



Rents and Service Charges 2013/14

SUMMARY

- 1.1 Current rent policy was set out in the 2012/2013 Housing Revenue Account (HRA) Business Plan (HRABP), according to the HRA self-financing debt settlement placed on the Council. Rents are effectively required to increase to target rent by 2015/16, subject to an individual maximum level of Rent Price Index (RPI) plus 0.5% plus £2 a week. If this policy continues for 2013/2014 the average increase for tenants will be 5.2% or £3.56 a week, bringing the average weekly rent to £72.05 a week.
- 1.2 Service charges are proposed to be increased in line with inflation with the exception of those specifically referred to within the report.
- 1.3 The rents and service charges proposed within this report are presented to the Planning Housing and Leisure Scrutiny Board for comment in anticipation of the Council Cabinet meeting on 20 February.

RECOMMENDATION

- 2.1 To note and comment on the proposed increases to Council House Rents, which are in line with the previous policy of rent restructuring, as set out in the report.
- 2.2 To note and comment on the proposed Service Charges, which if approved, would be set in line with inflation (with the exception of those specifically mentioned in the report).
- 2.3 To note and comment on the proposal that increases to Other Council Rents are set in line with the Retail Price Index (RPI) at January 2013.

REASONS FOR RECOMMENDATION

- 3.1 The debt settlement under the HRA review was predicated on rental increases in line with rent convergence by 2015/16, allowing for individual protection for existing tenants at a maximum of £2 a week each year above the underlying assumed target rent increase of RPI+0.5%. Any lower increase would put immediate pressure on resources within the HRA, as the HRABP is based on this assumption. 60% of any lower income would be a saving to Housing benefit costs with only 40% saved by tenants. Each 1% lower would in effect cost £500,000 to the HRA and save tenants

£200,000.

- 3.2 Rents remain well below median private sector rents for Derby which are currently around £110 a week. The average HRA property rent will be £72.05 on these proposals. Higher rents are possible – but would be in excess of the amounts currently assumed in the HRABP. Any higher rent within the limit rent, set by the Department of Works and Pensions (DWP) - expected to be around £75 a week - would generate more income for the HRA. Moving to limit rent immediately would raise around £6.6m over a number of years, including around £1.8m in 2013/14. The average rental increase if this were adopted would be around 8.8% or £6.02 a week. Within this there would be a few tenants that would face very high increases.
- 3.3 Other Council Rents such as Milestone House, Shelton Lock Mobile Home Park and Imari Park Travellers Site that are required to be set from April 2013 are recommended to be increased by a standard increase of January's RPI, being the current RPI in force when the notices for increases are issued to the residents in March.

SUPPORTING INFORMATION

- 4.1 The debt settlement for the HRA was based on an assumption that rents would increase at a rate sufficient to move the average rent to rent 'convergence' – or full target rent on a par with Housing Associations – by 2015/16. This implies that for the next three years, rents will increase by around RPI + 0.5% (the underlying increase each year in target rent for all Housing Associations and Councils) plus for those tenants who are not already paying the full target rent, a further increase to move their rent towards their target rent level.
- 4.2 While these target rents are calculated individually, the overall position is now that the average rent being charged is £68.49 a week, with an average target rent of £73.99, meaning that the average rent is £5.50 a week below the target. This gap has to be closed over the next three years. It implies an increase in rents of around £1.80 a week above the RPI+0.5% level each year for the average tenant in that position.
- 4.3 If lower increases are levied, the shortfall will translate to a budget pressure on the HRA immediately. 60% of any reduction would go to the government in the form of lower Housing Benefit costs. Each 1% reduction in any recommended rental increase will result in an annual loss of £500k in income for the HRA with only £200k benefiting tenants.
- 4.4 Last year's HRABP set out that rents should continue to increase at the assumed level – that is RPI+0.5% increase to target rent, with a convergence over the years to 2015/16, all capped at the individual level at RPI+0.5%+£2 a week – the assumptions made in the debt settlement and the previous HRABP.
- 4.5 At this level and with RPI for September at 2.6% the average rent increase would be £3.54 a week or 5.2%.

