

# **FOR PUBLICATION**

## **ANNUAL HOUSING REVENUE ACCOUNT RENT AND SERVICE CHARGE SETTING (H000)**

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MEETING:                    1. CABINET  
                                  2. CABINET MEMBER FOR HOUSING

DATE:                        1. 26 JANUARY 2016  
                                  2. 18 JANUARY 2016

REPORT BY:                HOUSING SERVICE MANAGER – BUSINESS  
                                  PLANNING AND STRATEGY  
                                  CHIEF FINANCE OFFICER

WARD:                        ALL

COMMUNITY  
ASSEMBLIES:                ALL

KEY DECISION              582  
REFERENCE  
(IF APPLICABLE):

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FOR PUBLICATION

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### **1.0 PURPOSE OF REPORT**

1.1 To set rent and service charge levels for 2016/17.

### **2.0 RECOMMENDATIONS**

2.1 It is recommended that;

2.1.1 For 2016/17 individual social rents be set based on the current National Social Rent Policy, giving a real rent decrease of 1.0% with effect from 4 April 2016.

- 2.1.2 For 2016/17 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.
- 2.1.3 For 2016/17 individual affordable rents be set based on the current National Social Rent Policy, giving a real rent decrease of 1.0% with effect from 4 April 2016.
- 2.1.4 For 2016/17 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.
- 2.1.5 Charges be reviewed and the following recommended revised levels be agreed for;
- a) Heating service charges (Sheltered Schemes) – no increase recommended
  - b) Garage rents – recommend an increase from £5.72 to £6.22 per week
  - c) Garage Sites – recommend an increase from £39.00 to £42.50 per annum (Shale); from £49.00 to £53.50 per annum (Asphalt); from £54.00 to £58.50 per annum (Other)
  - d) Tenants Metered Water Charges – recommend an increase of 2% giving an average charge increase from £3.63 to £3.70 per week
  - e) Garden Assistance Scheme – recommend an increase to the following weekly charges of; grass cutting and hedges from £3.95 to £4.45; grass only from £2.80 to £3.15; hedges only from £1.15 to £1.30
  - f) Sheltered Scheme Support Charge – recommend a charge of £8.00 per week
  - g) Careline – recommend charges of £4.50 per week (Monitor only including equipment rental), £5.50 per week (Monitor and Response including equipment rental) and £8.00 per week (Monitor, Response and weekly visit including equipment rental)
  - h) Charges in respect of Community Rooms – no increase recommended
  - i) Communal Staircase Cleaning – recommend an increase from £1.66 to £1.74 per week
  - j) Tenant Home Contents Insurance Premium Tax – recommend an increase of 3.5% from 6% to 9.5%

### **3.0 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 Under HRA self-financing the Council is no longer obliged to follow the National Social Policy, however any rent increases below those assumed in the HRA self-financing settlement at April 2012 (which assumed rents would rise in line with National Social Rent Policy) may put at risk the Council's ability to finance the future capital investment to the required or desired standard and the servicing of, or repayment of debt.
- 3.5 Despite this self-financing settlement agreement, in the Government's Summer Budget on the 8 July 2015, the Chancellor of the Exchequer announced that as part of the Welfare Reform and Work Bill, social housing rents would reduce by 1% per annum in each of the following four years. The Government stated that the legislative requirement to reduce social housing rents is intended to ensure that Local Authorities and Housing Associations deliver efficiency savings, in order to make better use of the £13 billion annual subsidy (Housing Benefit) they receive and play their part in reducing the welfare bill.
- 3.6 This report builds on that announcement and provides the actual rent decrease and service charge increase figures for 2016/17.

### **4.0 2016/17 AND FUTURE RENT SETTING**

- 4.1 Social housing rents are set according to the Government's National Social Rent Policy, which has always included a limit on annual rent increases.
- 4.2 In June 2014, DCLG set out its future National Social Rent Policy from April 2015 onwards. At the time, this guidance retained the principle of formula (target) rents for each social rent property with annual increases of CPI (Consumer Price Index) plus 1%, removed any flexibility to increase rents by more than this uplift (except for re-lets where increases

to target rent are expected) and committed to this Policy for the next 10 years to 2024/25.

