

Housing Rents and Service Charges

RECOMMENDATIONS

- 1.1 That Council Cabinet note the Commission concluded that:
- a) central government have been requiring councils to follow two incompatible policies:
 - i) achieve convergence between council rents and those of RSLs by 2012
 - ii) cap the percentage rate of rent increases below the rises needed;
 - b) it is desirable to make the increases as equal as possible to avoid rent hikes.
- 1.2 That Council Cabinet make representations to central government:
- a) to clarify the government's intentions regarding rent capping in subsequent years *and* whether the policy shall remain the achievement of rent convergence and
 - b) if the national policy of rent convergence remains in place, to seek an extension beyond the current 2012 deadline to enable convergence to be achieved through reasonable year-on-year percentage increases

SUPPORTING INFORMATION

Reasons for Recommendation 1.1

- 2.1 David Enticott attended the meeting to explain the report and respond to members' questions. Recommendation 1.1 sets out the conclusions arrived at by the Commission regarding rent levels and these provide the background for the actions proposed at 1.2. No specific observations were made on service charges

- 2.2 Central government policy, from April 2002, is to increase local authority rent levels to those in the housing association sector, with the target date of 2011/12 to achieve convergence. In Derby's case this would require year-on-year real terms increases of about 4% above inflation. For two financial years 2006/07 2007/08 a cap has been applied, preventing the increase being more than an *average* of 5%. For *individual* properties it is: the annual rate of inflation plus 0.5% plus £2 per week. This has been done without any change to the target date of 2011/12. The consequence in the short term is that tenants are paying less rent than would have been the case without the cap. In the latter years annual hikes are going to be required to still achieve the target date.
- 2.3 The Commission is concerned that in the later years the steep increases will be difficult for tenants to absorb. Even relatively affluent people, regardless of housing tenure, tend to live close to their means. That is seen in the number of mortgage repossessions that follow in the wake of interest rate rises. Most people find increases in outgoings difficult to adjust to: for example, the rises in gas and electric bills are regularly complained about in conversations in bus queues and at workplaces.
- 2.4 It can therefore be predicted that rent increases substantially above inflation will be the cause of hardship. To avoid that it is desirable to make the increases as equal as possible to avoid rent hikes.

Reasons for Recommendation 1.2

- 2.5 Following from 2.1 to 2.4, the difficulty is that central government's intentions beyond 2007/08 are not known. It is important to clarify:
- whether the government is still committed to rent convergence
 - whether capping is to continue beyond 2007/08 and, if so,
 - whether even steeper rises are to be concentrated into the fewer remaining years to 2011/12.
- To avoid future hardship to tenants, Council Cabinet is recommended to seek an extension beyond the current 2011/12 deadline so as to enable convergence to be achieved through reasonable year-on-year percentage increases.

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Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

1. See the Consultation Document in the main report to Council Cabinet.

Legal and Policy

- 2 Because this decision is part of the budget and policy framework, Council Cabinet's report to full Council must say how it has taken into account recommendations from an overview and scrutiny commission.

Personnel

- 3 None directly arising.

Equalities impact

- 4 At an overall level the rent and service charge increases affect tenants very equally because for 2007/08, as for 2006/07, the:
 - average increase cannot exceed 5% and
 - individual increases are kept to no more than inflation plus 0.5% plus £2.

However the increase has differentiating affects on tenants' disposable income. The greater the individual tenant's income the less the increase reduces disposable income. For any one already receiving housing benefit there will be no impact on their pocket. The greatest impact is on those on modest incomes but where their circumstances still keep them above the benefit threshold. A small number of people may now become eligible for some benefit. The overall effect of the convergence policy is that rents will rise, making a greater number of tenants eligible for some help but taking an ever greater proportion of the disposable income of those who remain above the thresholds.

Corporate Priorities

- 5 The proposal is not covered by any of the present four high level priorities.