

TITLE OF REPORT: Housing Revenue Account (HRA) Rent and Service Charges 2021/22

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Purpose of the Report

1. Cabinet is asked to recommend to Council;
 - the proposed rent changes from 5 April 2021, in line with the Government's rent setting policy.
 - the detailed proposals for the 2021/22 HRA service charges.

Background

2. On the 17 November 2020 Cabinet approved the re-integration of the management and maintenance of the Council's housing stock into the Council from April 2021.
3. The Local Government and Housing Act 1989 (Part VI) states that the Council has a duty to prevent a debit balance on the HRA.
4. In order to facilitate decision making and strategically plan for Housing in the future the Council continually updates its 30-year HRA Business plan considering the long-term future of the housing stock alongside the short to medium-term investment plans. The plan is reviewed, at least, annually to ensure appropriate action is taken to address risks. The level of rent and service charges are fundamental items within the business plan and are in part key to determining its viability.
5. Historically the Council has followed Government formula and guidelines to set the rent level for social and affordable properties. In addition, Gateshead has followed best practice in relation to setting clear and transparent service charges.
6. From April 2020 government policy on rents for social housing changed. For the first time, the government directed the Regulator of Social Housing (RSH) to apply its rent standard to all registered providers i.e. to both local authority registered providers and private registered providers (the vast majority of which are housing associations). Rents can be increased up to CPI as at September 2020 (0.5%) plus an additional 1%, giving a maximum possible rent increase of 1.5%.

7. The previous arrangements for limiting the welfare costs associated with local authority rents (the Rent Rebate Subsidy Limitation scheme) did not operate alongside Universal Credit.
8. The Rent Standard also requests registered providers to endeavour to limit service charge increases to within the same formula but allows flexibility to cover the recovery of the service cost. A detailed review of Gateshead's fees and charges is carried out each year to ensure the HRA recovers only the full costs associated with providing services to tenants, this includes passing on any savings made to tenants through cost cutting efficiencies implemented by the council.
9. Where an inflationary increase is appropriate the September 2020 CPI rate of 0.5% has been applied in line with the inflationary measure used for setting rents. Those charges which relate to General Fund Services, such as Care Call, will be subject to a Fees and Charges report to Cabinet in February 2021.

Proposal

10. An increase in rents of 1.5% (2021/22) in line with the rent standard.
11. A summary of the recommended changes to the service charges for the HRA 2021/22 is presented in Appendix 3.

Recommendations

12. Cabinet is asked to recommend to Council:
 - (i) The 1.5% rent increase from 5 April 2021 as detailed at Appendix 2.
 - (ii) The HRA service charges as detailed in Appendix 3.

For the following reasons:

- (i) To contribute towards setting a Housing Revenue Account for 2021/22 that is not in debit as required under the Local Government and Housing Act 1989 (Part VI).
- (ii) To realise the Council's policies and objectives in relation to the Housing Strategy in order to maintain and enhance Council Housing provision in Gateshead.
- (ii) To assist in the delivery of the Council's vision for Gateshead as set out in Making Gateshead a Place where Everyone Thrives.

Policy Context

1. The proposals support the overall vision for Gateshead as set out in Making Gateshead a Place Where Everyone Thrives including achieving the following outcomes; providing good quality housing with a mix of tenures and affordable options that meet the needs of local people including families and older people enabling them to live healthy lives and to make healthy choices, preventing ill health.
2. The Housing Strategy 2019-2030 identifies clear housing objectives and priorities, puts forward a vision for housing in Gateshead, and sets a framework for how the Council will deliver services and interventions, and work in partnership with others, in a way that will help achieve those objectives using increasingly scarce resources proportionately and effectively. It includes three overarching strategic objectives:
 - Sustainable housing and economic growth
 - Sustainable neighbourhoods
 - Improved health & wellbeing
3. In addition to these overarching objectives one of the key themes embedded in the strategy is supporting the long-term sustainability of the Council's housing stock and the Housing Revenue Account (HRA).

