

CABINET

Budget and Policy Framework Update 2016 to 2020- HRA Rent Setting Update 16 February 2016

Report of Joint Report of Chief Officer (Health and Housing) and Chief Officer (Resources)

| PURPOSE OF REPORT | | | |
|--|-------------------------------------|------------------|------------------------------|
| This report provides an update on the latest position regarding the options for setting rents for supported housing for 2016/17 and seeks Cabinet's decision on the rent level to be set for 2016/17. It also picks up on relevant feedback from the February Council meeting. | | | |
| Key Decision | <input checked="" type="checkbox"/> | Non-Key Decision | Referral from Cabinet Member |
| Date of notice of forthcoming key decision | 18 January 2016 | | |
| This report is public. | | | |

RECOMMENDATIONS OF COUNCILLOR LEYTHAM

- (1) That it be noted that Government has issued revised statutory draft legislation for supported housing rents including sheltered housing and that associated rents therefore be increased to "formula rent" from 1 April 2016 and that the revenue budget forecasts be updated accordingly.
- (2) That Cabinet considers the feedback from Council and associated options regarding funding for the Marsh Community Centre.
- (3) That the resulting Housing Revenue Account budget for 2016/17 as currently set out at Appendix A but subject to any changes arising from the above, be referred on to Council for approval.

1.0 Introduction

- 1.1 Since the last meeting of Cabinet the Government has changed its position on the regulation of social rents and have made a number of Ministerial announcements during the passage of the Welfare Reform and Work Bill. The Government was planning to impose a reduction of 1% per year for the next

four years from 1 April 2016.

- 1.2 During the course of the Bill, Ministers had also announced that providers of supported housing would be able to set rents for new and re-let properties at 10% above the 'social rent rate' (i.e. at formula rent less the appropriate year on year 1% reduction)
- 1.3 The Minister announced in the Commons on the 27 January 2016 that "We have listened very carefully to the representations and noted everything we have been told. We know the costs of providing supported housing are higher than those of general needs, and that providers rely on housing benefit funding for services such as wardens and the upkeep of supported housing facilities."
- 1.4 As a result of lobbying, Government has announced that a year-long exemption from the requirement for a 1% rent reduction in the social rented sector may be applied to all supported accommodation and that during this period providers will be able to set new rents at 10% above the 2015/16 formula rate updated by CPI+1%. Government has indicated that the year-long exemption would give it time to study the findings from its review into the costs of providing supported housing, which is due to finish this spring.
- 1.5 The Department for Communities and Local Government have also announced that: "As we draft the regulations we will be reviewing the definition in the rent standard, together with other definitions to ensure that the regulations provide comprehensive coverage and are clear about what is included."
- 1.6 In addition, Government has provided an indicative definition of "supported housing", and has said it intends the definition to be "wide" and will set out the exact definition in regulations. However, it said it intended it would include, but not be limited to the following types of housing:
 - domestic violence refuges and other specialist accommodation based support for domestic violence victims
 - hostels and other accommodation for the homeless
 - sheltered accommodation for older people
 - supported accommodation for young people
 - extra care housing,
 - accommodation for people with mental health or drug/alcohol problems,
 - accommodation for people with disabilities
 - accommodation for ex-offenders and people at risk of offending.
 - alms houses, cooperative housing associations and community land trusts

2.0 Proposal Details

- 2.1 What is clear from these announcements is that the Government will be

exempting on a temporary basis the enforced 1% reduction in rents for supported housing including sheltered housing, and from what is being proposed, the Council will be free to set rents levels at 10% above the 2015/16 formula rate uprated by CPI+1%.

2.2 The council will have a number of new options for setting rents for 2016/17 for its supported housing therefore. They are as follows:

- Increase all supported housing including sheltered housing rents to the 2016/17 “formula rent”.
- Increase other supported housing rents to the 2016/17 “formula rent”, and consider increasing sheltered housing rents to rent levels up to 10% above the 2016/17 “formula rent”.
- Increase all supported housing including sheltered housing rents by 3% in line with the council’s original medium term rent setting strategy and apply January Cabinet’s policy resolution for properties that subsequently become vacant.

2.3 Cabinet’s view is sought on the level of rent increase to be implemented for 2016/17 for the Council’s supported housing including sheltered housing properties.

3.0 Details of Consultation

3.1 The original draft Revenue Budget and Capital Programme were presented to the District Wide Tenants’ Forum prior to the January Cabinet meeting and it fully understood the position the Council faced in relation to the Government’s proposals as known at that time. Given the state of flux in the Government’s position, it has not been possible to consult with the District Wide Tenants’ Forum on these current changes.

