

Report To:	CABINET	Date:	21 JANUARY 2019
Heading:	HOUSING RENT SETTING 2019/20		
Portfolio Holder:	CABINET MEMBER (OUTWARD FOCUS), COUNCILLOR JOHN WILMOTT		
Ward/s:	ALL		
Key Decision:	YES		
Subject to Call-In:	YES		

Purpose of Report

This report provides information on the proposed rent level and other council accommodation related charges for council tenants for the financial year 2019/20.

Recommendations

1. To set an average rent **decrease of 1%** for all council house rents for 2019/20.
2. To set a garage average rent increase of Consumer Price Index (CPI) only for 2019/20.
3. To set an amenity charge increase of 61p a week for 2019/20.
4. To set an increase to the communal heating charges of 3% for 2019/20.
5. To set an increase for water charges at Brook Street Court of 4% for 2019/20.

Reasons for Recommendations

To set a 1% rent decrease as detailed in Section 23 – 33 of the Welfare Reform and Work Act 2016.

To set an increase of CPI only on garage rents to continue covering the increasing costs of maintenance and rental collection for the Council garage sites, consistent with the approach in previous years.

To increase the amenity charge to recover the near full costs of providing the services which do not fall within the provision of the rent charge.

To set an increase to the communal heating service charges. This is to cover the increase in prices from the utility company to the Council for providing the communal heating in the applicable housing court schemes.

To set an increase to the service charge for water at Brook Street Court to cover the increase in prices from the utility company to the Council for providing water at Brook Street Court.

Alternative Options Considered

(with reasons why not adopted)

There are no other options with regards to rent setting, to not set the rents as per the prescribed reduction would be contrary to legislation.

The garage rent option considered was for a lower percentage but this would have a detrimental effect on the HRA and not cover the inflationary increase in costs incurred in 2019/20.

To not increase the amenity charge to the proposed level would mean that the service would continue to not have full cost recovery of the additional services provided and this would adversely impact the HRA balances.

The increase in the communal heating service charge is calculated to cover the costs of providing the heating to the housing court schemes. To not increase the service charge would mean the costs are inappropriately subsidised by the HRA i.e. the other rent payers.

The increase in the water service charge to Brook Street Court is calculated to cover the costs only of providing the water to the Brook Street Court tenants. This follows strict guidance from OFWAT and no other option is available.

Detailed Information

Rent Setting

Under the self-financing regime, operational since 1 April 2012, landlord services are funded almost entirely from rents collected. The amount to be collected in rents has been impacted by the new legislation introduced under the Welfare Reform and Work Act 2016. With effect from April 2016 Sections 23 – 33 of the Act requires social housing rents to be reduced by 1% a year for 4 years from a frozen 2015/16 base line, 2019/20 will be the 4th year of the reduction, which includes both social rents and affordable rents. It has been calculated that this has led to a reduction of £8m worth of income to Ashfield's HRA over the 4 year period.

Beyond 2019/20 the Government has announced that future rent increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020/21.

It should also be noted that 2019/20 is a 53 week rent year. Rents are collected on a weekly basis.

Rent Rebate Subsidy Limitation (RRSL)

When a Local Authority increases its average weekly rent above a limit set by the Ministry for Housing, Communities and Local Government (MHCLG), it will only receive subsidy on rebates up to the limit and will have to fund the cost of additional rebates above the limit rent itself.

The data for 2019/20 limit rents has not been released by MHCLG yet. An estimation has been made which forecasts that the average weekly rent will exceed the limit rent in 2019/20. The cost to the HRA is forecast to be £19,800. (£0.14 per week per dwelling average above the limit rent).

The consultation paper *Rents for Social Housing from 2020-21* released by MHCLG in September 2018 is addressing the RRSL, with the introduction of Universal Credit. Not all local authority tenants will be covered by Housing Benefit subsidy payments to local authorities, as is the case currently. Consequently, the Limit Rent will not control welfare costs in respect of tenants receiving Universal Credit removing the RRSL from 2020/21.

