

Report to:

Council: 28th February 2019



Housing Revenue Account Budget Setting 2019/2020 and Beyond Report of the Leader of the Council

1 Purpose of the Report

- 1.1 To present to Council: The Leader's Housing Revenue Account Budget 2019/2020.
- 1.2 The following Appendices are attached to the report:
 - 1. Detailed budget annexes
 - 2. Rent Policy 2019/2020

2 Executive Summary

- 2.1 This report sets out the revenue and capital budgets for the Housing Revenue Account ("HRA") for 2019/2020 alongside indicative forecasts for future years. For the HRA the position is essentially business as usual, with no major changes planned.
- 2.2 Whilst the Council, in line with housing services across the country, faces a series of difficult challenges over the coming years as a consequence of Government Policy changes, the latest projections and assumptions set out in this report provide assurance that the HRA remains sustainable in the short to medium term. Longer term projections do highlight the need for modernisation in order to secure the future financial position and the service is focussed on delivering an appropriate programme of change.
- 2.3 Within this context it is important to note, however, that the HRA continues to face uncertainty which could impact adversely on future projections. For example, whilst the Council welcomes the ability to raise rents in future following four years of forced reductions, implementation of Universal Credit and our ability to collect income is, and remains, the biggest risk to the financial viability of the service.
- 2.4 Governmental policy is still fundamentally directed towards social housing being a solution for people for when they need it and only for as long as they need it, with the emphasis mainly being on encouraging home ownership. At the same time the Government is looking to reduce the national £27bn housing benefit budget which will indirectly impact on housing authorities and, whilst the LHA cap may not be the mechanism used to achieve this aim,

it is unlikely that there will not ultimately be a different approach with consequential issues to respond to.

2.5 Housing is a long term business – it would not be prudent to look at the budgets over the short term – and present trends need to be taken into account when forecasting for the future. The plan is to manage resources and to put the HRA into the best possible position to respond to the direction of travel whilst at the same time undertaking a thorough review of the housing service both to modernise the existing offer and also to respond to the changes and challenges that continue to emerge.

2.6 This aligns to the Capital Strategy, which is a new requirement for Council's to produce from April 2018 following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017. It requires Local Authorities to demonstrate in the Strategy that capital expenditure and investment decisions are taken in line with service objectives and take account of stewardship, value for money, prudence, sustainability and affordability.

2.7 Significant issues and developments include:

Rents

2.8 As expected, rent levels will decrease by 1% in line with Government requirements. However from 2020/2021, rents for the subsequent five years will be allowed to increase by CPI+1% each year.

Borrowing Cap

2.9 The borrowing cap has also been lifted although, because the Authority was below the cap, there are no immediate financial implications within the short to medium term. In the longer term borrowing is now projected to exceed where the debt cap would otherwise have been. The key issue for investment remains Affordability rather than constraints on borrowing. The Treasury Management Strategy for the HRA remains unaltered & congruent with the General Fund position – that is only to borrow when needed and in the meantime to pay back debt as it otherwise falls due.

2.10 Future borrowing will be covered by the Council's Treasury Management Strategy and in particular Prudential Borrowing limits.

Universal Credit

2.11 The significant impact of Universal Credit is yet to come with full service roll out commencing 12th December 2018, and it is likely that the implications will be highly significant. There is accordingly the need to retain flexibility to respond appropriately to the emerging picture.

2.12 The initial significant impacts are expected to take place from late January/early February with people currently undertaking seasonal work returning to

the welfare system. It is unlikely that we will have a clear picture of how this will impact on Hull until summer 2019 at the earliest.

New Homes & Capital Programme

- 2.13 The new build programme continues with an expectation of building around 600 new homes between 2018/2019 and 2022/2023 and significant works relating to cladding will continue.
- 2.14 In total this amounts to overall investment of £85m over five years.

HMIS Replacement

- 2.15 The service is undertaking a major procurement exercise to update/replace the existing Housing Management Information System. This should enable future process improvements and efficiencies to be realised.

Other changes

- 2.16 Changes to previously stated government policy around the Sale of Higher Value Properties and Fixed Term Tenancies have resulted in savings compared with previous assumptions, but the medium term picture still requires further savings to be achieved.

Hackitt Review post Grenfell

- 2.17 Further implications arising from the Hackitt Report following Grenfell and the subsequent Green Paper on Decent Homes Standards in general and safety in high rise in particular have been estimated at this juncture.

Housing Green Paper

- 2.18 As of yet there is no time scale for legislation arising from the Green Paper. The financial implications are hard to estimate, but could potentially impact on budgets relating to housing standards, fire safety and customer engagement

3 Recommendations

- 3.1 The Council is recommended to approve:-
- i) The revenue budget as set out in 8.1;
 - ii) The capital budget as set out in 13.1;
 - iii) The rent and service charge changes as set out at Appendix 1 (10) and 1 (11) respectively.
 - iv) The Rent Policy (appendix 2)

4 Reasons for Recommendations

- 4.1 The Local Government and Housing Act 1989 requires the Council to maintain a Housing Revenue Account in accordance with proper practices. The Council must approve a budget for the HRA that does not go into deficit. There is, therefore, no legal option to not set a budget. The HRA budget must be set during the months of January or February.
- 4.2 Notice of changes to rent must be given to tenants giving at least 28 days' notice of the changes coming into force which means that the notice must be in their physical possession no later than 3rd March 2019.
- 4.3 This report enables the Council to fulfil those statutory obligations.

5 Revenue Budget 2018/19 - Consultation

- 5.1 Briefing sessions for all stakeholders will take place in January 2019. Discussions re the budgets and scope of work have been undertaken with KWL, as the main contractor, on the future capital and revenue repairs programmes as part of the change management process. The draft capital programme was sent to KWL on the 30th November as per previous years.

6 Background and Underlying Assumptions and Impact of National Policies and Local Priorities

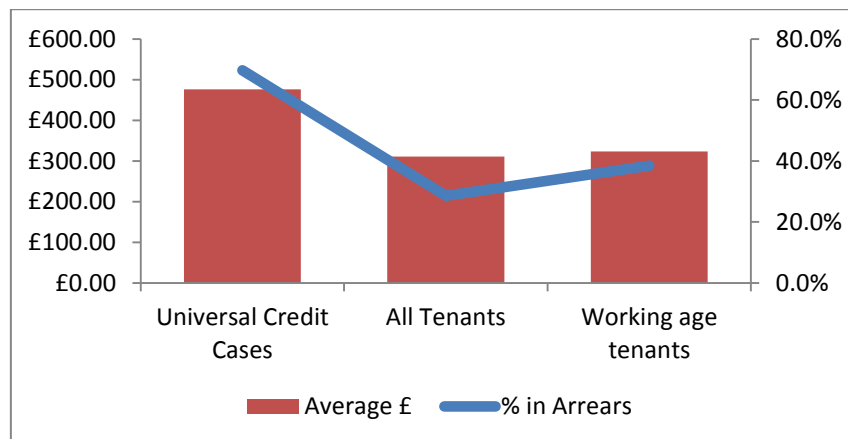
Background

- 6.1 The Council presently owns approximately 24,000 homes making it the 10th largest local authority housing business in the country with an annual turnover from rents and other sources being £94 million per annum.
- 6.2 The overall financial strategy for the Housing Revenue Account is centred around:
 - achieving and maintaining the Decent Homes Standard under the stock retention strategy approved by Council in March 2005
 - supporting the Housing and Neighbourhood Renewal Strategy
 - providing a customer focused and effective repairs and management service; and
 - maintaining a sufficient level of balances both as a contingency against risks and to ensure that investment can be sustained over the 30 year business plan.

National Policies

Universal Credit

- 6.3 Full roll out of Universal Credit in Hull commenced in December 2018 although those areas of Hull that fall within the Hessle Job Centre catchment area went live in July 2018. From that date, all new claims for means tested working age benefits administered by the Department for Work and Pensions (“DWP”) will be for UC. In transaction terms alone this means an additional half million payments need to be processed compared to Housing Benefit. Universal Credit is a major risk to the organisation, and when fully rolled out will require officers to proactively collect an additional circa £35 million per annum, previously received in the form of HB. To date new claims in Hull have been running at around 100 per week.
- 6.4 The initial introduction of easier cases has already proven difficult with information from DWP being poor. In addition presently both paper letters and email notifications in respect of all claimants are being received although at full digital rollout it is intended that correspondence should be fully electronic. Moreover information is normally received after award and there has been some confusion with a number of tenants stating they have no housing costs during the claim process and thus receiving no housing element of universal credit. There are also seeing difficulties with tenants gaining advance payments of UC and using the funds to repay other debts. This advance amount is usually repayable over 12 months and reduces their ongoing award meaning payment of rent is more challenging than it might otherwise be.
- 6.5 To date, the level of arrears for those tenants on UC (or at least those that are known about) compared to tenants on average are as shown.



- 6.6 The expectation is that over the next four years we will build towards a total number of UC cases of 10,000 (bearing in mind the existing ones are the more straightforward cases) which could see arrears levels reach wholly unsustainable levels potentially approaching £7½m to £8½m, alongside the risk of increases in evictions. This, of course, assumes that there are no changes to the underlying scheme. Amber Rudd, the extant Secretary of State for

Work & Pensions has made a number of announcements at the time of writing which may presage changes. This area, thus, remains volatile at present.

- 6.7 In terms of mitigating actions the service will embed a number of staff within the Hull Job Centre in the initial phase to ensure new claimants are seen by housing staff at the point of claim. A series of publicity events are due to take place across the city in December and we have recently produced a video which can be viewed here: <https://vimeo.com/resolutiontv/universal-credit>. The Rent First campaign was launched at the end of October, aimed at getting the message over to tenants that they need to put payment of their rent at the top of their 'to do' list - they need to put Rent First.
- 6.8 The Council has also procured RentSense, a cloud-based software solution which uses algorithms to analyse payment behaviours, aggregate trends, highlight risk and provide predictive intelligence. The RentSense intelligence is unique in that it automatically establishes and analyses tenant transactional patterns without manual user intervention. Using RentSense results in a more accurate streamlined workload of rent arrears cases for Tenancy Officers to manage whilst enabling earlier intervention to support tenants who are struggling financially. The daily processing module provides significant additional efficiency savings and will help modernise the rent collection service and provide officers with a tool to work smarter and more efficiently. In addition we have procured Processflows, an automated dialling service that should further releasing staff resources to focus on the more complex and demanding rent and UC cases.
- 6.9 The Smith Institute has recently completed an update report on Southwark Council, one of the first adopters of Universal Credit a year after the initial research. The evidence seems to suggest that overall arrears levels were settling at between 7% and 10% of rent due with – in essence – a sharp increase in arrears early on, a plateau in the medium term and a longer term subsequent increase, with the worst affected those with multiple claims (i.e. those moving in and out of work). Whilst our modelling has not been based on this report the projected outcomes are broadly similar with our arrears levels expected to peak at between £7½m to £8½m should there be no changes to the underlying UC regime.

Hackitt Report

- 6.10 Following the Grenfell fire incident in June 2017, Dame Judith Hackitt was commissioned to write a report in relation to fire safety in flats. "Building a Safer Future", the Independent Review of Building Regulations and Fire Safety, has now been published. The final report builds depth into the interim report and is comprehensive; reviewing and making recommendations across ten broad headings. The headlines being:
- An holistic building 'system' approach
 - Risk based approach to management
 - Clear roles and responsibilities including leadership

- Tenant voices and participation
- Transparency in provision of information
- Building files which are all encompassing
- Competence of all in the building safety management system (including contractors)
- Clear procurement based on safety rather than cost
- Standards and testing of products manufactured, supplied and used
- International Examples

6.11 Government has not yet confirmed if the recommendations will be implemented into legislation. The Public Enquiry is still ongoing therefore there may be further recommendations or changes in legislation.

Future rent increases

6.12 On 4th October 2017, the Prime Minister gave a promise of “certainty on rents” in her closing conference speech. Immediately after that the department for Communities and Local Government (CLG) issued a statement which said: *“Under the proposal set out today, increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for five years from 2020/21. This will give social tenants, councils and housing associations the security and certainty they need.”*

6.13 To that end rents have been modelled at CPI+1% from 2020/21. The business plan fundamentally requires this level of increase to take place to remain viable. This ultimately generates c £4.5m per annum more than rent rises of CPI alone.

Housing Green Paper – A New Deal for Social Housing

6.14 A new Housing Green Paper was published in August 2018. Consultation ended on 6th November 2018. The green paper sets out 5 core themes:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent

6.15 Key proposals included

- New 'league tables' of housing providers based on key performance indicators, surrounding services such as repairs and neighbourhood management. This could be linked to housing grant.
- Consideration to scrapping of the current 'serious detriment' test, to allow 'Ofsted-style' tougher consumer regulation

- New home ownership options such as allowing tenants to buy as little as 1% of their property each year through shared ownership. This would only apply to new shared ownership purchases.
- Ditching of plans to force social landlords to offer fixed term tenancies rather than lifetime tenancies in social housing
- Ditching of plans to force councils to sell off their most valuable social housing when it becomes vacant
- The potential introduction a new stock transfer programme from councils to 'community-led' housing associations
- The return of guaranteed debt funding to help the development of affordable homes, and longer term 'strategic partnerships' for developing housing associations

Accommodation Standards

- 6.16 There was a change to the Landlord and Tenant Act 1985 introduced on 20th December which will take effect in March 2019, which was implemented through the Homes (Fitness for Human Habitation) Act 2018. This introduces implied covenants into the tenancy agreement that properties will be fit for human habitation at the start of and throughout the tenancy, specifically concerning repair; stability; freedom from damp; internal arrangement; natural lighting; ventilation; water supply; drainage and sanitary conveniences; facilities for the preparation of food and disposal of waste water. Whilst in essence this adds to the landlord obligations already for structural repairs there is scope for increasing & more comprehensive disrepair claims.

