



Derby City Council

Council Cabinet
10 February 2016

ITEM 17

Report of the Cabinet Member for Urban
Renewal.

Council Housing Rents and Service charges for 2016/17 to 2019/20

SUMMARY

- 1.1 Since April 2012, the Council's Housing Revenue Account (HRA) has operated under the Government's Self Financing Regime. This provides Local Authorities the resources, incentives and flexibility to set 30 year HRA Business Plans for investment in Council Homes and Estates.
- 1.2 Projections of future rental income from Council homes is therefore a key factor within HRA Business Plans and in May 2014, the Government committed to a 10 year rent policy requiring annual Council rent increases of CPI +1%. The Council's HRA Business Plan 2015 - 45 was accordingly based on this formula.
- 1.3 In the Summer Budget announcement on 8 July 2015, the Government announced a number of proposals contained within the Welfare Reform and Work Bill 2015/16, including a 1% reduction in the level of rent that Local Authorities and Housing Associations can charge to their tenants for a 4 year period from 2016 to 2020.
- 1.4 In January 2016, the Government announced that the mandatory 1% decrease could be deferred for one year during 2016/17 in the case of 'Supported Housing'.
- 1.5 This report reflects these changes and seeks approval for a revised and reduced rental increase for the period 2016 to 2020 to that approved by Cabinet on 21 January 2015.

RECOMMENDATION

- 2.1 To approve a rent decrease of 1% to all Council HRA rents during the 4 year period from 1 April 2016 to 31 March 2020.
- 2.2 Subject to regulation being put in place to give effect to the government's commitment to defer a rent decrease in relation to supported housing for one year during 2016/17, to approve a rent increase of 0.9% for 2016/17 for all Council HRA Supported Housing in line with the Government formula of CPI plus 1%.
- 2.3 To agree that increases to other Council rents are set in line with September's RPI of 0.8%.

- 2.4 To approve that the cost of all Service Charges, with the exception of items specifically listed in this report are increased in line with September's RPI of 0.8%.
- 2.5 To approve that Service charges for grounds maintenance be increased by 7% and cleaning charges by 10%.
- 2.6 To freeze service charges for energy and furniture packs.
- 2.7 To receive a further report reviewing charges for furniture packs with a view to implementing changes to the scheme by or before 2017/18.
- 2.8 To delegate to the Strategic Director of Communities and Place in consultation with the Cabinet Member for Urban Renewal, the ability to introduce an appropriate service charge for the new Extra Care facility at Parklands View.

REASONS FOR RECOMMENDATION

- 3.1 To comply with the Government's national rent setting formula.
- 3.2 To ensure that other Council rents and service charges keep better pace with inflation, as well as the actual cost of delivering those services, ensuring value for money for residents, tenants and leaseholders as well as the Council.
- 3.3 To ensure that the costs associated with the Council's furniture packs are reviewed in a timely manner and offer value for money for tenants.



Derby City Council

**Council Cabinet
10 February 2016**

Report of the Acting Strategic Director of
Communities and Place.

SUPPORTING INFORMATION

- 4.1 Since April 2012, the Council's Housing Revenue Account (HRA) has operated under the Government's Self Financing Regime. This provides Local Authorities the resources, incentives and flexibility to set 30 year HRA Business Plans for investment in Council Homes and Estates.
- 4.2 The Self Financing regime effectively involved the Council purchasing its Housing Stock from the Government based upon a valuation model. The model was based upon the national social rent policy which essentially involved increasing rents by RPI + 0.5% per annum. In effect, this was the 'deal' that the Government offered stock holding Local Authorities as self-financing was introduced.
- 4.3 Projections of future rental income from Council homes is therefore a key factor within HRA Business Plans and in May 2014, the Government committed to a 10 year rent policy requiring annual Council rent increases CPI +1%. The Council's HRA Business Plan 2015 - 45 was accordingly based on this formula.
- 4.4 In the Summer Budget announcement on 8 July 2015, the Government announced a number of proposals contained within the Welfare Reform and Work Bill 2015/16, including a 1% reduction in the level of rent that Local Authorities and Housing Associations can charge to their tenants for a 4 year period from 2016 to 2020.
- 4.5 A reduction in rents is clearly good news for the Council's tenants at a time when many will be facing increasing financial pressures resulting from the impact of other Welfare reforms.
- 4.6 The rent reduction is however a significant departure from the government's previous 2014 commitment that rents would rise at a rate of CPI +1%. The impact of this reduction will be to reduce rental income by around 13% after the 4 years to the Council's HRA. This is compounded as under the previous plan, income was expected to rise by 9% over these 4 years and the combined impact is that the HRA is likely to now be reduced by some £200M over the 30 year life of the plan.
- 4.7 Such a significant reduction will inevitably have an impact on the Council's ability to deliver the original objectives set out in its 2015- 45 HRA Business Plan. At the time of drafting this report, further indications are emerging from Government in relation to its likely rent Policy beyond 2020 and this will inevitably have an important impact on the Council's 30 year Business Plan.

