

Date: 13th February 2014

All Members of the Council

Our Ref: n/a

Your Ref: n/a

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Dear Councillor

Executive Meeting 23rd February 2015 and Council Meeting 27th February 2015

Please find attached the Appendices relating to the Proposed Rent Review 2015/2016

This document will be considered by the Executive at its meeting on the 23rd February 2015 and will be considered by the Council at its meeting on the 27th February 2015.

Please bring these documents to either of these meetings, if you are attending.

If you have any queries please contact me by the direct line or email listed above.

Yours sincerely

On behalf of the Head of Democratic Governance



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BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF PLACE

and

DIRECTOR OF RESOURCES

to the

EXECUTIVE

on the

23rd FEBRUARY 2015

PROPOSED RENT REVIEW - 2015/2016

1 Introduction

- 1.1 As part of the preparation of the draft 2015/2016 Housing Revenue Account (HRA) Budget, Members must consider the level of rents and service charges to be set in connection with Council Housing dwellings during the next financial year.
- 1.2 Attached at Appendix A is the draft budget for the Housing Revenue Account for the year 2015/2016.

2. Projected Outturn 2014/2015

- 2.1 The projected outturn position for the Housing Revenue Account is shown in detail at Appendix A. There is a projected in year contribution to balances of £1,499,000, compared to a budgeted contribution of £1,197,000; this is a positive variation of £302,000. This would have resulted in Housing Revenue Account balances of £5,686,000, however £3,848,000 of external debt is due to be repaid on or before 31st March 2015. This was paid off rather than refinanced as it was more cost effective. Further refinancing will be required in order to fund the redevelopment of Queens Park. Projected HRA balances at 31 March 2015 are therefore £1,838,000.
- 2.2 The reasons for any variations against budgets have been reported at quarterly intervals to the board of Blackpool Coastal Housing (BCH), which includes four of the Council's elected members. The Shareholder's Panel for Blackpool Coastal Housing also receive financial information on the Housing Revenue Account and explanations for significant variances.
- 2.3 The main reason for the positive variance in the performance of the Housing Revenue Account is further delay in the full rollout of the Direct Payments element of the Government's welfare reform programme. This will result in rent monies being received via the tenant rather than direct as at present, increasing the risk of non-payment, and provisions had been made for this that were not realised in year. The main negative variation has been additional recharges from the General Fund of £174,000 above the budget set.

3. Housing Revenue Budget Budget 2015/16

3.1 The draft Housing Revenue Account budget for 2015/2016 has allowed for the following main variations on the budget for the previous year, arising in particular from the significant redevelopment at Queens Park:

- Phasing of the capital costs related to Phase One of the redevelopment
- Further reduced maintenance costs given the decommissioning of the tower blocks
- Revised treasury management costs as borrowing commences, with previous work funded out of Housing Revenue Account reserves and Blackpool Coastal Housing reserves transferred to the Housing Revenue Account.

In terms of immediate impacts of the agreed rent increase level, the key priorities are:-

- Remaining demolition of Queens Park and completion of approved redevelopment
- Further development of environmentally friendly energy initiatives
- Other commitments that were part of recent rent increases, including double glazing, fencing improvements and environmental enhancements

Blackpool Coastal Housing Management Fee

3.2 The management fee for Blackpool Coastal Housing will be £9,484,440. This reflects a freeze, with no uplift for inflation. Effectively this will require Blackpool Coastal Housing to generate further efficiencies in operations of approximately £140,000, a business plan has been prepared that addresses the required savings.

Treasury Management

3.3 Treasury Management costs have been calculated having regard to the present and projected level of interest rates, borrowing requirements, depreciation and revenue contributions to capital to help fund the Queens Park redevelopment.

Decent Homes 2011 - 2015

3.4 The current year is the final year of Decent Homes funding, and all Blackpool Coastal Housing managed properties now meet the government's Decency Standard or will do so by the end of the financial year.

3.5 Going forward the capital programme including maintaining decency will need to be funded from rents and ad hoc grants secured.

Income

3.6 Rental income is based upon the targeted occupancy level and collection rates, taking into account approved property disposals.

