

**Meeting: COUNCIL**

**Agenda Item:**

**2A**

Portfolio Area: Resources

**Date: 29 JANUARY 2014**

**UPDATE – HOUSING REVENUE ACCOUNT FINAL BUDGET PROPOSALS 2014/15 AND RENT SETTING**

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**1. ADDITIONAL INFORMATION**

- 1.1 The Executive at its meeting on 21 January 2014 received a presentation outlining the drivers for the proposed rent increase of 5.61% in 2014/15 – a copy of the presentation is attached marked Appendix H.
- 1.2 Whilst the rent increase formula applied to the increase was not mandatory, Stevenage along with other stock owning Councils had included this assumption within their 30 Year Business Plan and the rent increase represented £2.2Million in 2014/15 or 73.8Million over the life of the Business Plan.
- 1.3 The Government had also announced a move to CPI+1% from 2015/16 last summer which would reduce rents in the social sector but again was not mandatory.
- 1.4 Options Members considered with the accompanying required additional savings were:
- Rent Freeze Impact : £2.2Million per year
  - CPI rent increase Impact : £1.1Million per year
  - RPI increase Impact : £0.94Million per year
  - Current rent increase
- 1.5 The Strategic Director (Resources) advised the Executive that as a result of other pressures to the HRA Business Plan it would be necessary to find compensatory savings equivalent to the rent loss against the business plan.
- 1.6 Other pressures on the HRA totalling £176Million loss of income over the 30 Year plan were also outlined:
- Impact of higher level of Right to Buys (RTB's) +£171Million
  - Moving to the CPI+1% rent increase from 2015/16 +£25Million
  - Identified investment shortfall in the next 10 years +£41Million
  - Rental stream from new build properties additional income of -£61Million
- 1.7 The Executive were advised that they could buy out the 2014/15 rent increase and options totalling £1Million could be achieved by:

- Reducing recommended 2014/15 growth bids (reducing the capacity to let existing and build new properties)
  - Reduce future growth bid allowances within the HRA
  - Make in year savings which currently are not identified
  - Consider options deferred for future consideration
  - Reduce contributions to spend on capital works (reducing the capacity to let existing and build new properties) e.g. reduce sheltered redesign, delay programme works, and reduce new build.
- 1.8 Further information was given on the pressure in the Business Plan caused by properties and by 2017/18 129 properties should be delivered, however to stem the loss of RTB's the Council would need to build another 170 new properties by 2017/18 which would require funding of £23.8Million.
- 1.9 Members considered all the information and requested a root and branch review of the HRA budgets to identify savings to counter the impacts identified above. Members restated their priorities to deliver council housing in Stevenage including new builds and therefore agreed the rent increase of 5.61%.

## **2. RECOMMENDATIONS TO COUNCIL FROM THE EXECUTIVE**

- 2.1 That Council be recommended to approve that the HRA dwelling rents be increased, week commencing 7 April 2014 by an average 5.61% or £5.23 per week which has been calculated using the Rent Restructuring Formula, subject to the Government's caps and limits applicable to each property.
- 2.2 That Council be recommended to approve the revised 2013/14 and the 2014/15 HRA budget, as set out in Appendix A.
- 2.3 That Council be recommended to approve the proposed fees and charges as shown in Appendix B.
- 2.4 That Council be recommended to approve the Savings Options totalling £622,850 as shown in Appendix C.
- 2.5 That Council be recommended to approve the Growth Options totalling £468,120 as shown in Appendix D.
- 2.6 That Council be recommended to approve the minimum level of reserves for 2014/15 as shown in Appendix E.
- 2.7 That it be noted that Members were to undertake a thorough review of the Housing Revenue Account Business Plan, including rent strategy, future house building, and investment standards.