

REPORT TO: SCRUTINY COMMITTEE – COMMUNITY AND EXECUTIVE
DATE OF MEETING: 21 January 2015 and 27 January 2015
REPORT OF: Assistant Director Finance
TITLE: Housing Rents and Service Charges 2015-16

Is this a key decision?

Yes

Is this an Executive or Council Function?

Executive

1. What is the report about?

This report sets out the proposed increases in respect of council dwelling rents, garage rents and service charges with effect from 1 April 2015.

2. Recommendations:

That Members of Scrutiny Committee - Community support and Executive approves:

2.1 Rents of Council dwellings are increased by 2.2% from 1 April 2015

2.2 Garage rents are increased by 2.2% from 1 April 2015

2.3 Service Charges are increased by 2.2%, with the exception of charges specified in paragraph 10.3, from 1 April 2015

2.4 In principle, charging full market rent to tenants with a household income of at least £60,000

2.5 The flexibility to let new-build council housing at ‘affordable rents’ – up to 80 percent of local market rent, where considered appropriate

3. Reasons for the recommendations:

In announcements made at Budget 2013 and in the 2013 Spending Round, the Government signalled changes to rent policy for social housing. As a result, new guidance was issued in May 2014 by the Department for Communities and Local Government with regards to setting rents for social housing from April 2015 onwards.

Local authorities are expected to have regard to this guidance when setting rents for their housing stock and the recommended rises contained within this report are in-keeping with the Government’s social rent policy and guidance.

4. What are the resource implications including non financial resources

The proposed rises in housing rents, garage rents and service charges are reflected in the proposed 2015-16 estimates for the Housing Revenue Account, which are also presented to this committee.

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the increases to rents and service charges for 2015-16 in accordance with the

Government's latest guidance on rents for social housing.

6. What are the legal aspects?

Authorities have the legal power to set rents as they determine; the Government's social rent policy provides guidance.

Whilst the Council is free to set its own rents, the Government has maintained the Housing Benefit 'limit' rent which limits the amount of rent a landlord can recover through the housing benefit subsidy system. Increases above the 'limit rent' would have an adverse impact on the amount of housing benefit received. Conversely, the main disadvantage of setting rents lower than Government guidelines is of course the loss of potential revenue and the impact this would have on investment and housing services.

7. Monitoring Officers comments:

No issues of concern identified.

8. Report Details:

RENT SETTING BACKGROUND

- 8.1 At the Spending Round, the Government announced a new social housing rent policy to apply for ten years from 2015-16 to 2024-25. Under the new policy, rents in the social sector should increase by Consumer Price Index inflation (CPI) + 1 percent annually.
- 8.2 Social rents will continue to be set on the current basis, whereby rent per property is calculated using a national formula that reflects the value of the property, number of bedrooms and local earnings.
- 8.3 The main change is the move from an annual limit on weekly rents of Retail Price Index + 0.5% + up to £2, to a limit of Consumer Price Index + 1%, following the Office for National Statistics announcement that the Retail Price Index no longer meets international standards for an inflation-index.

Rent Increases for 2015-16

- 8.4 In accordance with the Government's social rent policy, it will be necessary to implement an increase of 2.2% (CPI + 1%). For 2015-16 this will result in an average increase £1.65 per week, over 52 weeks, per property.
- 8.5 Rents are collected over 48 weeks, resulting in an average increase of £1.79 per collection week for 2015-16.
- 8.6 On a typical 2 bedroom flat the weekly rent for 2015-16 will be £77.41 (over 52 weeks). For comparative purposes, the average weekly rent for a 2 bedroom flat in Exeter are:
- £86.09 per week with a housing association
 - £170.67 per week rented in the private sector

9. Garage Rent Increase

- 9.1 Rentals of non-dwellings, such as garages, are outside the scope of the Government's social rent guidance. However, an increase of CPI + 1% is proposed in-line with rises to dwelling rents and most service charges.

10. Service Charge Increase

- 10.1 These charges cover services and facilities provided by the authority to tenants which are not covered by their rent. Service charges reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities. Different tenants receive different types of service reflecting their housing circumstances.
- 10.2 Service charges are limited to covering the cost of providing the services. Government guidelines advise that authorities should endeavour to keep increases from service charges in-line with rent changes, at CPI + 1%, to help keep charges affordable. For 2015-16 this equates to an increase of 2.2%. Increases above this may be made on rare occasions when an authority has increases in costs outside its control, such as increases in fuel costs.
- 10.3 Service charges will therefore increase by 2.2%, with the following exceptions:
- 2.8% increase in respect of cleaning communal areas in line with anticipated rises in cleaning contract costs
 - 0% increase in respect of communal electricity at Weirfield House
 - 0% increase in respect of water at Magdalen Gardens
 - 3.1% increase in respect of fire alarm testing in line with rises in maintenance and monitoring contract costs
 - 5% increase in respect of repair costs in line with Building Cost Information Service (BCIS) rates

11. Social Housing Tenants on High Incomes

- 11.1 As part of the new social housing rent policy, the Government set out its aim that those in social housing with high incomes should pay a fairer level of rent. Under the new policy, local authorities are able to charge a full market rent where a household has an annual income of at least £60,000. This means a sub-market rent is provided only to those tenants who clearly need it.
- 11.2 There are not expected to be many households, if any, with an annual income of £60,000 or over in Council properties. However, work will be undertaken during 2015-16 to capture the household income data and identify any social tenants with high income so that their rent may be reassessed.

12. Rents for Newly Built Council Housing

- 12.1 The Government has implemented a process to allow properties to be let at 'affordable rents' and to be treated outside of the Rent Rebate Subsidy Limitation scheme when the properties have been provided as part of the Right to Buy replacement agreement. This effectively means that higher rents may be charged without any loss of housing benefit subsidy.
- 12.2 Affordable rent allows local authorities to set rents at levels that are typically higher than social rents, at up to 80% of local market rent inclusive of service charges. The intention behind this is to maximise returns and generate capacity for further investment in new affordable housing.
- 12.3 Sites currently being developed using monies retained under the Right to Buy replacement agreement include; Bennett Square, Newport Road, Rennes House car park and Whipton Methodist Church, it will therefore be possible to

charge affordable rents on these new builds with no loss of housing benefit subsidy.

- 12.4 Alternatively, local authorities are free to let new build properties at social rents with a lower return on their investment.
- 12.5 This flexibility will enable the most appropriate rents to be charged, on a site by site basis, in respect of properties built using retained Right to Buy receipts.

13. How does the decision contribute to the Council's Corporate Plan?

The Housing Revenue Account contributes to two key purposes, as set out in the Corporate Plan; help me find somewhere suitable to live and maintain our property assets.

14. What risks are there and how can they be reduced?

As reported to Scrutiny Committee – Community on 9 September 2014, the main risk to council dwelling rents relates to the impact of welfare reforms, in particular the move to Universal Credit and direct payment of Housing Benefit to claimants. This is not expected to have a significant effect in 2015-16, however, officers are already planning for their implementation including management techniques to support and encourage customer behaviour towards rent payment.

15. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

No impact

16. Are there any other options?

As previously mentioned, the Council is free to set its own rents. However, setting rents higher than Government guidelines could result in a shortfall of housing benefit subsidy and setting rents below Government guidelines has the main disadvantage of the loss of potential revenue and the impact this would have on investment and housing services.

**Assistant Director Finance
Assistant Director Housing**

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

Guidance on Rents for Social Housing, issued by DCLG May 2014