

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - COMMUNITY
15 JANUARY 2013

EXECUTIVE
22 JANUARY 2013

HOUSING RENTS 2013-14

1. PURPOSE OF THE REPORT

- 1.1 To recommend a rent and service charge increase from 1 April 2013 for Council dwellings and garages.

2. Government Guideline Rent Increase

- 2.1 The Government abolished the Housing Revenue Account subsidy system and introduced self-financing in April 2012, which has resulted in housing authorities now retaining all their rents, so that they can support their own stock from their own income. The rental policy of the authority post self-financing is therefore a major factor in the viability of long term business plans.
- 2.2 Whilst the Council is free to set its own rents, the Government has maintained the Housing Benefit 'limit' rent which limits the amount of rent a landlord can recover through the housing benefit subsidy system. Increases above the 'limit rent' would have an adverse impact on the amount of housing benefit received.
- 2.3 The Government is keen for local authorities to continue working towards the social rent policy, whereby convergence with housing associations will be achieved by 2015-16. Rents will then follow the same formula as for housing associations; currently an increase of RPI + 0.50% per annum. Rents set in line with the Government's social rent policy remain below the 'limit rent' and ensures that maximum housing benefit subsidy is receivable by the Council.
- 2.4 In order to achieve the Government's social rent reform it will be necessary to implement an increase of 3.1% plus a convergence factor to reflect the number of years to rental convergence. For 2013-14 this equates to an average increase of 6%, which equates to £4.05 per week over 52 weeks.
- 2.5 Rents are collected over 48 weeks, and this will result in an average rise of £4.39 per collection week for 2013-14.
- 2.6 The Government recognised concerns that the social rent reform would result in large increases for some tenants and therefore introduced a 'limit' to rent rises for individual tenants, so that annual increases are limited to RPI plus 0.5% plus £2 per week in any year. The proposed rent increase for 2013-14 keeps rent rises for Exeter City council tenants below the 'limit'.
- 2.7 The rent per property is calculated using a national formula that reflects property size, location, condition and local earnings.

3. Service Charge Increase

- 3.1 These charges cover services and facilities provided by the authority to tenants and which are not covered by their rent. Service charges reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities. Different tenants receive different types of service reflecting their housing circumstances.
- 3.2 The current Government guidelines are that service charges should only be increased by RPI plus 0.50%. For 2013-14 this equates to an increase of 3.1%. Increases above this may be made on rare occasions when an authority has increases in costs outside its control, such as increases in fuel costs.
- 3.3 Service charges will therefore increase by 3.1%, with the following exceptions:
- 2.5% increase in respect of cleaning communal areas in line with anticipated rises in cleaning contract costs
 - 0% increase in respect of communal electricity at Weirfield House
 - 0% increase in respect of water at Magdalen Gardens
 - 14% increase in respect of heating at Toronto House due to rise in consumption and gas costs (heating system programmed to be replaced during 2013-14)

4. Garage Rent Increase

- 4.1 Rentals of non-dwellings, such as garages, are outside the scope of the Government's social rent reform and therefore it is not necessary to add a convergence factor to the annual inflationary rent rise. An increase of RPI + 0.50% will be made in-line with rises to most service charges.

5 RECOMMENDED

- 5.1 That Scrutiny Committee supports and Executive approves that:
- 5.1.1 Rents of Council dwellings are increased from 1 April 2013, by an average of 6% which includes a general inflationary increase of 3.1% together with the phased introduction of the Government's rent restructuring proposals.
- 5.1.2 Service Charges are increased by 3.1% with the exception of charges specified in paragraph 3.3 above.
- 5.1.3 Garage rents are increased by 3.1%

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Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report:

None