

## Lancaster City Council | Report Cover Sheet

<b>Meeting</b>	Cabinet	<b>Date</b>	11 February 2020		
<b>Title</b>	Housing Revenue Account and Capital Programme				
<b>Report of</b>	Director for Communities and the Environment				
<b>Purpose of Report</b>					
To seek Cabinet decisions on Council Housing rent setting proposals and HRA revenue and capital budget proposals.					
<b>Key Decision (Y/N)</b>	<b>Y</b>	<b>Date of Notice</b>	<b>13.1.20</b>	<b>Exempt (Y/N)</b>	<b>N</b>

### Report Summary

This report provides an update on the council housing budgetary position and seeks Cabinet's decisions on council housing rent levels for 2020/21 and targets for future years. It also seeks approval of Cabinet's supporting revenue budget and capital programme proposals for referral on to Budget Council, in order to complete the HRA budget setting process for 2020/21.

### Recommendations of Councillors

1. That the Housing Revenue Account Budget for 2020-21, as set out at Appendix A, be referred on to Council for approval.
2. That the minimum level of HRA unallocated balances be retained at £500,000 from 01 April 2020, and that the full Statement on Reserves and Balances as set out at Appendix F be endorsed and referred on to Budget Council for approval.
3. That council housing rents be set in accordance with statutory requirements as follows:
  - for general properties let as at 01 April 2020, average rent be set at £73.54 for 2020/21;
  - for sheltered and supported housing properties let as at 01 April 2020, average rent be set at £68.64 for 2020/21;
  - for any relevant property becoming vacant the following policy be reaffirmed: that they be re-let at the higher 'formula rent'.
4. That garage rents be frozen for a 12-month period (rather than increased by CPI, as per the rent setting policy established by Cabinet in January 2017) in the context of falling occupancy levels, and in order to protect income levels currently achieved.
5. That the growth proposals as set out at Appendix E be included in Cabinet's budget proposals for referral on to Council, noting that any approvals be met from unallocated balances.
6. That subject to the above, the resulting Housing Revenue Account budget for 2020/21 onwards, as set out at Appendix A, together with the resulting Capital

**Programme as set out at Appendix C, be referred on to Budget Council for approval.**

### **Relationship to Policy Framework**

The budget represents, in financial terms, what the Council is seeking to achieve through its housing strategy in relation to Council Housing

### **Conclusion of Impact Assessment(s) where applicable**

**Climate:** as per paragraph 10 (below) the report outlines a number of positive climate related impacts resulting from the HRA budgeting process. Also, see Appendix E for additional positive impacts.

**Wellbeing & Social Value:** positive impacts identified via growth proposals. See appendix E for details

**Digital**

**Health & Safety**

**Equality**

**Community Safety**

No significant detrimental impact on specific groups. See Appendix H – Equality Impact Assessment

### **Details of Consultation**

Consultation with tenants took place through the District Wide Tenants Forum held at Ridge Community Centre on 22nd January 2020. The meeting was openly advertised to all tenants through a variety of platforms, with personal invitations also provided to those tenants who have previously engaged in consultation activity with 4 tenants attending the meeting.

Tenants were reminded that 2019/20 is the final year of the annual 1% rent reduction and that a rent increase of 2.7% is proposed which would support us in maintaining stock condition but also with a new focus around reinvesting money back into communities and working more closely with residents for this.

Service charges were also discussed with tenants at this event, with the focus on the principle that these charges would be increased so that they would pay for themselves and not be subsidised from rents. Finally, it was discussed that a freeze in garage rents would be proposed to seek to guarantee this income stream for 2020/21.

Tenants views on Officers responses are summarised below:-

- A question was raised as to whether we planned to look at retrofitting further properties in the next year, it was confirmed we would seek to continue this work, and continue to learn and adapt with this programme.
- The consensus of the Forum was that the proposed rent increases were reasonable.
- The consensus of the forum was that the growth items as set out were very positive, and would help to deliver an improved service to tenants and residents across the district.

