

Committee Name and Date of Committee Meeting

Cabinet – 23 December 2019

Report Title

Housing Revenue Account Rents and Service Charges 2020/21

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

Borough-Wide

Report Summary

The purpose of the report is to seek approval for the proposed values of the housing rents, non-dwelling rents, District Heating and service charges and the draft Housing Revenue Account Budget for 2020/21.

Recommendations

That Cabinet resolve to recommend to Council:-

1. That dwelling rents be increased by 2.7% in 2020/21 in line with the government guidelines on rents for social housing from April 2020 which allows rents to increase by Consumer Price Index (as at September) plus 1%.
2. That there be a 2% increase in charges for garages and parking spaces, communal facilities, cooking gas and use of laundry facilities, in line with increases being proposed for other fees and charges across the Council.
3. That the unit charge per Kwh for District Heating Schemes remain the same level, as agreed by the Council in December 2017.
4. That all Affordable Rent properties be revalued in October and March each year to provide a valid rent value for when Affordable Rent properties are re-let.

5. That the draft Housing Revenue Account budget for 2020/21 be agreed.

List of Appendices Included

Appendix 1 Part A - Initial Equality Screening Assessment form
Appendix 2 Part B – Equality Analysis form
Appendix 3 Draft Housing Revenue Account Budget 2020/21

Background Papers

Ministry of Housing, Communities & Local Government – Policy Statement on rents for social housing (February 2019).

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview and Scrutiny Management Board – 20 December 2019
Council – 22 January 2020

Council Approval Required

Yes

Exempt from the Press and Public

No

Housing Revenue Account Rents and Service Charges 2020/21

1. Background

- 1.1 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 Council currently manages approximately 20,200 properties of which 6,000 are currently at formula rent. 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. The average increase in rent being £2.84 per week. Approximately 850 properties are re-let each year; it is anticipated that this will generate additional income of approximately £0.06m in 2019/20. The impact of not achieving rent convergence is lower levels of income which impact on the investment plans within the HRA Business Plan.

- 1.2 From April 2016, the Welfare Reform and Work Act 2016 has required social landlords to reduce their rents by 1% each year for four years, 2019/20 being the final year.

In October 2017, the government announced its intention to set a long term rent deal for both local authority landlords and housing associations. This permits annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 % from April 2020, for a period of at least five years.

- 1.3 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 2020/21 and summarises the draft HRA budget.

2. Key Issues

- 2.1 The average rent in 2019/20 is currently £72.31 when aggregated over 52 weeks. The 2020/21 average weekly rent based on the new government policy of CPI (as at September 2019 = 1.7%) plus 1% would be £74.27, an average increase of £1.96 per week.
- 2.2 Total housing rent income generated through the proposed revised weekly rents is estimated to be £77.3m in 2020/21 assuming 175 Right to Buy sales, voids, new acquisitions and rent adjustments. This change in policy on the weekly rent charge will result in an increase in rent income of £2.3m compared with 2019/20 rent levels based on 52 weeks.
- 2.3 A 2% increase has been proposed for all fees and charges across the Council for 2020/21. This will apply to the HRA non-dwelling rents.
- 2.4 Where the Council has been successful in securing grant income from Homes

England (HE) to deliver Affordable Rent Properties the new properties will be managed in line with our existing policies e.g. mutual exchange, succession, subletting etc. The main difference for grant funded properties, compared to Social/Formula rent properties, is the method of managing the rent values which is prescribed by Government. These are contained within the Capital Funding Guide for HE grant and the Rent Standard Guidance.

The Council is required to rebase (revalue) the Affordable Rent value on each occasion that a new Affordable Rent tenancy is issued (or renewed) for a particular property; and ensure that the rent remains at no more than 80% of gross market rent (inclusive of service charges) as of the date the property is re-let.

Currently a valuation is carried out for each individual property when it falls due. Rebasing all the Affordable Rent valuations every six months will give a valid updated rent value for re-let in accordance with RICS guidance. The rebased Affordable Rent will only apply to new tenants or tenancies. This will significantly reduce the level of work involved when a property is re-let as the rent value will have already been calculated.

