

**Additional Material for Cabinet 24 January 2012 – Housing Revenue Account
Final Rent-Setting and Budget Report 2012/13**

The sections below all relate to consultation meetings of Area Housing Forums in the past few days, and to last night's meeting of Tenant Council, which have taken place since the dispatch date for the Cabinet meeting, and so the papers below are circulated on a 'round the table' basis.

- Section 1 Recommendations of Tenant Council of 23 January 2012
- Section 2 Summary of Area Housing Forum Decisions
- Section 3 Individual Area Housing Forum Feedback
- Section 4 Recommendations of Home Owners Council of 10 January 2012
- Section 5 Recommendations of TMO Management Forum of 18 January 2012

	Recommendations of Tenant Council (23 January 2012) <i>(N.B. paragraph references are to the Cabinet Report of 24 January 2012)</i>	For	Against	Abstain Not voting
1.	Approve an average rent increase of 7.96% in accordance with the Government's required formula rent guidance to be applied to all HRA dwellings as set out in paragraph 12. This is equivalent to an increase of £6.78 per week on average for tenanted properties, with effect from 2 April 2012. Average budgeted dwelling rent for 2012/13 will be £91.94 per week. This percentage increase is also to be applied to estate void and hostel properties from 2 April 2012.	0	18 Not Agreed	0
2.	Instruct officers to carry out further evaluation regarding implementing a policy of setting rents for new-build and new-let tenancies at formula rent levels (paragraph 13). [Though discussed, this recommendation was not voted on]	–	–	–
3.	Set tenant service charges at the same level as 2011/12 as set out in paragraph 15 with effect from 2 April 2012.	18 Agreed	0	0

		For	Against	Abstain Not voting
4.	<p>Set the standard charge for non-residential property at the same level as 2011/12, but with revisions to the concessionary rates applicable and the introduction of a new rate for private sector garage renters as set out in paragraphs 16 to 27 with effect from 2 April 2012.</p> <p>Tenant Council made the following recommendations:</p> <p>(a) Tenant Council approved the proposed standard rate of garages of £18.62 per week, this being no change to the current standard rate.</p> <p>(b) Tenant Council propose <u>both</u> elderly and disabled tenants should be given the proposed £5 concession on garage rents.</p> <p>(c) Tenant Council agreed the proposed £5 concession figure as a discount to the standard rate.</p> <p>(d) Tenant Council further agreed to a motion from Nunhead and Peckham Rye Forum regarding market rents:</p> <p><i>“That this Tenant Council agrees the interim charge of £27.50 and that we call upon the council to maximise income in this area and to introduce fair market rents for those persons who pay garage rents in this category.”</i></p>	<p>14 Agreed</p> <p>16 Agreed</p> <p>12 Agreed</p> <p>18 Agreed</p>	<p>0</p> <p>0</p> <p>0</p> <p>0</p>	<p>4</p> <p>2</p> <p>6</p> <p>0</p>
5.	<p>Approve a further standstill in heating and hot water charges for 2012/13 such that each charge remains at the rate determined for 2009/10, 2010/11 and 2011/12 (as set out in paragraph 28).</p>	<p>16 Agreed</p>	<p>1</p>	<p>1</p>

Comments of the Finance Director

Negation of the proposed rent increase in order to adopt the position of Tenant Council would mean that additional savings of £15.3m would be required in order to set a balanced HRA Budget for 2012/13. Taken with the level of efficiency savings already consulted on of £6.4m, this totals £21.7m of the available gross HRA budget for 2012/13. Decisions regarding garage concessions may further increase this figure by between £0.2m – £0.4m.

In addition, the calculation of the self-financing debt adjustment by central government has been predicated on local authorities following the rent restructuring policy through to convergence in 2015/16 and beyond. A failure to realise rental income from the outset of the self-financing arrangements will mean either a permanent impediment to the ability of Southwark's HRA to provide for anticipated expenditure in the future, or compounded rent increases in order to preserve the ability of the HRA to remain self-financing.

The non-dwellings increase implemented in 2011/12 was, in part intended to address a budget gap from 2010/11, where an in-year increase in these charges was assumed for budget purposes, but then not implemented following consultation with residents on a differential charging scheme. Within that calculation was provision for a discounted concessionary rate for users aged seventy and above, and for those in possession of a blue badge.

Owing to a degree of confusion regarding the implementation of this scheme, a flat rate of £5.00 was substituted for the discounted rate, which was intended to keep recipients of the concessions at around the 2010/11 level of charge. Because of this, and the higher than anticipated level of take-up, income foregone by the council has been notably higher than was anticipated, necessitating a revision to the concessions. Maintaining the flat rate of £5.00 for both groups (which are broadly similar in take-up terms) will result in an under-recovery of budgeted income of £0.4m.

