

Housing Select Committee		
Report Title	Housing Revenue Account (HRA) – Rent Setting	
Contributors	Executive Director for Housing, Environment & Regeneration, & Executive Director for Resources & Regeneration	
Class	Part 1	Date: 30 th January 2020

1. Summary and purpose of the report

- 1.1. To outline the forecast rent, service charge, garage and heating and hot water charge changes for Lewisham Council Dwellings and garages in 2020/21, including resident feedback on the proposals.

2. Recommendations

- 2.1. It is recommended that Housing Select Committee note and comment on the content of this report.

3. Executive summary

- 3.1. For the last four years Lewisham Council have reduced rents by 1% each year. The rent reductions were put in place following government legislation which compelled all councils with social housing stock to reduce rents in this way.
- 3.2. From April 2020 government have lifted the rent reduction policy and have allowed councils with social housing stock to return to the previous method of rent increase calculations until 2025. This method of rent increase is based on CPI + 1%. This method will be implemented in Lewisham and becomes effective for rental increases applied from April 2020 onwards. So from this year the consultation process with residents in respect of rents is more relevant because rents are now increasing.
- 3.3. The CPI rate at September 2019 has been confirmed at 1.70%, therefore Rents will increase by 2.70% (1.70% + 1.0%). This results in an average increase in rent for 2020/21 of £2.56pw over a 52 week period. This will increase the full year average dwelling rent for the London Borough of Lewisham HRA stock (as at April 2019) from £94.98 to £97.54pw.
- 3.4. The potential average service and heating and hot water charge changes are contained in the Regenter RB3 & Lewisham Homes Service charge report's 2020/21, which are included at appendix 2 & 3 to this report. The proposal is for an increase of £1.18pw or 3.50% for the Lewisham Homes area, and an increase of £0.31pw or 3.40% for the Brockley RB3 area
- 3.5. No Proposals have been received to vary the current levy for the Tenants' Fund contribution. It will therefore remain at £0.15pw for 2020/21.

- 3.6. Garage rents are proposed to rise by RPI at 2.4%. This represents an increase of £0.38pw and would raise the average basic charge from £15.30pw to £15.68pw. The proposed increase will raise an additional £43k of revenue income. A garage increase report is included at appendix 4 to this report.
- 3.7. Although no direct efficiencies or savings are currently being considered for 2020/21, work continues to identify opportunities for cost reductions and efficiencies relating to the HRA business model. Where identified, these savings would be available for reinvestment in stock, services or new supply.

4. Policy Context

- 4.1. The contents of this report are consistent with the Council's policy framework. It supports the following priorities of the Council's Corporate Strategy 2018-22:
- Tackling the housing crisis – Everyone has a decent home that is secure and affordable.

5. Proposal for rent increases

- 5.1. Following completion of legislative requirements and in line with the formula rent calculations, rents are expected to rise by 2.70% based on CPI of 1.7% (as at September 2019) + 1% for 2020/21 and CPI + 1% for the next 5 years up until the end of 2025/26.
- 5.2. A 2.70% increase in average rents for dwelling stock 2020/21 will equate to an average increase of £2.56pw over a 52 week period. This will increase the full year average dwelling rent for the London Borough of Lewisham from £94.98pw to £97.54pw. The proposed increase will result in additional income of £1.800m for the HRA against 2019/20 income levels.
- 5.3. The following table provides details of the average rise by bed size for stock in the HRA as at 1st April 2019

Bed size	Average Rent 2019/20	Average Rent 2020/21	£ Change	% Change
Bedsit	£71.73	£73.67	£1.94	2.70%
1	£83.70	£85.96	£2.26	2.70%
2	£93.88	£96.42	£2.53	2.70%
3	£109.73	£112.69	£2.96	2.70%
4	£122.81	£126.13	£3.32	2.70%
5	£140.78	£144.58	£3.80	2.70%
6	£146.55	£150.51	£3.96	2.70%
7	£151.35	£155.44	£4.09	2.70%
Average Total	£94.98	£97.54	£2.56	2.70%

- 5.4. Government have confirmed that local authorities can return to the previous method of rent increase calculations of CPI + 1% up to at least 2025/26 financial

year. For the purpose of business and financial planning, it is assumed that rental charges will be increased in line with this guidance.

