

<b>Lewisham Homes Area Panel</b>		
<b>Report Title</b>	Housing Revenue Account (HRA) – Rent Setting	
<b>Contributors</b>	Executive Director for Customer Services & Executive Director for Resources & Regeneration	
<b>Class</b>	Part 1	Date: 31 <sup>st</sup> January 2019

## **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 2019/20, including resident feedback on the proposals.

## **2 Executive summary**

- 2.1 Until 2015/16 financial 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 fourth and final year in which the reduction will apply, and will result in an average decrease in rent for 2019/20 of 1.0% or £0.96pw 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 2019) from £96.39 to £95.43pw. The proposed decrease will result in a loss of £0.700m 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 Service charge report 2019/20, which are included as Appendix 2 & 3 to this report. The proposal is for an increase of £0.61pw or 1.84% for the Lewisham Homes area, and an increase of £0.43pw or 4.30% for the Brockley RB3 area.
- 2.4 Although no direct efficiencies/savings are currently being considered for 2019/20, 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 Proposals have been received to increase the current levy for the Tenants' Fund by £0.02pw, which will move the charge from £0.13pw to £0.15pw.
- 2.6 Garage rents are proposed to rise by 25%. This represents an increase of £3.06pw and would raise the average basic charge from £12.24pw to

£15.30pw. The proposed increase will raise an additional £274k 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 2019/20 will equate to an average decrease of £0.96 over a 52 week period. This will reduce the full year average dwelling rent for the London Borough of Lewisham from £96.39pw to £95.43pw. The proposed decrease will result in a loss of £0.700m of rental income to the HRA against 2018/19 income levels.
- 4.3 Government consulted on returning to the previous method of rent increase calculations once the rental contraction requirements have been completed. This is based on CPI + 1%. For the purpose of business and financial planning, it is assumed that this will be agreed and that rental charges will be increased in line with the 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 2019/20**

- 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 2020/21 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 2019/20 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 £0.61pw or 1.84% for the Lewisham Homes managed area, and £0.43pw or 4.30% 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 2019/20. These reports are included as Appendix 2 & 3 to this report.
- 6.3 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 2019. Tenant's feedback and comments are included as Appendix 1 to this report.

### **Garage Rents**

- 6.3 Garage rents are proposed to rise by 25%. This represents an increase of £3.06pw and would raise the average charge from £12.24pw to £15.30pw. The proposed increase would raise an additional £274k of revenue income.
- 6.4 The authority has commissioned 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 additional changes are likely to be consulted on and implemented for financial year 2020/21 onwards.
- 6.5 Property Services have provided a separate consultation report to the Lewisham Homes and Regenter B3 panels giving further details of the increase to be applied for 2019/20. This is attached as Appendix 4 to this report.

## **7 Tenants' Levy**

- 7.1 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 £0.13pw.
- 7.2 Proposals have been put forward by the tenants fund committee to vary this levy for 2019/20 by £0.02pw which will raise the charge from £0.13pw to £0.15pw.
- 7.3 The tenants' fund has provided the panels with a consultation report regarding the accounts of the fund and budget proposals for 2019/20.

## **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 existing consultation arrangements through tenant panels. 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 December/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 6<sup>th</sup> February 2019.

## 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 tenant's comments to be included in the budget report being presented to Mayor and Cabinet on 6<sup>th</sup> February 2019.

**If you require any more information about this report please contact Tony Riordan on 0208 314 6854 (email [tony.riordan@lewisham.gov.uk](mailto:tony.riordan@lewisham.gov.uk))**

## APPENDIX 1: Tenants' rent consultation 2019/20

The Tenants' rent consultation meetings took place on 27<sup>th</sup> November 2018 with Regenter B3 (Brockley) managed tenants and 13<sup>th</sup> December 2018 with Lewisham Homes managed tenants.

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

	<b>Lewisham Homes</b>	<b>Brockley PFI</b>
No of representatives (excl Cllrs)	15+	19
<b>Rent Reduction @ 1%</b>	No Comments	No comments
<b>Savings Proposals:-</b>		
No Savings proposed	n/a	n/a
<b>Service Charges inc:</b>		
Heating & Hot Water Charges	See Below	No comments
Garage Rents	See Below	See Below
Tenants Fund	No comments	No comments

Summary of comments made by representatives

Lewisham Homes Panel

**Rent reduction:**

Agreed with no comments

**Tenants Service Charges & Heating & Hot water Charge:**

The main comments were related to the provision of services (rather than cost) and what can be done about fly-tipping on estates.

