STROUD DISTRICT COUNCIL
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13 January 2017

HOUSING COMMITTEE

A meeting of the Housing Committee will be held on **TUESDAY 24 JANUARY 2017** in the Council Chamber, Ebley Mill, Ebley Wharf, Stroud at **7.00 pm**.

David Hagg
Chief Executive

Please Note: This meeting will be filmed for live or subsequent broadcast via the Council's internet site (www.stroud.gov.uk). By entering the Council Chamber you are consenting to being filmed. The whole of the meeting will be filmed except where there are confidential or exempt items, which may need to be considered in the absence of the press and public.

A G E N D A

1 **APOLOGIES -** To receive apologies for absence.

2 **DECLARATIONS OF INTEREST -** To receive declarations of interest.

3 **MINUTES -** To approve the minutes of the meeting held on 20 December 2016.

4 **PUBLIC QUESTION TIME**
The Chair of Committee will answer questions from members of the public submitted in accordance with the Council's procedures.
DEADLINE FOR RECIEPT OF QUESTIONS
Noon on THURSDAY 19 JANUARY 2017.
Questions must be submitted in writing to the Chief Executive, Democratic Services, Ebley Mill, Ebley Wharf, Stroud and sent by post or by Email: democratic.services@stroud.gov.uk

5 **WORK PROGRAMME -** To consider and update the work programme.

6 **GENERAL HOUSING: HOUSING REVENUE ACCOUNT (HRA) MEDIUM TERM FINANCIAL PLAN 2017/18 – 2020/21**
To consider the HRA's financial position over the medium term and set a budget for 2017/18.

7 **GENERAL HOUSING: DEVELOPMENT OF THE HRA DELIVERY PLAN**
To consider the HRA Delivery Plan.

8 **COUNCIL HOUSING: DEVELOPMENT OF THE TENANCY POLICY**
To consider the Tenancy Policy.

9 **COUNCIL HOUSING: RENT AND SERVICE CHARGES REVIEW**
To consider the rent and service charges review.

10 **MEMBERS' QUESTIONS -** See Agenda Item 4 for deadline for submission.

Members of Housing Committee

Councillor Mattie Ross (Chair)
Councillor Chas Townley (Vice-Chair)
Councillor Catherine Braun
Councillor Miranda Clifton
Councillor Colin Fryer
Councillor Julie Job
Councillor Norman Kay
Councillor Phil McAsey
Councillor Jenny Miles
Councillor Liz Peters
Councillor Tom Skinner
Councillor Debbie Young

Tenant Representative
Ian Allan

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HOUSING COMMITTEE

3

20 DECEMBER 2016

7.00 pm – 7.48 pm
Council Chamber, Ebley Mill, Stroud

Minutes

Membership

Councillor Mattie Ross **	P	Councillor Norman Kay	A
Councillor Chas Townley *	P	Councillor Phil McAsey	P
Councillor Catherine Braun	A	Councillor Jenny Miles	P
Councillor Miranda Clifton	P	Councillor Elizabeth Peters	P
Councillor Colin Fryer	P	Councillor Tom Skinner	P
Councillor Julie Job	P	Councillor Debbie Young	P

** = Chair * = Vice Chair P = Present A = Absent

Tenant Representative
Ian Allan

Other Councillors in Attendance
Councillor Nigel Cooper

Officers in Attendance

Strategic Head (Tenant and Corporate Services)	Asset Operations Manager
Head of Housing Contracts	Democratic Services Officer
Program Manager	Principal Site Officer

Councillor Mattie Ross welcomed Mr. Ian Allan to his first meeting of Housing Committee as the new Tenant Representative.

HC.027 APOLOGIES

Apologies of absence were received from Councillors Braun and Kay.

HC.028 DECLARATIONS OF INTEREST

There were no declarations of interest.

HC.029 PUBLIC QUESTION TIME

There were none.

HC.030 MINUTES – 27 SEPTEMBER 2016

RESOLVED **That the minutes of the meeting held on 27 September 2016 are confirmed and signed as a correct record.**

HC.031 WORK PROGRAMME

Following discussion, an Update on Queens Court, Brimscombe would be provided for Committee by January 2017.

RESOLVED **To update the Work Programme, accordingly.**

HC.032 PERFORMANCE MONITORING

A performance monitoring report had been circulated to Members prior to the meeting.

RESOLVED **The update was noted.**

HC.033 COUNCIL HOUSING: NON TRADITIONAL HOMES STRATEGY

The Asset Operations Manager presented the report, outlining that a structural appraisal and review of the properties was undertaken in 2003, and a further smaller review took place in 2012. Prior to presenting this report there was no strategy in place.

During questions, it was confirmed that most of the properties are currently occupied and repairs are being carried out when necessary. Officers were investigating whether a bid could be made for funding from the Department of Communities and Local Government for regeneration of these homes.

RESOLVED **To adopt the Non Traditional Homes Strategy in Appendix 1 to the report and the Obsolescence Procedure Guide in Appendix 2.**

HC.034 TENANT SERVICES AIDS & ADAPTATIONS POLICY

The Programme Manager presented the report explaining that there had been changes in legislation, the main change is the Care Act 2014.

RESOLVED **To approve the revised Tenant Services' Aids & Adaptations Policy (Appendix A).**

HC.041 MEMBERS' QUESTIONS

Member questions had been received from Councillors Peters, Young, Job and McAsey. Supplementary questions had been asked by each Member and they would be responded to in writing following the meeting.

The meeting closed at 7.48 pm.

Chair

2016/17 WORK PROGRAMME FOR HOUSING COMMITTEE

Date of meeting	Matter to be considered	Notes
21.02.17	Work Programme	Leads: Chair and Strategic Head Tenant and Corporate Services
	Performance Monitoring	Leads: Councillors Braun and Young
	Estate and Tenancy Management Policy	Lead: Tenancy Operations Manager
	Rural Designation for RTB	Lead: Strategic Head (Development Services)
	Affordable Housing Provision	Lead: Strategic Head (Development Services)
	Age Friendly Health and Housing Plan	Lead: Health and Wellbeing Development Co-ordinator
28.03.17	Work Programme	Leads: Chair and Strategic Head Tenant and Corporate Services
	Performance Monitoring	Leads: Councillors Braun and Young
	Energy Strategy	Lead: Asset Manager
	Budget Monitoring 2016/17 – Quarter 3	Lead: Accountancy Manager

Task and Finish Groups

Title	Membership	Date Est.
To review the effectiveness of the tenant consultation mechanisms in place	Cllrs Ross, Braun, Townley, Young, Clifton, Kay and Tucker. Tenant Representatives: Ian Allan, Shirley Histed, Pat Eagle, Dave Dale, Sally Millett and Pam Blanche. Officers: Head of Housing Management and Engagement Projects & Support Officer	28 June 2016
To produce an HRA Business Plan	Cllrs Kay, Townley, Job, Fryer and Skinner.	28 June 2016