### **Legal Implications**

The Council may amend its reasonable charges for occupation of council housing dwellings as they determine. The level of rent must be reviewed from time to time (s24 Housing Act 1985). The Council must have regard to relevant standards set by Housing Regulator's guidance - pursuant to s193 of the Housing and Regeneration Act 2008. Furthermore the decision to change charges must be taken in accordance with normal principles of public law.

The Council has had regards to the relevant standards set by the Housing Regulator and should it make a decision to increase it charges it should ensure that the change is implemented in accordance with statutory provision and guidance.

### **Financial Implications**

As set out in the report

### **Other Resource or Risk Implications**

### **Section 151 Officer's Comments**

The Local Government Act 2003 placed explicit requirements on the s151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves; this requirement is addressed below.

#### **Provisions, Reserves and Balances**

- Specific HRA earmarked reserves and provisions are satisfactory at the levels currently proposed.
- An unallocated minimum balance of £0.5M for the Housing Revenue Account is a reasonable level to safeguard the Council's overall financial position, given other measures and safeguards in place, taking a medium to longer term view.

The above advice regarding unallocated balances is dependent upon other provisions and reserves remaining broadly at proposed levels, unless a specific policy change indicates otherwise. It is dependent upon Council not varying substantially the budget proposals as set out.

As a very simple measure, the inherent value of the risks facing the Council by far exceeds the total of all reserves and balances. Whilst it is not the case that all these risks could fall due immediately, Members should appreciate the need for holding balances and reserves more generally, and using them wisely. It is inappropriate to view simply the level of funds held, without considering the reasons as to why those funds might be needed.

#### **Robustness of Estimates**

A variety of exercises have been undertaken to establish a robust budget for the forthcoming year. These include:

- producing a base budget, taking account of service commitments, pay and price increases and expected demand / activity levels as appropriate, and the consideration of key assumptions and risks;
- reviewing the Council's services and activities, making provision for expected changes;
- reviewing the HRA Thirty Year plan, together with other corporate monitoring information produced during the year;

- undertaking a review of the Council's borrowing needs to support capital investment, in line with the Prudential Code.

These measures ensure that as far as is practical, the estimates and assumptions underpinning the base budget are robust, and the proposed HRA Thirty Year Business Plan presents a reasonable approach for the way forward. The Council has recognised the tendency for optimism bias regarding income forecasts particularly and this will be taken account of in the development of future key budget proposals and business cases. Furthermore, arrangements are in hand to assess capacity needs and programming to help ensure successful delivery of key projects. Coupled with sound programming, the Budget Support reserve provides scope to help address any shortfalls in capacity etc.

### **Affordability of Spending Plans**

In addition, the s151 Officer is responsible for ensuring that when setting and revising Prudential Indicators, including borrowing limits, all matters to be taken into account are reported to Council for consideration. In considering affordability, the fundamental objective is to ensure that the Council's capital investment remains within sustainable limits, having particular regard to the impact on housing rents for Council Housing investment. Affordability is ultimately determined by judgements on what is 'acceptable' - this will be influenced by public, political and national influences.

The factors that have been (and should be) taken into account in considering capital investment plans include the following.

- availability of capital resources, including capital grants, capital receipts, etc
- existing liabilities, service needs, commitments and planned service / priority changes
- options appraisal arrangements (including the extent to which other liabilities may be avoided, through investment decisions)
- revenue consequences of any proposed capital schemes, including interest and debt repayment costs of any borrowing
- future years' revenue budget projections, and the scope to meet borrowing costs
- the likely level of government support for revenue generally.

The HRA has a Capital Financing Requirement which reflects underlying need to borrow. This is reviewed periodically to ensure that borrowing is, at all times, affordable, sustainable and prudent and a minimum revenue provision charge is made to the HRA each year to reflect the cost of borrowing.

