

**Cabinet**      **14 January 2019**

**Report title:** HRA Business Plan, Rent and Service Charge setting report

**Wards:** All

**Report Authorised by:** Strategic Director for Neighbourhoods and Growth

**Portfolio:** Cabinet Member for Housing: Councillor Paul Gadsby

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### **Report summary**

This report sets out the proposals for the Housing Revenue Account (HRA) budget, rents and service charges for the 2019/20 rent year. These proposals have been developed in discussion with Housing Management and in consultation with the Cabinet Member for Housing and have been shared with the Sheltered Housing Forum on 23 October 2018 and Tenants Assembly on 31 October 2018.

### **Finance summary**

This report deals with rent, tenant service charges and other charges; therefore the financial implications are included in the main body of the report.

### **Recommendations**

1. To note the approach to setting tenant and leasehold service charges, garage, parking and supported housing charges.
2. To note the reduction in rents of 1%, as set out in the Welfare Reform and Work Act 2016.
3. To note the October 2018 financial forecast position as detailed in paragraph 2.1
4. To agree the proposed growth and savings for 2019/20 as set out in paragraphs 2.8 – 2.9 and Appendix 3.
5. To agree the HRA Budget for 2019/20 as set out in Appendix 4.

## 1. Context

- 1.1 Each year local housing landlords must set rents and budgets for the forthcoming financial year and provide each individual tenant with statutory notice of any proposed rent change. This report sets out proposals regarding the budget, rents, service charges and other charges to tenants for the 2019/20 rent year.
- 1.2 Over the past few years, service charges have gone down as a result of efficiencies driven by the Council. This has resulted in savings for the residents.
- 1.3 The HRA is the ring-fenced rent account that funds the Council's activity as a landlord. Tenant focused services arising from the Council's role as landlord are delivered through Housing Management.
- 1.4 The Council is required by law to avoid budgeting for a deficit on the HRA (Local Government & Housing Act 1989, section 76). This means that the budget must not be based on total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of reserves; a minimum of between 5% and 10% of turnover is good practice and this provides a contingency against unforeseen events and known risks. The external auditor will review the level of reserves in forming a view on the overall standard of financial management in the Council.
- 1.5 In December 2010 the Government published the Localism Bill which included plans to abolish the then current subsidy system supporting the HRA and move to a model known as "self-financing". Under Government guidelines, the objectives of the change are to give local authorities the incentives and flexibility to manage stock more efficiently over a longer term, as well as seeking to provide greater transparency for tenants in the relationship between the rent a landlord collects and the services it provides.
- 1.6 This self-financing model is now in place and has moved the arrangements for managing debt for the current housing stock from being held nationally and charged on a nominal basis to the local HRA managed by the Council. This is based on a calculation of the level of debt that the landlord / Council can support based on a valuation of the housing stock at the time of the settlement, along with assumptions regarding total rental income to be generated and expenditure required to support this housing stock.
- 1.7 A key feature of the self-financing model is that landlords can borrow against the value of the housing stock in order to invest in improvements to that stock. This borrowing must be financed from HRA income and so introduces risks and opportunities for managing resources in this area. As local authority borrowing is included in the national Public Sector Borrowing Requirement, it must be affordable both nationally and locally. A total borrowing limit has therefore been set for each landlord, which for Lambeth is £408m.
- 1.8 Lambeth had expected to borrow the full amount of funding available to invest in the housing stock. This is managed through the Housing Investment Strategy and seeks to deliver the Lambeth Housing Standard (LHS) across the borough over a period of time. The aim of the LHS, set in consultation with residents, is to ensure Lambeth's council homes are safe and secure, with the scope of the works including new bathrooms and kitchens, as well as other

works. The Welfare Reform and Work Act 2016 and more specifically the rent reduction of 1% each year for four years means that the utilisation of borrowing up to the limit is now unlikely due to affordability.

- 1.9 It is expected that by the end of 2018/19, the investment to deliver the LHS standard across the Borough will have totalled £534m and will have led to a total of 28,835 tenanted and leasehold homes being brought up to the standard. Within this total there are 8,460 more homes that have already been brought up to Decent Homes Standard (DHS) than were included in the estimated total programme.
- 1.10 The self-financing arrangements have led to the development of a 30-year business plan supporting the delivery of the HRA under the new arrangements. This makes assumptions regarding the level of income available based on the expected levels of rent and the key risks facing housing service delivery within this timeframe. The main areas of this are the management and timing of debt use, affordability, fire risk work post Grenfell tragedy and the impact of changes as Government policies are enacted.
- 1.11 The 2019/20 financial proposals are set under the self-financing arrangements along with the initiatives set out in the Welfare Reform and Work Act 2016 and the key risks and opportunities arising from this are reflected in the plans along with local developments for driving forward change against local priorities.

