

Public Document Pack

Dear Councillor

EXECUTIVE - MONDAY, 4 FEBRUARY, 2019

Please find attached updated the appendices related to the Proposed Rent Review Item for the Monday 4 February, 2019 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 27 February 2019, please bring this document to either meeting if you are attending.

Agenda No Item

7 **PROPOSED RENT REVIEW 2019/20 (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
4 FEBRUARY 2019

PROPOSED RENT REVIEW – 2019/20

1 Introduction

- 1.1 As part of the preparation of the draft 2019/2020 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 2019/20. This is after the proposed changes to rents and charges.

2. Projected Outturn 2018/2019

- 2.1 The projected outturn position for the Housing Revenue Account is also detailed at Appendix A. The main reason for the variation in revenue items in 2018/19 is a reduction of £194k 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. This project is now very close to completion, and the Council is taking steps to recover lost rental income from the developer.
- 2.2 There is a projected in year contribution from balances of £588k, compared to a budgeted surplus of £540k; this is a negative variation of £1,128k. This reduction in balances reflects a planned revenue contribution to capital to fund the Queens Park regeneration and additional capital programmes approved at Troutbeck Crescent, Mereside, and the former Hoyle House site on Grange Park which were not approved at the time of budget setting. Audited balances brought forward on 1 April 2018 were £5,870k, therefore projected balances on 31 March 2019 are £5,282k.

- 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 and Assistant Chief Executive also receive quarterly budget information on the Housing Revenue Account and explanations for any significant variances in performance.

3. Housing Revenue Account Budget 2019/20

Blackpool Coastal Housing Management Fee

- 3.1 The management fee for Blackpool Coastal Housing in 2019/20 will be £9,756,300. This includes an increase to cover the local government pay award, following several years of frozen fee levels. The company will continue to strive to increase efficiency however, with any surpluses that can be generated being reinvested or returned to the Housing Revenue Account.

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. 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. In 2019/20 there may be a residual impact of this, but the main pressures on income will be the full rollout of Universal Credit and other redevelopment activity (on Mereside and Grange Park as referred to above).

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 a priority.
- 3.5 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 Repairs Team has been through a root and branch restructure, which was 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 it has voluntarily adopted the elements of it which can be applied in a wholly owned Council company context.

Capital Programme

- 3.6 The revenue contribution to the capital programme is expected to be in the region of £7,305k in 2019/20 (from £6,013k budget in 2018/19). This is to fund the agreed redevelopment referred to earlier in this report 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. 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 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 government has recently announced the abolition of the debt cap on the Housing Revenue Account. In practice this puts the Housing Revenue Account into a similar position to the General Fund with regard to capital investment appraisal, in that there is no maximum level of borrowing that can be undertaken but a robust assessment needs to be undertaken to ensure that proposed schemes cover their costs. In exceptional circumstances it could be justifiable to undertake individual investments that do not break even in the required timeframe, but these would need to be offset by surpluses from other schemes.

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 It is 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 2017 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, but assuming it comes into force the Council's Housing Revenue Account would benefit accordingly.

6. Rent Change for 2019/20

- 6.1 There is a requirement that a 1% rent reduction is applied to all social housing tenancies in 2019/20, as stated in section 5 this is the last year this applies to. For general rent properties Blackpool's current average rent is £67.72 per week. The current average rent for affordable rent properties is £89.61 per week. Under the proposed 1% rent reduction, in 2019/20 these will reduce to £67.04 for general rent properties and £88.71 for affordable rent properties.
- 6.2 Each 1% of rent not charged impacts on the budget adversely by £166,000. In terms of the impact on the Housing Revenue Account the financial impact will also feed through into future years, and there is also the opportunity for rent increases foregone. This requires the Council and Blackpool Coastal Housing to drive out further value in repairs, maintenance and capital investment activity on the stock to ensure that the Housing Revenue Account continues to be financially healthy.

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 2019/20 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. It is not proposed to increase service charges as they remain in line with the current costs of providing those services.

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 a frozen charge be applied to rents of other properties managed by Blackpool Coastal Housing including non- Housing Revenue Account garages and the charges for the travellers' site.

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 2019/20 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
BUDGET 2019/2020

FUNCTIONS	2018/2019 FULL YEAR BUDGET	2018/2019 PROJECTED OUTTURN	2018/2019 VARIATION	2019/2020 DRAFT BUDGET
	£000	£000	£000	£000
MANAGEMENT FEE	9,565	9,565	-	9,756
GENERAL FUND SERVICES	1,889	1,889	-	1,889
OTHER HRA COSTS	125	125	-	125
CAPITAL CHARGES	6,480	7,425	945	7,757
PROVISION FOR BAD AND DOUBTFUL DEBTS	385	385	-	385
<u>RENT & SERVICE CHARGE INCOME DUE</u>				
Rental Income	(16,840)	(16,646)	194	(16,735)
Sheltered Housing	(702)	(703)	(1)	(703)
Emergency Housing	(475)	(515)	(40)	(499)
Television Service (IRS)	(75)	(77)	(2)	(73)
Community Cleaning	(31)	(27)	4	(25)
Community Lighting	(32)	(31)	1	(30)
Door Entry Systems	(9)	(8)	1	(8)
Gardening Scheme	(75)	(76)	(1)	(74)
Grounds Maintenance	(238)	(235)	3	(232)
<u>OTHER RENTS & CHARGES</u>				
Garages	(81)	(83)	(2)	(84)
Leasehold	(168)	(168)	-	(168)
Commercial Rents	(6)	(4)	2	-
Other Income	(130)	(118)	12	(120)
<u>INTEREST INCOME</u>				
Interest on Revenue Balances	(122)	(109)	13	(104)
CONTRIBUTION (TO) / FROM WORKING BALANCES	(540)	589	1,129	1,057