- 5.5. At the present time, the financial models used by the council forecast CPI to be 2.0% annually over this period (in line with the Office for Budget responsibility forecasts) and would equate to an annual average increase of 3.0% to be applied to rents. This would result in an average increase of approximately £3.05pw across the period. It should be noted that any variation to this could put additional pressure on the financial forecasts for the HRA. For example a 0.5% movement in CPI (up or down) would result in a £0.50pw change to the average increase.

6. Efficiencies & Savings Proposals for 2020/21

- 6.1. The HRA strategy and self-financing assessments are continually updated and developed, to ensure resources are available to meet costs and investment needs for 2020/21 and future years.
- 6.2. As a prudent measure the original HRA financial model was developed with no savings identified. There are ongoing discussions regarding appropriate savings and target management and maintenance costs per unit which may drive reduced costs. For example, there is already an assumed reduction in the management fees paid in 2020/21 to reflect stock losses through Right to Buy Sales. Any savings and efficiencies that are delivered against the current financial budget will be reinvested back into the HRA.
- 6.3. An update of the HRA Strategy, proposed rent & service charge increases and comments from consultation with tenant representatives will be reported to Mayor & Cabinet as part of the HRA Rents and budget strategy report. Mayor & Cabinet will make the final budget decisions in the new year.

7. Service Charges & Garage Rents

- 7.1. The agreed policy on Service Charges are that charges should reflect full cost recovery for the type of service undertaken. Heating and hot water costs are also recovered by a charge to tenants and leaseholders. The overall tenant and leaseholder increase being proposed is 3.4% for Brockley residents and 3.5% for Lewisham Homes residents.
- 7.2. Regenter RB3 and Lewisham Homes have provided separate consultation reports to the panels giving further details of the increase to be applied for 2020/21. These reports are included at appendix 2 & 3 to this report.
- 7.3. Tenants were asked to provide any comments and feedback on service charges and garage rent proposals for inclusion in the Mayor & Cabinet budget report to be presented in February 2020. Tenant's feedback and comments are included as appendix 1 to this report

Garage Rents

- 7.4. Garage rents are proposed to rise by RPI @ 2.4%. This represents an increase of £0.37pw and would raise the average charge from £15.30pw to £15.67pw. The proposed increase would raise an additional £43k of revenue income.
- 7.5. The authority continually reviews rental values across the garage stock to ensure they remain on a sound commercial footing and reflect market rents. Any additional changes are likely to be consulted on and implemented for financial year 2021/22 onwards.
- 7.6. Property Services have provided a separate consultation report to the panel giving further details of the increase to be applied for 2020/21. This is attached at appendix 4 to this report.

8. Tenants' Levy

- 8.1. As part of the budget and rent setting proposals for 2005/06 an allowance was 'unpooled' from rent as a tenants service charge in respect of the Lewisham Tenants' Fund. The current levy is £0.15pw.
- 8.2. No proposals have been put forward by the tenants fund committee to vary this levy for 2020/21. Therefore the charge will remain at £0.15pw for 2020/21.
- 8.3. The tenants' fund has provided the panels with a consultation report regarding the accounts of the fund and budget proposals for 2020/21.

9. Consultation

Consultation at tenant panels

- 9.1. Consultation on rents, service charges and garage rent proposals have taken place in line with the existing consultation arrangements through tenant panels. These arrangements provide an opportunity to engage tenants in a discussion on rent rises. The views of residents will be collated and included in the report to Mayor & Cabinet.

Mayor & Cabinet

- 9.2. Mayor & Cabinet will consider the proposed increases and feedback from tenants and Housing Select Committee as part of the overall council budget setting report to be presented on 5th February 2020.

