



## AGENDA ITEM: 6

### SUMMARY

<b>Report for:</b>	<b>Housing and Community Overview &amp; Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>20 July 2016</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Housing Rents and Other Charges Policy</b>
Contact:	Margaret Griffiths, Portfolio Holder for Housing Katie Kiely Housing Income team Leader Andy Vincent – Group Manager Tenants and Leaseholders Responsible Officer
Purpose of report:	To advise the Committee of the new updated Rent and Other Charges Policy
Recommendations	That the report be noted
Corporate objectives:	Affordable Housing
Implications:	<u>Financial</u>  This policy sets out the basis on which the Council's rents are calculated. The proposed reduction in rents under the Welfare reform and Work Act 2016 represents a threat to the HRA income stream estimated to be equivalent to a 12% reduction in average rents by 2020/21. The proposal to de-pool services charges should help to offset this.
'Value For Money Implications'	'Pay to Stay' introduces a compulsory scheme to charge higher income social tenants Market Rents for their properties. Full details of the scheme have yet to be published but it is known that Local Authorities will not be allowed to keep any additional income that this policy generates. There is expected to be a grant for administration and set up costs and the intention is that it should be cost neutral for the Council.  The Recharge section of the policy aims to ensure that, where appropriate, we collect costs incurred by the tenants actions or

	<p>neglect <u>Value for Money</u></p> <p>The proposal to de-pool service charges will add greater transparency to the award of contracts for services which will be driven by Value for Money principles.</p> <p>A business case was recently made for the appointment of a Recharge Officer and this post is expected to increase income.</p>
Risk Implications	The risks are incorporated within the housing operational risk register. This was reviewed for 2016/17
Equalities Implications	<p>There is a one year exemption to the 1% rent reduction for supported housing. This exemption will disproportionately affect tenants of pensionable age. Housing Benefit is available for those tenants who need help to pay their increased rent. An equalities impact assessment will be carried out for the recharge policy and for Pay to Stay once full details of the scheme are known. The implementation of the Housing and Planning Act will require the development of procedures in a number of area for the Housing Service – for example to implement the ‘pay to stay’ regime. Value for Money principles will drive these new procedure areas to ensure they are cost effective.</p>
Health And Safety Implications	None
Consultees:	<p>Cllr Margaret Griffiths – Portfolio Holder for Housing Elliott Brooks – Assistant Director of Housing Andy Vincent – Group Manager – Tenants and Leaseholders Osbourne Property Maintenance Services</p> <p>A report was also considered by the TLC and the proposals for the recharge policy were discussed at HMC</p>
Background papers:	<p>Welfare Reform &amp; Work Act 2016 contains details of the rent reduction</p> <p>Housing &amp; Planning Act 2016 sets out principles of ‘Pay-to-Stay’</p>
Historical background <i>(please give a brief background to this report to enable it to be considered in the right context).</i>	<p>Prior to April 2016 housing rents have increased year-on-year in accordance with a Government formula. The Welfare Reform and Work Act 2016 however introduced a requirement for social landlords to reduce rents by 1% per annum for four years. Supported Housing is exempt for this reduction in the first year.</p> <p>In 2012 the Coalition Government introduced a discretionary scheme under which social landlords could charge tenant households earning over £60,000 p.a. a market rent. In the summer budget 2015 the Chancellor announced plans to make a ‘Pay to Stay’ scheme compulsory and the Housing and Planning Act 2016 set out the statutory basis for the scheme.</p>

	Full details and further regulations are yet to be published
Glossary of acronyms and any other abbreviations used in this report:	De-pooling – this is separating charges for services such as electricity for communal lighting, cleaning and landscaping from the rent.  HRA – Housing Revenue Account