It agreed that bulk waste should be a future agenda item for the residents panel.

**Garage Charges:**

Some members felt it was a high increase and unfair to increase the charge by so much as some people can't afford a 25% increase.

Officers explained that this was to bring charges in line with commercial letting charges plus inflation and to provide resources for additional investment in the Garage stock

**Tenants Fund:**

Agreed with no comments

**Savings Proposals:**

n/a

A full transcript of the comments from the Lewisham Homes panel is included at the end of this summary update.

Brockley PFI Area	<p><b>Rent reduction:</b></p> <p>Agreed with no comments</p> <p><b>Tenants and Leaseholders Service Charges:</b></p> <p>Agreed with no comments</p> <p><b>Garage Charges:</b></p> <p>Query as to why the increase was so large?</p> <p>Officers explained that this was to bring charges in line with commercial letting charges plus inflation.</p> <p>Proposal was agreed by panel members.</p> <p><b>Tenants Fund:</b></p> <p>Agreed with no comments</p>
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**Full Comments from the Lewisham Homes panel:**

**Rent Increases for Garages**

David Lee (DL) from Lewisham council presented a paper on the proposed garage rent increase.

DL explained external contractors Ridge were contracted to look at garage stock.

The proposal is to increase garage rents by 25%, which would work out as approximately an additional £3 a week.

Garage rent is normally increased in line with the retail price increase (RPI). The proposed increase would see the garages being rented at market value for garages.

There are 700 applicants on the garage waiting list, which is half the portfolio.

Blue badge holders will continue to get a 50% discount.

A member asked if we can improve storage provision for bikes and link this in. There is currently no provision for bikes on estates.

DL responded to say this would need to be considered under asset strategy.

DL stated that there needs to be investment in garages or they will further deteriorate. The additional income will be used to reinvest.

A member commented on the garages no longer being big enough for modern cars. But the garages are useful storage space.

A member asked if there was a figure for people currently renting a garage, but in arrears. DL stated they do have figures and that due to standing orders there are very few arrears.

DL stated that the big increase is due to the rise in demand and will put them back in market value. This sort of increase will not happen every year

A member stated they felt the 25% increase is too much and whether there will be any consultation on this.

DL responded to say that they are currently below market value and that this is a correction and that the attendance at REP is part of the consultation.

A member asked why the date on the paper was November. DL responded to say it had been presented at Brockley PFI in November.

A member asked how many garages are void, stating that there are lots of empty garages and dumped cars on the Honor Oak estate. DL responded to say around 10% are void and that they are let readily.

A member asked why the figures in the report don't match. Adam Barrett responded to say it's just the HRA figures in the report, not general fund.

A member asked if 25% is normal across other London boroughs. DL highlighted the table on the report at the bottom of page 3, which shows charges across other boroughs.

A member stated she felt it was unfair to increase by so much, and to compare it to people who have money, as some people can't afford a 25% increase. She suggested they should be refurbished first as they're in such a bad state and not just put up.

Other members noted that they think it's too much to increase in one go.

Director of Resources asked if the money was necessary to refurbish the garages, is that ok.

A member asked if the resident scrutiny committee could look into it. It was decided that this would have to be some way in the future, and would have to be agreed by REP members as a subject to scrutinise.

The Director of Resources explained that some non-residents hire garages too. CEO asked if this could be a different charge. The DoR stated this could be explored.



DL said there are about 600 non council tenants, about 1,000 are rented by council tenants

A member asked where the revenue currently goes. DL explained it goes in to a pot. DoR explained that the pot is Housing Revenue Account (HRA), but it could be moved to general fund for better accountability. He will look at how much has been reinvested and send around.

A member highlighted concerns that some garages are being used commercially.

A member asked how people hear about garage availability and why it's rented out to non-council tenants. DL explained they're marketed on the council website. They were rented out privately at a time when there was more supply than demand.

The Chair of the Board asked if there is any other way residents could make their view heard. Community Relations agreed to look into ways to inform residents through the website, social media and other communication means.

Community Relations team will send out report and details of how to feedback on the consultation. The CR team will feed this back to the council by 11 January.

