

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 20th January 2020
CONTACT OFFICER: Barry Stratfull; Service Lead Finance
(For all enquiries) (01753) 875748
WARD(S): All
PORTFOLIO: Cllr Mohammed Nazir – Housing and Community Safety

PART I KEY DECISION

2020/21 HOUSING RENTS AND SERVICE CHARGES

1 Purpose of Report

To present the changes in the Housing rents and service charges for 2020/21.

2 Recommendation(s)/Proposed Action

The Cabinet is requested to recommend the following decisions:-

- (a) Council house dwelling rents for 2020/21 to increase by **2.7% (CPI + 1%)** over the 2019/20 rent with effect from Monday 6th April 2020. This is in line with current government guidelines and legislation.
- (b) Garage rents, heating, utility and ancillary charges to **increase by 1.7%** with effect from Monday 6th April 2020. This is based upon the September CPI figure.
- (c) Service charges to **increase by 1.7%** with effect from Monday 6th April 2020. This is based upon the September CPI figure.
- (d) 'Other committee' property rents to increase by an average of **1.7%** from Monday 6th April 2020 in line with the September CPI figure.
- (e) Properties leased from James Elliman Homes to increase by an average of **1.7%** from Monday 6th April 2020 in line with the September CPI figure.
- (f) DISH property rents are recommended to increase by **2.7 % (CPI + 1%)** over the 2019/20 rent with effect from Monday 6th April 2020. This is as per the Council's recommendation to the DISH Board.

3 The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan

3.1. Slough Joint Wellbeing Strategy Priorities

This report sets out the context and implications for the council over the setting of housing rents and service charges for the next four years and impact upon the local community.

3.2. Five Year Plan Outcomes

This report will primarily have implications for Outcome 4 in the delivery of future social and affordable homes by the council, and the maximisation of the rental stream and asset value to the HRA.

4 Other Implications

(a) Financial

The financial implications are contained within this report.

(b) Risk Management

If the Council follows Government guidance and legislation in the setting of its dwelling rents, then the risk to the Council will be mitigated.

Risk	Mitigating action	Opportunities
Legal	n/a	
Property		
Human Rights		
Health and Safety		
Employment Issues	n/a	
Equalities Issues		
Community Support		
Communications		
Community Safety		
Financial	Ensure that the Council sets a balanced HRA annual budget and matches the capital programme to the available resources.	
Timetable for delivery		Approval in January of the new rents will enable tenants to receive notification well within the statutory timescales.
Project Capacity		
Other		

(c) Human Rights Act and Other Legal Implications

There are no Human Rights Act Implications.

(d) Equalities Impact Assessment

There is no identified need for the completion of an EIA.

5 Supporting Information

- 5.1 For the 10 years prior to 2015/16, the setting of Council social rents has been guided by the Government policy called rent convergence, the intention of which was to bring parity to Council social rents across the country, and reduce the 'gap' between Council social rents and Housing Association rents.
- 5.2 Driving these annual rent charges was a Government prescribed formula which linked the following year's rent changes to the previous September's RPI and was weighted for regional differences e.g. salaries and house prices.
- 5.3 In the summer budget on the 8th July 2015, the Chancellor announced that "rents paid in the social housing sector will not be frozen, but reduced by 1% a year for the next four years". In previous years, the Government has always allowed Councils 'discretion' in changing their rents but produced a rent policy to guide Councils in the setting of their rents. Slough Borough Council has followed Government 'rent policy' and set its rents in line with that policy.
- 5.4 The Government departed from the previous practice of issuing rent 'guidance' to setting social rents across the country through primary legislation. Section 23 (1) of The Welfare Reform and Work Act 2016 states that:-
- "In relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in a relevant year by a tenant of their social housing in England is 1% less than the amount that was payable by the tenant in the preceding 12 months."*
- 5.5 Section 23 (6) then goes on to define the relevant applicable years as a year beginning on the 1 April 2016, 1 April 2017, 1 April 2018 or 1 April 2019. The rent decrease did apply for these years including the current year 2019/20.

