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Dear Councillor

EXECUTIVE - MONDAY, 20 JANUARY, 2020

Please find attached updated the appendices related to the Proposed Rent Review for the Monday, 20 January, 2020 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 12 February 2020, please bring this document to either meeting if you are attending.

Agenda No Item

3 **PROPOSED RENT REVIEW 2020/2021 (Pages 1 - 12)**

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
20 JANUARY 2020

PROPOSED RENT REVIEW – 2020/21

1 Introduction

- 1.1 As part of the preparation of the draft 2020/2021 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 2020/21. This is after the proposed changes to rents and charges.

2. Projected Outturn 2019/2020

- 2.1 The projected outturn position for the Housing Revenue Account is also detailed at Appendix A. The main reason for the variation against budget in 2019/20 is the levels of revenue funding required for the Troutbeck development being lower due to variation in the timing of the project.
- 2.2 There is a projected in year contribution to balances of £210k, compared to a budgeted deficit of £1,057k; this is a positive variation of £1,267k. Audited balances brought forward on 1 April 2019 were £5,705k, therefore projected balances on 31 March 2020 are £5,915k.
- 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 three 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 2020/21

Blackpool Coastal Housing Management Fee and Management Agreement

- 3.1 The management fee for Blackpool Coastal Housing in 2020/21 will be £9,826k. This is frozen at the same level as in 2019/20, other than £70k for additional posts already agreed and being funded from additional service charges implemented during the current year. The company will be expected to cover inflation wage increases and other budget pressures by generating efficiencies. There will be significant additional pressure by adopting a frozen fee policy as a result of increased pension contributions and wage and salary inflation on top of increased costs in supplies and services. It is likely that in addition to applying efficiency measures across all areas that some level of balances will need to be applied with the risk that they slip below recommended levels.
- 3.2 The original management agreement between the Council and Blackpool Coastal Housing for managing the Council housing stock is due to expire in 2021. In anticipation of this the Council have commissioned the Housing Quality Network (HQN) to review Blackpool Coastal Housing's performance and options for future management of Council housing. This is scheduled to take place early in the New Year.

Treasury Management

- 3.3 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

- 3.4 Rental income is based upon targeted occupancy levels and collection rates. Total rental income has been broadly in line with budget in 2019/20, with the Queens Park redevelopment completed and available for lettings. Issues relating to Universal Credit have continued to make rent collection more challenging, but software solutions continue to be utilised to compensate for this by making rent collection activity more efficient.

Value for Money (VFM)

- 3.5 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 low. The Housing Quality Network review of Blackpool Coastal Housing referred

to in 3.2 above will provide external assessment of the efficiency with which services funded from the Housing Revenue Account are managed.

Capital Programme

- 3.6 The revenue contribution to the Capital Programme is expected to be in the region of £8,946k in 2020/21 (from £7,305k budget in 2019/20). This is to fund 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 In 2018 the government announced the abolition of the debt caps on local authority Housing Revenue Accounts. 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 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.
- 5.2 In October 2017 the Government announced that at the end of the period of rent cuts in March 2020 there would be a five year period where maximum increases would return to CPI plus 1%. This remains the current policy, and given the CPI figure is based on the preceding September means that the maximum rent increase allowed in 2020/21 is 2.7%.

6. Rent Change for 2020/21

- 6.1 Following the rent reductions in 2019/20 the current average rent charged in Blackpool reduced to £67.23 for general rent properties and £90.46 for affordable rent properties. It is proposed that rents for all Housing Revenue Account homes increase at 2.7% (CPI+1%) in 2020/21.
- 6.2 This is because there has been a fall in the amount of funding available for potential investment in Council housing in Blackpool following four years of nationally determined reductions in rent levels. The proposed Council Homes Investment Plan 2020-25 sets out plans for significant new investment in existing homes and in developing and acquiring new Council housing. The delivery of this investment relies on rents being increased at CPI+1%.
- 6.3 Vacant properties will continue to be let at the formula/target rent. This is a policy that Blackpool has adopted for several years now.

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
 - 'Satellite' Television Systems
 - Communal Cleaning
 - Door Entry Systems
 - Sheltered Community Centres
 - Grounds Maintenance
 - Intensive Housing Management
 - Community Centres
 - Fitted Furnishings
- 7.3 All of these service charges are eligible for Housing Benefit / Universal Credit in general needs stock, some ineligible services are provided within hostel accommodation.
- 7.4 Attached at Appendix B is the proposed service charges for 2020/21 relating to Housing Revenue Account services. Existing service charges are shown for each service, with a proposed new charge based on cost of provision. It is proposed to increase service charges by CPI+1% because the costs of providing those services are currently not fully met from the service charges.

