

## SLOUGH BOROUGH COUNCIL

**REPORT TO:** Cabinet **DATE:** 18<sup>th</sup> January 2016

**CONTACT OFFICER:** Joseph Holmes; Assistant Director, Finance & Audit, s151 officer

**(For all enquiries)** (01753) 875358

**WARD(S):** All

**PORTFOLIO:** Neighbourhoods & Renewal - Cllr James Swindlehurst

### PART I KEY DECISION

#### 2016/17 HOUSING RENTS AND SERVICE CHARGES

##### 1 Purpose of Report

To present the changes in the Housing rents and service charges for 2016/17.

##### 2 Recommendation(s)/Proposed Action

The Cabinet is requested to recommend the following decisions:-

- (a) Council house dwelling rents for 2016/17 to **decrease by 1%** over the 2015/16 rent with effect from Monday 4<sup>th</sup> April 2016. This is in line with current government guidelines and legislation.
- (b) Garage rents, heating, utility and ancillary charges to **increase by 0.8%** with effect from Monday 4<sup>th</sup> April 2016. This is based upon the September RPI figure.
- (c) Service charges to **increase by 0.8%** with effect from Monday 4<sup>th</sup> April 2016. This is based upon the September RPI figure.
- (d) 'Other committee' property rents to increase by an average of 0.8% from Monday 4<sup>th</sup> April 2016 in line with the September RPI figure.

##### 3. The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan

###### 3a. Slough Joint Wellbeing Strategy Priorities

This report sets out the context and implications for the council over the setting of housing rents and service charges for the next four years and impact upon the local community.

###### 3b. Five Year Plan Outcomes

This report will primarily have implications for Outcomes 2 and 7 in the delivery of future social and affordable homes by the council, and the maximisation of the rental stream and asset value to the HRA.

#### 4 **Other Implications**

(a) Financial

The financial implications are contained within this report.

(b) Risk Management

If the Council follows Government guidance and legislation in the setting of its dwelling rents, then the risk to the Council will be mitigated.

<b>Risk</b>	<b>Mitigating action</b>	<b>Opportunities</b>
Legal	n/a	
Property		
Human Rights		
Health and Safety		
Employment Issues	n/a	
Equalities Issues		
Community Support		
Communications		
Community Safety		
Financial	Ensure that the Council sets a balanced HRA annual budget and matches the capital programme to the available resources.	
Timetable for delivery		Approval in January of the new rents will enable tenants to receive notification well within the statutory timescales.
Project Capacity		
Other		

(c) Human Rights Act and Other Legal Implications

There are no Human Rights Act Implications.

(d) Equalities Impact Assessment

There is no identified need for the completion of an EIA.

#### 5 **Supporting Information**

##### **Background**

5.1 For the 10 years prior to 2015/16, the setting of council social rents has been guided by the government policy called rent convergence, the intention of which was to bring parity to council social rents across the country, and reduce the 'gap' between council social rents and Housing Association rents.

- 5.2 Driving these annual rent charges was a government prescribed formula which linked the following year's rent changes to the previous September's RPI and was weighted for regional differences e.g. salaries and house prices.
- 5.3 In May 2014, the Department for local Communities and Government issued a document "Guidance on Rents for Social Housing" which laid out the Government's policy on social rents for ten year period from 2015/16 for stock-owning local authorities. Under this changed rent policy, from the 1<sup>st</sup> April 2015, rent convergence was to be discontinued and rents were to increase by no more than CPI + 1% for 2015/16 to 2024/25.
- 5.4 However, in the summer budget on the 8<sup>th</sup> July 2015, the Chancellor announced that "rents paid in the social housing sector will not be frozen, but reduced by 1% a year for the next four years". In previous years, the Government has always allowed Councils 'discretion' in changing their rents but produced a rent policy to guide Councils in the setting of their rents. Slough Borough Council has followed Government 'rent policy' and set its rents in line with that policy.
- 5.5 The Government has now departed from the previous practice of issuing rent 'guidance' to setting social rents across the country through primary legislation. Currently working its way through the Parliamentary legislative process is the Welfare Reform and Work Bill which is in its committee stage in the House of Lords. Section 21 (1) proposes:-

In relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in a relevant year by a tenant of their social housing in England is 1% less than the amount that was payable by the tenant in the preceding 12 months.

