

Date: 27 January 2017

All Members of the Council

Our Ref: n/a

Your Ref: n/a

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Dear Councillor

Executive Meeting 6 February 2017 and Council Meeting 23 February 2017

Please find attached the Appendices relating to the Proposed Rent Review 2017/2018

This document will be considered by the Executive at its meeting on the 6 February 2017 and will be considered by the Council at its meeting on the 23 February 2017.

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
6 FEBRUARY 2017

PROPOSED RENT REVIEW - 2017/2018

1 Introduction

- 1.1 As part of the preparation of the draft 2017/2018 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 2017/2018. This is after the proposed changes to rent and charges.

2. Projected Outturn 2016/2017

- 2.1 The projected outturn position for the Housing Revenue Account is also detailed at Appendix A. There is a projected in year contribution from balances of £236,000, compared to a budgeted deficit of £2,038,000; this is a positive variation of £1,802,000. Audited balances brought forward on 1 April 2016 were £7,235,000, projected balances on 31 March 2017 are therefore £6,999,000.
- 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 receives budget information on the Housing Revenue Account and explanations for any significant variances in performance.
- 2.3 The main reason for the variation in 2016/17 is a reduction of £1,500,000 in capital charges. The revenue contribution required to fund the Queens Park redevelopment

in 2016/17 is £3,000,000, compared to the budgeted level of £4,500,000. This spend has been deferred and will now occur in 2017/18.

3. Housing Revenue Budget Budget 2017/18

Blackpool Coastal Housing Management Fee

- 3.1 The management fee for Blackpool Coastal Housing in 2017/18 will be frozen at £9,565,000. In practice this will require further efficiencies to be identified given the 1% pay award and general inflation.

Treasury Management

- 3.2 Treasury Management costs have been calculated with regard to the present and projected level of interest rates, anticipated borrowing requirements and depreciation. Housing Revenue Account loans are managed by the Council's Accountancy team, but are kept separate from General Fund loans and investments as legally required.

Income

- 3.3 Rental income is based upon targeted occupancy levels and collection rates. Current void levels are running at around 2% on general properties and 35% for hostels. Following improvements in 2015/16 in void turnaround times, levels remained lower than in previous years. Blackpool Coastal Housing and Council staff are working together on plans to improve emergency housing occupancy levels whilst retaining the spare capacity needed to enable emergency admissions.

Value for Money (VFM)

- 3.4 The Housing Revenue Account operates with a view to generating ongoing operational efficiencies. This has been reflected in procurement activities that have driven down costs and increased the levels of social value generated. Benchmarking with peer organisations also confirms that Blackpool Coastal Housing back office costs continue to be very low comparatively. Blackpool Coastal Housing is working with the Council to explore potential savings in more joint working between Council companies with regard to back office costs.
- 3.5 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 both Blackpool Coastal Housing and the Housing Revenue Account. This concluded that Blackpool Coastal Housing does provide good value for money, and was confirmed by a follow up review by internal audit in 2014/15. In addition, in November 2015 an external Peer Review was commissioned by Blackpool Coastal Housing which concluded that overall the direction of travel of the organisation is the right one, and that the Council is happy with the overall performance of the organisation.

- 3.6 Blackpool Coastal Housing remains committed to delivering Value for Money in the operation of the housing and repairs services, and challenging Value for Money actions are included in the annual Delivery Plan and the supporting directorate Service Plans.
- 3.7 The Council is redeveloping the Queens Park estate using fixed price Design and Build contracts, wherein any financial risks resulting from delays or other overspends are borne by the contractor.

Capital Programme

- 3.8 The revenue contribution to the capital programme is expected to be in the region of £5,416,000 in 2017/18 (from £4,500,000 in 2016/17). This is to fund the agreed redevelopment of Queens Park whilst retaining Housing Revenue Account balances above the agreed minimum level of £1,000,000, and includes £1.5 million deferred from 2016/17 as referred to in 2.3. Revenue contributions to the capital programme are the preferred option to minimise external borrowing costs.

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 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 The gap between existing borrowing and the maximum permissible borrowing (the debt cap) is known as 'headroom'. The rent cuts which continue to be a statutory requirement, as detailed later in this report, will continue to impact on headroom, as the Housing Revenue Account business plan had previously assumed rent increases in line with inflation. There will therefore need to be significant efficiencies identified in the future; in particular it will impact upon the capital maintenance programme.
- 4.3 To protect the national fiscal position, the Government has continued to retain some controls over the rents that councils charge as well as the debt cap. During 2015/16 there was some movement on policies that were planned in 2014/15, and below is a summary of the current position:
- Social housing rents are still required to fall by 1% per year from April 2016 for four years (see section 5).
 - The plan for compulsory sale of high value void properties has been deferred, with confirmation no payments will be required in 2017/18.
 - The planned mandatory introduction of 'Pay to Stay' charges for high income social tenants is now a voluntary policy, which the Council is not planning to progress.