- 4.8 The HRA Business Plan is being reworked to take account of these latest indications and indeed, additional work is being undertaken in the light of the Council's budget X proposals for Housing Management and Repairs services and will be considered by Members at a future meeting. It is not possible to delay the introduction of the rent decrease beyond 1 April 2016, hence the need to seek Cabinet approval at this earlier stage before the HRA Business Plan has been finalised.
- 4.9 On 27 January 2016, the Government announced that the mandatory 1% decrease could be deferred for one year during 2016/17 in the case of 'Supported Housing'. With the September 2015 CPI figure recorded at -0.1% the government's formula of CPI plus 1% would enable a net increase of 0.9%. This obviously has a positive impact on the HRA Business plan increasing income for reinvestment in Council homes and newbuild. The ministerial statement does identify the need for some form of necessary regulatory change to legitimise the government's commitment which, to be of any effect, would need to be in place for the start of the new rent year if not earlier, so as to capture the need for consultation, amongst other considerations. There is therefore a measure of uncertainty at the time of presenting this report about the degree of reliance that can be placed on the proposal, and the Council's ability to firm up its proposed rents in relation to supported housing.
- 4.10 In addition, to authorising the rent changes, it is necessary for Members to consider the Council's rent levels for non- HRA properties such as Milestone House, Imari Park and the Shelton Lock Mobile home park, as well as the service charges charged on the Council's HRA housing schemes.
- 4.11 It is proposed that Members approve maintaining the Council's current policy for non HRA rents, allowing them to continue to increase in line with RPI, during the 4 year period 2016/17 to 2020/21.
- 4.12 In line with national guidance, service charges need to be broadly in line with costs incurred over time. It is proposed that service charge increases, with the exception of those services specifically identified below, be linked to RPI, which should deliver value for money for tenants and leaseholders whilst ensuring these services are not subsidised by other Council resources.
- 4.13 Both the grounds maintenance and cleaning service charges are affected by minimum wage proposals that will see the national minimum wage increased from £6.50 to £9 an hour by 2020. This has increased the cost of these services and the service charges will need to increase to meet the increased cost if they are not to be subsidised by other Council resources. In the case of grounds maintenance the cost increase is around 7%. The average increase for grounds maintenance charges at 7% would be 20 pence.
- 4.14 If the full impact of the minimum wage increase was passed on to tenants and leaseholders, the charge for cleaning services would increase by almost 90%. Given other increasing financial pressures facing tenants and Leaseholders at this time, it is considered that this service charge increase should be capped at 10% for 2016/17 rather than a higher increase being borne within a single year. The average increase for cleaning charges at 10% would be 14 pence.

- 4.15 It is proposed to freeze energy bills for shared housing with shared supplies and also for furniture pack charges. The latter is currently under review and a report considering the service and associated charges will be considered by Members at a later date with a view to implementing some changes during which may provide better value for tenants, during 2016/17. It would seem appropriate to freeze these charges until this review is complete.
- 4.16 The Council's new Extra Care facility at Parklands View is to open in the spring of 2016 and the initial rent will include an element of service charges, in line with the rental valuation and agreement with the Homes and Communities Agency for their grant funding. The exact figures for these are dependent upon current valuations at that time and will need to be set before the first tenants move in.

OTHER OPTIONS CONSIDERED

- 5.1 It is a statutory requirement that HRA rents are reduced by 1% for four years from April 2016.
- 5.2 It is a statutory requirement that the Council does not increase rents on mobile homes sites by more than the rate of inflation unless such increases are linked to a material improvement in facilities provided on that site. It would be possible to increase the rents by less than the rate of inflation, but this would result in the Council subsidising the site from other Council resources.

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, Head of Legal Services Toni Nash, Head of Finance Accountancy N/A John Sadler, Strategic Asset Manager N/A Pete Shillcock, Group Accountant.
For more information contact: Background papers: List of appendices:	Ian Fullagar, Head of Strategic Housing. Telephone 01332 643405 ian.fullagar@derby.gov.uk None Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 The financial implications are contained within the body of this report.

Legal

- 2.1 The Council is required to set a balanced budget for its HRA and ensure that costs are charged appropriately to either the HRA or to the Council's General Fund.
- 2.2 We are obliged to set and publicise our rents before they come into effect in April 2016 and the recommendation, if approved, gives effect to that obligation.
- 2.3 Pending the government enacting the appropriate regulations to give effect to the one year deferral of the rent increase, so as it relates to the supported housing sector, both consultation and the production of an equality impact assessment (EIA), will need to be approached on an alternative basis.

Personnel

- 3.1 None directly arising from this report.

IT

- 4.1 None directly arising from this report.

Equalities Impact

- 5.1 Many of the Council's tenants belong to the Council's equality target groups. A rental reduction of 1% should contribute to other measures the Council is taking to help residents and particularly vulnerable people avoid financial hardship.

Health and Safety

- 6.1 None directly arising from this report.

Environmental Sustainability

- 7.1 None directly arising from this report.

Property and Asset Management

- 8.1 The reduction in rental income will inevitably place a pressure on the Council's HRA priorities including the maintenance of Council homes and estates, however this issue will be considered in detail in the future HRA Business Plan.

Risk Management

- 9.1 None directly arising from this report.

Corporate objectives and priorities for change

- 10.1 The rent decrease will make Council Housing more affordable for tenants at a time of acute financial hardship for many. As such this proposal supports the objectives relating to a safe and pleasant environment to live and a resilient Council as contained in the Derby 2030 plan.