

For publication

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

Meeting:	Cabinet
Date:	18 January 2022
Cabinet portfolio:	Cabinet Member for Housing
Report by:	Assistant Director – Housing

1.0 **Purpose of report**

- 1.1 To seek Cabinet approval to set housing rent and service charge levels for 2022/23.

2.0 **Recommendations**

- 2.1 For 2022/23 individual social rents be set based on the current national social rent policy, giving a rent increase of 4.1% with effect from 4th April 2022.
- 2.2 For 2022/23 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 2022/23 individual affordable rents be set based on the current national social rent policy giving a cash rent increase of 4.1% with effect from 4th April 2022.
- 2.4 For 2022/23 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 2022/23.

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 2022/23 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 2022/23

- 4.6 In line with the Government’s National Social Rent Policy and the RSH Rent Standard, it is recommended that for 2022/23 (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 4.1% in 2022/23 based on CPI in September 2021 of 3.1%.
- 4.7 This gives an average social rent in 2022/23 of £82.78 per week and an average affordable rent of £102.27 including services per week. A table giving the average weekly rent by bedroom number for 2022/23 is below.

Weekly social rent				
Number of bedrooms	Number of properties	2021/22 rent (£)	2022/23 proposed (£)	Change (£)
Bedsit	32	62.70	65.27	2.57
1 bedroom	3157	73.84	76.99	3.03
2 bedroom	2778	80.12	83.54	3.29
3 bedroom	2661	84.04	87.80	3.46
4 bedroom	243	92.26	96.56	3.80
Total	8871	79.36	82.78	3.26
Weekly affordable rent				
1 bedroom	3	89.85	93.54	3.69
2 bedroom	2	96.20	100.15	3.95
6 bedroom	1	127.51	132.74	5.23

Total	6	98.25	102.27	4.02
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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 8,877 properties at a social rent as at 8th November 2021.

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 8th November 2021.
- 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 2022/23

- 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 1** on the 2021/22-year end balance:

Description	Additional income in 2022/23
Heating Service charge	£1,900
Garage rents	£14,140
Garage sites	£740
Water charges	£140
Garden assistance scheme	£380
Community room hire	£0
Communal staircase cleaning	£11,040
Sheltered scheme support charge	£1,570
Sheltered and Independent Living charges	£20,787
Rent increase	£1,480,000
Total of proposed increases	£1,531,077

5.0 Implications for consideration – Council Plan

5.1 To improve quality of life for local people and to 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 8,877 properties in stock at 8th November 2021 will result in an additional £1,480,000 of income in 2022/23 compared to 2021/22.

6.2 The service charges are increased at a rate to cover the cost incurred in providing that service. This means that increases can vary more widely. The changes in the service charges will bring in an additional £51,077 in 2022/23 compared to 2021/22.

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

High levels of inflation in subsequent years may lead to a limitation on rent increases or further rent reductions similar to those seen in 2016 to 2020	H	H	Raising rents within the maximum allowance whilst possible will protect income for future years and is required to cover unrestrained increases in expenditure in periods of high inflation.	M	M
Future September rates for CPI may be lower than predicted within the Business Plan. As an example, the September 2020 CPI rate was just 0.5%.	H	L	Continued use of the September rate of inflation (CPI) to increase rents should ensure that peaks and troughs in inflation are managed on average over the years.	M	L
Continued RTB sales at approximately 70 per annum will reduce the stock and the rental income available to maintain the housing stock and services at	M	M	Maintenance of rent increases at the maximum allowed will help to ensure that there are sufficient resources to maintain the housing stock.	L	L

the required level.					
The Government may seek to limit the increase in rent in 2022/23 to meet budgets for benefit payments	M	L	The average CPI increase over the 2 years from 2020 to 2022 is less than 2% (the Government's underlying inflation target) so the likelihood of restrictions on 2022/23 increases is less than future expectations may be based on the latest OBR inflation estimates for 2022 and beyond. Rents would be recalculated if a limit is imposed before March 2022. Expenditure budgets would need to be limited to reflect the reduction in income.	M	L
Failure to increase actual rents in line with the increase in the formula rent	M	H	The formula or target rent for a social property will rise by 4.1% for 2022-23 in	L	L

<p>will lead to actual rents falling further below target and additional administration costs on re-let. Actual rents are on average £2.62 week below target with over 4,100 units still below target by an average of £5.56 per week. Rents are historically below target due to removal in 2015 of the allowance to converge rents gradually each year to the target rent.</p>			<p>line with the Government rent formula and the Rent Standard. Increasing actual social rents by the same figure maintains the number of properties at target rent. The Council has a policy of moving rents to target on re-let to aim achieve the rental income required to support the HRA debt payments – minimising the number of properties below target reduces the cost of administering rent changes.</p>		
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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. The increasing emphasis on achieving net zero carbon will require the HRA to maximise resources to be able to achieve this objective.

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

Key decision number	1069
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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Appendices to the report		
Appendix A	Housing Revenue Account Service Charges 2022/23	