

Lead Officer(s): Directors of Housing Management and Resources

Wards: All

Agenda Item:- 6

Subject: HOUSING REVENUE ACCOUNT RENT, SERVICE CHARGE,
GARAGE RENT AND BUDGET SETTING – 2015/16

REVISED VERSION

1. DRAFT RECOMMENDATIONS

The Panel are asked to comment on:

- 1.1 Proposed rent increases for all Council tenants for 2015/16, in line with Government social rent policy. The average rent increase will be 2.2%;
- 1.2 That the full cost of services provided to those tenants who receive caretaking, grounds maintenance and bulk refuse collection services continue to be recovered via tenants service charges, this being achieved with a 2.2% increase;
- 1.3 Proposed charges for garage and parking space rents increase by 2.2%;
- 1.4 Heating charges for Council tenants remain unchanged, see detailed in **Appendix 2**;
- 1.5 The proposed budget for the Housing Revenue and Capital Accounts for 2015/16.

2. EXECUTIVE SUMMARY

- 2.1 This report provides information on the proposed rent increase for Council housing tenants for the financial year 2015/16 and other charges for tenants for 2015/16.
- 2.2 The report also provides information on the Housing Revenue Account (HRA) budget for the financial year 2015/16 (**Appendix 1**), a breakdown of the draft Housing Investment Programme (**Appendix 3**), and graphs showing a breakdown of income and expenditure (**Appendix 4**).

3. HOUSING REVENUE ACCOUNT

- 3.1 The HRA is the main business account for the housing service. It continues to be a ring-fenced account, funded primarily from tenants' rents. The services provided to tenants, for example: responsive repairs, management services and caretaking, are paid for from this account.

- 3.2 Long term financial planning is based on the HRA 30 year business plan which is updated annually to reflect actual expenditure, changes in stock numbers and financial projections.

HRA Self-Financing

- 3.3 As a consequence of the system of self-financing introduced by the Localism Act 2011, from 1 April 2012 Croydon's Housing Revenue Account (HRA) took on an additional debt of **£223.126m**.
- 3.4 The 'valuation' of the additional debt was based on 30 year subsidy calculations for Croydon, discounted to a current value. The Council borrowed money to make a one off payment to Government. This loan is financed, and needs to be repaid from the HRA after 30 years.
- 3.5 The following assumptions have been included within the latest HRA business plan:
- In line with the revised Government social rents policy, from 2015/16 onwards, rents will continue to rise at **CPI plus 1%**.
 - Increased investment in new council homes of **£10m** in 2015/16, with a total of **£28m** to be spent by 2018/19.
 - All homes to be maintained to the decent home standard over time.

4. HRA Budget – 2015/16

- 4.1 The attached Appendix 1 provides a draft budget for the HRA for 2015/16 based on the proposed rent and service charge increases.
- 4.2 The main changes proposed to the HRA for 2015/16 are identified below. The budget will ensure that existing services are maintained and allow for an increased level of investment in the repair and improvement of homes.

4.3 Increases in Rent

Rent restructuring ended in 2014/15, with the rent increase for 2015/16 being based on the new Government social rent guidelines. Both rent and service charges are covered by housing benefit, although a small number of tenants (large families) will have been affected by the introduction of the benefit cap which limits total weekly benefit payments to £500.

The proposed rent increase for 2015/16 has therefore been applied according to the new Government social rent guidelines. Rent and service charge increases are limited to consumer price index (CPI) at September 2014 + 1%. The September 2014 CPI was 1.2%.

The proposal that the Council increases rents by 2.2% from April 2015 will ensure that the long term sustainability of the HRA remains, together with the ability to repay the Self-Financing loan.

4.4 Service Charges

The unpooled service charge for caretaking, grounds maintenance and bulk refuse collection will increase in line with the Government social rent guidelines. It is proposed that the charges for 2015/16 will therefore be:

- Caretaking – £9.98pw (an increase of £0.21)
- Grounds maintenance and refuse collection - £2.05pw (an increase of £0.04)

4.6 Heating Charges

Only a small number of tenants use communal heating systems and are charged a fixed weekly amount for the gas they use. Apart from the Handcroft Road Estate all other schemes are retirement housing schemes for older people. The way in which Croydon purchases energy changed in 2009 by entering a bulk purchasing consortium and as a result it is proposed that heating charges will not be changed from 2014/15. See Appendix 2 for details on weekly heating charges. The proposal is that heating charges are not increased in 2015/16.