### **Monitoring Officer's Comments**

**The Monitoring officer has been consulted and has no further comments.**

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### **Links to Background Papers**

## 1. Introduction

- 1.1. The Council is required under statutory provisions to maintain a separate ring-fenced account for the provision of local authority housing, known as the Housing Revenue Account (HRA). This covers the maintenance and management of the Council's housing stock.
- 1.2. This report sets out the rent setting policy and the latest position with regards to the HRA 30-year Business Plan, covering both revenue and capital budgets, and the associated level of reserves and balances. It seeks approval for rent levels and various other budget matters, with referral on to Budget Council as appropriate.
- 1.3. It can be noted that within the context of ring-fencing the HRA has a role to play in support of wider Council priorities; contributing to and facilitating projects across the district to support the wider ambitions of the council. The HRA also underpins the Council's general fund through contribution to support services and corporate commitments.

## 2. Achievements 2019/20

2.1. Against the financial pressure of four consecutive years of 1% rent decreases the council has continued to deliver a responsive, ambitious service through the HRA. Across household and tenancy management, sheltered housing, allocations and lettings, and repairs and maintenance, a number of notable successes have been achieved in 2019/20. For example:

- Sustained improvements to voids performance; current empty property turnaround time at Q3 19/20 is 23.99 days. This compares to 66.31 days at the same point in 17/18 and delivers significant additional rental income. Current voids in process (at Q3 19/20) is around 30, compared to over 100 at the same point in 2017/18.
- Reduced the amount of current tenant rent arrears by almost 30% (from £308,000, Quarter 3 2018/19 to £222,000 as at Quarter 3 2019/20). Proactive early intervention and support saw recourse to court action reduce significantly; a 50% reduction on court applications against tenants year on year.
- Provided over one hundred disabled adaptations with Council properties to support tenants to remain independent in their own home.
- Summer community events held at Branksome, Carnforth and Ryelands, with sustained positive involvement from residents.
- Contacting 72 residents over the age of 80 in non-sheltered accommodation as part of a Winter Welfare visit service before Christmas to facilitate support over this period and beyond where required.
- Developed a more robust approach to hoarding: more positive outcomes for extreme cases, and about to launch a new Hoarders Support Group.
- Introduced more convenient repair appointments for tenants e.g. before / after school run time.
- Undertook preventative river-bank erosion works at Artlebeck, Caton – installing over three hundred tonnes of rock and vegetation.
- Installed energy efficient movement sensor 'Dull-down' LED light replacements to communal areas.
- Commenced replacement of the Repairs and Maintenance vehicles with Electric Vehicles.

### 3. Rent Setting

- 3.1. From 2020/21 the Rent Standard within the Social Housing Regulations as set by the HCA “Rent Standards Guidance” applies to all Local Authorities. In previous years the Council has adhered to this aspect of the regulations voluntarily, as a matter of good practice, and as such our approach to rent setting remains largely unchanged.
- 3.2. The financial year 2020/21 sees Local Authorities released from the restrictions within the government’s four-year rent setting policy to reduce social housing rents by 1% per annum to 2020. From 2020 the Council has the freedom to increase rent by a maximum of CPI+1% for the next five years. For rent setting purposes for 2020/21, the September 2019 CPI figure of 1.7% is used, with forecast CPI used thereafter.
- 3.3. Had rents not been subject to these decreases and instead frozen at levels prior to the -1% reductions, over the last four years rental income would have been in the region of £1M higher. Clearly, had rents increased during this period income would have increased further still.
- 3.4. The maximum increase of CPI+1% remains consistent with Government guidance referred to, and the advice provided to Cabinet, within the HRA Budget Report approved in February 2019.
- 3.5. It remains the case that where properties become vacant and their rents are below ‘formula rent’ the rents to be charged for new tenancies can increase up to the formula rent level<sup>1</sup>.
- 3.6. All Council rents sit below the Local Housing Allowance (LHA) rate; this rate defines the maximum amount that can be paid in Housing Benefit (HB) or through the housing element of Universal Credit (UC)<sup>2</sup>. Around 80% of tenants are in receipt of some form of HB or UC.
- 3.7. Rental income is the main funding source for the HRA and there are factors that will influence the outturn position:
  - Void levels and re-let times (equating to void rent loss/uncollectable rent)
  - Right to Buy (decrease in housing stock); as at Quarter 3 a total of 20 Right To Buy completions have taken place in 2019/20. Estimates assume 18 completions per year in future years.

