

**Name of meeting:** Cabinet

**Date:** 23 January 2018

**Purpose of report:** Housing Revenue Account (HRA) rent and service charge setting report and key housing challenges

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	Yes  If yes give the reason why  The Council owns and manages 23,000 properties
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a></b>	Key Decision – Yes
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	Not applicable This decisions forms part of the Council budget which will be considered by Budget Council on 14 February 2018
<b>Date signed off by <u>Director</u> &amp; name</b>	Naz Parkar – 15 January 2018
<b>Is it also signed off by the Service Director, Finance, IT and Transactional Services</b>	Debbie Hogg – 12 January 2018
<b>Is it also signed off by the Service Director, Legal, Governance and Commissioning</b>	Julie Muscroft – 15 January 2018
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Cllr Cathy Scott</b>

**Electoral [wards](#) affected:** All

**Ward councillors consulted:** None

**Public or private:** Public

## 1. Summary

- 1.1 To seek Member approval for a 1% reduction in dwellings rents in 2018/19 and for the proposed garage rents annual uplift of 3.9% in 2018/19 and similar for the service and other charges with the exception of Extra Care services which have a proposed annual uplift of 2.87%.

- 1.2 To provide context in terms of the key challenges facing housing including the 1% rent reduction.
- 1.3 To set out the full schedule of proposed weekly dwelling rent, service and other charge increases to Council tenants for 2018/19, noting that these will be calculated on a basis that matches the billing period to the number of weeks in the year (i.e. 52 weeks for 2018/19) Appendix 1.

## 2. Information required to take a decision

- 2.1 This report provides the financial context and basis for the annual setting of rents and service charges as well as for the HRA budget which will be considered by Council on 14<sup>th</sup> February 2018.
- 2.2 The Government has confirmed it has clear expectations of a revised national rent setting policy. The expectation is that Councils will implement a 1% reduction in rents for 4 years from April 2016 to April 2019 and then increase rents by CPI + 1% from April 2020 for five years.
- 2.3 HRA self-financial was implemented in April 2012. National government rent policy at that time allowed for annual rent uplifts at Consumer Price Index + 1% and the longer term outlook for tenants was a financially viable HRA which would enable the Council and its key ALMO partner KNH to:
  - 1) Service HRA Debt
  - 2) Maintain current stock at decency standard over the long term
  - 3) Provide a high quality housing management and housing repair service
  - 4) Explore opportunities for additional strategic investment e.g. New Build
- 2.4 In July 2015 the government introduced new rent setting measures under the Welfare Reform and Work Act 2016, for social housing landlords to reduce the rent payable by tenants by 1% each year between April 2016 and April 2019. As a result a fundamental review of the HRA commenced in 2016 with HRA planning now focussing on year three of the 4 year reduction. The implications for the HRA linked to the 4 year rent reduction policy are summarised below:
  - 1) The HRA is a ring fenced account and has to live within its means. Its main income source is rents
  - 2) Future year HRA income forecasts prior to the July 2015 government announcement had assumed annual rent uplifts based on CPI + 1%. These forecasts have now been re-cast in light of the 1% reduction announcement
  - 3) The change in government rent policy has meant significant financial implications for the HRA. This is set out in a simple table below:

Financial Year	Annual rent forecasts before the 1% rent reduction announcement	Annual rent forecasts after the 1% rent reduction announcement	Annual HRA rental income loss
	£m	£m	£m
2016-17	84.4	82.8	(1.6)
2017-18	85.9	81.7	(4.2)
2018-19	87.8	80.6	(7.2)
2019-20	90.0	79.5	(10.5)

- 2.5 In addition to the rent reduction policy a number of key policy announcements have been made following the enactment of the Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016. The implications of the new legislation have been included within the 30 year financial modelling for the HRA and are summarised below in section 3. A key objective is to deliver a balanced 30 year HRA business plan. The budget proposals for 2018-2021 result from a joint review of the HRA with Kirklees Council and KNH. The initial target, as reported in the 2017/18 report to Tenants and Residents Committees, identified a savings gap of approximately £6m, but to ensure that additional pressures are considered this has been revised to £8m. This target saving is in line with current information available on national policy changes and welfare reform.
- 2.6 Rental Income will reflect the 1% rent reduction (as in the above table) until 2019/2020, and then we assume CPI + 1% which will be applied for five years as per the Government announcement in October 2017.