Information sheets sent to Committee Members

Date sent and ref no.	Topic	Notes
16.09.2016 H-2016/17-001	Sheltered Housing Modernisation Project Update	Sheltered Housing Project Manager
27.09.2016 H-2016/17-002	Small Sites, Garages and Disposals Update	Principal Estates Surveyor
27.09.2016 H-2016/17-003	Progress Report on the Development of a Business Plan for the HRA	Head of Housing Management
05.12.2016 H-2016/17-004	Homelessness Prevention Strategy – Review 2016	Housing Advice Manager
06.12.2016 H-2016/17-005	New Homes and Regeneration Update	Business Development Manager
06.12.2016 H-2016/17-006	Sheltered Housing Modernisation Project Update	Sheltered Housing Project Manager

24.1.17 H-2916/17-007	Update on Queens Court, Brimscombe	Head of Asset Management

STROUD DISTRICT COUNCIL

HOUSING COMMITTEE

24 JANUARY 2017

AGENDA ITEM NO

6

Report Title	**HOUSING REVENUE ACCOUNT (HRA) BUDGET 2017/18 AND MEDIUM TERM FINANCIAL PLAN 2016/17 – 2020/21**
Purpose of Report	To consider the HRA's financial position over the medium term and set a budget for the HRA for 2017/18.
Decision(s)	**The Committee RECOMMENDS to Strategy and Resources Committee:** a) (i) The revised HRA budget for 2016/17 and original HRA revenue and capital budgets for 2017/18 are approved; (ii) The movements to and from balances and capital reserve as detailed in Appendices B and C are approved b) That from 01 April 2017: i) Social rents and affordable rents are decreased by 1% (equivalent to 83p per week at the average rent level), as calculated in accordance with legislation. ii) Garage rents are increased by 2% (equivalent to 24p per week), as detailed in paragraph 28 and Appendix A); iii) Other landlord service charges at general needs properties are increased by between 2% and 3%, as detailed in paragraph 29 and Appendix A; iv) Landlord service charges at Sheltered Housing Schemes are increased by 2% (equivalent to 47p per week). As detailed in paragraph 30 and Appendix A. c) That the Capital Programme for 2016/17 to 2020/21 be approved, as detailed in Appendix C.

Consultation and Feedback	• Budget holders and senior managers • Residents and Business telephone surveys (as presented to a members seminar on the 7th December) • Budget workshops for Chairs & Vice Chairs of service committees and Administration group leaders
Financial Implications and Risk Assessment	The report sets out the medium term financial forecast for the HRA over the next 4 years. Revenue and Capital budgets have been reviewed in the light of the Action Plan and the need to maintain balances over the medium term. Whilst the overall level of expenditure across the HRA is reducing from £26m to £22m, the continued 1% reduction in social rents places the HRA under significant financial pressure. The HRA's MTFP is financed in part through application of capital receipts (£3.950m in 2017/18 to 2019/20). There is some risk to the HRA around the timing of capital receipts and the realisation of anticipated level of receipts. This may mean the HRA has to amend its spending plans during subsequent financial years. A number of risks and uncertainties remain with the MTFP forecasts, given the potential impact of the delayed extension of Right to Buy (RTB) to housing association tenants in particular. Uncertainty remains inherent in the forecast for 2020/21 when the current 1% reduction in social rents policy is due to end. An assumption has been made within the MTFP that the council will be able to increase rents in accordance with the previous guidance (CPI +1%). David Stanley – Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk
Legal Implications	This report forms part of the budget setting process for 2017/18 which is connected to the Council's duty to set its council tax for 2017/18. In order to set its budget, the Council is required (amongst other things) to calculate its estimated expenditure and income which will be charged / allocated to its Housing Revenue Account. This element of the budget setting process is addressed within this report.

	The Council's chief finance officer is required to report on the robustness of the estimates and the adequacy of the proposed financial reserves. The Council is also under a duty to prevent a debit balance on the HRA for each accounting year and in doing so must keep under review the proposals in place regarding the income and expenditure on its assets held for housing related purposes. The Council must also revise the proposals from time to time to ensure the relevant duty continues to be met. It is therefore essential based upon the professional finance advice provided, that when the Committee makes its recommendations to Strategy and Resources (which will, in turn, form the basis of 2017/18 budget recommendations to Council) that it is satisfied that the proposals for the revised year's HRA budget and next year's budget are appropriate. Karen Trickey, Legal Services Manager Email: karen.trickey@stroud.gov.uk
Report Author	David Stanley – Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk
Options	a) Reduce or increase capital and revenue expenditure b) Defer the proposed timescales for replacement homes or capital improvements
Performance Management Follow Up	Budget Monitoring report to Housing committee in March 2017. Outturn report to Strategy & Resources Committee in May 2017.

Background

1. The Housing Revenue Account (HRA) Outturn report in June 2016 highlighted a significant issue concerning the level of HRA balances reported to members during 2015/16. As a result, HRA balances had been overstated by £909k.
2. In response to this issue, the committee considered the HRA financial position at its meeting in September 2016 and agreed the HRA Action Plan to maintain HRA balances over the medium term. The Action Plan report and the Budget Monitor report identified a number of budgets that would not be spent in 2016/17 with a need to reprofile significant elements of the capital programme.

3. This report brings together the revised 2016/17 and original 2017/18 budgets for the HRA and projects forward over the medium term to allow the committee to make informed decisions about setting the budget for 2017/18 in full knowledge of the risks and uncertainties faced in future years.

4. **Due to the volume of information and complexity of some of the issues within this report, it would be helpful where members have questions on matters of detail if they could be referred to the report author or appropriate budget holder prior to the meeting.**

Executive Summary

5. Social rents and affordable rents be decreased by 1% (equivalent to 83p per week at the average rent level), as calculated in accordance with legislation.

6. Increases of 2% for garage rents, general needs service charges and sheltered housing service charges are proposed.

7. HRA finances still constrained largely due to the ongoing impact of the 1% decrease in social rents until 2019/20. Uncertainty remains what will happen to rent-setting policy or guidance after this.

8. HRA balances have recovered during 2016/17, and are planned to be maintained at £1.5m over the MTFP period.

9. HRA expenditure plans financed in part through application of capital receipts (£3.950m in 2017/18 to 2019/20). Some risk to HRA around timing of receipt and realisation of anticipated level of receipts may mean HRA spending plans will need to adapt in-year.