*Note: Refer to Appendix G for further details about risk factors.*

- 3.8. Therefore, in line with government policy Cabinet is now advised to set average council rents as follows<sup>3</sup>:-

<b>Property Type</b>	<b>2019/20</b>	<b>2020/21</b>
General	<b>£71.05</b>	<b>£73.54</b>
Sheltered and Supported	<b>£66.08</b>	<b>£68.64</b>

<sup>1</sup> Formula rent for a property is calculated based on relative property values, relative local earnings, and property size (no. of bedrooms), in line with annual guidance produced by the Social Housing Regulator.

<sup>2</sup> It is estimated that around 80% of tenants are in receipt of full or partial HB or UC – due to the housing element being paid direct it is not fully clear the exact number – however, prior to the introduction of UC 80% of tenants were supported by HB to pay their rent.

<sup>3</sup> Note that the above figures are presented on a 52-week basis.

Specific rents vary depending on property type / area / size - between £53.42 (for a bedsit at Mainway) and £102.06 (for a 5-bedroom house in Morecambe).

## 4. Other Charges

- 4.1. A general principal is applied to service charges to ensure they are sufficient to cover the cost of service provision, and that they are reasonable and transparent. Service charges are increased each year using a range of inflationary factors: e.g. General Inflationary Index, Building Cost Information Service (BCIS), Gas, and Electricity, and costs of service provision are reviewed periodically. A full review of these costs is planned during 2020/21.
- 4.2. As per the Social Housing Regulations the Council should “endeavour to keep increases for service charges within the limit on rent changes of CPI+1%.”<sup>4</sup> However, it is recognised that service charges fluctuate significantly from year to year and that the requirement to contain increases within CPI+1% should be interpreted on a medium- or long-term basis<sup>5</sup>.
- 4.3. It is estimated that around 80% of council tenants are in receipt of either HB or UC. Most service chargeable elements are HB/UC eligible; the exceptions being individual heating costs, and monitoring of alarms within sheltered housing or community alarmed properties.
- 4.4. With regard to garage rents, in January 2017 Cabinet established a rent setting policy for garages within the HRA: “That for 2017/18, all garage rents be increased by the Consumer Price Index (CPI) plus £1, with an additional CPI + £1 increase in each subsequent year until 2019/20, with CPI increase thereafter.” It is recognised that garage rents have now increased to a level slightly above the wider market, and there is some evidence that take up for garages at the current rent level is dropping off. For this reason, it is recommended that garage rents be subject to a freeze for 2020/21, with a full review to be undertaken in 2020/21. This would see garage rents set at £11.66 for Council tenants (VAT is applied for non-tenants).

## 5. Revenue Expenditure

- 5.1. The future years estimates for 2020/21 alongside the following three financial years have been prepared as part of this budget setting process. The differences between the budget approved last year and the draft revenue budget as prepared are illustrated in the variance analysis supplied at Appendix B. The key areas are listed as follows: -

- The pay award has been included at 3%, which represents a rise of 1% as included in the previous figures
- During 2019/20, the cleaning contract was extended to cover all communal areas, with charging proposed to commence 1<sup>st</sup> April 2020 to fully recover the cost in a phased process. However, service charging in general has seen increased collection due to improved voids performance
- Improved rent collection rates have resulted in a reduction to the bad debt provision
- Public Works Loan Board (PWLB) loan interest savings
- Investment interest reduction due to changes in bank rate assumptions
- The contributions to earmarked reserves have been reviewed and levels have decreased largely due to the rescheduling of the housing management software replacement; software replacement project is now underway and the reserve at its current level is sufficient to fund this without additional contributions. Planned capital expenditure has reduced by £33K in 2020/21, however the requirement to fund from the Major Repairs reserve has lessened

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<sup>4</sup> Source: *Policy statement on rents for social housing - Feb 2019*

<sup>5</sup> Source: *National Housing Federation Briefing on Rent Standard 2020 - Jan 2020*

by £77K due to projected capital receipts from the sale of properties under the Right to Buy scheme.