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 these charges be increased in line with those for general rents, but Chapel Road pitch fees are to be increased in line with CPI (1.7%) to reflect general increases in costs. This increase is less than the proposed increases in rents for Housing Revenue Account homes because pitch fees have not been subject to rent reductions over the last 4 years.

8. Recommendations for Executive to Recommend To Full Council

- 8.1 It is proposed that an across the board 2.7% rent increase is implemented for all Housing Revenue Account properties in 2020/21 as outlined in section 6.
- 8.2 It has previously been agreed by the Council to retain a minimum level of HRA balances of £1,000,000. 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 Housing Revenue Account service charges (as detailed in Appendix B) and other General Fund service charges (as detailed in Appendix C) are charged as recommended.

A LOCKLEY

Director of Strategy and Assistant Chief Executive

S THOMPSON

Director of Resources

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HOUSING REVENUE ACCOUNT

DRAFT BUDGET 2020/2021

FUNCTIONS	2019/2020 FULL YEAR BUDGET	2019/2020 PROJECTED OUTTURN	2019/2020 VARIATION	2020/2021 DRAFT BUDGET
	£000	£000	£000	£000
MANAGEMENT FEE	9,756	9,783	27	9,826
GENERAL FUND SERVICES	1,889	1,889	-	1,889
OTHER HRA COSTS	125	125	-	275
CAPITAL CHARGES	7,757	6,452	(1,305)	9,333
PROVISION FOR BAD AND DOUBTFUL DEBTS	385	385	-	385
<u>RENT & SERVICE CHARGE INCOME DUE</u>				
Rental Income	(16,735)	(16,703)	32	(17,268)
Sheltered Housing	(703)	(702)	1	(728)
Emergency Housing	(499)	(489)	10	(534)
Other Supported Housing	-	(4)	(4)	(38)
Satellite Television Systems	(73)	(72)	1	(74)
Community Cleaning	(25)	(25)	-	(26)
Community Lighting	(30)	(30)	-	(31)
Door Entry Systems	(8)	(8)	-	(8)
Gardening Scheme	(74)	(76)	(2)	(77)
Grounds Maintenance	(232)	(232)	-	(238)
<u>OTHER RENTS & CHARGES</u>				
Garages	(84)	(81)	3	(87)
Leasehold	(168)	(165)	3	(168)
Commercial/Other Rents	-	(17)	(17)	(67)
Other Income	(120)	(136)	(16)	(90)
<u>INTEREST INCOME</u>				
Interest on Revenue Balances	(104)	(104)	-	(145)
CONTRIBUTION (TO) / FROM WORKING BALANCES	1,057	(210)	(1,267)	2,129

WORKING BALANCES	2019/2020 FULL YEAR BUDGET	2019/2020 PROJECTED OUTTURN	2019/2020 VARIATION	2020/2021 DRAFT BUDGET
	£000	£000	£000	£000
BALANCE AT 1ST APRIL	(5,281)	(5,705)	(424)	(5,915)
CONTRIBUTION (TO) / FROM WORKING BALANCES	1,057	(210)	(1,267)	2,129
BALANCE AT 31ST MARCH	(4,224)	(5,915)	(1,691)	(3,786)

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BLACKPOOL BOROUGH COUNCIL
SERVICE - HOUSING REVENUE ACCOUNT
REVIEW OF FEES AND CHARGES 2020/21