- 4.3 Whilst this existing rent policy put greater restrictions on rent increases in social housing, the introduction of the Welfare Reform and Work Bill, goes even further by setting out this rent policy in legislation for the first time. It states that;

*'Registered providers of social housing must secure that the amount of rent payable in a relevant year by a tenant of their social housing in England is 1% less than the amount that was payable by the tenant in the preceding 12 months.'*

It also states that;

*'The amount of rent payable in the 12 months preceding the first relevant year is to be treated as being the amount that would have been payable in those 12 months if the rate applicable at the beginning of 8 July 2015 had applied during those 12 months.'*

- 4.4 This means that from the 4th April 2016, Chesterfield Borough Council housing rents (social and affordable), must decrease from the chargeable rent for each individual property at the 8 July 2015 by 1%.
- 4.5 It also means that where a property is re-let during the financial year (and where it is not already at target rent), the rent level can be continue to be increased to the target rent for that property, decreased by 1%, as the target rent is the relevant rent at the 8 July 2015.

This was confirmed in the latest version of the Welfare Reform and Work Bill (October 2015) which has been re-worded to include this specific reference following lobbying from Councils, including Chesterfield by its financial advisors. At the time of writing only 2,827 Council tenancies in Chesterfield have reached target rent.

- 4.6 Therefore in line with the aforementioned, it is recommended that for 2016/17 (and in each of the following three years) all local authority social rents will decrease at a rate of 1%.
- 4.7 The impact of this decrease across all properties is an average actual decrease for 2016/17 of £0.84 per week on a 48 week basis (£0.76 on a 52 week basis).
- 4.8 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 £0.64 per week and the

highest a decrease of £1.38 per week, both based on a 48 week basis (£0.59 and £1.27 respectively on a 52 week basis).

- 4.9 During 2015/16, a further 3 properties have been converted using grant funding from the Homes and Communities Agency (HCA) and as a result have rents that are an 'affordable' rent rather than a 'social' rent. These properties do not have a target rent but instead at the date of first letting a rent is set which is 80% of the market rent for a similar property in the area. This brings the total number of affordable rented properties within the housing stock to 6.
- 4.10 It is recommended that, in accordance with the legislation set out at paragraph 4.3, the annual rent for these properties in 2016/17 (and in each of the following three years) decreases in line with social rented properties, by 1%. On a change of tenancy, the rent must be re-calculated by reference to 80% of the market rent at that date. This may mean that the rent falls further rather than rising, depending on market conditions prevailing at the time.

## **5.0 SERVICE CHARGES**

- 5.1 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 A**.

## **6.0 RENT, FEE AND CHARGES SUMMARY**

- 6.1 The table below shows the annual impact of the recommended rent decrease and fee and charge increases (set out in Appendix A), on the 2016/17 year-end balance available:

<b>Description</b>	<b>Additional Income in 2016/17 (£)</b>
Heating Service Charge	0
Garage Rents	27,600
Garage Sites	1,240
Water Charges	300
Garden Assistance Scheme	2,900
Community Room Hire	0
Communal Staircase Cleaning	7,700
Sheltered Scheme Support Charge	44,400
Careline	61,820

<b>Total of Proposed Increases</b>	<b>145,960</b>
Rent Reduction	(505,800)
<b>Total of Proposed Decreases</b>	<b>(505,800)</b>
<b>Net Total of Proposals (Decrease)</b>	<b>(359,840)</b>

## 7.0 EQUALITIES

- 7.1 In setting the National Social Rent Policy within the Welfare Reform and Work Bill, an Equalities Impact Assessment has been carried out nationally. This is attached at **Appendix B**.
- 7.2 Overall this policy has no impact on the majority of social housing tenants as they have their rent paid by housing benefit. 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 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 RISK MANAGEMENT