4.7 Garages and Parking Spaces

It is proposed that the rents for garages and parking spaces in 2015/16 will increase in line with dwellings rents by 2.2%.

5 Draft housing investment programme

- 5.1 The table below sets out the summary of proposed expenditure in 2015/16 compared with 2014/15. In total, the resources for all purposes – responsive repairs, major repairs and improvements, and measures to increase housing supply, have increased by £0.389m to £53.269m.

Table 1

Housing Supply	2014/15 £000	2015/16 £000
Assisted Private Purchase Scheme (APPS)	500	500
Special Transfer Payments	250	250
Larger Homes	100	100
New Build Council Housing	6,000	10,000
Sub-Total	6,850	10,850
Repair and Improvements	29,771	29,771
Total capital expenditure	36,721	40,621
Responsive and Cyclical Repairs Budgets	12,259	12,648
Grand Total	48,980	53,269

6 Draft Planned Maintenance and Improvement Programme

- 6.1 It is proposed that the annual planned maintenance and improvement budget, which is used for maintaining homes at the decent home standard and for other major works to our stock such as external decorations, will be £29.771m, an increase of £15.551m since 2011/12. The Government's decent homes target – that 100% of social homes should meet the standard by 31 March 2011 – was met on time for the council's stock. We will continue to invest in our properties to ensure they are maintained at this standard over time. A breakdown of the repairs and improvements and cyclical budgets is shown in Appendix 3.
- 6.2 The proposed resources for responsive and cyclical repairs will be £12.648m which is a small increase from 2014/15 due to contract inflation. The proposed level of funding will continue to meet the ongoing repairs requirements.

7 Housing Supply

- 7.1 The Housing Revenue Account has traditionally been used to fund a number of supply initiatives to increase the council's housing stock or make better use of the existing stock. These supply measures will enable the council to address local housing need and help tenants who need to move because of overcrowding or other reasons. There is a significant increase of £4m in the new build programme for 2015/16 with a total of £10m being spent on new housing supply.
- 7.2 The Assisted Private Purchase Scheme budget will remain at the current £0.5m. This scheme assists qualifying council tenants to purchase a home in the private sector. The special transfer payments scheme, which provides financial help to under-occupying tenants who move to smaller homes, will remain at £0.25m.

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

8.1 Revenue consequences of report recommendations

	Medium Term Financial Strategy			
	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000
HRA Budget				
Current Budget	88,412	91,046		
Effect of Decision	88,412	91,046	Not known	Not known
	<u>0</u>	<u>0</u>		

- 8.2 The financial considerations are contained in the main body of the report and a high-level summary of the Housing Revenue Account for 2015/16 is provided at Appendix 1.

- 8.3 Although the council borrowed an additional £223.126m as a consequence of the system of self-financing introduced by the Localism Act 2011, the loan is at a fixed low rate of interest, meaning the HRA will not be susceptible to changes in interest rates. The main risk area in the Housing Revenue Account is the programmed works budgets. A well-established monthly monitoring process is in place to assist in the management of expenditure in this area. There is also a risk that there will be an increase in the level of arrears as a result of the rent increase, combined with the changes in the housing benefit under the government's benefit cuts. Mitigation of this impact is dealt with in section 12.2 below.
- 8.4 The development of financial plans for the Housing Revenue Account has involved the consideration of a range of options for investment in Council homes including further investment in existing stock as well as the building of new homes.
- 8.5 The Housing Revenue Account 30 Year Business Plan Model has been updated to reflect the self-financing settlement and the proposed changes in Government rent policy and will be reviewed and updated every 12 months. The HRA is now directly included in the Council's overall financial strategy to ensure alignment of financial governance with other council services.

(Approved by: Lisa Taylor, Head of Finance and Deputy S151 Officer)

9. COMMENTS OF THE COUNCIL SOLICITOR

- 9.1 The Solicitor to the Council comments that under section 25 of the Housing Act 1985 (the Act) the Council has the power to determine reasonable charges for its tenancies and leases, and is required by the Act to review these from time to time and to make such changes as circumstances may require. In addition, the housing authority is required, in exercising its functions under these provisions, to have regard to any relevant standards set under section 193 of the Housing and Regeneration Act 2008
- 9.2 In accordance with the Act the process for varying the rent and charges for secure tenancies and leases is determined by the terms of the tenancy agreement or lease, while for non-secure tenancies section 25 specifies the procedure to be followed. The Council is required to give tenants' written notice of the proposed changes to their rental.

