

Summary Sheet

Name of Committee and Date of Committee Meeting

Cabinet – 21 January 2019

Report Title

Housing Revenue Account Rents & Service Charges 2019/20

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 of Adult Care, Housing and Public Health

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, non-dwelling rents, District Heating and service charges and the draft Housing Revenue Account Budget for 2019/20.

Recommendations

1. That Cabinet recommend to Council:-
 - (a) That dwelling rents are reduced by 1% for 2019/20 in line with the requirements outlined in the Welfare Reform and Work Act 2016.
 - (b) That there is a 2.4% increase to charges for garage rents, communal facilities, cooking gas and laundry facilities in 2019/20 in line with the increase in Consumer Price Index (CPI) as at September 2018.
 - (c) That the unit charge per Kwh for District Heating Schemes remains at the same level as agreed by the Council in December 2017.
 - (d) Agree the draft Housing Revenue Account budget for 2019/20.
 - (e) That rents and service charges will be collected over 52 weeks in line with Universal Credit payments.

List of Appendices Included

Appendix A HRA Draft Budget Operating Statement 2019/20.

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

Overview and Scrutiny Management Board - 16 January 2019

Council – 23 January 2019

Council Approval Required

Yes

Exempt from the Press and Public

No

Housing Revenue Account, Rents and Service Charges 2019/20

1. Background

- 1.1 Historically social housing landlords charged different rent levels for the same type and size of property, which was inequitable. Therefore Government set a target for social housing providers to achieve equitable rents by 2015/16. This process is known as 'rent convergence'. It enabled landlords with low rent levels such as the Council to charge an additional £2 rent above a 'formula rent' where rent was low. Rotherham's rents were not scheduled to reach full convergence until 2016/17. However, changes to the rent formula in 2015 removed the flexibility for landlords to increase rents above formula rent, so the Council has not achieved rent convergence.
- 1.2 The former Housing Revenue Account (HRA) subsidy system was replaced with a devolved system of council housing finance, called self-financing in April 2012. This gave local authorities the resources, incentives and flexibility needed to manage their own housing stock. It enabled long term financial plans to be developed and gave tenants greater transparency and accountability as to how rent is collected and spent on the services provided. The impact of not achieving rent convergence is lower levels of income which impact on the investment plans within the HRA Business Plan. 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. Approximately 900 properties are re-let each year; it is anticipated that this will generate additional income of approximately £66k in 2019/20.
- 1.3 Section 23 of The Welfare Reform and Work Act 2016 implements 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 to March 2020. The policy applies to all registered providers of social housing including local authority landlords, who have a statutory obligation to implement the policy.
- 1.4 In October 2017 the government confirmed details of future social rent policy from 2020, after the four-year period of 1% rent decreases ends. The announcement confirms that for the five years from 2020/21, providers will be able to increase rents, up to a limit of Consumer Price Inflation (CPI) plus 1% each year.
- 1.5 This report also considers the charges for garages, garage plot sites, cooking gas and communal facilities including laundry services where provided, District Heating charges for 2019/20 and summarises the draft HRA budget.

2. Key Issues

Housing Rents

- 2.1 The average rent in 2018/19 is currently £72.87 when aggregated over 52 weeks. The 2019/20 average weekly rent based on the statutory 1% reduction would be £72.27, an average reduction of £0.60 per week. However, 2019/20 is a 53 week year. This is because rent is debited on a Monday and there are 53 collection days in 2019/20 and not the normal 52. Therefore, in line with Universal Credit payments it is proposed that annual rent is collected over 52 weeks as Universal Credit will only pay rent for a maximum of 52 weeks in any year. The rent will therefore require adjusting to reflect this and will result in an average weekly rent of £73.66 for 2019-20 collected over 52 weeks and therefore one week where rent is not collected.
- 2.2 Total housing rent income generated through the proposed revised weekly rents is estimated to be £76.496m in 2019/20 (compared with £76.236m in 2018/19) assuming 200 Right to Buy sales, voids, new acquisitions and rent adjustments at 1.4%. The reduction of 1% on the weekly rent charge will result in a loss in rent income of £260k compared with rent income for 2018/19. This is a lower reduction due to 2019/20 being a 53 week year and therefore one additional week's rent compared with 2018-19.

Garage Rents

- 2.3 The Council has continued with its garage site improvement programme with plans to invest £250k in 2018/19, and a further £250k per annum over the next 3 years.
- 2.4 In previous years increases in charges have been linked to changes in CPI. At September 2018 CPI was 2.4%; therefore it is proposed that there will be an increase of 2.4% to the current charge. Therefore, the charge for garage rents for 2019/20 will increase by 11p to £5.00 per week.
- 2.5 It is proposed that there will also be a 2.4% increase to the charge for garage plot sites which will increase by £1.41 to £60.26 per annum in 2019/20. Unsurfaced garage plot sites will also increase by £1.27 to £54.24 in 2019/20.

Cooking Gas

- 2.6 The Council also charges for cooking gas facility at 83p per week. It is proposed to increase the charge by 2.4% to 85p per week in line with other increases in charges.

Communal Facilities

- 2.7 In line with other non-dwelling charges it is proposed to increase the communal facilities charge and the laundry charge by 2.4%.

The communal facilities charge will increase by 11p to £4.75 per week and the laundry charge will increase by 5p to £1.60 per week.

District Heating Charges

- 2.8 During 2017-18 there was an extensive review of district heating pricing to ensure that charges are fair and reasonable to all tenants. As a consequence a revised schedule of charges was approved by Council on 13 December 2017.