Description of the Risk	Risk Rating	Likelihood	Impact	Mitigating Action	Residual Likelihood	Residual Impact
Divergence from National Social Rent Policy	Medium	Low	High	National Social Rent Policy is enshrined in legislation, any divergence from this policy would result in a penalty in accordance with Part 2 of the Housing and Regeneration Act 2008	Low	Low

## **9.0 RECOMMENDATIONS**

9.1 It is recommended that;

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- 9.1.2 For 2016/17 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.
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  - g) Careline – recommend charges of £4.50 per week (Monitor only including equipment rental), £5.50 per week (Monitor and Response including equipment rental) and £8.00 per week (Monitor, Response and weekly visit including equipment rental)
  - h) Charges in respect of Community Rooms – no increase recommended

- i) Communal Staircase Cleaning – recommend an increase of 5% from £1.66 to £1.74 per week
- j) Tenant Home Contents Insurance Premium Tax – recommend an increase of 3.5% from 6% to 9.5%

**10.0 REASONS FOR RECOMMENDATION**

- 10.1 To enable the Council to set the level of Council house rents in accordance with Government guidelines and to set service charges for 2016/17.
- 10.2 To contribute to the Council's Corporate Priority 'To improve the quality of life for local people'.

**ALISON CRAIG**

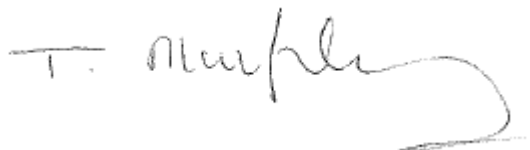
**HOUSING SERVICE MANAGER – BUSINESS PLANNING AND STRATEGY**

**BARRY DAWSON**

**CHIEF FINANCE OFFICER**

You can get more information about this report from Alison Craig on Tel: 345156

Officer recommendation supported.



Signed:

Cabinet Member

Date: 18 January, 2016



**HOUSING REVENUE ACCOUNT SERVICE CHARGES 2016/17**

**1.0 DISTRICT AND GROUP HEATING**

**1.1 General**

1.1.1 Tenants linked to group heating schemes (sheltered housing schemes) pay for heat through a Service Charge. Service charges, paid with the rent, apply to all tenants linked to group heating schemes. The average charge for this service is £18.13 per week. V.A.T. is not currently payable on service charges.

1.1.2 Heating charges are not eligible for Housing Benefit.

1.1.3 It is estimated that the group heating schemes will breakeven in 2016/17 and therefore it is proposed that charges remain at current levels.

**2.0 GARAGE RENTS & GARAGE SITES**

2.1 Income streams from both garage rents and garage site rents currently cover expenditure. However, significant capital improvements to sites are planned in 2016/17 and future years. Therefore, it is proposed to increase the charges as detailed in the table below.

<b>Service</b>	<b>Current Charge</b>	<b>Revised Charge</b>	<b>Actual Increase in 2015/16</b>
Garage Rents	£5.72 per week	£6.22 per week	50 pence per week
Garage Site – Shale Surface	£39.00 per annum	£42.50 per annum	£3.50 per annum
Garage Site - Asphalt Surface	£49.00 per annum	£53.50 per annum	£4.50 per annum
Garage Site - Other	£54.00 per annum	£58.50 per annum	£4.50 per annum

2.2 Garage Rents are not eligible for Housing Benefit.

### **3.0 WATER CHARGES**

- 3.1 Members previously agreed to review charges to tenants with a metered water supply annually as part of the review of service charges.
- 3.2 In order to maintain a breakeven position it is proposed to increase charges by 2% (the estimated inflationary increase on water rates for 2016/17). This gives an average increase from £3.63 per week to £3.70 per week.
- 3.3 Water charges are not eligible for Housing Benefit.

### **4.0 GARDEN ASSISTANCE SCHEME**

- 4.1 The current scheme is subsidised by approximately 24% and in order to move to a breakeven position, it is proposed to increase charges by the following:

<b>Service</b>	<b>Current Charge</b>	<b>New Charge</b>	<b>Actual Increase in 2015/16</b>
<b>Grass Cutting and Hedges</b>	£3.95	£4.45	50 pence per cut
<b>Grass Only</b>	£2.80	£3.15	35 pence per cut
<b>Hedges Only</b>	£1.15	£1.30	15 pence per cut

- 4.2 Garden Assistance charges are not eligible for Housing Benefit.

