

UPDATE TO CABINET REPORT ON HOUSING REVENUE ACCOUNT BUDGET PROPOSALS FOR 2016/17

Clarification from government on supported housing exemption from 1% rent reduction

Background

The Government has issued some clarification and guidance concerning the 1% rent reduction as it will apply to supported housing. The Report stage of the Welfare Reform and Work Bill is now complete and the Third Reading is scheduled for 9th February. There has been much discussion over many months about the impact of the proposed 1% reduction on supported housing and an announcement was made by Lord Freud, Welfare Reform Minister on 27th January that supported housing rents would be excluded from the 1% rent reduction for 2016/17 only.

Summary of the Guidance

The Department for Communities and Local Government has confirmed that Regulations will be made to incorporate all that is included in the guidance.

Rents for supported housing may be increased by CPI plus 1% for 2016/17 only. In addition, rents may also be set at the formula rent for re-lets, in line with the provision for all other rents, but with the discretion to also add 10% to that amount.

It has been made clear that there is intended to be a wide definition of “supported housing” and it specifically includes sheltered accommodation for older people, and supported accommodation for vulnerable groups.

Impact on North West Leicestershire District Council

The wide definition means that all of the stock currently classified as sheltered or supported would be exempt from the 1% rent reduction. Excluding those properties that are currently empty and long-term void, this amounts to 959 properties where we propose to increase the rent for 2016/17 by the Consumer Price Index (CPI) plus 1%. CPI for September 2015 was minus 0.1%, to give a total increase of 0.9%. The potential extra gross rent income is £63,000 for the year. The allowance for voids, set at 1.8% of gross rent, would reduce that to a net additional income amount of £61,860. That amount takes no account of the impact of re-letting vacant properties at formula rent level. Because the concession has been granted for just one year, the additional income will be for 2016/17 only.

Business Plan Impact

The full impact on the business plan is still being worked through, and this will be reflected in the report which Council will consider for approval on 23 February 2016. However, clearly there will be an increase in the projected surplus which will provide additional financial capacity going forward.

Cabinet are asked to recommend to Council that for all sheltered and supported properties a rent increase of CPI plus 1% is applied for 2016/17.

Councillor Roger Bayliss
Glyn Jones, Director of Housing

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