

Committee: Housing Board

Agenda Item

Date: 27 January 2015

4

Title: Housing Revenue Account - Proposed Rent and Service Charge increase 2015/16

Author: Roz Millership – Assistant Director Housing and Environmental Services Item for decision
Angela Knight – Assistant Director Finance

Summary

1. This report sets out the proposed 2015/16 Housing Revenue Account (HRA) options for increases in HRA dwellings rent level.
2. This report sets out the proposed 2015/16 Housing Revenue Account (HRA) increase in garage rent.
3. This report sets out the proposed 2015/16 Housing Revenue Account (HRA) for increases in service charges.
4. The recommendations will be discussed by the Tenants forum on 22 January 2015.
5. The Housing Board and Tenants forums recommendations will be reviewed by Scrutiny Committee (10 February 2015) prior to approval by Cabinet (17 February 2015) and referral to Full Council on (26 February 2015).

Recommendations

6. The Housing Board is requested to recommend to Cabinet for approval the preferred option for increases in the HRA dwelling rent as per the options below:

Option 1 - New government guidelines recommended increase of CPI + 1%

Option 2 - Increase of CPI + 2%

Option 3 - The Council's current Rent and Service Charge Setting Policy was adopted in January 2013 with annual increases at RPI + £2 + 0.5% for dwellings not yet converged to formula rent and RPI + 0.5% for dwellings currently at formula rent.
7. The Housing Board is requested to recommend to Cabinet for approval the increases in garage rent and service charges as detailed below:
 - Garage rents are increased by RPI of 2.3%.
 - Heating, Service and Sewerage charges are increased in line with actual costs.
 - Service charges for common services in sheltered schemes continue to be subsidised for tenants at 31st March 2012 who are not in receipt of housing benefit. Subsidy reducing by 25% annually.

- Charge for Sheltered support services is increased by RPI of 2.3%
- Sheltered support services for tenants as at 31st March 2003, who are not eligible for supporting people grant, continue to receive transitional relief protection
- Lifeline basic charge is increased by RPI of 2.3%

Financial Implications

8. The relevant financial implications are included in the body of the report

Background Papers

9. None

Impact

10.

Communication/Consultation	The rent setting policy was approved by Housing Board on 20 th November 2012 and Cabinet on 13 th December 2012.
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Background

11. **National social rent policy** – As reported to the Housing Board in November, the Government has recently confirmed a number of key changes introduced from April 2015 as part of the outcome to the Rent Policy Consultation, summarised in a document called 'Rents for Social Housing from 2015/16' with associated CLG Guidance issued alongside.

The key changes are:

- A change in the inflationary rate used as part of the rent review each year, with a move for both actual and target rents from the historic inflationary rate of RPI (Retail Price Index) plus 0.5% to the use of CPI (Consumer Price Index) plus 1%, for the 10 year period from 2015/16 to 2024/25.
- Cessation of the rent convergence policy for existing tenants from 2015/16.

- Assumption that authorities will move the rent levels for all properties directly to target rent when a property becomes void, thus still achieving rent convergence, but over a longer time frame.
- Assumption that new homes will be let at the higher 'Affordable Rents' of up to 80% market rent levels (inclusive of service charge), if the authority has a Framework Development Agreement in place, or has entered into a Retention Agreement for the ability to retain right to buy receipts.
- Assumption that the rent for properties where the household income exceeds £60,000 per annum should be set at full market rent levels.

It is not clear whether the Government will implement some form of rent-setting mechanism to prevent councils from increasing rents by more than CPI plus 1% as there is currently no such mechanism in place. This theoretically presents the council with some possible options for rent increases for 2015-16, within current limit rents, although it should be noted that the Government may well take action to close off any course of action other than a CPI plus 1% increase.