Government Social Housing Policy/Housing and Planning Act

10. The 2017/18 HRA budget needs to be viewed in the context of changes in Government policy towards social housing. From April 2016 a mandatory reduction of 1% for all social and affordable rent properties for each of the next 4 years was introduced. This replaced the previous recommended approach of an increase based on the Consumer Price Index (CPI) + growth allowance of up to 1%. This reduced rental income by approximately £9m over the 4 year period 2016/17 to 2019/20.

11. The Housing and Planning Act received royal assent in May 2016. A number of policy changes were legislated through the act including the ending of secure tenancies and replacement with fixed term tenancies which we expect to be introduced during 2017, promotion of self-build and custom build, and a number of provisions concerning social housing.

12. It was announced in November 2016 that the 'Pay to Stay' policy would not proceed nationally. The policy would have applied to tenants earning more than £31,000 per annum and seen their rents move from social rents to market rents. The Government have not mandated the policy change so it could be implemented locally. However, the budget

estimates set out in this report have been prepared on the basis that the Council does not implement locally.

13. The Government also announced that the national roll-out of the Right to Buy for housing association tenants will not take place until after April 2018 at the earliest. This also means that the need for local authorities to sell-off higher value void properties (to pay for the levy) has also been delayed. There was an expectation that the Council would have to find ways to fund the levy in 2017/18.

14. Whilst some of the negative impact on the HRA financial position has been removed, considerable uncertainty remains. The delay in the roll-out of the extension to RTB does afford the HRA some breathing space. The Government has not provided any details at this stage as to the potential value of the levy payment and how it would be calculated. The risk to the HRA is that the Government would seek a levy payment in future years once the national roll-out has commenced, with the HRA needing to finance the levy before asset sales are realised.

15. The continued uncertainty around social rent policy beyond the 4-year 1% reduction period is of particular concern. The MTFP has assumed that from 2020/21 social rent policy reverts to the Government's previous guidance around social rents of a CPI + 1% increase (i.e. CPI at 2% + 1% growth = 3% rent increase).

16. From 2020/21 Universal Credit and direct payments to tenants on benefit will be fully implemented. Steps are already being taken to support those tenants subject to the policy in order to manage their finances effectively and by doing so sustain their tenancy.

17. From April 2016, five year fixed term tenancies will be introduced for new tenants only. A tenant qualifies for the 'Right to Buy' after 3 years so there is potential the authority will see an increase in Right to Buy applications arising from fixed term tenants wishing to purchase the property before their tenancy expires.

Priorities for the HRA

18. Despite the financial constraints faced by the HRA over the medium term, the Council remains committed to delivering new affordable homes in the district and maximising the use of the assets available. The priorities in terms of resources available are as follows:

- Delivery of the Sheltered Housing Modernisation programme
- Continued investment in our existing housing stock

19. To achieve this, both the capital and revenue budgets have been reviewed. Some capital schemes have been re-prioritised or re-profiled and deferred to future years to ensure efficiency, effectiveness and value for money

20. The Council needs to maintain a level of balances in the HRA that provides some resilience for the many risks and uncertainties that are clearly set out in the report. New earmarked reserves have been

established so that any resources available over and above the general balances required can be set aside to enable the Council to achieve the priorities identified above.

HRA Budget and Medium Term Financial Plan

21. When the outturn position was reported to the committee in June 2016, the HRA was facing a significant reduction in available resources across the MTFP period due to a misstatement of HRA balances. It was anticipated that significant reductions in expenditure would need to be undertaken in order to ensure the HRA remained viable and to maintain balances over the medium term

22. An Action Plan was presented to the committee in September 2016 setting out the mitigation put in place to increase HRA balances in 2016/17. As a result of the decisions taken by Tenant Services (including Asset Management), the Action Plan and Budget Monitoring reports to Housing committee in September 2016 indicated that balances would recover sufficiently during 2016/17 due to deferring capital expenditure and anticipated capital receipts.

23. The HRA budget for 2016/17 has been revised significantly to reflect the current forecast position. The 2016/17 revised HRA net budget of £25.905m represents a reduction of £4.601m over the original budget as approved by Council in January 2016. The revised budget has largely been informed by updated outturn estimates from budget holders and are summarised in Appendix B.

24. Further budget changes may arise in year as Planned works programmes will continue to be validated in year prior to final sign off and issuing to contractors. Material changes to the MTFP budget profile will be reported to Housing Committee during 2017/18.

25. The HRA MTFP proposes an expenditure budget of £26.434m in 2017/18 reducing to £21.550m in 2020/21. A statement showing the movement from the 2016/17 original budget is shown in the table below, with a more detailed analysis of the HRA MTFP shown in Appendix B. The key assumptions made over the medium term are set out in more detail in the report below.

Table 1 – Summary HRA MTFP

HRA MTFP	2016/17 Original (£'000)	2016/17 Revised (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)
HRA Service Revenue Expenditure	9,501	9,709	9,918	9,945	9,960	9,908
Accounting Adjustments/Provisions	3,869	3,783	3,927	3,999	4,020	4,091
Inflationary pressures	0	0	299	649	980	1,303
Budget Pressures	0	0	0	126	176	225
Budget and Efficiency Savings	0	0	0	0	0	0
HRA Capital Expenditure	17,136	12,413	12,290	7,171	6,574	6,023
Proposed HRA Budget	**30,506**	**25,905**	**26,434**	**21,890**	**21,709**	**21,550**
Income from Rents	(22,151)	(21,980)	(21,496)	(21,183)	(20,838)	(21,225)
Other HRA Funding	(6,689)	(6,690)	(1,850)	(593)	(867)	(1,176)
Use of / addition to (-) working balances	**1,666**	**(2,765)**	**3,088**	**114**	**4**	**(851)**
HRA Working Balance c/f	**1,569**	**4,703**	**1,615**	**1,501**	**1,497**	**2,348**

26. Although it is covered in more detail in paragraphs 40-42 of the report, it is worth noting that the HRA is increasingly reliant upon utilising capital receipts and other financing sources given the continued reduction in social rents.

Proposed Rent and Service Charges for 2017/18

27. Social Rents have been reduced by 1% in line with legislation set out in the Housing and Planning Act. Social rents will be decreased by a further 1% for each of the following 2 years. Beyond that time it has been indicated, but is not certain, that rent increases will return to the previous recommendation of CPI plus 1%. The loss of control over rent setting continues to present a significant challenge to HRA income.

28. Garage rents are recommended to increase by 2%. This will in part mitigate the increasing costs of maintain the garage stock to a suitable condition. Further detailed work needs to be undertaken over the coming months regarding the garage stock, given the high level of voids and potential impact on HRA resources.

29. General needs services charges were not increased in 2016/17. It is recommended that these costs are increased by between 2% and 3% per annum.