- 5.6 Section 21 (6) then goes on to define the relevant applicable years as a year beginning on the 1 April 2016, 1 April 2017, 1 April 2018 or 1 April 2019.
- 5.7 The draft legislation does allow exemptions from this rent reduction to be granted by the Secretary of State but these are very limited and clearly specified and cover properties such as specialist supported housing, temporary social housing, care homes and nursing homes. One of those exemptions (section 23(10)) is if the SoS considers that the local authority would be unable to avoid serious financial difficulties if it were to comply with the 1% rent reductions.

In effect, this means that for 2016/17, the Council will need to set its social rents (HRA) 1% lower than the rents current in this year with a base line date of 8 July 2015.

## **Impact**

- 5.8 The HRA 30 Year financial Business plan was updated in January 2015 and made reference to the latest Government rent guidance in projecting future rental income. The assumption was made that for the years 2015/16 to 2024/25, annual social rents would increase by CPI plus 1%. For 2016/17, CPI was assumed to be 1% and rents to increase on average by 2%. This recent change in rent policy will turn a forecast 2% increase for 2016/17 into a 1% decrease and is estimated to reduce forecast HRA rental income in 2016/17 by £978k; the HRA 30 year financial Business plan will be updated to reflect these changes.

5.9 The estimated average weekly rent for the current year is £104.70 and the Government proposals will produce a total estimated loss in potential rental income of £9.7m and an average decrease of 3.9% in weekly rent over the next four years; this roughly equates to the loss of 60 new social properties. Over a ten year period, the cumulative estimated loss of rental income could be £30m. The year by year impact is shown in the table below:-

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Average weekly rent	£103.66	£102.62	£101.59	£100.57
Annual loss of Rent Income	£978k	£1.96m	£2.9m	£3.9m

### **Next Four Years**

5.10 In addition to the rent decreases over the next four years, the HRA is also progressing with the reprocurement of its Repairs, Maintenance and Investment contract. This will continue to require investment until the new contract is in place but will result in a new contract that offers better value for money, focuses more effectively on meeting tenants' housing needs and aspirations, continues the building of new social housing, focuses investment in 'regenerating' existing estates, and better contributes to the Slough 'pound'.

5.11 Two further proposed changes are also likely to impact on the HRA and the Council's tenants in the new few years. These are:-

#### **5.11.1 Pay to Stay**

In the summer budget on the 8<sup>th</sup> July 2015, the Chancellor also went on to announce that "We are also going to require those on higher incomes living in social housing to pay rents at the market rate. It's not fair that families earning over £40,000 in London, or £30,000 elsewhere, should have their rents subsidised by other working people."

Details are still to emerge on how this might be applied but in October/November, the Government launched a consultation on this proposal in which they stated: "social housing tenants with household incomes of £40,000 and above in London, and £30,000 and above in the rest of England, will be required to pay an increased level of rent for their accommodation if their rent is currently being subsidised below market rent levels..... Money raised by local authorities through increased rents will need to be returned to the exchequer to contribute to deficit reduction. Housing Associations will be able to use the additional income to reinvest in new housing..... The Government will use primary legislation to bring forward powers to implement the policy and ensure it is in place from April 2017 onwards. We expect that the detail of the policy will be set out in regulations."

#### **5.11.2 Sale of High Value Council Houses**

This is linked to the proposed introduction of 'right to buy' for Housing Association tenants and is intended to 'compensate' Housing Associations for the loss of their stock through RTB. Again, details are still to emerge e.g. what is a high value home, exemptions, how the proceeds will be divided between Councils, Housing Associations and the Government, how this will be administered etc.

The Government has been gathering property data from Councils as to the value, occupation and type of their properties, and this information will help shape the details of this policy. Indicative analysis suggests that for Slough, around 82 properties will exceed a £300k market value threshold but the actual impact on the HRA will only become clear when the Government issues the actual guidance.

6 **Comments of Other Committees**

The Housing rents and service charges 2016/17 are included on the Overview & Scrutiny Work Programme for January 2016 prior to Council making their final decision.

7 **Conclusion**

The Cabinet are requested to approve the housing rents and service charges for 2016/17 prior to submission to full Council on the 26<sup>th</sup> January 2016 for the ultimate decision.

8 **Background Papers**

None.