Local Issues & Priorities

New Build programme/ Housing Growth Plan

- 6.17 A report entitled “Housing Growth Plan 17-20 and City Wide Land Strategy” was approved by Cabinet in January 2018 outlining a number of smaller sites to include within an ongoing build programme. The Housing Growth Plan sets out how Hull City Council will facilitate new housing delivery in order to fulfil the objective set out in the Local Plan that an additional 620 new homes are built per annum for the plan period. The report also sets out the proposed approach to land owned by the Housing Revenue Account (HRA) and how this will be used to deliver housing growth and seeks approval for the programme.
- 6.18 Combined with other sites across the city this has resulted in a programme of nearly 600 new builds from 2018/2019 to 2022/2023 investing over £52m. Following completion of this phase an indicative ongoing programme of 50 per annum is assumed.

KWL Contract Review

- 6.19 KWL has undergone the five year comprehensive review during 2017/18 as part of the Housing Repairs & Maintenance contract with the Council. The Executive Commissioning Committee (ECC) received a detailed report of the outcome in April 2018, from the independent Ark consultants which found that the Company's performance under the Agreement has not failed.
- 6.20 The ECC accepted circa 23 recommendations for action following the review and a change management board was set up with attendees from KWL, the Council and chaired by the lead consultant from Ark to oversee the actions. The board had three consultees; the portfolios holders for Housing and Finance, plus the chair of the KWL Board/deputy leader of the Council. These significant changes should see improved service, higher quality and better value for money for the Housing Revenue Account as we move forward during 2019 and beyond. Progress of the change management board work are being reported to the ECC in January 2019 and planned for Cabinet in March 2019.

Allocations Policy

- 6.21 Cabinet approved the Allocations Policy Review 2017 in February 2018. The amendments to the Allocations Policy:
- modernise the policy and ensure it better serves the people of Hull;
 - enable the service to operate more efficiently; and
 - mitigate the impacts of recent national policy changes including those arising from the budget of 2015, the Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016.
- 6.22 More details are set out in section 11.7.

Council Housing Adaptations Policy

- 6.23 This report was approved by Cabinet in January 2018. This has resulted in changes to the process for approving adaptations. The 2 key changes are:
- Installation of adaptations costing over £10,000 (or the installation of a vertical through floor lift) must be evidenced as the most financially viable, reasonable and practicable option for the Housing Service and represent the most effective use of housing stock.
 - Where a tenant is living in a property which has been adapted to meet their needs or a member of the tenant's household needs, the Housing Service will be at liberty to refuse to make any offer of a non – adapted property to the tenant on the basis that the tenant's existing tenancy has been adapted to meet the assessed needs of the disabled person.

Cladding works and Hull's Affordable Warmth Strategy 2019-2023

- 6.24 Hull's Affordable Warmth Strategy 2019-2023 was approved by Cabinet in November 2018. In the meantime the cladding / solid wall insulation programme will continue with a further £35m of works scheduled to complete the external cladding works.

Housing Management Information System

- 6.25 Cabinet received a report entitled "Re-Procurement of Housing Management IT System" in September 2017 which outlined the steps to be taken in procuring a new housing management IT system. This is a significant and highly complex procurement exercise. More information on this can be found at section 11.4.

Shared Tenancies Pilot

- 6.26 A pilot project to establish a number of shared tenancy properties has commenced in 2018/19, aimed principally at single tenants aged between 16 and 35 who would otherwise be unable to afford a one bed property. Support is also provided to assist in maintaining these tenancies. The pilot will potentially cover up to 70 properties in due course, with the charges covering the rent, support, alongside Council Tax, Broadband and utilities. Rents have been set to ensure these properties break even financially. This follows on from a pilot under the Crisis Help-to-Rent programme.

Children's Homes Provision

- 6.27 The Housing Service is working closely with colleagues in CYPS to deliver:
- New Build of 2 x 6 bed houses (for four children each)
 - Buy 2 x 4 bed house (for two children each)
 - & to provide 4 x 3 bed houses (three already provided – last one to be identified before Christmas) for a range of uses but usually for children over 16 ready for more independence

- 6.28 The properties will be managed by Housing for CYPS use

Support for Foster Carers

- 6.29 Work is currently ongoing with CYPS to add extensions to some of our properties to accommodate foster children. This is expected to be around 4 properties per annum and is likely to involve the creation of additional bedrooms. An element of the adaptations budget has been reserved to accommodate this project. Where costs exceed additional income then a contribution from CYPS will be required.

7 Financial Pressures and Savings

Grenfell Tower

- 7.1 Members will be aware of the tragic fire at Grenfell Tower that took place on 14th June 2017. This has led directly to a national review of all aspects of fire safety in high rise blocks over 6 storeys high. None of Hull's blocks use the same type of materials as found at Grenfell. We completed an extensive review of the safety and integrity of our blocks last year which did not reveal any fundamental defects and all remedial actions are being addressed. An interim strategy was agreed with Humberside Fire & Rescue Service and this has now been substantially completed.
- 7.2 The Hackitt report has been recently completed although we await the details about how this will translate into future Building Regulations &/or Decent Homes Standards and therefore there exists an element of uncertainty around what work may need to be undertaken and the consequent costs.

Voids

- 7.3 The underlying level of voids remains on a downward trend with 20% reductions in 2018/2019 to date and a further fall of 100 expected in 2019/2020. However, there remains a risk of an increase following the introduction of full service Universal Credit in Hull Job Centre from December 2018, which could see an increase in the number of evictions, abandonments and voluntary downsizing. There has been an increased focus in the service on managing the level of voids which has seen the average number fall from around 300 in 2016/17 to around 200 at present.

8 HRA Revenue Budget

- 8.1 The proposed revenue budget is set out below:

	<u>Current Budget 2018/19 £'000</u>	<u>Proposed Budget 2019/20 £'000</u>	<u>change £'000</u>	<u>%age</u>
INCOME				
Dwelling rent income	89,027	86,931	(2,095)	-2.4%
Charges for services & facilities	2,635	2,913	277	10.5%
Non dwelling rents	1,231	1,226	(5)	-0.4%
Leaseholders charge for services	259	279	20	7.7%
Other fees & charges	325	447	122	37.5%
Interest on balances	93	264	171	184.1%
General Fund Transfer re whole community	674	819	144	21.4%
TOTAL INCOME	94,244	92,878	(1,367)	-1.5%

	<u>Current Budget 2018/19 £'000</u>	<u>Proposed Budget 2019/20 £'000</u>	<u>change £'000</u>	<u>%age</u>
EXPENDITURE				
Repairs & Maintenance	22,188	22,416	228	1.0%
Supervision and Management	15,220	15,744	525	3.4%
Special Services	4,381	4,989	608	13.9%
Rent, rates, taxes & other charges	696	608	(87)	-12.5%
Provision For Doubtful Debt	949	1,193	244	25.7%
Capital Financing Costs	53,161	45,430	(7,732)	-14.5%
Contribution to Corporate & Democratic Core	295	305	10	3.4%
Provisions	554	1,402	848	153.2%
TOTAL EXPENDITURE	97,444	92,088	(5,356)	-5.5%
Net surplus / (deficit)	(3,199)	790	3,989	

9 Rents and Other Income

Rents

- 9.1 The passing of the Welfare Reform and Work Act created a legal compulsion to reduce rents by at least 1% for 2019/2020 and there is therefore no discretion for Members to increase rents. This reduction is described by the Government as social landlords' contribution to reducing the housing benefit bill. Social Rents are thus assumed to reduce by 1% compared to 2018/2019 levels for existing tenants. In line with prior years, new tenancies commence on Formula Rent levels.
- 9.2 The Government announced that rents for the five years from 2020/21 can increase by CPI+1% (in line with the position prior to the implementation of the reduction). This has been modelled in the forecasts for future years. In relation to Affordable Rents the position remains that existing tenants will see an immediate reduction of 1% but new tenants will see their rents fixed in relation to Market Rent. This may mean anomalies between the rents in similar/ adjacent properties.
- 9.3 An updated "Rent and Service Charge Setting Policy Statement 2019/2020" is included at Appendix 2 which remains substantially unaltered from previous years.
- 9.4 There has been some national discussion regarding the fact that the 1% reduction applies to the "relevant year" and that, as 2019/2020 is a 53 week rent year, then to comply with the legislation there should either be a 3rd rent free week or rent should be further reduced (for us in effect to collect 50 weeks of rent over 51 weeks). However, we consider that the "relevant year" in the legislation is that used for accounting purposes (i.e. daily from

01/04/19 to 31/03/20) and that therefore a 1% reduction in the weekly charge satisfies the requirements of the Welfare Reform and Work Act.

Service Charges

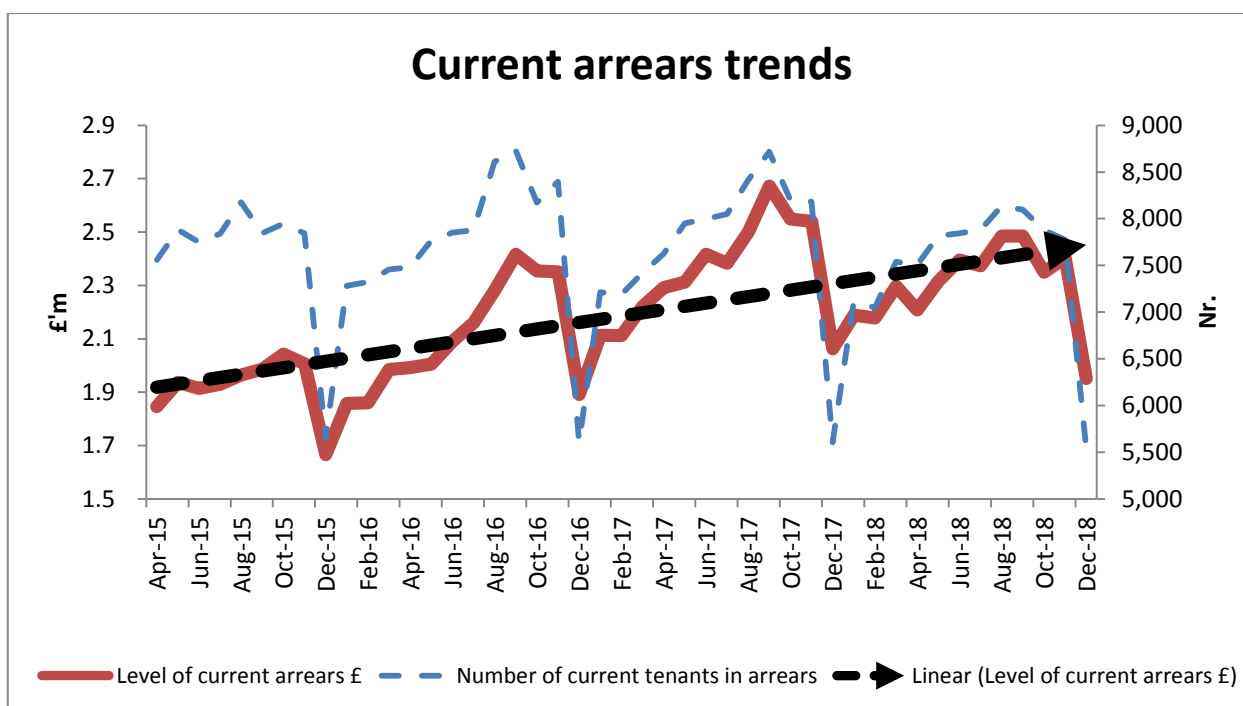
- 9.5 Increases in service charges are typically tied to increases in the cost of providing those services. Proposed changes to service charges have been set to maintain the link between the costs of providing services and the income derived from them.
- 9.6 There are two areas where income does not yet fully reflect the cost of those services, these being:
- Caretaking & concierge: We are currently under recovering costs by 42%
 - Communal cleaning: We are currently under recovering costs by 23%
- 9.7 Both of these services, which were already under recovering, have recently seen cost increases driven by increases in the National Living Wage with annual increases of 9% & 11% per annum respectively over two years. Above cost increases of 10% & 6% per annum respectively are planned for the next 4 years to substantially reduce if not eliminate this shortfall.

Garage Rents

- 9.8 Despite the freezing of garage rents for a number of years, and selective demolitions, the number of empty garages is continuing to increase with just under 42% of garages vacant at present. The programme assumes the ongoing demolition of unviable garage blocks and improvement of the remaining garages, with a capital budget set aside to address these issues.
- 9.9 Rents are set to rise by 3% in line with corporate income targets. Low demand for garages, however, seems to be caused by a more fundamental issue than rent levels, Our garages are typically too small for modern cars, are poorly lit and many are separate from residential blocks.

Arrears & bad debts

- 9.10 Arrears levels continue to increase as shown below:



- 9.11 This is common across local authorities, and is especially influenced by the number of tenants on Universal Credit where arrears levels are twice those of other working age tenants. Universal Credit remains a significant risk to the HRA.

10 Repairs and Maintenance

Changes in R&M

- 10.1 These can be summarised thus:

	£'000
2018/2019 budget (excluding contingency)	21,688
reduced number of voids	(250)
increased painting programme	600
specialist maintenance works - lifts & controlled entry	75
other changes	53
2019/2020 budget (excluding contingency)	<u>22,166</u>

Voids

- 10.2 The long term trend in voids continues to be downwards, although there has been a spike in 2017/18, in the main caused by the opening of the Extra Care units but also a slight underlying increase compared to the assumed budget numbers. Voids in 2018/2019 to date are around 20% lower than 2017/2018, and a further decrease of 100 units has been assumed. Voids remain, however, historically low.

- 10.3 There is a significant risk that as Universal Credit is rolled out we could see an increased churn of properties as affordability issues cause tenants to either voluntarily move, abandonment increases or the number of evictions increases.

11 Management and Other Costs

Income management software

- 11.1 The Council has procured RentSense, a cloud-based software solution which uses algorithms to analyse payment behaviours, aggregate trends, highlight risk and provide predictive intelligence. The RentSense intelligence is unique in that it automatically establishes and analyses tenant transactional patterns without manual user intervention. Using RentSense results in a more accurate streamlined workload of rent arrears cases for Tenancy Officers to manage whilst enabling earlier intervention to support tenants who are struggling financially. The daily processing module provides significant additional efficiency savings and will help modernise the rent collection service and provide officers with a tool to work smarter and more efficiently.
- 11.2 In addition we have procured Processflows, an automated dialling service that should further releasing staff resources to focus on the more complex and demanding rent and UC cases.

