



City of Westminster

Cabinet Member Report

| | |
|---------------------------|--|
| Date: | 5 March 2021 |
| Decision Maker: | Councillor David Harvey, Cabinet Member for Housing Councillor Melvyn Caplan, Deputy Leader and Cabinet Member for City Management |
| Classification: | General Release |
| Title: | Annual Review of Housing Revenue Account (HRA) Rent and associated HRA charges 2021/22 |
| Wards Affected: | All Wards |
| Policy Context | Service Planning Cycle and Budget Strategy Framework set by the Cabinet |
| Key Decision: | Yes |
| Financial Summary: | <p>The proposed average rent increase in 2021/22 is 1.5% which would equate to £1.87 per week. The Rents for Social Housing policy for 2021/22 permits annual rent increases of up to consumer price index (CPI) plus 1% from 2021/22 (CPI is based on the CPI in September 2020).</p> <p>The proposals contained within this report will result in a total increase in annual HRA income of £1.1m and would result in total HRA Rental income of c£76.6m.</p> |
| Report of: | Executive Director of Growth, Planning and Housing – Debbie Jackson |

1. Executive Summary

- 1.1 This report sets out the background and context of the annual council tenant rent review for 2021/2022. These changes will be implemented from Monday 5 April 2021.
- 1.2 This approval aligns to with the assumption and budgets set within the Housing Revenue Account Business Plan 2021/22 and 30-Year Housing Investment Plan report taken to Cabinet on 15th February 2021.
- 1.3 Historically, social housing rents were set using a national formula that all Local Authorities and Private Registered Providers were encouraged to follow “The Social Rent Policy guidance”. In April 2012, the national subsidy system of financing council housing was replaced with a localised system of self-financing. In the 2015 Budget the Chancellor announced that rents for social housing tenants would be statutorily reduced by 1% annually for a period of four years up to 19/20.
- 1.4 While this year sees the second year of modest rent increases following 4 years of reductions under the National Rent Reduction of the Welfare Reform and Work Act 2016, the council is still addressing the cumulative reduction in the HRA budget as a result of the reductions, all while our financial planning has been hit further by the impact of the Covid-19 pandemic.
- 1.5 Under this substantial pressure we have worked hard to protect frontline housing services for tenants and residents while also ensuring long-term capital investment in our stock. With the ending of the rent cap the Council is proposing a rent rise of inflation plus 1%, in this case 1.5%, (compared with 2.7% last year), representing an average £1.87 per week increase. This is in line with the Rents for Social Housing policy for 2021/22 which permits annual rent increases of up to consumer price index (CPI) plus 1%.
- 1.6 The Council’s policy towards tenant service charges is that they should be set to recover actual costs and it is recommended that this policy continue.
- 1.7 Charges for car parking, sheds and garages within HRA estates will be increased by 1.1% in 2021/22 in line with RPI (at September 2020).
- 1.8 The Council will continue with its policy to convert all new tenancies to Formula rent levels.
- 1.9 A review of the now dwelling rents will be undertaking in early 2021 with tiered proposals to increase rents by 5%.

2. Recommendations

- 2.1 That in order to comply with the provisions of The Rents for Social Housing policy for 2021/22, the Cabinet Member for Housing approves an increase of the HRA rents by 1.5% from the 5 April 2021. This is the maximum permitted under the

Rent Standard 2020.

- 2.2 That the Cabinet Member for Housing notes that the Council continues to exercise its discretion under the rent restructuring policy to set rents for new tenants and transfers on all re-lets at formula target rent from Monday 5 April 2021.
- 2.3 That the Cabinet Member for Housing gives approval for tenant service charges to be varied in line with estimated actual costs for 2021/22 from Monday 5 April 2021.
- 2.4 That the Cabinet Member for City Management gives approval for charges for car parking and parking spaces to be increased by 1.1% (RPI as at September 2020) from Monday 5 April 2021.
- 2.5 That the Cabinet Member for Housing gives approval for charges for sheds and garages to be increased by 1.1% (RPI as at September 2020) from Monday 5 April 2021 with a review to follow in early 2021.
- 2.6 The previously agreed approach for the calculation of the Block Cleaning (BCCN) and Estate Contract Cleaning (ECCN) element of service charge is maintained with the costs being pooled. This approach will be reviewed annually and also when the contract is re-let.

3. Reasons for Decision

- 3.1 To set the HRA tenant rents and other charges for the financial year 2021/22. The City Council is required by law to give tenants at least 28 days' notice of any variation to the rent charged.

4. Background

- 4.1 The HRA reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the council's housing stock offset by tenant rents and service charges, leaseholders service charges and other income.
- 4.2 In April 2012, the national system of financing council housing was replaced with a localised system of self-financing. Westminster now has full responsibility for the management, maintenance, investment and financing of the HRA. It has the right to all future rent income streams, which provides it with a substantial degree of certainty, as well as responsibility for the management of business risk. Assumptions about future rent policy were a key driver in the valuation of the stock, which determined the settlement buyout figure of £68m.
- 4.3 As part of the 2013 Spending Round, the Government announced that from 2015/16 social rents should increase by up to CPI plus 1 per cent each year for 10

years. At the same time, the previous policy of rent convergence was removed in order to provide greater certainty.

