

**REPORT TO:** **EXECUTIVE**  
**DATE OF MEETING:** **14 January 2020**

**REPORT TO:** **COUNCIL**  
**DATE OF MEETING:** **21 January 2020**

**REPORT OF:** **Chief Finance Officer & Director**  
**TITLE:** **Housing Rents and Service Charges 2020-21**

**Is this a key decision?**

Yes

**Is this an Executive or Council Function?**

Council

**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 2020.

**2. Recommendations:**

That Executive recommends to Council to approve:

- 2.1 Rents of Council dwellings are increased by 2.7% from 1 April 2020
- 2.2 Garage rents are increased by 2.7% from 1 April 2020
- 2.3 Service Charges are increased by 2.7%, with the exception of charges specified in paragraph 12.3, from 1 April 2020

**3. Reasons for the recommendations:**

In October 2017, the government announced its intention to set a long term rent policy in respect of annual rent increases on both social rent and affordable rent properties of up to CPI plus 1% from 2020, for a period of 5 years.

The new policy on rents for social housing comes into effect from 1 April 2020. It does not override landlords' statutory requirement to complete the four year social rent reductions as required by the Welfare Reform and Work Act 2016.

The Council implemented the required social rent reductions of 1% rent cuts in each of the last four years (2016/17, 2017/18, 2018/19 and 2019/20). It is therefore permitted to apply the new policy of increasing rents by CPI plus 1%, which equates to 2.7% for 2020/21.

Rents of garages and service charges fall outside the scope of the Government's rent policy. 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 2020/21 estimates for the Housing Revenue

Account (HRA).

The new rent policy is intended to apply for the next five years, in order to allow landlords to plan ahead. The medium term financial plans for the Council's HRA therefore reflect assumptions for the annual uplift of property rents by CPI + 1%.

**5. Section 151 Officer comments:**

The report contains details of the new Government rent policy. This will offer an uplift in the resources available to the HRA and it is a legal requirement to follow Government policy. Council will note the changes in other charges, which have been set following the same principle.

**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. Providing these reductions have been completed, the Council is permitted to increase rents by CPI + 1% in accordance with the government's new rent policy.

**7. Monitoring Officers comments:**

This report raises no issues to concern the Monitoring Officer.

**8. Report Details:**

**RENT SETTING BACKGROUND**

8.1 Despite applying a 1% reduction to rents for the last 4 years, 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' has been 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 Increases for 2020/21**

8.6 In accordance with the social rent policy which comes into effect from 1 April 2020, rents will be increased by CPI + 1% (CPI is the official method of calculating inflation in the UK). For 2020/21 this will result in an average increase of £2.01 per week, over 52 weeks, per property.

8.7 Rents are collected over 48 weeks, resulting in an average increase of £2.18 per collection week for 2020/21.

- 8.8 On a typical 2 bedroom flat the weekly rent for 2020/21 will be £76.36 (over 52 weeks). For comparative purposes, the average weekly rents for a 2 bedroom flat in Exeter are:
- £92.23 per week with a housing association
  - £178.85 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 previously reported to committee, 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 was 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. This working arrangement and funding was withdrawn nationally in April 2019, with Citizens Advice being awarded a national contract to deliver support services to Universal Credit claimants.
- 9.3 The level of rent arrears is kept under review by the Payments and Collection Team and analysis during 2019/20 shows that all Council tenants in receipt of Universal Credit have rent arrears. However, some tenants had rent arrears prior to receiving this benefit, so cannot easily be attributed to the move to Universal Credit. On the whole, rent arrears have increased, with average arrears during 2018/19 at 2.5%, compared to average arrears during 2019/20 (to date) at 2.8%.
- 9.4 In light of the pressure on arrears, the proposed budget for rental income in 2020/21 has made an estimated £100k provision for an increase in arrears, specifically related to tenants owing more than £500. As a guide, rent arrears were £319,018 as at 31 March 2019 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, allowing more people in housing need to have access to a good quality home at sub-market rent.
- 10.2 The requirement to reduce rents by 1% for four years also applied to properties let at affordable rents. For Exeter, this includes properties the Council has built at Knights Place, Rowan House, Silverberry Close, Barberry Close, Reed Walk and Chester Long Court. Upon completion of the four year rent cuts, affordable rents may also be increased by CPI + 1% in line with annual social rent rises.
- 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, prior to the 4 year period of rent cuts, annual increases to garage rents were generally kept in-line with rises in social rents.

- 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. With inflationary rises varying between 2.5% for employee costs and 3.5% for general repair costs, a rise in line with rent charges is considered appropriate.

11.3 A 2.7% increase in garage rents and parking spaces is therefore proposed, in line with the permitted rises in social and affordable rents at CPI + 1%.

## **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. 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 It is proposed that service charges are increase by 2.7%, in line with rent rises, with the following exceptions:

- 5.9% increase in emergency light testing in line with routine testing costs and additional installations
- 2% decrease in respect of the Older Persons' property service charge due to vacant posts
- 0% no increase in water charges in respect of Magdalen Gardens in line with contract prices
- 5% decrease in respect of door entry systems in line with system maintenance costs
- 5% increase in fire alarm charges to reflect the contract for weekly fire alarm testing

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

- 13.1 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?**

- 14.1 The main risk to council dwelling rents relates to the impact of welfare reforms, in particular the move to Universal Credit.

- 14.2 Citizens Advice have been awarded a national contract to deliver support services to Universal Credit claimants. This follows the work already undertaken by the Council in partnership with the DWP to help prepare claimants in budgeting and managing their finances.

## **15. Equality Act 2010 (The Act)**

- 15.1 Under the Act's Public Sector Equality Duty, decision makers are required to consider the need to:
- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
  - advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
  - foster good relations between people by tackling prejudice and promoting understanding.
- 15.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.
- 15.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.
- 15.4 An equality impact assessment accompanies this report in respect of the impact of the recommendations on people with protected characteristics as determined by the Act.

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

From 1 April 2020, social landlords may not increase rents by more than CPI + 1% in any year. This limit is a ceiling and landlords are able to apply a lower increase. However, any rent increases at less than CPI + 1% would have a significant impact on the HRA's financial position and resources available to invest in its stock.

**Chief Finance Officer  
Director**

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

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