Background

4. Historically the Council has followed Government formula and guidelines to set the rent level for social and affordable properties. In addition, Gateshead has followed best practice in relation to setting clear and transparent service charges.
5. From April 2020 government policy on rents for social housing changed. For the first time, the government directed the Regulator of Social Housing (RSH) to apply its rent standard to all registered providers i.e. to both local authority registered providers and private registered providers (the vast majority of which are housing associations).
6. The previous arrangements for limiting the welfare costs associated with local authority rents (the Rent Rebate Subsidy Limitation scheme) did not operate alongside Universal Credit.
7. The Rent Standard also requests registered providers to endeavour to limit service charge increases to within the same formula but allows flexibility to cover the recovery of the service cost.
8. The current HRA Business Plan assumes rent increases of CPI plus 1% for the first 5 years of the plan reverting to CPI only thereafter. The September CPI of 0.5% represents a significant reduction on the previous 2% included in the plan and has implications for the future assumptions around CPI.
9. The Rent Standard for social rent housing states:

- 9.1 Registered providers may set the initial rent on properties to be let at social rent at a level that is no higher than formula rent, subject to the rent flexibility level.
 - 9.2 “Rent flexibility level” means either 105% of formula rent or if the accommodation is supported housing 110% of formula rent.
 - 9.3 The weekly rent of an existing tenant may not be increased by more than either (a) CPI (as at September in the previous year) + 1% in any year or (b) if the tenant’s rent exceeds the rent flexibility level, CPI in any year.
 - 9.4 Registered providers must not allow rents to rise above the rent cap level for the size of property concerned. Rent caps will be increased annually by CPI + 1.5%.
10. Affordable rent housing follows the same principles as above with additional guidance covering:
- 10.1 The maximum gross rent for a tenant under a new tenancy is 80% of the market rent for the tenant’s accommodation.
 - 10.2 If the formula rent is higher than 80% of the weekly market rent for the tenant’s accommodation, the maximum weekly rent (exclusive of service charges) is formula rent.
 - 10.3 Affordable rent includes all relevant service charges.

Proposed Rent Changes

- 11. The maximum rent increase allowable is CPI at September 2020 of 0.5% plus an additional 1%, giving 1.5% in total. Applying that to Gateshead’s HRA stock gives average rent values of:

50 Weeks Rent	Affordable Rent	Social Rent
Average Rent 2021/22	£98.16	£80.65
Average Rent 2020/21	£96.71	£79.46
Movement	£1.45	£1.19
% Increase	1.50%	1.50%

- 12. Not applying the maximum rent increase of 1.5% is an option but this would have a significant impact on viability of the HRA as any increase below this level would reduce the base rent figure upon which all future rent increases would be calculated. For example, a CPI-only increase of 0.5% would reduce an indicative rent revenue in 2021/22 alone by an estimated £0.750m.
- 13. 71.5% of council tenants are in receipt of either housing benefit or universal credit welfare support.
- 14. A summary of the average social rent charges is shown in appendix 2. A similar breakdown is not provided for affordable rent properties as this applies to 34 properties only varying from flats acquired above shops to new build assisted living schemes.

Service Charges

15. There are both mandatory and discretionary service charges in the HRA. Mandatory charges include energy costs and services, sheltered scheme officers, caretaking, cleaning and concierge. Discretionary include leased furniture packages, gardening and garages. Out of the 18,874 live dwellings 5,619 tenants are liable for mandatory service charges (29.8%) and 2,038 tenants take up discretionary services (10.8%). The Council raises £5.2m from charges to tenants of which £1m relates to general fund services and are included in the wider Council Revenue Budget.
16. As per paragraph 13 a total of 71.5% of tenants are in receipt of welfare support. A number of the Council charges for services are eligible for benefit; these are primarily services associated with buildings and cover charges such as cleaning, concierge, caretaking and part of the Sheltered Scheme Wardens. The majority of the proposed increases are either benefit eligible or are a discretionary service charge.
17. Guidance from Central Government is that fees and charges should cost recover in full where applicable. This is to protect other tenants from essentially contributing to costs that they are not responsible for. Where possible the proposed increases recover the full cost of services.
18. The council must produce a transparent process to ensure that actual revenue-only costs are identifiable and reasonable. In determining fees, it must be assumed that all properties are charged equally, no allowance can be made for any void properties held unless they are already declared surplus and earmarked for demolition. Where applicable any savings from efficiencies or changes to working practices are passed onto the service users.
19. It is proposed to continue to step the increase in charges associated with the cleaning of communal areas in low-rise and mid-rise blocks to mitigate any disproportionately high percentage increase.
20. As part of the process of setting the proposed service charges a full impact assessment is undertaken on the levels of rent and service charge increases. A full listing of all fees and charges for 2021/22 is presented at Appendix 3.
21. The charges for maintenance of communal areas and furnishings and laundry within Angel Court, gas heating in sheltered accommodation and concierge and cleaning in multi storey flats are proposed to be reduced to reflect to actual charges/costs of providing the services.
22. There is no proposed change to electricity in communal areas within sheltered accommodation, the admin charge for the furniture scheme and the gardening scheme.
23. Inflationary increases of CPI of 0.5% are proposed to be applied to outside use of communal lounges, use of guest rooms at sheltered accommodation, mortgage and rent references and garages.
24. Charges for the Winlaton Assisted Living Scheme are included as part of the affordable rent for the scheme and are therefore subject to a 1.5% increase in line with the affordable rent formula.

