

17 November 2020		ITEM: 9
Housing Overview and Scrutiny Committee		
HRA Rent Setting Process		
Wards and communities affected: All	Key Decision: N/A	
Report of: Roger Harris – Corporate Director of Adults, Health and Housing, Sean Clark – Corporate Director of Finance, Governance and Property		
Accountable Assistant Directors: Carol Hinvest – Assistant Director of Housing, Jonathan Wilson – Assistant Director of Finance		
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This report is Public		

Executive Summary

Local authorities and registered providers have the ability to increase social and affordable rents in line with the Governments policy statement on Rents for Social Housing 2018. This report sets out the proposed rent increases for 2020/21 and their impact on the Housing Revenue Account (HRA).

The Council started a consultation process with residents on 2 November 2020 to explain the rent setting options, an indication of their impact on the overall resources and the legislative rules of the HRA.

1. Recommendation(s)

1.1 That the Housing Overview and Scrutiny Committee comment on the proposal for engagement on rent increases within the Housing Revenue Account

2. Introduction and Background

Central Government Directives and Policy

- 2.1 In accordance with central government policy, the increase in to any individual tenants rent is limited to inflation + 1% for the forthcoming financial year. Inflation is taken as the Consumer Price Index (CPI) rate at the prevailing rate for September 2020, which was official registered at 0.5%. Therefore, the increase in rents is limited to 1.5%.

3. Issues, options and analysis of options

Implications for Thurrock Council housing tenants

- 3.1 The majority of properties within the HRA are charged at a social rent. However, there are also a small proportion of newly developed units which are based on an affordable rent level (meaning it cannot exceed 80% of the equivalent market rent). This ensures these properties generate sufficient revenue to offset their ongoing associated costs without a wider impact on the HRA. The current stock level for the HRA has been updated to September 2020, and the impact of a CPI + 1% rent increase is shown below:

Social Rent properties

Number of Dwellings by Bedroom	Number of Properties	Average 2020/21 Actual Rent	Average CPI +1% uplift 2021/22	Average 2021/22 Actual Rent	2021/22 Annual Rent Yield
0	245	£ 62.20	£ 0.93	£ 63.13	£ 773,369
1	2,788	£ 75.65	£ 1.13	£ 76.78	£ 10,703,446
2	2,208	£ 82.50	£ 1.24	£ 83.74	£ 9,244,643
3	4,184	£ 103.08	£ 1.55	£104.62	£ 21,886,899
4	222	£ 115.82	£ 1.74	£117.56	£ 1,304,921
5	8	£ 116.86	£ 1.75	£118.62	£ 47,447
6	2	£ 126.16	£ 1.89	£128.05	£ 12,805
Total / Average	9,657	£ 89.72	£ 1.35	£ 91.07	£ 43,973,530

Affordable Rents

- 3.2 The rent setting process for the existing affordable rent properties will follow the same guidance as applied to the properties within the HRA that are charged a social rent. In addition, the Council will ensure that no rent exceeds the Local Housing Allowance level. The impact of a CPI + 1% rent increase is shown below:

Number of Dwellings by Bedroom	Number of Properties	Average 2020/21 Actual Rent	Average CPI +1% uplift 2021/22	Average 2021/22 Actual Rent	2021/22 Annual Rent Yield
1	49	£ 137.88	£ 2.07	£139.95	£ 342,877
2	182	£ 163.22	£ 2.45	£165.67	£ 753,808
3	93	£ 199.01	£ 2.99	£201.99	£ 313,088
Total / Average	324	£ 162.45	£ 2.44	£164.89	£ 1,409,772

- 3.3 The rent for affordable rent housing (inclusive of service charges) must not exceed 80% of gross market rent. Gross market rent means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector. Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.

3.4 The Council will try to ensure that it does not set the level of rent and service charge above the Local Housing Allowance level. This is the limit for which a tenant may receive housing benefit or universal credit towards the cost of the property.

3.5 **South West Essex Broad Rental Market Area (Local Housing Allowance)**

The 2020/21 Local Housing Allowance rates are shown in the table below. This is the total amount, including service charges that the HRA can apply to each dwelling without exceeding the benefits limit.

Bedroom Size	Weekly Rate
Single	£76.64
0	£161.10
1	£161.10
2	£201.37
3	£247.40
4	£306.66
5	£306.66
6	£306.66

Garage Rents

3.6 The current weekly charges for garage rents are £10.50 per week for council tenants and £15.00 per week for non-Council tenants. It is recommended that these charges are increased by 2% in order to cover inflationary cost pressures which would be a proposed charge for 2021/22 of £10.70 for a Council tenant, and £15.30 per week for a non-Council tenant in 2020/21.

4. Reasons for recommendation

Wider context of HRA rents

4.1 The graph below is an illustration of how the Councils HRA rents compare to other levels of rents with the housing market. This demonstrates that whilst there is a requirement and recommendation to increase the current rents level in line with the government's proposals, social rent levels are still significantly lower than those of the local housing allowance and market rents.