The various potential changes to the concessionary arrangements are designed to negate this lost income. The Cabinet report has been compiled on the basis of the removal of the elderly discount and the revision of the disabled concession, totalling additional budgeted income of £218k. The Tenant Council position is to move to the discounted rate for both groups, i.e. a reduction in additional income of £138k which will have to be met from additional savings.

Comments of individual area housing forums have broadly followed the recommendations subsequently adopted by Tenant Council, and so individual financial commentary has not been provided.

SUMMARY OF AREA FORUM DECISIONS – HRA RENT-SETTING AND BUDGET REPORT RECOMMENDATIONS 2012/13

Forum	Date	Rent +7.96%	Ser. Charge no change	Garages			Heating no change
				no change	Concessions	Market rents	
Aylesbury	16 Jan 12	◆	✓	✓	✓	✓	✓
Bermondsey East	18 Jan 12	×	?	?	A	–	–
Bermondsey West	17 Jan 12	?	?	?	?	?	?
Borough & Bankside	19 Jan 12	×	✓	✓	✓	✓	✓
Camberwell East	16 Jan 12	–	–	–	–	–	–
Camberwell West	17 Jan 12	◆	✓	–	A	✓	✓
Dulwich	12 Jan 12	◆	✓	✓	A	✓	✓
Nunhead & Peckham Rye	12 Jan 12	×	?	–	–	–	–
Peckham	16 Jan 12	×	✓	✓	✓	✓	–
Rotherhithe	16 Jan 12	×	–	–	–	✓	✓
Walworth East	19 Jan 12	◆	?	?	A	?	?
Walworth West	19 Jan 12	×	?	✓	✓	✓	–
Summary:							
✓ Agreed		–	5	5	4	7	5
◆ ‘Reluctant acceptance’		4	–	–	–	–	–
× Disagreed outright		6	–	–	–	–	–
A Alternatives suggested below		–	–	–	4	–	–
? Unclear		1	5	3	1	2	2
– No response/inquorate		1	2	4	3	3	5
Total		12	12	12	12	12	12

	Disabled Concession	Elderly Concession
Bermondsey East	–	“concerned as to removal”
Camberwell West	Flat rate £5	Flat rate £5
Dulwich	Two-stage increase	Remove concession
Walworth East	Flat rate £5?	Proof of vehicle personal use required

Area Housing Forum Comments resulting from the HRA Budget and Rent-Setting Report 2012/13 Consultation, January 2012

The five recommendations on the main report are:

1. *To increase dwelling rents by 7.96%;*
2. *To investigate the possibility of charging new lets at formula rent levels*
3. *To keep tenants service charges at their current level;*
4. *To amend the concessions available on non-dwellings charges; and*
5. *To maintain heating and hot water charges at previous levels.*

Aylesbury (18 January 2011)

The Aylesbury Area Forum last night accepted reluctantly the proposed rent increase of 7.9%. Forum accepted the changes in rent regarding heating and garages and services. Forum noted that the intention to raise rents to target level contained within the report will not impact on tenants who are being decanted from regeneration schemes.

Bermondsey East (19 January 2011)

The forum delegates were unanimous in their objection to the proposed rent increase. The concern is the impact that such a large increase will have on the tenants who do not receive benefits.

The delegates were also unanimous in their concern for proposals to:

1. Remove the garage concession for those over 70 years old
2. To rent garages to the private sector. Is the extra income generated from this going to come back to housing management?

The additional usage of estate roads could result in a lot of wear and tear, will there be a separate budget to address this?

3. Will the income from new builds benefit the local area?

How have Southwark arrived at their projected figures?

Bermondsey West (11 January 2011)

1. When a new letting is made should the rent go straight to the target rent?

Tenants felt that it is unfair that new lettings should go to the target rent and that everyone should be treated fairly. If rent were to go up, then every tenants rent should go up collectively. This decision was unanimous that new lettings should have the same rent as other Southwark Council tenants and not the target rent.

2. The £5 concessionary discount for garages will be applied to those in receipt of disability allowance and those registered disabled. Should the concessionary rate also apply to the over 70's?

Two tenants felt that due the loophole in family members getting their over 70 relations to get garages for them, then the concessionary charge should not be applied to the over 70's. Four tenants abstained. Therefore the decision made was that the concessionary rate should not apply to the over 70's.

