

<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARDS: ALL</b>
<b>REPORT TITLE:</b> Housing Revenue Account (HRA) – Rent and Service charge setting update	
<b>REPORT OF:</b> Director Of Housing Support Services	
<b>FOR SUBMISSION TO:</b> Holborn DMC Camden Town DMC Gospel Oak DMC Kentish Town DMC Hampstead DMC	<b>DATE:</b> 9 January 2019 9 January 2019 9 January 2019 9 January 2019 9 January 2019
<b>SUMMARY OF REPORT:</b> <p>This report summarises the financial position of the Housing Revenue Account and the draft recommendations on rent and service charges to be made to the Cabinet in January 2019. The report also provides background information as part of the consultation with DMCs on the draft recommendations.</p> <b>LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION:</b>  Contact Officer: Jason Blackhurst Telephone 020 7974 4729 E-mail Jason.blackhurst@camden.gov.uk	
<b>RECOMMENDATIONS:</b> <p>DMCs are asked to note the contents of this report and respond to the consultation questions detailed in Appendix B as part of the formal HRA budget setting process.</p>	

Signed



Date 20/12/18

## 1. INTRODUCTION

- 1.1 This report summarises the position on the Council's Housing Revenue Account (HRA) and the recommendations that will be made to the Cabinet on 16 January 2019 regarding the HRA budget and the related rents and charges.
- 1.2 The budgetary context for the medium term is challenging with the Council needing resources to meet three key priorities; 1) building homes; 2) maintaining high quality housing stock; and 3) delivering a new standard in resident safety. Since April 2016 the government have imposed rent reductions of 1% resulting in the need for savings, simply to balance the Housing Revenue Account (HRA) Budget.

## 2. OVERALL BUDGETARY POSITION

- 2.1 The Council is required to agree a balanced HRA budget every year. Since the HRA Medium Term Financial Strategy (MTFS) was last reviewed in January 2017 there have been a number of changes to the financial outlook of the HRA. There have been changes in government policy e.g. cancelling 'Pay to Stay' and delaying the implementation of Universal credit, updated budgetary assumptions for inflation and an increase to the estimates for stock numbers as a result of reductions in Right to Buy sales and the completion of new build properties from the Council's Community Investment Programme.
- 2.2 New cost pressures relating to the delivery of the Council's enhanced resident safety standards of £2.7m per year have also been identified and overall financial pressures on the HRA for 2019/20 of £6.7m have been identified. Off-setting these pressures, a three year efficiency savings programme was implemented in January 2017, with £5.3m to be delivered in 2019/20. A summary of the HRA financial position for 2019/20 is shown in Table one.

**Table One: HRA BUDGET 2019/20**

	£'000
<u>Budgetary Pressures:</u>	
Inflation, Employee costs, loss of rental Income, increased repairs.	3,947
Enhanced resident safety	2,725
<u>Less:</u>	
MTFS Savings Applied (Appendix B)	-5,267
Budget Pressure	<u>1,405</u>
Drawdown from Reserves	-1,405
<b>Net Budget</b>	<b>0</b>

- 2.3 The Council is able to utilise reserves in 2019/20 to ensure that the necessary investment in resident safety is not delayed. The budget pressure would be reduced if decisions are made to increase any tenant service charges

## 3. FURTHER 1% RENT REDUCTION

- 3.1 It is anticipated that April 2019 will see the last of the four annual Government mandated rent decreases. The effect of a further 1% rent decrease from April 2019 on average rents is shown in table 2 below.

**Table Two: Effect of 1% rent reduction**

Bedrooms	Average Rent 2018/19	Average Rent 2019/20	Average reduction in Rent
0	£83.38	£82.55	-£0.83
1	£100.30	£99.30	-£1.00
2	£113.65	£112.51	-£1.14
3	£127.22	£125.95	-£1.27
4	£141.11	£139.70	-£1.41
5+	£157.16	£155.59	-£1.57

3.2 From April 2020 the Council will be able to increase rents by an amount up to inflation (CPI) plus 1% each year. The Government have indicated that the ability to raise rents by CPI plus 1% a year will last until 2025, at which time new rent rules would be announced.

3.3 **DMC members are asked for their views on the governments mandated 1% rent reduction from April 2019 and for any initial comments on what strategy should be considered for rent increases from April 2020.**

#### 4. TENANT SERVICE CHARGES

4.1 Whilst rent increases are currently determined by Government, the Council does have some discretion over the level of tenant service charges (eligible for housing benefit) for the following services; caretaking, grounds maintenance, CCTV, mobile security, concierge, maintenance of mechanical and electrical equipment in communal areas and block and estate lighting. In most cases inflation increases in service charges would ensure that charges would continue to recover the full costs of the specific services. Inflation (CPI) in September 2018 was 2.4%.

