

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - COMMUNITY
14 JANUARY 2014

EXECUTIVE
21 JANUARY 2014

HOUSING RENTS AND SERVICE CHARGES 2014-15

1. PURPOSE OF THE REPORT

- 1.1 To recommend a rent and service charge increase from 1 April 2014 for Council dwellings and garages.

2. Rent Setting Background

- 2.1 The introduction of self-financing to the Housing Revenue Account in 2012 resulted in the redistributive subsidy system being replaced with a system where all rental income is retained at a local level to deliver housing services to tenants, maintain housing stock and provide for further housing investment. The rental policy of the authority post self-financing is therefore a major factor in the viability of long term business plans.
- 2.3 The Government is keen for local authorities to continue working towards their social rent policy (rent convergence), whereby all social landlords (local authorities and housing associations) should offer similar rents for similar properties, whilst maintaining substantial discounts to market rents by 2015-16.
- 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. Conversely, the main disadvantage of setting rents lower than Government guidelines is of course the loss of potential revenue and the impact this would have on investment and housing services.

3. Rent Increases for 2014-15

- 3.1 In order to achieve the Government's social rent reform it will be necessary to implement an increase of 3.7% (RPI + 0.5%) with up to an extra £2 per week to facilitate convergence. For 2014-15 this will result in an average increase of 6%, which equates to £4.09 per week over 52 weeks.
- 3.2 Rents are collected over 48 weeks, resulting in an average increase of £4.43 per collection week for 2014-15.
- 3.3 The rent per property is calculated using a national formula that reflects property size, location, condition and local earnings.

4. Rent Increases from 2015-16

- 4.1 The Government's spending review in July 2013 announced a new rent-setting formula of CPI plus 1% from 2015-16, for 10 years – moving away from the current basis of RPI + 0.5%. This could lead to lower rents than the current formula, depending on the relative levels of future inflation under the two measures.
- 4.2 The Government also announced that it is 'minded not to extend rent convergence beyond 2014-15'; cutting short the policy of converging council and housing association rents by 1 year. As a result, removing the flexibility available to landlords to increase weekly social rents by an additional £2 in 2015-16, where the rent remains below convergence levels.
- 4.3 Initial work to assess the impact of cutting short the time to convergence, indicates that 1,850 properties will be let at convergence levels by the end of 2014-15 leaving approximately 3,150 properties below convergence levels. This could potentially result in lost rental income of £185k per annum for this Council, which could be further compounded by lower inflationary increases in the event that CPI + 1% falls below RPI + 0.5%.
- 4.4 The spending review also announced that the Government intends to implement a 'pay to stay' rent policy, where social housing tenants on higher incomes (household income of at least £60,000) pay more than social rent for their home. This would allow landlords to charge them full market rents.
- 4.5 These proposals are currently subject to consultation. When finalised, the Government will issue new guidance to stock-owning local authorities.

5. Service Charge Increase

- 5.1 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.
- 5.2 The current Government guidelines are that service charges should only be increased by RPI plus 0.50%. For 2014-15 this equates to an increase of 3.7%. 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.
- 5.3 Service charges will therefore increase by 3.7%, with the following exceptions:
- 3.2% 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
 - Charges in respect of communal gas at Sheltered Sites will be restructured to reflect the number of properties per site and ensure an equitable apportionment of costs to better reflect consumption. No inflationary increase is proposed.

6. Garage Rent Increase

- 6.1 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 + 0.5% will be made in-line with rises to most service charges.

7. RECOMMENDED

7.1 That Scrutiny Committee supports and Executive approves that:

7.1.1 Rents of Council dwellings are increased from 1 April 2014, by an average of 6% which includes a general inflationary increase of 3.7% together with the phased introduction of the Government's rent restructuring proposals.

7.1.2 Service Charges are increased by 3.7% with the exception of charges specified in paragraph 5.3 above.

7.1.3 Garage rents are increased by 3.7%

ASSISTANT DIRECTOR FINANCE

ASSISTANT DIRECTOR
HOUSING

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None