



Report to:	Housing, Economy and Business Committee	Date	23 January 2018
Report title:	Housing Rents and Related Charges 2018/19		
Report from:	Mary Morrissey - Strategic Director, Environment, Housing and Regeneration		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Jayne McCoy		
Author(s)/Contact Number(s):	Trevor Hart, Housing Strategy and Commissioning Manager, 020 8770 5844		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • A Fair Council • A Smart Council 		
Open/Exempt:	Open		
Signed:		Date:	10 January 2018

1. Summary

- 1.1 This report advises the Housing, Economy and Business (HEB) Committee of the continuing government-imposed decreases in council tenants' rent. This rent policy is enshrined in legislation, the Welfare Reform and Work Act 2015, and associated regulations. The legislation requires landlords of social rented housing to reduce social housing rents by 1% per annum each year for four years from April 2016. The 1% reduction which will take effect in April 2018 is therefore the third year of four when this legislation will be in force. This reduction, whilst resulting in modest savings on an individual basis for tenants who pay rent, will result in a loss over the four year reduction period of approximately £4.4m of income which would otherwise have been available to pay for services to tenants in need, investment in housing estates, and increasing the supply of affordable homes. Although the government signalled last autumn that from April 2020, rents will be permitted to rise by the Consumer Price Index (CPI) measure of inflation plus 1%, for a period of five years, this will not make good that loss, as this change solely represents a move back to previous policy.
- 1.2 The rent reduction and service charge increases set out in this report will inform the Housing Revenue Account (HRA) estimates for 2018/19, which will be presented to the Strategy and Resources Committee for approval in February as part of the overall budget setting for next year. The charges will be implemented by Sutton Housing Partnership (SHP) as the Council's housing management provider.



- 1.3 The report proposes changes to rents and other charges for dwellings held outside of the HRA, these being mainly properties used by Education services, as well as HRA garages and other ancillary facilities. Finally, it proposes changes to the license fees for pitches at the Council's Travellers site, The Pastures, and rents for temporary accommodation, both of which are accounted for within the General Fund.

2. Recommendations

The Housing, Economy and Business Committee is recommended to:

- 2.1 Decrease council dwelling rents by 1%, in line with the Government's social rent legislation;
- 2.2 Increase garage rents by 55p pw (4.6%) to £12.50 pw and parking space rents by 13p pw (4.6%) to £2.85 pw;
- 2.3 Decrease charges for heating and hot water by 3%, to reflect anticipated future costs of supply;
- 2.4 Increase charges for estate services by a maximum of 2.9% (CPI at August 2017) per property until they have reached an amount at which full cost recovery is achieved;
- 2.5 Increase rents for the units at Hillcroome Road and Harrow Road by 2.9%;
- 2.6 Increase rents for other non-HRA properties as proposed in paragraph 4.13;
- 2.7 Recommend to the Carshalton Coronation Commemoration Trust that the rents of the properties leased to it are reduced by 1% in line with the position for council housing rents;
- 2.8 Decrease charges for the pitches at The Pastures Traveller site by 0.89%;
- 2.9 Delegate authority to the Strategic Director of Environment, Housing and Regeneration to set the charges for ancillary services provided to occupants of non-HRA temporary accommodation.

3. Background

- 3.1 The HRA estimates for 2018/19 are due to be presented to the Strategy and Resources Committee for approval on 5 February 2018, as part of the budget setting report. Key factors which inform the estimates are the proposed change to tenants' rents, effective from April 2018, and a number of other charges which contribute to the total HRA income.
- 3.2 This report seeks the approval of the HEB Committee to the levels of HRA rent and other charges for 2018/19. It advises of proposed increases in rents and other charges for HRA ancillary units and council-owned dwellings held outside of the HRA, proposes a decrease in the charge made for pitches at the Council's Traveller site, and charges for ancillary services provided to occupants of nightly-paid temporary accommodation.