- 4.4 In the 2015 Budget, the Chancellor announced that rents for social housing tenants would reduce by 1% annually for a period of four years from 2016/17 resulting in an estimated 12% reduction in average rents by 2019/20.
- 4.5 In November 2019 the Government provided the “Rents for social housing from 2020/21 policy”. The policy states that from 2020 that local authority rents can increase to ceiling of CPI + 1% each year **to 2024/25** (except where a property rent exceeds the formula rent plus the maximum flexibility level, where the ceiling is CPI). The increase equates to 1.5% (CPI in September 2020 of 0.5% plus 1%).
- 4.6 The 1.5% increase does not apply to all charges. Non-dwelling charges such as car parking, garages and sheds are not included within rent setting policy. Council policy is for these to be linked to RPI. Service charges as well as heating and hot water charges are based on cost recovery so are charged based on costs incurred to fully recover the cost for the Council.

5. Tenant Rent

- 5.1 In line with the Rents for social housing from 2020/21 policy, the 1.5% rent uplift will increase the average weekly rents from £124.42 per week in 2020/21 to £126.69 per week in 2021/22. The increase equates to an annual income gain of £1.1m across approximately 11,990 tenancies.

Tenant Service Charges

- 5.2 Westminster, like nearly all other HRA stock-owning local authorities, has un-pooled certain service charges from its rents. This was done on the basis that all most service charges were eligible for Housing Benefit and that recovery would be based upon recovering actual costs. The costs of delivering estate-based communal services are recovered directly from tenants and leaseholders through service charges. Tenants who benefit from these specific estate-based services will pay a weekly service charge in addition to their weekly rent charge.
- 5.3 It is proposed that the service charges payable by tenants are increased in line with actual costs. The final 2021/22 charges to tenants will be dependent upon a complete analysis of costs and may change from those indicated but will be based upon full recovery of costs therefore resulting in no net benefit to the HRA. In addition, there have been some changes to the categorisation of charges alongside movement in tenant numbers, however overall charges remain fairly constant.
- 5.4 Table 2 below sets out the proposed average service charges for 2021/22. The average service charges are separated by block and estate heads of charge.
- 5.5 The tenants service charge for 2021/22 will include for the first time the costs for

estate security, pest control (block and estate) and the hire of paladin bins (block and estate). Historically these costs have not been recharged to tenants by way of their service charge but have been recharged to leaseholders. In line with the council's policy towards tenant service charges, these services will now be recharged to the tenants receiving the service.

Table 2 - Average Tenant Service Charges 2021/22

| Description | Sum of Annual Cost | Sum of Tenant Budget | Sum of Tenants | Av Tenant Charge | £ Weekly |
|----------------------------|----------------------|----------------------|----------------|------------------|---------------|
| Block Caretaking | £120,191.10 | £51,383.17 | 252 | £203.90 | £3.92 |
| Block Cleaning | £2,848,128.16 | £1,545,615.52 | 9306 | £166.09 | £3.19 |
| Block Concierge | £658,622.73 | £367,034.44 | 898 | £408.72 | £7.86 |
| Block Electricity | £1,057,838.28 | £622,313.25 | 10347 | £60.14 | £1.16 |
| Block Grounds Maintenance | £151,123.40 | £67,268.79 | 1814 | £37.08 | £0.71 |
| Block LMA | £43,376.00 | £18,778.16 | 222 | £84.59 | £1.63 |
| Block Paladin Bins | £52,554.20 | £25,679.19 | 2021 | £12.71 | £0.24 |
| Block Pest Control | £193,923.04 | £110,591.82 | 9970 | £11.09 | £0.21 |
| Block Security | £2,822.95 | £1,923.67 | 104 | £18.50 | £0.36 |
| Block Tree Maintenance | £13,107.81 | £5,699.06 | 930 | £6.13 | £0.12 |
| Block Window Cleaning | £64,105.38 | £35,489.36 | 8147 | £4.36 | £0.08 |
| Estate Caretaking | £31,861.25 | £21,600.85 | 80 | £270.01 | £5.19 |
| Estate Cleaning | £307,366.42 | £177,255.32 | 7320 | £24.22 | £0.47 |
| Estate Electricity | £9,436.00 | £6,326.95 | 494 | £12.81 | £0.25 |
| Estate Grounds Maintenance | £568,988.27 | £322,746.69 | 8003 | £40.33 | £0.78 |
| Estate LMA | £2,000.00 | £549.08 | 38 | £14.45 | £0.28 |
| Estate Paladin Bins | £167,423.73 | £97,950.19 | 8442 | £11.60 | £0.22 |
| Estate Pest Control | £104,113.52 | £62,477.36 | 8731 | £7.16 | £0.14 |
| Estate Security | £21,902.85 | £14,967.63 | 1016 | £14.73 | £0.28 |
| Estate Tree Maintenance | £77,422.55 | £46,208.38 | 8242 | £5.61 | £0.11 |
| | £6,496,307.63 | £3,601,858.89 | 86377 | £1,414.22 | £27.20 |

5.6 In line with the CM Rent Report of 21st February 2019 the current estate services (Block and Estate contract cleaning charges) will be increased by the contractual up-lift of 2.5%.

