



Housing Scrutiny Committee
16 January 2018

**Report from the Strategic Director
of Community Wellbeing**

Housing Revenue Account (HRA) Rent Setting

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	N/A
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Hakeem Osinaike, Operational Director Housing, hakeem.osinaike@brent.gov.uk

1.0 Purpose

- 1.1 This report sets out the proposal for the 2018/19 rent and service charges to cabinet as part of the Rent Report. The report also provides an overview of the Council's proposed capital investment spend for the housing stock including the travellers site at Lynton Close. Together with an outline summary of the proposed mitigation associated with the Universal Credit roll out.
- 1.2 The report will enable the Scrutiny Committee to review and comment on the abovementioned proposals ahead of the Cabinet meeting.

2.0 Capital Programme

- 2.1 The HRA Business Plan will consider what the council's investment strategy is to be. This will be dependent upon the Housing Asset Management Strategy which will be prepared for Cabinet approval in December 2018.
- 2.2 The proposed 18/19 capital budgets is set at £27.65m for HRA major works (includes £1m for disabled adaptations and £2m fire safety) and £19m budget for HRA new builds.

- 2.3 A comprehensive stock condition survey will be procured in April 2018 to support the development of the strategy. However, it is already understood that the key proposals are to develop plans for improving the external environment of estates and the external fabric of blocks.
- 2.4 The opportunities to improve thermal efficiency and to review the way in which residents and visitors circulate within the estate, estate security and how parking and refuse is managed will be primary considerations of the strategy. This will be supported by proposals to soften the often hard landscapes prevalent on a significant number of estates following consultation and feasibility work during 2019/20.
- 2.5 In addition, it is the Council intention to consider maximising technological opportunities to make our blocks 'smart' e.g. auto reporting on faults in boilers, fire doors as well as developing programmes for the replacement of windows and doors, roofs, electrical laterals and capital programmes for compliance related matters such as fire safety, water tanks and rewiring homes in 2018/19

3 Fire Safety

- 3.1 Cabinet has provided approval for the fire safety improvement programme to be integrated within the HRA capital investment programme and that three tower blocks per year are to be completed. This means all blocks over 12 storey will be complete within 5 years. To inform the fire safety improvement programme a comprehensive FRA4 programme will be procured in May 2018 to include low and medium rise blocks in the programme, but the programme of assessments would be prioritised, starting with the 14 high rise blocks above 12 storey's, then moving to the other high rise block before moving to the medium and low rise.
- 3.2 The findings from the Type 4 surveys will have a significant bearing on the fire strategy of the building and the prioritisation of the improvement works. Integrating the fire improvement works with the planned maintenance programme will be more efficient, both in terms resource and efforts required to mobilise and deliver the required works. Together with demonstrate value to residents and minimising disruption
- 3.3 The planned work mentioned above may include refurbishments such as; new roofs, facades, windows, lifts, kitchens, bathrooms and heating systems. We want the projects to be meaningful and act as beacons in the borough for innovation and progress. This may make it more palatable for leaseholders as an improvement would mean an increase in the quality and value of their property.

4 Rent Charges – 2018/19

- 4.1 The government's four-year rent reduction programme requires local authorities to reduce rents by 1% each year up to 2020. All rents will reduce in line with this policy from April 2018 and again from April 2019. The

proposed average overall rent decrease (excluding service charges) from April 2018 of £1.15 per dwelling per week for HRA council dwellings, representing an average overall rent decrease of 1%

- 4.2 The table below compares the average rent levels for 2017/18 and 2018/19 against the range of bed sizes across the Council's social housing portfolio

	2017/18		2018/19	
Bed Size	Number of Properties	Average of net rent	Number of properties	Average of net rent
		£		£
0	420	88.15	407	87.27
1	2483	100.32	2438	99.31
2	2560	115.55	2522	114.40
3	2014	126.37	1987	125.04
4	415	137.08	415	135.71
5	61	146.91	60	145.44
6	9	158.55	9	156.96
Grand Total	7962	113.56	7838	112.41

5.0 Service Charges – 2018/19

- 5.1 Service charges are not covered by the rent reduction regime and, subject to Cabinet approval, will rise by 4% (an average increase of £0.27 per dwelling per week), representing CPI plus 1%. Note that the average total charge is lower than the sum of the various chargeable elements since not all tenants receive all services.

