



Housing Committee

January 2019

Title	Annual Review of Council Dwelling Rents and Service Charges and Temporary Accommodation rents in outer London Local Housing Allowance areas for 2019/20
Report of	Cllr Gabriel Rozenberg
Wards	All
Status	Public
Urgent	No
Key	Yes
Enclosures	Appendix A: Equality Impact Assessment
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Summary

The report seeks approval of proposed changes to council dwelling rents and service charges including temporary accommodation rents to take effect from April 2019.

Recommendations

1. That the Committee consider and approve the proposed rent decrease in line with Government policy for existing Council tenants as set out in paragraph 1.6 to take effect from 1 April 2019.
2. That the Committee approves the proposed rent increases for temporary accommodation to the relevant outer London Local Housing Allowance rates as set out in paragraph 1.8 to take effect from 1 April 2019.
3. That the Committee approves the proposed service charges and garage rents as set out in paragraph 1.12 to take effect from 1 April 2019.
4. That the Committee approve the new charge for Fire Safety sprinkler systems as set out in paragraph 1.20 and that these are reported to Policy and Resources Committee for noting.

1. WHY THIS REPORT IS NEEDED

- 1.1 The council is required to set council dwelling rents and associated service charges for council tenants on an annual basis. These are set out in a formal rent notice issued to all tenants before the start of the financial year.
- 1.2 The Local Government & Housing Act 1989 requires the Housing Revenue Account (HRA) to be maintained as a ring-fenced account and prescribes the debits and credits to be applied to it. The principle items of expenditure within the HRA are management and maintenance costs, together with charges for capital expenditure (depreciation and interest). This is substantially met by rent and service charge income from dwellings, garages and commercial premises.

Council dwelling rents

- 1.3 The Welfare Reform and Work Act 2016 requires that council dwelling rents are reduced by at least 1% a year (from the previous 12 months) for four years from April 2016. In October 2017 the Ministry of Housing, Communities and Local Government, (MHCLG), (formally the Department for Communities, and Local Government) (DCLG) announced that increases to social housing rent will be limited to the Consumer Prices Index, (CPI) plus 1% for five years from April 2020.
- 1.4 When a dwelling is re-let to a new tenant then the rent will be reset at the formula rent level where it is below this level.
- 1.5 Where a dwelling rent is already above formula rent levels at the point it becomes empty, there will be no adjustment to the base rent when the property is re-let.
- 1.6 Once a property has been re-let, the rent will reduce by 1% a year at the start of the following financial year for the current tenant up to and including 2019/20.

The table below¹ shows examples of how average and formula rents will change in 2019/20 when the 1% reduction is applied.

Scenario	2018/19	2019/20 with 1% reduction applied
Current average rent (for existing tenants)	£110.17	£109.06
Average formula rent (for new tenant on re-let)	£117.10	£115.94

- 1.7 New homes being delivered on the council's land will be subject to affordable rents set at 65% of average private sector market rents or the Local Housing Allowance (LHA) whichever is lower as per previous year.

Temporary accommodation rents

¹ All charges in this table are shown on 48 week basis

- 1.8 It is proposed that temporary accommodation rent in outer London LHA areas are increased from their existing rates² to the current LHA rate as per the table below:

	Outer North London			Outer North & West London		
	Subsidy Cap	New Rent 2019/20	% increase	Subsidy Cap	New Rent 2019/20	% increase
1-bedroom/Studio	£ 200.97	£ 205.67	2.34%	£ 195.77	£ 197.12	0.69%
2-bedroom	£ 247.90	£ 255.34	3.00%	£ 237.31	£ 249.60	5.18%
3-bedroom	£ 310.00	£ 315.12	1.65%	£ 299.61	£ 312.09	4.16%
4-bedroom	£ 375.00	£ 388.65	3.64%	£ 361.92	£ 385.63	6.55%
5-bedroom	£ 375.00	£ 388.65	3.64%	£ 375.00	£ 385.63	2.83%

- 1.9 The subsidy cap would continue to apply for inner London properties.
- 1.10 Increasing temporary accommodation rents to LHA rates will align rents with both new Council acquisitions and with affordable rents charged in the private rented sector.
- 1.11 Rents charged above temporary accommodation subsidy rates will not receive full subsidy and it is expected that where increased rents are covered totally by Housing Benefit, that there will be an equivalent subsidy loss figure incurred to the Housing Benefit budget.