**A Summary of Feedback received by The Community Relations Team is shown below:**

- Emails were sent to all garage tenants and all involved residents
- 36 people responded to feed back on the proposed garage rent increase.
- 35 of those who responded opposed the proposals.
- Details of the reasons why people are opposed can be found in the table below

<b>Reason</b>	<b>Amount of opposition</b>
Cost	29
Should be social rent	13
Maintenance/ repairs are currently not good	15
Should be improved before increase implemented	10
Cost of consultants	2
Wanted to know new cost	2
Car parking in front of garage	5
Shouldn't be in one go	8
Consultation timescale/ information	4
Will write to MPs/ Councillors	2
Other	1

## **Lewisham Homes Budget Strategy and Leasehold/ Tenant Service Charge 2019/20**

DoR explained that the rents will decrease by 1% in 2019. He went through the relevant paper and explained that the average rents detailed are based on the size of the home. All tenants will receive a rent reduction next year.

DoR explained that some service charges are relevant for tenants and leaseholders, some are just for leaseholders. The average service charge increase is 60p a week.

DoR explained that we are mindful of the financial pressure that people are under and that the increase is due to the 2% pay inflation for grounds maintenance and environmental services' staff.

DoR explained when you add the service and rent charge together there is an 80p reduction in total charges.

A member highlighted concerns with freeholders using Lewisham Homes bulk services for free. DoR explained that this is flytipping.

DoR said it would be difficult to charge freeholders and that it's more about enforcement.

A member asked if we could look at the contract leaseholders and freeholders have. Subtenants and absentee landlords can be a problem, which Lewisham Homes foots the bill for.

DoR explained that we can't change a lease once we've entered into it, but we can enforce the conditions of the lease. We can see if ASB like flytipping is happening, if it's an issue.

Cllr Kelleher asked if we can do something to change leases on new right to buy properties, DoR explained we can look at this.

A member talked about illegal subletting happened a lot. DoR asked if they could provide us with addresses and details of people doing this.

The CEO talked about her time being a caretaker and how it was clear that bulk waste is an issue. She said Lewisham Homes is pretty good and that most issues are societal. She asked caretakers what they felt they could do to prevent. They didn't feel there was much that could be done, and that there is less fly tipping because of bulk waste.

A member stated they felt Lewisham Homes were picking up flytipping that didn't fall into their remit, from private businesses

It was discussed and agreed that bulk waste should be a future agenda item.

A member stated their concerns on Lewisham Homes not acting on intelligence given in relation to fly-tipping, by investigating those who are dumping stuff (fly-tipping).

CEO explained they would need to look at anti-social behaviour and LH's approach more widely, as we're not dealing with it well at the moment.

A member asked about table 1 in DoR's report and queried what an estimate is. DoR explained that it is an average cost, but the actual charges would be block specific, dependent on lifts, etc., the actual charge to tenants and leaseholders will be sent in a letter.

A member asked if residents were charged for an ASB service. The DoR explained that there isn't a specific charge for this, but that elements are covered via home ownership/ housing management charges.

A resident board member asked if the lift charge is realistic, as they are quite old. The DoR explained that if there is a substantial additional charge for this, it will be detailed in the actual charges.

A member from Tanners Hill stated they felt it was unfair that residents are paying a service charge for caretaking, but one of the caretakers is long term sick, so they aren't getting the full service.

DoR explained that the charges are based on the services we presume we are delivering, and that individual issues should be dealt with. The CEO stated she will talk to the head of environmental services about the caretaking issues on Tanners Hill

Councillor Kelleher asked if the insurance was contents too. The DoR explained that is just core building insurance and not contents.

A member asked if there were plans for a roll out of LED lights across all blocks. The CEO said we will be looking at sustainability and affordability across the business. This will include looking at electric cars, due to the congestion charge rise.

## APPENDIX 2: Leasehold and Tenants Charges Consultation 2019/20

Committee	<b>Brockley Residents Panel</b>	Item No	
Report Title	<b>Leasehold and Tenant Charges Consultation</b>		
Contributor	<b>3 Regenter Brockley Operations Manager</b>		
Class	<b>Decision</b>	Date	<b>27 November 2018</b>

### **1.**

#### **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 4.3% for 2019/20 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.

## **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. In line with best practice in the sector this is now a fixed cost rather than a variable cost. The management charge is £53.00 for street properties and £145.30 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 4.3% [RPI (September 2018) +1.00%].

