

Housing Select Committee		
Report Title	Housing Revenue Account (HRA) – Rent Setting	
Contributors	Executive Director for Customer Services & Executive Director for Resources & Regeneration	
Class	Part 1	Date: 10 January 2017

1 Purpose of the Report

To outline the forecast rent, service charge, garage and heating and hot water charge changes for Lewisham Council Dwellings in 2017/18, including resident feedback on the proposals.

2 Executive summary

- 2.1 Until this year, the Council's rent setting process gave tenants the opportunity to provide comments and feedback on proposed rent changes and changes to service charges. The Government's current rent policy, as announced in the July 2015 budget statement, is for a 1% reduction in rents each year for 4 years from April 2016, is now set in statute and the Council has no choice but to follow Government policy and the consultation process in respect of rents has been rendered redundant.
- 2.2 This is the second year in which the reduction will apply, and will result in an average decrease in rent for 2017/18 of 1.0% or £0.97 over a 52 week period. This will reduce the full year average dwelling rent for the London Borough of Lewisham HRA stock (as at April 2016) from £97.58 to £96.61pw. The proposed decrease will result in a loss of £0.722m of rental income to the HRA.
- 2.3 The potential average service and heating and hot water charge changes are contained in the Lewisham Homes and Brockley RB3 Service charge report 2017/18, which are included with the supporting papers to this report. The proposal is for an increase of £0.14pw or 0.67% for the Lewisham Homes area, and an increase of £0.25pw or 3.0% for the Brockley RB3 area.
- 2.4 Although no direct efficiencies/savings are currently being considered for 2017/18, work continues to identify opportunities for cost reductions and efficiencies relating to the HRA business model. Where identified, these savings would be available to off-set future rental losses due to a constrained uplift to protect investment in stock or services.
- 2.5 No proposals have been received to vary the current levy for the Tenants' Fund which is currently £0.10pw.
- 2.6 Garage rents are proposed to rise in line with RPI inflation @ September 2016 which is 2.0%. This represents an increase of £0.23pw and would raise the

average basic charge from £11.59pw to £11.82pw. The proposed increase will raise an additional £21k 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 Proposal for rent increases

- 4.1 Due to the requirements to comply with Government legislation, rents are expected to reduce by 1% each year for a 4 year period starting April 2016.
- 4.2 A 1% reduction in average rents for dwelling stock 2017/18 will equate to an average decrease of £0.97 over a 52 week period. This will reduce the full year average dwelling rent for the London Borough of Lewisham from £97.58 to £96.61pw. The proposed decrease will result in a loss of £0.722m of rental income to the HRA against 2016/17 income levels.
- 4.3 It is not yet clear what rent regime will be in place once the rental contraction requirements have been completed. However, for the purpose of business and financial planning, it is assumed that rental charges will be increased in line with prior Government guidance of CPI + 1%. Any variation to this could put additional pressure on the financial forecasts for the HRA.

5 Efficiencies & Savings Proposals for 2017/18

- 5.1 The HRA strategy and self-financing assessments are continually updated and developed with the view to ensuring resources are available to meet costs and investment needs and are funded for 2018/19 and future years.
- 5.2 Savings and efficiencies delivered against the HRA business model and future budgets can be re-invested to off-set constrained rent rises or to help bridge any investment gap identified. As a prudent measure the original financial model was developed with no savings identified. Subsequently, discussions have taken place regarding appropriate savings and 'target' management and maintenance costs per unit. For example, there is already an assumed reduction in the Lewisham Homes fee in 2017/18 to reflect stock losses through Right to Buy Sales.
- 5.3 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.

6 Service Charges & Garage Rents

- 6.1 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 £0.14pw or 0.67% for the Lewisham Homes managed area, and £0.25pw or 3.0% for the Brockley RB3 manages area.
- 6.2 Lewisham Homes and Regenter B3 provided separate consultation reports to their respective panels giving further details of the increase to be applied for 2017/18. These reports are included within the supporting documents to this report.
- 6.3 Tenants were are 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 2017. Tenants feedback and comments are included as appendix 1 to this report.

Garage Rents

- 6.3 Garage rents are proposed to rise in line with RPI inflation @ September 2016 which is 2.0%. This represents an increase of £0.23pw and would raise the average charge from £11.59pw to £11.82pw. The proposed increase would raise an additional £21k of revenue income.
- 6.4 The authority will be commissioning a review into rental values across the garage stock, with a view to reporting to Mayor & Cabinet sometime in the next year recommending rental values to take forward in the longer term. Any changes are likely to be consulted on and implemented for financial year 2018/19 onwards.

7 Tenants' Levy

- 7.1 As part of the budget and rent setting proposals for 2005/6 an allowance was 'unpooled' from rent as a tenants service charge in respect of the Lewisham Tenants' Fund. The current levy is £0.10pw.
- 7.2 No proposals have been put forward by the tenants fund committee to vary this levy for 2017/18.
- 7.3 The tenants' fund has provided the panels with a consultation report regarding the accounts of the fund and budget proposals for 2016/17.

8 Consultation

8.1 Consultation under tenants' compact

Consultation on service charge and garage rent proposals will continue to take place in line with the tenants' compact arrangements. Since these

arrangements provide an opportunity to engage tenants in a discussion on rent rises, it is proposed to continue to involve tenant representatives through the Housing Panels in January and feedback any views to Mayor & Cabinet.

8.2 Mayor & Cabinet

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 8th February 2017.

9 **Conclusion**

- 9.1 Following the Government's decision to legislate on the rent reduction, the Council has no alternative but to reduce rents in line with that policy. Service charges are set at a level to recover the full cost of the services included.
- 9.2 The Council's budget setting timetable enables tenants comments to be included in the budget report being presented to Mayor and Cabinet on 08 February 2017.

If you require any more information about this report please contact Mark Humphreys on 0208 314 8379 (email mark.humphreys@lewisham.gov.uk)

Tenants' rent consultation 2017/18

Appendix 1

The Tenants' rent consultation meetings took place on 13th December 2016 with Regenter B3 (Brockley) managed tenants and 15th December 2016 with Lewisham Homes managed tenants. Excalibur tenants consultation took place via a report sent to the committee in December 2016

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

	Lewisham Homes	Brockley PFI	Excalibur TMO
No of representatives (excl Cllrs)	19	7	
Rent Reduction @ %	No comments	No comments	Comments not yet received
Savings Proposals:-			
No Savings proposed	n/a	n/a	n/a
Service Charges inc:			
Heating & Hot Water Charges	No comments	No comments	
Garage Rents	No comments	No comments	
Tenants Fund	No comments	No comments	

Summary of comments made by representatives

Lewisham Homes Panel	<p>Rent reduction:</p> <p>No comments</p> <p>Tenants Service Charges & Heating & Hot water Charge:</p> <p>No comments</p> <p>Savings Proposals:</p> <p>n/a</p>
----------------------	---

Brockley PFI Area	<p>Rent reduction:</p> <p>No comments</p> <p>Tenants and Leaseholders Service Charges:</p>
-------------------	--

Excalibur TMO	<p>Rent reduction:</p> <p>Comments not yet received</p> <p>Tenants and Leaseholders Service Charges:</p>
---------------	--