30. Sheltered Housing service charges are recommended to increase by 2% (or 47 pence per week). Sheltered Housing service charges have not generally kept pace with the cost of running the service. Even with a 2% increase, there remains a £415k funding deficit for sheltered in 2017/18 which will be met, as in previous years, from other resources of the HRA.

Self Financing Debt and Interest Rates

31. By the end of 2016/17 the HRA will have utilised in full the additional self financing 'headroom' borrowing of £3.762m. This takes the HRA up to its debt cap, with little or no prospect of this being amended. In reaching the debt cap, the HRA will have to look for other sources of finance to fund any significant investment in new/existing stock/capital programmes (e.g. Capital receipts, revenue savings)

32. It is recommended to continue to repay only interest on the £98.7m of debt the HRA has taken. Although a £1m loan is due for repayment in 2018/19 and a further £2m in 2019/20, the difficulties presented by the financial pressure on the HRA suggest it would be favourable to renew these loans when they mature. Should members wish to repay the loans, savings equivalent to them would need to be found within the MTFP which would significantly affect the delivery of services.

Asset disposals/Capital Receipts

33. As highlighted in paragraph 26, the HRA is increasingly reliant upon utilising capital receipts and other financing sources given the continued reduction in social rents.

34. Members may recall from the January 2016 MTFP that a number of asset sales were planned (Land at Fountain Crescent, Queens Court), but due to uncertainty around the timing a potential value of the capital receipts, no allowance was made in the MTFP.

35. Considerable further work has taken place during the financial year to progress a number of asset sales.

36. The small sites and garages disposal programme is progressing and Committee received an update on this and other disposals in September 2015. More disposals are expected in the next financial year, but capital receipts will vary depending on their size, location and potential for redevelopment.

37. Two significant disposals proposed for 2017/18 are Queen's Court, Thrupp (estimated market value in December 2015 was £1.5m+), and Fountain Crescent, Wotton-under-Edge. Terms have been agreed for a sale of this site to a registered provider at market value and the agreement will also utilise a proportion of the Council's RTB receipts.

38. Dryleaze Court Wotton-under-Edge (market value guide price in June 2016 was £0.8m) is expected to be marketed in 2017 and 2 properties at Ringfield Close in Nailsworth, also part of the Sheltered Modernisation Programme, are currently on the market.

39. Further disposals of properties that are part of the New Build Programme are also expected to complete in the next financial year

40. It is proposed that the proceeds from asset sales are initially held on the balance sheet and the receipts are utilised to maintain HRA balances at £1.5m over the medium term.

41. This approach will help mitigate against the risk that some asset sales may tale longer than anticipated or where the value of the receipt is less than expected due to market conditions.

42. There is also a need to ensure an adequate level of capital receipts are held due to the underlying risk around the Government's extension of Right to Buy to housing association tenants. Whilst paragraph 13 of the report indicated a delay until at least April 2018, it would be prudent to retain a level of capital resource on the balance sheet to mitigate this risk.

Right to Buy receipts

43. Housing Committee considered a report on the use of Right to Buy receipts at their meeting in September 2016. Against the backdrop of the constrained HRA financial position, Stroud, in common with a number of other local authorities, is unable to finance the 70% of development costs that are required under the RTB rules.

44. The MTFP shows 2017/18 will be the final year of the council's New Homes and Regeneration Programme. As a result, there are no longer any eligible schemes to apply the pooled element of RTB receipt

45. Whilst the decision of the committee was to repay RTB receipts as they become due to mitigate effect of interest charges on the receipts from Government, officers have been working with local registered provider (Housing Associations) partners to ensure that RTB receipts can be retained and used locally for the provision of affordable housing.

46. Projections for the projected repayment of RTB receipts were included in the report to the committee in September. At the time of writing, the 3rd quarterly return on pooled RTB receipts is being prepared. An update on the likely profile of repayments will be provided to the committee in March 2017. The MTFP has made an allowance for interest payments on the returned receipts.

Local Government Pension Scheme

47. The level of the Council's contribution to the Local Government Pension Scheme (LGPS) is determined by the actuarial valuation that takes place every 3 years. A valuation was undertaken in March 2016, the outcome of which has been included in the MTFP.

48. As a result of the valuation, the employer's rate is increasing from 13.7% of gross pay to 18.0%. A further lump-sum payment is made to the pension fund in respect to funding liabilities arising from previous employees and the deficit position. This is decreasing from £2.083m in 2016/17 to £1.995m in 2017/18 and then rising by £0.275m per annum peaking at £2.544m by 2019/20. Approximately 26% of the lump-sum is funded by the HRA (£0.519m in 2017/18).

Pay and Price Inflation

49. In line with the Budget Strategy report to Strategy and Resources committee in October 2016, future years pay inflation has been provided for in the MTFP at a rate of 1%, in line with Government assumptions on public sector pay. Provision has also been made within the Council's budgets of the commitment to pay the Living Wage Foundation's guidance rate of £8.45 per hour.

50. Provision has been made in the HRA MTFP for price inflation on major contracts at a rate of 3.0% in future years reflecting the estimated inflation rate applicable to construction and other capital works. This is a significant increase in the level of inflation provision made within the HRA MTFP (around £2.9m over the medium term). As this is an estimate of future cost pressures, there is a risk of both over and under provision. This will be kept under review over the next few months, in light of recent Bank of England projections.

Material assumptions made in the HRA MTFP

51. The MTFP forecast is made under a number of assumptions. The main ones of note are summarised below:

- Rents are decreased by 1% across all housing stock. On average this will reduce rents by 83p a week or £43.16 a year.
- HRA balances will be maintained at around £1.5m over the MTFP period to help provide resilience against the negative financial impact of future legislative changes
- 40 'Right to Buy' sales a year are assumed in terms of rent loss for 2016/17 and 30 per annum from 2017/18.
- Void levels of 2% on general needs properties and 5% of sheltered housing properties are assumed.

Budget & Efficiency Savings, productivity gains

52. The identification of budget savings and efficiencies is an important aspect in setting the HRA budget in future years. As outlined earlier in the report, the restriction placed upon rental income places greater emphasis on the HRA being able to deliver budget savings and efficiencies to deliver on its key priorities.

53. A review of the team structures and work processes within Tenant Services was undertaken, with an aim to increase productivity and deliver budget and efficiency savings over the medium term period.

54. A number of key changes have enabled the service to deliver a more streamlined process using current systems, review and automate direct debit process for rental income, liaise with ICT to improve current system connectivity, and to streamline income and expenditure processes.

55. This approach will ultimately allow the service to become more responsive to changes overtime, particularly with the introduction of universal credit and the continued financial pressure the HRA must operate under.

56. It is too early to quantify the level of savings that will arise from these changes as teams, processes and systems 'bed-in'. As such, potential savings will be reported to the committee through the regular budget monitoring reports during the year and included in any revision to the MTFP in 2017/18.