10. Conclusion

- 10.1. Over the last four years rents have reduced by 1% each year in line with government legislation. From April 2020, councils are able to return to the previous method of rent increase, which is CPI plus 1%.
- 10.2. Lewisham Council intend to implement this method to determine the rent rise. Rents are expected to rise by 2.70%. Service charges are set at a level to recover the full cost of the services included.

- 10.3. The Council's budget setting timetable enables tenants comments to be included in the budget report being presented to Mayor and Cabinet on 5th February 2020.

11. Legal Implications

- 11.1. s103 Housing Act 1985 .. Notice of variation of periodic tenancy states that ...
(1)The terms of a secure tenancy which is a periodic tenancy may be varied by the landlord by a notice of variation served on the tenant ...
(2)Before serving a notice of variation on the tenant the landlord shall serve on him a preliminary notice — (a)informing the tenant of the landlord's intention to serve a notice of variation, (b)specifying the proposed variation and its effect, and (c)inviting the tenant to comment on the proposed variation within such time, specified in the notice, as the landlord considers reasonable; and the landlord shall consider any comments made by the tenant within the specified time.
(3)Subsection (2) does not apply to a variation of the rent, or of payments in respect of services or facilities provided by the landlord or of payments in respect of rates.
- 11.2. The Council's duties in relation to the consultation of tenants on matters of housing management, as set-out in Section 105 of the Housing Act 1985, do not apply to rent levels, nor to charges for services or facilities provided by the authority. There is therefore no requirement to consult with secure tenants regarding the proposed increase in charges. The Council still needs to act reasonably and the decision maker should therefore be satisfied that the increase is reasonable and justified.
- 11.3. The Equality Act 2012 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 11.4. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 11.5. The duty continues to be a "have regard duty", and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.
- 11.6. The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled "Practice". The Council must have regard to the statutory code in so far as it

relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at:

<http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-actcodes-of-practice-and-technical-guidance/>

- 11.7. The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
 - The essential guide to the public sector equality duty
 - Meeting the equality duty in policy and decision-making
 - Engagement and the equality duty
 - Equality objectives and the equality duty
 - Equality information and the equality duty
- 11.8. The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice.
Further information and resources are available at
<http://www.equalityhumanrights.com/advice-and-guidance/public-sectorequality-duty/guidance-on-the-equality-duty/>

12. Equalities Implications

- 12.1. Social housing is a tenure type reserved for those households who are on lower incomes. Therefore, Lewisham Council tenants are more likely to be on lower incomes than the wider population. There is a likelihood that they may be in receipt of housing benefit or universal credit to support their ability to pay their rent.
- 12.2. Where a tenant is in receipt of Housing Benefit, the increased rent will be applied to all affected claims and a mass recalculation done. This will increase the HB for those both in receipt of full HB and for those on partial HB. Where a tenant is in receipt of Universal Credit, the full schedule of rents with the new rent level applied will be uploaded by Lewisham Homes to the UC portal for a recalculation and recovery for tenants.
- 12.3. Where tenants may struggle with the increased rent, Lewisham Homes and Regenter B3 offer in depth budgeting and financial support, which is available for all residents regardless of their arrears level.
- 12.4. Revenues raised as a consequence of the rent changes to HRA tenants will be retained within the HRA. This will be used to run the service and deliver future improvement programmes and stock investment to benefit our residents.
- 12.5. Residents of Lewisham's housing stock represent a wide range of protected characteristics. Whilst this change will have the same broad impact on all

affected groups, the above mentioned re-investment means that those affected will continue to receive the expected level of service and benefit from future investment programmes. This serves to mitigate some of the potential impact.

13. Environmental Implications

- 13.1. There are no specific environmental implications to this report.

14. Crime and Disorder Implications

- 14.1. There are no specific crime and disorder implications to this report.

If you require any more information about this report please contact Rachel Dunn on 0208 314 6713 (email Rachel.dunn@lewisham.gov.uk)

APPENDIX 1: Tenants' rent consultation 2020/21

The Tenants' rent consultation meetings took place on 17th December 2019 with Regenter B3 (Brockley) managed tenants and 17th December 2019 with Lewisham Homes managed tenants.