- 5.2. In summation the 2020/21 revenue budget projected surplus is £123.9K, which is a significant improvement on the previously projected funding requirement of £114.5K, which was to be funded by unallocated balances.
- 5.3. Should all growth items be approved then there will be an additional funding requirement in both 2020/21 and 2021/22 which can be managed by the short-term use of the unallocated reserve. This management of the fund would then see surpluses generated in the years thereafter (see Appendix A).
- 5.4. The fourteen sheltered housing schemes within Council Stock are currently operating on analogue alarm and monitoring equipment provided by Tunstall. This equipment is reaching the end of its life, necessitating a programme of upgrade across all schemes to the latest intelligent digital equipment. The total cost of this project across all schemes is estimated at £390,000, funded from the Sheltered Support Grant Reserve; this reserve exists for the sole purpose of scheme equipment replacement. The programme of upgrade will take place over the next two to three years.

## **6. Capital Expenditure**

- 6.1. The four-year capital programme is included at Appendix C.
- 6.2. The key changes to the programme from last year's reported position are included at Appendix D.
- 6.3. The 2020/21 capital programme includes no provision for any major refurbishment works on the Mainway Estate. This is due to the proposed major capital project for a transformational refurbishment of the estate so any works undertaken may be seen as being wasteful.
- 6.4. The scheme will look to incorporate the highest standards of thermal efficiency practicable thus contributing to the council's priorities around renewable energy and reducing our carbon footprint.
- 6.5. Proposals will be developed through a consultation model focused on the tenant, the quality of the accommodation, living costs and management, and assured by external technical consultancy, cost engineering and our Council Housing expertise. The project will generate option(s) which will then be subject to financial and cabinet scrutiny and approval.
- 6.6. The project is still at feasibility stage and it is hoped that over the forthcoming year a proposed project will be developed and reported back to Cabinet and Council as required for subsequent approval. The total project value is not included in the current Capital programme as this is dependent on the project options. However, it is anticipated that the cost of repair and the attendant upgrading will ultimately require us to draw substantially on reserves and borrowing; potentially £10M+, with significant further preparatory work within 2020/21, and a start date within 2021/22.
- 6.7. 2020/21 will also see an increase in the Council's adaptations budget from £250,000 to £300,000. By providing adaptations the Council is able to assist tenants in remaining independent in their own homes; by increasing the budget provision this vital service continues to meet this aim, in the context of a known ageing population within the district.
- 6.8. To note: In line with Council's priorities moving forward the Council will ensure that social value is realised through our procurement processes. For example, in terms of local employment and other local outcomes.

## **7. Savings and Growth**



- 7.1. Alongside setting council housing rents, Cabinet is also requested to make recommendations regarding savings and growth proposals for consideration by Council.
- 7.2. Through the business planning process, no savings have been proposed and the following areas of growth within the HRA have been identified. These items represent a committed reinvestment into our communities, people and places, and aspire to improve the district as a whole, whilst contributing to improved housing standards, climate change initiatives plus other Council priorities:

<b>Growth Proposal</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>2022/23 £</b>	<b>2023/24 £</b>
Job Evaluation	<b>102,500</b>	<b>140,900</b>	<b>167,100</b>	<b>221,600</b>
Neighbourhood Projects	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>
Estate Manager (G4) (16hrs)	<b>14,600</b>	<b>15,500</b>	<b>16,200</b>	<b>17,100</b>
Income Management Support Officer (FTA) (G3)	<b>24,100</b>	<b>24,600</b>	<b>25,100</b>	<b>26,200</b>
RMS Energy Support Officer (G3)	<b>27,300</b>	<b>25,900</b>	<b>27,000</b>	<b>28,700</b>
RMS Development Plan	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
New Build Feasibility Studies	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Property Conversions	<b>0</b>	<b>(10,000)</b>	<b>(10,200)</b>	<b>(10,400)</b>
Capital charges for electric vehicles (see GF growth bid 5)	<b>0</b>	<b>21,600</b>	<b>21,600</b>	<b>21,600</b>
Savings on car allowances re additional pool cars (GF growth bid 6)	<b>(6,700)</b>	<b>(11,800)</b>	<b>(12,100)</b>	<b>(12,400)</b>
<b>Total of all growth bids</b>	<b>211,800</b>	<b>256,700</b>	<b>284,700</b>	<b>342,400</b>

- 7.3. Please see attached Appendix E which details and discusses individual growth bids. Note that zero values against growth denote spend from reserves. See Appendix E for details.
- 7.4. This growth should also be seen in the context of wider organisational development work taking place Council wide which aims to develop modern, cost focussed, efficient working practices. In addition, several of the growth items above would be expected to deliver increased income and wider social value outcomes.

## **8. Provisions, Reserves and Balances**

- 8.1. After reviewing the Housing Revenue Account and General Fund in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer advises maintaining the minimum level of HRA Balances at £500K from 01 April 2020 to support the budget forecasts, as part of the overall medium term financial planning for the HRA.

- 8.2. Draft statements on all reserves are attached at Appendix F(i) and Appendix F(ii). Levels are viewed as adequate for the period covered and Cabinet is asked to endorse this information, with the Statement being referred on to council as part of the HRA budget proposals.
- 8.3. To note, the Business Support Reserve is established to provide support to additional business plan commitments and planned investment opportunities. Any future Cabinet decisions around acquisition of former Council properties sold through Right to Buy, for example.

## 9. Business Planning & Future Risks

- 9.1. Taking account of the work that has been done to date, the following table sets out the latest position for the business plan, represented by the level of unallocated balances and the Business Support Reserve (BSR). It compares the position back in February 2019 to projections as at February this year.

### 30 Year Business Plan: Business Support Reserve and Unallocated Balances

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	30 Year Cumulative Total £'000
Business Support Reserve	8,257	8,072	8,072	8,072	8,072
Unallocated Balances	2,010	1,714	1,702	1,891	60,900
<b>Projections as at February 2019</b>	<b>10,267</b>	<b>9,786</b>	<b>9,774</b>	<b>9,963</b>	<b>68,972</b>
Business Support Reserve	8,080	8,080	8,080	8,080	8,080
Unallocated Balances	1,964	1,990	2,292	3,008	15,964
<b>Projections as at February 2020</b>	<b>10,044</b>	<b>10,070</b>	<b>10,372</b>	<b>11,088</b>	<b>24,044</b>
<b>Overall Movement Adverse / (Favourable)</b>	<b>223</b>	<b>(284)</b>	<b>(598)</b>	<b>(1,125)</b>	<b>44,928</b>

- 9.2. The unallocated balance is currently £2.0M and at no point within the 30-year business plan does it breach the £500K lower limit as detailed in section 8.1.
- 9.3. The Business Support Reserve has a current unallocated balance of £8.3M. There is no further call on the reserve at this juncture for the remainder of the 30-year business plan with the exception of therefore mentioned growth and the possibility of its use to supplement the Mainway project.
- 9.4. The significant drop in the projected balance at the end of the 30-year business plan is largely due to the inflation assumptions used in the setting of rents. As previously discussed, rents have been set at CPI+1% for the next five years. Last year's projections included this for the remainder of the business plan whereas this year a conscious decision to limit this for five years has been taken, reverting to CPI only

from 2025/26. The risks surrounding this assumption must be appreciated and the magnitude of a small change within this area.

9.5. Should the growth items in section 7 be approved then the combined level of reserves will be reduced to £8.9M by the end of the 30-year business plan.