HRA Capital Programme 2016/17 to 2020/21

57. As reported in the MTFP to Council in January 2016, the reduction in the level of resources available to the HRA has prompted a refocusing towards the key priorities over the medium term.

New Homes and Regeneration Programme

58. Despite the challenging financial environment, the Council remains committed to addressing the ongoing housing shortage in the district. 2017/18 is the last year of the Council's five-year New Homes and Regeneration Programme and the budget for the remainder of 2016/17 and 2017/18 is to enable the Council to complete the delivery of its planned programme of 236 new homes. For context the schemes and the number of units they will produce is detailed below:

Scheme	No of Units	Status
Hanover scheme	18	Completed
Ex warden conversions already completed	9	Completed
Minchinhampton	35	Completed
Littlecombe	22	Completed
Mankley Road Leonard Stanley	51	Completed
Top of Town Phase 1 and 2	35	Completed
Fishers Road, Berkeley	4	Completed
The Corriett, Cam	6	Completed
Top of Town Phase 3 and 4	18	On site
Hillside, Far Green, Coaley	4	On site
Southbank, Woodchester	5	On site
Chapel Street, Cam	14	On site
Top of Town Phase 5	6	Design stage
The Ship Inn	9	Design stage
	236	

59. The budget in 2017/18 is to complete Top of Town phase 3 and 4, Southbank, Woodchester and Chapel Street, Cam and to commence and complete the development of the new homes at The Ship Inn and Top of Town phase 5.

60. At Top of Town the final phase to achieve 6 further new homes may not be possible due to the fact that the Council has not been able to persuade owner occupiers to sell or swop their properties to enable a more comprehensive demolition and replacement option to be carried out. The budget for this phase will need to be considered to see how the two remaining woolaways in this area can be refurbished, instead

of demolished and replaced, whilst still looking to achieve our target of 236 new homes.

61. The scheme to develop 5 homes at Southbank Woodchester is in contract but has experienced delays due to drainage issues for the site and this may delay completion beyond next year.

62. The development of The Ship Inn site is reliant on income from the sale of Wharfdale Way, which is shown as income in the MTFP.

63. The budget also assumes the sale of shared ownership properties at the Top of Town phase 2, which are all reserved, Chapel Street, Cam, which will be marketed early in the New Year and properties at The Ship Inn site, which will be advertised later in the New Year as the scheme progresses.

64. The figures are based on budget estimates for the build costs and so figures may need to be revised once tenders are received. A contingency of 2% of build costs has been included to allow for some price inflation and for unforeseen items.

Sheltered Housing Modernisation Project

65. Budgets have been included in the MTFP for the Sheltered Modernisation Project. In 2017/18 the budget is to allow for the conversion of the remaining ex wardens’ properties and to commence the modernisation works to Sherbourne House for which procurement exercises are underway to ensure works can commence towards the end of 2017/18.

66. Budget is also included to start the development of the new flats on the Tanners Piece site, which is progressing with a view to returning to committee in 2017 and starting work on site next autumn. This is reliant on the sale of Dryleaze, which is shown as other capital receipts in the MTFP.

67. The overall five year budget allows for the works to complete Tanners Piece and the remodelling work and modernisation work to the green and amber schemes planned over the next five years.

68. The budget does not currently allow for the costs associated with the development work to the remaining red schemes which will be funded by sales of the other red schemes, i.e. Ringfield and Cambridge House, as approved by Housing Committee in June 2016 as a self financing project.

Table 2 – Sheltered Housing summary

	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)
Expenditure					
Revenue costs	426	327	330	330	280
Red schemes - capital	176	750	350	0	0
Other schemes - capital	0	616	341	784	463
	602	**1,693**	**1,021**	**1,114**	**743**
Financed by					
Earmarked Reserve	(602)	(1,693)	(671)	(1,114)	(743)
Capital receipts	0	0	(350)	0	0
	(602)	**(1,693)**	**(1,021)**	**(1,114)**	**(743)**

Note: Revenue costs shown in this table will differ from the line 'Sheltered Housing Modernisation Project' on the MTFP (Appendix B). This table only shows the revenue costs that are being funded through the resources allocated to the project. The MTFP includes costs associated with the estimated reduction in sheltered housing service charges due to demolitions.

Capital Works

69. Stroud has embraced the principles of effective asset management, and recognises the importance associated with maintaining effective attribute and stock condition information, the assessment of sustainability and future options for poorly performing stock, the relationship between maintenance and management functions, and the effective delivery of works programmes required to keep the stock in good condition.

70. 2016/17 has shown a reduction in the number of major voids being undertaken. This is as a result of previous year's investments across all work programmes. Due consideration has been taken into account when planning future years investment needs.

71. Following adoption of the Non Traditional Homes Strategy and Obsolescence Procedure Guide at Housing Committee on the 20 December 2016, an action plan will be developed over the coming months to look at the strategic and operational delivery of the project. Regular updates on progress will be provided to Housing Committee.

72. Continued reinvestment is required to keep the stock in good condition, this has been recognised in the stock condition survey completed in April 2016. Following the successful recruitment of a stock condition surveyor in December 2016, a rolling programme of stock condition surveys will be put in place to begin April 2017. It is anticipated that around 20% of the stock will be subject to a full survey every year so that each property is surveyed at least once every 5 years.

73. Stroud is aware of the diverse needs of its communities, local regeneration issues and the need to ensure a joined up approach. Since 2012 the primary driver for programmes has been the Decent Homes Standard. The next phase of investment and overall objective is

to empower and enable innovation and the delivery of continuously improving customer focused services. Planned and Cyclical maintenance programmes have been realigned where possible to maximise efficiencies and achieve greater value for money.