6 Next Five Years

- 6.1 On the 4th October 2017, the Government announced plans that stated that from 2020, social housing rents would be limited to CPI plus 1% for at least the following five years.
- 6.2 In September 2018, the Government launched a consultation document 'Rents for social housing from 2020-21' in which it was proposed that rents could be increased by up to CPI+1% each year for a period of at least 5 years from 2020.
- 6.3 The government response to the consultation was a confirmation that it intended to implement its plan to increase social rents by CPI + 1% from April 2020. The government also confirmed that Local Authorities would have to follow the rent standard as set out by the Regulator of social housing so as to align the regulation of council rents with that of private registered providers.
- 6.4 In February 2019 the Secretary of State gave the "*Direction on the Rent Standard 2019*". This direction directed all social housing providers on the governments' requirement in relation to the setting of social housing rents.
- 6.5 The direction referred to the document "*Policy statement on rents for social housing*" which sets out the practical steps required to implement the new regime from 1/4/2020. The policy states that

The new policy will come into effect from 1 April 2020. It will not override landlords' statutory obligation to complete the four year social rent reduction as required by the Welfare Reform and Work Act 2016. Where a landlord has not completed the social rent reduction by 31 March 2020 (because its rent year begins after 1 April), it must complete the reduction before the applying the new policy.

6.6 The new regime is subject to the following

“Registered providers must not allow rents to rise above the rent cap level for the size of property concerned. The rent caps apply as a maximum ceiling on the formula rent, and depend on the size of the property (the number of bedrooms it contains). Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap must be used instead.”

Formula rent caps for 2019-20 and 2020/21 are as outlined in the following table. This shows current caps for 2019/20 and proposed caps for 2020/21 and indicates that from 2020-21, rent caps will increase by CPI (at September of the previous year) + 1.5 percentage points, each year.

Number of Bedrooms	2019/20 Rent Cap per week	2020/21 Rent Cap per week
1 and bedsits	141.43	145.96
2	149.74	154.53
3	158.06	163.12
4	166.37	171.69
5	174.69	180.28
6 or More	183	188.86

6.6 In terms of Service Charges the Policy statement states that

“Service charges are not governed by the same factors as rent. However, registered providers should endeavour to keep increases for service charges within the limit on rent changes, of CPI + 1 percentage point, to help keep charges affordable.”

“Where new or extended services are introduced, and an additional charge may need to be made, registered providers should consult with tenants.”

6.7 In terms of Affordable Rents the Policy Statement states that

“When a tenancy of affordable rent housing is let to a new tenant (or re-let to an existing tenant), registered providers must re-set the rent based on a new valuation, to ensure that the new rent is no more than 80% of the relevant market rent.”

“Where a registered provider is re-setting the rent as a result of re-letting affordable rent housing to an existing tenant, the provider may not increase the rent by more than CPI + 1 percentage point. ‘Existing tenant’ in this context means an existing tenant of the specific property concerned.”

7 Impact

- 7.1 The estimated average weekly rent for 2019/20 is £102.57 and £105.34 in 2020/21, an increase of 2.7%.
- 7.2 The HRA 30 year financial business plan has been updated to reflect the introduction of the CPI+1% increase for the next 5 years starting on 6/4/2020. The impact on the 2020/21 forecast is an estimated increase in rental income of £0.82m to £32.70m over 2019/20 of £31.88m. This takes into account a voids rate of 1.7%
- 7.3 The other changes likely to impact on the HRA and the Council's tenants in the next few years are:-

7.3.1 Universal Credit

The full UC service is still being rolled out and will affect all new claims from working age customers with less than three children e.g. unemployed, sick, disabled, carers, lone parents, foster carers plus change of circumstances; certain client groups e.g. over 65s, supported housing, will be exempt. The financial impact on the HRA for 2020/21 is difficult to estimate but the budgeted rental income collection rate has been revised downwards and the level of bad debts provision maintained in anticipation of the switch to monthly payments, the longer processing time, and the merging of HB with several other benefits into one payment. The HRA Financial Business Plan will be reviewed on a regular basis as the full impact of Universal Credit becomes clearer.

7.3.2 HRA Borrowing

From 2012, Councils were restricted in how much their Housing Revenue Account could borrow to fund new council housing and major refurbishment programmes. The Government has now removed this restriction by abolishing the Housing Revenue Account cap that controlled local authority borrowing for house building. Details are still emerging but it is likely that any new borrowing will be governed by the CIPFA developed *The Prudential Code for Capital Finance in Local Authorities* - a professional code of practice to support local authorities in taking decisions on capital investments. Key objectives of the Code are to ensure, within a clear framework, that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

A number of proposed new build schemes are in the development stage and these will be reviewed to ascertain the optimal balance of new units achievable with this additional source of loan funding.

8 Comments of Other Committees

The Housing rents and service charges 2020/21 are included on the Neighbourhoods and Communities Services Scrutiny Work Programme for January 2020 prior to Council making their final decision.

9 Conclusion

The Cabinet are requested to approve the housing rents and service charges for 2020/21 prior to submission to full Council on the 28th January 2020 for the ultimate decision.

10 Background Papers

- '1' Welfare and Reform Act 2016
- '2' Housing and Planning Act 2016