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
Caretaking	393	£5.04	£0.22	£5.26	4.3%
Grounds Maintenance	393	£2.62	£0.11	£2.73	4.3%
Lighting	393	£1.21	£0.05	£1.26	4.3%
Bulk Waste	393	£0.48	£0.02	£0.50	4.3%
Window Cleaning	221	£0.16	£0.01	£0.17	4.3%
Resident Involvement	557	£0.24	£0.01	£0.25	4.3%
Customer Services	557	£0.38	£0.02	£0.40	4.3%
Ground Rent	557	£0.21	£0.01	£0.22	4.3%
General Repairs	557	£1.81	£0.08	£1.89	4.3%
Technical Repairs	400	£0.36	£0.02	£0.38	4.3%
Entry Phone	139	£0.05	£0.00	£0.05	4.3%
Lift	235	£0.33	£0.01	£0.34	4.3%
Management Fee	557	£1.78	£0.08	£1.86	4.3%
<b>Total</b>		<b>£14.67</b>	<b>£0.63</b>	<b>£15.30</b>	

6.3.1 Tenant service charges 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. At present there are no plans to increase the Tenants Fund charges.

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 £0.43pw which would move the current average weekly charge from £9.64 to £10.07.

6.3.4 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
	£	£	£	
Caretaking	£5.04	£0.22	£5.26	4.3%
Grounds Maintenance	£2.62	£0.11	£2.73	4.3%
Communal Lighting	£1.21	£0.05	£1.26	4.3%
Bulk Waste	£0.48	£0.02	£0.50	4.3%
Window Cleaning	£0.16	£0.01	£0.17	4.3%
Tenants fund	£0.13	0.02	£0.15	Independent increase
<b>Total</b>	<b>£9.64</b>	<b>£0.43</b>	<b>£10.07</b>	

6.3.5 The RB3 Board is asked for their views on these charges from April 2019 to March 2020. Results of the consultation will be presented to Mayor and Cabinet for approval in Spring 2019.

## 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 sufficient 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 2018/19 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

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or

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Or

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### APPENDIX 3: Leasehold and Tenants Charges 2019/20 Lewisham Homes

Meeting	<b>Resident Engagement Panel</b>	Item No.	
Report Title	<b>Leasehold and Tenant Charges 2019/20</b>		
Report Of	<b>Director of Resources – Adam Barrett</b>		
Class	<b>Decision</b>	Date	<b>13<sup>th</sup> December 2018</b>

#### 1. Purpose of the Report

This report sets out proposals for residents service charges in 2019/20. 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.
- 2.2 To inform residents of the impact of the government's 1% rent reduction on their rents.

#### 3. Background of the Report

- 3.1 One of Lewisham Homes core objectives is sustainability and this includes ensuring that there is a focus on providing improved services to tenants that are affordable without compromising quality.
- 3.2 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.
- 3.3 Current inflation rates are CPI 2.2% and RPI 3.5%
- 3.4 The proposed service charges for tenants and leaseholders at £10.3m is in line with the aggregate service charge income assumed within the HRA plan for 2019/20.

#### 4 Tenant and Leasehold service charges 2019/20

- 4.1 The proposed 2019/20 charges as compared with 2018/19 are shown in Table 1 below. No cuts to services are proposed.
- 4.2 Increases to service charges for caretaking and grounds maintenance reflect the impact of the 2% pay increase.

- 4.3 Changes to repairs and building maintenance charges such as lift maintenance have been modelled on last years cost levels. These charges are estimates and leaseholders will receive a charge adjustment based on actual costs incurred. This charge adjustment will take place in September 2020.

**Table 1**

Existing Service	Tenant (T)/Leaseholders (LH)	Estimate (per week charge)	Estimate (per week charge)	Change in weekly charge	
		2018/19	2019/20		
		£	£		
Caretaking	T & LH	5.81	6.00	0.19	increase
Ground Maintenance	T & LH	1.93	2.00	0.07	increase
Repairs and Maintenance - Building	LH	2.32	2.39	0.07	increase
Repairs and Maintenance Technical	LH	1.00	0.99	-0.01	decrease
Lifts	LH	2.77	2.75	-0.02	decrease
Entry Phone	LH	0.76	0.74	-0.02	decrease
Block Pest Control	T & LH	1.63	1.66	0.03	increase
Ground Rent	LH	0.19	0.19	0.00	no change
Sweeping	LH	1.00	1.03	0.03	increase
Management	LH	2.48	2.54	0.06	increase
Window Cleaning	T & LH	0.09	0.10	0.01	increase
Bulky House Hold Waste Collection Service	T & LH	0.48	0.52	0.04	increase
Bulk Waste Disposal	T & LH	0.81	0.84	0.03	increase
Insurance	LH	0.94	0.94	0.00	No change
<b>Total excluding energy charges</b>		<b>22.22</b>	<b>22.69</b>	<b>0.47</b>	
Communal Lighting	T & LH	1.14	1.15	0.01	increase
Communal Heating and Hot Water	T & LH	9.89	10.02	0.13	increase
<b>Total energy charges</b>		<b>11.03</b>	<b>11.17</b>	<b>0.14</b>	
<b>Grand Total</b>		<b>33.25</b>	<b>33.86</b>	<b>0.61</b>	