Document Management

- 11.3 As previously reported the volume of information received from DWP in respect of universal credit is expected to increase substantially over the next year, albeit most of this electronically. With this in mind, alongside general housekeeping and efficiency measures, the HRA is undertaking an extensive programme of digitising information and installing document management software throughout the coming year. This includes a substantial investment in disposing of redundant information and scanning retained documentation (which commenced in December 2017) such that it becomes available as part of the housing management IT system. Additionally improvements to processes to manage existing information flows including workflow management are being undertaken. Information@Work software has been purchased and is presently being installed

HMIS re-procurement

- 11.4 The existing Northgate system was acquired in 1999. Northgate is the Council's current integrated housing management IT system. From a legal compliance / avoidance of challenge point of view, legal advice is that the Council must expose this provision to the market before March 2020 and a VEAT (Voluntary Ex-Ante Transparency) notice was issued by the Council in 2015, giving a commitment to the market, to re-tender the Council's housing management IT system by March 2020. Not to re-procure is likely to open the Council to challenge. A detailed report went to Cabinet on 25th

September 2017 setting out the scope and rationale of the re-procurement exercise.

- 11.5 The budget thus contains provisions for the cost of re-procuring the Housing Management Information System. Should the conclusion be other than the continuation of the existing system then a period of implementation of at least 4 years for a new system has been assumed. This would be a highly complex process with significant links with other major systems and parts of the Council. Alongside the technical installation, and data transfer/ cleansing issues that would undoubtedly emerge, several hundred members of staff would require training on the new system and it may require additional hardware and software upgrades elsewhere. To that end an indicative provision of £4.5m has been included for future years, which is in line with comparable Authorities spend on similar projects. It is expected that up to 25 people could be involved in all aspects of implementation at any one time.
- 11.6 Key dates in the process are presently
- Invitations to Tender will end in Jan '19
 - Negotiation will take place in early summer '19
 - Implementation starts late '19/ early '20
 - Existing contract ends March '20

Allocations Policy review

- 11.7 In February 2018, Cabinet approved recommendations to make significant changes to the existing Allocations Policy.
- 11.8 The key changes are:
- Introduction of an affordability assessment at the pre tenancy interview, with the ability to withdraw an offer where the applicant cannot reasonably afford to pay the rent and associated costs.
 - The introduction of taking the first week's rent at tenancy sign up (unless on Housing Benefit or Universal Credit, in which case all relevant claim forms and documentary evidence must be supplied instead).
 - Reducing the number of bids in each bidding "round", to encourage more careful bidding and reduce the number of refusals. Now 3 bids for Bands A & B, 2 bids for Bands C, D & E.
 - "Freezing" applicants on the rehousing lists if they refuse 2 reasonable offers in a 6 month period; again, to encourage more careful bidding and reduce the number of refusals.
 - Relaxing the criteria for housing children under 12 in selected high rise flats (this will be piloted and involve consultation with the proposed blocks that have not yet been identified)

- Extending the existing Fostering Direct Let rehousing category to include “Shared Lives” scheme participants managed via Adult Social Care.

in all of these scenarios each case will be looked at on its own merits.

- 11.9 In the coming financial year the end to end allocations process will be reviewed with a view to making improvements to both the customer journey and internal processes. In support of this work it is likely that the Allocations Policy will be reviewed again; looking at housing needs points, priority & direct let awards and some of the age restrictions currently applied to some of our stock (e.g. starting to identify blocks where the rules could be relaxed, in full consultation with stakeholders).

Stock Appraisal

- 11.10 Work on reviewing stock types will continue.
- 11.11 In light of the various policy changes and to ensure the viability of the HRA going forward, we need to adopt a much more rigorous approach to assessment of our current stock’s financial performance than previously has been the case. This includes monitoring performance across the stock to identify where groups of properties are already or are likely to become unsustainable. There is now a 2 stage annual process. Stage 1 is a high level of assessment of 380 ‘beacon’ property groups covering all stock. A beacon group is defined by the type size and location of a group of properties.
- 11.12 Stage 1 aims to identify poorly performing groups of properties by using a range of existing data. These property groups identified as underperforming on a range of indicators, are then subject to a more in depth 2nd stage full option appraisal to look in detail at the issues affecting demand for these properties and making recommendations to resolve them and ultimately reducing pressures on the HRA. A focus on poorly performing assets on the basis of their Net Present Value (“NPV”) and other key sustainability indicators will ensure limited resources are allocated in a way that represents value for money and also improves resident satisfaction. It will also ensure that failing assets are addressed at the earliest opportunity.
- 11.13 The stage 1 analysis is based mainly on historical data which means performance projections may be influenced by factors that no longer exist. For example where recent improvements have taken place to properties improved void rates and repairs will not be reflected in current projections. As a result stage 1 can only be taken as a high level indicator of a group’s performance and stage 2 will examine underlying data in more detail to build up an accurate picture of performance. Trend information will continue to be built up as the whole stock appraisal is built into the annual HRA budget process.

12 Capital Financing

12.1 Cost of capital financing reflects the following elements:

- debt management expenses which are a contribution towards the overall Council cost of managing the debt portfolio;
- interest payable on existing debt and debt premia on debt paid early;
- depreciation both on Dwellings and other properties. Unlike the general fund these costs are charged direct to the HRA but can be used in effect to finance capital expenditure (Major Repairs Allowance or "MRA"); and
- repayment of debt which, consistent with prior years and the general fund, is repaid when it falls due with borrowing back only undertaken when there is a need to finance capital expenditure. This has the benefit of saving interest in the short term.

12.2 The Treasury Management Strategy for the HRA remains unaltered & congruent with the General Fund position – that is only to borrow when needed and in the meantime to pay back debt as it otherwise falls due.

13 HRA Capital Programme

13.1 The proposed capital budget is set out below:

	<u>Current Budget 2018/19 £'000</u>	<u>Proposed Budget 2019/20 £'000</u>	<u>change £'000</u>	<u>%age</u>
<u>Capital Spend</u>				
Maintaining Decent Homes	8,948	9,841	893	10.0%
Mechanical & electrical	3,514	5,637	2,123	60.4%
KWL overheads	2,000	2,000	0	0.0%
Others (inc. client costs)	1,400	1,480	80	5.7%
Fire Protection Works & other Health & Safety work	3,487	3,068	(419)	-12.0%
Council House Adaptations	3,000	3,255	255	8.5%
Empty Properties	920	2,400	1,480	160.9%
Regeneration	1,087	779	(308)	-28.3%
Base Programme	24,356	28,459	4,103	16.8%
Cladding	9,920	12,077	2,157	21.7%
New build	9,342	10,188	846	9.1%
RTB grants	177	919	742	418.1%
TOTAL EXPENDITURE	43,795	51,643	7,847	17.9%

Maintaining Decent Homes

- 13.2 Costs in relation to maintaining decent homes standard going forward have been included in line with previous years. This maintains properties in a reasonable state of repair and to the minimum level required of the decent homes standard but does not necessarily meet aspirational standards going forward. Work is included on a planned basis reflecting our understanding of the condition of the stock.
- 13.3 As part of the changes driven through the change management board we are planning to increase where possible the number of surveys undertaken on our properties to produce more planned programmes – this will take a number of years. For example a target number of surveys would be 20% of the stock (4,800) a year, then the whole exercise will take 5 years.
- 13.4 The recommendations from the review report also required that we ‘reconsider the Hull Investment Standard to ensure maximum investment in the asset and minimum repair requirements’. To respond to those requirements we have considered a number of levels of investment planning, for example including bathrooms/showers as standard. As detailed earlier keeping to our exiting Hull standard which provides a slightly higher standard than the Governments decent homes standard is affordable in the short to medium term, however modelling higher standards results in the HRA going into deficit at a much earlier. Also we need to be mindful of any Grenfell related safety implications emerging from the Hackitt Review or additional environmental costs.

Fire Protection Works

- 13.5 Costs in relation to replacing cladding, high rise flat and communal doors, sprinklers in bin chutes and other measures including potentially sprinkler, risers and communal fire alarms have been included within the budget. Overall the next five years these costs are expected to amount to c £11m.

High Rise Electrical Mains

- 13.6 The Council has been in dialogue with Northern Power regarding the ownership of electrical mains with tower blocks (& thus where the consequent maintenance responsibility lies) for a number of years. There are a number of blocks where the mains supply terminates at ground floor level where Northern Power assert that the responsibility is the Council’s not theirs, although this is subject to ongoing legal debate which has not concluded. Should Northern Power’s position prove to be legally valid then there is a maintenance liability of £3.75m for these blocks where work would need to be undertaken over the next 5 years. This is particularly prescient now given Grenfell.
- 13.7 Further discussions between Housing, Legal colleagues and Northern Power are ongoing to attempt to resolve this issue, but no substantive progress has been made in the last year. Costs in relation to this have not been included

in the budget – however, should the works be required then the budget would need to be adjusted accordingly.

Council House Adaptations

- 13.8 On 22nd January 2018 Cabinet approved a revised Allocations Policy covering Adaptations which came into force on 1st October 2018. This Policy means that Council can fairly and cost effectively manage housing stock to meet the needs of individuals who are assessed as needing a tenancy in an adapted property, while at the same time avoiding unnecessary strain on the Housing Revenue Account.
- 13.9 Adult Social Care employed locum Occupational Therapists (OT) to clear their year long waiting list. This resulted in an influx of OT referrals into the Housing Service late last year/early this year. The Housing Service requires additional surveying resource to clear this backlog of OT referrals. NPS have been commissioned to undertake 175 surveys by end January 2019 and interviews are planned December 2018 to recruit 3 x fixed term surveying posts. The budget for 2019/20 reflects an element of dealing with this backlog.
- 13.10 In addition this budget will also be used to assist with any adaptations that may be required to assist families fostering children – this is mainly expected to be around adapting properties to create additional bedroom space.

Cladding

- 13.11 The budget contains a further £35m of works to complete the external cladding work. Work in 2019/2020 primarily concludes most of the remaining works on Bransholme Caspons with works also planned on the 5Ms at Orchard Park. However, it should be noted that the 5M properties are difficult in terms of their design, due to the roof type, hung tiles and other aspects. We have been working very closely with Fortem to come up with a design which is safe, achieves the required energy efficiency savings and most importantly, minimises disruption to residents. There is therefore a risk that this scheme may be delayed.
- 13.12 Significant funding for this programme was previously received via ECO funding. The Government is currently consulting on proposed legislation where only properties below an EPC rating of D will benefit from ECO funding. If this is the final outcome, then the council will most likely be unable to claim ECO as most (if not all) Caspons are a rated a D or above. We (and many other councils and organisations) have responded to the consultation to challenge this. Should this not be enacted then we would expect to be able to draw down around £525k for all 493 Bransholme Caspons.
- 13.13 Hull Warm Zone provide residents with energy efficiency advice, benefit advice and assistance to access a range of funding options for heating and insulation measures via local or national funding programmes. Hull Warm

Zone were informed on Tuesday 13 November 2018 by the Director of the National Warm Zone who announced that Warm Zone CIC had entered into Administration. Subsequent to this announcement we have transferred the Hull staff to Hull CC to retain the knowledge and expertise.

New Build Programme

- 13.14 The HRA budget includes provision for 600 new properties across the 5 years from 2018/19 to 2022/23. Further details of the sites are contained in appendix 1, section 8.
- 13.15 The Council is presently procuring contractors to deliver the small sites programme with Lot 1 covering sites located on Park area and East area and Lot 2 sites located in the remainder of the city. For both Lots it is proposed that we appoint contractors to two stage design and build contracts. The initial stage will cover site investigation and full design services to RIBA Stage 4 then subject to individual site viability and best value being achieved at the end of stage 1, second stage construction contracts will be entered on a site by site basis. The procurement exercise was agreed by Cabinet on 26th November 2018¹.
- 13.16 As part of this we have entered funding agreements with the Humber Local Enterprise Partnership (LEP) and Homes England for Local Growth Fund (LGF) funding and Accelerated Construction funding respectively.
- 13.17 The Council successfully secured £10m LGF funding from the LEP in 2014. This funding was used to deliver new homes across the city, empty homes refurbishments and frontage improvements, all of which are now delivered. Due to the success of the programme, the Council has made the case for a further £4m of LGF funding to continue the programme and to support delivery of the Housing Growth Plan (which covers new build housing, empty homes refurbishments and frontage improvements). The full business case is the final requirement for funding eligibility and, subject the LEP being satisfied with this, the first tranche of the funds will be released in 2018/19.
- 13.18 Accelerated Construction funding was launched by Homes England in 2016. The Council submitted a bid in February 2017. Homes England defined the funding pot as: *"The Accelerated Construction (AC) initiative is the Government's new approach to land disposal to increase overall delivery in the sector and build on public land at a faster rate than the market currently does"*. The Council's bid supports a range of sites from the Housing Growth Plan and over the past 12 months officers have been in dialogue with Homes England to complete in depth due diligence processes for all sites. The process is almost at an end and Homes England has indicated that it will make a formal offer of funding. This will be finalised in the coming weeks and is likely to be up to £6.5m depending on Homes England's final decision. At

¹ Report entitled New Build Housing Small Sites Programme Procurement & Grant Funding, Cabinet 26/11/18

present grant rates remain significantly above levels previously enjoyed with typical rates increasing from £17k per unit to £30k.

