

Summary Sheet

Council Report

Report to The Council – 27 January 2016

Title

Housing Rents 2016/17

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Graeme Betts, Strategic Director of Adult Care and Housing

Report Author(s)

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Ward(s) Affected

All

Executive Summary

The purpose of the report is to seek approval for the proposed for the setting of the housing rent and non- dwelling rents for 2016-17.

Recommendations

That the Council notes the content of the report and recommends:-

- a) That dwelling rents are reduced by 1% for 2016/17 in line with the requirements outlined in the Welfare to Work Bill 2015/16. The average dwelling rent for 2016/17 will be £73.71 per week over 52 weeks, an average reduction of £0.68 per week.
- b) The average rent for the energy efficient council properties will also reduce by 1% to £95.43 per week, an average reduction of £0.97 per week.
- c) That there is no increase to charges for garage rents, communal facilities and cooking gas in 2016/17.
- d) Note the draft Housing Revenue Account budget for 2016/17.
- e) Approval is given to charge rent and non-dwelling charges over 52 weeks rather than the current 48 weeks.

List of Appendices Included

None

Background Papers

Welfare Reform and Work Bill (October 2015)

DCLG Guidance on Rents for Social Housing from 2015/16 (May 2014)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Yes

Overview Scrutiny and Management Board (15 January 2016)

Council Meeting (27 January 2016)

Council Approval Required

Yes

Exempt from the Press and Public

No

Title**Housing Rents 2016/17****1. Recommendations**

1.1 That the Council notes the content of the report and recommends:-

- a) That dwelling rents are reduced by 1% for 2016/17 in line with the requirements outlined in the Welfare to Work Bill 2015/16. The average dwelling rent for 2016/17 will be £73.71 per week over 52 weeks, an average reduction of £0.68 per week.
- b) The average rent for the energy efficient council properties will also reduce by 1% to £95.43 per week, an average reduction of £0.97 per week.
- c) That there is no increase to charges for garage rents, communal facilities and cooking gas in 2016/17.
- d) Note the draft Housing Revenue Account budget for 2016/17.
- e) Approval is given to charge rents and non-dwelling charges over 52 weeks rather than the current 48 weeks.

2. Background

- 2.1 The previous government rent policy (published in May 2014) limited rent increases from April 2015 to the Consumer Price Index (CPI) in September of the previous year plus 1% per annum for 10 years.
- 2.2 The Government expects that all similar properties in the same local area will have equitable rent levels, even if properties are owned by different social landlords. This process is known as 'rent convergence'. The Government set a target for Authorities to achieve rent convergence by 2015/16. However, changes to the rent formula removed the flexibility to increase rents by an additional £2 above the increase in formula rent where rent is below convergence, therefore 2014/15 was the final year to achieve full convergence.
- 2.3 The Government replaced the former Housing Revenue Account (HRA) subsidy system with a devolved system of council housing finance called self-financing in April 2012. The purpose of which was to give local authorities the resources, incentives and flexibility they need to manage their own housing stock for the long term and give tenants greater transparency and accountability as to how the rent collected is spent on the services provided. Changes to the formula rent from April 2015 resulted in the council not meeting rent convergence and therefore lower levels of income which impacted on the investment plans within the HRA Business Plan. Due to historical decisions to limit rent increases, Rotherham's rents were not scheduled to reach full convergence until 2016/17. Government guidance states that where properties have not reached formula rent by April 2015 it is expected that the rent is moved up to formula rent when the property is re-let following vacancy. On average 1700 properties are re-let each year, this will generate additional income of approximately £154k in 2016/17.

- 2.4 Section 21 of The Welfare Reform and Work Bill 2015/16 sets out the government's policy on social housing rents which requires providers of social housing to reduce rents by 1% per year for four years with effect from April 2016. The new policy applies to all registered providers of social housing including local authority landlords, who have a statutory obligation to implement the policy.
- 2.5 This report also considers the charges for garages, garage plot sites, cooking gas and communal facilities for 2016/17 and summarises the draft HRA budget.

3. Key Issues

Housing Rents

- 3.1 The average rent for 2015/16 was £74.39 when aggregated over 52 weeks. The 2016/17 average weekly rent based on the statutory 1% reduction collected over 52 weeks will be £73.71, an average reduction of £0.68 per week.
- 3.2 The move to rent payable over 52 weeks is a change to our current approach of charging rent over 48 weeks, which is a legacy of when rent was paid by tenants to rent collectors by cash on a weekly basis. Given the majority of rent is now paid by electronic means (Direct Debit, standing order and online) this approach is no longer necessary. All tenants have been consulted about this proposed change through the consultation we have undertaken on changes to the Tenancy agreement. There have been no objections received to this proposal. There will be no change to the total amount of rent payable over the year. The move to 52 week payment cycle for rents also accommodates the introduction of Universal Credit which does not account for rent being paid over a 48 week cycle.
- 3.3 Total housing rent income generated through the proposed revised weekly rents is estimated to be £77.851m in 2016/17 (compared with £79.143m in 2015/16) assuming 150 Right to Buy sales, and voids and rent adjustments at 2%. The reduction of 1% on the weekly rent charge will result in a loss in rent income of £1.3m compared with the 2015/16.
- 3.3 The Council completed the building of 132 new energy efficient properties in 2011/12. These rents are assumed to be fully converged and are therefore set higher than those of the existing Council stock. Consequently the proposed average rent to be charged across these properties will be £95.43 over 52 weeks based on the statutory 1% reduction, an average reduction of £0.97 per week.

