

## SLOUGH BOROUGH COUNCIL

**REPORT TO:** Council **DATE:** 31<sup>st</sup> January 2017  
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**WARD(S):** All

### PART I FOR DECISION

#### RECOMMENDATIONS OF THE CABINET FROM ITS MEETINGS HELD ON 19<sup>TH</sup> DECEMBER 2016 AND 23<sup>RD</sup> JANUARY 2017

#### **C. HOUSING REVENUE ACCOUNT RENTS AND SERVICE CHARGES 2017-18**

##### **1 Purpose of Report**

To consider the recommendations of the Cabinet from its meeting held on 23<sup>rd</sup> January 2017 in relation to the housing rents and service charges for 2017/18.

##### **2 Recommendation(s)/Proposed Action**

The Council is requested to resolve:-

- (a) That Council house dwelling rents for 2017/18 to **decrease by 1%** over the 2016/17 rent with effect from Monday 3<sup>rd</sup> April 2017. This is in line with current government guidelines and legislation.
- (b) That Garage rents, heating, utility and ancillary charges to **increase by 2.0%** with effect from Monday 3<sup>rd</sup> April 2017. This is based upon the September RPI figure.
- (c) That Service charges to **increase by 2.0%** with effect from Monday 3<sup>rd</sup> April 2017. This is based upon the September RPI figure.
- (d) That 'other committee' property rents to increase by an average of 2.0% from Monday 3<sup>rd</sup> April 2017 in line with the September RPI figure.

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

##### **3a. 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.

##### **3b Five Year Plan Outcomes**

This report will primarily have implications for Outcomes 2 and 7 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.

| <b>Risk</b>            | <b>Mitigating action</b>  | <b>Opportunities</b>   |
|------------------------|---|--|
| 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**

##### **Background**

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 However, in the summer budget on the 8<sup>th</sup> 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 has now 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.

5.6 The Act does allow exemptions from this rent reduction to be granted by the Secretary of State but these are very limited and clearly specified and cover properties such as specialist supported housing, temporary social housing, care homes and nursing homes. One of those exemptions (section 25(10)) is if the SoS considers that the local authority would be unable to avoid serious financial difficulties if it were to comply with the 1% rent reductions.

In effect, this means that for 2017/18, the Council will again need to set its social rents (HRA) 1% lower than the rents current in this year.

## Impact

5.7 The HRA 30 Year financial Business plan has been updated to reflect the introduction of the 1% decrease this year and the next three years. The impact on this year is an estimated reduction of £0.89m over last year's rental income of £33.6m.

5.8 The estimated average weekly rent for the current year is now £103.82 and the Government proposals will produce a total estimated loss in potential rental income of £7.8m and an average decrease of 3.0% in weekly rent over the next three years; this roughly equates to the loss of 30 new social properties. Over a ten year period, the cumulative estimated loss of rental income could be £38m. The year by year impact is shown in the table below:-

|                            | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> |
|----------------------------|----------------|----------------|----------------|
| Average weekly rent        | £102.78        | £101.75        | £100.74        |
| Annual loss of Rent Income | £1.6m          | £2.6m          | £3.6m          |

## **Next Four Years**

- 5.9 In addition to the rent decrease this year and the next three years, (the Government has not yet released any indication of rent changes after 2019/20 but an annual increase of 0.9% has been assumed in the HRA 30 year Financial Business Plan) the HRA is also progressing with the procurement of its Repairs, Maintenance and Investment contract. This will continue to require investment until the new contract is in place but will result in a new contract that offers better value for money, focuses more effectively on meeting tenants' housing needs and aspirations, continues the building of new social housing, focuses investment in 'regenerating' existing estates, and better contributes to the Slough 'pound'.
- 5.10 In light of the above uncertainties, and as previously reported to Members, a comprehensive Asset management Review/Options Appraisal linked to the HRA Business Plan is currently being undertaken. This will also look at rent levels, and explore the opportunities that a 'Slough Living Rent' might represent for tenants and Slough residents in the provision of new housing.
- 5.11 The other change likely to impact on the HRA and the Council's tenants in the next few years is:-

### **5.11.1 Sale of High Value Council Houses**

The Housing and Planning Act 2016 introduced a "Duty to consider selling vacant higher value housing" and Section 76 (1) states that "A local housing authority in England that keeps a Housing revenue Account must consider selling its interest in any higher value housing that has become vacant." This is linked to the proposed introduction of 'right to buy' for Housing Association tenants and is intended to 'compensate' Housing Associations for the loss of their stock through RTB.

Recently, speaking at a Communities and Local Government session on the 8th November 2016, the Housing Minister Gavin Barwell admitted that a decision hadn't yet been taken on the timing and the policy would require "quite a notice period" before being introduced. This was followed later that month, by a further statement from the Housing Minister stating that the government would not be requesting any high-value asset payments from Local Authorities during 2017/18.

- 5.12 Most tenants currently receive their water supply from Thames Water through an arrangement with the Council. The HRA receives a "commission" from Thames Water for administering this service on their behalf and in previous years, this commission has been retained within the HRA for the benefit of all tenants. This arrangement is currently being reviewed but for 2017/18, it is proposed to directly net off this commission against each tenant's water charge managed through the Council.

## **6 Comments of Other Committees**

- 6.1 The Housing rents and service charges 2017/18 was considered by the Neighbourhoods and Communities Services Scrutiny on 17<sup>th</sup> January 2017.

6.2 The Cabinet will consider the matters detailed in this report at its meeting on 23<sup>rd</sup> January 2017. Any amendments to the recommendations will be reported to Council.

## 7 **Conclusion**

The Council is requested to approve the housing rents and service charges for 2017/18.

## 8 **Background Papers**

- '1' Welfare and Reform Act 2016
- '2' Housing and Planning Act 2016
- '3' Summer Budget 2015