The financial impact of proposed rent increases following new guidance is modelled below in 3 options. **Options include:**

1. Assume rents will increase by CPI plus 1% as in the new guidance
2. Assume rents will increase by CPI plus 2% (alternative strategy)
3. Continue to assume a "rent convergence" policy, in which case many of the Council's rents would expect to converge in 2015-16

Financial Impact of Proposed Rent Increases

12.Option 1 – CPI +1%

Total Average Weekly Rent – 2015/16 (£)	Total Average Weekly Rent – 2014/15 (£)	Average weekly Increase (£)
100.60	98.65	2.33

Impact on tenants

The average weekly rent increase will have the following impact on the HRA's tenancies (excluding Affordable Rents and Temporary Accommodation):

- All 2,813 tenancies has a rental increase below £3
- 714 of these tenancies has a rental increase below £2
- An average rental increase of 2.2%

13. Option 2 – CPI +2%

Total Average Weekly Rent – 2015/16 (£)	Total Average Weekly Rent – 2014/15 (£)	Average weekly Increase (£)
101.39	98.65	2.74

Impact on tenants

The average weekly rent increase will have the following impact on the HRA's tenancies (excluding Affordable Rents and Temporary Accommodation):

- 6 tenancies has a rental increase greater than £4 (max £4.09)
- 1,675 tenancies has a rental increase greater than £3 but less than £4
- 889 tenancies has a rental increase greater than £2 but less than £3
- 243 tenancies has a rental increase below £2 (min £0.86)
- An average rental increase of 3.0%

14. Option 3 – RPI + 0.5% + (£2)

Total Average Weekly Rent – 2015/16 (£)	Total Average Weekly Rent – 2014/15 (£)	Average Increase (£)
101.94	98.65	3.29

Impact on tenants

The average weekly rent increase will have the following impact on the HRA's tenancies (excluding Affordable Rents and Temporary Accommodation):

- 185 tenancies has a rental increase greater than £5 (max £5.43)
- 838 tenancies has a rental increase greater than £4 but less than £5
- 835 tenancies has a rental increase greater than £3 but less than £4
- 704 tenancies has a rental increase greater than £2 but less than £3
- 251 tenancies has a rental increase below £2 (min £0.86)
- An average rental increase of 3.5% (max 5.5% and min 0.7%)

15. Financial Impact on Annual Rental Income

	Annual Rental income (£m)	Rental Increases (£m)
Option 1 (CPI + 1%)	14.71	
Option 2 (CPI + 2%)	14.83	0.12 (£120,000)
Option 3 (RPI + 0.5% + (£2))	14.91	0.20 (£200,000)

Options 2 and 3 will result in additional income for the HRA. Whilst increased income could potentially assist in delivering more affordable housing within the HRA, the higher rents required to generate this income would place an additional burden on tenants at a time when welfare reform continues to impact on families, in many instances significantly.

16. Garage Rents

The Council manages a total of 545 garages, of these 307 are rented by private residents. The annual proposed rental increase is by RPI of 2.3% (as at September 2014). The current rent is £9.41 and increasing to £9.63 (excluding VAT) for 2015/16.

17. Sheltered/Lifeline Charges

Tenants are offered 3 levels of sheltered support service, Bronze, Silver and Gold; these have been increased in line with RPI at 2.3%.

Tenants as at 31st March 2003 paying sheltered support service charges and ineligible for supporting people grant assistance continue to receive transitional relief protection funded by the HRA.

Service Level	Charge for 2014/15 (£)	Proposed Charge for 2015/16 (£)
Gold	16.26	16.63
Silver	14.39	14.72
Bronze	11.51	11.77

18. Lifeline Charges

Lifeline charges were introduced in 2013/14 on a tiered level 1, 2 and 3. The basic charge for the service is £4.07 per week and this is proposed to be increased at the September 2014 RPI of 2.3%. The enhancement of the basic service will remain at £1 per extra enhancement.

- Basic level - £4.07 per week increasing to £4.16 per week

- Extra sensors (up to 4) - £1
- Evening and Weekend response - £1

19. Heating, Service and Sewerage Charges

The Council manages leasehold and freehold properties where service and sewerage charges are payable and these will continue to be calculated in line with actual costs.

General needs and sheltered housing service charges are calculated on the same basis as Leasehold/freehold properties.

Heating charges will be calculated in line with actual costs.

Service charges for tenants as at 31st March 2012 in sheltered accommodation and not in receipt of Housing Benefit will continue to be partially subsidised from the HRA. It is recommended that the subsidy for these charges is reduced by 25% annually.

20. Risk Analysis

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 when the plan was produced	3 – new guidance recommends the cessation of the rent convergence policy for existing tenants from 2015/16	3 – some programmes of work may need to be delayed or re-profiled	Work with the tenant forum and the housing board to identify what programmes of work can be re-profiled

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.