Service Charges and Garages

- 1.12 Service charges and garage rents have been reviewed to ensure that costs are being recovered. The table³ below outlines the changes that are recommended to take effect from 1 April 2019:

	2018/19	2019/20	Increase	% Increase
Ground Maintenance	£2.80	£2.88	£0.08	3%
Lighting	£1.23	£1.29	£0.06	5%
Heating - Grahame Park	1 Bed £12.20	1 Bed £12.20	1 Bed £0.00	0%
	2 Bed £16.92	2 Bed £16.92	2 Bed £0.00	
	3 Bed £18.27	3 Bed £18.27	3 Bed £0.00	
Heating - Excluding Grahame Park	0%			

² Existing rates are based on 2011 TA subsidy levels, i.e. LHA + £40 a week

³ All charges in this table are shown on 48 week basis and rounded to the nearest penny

	2018/19	2019/20	Increase	% Increase
Digital Television	£1.54	£1.62	£0.08	5%
Weekly Caretaking	£6.71	£5.92	£0.79	-12%
Enhanced Housing Management (Sheltered housing)	£21.67	£21.67	£0.00	0%
Alarm services (Sheltered housing)	£2.81	£2.95	£0.14	5%
Garages	3.1% increase applied to existing rent			
Door Entry Systems	£2.33	£2.45	£0.12	5%
Fire safety equipment		1 Bed £4.00 2 Bed £4.69 3 Bed £5.20		

- 1.13 The proposed changes reflect increases in the cost of providing the services described. In the case of heating charges, no increases are recommended as the cost of fuel has not increased during 2018/19.
- 1.14 Electricity charges have increased in 2018/19 and a 5% increase is proposed.
- 1.15 It is proposed that the cost of providing access to digital television is increased in line with the expected increase of the maintenance contract of 5%.
- 1.16 In aligning caretaking service charges across the Borough to a weekly charge in 2018/19, some isolated examples of quarterly charges are no longer applicable.
- 1.17 Following a comprehensive service review of the caretaking service delivered by Barnet Homes, significant efficiency savings have been delivered from the service, therefore a decrease in charges of 12% is being proposed. Additionally, as part of the service review quarterly caretaking charges have been removed.
- 1.18 The cost of providing alarm services was subject to detailed review in 2018/19 and a 5% increase is therefore proposed.
- 1.19 The charge for door entry phone systems is proposed to increase by 5% in line with the estimated cost increase. The programme will run over many years. As systems are replaced/installed a service charge will be introduced to cover these new systems. It is important to note replacement door entry phone systems will not be installed without first consulting with tenants and leaseholders.

- 1.20 Following a decision by the Housing Committee in June 2018 for the installation of sprinkler systems in tower blocks, a new charge for fire safety sprinkler systems is proposed for 2019/20. The cost of maintaining and servicing is a service chargeable cost. Given that a defects liability period will apply in the first year following installation, the cost is limited to servicing only. For most tenants, housing benefit will continue to cover the costs and they will therefore not be affected by these changes.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The proposed rent changes are in line with Government policy and the council's Housing Strategy 2015 to 2025. The service charges have been reviewed to ensure that the revenue raised covers the cost of providing the services.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The proposed rent changes are in line with Government policy.
- 3.2 Service charge changes are to ensure that costs are recovered and an alternative approach is not proposed as this would mean not recovering the full cost of providing the services.

4 POST DECISION IMPLEMENTATION

- 4.1 As per the council's constitution, changes to fees and charges approved by theme committees, will be reported to Policy and Resources Committee for noting.
- 4.2 Following approval, the council will instruct Barnet Homes to issue a statutory notice of variation to council tenants.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Corporate Plan 2015 to 2020 strategic objective to ensure that Barnet is the place of opportunity, where people are helped to help themselves, where responsibility is shared and where high-quality services are delivered effectively and at a low cost to the taxpayer. Reviews of rent levels and service charges help ensure that there are the resources in place to deliver housing services for council tenants.
- 5.1.2 The Housing Strategy 2015 to 2020 sets out how the council and partners will deliver the additional housing that is required in the borough due to the growing population. The strategy details how more affordable housing will be provided to increase the supply of homes to meet housing need, including the use of affordable rents to provide more homes for rent on Council land. Income from rents will also be used to maintain the condition of the existing housing stock.
- 5.1.3 The Health and Wellbeing Strategy recognises that the condition of and access

