

For publication

Annual Housing Revenue Account Rent (HRA) and Service Charge Setting Review (HC000)

Meeting:	Cabinet
Date:	9 January 2018
Cabinet portfolio:	Cabinet Member for Homes and Customers
Report by:	Assistant Director - Housing Director of Finance and Resources

For publication

1.0 Purpose of report

- 1.1 To set rent and service charge levels for 2018/19.

2.0 Recommendations

It is recommended that;

- 2.1 For 2018/19 individual social rents be set based on the current National Social Rent Policy, giving a cash rent decrease of 1.0% with effect from 1 April 2018.
- 2.2 For 2018/19 and onwards, where a social rent property is re-let to a new or transferring tenant the rent level be increased to the target rent for that property.
- 2.3 For 2018/19 individual affordable rents be set based on the current National Social Rent Policy, giving a cash rent decrease of 1.0% with effect from 1 April 2018.
- 2.4 For 2018/19 and onwards, where an affordable rent property is re-let to a new or transferring tenant the rent level be set by

reference to 80% of the market rent for a similar property prevailing at the time of re-letting.

- 2.5 The true costs of delivering services should be passed onto tenants. Therefore, service charges should be increased to ensure services break even. This was agreed by Cabinet 26 January 2016. It is recommended that charges be reviewed and the following revised levels be agreed for:
- a) Heating service charges (Sheltered Schemes) – recommend an average charge of £17.67 per week
 - b) Garage rents – recommend a charge of £6.70 per week
 - c) Garage Sites – recommend a charge of £49.60 per annum (Shale); £62.40 per annum (Asphalt); £68.30 per annum (Other)
 - d) Tenants Metered Water Charges – recommend an average charge of £3.55 per week
 - e) Garden Assistance Scheme – recommend that approval is given to the Assistant Director – Housing, in consultation with the Cabinet Member for Homes and Customers to set the charges for non-disabled service users at the appropriate level to cover the costs of providing the service once the tenders have been received and the contract awarded
 - f) Sheltered Scheme Service Charge – recommend a charge of £12.30 per week
 - g) Sheltered Scheme Support Charge – recommend a charge of £7.85 per week
 - h) Careline Response – recommend a charge of £5.72 per week (Monitor and Response including equipment rental in Chesterfield) and £8.22 per week (Monitor, Response and support service including equipment rental in Chesterfield)
 - i) Monitoring of Dales Housing alarms – recommend a charge of £3.50 per week
 - j) Monitoring of alarms for Housing Associations – recommend a weekly charge of £1.65

- k) Charges in respect of Community Rooms – no increase recommended
- l) Communal Staircase Cleaning – recommend a charge of £1.99 per week
- m) Tenant Home Contents Insurance Premium Tax – recommend an increase from 10% to 12%

3.0 Report Detail

Background

- 3.1 The council is required to keep a separate Account for its activities as a housing landlord. This is called the Housing Revenue Account (HRA). The HRA is closely governed by the Local Government and Housing Act 1989 and by Determinations made under this Act by DCLG.
- 3.2 As a consequence of the HRA self-financing regime, we are required to ensure that our HRA Business Plan is financially viable, delivers reasonable standards for tenants and maintains at least the minimum Decent Homes Standard.
- 3.3 Future investment in the Housing Service and the housing stock is largely funded through income from the properties and is therefore directly influenced by decisions on rent levels, additional borrowing or the use of cash reserves.
- 3.4 Social housing rents are set according to the Government's National Social Rent Policy and the Welfare Reform and Work Act 2016.
- 3.5 In accordance with this legislation, from the 4 April 2016, Chesterfield Borough Council housing rents (social and affordable) for existing tenants have decreased by 1% annually from the chargeable rent for each individual property at the 8 July 2015. The current policy specifies a 1% reduction in each year, the final reduction being in April 2019. Prior to April 2016, rents had been allowed to rise by RPI + 0.5% and then for April 2015 only CPI + 1%.
- 3.6 In addition where a property is re-let during the financial year (and where it is not already at target rent), the new tenant's rent

level can continue to be increased to the target rent for that property. The target rent however has also decreased by 1% per annum, as the target rent is the relevant rent at the 8 July 2015. This policy will also continue in each year until April 2019.

- 3.7 Members previously agreed these policies in a report to Cabinet on 26 January 2016 and 24 January 2017.

Rent Setting for 2018/19

- 3.8 Therefore in line with the aforementioned, it is recommended that for 2018/19 (and in the following year) all local authority social rents will decrease by 1%. This is a cash decrease of 1% in 2018/19 (excluding the effect of Right to Buy sales losses), but a real decrease of 4% based on CPI in September 2017 of 3% or 4.9% if based on RPI of 3.9% at the same date.
- 3.9 From 1 April 2018 onwards all Chesterfield Borough Council housing rents (social and affordable) will be calculated on a 52 week basis. Members agreed this change in a report to Cabinet on 24 January 2017.
- 3.10 Therefore the impact of this decrease across all existing properties in the housing stock is an average actual decrease for 2018/19 of £0.77 per week on a 52 week basis.
- 3.11 This is only an average actual monetary decrease and because rents will be calculated for each individual address, some rents will reduce by more than the average but conversely some rents will reduce by a lower amount. The lowest change is a decrease of £0.58 per week and the highest a decrease of £1.25 per week (this is an affordable rent property), both based on a 52 week basis. The highest social rent decrease is £1.03 per week.

