

**REPORT TO:** PEOPLE SCRUTINY COMMITTEE AND EXECUTIVE  
**DATE OF MEETING:** 10 January 2019 and 15 January 2019  
**REPORT OF:** Chief Finance Officer & Director  
**TITLE:** Housing Rents and Service Charges 2019-20

**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 changes to council dwelling rents, garage rents and service charges with effect from 1 April 2019.

**2. Recommendations:**

**That Members of Scrutiny Committee - People support and Executive approves:**

**2.1 Rents of Council dwellings are reduced by 1% from 1 April 2019**

**2.2 Garage rents are increased by 3% from 1 April 2019**

**2.3 Service Charges will remain at their existing levels, with the exception of charges specified in paragraph 12.3, from 1 April 2019**

**3. Reasons for the recommendations:**

With effect from 1 April 2016, the Welfare Reform and Work Act 2016 requires social housing landlords to reduce rents by 1% a year for 4 years from a 2015-16 baseline.

The financial year 2019-20 represents the fourth and final year of implementing the 1% rent cut.

Rents of garages and service charges fall outside the scope of the 1% reductions. Authorities are expected to set reasonable and transparent charges which reflect the service being provided to tenants.

**4. What are the resource implications including non financial resources**

The proposed changes in housing rents, garage rents and service charges are reflected in the proposed 2019-20 estimates for the Housing Revenue Account, which are also presented to this committee.

As previously reported, the 1% reduction in rents over the four financial years is expected to result in a loss of £7.9 million compared to previous income projections for this period.

The Government's previous social rent policy was intended to give social landlords certainty over the 10 year period, 2015-16 to 2024-25, with rents expected to rise by Consumer Price Index inflation (CPI) + 1%. The policy change has resulted in a significant reduction in the level of financial resources available for housing investment.

**5. Section 151 Officer comments:**

The report contains details of the final year of the Government's rent reduction policy. This will offer a small reduction in the weekly rent payable by tenants and is a legal requirement. Council will note the changes in other charges as set out in the report.

**6. What are the legal aspects?**

Section 23 of the Welfare Reform and Work Act 2016 requires registered providers of social housing in England to reduce social housing rents by 1% a year for 4 years from a frozen 2015-16 baseline.

**7. Monitoring Officers comments:**

The report raises no issues for the Monitoring Officer.

**8. Report Details:**

**RENT SETTING BACKGROUND**

8.1 Despite applying a 1% reduction to rents, the underlying rent for each council property is based upon a national rent formula.

8.2 The rent formula was established to ensure that social rents take account of:

- The condition and location of a property – reflected in its value
- Local earnings
- Property size (specifically, the number of bedrooms in a property)

8.3 The rent formula for each council dwelling is set, based upon January 1999 levels, and up until 2015-16 was uplifted for inflation each year.

8.4 During the 4 year rent reduction period, the baseline 2015-16 'formula rent' will be incrementally reduced by 1% in 2016-17, 2017-18, 2018-19 and 2019-20.

8.5 On 4 October 2017, DCLG announced that increases to social housing rents, after the 4 year rent reduction period, will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.

**Social Rent Decreases for 2019-20**

8.6 In accordance with the Welfare Reform and Work Act 2016, it will be necessary to reduce rents by 1%. For 2019-20 this will result in an average reduction of £0.75 per week, over 52 weeks, per property.

8.7 Rents are collected over 48 weeks, resulting in an average reduction of £0.81 per collection week for 2019-20.

8.8 On a typical 2 bedroom flat the weekly rent for 2019-20 will be £74.35 (over 52 weeks). For comparative purposes, the average weekly rents for a 2 bedroom flat in Exeter are:

- £89.42 per week with a housing association
- £173.08 per week rented in the private sector

## **9. Universal Credit**

- 9.1 Universal Credit has been introduced in Exeter. It replaces Housing Benefit and a range of other welfare benefits for most working age people. Universal Credit is paid monthly and is designed to match the way that most salaries are paid. Universal Credit may include an amount towards rent and the claimant will be responsible for using this money to pay their landlord themselves. It is recognised that adapting to this new way of receiving benefits may be difficult for claimants.
- 9.2 As reported to People Scrutiny Committee on 4 January 2018, areas in which Universal Credit has been rolled out have reported a rise in the level of rent arrears. In order to help mitigate this risk the Council are working with DWP, under a funded partnership arrangement, to offer advice and assistance in the use of on-line services, budgeting and managing finances to claimants. In April 2019, the responsibility for delivering Universal Support moves to the Citizen Advice Bureau.
- 9.3 It is too early to forecast with accuracy the impact on HRA rent arrears, the proposed budget for rental income in 2019/20 has therefore made an estimated £200k provision for an increase in arrears, specifically related to tenants owing more than £500. As a guide, rent arrears were £398,758 as at 31 March 2018 in respect of current tenants.

## **10. Affordable Rents for Newly Built Council Housing**

- 10.1 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.
- 10.2 The requirement to reduce rents by 1% for four years also applies to properties let at affordable rents. For Exeter, this applies to the Council Own Build sites; Knights Place, Rowan House, Silverberry Close, Barberry Close, Reed Walk and Chester Long Court.

## **11. Garage Rent Increase**

- 11.1 Rentals of non-dwellings, such as garages, are outside the scope of the Government's social rent policy. However, previous annual increases to garage rents have been in-line with rises in social rents at CPI + 1%.
- 11.2 Under self-financing local authorities are encouraged to review the rents of non-dwellings in order to ensure associated costs are fully recovered. In light of the proposed capital investment in garages over the next 4 years, it is considered appropriate to recover the costs over a period from a higher rental.
- 11.3 A 3% increase in garage rents and parking spaces is proposed, in line with inflationary increases to general fees and charges of the Council.

## **12. Service Charge Increase**

- 12.1 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.

- 12.2 Service charges are limited to covering the cost of providing the services. Previous Government guidelines advised that authorities should endeavour to keep increases in-line with rent changes, at CPI + 1%, to help keep charges affordable. 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.
- 12.3 With rents reducing it is proposed that service charges are maintained at their existing levels for 2019-20, with the following exceptions:
- 10% increase in emergency light testing in line with routine testing costs and additional installations
  - 20% decrease in respect of the Older Persons' property service charge reflecting a frozen post
  - 5% reduction in respect of door entry systems in line with system maintenance costs

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

The Housing Revenue Account contributes to three key priorities, as set out in the Corporate Plan; providing value-for-money services, leading a well-run council and building great neighbourhoods.

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

In addition to the 1% reduction in rental income over the four years; 2016-17 to 2019-20, the main risk to council dwelling rents relates to the impact of welfare reforms, in particular the move to Universal Credit.

Officers are already planning for the implementation including management techniques to support and encourage customer behaviour towards rent payment in order to help mitigate this risk.

**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?**

Rents and service charges represent the main sources of income to the HRA, which in turn provides the financial resources to deliver housing services and maintain the condition of council dwellings, which has a positive impact on the health and well-being of Council tenants. In the delivery of services, housing officers are able to identify and manage issues relating to safe-guarding, vulnerabilities and community safety.

**16. Are there any other options?**

No other options.

**Chief Finance Officer  
Director**

**Author:**  
Michelle White

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

**Background papers used in compiling this report:**