6. Non-Dwelling Charges

6.1 The costs of car parking, sheds and garages are recovered directly from tenants and leaseholders that benefit from the services.

6.2 It is therefore proposed to increase the average charges for parking spaces by 1.1% in line with RPI at September 2020.

6.3 It is therefore proposed to increase the average charges for garages and sheds by 1.1% in line with RPI at September 2020.

- 6.4 Average weekly charges will therefore increase to £13.87 from £13.60 for garages, £4.76 from £4.67 for car parking spaces and £1.44 for sheds, generating additional annual income of £0.014m.
- 6.5 It is proposed to review the increase of now-dwelling charges in early 2021 with a review to a 5% increase which would net an increase of income in the sum of 38k across the portfolio.

7. Heating and Hot Water Charges

- 7.1 The cost of providing central heating and hot water services is charged and recovered from tenants who benefit from district heating and hot water systems, or from electricity for heating systems. Charges are based on estimated energy costs and usage within each block (or on estate-wide usage where blocks are not yet individually metered). The charges were last reviewed in July 2020 and changes implemented in October. Full costs are recovered so there is no net impact on the HRA from changes in year.
- 7.2 Of the 54 communal and individual heating systems operated by the City Council, 11 are currently included in the rollout of individual or block-based billing in accordance with the Heat Networks Metering and Billing Regulations 2014. These include systems contained within a single housing block as well as those that serve entire estates.
- 7.3 Heating and hot water charges or heating electricity charges for 1,668 tenants were adjusted from 6 April 2020 to reflect actual metered usage in line with the regulations.

8. Financial Implications

- 8.1 The proposed increase to tenant rent will result in an overall annual net income gain of £2.5m, as well as £0.014m for garages and parking charges to give a net impact of £2.514m. Other changes for service charges, heating and hot water are to reflect full cost recovery so has no impact on the bottom line of the HRA.

9. Legal Implications

- 9.1 Part 6 of the Local Government and Housing Act 1989 (“the 1989 Act”) places a duty on the Council to comply with certain requirements relating to Housing Finance. In particular, Section 74 requires the Council to keep a Housing Revenue Account (HRA). Section 76 reminds the Council that we have a duty to prevent a debit balance; the HRA must balance revenue income and expenditure. Capital expenditure must be separately accounted for and explicitly financed. Some sources of finance can only be used for capital, such as capital

receipts and borrowing.

- 9.2 In relation to the setting of rent, section 24 of the Housing Act 1985 provides that the Council may make such reasonable charges as they may determine for the tenancy or occupation of their houses. The Council shall also, from time to time, review rents and make such charges, either of rents generally or of particular rents, as circumstances may require.
- 9.3 In exercising that function under section 24 of the Housing Act 1985, the Council must have regard in particular to any relevant standards set by the Regulator of Social Housing pursuant to section 193 of the Housing and Regeneration Act 2008. Section 193 of the Housing and Regeneration Act 2008 allows the Regulator to set standards for housing providers as to the nature, extent and quality of accommodation, facilities or services provided by them in connection with social housing.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:
Adam Coates, Strategic Finance Manager – Growth, Planning and Housing
acoates@westminster.gov.uk

For completion by the **Cabinet Member for Housing**

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____

NAME: **Councillor David Harvey, Cabinet Member for Housing**

State nature of interest if any

.....
(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendations in the report entitled **Annual Review of Housing Revenue Account (HRA) Rent and associated HRA charges 2021/22** and reject any alternative options which are referred to but not recommended.

Signed

Councillor David Harvey, Cabinet Member for Housing

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:
.....
.....
.....
.....

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, the City Treasurer and, if there are human resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.

For completion by the **Deputy Leader and Cabinet Member**
for City Management

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____

NAME: **Councillor Melvyn Caplan, Deputy Leader and Cabinet Member for City Management**

State nature of interest if any

.....
(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendations in the report entitled **Annual Review of Housing Revenue Account (HRA) Rent and associated HRA charges 2021/22** and reject any alternative options which are referred to but not recommended.

Signed

Councillor Melvyn Caplan, Deputy Leader and Cabinet Member for City Management

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

.....
.....
.....
.....

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, the City Treasurer and, if there are human resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.