4.2 It is recommended that service charges for Caretaking, Communal Lighting and Communal Mechanical and Electrical Maintenance are increased by inflation at 2.4% to ensure that the full cost of the service continues to be met from service charge income. It is further recommended that the service charge for Responsive Housing Patrol is increased by 2.9%, this is to help cover the cost of additional investment in the service over the past year. Charges for CCTV and Grounds Maintenance are recommended to be held at 2018/19 levels as efficiencies within the service mean the full cost of the service can be met from within existing charges.

**Table 3: Impact of increasing Service Charges**

Service charge	18/19 weekly charge	recommended Increase	Weekly increase £	additional income from tenants from Increase
Caretaking	£ 8.95	2.4%	£ 0.21	£ 200,340
CCTV	£ 0.98	0.0%	£ -	£ -
Communal lighting	£ 1.05	2.4%	£ 0.03	£ 23,250
Grounds maintenance	£ 1.80	0.0%	£ -	£ -
Responsive Housing Patrol	£ 0.53	2.9%	£ 0.02	£ 17,810
Communal M&E maintenance	£ 1.13	2.4%	£ 0.03	£ 15,590
<b>Total</b>				<b>£ 256,990</b>

- 4.3 At their meetings DMCs will, of course, be free to recommend any level of increase, including no increase, to the service charges. A summary of what each service includes is attached at Appendix A.
- 4.4 **DMC Members are asked for their views on the recommended changes to tenants' service charges (Table 3) and to make any additional recommendations.**
- 4.5 At previous DMC meetings, individual DMC members have expressed an interest in developing new or enhanced services either across the whole housing stock or specific to individual blocks or estates funded from service charges. Over the past year DMC members have identified potential services such as concierge and extended CCTV coverage. These or other services could be developed and formally consulted on and if appropriate introduced.
- 4.6 A new CCTV system is being developed, with a high bandwidth wireless ring network. This would replace existing cameras with new state of the art CCTV cameras and the inclusion of 'Rapidly Deployable Cameras' that can be deployable strategically to cover high risk areas. The new CCTV system will be ring-fenced for housing residents only and could be funded from a new service charge to tenants and leaseholders receiving this service in order to recover the capital cost of this upgrade.
- 4.7 In order to recover the full cost of implementing the new CCTV system the existing weekly service charge of £0.98 would stop and be replaced with a new weekly service charge of £2.10 and would only be levied from the April following the new CCTV installation for a period of seven years (Please note that this was a proposal brought by several DMC members from across the borough in the past year and the Council is keen to recognise comments made by DMC members about using latest CCTV systems in combating crime and antisocial behaviour).
- 4.8 The potential net increase in CCTV service charge of £1.12 is broadly in line with the charge previously levied for seven years to recover the cost of installing the IRS system. Once the capital cost of the new CCTV system is recovered, the service charge would revert back to recover revenue costs only to maintain the new system.
- 4.9 **DMC Members are asked to comment on the proposals for the new CCTV service charge and to recommend any additional services they would like to see developed, to be funded by Service Charges.**

## **5. HEATING POOL**

- 5.1 The heating pool is a ring fenced self-financing account within the HRA. Some 10,500 tenanted and 3,500 leasehold properties receive district-heating services and/or gas supplies from the Council. For 2018/19, heating charges were frozen. The Council's procurement strategy for gas supplies includes buying gas in advance from the wholesale markets, to even out fluctuations in wholesale prices. Continued successful procurement, combined with the council's long-term commitment to invest in energy efficiency works has resulted in a projected surplus of £1.2m for the end of 2018/19 (Table 4). Gas prices from Camden's bulk purchasing agreement fluctuate from year to year and are projected to be 26% higher this year with a further price rise of 9% towards the end of 2019. It is estimated that costs can be recovered by the existing level of charges and the use of some of the Heating Pool surplus for 2019/20. Alternatively the Council could use the projected surplus to invest in additional energy efficiency work and increase the level of charges to cover for the expected price increases in the next financial year.

Table 4: HEATING POOL BUDGET

	<b>2017/18 Actual</b>	<b>2018/19 Forecast</b>	<b>2019/20 Estimates</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Increase (Decrease) in charges from 1 April	<b>-12%</b>	<b>0.00%</b>	<b>0.00%</b>
Fuel Costs	5,496	7,026	7,692
Bad Debt Costs	28	205	215
Maintenance & Infrastructure Costs	915	985	1,090
<b>TOTAL EXPENDITURE</b>	<b>6,439</b>	<b>8,216</b>	<b>8,997</b>
<b>TOTAL INCOME</b>	<b>-8,413</b>	<b>-8,411</b>	<b>-8,726</b>
<b>(Surplus)/Deficit for Year</b>	<b>-1,974</b>	<b>-195</b>	<b>271</b>
<b>Movement in Reserves</b>			
Reserves Brought Forward	<b>-2,259</b>	<b>-3,039</b>	<b>-1,250</b>
(Surplus)/Deficit in year	-1,974	-195	271
Refund or investment in energy efficient works	1,195	1,083	79
Surplus earmarked for a cold winter		900	900
<b>Reserves Carried Forward</b>	<b>-3,038</b>	<b>-1,250</b>	<b>0</b>