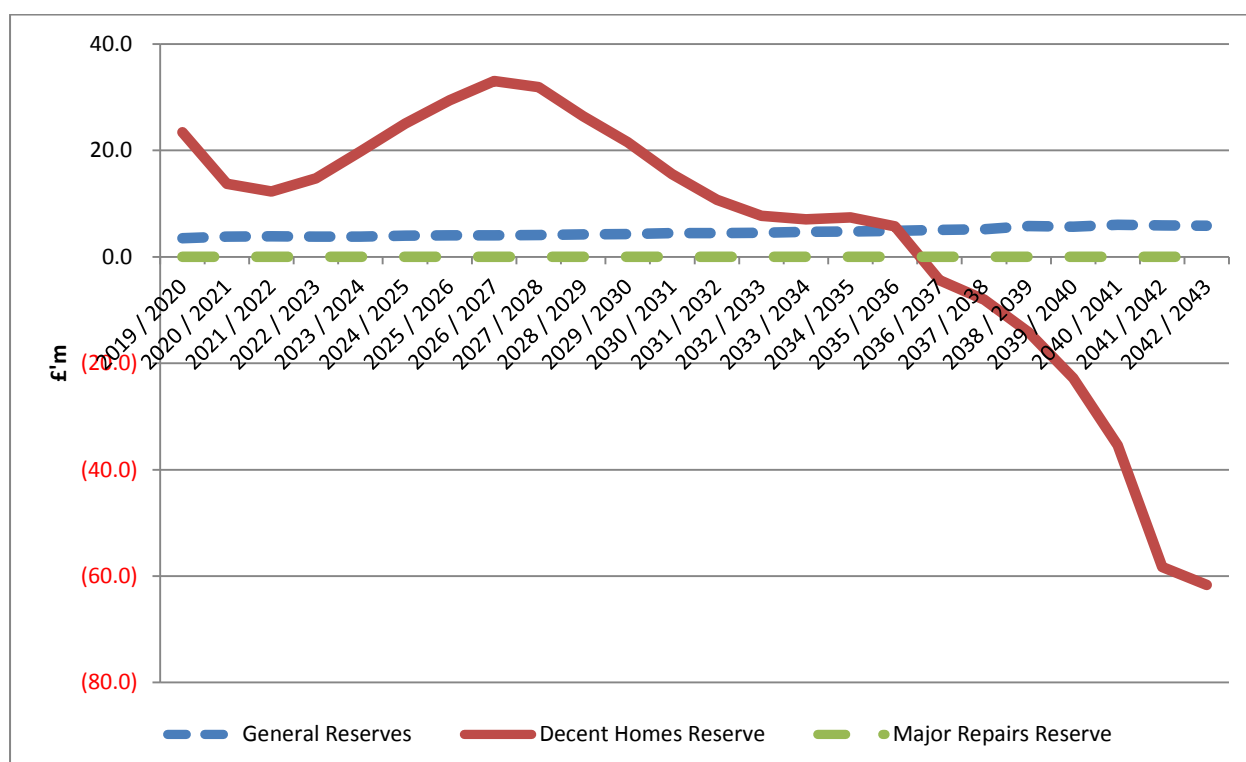
- 13.19 Government is also consulting on increasing the ability to use retained Right to Buy receipts in conjunction with HE funding to a maximum of 50% of cost. At present it is not possible to mix RTB receipts which can only fund a maximum of 30% of costs and HE grant.

Right to Buy Receipts

- 13.20 Cabinet approved a proposal to use surplus Right to Buy receipts that would otherwise have had to be returned to MoHCLG to support other social housing providers build properties in the City. To be eligible providers would have to apply to be on our framework (all Registered Providers being deemed to be on automatically) and would be free to submit proposals each quarter. There are no extant proposals in 2019/2020 and the budget contains a contingent sum from 2020/2021 onwards. Receipts available would be used on our new build first and only made available to others were they otherwise to be repaid to MoHCLG.

14 HRA Reserves

- 14.1 The graph below shows the projected HRA reserves over the next 25 years.



- 14.2 Reserves are held for the following primary reasons:

- To cover against the inherent risks in the business such as non-collection of rent and a sudden and increased need to spend (responding to Grenfell being a case in point).
- To fund the future need to spend – in effect to ensure that we can continue to maintain and repair our properties over the coming years, especially needed given the cyclical nature of the spend.

14.3 Members will note that should we take no further action then HRA reserves would be negative in around 15 years' time. It is not legally permissible² to have negative reserves and therefore there is a requirement to take further measures that either increase income or reduce costs.

14.4 Whilst this remains a challenging target especially in an environment with significant change, not least in relation to Universal Credit, alongside any further changes to government or local policy, this is still felt to be achievable.

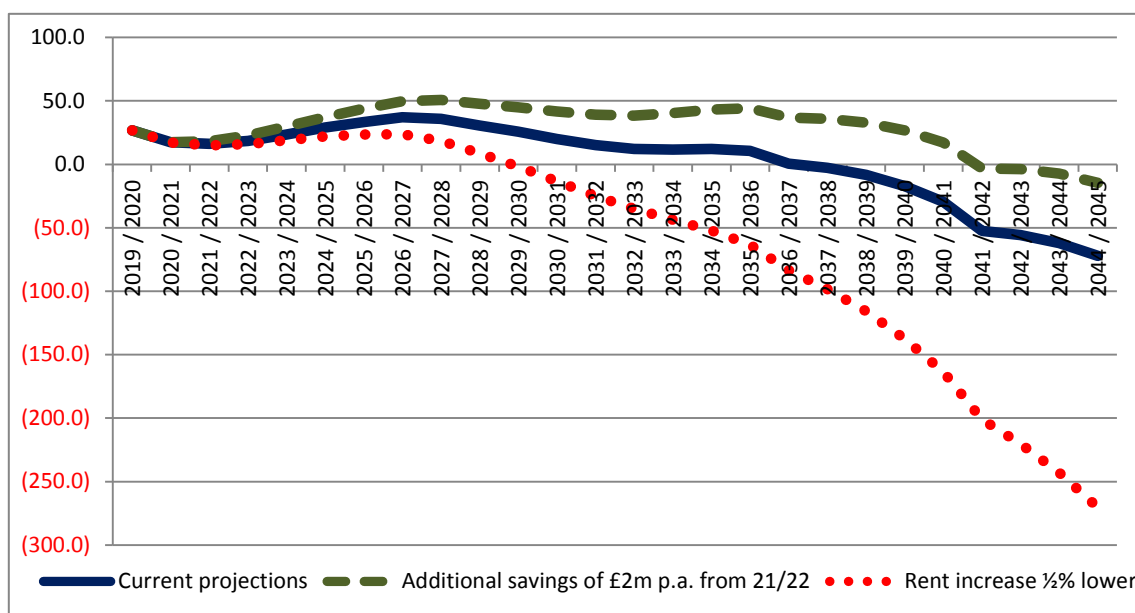
15 Risks and sensitivities

Sensitivities

15.1 The following sensitivities have been modelled alongside the base case

- Additional annualised savings of £2m per annum
- Rent increases of 0.5% per annum lower than forecast (i.e. CPI+0.5% rather than CPI+1%)

15.2 The impact on reserves is shown in the graph below.



²

Section 76(3) of the Local Government and Housing Act 1989 places a duty on the Authority to prevent a debit balance on the Housing Revenue Account.

- 15.3 This indicates that the most significant impact upon reserve levels and the financial sustainability of the HRA is the ongoing rent.

Significant Risks

Universal Credit

- 15.4 The introduction of Universal Credit poses one of the most significant risks in terms of the cost of income collection as well as the actual collection rates. In time, we expect a further 10,000 tenants to be paying rent directly and the small number of existing tenants on UC already experience significantly higher than average levels of arrears and presently exhibit an eviction rate of around 15 times more than average.
- 15.5 There are therefore significant risks in relation to
- Income collection rates
 - The additional amount of activity needed to collect income and where possible sustain tenancies
 - The possibility of significantly increased eviction rates and the possibility that tenants will abandon properties in advance with the potential for significantly increased churn and void numbers. Some properties may also become less popular and this may increase issues around property sustainability in the medium to long term.

Operational

- 15.6 There are a number of complex capital schemes within the programme, not least the cladding scheme, which include significant operational risks. In the case of cladding this includes the potential need to decant both tenants and adjoining residents where there is a risk of asbestos being disturbed.

BREXIT

- 15.7 Whilst the outcomes of BREXIT are presently unknown there are essentially four main identified risks that may transpire.
- Firstly, a shortage of suitable workers may arise meaning increases in labour costs, especially at a time when there are wider capital works in the area. This may impact both on ongoing repairs and maintenance costs as well as regeneration and new build programmes.
 - Secondly, there has already been a general degradation in exchange rates leading to inflationary pressures in imported raw materials and finished products, and this could worsen in future.

- Thirdly, is the impact it might have on the general economy and how this might affect the wider tenant base (& thus ability to pay rent or issues around demand for our properties)
- Fourthly, whether those of our tenants who are from other EU countries may decide to return to mainland Europe which could have significant implications for stock lettable. It is not possible to estimate the number affected at this time but we have over 1,000 tenants whose first language is identified as European - Polish and Lithuanian being the most significant.

16 Finance comments

- 16.1 This report provides a comprehensive overview of the HRA Budget.
- 16.2 Housing faces an agglomeration of pressures over the coming years, and the financial implications of Universal Credit in particular have the potential to be severe as it finally arrives in Hull from December 2018 for new claimants. As set out in the report and the appendices, arrears levels are already very high and are likely to rise over the coming months. It will be during 2019/20 that we will begin to understand the impact. The working age benefits freeze remains in place and has been frozen for a further year. However, this is a volatile area with a number of recent announcements that may mean there are changes to Universal Credits and Working Age benefits more generally.
- 16.3 Rent rises are now being allowed to rise by CPI+1% from 2020/21, with 2019/20 being the final year of forced reductions. As the sensitivity analyses show, the long term fiscal health of the HRA is highly dependent upon those rent increases taking place and our ability to collect that rent in the light of both Universal Credit and potentially Brexit, which could impact upon capital/repair costs and demand for our properties where a number of our tenants are EU Citizens.
- 16.4 Previous sensible fiscal management means that there is a sufficient level of reserves and borrowing capacity to allow the HRA to see through the next few years but significant changes in the underlying budget must still be implemented within the next 3 to 4 years if the HRA is to remain fiscally solvent over the medium to long term. Additionally the modernisation agenda will allow the Service to develop the resilience to adapt to the changing environment. It is imperative that the fiscal focus covers this longer period and does not concentrate only on the shorter term.

17 Legal comments

- 17.1 Section 74 of the Local Government and Housing Act 1989 requires a local housing authority to maintain a Housing Revenue Account in accordance with proper practices. Section 76 of the Act places a duty on the Authority to prevent a debit balance on the Housing Revenue Account. The proposals in this report fulfil those requirements and the recommendations in the report are supported.

- 17.2 The legal implications of factors which will materially impact upon the Housing Service and in turn the Housing Revenue Account are thoroughly highlighted and discussed within the report. The impact of Government changes to welfare benefits discussed in this report is having a bearing upon the level of tenancy breaches, particularly in respect of non-payment of rent. This is set to increase as the programme of benefit changes takes effect in the City. This will inevitably lead to an increase in the number of possession proceedings and evictions in Council tenancies and will have a financial impact in terms of increased court fees and costs. Evictions are likely to influence the number of homelessness applications received by the Council which will in turn impact upon the General Fund.

18 Human Resources comments

- 18.1 The staffing issues are covered in the report in terms of plans to develop more streamlined and modernised services to deal with the forthcoming changes and providing Officers with the tools to work smarter and more efficiently. The report recognises that whilst the outcomes of BREXIT are presently unknown there may be a risk of a shortage of suitable workers and the implications of this are highlighted. The report also recognises equality duty implications such as the need to carry out reasonable consultation with the local community on proposals e.g. affordable rent tenancies. There are no further staffing or equality duty implications arising.

19 Comments of Overview and Scrutiny

- 19.1 This report will be considered at the Finance and Value for Money Overview and Scrutiny budget meeting to be held on Friday, 25th January, 2019. Any comments or recommendations made by the Commission will be tabled at Cabinet and included for Council. (Ref. Sc5200)

20 Conclusions

- 20.1 The budget provides for an extensive investment programme in new build properties in particular with £85m in investment committed over the medium term.
- 20.2 However, the most significant threat remains the Council's ability to collect income, especially as the roll out of Universal Credit continues. Post self-financing the only long term monies available to the HRA is the money collected from our tenants in rent and service charges. Protection of this revenue is vital to the continued sustainability of the HRA.
- 20.3 The scale of the savings required are now at a point where they should be manageable as the Housing Review starts to bear fruit in terms of savings and income maximisation.

- 20.4 There remains a risk that Government Policy may change that could destabilise the HRA again but the ability to mitigate such changes is greater than it was three years ago.

