

Local Government Association – Briefing Note (4 January 2019)

Housing Revenue Accounts (HRA): Rent issues in 2019/20 arising from 53 Mondays falling in the financial year

Introduction

- 1) This note has been prepared by the Local Government Association (LGA), National Federation of ALMOs (NFA) and Association of Retained Council Housing (ARCH) in consultation with a range of local authorities. We feel it is useful to send to all councils with a Housing Revenue Account.
- 2) Every six to seven years 53 Mondays fall in a financial year and this will be the case in 2019/20. As rent debits are raised on Mondays this means that the HRA ordinarily benefits from an 'extra' week's rent when there are 53 Mondays in a year.
- 3) This creates two immediate issues which are important now as local authorities (LA) begin taking decisions and planning communications to tenants on rents from April 2019.

Welfare Reform Act

- 4) The 4 year 1% rent a year decrease introduced by the Welfare Reform Act 2016 means that the 53 Mondays of rent in 2019/20 can be interpreted as taking LAs over the required 1% decrease on rents in the 52 Monday year in 2018/19.
- 5) A number of LAs and their representative groups have raised this with MHCLG, whose initial response was that the rent reduction had to be applied on an annual basis and that landlords would either have to offer up a rent free week or collect 52 weeks' worth of rent over 53 payments. Either way local authorities would lose a week's rent.
- 6) Furthermore this would have a long lasting impact of reducing rental income since Government is consulting on proposals to limit rent increases to CPI+1% per year from 2020/21 so the reduced rental income in 2019/20 would be "baked in".
- 7) However a number of LAs and partners have investigated this issue and have reached a consensus that the definition within the legislation could be interpreted so that rent payable 'in respect of that relevant year' should be calculated – as it is for accounting purposes at the year end - on a daily basis, though still charged on a weekly basis. This would allow 53 weeks' worth of rent to be charged as normal, and still be in compliance with the Welfare Reform and Work Act requirements to reduce rents by 1%.

- 8) It is also easier to explain as weekly rents will just need to be reduced by 1% as normal. There will need to be communication with any tenants making monthly payments (for instance by direct debit) where payments will increase by about 1% next year but that the following year's increase in payments will be lower in percentage terms than the increase at that time.
- 9) This consensus has been communicated to MHCLG. Officials have emphasised that it is for individual LAs to satisfy themselves that they are complying with the legal position.

Universal Credit

- 10) A further complicating issue is that Universal Credit legislation does not allow for 53 Monday years and therefore UC claimants would find themselves a week in arrears if charged 53 week's rent.
- 11) LAs have suggested that this could be amended through a statutory instrument, which references 53 weeks where applicable. However, DWP are not supportive of this approach, perhaps because it might have implications for their IT systems, or for introducing further complexity.
- 12) Another proposal is to ask that the Government temporarily resolve this through topping up rents for 2019/20 somehow, while working to find a sustainable long-term solution. There is not yet a detailed view on what the long-term solution might be.

Next steps

- 13) The LGA will continue to make representations to both DWP and MHCLG for a sustainable long-term solution to this issue, and would welcome views from councils.