STROUD DISTRICT COUNCIL

AGENDA ITEM NO

HOUSING COMMITTEE

24 JANUARY 2017

7

Report Title	**DEVELOPMENT OF THE HRA DELIVERY PLAN**
Purpose of Report	Following the decision at Housing Committee in June 2016, to set up a T&F Group to review and develop a Business Plan for the Housing Service, this report presents to members the plan (now titled 'delivery plan'), for approval.
Decision(s)	**Housing Committee RESOLVES:** **1. To approve and implement the HRA Delivery Plan presented to this committee** **2. To note that this plan will be reviewed every 6 months, to analyse and update it with new or obsolete: strengths, weaknesses, opportunities and threats, develop responses to these, model their financial impact and update the projected financial position as a result, making recommendations to this committee on any budget changes +/-**
Consultation and Feedback	This document has been developed in consultation with relevant internal officers and with the T&F group.
Financial Implications and Risk Assessment	The HRA Delivery Plan sets out the strategic aims and priorities of the Housing Service and the political and financial climate it operates within. A significant part of the delivery plan covers the financial position of the HRA and the resources allocated to support delivery of the plan. The Delivery Plan does provide members with potential income options to increase the financial resilience of the HRA, and these are set out in Sections 5.13 and 5.14 of the Plan. The HRA MTFP is being considered by Housing Committee at this meeting which sets out in detail the financial issues facing the HRA over the next 4 years. The MTFP must ensure that adequate resources are directed towards the priority areas set out in the delivery plan and, therefore, must be reviewed regularly in light of the proposed plan review timescales and the budget monitoring position that may arise during 2017/18. David Stanley, Accountancy Manager Tel: 01453 754344 Email: david.stanley@stroud.gov.uk

Legal Implications	There are no legal implications to highlight; the report itself only outlining the general service management approach. Karen Trickey, Legal Services Manager Email: karen.trickey@stroud.gov.uk
Report Authors	Tim Power, Head of Housing Management Tel 01453 754155 Email: tim.power@stroud.gov.uk

1. Introduction

1.1. The Housing Service, in 2012 became a self financed service, i.e. it was no longer subject to any government subsidy (positive or negative). At this time the HRA took on a share of the national local authority housing debt, which amounted to some £98 million, funded through a loan from the Public Works Loans board. It was rightly required by government that we demonstrate our financial viability in terms of taking on and repaying this level of debt and further borrowing ability, and a HRA financial model was therefore developed with our advisers CAPITA, which showed how, over a 30 year period, we would be able to manage this, ensure its repayment and deliver improvements in our housing stock along with meeting other housing priorities, such as new build.

The housing service has moved on since 2012 and seeks now, to have a more sophisticated approach to its planning and operational management, one aspect of this is to not only use the Plan to manage the repayment of our self financing loan, but to use the Plan as a 'business' tool, i.e. to have a more coordinated link between financial planning and management process and that of our service's prioritising and strategic/operational decision making process, linked to the MTFP.

This will mean that operational service planning could be better financially modelled, certainly over the duration of the MTFP, but also over the full 30 year plan. An example of this could be in looking at planning for periods of significant stock investment or new build (which currently present a challenge as the HRA financial model, i.e. our borrowing, is at the peak of the headroom available, this is because we have now completed our new build programme, with some £19.5 million invested in new build since 2012). However, the 30 year model will repay large instalments of debt at specific points in the future, releasing new headroom, and raising the option to fund new projects. Integrating the above with the analysis and review of options for future stock investment to meet predicted housing need, would enable us to decide better if or how we plan to make best use of these opportunities.

Another and shorter term example is the ability to better link analysis of our operating environment with financial planning, giving us a greater ability to predict rent and other income levels over the MTFP and to then be able to make stronger and more certain stock investment plans based on a more robust income model, which takes into account predictions regarding rental income, RTB sales, economic and other factors.

It is also worth noting that this approach will also enable us, as we have already been doing, but now to a far greater level, to model the financial impact of options. For example: the financial viability and impact of any investment decision, how a change in income will impact on available funding this year or over the MTFP or over the duration of the 30 year model, thus taking the 30 year financial model from a planned repayment tool and into strategic decision making tool.

2. The Plan

Following completion of the work of the T&F group a copy of the plan is attached.

This is now titled a Delivery Plan, as this was felt to better summarise the purpose of the document. It is important to note that it is not, in itself, a document setting out what, and how we plan to deliver services and how budget will be spent. Its function is instead to coordinate the delivery of existing plans and strategies and to put in place a more effective link between strategic priorities and resources, which at times may compete and may not always balance or match. It is; therefore, a tool to focus, link and manage these issues, creating the best environment for successful delivery, as shown on pages 26-29 of the attached delivery plan.

Key aspects of it are:

a) The Plan sets out our vision and mission as a landlord, crucially this defines how we see the service and our role as a landlord

b) It undertakes an analysis of the housing market in which we operate, and our ability to succeed in this, using SWOT and PEST analysis tools, together with identifying areas where we need to improve in order to more effectively respond to challenges and to thrive.

c) It sets out our strategic objectives for the medium term, these being: meeting the need for new affordable housing, our sheltered housing project, maintaining investment in our stock and estates and service quality.

d) Whilst the above are not unpredictable priorities, it is important to note that they do focus our service on core priorities and prevent the risk of being diverted onto new or other priorities, which we cannot financially sustain at this time. It is also important to note that our estates, i.e. communal external areas have not been a funded priority, as investment in our homes and in new homes, has in the past been our over riding target, this plan now moves our focus, albeit to a limited fashion, onto creating better estates and environments.

e) It sets out our financial priorities, budgets and funding plans over the MTFP, i.e. how can we ensure that we will deliver our targets

f) It sets out how the plan links with key strategic and other plans for the service and the council and how the delivery of this plan will be monitored

g) It sets out specific objectives in the form of an action plan, which we believe are important and will support the improvement and progress of the service

3. Implementation

The plan which sets out and creates what we believe to be the best operational circumstance through which we can deliver our key priorities, strategies and service plans will be reviewed every six months, enabling us update it, accounting for new or obsolete risks, SWOT issues and other matters affecting our service, as well as to develop responses to these and thus better manage risk.

It is proposed that this review process, once undertaken is reported to members in the form of a briefing and that any significant issues presenting a significant change the plan or affecting the service are reported to housing committee for decision, ensuring that this committee maintains an ongoing governance role in its delivery.

STROUD DISTRICT COUNCIL

AGENDA ITEM NO

HOUSING COMMITTEE

24 JANUARY 2017

8

Report Title	**DEVELOPMENT OF THE TENANCY POLICY**
Purpose of Report	To inform members of the need to develop a Tenancy Policy for our housing service, which sets out clearly how we will apply and administer fixed term tenancies, a provision made for all social landlords in the Housing and Planning Act 2016.
Decision(s)	**Housing Committee RESOLVES:** **1. To develop a tenancy policy for the councils own housing stock on the administration of fixed term tenancies following the receipt of guidance on this aspect of the HPA 2016, this may include considering policy on any aspects devolved for local determination.** **2. To set up a T&F group to undertake this review, and bring a recommendation back to this Committee to consider, at the first opportunity after guidance on the implementation of fixed term tenancies has been issued by DCLG.**
Consultation and Feedback	It is proposed that this will be overseen by a T&F group, who will as part of their remit, seek the views of key stakeholders, including: other members of the council, housing advice team, relevant housing advisory and support agencies, as appropriate and of course tenant representatives.
Financial Implications and Risk Assessment	There are no financial implications arising directly from this report. David Stanley, Accountancy Manager Tel: 01453 754344 Email: david.stanley@stroud.gov.uk
Legal Implications	This report concerns pending changes to council tenancies within the Housing and Planning Act 2016. The changes, which it is understood the proposed task and finish group is being established to consider, concern only one part of the legislation (i.e. the phasing out of tenancies for life) and in particular the Council's policy regarding the length of new or introductory tenancies. The new statutory provisions will require the Council to offer fixed term tenancies of between 2 and 10 years (subject to families with children under 9 living with them being granted tenancies until the relevant child is 19). In