This gives an average rent in 2018/19 of £76.43 per week.

Service Charges

- 3.12 A detailed consideration of possible increases to heating charges, garage rents, garage site rents, the garden assistance scheme, tenants water charges, community room charges and Wardens Services is set out in **Appendix 1**.

3.13 As service charges are collected as part of the gross weekly rent for individual properties, from 1 April 2018 onwards all housing service charges will be calculated on a 52 week basis.

3.14 Therefore, whilst it is recommended that service charges increase in 2018/19, tenants will actually pay a reduced amount each week but in every week of the financial year.

Rent, Fee and Charges Summary

3.15 The table below shows the annual impact of the recommended rent decrease and fee and charge increases (set out in Appendix 1), on the 2018/19 year-end balance available:

Description	Additional Income in 2018/19 (£)
Heating Service Charge	5,320
Garage Rents	29,600
Garage Sites	1,350
Water Charges	240
Garden Assistance Scheme	-
Community Room Hire	-
Communal Staircase Cleaning	4,720
Sheltered Scheme Service Charge	3,790
Careline Response	10,500
Total of Proposed Increases	55,520
Rent Reduction	(374,110)
Total of Proposed Decreases	(374,110)
Net Total of Proposals (Decrease)	(318,590)

4.0 Financial implications

4.1 The financial implications are an intrinsic element of this report.

5.0 Legal and data protection implications

- 5.1 The Welfare Reform and Work Act 2016 states that from April 2016 and in each of the following three years 'Registered providers of social housing must secure that the amount of rent payable in a relevant year by the tenant of their social housing in England is 1% less than the amount that was payable by the tenant in the preceding 12 months'

6.0 Risk management

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
Universal Credit changes tenants failure to pay rent Enhanced debts and costs of recovery	High	High	Move to 52 week rent year Sign tenants up to direct debits An increased assumption for bad debt provision has been made within the HRA Business Plan for 2018/19	High	Medium/High

7.0 Equalities Impact Assessment (EIA)

- 7.1 In setting the National Social Rent Policy within the Welfare Reform and Work Act, an Equalities Impact Assessment has been carried out nationally. This is attached at **Appendix 2**.
- 7.2 Overall this policy has no impact on the majority of social housing tenants as they have their rent paid by Housing Benefit or Universal Credit. The remaining proportion of social tenants who do not have a high income will benefit from lower rent payments over the duration of the policy.
- 7.3 In addition, by collecting rents and service charges on a 52 week basis, tenants and service users will benefit from a reduced weekly charge each week but in every week of the year. This charge will also be payable in line with the amount received in the housing element of Universal Credit.

7.4 The impact on tenants with protected characteristics has been considered when setting fees and charges and where possible these have been minimised to mitigate any negative impact.

8.0 Recommendations

It is recommended that;

- 8.1 For 2018/19 individual social rents be set based on the current National Social Rent Policy, giving a cash rent decrease of 1.0% with effect from 1 April 2018.
- 8.2 For 2018/19 and onwards, where a social rent property is re-let to a new or transferring tenant the rent level be increased to the target rent for that property.
- 8.3 For 2018/19 individual affordable rents be set based on the current National Social Rent Policy, giving a cash rent decrease of 1.0% with effect from 1 April 2018.
- 8.4 For 2018/19 and onwards, where an affordable rent property is re-let to a new or transferring tenant the rent level be set by reference to 80% of the market rent for a similar property prevailing at the time of re-letting.
- 8.5 The true costs of delivering services should be passed onto tenants. Therefore, service charges should be increased to ensure services break even. This was agreed by Cabinet 26 January 2016. It is recommended that charges be reviewed and the following revised levels be agreed for:
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- d) Tenants Metered Water Charges – recommend an average charge of £3.55 per week
- e) Garden Assistance Scheme – recommend that approval is given to the Assistant Director – Housing, in consultation with the Cabinet Member for Homes and Customers to set the charges for non-disabled service users at the appropriate level to cover the costs of providing the service once the tenders have been received and the contract awarded
- f) Sheltered Scheme Service Charge – recommend a charge of £12.30 per week
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- h) Careline – recommend a charge of £5.72 per week (Monitor and Response including equipment rental in Chesterfield) and £8.22 per week (Monitor, Response and support service including equipment rental in Chesterfield)
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9.0 Reasons for recommendations

- 9.1 To enable the council to set the level of council house rents in accordance with Government guidelines.
- 9.2 To enable the council to set service charges for 2018/19 and to ensure that the cost of delivering services continues to break even.

- 9.3 To contribute to the council's Corporate Priority 'To improve the quality of life for local people'.

Decision information

Key decision number	689
Wards affected	ALL
Links to Council Plan priorities	'To improve the quality of life for local people' and 'To provide value for money services'

Document information

Report author	Contact number/email
Alison Craig	345156 / alison.craig@chesterfield.gov.uk
Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	
Appendices to the report	
Appendix 1	Service Charge Increase
Appendix 2	EIA