

Lead Officer(s): Assistant Chief Executive, Corporate Resources

Wards: All

Agenda Item:- 5

Subject: HOUSING REVENUE ACCOUNT RENT, SERVICE CHARGE,
GARAGE RENT AND BUDGET SETTING – 2016/17

1. DRAFT RECOMMENDATIONS

The Panel is asked to note the following:

- 1.1 Rent levels in all council properties in 2016/17 to be decreased by 1% against the level in 2015/16, in line with Government social rent policy.
- 1.2 The full cost of caretaking, grounds maintenance and bulk refuse collection services will continue to be recovered via service charges applied to tenants and leaseholders getting the service. Service charges will remain the same as in 2015/16.
- 1.3 Garage rents will increase by 2% and parking space rents will increase to £7 per week for tenants and £10 per week for non tenants.
- 1.4 Heating charges to remain unchanged, see detail in Appendix 1

2. EXECUTIVE SUMMARY

- 2.1 This report provides information on the proposed rent level and other charges on council tenants and leaseholders for the financial year 2016/17.
- 2.2 The report also provides information on the Housing Revenue Account (HRA) budget for the financial year 2016/17 and the heating charges for council tenants (**Appendix 1**).

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 and leaseholders, for example responsive repairs, management services and caretaking, are paid for from this account.

- 3.2 Long-term financial planning is based on the 30 year HRA business plan which is updated annually to reflect actual expenditure, changes in stock numbers and financial projections.
- 3.3 The Welfare Reform and Work Bill requires that councils must reduce rents by 1% per annum from 2016/17 for the next four years. The reduction in rents means that the HRA will need to make savings in expenditure, eventually reducing annual spending by £13m over the period. The budget for 2016/17 has been balanced without making any changes to service provision.
- 3.4 The future position of the HRA is subject to further uncertainty in light of a second round of policy proposals issued by the government. These proposals had their second reading in the House of Lords on the 26 January as part of the Housing and Planning Bill. The Council is awaiting the outcome of the legislative process followed by detailed guidance to be issued by the government.
- 3.5 Beyond the 1% reduction in rental income the two main proposals that will affect the council's finances are explained below:
- 3.5.1 **Disposal of "high value" properties:** The government proposes to extend the right to buy to housing association tenants. The funding for this measure will come from the proceeds of selling "high value" council houses as they become available. The initial indications were that "high value" homes would be those that are in the top third of values for their size and area. As the payments will be based on assumptions about receipts from void sales, it may be the case that actual receipts will fall short of the payments due. In this case local authorities will need to fund the payments from other resources. Croydon currently has an average of 700 void properties per annum. Therefore if the Government's assumption that a third of these would be classed as "high value", the impact could be the loss of 180homes each year
- 3.5.2 **Pay to Stay:** The government is proposing that registered providers are required to charge market or near market rents to tenants where the household income is in excess of £40,000 in London (£30,000 outside London). This measure has become known as "pay to stay". Housing associations will be able to keep the additional rent income but local authorities will be required to pay it to the Treasury. Implementation will start in 2017/18 and in that year is expected to generate £365m of payments from councils. Household income takes into account the two highest incomes earned by the household, and it is expected that rents would be reviewed if the household experiences a sudden and ongoing reduction in income.
- 3.6 Once we have the full details we will be able to work out what these two proposals will mean for Croydon and we will provide more information to residents at that time.

4. HRA Budget – 2016/17

4.1 The main changes proposed to the HRA budget for 2016/17 are identified below.

Changes in Rent

4.2 The Welfare Reform and Work Bill requires all registered providers of social housing in England to reduce rents by 1% a year for four years. Rents for new tenants must also reflect the 1% per annum reduction.

4.3 Where tenants are eligible for receipt of Housing Benefit, the level of benefit will reflect the lower rent. However, a small number of tenants may be subject to the overall benefit cap.

4.4 Service Charges

The unpooled service charge for caretaking, grounds maintenance and bulk refuse collection will remain the same as 2015/16. The charges for 2016/17 will therefore be:

- Caretaking £9.98pw
- Grounds maintenance and refuse collection £2.05pw

4.5 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 in 2016/17. See Appendix 1 for details on weekly heating charges.

