

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Cabinet
2.	Date:	18 January 2012
3.	Title:	Housing Rent Increase 2012/13
4.	Directorate:	Neighbourhoods and Adult Social Services

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 2012/13.

6.0 Recommendations

CABINET IS ASKED TO NOTE THE CONTENT OF THIS REPORT AND APPROVE:

- **AN AVERAGE RENT INCREASE OF 9.45% BASED ON CENTRAL GOVERNMENT (DCLG) RENT FORMULA WHICH RESULTS IN AN AVERAGE WEEKLY INCREASE OF £6.02 WHEN COLLECTED OVER 48 WEEKS.**
- **AN AVERAGE RENT OF £95.57 ON NEW BUILD COUNCIL PROPERTIES**
- **THAT IN LINE WITH THE ANNUAL RETAIL PRICE INDEX GARAGE RENTS ARE INCREASED BY 5.6%**
- **THAT IN LINE WITH THE ANNUAL RETAIL PRICE INDEX THE STANDARD COMMUNAL FACILITIES CHARGE IS INCREASED BY 5.6%. IN ADDITION FOR SCHEMES WHICH HAVE A LAUNDRY SERVICE AS PART OF THEIR COMMUNAL FACILITY, AN ADDITIONAL FEE OF 80P PER WEEK WILL BE CHARGED. FOR THESE SCHEMES, LAUNDRY FACILITIES WILL THEN BE PROVIDED FREE OF CHARGE.**
- **THAT IN LINE WITH THE ANNUAL RETAIL PRICE INDEX THE STANDARD COOKING GAS CHARGE IS INCREASED BY 5.6%.**
- **THE VARIOUS PROPOSED INCREASES TO HEATING CHARGES OUTLINED IN SECTION 7 OF THIS REPORT**

7.0 Proposals and Details

Council Rent Setting

- 7.1 The financial climate for many people living in Rotherham is extremely challenging and historically wherever possible this authority has sought to restrain annual charge increases, however since 2002/03 DCLG has 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 2012/13 produces an average rent increase for RMBC tenants of 9.45%. The consequences of not following this formula are addressed elsewhere in this report.
- 7.2 The Government expects that all similar properties in the same local area will have similar rent levels, even if properties are owned by different landlords. This process is known as 'rent convergence'. Rotherham Council Dwelling rents are expected to achieve rent convergence by 2015/16. It should be noted that Rotherham rents still rank as some of the lowest in the country.
- 7.3 The average rent for 2011/12 was £63.61 collected over 48 weeks. The proposed 2012/13 average weekly rent using the government formula, collected over 48 weeks would rise to £69.63, an increase of £6.02 per week (over 48 weeks).
- 7.4 Total housing rent income generated through the proposed revised weekly rents is estimated to be £68.4m in 2012/13.
- 7.5 The Council secured grants of £15.3m for the building of 132 new Council properties, all of which recently became available for social tenant occupation. For these dwellings, the funding model assumed that rents would be aligned to the Councils existing rent structure based on these dwellings having a higher property value (than existing stock), the rent is set higher than those of the existing stock. Consequently the proposed average rent to be charged across all new build properties will be £95.57 over 48 weeks based on the formula of RPI plus 0.5%.

Housing Self Financing Determination

- 7.6 On 5 October 2010 the Government announced its intention to replace the existing Housing Revenue Account (HRA) subsidy system with a devolved system of council housing finance called self-financing from 1st April 2012.

The stated purpose of the new arrangements is to:

- Give local authorities the resources, incentives and flexibility they need to manage their own housing stock for the long term; and

- Give tenants greater transparency and accountability as to how the rent collected is spent on the services provided.

A 30 year Business Plan has been developed to give indicative income and expenditure for the short, medium and long term.

Key to this Business Plan is the requirement to ensure that rents converge by 2015/16 and increase in line with national guidelines of RPI + 0.5% thereafter. For every 1% reduction below the proposed rent increase would result in a loss of rent income to the Council of £697k (or for tenants an average reduction of 70p per week over 48 weeks), which over the 30 years would significantly reduce the resources available for enhancing the Council's dwelling stock and improving related housing services for tenants.

- 7.7 The Draft HRA Baseline Self Financing Determination for 2012/13 was released for consultation by Central Government on 21st November 2011.

