby Homes governance Boards.

Corporate objectives and priorities for change

- 10.1 The delivery of the HRA Business Plan will assist the Council to achieve its key strategic outcomes set out in the Derby Plan 2011 - 2026 and the Derby City Council Plan 2014/15.