- Social sector housing benefit will be capped at local housing allowance rate, now deferred until 2019/20.
- The benefit cap has been reduced to £20,000 (£23,000 in London).
- A consultation has been launched on proposals for a local scheme to fund supported and sheltered housing.

Overall the future outlook for the Housing Revenue Account has improved in year, but remains extremely challenging because of the impact of the required rent cut when average levels of social rents in Blackpool were already below national guidance figures.

5. National Social Housing Rent Policy

- 5.1 The 'rent restructuring' regime was introduced in 2002/2003, where rents were set in line with a national formula used to calculate a target/formula rent for each property, annual rent increases were limited to Retail Price Index (RPI) plus 0.5% ± £2.00.
- 5.2 In October 2013 a ten-year rent agreement was published by the previous coalition government, allowing maximum increases of Consumer Price Index (CPI) plus 1%. This was implemented with effect from 2015/16.
- 5.3 The Chancellor's budget statement in July 2015 announced that social housing rents would reduce by one per cent each year for the next four years (2016/17 to 2019/20). This requires both registered providers and local authorities to reduce rents over a four year period, commencing in 2016/17 from a frozen 2015/16 baseline. The frozen baseline is based on rents charged at 8 July 2015. The details are included in Appendix B.
- 5.4 It appears that the calculation of future rents will now be done on a statutory basis and local authorities will no longer have the ability to set rent in a manner determined locally. The rules around rent increases at the end of the four year term are unclear at this time.
- 5.5 The 1% reduction only applies to the core rent and not service charges, therefore reasonable increases to service charges can be applied. It is also assumed that vacant properties can continue to be let at the formula/target rent (less 1% each year). This is a policy that Blackpool has adopted for several years now.

6. Rent Change for 2017/18

- 6.1 There is a requirement that a 1% rent reduction is applied to all social housing tenancies in 2017/18, and the following two financial years up to 2019/20. Taking into account the de-pooling of grounds maintenance charges, the average rent reduction proposed in the forthcoming financial year will be 1.5%.

6.2 For general rent properties, Blackpool's current average rent is £68.72 per week. After applying a minimum 1% rent reduction, and with adjustment for de-pooling grounds maintenance charges as detailed in section 7.3, the average weekly rent in 2017/18 will be £67.65. The current average rent for affordable rent properties is £88.56 per week, reducing to £87.67 per week under the guidance. This is a flat reduction of 1% as service charges are not allowable on affordable rent properties and the de-pooling is not relevant.

7. **Other Charges**

Service Charges

7.1 Councils can 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.

7.2 Listed below are the services currently provided;

- Communal lighting
- Alarm Systems
- Wired Vision (IRS television system)
- Communal Cleaning
- Door Entry Systems
- Sheltered Community Centres
- Grounds Maintenance
- Intensive Housing Management

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. Since 2011/12, all services listed above, with the exception of grounds maintenance, have been de-pooled. In the current year it is proposed to de-pool grounds maintenance in line with other service charges. The proposed weekly charge is £1.07 per week, based on the costs of the externally provided service.

7.4 Within Sheltered Housing all of these service charges are eligible for housing benefit. Currently, approximately 73% of tenants are in receipt of full or partial housing benefit which would help offset the charges.

7.5 Attached at Appendices C and D are the proposed service charges for 2017/18, relating to Housing Revenue Account services. De-pooled services are shown at Appendix C, with other charges (including Sheltered Housing) shown in Appendix D. Existing service charges are shown for each service in line with a proposed increase.

Leaseholder Charges

- 7.6 The Leaseholder Charge, including a management charge, has been calculated to reflect the actual cost of providing the service. 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

- 7.7 These rents are outside of the national social housing rent policy set out in section 5. It is recommended that an inflationary uplift of 1.96% be applied to rents of other properties managed by Blackpool Coastal Housing including non- Housing Revenue Account garages, with the exception of travellers' site charges and commercial garage rents where a freeze is proposed.