(Approved by: Gabriel MacGregor Head of Corporate Law on behalf of the Council Solicitor and Monitoring Officer)

10. HUMAN RESOURCES IMPACT

- 10.1 There are no immediate Human Resource considerations that arise from the recommendations of this report for LBC staff.

(Approved by: Michael Pichamuthu, Strategic HR Business Partner DASHH, on behalf of Heather Daley, Director of HR)

11. CUSTOMER IMPACT

- 11.1 The proposed HRA budget for 2015/16 includes a rent increase of 2.2%, and increases in service charges of 2.2%. Charges for rent and service charges are eligible for Housing Benefit.

12. EQUALITIES IMPACT

- 12.1 As the Benefit Cap makes no allowance for the higher rents charged in London, large families in all rented tenures who are not in receipt of working tax credit may be affected by the benefit cap and this will make renting anywhere in London unaffordable even based on current rent levels. The increase is in line with the revised Government social rents guidance. The full increase is eligible for housing benefit, although a small number of tenants may be subject to the benefit cap introduced in April 2013. Large families in all rented tenures who are not in receipt of working tax credit are affected by the benefit cap and this will make renting anywhere in London unaffordable to most large families even based on current rent levels. This rent increase will ensure the HRA is properly funded in 2015/16.
- 12.2 Mitigation of the impact of the rent increase on tenants who are not in receipt of housing benefit will be in the form of advice on welfare benefits (from income officers and the four welfare rights advisers dedicated to advising council tenants), referrals to specialist debt counselling, and help with money management. Income officers will continue with the programme of visits to all households affected by the benefit changes, which includes those affected by the benefit cap, and will explain options and refer people to specialist help or to advice sessions where appropriate. The council has also developed a money management campaign, with advice for all residents and money management sessions specifically for council tenants.
- 12.3 The effect of self-financing and the rent increase is a higher level of investment in new housing supply measures and in improving the council's existing stock which will have a positive impact on many groups with protected characteristics because they are more dependent than average on social housing. One of the areas of expenditure which people struggle with is heating costs and this is particularly true for those living in homes which are hard to heat because of their construction or design. The capital programme, next year and in the longer term, will include investment in homes with solid wall construction and other hard-to-heat properties so will be of particular benefit to tenants with the highest heating bills.

13. ENVIRONMENTAL IMPACT

- 13.1 New homes funded by the council are subject to regulatory requirements in terms of scheme design and protection for the environment. All new council homes will be built to Level 4 of the Code for Sustainable Homes.

13.2 Energy efficiency measures (upgrading boilers, central heating systems and insulation; double-glazing, and the kind of measure referred to above for hard-to-heat homes such as external cladding) are a key investment priority within the repair and improvement programme. These measures will contribute to a reduction in CO₂ emissions as well as reduce heating bills and ensure that keeping the home warm is affordable.

14 CRIME AND DISORDER REDUCTION IMPACT

14.1 There are a range of measures within the council's repair and improvement programme that support the council's wider objective to improve community safety. These include installation of security entry door systems to flats, environmental improvements improved lighting, and a targeted security door programme.

15 HUMAN RIGHTS IMPACT

15.1 There are no human rights considerations arising from this report.

16 FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

16.1 The information contained in this report will be accessible as part of the Council's Publication Scheme maintained under the Freedom of Information Act, while information held by the Council supporting the report may also be accessible under that Act subject to consideration of any relevant exemptions.

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Background Documents: None

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Housing Revenue Account 2015/16

Appendix 1

	Original Budget 2014/15 £,000	Draft Budget 2015/16 £,000	Increase/ (decrease) £,000
<u>EXPENDITURE</u>			
Management - General	22,788	24,775	1,987
Management - Special	13,285	12,721	(564)
Maintenance and Repairs	12,259	12,648	389
Major Repairs Allowance	16,983	17,342	359
Capital Financing	11,911	12,374	463
Revenue Contribution to Capital Outlay	10,186	10,186	0
Provision for Doubtful Debts	1,000	1,000	0
	88,412	91,046	2,634
<u>INCOME</u>			
Dwelling rents and Service Charges	78,595	80,623	2,028
Garage rents	1,312	1,258	(54)
Other Charges	8,501	9,162	661
Interest on Council Mortgages	4	3	(1)
	88,412	91,046	2,634
Working Balance	(5,595)	(10,554)	(4,559)
Contingency Reserve	(3,769)	(3,995)	(226)
Total	(9,364)	(14,549)	(5,185)
Major Repairs Reserve	(470)	(947)	(477)
Grand Total	(9,834)	(15,496)	(5,662)
Average Rent (50 Week year) including unpooled Service Charges	£109.26	£111.66	£2.40
Average Garage Rent	£12.22	£12.49	£0.27
Numbers of properties	13,998	13,922	(76)

