

REPORT TO EXECUTIVE

Date of Meeting: 12 January 2021

REPORT TO COUNCIL

Date of Meeting: 23 February 2021

Report of: Director Finance

Title: Housing Rents and Service Charges 2021-22

Is this a Key Decision?

No

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 2021.

2. Recommendations:

That Executive recommend that Council approves:

- Rents of Council dwellings are increased by 1.5% from 1 April 2021
- Garage rents are increased by 1.5% from 1 April 2021
- Service Charges are increased by 1.5%, with the exception of charges specified in paragraph 13.3, from 1 April 2021

3. Reasons for the recommendation:

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 policy on rents for social housing came into effect from 1 April 2020. The Council is permitted to apply the policy of increasing rents by CPI plus 1%, which equates to 1.5% for 2021/22.

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 2021/22 estimates for the Housing Revenue Account (HRA).

The current rent policy was intended to apply for five years from 2020, 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 Government rent policy. This will offer an uplift in the resources available to the HRA and it is a legal requirement to have regard to Government policy. Council will note the changes in other charges, which have been set following the same principle. Council should also note that rent arrears are continuing to rise, although this is particularly affected presently by the pandemic.

CPI is lower than projected in the last medium term financial plan and this will result in lower than expected income for the HRA, which will have an ongoing impact of their revenue. As set out in budget monitoring reports, the medium term financial plan for the HRA projected the use of all resources by the end of the period.

Therefore this lower than anticipated income will require reductions to be made to the plan, in order for the HRA's budget to remain balanced over that period.

6. What are the legal aspects?

The Council, in setting its annual rents, is directed to have regards to the Government's policy on Rents for Social Housing 2018 which came into effect from 1 April 2020.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report details:

RENT SETTING BACKGROUND

8.1. 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 uplifted for inflation each year.

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

Social Rent Increases for 2021/22

- 8.5. In accordance with the social rent policy which came 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 2021/22 this will result in an average increase of £1.14 per week, over 52 weeks, per property.
- 8.6. Rents are collected over 48 weeks, resulting in an average increase of £1.24 per collection week for 2021/22.
- 8.7. On a typical 2 bedroom flat the weekly rent for 2020/21 will be £77.51 (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
 - £183.47 per week rented in the private sector

9. Universal Credit

- 9.1. As previously reported to committee, areas in which Universal Credit has been rolled out have reported a rise in the level of rent arrears with claimants requiring additional support in order to manage this new way of receiving benefits. The Citizens Advice (CAB) have a national contract to deliver support services to Universal Credit claimants, but the challenge faced is finding timely support for the most vulnerable customers who may suffer financial distress, health issues, or who do not have access to equipment to make a claim, the rising numbers needing support from CAB and other support services have seen delays for these people who most need it. Support is still offered by the Council via the direct.gov website, especially for those who find the process challenging.
- 9.2. From the 5th October 2020, the Council moved to the new Payment Alignment feature, this allows direct payments of housing costs to be made in line with the payment of a tenant's personal element of Universal Credit, removing delays. Payments will be made via BACS transfer and can be viewed via a Landlord portal. In addition to this a request for 'Alternative Payment Arrangements' (APAs) can be made via the Landlord portal, this allows Landlords to request rents are paid direct to them, along with collection of any arrears outstanding, by a managed monthly payment direct from the DWP. The Landlord portal is used to verify rent charges and service charges, allowing for a quick turnaround on new claims.
- 9.3. The level of rent arrears is kept under review by the Payments and Collection Team and analysis during 2019/20 & 2020/21 shows that a large majority of 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 2019/20 at 2.75%, compared to average arrears during 2020/21 (to date) at 3.31%. This will also have been impacted by COVID-19.
- 9.4. In light of the pressure on arrears, the proposed budget for rental income in 2021/22 has made an estimated £150k provision for an increase in arrears, specifically related to tenants owing more than £500. This assumes a recovery from the current year position which has been impacted by COVID-19. As a guide, rent arrears were £434,421 as at 31 March 2020 in respect of current tenants.

10. COVID-19

- 10.1. The COVID-19 pandemic has had a negative impact on rent arrears since March 2020. Overall rent arrears have steadily increased from 2.25% at the start of April 2020 to 4.26% at the end of October 2020.
- 10.2. The pandemic has resulted in an increase in the number of tenants claiming Universal Credit and also brought financial pressure on those tenants who have been furloughed. Tenants who found it difficult to maintain consistent rent payments prior to the pandemic have found it increasingly challenging to meet their rent obligation throughout 2020.
- 10.3. New guidance was issued by MHCLG in November 2020 that set out arrangements for local authorities to apply to the Secretary of State for agreement to depart from the Government Rent Policy, if it would cause the authority 'unavoidable and serious financial difficulty'.

In considering whether the application of the Government Rent Policy would cause unavoidable and serious financial difficulty, the Secretary of State will expect to be provided with evidence that:

- the local authority's Housing Revenue Account (HRA) is at risk of a deficit in either the current or subsequent financial year
- complying with the requirements set out in the Rent Standard would jeopardise the local authority's ability to meet legal requirements/ obligations, including ensuring the health and safety of its residents
- all possible steps have been taken to avoid the need for an application to the Secretary of State, including reviewing services and commitments and taking action to minimise costs and curtailing non-essential commitments

It is not considered that there are grounds to depart from the Government's Rent Policy.

11. Affordable Rents for Newly Built Council Housing

- 11.1. 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.
- 11.2. For Exeter, this includes properties the Council has built at Knights Place, Rowan House, Silverberry Close, Barberry Close, Reed Walk and Chester Long Court. Affordable rents may also be increased by CPI + 1% in line with annual social rent rises.

12. Garage Rent Increase

- 12.1. Rentals of non-dwellings, such as garages, are outside the scope of the Government's social rent policy. However annual increases to garage rents are generally kept in-line with rises in social rents.
- 12.2. Under self-financing local authorities are encouraged to review the rents of non-dwellings in order to ensure associated costs are fully recovered. Allowing for

inflationary rises for employee costs and for general repair costs, a rise in line with rent charges is considered appropriate.

- 12.3. A 1.5% increase in garage rents and parking spaces is therefore proposed, in line with the permitted rises in social and affordable rents at CPI + 1%.

13. Service Charge Increase

- 13.1. 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.
- 13.2. 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.
- 13.3. It is proposed that service charges are increased by 1.5%, in line with rent rises, with the following exceptions:
- 4% decrease in respect of the Older Persons' property service charge due to post changes
 - 0% no increase in water charges in respect of Magdalen Gardens in line with contract prices
 - 0% no increase 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

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

- 9.1. 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.

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

- 10.1. The main risk to council dwelling rents relates to the COVID-19 pandemic and its impact on tenants' ability to pay.
- 10.2. The level of rent arrears is kept under review by the Payments and Collection Team. A £150k provision has been made for an increase in arrears, however this assumes a recovery from the current year position over the next 12 months.

11. Equality Act 2010 (The Act)

- 11.1. Under the Act's Public Sector Equalities 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.
- 11.2. 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.
- 11.3. 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.
- 11.4. 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.

12. Carbon Footprint (Environmental) Implications:

- 12.1. No direct carbon/environmental impacts arising from the recommendations.

13. 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.

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

Background papers used in compiling this report:-

None

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