

SLOUGH BOROUGH COUNCIL

REPORT TO: Council **DATE:** 30th January 2018
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PART I FOR DECISION

RECOMMENDATIONS OF THE CABINET FROM ITS MEETING HELD ON 22nd JANUARY 2018

HOUSING REVENUE ACCOUNT RENTS AND SERVICE CHARGES 2018-19

1 Purpose of Report

To consider the recommendations of the Cabinet from its meeting held on 22nd January 2018 in relation to the housing rents and service charges for 2018/19.

2 Recommendation(s)/Proposed Action

The Council is requested to resolve:-

- (a) That Council house dwelling rents for 2018/19 **decrease by 1%** over the 2017/18 rent with effect from Monday 2nd April 2018. This is in line with current government guidelines and legislation.
- (b) That Garage rents, heating, utility and ancillary charges **increase by 3.0%** with effect from Monday 2nd April 2018. This is based upon the September CPI figure.
- (c) That Service charges **increase by 3.0%** with effect from Monday 2nd April 2018. This is based upon the September CPI figure.
- (d) That 'Other committee' property rents increase by an average of 3.0% from Monday 2nd April 2018 in line with the September CPI 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 Outcome 4 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.

Risk	Mitigating action	Opportunities
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 However, in the summer budget on the 8th 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.
- 5.4 The Government has now departed from the previous practice of issuing rent 'guidance' to setting social rents across the country through primary legislation. Section 23 (1) of The Welfare Reform and Work Act 2016 states that:-

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.

- 5.5 Section 23 (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.
- 5.6 The Act 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 25(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 2018/19, the Council will again need to set its social rents (HRA) 1% lower than the rents current in this year.

Impact

- 5.7 The HRA 30 Year financial Business plan has been updated to reflect the introduction of the 1% decrease this year and the next two years. The impact on this year is an estimated reduction of £0.3m over last year's rental income of £32.8m.
- 5.8 The estimated average weekly rent for the current year is now £102.78 and the Government proposals will produce an estimated loss in potential rental income of £0.9m and an average decrease of 2.0% in weekly rent over the next two years as measured against this year's rental income; this roughly equates to the loss of 3 new social properties. Over a ten year period, the cumulative estimated loss of rental income could be £38m if rents had been allowed to increase by CPI plus 1%. The year by year future impact is shown in the table below:-

	2017/18	2018/19	2019/20
Average weekly rent	£102.78	£101.75	£100.74
Annual loss of Rent Income	£1.6m	£2.6m	£3.6m

Next Four Years

- 5.9 The rent decrease will apply this year and for the next two years. On the 4th October 2017, the Government announced that from 2020, social housing rents would be limited to CPI plus 1% for the following five years. This has now been assumed in the HRA 30 year Financial Business Plan with just CPI for the remaining years (CPI has been assumed to be 1%). The new RMI contract with Osbornes commenced on the 1st December 2017, and together with the recent stock survey and the options appraisal, this will also feed into the future HRA Financial Business Plan.
- 5.10 The other changes likely to impact on the HRA and the Council's tenants in the next few years are:-

5.10.1 Universal Credit

The full UC service is expected to be rolled out in Slough from April 2018 and will affect all new claims from working age customers with less than three children e.g. unemployed, sick, disabled, carers, lone parents, foster carers plus change of circumstances; certain client groups e.g. over 65s, supported housing, will be exempt. The financial impact on the HRA for 2018/19 is difficult to estimate but the budgeted rental income collection rate will be revised downwards and the bad debts provision increased in anticipation of the switch to monthly payments, the longer processing time, and the merging of HB with several other benefits into one payment. The HRA Financial Business Plan will be reviewed on a regular basis as the full impact of Universal Credit becomes clearer.

5.10.2 Sale of High Value Council Houses

The Housing and Planning Act 2016 introduced a "Duty to consider selling vacant higher value housing" and Section 76 (1) states that "A local housing authority in England that keeps a Housing Revenue Account must consider selling its interest in any higher value housing that has become vacant." 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.

Since the statement of the previous Housing Minister (Gavin Barwell) in November 2016 that a 'decision hadn't yet been taken on the timing and the policy would require "quite a notice period" before being introduced', followed by a further statement that the government would not be requesting any high-value asset payments from Local Authorities during 2017/18, there has been no indication of when, or whether, this proposed policy might be introduced.

6 Comments of Other Committees

- 6.1 The Housing rents and service charges 2018/19 were considered by the Neighbourhoods and Communities Services Scrutiny Panel on 16th January 2018.
- 6.2 The Cabinet will consider the matters detailed in this report at its meeting on 22nd January 2018. Any amendments to the recommendations will be reported to Council.

7 **Conclusion**

The Council is requested to approve the housing rents and service charges for 2018/19.

8 **Background Papers**

- '1' Welfare and Reform Act 2016
- '2' Housing and Planning Act 2016