



Housing and Growth Committee

25 January 2021

Title
Annual Review of Council Dwelling Rents and Service Charges and Temporary Accommodation rents for 2021/22

Report of Chairman - Housing and Growth Committee

Wards All

Status Public

Urgent No

Key Yes - meets definition of key decision as it affects more than 2 wards

Enclosures Appendix 1 – 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 1 April 2021.

Officers Recommendations

1. That the Committee notes and comments on the proposed rent increase in line with Government policy for existing council tenants as set out in paragraph 1.5 for social rent dwellings and 1.7 for affordable rent dwellings to take effect from 1 April 2021.
2. That the Committee notes and comments on the proposed rent increases for temporary accommodation to the relevant outer London Local Housing Allowance rates as set out in paragraph 1.9 to take effect from 1 April 2021.
3. That the Committee notes and comments on the proposed service charges and garage rents as set out in paragraphs 1.11 to take effect from 1 April 2021.

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 and 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 Ministry of Housing, Communities, and Local Government's (MHCLG) Policy Statement on Rents for Social Housing 2019 (the 'Rent Policy Statement') permits all registered providers, including local authorities, to apply annual rent increases on social and affordable rent properties of up to CPI (the general index of consumer prices, taken as at September of the previous year) plus one percentage point from 2020, for a period of at least five years. This limit is a ceiling and providers can apply a lower increase or freeze rent in line with the market in which they operate.
- 1.4 When a dwelling is re-let to a new tenant in accordance with the Rent Policy Statement, the rent will be reset at the formula rent level if the previous rental charge is lower than formula rent, subject to the Rent Flexibility Level that may allow rents to be set at up to 5% above formula rent provided there is clear rationale for this that takes into account local circumstances and affordability.
- 1.5 It is proposed that social rent is increased by CPI + 1% for 2021/2022 for existing tenants. Based on CPI of 0.5% in September 2020, this would result in a rent increase of 1.5%.
- 1.6 The table below¹ shows examples of how weekly average and formula rents will change in 2021/22 when the 1.5% increase is applied.

Scenario	2020/21	2021/22 with 1.5% increase applied
Average current rent (for existing tenants) ¹	£111.75	£113.43
Average formula rent (for new tenant on re-let) ¹	£117.73	£119.50

- 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 the previous year. It is proposed that affordable rent is increased by CPI + 1% for 2021/22 for existing tenants. Based on CPI of 0.5% in September 2020, this would result in a rent increase of 1.5%.

Temporary accommodation rents

¹ All charges in this table are shown on a 48 weeks basis, and show an average of the rents charged across the stock.

- 1.8 Temporary accommodation is let at LHA rates. In March 2020, following a freeze between 2016 and 2020, LHA was increased to equal the 30th percentile of rents in each local area. The Office for Budget Responsibility's Economic and Fiscal Outlook of November 2020 confirmed that LHA rates will be frozen in cash terms from 2021/22 onwards. Temporary accommodation in Barnet is currently let at the rates published in January 2020.
- 1.9 It is proposed that temporary accommodation rents for 2021/22 are aligned with the latest published LHA rates for all existing tenants and new lettings.

Service Charges and Garages

- 1.10 Service charges usually reflect additional services that may not be provided to every tenant, or that may relate to communal facilities. For properties let at social rents, service charges are subject to separate legal requirements and are limited to covering the cost of providing the services. For affordable rent properties, the rent is inclusive of service charges.
- 1.11 Service charges and garage rents have been reviewed to ensure that costs are being recovered. It is proposed that service charges are increased from 1 April 2021 to reflect the increased costs of providing the services, as outlined in the table² below:

