

HOUSING MANAGEMENT BOARD

16 January 2014
5.30 - 8.15 pm

Present: Councillors Blackhurst (Vice-Chair), Bird, Blencowe, Brierley, Johnson, Pippas, Price, Rosenstiel

Executive Councillor for Housing: Councillor Smart

Tenant/Leaseholder Representatives: Diana Minns (Chair), Diane Best, Kay Harris, John Marais, Caroline Oriokot and Terry Sweeney

Officers:

Director of Customer & Community Services: Liz Bisset

Director of Resource: David Horspool

Committee Services Manager: Gary Cliff

Business Manager & Principal Accountant: Julia Hovells

Committee Manager: Toni Birkin

Committee Manager: Claire Tunnicliffe

FOR THE INFORMATION OF THE COUNCIL

14/9/HMB Apologies

No apologies were received.

14/10/HMB Declarations of Interest

Councillor Rosenstiel	14/4/HMB	Personal: As a tenant of a garage in East Road
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14/11/HMB Public Questions

There were no public questions.

14/12/HMB Housing Revenue Account budget for 2014/15

Matter for Decision:

To consider the Revenue Account Budget 2014/115 for the Housing Portfolio.

Decision of the Executive Council for Housing:

As the Executive Councillor for Housing took a view on this key decision which materially differed to that of the Housing Management Board. Under 2.5 of Part 4D Executive Procedure Rules of the Council's Constitution, the matter was referred to the Leader of the Council for Decision.

Approved the principle of the Labour Group Amendment to allow the phased recruitment of an additional two, therefore totalling four, Repairs Apprentices starting in 2015/16, on the condition that Officers could guarantee sufficient appropriate training and development could be provided. The funding for these additional posts will need to be bid for as part of 2014/15 HRA MFR process, with cross party support already in place.

Reason for the Decision:

Not applicable.

Any Alternative Options Considered and Rejected:

Not applicable

Scrutiny Considerations:

The Committee received a report from the Business Manager/Principal Accountant regarding the Housing Revenue Account Budget Setting Report. The Report referred to proposals for both the review of rents and service charges and revenue bids and savings, which form part of the HRA budget, both revised for 2013/14 and for 2014/15 and beyond.

The Director of Customer and Community Services, reminded the Committee of the procedural process for considering the Labour Group Amendment.

Mr Marais expressed opposition and concern about the proposed council dwellings rent increase above the rate of inflation for a following year (as specified under recommendation A of the committee report) and outlined the effect that this would have on tenants.

In response to the Committee's questions Officers stated the following:

- i. There would be very few tenants who would not be affected by the additional £2.00 for conversion to target rent.

- ii. Inflation plus half a percent plus £2.00 is the current limit that could be applied under the rent re-structuring policy, and is the expectation of Government.
- iii. As the outcome of the recent Government consultation on rent policy had not yet been published and would not come into force until April 2015, rent levels for consideration had been calculated under existing Government guidelines. It was the assumption that 2014/15 would be the last opportunity for Local Authorities to close the gap between actual and target rents and that they were expected to do this.
- iv. Due to the high differential between actual and target rents in Cambridge at the outset of the regime, the gap remains too great to be closed fully in April 2014.
- v. The HRA has a fully committed business plan, with the level of debt based on the assumption that Government guidelines would be followed and adhered to. Any decision not to follow the Government guidelines to increase the rent would equate to savings needing to be made elsewhere in the HRA.
- vi. There was nothing to stop the Committee considering the HRA business plan over a longer time frame, but this would not change the financial impact of fixed rate loans and the timing of their maturity. Any decision to re-finance loans at any point in the business plan is likely to result in higher interest payments, as the lending rates would not be as favourable as they were at the outset of self-financing.
- vii. For every £1 that rent prices did not increase the Council would have to find a year on year saving of approximately £330,000.

Councillor Price proposed the Labour Group amendment and outlined the following proposals for the Committee's consideration, with the changes identified in *italics*. In most cases the entire section or appendix has been re-stated for ease of reference.

Councillor Price highlighted to the Committee a section of the Labour budget amendment which focused on increasing training and employment opportunities for young people. This would allow the recruitment of two additional repairs apprentices in 2015/16 and 2016/17.

The Committee were advised that the rent reduction recommended for consideration (as specified under recommendation (i) of the Labour Amendment) would be offset by using 20% of the existing £1,090,000 set aside. The on-going impact of the business plan would be managed by greater efficiency savings in 2015 (a suggested saving of 4%). A reduction of HRA

target reserves from £3,000,000 to £ 2,750,000 would also contribute to offsetting the reduction in rental income in the first year.

Councillor Price stated it was important to acknowledge that tenants were facing economic hardship whilst rents had consistently increased since 2010/11 with the cost of living also growing.

Review of Rents and Charges

- i. *Approve that council dwellings rents be increased, departing from Government guidelines, assuming that 2014/15 is the last year that a move towards convergence with formula rent is possible, but introducing a local maximum in individual increases of inflation (RPI at September 2013 of 3.2%) plus half percent (0.5%) plus £1.00 per week with effect from 7th April 2014.*
- ii. Approve inflationary increases of up to a maximum of 2.5% in garage and parking space rents for 2014/15, in line with the base rate of inflation for the year assumed in the HRA Budget Setting Report.
- iii. Approve the proposed service charges for Housing Revenue Account services and facilities, as shown in Appendix B of the HRA Budget Setting Report.
- iv. Approve revised leasehold administration charges for 2014/15 as detailed in Appendix B of the HRA Budget Setting Report.
- v. Approve that service charges for gas maintenance, door entry systems, lifts and electrical and mechanical maintenance are increased by a maximum of inflation at 3.2% plus 0.5%, if required, to continue to recover full estimated costs as detailed in Appendix B of the HRA Budget Setting Report.
- vi. Approve that caretaking, communal cleaning, estate services, grounds maintenance, window cleaning, temporary housing premises and utilities, sheltered scheme premises, utilities, digital television aerial and catering charges continue to be recovered at full cost, as detailed in Appendix B of the HRA Budget Setting Report.