8. Recommendations For Executive To Recommend To Full Council

- 8.1 It is proposed that an across the board 1% minimum rent reduction is implemented for all Housing Revenue Account properties in 2017/18 as outlined in sections 5 and 6. This is on the basis that it is effectively a statutory requirement. For non-affordable rent properties the average rent reduction will be 1.5%.
- 8.2 It has previously been agreed by the Council to retain a minimum level of Housing Revenue Account balances of £1,000,000. Taking into account the funding requirements for Queens Park Phases 1 and 2 this budget assumes this will remain the case. It is proposed that Housing Revenue Account balances continue to be protected in order to ensure that prudent balances are maintained.
- 8.3 It is proposed that de-pooled services (as detailed in Appendix C) and other service charges (as detailed in Appendix D and E) are charged as recommended.

A CAVILL

Director of Place

S THOMPSON

Director of Resources

HOUSING REVENUE ACCOUNT
DRAFT BUDGET 2017/2018

FUNCTIONS	2016/2017 FULL YEAR BUDGET	2016/2017 PROJECTED OUTTURN	2016/2017 VARIATION	2017/2018 DRAFT BUDGET
	£000	£000	£000	£000
MANAGEMENT FEE	9,565	9,565	-	9,565
GENERAL FUND SERVICES	1,531	1,531	-	1,819
OTHER HRA COSTS	125	125	-	125
CAPITAL CHARGES	8,905	7,400	(1,505)	7,958
PROVISION FOR BAD AND DOUBTFUL DEBTS	500	300	(200)	400
<u>RENT & SERVICE CHARGE INCOME DUE</u>				
Rental Income	(16,832)	(16,916)	(84)	(16,870)
Sheltered Housing	(687)	(686)	1	(687)
Emergency Housing	(382)	(338)	44	(406)
Television Service (IRS)	(73)	(73)	-	(77)
Security			-	
Community Cleaning	(29)	(29)	-	(30)
Community Lighting	(32)	(32)	-	(32)
Door Entry Systems	(9)	(9)	-	(9)
Gardening Scheme	(122)	(114)	8	(79)
Grounds Maintenance	-	-	-	(236)
Furniture	(2)	-	2	-
<u>OTHER RENTS & CHARGES</u>				
Garages	(87)	(88)	(1)	(90)
Leasehold	(160)	(169)	(9)	(173)
Commercial Rents	(14)	(9)	5	(5)
Other Income	(100)	(150)	(50)	(150)
<u>INTEREST INCOME</u>				
Interest on Revenue Balances	(58)	(71)	(13)	(70)
Mortgage Interest	(1)	(1)	-	(1)
CONTRIBUTION (TO) / FROM WORKING BALANCES	2,038	236	(1,802)	952

WORKING BALANCE	2016/2017 FULL YEAR BUDGET	2016/2017 PROJECTED OUTTURN	2016/2017 VARIATION	2017/2018 DRAFT BUDGET
	£000	£000	£000	£000
BALANCE AT 1ST APRIL	(6,902)	(7,235)	(333)	(6,999)
CONTRIBUTION (TO) / FROM WORKING BALANCES	2,038	236	(1,802)	952
BALANCE AT 31ST MARCH	(4,864)	(6,999)	(2,135)	(6,047)

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Guide to Rent Reduction Policy as set out in the Welfare Reform and Work Bill

SOCIAL HOUSING (EXCLUDING AFFORDABLE RENTS)				
Tenancy Starts	Condition	Rent in Relevant Year 2016/17	2017/18 to 2019/20	Ref
prior to 8 th July 2015	prior social housing tenant	1% less than in the preceding twelve months	Less 1% each year	Para 21(1)
After 8 th July 2015	social housing tenant between 8 th July 2015 and the start of the tenancy	<i>Higher of:</i> Formula rent at 8 th July 2015 less 1% Actual rent at 8 th July 2015 less 1%	Less 1% each year Less 1% each year	Schedule Para 1
After 8 th July 2015	NOT social housing tenant before the tenancy	Formula rent at 8 th July 2015 (as if it had applied) less 1%	Less 1% each year	Schedule Para 2
AFFORDABLE RENTS				
Tenancy Starts	Condition	Rent in Relevant Year 2016/17	2017/18 to 2019/20	Ref
prior to 8 th July 2015		1% less than in the preceding twelve months	Less 1% each year	Para 21(1)
After 8 th July 2015	Tenancy begins prior to relevant year	80% of market rent at start of tenancy	Less 1% each year	Schedule Para 3(2)
	Tenancy begins after the start of the relevant year	80% of market rent in the relevant year	Less 1% each year	Schedule Para 3(3)

