

SLOUGH BOROUGH COUNCIL

REPORT TO: Neighbourhood and Community Services Scrutiny Panel
DATE: 15th January 2019
CONTACT OFFICER: Neale Cooper; Head of Finance (Transformation)
(For all enquiries) (01753) 875417
WARD(S): All

PART I **FOR COMMENT AND CONSIDERATION**

2019/20 HOUSING RENTS AND SERVICE CHARGES

1 Purpose of Report

To present the changes in the Housing rents and service charges for 2019/20.

2 Recommendation(s)/Proposed Action

The Panel is requested to scrutinise and comment on the following aspects of the report which will be considered by Cabinet on the 21st January and then by Council on 29th January:-

- (a) Council house dwelling rents for 2019/20 to decrease by 1% over the 2018/19 rent with effect from Monday 1st April 2019. This is in line with current government guidelines and legislation.
- (b) Garage rents, heating, utility and ancillary charges to increase by 2.4% with effect from Monday 1st April 2019. This is based upon the September CPI figure.
- (c) Service charges to increase by 2.4% with effect from Monday 1st April 2019. This is based upon the September CPI figure.
- (d) 'Other committee' property rents to increase by 2.4% from Monday 1st April 2019 in line with the September CPI figure.
- (e) Properties leased from James Elliman Homes to increase by 2.4% from Monday 1st April 2019 in line with the September CPI figure; currently, these are Pendeen Court and 81-83 High Street used as emergency and temporary accommodation for homeless households.

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

The 1% reduction in council housing rents is applied across all the council's social housing and will have a positive impact on the tenants.

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 2019/20, 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 next year. The impact on this year is an estimated reduction of £0.3m over last year's rental income of £32.4m.

The estimated average weekly rent for the current year is now £102.46 and the Government proposals will produce an estimated loss in potential rental income of £0.9m over this year and next year, and an average decrease in weekly rent to £101.44 next year; this roughly equates to the loss of 3 new social properties.

Next Four Years

5.8 The rent decrease will apply this year and for next year. 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. In September 2018, the Government launched a consultation document 'Rents for social housing from 2020-21' in which it was proposed that rents could be increased by up to CPI+1% each year for a period of at least 5 years from 2020. This consultation has now closed but the outcome is not yet known. However, 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%).

5.9 The other changes likely to impact on the HRA and the Council's tenants in the next few years are:-

5.9.1 Universal Credit

The full UC service is still being rolled out 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 2019/20 is difficult to estimate but the budgeted rental income collection rate has been 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.

5.9.2 HRA Borrowing

From 2012, Councils were restricted in how much their Housing Revenue Account could borrow to fund new council housing and major refurbishment programmes. The Government has now removed this restriction by abolishing the Housing Revenue Account cap that controlled local authority borrowing for house building. Details are still emerging but it is likely that any new borrowing will be governed by the CIPFA developed *The Prudential Code for Capital Finance in Local Authorities* - a professional code of practice to support local authorities in taking decisions on capital investments. Key objectives of the Code are to ensure, within a clear framework, that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

A number of proposed new build schemes are in the development stage and these will be reviewed to ascertain the optimal balance of new units achievable with this additional source of loan funding.

6 Comments of Other Committees

The Housing rents and service charges 2019/20 will also be presented to Cabinet on the 21st January 2019 prior to Council making their final decision.

7 **Conclusion**

The Panel is requested to scrutinise and comment on the housing rents and service charges 2019/20 prior to submission to full Council on the 29th January 2019 for the ultimate decision.

8 **Background Papers**

- '1' Welfare and Reform Act 2016
- '2' Housing and Planning Act 2016
- '3' 'Rents for social housing from 2020-21'