25. Charges for care call and the home support service charges at Angel Court are Council General Fund services and as such the level of charges will be determined via the Fees and Charges report to Cabinet in February 2021.
26. All other charges are proposed to be charged at full cost recovery which for some charges will result in an increase above inflation especially in areas where there may have been stepped increases in charges previously applied.

Consultation

27. Consultation has taken place with the Leader and Deputy Leader and Cabinet Members for Housing and also with The Gateshead Housing Company.

Alternative Options

28. Alternative approaches are mentioned in the report but are not proposed due to the detrimental impact on the viability of the HRA.

Implications of Recommended Option

29. Resources

- a. **Financial Implications** – The Strategic Director, Resources and Digital confirms that the financial implications associated with the proposed increases in the rent and service charges will be incorporated into the HRA budget 2021/22, 5 year and 30-year plan to be considered by Cabinet in February 2021.
- b. The estimated additional income to the HRA will in part be determined by the average number of void properties, the number of right to buy sales and any additions to the housing stock portfolio. These assumptions are currently under review.
- c. **Human Resources Implications** – Nil.
- d. **Property Implications** – the review of the HRA Asset Strategy will be underpinned by a robust business plan to which the level of rent is a significant enabler.

30. **Risk Management Implications** – The added risks arising from self-financing and welfare reform means that the Council must continue to manage and maintain its housing stock from the rents collected. The 30-year HRA business plan is being updated to enable this to be monitored and to ensure that decisions are made, where appropriate, to ensure the housing stock is maintained in the future.

31. **Equality and Diversity Implications** – Nil

32. **Crime and Disorder Implications** – Nil

33. **Health Implications** – Nil

34. **Sustainability and Climate Emergency Implications** – The recommendations in the report will help deliver a more Sustainable Gateshead and support the review of the HRA Asset Strategy which includes carbon neutrality targets for the Council's housing stock.
35. **Human Rights Implications** – Nil
36. **Ward Implications** – All wards will be affected by the proposals in this report.

Background Information

Limit on Annual Rent Increases 2021/22

Rent Standard April 2020

Policy Statement on rents for social housing 2019

The Housing Revenue Account Self Financing Determinations February 2012

Welfare Reform Act 2016

Proposed Social Rent 2021/22

Property Type	Number	£'s Average Increase	Average of 2020-21 Basic Rent 50 weeks	Average of 2021-22 Basic Rent 50 weeks
BUN	3,088	£1.19	79.49	80.69
0BED	16	£1.06	70.77	71.83
1BED	1,749	£1.14	76.09	77.23
2BED	1,255	£1.26	83.70	84.95
3BED	67	£1.37	91.36	92.73
4BED	1	£1.44	95.44	96.88
FLA	4,658	£1.08	71.74	72.81
0BED	161	£0.90	59.75	60.65
1BED	1,980	£1.02	67.76	68.77
2BED	2,338	£1.13	75.21	76.34
3BED	174	£1.21	80.98	82.19
4BED	5	£1.34	89.63	90.98
HOU	10,694	£1.24	82.97	84.21
1BED	111	£1.02	67.61	68.63
2BED	4,791	£1.19	79.59	80.79
3BED	5,450	£1.29	85.76	87.05
4BED	335	£1.36	90.43	91.79
5BED	4	£1.44	95.67	97.11
8BED	1	£1.67	111.63	113.31
6BED	1	£1.70	112.92	114.62
7BED	1	£1.79	119.17	120.96
MAI	181	£1.18	78.79	79.97
2BED	70	£1.13	75.24	76.37
3BED	110	£1.21	80.96	82.17
4BED	1	£1.32	87.97	89.29
SHB	8	£1.12	74.80	75.92
1BED	4	£1.07	71.01	72.08
2BED	4	£1.18	78.58	79.76
SHF	211	£1.09	72.62	73.71
1BED	141	£1.06	70.42	71.48
2BED	70	£1.16	77.06	78.22
Grand Total	18,840	£1.19	79.46	80.65

