

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview & Scrutiny Committee **DATE:** 13th February 2012

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PART I **FOR COMMENT AND CONSIDERATION**

HOUSING REVENUE ACCOUNT (HRA) ANNUAL RENT SETTING 2012-2013

1 Purpose of Report

This report is a copy of that which will be presented to Cabinet on 14th February 2012 and gives members of Overview and Scrutiny Committee the opportunity to comment prior to consideration by Cabinet.

This report advises Members of the proposed 2012-13 annual rent and service charge rise to tenants calculated in accordance with the Government's housing subsidy determination released to local authorities on 1st February 2012. The report also details the proposals for other rents and ancillary charges used for specific elements of the Council's housing stock.

2 Recommendation(s)/Proposed Action

2.1 That Scrutiny & Overview committee provide their comments and observations prior to the following recommendations being placed before Cabinet

The Cabinet is requested to resolve

- (a) That the rent increase for 2012/13 be set according to the national rent restructuring formula, equivalent to an average increase of 7.64%. Para 5.1 to 5.10 refer
- (b) That heating, utility and ancillary charges are increased by 5.6%, based on the September RPI figure used in rent setting. Para 5.13 refers
- (c) That service charges are increased by 6.1%, being the RPI+0.5% uplift used for rent setting. Para 5.14 refers
- (d) That garage rents are increased by RPI (5.6%). Para 5.12 refers
- (e) That 'other committee' property rents are increased by 7.64% in line with the average increase of all housing properties. Para 5.11 refers

3 Community Strategy Priorities

- **A cleaner, greener place to live, work and play**

By generating income from rents and service charges, we are able to reinvest in our programmes of improvement for social housing to ensure it meets the needs of local residents.

- **Prosperity for All**

Rents have been raised in line with market rates to ensure that they are reasonable in the economic climate. Once tenants are notified of these charges, those eligible for full or partial Housing Benefits will have their claims automatically adjusted. Notification letters to tenants also include information on how to receive help and advice if they have difficulty in paying their rent.

4 **Other Implications**

(a) Financial

The rent setting process allows the Council to determine the level of income that will be received from rent and service charges. With the ending of the HRA housing subsidy system the Council will in future retain all income collected but in turn will be required to fund the borrowing requirements introduced by the HRA self financing proposals. Further information on self financing will be incorporated into a report to Council on the 21st February and within the HRA budget report to Cabinet in March 2012. The HRA budget will be prepared in accordance with CIPFA guidance and accounting best practice. Budget proposals and the Business Plan will ensure that HRA balances are maintained at an appropriate level to deliver an effective housing service.

(b) Risk Management

This report introduces new levels of rent, fees and service charges across the Housing Revenue Account in accordance with legislation, best practice and government guidance. The report proposes significant rent increases determined by the Government at a time of Council Tax freezes. All tenants will be communicated their new rent charges on an individual basis 4 weeks ahead of implementation and have the opportunity to receive help and advice on how to pay their rent. A large number of options are available for payment to allow tenants to personalise the service to meet their own financial needs. Estimates for income that will be received in year are made prudently and will reflect prediction of voids and write off levels.

(c) Human Rights Act and Other Legal Implications

There are no legal or human rights implications to this report.

(d) Equalities Impact Assessment

This report relates to all tenants occupying council homes. Rent fees and charges are set in accordance with government guidance and relate closely to each persons individual circumstances and usage. The proposal will not disproportionately affect any section of the community as defined under the above legislation.

(e) Workforce

There are no workforce implications to this report.

5 **Supporting Information**

- 5.1 Members will be aware that since 2002 the Government has been far more prescriptive in the manner in which local authorities can set the annual Council house rents and as such limited discretion exists for Council's to move from this.

