

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 – 2013/14

1. DRAFT RECOMMENDATIONS

The Panel are asked to comment on:

- 1.1 Rent increases for all Council tenants for 2013/14, in line with the National formula for social housing rents. The average rent increase will be 4.36%;
- 1.2 That the full cost of services provided to those tenants who receive caretaking, grounds maintenance and bulk refuse collection services are recovered via tenants service charges, this being achieved with a 3.1% increase;
- 1.3 Charges for garage and parking space rents increase by 4.36%;
- 1.4 Heating charges for Council tenants remain unchanged, see detailed in **Appendix 2**;
- 1.5 To recommend to the Council the approval of the budget for the Housing Revenue and Capital Accounts for 2013/14.

2. EXECUTIVE SUMMARY

- 2.1 This report provides information on the proposed rent increase for Council housing tenants for the financial year 2013/14 and other charges for tenants for 2013/14.
- 2.2 The report also provides information on the Housing Revenue Account (HRA) budget for the financial year 2013/14 (**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, 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 The Localism Act received Royal Assent in November 2011 and included the replacement of the national HRA subsidy system with a system of self financing from 1 April 2012
- 3.4 Croydon's Housing Revenue Account (HRA) took on an additional debt of **£223.126m** which will need to be repaid over 30 years by the HRA.
- 3.5 The 'valuation' 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 to be financed and repaid from the HRA.
- 3.6 The following assumptions have been included within the HRA business plan:
 - Rent will continue to rise in line with the National Social Rents policy (Government's Rent Restructuring guidelines), and that convergence with formula rents (i.e. the same rents as would be paid by Housing Association tenants for a similar property) will be achieved in **2015/16**. This is also the government's assumption in the self financing valuation which allows Croydon to service the additional debt.
 - Following convergence in 2015/16, rents will continue to rise at **RPI plus 0.5%**
 - Investment in new council homes of **£6m** per annum from 2013/14 to 2018/19
 - Investment in major repairs and improvements will increase at least **RPI plus 2%** in order to address the backlog of works.
 - All homes to be maintained to the decent home standard over time.

4. HRA Budget – 2013/14

- 4.1 The attached Appendix 1 provides a draft budget for the HRA for 2013/14 based on the proposed rent and service charge increases.
- 4.2 The main changes proposed to the HRA for 2013/14 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**
 - As in previous years the rent increase for Council Tenants has been set in accordance with the National Social Rents policy (Government's Rent Restructuring guidelines). The self financing settlement assumed that the Rent Restructuring guidelines are followed.

- Under current legislation, rents are being increased to the Formula Rent, with the aim of converging the levels of council rents with those of housing association rents by 2015/16. Both rent and service charges are covered by housing benefit, although a small number of tenants (large families) will be affected by the introduction of the benefit cap which will limit total weekly benefit payments to £500.
- The proposed rent increase for 2013/14 has therefore been applied according to Rent Restructuring Guidelines. Rent and service charge increases are limited to retail price index (RPI) at September 2011 + 0.5% + £2. The September 2011 RPI was 2.6%.

4.4 **Service Charges**

- The unpooled service charge for caretaking, grounds maintenance and bulk refuse collection will increase in line with the rent restructuring guidelines (excluding the additional £2). It is proposed that the charges for 2013/14 will therefore be:
 - Caretaking – £7.48pw (an increase of £0.22)
 - Grounds maintenance and refuse collection – £1.94pw (an increase of £0.06)

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 from 2012/13. See Appendix 2 for details on weekly heating charges.

4.6 **Garages and Parking Spaces**

- It is proposed that the rents for garages and parking spaces in 2013/14 will increase in line with dwellings rents by 4.36%.

5 **Draft housing investment programme**

- 5.1 The table overleaf sets out the summary of proposed expenditure in 2013/14 compared with 2012/13. In total, the resources for all purposes – responsive repairs, major repairs and improvements, and measures to increase housing supply, have increased by £7.045m to £48.107m. This represents an overall increase of £18.074m since 2011/12 after which self-financing was introduced.