- 5.2 The table below compares the average service charges for 2017/18 and 2018/19 by the schedule of estate charges

Service	Average Charge 2017/18	Recommended Average Charge 2018/19	Increase/ (Decrease)	Increase/ (Decrease)
	(£/Week)	(£/Week)	(£/Week)	%
Concierge	8.78	9.13	0.35	4%
Communal Lighting	1.36	1.42	0.05	4%
Grounds Maintenance	1.24	1.29	0.05	4%
Cleaning (Ext & Int)	6.37	6.62	0.25	4%
Laundry	2.31	2.40	0.09	4%
TV Aerial	0.71	0.74	0.03	4%

Communal Heating (District)	8.16	8.49	0.33	4%
Hot Water	2.19	2.28	0.09	4%
Helpline Monitoring Service	1.43	1.49	0.06	4%
Total charge	6.91	7.18	0.27	4%

6.0 Impact of Universal Credit on Resources

- 6.1 A key feature of the Housing Operations Transformation Programme is to build capacity and resilience across the housing frontline teams to manage the range of demands from residents including income maximisation and tenancy sustainment. Our new target operating model will take into consideration the resource levels and skills required to mitigate the risks associated with Universal Credit both for the Council and local residents.
- 6.2 Brent Housing Management (BHM) have already started engaging with the Corporate Welfare Reform Group who have been working with other registered providers (RPs) to develop a strategy to mitigate the associated risks. A sub operational group is being formed to focus on the roll out of Universal Credit in Brent.
- 6.3 In summary, BHM will put in place a range of operational mitigations to include the following:
- Raise awareness with residents about Universal Credit, including what it means for them
 - Develop future delivery partnership with DWP
 - Establish delivery partnership agreement that supports the most vulnerable
 - Increase provision for digital inclusion and improve capacity for residents to manage accounts independently
 - Continue to review Strategy for maximising rent collection that reflects Universal Credit implications for transition and Full Service

7.0 Rent restructure at Lynton Close

- 7.1 The rent setting process for pitches at Lynton Close is the sole responsibility of the Council and decided through the formal democratic process. The current individual pitch rent for 2017/18 is £240.20 which includes the 1% reduction in line with legislation. In addition to the levied for the rental of the pitch, residents rent their mobile homes from a private provider - Jenkins. The mobile home provider is permitted under legislation to charge up to the value as the rental charge. In practice, they levy the maximum amount allowable, effectively doubling the cost to the resident to £480.40 per week.
- 7.2 This rent level is extremely high when compared with the pitch rent with authorised Gypsy and Travellers sites elsewhere in the country that are under the control of local authorities. The insourcing of the management services will provide the Council with an opportunity to reduce the rent levels which will force Jenkins to reduce the amount charged for the rental of the pitches.

- 7.3 The table below summarises the proposed rent levels for 2018/19 and how this compares to the previous two years.

Descriptions	2016/17	2017/18	2018/19
	Charges	Charges	Charges
	£	£	£
Weekly Rent	242	240	144
Total Weekly Rental Income £ (31 lots)	7,502	£7,440	4,464
Annual Rental Income	390,104	386,880	232,128

- 7.4 There has been no investment at Lynton Close for a number of years, this is as a result of lack allocated capital funding and asset planning. There is an emerging capital investment plan which will seek to completely modernise core property components across the site. This will act as a catalyst for the implementation of a new rent setting policy, which will be based on the following principles:

- A further review of the base rent for each pitch in line with the Local Housing Allowance threshold. This review will be based on the median base rent charges by London authorities
- Application of a service charge provision to cover legitimate cost that the Council incur for things such as grounds maintenance, communal electricity and general estate services
- Recommendations will be provided to Cabinet for creation of a sinking fund for future planned works
- Future rent reviews will be subject to the provision allowed for within legislation

- 7.5 The current rental income generated by the site each year is 386,880, and expenditure is £383,957. The table below provides a breakdown of the total service cost for the site.

Expenditure	Annual cost (£)
Oxfordshire County Council (OCC) Management Fee	231,228
* BHP Management fee	42,458
Bad Debt Provision	88,294
Repairs	21,977
Total Cost	383,957

* Cost up to the 2 October when the Housing Management service was brought back in-house

- 7.6 The management services currently provided by Oxfordshire City Council makes up over 60% of the total service cost. The insourcing of the management service will generate a significant cost savings to the Council's general fund, which will have a positive cumulative impact on funding for future investment works.

8.0 Impact of Universal Credit on new rent levels for residents at Lynton Close

- 8.1 There are currently no resident from Lynton Close impacted by the partial roll out of Universal Credit. It is anticipated that the impact of this change will take effect from November 2019, though will only apply to residents who have had a change of circumstances.
- 8.2 The emerging proposed rent levels will be in line with the local housing allowance threshold. This will minimise the risks associated with the Universal Credit change.

9.0 Planned Refurbishment Works at Lynton Close

- 9.1 A comprehensive refurbishment programme is being worked up to bring the pitches up to a modern standard. A report is scheduled to go to the Capital Investment Board in February seeking approval to deliver the aforementioned programme. All associated work will be funded from the general fund capital budget.