Borough & Bankside (20 January 2011)

1. The Borough & Bankside Area Forum last night rejected the proposed rent increase. The reasons for the forum rejection are as follows:
 - (a) The forum requires evidence from the Central Government about the increase.
 - (b) They cannot see any justification in putting up the rent by 7.9%. They understand the reason for the proposed increase that it is the government withdrawal of subsidy to Southwark Council, which is to make the council self-sufficient and to bring its rents up to parity with that of the RSL.
 - (c) It is the forum's view that they are not getting value for money now with the rents they pay and are of the view that rent increase will not guarantee service improvement.
2. The forum unanimously agreed that the new rent formula should be used for new tenant but not for decanted or transfer cases.
3. The forum agreed no increase in tenant charges proposal. However, there are concerns that leaseholders will have to pick up the bill.
4. The forum agreed with the fees proposed for the garages applying to businesses/non-estate residents but against the estate-based residents, even if not the named tenant/leaseholder, being charged market rent. Forum also agreed that concessionary charges should be applicable to blue badge holders.
5. The forum agreed with no increase in heating and hot water charges.

Camberwell East (17 January 2011)

This forum was not quorate. However, comments are reproduced below:

Not happy with rent increase but can understand why it is required. Concerned for low paid/low income but understand that it will happen in any case.

They consider that the subsidised garage rent for over 70's should be increased incrementally; maybe initially to £8 in 2012/13 rather than a steep increase.

Questions on service provision linked to rents and there is an increasing sense of need for value for money for the rent paid.

Camberwell West (18 January 2011)

1. Forum delegates noted the proposed rent increase of 7.96% and reluctantly accepted this.
2. The delegates noted advice that this was likely to be withdrawn for 2012/13.
3. No increase to tenant service charges – delegates noted and welcomed this.
4. The forum delegates recommended that the concessionary scheme i.e. 'the retention of the £5 per week garage rental for those over aged 70 and disabled' be retained. Delegates agreed the introduction of market rent for private sector renters.
5. The forum delegates agreed with no increase to heating and hot water charges (A further question was asked of officers, the content of which will be included in the forum minutes and reported to delegates at the next meeting).
6. The forum delegates agreed.

Dulwich (18 January 2011)

1. Dulwich Area Forum is not happy with the rent increases and agrees that a letter from Tenant Council should go to the Housing Minister and any support from local councillors would be appreciated.
2. Dulwich Area Forum do not agree to the recommendation that on a provisional basis the council charge new build and newly let properties at formula rent levels from the commencement of their letting. Dulwich Area Forum requires more clarification and believes this may be unfair for new tenants in the borough being charged a higher standard rent.
3. Dulwich Area Forum welcomes the fact there are no increases in tenant service charges, however would not like to see a reduction in services received by tenants.
4. Dulwich Area Forum welcomes no increase to the standard charge for garage rent and also welcomes the consideration to the concessionary scheme and potential introduction of a market rent for private sector renters. Dulwich Area Forum feels the possibility of a 2-stage increase should be considered for disabled garage holders, where they are adversely impacted.
5. Dulwich Area Forum welcomes no increase to heating/hot water charges.
6. Dulwich Area Forum agrees with the instruction for officers to provide a final report on Rent-Setting and the HRA Budget for 2012/13 after due consultation processes have been followed for consideration at their meeting on 24 January 2012.

Nunhead & Peckham Rye (20 January 2011)

1. That this Forum rejects a rent increase of this magnitude and would remind the Council that most tenants have not seen a corresponding rise in their income or benefits.
2. It is noted that this increase will substantially raise the poverty profile of the Borough of Southwark.
3. This Forum is particularly concerned that very little work has been undertaken to mitigate the effects of this increase and to deliver a value for money housing service. In particular we are concerned by the effects of the recent staff reorganisation and the high cost of repairs and maintenance set against the poor level of service delivery.

Peckham (17 January 2011)

1. The rent increase of 7.96% was rejected. The Forum felt that given the income profile of local residents an increase in rent could not be sustained. This is compounded by the pay freeze in the public sector.
2. Formula rent for new build and new lets was rejected. Forum felt this was inherently unfair.
3. No increase in tenant service charges was agreed.
4. No increase in standard charge for garages and the proposed two amendments were agreed.
5. No increase in heating and hot water charges was agreed. Forum noted that in the event that fuel prices continue to decrease the benefits should be passed on to residents by way of a reduction in charges.

Rotherhithe (18 January 2011)

The Rotherhithe Area Forum last night rejected the proposed rent increase.

The reason for their rejection is that they cannot see any justification in putting up the rent by 7.9%. They understand the reason for the proposed increase which is the government withdrawal of subsidy to Southwark Council which is to make the council self sufficient and to bring its rents up to parity with that of the RSL.