4.0 Options and Options Analysis (including risk assessment)

| | Option 1 Increase all supported housing including sheltered housing rents to the 2016/17 “formula rent” | Option 2 Increase other supported housing rents to the 2016/17 “formula rent”, but with sheltered housing rents increasing by up to 10% above the 2016/17 “formula rent”. | Option 3 Increase all supported housing including sheltered housing rents by 3% in line with the council’s original medium term rent setting strategy. |
|------------|--|---|--|
| Advantages | <ul style="list-style-type: none"> • Moderate increase in rent levels • Properties reach their formula rent • Reduces the ongoing | <ul style="list-style-type: none"> • Significantly increases income • Reduces the ongoing savings required within the HRA. • Supports | <ul style="list-style-type: none"> • Lowest impact on tenants • Reduces the ongoing savings required within the HRA. |

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|---------------|---|--|--|
| | <p>savings required within the HRA.</p> <ul style="list-style-type: none"> • Supports ongoing investment needs in sheltered housing. | <p>ongoing investment needs in sheltered housing.</p> | |
| Disadvantages | <ul style="list-style-type: none"> • Does not maximise the potential income | <ul style="list-style-type: none"> • Rent levels may not be sustainable by sheltered housing tenants not in receipt of HB | <ul style="list-style-type: none"> • Properties will still not be at their “formula rent”. • Does not relieve the increasing income stresses on the HRA • Does not support increased investment in sheltered housing. |
| Risks | <ul style="list-style-type: none"> • None identified | <ul style="list-style-type: none"> • Increase level of tenant debt | <ul style="list-style-type: none"> • None identified |

5.0 Financial Impact of the Proposed Options

5.1 The table below shows the financial impact of the 3 options. For now it is assumed that rents will still be reduced from 2017/18 to 2019/20 by -1% year on year following the 1 year exception, with 2% increases per annum thereafter, as reported in January.

| 30 Year Business Plan – Business Support Reserve & Unallocated Balances | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 30 Year Cumulative Total |
|--|----------------|----------------|----------------|----------------|---------------------------------|
| Projections as at January 2016 | £9.903M | £9.902M | £9.486M | £8.121M | £5.472M |
| Option 1 | £10.049M | £10.043M | £9.624M | £8.256M | £10.005M |
| Option 2 | £10.196M | £10.483M | £10.348M | £9.262M | £14.680M |
| Option 3 | £10.012M | £10.116M | £9.802M | £8.537M | £8.777M |

6.0 Officer Preferred Option (and comments)

- 6.1 Given these temporary changes in the Government's position, it is being recommended that the Council increase all supported housing rents to the 2016/17 formula rent (option 1) as this would establish supported housing properties, including sheltered housing, at their formula rent base and provide a greater level of income to support the HRA Business Plan, whilst remaining affordable.

7.0 Financial Impact based on Officer Preferred Option (including Emergency Call Centre and Garage Rents)

- 7.1 The table below shows the individual financial impact on the 30 year Business Plan of the Officer preferred option above, a further budget proposal concerning the future of the Emergency Call Centre (see report elsewhere on the agenda), the consequential need for wider service restructuring (as per section 5.5 of the Emergency Call Centre report) and a previous approval covering garage rents as per the January Cabinet meeting.

| Impact on 30 Year Business Plan | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--|----------------|----------------|----------------|----------------|
| Option 1 (officer preferred option) | £0.146M | £0.141M | £0.138M | £0.135M |
| Emergency Call Centre | £0.006M | £0.038M | £0.039M | £0.040M |
| Service Restructuring (subject to future report) | -£0.099M | -£0.100M | -£0.102M | -£0.104M |
| Garage Rents | £0.017M | £0.017M | £0.018M | £0.018M |

8.0 Marsh Community Centre

- 8.1 There is one other matter for consideration as part of the HRA budget. At Council on 3 February, Cabinet was asked to consider grant funding the Marsh Community Centre from the Housing Revenue Account budget instead of the General Fund. The current grant level assumed in 2016/17 is £13,700, with inflationary increases thereafter.
- 8.2 Officer advice on this matter is that should Cabinet be minded to support this, then there would need to be some modifications to the Service Level Agreement (to give clearer benefit to council housing tenants) to ensure that it could be properly charged to the HRA. Furthermore, a one year funding is advisable, ahead of the wider review of funding for the Voluntary, Faith and Community sectors. The cost of providing grant funding would, in effect be met from the HRA's general resources, including rental income changes as highlighted above.

8.3 In summary therefore, options on this matter are to not incorporate it into Cabinet's budget proposals, or incorporate it on either a one year or a permanent basis.

9.0 Conclusion

9.1 Cabinet is recommended to refer the HRA budget for 2016/17 to Council as set out in Appendix A for approval, subject to any amendments in connection with rents or with the Marsh Community Centre. A provisionally updated Statement on reserves is attached at Appendix B and Cabinet is asked to endorse this information with the Statement also being referred on to Council as part of the updated HRA budget proposals.

9.2 The Government's evolving policies on social rent are extremely challenging, and are a significant move away from the principles established under the Self-Financing Regime introduced by Government in April 2012. The Council needs to ensure that the HRA remains financially sound, and that it can meet the investment needs of its housing stock. To ensure this the Council needs to make prudent decisions in relation to setting rents in support of this.

RELATIONSHIP TO POLICY FRAMEWORK

The proposals represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

No significant implications directly arising.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

FINANCIAL IMPLICATIONS

These are as set out in the report. Subject to which rent option is preferred the average rent for supported housing for 2016/17 will be set as follows:

Option 1 - £73.28 (all supported housing, including sheltered)

Option 2 - £77.99 (£73.28 supported housing / £79.63 sheltered housing)

Option 3 - £72.42 (all supported housing, including sheltered)

It is re-iterated that for now, for 2017/18 to 2019/20 that rent reductions of 1% per annum will still apply, with 2% increases per annum, thereafter (subject to further announcements / determinations by Government at that time).

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has contributed to this report, which is in her name in part (as Chief Officer (Resources)).

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

None

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