

HOUSING SELECT COMMITTEE		
Report Title	Housing Revenue Account (HRA) – Rent Setting Consultation	
Key Decision	Yes	
Ward	All	
Contributors	Executive Director for Customer Services & Executive Director for Resources & Regeneration	
Class	Part 1	Date: 8 th January 2013

1. Purpose of the Report

To inform members of the proposed rent, service charge, garage and heating and hot water increases for Lewisham Council Dwellings in 2013/14, based on the Rent Restructuring formula issued by Central Government and provide residents feedback on the proposals.

2. Executive Summary

- 2.1 Following the introduction of the new self-financing system for the housing revenue account (HRA) the Council has been considering in the round the options for how it's stock is managed and developed. This has been reported in detail to the Mayor and Cabinet on 11 July 2012.
- 2.2 The complex financial model underpinning the appraisal options is dependent on assumptions about future costs, for example for lifecycle repairs, capital investment, new build and so on. Most significantly of all it is based on an assumption that rents will rise in line with the Government's 'Convergence Formula' until 2015/16 (RPI + 0.5% + £2pw) and at RPI + 0.5% p.a. thereafter. As set out in the report, the Council is not obliged to follow this formula, but if it chooses not to do so there would be significant financial implications.
- 2.3 Following Government's rent restructuring formula would result in average increases in rent for 2013/14 of £3.54 or 4.05% over a 52 week period. This will raise the full year average dwelling rent for the London Borough of Lewisham from £87.49 to £91.03pw. The proposed increase will raise an additional £2.724m of rental income to the HRA. The increase is in line with the assumptions in the current HRA financial model.
- 2.4 The authority can raise rents by more or less than that indicated by the Government's formula calculation. However, it is important to understand that if rent is increased by less than the Formula amount then the Council suffers the full cost of the lost rent which would have a significant impact the Council's

investment plans. It should also be remembered that if rent is increased by more than the Formula amount, the Council receives only part of the financial benefit of the extra rent raised because of the way the housing benefit system operates in such circumstances.

- 2.5 Proposed changes to service charges will result in an average service and heating and hot water charge for Lewisham Homes residents are proposed to increase by £0.19pw or 2.58%, moving the average charge from £7.27pw to £7.46pw. Service charges for the Brockley PFI residents are proposed to increase by £0.11pw or 2.27%, moving the average charge from £4.84pw to £4.95pw.
- 2.6 Efficiencies/Savings of -£1.690m and growth of £1.250m are being proposed for 2013/14 as outlined in section 5. The net effect of these proposals would be an overall saving of £0.440m to the HRA which would be available for reinvestment into stock or services. Whilst some of these proposals can be achieved by efficiencies in service delivery, there are policy choices to be considered.
- 2.7 No proposals have been received to increase the current levy for Tenants' Fund which will remain at 13p per week.
- 2.8 Garage rents are proposed to rise in line with RPI inflation @ September 2012 which is 2.60%. This represents an increase of £0.30pw and would raise the average charge from £10.69pw to £10.97pw. The proposed increase will raise an additional £23k of revenue income.

3 Policy Context

- 3.1 The proposals in this report support the priorities of 'Shaping our Future' – Lewisham's Sustainable Community Strategy (2008 -20), specifically 'Clean, green and liveable - where people live in high quality housing and can care for and enjoy their environment' and supports the Council's corporate priority regarding 'Decent Homes for all'.

4. Consultation

4.1 Consultation under tenants' compact

Consultation has taken place in line with the tenants' compact arrangements. These arrangements provide an opportunity to engage tenants in a discussion on rent rises representatives through the Housing Panels that took place in December.

- 4.2 The reports submitted to tenants January are attached to this report in appendices 1 to 4
- 4.3 Tenants feedback is set out in appendix 5 and will be reported to Mayor and Cabinet in February.

5. Financial Implications

5.1 The estimated financial implications are contained in each of the reports to tenants. In summary these are:

- Rents are proposed to increase by 4.05% which is an average increase of £3.54pw.

- Tenant service charges are proposed to increase by 2.58%, which is an average increase of £0.19pw.

- Garage charges are proposed to increase by 2.6% which is an average of £0.30pw.

- There are no proposal to increase the tenants fund levy which will remain at £0.13pw.

5.2 The proposed increase will raise an additional £2.724m of rental income to the HRA. The increase is in line with the assumptions in the current HRA financial model

5.3 Services charges are set on a cost recovery basis. Any proposal to increase the charge at a lower rate than set out in the report will have a negative impact on the Council's Housing Revenue Account and, therefore, the Council's future housing options.

6. Legal Implications

6.1 Section 24 of the Housing Act 1985 provides that a local housing authority may make such reasonable charges as they determine for the tenancy or occupation of their houses. The Authority must review rents from time to time and make such changes as circumstances require. Within this discretion there is no one lawful option and any reasonable option may be looked at. The consequences of each option must be explained fully so that Members understand the implications of their decisions.

6.2 Section 76 of the Local Government and Housing Act 1989 provides that local housing authorities are under a duty to prevent a debit balance in the HRA. Rents must therefore be set to avoid such a debit.

6.3 Section 103 of the Housing Act 1985 sets out the terms under which secure tenancies may be varied. This requires –

-the Council to serve a Notice of Variation at least 4 weeks before the effective date;

-the provision of sufficient information to explain the variation;

-an opportunity for the tenant to serve a Notice to Quit terminating their tenancy.

- 6.4 The timetable for the consideration of the 2013/14 rent levels provides an adequate period to ensure that legislative requirements are met.
- 6.5 Part III of Schedule 4 of the Local Government and Housing Act 1989 provides that where benefits or amenities arising out of the exercise of a Housing Authority's functions, are provided for persons housed by the authority, but are shared by the community as a whole, the authority shall make such contribution to their HRA from their other revenue accounts to properly reflect the community's share of the benefits or amenities.
- 6.6 Where as an outcome of the rent setting process, there are to be significant changes in housing management practice or policy, further consultation may be required with the tenants affected in accordance with section 105 of the Housing Act 1985.
- 7. Crime and Disorder**
There are no specific implications.
- 8. Environmental Implications**
There are no specific implications.
- 9. Equality Implications**
- 9.1 Council tenants include a higher than average proportion of elderly people and black and ethnic minorities. Many tenants are unemployed or on low income. The service has specific provision for more vulnerable groups within the community. A significant proportion of new allocations are made to families and women with young children.
- 9.2 In undertaking consultation and examining potential options, the equalities impact for different groups of people will be considered, particularly black and ethnic minorities, women, disabled people and young people.

If you require any more information about this report please contact Conrad Hall on 0208 314 8379 (e-mail conrad.hall@lewisham.gov.uk)