3.7 Current void levels (excluding hostels) are running at around 2.5% on general properties. There will be a reduction in net income whilst redevelopment occurs at Queens Park. Following redevelopment of Queens Park net costs will be reduced as maintenance costs will be significantly lower.

Value for Money (VFM)

- 3.8 The Housing Revenue Account is operated with a view to generating ongoing operational efficiencies. This has been reflected in procurement activities that have driven down cost and increased the social value generated. Benchmarking with peer organisations also confirms that Blackpool Coastal Housing back office costs are very low comparatively.
- 3.9 In 2012/13 a break clause in Blackpool Coastal Housing's fifteen year management charge fell due and, ahead of this, the Council commissioned an external review of the value for money of the management of the Housing Revenue Account. This concluded that Blackpool Coastal Housing did provide good value for money, and this was confirmed by a follow up review by internal audit last year.
- 3.10 Blackpool Coastal Housing remains committed to delivering value for money in the operation of the housing and repairs services, and include challenging value for money actions in the annual delivery plan.
- 3.11 The dual phasing of the Queens Park redevelopment gives an opportunity to engineer further value in agreeing a contract price for Phase 2 of the work. Phase 2 costs are the subject of a report to the Executive meeting on the 23rd February 2015.

4. Housing Revenue Account self-financing for Council Housing

- 4.1 Since 1 April 2012 self-financing has been in place for local authority housing provision. This has replaced the previous subsidy system with a requirement to maintain viable 30 year business plans on a rolling basis. At the onset of self-financing the Council received a one-off capital sum of £41,523,000 offset against the housing related debt held at that time. A maximum debt cap of £35,739,000 was also imposed on Blackpool's Housing Revenue Account.
- 4.2 To protect the national fiscal position, the Government has retained some controls over the rents that councils charge, and the amount of borrowing that can be undertaken to fund housing development. The housing benefit 'limit rent' will continue to set a maximum amount on the rent that can be reclaimed from the government. There is also a cap on the amount of borrowing that councils can undertake for housing activity.
- 4.3 The gap between existing borrowing and maximum permissible borrowing is known as 'headroom'. The Queens Park redevelopment will utilise a significant proportion of the currently available headroom, but will significantly reduce the maintenance costs of the Housing Revenue Account in the medium to long term due to demolition of the tower blocks which have high maintenance costs (e.g. for servicing and maintaining lifts).

5. Rent Convergence and Control

- 5.1 The next financial year is the first one of a ten year period of revised rent increase limits on social housing providers. The maximum increase is now Consumer Price Index (CPI) inflation plus 1%, the Consumer Price Index being the rate at September in the previous financial year.
- 5.2 The Consumer Price Index inflation rate at September 2014 was 1.2%. As a result, the maximum rent increase that can be applied in 2015/16 without breaching government limits is 2.2%. The maximum rent increases for other recent years are shown for information in Appendix B.

5.3 The 30 year Housing Revenue Account business plan had been based on annual increases of 3%, based on the old formula of Retail Price Index inflation plus 0.5% plus £2. This has now been revised to average annual increases of 2% given national rent limit changes and current levels of Consumer Price Index inflation. Increases below this rate in earlier years will increase the rent rises required in later years. Care needs to be taken that significantly below inflation increases do not mount up to the extent that the loss of rent cannot be recovered in future.

6. Rent Change for 2015/16

Affordable Homes Programme

6.1 There is an expectation when receiving grant funding from the Affordable Housing Programme that rents of 80% of gross market rent are charged to maximise income and support new development. Market rent includes service charges for the purposes of setting the rent. Rent increases to existing affordable rent properties will be applied in line with those set for the rest of the Council stock and similarly are restricted to Consumer Price Index plus 1%. Each time a property is re-let the rent must be reset to 80% of the current market rent.

General Rent Proposals – new lets to existing stock

6.2 New lets are outside the rent restructuring policy for social rented housing. As each property is let, the rent chargeable will be at the rate of Formula Rent. In 2015/16 this is projected to generate additional income of £20,000.