4. Issues and options considered

HRA Dwelling Rents

- 4.1 In 2015, the then Chancellor announced that from 2016/17 all social rents will be decreased by 1% per year for the next four years. Where applicable, individual property rents will continue to be uplifted to their target level as and when they are re-let.
- 4.2 Reducing rents by 1% in April 2018 will result in an average decrease of £1.07 pw, bringing the average rent down from £106.59 to £105.53 pw, equating to a loss of £325,420 of income in 2018/19 (excluding any further changes to stock numbers). Individual decreases range between £0.32 pw and £1.86 pw, with the majority of decreases falling between £0.92 and £1.22 pw.
- 4.3 The impact of the reduction in rents has been taken into account in the HRA Business Plan, the latest iteration of which was presented to the Committee last September. The reduction in rental income has also been taken into account in the proposed re-modelling of Sutton Housing Partnership, an item on which is included elsewhere on this agenda.

Garage Rents and Parking Space Charges

- 4.4 It is proposed that in April 2018, standard garage rent be increased by 55p pw. This will result in charges increasing from £11.95 pw to £12.50 pw (4.6%), providing £23,900 additional income based on current rental volumes. The purpose of these higher than inflation increases is to bring charges incrementally more in line with those of neighbouring boroughs. For comparison, Croydon Council charges £14 pw on average, depending on location, and Kingston Council £16.32 pw. It is further proposed that the rent for individual parking spaces is increased by 13p, from £2.72 to £2.85 pw.

Heating/Hot Water Charges

- 4.5 570 dwellings on certain estates are linked to communal supplies for heating and hot water with tenants paying a separate charge along with their rent.
- 4.6 In recent years, rather than raising or lowering tenant charges to match or track the latest energy supplier cost, the Council has sought to 'smooth' fluctuations in charges while maintaining an appropriate balance on the heating account.
- 4.7 Given the current balance and despite a 3.75% increase in energy supplier costs from October 2017, it is proposed that for 2018/19 charges are decreased by 3%. Although expectations are for supply costs to increase by a further 8% - 12% in October 2018 these rises do not yet counteract the 24.6% reduction in October 2016. We are also beginning to see the benefits of the thermal insulation work undertaken on our properties in recent years. In line with the comment in 4.6 above, a 10% reduction was agreed for tenant charges for the year 2017/18 which allows us to continue smoothing the fluctuations in to 2018/19. This will ensure that in overall terms income continues to broadly match expenditure for these services, and it should continue to avoid the need for any significant increase the following year in the event of energy



costs going up between now and then.

Estate Service Charges

- 4.8 Some tenants also pay charges for various estate services, including caretaking, estate cleaning and grounds maintenance. The costs of these services need to be fully recoverable to ensure tenants not receiving services do not subsidise those that do.
- 4.9 For 2018/19 it is proposed that estate service charges be increased by up to 2.9% (which was the August 2017 CPI rate) until they have reached the point at which full cost recovery is achieved. Some services are already at (or near) full recovery for all or some residents, so increases for these would be based on budget increments only and may be less than this rate. Other individual properties are below full recovery for historic reasons and to take them immediately to full charge would mean some very large increases. Where a property has minimal increases on one service but is behind on another, the increases are balanced so that the overall comes up to 2.9%. However, it is proposed that the estate service charges for properties that are relet during the year be set at full cost recovery levels.

Summary of Proposed HRA charges

- 4.10 The table below summarises proposed charges for mainstream HRA properties for next year.

Item	Proposal	Effect
Dwellings rents	-1%	Brings the average rent to £105.53, with the majority of decreases falling between £0.92 and £1.22 pw. Average rents by property size become: Bedsit - £76.21 1 Bed - £91.90 2 Bed - £106.40 3 Bed - £118.52 4 Bed - £133.60 5 Bed - £137.92
Garage rents	4.6%	Increases weekly standard charge from £11.95 to £12.50
Heating / hot water charges	-3%	Delivers smooth fluctuation in charges and heating derived balances within the HRA over the longer term



Estate service charges	To cover service delivery cost, with maximum increase of 2.9%	
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Housing Management Plus Service

- 4.11 SHP now provides an 'intensive housing management' service known as "Housing Management Plus" to its residents living in independent schemes for older people. For this there is a single charge of £14.60 pw which became payable from 1 July 2017; however, for many tenants the service is fully funded via housing benefit. It is proposed that the charge for this service remains at £14.60pw as costs of service provision are not expected to increase in the short term.