- 5.2 The formula used works with the aim of converging all Council and Housing Association rents at a set point in the future, currently 2017. As a result, all similar properties will have directly comparable rents but with inbuilt variances to reflect local property values and average county earnings. These comparable rents are known as 'target rent'.
- 5.3 In applying this formula, each tenant will have a rent increase of RPI + ½% (Retail Price Index Rate of Inflation) where RPI is 5.6%. In addition rent will be increased by a proportion of the difference between this increased rent and the target rent for the property. This incremental increase is based on the target date for rent convergence. The current convergence date set by government is 2016/17 (4 years time) and as such an amount equivalent to 1/4 of the difference between formula and target rent is charged to ensure convergence at this date.
- 5.4 It should be noted that convergence date in prior years has been set at anywhere between 2012/13 and 2025 and while the Government currently maintains the 2017 target there is no guarantee that this does not change and is delayed into later years particularly if the RPI measure of inflation remains high and further significant rent rises are causing concern.
- 5.5 In order to ensure that rents are not increased excessively, the rental formula includes rental constraint devices (known as caps and limits). The cap dictates the total amount that can be charged for each property based on the number of bedrooms. In addition, the limit states that no tenants' rent can be increased by more than RPI + 0.5% + £2 year on year. Previously where these apply, each local authority was compensated directly for the resulting loss in income by the Treasury.
- 5.6 With the introduction of Self-financing the caps & limits adjustments have been estimated and included in the calculation of the settlement payment necessary to introduce the new system. The HRA business plan rent estimates assume that a maximum rent rise will be applied to these properties until the formula rent is reached. There are currently approx 2400 properties affected by the limit with a rent loss of approximately £275,000 in 2012/13 (£300,000 compensation included in the model).
- 5.7 Rent harmonisation has meant that after applying the variables to each property in the stock, having regard to their attributes, it is no longer possible to demonstrate the exact rental value for any particular property size or type. However for illustrative purposes, the average rent charged by bedroom number for the current year (based on those properties held at the year end) is:-

Property Size	Average Rent 2011-2012
Bedsit	65.68
1 bed	74.16
2 bed	89.14
3 bed	97.06
4 bed	105.02
5 bed and larger	124.57

- 5.8 When the rent formula is applied directly across all 6,422 council dwellings, this equates to an average of a 7.6% rise. This is in line with the national average of rent increases and therefore Slough's rent can be deemed consistent with government guidelines.

- 5.9 While the proposed rise is significant, many other authorities are proposing still greater rises and a survey of stock retaining council's by ARCH (Association of Retained Council Housing) showed the following proposed rent rises 8.44%, 7.93%, 8.0%, 7.0%, 6.52%, 7.99%, 5.6%, 8.3%, 7.31%, 6.52%, 9.0%, 7.82%, 8.5%, 6.5%, 6.91%, 8.6%, 8.6%, 6.91%, 8.09%, 7.56%, 9.1%, 8.5% and 6.1%,
- 5.10 The table below provides further information on the proposed rents and associated rise for each classification of property within the stock:

Size	No of Properties	11/12 Rent	12/13 Rent	Average Rise
Bedsit	291	65.68	70.43	7.23%
1 Bed	2236	74.16	79.79	7.59%
2 Bed	1780	89.14	95.83	7.50%
3 Bed	1932	97.06	104.68	7.85%
4 Bed	145	105.02	113.01	7.60%
5 Bed	38	124.57	134.09	7.64%
Total	6422	85.81	92.37	7.64%

Other Committee property rents and DISH (Development Initiative in Slough Housing) Property Rents

- 5.11 The housing service has for some time managed rent accounting and collection on behalf of a number of other services (Highways, Parks, and Social Services). Following normal adopted practice, rents on these properties will increase by the same borough-wide average of 7.64%. With regard to the 54 DISH properties, since 2008 these properties have been included within the rent convergence policy and therefore will mirror the above indicative rents.

Garage Rents 2012-2013

- 5.12 In accordance with the policy previously adopted, garage rents are set in line with the calculation of RPI used for house rents. As RPI was at 5.6% in September 2011, (the date used by the government as an indicator for rent increases) garage rents this year will increase to this effect. The VAT increase from 17.5% to 20% was applied from January 2011 and will be applied to all privately owned garages, garage bases and car ports.

Utility Charges

- 5.13 We continue to provide some housing stock with communal water, heating, fuel and laundry facilities which we recharge as part of a specific weekly service charge. In order to ensure we recovery sufficient income to cover current utility costs, all utility bills (with the exception of water), will be increased by RPI (5.6%). The only exception to this is water, where our costs are determined by Thames Water as our supplier and these will be updated as soon as they become known. Where we charge insurance to tenants as part of our self insurance scheme, the amount charged will be as notified to us by our broker

Service Charges

- 5.14 The Council has discretion in the amount to be charged for property service charges. As such, we recommend that all service charges will be increased by RPI + ½ % (6.1%) with some local adjustments to correct previous exercises. This is consistent

with DCLG guidance issued in prior years. The average service charge on HRA properties will be approximately £7.82 per week

5 Consultation and notification

In accordance with legislation tenants will be formally advised of their new rent levels in writing at least 28 days before they are implemented on the 2nd April 2012

6 Conclusion

This report outlines the proposed Council home rents for 2012-2013 having applied the Government's Rent Restructuring formula. In conjunction with the HRA Budget adoption report, these recommendations will deliver a balanced HRA budget and ensure medium term sustainability for the HRA Business Plan.

7 Background Papers

None.