Views of representatives on rent and service charge changes & savings proposals.

	Lewisham Homes	Brockley PFI
No of representatives (excl Cllrs)	15+	5
Rent Increase @ 2.7%	See Below	No direct comments
Savings Proposals:-		
No Savings proposed	n/a	n/a
Service Charges inc:		
Heating & Hot Water Charges	See Below	No direct comments
Garage Rents	See Below	No direct comments
Tenants Fund	n/a – no increase proposed	n/a – no increase proposed

Summary of comments made by representatives

Lewisham Homes Panel	<p>Rent increase:</p> <p>Residents expressed their concerns that a 2.7% increase in rents was unaffordable and unjustified and takes no account of affordability issues.</p> <p>This is especially in the light of continued restrictions in pay increases for low income and public sector employees</p> <p>In addition, residents would like to see an equalities assessment impact undertaken.</p> <p>Officers responded by informing the panel that they would look into this and report back at the next meeting.</p> <p>A show of hands was held on the rise with the following results;</p> <table> <tr> <td>In Favour</td> <td>0</td> </tr> <tr> <td>Against</td> <td>5</td> </tr> </table> <p>Tenants Service Charges & Heating & Hot water Charge:</p> <p>A presentation was given on the proposals.</p> <p>A discussion was held on the issue of service standards and costs.</p> <p>The following information was requested by panel;</p> <ul style="list-style-type: none"> • What 'pests' are covered by the charge for pest control • Requested details of how the water charges are calculated by Thames Water now that direct billing is in place. <p>Officers informed the panels that these details would be provided for the next meeting.</p> <p>A show of hands was held on the rise with the following results;</p> <table> <tr> <td>In Favour</td> <td>0</td> </tr> <tr> <td>Against</td> <td>5</td> </tr> </table> <p>Garage Charges:</p>	In Favour	0	Against	5	In Favour	0	Against	5
In Favour	0								
Against	5								
In Favour	0								
Against	5								

	<p>There were complaints regarding the condition of the garages and the justification for increases applied last year.</p> <p>In addition, comments regarding letting units to non-resident were made.</p> <p>Officers responded by informing the panel that this only occurs where there is no waiting list and that tenants are given priority for lettings. In addition, non-residents also pay VAT on the lettings.</p> <p>The panel also requested details to be provided on the following;</p> <ul style="list-style-type: none"> • The total level of income; • Void rates • Number of lets to non-residents • Expenditure incurred – staffing, repairs etc. <p>A show of hands was held on the garage rise with the following results;</p> <p>In Favour 3 Against 2</p> <p>Tenants Fund: n/a – no increase proposed</p> <p>Savings Proposals: n/a</p>
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Brockley PFI Area	<p>Rent increase:</p> <p>There were no comments received on the proposals for the rent increase</p> <p>Tenants and Leaseholders Service Charges:</p> <p>Residents expressed their dissatisfaction on the lack of information provided by the management team regarding meaningful data provision on actual costs and if there has been any challenges, despite this being asked for.</p> <p>Officers responded by informing the panel that there is an independent audit undertaken annually regarding leasehold service charges which ensure that charges applied are reflective of actual costs.</p> <p>Once the audit is complete, accounts are adjusted, if necessary to reflect actual costs.</p> <p>Residents also commented on a lack of attendance of LBL officers at their regular residents meetings with RB3.</p> <p>Officers responded that if there are particular issues, they would be discussed with the management provider RB3 to resolve.</p> <p>Garage Charges:</p> <p>There were no comments received on the proposals for the garage rent increase</p> <p>Tenants Fund:</p> <p>n/a – no increase proposed</p> <p>Savings Proposals:</p> <p>n/a</p>
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APPENDIX 2: Leasehold and Tenants Charges Consultation 2020/21

Committee	Brockley Residents Panel			Item No	
Report Title	Leasehold and Tenant Charges Consultation				
Contributor	11 Regenter Brockley Operations Manager				
Class	Decision	Date	12th November 2019		

1 Summary

- 1.1 The report sets out proposals to increase service charges to ensure full cost recovery in line with Lewisham Council's budget strategy.
- 1.2 The report requests Brockley Residents Panel members to consider the proposals to increase service charges based on an uplift of **3.40%** for **2020/21** on specific elements. This is based on full cost recovery in line with previous years' proposals.

