

Summary Sheet

Name of Committee and Date of Committee Meeting

Cabinet and Commissioners' Decision Making Meeting – 15 January 2018

Report Title

Housing Revenue Account Rents & Service Charges 2018/19

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 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, non- dwelling rents and service charges for 2018/19.

Recommendations

That Cabinet recommend to Council:-

1. That dwelling rents are reduced by 1% for 2018/19 in line with the requirements outlined in the Welfare Reform and Work Act 2016.
2. That there is a 3% increase to charges for garage rents, communal facilities, cooking gas and laundry facilities in 2018/19 in line with the increase in Consumer Price Index as at September 2017.
3. That the unit charge per Kwh for District Heating Schemes remains at the same level as agreed by the Council in December 2017.
4. That the draft Housing Revenue Account budget for 2018/19 be approved.

List of Appendices Included

Appendix A – HRA Draft Budget Operating Statement 2018/19 (-1% Rent Decrease)

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 – 10 January 2018

Council – 24 January 2018

Council Approval Required

Yes

Exempt from the Press and Public

No

Housing Revenue Account, Rents and Service Charges 2018/19

1. Recommendations

That Cabinet recommend to Council:-

- 1.1 That dwelling rents are reduced by 1% for 2018/19 in line with the requirements outlined in the Welfare Reform and Work Act 2016.
- 1.2 That there is a 3% increase to charges for garage rents, communal facilities, cooking gas and laundry facilities in 2018/19 in line with the increase in Consumer Price Index as at September 2017.
- 1.3 That the unit charge per Kwh for District Heating Schemes remains at the same level as agreed by the Council in December 2017.
- 1.4 That the draft Housing Revenue Account budget for 2018/19 be approved.

2. Background

- 2.1 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.
- 2.2 The former Housing Revenue Account (HRA) subsidy system was replaced with a devolved system of council housing finance called self-financing in April 2012. 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. Approximately 1,700 properties are re-let each year; it is anticipated that this will generate additional income of approximately £108k in 2018/19.
- 2.3 However, 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.

- 2.4 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.
- 2.5 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 2018/19 and summarises the draft HRA budget.

3. Key Issues

Housing Rents

- 3.1 The average rent in 2017/18 is currently £73.60 when aggregated over 52 weeks. The 2018/19 average weekly rent based on the statutory 1% reduction collected over 52 weeks will be £72.87, an average reduction of £0.73 per week.
- 3.2 Total housing rent income generated through the proposed revised weekly rents is estimated to be £76.236m in 2018/19 (compared with £77.341m in 2017/18) assuming 175 Right to Buy sales, and voids and rent adjustments at 1.4%. The reduction of 1% on the weekly rent charge will result in a loss in rent income of £1.105m compared with rent income for 2017/18.

Garage Rents

- 3.3 The Council has continued with its garage site improvement programme with plans to invest a £227k in 2017/18, and a further £250k in 2018/19.
- 3.4 In previous years increases in charges have been linked to changes in CPI. At September 2017 CPI was 3%; therefore it is proposed that there will be an increase of 3% to the current charge. Therefore, the charge for garage rents for 2018/19 will increase by 14p to £4.89 per week.
- 3.5 It is proposed that there will also be a 3% increase to the charge for garage plot sites which will increase by £1.71 to £58.85 per annum in 2018/19. Unsurfaced garage plot sites will increase by £1.54 to £52.97 in 2018/19.

Cooking Gas

- 3.6 The Council also charges for cooking gas facility at 81p per week. It is proposed to increase the charge by 3% to 83p per week in line with other increases in charges.

Communal Facilities

- 3.7 In line with other non-dwelling charges it is proposed to increase the communal facilities charge and the laundry charge by 3%. The communal facilities charge will increase by 14p to £4.64 per week and the laundry charge will increase by 5p to £1.55 per week.

District Heating Charges

- 3.8 During 2017-18 there has been 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. Given this new charging regime has only recently been adopted, which saw a reduction in the average bill of £176 per annum it is proposed to leave district heating charges unchanged as per table below.

| | 2016/17 | 2017/18 (Revised) | 2018/19 |
|--|---------|----------------------|---------|
| All District Heating Schemes - Unit Cost KWh (inc. VAT) | 8.72p | 6.28p | 6.28p |
| Pooled Schemes - Pre-payment Charges per week (incl. VAT) | | | |
| Bedsit | £11.81 | £9.66 | £9.66 |
| 1 Bed | £13.76 | £11.25 | £11.25 |
| 2 Bed | £15.78 | £12.90 | £12.90 |
| 3/4 Bed | £18.26 | £14.93 | £14.93 |

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 third year from April 2018.
- 4.2 In previous years increases to charges for non-dwelling rents have been linked to changes in CPI. As at September 2017 CPI was 3% and therefore it is proposed to increase charges for garages and communal facilities including laundry and cooking gas by 3% as follows:

| Non Dwelling Rents | 52 Week Charge 2017/18 | Proposed 52 week Charge 2018/19 | Increase |
|--|---------------------------------------|--|-----------------|
| Garage rent | £4.75 | £4.89 | £0.14 |
| Garage Plots (annual charge) | £57.14 | £58.85 | £1.71 |
| Unsurfaced Garage Plots (annual charge) | £51.43 | £52.97 | £1.54 |
| Cooking Gas | £0.81 | £0.83 | £0.02 |
| Communal Facility | £4.50 | £4.64 | £0.14 |
| Laundry | £1.50 | £1.55 | £0.05 |

The proposed increase would generate additional income of £35k in 2018/19. However, a number of closures of communal schemes are proposed which will reduce the income available once implemented.

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 24th January 2018 with full implementation from Monday 2nd April 2018.

7. Financial and Procurement Implications

- 7.1 Appendix A of this report presents the 2018/19 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 2018/19 £'000 |
|--|--|
| Expenditure | 76,869 |
| Income (including service charges) | -82,211 |
| Net Cost of Service | -5,342 |
| Interest Received | -100 |
| Net Operating Expenditure | -5,442 |
| Revenue Contribution to Capital Outlay | 9,970 |
| Transfer from Reserves | -4,528 |
| 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 3% outlined in this report, the budgeted income of £82.211m is anticipated to be collected in 2018/19 and that this is offset by £76.869m 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 £5.442m to the service after interest received.

Once capital financing interest has been charged to the HRA, a Revenue Contribution to Capital of £9.970m has been made towards the HRA Capital Programme, in accordance with the HRA Business Plan, there will be a transfer required from HRA Reserves of £4.528m in order to provide an overall balanced budget for 2018/19.

8. Legal Implications

- 8.1 In addition to the legal implications are 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.

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 £78,600. This has seen the number of RTB sales increase significantly as a result of the higher discount cap. Total sales in 2016/17 were 152, it is estimated that there will be 170 RTB by the end of 2017/18 and the HRA Business Plan assumes a further increase to 175 sales in 2018/19.
- 13.3 Strategic Housing Investment plans involve the acquisition or build of 35 new properties for council rent in 2017/18 and 35 shared ownership properties which will also bring in some rent income. This will mitigate against lost rental income for RTB sales.

- 13.4 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.
- 13.5 The Governments 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.
- 13.6 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 on behalf of:-

| | Named Officer | Date |
|---|----------------------|-------------|
| Strategic Director of Finance & Customer Services | Judith Badger | 20/12/2017 |
| Assistant Director of Legal Services | Neil Concannon | 18/12/2017 |
| Head of Procurement (if appropriate) | Not applicable | |
| Head of Human Resources (if appropriate) | Not applicable | |

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