Heating Charges From April 2015

Scheme	Accommodation	2014/15	2015/16	Change
Allington Court	1 Bed	£10.96	£10.96	£0.00
Arthur Court	Bedsit	£7.84	£7.84	£0.00
	1 Bed	£11.57	£11.57	£0.00
Arun Court	1 Bed	£10.38	£10.38	£0.00
Bell Court	1 Bed	£10.00	£10.00	£0.00
Borough Grange	1 Bed	£10.66	£10.66	£0.00
Brookhurst Court	Small 1 Bed	£10.59	£10.59	£0.00
	Large 1 Bed	£11.28	£11.28	£0.00
Creed Court	1 Bed	£10.17	£10.17	£0.00
Freemans Court	Small 1 Bed	£10.66	£10.66	£0.00
	Large 1 Bed	£11.28	£11.28	£0.00
Frylands Court	Small 1 Bed	£9.70	£9.70	£0.00
	Large 1 Bed	£10.56	£10.56	£0.00
Handcroft Road	1 Bed	£10.17	£10.17	£0.00
	2 Bed	£18.14	£18.14	£0.00
Kuala Gardens	Bedsit	£6.79	£6.79	£0.00
	1 Bed	£10.37	£10.37	£0.00
Laxton Court	Bedsit	£6.93	£6.93	£0.00
	1 Bed	£11.49	£11.49	£0.00
Purvis House	1 Bed	£11.14	£11.14	£0.00
Southlands	1 Bed	£10.66	£10.66	£0.00
Southsea Court	Small 1 Bed	£10.33	£10.33	£0.00
	Large 1 Bed	£10.73	£10.73	£0.00
Toldene	1 Bed	£9.87	£9.87	£0.00
	2 Bed	£16.41	£16.41	£0.00
Truscott	Small 1 Bed	£11.26	£11.26	£0.00
	Large 1 Bed	£11.42	£11.42	£0.00

Main Programmes	2015/16
Capital Budget Resources Available £000s	29,771
Capital Budget Set Total	29,771
Capital (Deficit) / Surplus	0
Revenue Budget Resources Available £000s	975
Revenue Budget Set Total	975
Revenue (Deficit) / Surplus	0

Capital Budget Headings

Central Heating / Energy Efficiency Programmes £000s	2015/16
Carbon Monoxide Detectors	10
Central Heating - Repairs Replacements	400
Change from Storage to Gas Central Heating	30
Central Heating Programmed Replacements	3,800
Communal Boiler Replacement	190
Energy Performance Certificates	50
Thermal Imaging	20
Renewable Energy and Energy Efficiency	32
Central Heating / Energy Efficiency Sub-Total	4,532

Kitchen and Bathroom Programmes £000s	2015/16
Kitchen and Bathroom Extensions	600
Installation of Wet Rooms (Special Sheltered Homes)	100
Kitchen and Bathroom Refurbishment	7,100
Kitchen and Bathrooms Sub-Total	7,800

Security Programmes £000s	2015/16
Door Entry Installation to Blocks	750
Individual Security Doors Installation	450
Security Sub-Total	1,200

Other Programmes £000s	2015/16
Asbestos Strategy – Removal	300
Major External Building Works	300
Windows	1,850
Roofs	500
External Painting	3,750
Supported Decorations Scheme	250
Communal Flooring	250
Garages - Refurbishment and Demolition	50
Lift Refurbishment	1,750
Major Adaptations	1,000
Regulatory Reform Order (Fire Safety)	500
Rewiring	1,800
Smoke alarm replacement	400
Subsidence - Expenditure	215
Support Costs	2,000
Other Programmes Sub-Total	14,915