Councillor Stephen Brady, Leader of the Council

Contact Officer – David Bell Tel. 01482 613084

Officer Interests: None

Background Documents:

Hackitt Report:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/707785/Building_a_Safer_Future_-_web.pdf

Safe as Houses 2:

<http://www.smith-institute.org.uk/book/safe-as-houses-2-a-follow-on-report-into-the-impact-of-universal-credit-on-southwark-councils-housing-tenants-rent-payment-behaviour/safe-as-houses-2-2/>



Hull

City Council

Housing Revenue Account - Appendix 1

2019/2020

Hull City Council - Budget Pack - Annexes
HRA Budget - 2019 / 2020

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Hull City Council - Budget Pack - Annexes
HRA Budget - 2019 / 2020

HRA Revenue Budget

Appendix 1, section 1

	Current Budget 2018/19 £'000	Proposed Budget 2019/20 £'000		change %age	Section
INCOME					
Dwelling rent income	89,027	86,931	(2,095)	-2.4%	10
Charges for services & facilities	2,635	2,913	277	10.5%	11
Non dwelling rents	1,231	1,226	(5)	-0.4%	11
Leaseholders charge for services	259	279	20	7.7%	
Other fees & charges	325	447	122	37.5%	
Interest on balances	93	264	171	184.1%	
General Fund Transfer re whole community	674	819	144	21.4%	
TOTAL INCOME	94,244	92,878	(1,367)	-1.5%	2
EXPENDITURE					
Repairs & Maintenance	22,188	22,416	228	1.0%	
Supervision and Management	15,220	15,744	525	3.4%	
Special Services	4,381	4,989	608	13.9%	
Rent, rates, taxes & other charges	696	608	(87)	-12.5%	
Provision For Doubtful Debt	949	1,193	244	25.7%	10
Capital Financing Costs	53,161	45,430	(7,732)	-14.5%	
Contribution to Corporate & Democratic Core	295	305	10	3.4%	
Provisions	554	1,402	848	153.2%	6
TOTAL EXPENDITURE	97,444	92,088	(5,356)	-5.5%	2
Net surplus / (deficit)	(3,199)	790	3,989		

Notes

Provisions

General	219	250	31	14.3%	6
HMIS Re-procurement	335	1,152	817	243.9%	6
	554	1,402	848	153.2%	

Hull City Council - Budget Pack - Annexes
HRA Budget - 2019 / 2020

Reconciliation of significant changes in year

Appendix 1, section 2

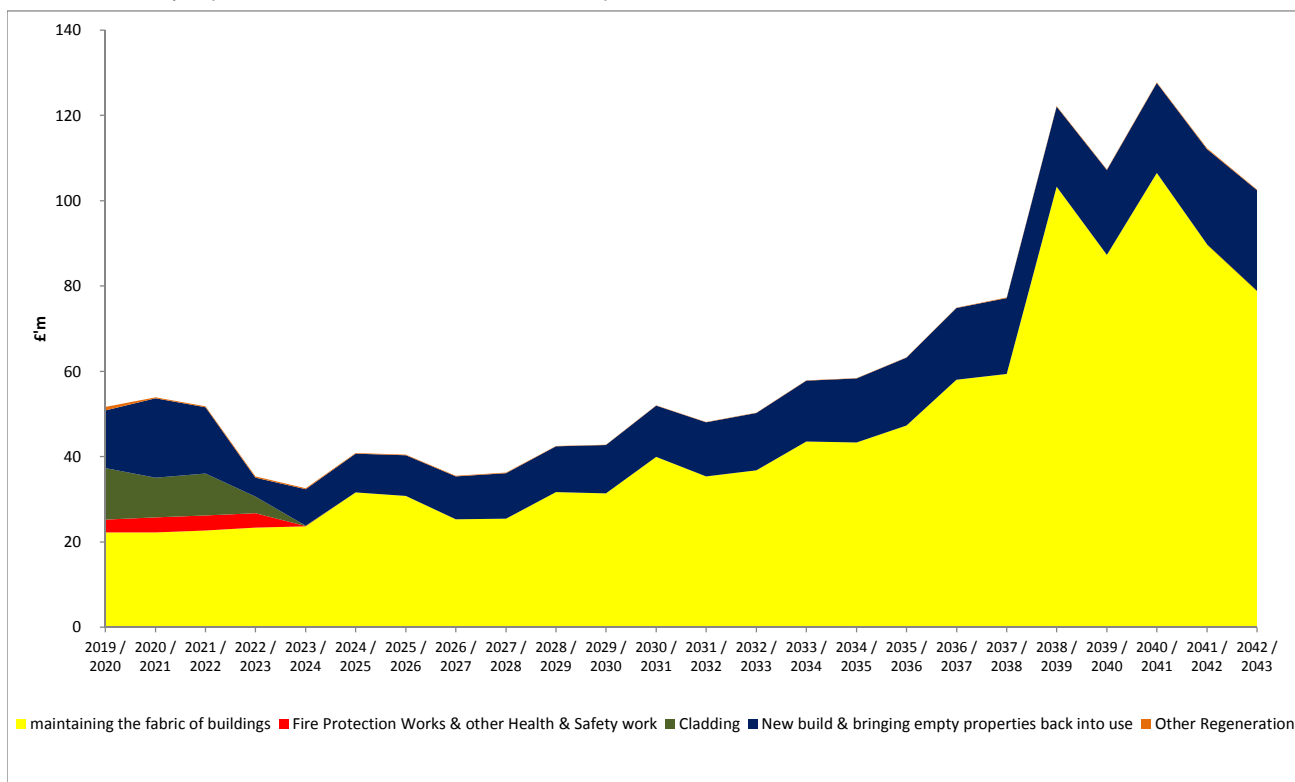
	Income		Expenditure		Net
	£'000	£'000	£'000	£'000	£'000
Balances per 2018/19 budget		94,244		97,444	(3,199)
<u>Rent & service charges / Bad debts</u>					
Change in average rent / service charges	(599)		(2)		
Properties moving to formula rent	532		1		
Change in property numbers	(1,417)		(3)		
Change in assumed number of voids	(439)		(1)		
Implications of Universal Credit			78		
Other Welfare Reform			170		
		(1,923)		244	(2,167)
<u>Right to buys & leaseholders</u>					
Change in numbers of RTBs	18		(5)		
Change in leaseholder recharges	20				
		38		(5)	42
<u>Repairs & maintenance</u>					
Change in property numbers			(279)		
Change in assumed number of voids			(274)		
Painting programme			600		
Other Costs/ (savings) in R&M			63		
Footpath maintenance, gullies and street cleaning	72		0		
Provision for additional Grounds Maintenance charges	44		175		
Structural surveys of MS blocks (2 year programme)			150		
		115		435	(319)
<u>HMIS reprourement & Worksmart</u>					
Preparation & Implementation costs			817		
Worksmart			(100)		
Software			(80)		
Mobile devices			(109)		
		0		528	(528)
<u>Capital financing</u>					
Interest payments	171		(762)		
Depreciation			733		
Debt repayments			(7,507)		
Debt management costs			(12)		
		171		(7,548)	7,719
<u>Staffing changes</u>					
Implications of regrading			12		
Other base staffing changes (inc pay award)			296		
Organisational changes			198		
		0		506	(506)
<u>Others</u>					
Court fees	100				
Introduction of shared tenancies	109		160		
Income from mobile phone masts, pubs etc	20				
		229		160	70
General inflationary factors (Gas / Electric / CTax etc.)				143	(143)
		92,876		91,907	969
Others		2		181	(179)
		92,878		92,088	790
Net change		1,367		5,356	(3,989)

Hull City Council - Budget Pack - Annexes
HRA Budget - 2019 / 2020

HRA Capital

	Current Budget 2018/19 £'000	Proposed Budget 2019/20 £'000	£'000	Appendix 1, section 3 change %	Section
Capital Spend					
Maintaining Decent Homes	8,948	9,841	893	10.0%	
Mechanical & electrical	3,514	5,637	2,123	60.4%	
KWL overheads	2,000	2,000	0	0.0%	
Others (inc. client costs)	1,400	1,480	80	5.7%	
Fire Protection Works & other Health & Safety work	3,487	3,068	(419)	-12.0%	
Council House Adaptations	3,000	3,255	255	8.5%	
Empty Properties	920	2,400	1,480	160.9%	
Regeneration	1,087	779	(308)	-28.3%	
Base Programme	24,356	28,459	4,103	16.8%	
Cladding	9,920	12,077	2,157	21.7%	8
New build	9,342	10,188	846	9.1%	8
RTB grants	177	919	742	418.1%	
TOTAL EXPENDITURE	43,795	51,643	7,847	17.9%	
Capital Financing					
RTB Receipts - new build	1,081	1,834	753	69.7%	
RTB Receipts - general	1,377	682	(694)	-50.4%	
Homes England	3,138	4,179	1,041	33.2%	
Humber LEP	0	548	548		
ECO	597	0	(597)	-100.0%	8
MRA (general)	25,972	26,013	41	0.2%	
RCCO	0	0	0		
Borrowing	11,631	18,386	6,756	58.1%	
	43,795	51,643	7,847	17.9%	

Note - these costs are based on decency to be maintained going forward but the programme is essentially a reactive programme taking action where items are failing. Programme delivery at this level would keep properties in a reasonable state of repair but would not meet any aspirational standards and would not prevent further decline in areas that are already showing signs of stress or failure. Failure to replace some elements on a planned basis will also result in pressure on responsive repair budgets. Some essential planned work will also be carried out only to prevent elemental failure, such as boiler replacements.



Original budget approved by Council 2018
 Additional slippage approved at out turn
 Current budget

43,795	34,432	Base budget
7,702	17,211	Slippage assumed from 2018/19
51,497	51,643	Total budget

5 year projections
projected future spend (inc inflation)

Appendix 1, section 4

	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024
INCOME					
Dwelling Rent Income	86,931	89,217	91,345	93,227	94,878
Charges for service and facilities	2,913	2,972	3,052	3,127	3,208
Non dwelling rents	1,226	1,198	1,147	1,118	1,088
Leaseholders charges for services	279	287	296	305	314
Other fees & charges	447	451	455	459	463
Interest on balances	264	276	251	258	314
General Fund Transfer re Whole Community	819	839	862	876	896
TOTAL INCOME	92,878	95,240	97,407	99,369	101,161
EXPENDITURE					
Repairs & Maintenance	22,416	22,650	22,928	23,262	23,566
Supervision and Management	15,744	16,164	16,481	16,992	17,360
Special Services	4,989	5,025	5,183	5,297	5,451
Rent, rates, taxes & other charges	608	551	564	577	590
Provision For Doubtful Debt	1,193	1,534	2,205	2,898	2,949
Capital Financing Costs	45,430	56,861	49,739	46,367	45,628
Contribution to Corporate & Democratic Core	305	314	323	333	343
Provisions	1,402	1,538	1,323	1,250	250
TOTAL EXPENDITURE	90,686	103,100	97,424	95,727	95,886
Net surplus / (deficit)	2,192	(7,860)	(16)	3,642	5,274
<i>Provisions</i>					
General contingencies	250	250	250	250	250
HMIS Re-procurement	1,152	1,288	1,073	1,000	0
	1,402	1,538	1,323	1,250	250

HMIS Re-procurement reflects potential costs of implementation, training and process re-engineering in relation to the new system. These costs are indicative at this time as they will vary depending on the solution ultimately chosen. They do not take account of any potential change in licence costs as a consequence.

	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024
Capital Spend					
Maintaining Decent Homes	9,841	12,005	11,863	12,419	12,452
Mechanical & electrical	5,637	3,324	3,679	3,580	3,619
KWL overheads	2,000	2,653	2,706	2,760	2,815
Others (inc. client costs)	1,480	1,615	1,709	1,808	1,913
Fire Protection Works & other Health & Safety work	3,068	3,508	3,533	3,411	73
Council House Adaptations	3,255	2,659	2,720	2,783	2,847
Empty Properties	2,400	2,608	2,746	0	0
Regeneration	779	218	231	244	259
Base Programme	28,459	28,591	29,186	27,005	23,978
Cladding	12,077	9,314	9,809	3,884	78
New build	10,188	15,482	12,336	3,970	8,077
RTB grants	919	500	500	500	500
TOTAL EXPENDITURE	51,643	53,887	51,831	35,359	32,632

No additional regeneration programmes assumed other than those already planned. In reality, should projects stack up financially using any available grant funding that may exist, then new initiatives will be added into the programme as they develop. These are indicative programmes at this stage as detailed programmes will need to be constructed based on need at the time.

Capital Financing					
RTB Receipts - new build	1,834	4,645	3,701	1,191	2,423
RTB Receipts - general	682	689	696	703	710
Homes England	4,179	1,800	1,800	0	0
Humber LEP	548	2,397	0	0	0
ECO	0	0	0	0	0
MRA (general)	26,013	26,530	27,166	27,728	28,222
RCCO	0	0	0	0	0
Borrowing	18,386	17,825	18,469	5,737	1,277
	51,643	53,887	51,831	35,359	32,632

The Government is currently consulting on proposed legislation where only properties below an EPC rating of D will benefit from ECO funding. If this is the final outcome, then the council will most likely be unable to claim ECO as most (if not all) Caspons are a rated a D or above. We (and many other councils and organisations) have responded to the consultation to challenge this. Should this not be enacted then we would expect to be able to draw down around £525k for all 493 Bransholme Caspons.

HRA Reserves

Appendix 1, section 5

	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023
HRA Reserves	3,000	3,474	3,771	3,869	3,787
Decent Homes Reserve	23,111	23,427	13,733	12,295	14,769
	26,111	26,901	17,504	16,164	18,556
MRA Reserves	0	0	0	0	0
	26,111	26,901	17,504	16,164	18,556

notes:

HRA Reserves

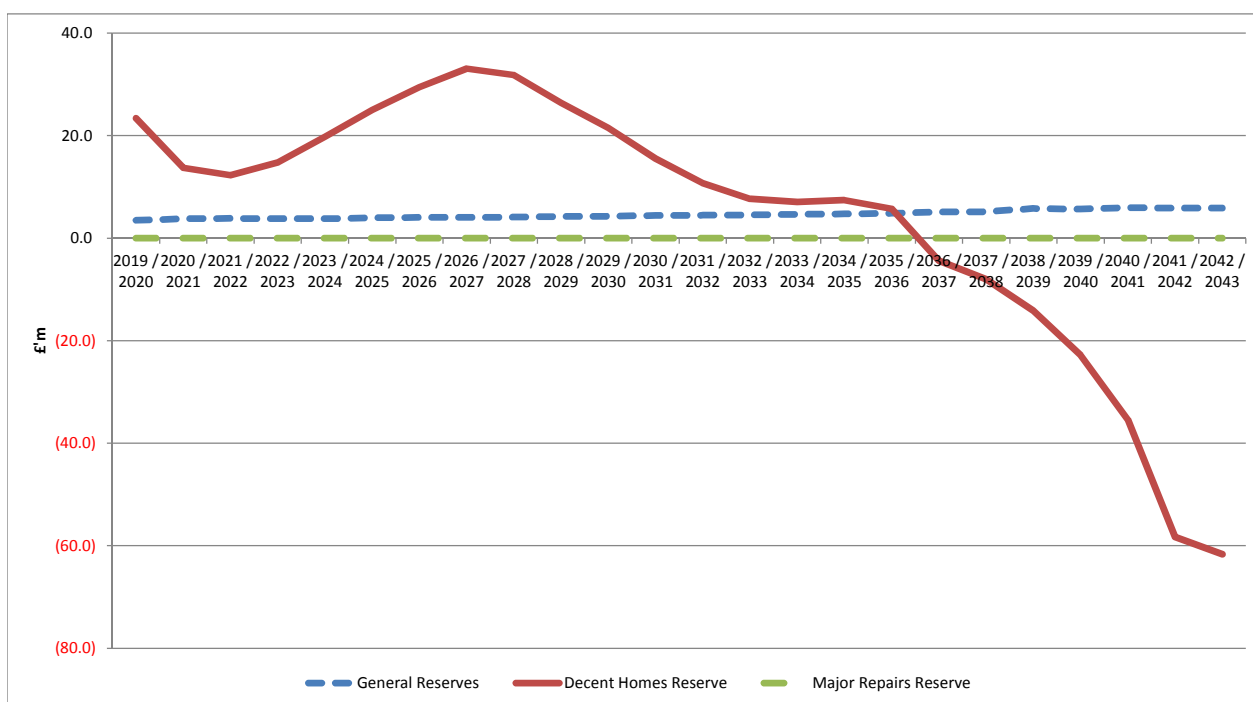
This is the minimum reserve level to reflect the inherent financial risks in the HRA.