Revenue – HRA

Revised Budget 2013/14:

- vii. Approve with any amendments, the Revised Budget items shown in
- viii. Appendix D of the HRA Budget Setting Report.

Budget 2014/15:

- ix. *Approve the Non-Cash Limit items originally shown in Appendix E of the HRA Budget Setting Report, as amended in line with Appendix E to this report.*
- x. Approve with any amendments, the Unavoidable Revenue Bids and Savings shown in Appendix F of the HRA Budget Setting Report.
- xi. *Approve the Priority Policy Fund (PPF) Bids originally shown in Appendix G of the HRA Budget Setting Report, as amended at Appendix G to this report.*
- xii. *Approve the resulting Housing Revenue Account Summary Forecast 2013/14 to 2017/18, shown originally in Appendix L of the HRA Budget Setting Report, as subsequently amended and re-stated in full at Appendix L to this report.*

The following comments were made in relation to the proposed Labour amendment:

- i. It would undermine the service tenants receive going forward and the Council's ability to build, which would impact on those on the waiting list.
- ii. The purpose of target rent was to close the gap between all types of social housing rent.
- iii. Not aware of the Council ever attempting a 4% saving target and there is no evidence to show how this would be met.
- iv. The proposed amendment was based on a lower level of reserves and doubled the rate of efficiency gains with no indication of how this would be delivered.
- v. It offers no suggestion of what areas of the service would be reduced to make the savings.
- vi. Queried if the reserves of the HRA should be touched as this was the wrong direction of travel at this particular time.
- vii. Raised the possible risk of future borrowing at a higher interest rate.
- viii. If the amendment was to be approved the savings would be have to be achieved.

Councillor Blencowe reminded the Committee that efficiency gains had already been over-achieved for 2013/14 therefore it would be entirely possible to achieve the proposed savings target of 4% in 2014/15.

Councillor Johnson concluded that the proposed amendment would still ensure the flexibility in the HRA to build the much need social housing required in the City as demand dictated.

The Executive Councillor stated that if the rent increased in line with the rent restructuring guidelines the Council's tenants would be paying a maximum of 45% of market rent. Those in the private sector regardless of income level could pay double, a factor of the Cambridge housing market and an indicator of the urgent need to build more houses in the social rented sector.

She, reiterated to the Committee that the purpose of target rent was to close the gap between all types of social housing rent.

Finally the Executive Councillor spoke of the HRA reserves which may be required to cover the Council's self-insure policy which could affect the building programme.

The Committee accepted the Labour amendment by **(7 votes to 4 votes)**.

The Committee:

Resolved (7 votes to 5 votes) to agree the following recommendations:

Review of Rents and Charges

- xiii. *Approve that council dwellings rents be increased, departing from Government guidelines, assuming that 2014/15 is the last year that a move towards convergence with formula rent is possible, but introducing a local maximum in individual increases of inflation (RPI at September 2013 of 3.2%) plus half percent (0.5%) plus £1.00 per week with effect from 7th April 2014.*
- xiv. Approve inflationary increases of up to a maximum of 2.5% in garage and parking space rents for 2014/15, in line with the base rate of inflation for the year assumed in the HRA Budget Setting Report.
- xv. Approve the proposed service charges for Housing Revenue Account services and facilities, as shown in Appendix B of the HRA Budget Setting Report.
- xvi. Approve revised leasehold administration charges for 2014/15 as detailed in Appendix B of the HRA Budget Setting Report.
- xvii. Approve that service charges for gas maintenance, door entry systems, lifts and electrical and mechanical maintenance are increased by a maximum of inflation at 3.2% plus 0.5%, if required, to continue to recover full estimated costs as detailed in Appendix B of the HRA Budget Setting Report.
- xviii. Approve that caretaking, communal cleaning, estate services, grounds maintenance, window cleaning, temporary housing premises and utilities, sheltered scheme premises, utilities, digital television aerial and catering

charges continue to be recovered at full cost, as detailed in Appendix B of the HRA Budget Setting Report.

Revenue – HRA

Revised Budget 2013/14:

- xix. Approve with any amendments, the Revised Budget items shown in
- xx. Appendix D of the HRA Budget Setting Report.

Budget 2014/15:

- xxi. *Approve the Non-Cash Limit items originally shown in Appendix E of the HRA Budget Setting Report, as amended in line with Appendix E to this report.*
- xxii. Approve with any amendments, the Unavoidable Revenue Bids and Savings shown in Appendix F of the HRA Budget Setting Report.
- xxiii. *Approve the Priority Policy Fund (PPF) Bids originally shown in Appendix G of the HRA Budget Setting Report, as amended at Appendix G to this report.*
- xxiv. *Approve the resulting Housing Revenue Account Summary Forecast 2013/14 to 2017/18, shown originally in Appendix L of the HRA Budget Setting Report, as subsequently amended and re-stated in full at Appendix L to this report.*

The Executive Councillor for Housing refused the recommendations and under 2.5 of Part 4D Executive Procedure Rules of the City Council's

Constitution, the matter would be referred to the Leader of the Council for decision.

Conflicts of Interest Declared by the Executive Councillor (and any dispensations granted): No conflicts of interest were declared by the Executive Councillor.

The Leader of the Council's decision can be viewed at the following link:

<http://democracy.cambridge.gov.uk/ieDecisionDetails.aspx?ID=2686>

The meeting ended at 8.15 pm

CHAIR