to local housing has an important role in the quality of life and health of both individuals and communities. Barnet's Joint Strategic Needs Assessment 2015 to 2020 highlights the fact that there is a long-term shift in housing tenure towards renting and away from owner occupancy (either outright or with a mortgage) reflecting a sustained reduction in housing affordability and an imbalance between housing demand and supply.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 Barnet Homes, the council's Arm's Length Management Organisation will administer the rents and service charges for council tenants.
- 5.2.2 Income raised from the service charges will be used to recover the costs of providing the services within the Housing Revenue Account (HRA).
- 5.2.3 Existing council rents are on average 30% of private sector rents, so charging affordable rents at 65% of private sector rents for new council homes delivered on its own land will raise additional income for the Housing Revenue Account that will contribute to the HRA Business Plan.
- 5.2.4 In respect of temporary accommodation let at LHA rate, as they are above the temporary accommodation, (TA) subsidy cap, based on the snapshot data provided as part of the PSR proposal, it is estimated that there will be an increase in the TA subsidy loss of £356k. But the General Fund Homelessness budget would benefit by £418k. The net benefit to the council's General Fund will therefore be £62k.
- 5.2.5 There is no change to the existing arrangements in respect of inner London temporary accommodation where the subsidy cap would continue to apply. The subsidy loss is offset by the Flexible Homelessness Support Grant, (FHSG).

5.3 Social Value

- 5.3.1 There are no specific Social Value aspects to this report.

5.4 Legal and Constitutional References

- 5.4.1 The Localism Act 2011 introduced self-funding for council housing. The national subsidy system has been abolished and a new funding regime introduced giving local authorities more autonomy to set Council rents.
- 5.4.2 Under section 103 of the Housing Act 1985, the terms of a secure tenancy which is a periodic tenancy may be varied by the landlord by a notice of variation served on the tenant. The landlord authority is required to serve a preliminary notice on a secure tenant giving them advance notification of any change proposed to be made to the terms of their tenancy and inviting their comments. A preliminary notice is not however required for variation of rent or

payments in respect of services or facilities provided by the landlord. Although a *preliminary* notice is not required in respect of a variation to the rent (or services/facilities) charge, a notice of variation is needed and this must set out what the change is and the date on which it takes effect. The period between the date on which the notice is served and the date on which it takes effect must be at least four weeks or the rental period, whichever is the longer.

5.4.3 Section 105 of the Housing Act 1985 requires a landlord authority to maintain such arrangements as it considers appropriate to enable those secure tenants who are likely to be substantially affected by matters of housing management, to be informed and consulted about the proposals, and before deciding on the matter, the landlord authority must consider any representations made. The legislation sets out what matters of housing management relate to but this does not extend to the rent payable under a secure tenancy or to charges for services.

5.4.4 Under section 23 of the Welfare Reform and Work Act 2016 registered providers of social housing are obliged to reduce social rent by at least 1% from the rent payable by the tenant in the preceding 12 months for the years beginning 1st April 2016, 1st April 2017, 1st April 2018 and 1st April 2019.

5.4.5 The Housing and Planning Act 2016 contains provisions which may impact some aspects of this report in the future subject to regulations being implemented.

5.4.6 The council's Constitution (Article 7 - Committees Sub-Committees Area Committees and Forums and the Local Strategic Partnership) sets out the responsibilities of the Housing Committee which include:

(1) Responsibility for housing matters including housing strategy, homelessness, social housing and housing grants, commissioning of environmental health functions for private sector housing.

...

(5) To consider for approval fees and charges for those areas under the remit of the committee.

5.4.7 The council's Constitution, Financial Regulations, also states:

2.3.7 For the fees and charges within their remit, theme Committees, Planning Committee and Licensing Committee must approve changes to fees and charges that are above CPI inflation by 2% or more, the introduction of new fees and charges, and changes to fees and charges outside the normal annual cycle.

2.3.8 Changes to fees and charges approved by theme Committees, Planning Committee and Licensing Committee must be reported to Policy and Resources Committee for noting.

5.5 Risk Management

5.5.1 There is a risk that increasing the service charges will make it more difficult for tenants to pay and impact adversely on the Housing Revenue Account (HRA) Business Plan by making service charge collection more difficult. This is considered to be a low risk as the increase is low and for most tenants housing benefit will continue to cover the costs, including the costs relating to grounds maintenance.

