



## Housing and Growth Committee

27<sup>th</sup> January 2020

<b>Title</b>	<b>Annual Review of Council Dwelling Rents and Service Charges and Temporary Accommodation rents for 2020/21</b>
<b>Report of</b>	Chairman - Housing and Growth Committee
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	Yes- meets definition of key decision as it affects more than 2 wards
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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 2020.

### Recommendations

1. That the Committee consider and approve the proposed rent increase in line with Government policy for existing Council tenants as set out in paragraph 1.8 to take effect from 1 April 2020.
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 1.11 to take effect from 1 April 2020.
3. That the Committee approves the proposed service charges and garage rents as set out in paragraph 1.16 to take effect from 1 April 2020.

## **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, Section 23 requires that council dwelling rents are reduced by at least 1% a year (from the previous 12 months) for four years from April 2016.
- 1.4 In October 2017 the Ministry of Housing, Communities and Local Government, (MHCLG), (formally the Department for Communities, and Local Government) (DCLG) announced its' intention to set a long-term rent deal for local Authorities and Housing Associations. This permitted annual rent increases of up to CPI (CPI means general index of consumer prices) + 1% from April 2020 for a period of up to 5 years. CPI to be as at September of the previous year. This limit is a ceiling and providers can apply a lower increase or freeze rent in line with the market in which they operate. The Council has a statutory duty to complete the four year price reduction introduced by the Welfare Reform and Work Act 2016. The reduction must be completed before the Council can apply the permitted annual rent increases of up to CPI + 1%. The Council completed the reduction period in the years commencing 2016-2019.
- 1.5 When a dwelling is re-let to a new tenant the rent will be reset at the formula rent level if the current rental charge is lower.
- 1.6 Where a dwelling rent is already above formula rent levels at the point it becomes empty, from 1<sup>st</sup> April 2020, there is flexibility for local authorities to set rent at up to 5% above formula rent when the property is re-let. However, if applying this flexibility there should be a clear rationale for doing so which considers local circumstances and affordability.
- 1.7 Once a property has been re-let, the rent will increase by the approved annual increase at the start of the following financial year for the current tenant up to and including 2020/21.
- 1.8 It is proposed that rent is increased by CPI + 1% for 2020/2021 for existing tenants. In accordance with The Direction on the Rent Standard 2019, with effect as of 1<sup>st</sup> April 2020, in the year following the end of the Social Rent reduction period, the 2020 limit for an existing tenant is the average weekly rent for the tenant's accommodation increased by CPI + 1%. "Average weekly rent" is defined as the rent charged for the most recent period for which the

rent was payable. Based on September 2019 CPI this would result in a rent increase of 2.7%.

- 1.9 The table below<sup>1</sup> shows examples of how average and formula rents will change in 2020/21 when the 2.7% increase is applied.

Scenario	2019/20	2020/21 with 2.7% increase applied
<b>Current average rent (for existing tenants)</b>	£108.99	£111.93
<b>Average formula rent (for new tenant on re-let)</b>	£107.33	£110.22

- 1.10 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**

- 1.11 It is proposed that temporary accommodation rent in LHA areas are increased in line with the current LHA rate which is expected to be published in mid-January.
- 1.12 The subsidy cap would continue to apply for inner London properties.
- 1.13 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.
- 1.14 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**

- 1.15 Service charges usually reflect additional services which may not be provided to every tenant, or which may relate to communal facilities rather than being particular to the occupation of a dwelling. Service charges are subject to separate legal requirements and are limited to covering the cost of providing the services.
- 1.16 Service charges and garage rents have been reviewed to ensure that costs are being recovered. The table<sup>2</sup> below outlines the changes that are recommended to take effect from 1 April 2020:

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<sup>1</sup> All charges in this table are shown on a 48 weeks basis

<sup>2</sup> All charges in this table are shown on 48 weeks basis and rounded to the nearest penny

