

Public Document Pack

Dear Councillor

EXECUTIVE - MONDAY, 5 FEBRUARY, 2018

Please find attached updated the appendices related to the Proposed Rent Review 2018/2019 for the Monday, 5 February, 2018 meeting of the Executive, forwarded to Members under separate cover.

This document will also be considered at the Council meeting to be held on the 28 February 2018, please bring this document to either meeting if you are attending.

Agenda No Item

6 **PROPOSED RENT REVIEW 2018/2019 (Pages 1 - 16)**

Yours sincerely

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BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF STRATEGY AND ASSISTANT CHIEF EXECUTIVE
and
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
5 FEBRUARY 2018

PROPOSED RENT REVIEW - 2018/2019

1 Introduction

- 1.1 As part of the preparation of the draft 2018/2019 Housing Revenue Account (HRA) Budget, Members are asked to 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 2018/19. This is after the proposed changes to rents and charges.

2. Projected Outturn 2017/2018

- 2.1 The projected outturn position for the Housing Revenue Account is also detailed at Appendix A. The main reason for the variation in 2017/18 is a reduction of £198k in rental income against budget. This is largely due to delays in the completion of the Queens Park estate redevelopment; the forecasted handover dates of new units have not been met in practice. However, the Council have recently received assurances from the developers (Lovells) that there will be no further slippage on the project.
- 2.2 There is a projected in year contribution from balances of £1,069,000, compared to a budgeted deficit of £952,000; this is a negative variation of £117,000. This reduction in balances reflects a planned revenue contribution to capital to fund the Queens Park regeneration. Audited balances brought forward on 1 April 2017 were £6,857,000, therefore projected balances on 31 March 2018 are £5,788,000.
- 2.3 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 Council's Director of Resources also receives quarterly

budget information on the Housing Revenue Account and explanations for any significant variances in performance.

3. Housing Revenue Account Budget 2018/19

Blackpool Coastal Housing Management Fee

- 3.1 The management fee for Blackpool Coastal Housing in 2018/19 will be frozen at £9,565,000. In practice this will require further efficiencies to be identified given that there is likely to be a local government pay award of 2%, as well as the impacts of general price inflation.

Treasury Management

- 3.2 Treasury Management costs have been calculated with regard to the present and projected levels 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. The Director of Resources of Blackpool Coastal Housing is a member of the Council's Treasury Management Panel.

Income

- 3.3 Rental income is based upon targeted occupancy levels and collection rates. Current void levels are running at around 2.2%. With regard to hostels these are operating at virtually full capacity. As mentioned above, total lettings income has been suppressed by the unavailability of the Queens Park Phase II development stock.

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 comparatively very low. Blackpool Coastal Housing continues to work with the Council to explore potential savings through more joint working between Council companies with regard to back office costs; in particular, the scope for increased collaboration with the Blackpool Housing Company is identified as a priority.
- 3.5 In 2012/13 a break clause in Blackpool Coastal Housing's fifteen-year management agreement 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. 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. Although there has been no formal external review of the Value for Money and Social Value obtained by Blackpool Coastal Housing more recently the company continues to deliver high levels of customer satisfaction in the context of an effectively reducing management fee.

- 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 Business Plan and the supporting directorate Service Plans. The Blackpool Coastal Housing board have approved a root and branch restructure of the Repairs Team, which is necessary to move service delivery forward after having largely exhausted potential incremental improvements. Although as an ALMO Blackpool Coastal Housing is not required to adopt the new Homes and Communities Agency Value for Money standard we plan to do so when it is finalised following the recent consultation exercise.
- 3.7 Blackpool Coastal Housing has taken further services from both the Council and Council partners during the year, to ensure that these can be delivered in an increasingly challenging financial environment. In addition, in partnership with the Council and other partners, Blackpool Coastal Housing has secured significant European funding for an employment and training programme ('More Positive Together') to help move unemployed clients closer to the job market. Blackpool Coastal Housing is match funding the amount awarded from reserves, the overall project value is £1.1m and it runs until December 2019.

Capital Programme

- 3.8 The revenue contribution to the capital programme is expected to be in the region of £6,013,000 in 2018/19 (from £5,416,000 budget in 2017/18). 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. Revenue contributions to the capital programme are the preferred option to minimise external borrowing costs.

4. HRA 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 for Councils retaining a Housing Revenue Account to maintain viable 30 year Housing Revenue Account 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 are currently a statutory requirement until 2019/20, 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.
- 4.3 To protect the national fiscal position, the Government has continued to retain some controls over the rents that Councils and other social landlords charge. In addition Councils have restrictions on the maximum they can borrow as part of public sector borrowing controls. During 2017/18 there was some movement on policies that were planned, 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 that again no payments will be required in 2018/19.
- The planned mandatory introduction of 'Pay to Stay' charges for high income social tenants has been abandoned.
- The plan for social sector housing benefit being capped at local housing allowance rate has also been abandoned.
- There are planned reforms of the funding of sheltered housing. The final details on these are still to be confirmed, but the indications are that they will be less financially burdensome for Housing Revenue Accounts than first indications suggested.
- The Government has announced that Housing Revenue Account debt caps can be renegotiated where there is exceptional housing demand that needs to be addressed. It is not clear that Blackpool would meet the definitions on this, but this will be discussed between the Council and the Ministry for Housing, Communities and Local Government when full guidance has been published.

