



Derby City Council

COUNCIL CABINET
18 January 2017

Report of the Cabinet Member for Urban
Renewal

ITEM 12

Council Housing Rent and Service Charges for 2017/18

SUMMARY

- 1.1 This report sets out the proposed approach to two issues relating to rents and service charges. These are:
- a) The principal changes to our general rent and service charge levels for the year 2017-18.
 - b) The collection of a previously determined, but not implemented, increase of 0.9% in Supported Housing rents from April 2016.
- 1.2 *General rent and service charge levels:* The general adjustment to rents next year will be a reduction of 1% as required by the Welfare Reform and Work Act 2016. Adjustments to service charges will mostly be in line with inflation except where we have identified current charge levels are considerably below the actual cost of provision. The rationale for changes in charges for furniture packs and cleaning & grounds maintenance is detailed in the supporting information section in paragraphs 4.9 – 4.11
- 1.3 *Supported housing:* Council Cabinet determined in February 2016 to increase the rents of supported housing tenants by 0.9% from April 2016. At the time, government had not provided clarity on which properties would fall within the scope of 'supported housing', so the implementation of this rent increase was deferred. Clarity from government has since been provided and it is now recommended to implement this increase in full as originally intended. This will involve retrospectively collecting the additional rent due, back dated to April 2016.

RECOMMENDATION

- 2.1 To note and agree to a 1% reduction in all Council rents for the period 1st April 2017 to 31st March 2018.
- 2.2 To agree to the retrospective increase in Supported Housing rent that applied from April 2016 but was deferred.
- 2.3 To approve a freeze on the cost of furniture packs in furnished tenancies for the year 2017/18.

- 2.4 To approve an increase of 10% in cleaning and grounds maintenance service charges from April 2017.
- 2.5 To approve an increase of 2.0% for all other service charges and rents from April 2017, based on September's RPI. (These rents apply to a small number of dwellings exempt from the mandatory increase such as the Council's Imari Park and park homes sites. An exception is Milestone House which will be addressed separately in due course).

REASONS FOR RECOMMENDATION

- 3.1 A 1% reduction in all Council rents for the period 1st April 2017 to 31st March 2020 is necessary to comply with the cabinet decision of 10th February 2016 and the requirements of the [Welfare Reform and Work Act 2016](#).
- 3.2 Implementation of the deferred rent increase is in line with the cabinet decision of February 2016. It will raise the 'baseline' rent position from which future mandatory reductions are calculated and will therefore avoid a pressure of £185,000 for the HRA on an annual basis. Retrospective collection of this increase for the current financial year, backdated to April 2016, will similarly avoid a pressure of £185,000 for the HRA for 2016/17.
- 3.3 Freezing the cost of furniture packs should help them to remain affordable for vulnerable tenants hit by other welfare cuts.
- 3.4 Approval of increases to other rents and services is necessary to ensure that these charges keep better pace with inflation, as well as the actual cost of delivery. This will provide value for money for residents, tenants and leaseholders and fiscal responsibility for the Council.



SUPPORTING INFORMATION

Deferred Rent Increase for Supported Housing

- 4.1 In June 2015, the then Chancellor, George Osborne, announced a policy of reducing social rents by 1% a year for four years from 2016/17. One exception was rents for supported housing, where the government acknowledged that costs are significantly higher. For these properties, Government agreed that for one year only (2016/17) a rent increase of CPI plus 1% (equal to 0.9%)¹ could be imposed rather than a rent cut.
- 4.2 In February 2016, Council cabinet agreed to do this, but the definition of supported housing was at the time unclear. As a result, *all* rents were reduced in April by 2016, but with the expectation that supported housing would be increased once the definition was clarified by supplementary guidance by Government and the relevant properties specified. This has since happened, with some 2,400 properties falling within the definition. (A partially anonymised schedule of the supported housing properties is provided in the Members' meeting room).
- 4.3 Retrospective collection of this increase, backdated to April 2016, will prevent the HRA facing a pressure of £185,000 in the current financial year. The increased 'baseline' rent position, from which future reductions or increases are calculated, will also therefore prevent a pressure of £185,000 in each year thereafter.
- 4.4 Under these arrangements, supported housing tenants will see an increase of 1.9% for the year 2016/17 compared to currently billed levels. This comprises a reversal of the 1% cut applied at the beginning of the financial year, plus the deferred 0.9% increase. It is equivalent to an average additional rent payable of approximately £77 per supported housing tenancy over the course of the year. Housing Benefit will be able to meet this charge, either in full or in part, for the majority of these tenants.
- 4.5 This deferred increase is typically equivalent to one week's rent and it is envisaged that for those tenants who will pay, the impact will be mitigated by the two scheduled rent free weeks at the end of March and the first week of April 2017.
- 4.6 The Council will also ensure that flexible repayment arrangements will be available to all those that request them.
- 4.7 In April 2017/18, 2018/19 and 2019/20 rents will fall by 1% each year as required by statute. Consequently by April 2017, supported housing tenants will be paying

¹The relevant CPI figure was negative at -0.1%, so the net applicable increase was $-0.1 + 1 = 0.9\%$

aslightly lower rent than they paid In 2015/16.In 2018 and 2019 rents will fall by a further 1% each year.