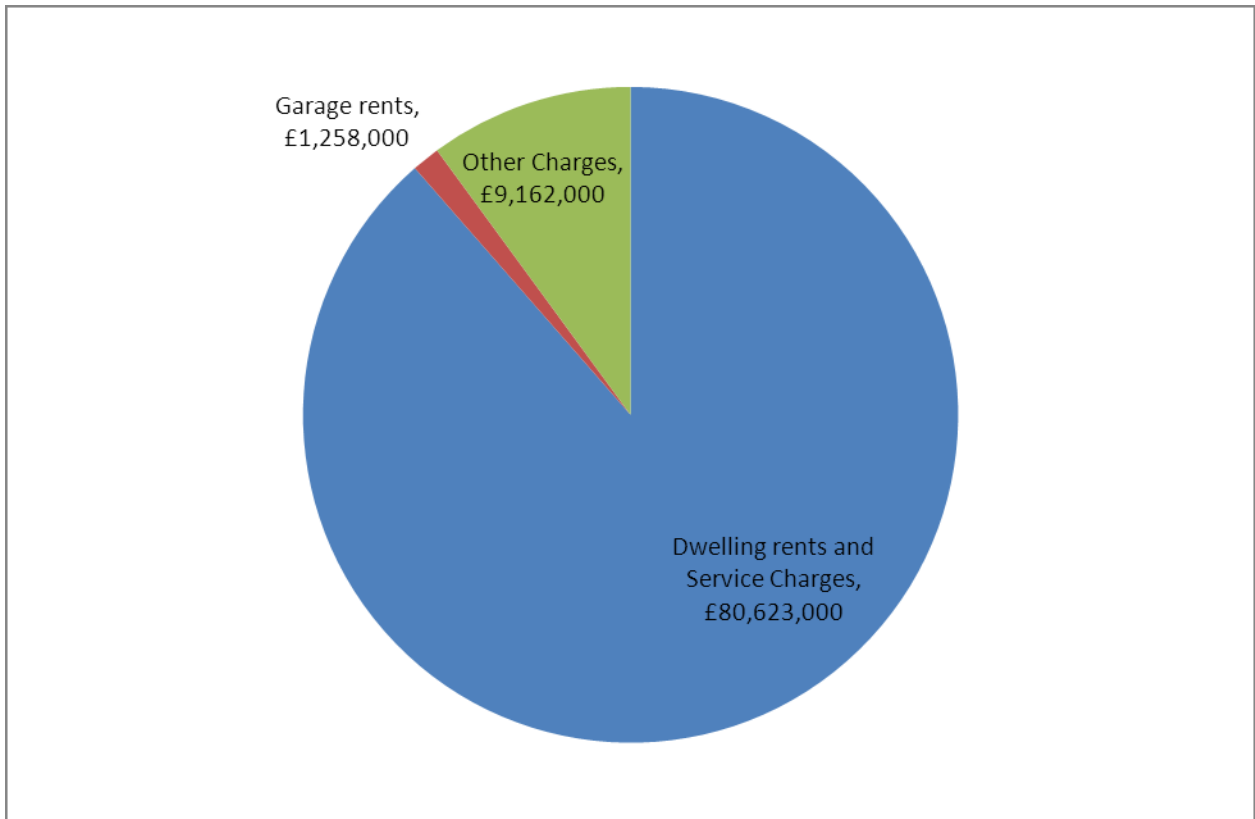
Miscellaneous Programmes £000s	2015/16
Apex Development	55
Door Entry Replacements	60
Health and Safety Works	100
Fire Damage Works	30
Inspection & Maintenance of Playgrounds & Equipment	19
Lift Motor Room Improvements	30
Major Ad Hoc Works (incl Major Works Voids)	400
Minor Ad Hoc Adaptations - New Tenants	10
Minor Estate Improvements	75
PAC Testing	15
Pest Control	120
New and replacement of Emergency Lighting	50
Replacement of Fire Alarm Systems	120
Replacement of Warden Alarm Systems	40
Retirement Homes Health & Safety & Minor Works (inc. CCTV)	200
Miscellaneous Programmes Sub-Total	1,324