4.4 As well as the modification of planned welfare reforms the Government has also announced plans for future social rent levels (see section 5 below).

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 1% 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 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.

5.5 In October the Government announced that at the end of the period of 1% rent cuts in 2020 there would be a five year period where maximum increases would return to CPI plus 1%. Clearly there is time for this policy to be amended as it is not due to take effect for two years, but assuming it comes into force the Council's Housing Revenue Account would benefit and return to projections of a self-financing 30 year business plan.

6. Rent Change for 2018/19

6.1 There is a requirement that a 1% rent reduction is applied to all social housing tenancies in 2018/19, and the following financial year (2019/20) which is the last in the four year timeframe. For general rent properties Blackpool's current average rent is £67.97 per week. The current average rent for affordable rent properties is £87.39 per week. Under the proposed 1% rent reduction, in 2018/19 these will reduce to £67.29 for general rent properties and £86.51 for affordable rent properties

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 on an individual basis.

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 separately 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. As of the current financial year, which has seen grounds maintenance charges de-pooled, all of these costs come under this arrangement. Within Sheltered Housing all of these service charges are eligible for housing benefit.

7.4 Attached at Appendices C and D are the proposed service charges for 2018/19 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, with a proposed new charge based on cost of provision.

Leaseholder Charges

- 7.5 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

- 7.6 These rents are outside of the national social housing rent policy set out in section 5. It is recommended that an inflationary uplift of 2.95% 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. No increase in travellers' site charges is proposed given the wider rent regime at present, whilst commercial garage rents are considered to be in line with relevant market rates.

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 2018/19 as outlined in sections 5 and 6. This is on the basis that it is a statutory requirement for this financial year.
- 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 Appendices D and E) are charged as recommended.

A LOCKLEY

Director of Strategy and Assistant Chief Executive

S THOMPSON

Director of Resources

HOUSING REVENUE ACCOUNT

DRAFT BUDGET 2018/2019

| FUNCTIONS | 2017/2018 FULL YEAR BUDGET | 2017/2018 PROJECTED OUTTURN | 2017/2018 VARIATION | 2018/2019 DRAFT BUDGET |
|--|----------------------------------|-----------------------------------|------------------------|------------------------------|
| | £000 | £000 | £000 | £000 |
| MANAGEMENT FEE | 9,565 | 9,565 | 0 | 9,565 |
| GENERAL FUND SERVICES | 1,819 | 1,889 | 70 | 1,889 |
| OTHER HRA COSTS | 125 | 125 | 0 | 125 |
| CAPITAL CHARGES | 7,958 | 7,961 | 3 | 6,480 |
| PROVISION FOR BAD AND DOUBTFUL DEBTS | 400 | 300 | (100) | 385 |
| <u>RENT & SERVICE CHARGE INCOME DUE</u> | | | | |
| Rental Income | (16,870) | (16,672) | 198 | (16,840) |
| Sheltered Housing | (687) | (693) | (6) | (702) |
| Emergency Housing | (406) | (492) | (86) | (475) |
| Television Service (IRS) | (77) | (76) | 1 | (75) |
| Community Cleaning | (30) | (28) | 2 | (31) |
| Community Lighting | (32) | (31) | 1 | (32) |
| Door Entry Systems | (9) | (9) | - | (9) |
| Gardening Scheme | (79) | (81) | (2) | (75) |
| Grounds Maintenance | (236) | (234) | 2 | (238) |
| <u>OTHER RENTS & CHARGES</u> | | | | |
| Garages | (90) | (83) | 7 | (81) |
| Leasehold | (173) | (165) | 8 | (168) |
| Commercial Rents | (5) | (7) | (2) | (6) |
| Other Income | (150) | (129) | 21 | (130) |
| <u>INTEREST INCOME</u> | | | | |
| Interest on Revenue Balances | (70) | (70) | - | (122) |
| Mortgage Interest | (1) | (1) | - | - |
| CONTRIBUTION (TO) / FROM WORKING BALANCES | 952 | 1,069 | 117 | (540) |

| WORKING BALANCES | 2017/2018 FULL YEAR BUDGET | 2017/2018 PROJECTED OUTTURN | 2017/2018 VARIATION | 2018/2019 DRAFT BUDGET |
|---|----------------------------------|-----------------------------------|------------------------|------------------------------|
| | £000 | £000 | £000 | £000 |
| BALANCE AT 1ST APRIL | (6,999) | (6,857) | 142 | (5,788) |
| CONTRIBUTION (TO) / FROM WORKING BALANCES | 952 | 1,069 | 117 | (540) |
| BALANCE AT 31ST MARCH | (6,047) | (5,788) | 259 | (6,328) |

