

TAUNTON DEANE BOROUGH COUNCIL

BRIEFING NOTE

HRA RENT SETTING 2016/17

1. Purpose of Update

- 1.1 To inform the board of an issue that has arisen in Parliament, after the Tenant Services Management Board, Scrutiny and Executive have considered the draft budgets for next year, and the proposed rent reductions for 2016/17.
- 1.2 The Executive were alerted to this new development and requested a briefing.
- 1.3 The Executive will review and their final budget proposal will be set out in the papers for Full Council on 23rd February 2016.

2. Background

- 2.1 The draft budget reports considered by the Tenant Services Management Board, Scrutiny and Executive reflect the Welfare Reform and Work Bill that is currently progressing through Parliament. This requires that, when enacted, all social landlords – including Councils – must reduce their rent by 1% per annum from April 2016 for the next 4 years.
- 2.2 When the Bill was being considered in the House of Lords, Lord Freud (on behalf of Government) announced that the Bill will be amended to exempt Supported Housing from the 1% cut in rents for one year.
- 2.3 This follows concerns raised by a number of social landlords nationally about the viability of reducing rents for Supported Housing by 1%. Lord Freud said that it will allow the Government time to consider the issues and implications.
- 2.4 Taunton Deane's rent policy, as approved in the HRA Business Plan, is for annual increases of CPI plus 1%. This would equate to an increase of 0.9% for 2016/17 (with CPI of -0.1%).
- 2.5 Members are therefore able to increase rents in line with the existing rent policy for supported housing schemes, including sheltered housing, by up to CPI +1% for one year only from April 2016.
- 2.5 The Bill continues to be debated. Any further changes in policy will be returned to Members.

3. Options

- 3.1 Members need to be aware of this potential change in policy and consider the options available for rent setting on Supported Housing, which represents approximately 17% of our housing stock (880 sheltered housing and 88 Extra care Housing properties, totalling 968 properties).

- 3.2 The draft budget shared to date, sets out the position assuming a 1% reduction in rents for all tenants. There is now a choice to be made on the rent level for Supported Housing. The choices range from keeping the draft budget position of a 1% reduction through to a rent freeze or maintaining our previously agreed rent policy for these properties and increase rents by 0.9% (which is CPI +1%).
- 3.3 The rent reduction proposals for General Needs Housing stand. There is no indication of any policy change in this area – it is simply a choice being offered to social landlords for Supported Housing rent levels for next year only. Members will be aware that the existing rents for Supported Housing are based on a national rent formula. The size of the properties means that the average rent levels in Supported Housing (£76.79 per week) is less than that charged on General Needs properties (£85.34 per week).
- 3.4 Although the expected change in policy is for one year only, it would have a cumulative effect since the base level of rent would be higher for future years rent setting.
- 3.5 The table below illustrates the financial impact of three different rent levels on Supported Housing :-
- the existing budget position of a rent reduction of 1%
 - a rent freeze (ie 2015/16 level)
 - maintain rent policy - a rent increase of CPI + 1% (Equivalent to 0.9%)

Financial Data on Potential Rent Levels For <u>Supported Housing</u> 2016/17			
	Draft Budget Position Rent Reduction 1%	Rent Freeze	Maintain rent policy. Rent Increase 0.9% (CPI +1%)
Weekly Rent	£76.02 <i>A reduction of 77p per week.</i>	£76.79 <i>No change</i>	£77.48 <i>An increase of 69p per week</i>
Impact on 2016/17 Draft Budget - which included an overall 1% Rent reduction	NIL	+ £37k	+ £71k
Impact on 30 Year Business Plan - which included an overall 1% Rent reduction	NIL	+ £1.385m	+ £2.675m

- 3.6 Any additional income generated in 2016/17 by a change in rent level proposal would be targeted to maintenance budgets within the HRA.

3.7 Additional information when considering rent levels for 2016/17

- 1) Supported Housing properties have additional costs not associated with General Needs properties. These include the instalment of level access bathrooms, addition of mobility scooter stores and ongoing costs in some schemes, and redecoration of properties at void rather than issuing of decorating vouchers, and higher overall management cost due to higher turnover of voids. These costs are not recovered through supported housing service charges.
- 2) 75% of tenants within Sheltered Housing are in receipt of Housing Benefit and would not be affected by the change in rent.
- 3) Tenants of pensionable age have, to date, been protected from Welfare Reforms. The basic state pension is increasing in April 2016 from £115.95 to £119.30, an increase of £3.35 a week or 2.9%.
- 4) This small increase in rent for one year has a significant positive impact on the HRA Business Plan, and would reduce the deficit over 30 years by up to £2.675m.
- 5) Any change from the 1% reduction planned for all other tenants would create a differential between General Needs rents and Supported Housing rents. However only approximately 29% of rents are at Target Rent, that is the rent determined by the national rent formula. 71% of rents are currently below this level and so there is an ongoing level of inequality.

3.8 A full Equalities Impact Assessment has not yet been carried out. Although it is clear that a change in rent in Supported Housing would disproportionately impact on older people, there is a disparity in changes to benefits (through welfare reform) between those of working age and those of pensionable age. It could be argued that points 2 and 3 above assist in mitigating this impact.

4. Conclusion

- 4.1 The purpose of this briefing is to alert members to a recent policy change that offers them some choice on the level of rent set for Supported Housing.
- 4.2 It is important that members are sighted on this prior to the final budget and rent setting Council meeting later this month
- 4.3 The Executive's final budget proposal will reflect their position on this matter and will be shared with the agenda papers for Full Council on 23rd February 2015.

James Barraah, Director – Housing & Communities 01823 358699

j.barraah@tauntondeane.gov.uk