

<b>Committee(s):</b> Environment, Enforcement & Housing	<b>Date:</b> 14 <sup>th</sup> January 2020
<b>Subject:</b> Rent Setting 2020/21	<b>Wards Affected:</b> All
<b>Report of:</b> Jacqueline Van Mellaerts Director of Corporate Resources (Section 151 Officer)	<b>Public</b>
<b>Report Author/s:</b> Name: Phoebe Barnes Corporate Finance Manager Telephone: 01277 312839 E-mail: phoebe.barnes@brentwood.gov.uk	<b>For Decision</b>

### Summary

This report seeks the recommendations of the committee on the proposed rent and service charge levels for 2020/21.

The recommendations will be considered by Policy, Resources & Economic Development 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 4<sup>th</sup> March 2020.

### Recommendation(s)

**Members are asked to:**

**R1. Increase rent by CPI plus 1% (Total 2.7% increase) for Social and Affordable Housing Properties**

**R2. Increase Shared Ownership and General Fund Property Rents by CPI plus 1%**

**R3. To apply formula rent to all new tenancies from April 2020**

**R4. To apply a 2% increase to Garage Rents**

**R5. To note that service charges have been reconciled and charges have been increased or decreased so they are brought in line with actual costs and that no increase will exceed CPI plus 1%.**

## Main Report

### **Introduction and Background**

1. In the summer budget of 2015, Government announced that rents in the social housing sector would reduce by 1% every year, for the next four years from 2016/17.
2. The Council has had to apply a 1% reduction to all social and affordable 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. From April 2017 all rents have been decreased by 1%.
3. Shared Ownership properties and General Fund properties have been excluded from the 1% decrease and therefore rents have been increased by CPI + 1% since the decreased was announced.
4. The Council currently has 15 Shared Ownership Properties of which the Council owns 50% of the property on 13 properties, 30% on 1 property and 40% on another property. There are 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.
5. During 2018 the Government has proposed to allow Councils to increase rents by CPI + 1% for 5 years. This is a welcomed response from Council's nationwide as it gives Council's the stability and certainty it needs to build more needed new homes and to invest in their existing homes and services for tenants.
6. The CPI to be used in the rent calculations as at September 2019 which was 1.7%. Therefore, rents and service charges are to be increased no more than 2.7%

7. For background information the 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%
- 2018/19 -1.00%
- 2019/20 -1.00%
- 2020/21 2.70%

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

### Rents

8. The government announced last year that from 2020/21 rents can revert to the previous policy and be increased by CPI (at September of the previous year) plus 1%. This allows for a more optimistic forecast of the resources available to the HRA.
9. The increase is to be applied to current rents charged and is capped at the calculated Formula Rent.
10. Formula rents 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 and are to be increased by CPI plus 1%.
11. Landlords are encouraged to re-let vacant properties at the formula rent. Formula Rent is to be reduced by 1%. 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
12. The Bank of England's CPI target for future years is 2% therefore the assumption built into the future rental forecasts is that rents will increase by 3% per annum from April 2021.
13. Appendix A set out the current overall average rent with the 2.7% increase applied from April 2020 and provides some examples of rent levels for properties of different sizes.

14. The gross annual rental income is as follows:

<b>Rental Types</b>	<b>Gross Forecast 2021 £</b>
Shared Ownership	31,323
Affordable Rents	211,622
Social Rents	11,812,277
<b>Total</b>	<b>12,055,222</b>

### Service Charges

15. Historically, the Council has increased fees and charges in line with inflation (currently projected at 2% per annum). This is to reflect that the costs of running the service will rise by approx. 2%, and therefore we try and maintain Service Charges, fees and charges at the same level.

16. The current Service Charge Policy ensures that services supplied are cost recoverable. 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 any Service Charge increases will be built into the final budget setting process for the HRA

### Garage Rents

17. Currently the HRA has 1,103 number of garages in ownership. 338 are currently void, the void rate is operating at 30%.

18. Garage sites that are to let or have low demand are being reviewed as part of a wider scheme in the development of housing in the borough. 30 garages of the 338 have been decommissioned for development. 79 are currently being reviewed for development. Therefore, the available garages that are lettable, but void are 229.

19. Proposed garage charges are attached within Appendix B and the annual net income is forecast at £366,000 based on the current lettable properties and 2% increase.

## Reasons for Recommendation

20. The recommendation is to follow government guidelines which proposes to increase rents by CPI plus 1%, for 2020/21 this is 2.7%
21. This increase to rents is a welcomed one, allowing the HRA to have certainty around rent setting and it's forecast Business Plan.
22. The proposed increase will contribute to funding the current services provided as well supporting the development of the capital programme and housing development plans.
23. When considering the rent setting the following assumptions have been considered:
  - The financial viability of the HRA business plan
  - Provision for the repairs & maintenance capital programme
  - Development for new homes in the borough
  - Affordability for tenants

## Consultation

24. The proposed increases highlighted in this report were presented to Tenants Talkback on 26<sup>th</sup> November 2019.

## References to Corporate Plan

25. The Council has a legal obligation to produce a balanced HRA budget and to set the rent levels for 2020/21.

## Implications

### Financial Implications

**Name/Title: Jacqueline Van Mellaerts, Director of Corporate Resources**  
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26. The impact of the changes to the rent levels are outlined in report.
27. The proposed increase is a welcomed one as it generates additional revenue income to the HRA. The 1% decrease over 4 years has resulted in a significant impact to HRA balances.

28. The assumptions outlined in the report and forecast income figures will be included in the final budget position for the HRA that will be considered at Policy, Resources and Economic Development committee, to be agreed at Ordinary Council.

### **Legal Implications**

**Name & Title: Steve Summers, Interim Monitoring Officer**

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29. There are no legal implications arising from this report.

### **Economic Implications**

**Name/Title: Phil Drane, Director of Strategic Planning**

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30. Garage sites can be used for storage in support of running local businesses. Provision of such facilities for the benefit of the local economy is a factor in reviewing longer-term needs. However, as this report sets out those garage sites that are to let or have low demand are being reviewed as part of a wider scheme in the development of housing in the borough. In addition, storage facilities that can be more suitable for modern business needs are supplied through other providers. Rents for local garages that could be used in support of businesses should be benchmarked against similar storage facilities.

**Other Implications** (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

### **Background Papers**

#### **Appendices to this report**

Appendix A: Rent Setting Analysis

Appendix B: Garage Rent Charges