Revenue Programme

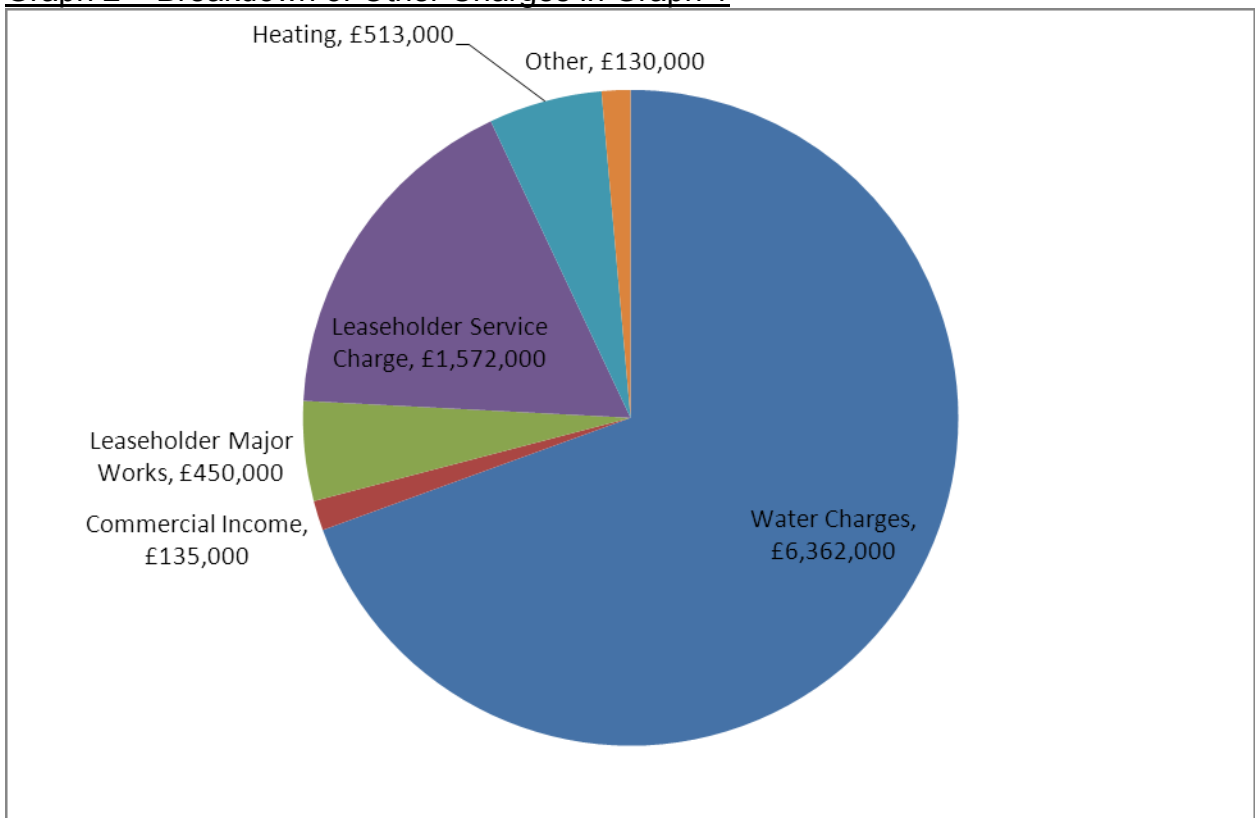
Cyclical Works £000s	2015/16
Booster Pump Servicing	8
Regular Maintenance of Door Entry IT Equipment & Software.	12
Cladding Cleaning - Wates Blocks	35
Fire Protection	108
Legionella Assessments & Risk Assessments	150
Repair & Maintenance of Lifts	65
Servicing of Communal Boilers & Plant	45
Servicing of Disabled Adaptations	10
Servicing of Gas Appliances & Gas Soundness Testing	406
Test & Inspect Communal Areas to Blocks	20
Test & Inspect Electrical Circuits	100
Test & Inspect Lightning Conductors	10
Warden alarms	25
Cyclical Works Programmes Sub-Total	994

Graphs breaking down estimated income and expenditure for 2015/16 are shown below.