General Rent Proposals – existing tenancies

6.3 The rent report provides a range of possible rent increases and their consequences for the Housing Revenue Account self-financing business plan. Given the low maximum rent increase limit in 2015/16 the following options are presented:-

- a 2.2% increase as the maximum allowable given the new limits on rent increases in place for the next decade
- a 1.1% increase as intermediate between a rent freeze and the maximum amount permissible
- a 0% rent increase, i.e. a rent freeze

Rent increase	Estimated additional annual rent (£)
0%	Nil
1.1%	£179,637
2.2%	£359,274

6.4 The Housing Revenue Account business plan would come under significant financial pressure if rent increases at the lower levels in the above table were to continue beyond 2015/16. Whilst inflation rates are very low there is a limit on increases that can be applied, but at some point increases will need to be higher to fund the repair and upkeep of the housing stock to an adequate standard.

6.5 Blackpool’s current average rent of £68.82 per week is slightly below most other local authorities in the North West. Indications from other authorities suggest most who responded would be applying the maximum rent increase of 2.2%. Clearly increases over 2.2% would be in contravention of the advised maximum rent increases, it is not clear at this stage what sanctions would be imposed on any authorities that do not comply with the rents guidance.

7. Other Charges

Service Charges

7.1 The Government's formula only applies to the rent element of a property. Councils can also charge separately for services such as cleaning communal areas and gardening, but should not make a profit on these charges. Government policy states that Councils should provide tenants with a breakdown of the additional services they receive and the charges for them, so they can see how much they pay for rent and services and what they get for their money.

7.2 Listed below are the current services provided;

- Communal lighting
- Alarm Systems
- Wired Vision (IRS television system)
- Security, Concierge and CCTV – Queens Park
- Communal Cleaning
- Door Entry Systems
- Sheltered Community Centres
- Grounds Maintenance

The services at Queens Park are being decommissioned as the estate is redeveloped and the need for them is removed.

7.3 The process of moving to a system of charging for all services provided is known as de-pooling. De-pooling involves reducing the rent for a property by the value of the service charge element and then the reduced rent moves toward the formula rent.

7.4 For rent restructuring purposes increases in weekly service charges each year are limited to Consumer Price Index plus 1% per year covering both the tenant rent and service charge increases. This is effective during the process of de-pooling. As a result of this protection the HRA only benefits from the additional income gradually over the period.

7.5 From 2011/12, the charges for all the services listed above, except for grounds maintenance, were de-pooled.

7.6 With the exception of Housing Related Support Charges within Sheltered Housing, all of these service charges would be eligible for housing benefit. Currently, approximately 80% of tenants are in receipt of full or partial housing benefit which would help offset the charges. The housing related support charges within Sheltered Housing were previously funded by Supporting People for those eligible for Housing Benefit. This funding has been reduced following the Council's corporate spending review process, and this is therefore an additional cost on the Housing Revenue Account.

7.7 The service charge for the IRS television system has been reduced as savings have been made on renegotiation on expiry of the lease of the equipment.

7.8 The self-financing settlement assumes that services are fully charged for and depooled. Under the modelling undertaken previously, it was only possible for self-financing to be sustainable if all services, excluding grounds maintenance, were properly charged for.

7.9 Attached at Appendices C and D are the proposed service charges for 2015/16, relating to Housing Revenue Account services. De-pooled services are shown on Appendix C, with other

charges (including Sheltered Housing) shown in Appendix D. Existing service charges, other than those relating to Sheltered Housing, are shown with increases for each service in line with a proposed increase of 2.2%.

Leaseholder Charges

- 7.10 The Leaseholder Management Charge has been calculated to reflect the actual cost of managing the service. The legal challenge to the basis of calculation mentioned in last year's rent report was ultimately unsuccessful, and charges will continue to be applied based on actual costs of services. Whilst charges to leaseholders are a sensitive area the need to ensure that this customer group is not treated unfairly needs to be balanced against the risk of genuine costs relating to the upkeep of their properties being subsidised by the wider tenant group.