### **5.0 COMMUNITY ROOMS**

- 5.1 It is not proposed to increase charges for community hire at the present time. Usage remains limited and any increase may result in even fewer hirings. However the rooms are due to be refurbished during 2016/17 and will be marketed accordingly.

### **6.0 COMMUNAL STAIRCASE CLEANING**

- 6.1 The contract for cleaning communal staircases was awarded to the in-house Building Cleaning ISP in July 2014. In order that this service continues to recover its costs it is proposed to increase the weekly charge to tenants from £1.66 to £1.74 (5%).
- 6.2 Communal Staircase Cleaning charges **are** eligible for Housing Benefit.

## **7.0 TENANT HOME CONTENT INSURANCE PREMIUM TAX**

- 7.1 In November 2015, the Government increased Insurance Premium Tax from 6% to 9.5%. In order that this service continues to recover its costs it is proposed to increase this weekly charge to tenants accordingly.
- 7.2 The tax is recovered weekly from tenants as part of their Home Contents Insurance Premium, the amount charged will depend on their individual level of home contents cover and is not eligible for Housing Benefit.

## **8.0 SHELTERED SCHEME SERVICE CHARGE**

- 8.1 An increase to £12.57 per week has been approved by Cabinet on 15th December 2015 as part of the Parkside report on rent and service charge levels. The approved charge applies to all sheltered housing schemes from April 2016, which will then be reviewed annually.

## **9.0 SHELTERED SCHEME SUPPORT CHARGE**

- 9.1 The Support Service for Older People is currently provided under three separate contracts to DCC, these are support at Sheltered Schemes, Floating Support (visiting wardens) and Careline. In addition tenants and residents who cannot access funding from DCC can pay for the service.
- 9.2 From April 2016 major cuts are to be made to DCC funding. The contract to provide funded support at Sheltered Schemes is to be cut totally, with a loss of around £95,000, per year, and the funding for the floating support contract will reduce by around £40,000 per year.
- 9.3 In addition, it is likely that the Careline Partnership will not now proceed as envisaged, which means that during 2016/17 it is highly likely that there will a further cut to funding of around £100,000 per year as DCC procure the service currently provided by CBC by other means.
- 9.4 A range of measures have been compiled to manage and mitigate these losses, one of which is an increase in charges which is set out in this report, the rest of which will be dealt with in separate Cabinet reports.
- 9.5 **Sheltered Schemes** –subject to approvals covered in a separate report to Cabinet on the 9 February 2016, the service delivered at sheltered schemes will change from April 2016 and the support will be delivered by a Support Officer in accordance with the Floating Support contract. Some of the duties currently carried out by the Sheltered Scheme Manager, for example cleaning, will be carried out by other means. The charges therefore have changed to reflect the changes to the service and how it is delivered, and it is proposed that the support charge is reduced from

£21.32 to £8.00 per week, which together with the Sheltered Scheme Service Charge referred to at para 8.1 above makes a reduction to the total charge of £1.25 per week.

- 9.6 **Floating Support for Older People** – this funding will reduce in April by around £40,000 per year. It is proposed to advertise and market the floating support service as a package along with Careline - monitor, response and the rental of equipment at £8.00 per week.
- 9.7 **Careline** – Currently one service is provided for £3.40 per week which includes a monitor and response service with no separate charge for the provision of the equipment. This service is considerably low in comparison to neighbouring local authorities and other providers in this market and doesn't provide the same options for customers provided by others. Over the last couple of years we have increased the charges by around 50p each year to try to align our charges more closely with neighbours and competitors and to reflect the true cost of providing the service. With this in mind and given the funding gap faced it is proposed to offer the following services at the following charges;

**Careline – Monitor only including equipment rental                      £4.50**  
**Careline – Monitor and Response including equipment rental   £5.50**