Decent Homes Reserve

Reserves maintained to undertaken replacement of decent homes programme when due.

MRA Reserves

These reserves can only be spent on Capital works.



Change in reserves in recent years

	actual reserves at 31/3/14	projected reserves at 31/3/19	Increase/ (reduction)	
	£'000	£'000	£'000	%
HRA Reserves	3,000	3,000	0	0.0%
Decent Homes Reserve	36,733	23,111	(13,622)	-37.1%
	39,733	26,111	(13,622)	-34.3%
MRA Reserves	10,862	0	(10,862)	-100.0%
	50,595	26,111	(24,484)	-48.4%

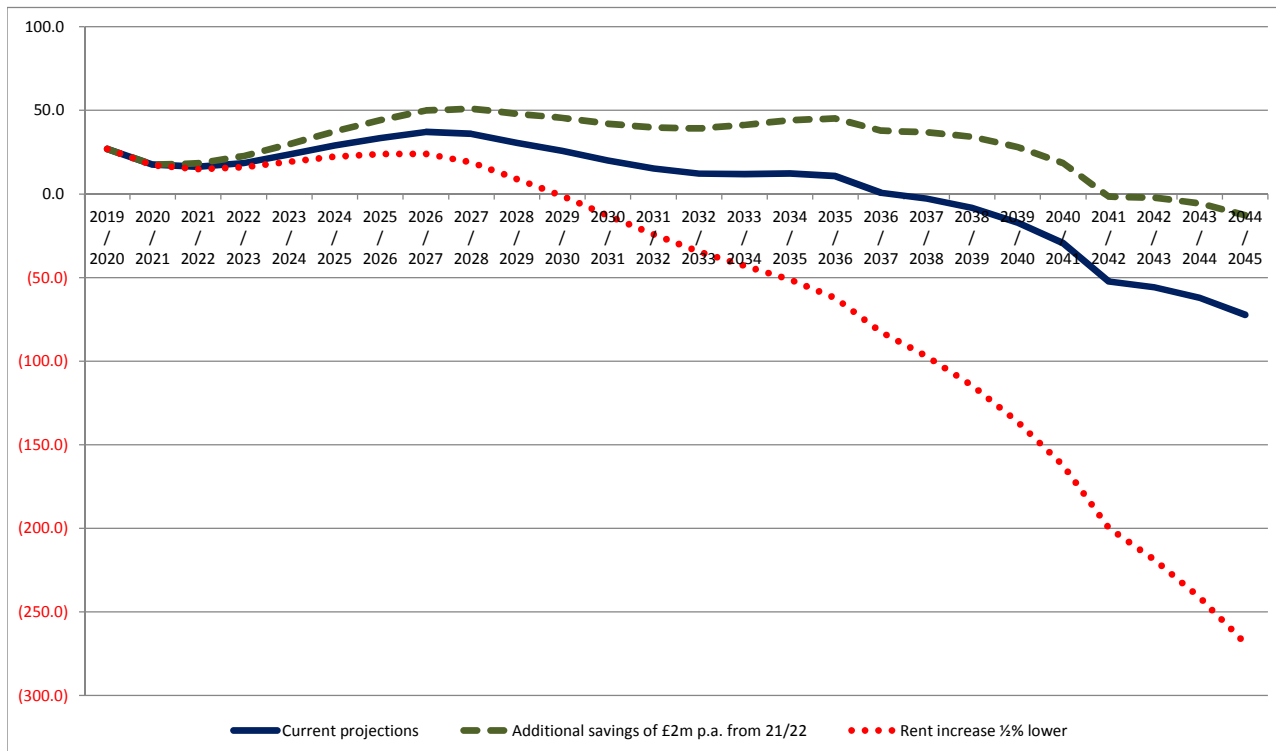
Hull City Council - Budget Pack - Annexes
HRA Budget - 2019 / 2020

Sensitivity Analyses

£'000

Appendix 1, section 6

	<u>2023 / 2024</u>	<u>2028 / 2029</u>	<u>2033 / 2034</u>	<u>2038 / 2039</u>	<u>2043 / 2044</u>
	£'k	£'k	£'k	£'k	£'k
Current projections	23,581	30,619	11,729	(8,367)	(62,141)
Additional savings of £2m p.a. from 21/22	29,861	48,040	41,185	34,097	(5,640)
Rent increase ½% lower	19,170	8,944	(42,959)	(114,655)	(241,367)

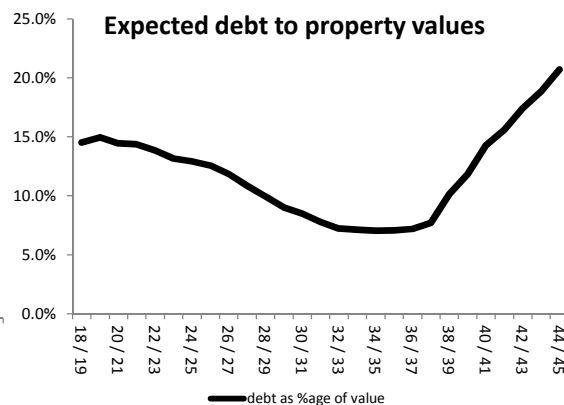
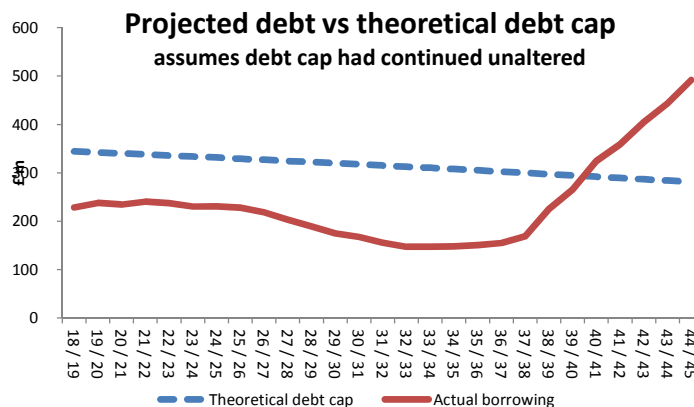
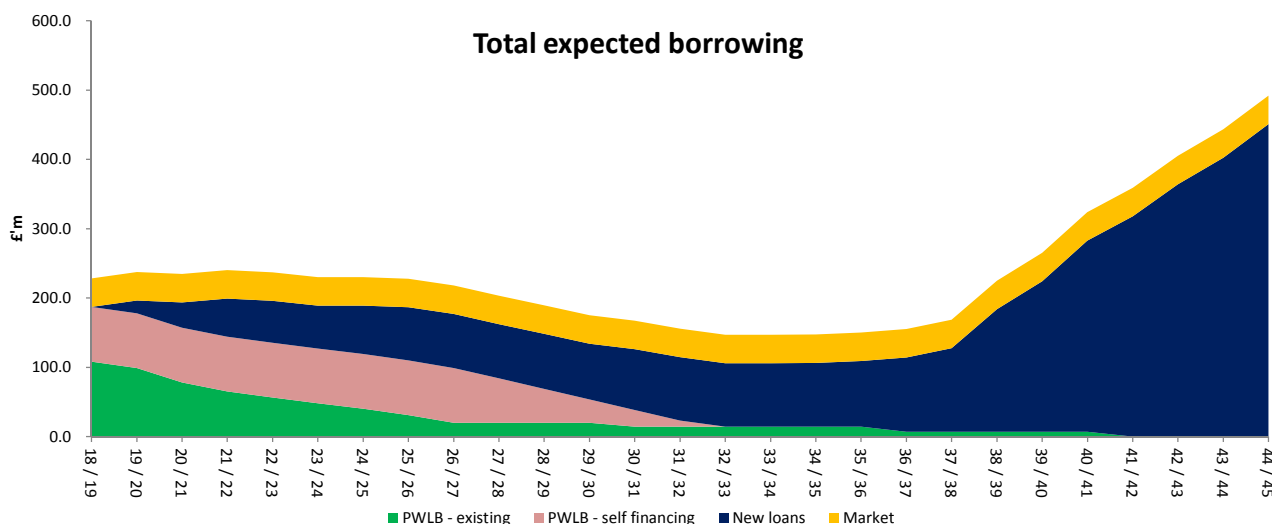


Debt & borrowing analysis

Appendix 1, section 7

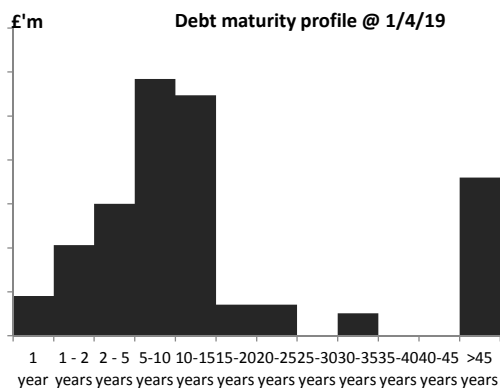
(a) HRA Borrowing

	2019 / 2020 £'000	2020 / 2021 £'000	2021 / 2022 £'000	2022 / 2023 £'000	2023 / 2024 £'000
Existing PWLB (normal business)	98,860	78,243	65,203	56,302	48,230
New debt taken on through Self Financing	78,989	78,989	78,989	78,989	78,989
New loans	18,386	36,212	54,681	60,417	61,694
Other loans	41,119	41,119	41,119	41,119	41,119
	237,354	234,562	239,991	236,827	230,032
Borrowing b/f new borrowing repaid in year	228,052	237,354	234,562	239,991	236,827
	18,386	17,825	18,469	5,737	1,277
	(9,084)	(20,617)	(13,040)	(8,901)	(8,072)
	237,354	234,562	239,991	236,827	230,032



(b) Debt Maturity by years

	£'000
1 year	9,084
1 - 2 years	20,617
2 - 5 years	30,013
5-10 years	58,386
10-15 years	54,674
15-20 years	7,079
20-25 years	7,079
25-30 years	0
30-35 years	5,140
35-40 years	0
40-45 years	0
>45 years	35,979
	228,052



Hull City Council - Budget Pack - Annexes
HRA Budget - 2019 / 2020

HRA Capital Budget - further analysis

Appendix 1, section 8

(a) New Build	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023
Staffing costs and investigations	550	550	600	404	0
Alexandra Gardens	0	0	0	0	0
Orchard Park New Build Provision phase 2	0	0	0	0	0
Longhill bungalows/Viking Pub Site	0	0	0	0	0
Hebden Avenue	0	3,125	0	0	0
Other Small Sites	0	3,438	7,434	7,649	3,970
Dane Park/Isledane	0	2,500	5,456	2,840	0
Grange Road	0	575	627	0	0
Tower Street	0	0	0	0	0
Preston Road	0	0	1,364	1,443	0
Indicative New build	9,059	0	0	0	0
	9,609	10,188	15,482	12,336	3,970
Empty Properties	920	2,400	2,608	2,746	0
Total	10,529	12,588	18,090	15,082	3,970
Units completed					
Alexandra Gardens	17	0	0	0	0
Orchard Park New Build Provision phase 2	91	0	0	0	0
Longhill bungalows/Viking Pub Site	7	0	0	0	0
Hebden Avenue	0	25	0	0	0
Other Small Sites	0	27	55	53	26
Dane Park/Isledane	0	0	60	75	0
Grange Road	0	9	9	0	0
Tower Street	0	0	0	0	0
Preston Road	0	0	10	10	0
Indicative New build	0	0	0	0	0
Indicative Empty Properties brought back into use	0	30	30	30	0
	115	91	164	168	26
Five year total:					564

From 2023/24 onwards the following is also assumed 50 additional units p.a. at a (pre inflation) cost of £6,250,000

(b) Cladding	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023
Warmzone	60	60	65	69	73
Preston Road Cladding	706	0	0	0	0
Preston Rd Additional Fencing	71	0	0	0	0
Orchard Park Wimpey No Fines Cladding phase 1	139	0	0	0	0
Orchard Park Cladding phase 2	3,463	0	0	0	0
Orchard Park 5 M provision	0	1,325	0	0	0
Bransholme Caspon Cladding Provision	9,860	10,692	2,791	0	0
Spooner Cladding	0	0	4,168	0	0
Other Wimpey No Fines Cladding	0	0	707	6,137	0
Calders	0	0	1,582	0	0
Rat Trad Properties Panel Insulation	0	0	0	3,602	3,811
	14,299	12,077	9,314	9,809	3,884

The 5M properties are difficult in terms of their design, due to the roof type, hung tiles and other aspects. We have been working very closely with Fortem to come up with a design which is safe, achieves the required energy efficiency savings and most importantly, minimises disruption to residents. There is therefore a risk that this scheme may be delayed.