Proposed Service Charges 2021/22

Ref	SERVICES	VAT	0.5% CPI at Sept 2020		
			CURRENT CHARGE 2020/21	PROPOSED CHARGE 2021/22	Movement
			£ per Week	£ per Week	£ per Week
	WARWICK COURT MULTI STOREY				
	<u>Gas Heating</u>				
1	Bed-sit	O/S	3.36	3.44	0.08
2	One Bed Flat	O/S	4.96	5.09	0.13
	<u>Repairs & Maintenance of Communal Areas</u>				
3&4	Bed-sit & One Bed Flat	O/S	3.85	3.87	0.02
	EAST ST FLATS				
	<u>Gas Heating & Hot Water</u>				
5	Bed-sit	O/S	4.67	4.86	0.19
6	One Bed Flat	O/S	7.15	7.45	0.30
7	Two Bed Flat	O/S	9.02	9.39	0.37
8	Three Bed Flat	O/S	11.20	11.66	0.46
	ANGEL COURT EXTRA CARE SCHEME				
9	Gas & Electric	O/S	15.62	18.34	2.72
	<u>Communal Facilities</u>				
10	Maintenance of Communal Areas - Flats	O/S	9.87	9.00	-0.87
11	Maintenance of Communal Areas - Bungalows	O/S	1.56	1.42	-0.14
12	Furnishings and laundry - Flats	O/S	3.19	1.60	-1.59
13	Furnishings and laundry - Bungalows	O/S	0.67	0.34	-0.33
14	Scheme manager	O/S	12.41	12.76	0.35
15	Cleaning of corridors and windows	O/S	7.98	8.78	0.80
16	Provision of domestic home support	O/S	8.89	8.89	0.00
	SHELTERED ACCOMMODATION				
	<u>Gas Heating</u>				
18	Flat one bed	O/S	8.70	8.05	-0.65
18A	Flat two bed	O/S	n/a	8.94	n/a
19	Sheltered Scheme Officer Properties	O/S	10.44	9.84	-0.60
20	Communal Areas	O/S	1.44	1.39	-0.05
	<u>Electricity</u>				
21	Flat	O/S	3.81	4.18	0.37
22	Sheltered Scheme Officer Properties	O/S	5.06	5.48	0.42
23	Communal Areas	O/S	3.88	3.88	0.00
24	Repairs & Maintenance of Communal Areas (contained units only)	O/S	2.23	2.24	0.01
	<u>Cleaning</u>				
25	Cleaning (communal areas for contained units only)	O/S	6.70	6.73	0.03
26	Cleaning (communal lounge for separate units only)	O/S	0.61	0.56	-0.05
	<u>Sheltered Scheme Officers</u>				
27/28	Sheltered Scheme Officer	O/S	13.09	13.77	0.68
29	Mobile Sheltered Scheme Officer	O/S	6.01	7.77	1.76
30	Concessionary TV Licence (£7.50 p.a per room)	E	0.15	0.15	0.00
	LOW RISE BLOCKS				
31	Communal Areas - Cleaning	O/S	2.04	2.26	0.22
	MID RISE BLOCKS				
32	Communal Areas - Cleaning	O/S	4.70	5.04	0.34

