

For Publication

Annual Housing Revenue Account rent and service charge setting review

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| Meeting: | Cabinet |
| Date: | 12 th January 2021 |
| Cabinet portfolio: | Cabinet Member for Housing |
| Report by: | Service Director – Housing |

1.0 **Purpose of report**

- 1.1 To seek Cabinet approval to set housing rent and service charge levels for 2021/22.

2.0 **Recommendations**

It is recommended that:

- 2.1 For 2021/22 individual social rents be set based on the current national social rent policy, giving a rent increase of 1.5% with effect from 5th April 2021.
- 2.2 For 2021/22 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 2021/22 individual affordable rents be set based on the current national social rent policy giving a cash rent increase of 1.5% with effect from 5th April 2021.
- 2.4 For 2021/22 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 2021/22.

3.0 **Reasons for recommendations**

- 3.1 To enable the council to set the level of council house rents in accordance with Government guidelines and the Rent Standard.
- 3.2 To enable the council to set service charges for 2021/22 and ensuring the cost of delivering services continues to break even.
- 3.3 To contribute to the council's corporate priority 'to improve the quality of life for local people.

4.0 **Report details**

National Social Rent Policy

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 Social rents are set according to the Government's national social rent policy and the Welfare Reform and Work Act 2016. In accordance with the Government's National Social Rent Policy, which came into effect from 1st April 2020, rents may increase by up to CPI plus 1%, until 1 April 2024.
- 4.5 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 2021/22

- 4.6 In line with the Government's National Social Rent Policy and the RSH Rent Standard, it is recommended that for 2021/22 (and in the following three years) all Chesterfield Borough Council rents (social and affordable) will

increase by CPI plus 1%. This is a real increase of 1.5% in 2021/22 based on CPI in September 2020 of 0.5%.

- 4.7 This gives an average social rent in 2021/22 of £79.36 per week and an average affordable rent of £98.25 including services per week. A table giving the average weekly rent by bedroom number for 2021/22 is below.

| Weekly social rent | | | | |
|-------------------------------|-----------------------------|-------------------------|-----------------------------|-------------------|
| Number of bedrooms | Number of properties | 2020/21 rent (£) | 2021/22 proposed (£) | Change (£) |
| Bedsit | 32 | 61.78 | 62.70 | 0.92 |
| 1 bedroom | 3155 | 72.75 | 73.84 | 1.09 |
| 2 bedroom | 2803 | 78.93 | 80.12 | 1.19 |
| 3 bedroom | 2699 | 82.80 | 84.04 | 1.24 |
| 4 bedroom | 246 | 90.89 | 92.26 | 1.37 |
| Total | 8935 | 78.18 | 79.36 | 1.18 |
| Weekly affordable rent | | | | |
| 1 bedroom | 3 | 88.53 | 89.85 | 1.32 |
| 2 bedroom | 2 | 94.78 | 96.20 | 1.48 |
| 6 bedroom | 1 | 125.63 | 127.51 | 1.88 |
| Total | 6 | 96.79 | 98.25 | 1.46 |

Social Rent

- 4.8 A social rent is calculated by a formula based on local earnings (70%), 1999 property values (30%) and then adjusted to account for the number of bedrooms in a property. Chesterfield Borough let 8,935 properties at a social rent as at October 2020.

Affordable Rent

- 4.9 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 as at October 2020.
- 4.10 The rent at the date of first letting is set at a maximum of 80% of the market rent for a similar property in area at that time including service charges. On a change of tenancy, the rent must be re-calculated by reference to 80% of the market rent (again inclusive of service charges) at that date. This may mean that the rent decreases rather than rising, depending on market conditions prevailing at the time. In addition, affordable rents, must not be lower than

what would be the social formula rent for the property.

Service charge setting 2021/22

- 4.11 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

- 4.12 The table below shows the annual impact of the recommended rent increase and fee and charge increases set out in **Appendix A** on the 2021/22-year end balance:

| Description | Additional income in 2021/22 |
|---|-------------------------------------|
| Heating Service charge | £2,400 |
| Garage rents | £5,880 |
| Garage sites | £280 |
| Water charges | £130 |
| Garden assistance scheme | £80 |
| Community room hire | £0 |
| Communal staircase cleaning | £4,420 |
| Sheltered scheme support charge | £6,400 |
| Careline and Independent Living charges | £55,600 |
| Rent increase | £546,000 |
| Total of proposed increases | £621,290 |

5.0 Implications for consideration – Council Plan

- 5.1 To improve quality of life for local people and too provide value for money services.

6.0 Financial Implications

- 6.1 The financial implications are an intrinsic element of this report. The recommendation that all Chesterfield Borough Council rents (social and affordable) will increase by CPI plus 1% - comparing the 8,941 properties in stock at October 2020 will result in an additional £546,000 of income in 2021/22 compared to 2020/21.

7.0 Legal and data protection implications

7.1 The rent calculations adhere to the Government social rent policy set out for the period 2020 to 2025. The Council, as a registered social landlord is required from 1st April 2020 to set rents in accordance with Homes England, the Regulator of Social Housing's Rent Standard.

7.2 The Council, as a registered social landlord is required from 1st April 2020 to set rents in accordance with Homes England, the Regulator of Social Housing's Rent Standard.

8.0 Implications for consideration – Human Resources

8.1 None.

9.0 Implications for consideration - risk assessment

| Description of the Risk | Impact | Likelihood | Mitigating Action | Impact | Likelihood |
|--|--------|------------|--|--------|------------|
| Increased rent means rents more unaffordable | M | M | All rents are below the local housing allowance levels. Revenues 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 |

10.0 Implications for consideration – community wellbeing

10.1 Ensuring rents are increased in line with the national rent policy means that the Council can continue to provide good quality, affordable homes for households across Chesterfield.

10.2 Increasing rents in line with the national rent policy will ensure that the proposed revenue funding of the Housing Capital Programme can be delivered. The Housing capital programme will include environmental programmes of improvements to communal areas and environments to increase community wellbeing.

11.0 Implications for consideration – economy and skills

11.1 Increasing rents in line with the national rent policy will ensure that the proposed revenue funding of the Housing Capital Programme can be delivered. The capital programme offers opportunities to local and regional companies to provide goods and services to the Housing Service.

12.0 Implications for consideration – climate change

12.1 Increasing rents in line with the national rent policy will ensure that the proposed revenue funding of the Housing Capital Programme can be delivered. The programme of capital works to properties including new windows, doors, boilers and roofs all increase the energy efficiency of the Council's housing stock.

13.0 Implication for consideration – equality and diversity

13.1 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.

Decision information

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| Key decision number | 993 |
| Wards affected | All |
| Links to Council Plan priorities | To improve quality of life for local people and too provide value for money services |

Document information

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|---|---|
| Report author | Contact number/email |
| James Crouch | 345150 james.crouch@chesterfield.gov.uk |
| 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 | Housing Revenue Account Service Charges 2021/22 |