(c) Eco funding

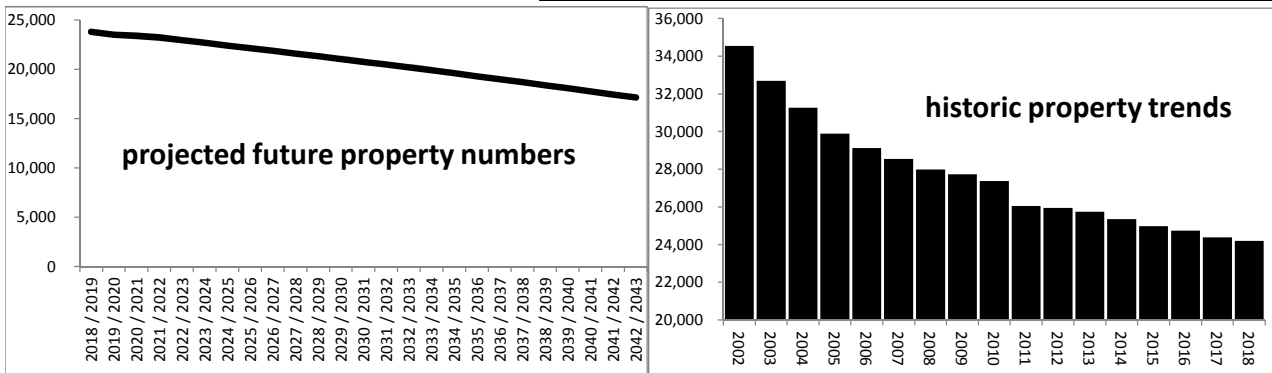
The Government is currently consulting on proposed legislation where only properties below an EPC rating of D will benefit from ECO funding. If this is the final outcome, then the council will most likely be unable to claim ECO as most (if not all) Caspons are a rated a D or above. We (and many other councils and organisations) have responded to the consultation to challenge this. Should this not be enacted then we would expect to be able to draw down around £525k for all 493 Bransholme Caspons.

Projected changes in dwelling stock by year

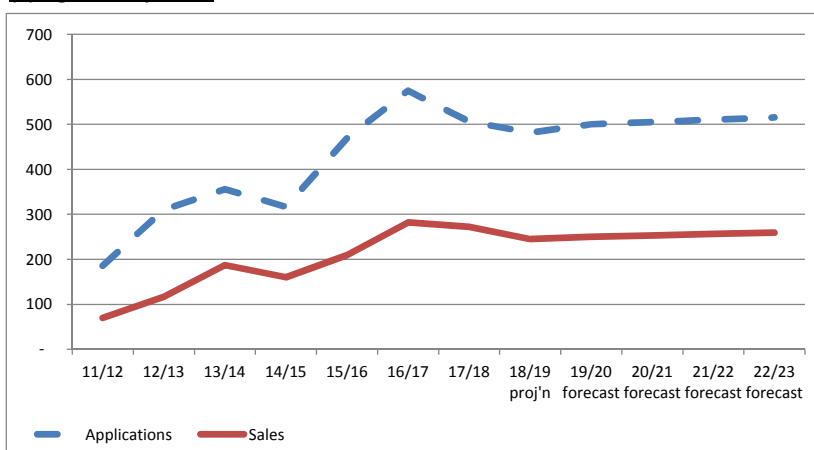
Appendix 1, section 9

(a) overall movement

	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023
Opening stock	24,193	23,784	23,501	23,362	23,224
New build/ empties etc	115	91	164	168	26
Demolition in regeneration areas - Ings & Preston Rd	(279)	(74)	0	0	0
RTB Sales	(245)	(250)	(253)	(256)	(259)
Demolitions	0	(50)	(50)	(50)	(50)
others	0	0	0	0	0
	23,784	23,501	23,362	23,224	22,941

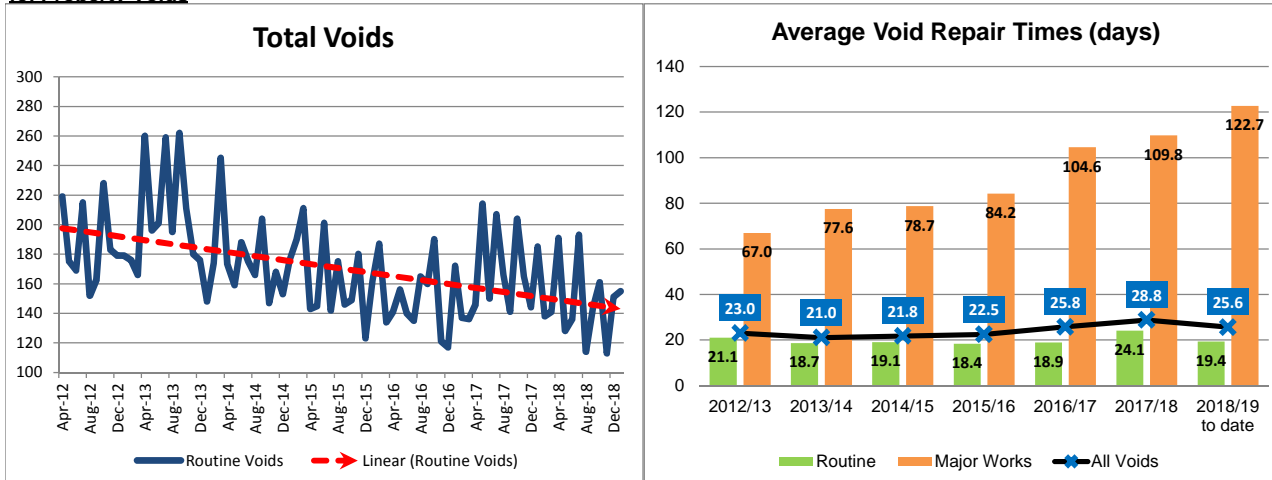


(b) right to buy sales



	Applications	Sales
11/12	186	70
12/13	310	117
13/14	356	187
14/15	317	160
15/16	469	209
16/17	575	282
17/18	506	272
18/19 proj'n	482	245
19/20 forecast	500	250
20/21 forecast	505	253
21/22 forecast	510	256
22/23 forecast	515	259

(c) Property Voids



Rent & rent arrears

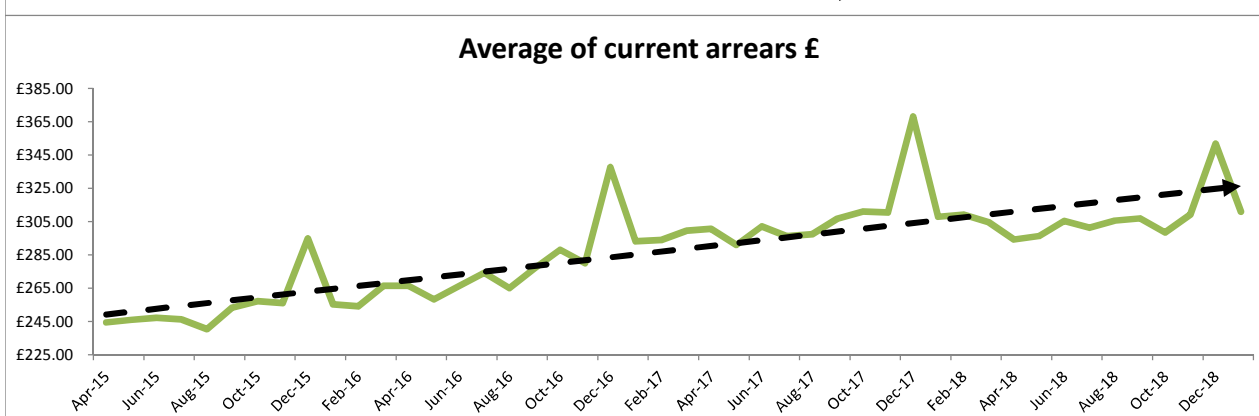
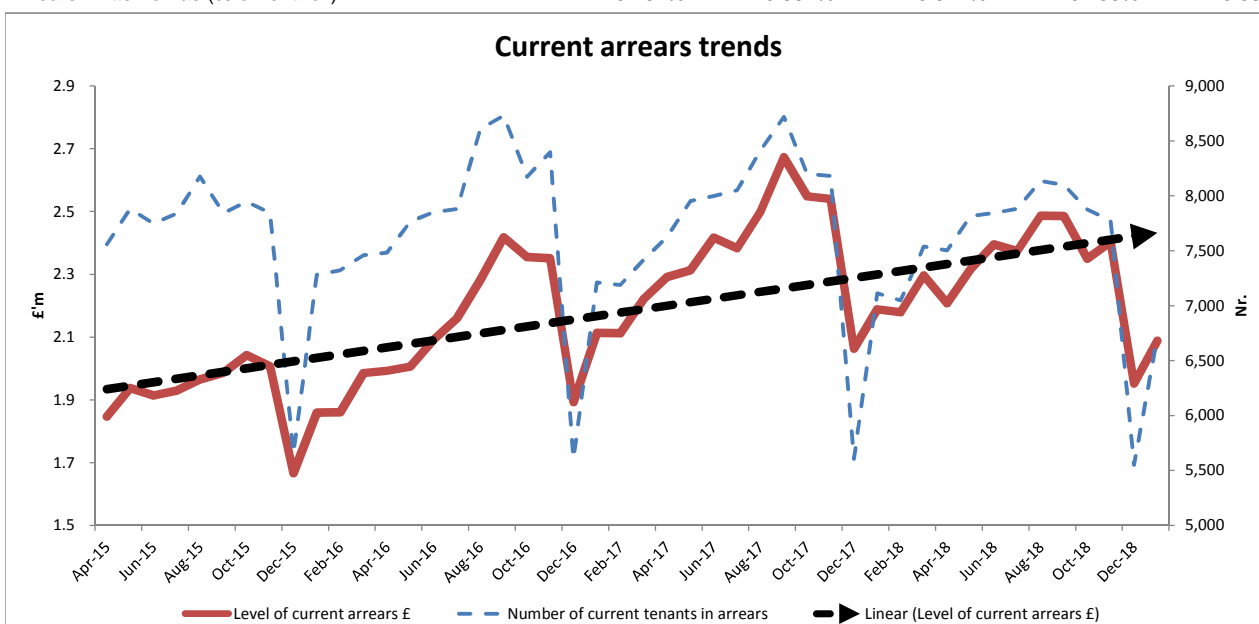
Appendix 1, section 10

(a) Rent per week				
	2018/2019	2019/2020	change	change
Average rent per week	£72.09	£71.80	(£0.29)	-0.40%
50 week equivalent	£74.97	£74.67	(£0.30)	-0.40%

(b) Change in budgeted rents				
	£'000			
budgeted rent 18/19	89,012			
change in rent levels	(881)		-1.0%	reflects properties relet at Formula Rent and new properties at Affordable Rent.
additional rent on voids/ property mix	532		0.6%	
change in property numbers	(1,445)		-1.6%	
change in void levels	(410)		-0.5%	
	(2,203)		-2.5%	
budgeted rent 19/20	86,809			

(c) Rent Arrears - trends

	2013/14	2014/15	2015/16	2016/17	2017/18
Current Tenant Arrears (as % of rent roll)	1.889%	1.903%	2.011%	2.287%	2.498%
Former Tenant Arrears (as % of rent roll)	0.923%	1.040%	0.990%	1.107%	1.286%
Arrears written off as (% of rent roll)	0.464%	0.584%	0.574%	0.458%	0.584%



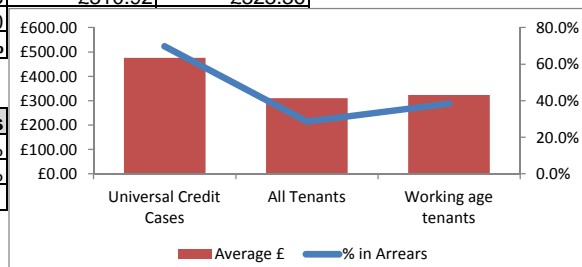
Rent & rent arrears

Appendix 1, section 10 (2)

(d) Universal Credit - impact to date

	Universal Credit Cases	All Tenants	Working age tenants
Total	1,113	23,546	16,529
No. in Arrears	776	6,716	6,346
% in Arrears	69.7%	28.5%	38.4%
Average £	£476.23	£310.92	£323.36
Alternative Payment Arrangements (APAs) in place	200		
% of cases on APA	18.0%		

	Evictions
UC Cases	1.62%
Total tenants	0.26%
UC claimants thus more likely to be evicted by a factor of 6.2:1	



(e) Bedroom Tax

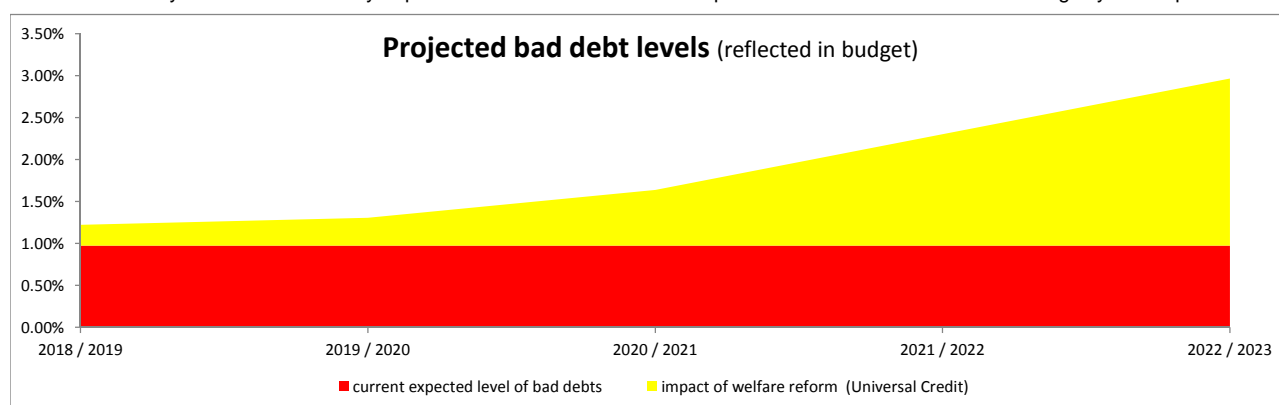
02 December 2018

Bedroom Tax		£ Due	£ Paid	% Paid
Tenants charged bedroom tax	3,000	7,108,260	6,834,427	96.1%
% tenants paying in full	58.9%	4,378,348	4,378,336	100.0%
% tenants paying partial	36.1%	2,696,873	2,456,091	91.1%
% tenants paying none	5.0%	33,039	-	0.0%

(f) Expectations of bad debts

	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023
current expected level of bad debts	0.97%	0.97%	0.97%	0.97%	0.97%
impact of welfare reform (Universal Credit)	0.25%	0.33%	0.66%	1.33%	1.99%
	1.22%	1.31%	1.64%	2.30%	2.96%

As we have a situation with a significant amount of unknowns these must be seen as indicative of the potential trajectory rather than a forecast. The full implications of the benefit cap and Universal Credit are not yet known, with some cognisance taken of earlier studies but we are essentially in uncharted territory at present so there are no historical patterns here or elsewhere to meaningfully draw upon.