T & LH – Service Charges to Tenants and Leaseholders  
 LH – Service Charges to Leaseholders only

4.4 The increase in communal heating has increased by 13p from £9.82 to £10.02. This is due to an increase in energy costs.

## 5.0 Analysis of impact of changes to Tenant Rent Charges

5.1 The government has set a requirement for rents to be reduced by 1% per annum for 4 years from 2016/17. This is the last year of the 4 year rent reductions. From 2020/21 rents are expected to increase by CPI plus 1%.

5.2 Table 3 below sets out the impact of rent reductions shown by property size:

**Table 3**

<b>Bed size</b>	<b>Average Rent - 2018/19</b>	<b>Average Rent - 2019/20</b>	<b>£ Change</b>	<b>% Change</b>
Bedsit	£72.89	£72.16	<b>-£0.73</b>	-1.00%
1	£84.66	£83.82	<b>-£0.84</b>	-1.00%
2	£95.02	£94.07	<b>-£0.95</b>	-1.00%
3	£111.58	£110.47	<b>-£1.11</b>	-1.00%
4	£127.17	£125.89	<b>-£1.28</b>	-1.00%
5	£152.26	£150.74	<b>-£1.52</b>	-1.00%
6	£154.83	£153.28	<b>-£1.55</b>	-1.00%
7	£154.72	£153.17	<b>-£1.55</b>	-1.00%
<b>Average Total</b>	<b>£96.39</b>	<b>£95.43</b>	<b>-£0.93</b>	<b>-1.00%</b>

5.3 The overall position for the movement in average rent and service charges for tenants from 2018/19 to 2019/20 is a reduction of £0.79, from £105.73 per week to £104.94 per week.

**If you require further information on this report please contact Adam Barrett on**

**020 8613 7697 or email [adam.barrett@lewishamhomes.org.uk](mailto:adam.barrett@lewishamhomes.org.uk)**

## APPENDIX 4: Garage Rent Increase Report 2019/20

RESOURCES AND REGENERATION Estates Team Report		
Report Title	Rental Increases for Garages	
Key Decision	Yes	Item No.
Contributors	Lewisham Homes, Brockley Residents, External Consultant, Financial and Legal Services	
Class		Date: November 2018

### 1. Purpose and Summary of the report

The purpose of this report is to seek authority to increase the rent paid by tenants for domestic garages owned by the Council.

Currently the rent is increased in April of each year based on the Retail Price Index (RPI). However, following a report by external property consultants Ridge, it is felt that the rents currently being charged are below market rent and that there is scope to increase the revenue from the garage portfolio by a greater margin.

### 2. Recommendation

It is recommended that the Council approves, in principle, an increase in rent for the garage portfolio of 25%, to be effective from April 2019.

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

### 3. Policy Context

The Council's vision is to work together to 'make Lewisham the best place in London to live, work and learn'. The key corporate strategic document is the authority's Performance Plan, which sets out the objectives, targets and performance of the authority and includes a section relating to asset management as a cross-cutting issue.

Lewisham's core values 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 Strategic Asset Management Plan (3.5.2) this work will support the objective of increasing income from the existing estate. The garage portfolio is an opportunity for the Council to closely scrutinize how this resource is being managed / utilised, and seek to maximise income where possible, and identify new development opportunities.

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

#### **4. Background**

The Council commissioned Ridge to review and update its garage stock condition survey data in 2017. Ridge and Partners LLP are a firm of property consultants with a high level of expertise in garage portfolios.

As well as providing up to date stock data, the process also included a high-level appraisal of site options, a 'secret shopper' evaluation and consideration of alternative site uses where possible. The exercise also included a comparable review of garage rental levels.

