

	Executive & Council, 12 February 2020	Agenda Item No.12 (addendum)
Title	Addendum to Housing Revenue Account (HRA) Budget 2020/21 and Housing Rents <u>William Wallsgrove House Hostel Rent Setting Review</u>	
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Background Papers	Housing Revenue Account (HRA) Budget 2020/21 and Housing Rents – 12 th February Executive	

1. Background

- 1.1.1 The Council submitted a grant bid for MHCLG’s Rough Sleep Initiative (RSI) Grant to fund 6 Rough Sleeping Interventions as part a national measure to reduce the number of Rough Sleepers in Warwickshire during the 12-month period of 2020/21 commencing in April 2020. The full bid details are noted on Appendix 5 of the Housing Revenue Account (HRA) Budget 2020/21 and Housing Rents Report presented to 12th February Executive where a total bid of £660,028 was requested.
- 1.1.2 The Council was awarded the full RSI Bid with the final Grant Allocations being announced nationally by MHCLG on 10th February 2020.
- 1.1.3 The William Wallsgrove House Hostel Intervention was allocated £350,000 of the total £660,028 RSI Grant Awarded which has ensured that the Council can continue to provide this service until 31st March 2021.
- 1.1.4 The Memorandum of Understanding agreement with MCHLG which enables the grant bid to be paid to the Council was signed by the Head of Housing on 17th February.
- 1.1.5 As part of the MHCLG RSI Grant bid a full review of the William Wallsgrove House Hostel business model was completed to assess the full expenditure and income from rents and grant for the 2020/21 Financial Year

- 1.1.6 As part of the review the rents have been re-calculated in line with 2020/21 MHCLG Rent Setting Policy and the Councils rent setting policy with HRA dwelling rents for all new tenancies created in 2020/21 being set at Target Social (Formula) Rent for Social rent properties (or at Warwick Affordable rent for Affordable rents properties if applicable)
- 1.1.7 Advice was sought from the Department for Work and Pensions (DWP) and the Ministry of Communities, Housing and Local Government (MCHLG) in regard to a number of social rent technicalities and housing benefit rules to ensure that accurate rents and Housing Benefit calculations were correct.
The information from DWP and MCHLG confirming the appropriate advice requested has only been received in recent weeks which meant that the rent recalculation was not included for approval in the Housing Revenue Account (HRA) Budget 2020/21 and Housing Rents Report presented for approval on 12th February as the final figures were not available at that time.
- 1.1.8 The Council is now in a position where the MHCLG RSI Grant Funding has been approved and the central government rents advice has been confirmed which has enabled the Council to confirm that the rents have been correctly calculated. In light of these recent updates an addendum is required to request authorisation of the new Rents to be charge at William Wallsgrove House Hostel (WWH)
- 1.1.9 The Hostel consists of 22 units of accommodation which consists of 17 dormitory beds and 5 separate 1 bed rooms and had been in operation for 3 financial years. In previous years the budget for the Hostel has been funded using a collaboration of MCHLG Rough Sleeping Initiative Grant, contributions from Warwickshire County Council, rent from tenants and match funding from the Housing Revenue Account.

2. Recommendations

The Executive is asked to recommend to Council:

- 2.1 That the William Wallsgrove House (WWH) Hostel Rents and Service Charges are increased for New Tenants from the current rents to the amounts noted in Appendix 6 to set the base rent as the Target Social Rent (also known as Formula Rent).
- 2.2 That in line with MCHLG and DWP advice WWH Rents are reviewed further to 2.1 to factor in the WWH specific changes to rent noted in 3.2 as advised by MHCLG and DWP.
- 2.3 That future rents for the WWH Hostel are increased in line with Government Rent Setting Policy and the Councils Rent Policy of HRA Social Rent Properties (CPI +1% for a 5-year period from 2020/21) with approval being sought in the annual HRA Budget and Housing Rents Report.

- 2.4 That new rents will apply to new tenancies **only** in 2020/21 to buffer any negative impact to existing tenants.

3. Reasons for Recommendations

3.1 The WWH rents have been reviewed in full and a detailed cost analysis has taken place to revise all service costs and income. A New Rent Setting Policy has been issued by MCHLG since the service began operating in 2017 which has resulted in the rent calculations changing after adopting the new Target Social Rent (Formula Rent) Calculation.

3.2 After consulting with the DWP and MHCLG the following changes to existing rents will be applicable:

- That the Rent cap rate of £141.43 is used as the base rent for dormitory and 1 bed rooms. The Rent cap is applied as a maximum ceiling on the formula rent, and depend on the size of the property (the number of bedrooms it contains). Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap must be used instead. WWH is located in a property with a value of Approx. £1.5 Million so the Formula Rent would be a lot higher than the Rent Cap as the property value is a factor of the calculation. In this case acting on advice from MCHLG the Rent Cap is used as the basis of the rent.
The same rate of £141.43 social rent would apply to all the units at WWH as the MCHLG Rent Policy Statement does not make any difference in the rent cap level when assessing a 0-1-bedroom property
- That a 10% Rent Flexibility allowance of £14.14 is added to the Weekly Rent as per the MHCLG Policy Statement for Rents for Social Housing.
- That in line with a local revision to policy Housing benefit can be claimed by the Tenant if applicable from the first full night in occupancy at the WWH Hostel on the condition that this will be claimed retrospectively after WWH Staff have ensuring a full night stay has occurred. Any break in a tenant's occupancy at WWH will warrant any live Housing Benefit Claims to be closed. If the tenant returns after a break in occupancy of even 1 day a new Housing Benefit Claim must be processed.

3.3 WWH Hostel has been funded in previous years from successful bids for MHCLG RSI Grant and contributions from Warwickshire County Council which have been awarded on a 12-24-month basis. The nature of the short term funding model has meant that it is difficult to predict if the service will continue after each period of funding has ceased. The Council has also been given short notice to bid for RSI Grant and notification of successful awards is usually very late in the budget setting process which makes future planning for the service difficult.

Ensuring that rents are reviewed regularly will demonstrate that the service is more financially viable in the future and will increase the

Councils chances of securing future match/grant funding. Income is assessed as a component part of the MCHLG RSI Grant bid with a sound financial model being achieved by using a combination of rental income, contributions and grant. If rental income were to remain at current levels or reduce a greater reliance would be directed to grant awards which are not definite.

Ensuring rental income is accurate and reviewed regularly will improve the viability of the scheme. The WWH rents should be reviewed in line with the HRA Budget and Rent Setting Report to ensure that any changes to Hostel Rent Policy are adopted at the same time as all HRA Housing Stock.

- 3.4 Any potential negative impact to Tenants of this rent review will be mitigated by the new rent levels only applying to new tenants of WWH from April 2020. Existing tenants will continue to pay the current level of rents noted in Appendix 6 until such time as their tenancy expires. Approximately 95% of WWH Hostel Tenants are in receipt of Housing Benefit or Universal Credit.

Most WWH Tenants in receipt of Housing Benefit will usually be in receipt of a weekly amount of Universal Credit administered by the DWP. This benefit would be used to fund their weekly living costs such as food and clothes, the tenant will be expected to fund the WWH service charges using this benefit as would be the case in all of the HRA Social Housing Stock.

Tenants are charged a weekly rent to which they can make a claim to be funded by Housing Benefit but they must use their own funds to pay for the weekly service charges as these have been deemed ineligible for housing benefit as per DWP Housing Benefit Regulations. This is the case with all Service Charges across the HRA Housing Stock
The Rent increase in the main will be funded by benefit for new tenants