

# Executive

Excerpt of the minutes of the meeting held on Wednesday 10 February 2016 at the Town Hall, Royal Leamington Spa, at 6.00 pm.

**Present:** Councillor Mobbs (Chairman); Councillors Coker, Cross, Mrs Gallagher, Mrs Grainger, Phillips Shilton and Whiting.

**Also present:** Councillor Barrott (Chair Finance & Audit Scrutiny Committee), and Councillor Boad (Chair of Overview & Scrutiny Committee & Liberal Democrat Group Observer).

## 100. **Declarations of Interest**

There were no declarations of interest.

### **Part 1**

(Items on which a decision by Council is required)

## 105. **Housing Revenue Account (HRA) Budget 2016/17 and Housing Rents**

The Executive considered a report, from Finance, that presented to Members the latest Housing Revenue Account (HRA) budgets in respect of 2015/16 and 2016/17.

The report provided the detailed reasoning that supported the recommendations to Council in respect of setting next year's budgets, the proposed increases to council tenant housing rents, garage rents and other charges for 2016/17 and the rents to be set for the new homes being developed at Sayer Court in Leamington Spa. It did not include the impact any potential Housing Association "Right-to-buy" levy.

In July 2015 the Government announced that with effect from April 2016, the rents charged for existing tenants by local authority housing landlords should be reduced by 1% per year, for four years.

In the House of Lords' debate on 27 January 2016 on the report stage of the Welfare Reform and Work Bill, Lord Freud (Minister of State for Welfare Reform) confirmed the intention to exempt: "all supporting housing" from the 1% rent reduction. Further details, detailing precisely which properties and tenancies would be included within the exemption, are expected in place by the start of the new financial year. However, it was expected that properties of a type provided in the Council's supported housing schemes were likely to be included. It was possible that the exemption may also include designated dwellings.

The exemption would allow the Council to continue to apply CPI plus 1% rent increase to any properties and tenancies defined by the Government in the relevant regulations and guidance. The proposed variation translated into a rent increase of 0.9% in 2016/17 for the Council's

sheltered housing and would increase projected income from these properties by £34,000. If the regulations allow for the increase to apply to designated dwellings, a rent increase of 0.9% could be applied to these properties, increasing projected income from these properties.

For void properties, the Council was able to set the base rent as the Target Social Rent (also known as Formula Rent). This represented a small increase over the social rent charged by the Council to tenanted properties and would increase projected rental income by around £5,000 in 2016/17. However, this rent had to be subsequently reduced by 1% at the next annual rent review after the property was re-let to comply with July 2015's policy announcement included in the Welfare Reform and Work Bill 2015/16 (currently progressing through Parliament).

Details of the current rents and those proposed as a result of this recommendation were set out at Appendix 1, to the report. A comparison of the Council's social rents with affordable and market rents was set out at Appendix 2, to the report.

The report recommended compliance with national policy and guidance on the setting of rents for General Needs and Supported Housing properties.

The shared ownership properties rent increases were not governed by the national Policy. Schedule 4 of the lease agreement allowed the Council to increase rents for shared ownership properties by RPI + 0.5% in April 2017.

Garage rent increases were not governed by national guidance. Any increase that reflected costs of the service, demand, market conditions and the potential for income generation can be considered. The HRA Business Plan base assumption was that garage rents would increase in line with inflation. However, the Council did not have in place a formal policy for the setting of rents for garages.

There were waiting lists for a number of garage sites, whilst other sites had far lower demand; where appropriate these sites were being considered for future redevelopment as part of the overall garage strategy for the future. To date 88 garages had been demolished or disposed of to provide land for new affordable housing. A full review of the Council's role in the provision of garages was included in the Housing Futures project.

Market Research showed that in the private sector, garages were being marketed for around £80 per month.

With regard to these factors an increase of 5% had been recommended as the most appropriate increase, the additional income generated for the service would help to alleviate the loss of rental income from dwellings and ensure the continuous viability of the Housing Revenue Account Business plan.