	MULTI STOREY FLATS				
33	Concierge & cleaning	O/S	10.19	9.94	-0.25
34	Caretaking & cleaning	O/S	8.68	9.15	0.47
	REGENT COURT				
35	Maintenance of fire safety system	O/S	1.05	1.66	0.61
	DISPERSED HOMELESS UNITS				
	<u>Heat & light</u>				
36	Sharing Bed-sit (each)	O/S			
37	Two Bed Flat	O/S			
38	Three Bed Flat	O/S			
	<u>Furnishings</u>				
39	Sharing Bed-sit (each)	O/S			
40	Two Bed Flat	O/S			
41	Three Bed Flat	O/S			
42	Warden	O/S			
43	Laundry	O/S			
44	Cleaning	O/S			
	OUTSIDE USE OF COMMUNAL LOUNGES				
45	Up to 1 hour	E	7.66	7.70	0.04
46	Up to 2 hours	E	14.08	14.15	0.07
47	1 Session (2 - 4 hours)	E	21.70	21.81	0.11
48	2 Sessions	E	39.89	40.09	0.20
49	3 Sessions	E	55.31	55.59	0.28
	USE OF GUEST ROOMS AT SHELTERED ACCOMMODATION				
	<u>No en-suite amenities</u>				
50	Single (charge per night)	S	7.83	7.87	0.04
51	Couple (charge per night)	S	8.92	8.96	0.04
	<u>Partial en-suite</u>				
52	Single (charge per night)	S	9.71	9.76	0.05
53	Couple (charge per night)	S	10.27	10.32	0.05
	<u>Full en-suite</u>				
54	Single (charge per night)	S	11.06	11.12	0.06
55	Couple (charge per night)	S	12.19	12.25	0.06
	KITCHEN APPLIANCES				
56	Portobello	S	0.41	0.41	0.00
57	Cranesville	S	2.71	2.71	0.00
58	Millbrook	S	1.70	1.70	0.00
59	Norfolk Place	S	2.71	2.71	0.00
60	Hallgarth	S	1.70	1.70	0.00
	Furniture Packages				
65	Mini Package	E	10.66	10.98	0.32
66	Package Option 1	E	19.57	20.05	0.48
67	Package Option 2	E	27.74	28.58	0.84
68	Package Option 3	E	35.90	36.97	1.07
69	Package Option 4	E	44.03	45.35	1.32
70	Admin Charge	E	2.14	2.14	0.00
	GARAGES				
71	Brick Garages (Council)	O/S	5.51	5.54	0.03
72	Brick Garages (Private)	S	9.29	9.34	0.05
73	Commercial Use	S	12.15	12.21	0.06
74	Commercial Storage	S	20.31	20.42	0.10
75	Parking Bays	S	21.70	21.81	0.11

76	DIGITAL AERIAL PROVISION	S	0.22	0.22	0.00
	CARE ALARMS, LIFELINES / DISPERSED ALARMS				
77A	Sheltered Scheme	S*	4.03	4.03	0.00
77B	Bronze	S*	5.30	5.30	0.00
77C	Silver	S*	5.94	5.94	0.00
77D	Gold	S*	9.12	9.12	0.00
77E	Smoke Alarm Monitoring	S*	0.71	0.71	0.00
78	Mortgage questionnaire	S	84.67	85.09	0.42
79	Rent reference	S	42.36	42.57	0.21
80	GARDENING SCHEME	S	6.05	6.05	0.00
81	Communal TV Licence	S	0.09	0.09	0.00
	Winlaton Assisted Living Scheme				
82	White Goods Provision Charge	O/S	1.45	1.47	0.02
83	Furnishings, Curtains and Carpets				
	Derwent View Close	O/S	2.46	2.50	0.04
	Ramsey Street	O/S	2.91	2.95	0.04
	Half Fields Road	O/S	9.82	9.97	0.15
84	Concierge/Night Security staff	O/S	114.53	116.25	1.72
85	Phone line to office/internet	O/S	1.85	1.88	0.03
86	Cleaning Costs - Communal	O/S	0.51	0.52	0.01
87	External & Communal Window Cleaning				
	Derwent View Close	O/S	0.65	0.66	0.01
	Ramsey Street	O/S	0.65	0.66	0.01
	Half Fields Road	O/S	0.47	0.48	0.01
88	Electrical Testing (PAT)	O/S	0.25	0.25	0.00
89	Tunstall Equipment				
	Derwent View Close	O/S	4.51	4.58	0.07
	Ramsey Street	O/S	2.25	2.28	0.03
	Half Fields Road	O/S	9.23	9.37	0.14
90	Communal Electricity	O/S	1.53	1.55	0.02
91	Communal Gas	O/S	0.71	0.72	0.01
92	Communal Water	O/S	0.64	0.65	0.01
93	Cyclical- Internal Communal/Staff Areas				
	Derwent View Close	O/S	0.51	0.52	0.01
	Ramsey Street	O/S	0.51	0.52	0.01
	Half Fields Road	O/S	1.02	1.04	0.02
94	Administration Cost	O/S	20.40	20.71	0.31

Charges are 50-week charge unless otherwise stated

*Where installation of alarm is requested by tenant VAT is standard rated. If alarm is already built into property and part of rent or is part of care package VAT is outside the scope

Tenants with disabilities VAT is zero-rated