Garage Rents

- 3.4 The Council has continued with its garage site improvement programme investing a further £250,000 in 2015/16.

In previous years increases in charges have been linked to changes in CPI.

However, CPI as at September was -0.1%, therefore it is proposed that there will be no increases to charges which will remain at 2015/16 levels. Therefore the charge for garage rents for 2016/17 will be £4.70 per week charged over 52 weeks, this is a reduction from £5.09 for the current 48 week charge.

It is therefore proposed that there will also be no change to the charge for garage plot sites which will remain at £56.57 per annum in 2016/17.

Cooking Gas

3.5 The Council also charges for cooking gas facility at 87p per week (currently over 48 weeks). It is proposed no increase in charge for 2016/17 in line with other non-dwelling charges, therefore the charge will be 80p per week over 52 weeks.

Communal Facilities

3.6 A review of the usage of the Neighbourhoods Centres was undertaken in 2014/15 together with tenant consultation. The Cabinet in February 2015 approved the de-commissioning of a total of 18 centres retaining 42. The current charge over 48 weeks is £4.83 per week and it is proposed no change for 2016/17 in line with other non-dwelling charges. Therefore over 52 weeks the charge will be £4.46 per week. The review also included the use of the laundry facilities that are situated in some of the centres and these charges were increased in 2015/16 to £1.60 per week to enable the facilities to become more financially sustainable. Again, it is proposed not to increase the charge for 2016/17, therefore over 52 weeks the charge will be £1.48 per week.

4. Options considered and recommended proposal

4.1 Changes to the government's policy on social housing rents as resulted in the requirement to reduce dwelling rents by 1% over the next four years.

4.2 In previous years increases to charges for non-dwelling rents have been linked to changes in CPI. There has been no change to CPI as at September 2015 and therefore it is proposed not to increase charges for garages, cooking gas and communal facilities including laundry and to charge over 52 weeks from April 2016:

Non Dwelling Rents	Proposed weekly Charge 2016/17
Garage rent	£4.70
Cooking Gas	£0.80
Communal Facility	£4.46
Laundry	£1.48

5. Consultation

5.1 This report will be subject to review by the Overview and Scrutiny Management Board before final decision by the council.

6. Timetable and Accountability for Implementing this Decision

6.1 Final approval is required by the Council on 27th January 2016 with full implementation from 1st April 2016.

7. Financial and Procurement Implications

7.1 Appendix A of this report presents the 2016/17 detailed Draft Operating Statement which is effectively “The HRA Budget”.

The table below presents an overall summary position of the Income and expenditure budgets:-

Housing Revenue Account	Proposed Budget
	2016/17
	£000
Expenditure	75,424
Income (including service charges)	-83,494
Net Cost of Service	-8,070
Interest Received	-90
Net Operating Expenditure	-8,160
Revenue Contribution to Capital Outlay	8,160
Transfer to Reserves	0
Surplus/Deficit for the Year	0

It can be seen that based on the 1% reduction in dwelling rent income and no increase in service charges outlined in this report the budgeted income of £83.494m is anticipated to be collected in 2016/17 and that this is offset by £75.424m of budgeted expenditure, which represents the net cost of delivering the service. As budgeted income is greater than the net cost of delivering the service, there is an overall net income of £8.070m to the service.

Once capital financing interest has been charged to the HRA, and a Revenue Contribution to Capital of £8.160m has been made towards the HRA Capital

Programme, in accordance with the HRA Business Plan, there will be an overall balanced budget for 2016/17.

8. Legal Implications

8.1 No direct implications.

9. Human Resources Implications

9.1 There are no Human Resources implications arising from this report..

10. Implications for Children and Young People and Vulnerable Adults

10.1 No direct implications.

11 Equalities and Human Rights Implications

11.1 No direct implications.

12. Implications for Partners and Other Directorates

12.1 No direct implications for partners and other directorates..

13. Risks and Mitigation

13.1 The greatest risk and uncertainty surrounds the level of rent income received into the Housing Revenue Account. This is dependent upon the number of properties available to generate income.

The level of properties is directly affected by the level of sales and demolitions which may vary to those used in the budget assumptions. New rules regarding Right to Buy (RTB) receipts were implemented in April 2012 included increasing the discount cap, which is now £77,900. This has seen the number of RTB sales increase significantly as a result of the higher discount cap. Total sales in 2014/15 were 112, it is estimated that there will be 130 RTB by the end of 2015/16 and the HRA Business Plan assumes a further increase to 150 sales in 2016/17.

13.2 The changes to the rent formula from 2016/17 will result in the Council receiving less income than under the current formula over the next four years, therefore impacting on the 30 year business plan.

The Government's changes to welfare benefits and the introduction of Universal Credit will also impact on the level of rent income collected including the level of arrears and therefore be reflected in the Housing Revenue Account balances.

All budgets carry a certain level of risk in that unforeseen circumstances may arise, causing additional pressures on the level of resources applied.

14. Accountable Officer(s)

Dave Richmond, Director of Housing and Neighbourhoods Services

Approvals Obtained from:-

Interim Strategic Director of Finance and Corporate Services:-

Named officer : Stuart Booth

Interim Director of Legal Services:- Stuart Fletcher.

Head of Procurement (if appropriate):- not applicable

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