Rents for Specialised HRA Properties

- 4.12 Within the HRA are two houses, subdivided into a number of small units providing supported accommodation, at Hillcroome Road and Harrow Road. It is proposed that the rents for these properties, which are regarded as specialised supported accommodation, should be increased by CPI, ie 2.9%. This will bring the average rent at Hillcroome Road to £75.13 pw and that at Harrow Road to £80.57 pw. Six of the 12 tenants in the two schemes are in receipt of full housing benefit with a further three in receipt of Universal Credit.

Non-HRA Dwelling Rents

- 4.13 With regard to proposed rent levels for properties held outside of the HRA, last year these were increased by 2.5%, in line with the recommendations from the relevant owning-directorates. For 2018/19 the Education service (People Directorate) propose that a nil increase is applied while a wider review of the ownership and responsibility for its 18 properties, particularly in relation to Academies, is undertaken by April 2018.

Carshalton Coronation Commemoration Trust Properties

- 4.14 A small number of council-owned properties, at Cooper Crescent in Carshalton, are let on a long lease to the Carshalton Coronation Commemoration Trust, who in turn rent them out to older people. It is recommended that the Council recommend to the trustees that rents of these properties should be reduced by 1% in line with the Council's social rented stock.

Traveller Site Pitch Charges

- 4.15 The Council owns the Traveller site at The Pastures, Woodmansterne. Traditionally, charges for pitches on the site have risen in line with dwelling rents. However, in 2012/13 it was agreed that any increases in future should be in line with CPI, but limited to ensure that the cost of pitches remained at no less than 10% below the rent for the average council dwelling in the Carshalton and Clockhouse Ward.



- 4.16 Applying the required 1% decrease in 2018/19 to council dwelling rents in the ward would reduce the average rent to £106.47 pw. If the same decrease was applied to the Traveller site pitches, it would reduce the charge to £95.71 pw, which is more than 10% below the average dwelling rent. If, however, a decrease of 0.89% (£0.86 p pw) is applied, it would reduce pitch fees to £95.82 pw, which is almost exactly 10% below the average dwelling rent (£106.47 - £10.65 = £95.82). Therefore, it is proposed that pitch charges be decreased by 0.89% for 2018/19. Residents will receive notification of the proposed decrease in the same way that tenants in general needs housing are notified.

Permanent Stock Used as Temporary Accommodation

- 4.17 It was previously agreed that from April 2017, in the case of rents for dwellings within the permanent HRA stock that are used as temporary accommodation, a 'temporary accommodation rent' be set at an equivalent to 10% below the Local Housing Allowance (LHA) level that applies to private sector lettings in the area. This is to reflect the higher management and maintenance costs of dwellings let on non-secure tenancies.
- 4.18 However, following further scrutiny of the Social Housing Rents (Miscellaneous Provisions) Regulations 2016, we have ascertained that, whilst some forms of temporary accommodation are exempt from the general requirement to reduce rents by 1% per annum, temporary accommodation of this category is not, and so rents are subject to the same government-imposed stipulations as general needs housing.

Non-HRA Temporary Accommodation Costs

- 4.19 In addition to charges for the accommodation itself, which are determined by the Department for Works and Pensions (DWP), occupants of bed and breakfast and self-contained nightly-paid accommodation are also charged for certain ancillary services provided, notably heating, hot water and cooking. Set out in the table below is a schedule of current charges. It is proposed that authority be delegated to the Strategic Director of Environment, Housing and Regeneration to set the charges for 2018/19, in line with DWP guidance once published.

