

Report To:	CABINET	Date:	27 JANUARY 2020
Heading:	HOUSING RENT SETTING 2020/21		
Portfolio Holder:	CABINET MEMBER HOUSING (INWARD FOCUS), COUNCILLOR KIER BARSBY		
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 2020/21.

Recommendation(s)

1. To set an average rent increase of the September Consumer Price Index (CPI) (1.7%) + 1% for all Council house rents for 2020/21.
2. To set a garage average rent increase of CPI (1.7%) for 2020/21.
3. To set an amenity charge of £1.35 per week (an increase of £0.04p) for all relevant Council house properties for 2020/21.
4. To set an increase to the communal heating charges of CPI (1.7%) for 2020/21.
5. To set an increase for water charges at Brook Street Court of 2.36% for 2020/21.
6. To set an increase for service charges for the properties at Hawkers Place of Retail Price Index (RPI) at December 2019 for 2020/21.

Reasons for Recommendation(s)

To set a 2.7% (CPI+1%) rent increase in line with the Ministry of Housing, Communities & Local Government policy statement on rents for social housing 2020/21.

To set an increase of CPI 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 by £0.04p per week to continue covering the 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 price 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, Sutton in Ashfield to cover the increase in prices from Severn Trent to the Council for providing water at Brook Street Court.

To set an increase of RPI for the service fee for the properties at Hawkers Place estate, Hucknall, in line with the legal agreement between the Council and the Housing Development Company. This is to cover the annual increase set out in the legal agreement of the development.

Alternative Options Considered

(with reasons why not adopted)

A lower percentage increase was considered for the housing rent option but this would have a detrimental effect on the HRA in the long term leading to an unsustainable HRA. The proposed increase is the first for four years. For each of the last 4 years council dwelling rents have reduced by 1% per year (and foregone any inflationary pressures) in accordance with legislation.

A lower percentage increase was considered for the garage rent option but this would have a detrimental effect on the HRA in terms of covering the cost of repair and equally not cover the inflationary increase in costs incurred in 2020/21. A higher percentage increase is not justified as garage costs are not increasing above CPI.

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.

The increase in the service fee is increased in line with the legal agreement between the Council and the Housing Development Company. To not increase the service charge would mean the costs are inappropriately subsidised by the HRA i.e. the other rent payers.

1. Detailed Information

1.1 Rent Setting

1.1.1 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 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 was 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.

1.1.2 From 2020/21 the Government has announced that future rent increases to social housing rents will be limited to September's Consumer Price Index (CPI) plus 1% for 5 years from 2020/21. This new policy recognises the need for a stable financial environment to support the delivery of new homes and to enable registered providers to plan ahead incorporating additional standards such as in the area of fire safety and thermal efficiency.

1.2 Garage Rents

1.2.1 Occupancy in garages has remained constant over the last 12 months. 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 1.7% (September 2019 CPI) for 2020/21 which will generate an additional income of £2.7k on the occupied garages. It is proposed that there is no increase to rents for garage plots.

1.2.2 Table 1 below shows the current 2019/20 and the proposed 2020/21 weekly garage rents.

Table 1 – Garage Rents 2019/20 and 2020/21

	Rents 2019/20 £	Rents 2020/21 £	Increase £
Garages			
Band A	6.34	6.45	0.11
Band B	7.09	7.21	0.12
Band C	7.84	7.97	0.13
Plots			
Band A	0.85	0.85	0.00
Band B	1.00	1.00	0.00

1.3 Amenity Charge

1.3.1 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
- Enhanced Community Safety

1.3.2 The current annual amenity charge is £1.31 per week and it is proposed that this will increase by four pence to £1.35 per week. The charge is still below a full cost recovery level and is not applicable to those tenants on affordable rent (which is an 'inclusive' rent).

1.4 Communal Heating Charges (District Heating)

1.4.1 Users of communal heating pay a weekly charge designed to cover the cost to the Council for providing this heating. An analysis of forecast costs for the scheme show that it is likely to be slightly under recovered for 2019/20 and in 2020/21 shows that an increase is required in order to cover the increasing energy costs of the scheme. It is recommended that the charges for 2020/21 would need to increase by 1.7% to cover the increase in costs of the service in 2020/21.

1.4.2 Table 2 below shows the current 2019/20 and the proposed 2020/21 weekly heating charges.

Table 2 – Heating Charges 2019/20 and 2020/21

	Heating Charge	Heating Charge	Increase
	2019/20	2020/21	
	£	£	£
Band A	10.88	11.06	0.18
Band B	11.71	11.91	0.20
Band C	12.30	12.51	0.21
Band D	13.05	13.27	0.22
Band E	13.55	13.78	0.23
Band F	14.11	14.35	0.24

1.5 Water Charges at Brook Street Court, Sutton In Ashfield

1.5.1 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 Office of Water Services (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 2020/21 be increased by 2.36% in line with the increase levied by Severn Trent for 2019/20.

1.6 Service Fee at Hawkers Place, Hucknall (9 properties purchased in 2018)

1.6.1 This is an annual charge payable by all residents to cover the maintenance costs (provided by a private contractor) of the wider estate. The Service Fee is subject to an inflation-linked annual increase (in line with the Retail Prices Index **RPI**) each year and the Service Fee is not linked to or dependent on the number of houses on the estate.

1.6.2 The service fee funds the upkeep and maintenance of all open areas and landscaped parts of the estate that are for common use, primarily:

- The strips of trees / woodland areas along Watnall Road
- The ecology bund on the former runway
- The play area
- The footpaths and cycle ways
- The drainage swale
- All fencing, boundaries, street furniture etc.

Implications

Corporate Plan:

The financial position of the HRA has a direct impact on delivery of key objectives in 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 Council is required to comply with the Direction on the Rent Standard 2019. The Secretary of State set Direction in exercise of the powers conferred by section 197 of the Housing and Regeneration Act 2008.

The Council is required to comply with the Ministry of Housing, Communities and Local Government Policy statement on rents for social housing February 2019.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	None
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	As outlined in the report
Housing Revenue Account – Capital Programme	None

Risk:

Risk	Mitigation
Rents, fees and charges increases do not cover the cost increases in delivering the services.	Rents, fees and charges are reviewed annually.

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

(if applicable)

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Glossary of Terms

CPI - The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living.

RPI - The RPI is also a measure that examines the weighted average of prices but includes an element of housing costs, whereas the following items are not included in the CPI: Council tax, mortgage interest payments, house depreciation, buildings insurance, ground rent, solar PV feed in tariffs and other house purchase cost such as estate agents' and conveyancing fees.

Affordable Rent – this is a rent set at up to 80% of the local market value and is a rent inclusive of all general/overarching service charges. Affordable rents are set on newly built or acquired properties in line with regulation.