Service Charges

Appendix 1, section 11

Service Charges	2018/2019	2019/2020	Increase	Notes
Service				
CCTV	£0.87	£0.63	(£0.24)	cost recovery
Controlled Entry	£1.26	£1.41	£0.15	
Great Thornton Street - mobile security service	£2.53	£2.95	£0.42	
Garages				
Block Garages	£7.27	£7.50	£0.23	
Private Garages	£8.72	£9.00	£0.28	includes VAT
NB: legally VAT is chargeable on all garages, except for tenants where up to 2 garages are let in conjunction with the property (VAT notice 742, s4.2).				
Sheltered				
Sheltered - Category 1	£6.06	£6.19	£0.13	
Sheltered - Category 1.5	£6.04	£6.40	£0.36	cost recovery
Sheltered - Category 2 / vertical	£21.06	£24.14	£3.08	
PCT recharge (Thornton Court)	£13.80	£14.22	£0.42	
Lifeline				
Fixed lifeline	£2.95	£3.14	£0.19	Cost recovery
Tenants lifeline	£2.95	£3.14	£0.19	
Private lifeline	£3.54	£3.76	£0.22	includes VAT
PCT recharge (Thornton Court)	£3.51	£3.62	£0.11	
Others				
Ashby / Hermes Heating Charge	£6.86	£7.21	£0.35	
Heating Charge - all other bedsits	£10.82	£11.37	£0.55	increase in line with gas price rises
Bungalow Heating Charge	£15.04	£15.80	£0.76	
Heating Charge - all other flats	£12.62	£13.26	£0.64	
Ashby / Hermes Service Charge	£6.75	£3.27	(£3.48)	
Charles Brady	£4.78	£4.93	£0.15	
Standard Service Charge	£4.31	£4.44	£0.13	
Water Meter	£4.83	£5.03	£0.20	
LD Schemes				
Ashby	£35.66	£23.32	(£12.34)	Cost recovery
Hermes	£20.35	£17.90	(£2.45)	
Flats - Caretaking				
High Rise Flats	£4.40	£5.10	£0.70	
2 Storey Blocks - Various Sizes (Communal Gardens Only)	£1.19	£1.40	£0.21	
2 Storey 4 Blocks (Communal Entrance to 1st Floor only)	£0.00	£0.00	£0.00	
2 Storey Non Trad Corner 4 Blocks	£0.00	£0.00	£0.00	
Traditional 2 Storey Corner 6 Block	£1.19	£1.40	£0.21	
Traditional 3 Storey post war 6 Block	£1.19	£1.40	£0.21	
Traditional 3 Storey pre war	£1.70	£2.00	£0.30	
Traditional 3 Storey Corner 6 block	£0.00	£0.00	£0.00	
Trad Maisonettes Over Estate Shops	£0.00	£0.00	£0.00	
Non Trad Maisonettes Over Estate Shops	£0.00	£0.00	£0.00	
Pashby House	£0.00	£0.00	£0.00	
Australia Houses	£2.93	£3.40	£0.47	
Block Maisonettes	£1.19	£1.40	£0.21	
6-9 Storey Flats	£2.93	£3.40	£0.47	
Ferensway House	£0.00	£0.00	£0.00	
Acquired flats	£0.00	£0.00	£0.00	
Sheltered high rise flats	£4.40	£5.10	£0.70	
Salinger House	£1.74	£2.05	£0.31	
Salinger House	£1.74	£2.05	£0.31	
Dane View	£2.60	£3.00	£0.40	
Coltman Street	£0.00	£0.00	£0.00	
Fruit Market Flats - Affordable rents	£0.00	£0.00	£0.00	
King Street Flats - Affordable rents	£0.00	£0.00	£0.00	
Millidane - New build 2 & 3 storey flats	£0.00	£0.00	£0.00	

currently significantly underrecovering costs by c42%

Service Charges

Appendix 1, section 11

Service Charges	2018/2019	2019/2020	Increase	Notes
Flats - Communal cleaning				
High Rise Flats	£3.52	£3.95	£0.43	currently significantly underrecovering costs by c23%
2 Storey Blocks - Various Sizes (Communal Gardens Only)	£0.00	£0.00	£0.00	
2 Storey 4 Blocks (Communal Entrance to 1st Floor only)	£0.00	£0.00	£0.00	
2 Storey Non Trad Corner 4 Blocks	£0.73	£0.85	£0.12	
Traditional 2 Storey Corner 6 Block	£0.73	£0.85	£0.12	
Traditional 3 Storey post war 6 Block	£0.73	£0.85	£0.12	
Traditional 3 Storey pre war	£0.64	£0.75	£0.11	
Traditional 3 Storey Corner 6 block	£0.43	£0.50	£0.07	
Trad Maisonettes Over Estate Shops	£0.64	£0.75	£0.11	
Non Trad Maisonettes Over Estate Shops	£0.64	£0.75	£0.11	
Pashby House	£0.00	£0.00	£0.00	
Australia Houses	£5.33	£6.00	£0.67	
Block Maisonettes	£0.64	£0.75	£0.11	
6-9 Storey Flats	£3.47	£3.90	£0.43	
Ferensway House	£9.77	£10.95	£1.18	
Acquired flats	£0.73	£0.85	£0.12	
Sheltered high rise flats	£0.00	£0.00	£0.00	
Salinger House	£1.35	£1.55	£0.20	
Salinger House	£1.35	£1.55	£0.20	
Dane View	£0.46	£0.55	£0.09	
Coltman Street	£2.62	£2.95	£0.33	
Fruit Market Flats - Affordable rents	£0.00	£0.00	£0.00	
King Street Flats - Affordable rents	£0.00	£0.00	£0.00	
Milldane - New build 2 & 3 storey flats	£0.00	£0.00	£0.00	
Flats - Communal electric				
High Rise Flats	£2.90	£3.25	£0.35	overall charges now almost fully recovering costs.
2 Storey Blocks - Various Sizes (Communal Gardens Only)	£0.00	£0.00	£0.00	
2 Storey 4 Blocks (Communal Entrance to 1st Floor only)	£0.34	£0.40	£0.06	
2 Storey Non Trad Corner 4 Blocks	£0.34	£0.40	£0.06	
Traditional 2 Storey Corner 6 Block	£0.70	£0.80	£0.10	
Traditional 3 Storey post war 6 Block	£1.21	£1.40	£0.19	
Traditional 3 Storey pre war	£0.85	£1.00	£0.15	
Traditional 3 Storey Corner 6 block	£0.56	£0.65	£0.09	
Trad Maisonettes Over Estate Shops	£0.56	£0.65	£0.09	
Non Trad Maisonettes Over Estate Shops	£0.57	£0.65	£0.08	
Pashby House	£0.00	£0.00	£0.00	
Australia Houses	£0.29	£0.35	£0.06	
Block Maisonettes	£1.36	£1.55	£0.19	
6-9 Storey Flats	£2.27	£2.55	£0.28	
Ferensway House	£2.54	£2.85	£0.31	
Acquired flats	£0.70	£0.80	£0.10	
Sheltered high rise flats	£0.00	£0.00	£0.00	
Salinger House	£0.70	£0.80	£0.10	
Salinger House	£0.70	£0.80	£0.10	
Dane View	£0.57	£0.65	£0.08	
Coltman Street	£0.32	£0.40	£0.08	
Fruit Market Flats - Affordable rents	£0.00	£0.00	£0.00	
King Street Flats - Affordable rents	£0.00	£0.00	£0.00	
Milldane - New build 2 & 3 storey flats	£0.00	£0.00	£0.00	
District Heating Schemes				
Bathurst St	£0.0449	£0.0449	£0.0000	
Rosset House	£0.0449	£0.0449	£0.0000	
New Michael Street / Melville Street	£0.0449	£0.0449	£0.0000	
Torpoint, Millport & Woolwich	£0.0449	£0.0449	£0.0000	
Valiant Drive blocks	£0.0449	£0.0449	£0.0000	
Coniston & Kendall Houses	£0.0610	£0.0610	£0.0000	
Meter charge	£1.40	£1.40		
Laundry - all schemes				
wash tokens	£2.00	£2.00	£0.00	
dryer tokens	£1.00	£1.00	£0.00	
Travellers sites (these are GF charges but processed in Housing)				
Single pitch	£59.54	£61.33	£1.79	
Double pitch	£89.24	£91.92	£2.68	

Rent and Service Charge Setting Policy Statement 2019/2020

Hull City Council aim to set rents at a level that allows us to manage our properties well, to maintain them and to provide appropriate services and amenities for our tenants whilst keeping affordability in mind. We set rents and service charges in line with legislation, best practice and our service standards.

Customers are given at least 4 weeks notice of changes to their rent and service charges. Changes to rent will normally occur once a year on the first Monday in April. Rent is payable for each week of the year but the rent payable over the whole rent year is apportioned over 50 or 51 weeks (depending on the number of weeks in that particular rent year). This means that there are two weeks per year when customers are not required to pay rent (unless they are in arrears). The 2 weeks when customers are not required to pay will be in December each year and customers are notified of this in writing.

1. Rents

Our properties are generally let on either a Formula Rent or an Affordable Rent.

a. Affordable rent

Local authorities are able to agree with the Homes and Communities Agency to convert a proportion of their properties which are being re-let on an affordable rent to help fund the development of new homes. This means that the Council can charge a different rent (which could be higher) than their usual rent charge.

The Council may wish to use affordable rent tenancies where:

- major investment in particular housing stock has been or will be undertaken
- funding for a project requires that the Council use affordable rents.

Where the Council is considering using affordable rents tenancies it will:

- carry out reasonable consultation with the local community on its proposals
- undertake a financial viability test
- set out in a report the reasons for using affordable rents and the benefits the Council expects
- require any decision to adopt the proposed affordable rent scheme to be approved by the Head of Service with responsibility for the management of the Council's housing function in consultation with the Council's Portfolio Holder with responsibility for the Council's housing function.

The maximum rent for an Affordable Rent property, when it is first let to a new tenant, is 80% of the market rate, inclusive of service charges, or the 'social rent rate' (exclusive of service charges), whichever is higher. Each subsequent year, rents will change in line with changes in Formula Rents.

Rent and Service Charge Setting Policy Statement 2019/2020

New homes built or those which have undergone major refurbishment schemes will be let at Affordable Rents or Formula Rent, whichever is the higher.

b. Formula Rent

Formula Rents are set based on Government Formulae for each individual property with annual increases in line with CPI + 1% each year, except for the 4 years commencing April 2016 when they will fall by 1%. This does not apply to service charges. Actual rent increases are determined by Council each year but rents will never be set at more than Formula Rent. All properties becoming empty will be re-let at Formula Rent. Where any significant structural alterations take place, such as the addition of extra bedrooms, the Formula Rent may be amended to take account of the change.

c. Shared Tenancies

Where properties are let with shared tenancies, rent may be set at not more than the Shared Accommodation Rate of Local Housing Allowance per bedroom.

d. Other Rent Models

The Council may develop other rent models to reflect the changing circumstances, especially in relation to Benefit eligibility.

Where the Council is considering developing a different model it will:

- carry out reasonable consultation with the local community on its proposals
- undertake a financial viability test
- set out in a report the reasons for using affordable rents and the benefits the Council expects
- require any decision to adopt any different rent scheme to be approved by the Head of Service with responsibility for the management of the Council's housing function in consultation with the Council's Portfolio Holder with responsibility for the Council's housing function.

2. Service charges

Service Charges are set to recover the costs of the service provided wherever possible and will change based on changes in costs. Some service charges are currently set below cost and these will be increased over time to align with costs. Service charges will never be set at more than the cost of providing that service.

Implications Matrix

This section must be completed and you must ensure that you have fully considered all potential implications

This matrix provides a simple check list for the things you need to have considered within your report

If there are no implications please state

I have informed and sought advice from HR, Legal, Finance, Overview and Scrutiny and the Climate Change Advisor and any other key stakeholders i.e. Portfolio Holder, relevant Ward Members etc. prior to submitting this report for official comments	Yes
I have considered whether this report requests a decision that is outside the Budget and Policy Framework approved by Council	Yes
Value for money considerations have been accounted for within the report	Yes
The report is approved by the relevant City Manager	Yes
I have included any procurement/commercial issues/implications within the report	Yes
I have considered the potential media interest in this report and liaised with the Media Team to ensure that they are briefed to respond to media interest.	Yes
I have included any equalities and diversity implications within the report and where necessary I have completed an Equalities Impact Assessment and the outcomes are included within the report	Yes
Any Health and Safety implications are included within the report	Yes
Any human rights implications are included within the report	Yes
I have included any community safety implications and paid regard to Section 17 of the Crime and Disorder Act within the report	Yes
I have liaised with the Climate Change Advisor and any environmental and climate change issues/sustainability implications are included within the report	Yes
I have included information about how this report contributes to the City Plan/ Area priorities within the report	Yes