	deciding what length of tenancy to grant the Council must have regard to (rather than be bound by) any Government guidance. Reference is made in the report to the Tenancy Strategy. It should be noted that such strategies concern the matters which registered providers (rather than the Council) within a particular housing district must have regard to; and covers the types of tenancies, circumstances in which such tenancies are granted initially and subsequently, and the length of fixed term tenancies. Nevertheless importantly, the Council is also required to take account of its Housing Strategy when exercising its housing management functions. The strategy will therefore need to be considered (and probably reviewed) alongside the pending changes to secured tenancies to which this report is principally concerned. It is anticipated that some of the other changes to housing which are addressed within the 2016 Act will be considered by either the Housing or Environment committees recognising the split between the local planning authority and housing authority functions of the Council. It may be considered sensible for the members of the task and finish group to include members from both committees to promote co-ordination of these two related Council functions. Karen Trickey, Legal Services Manager Email: karen.trickey@stroud.gov.uk
Report Author	Tim Power, Head of Housing Management Tel 01453 754155 Email: tim.power@stroud.gov.uk

1. Introduction

1.1. The Localism Act 2011 introduced a requirement for Local Authorities to develop a Tenancy Strategy setting out the matters all social housing providers operating in their District should have regard to when formulating policies on the tenancies they grant, the circumstances under which they will grant a tenancy and, with regard to fixed term tenancies (FTT), it will also address the period of time such a tenancy will run for and the circumstances under which they would renew it. The Council adopted a Tenancy Strategy for Registered Providers operating within the district in 2012.

Our housing service; however, has not offered FTT to date, and has not needed to have regard to the Tenancy Strategy. However, new legislation in the Housing and Planning Act 2016 (HPA 2016) will mean that we will be offering all new lettings as a FTT at some point in 2017, the application of which is subject to guidance which is due from the DCLG.

The HPA 2016 and related guidance is expected to spell out clearly the requirement on the local authority landlord, with similar expectations relating to FTT being placed on housing associations. It is unclear at this stage what local flexibility will be available, but we consider that it is important that we develop a clear policy on their application, which will ensure not only that we comply with DCLG guidance, but that where any local flexibility exists, that we are clear about how this will be applied.

At present, it is felt that our Tenancy Strategy can remain unchanged, with a view of this decision being taken once we have begun our review of our Tenancy Policy. It is felt that guidance from DCLG may even replace the role of the Tenancy Strategy, but are mindful that, depending on the nature of any local flexibility, we may need to revisit our strategy at a later stage, this being an issue we propose to review once lessons are learned from DCLG guidance and our Tenancy Policy's development.

2. Fixed term tenancy issues to be considered

2.1. Guidance for the implementation of fixed term tenancies, supporting their introduction through the HPA 2016 has been delayed. However, it is worth noting that whilst an announcement was made by the DCLG stating that there will be no implementation of the higher income social tenants policy (HIST) or 'pay to stay' and that a postponement in the introduction of the RTB Levy until 2018, no reference was made to fixed term tenancies, which we understand will be implemented, although its introduction may be put back from what was initially expected to be April 2017 to possibly October 2017.

Information released and discussed through the housing sector, suggests that Government are considering that creation of all new tenancies, (with some exceptions), will be on a fixed term generally of 5 years.

These exceptions include the creation of 10 year fixed term tenancies in the case of families with children of school age, supporting the need of the child to have stability throughout their education. There may be some exceptions where secure tenancies will continue to be offered, thought to include those in sheltered housing.

At the end of the fixed term, the landlord will have to decide whether to extend the tenancy. Guidance will define this, but we expect that their may be some local determination which may apply here. We expect that this may include cases where; for example, a tenancy is not renewed because a tenant is financially able to purchase a home on the open market, alternatively, in the case of a tenants household circumstances changing so that they are now under occupying, their tenancy would only be renewed subject to them moving to smaller accommodation.

However, a wide variety of circumstances may apply, to which we need to have a clear policy direction, this being subject to any options made available to us in terms of local determination, on when we will and will not create or extend a fixed term tenancy.

2.2. Key stakeholders

The development of a Tenancy Policy will need to be considered in consultation with our housing advice team, together with others who can comment on issues relating to housing need and the link between this and the manner in which we make the best use of our housing stock using FTT's. There is also likely to be a valuable input to be had from tenant representatives and agencies dealing with housing support and advice.

We recognise the importance of reviewing this issue with reference to 'the bigger picture', and, in addition to the above, will seek to consider its impact on our housing need, homeless and allocations services, issues of vulnerability and special need groups amongst applicants for housing and tenants, etc.

3. Recommendation

It is proposed that the Housing Committee sets up a cross party T&F group to undertake a review of the guidance in terms of the implementation of fixed term tenancies, when this is released, and that it develops a draft policy, in consultation with relevant stakeholders for this committee to agree.

A timescale for the above is unclear at present, as guidance has not yet been issued, however, we do expect this earlier in the new year, and believe that fixed term tenancies may be implemented nationally thorough the HPA 2016, in October 2017. This means that a final strategic and policy approach will need to be approved by this last date.

STROUD DISTRICT COUNCIL

AGENDA ITEM NO

HOUSING COMMITTEE

24 JANUARY 2017

9

Report Title	**RENT AND SERVICE CHARGES REVIEW**
Purpose of Report	To inform members of areas for potential improvement in the way we set and recover service charges and rents, changes which may have a beneficial impact on HRA finances and our ability to fund services.
Decision(s)	**Housing Committee RESOLVES:** **1. To approve the increase in rent of all new lettings to that of the governments local formula rent level.** **2. To approve the commencement of a project to investigate further, the viability, benefit and regulatory requirement upon us to de-pool service charges from rents, and charge these separately and transparently.** **3. Following on from (2) above, to approve a review of rent setting options with a report on the findings, brought back to this committee for debate and direction in June 2017.**
Financial Implications and Risk Assessment	The HRA MTFP report highlights the significant financial pressure faced the HRA over the next 4 years. The HRA must take opportunities to increase income or reduce costs to ensure adequate resources are available to support the key priorities set out in the HRA Delivery Plan. This report outlines changes to the rent levels charged on properties for new lettings and proposes further work to review current rent and service charge levels. It is likely that both proposals will strengthen the financial resilience of the HRA as additional income can be generated from both measures. The current HRA MTFP does not include any income estimates from the proposals contained within this report. David Stanley, Accountancy Manager Tel: 01453 754344 Email: david.stanley@stroud.gov.uk