## 2. Proposal and Reasons

### 2.1 Current HRA position

2.1.1 The HRA's current 2018/19 financial position is adequate following the changes made in the budget setting process to manage the ongoing impact of rent reduction. The 2017/18 outturn position was £10.750m in general reserves, in line with that reported in the previous financial year. The capital reserve was used in full to fund capital works within the LHS programme and for costs for fire safety inspections and work following the Grenfell tragedy which have not been fully funded by central government.

2.1.2 The October monitor is forecasting an Underspend of £6.547m. The summary position is as follows:

	Budget to date £'000	Actual to date £'000	Variance to date £'000	FY budget £'000	FY forecast £'000	FY variance £'000	FY variance %
Housing Services	26,135	25,236	(899)	62,724	59,447	(3,277)	(5)%
Central HRA	15,115	(50,281)	(65,396)	(77,524)	(83,420)	(5,896)	(8)%
Strategic Programmes	7,084	3,093	(3,992)	14,800	17,426	2,626	18%
<b>TOTAL HRA</b>	<b>48,334</b>	<b>(21,952)</b>	<b>(70,287)</b>	-	<b>(6,547)</b>	<b>(6,547)</b>	<b>N/A</b>

2.1.3 There are several factors that are driving the forecasted underspend. Within Housing Services there are projected underspends against budget within the responsive repairs service as a result of driving value for money from the contracts, having negotiated better terms and a bulk discount reducing the costs to the repairs budget. Rental income is also higher than budgeted as a result of reduced right to buys and a smaller than expected impact from the introduction of Universal Credit. These underspends are being offset by additional unbudgeted Fire Risk Assessment works and historical budget issues within planned maintenance. The net effect of these variances is a £6.547m underspend. The Council are forecasting to manage this underspend by making a revenue contribution to capital of £2.5m to prevent additional borrowing to fund the capital programme and moving the additional underspend to a reserve for use on future Fire Risk works.

## 2.2 **HRA budget setting 2019/20**

2.2.1 The approach to HRA budget setting focuses on three separate areas for 2019/20:

- Expected income and proposals on rent and service charge levels;
- Expenditure plans that reflect local priorities and the impact of the self-financing business model on service delivery; and,
- The reserves and provisions needed to ensure that the HRA is delivering strong financial performance over a longer period of time.

2.2.2 Each of these is discussed in turn with the proposed approach for each set out.

## 2.3 **Income budget setting**

2.3.1 The HRA receives income from tenant rents and service charges levied on tenants and leaseholders. The approach for each of these will be addressed separately.

2.3.2 The self-financing HRA remains governed by guidelines on rent setting for tenants. The council no longer has flexibility on the approach to rent setting due to the legislation introduced as part of the Welfare Reform and Work Act 2016. Rents will reduce annually by 1% over the four year period 2016/17 – 2019/20. This means that the average rent for 2019/20 will be £105.49 per week, down from £106.56 per week the previous year. This is expected to create a gap between previously budgeted rental income (at CPI plus 1%) of £11.4m over four years. The total cumulative shortfall in rental income over that period would be £28.5m.

2.3.3 Income from rents is a key driver of the total income available to the HRA, making up approximately 78% of the total income budget in 2019/20. The approach and policy for rent therefore affects the resources available to re-invest in expenditure plans across the HRA to deliver the outcomes outlined in the HRA business plan for all tenants.

2.3.4 Expectations for income, and therefore the rent budget, are driven by three key elements:

- Expected stock levels for 2019/20;
- The 1% reduction on the 2018/19 actual rents charged; and,
- The resourcing needs outlined in the HRA Business Plan.

2.3.5 For 2019/20, the average stock level across Lambeth is expected to be 23,905 properties. This is based on known changes to the current stock profile of 24,009 (as at 1 April 2018) including adjustments for projected Right to Buy sales and disposals and properties forming part of the Estate Regeneration buy-back programme.

2.3.6 The reduction in rents will mean that, on an ongoing basis, the HRA would be reliant on reserves to balance the budget, which is not sustainable. Further action is therefore required to reduce expenditure by identifying efficiencies within existing budgets and where possible, minimising the impact on services delivered to tenants and leaseholders. However it is likely that there will be some impact on services resulting from the loss of income.

2.3.7 HRA business planning has always been based on building up reserves to a level that will support the delivery of the LHS programme and the ongoing investment in the stock beyond that, as well as protecting tenants from unexpected changes of circumstances in the future.

## 2.4 ***Hostel rents***

2.4.1 Hostel rents will reduce by 1% the same percentage as tenant rents. There was an exemption put in place by Government for 2016/17 and covers the period of tenanted rent reductions. In 2019/20 the Council will continue to apply the 1% discount, the rationale being that its impact is immaterial on the HRA as a whole and the cost of administration would be prohibitive.