This increases projected income for 2016/17 by £24,700 compared to 2015/16. For tenants, most garage rents will increase by 29p per week,

from £5.82 to £6.11. Non-tenants also pay VAT on the charge, so it will increase by 35p per week, from £6.98 to £7.33.

As reported to Executive in January 2016 the funding the Council receives from WCC to provide housing related support services (formerly referred to as Supporting People services) would end on 31 July 2016.

Executive agreed that the Council would continue to provide the same level of housing related support and therefore would continue to keep the charges for this service at the current level. The level of service provided and the charges for providing this service would be reviewed during 2016/17.

The Council was required to set a budget for the HRA each year, approving the level of rents and other charges that are levied. The Executive made recommendations to Council that took into account the base budgets for the HRA and current Government guidance on national rent policy.

The latest budgets, Appendix 3 to the report, were based on the budgets approved in January 2016 updated for any changes since that report and the recommendations.

The dwelling rents had been adjusted to take account of the loss of rent resulting from actual and anticipated changes in property numbers for 2015/16 and 2016/17. However, additional rental income was expected from October 2016 onwards when the new 81 build properties at Sayer Court are completed and let to tenants.

The garages rental income had been increased to take into account the 5% increase in charges for 2016/17.

The projected income for Sayer Court had increased by £46,000 to reflect the additional rental income from charging Warwick Affordable Rents.

The overall impact of the proposed changes on the Housing Revenue Account was favourable. The HRA working balance would increase by £103,400 to £1.5m.

Appendix 3, to the report, showed the recommended Housing Revenue Account budgets for 2015/16 and 2016/17, updated to show the latest position including the effect of the recommendations in this report.

The Housing Investment Programme was presented as part of the separate February 2016 report 'Budget 2016/17 and Council Tax – Revenue and Capital' a summary is included within Appendix 3 to the report.

The recommendations would enable the proposed latest Housing Investment Programme to be carried out and contribute available resources to the HRA Capital Investment Reserve for future development

whilst maintaining a minimum working balance on the HRA of at least £1.4m in line with Council policy.

In October 2016, the Council's new development of flats and bungalows at Sayer Court would be completed and ready for letting. The first show flat would be ready for marketing in March 2016. To make the marketing exercise a success, it would be necessary for prospective tenants to be advised on the rents charged for the various dwelling types within the scheme.

Because Sayer Court was a 100% affordable housing scheme, the Council had a degree of flexibility in rent setting for the tenure of these homes.

The Council's current policy for its own housing stock was for all existing properties to be let at current Rent and new tenancies at Target Social rent.

In the case of new build schemes such as Sayer Court, the Council had the option to either apply its current policy of Target Social Rent or to adopt another approach to rent setting.

Warwick Affordable Rent was the midway point between Target Social Rent and Affordable Rent. The Affordable rent was set nationally as 80% of the local market rent for similar properties. However, setting rents at this level would mean that the Council would not have consistent rent setting policy for all its properties and the scheme might not be as attractive to new and transferring tenants.

The new build properties at Sayer Court would have high energy efficiency ratings compared to existing homes and thus the opportunity for residents to have lower energy bills.

Warwick Affordable Rents were expected to fall within the limits currently set for housing benefit and total projected rental income for 2016-17 would be £251,000 as set out in Appendix 4 to the report.

In addition, the Council could maintain the attractiveness of the existing stock by charging higher rents for the Sayer Court properties

To set a precedent for rent setting for new build schemes and to generate additional rental income which could be used to fund capital investment in future years, setting rents at Warwick Affordable Rents was recommended for Sayer Court. As part of the Housing Futures project, there would be an opportunity to consider the Council's rent policy for its landlord service.

During 2015, the Council took ownership of 15 shared ownership dwellings at Great Field Drive in South West Warwick.

Shared owners were required to pay rent on the proportion of their home which they do not own.