CLASSIFICATION	DESCRIPTION OF CHARGE	DATE OF LAST REVISION	EXISTING CHARGE	RECOMMENDED CHARGE	INCREASE %	ADDITIONAL INCOME
			£	£		£000's
Communal Area Cleaning and Caretaking	Weekly Clean	April-19	1.51	1.55	2.70%	} 0.7
	Fortnightly Clean	April-19	1.05	1.08	2.70%	
	Monthly Clean	April-19	0.58	0.60	2.70%	
Communal Lighting	Low and Medium Rise Blocks	April-19	0.51	0.52	2.70%	0.8
Door Entry Systems	Low and Medium Rise Blocks	April-19	0.34	0.35	2.70%	0.2
Grounds Maintenance	Open space grounds maintenance	April-19	1.09	1.12	2.70%	6.2
Supported Housing Service Charges	Alarm System	April-19	4.00	4.10	2.70%	} 4.5
	Alarm System (Hoyle)	April-19	17.15	17.61	2.70%	
	Intensive Housing Management					} 10.4
	Dunsop Court	April-19	24.98	25.65	2.70%	
	Other Sheltered Schemes	April-19	8.76	9.00	2.70%	
	Dunsop Court					} 1.2
	Communal Costs	April-19	8.40	8.63	2.70%	
	Heating	April-19	6.80	6.99	2.70%	
	Water	April-19	4.62	4.74	2.70%	
Community Centres	Dunsop Court	April-19	4.39	4.51	2.70%	} 2.6
	Sheltered Sites with attached Community Centre	April-19	2.51	2.58	2.70%	
	Other Sheltered Sites with Access to Community Centre	April-19	1.26	1.30	2.70%	
	Private Use of Community Centres					} 0.0
	- Per Hour (Non Profit Groups)	April-19	6.00	6.00	0.00%	
	- Per Hour (Profit-making Groups)	April-19	12.00	12.00	0.00%	
Hostels	Housing Benefit Eligible Service Charge					} 10.4
	- 1 Bed Unit	April-18	6.76 per day	6.94 per day	2.70%	
	- 2 Bed Unit	April-18	13.57 per day	13.94 per day	2.70%	
	- 4 Bed Unit	April-18	27.09 per day	27.82 per day	2.70%	
	- 5 Bed Unit	April-18	33.87 per day	34.78 per day	2.70%	
	Housing Benefit Ineligible Service Charge	April-18	2.10 per day	2.16 per day	2.70%	
	Intensive Housing Management	April-18	9.40 per day	9.65 per day	2.70%	
	Dispersed - Intensive Housing Management	April-19	88.00	90.38	2.70%	} 0.3
	Dispersed - Housing Benefit Eligible Service Charge	April-19	72.22	72.22	0.00%	
Other Supported Housing	Intensive Housing Management	April-19	72.00	73.94	2.70%	1.0
HRA Garages	HRA Tenants -					} 2.3
	1st Letting	April-19	6.97	7.16	2.70%	
	Additional Letting	April-19	6.97 (+VAT)	7.16 (+VAT)	2.70%	
	Non-HRA Tenants	April-19	6.97 (+VAT)	7.16 (+VAT)	2.70%	
	Water Charge	April-19	0.38	0.39	2.70%	
Satellite Television Systems		April-19	0.56	0.58	2.70%	2.0
Other Charges	Assisted Gardening Scheme	April-19	7.22 (+VAT)	7.41 (+VAT)	2.70%	2.0
	Hoyle House -					} 0.0
Infrastructure	April-19	3.14	3.14	0.00%		
	Fitted Furnishings	April-19	4.51	4.51	0.00%	
Miscellaneous Charges	Any other services will be charged for on a full cost basis					
						44.6

Notes

1. All charges exclude VAT unless indicated
2. All charges are per week unless otherwise stated, based on a 52 week year

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BLACKPOOL BOROUGH COUNCIL
SERVICE - GENERAL FUND HOUSING
REVIEW OF FEES AND CHARGES 2020/21

CLASSIFICATION	DESCRIPTION OF CHARGE	DATE OF LAST REVISION	EXISTING CHARGE £	RECOMMENDED CHARGE £	INCREASE %	ADDITIONAL INCOME £000's
<u>General Fund Garages</u>	HRA Tenants -					} 0.8
	1st Letting (Residential)	April-19	6.97	7.16	2.70%	
	Additional Letting (Residential)	April-19	6.97 (+VAT)	7.16 (+VAT)	2.70%	
	Non-HRA Tenants (Residential)	April-19	6.97 (+VAT)	7.16 (+VAT)	2.70%	
	Commercial Tenants	April-19	12.00 (+VAT)	12.32 (+VAT)	2.70%	
	Water Charge	April-19	0.38	0.39	2.70%	
<u>Traveller Site</u>	Site Charge	April-19	97.92	99.58	1.70%	} 2.4
	Water Charge	April-19	9.22	9.38	1.70%	
<u>Miscellaneous Charges</u>	Any other services will be charged for on a full cost basis.					3.2

Notes

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