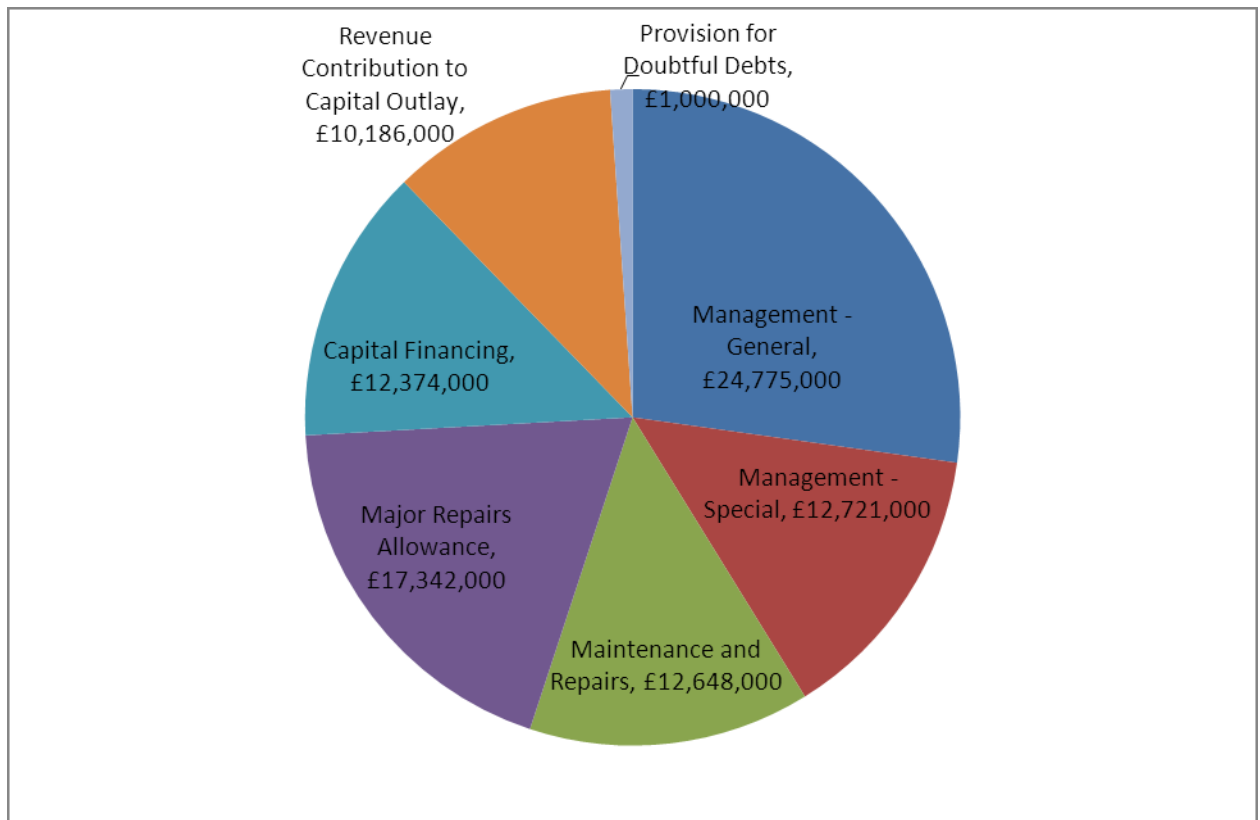
Graph 1 – HRA Income breakdown



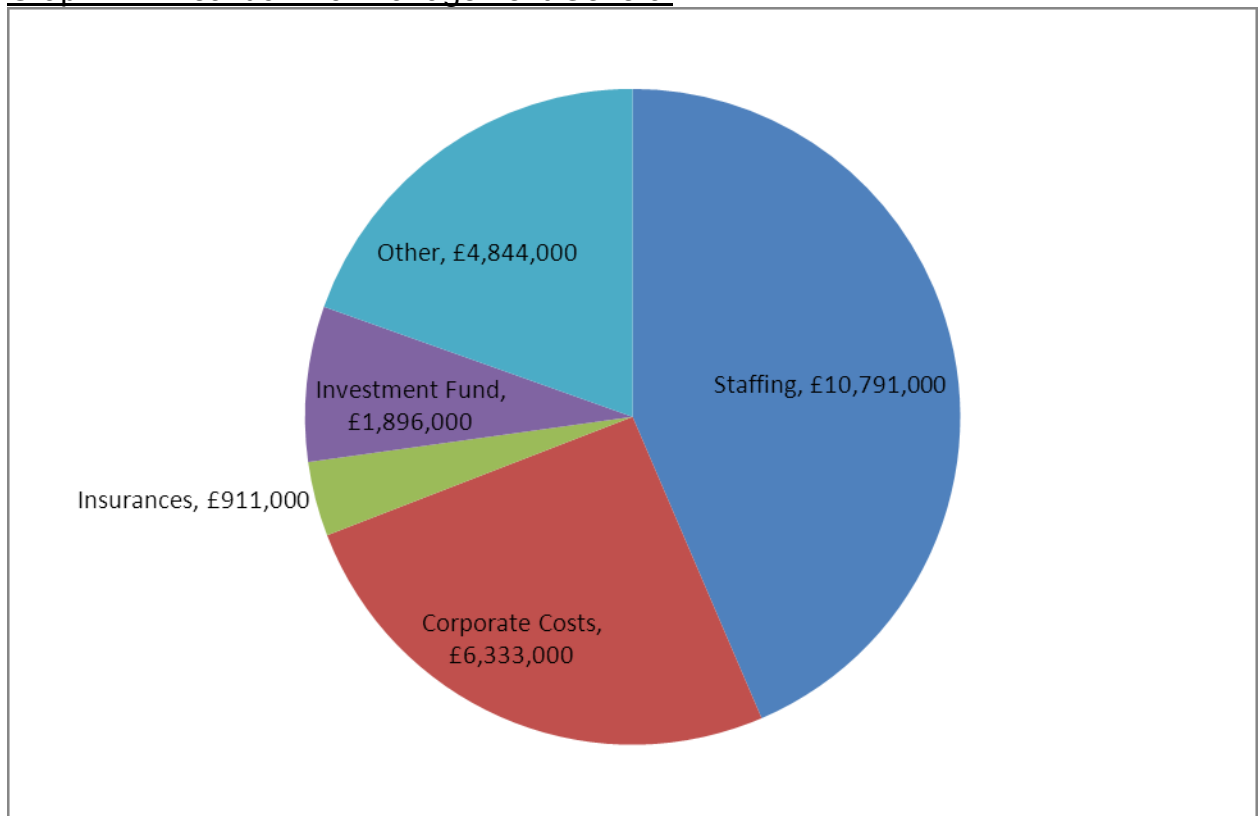
Graph 2 – Breakdown of Other Charges in Graph 1



