

Meeting: EXECUTIVE

Council Agenda Item:

14

Portfolio Area: Housing & Resources

Date: 11 September 2012

RENT AND ANNUAL SERVICE CHARGE SETTING POLICY

KEY DECISION

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1 PURPOSE

- 1.1 To propose the levels by which rents and service charges will be increased on an annual basis.

2 RECOMMENDATIONS

- 2.1 That Executive approve the Rent & Service Charge Setting Policy, attached to this report as Appendix 1.

3 BACKGROUND

- 3.1 Stevenage Borough Council has previously been obliged to comply with the Government's rent setting formula, having set rents at RPI + 0.5% + £2 per week.
- 3.2 Following the introduction of 'self financing' for the Housing Revenue Account (HRA), local authorities have been free to set their own rent levels. This was the case in Stevenage when Members voted to reduce the formula rent increase by 1% for 2012/13.
- 3.3 Government have stated: "*While local authorities are free set their own rent levels under the principles of self-financing, their inherited debt level is also determined by the CLG rent formula. Thus if a council chooses not to apply the formula it could face problems in servicing its debt.*"
- 3.4 The setting of rents under the new self-financing regime is uncharted territory for local authorities, there now being a need to ensure sufficient funds exist within the HRA to meet Business Plan requirements, including the repayment of debts.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 With the development of a 30 year Business and Financial Plan, and a 5 year Medium Term Financial Strategy, there is a need to take a longer term view of rent and service charge setting as yearly arrangements will cause uncertainty with regard to financial viability.
- 4.2 In calculating and allocating HRA self financing debt, assumptions were made by Government that local authorities would adopt a rent and service charge policy which ensured funds were raised to repay this debt. Members have agreed a debt repayment structure which is fixed, and which continues these assumptions for the following 30 years.
- 4.3 In taking this longer term view, Members will need to be satisfied that the Council has a viable HRA, with sufficient balances to ensure loans can be repaid whilst investment in our homes and other programmes to address fuel poverty and environmental concerns have sufficient funds to continue and housing services are funded to ensure they continue.
- 4.4 Members need to have an awareness of the impact a reduced rent increase could have on the income stream for Stevenage Borough Council, and the consequential ability to meet the aspirations of Members, tenants, and future tenants.
- 4.5 By not levying a rent increase which provides for a viable HRA, future opportunities to invest in services and new homes may be lost.
- A 1% reduction in the annual rent increase equates to £380,000; the cost of installing 98 Decent Homes kitchens or 211 bathrooms.
 - If income is not recovered in future years, a 1% reduction for any one year multiplies up to £1.2 m over 30 years. This is equivalent to purchasing 57 new homes at £200,000 each at today's prices.
- 4.6 With approximately 54% of Stevenage Borough Council tenants being in receipt of Housing Benefit, lower rent increases will benefit less than half of our tenants. By implementing rent increases which allow for a viable HRA, funds not allocated to the repayment of debt could be used to support those tenants in financial difficulty and to provide work-based opportunities through apprentice schemes.
- 4.7 Neighbouring local authorities such as Cambridge City Council are using funds raised through rent increases to invest in their stock. If Stevenage Borough Council opt for an alternative approach this may leave the Council at a disadvantage if the housing stock became less desirable through lack of investment.

- 4.8 There is a possible risk to future Decent Homes funding should the Council adopt an approach to HRA management which does not focus on future investment. SBC should be promoting an investment culture indicating the willingness to take advantage of any available funding should Government reintroduce Decent Homes programmes.
- 4.9 An account needs to be taken of the impact of the Localism Act as pressure is placed upon Housing staff to deliver non-core services, and the Welfare Reform Act with Universal Credit being paid monthly in arrears whilst rent is levied weekly in advance. Both of these could have a negative effect on the cash flow within the HRA.

5 IMPLICATIONS

5.1 Financial Implications

- 5.1.1 Stevenage Borough Council took on c£200m in debt following the introduction of 'self financing' of the Housing Revenue Account. In agreeing a rent and service charge setting policy, the Council will need to take account of the requirement to meet the debt repayments, which are fixed and are first call on the HRA finances prior to service provision or investment in our homes.
- 5.1.2 In addition to the above, there has to be due regard paid to the ability of Stevenage Borough Council tenants to pay their rent and therefore rent levels need to be maintained at affordable levels.

5.2 Legal Implications

- 5.2.1 There are no legal implications associated with the report's recommendations.

5.3 Equalities and Diversity Implications

- 5.3.1 An Equality Impact assessment of the policy will be undertaken once agreed in its draft form, prior to submission to Council and prior to each annual rent setting report to Council.

5.4 Risk Implications

- 5.4.1 There is a risk to the viability of the Housing Revenue Account and the ability to repay HRA debt if rent increases are not agreed at a level which ensures sufficient reserves are built up within the HRA to meet future loan repayment schedules.
- 5.4.2 There is also a risk to the future capital and Decent Homes programmes, and the continuation of the provisions of services to general needs, supported and sheltered housing tenants if rent increases do not fully allow for the current service levels to be maintained.

5.4.3 There is the risk of Stevenage stock become less desirable than that of its neighbours; possibly creating longer term problems with lettings and encouraging tenants to create sustainable communities.

5.4.4 The above risks can be mitigated against, and would be classed as low, should future rent increases ensure the HRA is viable.

5.5 Service Delivery Implications

5.5.1 Continuity in the delivery of services is an important factor when considering rent and service charge increase. As the repayment of HRA debt has first call on available funds, services would need to be reduced in order to limit or reduce revenue expenditure if the rent policy is not followed.

BACKGROUND DOCUMENTS

- Department for Communities and Local Government – Implementing Self Financing for Council Housing
- Stevenage Borough Council – Medium Term Financial Strategy
- Welfare Reform Act (2012)
- Localism Act (2012)

APPENDICES

- Appendix 1 - Rent and Service Charge Setting Policy (draft)