

Report To:	CABINET	Date:	26 JANUARY 2021
Heading:	HOUSING RENT SETTING 2021/22		
Portfolio Holder:	CABINET MEMBER FOR FINANCE AND RESOURCES – COUNCILLOR RACHEL MADDEN		
Ward/s:	ALL		
Key Decision:	YES		
Subject to Call-In:	YES		

Purpose of Report

This report provides information on the proposed Housing Revenue Account (HRA) rent level and other HRA accommodation related charges for Council tenants for the financial year 2021/22.

Recommendation(s)

- 1.** To set an average rent increase of September Consumer Price Index (CPI) (0.5%) + 1% for all Council house rents for 2021/22.
- 2.** To set a garage average rent increase of CPI (0.5%) + 1% for 2021/22.
- 3.** To set a weekly amenity charge of £1.37 (an increase of £0.02p) for all Council house properties for 2021/22.
- 4.** To set a decrease to the communal heating charges of 5% for 2021/22.
- 5.** To set an increase for water charges at Brook Street Court of 0.9% for 2021/22.
- 6.** To set an increase for service charges for the properties at Hawkers Place of Retail Price Index (RPI) at December 2020 for 2021/22.

Reasons for Recommendation(s)

To set a 1.5% rent increase in line with the Ministry of Housing, Communities & Local Government policy statement on rents for social housing 2019.

To set an increase of 1.5% 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 in line with CPI + 1% to continue covering the costs of providing the services which do not fall within the provision of the rent charge.

To set a decrease to the communal heating service charges. This is to pass on the decrease in prices obtained under a newly procured contract 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.

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.

Alternative Options Considered

(with reasons why not adopted)

The housing rent option considered was for a lower percentage but this would have a detrimental effect on the HRA in the long term leading to an unsustainable HRA.

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 2021/22.

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 decrease in the communal heating service charge is calculated to cover the costs of providing the heating to the housing court schemes. To not decrease the service charge would mean the charges would inappropriately subsidise other areas of 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 Office of Water Services (OFWAT) and no other option is available

The increase in the service fee is 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.

Detailed Information

1. Rent Setting

1.1 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 Applying the Government policy results in a rental increase of 1.5% for 2021/22 (September 2020 CPI 0.5%).

2. Garage Rents

- 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 1.5% for 2021/22 in line with the housing rent increase, which will generate an additional annual income of £2.5k on the occupied garages.
- 2.2 Table 1 below shows the current 2020/21 and the proposed 2021/22 weekly garage rents.

Table 1 – Garage Rents 2020/21 and 2021/22

	Rents 2020/21	Rents 2021/22	Increase
	£	£	£
Garages			
Band A	6.34	6.44	0.10
Band B	7.09	7.20	0.11
Band C	7.84	7.96	0.12
Plots			
Band A	0.85	0.85	0.00
Band B	1.00	1.00	0.00

3. Amenity Charge

- 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
 - Community Safety
- 3.2 The current annual amenity charge is £1.35 per week and it is proposed that this will increase by two pence to £1.37 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).

4. Communal Heating Charges (District Heating)

- 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 over recovered in 2021/22 based on the current service charge levels. This is due to Council entering into a new contract for the provision of utilities. Therefore a decrease to the service charge is required. It is recommended that the charges for 2021/22 would need to decrease by 5%.

4.2 Table 2 below shows the current 2020/21 and the proposed 2021/22 weekly heating charges.

Table 2 – Heating Charges 2020/21 and 2021/22

	Heating Charge	Heating Charge	Decrease
	2020/21	2021/22	
	£	£	£
Band A	11.06	10.51	-0.55
Band B	11.91	11.31	-0.60
Band C	12.51	11.88	-0.63
Band D	13.27	12.61	-0.66
Band E	13.78	13.09	-0.69
Band F	14.35	13.63	-0.72

5. Water Charges at Brook Street Court, Sutton In Ashfield

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 2021/22 be increased by 0.9% in line with the increase levied by Severn Trent for 2020/21.

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

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" as at December) 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

Environmental/Sustainability
(to be completed by the author)

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 Retail Price Index (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.