Legal Implications	With the exception of the recommendation that the rent of all "new" lettings (which term should be clarified for the avoidance of doubt) of Council owned social housing, be increased to a level which accords with the Government's local formula rent level, no decision is proposed which will change the setting of rents for the coming year. The changes to which the Decision Box paragraphs 2 and 3 refer will be reported to committee once the investigatory work has been undertaken. It is also understood from the report that the latter work may potentially help meet the legal requirement within the Welfare Reform and Work Act 2016 for relevant social landlords (e.g. the Council) to reduce social housing rents payable by individual tenants by 1% each year from 2016 to 2019. Karen Trickey, Legal Services Manager Email: karen.trickey@stroud.gov.uk
Report Author	Tim Power, Head of Housing Management Tel 01453 754155 Email: tim.power@stroud.gov.uk

1. Introduction

The setting of rents and service charges for our 5000+ tenancies, each of which was started at a different point in time and within a different policy period, is rather complex, it also presents significant issues relating to our income and ability to fund services to tenants and leaseholders.

This report identifies three areas to be considered and determined, these are: formula rents, service charges, rent setting. These are addressed in turn in the following report.

2. <u>Formula Rent (aka Target Rent)</u>

The setting of rents within Stroud did not reach the convergence level for social rents as part of the formula rent policy (also known as target rents), before moves towards convergence were ended nationally in 2015. The policy sought to bring housing association rents and council rents into parity using a target formula for rent setting based on a calculation which includes the following:

- o 30% of a properties rent should be based on relative property values
- o 70% should be based on relative local earnings
- o A bedroom weighting applied so that smaller properties have lower rent

We can; however, as indeed have a majority of social landlords, set all re-lets to the formula level, which we believe we are expected to be doing. This would net an additional £23-£40,000 per year, depending on the difference in current and formula rent of each property re-let.

2.1 Recommendation

It is proposed that we set the rent level of all new lettings to the formula target level with immediate effect. We believe that this is expected of social landlords by government as an issue we should already be doing in order to contribute to the financial sustainability of the HRA.

It should be noted that, at a later stage, were rent valuations to increase as part of 3.1.2, the relative value would change as would the formula rent, but in this case, only on re-let.

3. Service Charges

Whilst we currently levy service charges to tenants of flats, sheltered schemes and leaseholders, there are a number of charges we incur in the delivery of our housing service which are funded not as a service charged but as part of our rental income. This has been the case for many decades, being very much a legacy of a common standard of practice.

This; however, is not an ideal situation, indeed rent is expected by government to cover a charge for the occupation of a home including its management and in many cases, its repair, whilst charges for services, such as: communal facilities, car parking, grounds maintenance, communal area heating, cleaning, communal area fire detection and many other costs being regarded as a service charge.

This presents problems to social landlords in terms of how these charges are apportioned, for example, how do you charge for the maintenance of an un-adopted road or a grassed area on an estate, when use is not clearly identified for any specific tenants, what do we do for those tenant who do not own a car or use the road? As a result, for these and many other reasons, many such charges have been pooled and funded via rental income.

There is a strong argument that this situation should change, the issues associated with this being:

- We should be charging them separately anyway
- We will be charging more specifically for services people receive, avoiding cross subsidy where others pay through a pooled system for services they do not receive
- By separating them, we are being transparent about what people are paying for

- The above transparency enables challenge and will create greater levels of efficiency as we either: stop delivering services people no longer wish to fund, or through challenge, find better ways to deliver those services

3.1 Initial findings relating to service charge recovery

In October 2016, working with the CIH, we undertook an overview of our HRA costs, service charges and rental income, and conclude that there was the potential for up to £1 million of services which appear to currently be funded through rents, to be recoverable as a separate service charge instead of being funded through rent. It is important to note that were these to be removed from rents and charged separately, that rents would fall in response.

As a result of the above, the HRA is unlikely to be any better off financially in the first year of any de-pooling exercise. However, not only would our charges, budgets, cost data be more accurate and transparent but it would also be fairer and compliant with government expectations. As time moves on; however, in subsequent years our financial position would alter, not least because the rent reduction resulting from de-pooling, would contribute to the 1% annual reduction expected of social landlords until 2020, and costing the HRA £9 million, but over a longer period, regulated rent increased would no longer need to absorb service costs, many of which increase by far more than the rate of inflation, and which, swallow resources disproportionately. These would be able to increase instead, at the rate of their true cost.

3.2 Recommendation relating to service charges

Further work is needed to look in greater detail at precisely what can be reasonably de-pooled, the costs of this, impact on the HRA, and impact on tenants in terms of revised charges and rents.

It is proposed that we undertake this review during 2017, with a report brought back to this committee on findings, with recommendation by June 2017.

There is a potential for a de-pooled service charge policy to have a beneficial or strongly beneficial impact on the HRA. This would be a key project therefore and one which, given its implication, we would want to resource effectively. We would therefore wish to employ the services of a financial consultancy, in order to support part of this project.

4. <u>Rents</u>

4.1 Introduction

4.1.1 <u>Current position in terms of rent setting</u>

As stated in part 2 of this report, the setting of rents within Stroud did not reach the convergence level for social rents.

4.1.2 Our current rent valuation

Our current rents are based on valuation of our stock undertaken in 2001, and reverse calculated to 1999 to be in line with a national ratings and valuation review. These are then increased by inflation year on year, to give a current valuation, on which our rents are based. It is important to note here, that as we have tenancies which date back, decades, we have rents which relate to different historical rent polices. We therefore also need to review exactly what the full picture is and develop a new long term and sustainable policy to rent setting.

In the meantime; however, it is worth noting that since 2012 we have modernised and invested in the improvement of our stock, which means that its value has been increased and a revaluation is possible. This does not mean that we can increase the rent to existing tenants upon revaluation, but we can do so on re-let.

The above activity has not been taken but remains an option which would create a fairer and more transparent rent policy, whereby modernised homes attract a higher rent than those less modernised. It would also have a beneficial impact on the HRA in terms of income and thus, resources to fund service delivery, stock investment, etc.

4.1.3 Recommendation

As with service charges further work is needed here to look in greater detail at precisely how this would work and the impact on the HRA and our tenants.

It is proposed that we undertake this review during 2017, with a report brought back to this committee on findings and recommendation by June 2017.

Again, there is a potential for this to have a beneficial or strongly beneficial impact on the HRA. This would be a key project therefore and one which, given its implication, we would want to resource effectively. We would therefore wish to employ the services of a financial consultancy to support this project in tandem with the service charge de-pooling one.