4.6 Garages and Parking Spaces

It is proposed that the rents for garages will increase at 2% (the projected CPI rate for 2016/17) and parking spaces will increase to £7 per week for tenants and £10 per week for non tenants.

5 Draft housing investment programme

5.1 The table below sets out the summary of proposed expenditure in 2016/17 compared with 2015/16. In total, the resources for all purposes – responsive repairs, major repairs and improvements, and measures to increase housing supply, have remained at circa £49m.

Table 1

Housing Supply	2015/16 £000	2016/17 £000
Assisted Private Purchase Scheme (APPS)	500	500
Special Transfer Payments	250	250
Larger Homes	100	100
New Build Council Housing	6,000	8,336
Sub-Total	6,850	9,186
Planned maintenance and improvements	29,771	26,771
Total capital expenditure	36,721	35,957
Responsive and Cyclical Repairs Budgets	12,648	12,611
Grand Total	49,369	48,568

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 such as external decorations, will be £26,771. Currently, all of our homes meet the decent home standard and we are committed to maintaining this standard.
- 6.2 The proposed resources for responsive and cyclical repairs will be £12.611m. 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.
- 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

- 8.2 The financial considerations contained in the main body of the report will allow the HRA to set a balanced budget for 2016/17. However, the ongoing rent reduction over the following 3 years has resulted in a budget gap of approximately £13m. A review of service provision within the HRA is being carried out to identify savings and efficiencies and tenants and leaseholders will be invited to comment on proposals over the coming year.

- 8.3 There are still a number of factors which remain unclear at this time, presenting a future risk to the Council and the HRA.
- 8.4 It is not yet clear how the government will treat the recovery of income collected on market rents charged to households in receipt of £40,000 or more. One option will be the recovery of a notional amount direct from the local authority, calculated on the basis of assumptions about the percentage of tenants falling under the new provision and the level of rent they are being charged, with an allowance for the landlord's administration costs and level of bad debt. Information about tenants' incomes has not been collected historically, although it is of course used in housing benefit calculations, and we therefore have no way to predict how many tenants will fall under this new provision. The risks are various. Any notional amounts may not reflect the actual position. It is not clear whether earnings information will be provided by HMRC and whether this will be reliable or sensitive enough to take account of fluctuating earnings, periods in and out of employment, and personal circumstances such as disabilities which would affect a household's ability to sustain higher rent levels. It is also not yet clear what powers local authorities will have to force tenants to themselves provide information.
- 8.5 Right to buy may become more attractive to households required to pay market rents. The policy might also increase the incidence of voids slightly if tenants feel they will get better value for money from private rented housing than the local authority if rent levels are comparable.
- 8.6 Councils are also awaiting guidance on how the sale of high value voids will be implemented. It is assumed that Council's will be given a target for the financial year based on prior year's data, which must be paid to Central Government. There is a risk that fewer properties will become void and that Councils will struggle to raise the necessary funds that they are required to pay across.

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.

10. HUMAN RESOURCES IMPACT

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

11. CUSTOMER IMPACT

- 11.1 The proposed HRA budget for 2016/17 includes a rent decrease of 1%, and no increases in service charges. Charges for rent and service charges are eligible for Housing Benefit. Charges for garages and parking, which are not eligible for Housing Benefit will increase, which will be a real increase to tenants.

12. EQUALITIES IMPACT

- 12.1 The decrease in rental income will have a limited direct effect on tenants. A large proportion of tenants in Council housing claim Housing benefit and so they will see no direct impact on their expenditure. However, the decrease in rental income has made the current level of expenditure within the HRA unsustainable. It will be necessary to make significant savings in expenditure over the next four years which may have an adverse effect on service delivery and tenants. A full equalities impact assessment will be carried out on all savings options put forward.
- 12.2 The effect of self-financing and the previous rent increases 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

Heating Charges From April 2016

Scheme	Accommodation	2015/16	2016/17	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