## 2.5 ***Tenant service charges***

2.5.1 Tenant service charges are not affected by the rent setting policy. Discussions with tenants and Members over recent years have highlighted the need for greater transparency in this area and there is now an expectation that service charges to tenants will reflect the costs incurred (full cost recovery). A summary of changes to service charges is shown in Appendix 1.

2.5.2 There are some changes proposed to service charges for 2019/20, with the majority of charges reducing. Service charges comprise the direct cost of service provision incurred by the Council plus the allowance paid to the TMO's to provide this service on their estates. A new TMO model has been developed and used for service charge setting for 2019/20 and this combined with service efficiencies and cost savings within the Council has resulted in the changes to service charges.

2.5.3 Overall, common service charges are reducing by 6.9% and heating and hot water by 1.1%. Specific service charges are increasing by 1.1%. Within this there is a £1.47 reduction to the weekly concierge charge which is offset by increases to CCTV and door entry charges, these changes being primarily the result of re-modelling the TMO allowances and additional repairs and maintenance costs incurred by the Council.

2.5.4 A review of garage and shed charges was undertaken in 2016/17, benchmarking Lambeth's charges at this time with that of neighbouring London boroughs and the average commercial rent for garages and sheds in Lambeth. No further changes have been proposed for 2019/20. Details of these charges are shown in Appendix 2.

2.5.5 Parking charges on Estates will remain the same for 2019/20. Details of these charges are shown in Appendix 2.

2.5.6 Cabinet approved Sheltered Housing charges, fixing them for a three year period commencing from 2016/17. This has now expired and a review of these charges has been undertaken for 2019/20. The basis for calculating the Management cost is on a full cost recovery whilst the Careline service is partially subsidised by the Council. There will be an increase from £13 to £14 per week for the Housing Management charge.

2.5.7 There will be an increase from £3 to £4 for the Careline service provided to residents. The budget for this service lies within the Adult Social Care and Health directorate and the increase will enable it to fulfil its savings obligation for the year ahead as part of the December budget setting process approved already by Cabinet. The council despite this increase continues to heavily subsidise the provision of Careline. For many individuals this service is part of a number of support services they receive to maintain their independence. Their contribution to the cost of these services is means tested to ensure affordability by individuals.

2.5.8 A new service charge has also been proposed which relates to approximately 40 tenants who have a learning disability and receive a specialist tenancy sustainment and housing management service helping them to live independently. The charge has been set at £28 per week, based on a full cost recovery basis and is eligible for housing benefit. Therefore there will be no financial impact on this group of people. This charge represents a budget change approved during the budget setting process endorsed by Cabinet in December and will not have a financial impact on residents.

## 2.6 ***Leasehold service charges***

2.6.1 In line with tenant service charges, leasehold service charges are required to be transparent and reflect the actual cost of the services incurred. It is recommended to set leaseholder service charges in line with actual expenditure plans as per the approach in previous years. This means that service charges will be based on 2018/19 expenditure levels, with estimates issued around April 2019 and final charges for 2019/20 being confirmed by September 2019.

## 2.7 ***Expenditure budget setting***

2.7.1 As a result of the rent reduction and the impact of stock losses, the overall budget for the HRA is expected to reduce in 2019/20. As a result of this, expenditure budgets will also need to be reduced in line with the income.

2.7.2 Extensive work to estimate the lifecycle costs of maintaining the housing stock over 30 years at LHS standards has been completed. This equates to approximately £34.5m annual capital investment required post LHS.

2.7.3 Since the Grenfell tragedy, Lambeth has undertaken a significant programme of fire safety measures on its Council housing stock in order to ensure residents can be confident their homes are safe and secure. This has included cladding testing to the Borough's high-rise housing, extensive work in carrying out and publishing enhanced fire risk safety assessments and

completing a range of actions arising, with further works under consideration, ensuring that all LHS works incorporate high standards of Fire Safety.

2.7.4 Maintaining Fire Safety is a shared obligation between residents and the Council and we have been gaining residents' views on what they would like to prioritise through the Residents Fire Safety Panel. Costs arising from enhanced Fire Safety have not been fully met by Central Government funding. In 2017/18 a total of £2.173m was spent and a further £1.959m is forecast for the coming year from the HRA, although more expenditure may be required.

2.7.5 Where service delivery plans have changed, the budget setting process must reflect the subsequent impact on resources and also recognise known risks for the HRA and ensure there are adequate balances in place. The following risks and opportunities within the HRA are being considered, reflecting changes in service delivery and legislative changes as well as efficiency savings. A summary is available in Appendix 3. Any overall efficiencies and savings will be reinvested in reserves to maintain the HRA's financial health moving forwards.

## 2.8 ***Proposed growth – £2.866m***

2.8.1 **Rent Reduction** – To reflect the reduction in rent expected for 2018/19 as a result of the rent reduction and the impact of stock loss, the income budget needs a growth item of £1.739m to reduce it to the new level.