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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 2018/2019
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-17 | 1.48 | 1.52 | 2.70% | } 0.9 |
| | Fortnightly Clean | April-17 | 1.03 | 1.06 | 2.91% | |
| | Monthly Clean | April-17 | 0.56 | 0.58 | 3.57% | |
| <u>Communal Lighting</u> | Low and Medium Rise Blocks | April-17 | 0.51 | 0.51 | 0.00% | 0 |
| <u>Door Entry Systems</u> | Low and Medium Rise Blocks | April-17 | 0.34 | 0.34 | 0.00% | 0 |
| <u>Grounds Maintenance</u> | Open space grounds maintenance | April-17 | 1.07 | 1.09 | 1.87% | 4.7 |
| | | | | | | 5.6 |

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 - HOUSING REVENUE ACCOUNT
REVIEW OF FEES AND CHARGES 2018/2019

| 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-17 | 24.26 | 24.98 | 2.97% | } 11.2 |
| | Other Sheltered Schemes | April-17 | 8.50 | 8.76 | 3.06% | |
| Housing Benefit Eligible Service Charges | Alarm System | April-17 | 3.89 | 4.00 | 2.83% | } 4.6 |
| | Dunsop Court Communal Costs | April-17 | 8.40 | 8.40 | 0.00% | |
| | | | | | | 15.8 |
| Community Centres | Dunsop Court | April-17 | 4.40 | 4.40 | 0.00% | } 0.0 |
| | Sheltered Sites with attached Community Centre | April-17 | 2.51 | 2.51 | 0.00% | |
| | Other Sheltered Sites with Access to Community Centre | April-17 | 1.27 | 1.27 | 0.00% | |
| | Private Use of Community Centres | | | | | } 3.0 |
| | - Per Hour (Non Profit Groups) | April-17 | 5.00 | 6.00 | 20.00% | |
| | - Per Hour (Profit-making Groups) | April-17 | 10.00 | 12.00 | 20.00% | |
| Hostels | Housing Benefit Eligible Service Charge | | | | | } 11.4 |
| | - 1 Bed Unit | April-17 | 6.56 per day | 6.76 per day | 3.05% | |
| | - 2 Bed Unit | April-17 | 13.18 per day | 13.57 per day | 2.96% | |
| | - 4 Bed Unit | April-17 | 26.30 per day | 27.09 per day | 3.00% | |
| | - 5 Bed Unit | April-17 | 32.89 per day | 33.87 per day | 2.98% | |
| Housing Benefit Ineligible Service Charge | April-17 | 2.00 per day | 2.10 per day | 5.00% | | |
| Intensive Housing Management | April-17 | 9.10 per day | 9.40 per day | 3.30% | | |
| HRA Garages | HRA Tenants - | | | | | } 2.3 |
| | 1st Letting | April-17 | 6.77 | 6.97 | 2.95% | |
| | Additional Letting | April-17 | 6.77 (+VAT) | 6.97 (+VAT) | 2.95% | |
| Non-HRA Tenants | April-17 | 6.77 (+VAT) | 6.97 (+VAT) | 2.95% | | |
| Water Charge | April-17 | 0.38 | 0.38 | 0.00% | | |
| Wired Vision/ Satellite TV | Wired Vision | April-17 | 0.57 (+VAT) | 0.57 (+VAT) | 0.00% | 0.0 |
| Dunsop Court | Heating Charge | April-17 | 6.80 | 6.80 | 0.00% | } 0.0 |
| | Water - Tenants | April-17 | 4.62 | 4.62 | 0.00% | |
| Other Charges | Assisted Gardening Scheme | April-17 | 7.63 | 7.22 | -5.37% | -4.2 |
| Miscellaneous Charges | Any other services will be charged for on a full cost basis. | | | | | |
| | | | | | | 12.5 |

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 2018/19

| CLASSIFICATION | DESCRIPTION OF CHARGE | DATE OF LAST REVISION | EXISTING CHARGE £ | RECOMMENDED CHARGE £ | INCREASE % | ADDITIONAL INCOME £000's | |
|------------------------------|--|-----------------------|----------------------|-------------------------|------------|-----------------------------|-----|
| <u>General Fund Garages</u> | HRA Tenants - | | | | | } | |
| | 1st Letting (Residential) | April-17 | 6.77 | 6.97 | 2.95% | | 0.4 |
| | Additional Letting (Residential) | April-17 | 6.77 (+VAT) | 6.97 | 2.95% | | |
| | Non-HRA Tenants (Residential) | April-17 | 6.77 (+VAT) | 6.97 | 2.95% | | |
| | Commercial Tenants | April-17 | 12.00 (+VAT) | 12.00 | 0.00% | | |
| Water Charge | April-17 | 0.38 | 0.38 | 0.00% | | | |
| <u>Traveller Site</u> | Site Charge | April-17 | 97.92 | 97.92 | 0.00% | } | |
| | Water Charge | April-17 | 9.22 | 9.22 | 0.00% | | 0 |
| <u>Miscellaneous Charges</u> | Any other services will be charged for on a full cost basis. | | | | | | |
| | | | | | | 0.4 | |

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