2 Policy Context

- 2.1 The policy context for leasehold and tenant service charges is a mixture of statutory and Council Policy.
- 2.2 The Council's Housing Revenue Account is a ring-fenced revenue account. The account is required to contain only those charges directly related to the management of the Council's Housing stock. This requires that leaseholder charges reflect the true cost of maintaining their properties where the provision of their lease allows. This prevents the situation occurring where tenants are subsidising the cost of leaseholders who have purchased their properties.

3. Recommendations

- 3.1 The Brockley Residents Panel is requested to consider and comment on the proposals contained in this report and the feedback from the residents will be presented to Mayor and Cabinet as part of the wider rent setting report.

4. Purpose

- 4.1 The purpose of the report is to:
 - outline the proposals for increases in service charges in line with the contract arrangements for leaseholders and tenants to recover costs incurred for providing these services

5. Housing Revenue Account Charges

- 5.1 There are several charges made to residents which are not covered through rents. These charges are principally:
 - Leasehold Service Charges

- Tenant Service Charges
- 5.2 A service charge levy is applied to Tenants for caretaking, grounds maintenance, communal lighting, bulk waste collection and window cleaning. Tenants also pay a Tenants Fund Levy which is passed onto the Tenants Fund as a grant.
- 5.3 The key principles that should be considered when setting service charges are that:
- The charge should be fair and be no more or less than the cost of providing the service
 - The charge can be easily explained
 - The charge represents value for money
 - The charging basis allocates costs fairly amongst those receiving the service
 - The charge to all residents living in a block will be the same
- 5.4 The principle of full cost recovery ensures that residents pay for services consumed and minimises any pressures in the Housing Revenue Account in providing these services. This is in line with the current budget strategy.

- 5.5 In the current economic environment, it must however be recognised that for some residents this may represent a significant financial strain. Those in receipt of housing benefit will receive housing benefit on increased service charges. Approximately 50% of council tenants are in receipt of housing benefit and Universal Credit.

6. Analysis of full cost recovery

- 6.1 The following section provides analysis on the impact on individuals of increasing charges to the level required to ensure full cost recovery. The tables indicate the overall level of increases.

6.2 Leasehold service charges

The basis of the leasehold management charge has been reviewed and externally audited this summer to reflect the actual cost of the service. The management charge now incorporates Resident Engagement and Customer Service charges which makes this combination £86.22 for street properties and £183.05 for blocks.

- 6.2.1 The uplift in leaseholder charges should reflect full cost recovery for the type of service undertaken. It is proposed that any uplift is applied at 2.40% RPI (September 2019) +1.00% equates to a total uplift of 3.40%
- 6.2.2 The following table sets out the average weekly increase for the current services provided by Regenter Brockley:

6.3 Leasehold service charges

Service	Leasehold No.	Current Weekly Charge	Weekly Increase	New Weekly Amount	Increase (3.40%)
Caretaking	395	£5.76	£0.20	£5.96	3.40%
Grounds Maintenance	395	£3.15	£0.11	£3.26	3.40%
Lighting	395	£1.74	£0.06	£1.80	3.40%
Bulk Waste	395	£1.38	£0.05	£1.43	3.40%
Window Cleaning	221	£0.16	£0.00	£0.16	3.40%
Resident Involvement	558	£0.24	£0.00	£0.24	3.40%
Customer Services	558	£0.38	£0.01	£0.39	3.40%
Ground Rent	558			£0.00	set at £10 per annum
General Repairs	558	£3.50	£0.12	£3.62	3.40%
Technical Repairs	400	£0.69	£0.02	£0.71	3.40%
Entry Phone	139	£0.05	£0.00	£0.05	3.40%
Lift	235	£2.40	£0.08	£2.48	3.40%
Management Fee	558	£2.95	£0.10	£3.05	3.40%
Total		£22.40	£0.75	£23.15	