Non-Housing Revenue Account Properties

- 7.11 It is recommended that a similar percentage increase be applied to rents of other properties managed by Blackpool Coastal Housing including non- Housing Revenue Account garages. These charges are shown at Appendix E. There is currently a review being undertaken of the whole garage stock to ensure that action is taken where units are uneconomic to maintain.

8. Recommendations For Executive To Recommend To Full Council

- 8.1 That a rent freeze is implemented in 2015/2016. .
- 8.2 That as previously agreed, the level of Housing Revenue Account balances remain protected at £1million.
- 8.3 It is proposed that de-pooled services (as detailed in Appendix C) and that other service charges (as detailed in Appendix D and E) are charged as recommended.
- 8.4 It is proposed that the Leaseholder Management Charge is amended in line with the cost of managing the service.

A CAVILL

Director of Place

S THOMPSON

Director of Resources

HOUSING REVENUE ACCOUNT

DRAFT BUDGET 2015/2016

FUNCTIONS	2014/2015 FULL YEAR BUDGET	2014/2015 PROJECTED OUTTURN	2014/2015 VARIATION	2015/2016 DRAFT BUDGET
	£000	£000	£000	£000
MANAGEMENT FEE	9,485	9,485	0	9,485
HOUSING CLIENT & APPLICATIONS SERVICE	676	850	174	1,251
OTHER HRA COSTS	123	123	0	123
TREASURY MANAGEMENT	6,300	6,250	(50)	6,172
RENT REBATE SUBSIDY LIMITATION	0	0	0	0
PROVISION FOR BAD AND DOUBTFUL DEBTS	500	300	(200)	500
HOUSING SUBSIDY	0	0	0	0
<u>RENT & SERVICE CHARGE INCOME DUE</u>				
Rental Income	(16,412)	(16,502)	(90)	(16,704)
Sheltered Housing	(667)	(656)	11	(337)
Emergency Housing	(290)	(341)	(51)	(330)
Television Service (IRS)	(169)	(169)	-	(75)
Security	(24)	(49)	(25)	(4)
Community Cleaning	(43)	(57)	(14)	(31)
Community Lighting	(35)	(39)	(4)	(32)
Door Entry Systems	(10)	(11)	(1)	(9)
Gardening Scheme	(120)	(125)	(5)	(122)
Furniture	(3)	(5)	(2)	(5)
<u>OTHER RENTS & CHARGES</u>				
Garages	(94)	(92)	2	(90)
Leasehold	(188)	(190)	(2)	(174)
Commercial Rents	(25)	(26)	(1)	(14)
Other Income	(100)	(144)	(44)	(100)
<u>INTEREST INCOME</u>				
Interest on Revenue Balances	(100)	(100)	-	(73)
Mortgage Interest	(1)	(1)	0	(1)
CONTRIBUTION (TO) / FROM WORKING BALANCE	(1,197)	(1,499)	(302)	(571)

	2014/2015 FULL YEAR BUDGET	2014/2015 PROJECTED OUTTURN	2014/2015 VARIATION	2015/2016 DRAFT BUDGET
	£000	£000	£000	£000
WORKING BALANCE				
BALANCE AT 1ST APRIL	(3,854)	(4,187)	(333)	(1,838)
CONTRIBUTION TO (-) / FROM WORKING BALANCE	(1,197)	(1,499)	(302)	(571)
REPAYMENT OF DEBT FROM WORKING BALANCE	-	3,848	3,848	-
BALANCE AT 31ST MARCH	(5,051)	(1,838)	3,213	(2,409)

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Tenancies governed by the Rent Restructuring rules

The method of applying an average rent increase for any given amount is as follows:

Each category of dwelling has a target rent, the basis for calculating the target rent is from the base year of 2000/2001 using the formula below. This is then uplifted by an annual inflation factor adjusted to allow for convergence with Registered Social Landlord rents by 2015/16.