Service	2020/ 2021	2021/ 2022	Increase	% Increase
Alarm services (Sheltered housing)	£3.05	£3.16	£0.11	3.5%
Caretaking (quarterly)	£1.36	£1.40	£0.04	2.75%
Caretaking (weekly)	£6.10	£6.27	£0.17	2.75%
Digital TV	£1.67	£1.72	£0.05	3%
Door entry systems	£2.52	£2.60	£0.08	3%
Enhanced housing management (Sheltered housing)	£22.25	£22.92	£0.67	3%
Fire safety equipment	1 Bed £4.12 2 Beds £4.83 3 Beds £5.36	1 Bed £4.12 2 Beds £4.83 3 Beds £5.36	1 Bed £0.00 2 Beds £0.00 3 Beds £0.00	0%
Garages	1.5% increase applied to existing rent			
Grounds Maintenance	£2.97	£3.06	£0.09	2.75%
Heating Grahame Park	1 Bed £12.57 2 Beds £17.43 3 Beds £18.82	1 Bed £12.83 2 Beds £17.78 3 Beds £19.20	1 Bed £0.26 2 Beds £0.35 3 Beds £0.38	2%

² All charges in this table are shown on a 48 weeks basis, and are rounded to the nearest penny.

Heating (excluding Grahame Park)	2% increase applied to existing variable charges			
Lighting	£1.35	£1.42	£0.07	5%

- 1.12 The cost of providing alarm services (Sheltered Housing) has been reviewed, and a 3.5% increase is proposed.
- 1.13 Caretaking and grounds maintenance costs have been reviewed and consist predominantly of labour costs and incidental costs. Therefore, the current year pay increase of 2.75% is proposed to be mirrored through a 2.75% increase to the service charges.
- 1.14 The Building Cost Index inflationary adjustment for the current year for General Building Repairs and Maintenance was a 3.19% uplift and for Gas (mechanical and electrical) was a 2.33% uplift. Accordingly, a 3% uplift for digital TV maintenance and door entry systems is proposed.
- 1.15 The cost of providing an enhanced housing management (Sheltered Housing) service has been reviewed, and a 3% increase is proposed.
- 1.16 The first installations of fire safety equipment relevant to this charge are being completed in 2020/21. As the servicing and maintenance is yet to commence, it is proposed that the service charges for fire safety equipment remain at 2020/21 costs.
- 1.17 The rental costs of garages are proposed to increase by CPI + 1% in line with the rent increase proposal.
- 1.18 A 2% increase is proposed for all heating service charges. This represents CPI + 1%, with 0.5% contingency provision.
- 1.19 Electricity charges have continued to increase, and a 5% increase is accordingly proposed.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The proposed rent changes are in line with Government policy, the council's Housing Strategy 2019 to 2024, and the proposed 30-year Business Plan assumptions, and will assist Barnet Council to generate sufficient income to carry out needed investment works in properties, such as those relating to fire safety, and plan and support the delivery of further affordable homes in the borough through the maintenance of a viable HRA. The service charges have been reviewed to ensure that the revenue raised covers the cost of providing the services.
- 2.2 The maximum permissible rent increase under the Government's policy is recommended to support the aims of the Housing Strategy to deliver more homes that people can afford, promote independence, tackle homelessness and rough sleeping in Barnet, and provide safe and secure homes by investing in planned improvements, day to day repairs, and fire safety measures. The proposed approach will also optimise the council's and Barnet Homes' ability to deliver the HRA Business Plan and implement the

objectives and outcomes of the council's Local Plan, Corporate Plan, Homelessness Strategy, and Joint Health and Wellbeing Strategy.

- 2.3 The HRA Business Plan, last approved by the Housing and Growth Committee on 27 January 2020, is modelled on the assumption that rents for existing council homes will increase by up to CPI + 1% a year for five years from 2020/21. Income from council rents will help to secure the delivery of new affordable homes built or acquired through the HRA, which will help to reduce costs to the general fund by providing an alternative to short-term temporary accommodation. The delivery of extra care housing and wheelchair-adapted homes will also help the council to meet savings targets for social care budgets by providing a more affordable alternative to residential care whilst also delivering a better outcome for vulnerable residents.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Alternative options considered include not raising the rent levels and/or service charges, or raising them by a lower amount than has been proposed in this paper. However, these are not recommended as the proposed rent changes are in line with Government policy, and any lower increase would create financial pressure on the HRA that could lead to its reduced viability, and potentially have a detrimental impact on services or quality of homes, and/or a reduced capacity to fund the delivery of additional homes.
- 3.2 The proposed service charge changes are to ensure that costs are recovered, and any alternative would result in an inability to recover the full cost of providing essential services to tenants.

