

**For publication**

**Annual Housing Revenue Account rent and service charge setting  
review (H000)**

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Meeting: Cabinet

Date: 14<sup>th</sup> January 2019

Cabinet portfolio: Cabinet Member for Housing

Report by: Assistant Director – Housing

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**1.0 Purpose of report**

- 1.1 To advise Members that from 1<sup>st</sup> April 2020 Homes England, the Regulator of Social Housing, has set a new Rent Standard which applies to all registered providers of social housing (including local authorities).
- 1.2 To advise Members of the Government's Policy Statement on rents for social housing from 1<sup>st</sup> April 2020 onwards.
- 1.3 To seek Cabinet approval to set rent and service charge levels for 2020/21.

## 2.0 Recommendations

It is recommended that:

- 2.1 For 2020/21 individual social rents be set based on the current national social rent policy, giving a rent increase of 2.7% with effect from 6th April 2020.
- 2.2 For 2020/21 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 2020/21 individual affordable rents be set based on the current national social rent policy giving a cash rent increase of 2.7% with effect from 6th April 2020.
- 2.4 For 2020/21 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 (including service charges where applicable) for a similar property at the time of letting or the formula rent for the property, whichever is the greater.
- 2.5 The true costs of delivering services should be passed onto tenants. Therefore, service charges should be increased to ensure services break even. It is recommended that the service charges are increased as set out in **Appendix A** 'Housing Revenue Account Service Charges 2020/21'.

## 3.0 Report details

- 3.1 The council is required to keep a separate account for its activities as a landlord. This is called the Housing Revenue Account (HRA). The HRA is governed by the Local Government and Housing Act 1989 and by determinations made under this Act by Ministry of

## Housing Communities and Local Government.

- 3.2 Under 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 rents are set according to the Government's national social rent policy and the Welfare Reform and Work Act 2016. In accordance with this legislation rents for council tenants have reduced by 1% per annum each year from April 2016. The final reduction was in April 2019.
- 3.5 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.

### Rent setting for 2020/21

- 3.6 Local Authority housing rents (social and affordable) from 1st April 2020 must be set in accordance with the Rent Standard.
- 3.7 A social rent is calculated by a formula based on local earnings (70%), property values (30%) and then adjusted to account for the number of bedrooms in a property.
- 3.8 Affordable rented homes are properties delivered through the Affordable Homes Programme 2011-15 and let by local authorities or private registered providers of social housing to households who are eligible for social rented housing.

Affordable rent is subject to rent controls that require a rent of up to 80% of the local market rent (including service charges). Chesterfield Borough Council lets six properties at an affordable rent.

- 3.9 As the period of rent reductions required under the Welfare Reform and Work Act 2016 will have elapsed at 31 March 2020, the Government consulted on and announced its revised social rent policy for the period 2020-2025 on 4<sup>th</sup> October 2019.
- 3.10 The Government has reverted back to the previous formula that was used prior to the Welfare Reform and Work Act 2016 of allowing rent increases to be set at up to the consumer price index (CPI) + 1.0% from April 2020 for the next five years. When taking inflation into account the effect of reducing rents by 1% per annum for four years has led to rents being an estimated 12% lower than anticipated under the previous formula.
- 3.11 This new policy, attached at **Appendix B**, which will come into effect from 1st April 2020 recognises the need for a stable financial environment to support the delivery of new homes and to enable local authority housing providers to plan ahead.
- 3.12 For the first time, the Government has also directed the Regulator of Social Housing (“the Regulator”) to apply its Rent Standard to all registered providers, including local authorities. This instruction is attached as **Appendix C**. The reason for this being that the previous arrangements for limiting the welfare costs associated with local authority rents, the Rent Rebate Subsidy Limitation Scheme, will no longer operate alongside Universal Credit. As a result, all social landlords will be required to submit annual rent data to the Regulator.
- 3.13 Therefore, it is recommended that for 2020/21 (and in the following four years) all Chesterfield Borough Council rents (social and affordable) will increase by CPI plus 1%. This is a real increase

of 2.7% in 2020/21 based on CPI in September 2019 of 1.7%.

- 3.14 There are currently three properties in the housing stock where the rent charged has historically been above the target rent. The target rents for these properties will increase by 2.7% in April 2020 which is above the current rent for 2019/20 for each property. The maximum increase allowed for the actual rent is 2.7%, but it is recommended that for 2020/21, the actual rent for these properties be limited to a maximum of the target rent for that property in 2020/21.
- 3.15 Based on the current housing stock at 30 November 2019 of 8,992 homes, the projected overall average rent will be £78.10 which is an average increase of £2.05 on a 52-week basis. The average social rent (8,986 properties) will be £78.08 per week (£2.04 increase) and the average affordable rent (six properties) will be £96.79 per week (£2.54 increase).

The smallest rise will be £0.41 per week and the largest £3.30 per week.

The average social formula rent for 2020/21 will be £80.92 per week based on 52 weeks, being an increase of £2.13 per week based on current social rented stock.

#### Service charges

- 3.16 A detailed consideration of increases to heating charges, garage rents, garage site rents, garden assistance scheme, water charges, community room charges and warden services are set out in **Appendix A**.

#### Rent, fees and charges summary

3.17 The table below shows the annual impact of the recommended rent increase and fee and charge increases set out in Appendix 1 on the 2020/21-year end balance:

<b>Description</b>	<b>Additional income in 2020/21 (£)</b>
Heating Service charge	2,860
Garage rents	29,400
Garage sites	1,340
Water charges	130
Garden assistance scheme	90
Community room hire	0
Communal staircase cleaning	6,790
Sheltered scheme support charge	2,870
Careline response and support	38,025
Rent increase	943,500
<b>Total of proposed increases</b>	<b>1,025,005</b>

#### 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 rent calculations adhere to the Government social rent policy set out for the period 2020 to 2025.

#### 6.0 **Risk Management**

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
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Increased rent means rents more unaffordable	M	M	All rents are below the local housing allowance levels.  Arvato operate a wide range of activities to maximise the Councils rent collection including offering direct debits that automatically adjust to collect the increased rents	M	L
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## 7.0 Equalities Impact Assessment

7.1 In setting the National Social Rent Policy, an Equalities Impact Assessment has been carried out nationally. 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 2020/21 individual social rents be set based on the current national social rent policy, giving a rent increase of 2.7% with effect from 6th April 2020.

- 8.2 For 2020/21 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 2020/21 individual affordable rents be set based on the current national social rent policy giving a cash rent increase of 2.7% with effect from 6th April 2020.
- 8.4 For 2020/21 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 (including service charges where applicable) for a similar property at the time of letting or the formula rent for the property, whichever is the greater.
- 8.5 The true costs of delivering services should be passed onto tenants. Therefore, service charges should be increased to ensure services break even. It is recommended that the service charges are increased as set out in **Appendix A** 'Housing Revenue Account Service Charges 2020/21'.

## 9.0 **Reasons for recommendations**

- 9.1 To enable the council to set the level of council house rents in accordance with Government guidelines and the Rent Standard.
- 9.2 To enable the council to set service charges for 2020/21 and ensuring 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

<b>Key decision number</b>	<b>914</b>
<b>Wards affected</b>	<b>All</b>
<b>Links to Council Plan priorities</b>	To improve quality of life for local people and too provide value for money services

## Document information

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<b>Background documents</b> 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>	
<b>Appendices to the report</b>	
Appendix A	Service charge increases
Appendix B	Government rent Policy Statement
Appendix C	Instruction to regulator