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BLACKPOOL BOROUGH COUNCIL
SERVICE - HOUSING REVENUE ACCOUNT
REVIEW OF FEES AND CHARGES 2017/2018
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>	Weekly Clean	April-16	1.45	1.48	2.07%	} 0.6
	Fortnightly Clean	April-16	1.01	1.03	1.98%	
	Monthly Clean	April-16	0.55	0.56	1.82%	
<u>Communal Lighting</u>	Low and Medium Rise Blocks	April-16	0.50	0.51	2.00%	0.6
<u>Door Entry Systems</u>	Low and Medium Rise Blocks	April-16	0.34	0.34	0.00%	0
<u>Grounds Maintenance</u>	Open space grounds maintenance	new	n/a	1.07	n/a	236
						237.2

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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 2017/2018

CLASSIFICATION	DESCRIPTION OF CHARGE	DATE OF LAST REVISION	EXISTING CHARGE	RECOMMENDED CHARGE	INCREASE %	ADDITIONAL INCOME	
			£	£		£000's	
Sheltered Housing Service Charges							
Intensive Housing Management							
	Dunsop Court	April-16	24.26	24.26	0.00%	}	
	Other Sheltered Schemes	April-16	8.50	8.50	0.00%		
Housing Benefit Eligible Service Charges							
	Alarm System	April-16	3.89	3.89	0.00%	}	
	Dunsop Court Communal Costs	April-16	8.40	8.40	0.00%		
						0	
Community Centres							
	Dunsop Court	April-16	4.41	4.41	0.00%	}	
	Sheltered Sites with attached Community Centre	April-16	2.51	2.51	0.00%		
	Other Sheltered Sites with Access to Community Centre	April-16	1.28	1.28	0.00%		
	Private Use of Community Centres					}	
	- Per Hour (Non Profit Groups)	April-16	5.00	5.00	0.00%		
	- Per Hour (Profit-making Groups)	April-16	10.00	10.00	0.00%	0.0	
Hostels							
	Housing Benefit Eligible Service Charge					}	
	- 1 Bed Unit	April-16	5.47 per day	6.56 per day	19.93%		
	- 2 Bed Unit	April-16	10.98 per day	13.18 per day	20.04%		
	- 4 Bed Unit	April-16	21.92 per day	26.30 per day	19.98%		
	- 5 Bed Unit	April-16	27.41 per day	32.89 per day	19.99%		
	Housing Benefit Ineligible Service Charge	April-16	1.85 per day	2.00 per day	8.11%	}	
	Intensive Housing Management	April-16	7.60 per day	9.10 per day	19.74%		
HRA Garages							
	HRA Tenants -					}	
	1st Letting	April-16	6.64	6.77	1.96%		
	Additional Letting	April-16	6.64 (+VAT)	6.77 (+VAT)	1.96%		
	Non-HRA Tenants	April-16	6.64 (+VAT)	6.77 (+VAT)	1.96%	1.7	
	Water Charge	April-16	0.38	0.38	0.00%	}	
	Wired Vision/ Satellite TV	April-16	0.54 (+VAT)	0.57 (+VAT)	5.56%		
Dunsop Court							
	Heating Charge	April-16	6.80	6.80	0.00%	}	
	Water - Tenants	April-16	4.62	4.62	0.00%		
Other Charges							
	Assisted Gardening Scheme	April-16	11.19	7.63	-31.81%	}	
	Furnishing Charge	April-16	4.62	4.62	0.00%		
Miscellaneous Charges							
	Any other services will be charged for on a full cost basis.						}
						18.6	

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 2017/2018

CLASSIFICATION	DESCRIPTION OF CHARGE	DATE OF LAST REVISION	EXISTING CHARGE £	RECOMMENDED CHARGE £	INCREASE %	ADDITIONAL INCOME £000's
<u>General Fund Garages</u>	HRA Tenants -					} 0.2
	1st Letting (Residential)	April-16	6.64	6.77	1.96%	
	Additional Letting (Residential)	April-16	6.64 (+VAT)	6.77	1.96%	
	Non-HRA Tenants (Residential)	April-16	6.64 (+VAT)	6.77	1.96%	
	Commercial Tenants	April-16	12.00 (+VAT)	12.00	0.00%	
	Water Charge	April-16	0.38	0.38	0.00%	
<u>Traveller Site</u>	Site Charge	April-16	97.92	97.92	0.00%	} 0
	Water Charge	April-16	9.22	9.22	0.00%	
<u>Miscellaneous Charges</u>	Any other services will be charged for on a full cost basis.					0.2

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