This report proposed that charges be reduced to 6.28p per kWh including VAT and applied retrospectively from 1 April 2017, which saw a reduction in the average bill of £176 per annum. The total cost of the running the district heating scheme in 2017/18 resulted in a small surplus of £16k, however, the latest forecast for 2018/19 is that the scheme will be in deficit by £16k, therefore it is proposed to leave district heating charges unchanged as per table below.

	Weekly Charge 2018/19	Weekly Charge 2019/20	Charge collected over 52 weeks
All District Heating Schemes - Unit Cost KWh (inc VAT)	6.28p	6.28p	6.28p

Pooled Schemes - Pre-payment Charges per week (incl. VAT)			
Bedsit	£9.66	£9.66	£9.85
1 Bed	£11.25	£11.25	£11.47
2 Bed	£12.90	£12.90	£13.15
3/4 Bed	£14.93	£14.93	£15.22

3. Options considered and recommended proposal

- 3.1 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 fourth and final year from April 2019.
- 3.2 In previous years increases to charges for non-dwelling rents have been linked to changes in CPI. As at September 2018 CPI was 2.4% and therefore it is proposed to increase charges for garages and communal facilities including laundry and cooking gas by 2.4% as follows:

Non Dwelling Rents	Weekly Charge 2018/19	Weekly Charge 2019/20	Increase	Charge collected over 52 weeks
Garage rent	£4.89	£5.00	£0.11	£5.10
Garage Plots (annual charge)	£58.85	£60.26	£1.41	£61.42
Unsurfaced Garage Plots (annual charge)	£52.97	£54.24	£1.27	£55.29
Wharnccliffe flats parking space	£6.42	£6.57	£0.15	£6.70
Cooking Gas	£0.83	£0.85	£0.02	£0.87
Communal Facility	£4.64	£4.75	£0.11	£4.84
Laundry	£1.55	£1.60	£0.05	£1.63

The above charges exclude VAT where applicable

The proposed increase would generate additional income of approximately £28k in 2019/20.

4. Consultation

- 4.1 This report will be subject to review by the Overview and Scrutiny Management Board before final decision by the Council.

5. Timetable and Accountability for Implementing this Decision

- 5.1 This report will be considered by the Council on 23 January 2019 and subject to approval, would be implemented from Monday 1 April 2019.

6. Financial and Procurement Implications

- 6.1 Appendix A of this report presents the 2019/20 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 2019/20 £'000
Expenditure	80,489
Income (including service charges)	-82,939
Net Cost of Service	-2,450
Interest Received	-100
Net Operating Expenditure	-2,550
Revenue Contribution to Capital Outlay	14,692
Transfer from Reserves	-12,142
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 2.4% outlined in this report, the budgeted income of £82.939m is anticipated to be collected in 2019/20 and that this is offset by £80.489m 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 £2.550m to the service after interest received.

Based on a review of the HRA business plan a Revenue Contribution to Capital of £14.692m has been made towards the approved HRA Capital investment Programme. Therefore there will be a transfer required from HRA Reserves of £12.142m in order to provide an overall balanced budget for 2019/20, this is provided for within the revised HRA Business Plan.

7. Legal Implications

- 7.1 In addition to the legal implications set out in the main body of this report, section 24 of the Housing Act 1985 allows local authorities to make such reasonable charges as they may determine for a tenancy or occupation of their houses. Further, it requires the local authority from time to time to review rents and other charges and make such changes, as circumstances may require. The changes proposed in the recommendations to this report would fall within the ambit of the Council's discretion as set out in section 24 of the Housing Act 1985.

8. Human Resources Implications

- 8.1 There are no Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 No direct implications.

10. Equalities and Human Rights Implications

- 10.1 No direct implications.

11. Implications for Partners and Other Directorates

- 11.1 No direct implications for partners and other directorates.

12. Risks and Mitigation

- 12.1 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.

- 12.2 The level of properties is directly affected by the level of sales and demolitions which may vary to those used in the budget assumptions. Rules regarding Right to Buy (RTB) receipts were implemented in April 2012 included increasing the discount cap, which is currently £78,600. This has seen the number of RTB sales increase significantly as a result of the higher discount cap. Total sales in 2017/18 were 202, it is estimated that there will be 175 RTB by the end of 2018/19 and the HRA Business Plan assumes a further increase to 200 sales in 2019/20.
- 12.3 Strategic Housing Investment plans involve the acquisition or build of 29 new properties for council rent in 2019/20 and 52 shared ownership properties which will also bring in additional rent income. This will assist in mitigating against lost rental income for RTB sales.
- 12.4 The changes to the rent formula from 2016/17 will result in the Council receiving less income than under the original formula over four years, therefore impacting on the 30 year business plan.
- 12.5 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.
- 12.6 All budgets carry a certain level of risk in that unforeseen circumstances may arise, causing additional pressures on the level of resources applied.

13. Accountable Officer(s)

Tom Bell, Assistant Director of Housing

Approvals obtained on behalf of:-

	Named Officer	Date
Chief Executive	Sharon Kemp	07/01/19
Strategic Director of Finance & Customer Services (S.151 Officer)	Graham Saxton	21/01/19
Assistant Director of Legal Services (Monitoring Officer)	Stuart Fletcher	21/12/18
Assistant Director of Human Resources (if appropriate)	N/A	N/A
Head of Procurement (if appropriate)	N/A	N/A

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