

TITLE OF REPORT: **Housing Revenue Account (HRA) Rent and Service Charge Setting Policy**

REPORT OF: **Darren Collins, Strategic Director, Resources and Digital.
Kevin Scarlett, Strategic Director Housing, Environment and
Healthy Communities**

Purpose of the Report

1. Cabinet is asked to recommend to Council the proposed Housing Revenue Account (HRA) Rent and Service Charge Setting Policy.

Background

2. 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.
3. From 1 April 2020 Government policy on rents for social housing applies to all registered providers i.e. to both local authority registered providers and private registered providers. The rent standard enables rents to be increased by up to Consumer Price Index (CPI) for September plus an additional 1%.
4. In 2023/24, due to high levels of inflation, the CPI+1% limit on annual rent increases was replaced by a 7% maximum increase.
5. The CPI+1% limit on annual rent increases does not require registered providers to reduce rents should CPI fall below minus 1%.
6. In January 2024 the regulator confirmed the limit on annual rent increases for 2024/25 to be CPI+1% and in April 2024 it was confirmed this formula will continue to apply to rent increases in 2025/26.
7. In the Autumn Budget on 30 October 2024 the Government announced it is consulting on a new long-term social housing rent settlement from 1 April 2026 of CPI+1% for at least 5 years to offer certainty for social housing providers. The consultation will run until 23 December 2024.
8. The Policy Statement on Rents for Social Housing and the Rent Standard outlines specific conditions for how rents should be calculated and the types of accommodation to which they apply.
9. Service Charges are not covered by the same Government guidelines as rent however, the guidelines are that service charges should be set on a reasonable and transparent basis and should reflect the service provided.

Proposal

10. The proposed Rent and Service Charges Setting Policy provides a clear, consistent and transparent framework for setting and reviewing the rent for all HRA properties and ensures that the Council adheres to current government legislation and regulation when setting and agreeing rents and service charges.
11. The policy does not represent a change to the way rents and services charges are currently set and it does not confirm the actual annual change in rent as this will still be done through the budget process with separate approval sought for the actual change.
12. The annual limit on rent increases specified by the Regulator of Social Housing is the maximum amount the Council can increase rents, but the Council could choose to apply a lower increase, freeze rents or reduce rents.
13. The policy applies to HRA rented residential accommodation including both rent and service charges and garage rents. It does not apply to any other type of accommodation provided by the Council including shared ownership properties and leasehold properties or shops and commercial premises for which the terms are set out separately in their lease agreements.
14. The policy reaffirms that all existing social rented properties will, following a period of being void, be let at formula rent which is the maximum rent for that property.
15. Rent will continue to be collected over 50 weeks with two rent free weeks which customers will be advised of at the start of each financial year.
16. The Policy enables the Council to reserve the right to apply rent flexibility, but it must provide a clear rationale for doing so which considers local circumstances and affordability. The Rent standard allows an additional 5% to be added to the rents for general needs housing and 10% for supported housing for properties let at social rent.
17. The Government's policy enables higher rents to be charged to those tenants with a household income of more than £60,000. However, we do not collect information regarding tenant's earnings and there is not a cost effective way of collecting and maintaining this information and therefore for existing tenants should this apply they will be charged the prevailing social or affordable rent for their property. As part of the allocations process though information on income is collected and there is a maximum threshold of £50,000 and therefore on initial let there should not be tenants with income exceeding the £60,000.
18. Previously the Council has adopted the principle of recovering the actual cost of services provided this includes ensuring savings and efficiencies are passed onto tenants and this reaffirmed in the policy. Tenants will only be charged for the services they receive. Tenants cannot opt out of any service provision or charge. Any offers of accommodation will clearly identify service charges attached to the property and the amounts involved.

19. The Policy includes the ability to make changes to service charges during the year where there are substantial cost variations to the estimates used in calculating the charges. This would still be subject to the Council's constitutional decision making.
20. The policy provides that where new or extended services are to be introduced or where it is proposed to significantly alter an existing level of service the Council will consult with those affected using established consultation methods.

Recommendations

21. Cabinet is asked to recommend to Council:
 - (i) The approval of the Housing Revenue Account (HRA) Rent and Service Charge Setting Policy in Appendix 2.