The 2000/2001 target rent:

70% [No. of Beds Weighting x Public Sector National Average Rent x Relative County Manual Earnings]
 Plus
 30% [Public Sector National Average Rent x Relative Property Value]

Where:

The no. of beds weighting varies from 0.8 for a bedsit to 1.4 for a six bedroom property
 Public Sector National Average Rent is the figure from April 2000
 Relative County Earnings is Average County Manual Earnings 1997-99 divided by the National figure
 Relative Property Value is an individual property value divided by the National Average Public Sector Property Value at January 1999.

The target rents from 2001/02 to 2014/15 are based on the above formula uplifted for Retail Price Index Inflation plus 0.5%. From 2015/16 onwards increases are limited to Consumer Price Index Inflation plus 1%.

2001/02 = 2000/01 Target Rent + 4.3%
 2002/03 = 2001/02 Target Rent + 2.2%
 2003/04 = 2002/03 Target Rent + 2.2%
 2004/05 = 2003/04 Target Rent + 3.3%
 2005/06 = 2004/05 Target Rent + 3.6%
 2006/07 = 2005/06 Target Rent + 3.2%
 2007/08 = 2006/07 Target Rent + 4.1%
 2008/09 = 2007/08 Target Rent + 4.4%
 2009/10 = 2008/09 Target Rent + 5.5%
 2010/11 = 2009/10 Target Rent - 0.9%
 2011/12 = 2010/11 Target Rent + 5.1%
 2012/13 = 2011/12 Target Rent + 6.1%
 2013/14 = 2012/13 Target Rent + 2.45%
 2014/15 = 2013/14 Target Rent + 3.7%
 2015/16 = 2014/15 Target Rent + 2.2%

The total rent increase required is charged to individual dwellings based on the difference between present actual rents and target rents subject to the constraint below.

Under the Rent Restructuring rules any change in rent cannot exceed Retail Price Index Inflation + 0.5% ± £2. As detailed in the rent report 2014/15 was the last year this is applicable to. From 2015/16 rent increases are limited to Consumer Price Index inflation plus 1%.

Tenancies outside the Rent Restructuring rules

(a) Affordable Homes Programme

The rent chargeable will be at the rate of 80% of the market rent.

In order to provide protection and certainty for tenants, providers and funders, the maximum annual rent increase on an Affordable Rent property will be Consumer Price Index Inflation (at September annually) +1%. Each time the property is re-let the rent must be reset to 80% of the current market rent.

(b) New Homes (outside of the Affordable Homes Program)

Formula Rent + 5%.

Annual increases are limited to Consumer Price Index (at September annually) + 1%

(c) New lets to existing stock

New lets are outside the rent restructuring policy for social rented housing.

As each property is let, the rent chargeable will be at the rate of Formula Rent.

BLACKPOOL BOROUGH COUNCIL
SERVICE - HOUSING REVENUE ACCOUNT
REVIEW OF FEES AND CHARGES 2015/2016
DEPOOLED CHARGES

CLASSIFICATION	DESCRIPTION OF CHARGE	DATE OF LAST REVISION	EXISTING CHARGE £	RECOMMENDED CHARGE £	INCREASE %	ADDITIONAL INCOME £000's
<u>Communal Area Cleaning and Caretaking</u>	Tower Blocks	April-14	8.69	8.88	2.19%	} 0.7
	Weekly Clean	April-14	1.41	1.44	2.13%	
	Fortnightly Clean	April-14	0.98	1.00	2.04%	
	Monthly Clean	April-14	0.53	0.54	1.89%	
<u>Communal Lighting</u>	Tower Blocks	April-14	2.18	2.23	2.29%	} 0.7
	Low and Medium Rise Blocks	April-14	0.48	0.49	2.08%	
<u>Door Entry Systems</u>	Tower Blocks	April-14	0.53	0.54	1.89%	} 0.2
	Low and Medium Rise Blocks	April-14	0.33	0.34	3.03%	
<u>Security and CCTV</u>	Queens Park	April-14	12.19	12.46	2.21%	0.1
						1.7

NB ALL CHARGES EXCLUDE VAT UNLESS INDICATED

Notes

1. All charges are per week unless otherwise stated, based on a 52 week rent year.

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BLACKPOOL BOROUGH COUNCIL
SERVICE - HOUSING REVENUE ACCOUNT
REVIEW OF FEES AND CHARGES 2015/2016