Impact on HRA Business Plan

- 4.2 The decision to reintroduce the ability for Local Authorities to increase rents is essential in order to maintain and improve the existing stock, as well as introduce other improvements within the service. The following section of the report details the need for significant further investment into the existing housing stock. This is essentially where the additional income raised from rent increases will be spent, in order to maintain and improve the Councils housing stock. Without an increase in the current level of rent, it will not be possible to allocate sufficient additional resources to this without having to find reductions to the current level of front line services

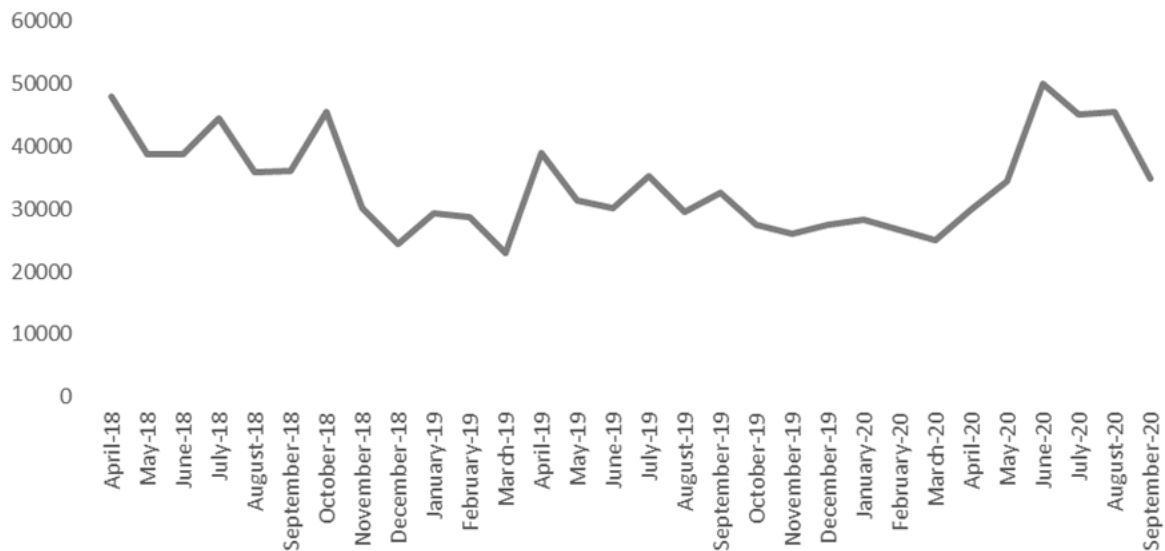
In order to meet any financial gap as a result of increasing rent, when faced with inflationary cost pressures,

HRA Revenue Position

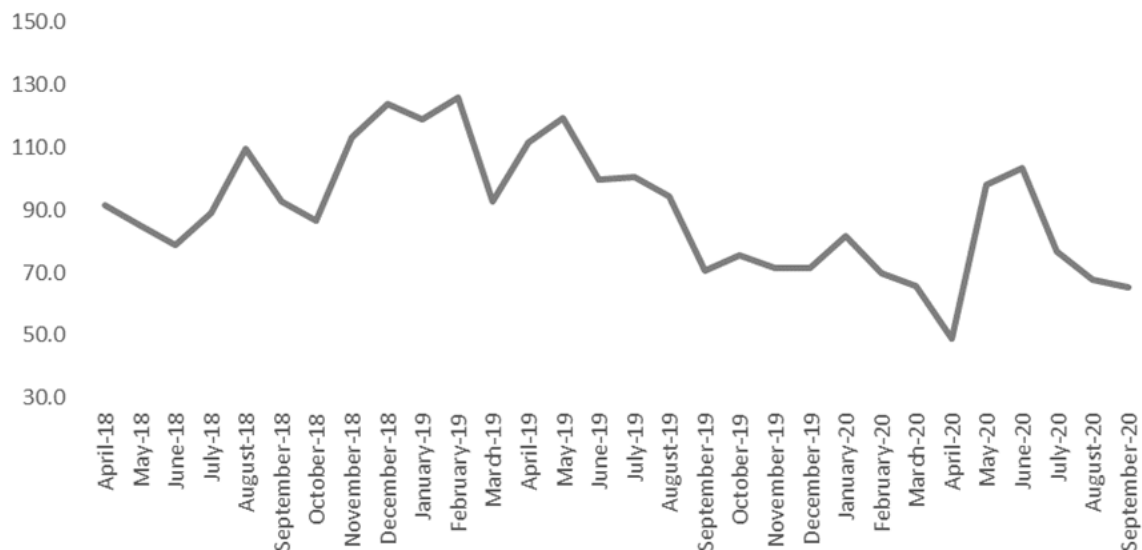
- 4.3 The HRA is forecasting a balance budget position for the current financial year. However, the remains concern over the on-going social-economic factors which will emerge as a result of the current pandemic.
- 4.4 In order to maintain a balance financial position, the HRA has implement the following efficiencies which, in conjunction with a rent strategy will support the long term business plan.
- 4.5 In 2018/19, the overall average re-let time was 95 days. Re-let times for capital voids steadily improved throughout 2019/20 ending with an average re-let time in March 2020 of 66 days and an overall average re-let time of 83 days for the reporting year.