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 Retail Price Index (5.6% for 2012/13) plus 0.5% plus £2 per week, where full rent convergence is not yet achieved. Applying this limit results in an average rent increase of 9.45% in 2012/13 as referred to in paragraph 7.3 in this report.

As a comparator the RPI in September 2010 was 4.6% resulting in an average rent increase in 2011-12 of 8.69%

Garage Rents

- 7.8 The Council has continued with its garage site improvement programme investing £200k in 2011/12 in addition to the £1.9m over the last 5 years. It is therefore proposed to increase the rents in line with RPI (5.6%) as in 2011/12. This would increase the rent from £4.50 to £4.75 per week in 2012/3 for Council tenants.

It is also proposed that garage plot sites are also increased by RPI, therefore for a surfaced site the charge would increase from £50 per annum to £52.80 in 2012/13 and for non-surfaced sites from £45 to £47.52 per annum.

District Heating

- 7.9 The council operates 3 distinct district heating schemes:

- A pooled metered scheme;
- An unmetered scheme at Beeversleigh; and
- Switch 2 card meter scheme at Swinton

Each scheme has a separate charging scheme.

7.10 In 2007/08, the Cabinet Member approved a three year strategy for ensuring the full recovery of district heating costs. Due to ongoing and significant increases in the prices of gas and utility charges in general, this strategy has yet to be fully realised. Despite these rises, to try and ensure that heating is affordable for Rotherham tenants, it is proposed to increase charges by the rate of inflation (RPI).

7.11 The proposed charges for pooled schemes excluding St Ann's (984 properties) in 2012/13 are:-

Pooled district heating charges			
	2012/13	% Increase	2011/12
Unit Cost KWh	6.55p	5.6%	6.2p
Pre-payment Charges per week			
Bedsit	£12.80	5.6%	£12.12
1 Bed	£14.90	5.6%	£14.11
2 Bed	£17.10	5.6%	£16.19
3/4 Bed	£19.78	5.6%	£18.73

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 charge is the weekly charge that is raised through the rents system to pay for the heating charges – on average the majority of residents should be in credit by the year end and therefore receive a refund from the scheme. This approach has been particularly well received by elderly residents who previously struggled to pay year end charges.

7.12 It is proposed to increase the unit rate charged from 6.2 pence per kWh to 6.55 pence per kWh, an increase of 5.6% in line with RPI.

7.13 It is also proposed to increase all of the pooled scheme pre-payments in 2012/13 by 5.6% in line with the unit rate increase.

7.14 St Ann's (73 properties) has recently been added to the pooled scheme in 2011/12. The Council agreed in April 2011 to bring charges at St. Ann's into line with the pooled metered schemes over three years.

The proposal for the 2012/13 (year 2) fixed weekly payment is shown in the table below.

St Ann's	Proposed	Actual
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	Charge 2012/13	Charge 2011/12
1 Bed	£12.80	£10.00
2 Bed	£14.90	£12.00
3 Bed	£19.78	£17.84

- 7.15 Beeverleigh (48 properties) is not part of the pooled, metered district heating scheme. It is proposed that their charges are increased as follows to bring more into line with the pooled schemes:

Beeversleigh	Proposed Charge 2012/13	Actual Charge 2011/12
One bed flat	£14.90	£13.79
Two bed flat	£17.10	£15.52

- 7.16 A third category of district heating is the dwellings charged by the installation of "switch 2" card meters. This is now only in operation at Swinton (238 properties). It is proposed that the charges are increased from 3.91 pence per kWh to 4.5 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.
- 7.17 The Council also charges for cooking gas facility at 77p per week (over 48 weeks). It is proposed to increase the charge by RPI (5.6%), which in 2012/13 will increase to 81p per week.

Communal Facilities

- 7.18 The Communal charge for Neighbourhood Centres was increased in 2011/12 by inflation to £4.27 (4.6%) per week to cover increased costs of the service. For 2012/13 it is proposed to increase the charge by inflation (5.6%) taking the standard charge to £4.50. However, for centres with laundry facilities it is proposed to increase the charge by a further 80p to £5.30 per week subject to a review of this facility, this will replace the existing system where the use of the laundry facilities is charged for at £1 for each occasion.

8.0 Risks and Uncertainties

The greatest risk and uncertainty surrounds the level of rent income received into the Housing Revenue Account. 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.

9.0 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.

10.0 Background Papers and Consultation

The Draft HRA Baseline Self Financing Determination for 2012/13 – DCLG – 21st November 2011

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