6.3.1 **Tenant service charges.** These were separated out from rent (unpooled) in 2003/04 and have been increased by inflation since then. RB3 took over the provision of the caretaking and grounds maintenance services in 2007/08. Both tenants and leaseholders pay caretaking, grounds maintenance, communal lighting, bulk waste collection and window cleaning service charges.

6.3.2 In addition, tenants pay a contribution of £0.15pw to the Lewisham Tenants Fund.

- 6.3.3 In order to ensure full cost recovery, tenant's service charges for caretaking, grounds maintenance and other services should be increased in line with the percentage increase applied to leaseholder service charges. Overall, charges are suggested to be increased by an average of £0.31 pw which would move the current average weekly charge from £11.06 to £11.37.

The effect of increases in tenant service charges to a level that covers the full cost of providing the service is set out in the table below.

Service	Current Weekly Charge	Weekly Increase	New Weekly Amount	Increase (3.40%)
Caretaking	£5.30	£0.13	£5.43	3.40%
Grounds Maintenance	£2.27	£0.11	£2.38	3.40%
Communal Lighting	£1.76	£0.02	£1.78	3.40%
Bulk Waste	£1.38	£0.05	£1.43	3.40%
Window Cleaning	£0.20	£0.00	£0.20	3.40%
Tenants fund	£0.15	£0.00	£0.15	
Total	£11.06	£0.31	£11.37	

- 6.3.4 The RB3 Board is asked for their views on these charges from April 2020 to March 2021. Results of the consultation will be presented to Mayor and Cabinet for approval in Spring 2020.

7. Financial implications

The main financial implications are set out in the body of the report.

8. Legal implications

- 8.1. 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.

- 8.2 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.
- 8.3 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 enough information to explain the variation;
 - an opportunity for the tenant to serve a Notice to Quit terminating their tenancy.
- 8.4 The timetable for the consideration of the 2020/21 rent levels provides an adequate period to ensure that legislative requirements are met.
- 8.5 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.
- 8.6 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.

9. Crime and disorder implications

There are no specific crime and disorder implications in respect of this report paragraph.

10. Equalities implications

The general principle of ensuring that residents pay the same charge for the same service is promoting the principle that services are provided to residents in a fair and equal manner.

11. Environmental implications

There are no specific environmental implications in respect of this report.

12. Conclusion

- 12.1 Revising the level of charges ensures that the charges are fair and residents are paying for the services they use.

12.2 The additional resources generated will relieve some of the current pressures within Housing Revenue Account and will contribute to the funding of the PFI contract which is contained within the authorities Housing Revenue Account.

If you require any further information on this report, please contact

Kate Donovan
Area Manager

or

Sandra Simpson
Project Manager

Brockley.customerservice@pinnaclegroup.co.uk

Or

on 0 207 635 1200.

APPENDIX 3: Leasehold and Tenants Charges 2020/21 Lewisham Homes

Meeting	Resident Engagement Panel		Item No.	5
Report Title	Service Charges 2020/21			
Report Of	Director of Finance and Technology - Rowann Limond			
Class	Information	Date	17December 2019	

1. Purpose of the Report

- 1.1 This report sets out proposals for residents service charges in 2020/21 Residents are invited to comment on the proposals which will be fed back to the Mayor as part of the Council's budget setting process.

2. Recommendations

- 2.1 To consult residents on the service charge proposals and provide feedback to the Mayor.