Table 1

Housing Supply	2012/13 £000	2013/14 £000
Assisted Private Purchase Scheme (APPS)	500	500
Special Transfer Payments	250	250
Larger Homes	100	100
New Build Council Housing	3,750	6,000
Sub-Total	4,600	6,850
Repair and Improvements	23,271	27,771
Total capital expenditure	27,871	34,621
Responsive and Cyclical Repairs Budgets	13,191	13,486
Grand Total	41,062	48,107

6 Draft Planned Maintenance and Improvement Programme

6 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 £27.771m, an increase of £4.5m over 2012/13 and £13.551m 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.

7 The proposed resources for responsive and cyclical repairs will be £13.486m. The total cost of responsive repairs was increased in 2011/12 partly due to the increased number and cost of repairs and partly due to a realignment of work between responsive repairs and programmed works which means we are investing more in major improvements and preventative maintenance which should save money going forward on responsive repairs. The proposed level of funding is sufficient 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

	Medium Term Financial Strategy			
	2012/13 £,000	2013/14 £,000	2014/15 £,000	2015/16 £,000
HRA Budget				
Current Budget	82,235	85,640		
Effect of Decision	82,235	85,640	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 2013/14 is provided at Appendix 1.

8.3 Although the council borrowed an additional £223.126m, 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 areas in the Housing Revenue Account are the responsive repairs and programmed works budgets. A well-established monthly monitoring process is in place to assist in the management of expenditure in these areas. 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 welfare reforms. Mitigation of this impact is dealt with in paragraph 12 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 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 Paul Heynes, Head of Finance - Head of Finance, DASHH on behalf of the Director of Finance)

9. COMMENTS OF THE COUNCIL SECRETARY AND SOLICITOR AND MONITORING OFFICER

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: Jessica Stockton for and on behalf of the Director of Democratic and Legal Services, Council Solicitor and Monitoring Officer)

10. HUMAN RESOURCES IMPACT

- 10.1 There are no immediate Human Resource considerations for LBC staff arising from this proposal.
- 10.2 (Approved by: Michael Pichamuthu, HR Business Partner, on behalf of Pam Parkes, Director, Workforce & Community Relations)

11. CUSTOMER IMPACT

- 11.1 The proposed HRA budget for 2013/14 includes a rent increase of 4.36%, and increases in service charges of 3.1%. Charges for rent and service charges are eligible for Housing Benefit.

12. EQUALITIES IMPACT

- 12.1 The increase in rent of 4.36% will have an impact on current tenants. The increase is in line with the National Social Rent Policy which was introduced to keep rents affordable and comparable across the social housing sector. By adhering to the National Social Rent Policy tenants are protected from excessive rent increase by the limits and caps imposed by those guidelines. The full increase is eligible for housing benefit, although a small number of tenants (fewer than 50) will be subject to the benefit cap being introduced in April 2013. Large families in all rented tenures who are not in receipt of working tax credit will be 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 2013/14.
- 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 have started a programme of visits to all households affected by benefit changes in 2013, which will include those to be affected by the benefit cap, and will be explaining options and referring people to specialist help or to advice sessions where appropriate. The council is also developing 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

Housing Revenue Account 2013/14

Appendix 1

	Original Budget 2012-13 £,000	Draft Budget 2013-14 £,000	Increase/ (decrease) £,000
<u>EXPENDITURE</u>			
Management - General	21,556	20,901	(655)
Management - Special	12,981	12,972	(9)
Maintenance and Repairs	13,362	13,486	124
Major Repairs Allowance	16,035	16,457	422
Capital Financing	11,865	12,638	773
Revenue Contribution to Capital Outlay	6,186	8,186	2,000
Provision for Doubtful Debts	250	1,000	750
	82,235	85,640	3,405
<u>INCOME</u>			
Dwelling rents and Service Charges	73,212	76,376	3,164
Garage rents	1,390	1,324	(66)
Other Charges	7,625	7,932	307
Interest on Council Mortgages	8	8	0
	82,235	85,640	3,405
DEFICIT / (SURPLUS) B/F	(1,200)	(5,359)	(4,139)
DEFICIT / (SURPLUS) C/F	(5,359)	(5,359)	0
Average Rent (50 Week year) including unpooled Service Charges	£99.64	£104.07	£4.43
Average Garage Rent	£11.17	£11.65	£0.48
Numbers of properties	14,087	14,075	(12)

Appendix 2

Heating Charges From April 2013

Scheme	Accommodation	2012/13	2013/14	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