

**ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS**

<b>1.</b>	<b>Meeting:</b>	<b>Cabinet</b>
<b>2.</b>	<b>Date:</b>	<b>19<sup>th</sup> January 2011</b>
<b>3.</b>	<b>Title:</b>	<b>Housing Rent Increase 2011/12</b>
<b>4.</b>	<b>Directorate:</b>	<b>Neighbourhoods and Adult Social Services</b>

### **5. Summary**

The purpose of this report is to seek approval from Members for the proposed housing rent, new build rents, garage rent, heating charge and communal facilities increases for 2011/12.

### **6. Recommendations**

**MEMBERS ARE ASKED TO NOTE THE CONTENT OF THIS REPORT AND APPROVE:**

- AN AVERAGE RENT INCREASE OF 8.69% BASED ON THE DCLG SUBSIDY AND RENT PROPOSALS WHICH RESULTS IN AN AVERAGE WEEKLY INCREASE OF £5.08 WHEN COLLECTED OVER 48 WEEKS.**
- AN AVERAGE RENT OF £83.14 ON NEW BUILD COUNCIL PROPERTIES**
- AN INCREASE OF 4.6% TO GARAGE RENTS**
- AN INCREASE OF 4.6% TO COMMUNAL FACILITIES CHARGES**
- THE VARIOUS PROPOSED INCREASES TO HEATING CHARGES INCLUDED IN THIS REPORT**

## **7. Proposals and Details**

### **Council Rent Setting**

- 7.1 From 2002/03 onwards DCLG required all authorities to use a prescribed Formula to calculate each tenants rent and to apply annual increases to actual rents to achieve the Formula Rent (Formula Rent is the rent set under rent restructuring). This formula for 2011/12 produces an average rent increase for RMBC tenants of 8.69%.
- 7.2 For 2011/12, DCLG have set a national guideline rent increase of 6.8%
- 7.3 The guideline rent increase for Rotherham is 7.18% due to historically low rents. CLG increases guideline rents by a factor to move towards the formula rent each year. Due to the low rents charged in Rotherham this “catch-up” is reflected in a higher guideline rent.
- 7.4 The average rent for 2010/11 was £58.54 collected over 48 weeks. The proposed 2011/12 average weekly rent collected over 48 weeks would rise to £63.61, an increase of £5.08 per week.
- 7.5 Total housing rent income generated through the proposed revised weekly rents is estimated to be £62.473m (allowing for a 2% income loss from empty properties and estimated sales of 23 Council Houses in the year).
- 7.6 From February 2006 to December 2010 the Council spend on the refurbishment of Council dwellings (Decent Homes Programme) amounts to £299m.
- 7.7 The Council secured grants of £8.3m during 2009/10 to allow the building of 127 new Council properties which will become available for occupation from April 2011. This grant is to be match funded by prudential borrowing of £7.1m
- 7.8 There is a mixture of housing types across the new build schemes and all will be available for social rent. The cost model used assumes that rents are set and aligned to the Councils existing rent structure but as one of the factors used in rent setting is property value the rents will be higher than those of the existing stock. Consequently the proposed average rent chargeable across all new build properties will be £83.14 over 48 weeks.

### **Housing Subsidy & Rent Determination**

- 7.9 The Final HRA Subsidy & Rent Determination for 2011/12 was released by DCLG on 10<sup>th</sup> January 2011
- 7.10 The Determination supplies key data to be used in uplifting rents, including the continuation of the limit on the annual increase an individual can be charged at RPI (4.6% for 2010/11) plus 0.5% plus £2 per week.

- 7.11 As a comparator the RPI in September 2009 was -1.4% resulting in an average increase of 2.91%
- 7.12 However Councils are able to set rents at a level above or below the expected increase derived from the above formula. If the Council sets rent below the above formula , for every 1% below the proposed percentage increase this results in a loss of rent income in 2011/12 of £514k and equates to a weekly rent reduction of £0.48 over 48 weeks. This would require a higher percentage increase in future years to achieve convergence by 2015/16.

### **Garage Rents**

- 7.13 The garage site improvement programme received approximately £85k investment in 2010/11 and has had investment of over £1.1m in the last 3 years. It is therefore proposed to increase the rents by inflation of 4.6%. Garage rents were previously increased by 2.91% in 2010/11.

### **District Heating**

- 7.14 In line with the recommendation approved by Cabinet Member in 2007/08 the strategy was to have a phased increase over three years to achieve full recovery of district heating costs, thereby avoiding any shortfall being effectively funded by all council house tenants. This process is still on-going due to increasing utility charges throughout this period.
- 7.15 The proposed charges for pooled schemes excluding St Ann's (984 properties) in 2011/12 are:-

