

Committee Name and Date of Committee Meeting

Cabinet – 21 December 2020

Report Title

Housing Revenue Account Rents and Service Charges 2021/22

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)

Mark Scarrott, Finance Manager (Adult Care, Housing and Public Health)
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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 2021/22.

Recommendations

That the Cabinet note the content of the report and recommends to Council: -

1. That dwelling rents are increased by 1.5% in 2021/22 (Option 1) in line with the Government policy on rents for social housing which allows rents to increase by Consumer Price Index (CPI) (as at September) plus 1%.
2. That shared ownership rents are increased by 1.6% in 2021/22 (Option 1) in line with the Government policy on rents for social housing which allows rents to increase by Retail Price Index (RPI) (as at September) plus 0.5%.
3. That there is a 2% increase (Option 2) in charges for garages and parking spaces, communal facilities, cooking gas and use of laundry facilities, in line with the Council's policy on fees and charges.
4. That the unit charge per Kwh for District Heating Schemes remains the same level as agreed by the Council in December 2017.

5. To agree the draft Housing Revenue Account budget for 2021/22.

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 2021/22

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 – 16 December 2020

Council – 13 January 2021

Council Approval Required

Yes

Exempt from the Press and Public

No

Housing Revenue Account Rents and Service Charges 2021/22

1.	Background
1.1	<p>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.</p> <p>The Council currently manages approximately 20,130 properties of which 6,742 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 additional rent for re-lets to formula being £2.91 per week. Approximately 600 properties are re-let each year; it is anticipated that this will generate additional income of approximately £46k in 2020/21.</p>
1.2	<p>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.</p> <p>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.</p>
1.3	<p>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 2021/22 and summarises the draft HRA budget.</p>
2.	Key Issues
2.1	<p>The average rent in 2020/21 is currently £74.21 when aggregated over 52 weeks. The 2021/22 average weekly rent based on the Government policy of CPI (as at September 2020 = 0.5%) plus 1% would be £75.33, an average increase of £1.12 per week.</p> <p>Rent increases in respect of shared ownership properties are subject to a different formula of RPI (as at September 2020 = 1.1%) plus 0.5%. Currently there are 10 shared ownership properties that would be affected where rents would increase on average by £0.75 per week from £46.64 to £47.39.</p> <p>This is the maximum that rents could be increased in 2021/22 in line with the Government policy. However, other options are considered within the report including maintaining rents at current 2020/21 level and therefore no further increase for 2021/22.</p>
2.2	<p>Total housing rent income generated through the weekly rents is currently £77.3m in 2020/21. If rents were increased in line with the Government policy</p>

	this would result in an increase in rent income of an estimated £1.1m compared with 2020/21 rent levels based on 52 weeks.
2.3	This report also considers the potential increase in HRA non dwelling rent fees and charges for 2021/22 in line with the overall review of fees and charges across the Council, as part of the annual budget setting process. The options considered are to increase in line with CPI as at September 2020 (Option 1), an increase of 2% (Option 2) and no further increase (Option 3).
2.4	<p>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.</p> <p>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.</p> <p>All Affordable Rent properties are revalued in October and March each year to provide a valid rent value for when Affordable Rent properties are re-let. The rebased Affordable Rent will only apply to new tenants or tenancies.</p> <p>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.</p>
3.	Options considered and recommended proposal
3.1	Housing Rents
	<p><u>Option 1 – CPI plus 1% (+1.5%) - recommended</u></p> <p>In line with the Government policy on rents for social housing this option would increase rents by CPI (as at September 2020) plus 1% in 2021/22, therefore an increase of 1.5%. This would result in an average rent increase of £1.12 per week from £74.21 to £75.33 per week.</p> <p>Government policy for rent increases in respect of shared ownership properties are subject to a different formula of RPI (as at September 2020 = 1.1%) plus 0.5%. Currently there are 10 shared ownership properties that would be affected where rents would increase on average by £0.75 per week from the current average weekly rent of £46.64 to £47.39.</p> <p>If approved this would result in an increase in rent income of an estimated £1.1m compared with 2020/21 rent levels based on 52 weeks. As the HRA</p>

is self-financing, the rental income stream makes up the majority of the funding available to the HRA. Option 1 provides the maximum amount of funding to support the ongoing maintenance and management services for Council dwellings

Option 2: CPI only (+0.5%) - not recommended

This option would increase rents by 0.5% and would result in an average rent increase of £0.37 per week from £74.21 to £74.58 per week.

For properties under shared ownership, which are subject to a different formula, if rents were increased by RPI only (+1.1%), this would result in an average rent increase of £0.51 per week from £46.64 to £47.15.

Overall, rent income would increase by approximately £390k if this option was approved.

Option 3 – No Increase - not recommended

This option would see rents maintained at current levels and no further increase in 2020/21. Therefore, the current average dwelling rent would remain at £74.21 per week when aggregated over 52 weeks. In respect of shared ownership properties this would remain at an average of £46.64 per week. This option would also result in a potential loss of rent income of £1.1m in 2021/22.

3.2 Non-Dwelling Rents

Option 1 – Increase in line with CPI (+0.5%)

This proposal would increase non-dwelling charges in line with the increase in CPI (as at September 2020) of 0.5% for 2021/22. This option is not recommended.

Option 2 – Increase by 2% - recommended

This option would increase non-dwelling charges in line with the recommended increase being applied across the Council for fees and charges of 2% for 2021/22. This option provides for a higher increase which will continue to support the cost of supplying and managing these services.

Option 3 – No increase

This option would maintain charges at current 2020/21 levels. This option is not recommended.