10.0 Financial Implications

- 10.1 Income from rents is a key driver of the total income available to the HRA, making up 88% of total income budget in 2018/19. The policy for rent therefore effects the resources available to re-invest in expenditure plans across the HRA and to deliver the outcomes outlined in the 30 year HRA business plan for all tenants.
- 10.2 As a result of the 1% rent reduction and the impact of stock losses from Right to Buy, the rental income has reduced by £463k compared to amounts receivable in 2017/18, and an estimated total loss in cash terms of £1.8m due to the Welfare and Reform Act between 2016/17 to 2019/20.
- 10.3 The phased introduction of Universal Credit which will bring direct payment of housing benefit to tenants will have an impact on rent collection figures and costs, meaning both expenditure and income will be put under pressure. The impacts will need to be closely monitors and bad debt provisions adjusted accordingly.
- 10.4 The 30 Year Business Plan assumes full recovery of leaseholder major works, the assumed profiling means that a high level of funding in advance of works is required, it is therefore crucial that leaseholder major works debt is pursued in a robust manner as failure to do so will result in budget pressures within the HRA and increased borrowing.

11.0 Legal Implications

- 11.1 Under section 74 of the Local Government and Housing Act 1989 ("the 1989 Act"), the Council is required to keep a separate Housing Revenue Account ("HRA") of sums falling to be credited or debited in respect of its housing stock.

Sections 75 and 76 of the 1989 Act set out the rules for establishing and maintaining that 12 account. Under section 76 of the 1989 Act, the Council is required to formulate in January and February of each year proposals for the HRA for the following year which satisfy the requirements of that section and which relate to income, expenditure and any other matters which the Secretary of state has directed shall be included.

- 11.2 In formulating these proposals the Council must secure that upon their implementation the HRA will not show a debit balance assuming that the best assumptions and best estimates it can make at the time prove to be correct. Put simply, the legislation requires the Council to prevent a debit balance, to act reasonable in making assumptions and estimates and to act prudently. The 1989 Act also requires the authority to review the proposals from time to time and make such adjustments as are necessary to ensure that the requirements, as set out above, continue to be met. This report sets out the forecast outturn for the current financial year and also the proposals for the coming year.
- 11.3 The Council may make such *reasonable* charges as it so determines for the tenancy or occupation of their dwellings and shall review those rents and charges from time to time. In so doing the Council shall have regard to the principle that the rents for different types of houses should bear broadly the same proportion to private sector rents for those different types of houses. This means that the difference between the Local Authority rent for, say, a bedsit and a two bed house with a garden should be broadly comparable to the difference between the rents for those types of dwellings in the private sector. In making such reasonable charges officers have given consideration to the Government's policy aims of introducing social housing rents that will ultimately produce rents being set (both in the council and Registered Provider/RSL sectors) on a nationally determined basis (whilst taking into account local factors such as the value of dwellings). This aim is not prescriptive in so much it remains the responsibility of the local housing authority to set rents.
- 11.4 The Council's discretion as to setting rents is now subject to the mandatory provisions of the Welfare Reform Act 2016, which became law on 16 March 2016. Section 23 of the 2016 Act requires that as from 1 April 2016 for a period of four years, an annual reduction of the rent payable by social tenants. Schedule 2 to the 2016 Act introduces, for a period of 4 years, requirements about the maximum levels of rent for social tenancies beginning after the beginning of 8 July 2015. These requirements apply to tenancies of new homes and re-lets to a new tenant, but not the grant of a new tenancy to an existing tenant. The Welfare Reform and Work Act 2016 (Commencement No. 1) Regulations 2016 set out exceptions to and circumstances in which exemptions may be given from the rent reduction regime otherwise applicable, and make alternative provision for certain excepted categories. In respect of social rent properties, the mandatory reduction applies to the rent element and not to service charges. The rent income estimates included for 2017/18 are based upon the rent reductions required under the Welfare Reform and Work Act 2016 and adjusted for Right to Buy.

- 11.5 The main duties upon local authorities as landlords in relation to fire safety are covered by the Housing Act 2004 Regulatory Reform (Fire Safety) Order 2005 and the Housing Act 2004. Local housing authorities as landlords also need to give comply with other statutory requirements that are set out in the Gas safety (Installation and Use) Regulations 1998, the Electrical Equipment (Safety) Regulations 1994 and the Furniture and Furnishings Act 1988.

12.0 Equality Implications

- 12.1 There are no equality implicated associated with the content of this report

13.0 Consultation with Ward Members and Stakeholders

- 13.1 None

14.0 Human Resources/Property Implications (if appropriate)

- 14.1 There are no human resources/property implications associated with the content of this report

Report sign off:

PHIL PORTER

Strategic Director of Community
Wellbeing