2.8.2 **Hostel Income Reduction** – A reduction in hostels income totalling £0.031m as a result of the 1% rent reduction.

2.8.3 **Service Charge Income Budgets** – Tenanted service charges have largely decreased for 2019/20. The individual reductions are small but lead to an overall reduction in income budget and therefore a growth item of £0.052m.

2.8.4 **Inflationary Uplift to 'Other Expenditure' Budgets** – To reflect the unavoidable inflationary increases in costs for items such as Council Tax, Business Rates for void properties and Contract inflations. A growth item of £0.432m is required to reflect these increases.

2.8.5 **Depreciation** – Reflecting the fact that the LHS works are now partially complete and have increased the value of the housing stock, the depreciation charge to the HRA has now increased and therefore requires a growth item of £0.612m.

## 2.9 ***Proposed savings – £2.866m***

2.9.1 **Leaseholder Service Charge Income Budgets** – Leaseholder service charges are budgeted to increase slightly in 2019/20 as a result of increases in both the number of properties and average service charges. This leads to a saving of £0.277m.

2.9.2 **Increase in Non-Dwelling Rent Income** – Rents for commercial property that remains in the HRA is excluded from the Government imposed 1% rent reduction and as a result an inflationary charge of CPI +1% has been budgeted for, resulting in additional income of £0.134m.

2.9.3 **Increase in Other Income** – Additional inflationary income from other income pots will increase by £0.051m.

2.9.4 **Debt Charges** – A saving of £0.043m as a result of reduced debt charges as a result of the repayment of loans.

2.9.5 **Bad Debt Provision** – In 2019/20 the amount the Council is forecasting to provide for bad debts is reduced by £0.029m. This reflects both a reduction in the number of properties from which rent will be collected and a reduction of 1% in the rental charge.

2.9.6 **Efficiencies and Other Savings across expenditure budgets** – As a result of the imposed rent reduction, requirements to make contributions to reserves, additional costs incurred for FRA works and a desire to minimise borrowing to fund capital by making revenue contributions to capital, the Council will need to make efficiency savings of £2.332m to balance the HRA. This will primarily be met from efficiencies across the wider Housing and non-housing HRA expenditure budgets, with £1.337m being identified. Detailed proposals for these savings are currently being worked up and any shortfalls will be met by contributions from balances, currently £0.995m.

## 2.10 **Capital budgets**

2.10.1 The LHS programme has been more extensive than originally anticipated with more works required to more properties in order to ensure residents benefit from the improved housing conditions the LHS brings. The impact of the Government's rent reductions over four years have put further pressures on the programme.

2.10.2 Additional spending on fire safety measures is likely to increase in future years as the Council continues to carry out a process of holistically reviewing its approach to fire safety.

## 2.11 **Future reserves**

2.11.1 The Council aims to maintain General HRA reserves at a minimum balance of £10m and the HRA business plan reflects this where possible across the 30 years. Holding general reserves of between 5% and 10% of HRA turnover is prudent. This would mean balances of between £8.498m and £16.996m based on the proposed 2019/20 budget. Consideration needs to be given to the level of general reserves in light of the loss of rental income to the HRA. As at 31 March 2018 the balance was £10.750m and this is anticipated to reduce to £9.835m at the end of 2019/20 unless further efficiencies are realised.

## 3. **Finance**

3.1 Members' legal obligations are set out in Section 4 of this report which should be read in conjunction with the Director of Finance's (s151 officer) comments.

3.2 Members must be aware that the calculation of the HRA budget is, in its simplest form, dependent on three main factors. These are:

- The structural HRA growth and savings;
- The level of rents, services charges and related HRA income; and,
- The level of HRA balances.

3.3 Growth and savings are ultimately a matter of political judgement, to reflect the priorities of the Administration, having due regard to the professional advice of housing officers regarding matters such as service needs, changes to government legislation, stock surveys and other unavoidable pressures. Members in particular should be satisfied that the budget set in 2019/20 is a sustainable one, that in effect deals with the risks and pressures that are known and identified in this report. Members should be aware that estimates, by their very nature, may vary.

3.4 As a result of the announcement in the Summer Budget 2015, there is no discretion over the level at which rent is set for 2019/20, whereas in previous years, this would have been a matter of political judgement, having due regard to the professional advice of officers, and in particular the advice of the s151 officer. Members should be aware that the Director of Finance's advice and preference is to have a minimum level of general balances within the HRA of £10m to be able to manage future risks and pressures. As a result of pressures from rent reductions, loss of properties on regeneration estates and additional fire risk work, balances in the short term will fall slightly below this level unless further efficiencies are identified within the HRA. However, balances will always remain above the 5% de minimus level.

#### **4. Legal and Democracy**

4.1 Section 21 of the Housing Act 1985 provides the Council with powers for the general management, regulation and control of its dwelling stock.