3. Background of the Report

- 3.1 The Council's Housing Revenue Account is a ring-fenced account. The account can only contain those charges directly related to the management of the Council's housing stock. By implication leaseholders must be charged the true cost of maintaining their properties, where the provision of their lease allows. This prevents tenants subsidising the cost to leaseholders, who have purchased their properties.
- 3.2 Each year a review of the actual costs is undertaken as part of the budget setting process and recommendations made to the council in respect of proposed charges.
- 3.3 Where possible we aim to keep these charges within within the inflation rates. It should be noted that the inflation rates as at September 2019 were CPI 1.7% and RPI 2.4%. Although it is proposed to increase the overall charge to tenants by more than CPI the majority of this increase relates to charges from new services such as sweeping.

4 Tenant and Leasehold service charges 2020/21

- 4.1 The proposed 2020/21 charges as compared with 2019/20 are shown in Appendix 1
- 4.2 Increases to service charges for caretaking and grounds maintenance reflects the impact of services such as sweeping being moved into the HRA.
- 4.3 Changes to repairs and maintenance charges have been modelled on the last 3 years actual costs. These charges are estimates and leaseholders will receive a

charge adjustment based on actual costs incurred. This charge adjustment will take place in September 2021.

- 4.4 A proposed increase in communal heating of 13p per week is due to an increase in energy costs.

**If you require further information on this report please contact Rowann Limond
on
020 3889 0650 or email rowann.limond@lewishamhomes.org.uk**

Existing Service	Tenant (T) / Leaseholder s (LH)	Estimat	Estimat	Change in weekly charge		
		2019/20	2020/21	£	£	%
Caretaking	T & LH	6.00	6.36	0.3 6	6.01%	increase
Ground Maintenance	T & LH	2.00	2.07	0.0 7	3.33%	increase
Repairs and Maintenance - Building	LH	2.38	2.92	0.5 4	22.73 %	increase
Repairs and Maintenance Technical	LH	0.98	1.03	0.0 5	4.80%	increase
Lifts	LH	2.75	2.69	0.0 5	-1.89%	decrease
Entry Phone	LH	0.74	0.74	0.0 0	0.00%	no change
Block Pest Control	T & LH	1.66	1.79	0.1 3	7.92%	increase
Ground Rent	LH	0.19	0.19	0.0 0	0.00%	no change
Sweeping	LH	1.03	1.02	0.0 1	-1.10%	decrease
Management	LH	2.54	2.45	0.0 9	-3.64%	decrease
Window Cleaning	T & LH	0.10	0.10	0.0 0	0.00%	no change
Bulky House Hold Waste Collection Service	T & LH	0.52	0.47	0.0 5	-8.99%	decrease
Bulk Waste Disposal	T & LH	0.84	0.85	0.0 1	0.88%	increase
Insurance	LH	0.94	0.94	0.0 0	0.00%	no change
Total excluding energy charges		22.66	23.61	0.9 5		
Communal Lighting	T & LH	1.12	1.07	0.0 4	-3.96%	decrease
Communal Heating and Hot Water	T & LH	10.02	10.29	0.2 7	2.73%	increase

Total energy charges		11.14	11.37	0.2 3	
Grand Total		33.80	34.98	1.1 8	

APPENDIX 4: Garage Rent Increase Report 2020/21

RESOURCES AND REGENERATION Estates Team Report		
Report Title	Rental Increases for Garages	
Key Decision	Yes	Item No.
Contributors	Lewisham Homes, Brockley Residents, Financial and Legal Services	
Class		Date: November 2019

1. Purpose and Summary of the report

The purpose of this report is to advise the resident panel of the proposed increase in the rent paid by tenants for domestic garages owned by the Council for the next financial year. As is our usual practice, the rents for next year will be increased in line with the Retail Price Index.

2. Recommendation

It is recommended that the Council approves, in principle, an increase in rent for the garage portfolio of 2.4%, to be effective from April 2020. This increase is in line with the increase in the Retail Price Index for the current year.

Blue Badge holders will continue to receive a 50% deduction on the weekly rent.

3. Policy Context

Lewisham's core values as set out in the Corporate Strategy for 2018-2022 are to:

- Put service to the public first;
- Respect all people and all communities;
- Invest in employees;
- Be open, honest and fair in all we do.

