



Cabinet Member Report

Decision Maker:	Councillor David Harvey, Cabinet Member for Housing Services Councillor Andrew Smith, Cabinet Member for Environment and Highways
Date:	21 st February 2020
Classification:	General Release
Title:	Annual Review of Housing Revenue Account (HRA) Rent and associated HRA charges 2020/21
Wards Affected:	All Wards
Policy Context	Service Planning Cycle and Budget Strategy Framework set by the Cabinet
Key Decision:	Yes
Financial Summary:	<p>The proposed average rent increase in 2020/21 is 2.7% which would equate to £3.27 per week. The Rents for Social Housing policy for 2020/21 permits annual rent increases of up to consumer price index (CPI) plus 1% from 2020/21 for at least 5 years and CPI is based on the CPI in September 2019.</p> <p>The proposals contained within this report will result in a total increase in annual HRA income of £2.57m and would result in total HRA Rental income of c£77.80m.</p> <p>The report also request that service charges will also be increased in line actual cost increases. The average service charges will increase by 4.02% or (£0.22p) in 2020/21 resulting in an estimated average weekly charge of £5.68 (£5.46 in 2019/20).</p>

Report of:

Executive Director of Growth, Planning and Housing
– Barbara Brownlee

1. Executive Summary

- 1.1 This report sets out the background and context of the annual council tenant rent review for 2020/2021. These changes will be implemented from Monday 6 April 2020.
- 1.2 This approval aligns to with the assumption and budgets set within the Housing Revenue Account Business Plan 2020/21 and 30-Year Housing Investment Plan report taken to Cabinet on 10th February 2020.
- 1.3 Historically, social housing rents were set using a national formula that all Local Authorities and Private Registered Providers were encouraged to follow “The Social Rent Policy guidance”. In April 2012, the national subsidy system of financing council housing was replaced with a localised system of self-financing. In the 2015 Budget the Chancellor announced that rents for social housing tenants would be statutorily reduced by 1% annually for a period of four years up to 19/20. The Rents for Social Housing policy for 2020/21 permits annual rent increases of up to consumer price index (CPI) plus 1% from 2020/21 for at least 5 years.
- 1.4 The Council’s policy towards tenant service charges is that they should be set to recover actual costs and it is recommended that this policy continue.
- 1.5 Charges for car parking, sheds and garages within HRA estates will be increased by 2.4% in 2020/21 in line with RPI.
- 1.6 The Council will continue with its policy to convert all new tenancies to Formula rent levels.

2. Recommendations

- 2.1 That in order to comply with the provisions of The Rents for Social Housing policy for 2020/21, the Cabinet Member for Housing Services approves an increase of that HRA rents by 2.7% from the 6 April 2020.
- 2.2 That the Cabinet Member for Housing Services notes that the Council continues to exercise its discretion under the rent restructuring policy to set rents for new tenants and transfers on all re-lets at formula target rent from Monday 6 April 2020.
- 2.3 That the Cabinet Member for Housing Services gives approval for tenant service charges be varied in line with estimated actual costs for 2020/21 from Monday 6 April 2020.
- 2.4 That the Cabinet Member for Environment and Highways gives approval for charges for car parking and parking spaces to be increased by 2.4% (RPI as at September 2019) from Monday 6 April 2020.
- 2.5 That the Cabinet Member for Housing Services gives approval for charges for sheds and garages to be increased by 2.4% (RPI as at September

2019) from Monday 6 April 2020.

3. Reasons for Decision

- 3.1 To set the HRA tenant rents and other charges for the financial year 2020/21. The City Council is required by law to give tenants at least 28 days' notice of any variation to the rent charged.

4. Background

- 4.1 In April 2012, the national system of financing council housing was replaced with a localised system of self-financing. Westminster now has full responsibility for the management, maintenance, investment and financing of the HRA. It has the right to all future rent income streams, which provides it with a substantial degree of certainty, as well as responsibility for the management of business risk. Assumptions about future rent policy were a key driver in the valuation of the stock, which determined the settlement buyout figure of £68m.
- 4.2 As part of the 2013 Spending Round, the Government announced that from 2015/16 social rents should increase by up to CPI plus 1 per cent each year for 10 years. At the same time, the previous policy of rent convergence was removed in order to provide greater certainty.
- 4.3 In the 2015 Budget, the Chancellor announced that rents for social housing tenants would reduce by 1% annually for a period of four years from 2016/17 resulting in an estimated 12% reduction in average rents by 2019/20.
- 4.4 In November 2019 the Government provided the "Rents for social housing from 2020/21 policy". The policy states that from 2020 that local authority rents can increase to ceiling of CPI + 1% each year to 2024/25 (except where a property rent exceeds the formula rent plus the maximum flexibility level, where the ceiling is CPI). The increase equates to 2.7% (CPI in September 2019 of 1.7% plus 1%).
- 4.5 The 2.7% increase does not apply to all charges. Non-dwelling charges such as car parking, garages and sheds are not included within rent setting policy. Council policy is for these to be linked to RPI. Service charges as well as heating and hot water charges are based on cost recovery so are charged based on costs incurred to fully recover the cost for the Council.

5. Tenant Rent

- 5.1 In line with the Rents for social housing from 2020/21 policy, the 2.7% rent uplift will increase the average weekly rents from £121.15 per week in 2019/20 to £124.42 per week in 2020/21. The increase equates to an annual income gain of £2.57m across approximately 11930 tenancies.