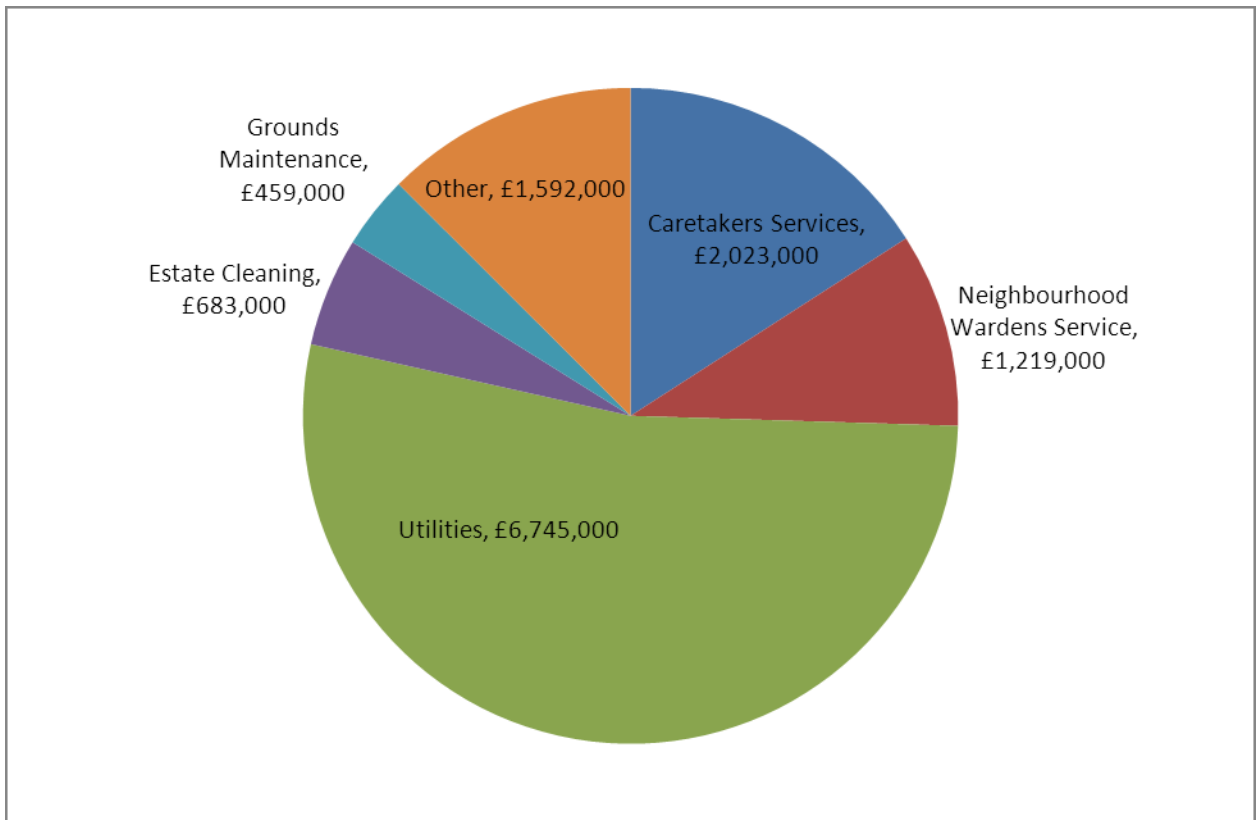
Graph 3 – HRA expenditure breakdown



Graph 4 – Breakdown of Management General



Graph 5 – Breakdown of Management Special



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