

For publication

Annual Housing Revenue Account Rent (HRA) and Service Charge Setting Review (CC000)

Meeting:	Cabinet
Date:	24 January 2017
Cabinet portfolio:	Cabinet Member for Customers and Communities
Report by:	Housing Manager Director of Finance and Resources

For publication

1.0 Purpose of report

1.1 To set rent and service charge levels for 2017/18.

2.0 Recommendations

It is recommended that;

2.1 For 2017/18 individual social rents be set based on the current National Social Rent Policy, giving a cash rent decrease of 1.0% with effect from 3 April 2017.

2.2 For 2017/18 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 2017/18 individual affordable rents be set based on the current National Social Rent Policy, giving a cash rent decrease of 1.0% with effect from 3 April 2017.

- 2.4 For 2017/18 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 increase from an average of £18.13 to £18.49 per week
 - b) Garage rents – recommend an increase from £6.22 to £6.72 per week
 - c) Garage Sites – recommend an increase from £42.50 to £45.90 per annum (Shale); from £53.50 to £57.80 per annum (Asphalt); from £58.50 to £63.20 per annum (Other)
 - d) Tenants Metered Water Charges – recommend an increase giving an average charge increase from £3.70 to £3.77 per week
 - e) Garden Assistance Scheme – recommend an increase from £4.45 to £4.70 (grass cutting and hedges); from £3.15 to £3.30 (grass only); from £1.30 to £1.40 (hedges only).
 - f) Sheltered Scheme Service Charge – recommend an increase from £12.57 to £12.78 per week
 - g) Sheltered Scheme Support Charge – no increase recommended
 - h) Careline – recommend an increase from £5.50 to £6.00 per week (Monitor and Response including equipment rental) and from £8.00 to £8.50 per week (Monitor, Response and support service including equipment rental)
 - i) Charges in respect of Community Rooms – recommend the implementation of a new charging schedule, changing from an hourly rate of £5.50 to a charge of between £8.00 and £20.00 for a four hour slot

- j) Communal Staircase Cleaning – recommend an increase from £1.74 to £2.10 per week
- k) Tenant Home Contents Insurance Premium Tax – recommend an increase from 9.5% to 10%

2.6 That from no later than 1 April 2018 the council moves from collecting rent on a 48 week basis to a 52 week basis and that tenant consultation on this and other changes to the tenancy agreement takes place during 2017/18.

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 March 2016, the Welfare Reform and Work Act 2016 introduced rent policy within legislation for the first time. It stated that from April 2016:

'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.’

- 3.6 This meant that from the 4 April 2016, Chesterfield Borough Council housing rents (social and affordable) for existing tenants must decrease by 1% from the chargeable rent for each individual property at the 8 July 2015 in each of the following four years (until April 2020).
- 3.7 It also meant that 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 also decreases by 1% per annum for four years, as the target rent is the relevant rent at the 8 July 2015.
- 3.8 Members agreed these changes in a report to Cabinet on 26 January 2016.
- 3.9 Shortly after this decision was taken on the 26 January 2016, DCLG announced that social and affordable rents for ‘supported housing’ could continue to increase at the previous National Social Rent Policy of CPI + 1%, pending a review of supported housing. This meant that in Chesterfield 189 tenancies in our sheltered housing schemes saw their rents increase by on average 0.9% (CPI based on September 2015 was minus 0.1%) for 2016/17 **only**. DCLG have not confirmed that this policy can continue and therefore tenancies within our sheltered schemes will also see their rents decrease at a rate of 1% per annum in 2017/18 (and in each of the following two years).

Rent Setting for 2017/18

- 3.10 Therefore in line with the aforementioned, it is recommended that for 2017/18 (and in each of the following two years) all local

authority social rents will decrease at a rate of 1%. This is a cash decrease of 1%, but a real decrease of 2% based on CPI in September 2016 of 1% or 3% if based on RPI at the same date.

- 3.11 The impact of this decrease across all properties is an average actual decrease for 2017/18 of £0.84 per week on a 48 week basis (£0.78 on a 52 week basis).
- 3.12 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 £0.63 per week and the highest a decrease of £1.37 per week, both based on a 48 week basis (£0.58 and £1.26 respectively on a 52 week basis).
- 3.13 During 2016/17, there have been no properties that have been converted using grant funding from the Homes and Communities Agency (HCA). The total number of affordable rented properties within the housing stock remains at 6 and these 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.
- 3.14 It is recommended that, in accordance with the legislation set out at paragraph 3.5, the annual rent for these properties in 2017/18 (and in each of the following two 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.
- 3.15 During 2017/18 Universal Credit will be rolled out to all claimants in Chesterfield. As a result the Housing Benefit element will no longer be paid direct to the council on a weekly basis but will instead be paid directly to tenants, four weekly in arrears. The responsibility for the payment of the rent to the council will lay with the tenant.

