

BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF STRATEGY AND ASSISTANT CHIEF EXECUTIVE
and
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
25 JANUARY 2021

PROPOSED RENT REVIEW – 2021/22

1 Introduction

- 1.1 As part of the preparation of the draft 2021/2022 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 2b is the draft Budget for the Housing Revenue Account for the year 2021/22. This is after the proposed changes to rents and charges.

2. Projected Outturn 2020/2021

- 2.1 The projected outturn position for the Housing Revenue Account is also detailed at Appendix 2b. The main reasons for the variation against budget in 2020/21 is the impact of the covid pandemic on rent collection levels which although holding up quite well are somewhat below budget, and to a lesser extent rental income foregone due to delays in the Troutbeck redevelopment due to the pandemic. Increases in the Blackpool Coastal Housing management fee in year were due to agreed increases in services provided including William Lyons House and dispersed intensive housing management and these are offset by a positive variation in income for service charge income.
- 2.2 There is a projected in year contribution from balances of £2,354k, compared to a budgeted deficit of £2,129k; this is a negative variation of £225k. Audited balances brought forward on 1 April 2020 were £4,830k, therefore projected balances on 31 March 2021 are £2,476k.

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.

3.0 **Housing Revenue Account Budget 2021/22**

Blackpool Coastal Housing Management Fee and Management Agreement

3.1 The management fee for Blackpool Coastal Housing in 2021/22 will be £10,360k. There is an uplift from the fee in 2020/21 largely for new services agreed with the Council's Housing Client, and to cover additional Council service level agreement charges to reflect the actual cost of providing these following historic under charging. Remaining increases relate to procurement of new software to help maintain rent collection in the context of the pandemic, and the national pay award for staff earning below £24k.

3.2 With regard to the expiry of the Blackpool Coastal Housing management agreement due this March, the review of Blackpool Coastal Housing by the Housing Quality Network (HQN) referred to in last year's rent report has taken place. The report was generally very positive and the Council has agreed a five year extension to the management agreement. The Council and both its housing companies have also reiterated their commitment to increased joint working and collaboration to achieve the greatest impact on housing provision in the town from the available resources.

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 is below that forecast in the Housing Revenue Account budget for the year; this is due to the Covid pandemic which has caused significant financial difficulties for some tenants and removed the option of court proceeding temporarily. Issues relating to Universal Credit have also 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. As referred to in 3.1 above further efficiencies from improved management information are being progressed through an invest to save initiative.

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 was favourable in its assessment of the value for money of Blackpool Coastal Housing and the Council housing client function. This should stand the Council in good stead in terms of the extension of some regulation to Arms Length Management Organisations and Council landlords in the Social Housing White Paper.
- 3.6 Blackpool Coastal Housing is exploring options relating to accommodation in line with the anticipated increase in agile working following the experience in the pandemic. A number of contracts are also due out for re-tendering and it is anticipated further efficiencies will be generated from these to continue to drive out further value in the Housing Revenue Account.

Capital Programme

- 3.7 The revenue contribution to the capital programme is expected to be in the region of £8,360k in 2021/22 (from £8,946k budget and projected outturn in 2020/21). 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, however it is anticipated that external borrowing will be required during the year to fund the Troutbeck (Mereside) redevelopment in particular. The Housing Revenue Account is an outlier nationally in terms of the extremely low levels of borrowing, and the Council Housing Investment Programme reflects a commitment to prudent external borrowing to finance additional housing development.

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 2017 the Government announced that at the end of the four year period of 1% 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. The CPI figure is based on the twelve month rate as at the preceding September, as this was 0.5% the maximum rent increase allowed in 2021/22 for social rent properties is 1.5%.
- 5.2 The annual rent increase applied to formula rent increase properties from 1 April 2021 is 1.5%.

6. Rent Change for 2021/22

- 6.1 In 2020/21 the average rent charged in Blackpool was £69.25 for general rent properties and £92.91 for affordable rent properties.
- 6.2 It is proposed that rents for all Housing Revenue Account homes increase at 1.5% (CPI+1%) in 2021/22. 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 up to 2018/19. The proposed increase is in line with the previously agreed investment plan and the national formula. The economic situation given the Covid pandemic needs to be considered, though all Blackpool Council rents including affordable rents are eligible for local housing allowance and tenants meeting eligibility criteria will receive an element in their Universal Credit payment covering the whole rent.
- 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. These charges should reflect the level of costs to provide the services including any administration and should not be used to 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 2c is the proposed service charges for 2021/22 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 freeze all service charges for the financial year 2021/22 given low rates of inflation and the impacts of the pandemic on tenants and other customers.

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 frozen for 2021/22 in line with Housing Revenue Account service charges as at 7.4