Garage Rents

Occupancy in garages has reduced slightly over the last 12 months with no underlying trend reducing the income by £3k. The Housing Lettings team will continue to market the available garages. There is little demand for those garages that are currently empty. The garages that are currently occupied have a higher demand, with some areas operating a waiting list. It is recommended that the garage rents are increased by 2.4% for 2019/20 (September 2018 CPI 2.4%) which will generate an additional income of £4k on the occupied garages. The proposed new rents will be as shown in the table below.

	Rents 2018/19	Rents 2019/20	Increase
	£	£	£
Garages			
Band A	6.19	6.34	0.15
Band B	6.92	7.09	0.17
Band C	7.66	7.84	0.18
Plots			
Band A	0.85	0.85	0.00
Band B	1.00	1.00	0.00

Amenity Charge

This charge contributes to the cost of providing the following existing services which do not fall within the provision of the rent: -

- Grounds Maintenance/Estate Management of housing open space
- Community Safety

Last year the charge was set to not disadvantage the majority of tenants and represented less than 50% of full cost recovery of the additional services provided. This year to recover closer to the full costs of the additional services it is recommended to increase the charge by £0.61 per week. It is envisaged that this increase will not disadvantage the majority of tenants, bearing in mind the rent decrease. With near full cost recovery being achieved on the amenities for 2019/20 (subject to

approval of this £0.61 increase), the charge in future years will only look to increase at the rate of CPI.

Communal Heating Charges (District Heating)

Users of communal heating pay a weekly charge designed to cover the cost to the Council for providing this heating. The charges for communal heating have recently been reviewed to take account of the increase to energy costs from October 2018. An analysis of forecast costs for the scheme show that it is likely to be slightly under recovered for 2018/19 and in 2019/20 show that an increase is required in order to cover the increasing energy costs of the scheme. It is recommended that the charges for 2019/20 would need to increase by 3% to cover the increase in costs of the service in 2019/20. For comparative purposes it should be noted that the Council's own energy budget provision has been increased by 30% for 2019/20. It should also be noted that domestic Gas prices have increased by 7.5% over the last twelve months.

The proposed weekly charges for 2019-20 are:

	Heating Charge	Heating Charge	Increase
	2018/19	2019/20	
	£	£	£
Band A	10.56	10.88	0.32
Band B	11.37	11.71	0.34
Band C	11.94	12.30	0.36
Band D	12.67	13.05	0.38
Band E	13.16	13.55	0.39
Band F	13.70	14.11	0.41

Water Charges at Brook Street Court

There is a weekly service charge payable along with the rent, to cover water charges. The charge relates to the 22 apartments only and the charge depends on whether they are tenants of a 1 or 2 bed unit. This is only for cost recovery against strict guidance from OFWAT with the Council being forbidden to make any surplus or profit on the provision of water. As water charges and water usage changes over time, the service charge will be reviewed each year to ensure it accurately reflects the costs being incurred. It is recommended that the charge for 2019/20 be increased by 4% in line with the increase levied by Severn Trent for 2018/19.

Implications

Corporate Plan:

The financial position of the HRA has a direct impact on the Corporate Plan. Sustainability of the HRA will assist in maintaining existing homes and increase the supply of affordable homes in the district in the future.

Legal:

The Council is required by the Local Government Housing Act (LGHA) 1989 to have a separate Housing Revenue Account.

The information contained in this report details how the Council complies with the Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	N/A
General Fund – Capital Programme	N/A
Housing Revenue Account – Revenue Budget	Contained within the report.
Housing Revenue Account – Capital Programme	N/A

Risk:

Risk	Mitigation
Final Limit Rent lower than estimated and incurring a higher Rent Rebate Subsidy Limitation Charge	Estimates are based on previous year's methodology.

Human Resources: None

Equalities:

Equalities implications are considered as part of the process in developing individual policy or budget changes.

Other Implications:

Not applicable

Reason(s) for Urgency

Not applicable

Reason(s) for Exemption

Not applicable

Background Papers

Section 23 – 33 of the Welfare Reform and Work Act 2016

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