4.2 Section 111 of the Local Government Act 1972 provides powers for a local authority to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

4.3 Section 24 of the Housing Act 1985 states that the Council may make such reasonable charges as it determines for the tenancy or occupation of its dwellings and that it must review rents from time to time and make such changes as circumstances require. Further, Section 24(3) provides that when the Council exercises its function under that section it "shall have regard in particular to the principle that the rents of houses of any class or description should bear broadly the same proportion to private sector rents as the rents of houses of any other class or description".

4.4 The apparent discretion available to the Council to determine rent levels is effectively controlled by Part VI of the Local Government and Housing Act 1989 which governs, inter alia, the Council's duties in relation to the HRA. In particular, Section 76 of the 1989 Act places a duty on the Council to secure that the HRA for any year does not show a debit balance. However, there is no absolute duty to prevent a debit balance as this may occur, for example, as a result

of unforeseen circumstances. Any debit balance that does occur in any year must be carried forward within the ring-fenced HRA to the following year.

- 4.5 Section 76 requires the Council in the January or February preceding the relevant year to formulate proposals relating to (a) income from rents and other charges, and (b) the expenditure on repairs, maintenance, supervision and management of its houses. In formulating these proposals, the Council must secure that, on implementation, the HRA will not show a debit balance, assuming the following:
- that the best assumptions that they are able to make at that time as to all matters which may affect the amounts falling to be credited or debited to the HRA in the year prove to be correct; and,
  - that the best estimates that they are able to make at that time of the amounts which, on those assumptions, will fall to be so credited or debited, also proves to be correct.
- 4.6 The Council is further obliged to keep the proposals referred to in this report under review to see if the requirement to avoid a debit balance continues to be satisfied during the year. In the event that the Council, on review, determines that this requirement will not be satisfied then the Council is, by virtue of Section 76(6), required to “make such revisions of the proposals as are reasonably practical towards securing that the proposals (as so revised) satisfy those requirements”. The duty in relation to “best assumptions and estimates” referred to in this report applies equally to such revised proposals.
- 4.7 Section 23 of the Welfare Reform and Work Act 2016 requires registered providers of social housing to secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months up until and including the year commencing the 1st April 2019.
- 4.8 Members are therefore required to satisfy themselves as to the “reasonable practicability” of adopting any particular proposals. Members should not reject any proposal without being able to demonstrate that they have fully considered it and are satisfied that the proposal in question would be inferior to the proposal they agree.
- 4.9 The provisions of Section 103 of the Housing Act 1985 require the Council to serve a notice of variation on its tenants if it wishes to vary the terms of tenancies, including any increase or decrease in rent and other charges. The notice of variation must be served at least four weeks before it is to take effect. Section 103(2) is concerned with the requirement to serve a preliminary notice on tenants which affords the opportunity for tenants to comment. However, this requirement does not apply to a variation (which includes both addition and diminution) of the rent, or of payments in respect of services or facilities provided by the landlord.
- 4.10 Similarly, the Council’s duties in relation to the consultation of tenants on matters of housing management, as set out in Section 105 of the Act, do not apply to rent levels, nor to charges for services or facilities provided by the authority.

4.11 When Members of the Cabinet consider whether to adopt the recommendations of this report, they will be exercising discretion within the constraints of the duties referred to above and should therefore have in mind the following principles of administrative law:

- the decision must be within the Council's powers;
- all relevant information and consideration, including the Council's fiduciary duty to the Council Tax payer, must be taken into account; and,
- all irrelevant considerations, including unauthorised purposes, must be ignored.

4.12 Pursuant to Part II of the Equality Act 2010, public authorities must, in the exercise of their functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and,
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

4.13 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment; pregnancy and maternity, race, religion and belief, sex and sexual orientation) and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and,
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

4.14 The Council is permitted by section 93 of the Local Government Act 2003 to charge for discretionary services provided that taking one financial year with another the income from charges for discretionary services does not exceed the cost of provision.

4.15 This proposed key decision was entered in the Forward Plan on 23 July 2018 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

4.16 The report falls under the portfolio of the Cabinet Member for Housing.

## **5. Consultation and co-production**

- 5.1 These proposals were discussed with relevant stakeholders at the Sheltered Housing Forum (23<sup>rd</sup> October 2018) and Tenants' Assembly (31<sup>st</sup> October 2018), where it was explained that there is no discretion around the rent setting process and that service charges are set with the principle of full cost recovery.

## **6. Risk management**

- 6.1 It is essential that rent, service charges and other charges match projected expenditure. This is a legal and operational requirement. Within this, there are options for achieving this objective. There are financial risks associated with the reduction of rents imposed on the Council and the impact of stock loss on total income, that require savings to be delivered across the HRA. Those savings options that have been proposed will need to be monitored to ensure that they are being delivered on in a timely manner and do not cause an in-year or ongoing pressure to the HRA budget. The annual rent setting process is a major undertaking which affects all Lambeth tenants.

