

SUBJECT:	COUNCIL HOUSE AND GARAGE RENTS 2018/19
DIRECTORATE:	HOUSING AND REGENERATION
REPORT AUTHOR:	FRANCES JELLY – HOUSING BUSINESS SUPPORT MANAGER

1. Purpose of Report

- 1.1 To seek members approval of the revised rents for council housing accommodation in 2018/19. The proposed change is in accordance with national Government direction and continues with a reduction of 1% on all council housing accommodation (inclusive of general needs and supported housing)
- 1.2 To seek members approval for an increase of 3% on Council garage rents for 2018/19 in line with other fees and charges revisions by the Council.

2. Executive Summary

- 2.1 The Welfare Reform and Work Act 2016, determined that all social and affordable rents be reduced by 1% year on year between 2016 to financial year 2019/20. For the City of Lincoln Council this will result in a further reduction of an average weekly net rent (over 52 weeks) from £69.13 in 2017/18 to £68.44 per week for 2018/19, equating to an average loss of income per property of £0.69 per week over 52 weeks.

3. Background

- 3.1 Members will be aware that the financing for council housing was changed in April 2012 – the ‘Self-financing Regime’ was introduced under which local authorities were required to buy themselves out of the national housing subsidy regime in return for the keeping of future rental income at local level. The valuation of the housing stock and the Council’s Housing Revenue Account (HRA) Business Plan was based on rental income rising in line with the Government’s rent convergence policy and rent guidelines in place at that time.
- 3.2 This was then changed by the Government in the 2013 Spending Round, when the Chancellor announced that; *"from 2015-16 social rents will rise by a lower amount than previously expected, CPI plus one per cent each year for ten years."* Shortly after, a letter was sent to housing providers proposing to cut short the policy of converging council and housing association rents. Social landlords whose average rents had not yet reached rent target levels were concerned about the implications given that the change in policy came only 18 months after the ‘buy-out’ payment to Government.
- 3.3 Currently 63.78% of all City of Lincoln council tenants are in receipt of either full or partial housing benefit / Universal Credit and will not gain from lower rent levels.

Cutting rents in the short term will benefit the remaining tenants but as a long-term strategy it won't serve either group i.e. income is needed to maintain the current stock and invest in new housing.

4. Main Body of Report

- 4.1 In July 2015 the Government announced that Social Housing rents would be reduced by 1% a year from 2016 for four years. Although this has a beneficial effect for those individual tenants not in receipt of benefit the policy raises concerns in a number of ways:
 - a) The self-financing payment to government in 2012 of £25m was meant to be based on a long-term perspective being taken on each local Housing Revenue Account. The national rent policy has changed twice since 2012.
 - b) The Council's 2012 investment plans were based upon projections of rental income in line with that national policy
 - c) Reducing rents in the long term could mean less, lower investment in current properties and pressure to reduce housing staff numbers
- 4.2 In September 2016, the Secretary of State for Work and Pensions, made a statement in Parliament and announced a proposed new funding model for Supported Housing to pay housing benefit up to Local Housing Allowance rates but with fixed additions which would continue to recognise the higher costs of providing this type of housing. Government has since deferred this policy change for supported housing until 2019/20.
- 4.3 Councils will be able to continue to increase rents on those housing properties that are currently below the 'formula rent' (or convergence amount) on re-letting to new tenants before applying the one percent rent reduction. For the City of Lincoln Council at the date of this report, 851 properties (that are 10 pence or more below target rent) were not at formula rent and thus when these properties become available for re-letting the rent can be increased to the formula amount. For example if, for a specific property, the current rent is £70.00 per week and the formula rent is £72.00 per week, the new tenant would be charged £71.28 rather than £68.44
- 4.4 On 4 October 2017, DCLG announced that "increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020." This return to inflation-linked rent setting has been welcomed within the sector. However it is estimated that the four year rent reduction process will have removed £10.5m funding from the City's current Housing Revenue Account Business plan.
- 4.5 The restriction on house rents contained within the Welfare Reform and Work Act 2016 does not apply to garage rents. It is proposed that garage rents increase by 3% in line with the Authority's general fees and charges increase. At the date of this report we currently have 1,141 garages, and of this number, 223 are currently void which equates to 19.5%.
- 4.6 Work is ongoing to both increase garage lettings and appraise low demand site for their redevelopment potential.

5. Strategic Priorities

5.1 Let's reduce inequality

The Government policy is primarily about reducing the welfare benefits bill but it does help those just above benefit thresholds. Council house rents remain significantly lower than the rent levels in the private rented sector in the City.

5.2 Let's deliver quality housing

Reducing rents reduces resources available to the Council to maintain current homes and build additional homes

6. Organisational Impacts

6.1 Finance

Council housing rents 2018/19

The impact of this change will be a decrease to the current average 52 week rent for all accommodation from £69.13 per week to £68.44 per week – an average decrease of £0.69 per week.

Changes in individual rents will vary according to the level of actual current rent as illustrated in **Appendix 1**.

Council garage rents 2018/19

The Welfare Reform and Work Bill rental decrease does not apply to garages.

An increase in garage rents of 3% is proposed in line with the Authority's Fees and Charges increase. This would bring the charge to £7.61 for 2018/19 (based on a 52 week charge period), an increase of £0.23 per week. Research has shown that the garage rents in Lincoln are mid-range when compared to similar locations in the East Midlands.

7. Risk Implications

7.1 A key element of preparing for self-financing was for the Council to write and implement a 30 year HRA Business Plan. The basis of the Business planning process had originally been predicated on the assumption that the Council would continue to increase rents in line with the Government's amended self-financing determination of CPI + 1%.

The effect of the 1% rent reduction, the reduced income and potential investment in the current and potentially new stock and the impact on the HRA Business plan (2016 – 2046) has been reviewed as part of the Medium Term Financial Strategy (MTFS) 2018-23 which appears elsewhere on the agenda.

8. Recommendation

8.1 Agree the basis of rent calculation for changes to individual Council house rents as set out in paragraph 6 of this report, which represents a decrease in the average 52 week net rent in 2018/19 of 1% (£0.69 p/w) for housing rents. This is in accordance with Government policy

8.2 Increase Council garage rents for 2018/19 in accordance with the proposal in paragraph 6.1 above by 3%.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? 1

List of Background Papers: Guidance on Rents for Social Housing, May 2014,
from Communities and Local Government
Welfare Reform and Work Act 2016

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APPENDIX 1

IMPACT OF DECREASES ON ALL TENANTS – APRIL 2018 (Based on a 52 week rent year)

	Impact on Tenancies	
	No.	%
Rent decrease between £0.01 and £0.59	467	6.1
Rent decrease between £0.60 and £0.69	3692	48.23
Rent decrease between £0.70 and £0.79	2706	35.35
Rent decrease between £0.80 and £0.99	789	10.31
Rent decrease is equal or greater than £1.00	1	0.01
TOTAL – as of 15 January 2018	7655	100%