The Council adopted the Homes and Communities Agency (HCA) template lease agreement which included a schedule on rent review. The lease determines that the rent would be reviewed in April 2017 and would be increased by RPI + 0.5%.

The Council has discretion over the setting of Garage rents and therefore could consider alternative rent values. Each 1% change in garage rents results in an increase or decrease of potential income of around £4,800 per year. It would be possible to set Garage rents higher than those proposed to maximise income; however significantly higher rents may make garages harder to let and so could reduce income. The review of the HRA Business Plan during 2016/17 would consider options for increasing the financial viability of providing garages.

Alternatively for Sayer Court the Council could adopt Target Social Rent would provide consistency of rents across all homes owned by the Council and made sure that rents charged remain within the limits that had been set for eligibility for housing benefit support for those with low incomes. The rents would be competitive against other housing options and would support the marketing of these properties to new and transferring tenants. The projected rental income for 2016/17 at Target Social Rent would be in the region of £206,000

The Finance & Audit Scrutiny Committee supported the recommendations although concerns were raised about the maintenance of safety measures being delayed by the Repairs Service. Whilst Members noted that this work was being brought up to date as quickly as possible, it was felt that the Executive should be aware of the high level of risk this posed to the Council.

Councillor Mobbs highlighted to the Executive the addendum to this item that had been circulated at the meeting. This explained that following the publication of the report further clarification had been received. Therefore the proposed variation translates into a rent increase of 0.9% in 2016/17 for the Councils Sheltered and Very Sheltered Dwellings and would increase projected income from these properties by £17,000 compared to 2015/16. If the regulations allow for the increase to apply to designated dwellings, a rent increase of 0.9% would be applied to these properties, increasing projected income from these properties by £37,000 compared to 2015/16. This resulted in the overall impact of the proposed changes on the Housing Revenue Account budget is favourable. The HRA Working Balance would increase by £173,400 to £1.5m.

As a result the proposed average weekly rent charges were amended to read as follows, for Appendix 1 and 2:

1 Bed £79.57 is now £80.53  
2 Bed £87.50 is now £87.81  
4 Bed £108.03 is now 108.07

Appendix 3 would be amended so that Rents- Housing was amended from £25,453,000 to £25,603,000 and the HRA balance was amended from £23,400 to £173,400.

Councillor Phillips responded to the comments from the Finance & Audit Scrutiny Committee explaining that work was nearly completed on the corporate buildings and under way for all blocks of flats. Initial conclusions were beginning to arrive and a detailed report would be brought back in due course. He took the opportunity to thank the Head of Finance and his team for their work on this report.

Councillor Phillips proposed the recommendations as set out in the report subject to the amendments circulate in the addendum at the meeting.

**Recommended** to Council that the

- (1) housing dwelling rents for 2016/17 be reduced by 1% for existing HRA dwelling tenants, except as in (2) below;
- (2) rents for Designated, Sheltered and Very Sheltered dwellings be increased by CPI + 1%, subject to receipt of formal government guidance advising that such an option is permissible. Full Council will be notified accordingly of any updates and changes to national policy on rent setting for 2016/17 as detailed in paragraph 3.1.2 and 3.1.3 of the report;
- (3) HRA dwelling rents for 2016/17 for new tenancies are set at Target Social Rent;
- (4) garage rents for 2016/17 be increased by 5%;
- (5) 2016/17 Supporting People charges for housing tenants receiving housing related support should remain the same as 2015/16;
- (6) latest 2015/16 and 2016/17 Housing Revenue Account (HRA) budgets, as set out in Appendix 3 to the report, be approved;
- (7) rents for Sayer Court be set at Warwick Affordable Rents; and
- (8) shared ownership properties rents remain the same as 2015/16 in accordance with the terms of the lease.

(The Portfolio Holder for this item was Councillor Phillips)  
(Forward Plan reference number 664)

(The meeting ended at 6.55pm)