The table below outlines the proposed charges and increases for all three options: -

Non-Dwelling Rents	Current Charge 2020/21	Option 1 (+0.5%)		Option 2 (+2%)	
		Charge 2021/22	Increase	Charge 2021/22	Increase

	Garage rent - council Tenant	£5.10	£5.13	£0.03	£5.20	£0.10
	Garage rent - non council Tenant	£6.12	£6.15	£0.03	£6.24	£0.12
	Garage Plots – annual charge	£61.47	£61.78	£0.31	£62.70	£1.23
	Unsurfaced Garage Plots – annual charge	£55.32	£55.60	£0.28	£56.43	£1.11
	Wharnccliffe Flats Parking Space	£6.70	£6.73	£0.03	£6.83	£0.13
	Cooking Gas	£0.87	£0.87	£0	£0.89	£0.02
	Communal Facility	£4.85	£4.87	£0.02	£4.95	£0.10
	Laundry	£1.63	£1.64	£0.01	£1.66	£0.03
	The above charges are weekly charges unless otherwise stated and exclude VAT where applicable					
3.3	The proposed increase of 2% (option 2) would generate additional income of approximately £14k in 2021/22 compared with current charges.					
3.4	District Heating charges					
	<p>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 13th December 2017.</p> <p>This report proposes no increase in charges for 2021/22 for the fifth consecutive year. The total cost of the running the district heating scheme in 2019/20 resulted in a small deficit of £15k, however, the latest forecast for 2020/21 is that the scheme will breakeven, therefore it is proposed to leave district heating charges unchanged as per table below.</p>					
			Weekly Charge 2020/21		Proposed Weekly Charge 2021/22	
	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	The Council has a strong track record for tenant engagement and has recently been recognised by the Tenant Participation and Accreditation Service for the excellent framework that is in place to consult and work with tenants on how services are developed and improved. The Housing Involvement Panel is made up of Area Tenant Panel Chairs and was consulted on 25 th November 2020.																		
5.	Timetable and Accountability for Implementing this Decision																		
5.1	This report will be considered by the Council on 13 th January 2021 and subject to approval, would be implemented from Monday 5th April 2021.																		
6.	Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)																		
6.1	<p>Appendix A of this report presents the 2021/22 detailed Draft Operating Statement which is effectively “The HRA Budget”.</p> <p>The table below presents an overall summary position of the Income and expenditure budgets: -</p> <table border="1"> <thead> <tr> <th>Housing Revenue Account</th> <th>Proposed Budget 2021/22 £'000</th> </tr> </thead> <tbody> <tr> <td>Expenditure</td> <td>80,997</td> </tr> <tr> <td>Income (including service charges)</td> <td>-85,189</td> </tr> <tr> <td>Net Cost of Service</td> <td>-4,192</td> </tr> <tr> <td>Interest Received</td> <td>-100</td> </tr> <tr> <td>Net Operating Expenditure</td> <td>-4,292</td> </tr> <tr> <td>Revenue Contribution to Capital Outlay</td> <td>6,519</td> </tr> <tr> <td>Transfer from Reserves</td> <td>-2,227</td> </tr> <tr> <td>Surplus/Deficit for the Year</td> <td>0</td> </tr> </tbody> </table>	Housing Revenue Account	Proposed Budget 2021/22 £'000	Expenditure	80,997	Income (including service charges)	-85,189	Net Cost of Service	-4,192	Interest Received	-100	Net Operating Expenditure	-4,292	Revenue Contribution to Capital Outlay	6,519	Transfer from Reserves	-2,227	Surplus/Deficit for the Year	0
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6.2	<p>It can be seen that based on the 1.5% increase (option 1) in dwelling rent income and an increase in service charges of 2% (option 2), the budgeted income of £85.189m is anticipated to be collected in 2021/22 and that this is reduced by £80.997m of budgeted expenditure, which represents the net cost of delivering the service.</p> <p>As budgeted income is greater than the net cost of delivering the service, there is an overall net income of £4.292m to the service after interest received. The Council are using this to fund the Housing Growth programme.</p> <p>Based on a review of the HRA business plan a Revenue Contribution to Capital of £6.519m has been made towards the approved HRA Capital investment Programme. Therefore, there will be a transfer required from HRA Reserves of</p>																		

	£2.227m in order to provide an overall balanced budget for 2021/22, 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 (to be written by Legal Officer on behalf of Assistant Director Legal Services)
7.1	<p>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.</p> <p>At all times processes must be compliant with Equality & Diversity legislation, Human Rights and European Convention Rights. In addition, all processes must adhere to Health and Safety legislation.</p>
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	The local authority is aware of its duties under the Equality Act 2010 to promote equality, diversity, cohesion and integration. An initial equalities screening has been carried out to assess the impact of the proposals within the report to increase Housing Rents and services charges for 2021/22 and an Equality Impact Assessment put in place. This will ensure the Council continues to promote positive impact and reduce or remove any negative impact as a result of the proposed increase in charges. An Equalities Analysis is attached at Appendix 1 and 2.
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 £84,200. This has seen the number of RTB sales increase significantly as a result of the higher discount cap. Total sales in 2019/20 were 151, it is estimated that there will be 90 RTB by the end of 2020/21 and the HRA Business Plan assumes a further increase to 150 sales in 2021/22.
12.3	Strategic Housing Investment plans involve the acquisition or build of 86 new properties for council rent in 2021/22 and 64 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 has resulted in the Council receiving less income in 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

Approvals obtained on behalf of Statutory Officers: -

	Named Officer	Date
Chief Executive	Sharon Kemp	07/12/20
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	04/12/20
Head of Legal Services (Monitoring Officer)	Bal Nahal	04/12/19

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