4.6 The coronavirus pandemic has adversely affected re-let times in 2020/21 as choice based lettings were suspended for a period of time which meant the properties which were void before or during the period of suspension remained void for a much longer period of time than usual. This has now begun to improve again and capital voids let in September took an average of 65.3 days to re-let.

Void Loss



Capital Void Re-let times



4.7 The earmarked reserves within the HRA are committed towards supporting the transforming homes programme, and the remainder are ring-fenced for the delivery of additional housing purposes and cannot be used for any other purpose.

Reserve	Opening Balance	Estimated Closing Balance
	£'000	£'000
Balances	2,175	2,175
Development Reserve	1,659	1,659
Regeneration Reserve	1,274	1,000
Capital Reserve - Existing Stock	744	744
RTB Attributable Debt	4,928	-
RTB Buy Backs	102	102
Grand Total	10,882	5,679

5. Consultation

- 5.1 A full, detailed engagement exercise with tenants, to fully explain the process and implications of the proposed rent increase is underway, which started on 2 November 2020. Due to the restriction in place as a result of the Covid-19 pandemic, a presentation with audio commentary will be made available online. This will detail the rent setting process, the various options and explain how the funding is used. This will allow sufficient time to provide detailed feedback of this exercise to inform further reports in relation to future year's rents. The increase will ultimately be subject to a report to Housing Overview and Scrutiny in January 2021 and formal ratification by Cabinet as part of the 2020/21 budget setting approval.
- 5.2 The engagement process will aim to engage residents and the Excellence Panels.

6. Impact on corporate priorities

- 6.1 The recommended increases in rents, in line with Central Government policy is essential to ensure the HRA's remains financially sustainable, while ensuring the required capital investment is available to maintain the stock and ensure compliance with health and safety regulations.
- 6.2 The HRA is required by statute to make a minimum revenue contribution to finance the capital improvements required for existing stock. This is known as the transforming homes work and has been calculated at £10.30m.
- 6.3 The wider 5 year capital programme that commenced in 2020/21 and continues to address the medium term investment requirements highlighted in the stock condition survey, as well as essential health and safety and legislative requirements. The allocation of this funding is set out below:

Programme	Year/£m			
	2021/22	2022/23	2023/24	2024/25
Transforming Homes	10.30	10.30	10.30	10.30
Major Adaptations	0.15	0.15	0.15	0.15
Sheltered Improvement Project	0.00	0.00	0.00	0.00
Fire Safety Works	1.00	1.00	1.00	1.00
Tower Block Refurbishment	14.42	2.58	0.00	0.00
Non-Traditional Refurb	1.72	2.34	3.03	0.00
Garages	0.50	0.50	0.50	0.50
Gas Boiler Installs	0.60	0.60	0.60	0.60
Lifts (Installation)	0.14	0.14	0.14	0.14
Door Entry Installations	0.35	0.35	0.35	0.35
Water Mains	0.16	0.16	0.16	0.16
Staffing Costs Capital Programme	0.16	0.16	0.16	0.16
Capital financing requirement	29.50	18.28	16.39	13.36

6.4 Further to this, new medium term Capital works have been identified and the existing programme has been progressed.

6.5 The works on the Tower blocks have now been tendered, and will commence during the current financial year.

As part of this process, a project is being undertaken to look at the long term sustainable heating source solutions. Presently, the preferred option would be Ground source heat pumps. This would fit within the Carbon neutrality requirements, as well as, over the long term providing a much more efficient and cost effective heating source.

This would be financed through a combination of government grant funding and prudential borrowing.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Assistant Director Corporate Finance

The financial implications are set out in the body of the report.

7.2 Legal

Implications verified by: **Martin Hall**
Housing Solicitor / Team Leader

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 (“the HRA”). The HRA is a record of revenue expenditure and income in relation to an authority’s own housing stock.

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.” Further, it requires the local authority, from time to time, to review rents and other charges and make such changes, as circumstances may require.

7.3 **Diversity and Equality**

Implications verified by: **Roxanne Scanlon**
**Community Engagement and Project
Monitoring Officer**

The Councils Housing Revenue Account works to reflect the Council’s policy in relation to the provision of social housing with particular regard to the use of its own stock. In addition to the provision of general housing, it incorporates a number of budgetary provisions aimed at providing assistance to disadvantaged groups. This included adaptations to the stock for residents with disabilities.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None

8. **Background papers used in preparing the report**

None

9. **Appendices to the report**

None

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