

Committee: Housing Board

Agenda Item

Date: 23 October 2012

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Title: Draft Rent Setting Policy

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Summary

1. With the development of a 30 year Housing Revenue Account Business Plan there is a need to take a longer term view of rent and service charge setting as yearly arrangements will cause uncertainty with regard to the financial viability of the plan.
2. This report proposes the adoption of a rent and service charge setting policy which determines the levels by which rents and service charges will be increased on an annual basis.

Recommendations

3. That the board consider the draft Rent & Service Charge Setting Policy attached to this report

Financial Implications

4. The Council took on £88.4m in debt following the introduction of self-financing of the Housing Revenue Account. In agreeing a rent and service charge setting policy, the Council will need to take account of the requirement to meet the debt repayments, which are fixed and are first call on the HRA finances prior to service provision or investment in its homes. In addition to the above, there has to be due regard paid to the ability of tenants to pay their rent and therefore rent levels need to be maintained at affordable levels.

Background Papers

None

Impact

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Communication/Consultation	N/A
Community Safety	N/A
Equalities	An Equality Impact Assessment of the policy will be undertaken once agreed in its draft form, prior to submission to Council and prior to each annual rent

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	setting report to Council
Health and Safety	N/A
Human Rights/Legal Implications	There are no legal implications associated with the report's recommendations.
Sustainability	N/A
Ward-specific impacts	Tenants in all wards affected
Workforce/Workplace	Continuity in the delivery of services is an important factor when considering rent and service charge increase. As the repayment of HRA debt has first call on available funds, services would need to be reduced in order to limit or reduce revenue expenditure if the rent policy is not followed

Situation

6. The Council have previously been obliged to comply with the Government's rent setting formula. However, following the introduction of self-financing for the Housing Revenue Account (HRA), local authorities have been free to set their own rent levels.
7. Government have stated: *"While local authorities are free set their own rent levels under the principles of self-financing, their inherited debt level is also determined by the CLG rent formula. Thus if a council chooses not to apply the formula it could face problems in servicing its debt."*
8. The setting of rents under the new self-financing regime is uncharted territory for local authorities, there now being a need to ensure sufficient funds exist within the HRA to meet Business Plan requirements, including the repayment of debt.
9. In calculating and allocating HRA self-financing debt, assumptions were made by Government that local authorities would adopt a rent and service charge policy which ensured funds were raised to repay this debt. Members have agreed a debt repayment structure which continues these assumptions for 30 years.
10. In taking this longer term view, Members will need to be satisfied that the Council has a viable HRA, with sufficient balances to ensure loans can be repaid and sufficient funds to carry out actions identified in the HRA business plan.
11. By not levying a rent increase which provides for a viable HRA, future opportunities to invest in services, existing and new homes may be lost.

Risk Analysis

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Risk	Likelihood	Impact	Mitigating actions
There is a risk to the viability of the Housing Revenue Account Business Plan if rent levels do not increase in line with estimations	2 – no current policy in place on rent increases	4 – HRA business plan will no longer be viable	The risks can be mitigated against, and would be classed as low, should future rent increases remain in line with those estimated in the HRA Business Plan to ensure the HRA is viable

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.