	2017/18 (£ pw)
Heating, hot water, lighting and cooking for self-contained units	37.80
Heating, hot water, lighting and cooking for one room	17.23
Breakfast	3.35



4.20 Since April 2017, the DWP has no longer been paying the temporary accommodation management allowance through the Housing Benefit subsidy for non-HRA temporary accommodation. The formula in London up until that point had been 90% of the January 2011 LHA rate plus a £40 per week management allowance. From April 2017, for two years, the DCLG has provided housing authorities with “Flexible Homelessness Support Grant” to replace the £40 per week management allowance. The grant was paid in 2017/18 and is payable in 2018/19 but no reference has been made by the government to what will happen in year 3 (2019/20) and whether any grant will be received. This year, the grant has been used to supplement our Discretionary Housing Payments budget in order to cover some of the cost of providing and managing temporary accommodation. We will continue as far as possible to use the grant for this purpose in 2018/19 but we will also need to divert resources from this source to cover the expected costs of implementation of the Homelessness Reduction Act (reported on elsewhere on this agenda). However, even once this £40 per week payment is made, there is still a remaining net cost to the council in providing temporary accommodation which on average is £52.50 per household per week.

4.21 For Housing Benefit claimants, Housing Benefit subsidy will cover only 90% of the 2011 LHA rate. Households on Universal Credit will be eligible for the applicable LHA rate in full. Recent announcements from the DWP include a decision that from April 2018, all temporary accommodation housing costs claims will be paid via Housing Benefit and not by Universal Credit. Guidance is yet to be issued. The following table shows the current LHA rates for the Outer South London Broad Market Rental Area, which covers the large majority of the borough, along with the subsidy rates.

Outer South London BMRA	Shared Room £pw*	1-bed £pw	2-bed £pw	3-bed £pw	4-bed £pw
Current LHA (Dec 2017)	82.46	172.24	216.98	279.14	344.38
TA subsidy (90% Jan 2011 LHA + £40)	155.77	180.19	216.53	258.07	335.96
TA subsidy (90% Jan 2011 LHA, not including £40)	155.77	140.19	176.53	218.07	295.96

* The TA Subsidy for shared rooms never included the £40 p.w. management fee

5. Impacts and Implications

Financial

- 5.1 The reduction in HRA dwelling rents in line with government policy will result in an average decrease of £1.07 pw in 2018/19, which equates to reduced income of £325,420 in 2018/19.



- 5.2 Increases in garage rents by 55p pw (4.6%) to £12.50 pw and parking space rents by 13p pw (4.6%) to £2.85 pw are proposed. Although garage rent charges are increasing by 55p pw (4.6%) to £12.50 pw, the budgeted amount is lower than the 2017/18 budget as fewer garages are let, leading to a reduction in income of £23,900.
- 5.3 The 3% decrease in hot water charges reflects the anticipated future costs of supply, as the heating cost inflation of 8% can be fully absorbed by the carried forward surplus. The reduction of income is £23,900, compared to 2017/18 outturn.
- 5.4 The 2.9% increase in Estate Service charges results in increased income of £7,600. This is lower than 2.9% of 2017/18 budget as a significant number of properties have hit the limit of full cost recovery.
- 5.5 The 2.9% increases in rents for the units at Hillcroome Road and Harrow Road result in increased income of £1,684.
- 5.6 The 0.89% reduction on Traveller Site Pitches will result in a loss of income of under £1,000 in the 2018/19 General Fund budget.

Legal

- 5.7 The Welfare Reform Act 2016 and associated regulations require the Council to reduce social housing rents in respect of properties held within the HRA by 1% a year for four years from a frozen 2015 to 2016 baseline and to comply with maximum rent requirements for new tenancies. There is an exemption from this requirement for specialised supported housing. In relation to Traveller site pitches, regulations made under the Mobile Homes Act 1983 set out a detailed procedure for changing pitch fees, including a requirement to notify occupiers of the proposed change. The Council can seek an order from the First Tier Tribunal determining the amount of the fee if agreement cannot be reached.

Equality Impact Assessment

- 5.8 An equality impact assessment is set out at Appendix A.



6. Appendices and Background Documents

Appendix Letter	Title
A	Equality Impact Assessment

Background Documents
None

Audit Trail		
Version:	Final	Date: 10 January 2018
Consultation with other officers		
Finance	Yes	Neilesh Kakad/John Smith
Legal	Yes	Sally Novell
Equality Impact Assessment?	Yes	See Appendix A

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