## **7. Equalities impact assessment**

- 7.1 There is a rent reduction of 1% for 2019/20 as set out by Government in the Summer Budget 2015. As such all tenants will see a reduction in their rent for 2019/20 and will all benefit from it. The conclusion is that no further action is required as there is no negative impact on any particular group that needs to be mitigated.

## **8. Community safety**

- 8.1 Section 17 of the Crime and Disorder Act 1998 imposes a general duty on local authorities, as follows: "Without prejudice to any other obligations imposed upon it, it shall be the duty of each authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all it reasonably can to prevent crime, disorder and substance misuse in its area." .The report sets out proposals on rent levels, service charges and other charges. The changes recommended are in relation to charging for non-front line expenditure reductions and there are no proposed changes to service levels for 2019/20 within this report. Therefore there are no direct community safety implications arising from this report. However any future changes to service levels, particularly if they relate to community safety sensitive services would require further evaluation pursuant to s17 of the Crime and Disorder Act 1998.

## **9. Organisational implications**

- 9.1 Environmental  
None.

9.2 Staffing and accommodation

None.

9.3 Procurement

None.

9.4 Health

None.

**10. Timetable for implementation**

<b>Activity</b>	<b>Date</b>
Sheltered Housing Forum	23 <sup>rd</sup> October 2018
Tenants' Assembly	31 <sup>st</sup> October 2018
Cabinet	14 <sup>th</sup> January 2019

### Audit Trail

<b>Consultation</b>				
<b>Name/Position</b>	<b>Lambeth directorate/department or partner</b>	<b>Date Sent</b>	<b>Date Received</b>	<b>Comments in para:</b>
Councillor Paul Gadsby	Cabinet Member for Housing	11/12/2018	02/01/2019	Throughout
Councillor Andrew Wilson	Cabinet Member for Finance	11/12/2018	12/12/2018	
Councillor Edward Davie	Cabinet Member for Health & Adult Social Care	03/01/2019	02/01/2019	
Councillor Jacqui Dyer	Cabinet Member for Health & Adult Social Care	03/01/2019	02/01/2019	
Neil Wightman Director – Housing Services	Neighbourhoods & Growth, Housing Management	25/10/2018		
Fiona Connolly, Strategic Director – Adults & Health	Adults & Health	03/01/2019	03/01/2019	2.5.6 to 2.5.8
Christina Thompson, Director of Finance	Finance, Corporate Resources	25/10/2018		
Hamant Bharadia, Assistant Director of Finance	Finance, Corporate Resources	25/10/2018		
Andrew Ramsden, Assistant Director of Finance	Finance, Corporate Resources	25/10/2018	25/10/2018	Throughout
Greg Carson, Principal Lawyer	Legal Services, Corporate Resources	20/09/2018	20/09/2018	4.1 to 4.14
Henry Langford, Senior Democratic Services Officer	Democratic Services, Corporate Resources	25/10/2018	29/10/2018	Throughout

#### Report history

<b>Original discussion with Cabinet Member</b>	24 October 2018
<b>Report deadline</b>	02 January 2019
<b>Date final report sent</b>	
<b>Report no.</b>	N/A
<b>Part II Exempt from Disclosure/confidential accompanying report?</b>	No
<b>Key decision report</b>	Yes
<b>Date first appeared on forward plan</b>	23 July 2018
<b>Key decision reasons</b>	2. Expenditure, income or savings in excess of £500,000

<b>Background information</b>	<p>Implementing Self-financing for Council Housing (DCLG, February 2011)  <a href="https://www.gov.uk/government/publications/implementing-self-financing-for-council-housing--2">https://www.gov.uk/government/publications/implementing-self-financing-for-council-housing--2</a>)</p> <p>Summer Budget 2015 (July 2015)  <a href="https://www.gov.uk/government/topical-events/budget-july-2015">https://www.gov.uk/government/topical-events/budget-july-2015</a>)</p> <p>Housing &amp; Planning Act (May 2016)  <a href="http://www.legislation.gov.uk/ukpga/2016/22/contents/enacted/data.htm">http://www.legislation.gov.uk/ukpga/2016/22/contents/enacted/data.htm</a>)</p>
<b>Appendices</b>	<p>Appendix 1 – Service Charges</p> <p>Appendix 2 – Parking, Garages &amp; Sheds Proposals</p> <p>Appendix 3 – Proposed Growth and Savings</p> <p>Appendix 4 – HRA Budget</p> <p>Appendix 5 – What is the Lambeth Housing Standard</p>