### **3. Implications for the Council**

3.1 Early Intervention and Prevention (EIP)  
N/A

3.2 Economic Resilience (ER)  
N/A

3.3 Improving outcomes for children  
N/A

3.4 Reducing demand on services

3.5 Other (eg Legal/Financial or Human Resources):

- a) The rent reduction and wider key housing challenges set the broader financial context for the HRA budget discussions in February 2018.
- b) The proposed 1% rent reduction for 2018/19 will directly impact on around 30% of Council tenants not in receipt of housing benefit.
- c) As part of HRA self-financial, central government's debt settlement allocation to Kirklees was £216 million. This was based on a nationally modelled assumption that Kirklees HRA would have sufficient future rental income streams to be able to service this level of debt, provided it continued to uplift rents annually in line with national rent guidelines.
- d) The current HRA business plan is based on a prudent servicing of the £216 million debt settlement figure and the fact that future rental income streams need to be sufficient to enable the Council to build up resources to be able to maintain existing housing stock at a level of decency over the longer term.
- e) The impact of the 1% rent reduction on the 30 year business plan represents a significant business risk to the Council.
- f) By year 2019/20 there will be an annual reduction of circa £10.5 million in rental income. The cumulative amount lost over the 4 years is circa £23.5m.

g) Initial proposals for dealing with the forecast deficit on the HRA include:

- By 2019/2020 the revised KNH management fee will have achieved savings reflecting the new structure.
- Income streams will be reviewed following the successful merger of Building Services and KNH.
- Continuation of the review for the improved delivery model for asset management.
- Continuation of interventions to mitigate the impact of welfare reform on the HRA.

h) The Equality Act 2010 (Section 149) requires the Council to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

It is believed that the proposals to change rents and other charges set out in this report will not have an unduly adverse impact on any persons in any of the 7 protected characteristics namely, age, disability, gender reassignment, pregnancy and maternity, race religion, or belief, sex and sexual orientation. All tenants affected by any approved changes to rents and other charges will be notified of the specific changes to their charges and be provided with information and guidance on how to access information and guidance on housing and other benefits.

Equality Impact Assessments in relation to the initial proposals for dealing with the forecast deficit outlined above are being developed and will as appropriate be considered as part of the budget setting discussions during February 2018.

#### **4. Housing challenges and context**

##### **Housing and Planning Act 2016**

4.1 The Housing and Planning Act confirmed a number of measures that will have an impact on the HRA, policies and Kirklees approach. These include:

- 1) The sale of high value vacant local authority homes to fund right to buy for housing association tenants is likely to be from 2020/2021. (High cost levy)
- 2) The ending of lifetime tenancies for council tenants and the introduction of fixed term tenancies, likely to be between 2 and 10 years.

##### **Universal Credit and Welfare Reform and Work Act 2016**

4.2 The impact of the introduction of Universal Credit (UC) in Kirklees has not been fully felt yet. The rollout of UC started in June 2015 with new, single claimants and the second full digital rollout stage commenced in November 2017 and initially involves all new claimants and existing Housing Benefit claimants with a change of circumstances. KNH Income Management resources are being made available and targeted towards new and transitioning UC claimants to ensure that they receive the support that they need to successfully make the change and keep in control of their rent accounts .Due

to the waiting period of around 6 weeks before the first payment is received it is inevitable that most tenants in receipt of UC will accrue some rent arrears during this waiting period. There may be a slight improvement due to the recent Government announcement to reduce the waiting period to on average five weeks and the continuation of payment of HB. There are significant strategic and operational challenges in dealing with the estimated total of 10000 claimants in Kirklees Council tenancies as UC continues to be rolled out in Kirklees over the next 4 years with increased risks associated with managing HRA cashflow and income collection rates. A KNH Welfare Reform Programme Board is in place to oversee the delivery of a set of action plans designed to directly mitigate the impact of welfare reform changes such as UC on tenants and the HRA.

4.3 The Welfare Reform and Work Act 2016 confirmed a number of other measures that could have a significant impact on tenants and the HRA. These include:

- 1) The 1% reduction in rent referred to above
- 2) The capping of Housing Benefit to cover rent and service charge payment in council housing to Local Housing Allowance rates, which has now been dropped as a policy
- 3) The reduction to £20,000 of the annual benefit cap limit
- 4) The freezing for 4 tax years of some social security benefit.

## **5. Proposed Rent and Service Charge**

5.1 The new average weekly HRA dwellings rent for 2018-19 is £69.10, based on a 52 week billing period and incorporating the compulsory 1% rent reduction.

5.2 It is proposed that the annual increases to average weekly garage rent and service and other charges for 2018/19, as attached at Appendix 1, continue to be uplifted in line with the same Retail Price Index (RPI) figure (September snapshot) which for 2018/19 is 3.9%, again calculated over a 52 week billing period and charges for Extra Care Services are uplifted by 2.87%.

5.3 The proposed changes to rent and service charges for 2018/19, as set out above, will be effective from 2<sup>nd</sup> April 2018.

