

Key Decision Required	No	In the Forward Plan	No
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CABINET

4 NOVEMBER 2016

REFERENCE REPORT FROM CORPORATE MANAGEMENT COMMITTEE OF 26 SEPTEMBER 2016

A.3 **RENT REDUCTION**

(Report prepared by Anastasia Simpson)

BACKGROUND

At the Corporate Management Committee meeting on 26 September 2016 the Committee raised concerns about the 1% rent reduction and the impact of this policy within Tendring.

As part of the Committees review of the Corporate Budget Monitoring report for the First Quarter 2016/17, the Committee discussed the 1% rent reduction and the implications for Tendring. The Committee recommends to Cabinet that this matter is raised as a concern across all groups wherever there is an opportunity to raise this matter with Local Government Authority colleagues

The Housing Revenue Account (HRA) deals with all the finances associated with the housing stock in the ownership of the Council. The HRA is “ring-fenced” from other activity. The main income is housing rent, and all expenditure related to council housing (such as dealing with lettings; managing, maintaining and repairing the stock; collecting rent) is charged to this account.

In April 2012 council housing finance moved to a ‘self-financing’ regime nationally. Councils took on full responsibility for the long-term financial management of council housing. This means that councils keep their rental income and use it to manage and maintain their housing stock. At the point of self-financing councils whose debt was lower than the assessed value of their stock borrowed to pay the difference to the government.

Self-financing requires the Council to take a much longer-term planning approach – to ensure that practically all of the Council’s housing stock continues to meet the ‘decent homes standard’, to repay the debt and to ensure the continued viability of the Housing Revenue Account. The Council prepares and keeps up to date a financial plan for the Housing operation over a 30 year period. The financial model shows the estimates of rent and other income, the day to day management and repair costs as well as the long term major investment needs to maintain the stock and the cost of servicing the debt over 30 years.

Rent increases have been made in the past few years against the then national guidance – CPI + 1% increase p.a. This would normally be applied in April. However, subsequently the 2015 autumn Spending Review announced that Government would require social housing rents to be reduced by 1% p.a. for each of the next 4 years. The legal power to require this appeared shortly thereafter in the draft Welfare Reform & Work Bill.

The legislation requires a reduction of social rents of 1% over the relevant year (which

commenced on 1 April 2016).

The legislation, now the Welfare Reform & Work Bill 2016 has a requirement for a further 1% decrease in 2017/18, 2018/19, and 2019/20.

Secondary legislation has exempted some accommodation from this reduction in recognition of the special factors that apply. The Council needs to decide what to do in cases where an exemption applies. The default position would be to apply the agreed policy.

Supported housing including temporary accommodation, sheltered and extra care housing are exempt from the 1% reduction in 2016/17 whilst the Government is considering the longer term position for supported housing – this presents a number of risks to the viability of supported housing across providers longer term. Rents for these types of accommodation are able to be increased in line with the former national rent policy – CPI + 1%, which for 2016/17 would equate to a rise of 0.9%.

The table below shows the impact of the 1% rent reduction through to 2019/20:

2015/16	2016/17	2017/18	2018/19	2019/20
£13,906,439.04	£13,790,046.22	£13,652,651.79	£13,516,631.30	£13,660,762.08
	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019
				£144,130.78
				(extra week in
Difference	-£116,392.82	-£137,394.43	-£136,020.49	this year)

COMMITTEE RECOMMENDATIONS AND COMMENTS TO CABINET

Cabinet is now asked to consider the comments of Corporate Management Committee:

The Committee **RECOMMENDED TO CABINET** that:

- (a) That Cabinet notes the concerns about the 1% rent reduction and the impact for Tendring District Council.
- (b) Members of the Cabinet raise this matter as a concern at any relevant Local Government Association conferences.

PORTFOLIO HOLDER'S COMMENTS AND RECOMMENDATIONS TO CABINET

Cabinet shares the Committee's concerns about the implications of the 1% rent reduction and will raise these concerns where the opportunity exists.