### Appendix 1 – Service Charges

Charge	2018/19 (per week)	2019/20 (per week)	Movement (£)	Movement (%)
<b>Common service charges</b>				
Caretaking	£0.94	£1.34	£0.40	42.6%
Grounds maintenance	£1.39	£1.25	(£0.14)	(10.1%)
Estate cleaning	£6.34	£5.71	(£0.63)	(9.9%)
Communal lighting	£2.94	£2.48	(£0.46)	(15.6%)
Disinfestation	£0.76	£0.74	(£0.02)	(2.6%)
<b>Subtotal</b>	<b>£12.37</b>	<b>£11.52</b>	<b>(£0.85)</b>	<b>(6.9%)</b>
<b>Specific service charges</b>				
TV aerial	£0.23	£0.13	(£0.10)	(43.5%)
Concierge	£18.03	£16.56	(£1.47)	(8.2%)
CCTV	£2.44	£2.74	£0.30	12.3%
Door entry – audio	£1.55	£2.23	£0.68	43.9%
Door entry – video	£2.34	£3.19	£0.85	36.3%
<b>Subtotal</b>	<b>£24.59</b>	<b>£24.85</b>	<b>£0.26</b>	<b>1.1%</b>
Heating and hot water (average)	£10.47	£10.35	(£0.12)	(1.1%)
<b>Grand total</b>	<b>£47.43</b>	<b>£46.72</b>	<b>(£0.71)</b>	<b>(1.5%)</b>

Charge	2018/19 (per week)	2019/20 (per week)	Movement (£)	Movement (%)
<b>Sheltered Housing</b>				
Emergency Careline Service	£3.00	£4.00	£1.00	33.3%
Enhanced Housing Management	£13.00	£14.00	£1.00	7.7%
Tenancy Sustainment & Support	£0.00	£28.00	£28.00	100%

## Appendix 2 – Parking, Garages & Sheds Proposals

Charge	2018/19 (per week)	2019/20 (per week)	Movement (£)	Movement (%)
<b>Garages</b>				
Category A – Tenants	£19.00	£19.00	£0.00	0.0%
Category B – Resident Leaseholders and Freeholders who pay service charges	£22.50	£22.50	£0.00	0.0%
Category C – Non-Residents and Freeholders who do not pay service charges	£36.00	£36.00	£0.00	0.0%
Category D – Blue Badge Holders	£0.00	£0.00	£0.00	0.0%
Category E – Council Interest Dispensations *	£0.00 - £36.00 **	£0.00 - £36.00 **	£0.00	0.0%
<b>Sheds</b>	£3.00	£3.00	£0.00	0.0%
Dedicated parking spaces – Tenants	£5.13	£5.13	£0.00	0.0%
Estate parking permit (per annum)	£31.79 <b>per annum</b>	£31.79 <b>per annum</b>	£0.00	0.0%
Visitors' parking (per day)	£1.50 <b>per day</b>	£1.50 <b>per day</b>	£0.00	0.0%

\* Garages that are currently let for either community use or under special arrangements due to non-uniform size

\*\* Level of charge to be agreed by Director of Housing Services

Estate based Freeholders who pay service charges are eligible for the discounted Leaseholder rates. All other Freeholders who do not pay a service charge will be liable for the full non-resident rate.

### Appendix 3 – Proposed Growth and Savings

	Growth (£m)	Savings (£m)
<b>Growth</b>		
Reduction in rent, (adjusted for stock reductions)	£1.739m	
Reduction in Hostel Income	£0.031m	
Inflationary uplift to 'other expenditure' budgets, (Council Tax, Business Rates for voids, Contracts etc.)	£0.432m	
Reduction in Service Charge income	£0.052m	
Increase in depreciation budget	£0.612m	
<b>Savings</b>		
Increase in Leaseholder Service Charges		(£0.277m)
Additional income from non-dwelling rents		(£0.134m)
Additional Income from Other Income (primarily inflation on commercial rents)		(£0.051m)
Reduction in Bad Debt Provision		(£0.029m)
Efficiencies and other savings in Management and Repairs budgets		(£1.337m)
Debt Charges		(£0.043m)
Contribution from Balances		(£0.995m)
<b>Totals</b>	<b>£2.866m</b>	<b>(£2.866m)</b>

#### Appendix 4 – HRA Budget

	Revised Budget 2018/19 £000	Proposed budget 2019/20 £000
<b>Income</b>		
Dwelling rents (net)	134,060	132,321
Tenant service charges (net)	13,698	13,646
Leaseholder service charges	12,113	12,390
Non-dwelling rents (Commercial rents, parking and garage charges)	4,466	4,600
Other income (incl. Hostels)	5,918	5,938
Interest on balances	32	31
Contribution from Balances	0	995
	<b>170,287</b>	<b>169,921</b>
<b>Expenditure</b>		
Management (Housing Management services, TMO allowances, recharges from General Fund)	63,433	62,096
Services (Cost of other provided services such as estates cleaning)	15,940	15,940
Revenue repairs costs (cost for reactive and planned revenue maintenance costs)	28,510	28,919
Other expenditure (PFI charges, Premises Insurance, Council Tax and Business Rates for void properties, Thames Water payment (offset by income elsewhere))	4,404	4,428
Bad debt provision	2,373	2,344
Depreciation	32,102	32,714
Contribution to Reserves	2,500	2,500
Debt charges (including MRP repayment)	21,025	20,980
	<b>170,287</b>	<b>169,921</b>