	2019/20	2020/21	Increase	% Increase
Ground Maintenance	£2.88	£2.97	£0.09	3%
Lighting	£1.29	£1.35	£0.06	5%
Heating - Grahame Park	<b>1 Bed</b> £12.20 <b>2 Bed</b> £16.92 <b>3 Bed</b> £18.27	<b>1 Bed</b> £12.57 <b>2 Bed</b> £17.43 <b>3 Bed</b> £18.82	<b>1 Bed</b> £0.37 <b>2 Bed</b> £0.51 <b>3 Bed</b> £0.55	3%
Heating - Excluding Grahame Park	3%			
Digital Television	£1.62	£1.67	£0.05	3%
Weekly Caretaking	£5.92	£6.10	£0.18	3%
Enhanced Housing Management (Sheltered housing)	£21.67	£22.25	£0.58	2.7%
Alarm services (Sheltered housing)	£2.95	£3.05	£0.10	3.5%
Garages	3% increase applied to existing rent			
Door Entry Systems	£2.45	£2.52	£0.07	3%
Fire safety equipment	<b>1 Bed</b> £4.00 <b>2 Bed</b> £4.69 <b>3 Bed</b> £5.20	<b>1 Bed</b> £4.12 <b>2 Bed</b> £4.83 <b>3 Bed</b> £5.36	£0.12  £0.14  £0.16	3%

- 1.17 The proposed changes reflect increases in the cost of providing the services described.
- 1.18 Electricity charges have continued to increase and as with last year a 5% increase is proposed.
- 1.19 Enhanced housing management (Sheltered Housing) a 2.7% increase is proposed.
- 1.20 Cost of providing alarm services (Sheltered Housing) has been reviewed and a 3.5% increase is proposed. (5% in 2019/20)
- 1.21 The charge for door entry phone systems is proposed to increase by 3% in line with the estimated cost increase. (5% in 2019/20). 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.

- 1.22 A new charge for fire safety sprinkler systems was introduced in 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.
- 1.23 For all other costs a 3% increase is proposed.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The proposed rent changes are in line with Government policy and the council's Housing Strategy 2019 to 2024 enabling Barnet Council to plan and support the delivery of further homes in the Borough. 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 essential services to our residents.

## **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 2019 to 2024 strategic objective is to ensure that Barnet has decent quality housing that buyers and renters can afford, prioritising Barnet residents first. Reviews of rent levels and service charges help ensure that there are the resources in place to deliver housing services to council tenants.
- 5.1.2 The Housing Strategy 2019 to 2024 sets out how the council and partners will

improve the quality of housing available and deliver the additional housing that is required in the borough due to the growing population. The strategy details delivering more housing that people can afford, 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 2015 to 2020 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 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, there will be a TA subsidy loss. As the figures have not yet been published it is not possible to estimate the loss or the benefit to the General Fund Homelessness budget.
- 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 were 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 to 1st April 2019.
- 5.4.5 In October 2017 the Ministry of Housing, Communities and Local Government, (MHCLG), announced its' intention to set a long-term rent deal for local Authorities and Housing Associations. This permitted annual rent increases of up to CPI + 1% from 2020 for a period of up to 5 years.
- 5.4.6 Registered providers must set rents from 1 April 2020 in accordance with the Government's *Policy Statement on Rents for Social Housing (February 2019)* and *The Direction on the Rent Standard 2019*. The proposals set out in this report are in accordance with those documents.
- 5.4.7 The Housing and Planning Act 2016 contains provisions which may impact some aspects of this report in the future subject to regulations being implemented.
- 5.4.8 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 and Growth Committee which include:
- Responsibility for housing matters including housing strategy, homelessness, social housing and housing grants, commissioning of environmental health functions for private sector housing.
  - To consider for approval fees and charges for those areas under the remit of the committee.

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

- 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.
- 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/universal credit 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, Section 149 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 difficulties for people on low incomes, but that rents and the majority of tenant service charges are eligible for housing benefit/universal credit (water rates, heating and alarm charge are not).

## 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 and Growth Committee were included in the council's budget consultation taking place between December 2019 and January 2020.

## 5.9. Insight

5.9.1 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
Housing Committee 14 January 2019	Approved Housing Revenue Account (HRA) Business Plan	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&amp;MIId=9488&amp;Ver=4">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&amp;MIId=9488&amp;Ver=4</a>
Housing Committee 14 January 2019	Approved rents and service charges for council dwellings from April 2019	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&amp;MIId=9488&amp;Ver=4">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&amp;MIId=9488&amp;Ver=4</a>
Housing Committee, 1 <sup>st</sup> April 2019	Approved Housing Strategy 2019-2024	<a href="https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&amp;MIId=9740&amp;Ver=4">https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&amp;MIId=9740&amp;Ver=4</a>