## **6. Consultees and their opinions**

6.1 Awareness of the 1% rent reduction has been communicated to Tenant and Resident Committees through a briefing sent out in December 2017, where comments and feedback was requested on the proposals contained in this report. TRC were supporting the HRA budget proposals set out in light of the financial challenges facing the HRA as a result of the 1% annual rent reductions to 2020 and other national policy changes, as well as, acknowledging the opportunities from the merger between Property Services and KNH in October 2016. Individual tenants will be formally notified of the approved changes by letter and in accordance with the statutory 4 week notice period.

6.2 It is intended that there will be further member, senior officer and other key stakeholder briefings through 2018 to continue to assess the future opportunities for the HRA and key sensitivities impacting on longer term HRA business plan forecasts.

## **7. Next steps**

7.1 In order to comply with the requirements of the Local Government and Housing Act 1989 to have a balanced HRA and the Welfare Reform and Work Act 2016 to reduce rents payable for social housing by at least 1% from April 2016 and subject to Cabinet approval, Council and KNH officers will prepare for the implementation of rents and service charge changes from 2nd April 2018 as set out in Appendix 1 and the issuing of prior notification letters to individual tenants in accordance with the statutory 4 week notice period.

## **8. Officer recommendations and reasons**

8.1 That Members, in order to comply with the requirements of the Local Government and Housing Act 1989 to have a balanced HRA and the Welfare Reform and Work Act 2016 to reduce rents payable for social housing by at least 1% from April 2016, approve the proposed rent and service charge changes from 2nd April 2018 for 2018/19 which are contained within this report and which are summarised at paragraphs 1.1 – 1.3 above and in Appendix 1.

8.2 That Members note that the national and local financial challenges outlined above in preparation for HRA budget discussions in February 2018.

## **9. Cabinet portfolio holder recommendation**

9.1 That the proposed dwelling rent, garage rent, service and other charges set out in the report be approved and be effective from 2nd April 2018.

9.2 That the national and local financial challenges outlined in the report are noted in preparation for the HRA budget discussions in February 2018.

## **10. Contact officer and relevant papers**

Helen Geldart  
Head of Housing Services  
Tel 01484 221000  
Email: [helen.geldart@kirklees.gov.uk](mailto:helen.geldart@kirklees.gov.uk)

## **11. Service Director responsible**

Paul Kemp, Economy, Regeneration & Culture, Investment and Regeneration

**Schedule of Weekly Rent and Service Charges for 2018/19**

	Schedule as at 3 April 2017 £	Schedule as at 2 April 2018 £	Increase %
<b>RENTS</b>			
Average Dwelling Rent	69.80	69.10	-1.0
Split:			
Average 1 Bedroom Rent	61.44	60.83	-1.0
Average 2 Bedroom Rent	72.57	71.84	-1.0
Average 3 Bedroom Rent	81.69	80.87	-1.0
Average 4 and Over Bedroom Rent	86.02	85.16	-1.0
Garage Rents (Excl VAT)	4.76	4.95	3.9
<b>Housing Benefitable Service Charges</b>			
Concierge	2.02 to 13.15	2.10 to 13.66	3.9
Door Entry Systems	0.36	0.37	3.9
Communal Cleaning	0.82 to 6.31	0.85 to 6.56	3.9
Communal Cleaning (contract extension)	1.40	1.45	3.9
Window Cleaning	0.17 to 2.10	0.18 to 2.18	3.9
<u>Sheltered Housing:</u>			
Scheme Management	11.57	12.02	3.9
Scheme Coordinator	4.26	4.43	3.9
<u>Furnished Tenancies:</u>			
1 bed property	15.89	16.51	3.9
2 bed property	21.57	22.41	3.9
Single Person (old charge)	12.50	12.99	3.9
Family charge (old charge)	15.89	16.51	3.9
<b>PFI Service Charges</b>			
Communal Cleaning	8.93 to 12.17	9.28 to 12.64	3.9
Communal Utilities	1.84 to 9.75	1.91 to 10.13	3.9
External Lighting (General Needs Only)	1.43 to 2.13	1.49 to 2.21	3.9
Grounds Maintenance	2.41 to 6.26	2.50 to 6.50	3.9
Intensive Housing Management (Extra Care Only)	20.89 to 53.30	21.49 to 54.83	2.87
Management and Admin	1.08 to 1.09	1.12 to 1.13	3.9
Night Time Security (Extra Care Only)	13.92	14.32	2.87
Property Management (Extra Care Only)	18.21	18.92	3.9
R&M Com fac&ut cost	4.27 to 9.77	4.44 to 10.15	3.9
<b>Other Charges</b>			
Parking Spaces	4.10	4.26	3.9
Older People Support	6.95, 17.45	6.95, 18.13	3.9
<b>Sheltered heating :</b>			
Bedsit	8.60	8.94	3.9
1 bed	9.86	10.24	3.9
2 bed	11.06	11.49	3.9
3 bed	12.14	12.61	3.9