It is the forum's view that they are not getting value for money at the present time with the rents they pay now and that this increase will not serve to bring a better service to its tenants.

Walworth East (20 January 2011)

Walworth East Area Forum last night thanked Cllr. Wingfield for his efforts in putting tenants first and minimising the impacts of the cuts in funding and the changes to the HRA. They are happy Southwark are still committed to Social Housing.

Members of the forum however stated the following:

1. Accepted the rent increase but were not happy with it given the present economic climate as they felt tenants were struggling to make ends meet but accepted the proposed rent increase was government imposed.
2. Garage concessions should be for disabled and elderly from the age of 75+ who have proof of usage of a vehicle for personal use; with the necessary supporting documents.
3. Further efficiencies to improve the services to residents in light of the cuts are required and these include the following. The need to improve contract management especially with repair services and to review planned maintenance to prevent disrepair. More stringent procedure should be in place for follow up on call outs to help cut cost of repeat requests for the same job.
4. Improve contract with frontline staff of Vangent. Training of call centre staff is still required to help improve the service.
5. Council should work hand in hand with utility companies and encourage tenants and facilitate them to have cavity wall insulation in properties which would help cut down on energy costs.

Walworth West (13 January 2011)

1. Walworth West Forum voted as follows on the proposed rent increase:

IN FAVOUR 1; AGAINST 9; ABSTENTIONS 0

2. The forum felt that the services provided did not offer value for money especially the repairs service. The forum took the view that the rent increase had to be supported by service improvement and that there was a compelling need to cut down on wastage of resources and for the council to demonstrate visible improvement of services. In addition to the votes above 10 residents were against the concept of an average rent increase of 7.96%, 2 were in favour of an average rent increase of 7.96% and no abstentions were recorded.

3. Regarding the garage rent proposals and motions

(a) Concession on the proposed garage rent increase to stay as it is i.e. £18.36 per week and a concession of £5.00 off the garage rent for residents over 70 years and holding a blue badge.

IN FAVOUR 16; AGAINST 3; ABSTENTIONS 0

(b) Concession to be removed but residents over 70 years of age and holding a blue badge to pay £10.00 per week to rent a garage.

IN FAVOUR 13; AGAINST 3; ABSTENTIONS 2

(c) Reduce the garage rent from £18.36 to £15.00 – a flat rate for everyone regardless of age or circumstances.

IN FAVOUR 16; AGAINST 3; ABSTENTIONS 1

Home Owners Council (10 January 2012)

Home Owners Council noted the report, and passed the following resolution:

“The Home Owners Council censures the council’s decision to remove concessionary garage rent for over 75’s. In addition, it should adopt a concessionary maximum rate of £10.00.”

Comments of the Finance Director

There was no change to non-dwellings charges in 2010/11 despite an in-year increase in these charges being previously assumed for budget purposes and the 50% increase in 2011/12 must be viewed in that context. Assumptions within the 2011/12 budget regarding concessions were modelled on the assumption of a take-up of approximately 500 concessions being granted with resultant loss of realisable income of £392k. At the moment, the number of cases is 1,053 with a loss of income of almost £0.75m. Removal of the elderly concession and redrafting of the disabled one back to the £5.00 discounted rate originally envisaged will result in this additional loss being negated, and provide additional income to the HRA of £218k in 2012/13 to enable redevelopment works on the garage stock to continue.

A revision for both concessionary groups to a new flat rate concession of £10.00 would raise £274k; a difference of £336k from that anticipated under the Cabinet report (£392k + £218k – £274k). This would have to be met from additional savings elsewhere within the HRA in order to ensure a balanced budget for 2012/13.

TMO Management Forum (18 January 2012)

1. TMOMF accepted the rent increase reluctantly, and asked that sympathy be expressly recorded for any tenant faced with coping with this significant increase.
2. TMOMF did not agree with the suggestion regarding moving new lets “straight to formula” rent levels, and particularly not in a year of high underlying inflation rates.
3. The freeze in tenant service charges was agreed.
4. On garages, the Management Forum voted in favour of the elderly concession being retained, but changed to match the proposal for disabled users, namely, a £5 discount from the standard rate.
5. The recommendation regarding no change to district heating charges was agreed.
6. [This recommendation instructed officers to bring back a final budget report to the council’s cabinet, and therefore was not discussed by the Management forum].

Comments of the Finance Director

As noted in the comments to Tenant Council section above, the correction to the garages concession policy is anticipated to increase revenues by £218k. Granting the same revised discount to elderly users as that proposed for blue badge holders will necessitate additional savings of £138k.