5. POST DECISION IMPLEMENTATION

- 4.1 As per the council's Constitution, changes to fees and charges approved by theme committees will be submitted to the Policy and Resources Committee for approval.
- 4.2 Following approval, the council will instruct Barnet Homes, the council's Arm's Length Management Organisation, 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's 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 resources are 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 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 HRA.

5.1.4 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.

5.1.5 In respect of temporary accommodation let at LHA rates, as they are above the temporary accommodation subsidy cap there will be a TA subsidy loss; however, this will be offset by increased revenue for temporary accommodation and the Flexible Homelessness Support Grant (FHSG).

5.3 Legal and Constitutional References

5.3.1 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.

5.3.2 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; however, a notice of variation must be provided, and 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.

5.3.3 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 the matters of housing management this relates to; however, this does not extend to the rent payable under a secure tenancy or to charges for services.

5.3.4 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. In October 2017, the 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 (the preceding September's) CPI + 1% from 2020 for a period of up to 5 years. Registered providers must set rents from 1 April 2021 in accordance with the MHCLG's Rent Policy Statement. The proposals set out in this report are in accordance with this document.

5.3.5 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 submit to the Policy and Resources Committee proposals relating to the Committee's budget (including fees and charges) for the following year in accordance with the budget timetable.

5.3.6 The council's Constitution (Article 17 - Financial Regulations) also states:

- Changes to fees and charges should be included in the budget proposals submitted by theme Committees or the relevant committee to the Policy & Resources Committee. The budget recommended by Policy and Resources Committee to Full Council will incorporate the latest projection of income from fees and charges. Full Council will approve all fees and charges as part of the budget report.

5.4 Insight

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

5.5 Social Value

5.5.1 There are no specific Social Value aspects to this report.

5.6 Risk Management

5.6.1 There is a risk that increasing the service charges will make it more difficult for tenants to pay and impact adversely on the 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, Universal Credit will continue to cover the costs, including the costs relating to grounds maintenance.

5.7 Equalities and Diversity

5.7.1 The 2010 Equality Act, Section 149 outlines the provisions of the Public Sector Equality 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.

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

5.7.3 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 using a fair method within a viable and sustainable HRA, that will be applied to all council dwellings and will therefore affect all council tenants. The increase being applied is proportionate across all properties, and 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.

5.7.4 Whilst the rent increase does not target any specific group, the increase will have more of an impact on households on lower incomes. The potential for a detrimental impact exists in as much as an increase in rent will put pressure on those individuals in, or at risk of, financial hardship, which may also be increased due to impact of the COVID-19 pandemic.

5.7.5 However, rents and the majority of tenant service charges are eligible for Universal Credit (water rates, heating, and alarm charge are not), and rent levels will remain well below market rent, and for the majority of tenants will remain below the LHA level for the borough. In addition, Barnet Homes' in-house Income Collection Team takes a proactive, supportive approach to preventing rent arrears and offering financial inclusion through money advice, referrals for support, and assistance in maximising income (through benefit claims, or advice on management of other debts, for example). This should mitigate any detrimental effects that may be experienced.

5.8 Corporate Parenting

5.8.1 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.

5.9 Consultation and Engagement

5.9.1 There has not been any specific consultation on the issues arising in this report.

6 BACKGROUND PAPERS

6.1 Relevant previous decisions are listed in the table below.

Item	Decision	Link
Housing and Growth Committee, 27 January 2020	Approved Housing Revenue Account (HRA) Business Plan	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=9931&Ver=4
Housing and Growth Committee, 27 January 2020	Approved rents and service charges for council dwellings from April 2020	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=9931&Ver=4
Housing and Growth Committee, 1 April 2019	Approved Housing Strategy 2019-2024	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&MId=9740&Ver=4