WORKING BALANCES	2018/2019 FULL YEAR BUDGET	2018/2019 PROJECTED OUTTURN	2018/2019 VARIATION	2019/2020 DRAFT BUDGET
	£000	£000	£000	£000
BALANCE AT 1ST APRIL	(5,788)	(5,870)	(82)	(5,281)
CONTRIBUTION (TO) / FROM WORKING BALANCES	(540)	589	1,129	1,057
BALANCE AT 31ST MARCH	(6,328)	(5,281)	1,047	(4,224)

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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 2019/2020
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-18	1.52	1.52	0.00%	} 0
	Fortnightly Clean	April-18	1.05	1.05	0.00%	
	Monthly Clean	April-18	0.58	0.58	0.00%	
<u>Communal Lighting</u>	Low and Medium Rise Blocks	April-18	0.51	0.51	0.00%	0
<u>Door Entry Systems</u>	Low and Medium Rise Blocks	April-18	0.34	0.34	0.00%	0
<u>Grounds Maintenance</u>	Open space grounds maintenance	April-18	1.09	1.09	0.00%	0
						0

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NB ALL CHARGES EXCLUDE VAT UNLESS INDICATED

Notes
 1. All charges are per week unless otherwise stated, based on a 53-week rent year (Mon 1st April 19 - Sun 5th April 20).

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BLACKPOOL BOROUGH COUNCIL
SERVICE - HOUSING REVENUE ACCOUNT
REVIEW OF FEES AND CHARGES 2019/2020

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-18	24.98	24.98	0.00%	}
	Other Sheltered Schemes	April-18	8.76	8.76	0.00%	
Housing Benefit Eligible Service Charges						
	Alarm System	April-18	4.00	4.00	0.00%	}
	Dunsop Court Communal Costs	April-18	8.40	8.40	0.00%	
						0
Community Centres						
	Dunsop Court	April-18	4.39	4.39	0.00%	}
	Sheltered Sites with attached Community Centre	April-18	2.51	2.51	0.00%	
	Other Sheltered Sites with Access to Community Centre	April-18	1.26	1.26	0.00%	
	Private Use of Community Centres					}
	- Per Hour (Non Profit Groups)	April-18	6.00	6.00	0.00%	
	- Per Hour (Profit-making Groups)	April-18	12.00	12.00	0.00%	
Hostels						
	Housing Benefit Eligible Service Charge					}
	- 1 Bed Unit	April-18	6.76 per day	6.76 per day	0.00%	
	- 2 Bed Unit	April-18	13.57 per day	13.57 per day	0.00%	
	- 4 Bed Unit	April-18	27.09 per day	27.09 per day	0.00%	
	- 5 Bed Unit	April-18	33.87 per day	33.87 per day	0.00%	
	Housing Benefit Ineligible Service Charge	April-18	2.10 per day	2.10 per day	0.00%	}
	Intensive Housing Management	April-18	9.40 per day	9.40 per day	0.00%	
HRA Garages						
	HRA Tenants -					}
	1st Letting	April-18	6.97	6.97	0.00%	
	Additional Letting	April-18	6.97 (+VAT)	6.97 (+VAT)	0.00%	
	Non-HRA Tenants	April-18	6.97 (+VAT)	6.97 (+VAT)	0.00%	}
	Water Charge	April-18	0.38	0.38	0.00%	
Wired Vision/ Satellite TV						
	Wired Vision	April-18	0.56 (+VAT)	0.56	0.00%	}
	Heating Charge	April-18	6.80	6.80	0.00%	
Dunsop Court						
	Water - Tenants	April-18	4.62	4.62	0.00%	}
	Assisted Gardening Scheme	April-18	7.22	7.22 (+VAT)	0.00%	
Other Charges						
	Any other services will be charged for on a full cost basis.					}

NB ALL CHARGES EXCLUDE VAT UNLESS INDICATED

Notes

1. All charges are per week unless otherwise stated, based on a 53-week rent year (Mon 1st April 19 - Sun 5th April 20).

APPENDIX D

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BLACKPOOL BOROUGH COUNCIL
SERVICE - GENERAL FUND HOUSING
REVIEW OF FEES AND CHARGES 2019/20

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-18	6.97	6.97	0.00%	} 0
	Additional Letting (Residential)	April-18	6.97 (+VAT)	6.97 (+VAT)	0.00%	
	Non-HRA Tenants (Residential)	April-18	6.97 (+VAT)	6.97 (+VAT)	0.00%	
	Commercial Tenants	April-18	12.00 (+VAT)	12.00 (+VAT)	0.00%	
Water Charge	April-18	0.38	0.38	0.00%		
<u>Traveller Site</u>	Site Charge	April-18	97.92	97.92	0.00%	} 0
	Water Charge	April-18	9.22	9.22	0.00%	
<u>Miscellaneous Charges</u>	Any other services will be charged for on a full cost basis.					0
						0

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