5.6 Equalities and Diversity

5.6.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people who share a relevant protected characteristic and persons who do not
- foster good relations between persons who share a relevant characteristic and persons who do not.

5.6.2 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

5.6.3 Consideration has therefore been given to the report's relevance to equality issues in accordance with the public sector equality duty. This report is primarily to set rents and associated charges which will be applied to all Council dwellings and will therefore affect all Council tenants. As the increases are not of a personal nature, it is not considered that they target or disproportionately affect any group of people based any of the protected characteristics.

5.6.4 However, it is recognised that increases in rents and service charges may present particular difficulties for people on low incomes, but that rents and the majority of tenant service charges are eligible for housing benefit (water rates, heating and alarm charge are not).

5.6.5 An Equalities Impact Assessment has been carried out on increasing temporary accommodation rents to Local Housing Allowance rates in the outer London LHA areas. The changes do not disproportionately affect any one of the protected characteristics. These changes will mostly impact on working households on low income. For most tenants housing benefit will continue to cover the costs and will therefore not be affected by these changes. However, we will be monitoring those households affected.

5.7 Corporate Parenting

5.7.1 The council assigns the highest priority for council housing to foster carers (if they require a larger property to foster more children) through its Housing Allocation Scheme. Council housing remains the most affordable housing option for care leavers and all rents and the majority of tenant service charges proposed remain eligible for housing benefit. Care leavers are placed into

suitable accommodation when leaving care to allow a successful transition to independent living whilst also developing their skills by providing the right support to help them maintain their tenancies.

5.8 Consultation and Engagement

5.8.1 There has not been any specific consultation on the issues arising in this report. The commissioning priorities and budget plans for the Housing Committee were included in the council's budget consultation taking place between December 2018 and January 2019.

5.9 Insight

5.8.1 No specific insight data has been used in this report.

6 BACKGROUND PAPERS

6.1 Relevant previous decisions are listed in the table below.

Item	Decision	Link
Cabinet, 25 February 2014- Business Planning 2014/15- 2015/16	Approved proposed increases in council dwelling rents and service charges, and the proposed increase in council garage rents, all effective from 1 April 2014	http://barnet.moderngov.co.uk/documents/s13295/Budget%20report%20Feb%20Cab%20v5.pdf
Cabinet Resources Committee, 25 February 2013	Approved proposed increases in council dwelling rents and service charges, and the proposed increase in council garage rents, all effective from 1 April 2013	http://barnet.moderngov.co.uk/ieListDocuments.aspx?Cid=151&Mid=6758&Ver=4
Cabinet, 25 February 2013 – Business Planning 2013/14 – 2015/16	Approved the Business Planning document for the council's business plan 2014/15 including the Housing Revenue Account (HRA) Business Plan.	http://barnet.moderngov.co.uk/ieListDocuments.aspx?Cid=120&Mid=6751&Ver=4
Cabinet Resources Committee, 24 June 2013	Approved a programme for Barnet Homes to build 41 new affordable dwellings on behalf of the council.	http://barnet.moderngov.co.uk/ieListDocuments.aspx?Cid=151&Mid=7457&Ver=4
Housing Committee, 19 October 2015	Approved Housing Strategy	http://barnet.moderngov.co.uk/ieListDocuments.aspx?Cid=699&Mid=8268&Ver=4
Delegated Powers Report, 18 December 2015	Approved rent setting policy for new council homes built on HRA land	http://barnet.moderngov.co.uk/ieDecisionDetails.aspx?ID=6081
Housing Committee 1 February 2016	Approved rents and service charges for council dwellings from April 2016	http://barnet.moderngov.co.uk/ieListDocuments.aspx?Cid=699&Mid=8269&Ver=4

Housing Committee 8 February 2017	Approved rents and service charges for council dwellings from April 2017	http://barnet.moderngov.co.uk/ieListDocuments.aspx?Cid=699&Mid=8630&Ver=4
Housing Committee 7 February 2018	Approved rents and service charges for council dwellings from April 2018	https://barnet.moderngov.co.uk/documents/s44845/Annual%20Review%20of%20Council%20dwelling%20Rents%20and%20Service%20Charges%20for%202018-19.pdf