CLASSIFICATION	DESCRIPTION OF CHARGE	DATE OF LAST REVISION	EXISTING CHARGE	RECOMMENDED CHARGE	INCREASE %	ADDITIONAL INCOME
			£	£		£000's
Sheltered Housing Service Charges						
Housing Related Support						
	Dunsop Court	April-14	24.26	24.26	0.00%	} 0
	Other Sheltered Schemes	April-14	8.50	8.50	0.00%	
Housing Benefit Eligible Service Charges						
	Alarm System	April-14	3.80	3.89	2.37%	} 3.7
	Dunsop Court Communal Costs	April-14	8.15	8.33	2.21%	
						3.7
Community Centres						
	Dunsop Court	April-14	4.27	4.37	2.34%	} 2.1
	Sheltered Sites with attached Community Centre	April-14	2.44	2.49	2.05%	
	Other Sheltered Sites with Access to Community Centre	April-14	1.24	1.26	1.61%	
	Private Use of Community Centres					} 10.0
	- Per Hour	April-14	8.15	5.00	-38.61%	
	- Per Session	April-14	32.58	N/A	N/A	
	- Per Day	April-14	81.48	N/A	N/A	
Hostels						
	Housing Benefit Eligible Charge					} 3.7
	- 1 Bed Unit	April-14	5.35 per day	5.47 per day	2.24%	
	- 2 Bed Unit	April-14	10.74 per day	10.98 per day	2.23%	
	- 4 Bed Unit	April-14	21.45 per day	21.92 per day	2.19%	
	- 5 Bed Unit	April-14	26.82 per day	27.41 per day	2.20%	
	Housing Benefit Ineligible Charge	April-14	1.81 per day	1.85 per day	2.21%	
HRA Garages						
	HRA Tenants -					} 1.9
	1st Letting	April-14	6.43	6.58	2.33%	
	Additional Letting	April-14	6.43 (+VAT)	6.58 (+VAT)	2.33%	
	Non-HRA Tenants	April-14	6.43 (+VAT)	6.58 (+VAT)	2.33%	
	Water Charge	April-14	0.37	0.38	2.70%	
Wired Vision/ Satellite TV						
	Wired Vision	April-14	1.19 (+VAT)	0.54 (+VAT)	-54.62%	0.0
Dunsop Court						
	Heating Charge	April-14	6.59	6.74	2.28%	} 0.6
	Water - Tenants	April-14	4.48	4.58	2.23%	
Other Charges						
	Assisted Gardening Scheme	April-14	11.19	11.19	0.00%	} 0.0
	Furniture Package 1	April-14	13.61	13.61	0.00%	
	Furnishing Charge	April-14	4.62	4.62	0.00%	
Miscellaneous Charges						
	Any other services will be charged for on a full cost basis.					
						18.3

NB ALL CHARGES EXCLUDE VAT UNLESS INDICATED

Notes

1. All charges are per week unless otherwise stated, based on a 52 week rent year.

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BLACKPOOL BOROUGH COUNCIL**SERVICE - GENERAL FUND HOUSING****REVIEW OF FEES AND CHARGES 2015/2016**

CLASSIFICATION	DESCRIPTION OF CHARGE	DATE OF LAST REVISION	EXISTING CHARGE £	RECOMMENDED CHARGE £	INCREASE %	ADDITIONAL INCOME £000's
<u>P&R Garages</u>	HRA Tenants -					}
	1st Letting	April-14	6.43	6.58	2.33%	
	Additional Letting	April-14	6.43 (+VAT)	6.58 (+VAT)	2.33%	
	Non-HRA Tenants	April-14	6.43 (+VAT)	6.58 (+VAT)	2.33%	0.5
	Water Charge	April-14	0.37	0.38	2.70%	
<u>Traveller Site</u>	Site Charge	April-14	97.92	97.92	0.00%	}
	Water Charge	April-14	8.63	8.82	2.20%	
<u>Miscellaneous Charges</u>	Any other services will be charged for on a full cost basis.					
						0.8

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Notes

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