#### **Pooled district heating charges**

	<b>11/12</b>	<b>% diff</b>	<b>10/11</b>	<b>% diff</b>	<b>09/10</b>	<b>% diff</b>	<b>08/09</b>	<b>% diff</b>	<b>07/08</b>
<b>Unit Cost</b>	0.062	5%	0.0593	12.95%	0.0525	5.63%	0.0497	47.92%	0.0336
<b>Pre-payments</b>									
Bedsit	12.12	5%	11.54	12.04%	10.30	0.00%	10.30	10.52%	9.32
1 Bed	14.11	5%	13.44	12.00%	12.00	0.00%	12.00	10.50%	10.86
2 Bed	16.19	5%	15.42	15.00%	13.41	0.00%	13.41	10.46%	12.14
3/4 Bed	18.73	5%	17.84	5.00%	16.99	0.00%	16.99	10.40%	15.39

- 7.16 The unit cost in the table above is an amount that tenants pay for each kWh of gas consumed. This is measured by individual dwelling meters fitted on the district heating system. The pre-payment amount is the weekly charge that is raised through the rents system to pay for the heating charges. Tenants will then receive a credit or debit on their rent account depending on how much gas they have used.
- 7.17 It is proposed to increase the unit rate charged from 5.93 pence per kWh to 6.2 pence per kWh (an increase of 5%) in order to recover the costs of the District Heating Service. This is significantly less than last year's increase of 12.95%. National domestic gas increases vary

between 2% and 9.4% for 4 of the major suppliers suggesting an average increase of approximately 5.88%

- 7.18 It is also proposed to increase all of the pooled scheme pre-payments in 2010/11 by 5% in line with the unit rate increase.
- 7.19 The amount charged and the levels of increase to residents as a pre-payment vary depending on previous year's consumption. On average the majority of residents should be in credit by the year end and therefore receive a refund from the scheme, a procedure which has been particularly well received by elderly residents who previously have struggled to pay year end charges.
- 7.20 Tickhill Road (24 properties) has had a meter replacement scheme completed in 2010/11 and has been moved onto the pooled metered scheme from 2011/12 and will be charged prepayments amounts as above.
- 7.21 St Ann's (73 properties) has been added onto this scheme from the prepayment scheme which will ensure that costs of the scheme are recovered and a fair and consistent charge is achieved across all schemes.
- 7.22 In order to minimise the impact on St. Ann's residents it was proposed that a phased approach is used over 3 years commencing in April 2011. This was approved in November 2010.
- 7.23 The proposal for the 2011/12 fixed weekly payment is shown in the table below.

	Year 1 2011/12
1 Bed	£10.00
2 Bed	£12.00
3 Bed	£17.84

- 7.24 Beeverleigh (48 properties) is not part of the pooled, metered district heating schemes. It is proposed that their charges are increased by 5%. The proposed charges are as listed below:-

7.25

Beeversleigh	Proposed Charge 2011/12	Actual Charge 2010/11	% Increase
One bedroom flat	16.13	15.36	5%
Two bedroom flat	18.16	17.29	5%

- 7.24 A third category of district heating is the dwellings charged by the installation of "switch 2" card meters. This is now only to be in operation at Swinton (238 properties) as St Ann's has recently been approved to move onto the pooled scheme. It is proposed that the charges are increased from 3.4 pence per kWh to 3.91 pence per kWh. This amounts to an increase of 15% which is continuing progression

towards the recovery of the costs relating to the dwellings and towards the same unit rate as the pooled schemes. The increase in 2010/11 was 12.58% from 3.02 pence per kWh to 3.4 pence per kWh.

### **Warden Service and Communal Facilities**

- 7.25 The Sheltered Housing Wardens service is to be merged with the Enabling Care service and as such will not attract a service charge from 1<sup>st</sup> April 2011. This means that the weekly charge of £8.61 is removed but that the “Health & Wellbeing” element of the service can be offered free of charge as is it funded through Supporting People.
- 7.26 The Communal charge for Neighbourhood Centres was not increased in 2009/10 as it was subject to the Warden Service review. It is proposed to increase the average weekly charge by inflation from £4.08 to £4.27 (4.6%) per week to cover increased costs of the service but will be reviewed in greater detail in a future report on the Neighbourhood Centres.

### **8 Risks and Uncertainties**

The greatest risk and uncertainty surrounds the level of rent income received into the HRA. This is dependent upon the number of properties available to generate income. The level of properties is directly affected by the level of sales and demolitions which may vary to those used in the budget assumptions. Due to the current economic climate it is unlikely that RMBC will see any significant sales.

It is possible that rent income may fall and arrears may rise, this would affect the amount of income received and therefore be reflected in housing revenue account balances.

All budgets carry a certain level of risk in that unforeseen circumstances may arise, causing additional pressures on the level of resources applied.

### **9 Policy and Performance Agenda Implications**

The proposals contained within this report are in line with Council priorities and policies, as established and set out in key planning documents. The aim is to deliver effective, value-for-money services for people within Rotherham.

### **10 Background Papers and Consultation**

The Housing Rent & Subsidy Settlement – DCLG – 10th January 2011

Sheltered Housing Warden & Enabling Care Merger - Cabinet - 1<sup>st</sup> December 2010

Shaftesbury House District Heating Scheme – Proposed changes to current charging and payment method – Cabinet Member for Safe & Attractive Neighbourhoods – 29<sup>th</sup> November 2010

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