- 3.16 In addition Universal Credit will be paid on a 52 week basis, meaning that when a tenant receives their payment, they will have insufficient monies to cover all of the rent due, if the council continues to collect rent on a 48 week basis. As a result this will automatically mean that a tenant will be in arrears, with insufficient income to cover their rental expenditure.
- 3.17 It is recommended, in accordance with the above and following discussion with the HRA Business Plan Steering Group, tenants, the Corporate Management Team and Corporate Cabinet that the council moves to collect rent on a 52 week basis.
- 3.18 As this is a material change to the council's Tenancy Agreement, in accordance with the Housing Act 1985 section 105 (3), the council, as Landlord, is obliged to consult with its tenants. It is recommended that this consultation takes place during 2017/18 to allow sufficient time for this change to be made and implemented by 1 April 2018.

Service Charges

- 3.19 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**.

Rent, Fee and Charges Summary

- 3.20 The table below shows the annual impact of the recommended rent decrease and fee and charge increases (set out in Appendix A), on the 2017/18 year-end balance available:

Description	Additional Income in 2017/18 (£)
Heating Service Charge	2,940
Garage Rents	27,150
Garage Sites	1,230
Water Charges	300
Garden Assistance Scheme	1,290

Community Room Hire	1,560
Communal Staircase Cleaning	33,470
Sheltered Scheme Support Charge	0
Careline	26,980
Total of Proposed Increases	94,920
Rent Reduction	(370,270)
Total of Proposed Decreases	(370,270)
Net Total of Proposals (Decrease)	(275,350)

4.0 **Financial implications**

4.1 The costs associated with the requirement to consult tenants on changes to the tenancy agreement in relation to the payment of rent over a 52 week year will be met by the Housing Revenue Account.

4.2 A sum of £30,000 is currently held within the HRA for consultation with tenants over the ways in which water rates are collected by the council, as an agent, on behalf of Severn Trent. It is proposed that this sum is utilised for the payment of the consultation relating to the 52 week rent year and any other changes that may be required to the tenancy agreement in 2017/18.

5.0 **Legal and data protection implications**

5.1 Where general changes to the tenancy agreement are intended, local authority landlords under secure tenancies are obliged to consult with their tenants in accordance with the 1985 Housing Act section 105. This includes matters that are likely to affect the secure tenants of the landlord as a whole or a group of them.

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	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 C**.

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 Recommendations

It is recommended that;

8.1 For 2017/18 individual social rents be set based on the current National Social Rent Policy, giving a cash rent decrease of 1.0% with effect from 3 April 2017.

8.2 For 2017/18 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 2017/18 individual affordable rents be set based on the current National Social Rent Policy, giving a cash rent decrease of 1.0% with effect from 3 April 2017.

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 - b) Garage rents – recommend an increase from £6.22 to £6.72 per week (8%)
 - c) Garage Sites – recommend an increase from £42.50 to £45.90 per annum (Shale); from £53.50 to £57.80 per annum (Asphalt); from £58.50 to £63.20 per annum (Other)
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 - f) Sheltered Scheme Service Charge – recommend an increase from £12.57 to £12.78 per week (2%)
 - g) Sheltered Scheme Support Charge – no increase recommended
 - h) Careline – recommend an increase from £5.50 to £6.00 per week (Monitor and Response including equipment rental) and from £8.00 to £8.50 per week (Monitor, Response and support service including equipment rental)
 - i) Charges in respect of Community Rooms – recommend the implementation of a new charging schedule, changing from an

hourly rate of £5.50 to a charge of between £8.00 and £20.00 for a four hour slot

- j) Communal Staircase Cleaning – recommend an increase from £1.74 to £2.10 per week (covering living wage)
- k) Tenant Home Contents Insurance Premium Tax – recommend an increase from 9.5% to 10%

8.6 That from no later than 1 April 2018 the council moves from collecting rent on a 48 week basis to a 52 week basis and that tenant consultation on this and other changes to the tenancy agreement takes place during 2017/18.

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 2017/18 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
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Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
None	
Appendices to the report	
Appendix A	Service Charge Increase
Appendix B	Community Room Hire Charges
Appendix C	EIA
Comments from Cabinet Member (if applicable)	