5.2 **DMC Members are asked to comment on the recommendation to use the projected Heating Pool surplus to keep prices at the 2018/19 level.**

#### **DMC VIEWS**

6.1 A summary list of the questions for DMCs to consider is attached as **Appendix B.**

**DESCRIPTION OF SERVICES FUNDED BY TENANT'S SERVICE CHARGES**

Service Charge	Purpose
Caretaking	<p>This charge is for the cost of cleaning the communal areas of Camden's blocks and estates. The caretaking service is provided by caretakers, estate services supervisors and estate services managers as well as an external contractor, Veolia.</p> <p>The cost of cleaning communal windows is included in the charge. In March 2015 we introduced an 'in-house' window cleaning service which was previously carried out by an external contractor. Our window cleaning team, managed by estate services managers, clean the communal windows inside and out every six months.</p> <p>Camden has a huge variety of property types and the service has to adapt to suit the needs of the different blocks and estates.</p> <p>Caretaking services block – Camden's caretakers clean the communal areas inside the building, carrying out the following duties (as required):</p> <ul style="list-style-type: none"> <li>•clean shared staircases, communal landings and other lobbies. Duties will vary slightly according to the block and its condition</li> <li>•test, check and clean the lifts and lift entrances</li> <li>•rotate full refuse bins</li> <li>•clean refuse chambers and bin areas</li> <li>•report communal repairs and check door entry systems</li> <li>•check internal lighting, time clocks and electrical intake cupboards</li> </ul> <p>The caretakers are also responsible for:</p> <ul style="list-style-type: none"> <li>•reporting communal repairs directly to our repairs team using smart phones;</li> <li>•reporting anti-social behaviour directly to our housing management team using smart phones;</li> <li>•checking the health and safety of the blocks and estates;</li> <li>•checking the quality of the grounds maintenance;</li> <li>•minor repairs to door closers (where qualified);</li> <li>•light checks and bulb replacements (below 3m); and</li> <li>•liaising with contractors working on the blocks</li> </ul> <p>Caretaking services estate – external cleaning on estates. Duties include:</p> <ul style="list-style-type: none"> <li>•street/path sweeping on the accessible estate roads and paths</li> <li>•bulk refuse removal</li> <li>•mobile team providing mobile support to the estate sweepers</li> </ul> <ul style="list-style-type: none"> <li>•street/path sweeping on the estate roads and paths that are</li> </ul>

	<p>not accessible by Veolia, i.e. internal courtyards, gated areas</p> <ul style="list-style-type: none"> <li>•visual health and safety checks on estates</li> <li>•moving of refuse bins from refuse chambers to pick up areas as required</li> <li>•moving of fly tipped items, from blocks or estate areas to pick up points</li> <li>•project work including deep cleaning, painting to communal areas etc.</li> </ul>
CCTV	<p>The charge for this service covers the cost of Planned Preventative Maintenance and repairs to CCTV systems in Camden's housing premises. It also covers the cost of the CCTV hub which is a monitoring system. In addition to fixed/permanent CCTV cameras, mobile units can be deployed (where available) in conjunction with information received from the mobile patrol team and the police. Images can be shared with the Police, partners and Council officers.</p>
Communal lighting	<p>This covers the cost of the carrying out of the Planned Preventative Maintenance of and repairs to communal block and/or estate lighting. The contract includes repairs to all lighting to communal areas and electrical installations. There may also be additional repairs not covered by the contract. Generally Camden's caretakers replace bulbs where they are below 3m.</p>
Grounds maintenance	<p>This charge is your share of the costs incurred by Camden for maintaining the communal green spaces and trees on estates and communal gardens. Works to trees are carried out on a 3-5 year cycle although some work is undertaken on an ad-hoc basis where the need arises.</p>
Responsive Housing Patrol	<p>This charge covers the provision of a responsive mobile security patrol to Camden's housing estates. The team helps to ensure there are reduced instances of anti-social behaviour around Camden's housing estates improving security and providing reassurance for residents.</p> <p>The mobile patrol team operates between the hours of 6pm and 2am Monday to Sunday every day of the year. During the daytime (9am to 5pm) Monday to Friday you can call your district housing office directly or via Contact Camden on 020 7974 4444. Between the hours of 6pm and 2am you should telephone Contact Camden to request the assistance of the mobile patrol team.</p>
Communal M&E maintenance	<p>This charge covers the repair and maintenance of Mechanical and Electrical equipment in communal areas.</p>

**RENT AND SERVICE CHARGE QUESTIONS FOR DMC VIEWS**

**District Management Committee Feedback**

DMC.....

Recommendation	Yes	No	Other
1% Rent Reduction			
Changes to Tenant Service Charges? Caretaking CCTV Communal Lighting Ground Maintenance Communal Mechanical & Electrical Responsive Housing Patrol			
No change to Heating Pool Charges?			
New CCTV Service to be funded from a new service charge?			
Any other feedback/Views			