Key findings of the exercise carried out by Ridge included:

- That the garage assets had been largely overlooked in terms of investment, with only basic and responsive repairs carried out
- That the garage assets therefore require re-investment to maintain them to an appropriate standard and to improve their appearance and lettable.
- That, notwithstanding the lack of investment, the rental levels that the Council currently charges for its garages are nevertheless still below market rent

The Ridge survey identified 134 Council garage sites in the borough, comprising 182 garage blocks and 1,655 individual garages. 1,081 of the garages are let to Lewisham Homes and Brockley social tenants and 574 are let to non-Lewisham Homes or Brockley social tenants (e.g. Leaseholders).

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. In reality most social tenants will view a garage as a luxury rather than a necessity and payment at a market rent in a high demand area could be considered as a policy change in order to increase revenue.

The table below shows the breakdown of rents charged by Lewisham Homes/Brockley for 2018/19. The highest rent charged is per week is £22.01 and the lowest is £11.85. However, there are 131 garages charged at less than £11.85 per week. These are discounted rates (50% of the full charge) for tenants with blue badges.

**Breakdown of rent charges  
(grouped)**

<b>Rent Charge</b>	<b>Number of tenancies charged</b>	<b>% of tenancies</b>
<=£11.01	131	7.92%
£11.85	911	55.05%
£11.86	68	4.11%
£12.85	3	0.18%
£13.04	1	0.06%
£13.67	1	0.06%
£14.22	450	27.19%
£14.23	8	0.48%
£14.24	22	1.33%
£15.53	2	0.12%
£18.34	42	2.54%
£22.01	16	0.97%
<b>Total</b>	<b>1,655</b>	<b>100.00%</b>

The table below, produced by Ridge, shows a comparison of Lewisham's costs in 2017/18 with adjacent boroughs and a number of private companies that operate locally. The figures for 2018/19 for Lewisham are shown in brackets:-

<b>Provider</b>		<b>Weekly rental cost -Housing tenant</b>	<b>Weekly rental cost -non-Housing tenant</b>
Lewisham Council	Most garages (911 =55.01%) – standard rate	£11.41 (£11.85)	£13.69 (£14.22)
	Some garages (16=0.97%) – highest rate	£17.65 (£18.34)	£21.18 (£22.01)
Southwark Council		£18.62	£27.50
Greenwich Council	Grade A	£1.86	£2.23
	Grade B	£4.35	£5.22
	Grade C	£8.69	£10.43
Lambeth Council		£19	£36
Lock up garages website (private)	Basic garage		Approx. £20-£25
Just Park Website (private)	Basic garage		Approx. £20-£25
Yellow Self Store, Lewisham Way SE14	Garage size store(100 sq ft)		£76

It is clear that with the exception of the very low pricing of LB Greenwich (which is now under review), Lewisham's pricing is lower than the other garage providers. No data could be obtained for LB Bromley.

For 2018/19, Lewisham's standard weekly garage rents increased from £11.79 to £12.24, an increase of 3.8%, based on RPI. For 2019/2020, the RPI increase would be 3.3% to approximately £12.64 per week.

Instead of implementing the usual RPI increase, it is proposed that the rents are increased by 25%. This would increase the standard weekly rate to approximately £15.30, which is considered to reflect market rent. The justification for this level of increase is further underlined by the current waiting list for garages of over 700 applicants, which represents approximately 60% of the total garages that the Council owns.

Following the recent high level review of the garage portfolio, the Council is now in the process of putting together a long term asset management plan, which will set out proposals for a capital investment plan to improve the condition of the stock and provide rental growth.

Despite the current high demand for garages, 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.

## **5. Financial Implications**

The current annual rent roll for the garage portfolio is £1.514M, based on a basic charge of £12.24 per week per garage (i.e. before discounts are applied).

If the rents are increased by the usual RPI uplift in April 2019, the revised annual rent roll will be £1.564M, or £12.64 per week per garage, an uplift of 3.3%, or £50,000 overall on the rent roll.

If the rents are increased by 25% in April 2019, as recommended in this report, the revised annual rent roll will be £1.893M, or £15.30 per week per garage, £379,000 overall on the rent roll, before applying discounts and voids loss.

The overall likely increase in income would be in the region of £274,000 after allowing for blue badge discounts and voids.

Some tenants may of course choose to vacate rather than pay this level of increase, but it is anticipated that any new voids will be taken up from the existing waiting list.

## **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 tables at section 4 of this report are relevant to this.

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-sectorequality-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. The justification for this level of increase is further underlined by the current waiting list for garages of over 700 applicants

## **11. Further Information**

If there are any queries on this report, please contact David Lee on extension 49823, [david.lee@lewisham.gov.uk](mailto:david.lee@lewisham.gov.uk)