## What is the Lambeth Housing Standard (LHS): details about work covered

The Lambeth Housing Standard (LHS) is the standard to which Lambeth Council aims to maintain all residents' homes. It includes the Government's Decent Homes Standard and a number of elements over and above those required to meet the Decent Homes Standard.

The LHS:

- is based on extensive co-production with tenants and leaseholders
- will ensure homes are warm, safe, dry and that we meet our obligations under the law
- will ensure residents have well maintained homes in good repair
- will be delivered over five years, with most of the work happening before 2017
- will bring our homes up to more comprehensive standard than the basic Decent Homes Standard.

The LHS applies to all tenanted properties. For leasehold properties, the LHS only applies to repairs due to be carried out under the terms of the lease.

Elements included in the LHS are listed below. We aim to deliver most of the items on the list over the next five years. Estate lighting, improved access and estate security will be brought up to the LHS from 2017, unless we need to do it sooner because of health and safety reasons or where it makes more financial sense to do the work earlier.

**Individual surveys which will be carried out on your home will establish which of the following improvement works your home and estate will receive.**

### **The Lambeth Housing Standard (LHS) (items NOT listed in priority order)**

**1. Health and Safety:** we will regularly inspect all homes to ensure gas, water and heating appliances are safe and that communal areas and fire escapes meet fire safety standards.

**2. Water and sewerage:** all homes will have safe, clean water for drinking and washing. Drainage and sewerage systems will be well maintained and kept in good order.

- 3. Electrics:** we will ensure all homes have an electricity supply, and that landlord electricity supplies are safe and fit for purpose.
- 4. Aids and Adaptations:** will be installed, where needed, to help residents live comfortable lives within their own homes.
- 5. Heating:** all homes will have suitable and well maintained heating. This includes repairing or replacing individual heating systems as well as communal boilers, where appropriate. All plant and equipment will be maintained in good order and replaced when it reaches the end of its useful life.
- 6. Roofs:** all roofs to properties will be surveyed and, where necessary, repaired or replaced. In addition, roof insulation will be fitted as standard where the design allows.
- 7. Door entry systems/CCTV:** CCTV and door entry systems will be maintained where they are in place and replaced as necessary.
- 8. Internal rewiring:** to properties will be maintained and, where necessary, homes will be re-wired. All new rewiring will be carried out using surface-mounted trunking.
- 9. Lifts:** will be maintained so they are safe and reliable. Where lift cars and plant have reached the end of their useful life they will be replaced.
- 10. Windows:** that have reached the end of their useful life will be replaced. All windows will be regularly maintained throughout their useful life
- 11. Cyclical maintenance:** all properties will have regular cyclical maintenance carried out. This includes: maintaining or replacing gutters as necessary; painting all previously painted exterior surfaces, including communal areas and stairwells; and carrying out any necessary repairs to render or brickwork.
- 12. Bathrooms:** flooring and tiling will be replaced, as necessary, in bathrooms that are in poor condition. New over-bath showers will be installed where the existing design and water pressure permits.
- 13. Kitchens:** in poor condition will have new flooring and tiling as well as replacement doors, worktops and units where required. All kitchens will be replaced after they reach 20 years old. Replacement kitchens will maximise counter space and allow for modern living standards to be achieved.
- 14. Exterior walls:** where exterior walls have a low level of insulation new dry lining insulation will be installed. We are looking for opportunities to secure additional funding to enable us to do more works around insulation.

**15. Secure doors:** all doors will be assessed for security. New high security doors will be installed where necessary.

In addition to major building elements estate environmental improvements will also be carried out including;

**16. Estate lighting:** will be renewed to new energy efficient standards

**17. Estates:** will be surveyed for ease of access and security and any necessary improvements carried out.

We aim to bring all Lambeth owned homes up to the LHS by 2021. Then we will maintain homes at the Standard for the next 30 years, or until the investment standard is reviewed, depending on available resources.

As 46 per cent of the stock was decent and not all homes require all elements, it is important to remind tenants and leaseholders that it may not be their home that benefits from LHS works as we will not be doing works to properties classed as decent or replacing elements where they are still fit for purpose.

While this new LHS excludes delivering new play areas and landscaping, which can contribute towards the 'quality of place', we are aware that this is very important to residents. Where possible, we will try to improve the quality of our neighbourhoods. This will need to be funded over and above the Lambeth Housing Standard.