Within the context of the Corporate Strategy, the proposal in this report will support the objective of increasing income from the existing estate. The garage portfolio is an opportunity for the Council to closely scrutinize how the resource is managed / utilised, and seek to maximise income where possible, and identify new development opportunities.

It is also an opportunity to monitor and improve the garage letting service delivered to tenants and residents of the borough in accordance with our core value ‘Put service to the public first’

4. Background

For the financial year 2019/2020 the garage rentals were increased by 25%. This was following a report by external property consultants Ridge and Partners. Their report advised that the rental levels that were being charged by the Council for its garages were below market rent. The 25% uplift was therefore imposed in order to correct this and bring rentals back in line with the market.

The larger % increase imposed on tenants in 2018/19 had minimal impact on demand. Whilst a few tenants did vacate their garages at the start of the year, the vast majority stayed on. The current waiting list for garages is approximately 1400 applicants.

For the forthcoming financial year from April 2020 it is intended that the increase imposed is an inflationary one only, in line with the Retail Prices Index, as is our usual practice.

There are approximately 134 Council garage sites in the borough, comprising 182 garage blocks. There are approximately 2,379 individual garages. Approximately 1,801 of the garages are let to Lewisham Homes and Brockley social tenants and 578 are let to non-Lewisham Homes or Brockley social tenants.

A housing tenant with LB Lewisham pays the basic price for a garage (subject to any specific discounts agreed) and a non-housing tenant pays the basic price with the addition of 20% VAT. Blue Badge holders receive a 50% deduction on the weekly rent.

The application of a discount is entirely a discretionary decision on behalf of the Council; garages are not a core social dwelling provision and all could be charged at a higher level, although there is some logic in offering some abatement to housing customers to help mitigate parking issues and neighbourhood management problems.

The highest rent charged is £22.93 per week and the lowest is £11.43 per week. However, some garages are charged at less than the lowest rate per week. These are discounted rates (50% of the full charge) for tenants with blue badges.

5. Financial Implications

The current annual rent roll for the garage portfolio is £1.368M, based on a basic average standard charge of £15.30 per week per garage (i.e. before discounts are applied).

If the rents are increased by RPI as proposed in April 2020, the revised annual rent roll will increase to approximately £1.402M, or £15.68 per week per garage, an uplift of

2.4%, or £0.38 per week on average, and a total increase of approximately £34,000 on the annual rent roll.

6. Legal Implications

The Council's duties in relation to the consultation of tenants on matters of housing management, as set-out in Section 105 of the Housing Act 1985, do not apply to rent levels, nor to charges for services or facilities provided by the authority. There is therefore no requirement to consult with secure tenants regarding the proposed increase in charges. The Council still needs to act reasonably and the decision maker should therefore be satisfied that the increase is reasonable and justified. The general principle is that the Council should be seeking best value.

The Equality Act 2012 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

In summary, the Council must, in the exercise of its functions, have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between people who share a protected characteristic and those who do not.

The duty continues to be a "have regard duty", and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.

The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled "Practice". The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-actcodes-of-practice-and-technical-guidance/>

The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:

- The essential guide to the public sector equality duty
- Meeting the equality duty in policy and decision-making
- Engagement and the equality duty
- Equality objectives and the equality duty
- Equality information and the equality duty

The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>

7. Crime and Disorder Implications

There are no specific crime and disorder implications in this report. However, levels of voids could increase in the future if there is a lack of investment. Poorly maintained garages with high vacancy rates can in turn lead to increased levels of crime and anti-social behaviour.

8. Equalities Implications

The proposed 25% increase will be applied across the portfolio to residents and non-residents. Blue badge holders will continue to receive a 50% discount on the weekly rent as existing.

9. Environmental Implications

There are no specific environmental implications in this report.

10. Conclusion

The proposed rental increase is considered to reflect market rent and be sustainable, and will raise additional revenue from the portfolio that can be re-invested.

11. Further Information

If there are any queries on this report, please contact David Lee on extension 49823, david.lee@lewisham.gov.uk