

Summary Sheet

Council Report

Cabinet and Commissioners' Decision Making Meeting - 9 January 2017

Title

Housing Rents 2017/18

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

Yes

Strategic Director Approving Submission of the Report

Anne Marie Lubanski, Strategic Director 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 values for the setting of the housing rents and non-dwelling rents for 2017-18.

Recommendations

1. That Cabinet note the content of the report.
2. That Cabinet resolves to recommend to Council the following changes to Housing Rents charges:-
 - (a) That dwelling rents are reduced by 1% for 2017/18 in line with the requirements outlined in the Welfare Reform and Work Act 2016. The average dwelling rent for 2017/18 will be £73.29 per week over 52 weeks, an average reduction of £0.74 per week.
 - (b) The average rent for the energy efficient council properties will also reduce by 1% to £94.48 per week, an average reduction of £0.95 per week.
 - (c) That there is a 1% increase to charges for garage rents, communal facilities, laundry facilities and cooking gas in 2017/18 in line with the increase in Consumer Price Index (CPI) as at September 2016.

(d) That Cabinet note the draft Housing Revenue Account budget for 2017/18 (Appendix A).

List of Appendices Included

Appendix A HRA Draft Budget Operating Statement

Background Papers

Welfare Reform and Work Act 2016

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

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Council Meeting (25 January 2017)

Council Approval Required

Yes

Exempt from the Press and Public

No

Title: Housing Rents Charges 2017/18

1. Recommendations

- 1.1 That Cabinet notes the content of the report.
- 1.2 That Cabinet resolves to recommend to Council the following changes to Housing Rents charges:
 - That dwelling rents are reduced by 1% for 2017/18 in line with the requirements outlined in the Welfare Reform and Work Act 2016. The average dwelling rent for 2017/18 will be £73.29 per week over 52 weeks, an average reduction of £0.74 per week.
 - The average rent for the energy efficient council properties will also reduce by 1% to £94.48 per week, an average reduction of £0.95 per week.
 - That there is a 1% increase to charges for garage rents, communal facilities, laundry facilities and cooking gas in 2017/18 in line with the increase in Consumer Price Index (CPI) as at September 2016.
 - That Cabinet note the draft Housing Revenue Account budget for 2017/18 (Appendix A).

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 £126k in 2017/18.

- 2.4 Section 21 of The Welfare Reform and Work Act 2016 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 including laundry services, where provided, for 2017/18 and summarises the draft HRA budget.

3. Key Issues

Housing Rents

- 3.1 The current average rent in 2016/17 is £74.03 when aggregated over 52 weeks. The 2017/18 average weekly rent based on the statutory 1% reduction collected over 52 weeks will be £73.29, an average reduction of £0.74 per week.
- 3.2 Total housing rent income generated through the proposed revised weekly rents is estimated to be £77.341m in 2017/18 (compared with £77.851m in 2016/17) assuming 170 Right to Buy sales, and voids and rent adjustments at 1.6%. The reduction of 1% on the weekly rent charge will result in a loss in rent income of £510k compared with the 2016/17.
- 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 £94.48 over 52 weeks based on the statutory 1% reduction, an average reduction of £0.96 per week.

Garage Rents

- 3.4 The Council has continued with its garage site improvement programme with plans to invest a further £320k in 2016/17.

In previous years' increases in charges have been linked to changes in CPI. At September 2016 CPI was 1%; therefore, it is proposed that there will be an increase of 1% to the current charge. Therefore, the charge for garage rents for 2017/18 will increase by 5p to £4.75 per week.

It is proposed that there will also be a 1% increase to the charge for garage plot sites which will increase by 57p to £57.14 per annum in 2017/18.

Cooking Gas

- 3.5 The Council also charges for cooking gas facility at 80p per week. It is proposed to increase the charge by 1% for 2017/18 in line with other non-dwelling charges. The new charge will be 81p per week from April 2017.

Communal Facilities

- 3.6 In line with other non-dwelling charges it is proposed to increase the communal facilities charge and the laundry charge by 1%. The communal facilities charge will increase by 4p to £4.50 per week and the laundry charge will increase by 2p to £1.50 per week.

4. Options considered and recommended proposal

- 4.1 Changes to the Government's policy on social housing rents resulted in the requirement to reduce dwelling rents by 1% over four years from April 2016. To comply with the legislation rents will be reduced by 1% for a second year from April 2017.
- 4.2 In previous years increases to charges for non-dwelling rents have been linked to changes in CPI. As at September 2016 CPI was 1% and therefore it is proposed to increase charges for garages, cooking gas and communal facilities including laundry by 1% as follows:

Non Dwelling Rents	52 Week Charge 2016/17	Proposed 52 week Charge 2017/18	Weekly Increase
Garage Rent	£4.70	£4.75	£0.05
Garage Plots	£56.57	£57.14	£0.57
Cooking Gas	£0.80	£0.81	£0.01
Communal Facility	£4.46	£4.50	£0.04
Laundry	£1.48	£1.50	£0.02

The proposed increase is expected to generate additional income of £15k in 2017/18.

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 25th January 2017 with full implementation from 1st April 2017.

7. Financial and Procurement Implications

- 7.1 Appendix A of this report presents the 2017/18 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 2017/18 £'000
Expenditure	75,414
Income (including service charges)	-83,305
Net Cost of Service	-7,891
Interest Received	-100
Net Operating Expenditure	-7,991
Revenue Contribution to Capital Outlay	9,150
Transfer from Reserves	-1,159
Surplus/Deficit for the Year	0

It can be seen that based on the 1% reduction in dwelling rent income and increase in service charges by 1% outlined in this report, the budgeted income of £83.305m is anticipated to be collected in 2017/18 and that this is offset by £75.413m 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 £7.991m to the service.

Once capital financing interest has been charged to the HRA, a Revenue Contribution to Capital of £9.150m has been made towards the HRA Capital Programme (in accordance with the HRA Business Plan), there will need to be a planned transfer from HRA Reserves of £1.159m in order to support capital investment in existing stock including strategic acquisitions. This will provide an overall balanced budget for 2017/18.

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.

13.2 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 2015/16 were 143, it is estimated that there will be 160 RTB by the end of 2016/17 and the HRA Business Plan assumes a further increase to 170 sales in 2017/18.

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

13.4 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)

Tom Bell, Assistant Director of Housing and Neighbourhoods

Approvals Obtained from:-

Assistant Director of Finance and Corporate Services:-
Named officer: Stuart Booth

Assistant Director of Legal Services:- Dermot Pearson.

Head of Procurement (if appropriate):- not applicable

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