## 1.0 Introduction

- 1.1 The Rents and Other Charges Policy sets out the basis on which the Council's rent levels are calculated. Historically the Council has followed Government guidance in this respect. More recently both the Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016 have required the Council to change the way in which rents are calculated. The policy itself sets out the broad principles on which rents are set and outlines other charges collected. Details are laid out in the various appendices.
- 1.2 Support charges for tenants in supported accommodation are calculated annually based on the cost of the service provided.
- 1.3 The decision has also been made to de-pool service charges for general needs properties with communal facilities. This will ensure greater transparency and accountability relating to the charges made to tenants for these services and facilities.
- 1.4 The Income team is also taking over responsibility for the collection of rechargeable works debts and the recruitment process is underway for a new Recharge Officer post. The successful candidate will work with the Income Team Leader, Empty Homes Team and Osbornes to finalise the details of this part of the policy

## 2.0 Rent Reduction - Welfare Reform And Work Act 2016

- 2.1 In his 2015 summer budget the Chancellor announced that Social Landlords would be required to reduce rents by 1% per annum every year for 4 years, commencing April 2016. The appropriate legislation was laid out in the Welfare Reform And Work Act 2016. This is equivalent to a 12% reduction in average rent levels over the 4 years of the policy if anticipated increases are taken into account. This policy is intended to help reduce the national Housing Benefit bill.
- 2.2 It is still possible to increase rents to target levels under rent restructuring as properties become void. This increase will not take place when tenants transfer under the 'Moving to a Smaller Home' scheme in order to encourage a more effective use of the Council's stock. Further details of when this increase will not be applied are set out in Appendix 2.

## 3.0 Pay to Stay – Housing And Planning Act 2016

- 3.1 In the summer budget the Chancellor also announced that the current discretionary 'pay to stay' scheme would be made compulsory (in England) and that new, lower, income thresholds would be introduced. These thresholds are £40,000 in London and £31,000 elsewhere. Local authorities will be expected to repay the additional rental income to the Exchequer 'contributing to deficit reduction'.

3.2 Measures to introduce this scheme have been included in the Housing and Planning Act. The Government has confirmed that a taper will be applied above the minimum income thresholds and that households in receipt of Housing Benefit will be exempt from paying higher rents. The Government's aim is to implement the mandatory pay to stay scheme from April 2017. Further details are expected in July.

The draft timetable for implementation is as follows

July 2016	DCLG publish draft Regulations
July - Sep 2016	Councils begin to consider and put processes in place to calculate market rents, collect income data, apply tapers, manage reviews of market rents, changes in tenant circumstances and set up appeals processes
Oct-2016	Dec Councils write to tenants to request income data. Tenants declare income and provide supporting evidence
November 2016	Regulations in force
Dec 2016 - Mar 2017	Councils determine which tenants should pay higher rents. Calculate amounts and issue bills
April 2017	Councils begin to collect additional higher rental payments, calculate admin costs & set up arrangements to pay over monies to central government on quarterly basis. (NB money transferred in first year will be based on actual receipts less reasonable admin costs)

#### 4.0 De-pooling

- 4.1 We have agreed that we will be de-pooling service charges for general needs properties with communal areas with effect from September 2016. De-pooling for supported housing is expected to follow.
- 4.2 De-pooling gives greater clarity and transparency to service charges and enables tenants to challenge the costs of the services provided to them.
- 4.3 Currently services charges are included with the rent and shown on statements as a single figure. The proposal is that from September 2016 statements will show service charges separately. Tenants will not, initially see any difference in the amount that they pay
- 4.4 The services that we will be charging for are all eligible for Housing Benefit (or for the Housing element of Universal Credit).
- 4.5 The 1% reduction in rent announced by the Chancellor and included in the Welfare Reform And Work Act 2016 represents a threat to the income stream of the HRA. De-pooling of service charges provides some protection against this as we are able to increase this element and charge the amount that the service costs us.

#### 5.0 Rechargeable Works

- 5.1 The Council aims to collect rechargeable costs where tenants have caused damage to the property through their actions or neglect, where unauthorised works have been carried out which are not to an acceptable standard or where we need to remove rubbish or other items from communal areas or void properties
- 5.2 .Following a detailed business case being made and after consultation with tenant groups approval has recently been given to employ a specialist Recharge Officer and the recruitment process is underway. The person appointed to the post will be working with our Empty Homes team and with Osbornes to produce a detailed rechargeable policy and procedure.