

**8 December 2017**

**Community, Health and Housing Committee**

**Rent Setting 2018/19**

**Report of:** *Angela Williams, Acting Head of Housing*

**Wards Affected:** *All*

**This report is:** *Public*

**1. Executive Summary**

- 1.1 This report seeks the recommendations of the Community, Health and Housing Committee on the proposed rent levels for 2018/19.
- 1.2 The recommendations will be considered by the Policy, Projects and Resources Committee when the final recommendation will be made as part of the budget setting process. The final decision will be made by Ordinary Council on the 28<sup>th</sup> February 2018.

**2. Recommendation(s)**

It is recommended that the Community, Health and Housing Committee agree:

- 2.1 To decrease Rent by 1% from April 2018 and for the next year.
- 2.2 That Shared Ownership rent be increased by CPI + 1%
- 2.3 To increase General Fund Property Rents by 3%
- 2.4 To apply a 3% increase to Garage Rents
- 2.5 To note that Service charges to be brought in line with actual costs and the final charging proposals to be brought to Policy, Projects and Resources Committee to inform the 2018/19 charging levels as part of the budget setting process.
- 2.6 To apply the formula rent to all new tenancies from April 2018/19
- 2.7 To note that rents to be charged at CPI + 1% from 2020/21

### **3. Introduction and Background**

- 3.1 The method of setting rents changed when as part of the summer budget in 2015, when the Government announced that rents in the social housing sector would be reduced by 1% a year for the next four years. .
- 3.2 From April 2016, the Council has had to apply a 1% reduction to all social housing apart from supported housing. Based on guidance issued from the Government, Supported Housing rents could have been increased by CPI + 1% for 2016/17 only and then decreased by 1% for the following 3 years. However, for 2016/17 the Council agreed to freeze Supported Housing Rents at the 2015/16 level rather than increase or decrease them.
- 3.3 For 2018/19 all rents included Supported Housing and Affordable Rents will be decreased by 1%. This decrease will also be applied for the following year.
- 3.4 Shared Ownership properties are excluded from the 1% decrease and therefore the rent can be increased by CPI + 1%. The council currently has 16 Shared Ownership Properties of which the Council owns 50% of the property on 14 properties, 30% on 1 property and 40% on another property. The current average rent for a shared ownership property is £36.53. The average rent in 2018/19 will be £37.92 (an increase of 3.8%). CPI in September 2017 was 2.8%.
- 3.5 For background the recent average rent increases have been:
- 2013/14 3.99%
  - 2014/15 5.90%
  - 2015/16 2.20%
  - 2016/17 -1.00%
  - 2017/18 -1.00%
- 3.6 The Council has 9 properties that are in the General Fund and are rented on tenancies. The rents on these properties are not set by Government Guidelines as the properties are not for Social Housing Purposes. It is therefore proposed to increase these rents by 3%.
- 3.7 The average weekly rent for the 9 General Fund properties are £104.05. This would increase to £107.18.
- 3.8 Garage Rents are let to tenants and other public interest, as well as on a commercial basis. Garage Rents were last increased in 2014/15. It is proposed to increase the Rents by 3%.

3.9 The garage sites are under review as potential sites to be redeveloped into Affordable Housing. The Council has successfully developed 2 garage sites at Magdalen Gardens and Fawtens Close to provide Affordable Housing within the Borough.

#### **4. Issue, Options and Analysis of Options**

4.1 The 1% reduction is in line with the rent setting policy as per the previous year.

4.2 Formula rents are replacing target rents and are calculated using a pre-set formula which incorporates local housing values, local earnings of resident's average rents and the number of bedrooms to each property.

4.3 Landlords are encouraged to re-let vacant properties at the formula rent. Formula Rent is to be reduced by 1% and for next year. Landlords have the added option of being able to charge a 5% margin (10% for sheltered housing) above formula rent and remain within the guidelines – but only on new tenancies.

4.4 The average rent decrease will be 1%. This will be equal to an average rent decrease of £0.92 per resident per week.

4.5 From 2020/21 the Government is proposing to allow Councils to increase rents by CPI + 1%. This is a welcomed response from Council's nationwide as it gives Council's the stability and certainty it needs to build more desperately needed new homes and to invest in their existing homes and services for tenants.

4.6 Having modelled the rent reductions into the HRA Business Plan early indications show that the HRA will make a surplus of £350k for 2018/19.

4.7 Historically, the Council has increased fees and charges in line with inflation (currently projected at 3% per annum). This is to reflect that the costs of running the service will rise by approx. 3%, and therefore we try and maintain Service Charges, fees and charges at the same level.

4.8 On 18<sup>th</sup> September Committee agreed the Service Charge Policy to ensure that services supplied are cost recoverable. Officers are currently working on this policy to inform the new charging levels from April 2018. Any increases to current Service Charges, will be capped at CPI plus 1% as recommended in the Governments guidance. Tenants will be informed in due course regarding charges made to their current service charges. The financial impact of this new charging policy will be built into the final budget setting process for the HRA.

- 4.9 The annual rent income to the HRA for 2018/19 is £11,623,702 (gross). A 0.5% void allowance is applied, budgeting a net annual income of £11,565,583.
- 4.10 The annual budget for all current 16 Affordable Rent properties is £148,797
- 4.11 The annual garage rent income to the HRA for 2018/19 is £548,708 (gross). A 31% void allowance is applied, budgeting a net annual income of £377,181.
- 4.12 The garage void allowance is high, due to the garage sites that are hard to let out or have low demand. These sites are proposed to be reviewed to see if any are suitable to develop for Affordable Housing.

## **5. Reasons for Recommendation**

- 5.1 The recommendation is to follow the guideline 1% decrease 2018/19 and the following year as this is what has been set by government.
- 5.2 The following assumptions have been taken into account when considering the Rent Setting for 2018:
- The financial viability of the HRA business plan
  - Provision for a repairs capital programme
  - Development funding for new homes
  - No allowance has been made for growth bids
  - Affordability for tenants

## **6. Consultation**

- 6.1 A meeting was held with Tenants Talk back group on 28<sup>th</sup> November to discuss the proposed rent setting for 2018/19.
- 6.2 It is proposed that Service Charges will be taken to Tenants Talkback on 9<sup>th</sup> January 2018, to discuss the charges and any increases/decreases proposed.
- 6.3 This reduction is timely; at a time when Tenants are concerned about affordability issues with the on set of Universal credit in 2017/18.

## **7. Reference to Corporate Plan**

- 7.1 The Council has a legal obligation to produce a balanced HRA budget and to set the Housing Rent levels for 2018/19.

## **8. Financial Implications**

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- 8.1 The impact of the changes to the rent levels are outlined in the report. The government recommendation to decrease rents by 1% for the 4 years starting 1 April 2016 does impact on the anticipated surplus on the HRA Business Plan. The actions arising from this report will ensure that the HRA sets a balanced budget.

### **Legal Implications**

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- 8.2 The Council has a legal obligation to produce a balanced HRA budget and to set the Housing Rent levels for 2018/19.

## **9. Background Papers**

- 9.1 Background papers are kept in the finance department.

## **10. Appendices to this report**

- 10.1 None

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