The actual rents for existing tenants in Affordable Rent properties will only be adjusted in April each year as per the existing annual rent and charges review process.

3. Options considered and recommended proposal

Housing Rents

- 3.1 In line with changes to policy on rents for social housing it is recommended that rents are increased in line with CPI (as at September 2019) plus 1% in 2020/21, therefore an increase of 2.7%.

Non-Dwelling Rents

- 3.2 It is proposed to increase non-dwelling charges in line with the recommended increase being applied across the council of 2% for 2020/21 outlined in the table below:-

Non Dwelling Rents	Weekly Charge 2019/20	Proposed	Increase
		Weekly Charge 2020/21	
Garage rent - council Tenant	£5.00	£5.10	£0.10
Garage rent - non council Tenant	£6.01	£6.13	£0.12
Garage Plots	£60.26	£61.47	£1.21
Unsurfaced Garage Plots	£54.24	£55.32	£1.08
Wharnccliffe Flats Parking Space	£6.57	£6.70	£0.13
Cooking Gas	£0.85	£0.87	£0.02
Communal Facility	£4.75	£4.85	£0.10
Laundry	£1.60	£1.63	£0.03

The above charges exclude VAT where applicable

- 3.3 The proposed increase of 2% would generate additional income of approximately £24k in 2020/21 based on a comparison of 52 weeks.

District Heating charges

- 3.4 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 no increase in charges for 2020/21. The total cost of the running the district heating scheme in 2018/19 resulted in a small deficit of £5k, however, the latest forecast for 2019/20 is that the scheme will breakeven, therefore it is proposed to leave district heating charges unchanged as per table below.

	Weekly Charge 2019/20	Weekly Charge 2020/21
All District Heating Schemes - Unit Cost KWh (inc VAT)	6.28p	6.28p
Pooled Schemes		
- Pre-payment Charges per week (incl. VAT)		
Bedsit	9.66	9.66
1 Bed	11.25	11.25
2 Bed	12.90	12.90
3/4 Bed	14.93	14.93

4. Consultation on proposal

- 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 22nd January 2020 and subject to approval, would be implemented from Monday 6th April 2020.

6. Financial and Procurement Advice and Implications

- 6.1 Appendix A of this report presents the 2020/21 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 2020/21 £'000
Expenditure	80,182
Income (including service charges)	-83,946
Net Cost of Service	-3,764
Interest Received	-300
Net Operating Expenditure	-4,064
Revenue Contribution to Capital Outlay	13,388
Transfer from Reserves	-9,324
Surplus/Deficit for the Year	0

- 6.2 It can be seen that based on the 2.7% increase in dwelling rent income and increase in service charges by 2% outlined in this report, the budgeted income of £83.946m is anticipated to be collected in 2020/21 and that this is reduced by £80.182m 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 £4.064m to the service after interest received. The Council are using this to build Council homes and improve services such as financial inclusion.

Based on a review of the HRA business plan a Revenue Contribution to Capital of £13.387m has been made towards the approved HRA Capital investment Programme. Therefore there will be a transfer required from HRA Reserves of £9.324m in order to provide an overall balanced budget for 2020/21, this is provided for within the revised HRA Business Plan.

- 6.3 There are no direct procurement implications within this report.

7. Legal Advice and 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 Advice and 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 Advice and Implications

- 10.1 No direct implications

11. Implications for Partners

- 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 £82,200. This has seen the number of RTB sales increase significantly as a result of the higher discount cap. Total sales in 2018/19 were 151, it is estimated that there will be 173 RTB by the end of 2019/20 and the HRA Business Plan assumes a further increase to 175 sales in 2020/21.
- 12.3 Strategic Housing Investment plans involve the acquisition or build of 114 new properties for council rent in 2020/21 and 35 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 as resulted in the Council receiving less income the last 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 Officers

Tom Bell, Assistant Director of Housing Services

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	12/12/19
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	04/12/19
Head of Legal Services (Monitoring Officer)	Bal Nahal	04/12/19

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