Tenant Service Charges

- 5.2 Westminster, like nearly all other HRA stock-owning local authorities, has un-pooled certain service charges from its rents. This was done on the basis that all service charges were eligible for Housing Benefit and that recovery would be based upon recovering actual costs. The costs of delivering estate-based communal services are recovered directly from tenants and leaseholders through service charges. Tenants who benefit from these specific estate-based services will pay a weekly service charge in addition to their weekly rent charge.
- 5.3 It is proposed that the service charges payable by tenants are increased in line with actual costs. The final 2020/21 charges to tenants will be dependent upon a complete analysis of costs and may change from those indicated but will be based upon full recovery of costs therefore resulting in no net benefit to the HRA. In addition, there have been some changes to the categorisation of charges alongside movement in tenant numbers, however overall charges remain fairly constant.
- 5.4 Table 2 below sets out the proposed average service charges for 2020/21. The average service charges will increase by 4.02% or (£0.22p) in 2020/21 resulting in an estimated average weekly charge of £5.68 (£5.46 in 2019/20).

Table 2 - Average Tenant Service Charges 2020/21

Number of properties	Avg. No of Tenants Charged 2019/20	2019/20 Service Charge Costs	2019/20 Average Service Charge	Avg. No of Tenants Charged 2020/21	2020/21 Estimated Service Charge Costs	2020/21 Estimated Average Service Charge	Estimated Change in Service Charge
Caretaking	627	£80,264.60	£2.46	623	£69,373.06	£2.14	-13.01%
Contract Cleaning	9933	£1,638,074.88	£3.17	10011	£1,753,961.81	£3.37	6.24%
Local Management Agreement	170	£17,244.76	£1.95	170	£17,469.76	£1.98	1.30%
Concierge	838	£305,472.44	£7.01	899	£320,965.93	£6.87	-2.06%
Window Cleaning	7747	£31,545.80	£0.08	7747	£32,982.18	£0.08	4.55%
Tree Maintenance	8365	£41,873.52	£0.10	8365	£40,742.42	£0.09	-2.70%
Grounds Maintenance	9046	£304,978.44	£0.65	9046	£324,867.05	£0.69	6.52%
Communal Electricity	10383	£585,421.72	£1.08	10383	£566,974.65	£1.05	-3.15%
Number of properties	10589	£3,004,876.16	£5.46	10589	£3,127,336.85	£5.68	4.02%

5.5 In line with the CM Rent Report of 21st February 2019 the current estate services (Block and Estate contract cleaning charges) will be increased by the contractual up-lift of 2.5%.

6. Non-Dwelling Charges

6.1 The costs of car parking, sheds and garages are recovered directly from tenants and leaseholders that benefit from the services. It is therefore proposed to increase the average charges for garages, parking spaces and sheds by 2.4% in line with RPI at September 2019. Average weekly charges will therefore increase to £13.87 from £13.60 for garages, £4.76 from £4.67 for car parking spaces and £1.44 for sheds, generating additional annual income of £0.063m.

7. Heating and Hot Water Charges

7.1 The cost of providing central heating and hot water services is charged and recovered from tenants who benefit from district heating and hot water systems, or from electricity for heating systems. Charges are based on estimated energy costs and usage within each block (or on estate-wide usage where blocks are not yet individually metered). The charges were last reviewed in July 2019 and changes implemented in October. Full costs are recovered so there is no net impact on the HRA from changes in year.

7.2 Of the 54 communal and individual heating systems operated by the City Council, 11 are currently included in the rollout of individual or block-based billing in accordance with the Heat Networks Metering and Billing Regulations 2014. These

include systems contained within a single housing block as well as those that serve entire estates.

- 7.3 1,018 tenants across 11 heating schemes have been billed based on metered usage since April 2019. A further 650 tenants will begin to receive metered charges from April 2020.
- 7.4 Heating and hot water charges or heating electricity charges for these 1,668 tenants will be adjusted from 6 April 2020 to reflect actual metered usage in line with the regulations. Further heating systems will be included in April 2021 as part of the continuing rollout.

8. Financial Implications

- 8.1 The proposed increase to tenant rent will result in an overall annual net income gain of £2.57m, as well as £0.063m for garages and parking charges to give a net impact of £2.663m. Other changes for service charges, heating and hot water are to reflect full cost recovery so has no impact on the bottom line of the HRA.

9. Legal Implications

- 9.1 The principal statutory provision governing the fixing of rent for Council property is contained in Section 24 of the Housing Act 1985 which provides that authorities may "...make such reasonable charges.... as they may determine".
- 9.2 Section 76 of the Local Government and Housing Act 1989 imposes a duty on local housing authorities to prevent debit balances arising in their Housing Revenue Account ("HRA"). It is not possible for a local housing authority to subsidise rents from its General Fund.
- 9.3 Sections 23 to 33 of the Welfare Reform and Work Act 2016 set out the requirements for the reduction in social housing rents up to 2019/2020.
- 9.4 The Council is required to give tenants at least 28 days' notice of any variation to the rent charged.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:
Nish Popat, Strategic Finance Manager – Growth, Planning and Housing
npopat@westminster.gov.uk (0207 641 6260)

For completion by the **Cabinet Member for Housing Services**

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____

NAME: **Councillor David Harvey, Cabinet Member for Housing Services**

State nature of interest if any

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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendations in the report entitled **Annual Review of Housing Revenue Account (HRA) Rent and associated HRA charges 2020/21** and reject any alternative options which are referred to but not recommended.

Signed

Councillor David Harvey, Cabinet Member for Housing Services

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:
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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, the City Treasurer and, if there are human resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.