

For publication

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

Meeting:	Cabinet
Date:	15 January 2019
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 2019/20.

2.0 Recommendations

It is recommended that:

- 2.1 For 2019/20 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 2019.
- 2.2 For 2019/20 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 2019/20 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 2019.
- 2.4 For 2019/20 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 a charge of £17.60 per week (1 bed); £18.10 per week (2 bed); £18.60 per week (3 bed)
 - b) Garage rents – recommend a charge of £7.20 per week
 - c) Garage Sites – recommend a charge of £53.30 per annum (Shale); £67.00 per annum (Asphalt); £73.40 per annum (Other)
 - d) Tenants Metered Water Charges – recommend an average charge of £3.49 per week
 - e) Garden Assistance Scheme – recommend a charge of £3.54 per week (Grass Cut only); £0.69 per week (Hedge Cut only); £4.23 per week (Grass and Hedge Cut)
 - f) Sheltered Scheme Service Charge – recommend a charge of £12.60 per week
 - g) Sheltered Scheme Careline and Support Charge – recommend a charge of £8.00 per week (for non-funded tenants)

- h) Careline Response – recommend a charge of £6.00 per week (Monitor and Response including equipment rental in Chesterfield for self-funded clients)
- i) Careline Response and Support Service – recommend a charge of £8.75 per week (Monitor, Response and support service including equipment rental for self-funded clients)
- j) Careline monitoring service only – recommend a charge of £3.67 per week (available to customers in the Derbyshire Dales District)
- k) Support Service only – recommend a charge of £2.75 per week (within Chesterfield for self-funded clients)
- l) Careline monitoring service only – recommend a charge of £1.75 per week (for other social landlords)
- m) Charges in respect of Community Rooms – no increase recommended
- n) Communal Staircase Cleaning – recommend a charge of £2.05 per week
- o) Tenant Home Contents Insurance Premium Tax – no increase recommended

2.6 That the Director of Finance and Resources, in consultation with the Assistant Director – Housing are given delegated authority to implement any variation of rent during the 2019/20 financial year as necessary to take account of the adjustments referred to at paragraph 3.15..

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.

- 3.8 From April 2020 and for the following four financial years (until March 2025), social housing rents will increase by CPI plus 1% in accordance with the National Social Rent Policy as set out in the Social Housing Green Paper (August 2018).

Rent Setting for 2019/20

- 3.9 Therefore in line with the aforementioned, it is recommended that for 2019/20 all local authority social rents will decrease by 1%. This is a cash decrease of 1% in 2019/20 (excluding the effect of Right to Buy sales losses), but a real decrease of 3.4% based on CPI in September 2018 of 2.4% or 3.8% if based on RPI of 3.3% at the same date.
- 3.10 Therefore the impact of this decrease across all existing properties in the housing stock is an average actual decrease for 2019/20 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 £0.57 per week and the highest a decrease of £1.24 per week (this is an affordable rent property), both based on a 52 week basis. The highest social rent decrease is £1.02 per week.

This gives an average rent in 2019/20 of £75.83 per week.

- 3.12 Members should note that 2019/20 is a 53 week rent year (the first two days of the first week of the 2020/21 financial year sit in the 2019/20 rental year).
- 3.13 In accordance with the Welfare Reform and Work Act 2016, rents for 2019/20 (the final year of the 4 year rent reduction covered in this legislation) must be set at no more than 99% of the previous year's rent (2018/19). The 53rd week in

2019/20 will mean that tenants will pay 100.9% of the 2018/19 rent if no action is taken.

3.14 Therefore, to address this in 2019/20 we will adjust the accounts for rental income on a daily basis (366 days). This adjustment is needed only for one year, as rents will increase from 2020/21 onwards. This means that the rental income that relates to the 2020/21 financial year (3 days 1st, 2nd and 3rd April 2020) will sit in the 2020/21 accounts and tenants will therefore pay 99% of the rents from 2018/19. This is purely an accounting practice and will not affect how much tenants pay and when.

3.15 This approach is one that is suggested by the LGA. MHCLG are aware of the position and that it affects all social landlords. They have indicated to the LGA that it is for landlords to satisfy themselves of the application of the Welfare Reform and Work Act 2016, but have also established a Working Party to consider this.

If at a later date guidance is given contrary to our approach a variation of rent may need to be made during the 2019/20 financial year, and it is recommended that any decision on this is delegated to the Director of Finance and Resources in consultation with the Assistant Director – Housing.

Service Charges

3.16 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**.

Rent, Fee and Charges Summary

3.17 The table below shows the annual impact of the recommended rent decrease and fee and charge increases

(set out in Appendix 1), on the 2019/20 year-end balance available:

Description	Additional Income in 2019/20 (£)
Heating Service Charge	2,710
Garage Rents	30,170
Garage Sites	1,380
Water Charges	240
Garden Assistance Scheme	100
Community Room Hire	–
Communal Staircase Cleaning	5,640
Sheltered Scheme Support Charge	2,330
Careline Response & Support	24,450
Total of Proposed Increases	67,020
Rent Reduction	(355,000)
Total of Proposed Decreases	(355,000)
Net Total of Proposals (Decrease)	(287,980)

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'

5.2 The council's Local Government and Regulatory Law Manager (Monitoring Officer) is satisfied that there is nothing contained within the Welfare Reform and Work Act 2016 that would prevent the calculating of rents for 2019/20 based on the recommendation at paragraphs 3.12 to 3.15 of this report.

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	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 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 2019/20 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 2019.
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- 8.3 For 2019/20 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 2019.
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8.6 That the Director of Finance and Resources, in consultation with the Assistant Director – Housing are given delegated authority to implement any variation of rent during the 2019/20 financial year as necessary to take account of the adjustments referred to at paragraph 3.15.

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 2019/20 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	850
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.	
<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