For the following reasons:

- (i) To ensure the Council adheres to current government legislation and regulation when setting and agreeing rents and service charges
- (ii) To ensure the medium to long term sustainability of the Housing Revenue Account.
- (ii) To realise the Council's policies and objectives in relation to the Housing Strategy 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.

CONTACT:
Kristina Robson

Ext 3943

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. Government policy on rents for social housing applies to all registered providers i.e. to both local authority registered providers and private registered providers. The rent standard enables rents to be increased by up to Consumer Price Index (CPI) for September plus an additional 1%.
6. 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.
7. The Rent Standard for social rent housing states:
 - 7.1 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.
 - 7.2 "Rent flexibility level" means either 105% of formula rent or if the accommodation is supported housing 110% of formula rent.
 - 7.3 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.
 - 7.4 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%.

8. Affordable rent housing follows the same principles as above with additional guidance covering:
 - 8.1 The maximum gross rent for a tenant under a new tenancy is 80% of the market rent for the tenant's accommodation.
 - 8.2 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.
 - 8.3 Affordable rent includes all relevant service charges.
9. The policy applies to HRA rented residential accommodation including both rent and service charges and garage rents. It does not apply to any other type of accommodation provided by the Council including shared ownership properties and leasehold properties or shops and commercial premises.
10. The terms associated with shared ownership and leasehold flats are set out in their lease agreements and are not governed by the Government's rent policy.
11. Shops and commercial premises are also not included in the Government's rent policy and are let on a different basis to our residential accommodation.
12. There are some properties held in the general fund such as school caretakers tied properties which whilst not covered by this policy, in setting the rents reference is made to the increases applied to the properties in the HRA.
13. The purpose of the policy is to:
 - Ensure that the Council adheres to current government legislation and regulation when setting and agreeing rents and service charges
 - Provide a clear, consistent and transparent framework for setting and reviewing the rent for all HRA properties
 - Support the delivery of the HRA Business Plan and enable investment in existing homes and new affordable housing
 - Enable ongoing and future investment in service chargeable items and ensure estate-based services are maintained, where a service charge is applicable.

Consultation

14. Consultation has taken place with the Leader and Deputy Leader, Cabinet Member for Housing, the Strategic Housing Board and the Equality, Diversity and Inclusion Group.

Alternative Options

15. There are no alternative options proposed.

Implications of Recommended Option

16. Resources

- a. **Financial Implications** – The Strategic Director, Resources and Digital, confirms that there are no direct implications arising from this report.
- b. **Human Resources Implications** – No direct human resources implications.

- c. **Property Implications** – The policy will support the delivery of the HRA Business Plan including investment priorities and the HRA Asset Strategy which helps to improve the overall sustainability of the HRA and supports the delivery of corporate priorities under the Thrive agenda.
17. **Risk Management Implications** – The added risks arising from self-financing and welfare reform mean that the Council must continue to manage and maintain its housing stock from the rents collected. Service charges also need to recover the cost of delivering these services to ensure the HRA continues to be viable.
18. **Equality and Diversity Implications** – An Integrated Impact Assessment has been completed to identify potential implications and impacts related to protected characteristics identified in the Equality Act 2010
19. **Crime and Disorder Implications** – No direct crime and disorder implications.
20. **Health Implications** – No direct health implications. The policy will support the delivery of the HRA Business Plan including investment priorities which are likely to have positive health outcomes.
21. **Sustainability and Climate Emergency Implications** – The policy will support the delivery of the HRA Business Plan including investment priorities and the HRA Asset Strategy which includes net zero carbon measures for the Council’s housing stock.
22. **Human Rights Implications** – No direct human rights implications.
23. **Area and Ward Implications** – All wards will be affected by the proposals in this report.

Background Information

Housing Act 1985 Section 24

Local Government and Housing Act 1989

Housing and Regeneration Act 2008 (a) Section 197

Social Housing Rent (Exceptions and Miscellaneous Provisions) Regulations 2016

Welfare Reform and Work Act 2016

Direction on the Rent Standard 2019

Policy Statement on Rents for Social Housing February 2019

Rent Standard 2020

Direction on the Rent Standard 2023

Social Housing Regulation Act 2023