Service Charges and Other Rents

- 4.8 The Council noted last year that due to substantial increases in the minimum wage between 2016 and 2020, the costs of grounds maintenance and cleaning would be increasingly higher than the service charges being levied for those services. Consequently, last year Council approved an increase capped at 10% to these charges from 2016. The cost of providing these services continues to rise significantly and it is proposed therefore that a further increase of 10% be applied to these service charges from April 2017. This will still leave both services charged at less than their full cost.
- 4.9 All other service charges and rents (such as those for mobile homes not subject to the mandatory reduction) are recommended to increase in line with RPI inflation for September of 2.0% from April 2017.

Furniture Packs

- 4.10 The imposition of the cap to social rents at the Local Housing Allowance (LHA) rate from April 2019 means that any new tenants with furniture packs could be affected and may no longer be able to afford the total rent and service charge. Analysis is being undertaken to establish the scale of the possible issue. In the interim, it is recommended that the Council should continue to freeze the cost of packs for 2017/18.

OTHER OPTIONS CONSIDERED

- 5.1 With respect to the deferred increase in supported housing rents, the Council could 'write off' all of this increase for the current year.
- 5.2 The long term rent roll will be unaffected as long as the increase is formally implemented and collected in future years, but simply not collected this year only. This would however reduce the rent roll for the year 2016-17 to the sum of £185,000 creating a budget pressure.
- 5.3 The second option is that the 2016/17 deferred rent increase could be collected from the date of implementation only. This could only happen following approval of this recommendation by cabinet. In practice this would mean collecting the increased rent for February and March 2017 only. April 2017 onwards would be unaffected.
- 5.4 This of course would require no retrospective rent collection, but would create a budget pressure of some £150,000.

- 5.5 A further option is to not increase supported housing rents at all. But this would be non-compliant with the cabinet decision of February 2016 and result in a permanent reduction in the rental base of 1.9% or about £185,000 each year. This would mean fewer resources for housing services in Derby and a consequent reduced service to tenants.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Olu Idowu, Head of Legal Services Amanda Fletcher David Cox Jayne Sowerby-Warrington Greg Jennings Ian Fullagar, David Enticott (Derby Homes)
For more information contact: Background papers: List of appendices:	Jeremy Mason 01332 640329 Jeremy.Mason@derby.gov.uk None Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 The reduction of 1% in Council rents for the period 1st April 2017 to 31st March 2018 will reduce HRA income by around £540,000 per annum.
- 1.2 The short term financial implications of the recommended option in respect of supported housing rents are set out in paragraphs 4.4 to 4.7. The long term impact of implementing the deferred rent increase for supported housing should be to avoid a budget pressure of £185,000 a year for the HRA.
- 1.3 The 10% increase in cleaning and grounds maintenance service charges from April 2017 will increase the HRA income in the region of £80,000 per annum.
- 1.4 The 2% increase for all other service charges and rents from April 2017 will increase HRA income by around £45,000 per annum thereby keeping pace with the increasing costs of these services.

Legal

- 2.1 The Council is required to set a balanced budget for its HRA and ensure that costs are charged appropriately to either the HRA or to the Council's General Fund.
- 2.2 The Council is also obliged to set and publicise its rents before they come into effect in April 2017. The recommendations, if approved, give effect to that obligation.

Personnel

- 3.1 None directly arising

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- 4.1 None directly arising

Equalities Impact

- 5.1 Many of the Council's tenants are people with protected characteristics under the Equality Act. A rental reduction of 1% should contribute to other measures the Council is taking to help residents and particularly vulnerable people avoid financial hardship.

Health and Safety

- 6.1 None directly arising

Environmental Sustainability

- 7.1 None directly arising

Property and Asset Management

- 8.1 The changes proposed are principally concerned with effective financial management of our housing stock.

Risk Management and Safeguarding

- 9.1 Future rental income is identified as a key risk within the formal HRA risk register. This document is monitored regularly by the DCC/Derby Homes partnership board.

Corporate objectives and priorities for change

- 10.1 The changes proposed are principally concerned with effective financial management of our housing stock. Consequently they contribute to our corporate objectives of:

"Making the most of our assets"

"Being more commercial"

Because suitable accommodation is essential to health and security, and because in particular our supported housing is primarily targeted at vulnerable groups, these changes also contribute to our corporate objectives concerning:

"Promoting health and well-being".