9.6. The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Head of Financial Services takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in Appendix G.

## **10. Climate Emergency**

10.1 Council Housing service priorities and objectives, as underpinned by the budget requirements set out here, are set in the context of the Climate Emergency declared by the Council on 30<sup>th</sup> January 2019. Examples of service delivery which directly contribute to tackling the Climate Emergency include:

- Roll out of electric fleet vehicles across RMS (including provision of electric charging points located at sheltered schemes and for general use).
- Installation of 'dull down' movement sensor LED communal area lighting.
- Growth Item: Energy Support Officer.
- Increased energy efficiency/boiler replacement within the five-year Capital Programme:
  - Energy saving and conservation measures pilot
  - Loft insulation programme
  - Extend energy efficient boiler programme
- Major capital project on Mainway Estate: to incorporate the highest standards of thermal efficiency practicable, contributing to the council's priorities around renewable energy and reduction of carbon footprint.

10.2 Through business planning Council Housing will continue to seek opportunities to contribute to the priorities of the Climate Emergency declaration.

## **11 Options and Options Analysis [including risk assessment]**

11.1 The options with regards to rent setting are set out under section 3, the maximum permitted increase being CPI+1%. By applying this increase, it allows for a budget that can deliver on the Council's ambitions on improving housing standards and addressing the climate change emergency, whilst adhering to the Rent Standard and legislative requirements.

11.2 In relation to garage rents, the previous decision was to increase using CPI from 2020/21. Occupancy levels suggest that this is not sustainable in the short term, therefore it is recommended to freeze rent levels for a 12-month period in order to protect the current income levels achieved, reverting to a CPI increase thereafter.

11.3 With regard to the revenue budget generally, Cabinet could consider other proposals that may influence spending in current and future years, as long as their financing is considered and addressed.

11.4 The options available in respect of the minimum level of HRA balances are to retain the level at £500,000 in line with the advice of the Section 151 Officer, or adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting and it could

have implications for the Council's financial standing, as assessed by its external auditor.

11.5 With regards to the savings and growth proposals as set out in section 7 of the report, Cabinet should consider the costs and benefits of the proposals and whether they are affordable, in particular over the medium to longer term.

11.6 The options available in respect of the Capital Programme are:

- i) To approve the programme in full, with the financing as set out;
- ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.

11.7 Any risks attached to the above would depend on measures Members proposed, and their impact on the council housing service and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

<p><b>Option 1:</b> Set housing and garage rent levels as set out in this report and approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme; and all growth proposals as set out</p>
<p><b>Advantages:</b> Increased rental income allows the Council to deliver towards its climate ambitions and provide an ambitious housing service which places people and place at the heart of its offer.</p>
<p><b>Disadvantages:</b> Increased rent levels for tenants.</p>
<p><b>Risks:</b> Proposed areas of growth, though sustainable in the long term, may increase the need for borrowing to deliver on new build ambitions</p>
<p><b>Option 2:</b> Set housing and garage rent levels as detailed in this report and approve the provisions, reserves and balances position (and their use) as set out, and the revenue budgets and capital programme, but allowing for Cabinet's recommendations regarding specific savings and growth proposals.</p>
<p><b>Advantages:</b> Increased rental income allows the council to deliver towards its ambitions. Non-approval of growth items would lead to greater HRA surpluses over the life of the 30-year business plan.</p>
<p><b>Disadvantages:</b> Non-approval of growth items would cause a scaling back of ambitions.</p>
<p><b>Risks:</b> Inability to maximise service provision and deliver on Council, and housing related ambitions.</p>
<p><b>Option 3:</b> To propose alternatives to those outlined in Section 11 above.</p>
<p><b>Advantages:</b> Unknown</p>

<b>Disadvantages:</b> Would require further options analysis
<b>Risks:</b> Impact on housing service and council housing tenants unknown.

## **12. Officer Preferred Option (and comments)**

**Option 1:** Set housing and garage rent levels as set out in this report and approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme; and all growth proposals as set out.