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**Meeting:** HMAB/PHAG **Agenda Item:**  
*Portfolio Area:* HOUSING & INVESTMENT  
**Date:** 21 November 2019

## **REVISED RENT AND SERVICE CHARGE SETTING POLICY**

### **KEY DECISION**

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### **1. PURPOSE**

#### **1.2 To recommend amendments to the Council's Rent and Service Charge Policy.**

1.2 To ensure that the Rent and Service Charge Policy informs the HRA Final Budget Proposals 2020/21 and Rent Setting report and underpins the delivery of the HRA Business Plan's key housing objectives and planned service outcomes.

### **2. RECOMMENDATIONS**

2.1 That HMAB/PHAG be recommended to approve the revised Rent and Service Charge Policy (Appendix A), to be included as part of the HRA final budget and rent setting report to Council in January 2020.

### **3. BACKGROUND**

3.1 The Rent and Service Charge Policy, which was approved by the Executive 22 November 2016, established the principles and approach by which Stevenage Borough Council would set rent levels and service charges for its residential properties. It has been revised to comply with the Government's new Direction on the rent standard 2019

3.2 The Welfare Reform and Work Act 2016 required social landlords to reduce using in England by 1% a year for 4 years from April 2016. The rent baseline was the rent payable on 8<sup>th</sup> July 2015.

3.3 In October 2017, government announced plans to permit registered providers to increase rents on social rent and affordable rent properties by up to CPI+1% each year from 2020, for a period of at least five years.

- 3.4 This proposal recognised the need for a stable financial environment to support the delivery of new homes by registered providers including local authorities and enable them to plan ahead.
- 3.5 The Direction on the Rent Standard 2019 replaces the 2014 Direction from 1 April 2020 onwards for a period of at least five years. The rent standard applies to local authority registered providers from 2020 onwards because the previous arrangements for limiting the welfare costs associated with local authority rents (the Rent Rebate Subsidy Limitation scheme) will not operate alongside Universal Credit

#### **4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

- 4.1 The rent and service charge income funds the HRA Business Plan and therefore, the delivery of the key housing objectives. These key objectives are the delivery of effective services, the investment in existing council properties to ensure homes are of a modern standard and the provision of new social and affordable housing to rent. The policy statement at section 2 of the policy emphasises the link with the HRA Business Plan's service objectives and outcomes.
- 4.2 A revised version of the Rent and Service Charge Policy is attached at Appendix A and is recommended for approval. Revised text is shown underlined and in italics.
- 4.4 A number of changes have been made to ensure the policy The Direction on the Rent Standard 2019, including the Council's position in relation to service charge increases, de-pooling and new service charges. This will enable the Council to proceed with setting the HRA budget and rents for 2020/21 in line with its standard annual timetable. The key changes to the policy are outlined in paragraphs 4.5 to 4.7 below.

#### **4.5 Background (section 4 of the policy)**

- 4.5.1 Section 4 of the policy has been updated to reflect recent legislation:
- Paragraph 4.2 sets out the relevant **Legislation, regulation and guidance listed in Appendix A**
  - Paragraph 4.3 to 4.7 sets out the provisions of the Direction on the rent standard 2019 replaces the 2014 Direction from 1 April 2020 onwards for a period of at least five years permitting registered providers to increase rents on social rent and affordable rent properties by up to CPI+1% each year from 2020.
  - Paragraphs 4.8 provides more detailed **Legislative background in Appendix B**

#### **4.6 Annual Rent Changes (section 7 of the policy)**

4.6.1 With regard to annual rent changes, paragraphs 7.1 and 7.2 provides a narrative detailing Stevenage Borough Council's approach to rent setting for its different tenure and service types that this policy applies o in **Appendix C**

#### **4.7 Service Charges (section 11 of the policy)**

4.7.1 Section 11 of the policy refers to service charges and has been amended slightly to clarify that the Council will ensure that service charges are set based on the actual costs of the services.

- Paragraph 11.3 to 11.6 states that the Council will seek to recover in full, service charge costs. The Policy, allow flexibility in a particular year, if the increase in service charge would cause financial hardship for the Council to place a maximum limit on the service charge increase in a particularly year, based on an assessment of the affordability of the charge
- Paragraph 11.7 highlights other charges not included in previous policies made to payers of service charges Service charge payers may also be liable to the Council:
- Paragraph 11.8 state when we will review service charges, consult and notify residents.

### **5. IMPLICATIONS**

#### **5.1 Financial Implications**

5.1.1 The Government's proposed CPI plus 1% rent increase which will have an impact on the Council's rental income. The Business Plan has been extensively reviewed and is the subject of a separate report to this Executive meeting.

5.1.2 We are still in the process of setting the service charges for 2020/21 and these will be agreed through the final HRA budget and rent setting report. Officers are still in the process of calculating the service charges for 2020/21 and Members will be updated as part of the December 2019 Draft and January 2020 final HRA budget report to the Executive. The 2020/21 rent and service charges will be approved at Council in January 2020.

#### **5.2 Legal Implications**

5.2.1 Although the document at Appendix A is described as a policy, for the avoidance of any doubt, its purpose is to guide the Council's policy decisions year to year at the rent setting stage and not to provide discretion on a case by case or property by property basis.

#### **5.3 Equalities and Diversity Implications**

5.3.1 Currently working on the EqIA. There will be ongoing equalities monitoring of

affordable rent pilot activities.

## **5.5 Equalities and Diversity Implications**

- 5.5.1 In carrying out or changing its functions (including those relating to the provision of services and the employment of staff) the Council must comply with the Equality Act 2010 and in particular section 149 which is the Public Sector Equality Duty. The Act replaced three previous equality legislations – the Race Relations Act (section 71), the Sex Discrimination Act (section 76A) and the Disability Discrimination Act (section 49A). The Council has a statutory obligation to comply with the requirements of the Act, demonstrating that as part of the decision-making process, due regard has been given to the needs described in the legislation. These duties are non-delegable and must be considered by Council when setting the budget in January 2020.
- 5.5.2 To inform the decisions about the Budget 2020/21 officers are in the process of undertaking Equality Impact Assessments (EqIAs) for service-related budget savings proposals. Where there is a potentially negative impact, officers will identify further action needed to inform a final decision and to mitigate the impact where this is possible.

## **APPENDICES**

- Appendix A – Rent and Service Charge Policy Nov 2019