- 4.6 In addition to determining rent increases for 2013/2014 the Council also needs to determine any increases to service charges. In general, the Council passed a resolution last year to allow increases at inflationary levels, and in most cases this is the proposal – that is an increase of 2.6%. The exceptions to this are set out below.
- 4.7 The cost of energy bills for shared sheltered accommodation is increased in line with the Council's purchasing arrangements for gas, electricity and water. Last year's gas increase was substantial but the arrangement was at least fixed and the charge for gas can therefore be frozen. Electricity charges have risen hugely, and an increase above 10% should be made, but it is suggested that this be limited to 10%. Water charges increased this year by 4.6% and this is the proposed increase for next year.
- 4.8 Last year the Council reviewed the charge for concierge charges and agreed to spread the required increase in charges over three years. As a consequence, the charges will increase by more than inflation but remain subsidised until the end of that process. Next year will be year two of three. The average increase will be £1.99 a week for tenants. Leaseholders charges will also move to a new total over the same period, and their ultimate charge will be at cost plus 10% for administration as allowed in leases. Their average increase next year will be £3.08 a week.
- 4.9 Service charges for the installation and maintenance of television aerials are levied to tenants in blocks of flats. In recent years Leaseholders have not been charged for such services and therefore to address this inequity it is proposed to reintroduce the charge at cost plus 10% administration as allowed in leases.
- 4.10 Consideration needs to be given to an amalgamation of existing service charges for cleaning and grounds maintenance of flats into one charge to include maintenance of trees relating to enclosed flats areas. At the moment, separate charges are made for the first two, but no charge is levied for the maintenance of trees. From 2014/15 a single charge could be considered for all three services together, to replace the separate charges.
- 4.11 Other Council rents such as Park Homes, Imari Park and Milestone House are recommended to be increased in line with RPI at January 2013.
- 4.12 Derby Homes' Board at its meeting of 17th January 2013 unanimously supported the proposals set out in this report. The Derby Association of Community Partners (DACP –independent tenants' association was consulted at its meeting on 28 January and the Adults, Health and Housing Commission was consulted at its meeting on 29 January.

OTHER OPTIONS CONSIDERED

- 5.1 Going straight to the limit rent would raise considerably more for the HRA – around £6.6m over the next eight years, with £1.8m in 2013/14. This would, however, mean that the average rent increase would be around 8.8% for 2013/14, with some tenants facing very substantial increases.
- 5.2 A further option would be to increase the constraint on individual rents to £3 a week rather than £2 a week, increasing the average rent increase to 5.5% and raising around £0.7m additional resources, of which £0.1m would be in 2013/14.

This report has been approved by the following officers:

Legal officer	Olu Idowu, Head of Legal Services (General)
Financial officer	Peter Shillcock, Group Accountant
Human Resources officer	Not Applicable
Estates/Property officer	Not Applicable
Service Director(s)	Not Applicable
Other(s)	Ian Fullagar, Head of Strategic Housing David Enticott, Director & Company Secretary, Derby Homes

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

IMPLICATIONS

Financial and Value for Money

- 1.1 Rent policy will directly affect the amount of resources available within the Housing Revenue Account (HRA) and therefore potentially impact on the 30 year HRA business plan.

Legal

- 2.1 We are obliged to set and publicise our rents before they come into effect in April, and that the recommendation, if approved, gives effect to that obligation.

Personnel

- 3.1 None directly

Equalities Impact

- 4.1 Many of the Council's tenants belong to the Council's equality target groups

Health and Safety

- 5.1 None directly

Environmental Sustainability

- 6.1 None directly

Property and Asset Management

- 7.1 None directly although a lower rent increase could affect planned investment levels.

Risk Management

- 8.1 A risk register has been included within the HRA business plan which is subject to a separate cabinet report.

Corporate objectives and priorities for change

- 9.1 The HRA Business Plan is based on the recommended rent increase and will assist the Council to achieve its key strategic outcomes set out in the Derby Plan 2011 – 2026 and the Council Plan 2011 – 2014.