

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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<b>REPORT TO:</b>	Leader and Cabinet Scrutiny and Overview Committee	8 February 2007 15 February 2007
<b>AUTHOR/S:</b>	Chief Executive/Principal Accountant (Housing)	

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### HOUSING RENTS AND CHARGES

#### Purpose

1. To recommend to Cabinet:
  - (a) that permission is granted to Hereward Housing Association to increase the rents to their tenants at the Council's hostels by an amount in excess of 0.5% over the Retail Price Index uplift; and
  - (b) appropriate variations in rent and charges for 2007-08, including the resumption of the phasing out of the reduced alarm charge for residents on benefit.

#### Background

2. This report relates to the setting of rents and charges, which are considered more comprehensively within the Chief Executive's report to the Portfolio Holder on the Housing Portfolio Holder's estimates as a whole.
3. The estimate report to the Housing Portfolio Holder contained details of the proposed income and expenditure of the Housing Revenue Account (HRA) for the coming financial year and made recommendations concerning the level of rent and charges, compatible with government guidelines, which would be required to support the envisaged budget. Having considered the report, in turn, the Portfolio Holder for Housing is now able to endorse recommendations to Cabinet and ultimately to Council on what would constitute the most appropriate variations to the rent and charge levels.
4. The Council's hostels for the homeless are currently managed by Hereward Housing Association. A request has been received from Hereward to increase rents by more than 0.5% above inflation (the maximum uplift allowed under the terms of the agency agreement). As these rents relate to hostels which are owned by the HRA it seems appropriate for Cabinet to consider this request alongside the other rents and charges for HRA property.

#### Considerations

5. The draft estimates, considered in an earlier item on this agenda, have been prepared on the assumption that the level of rent and other Housing Revenue Account (HRA) charges for 2007-08 are varied as endorsed by the Portfolio Holder.
6. It is estimated that the HRA will make a small surplus in 2007-08, largely as a result of the considerable reductions in expenditure, which have been achieved as a consequence of reorganisations within the housing service (including a major reorganisation of the Sheltered Housing service).

7. However, as indicated in a report presented to Cabinet on 14 December, entitled "HRA – A Forward Look", unless some changes are made, expenditure is expected to increase at a higher rate than income (mainly because of the labour intensive nature of the service, the reduction in stock numbers and restrictions on income). In future years, therefore, the HRA is expected to make a deficit and to draw on balances in order to support the required level of expenditure.
8. There has been a substantial increase of £900,000 net in the estimate of the amount for the negative subsidy payment to the national pool that will be required in the 2007-08 financial year and there is likely to be a further above inflationary increase in the figure for 2008-09.
9. The estimates have been prepared on the assumption that most HRA charges, with the exception of the sheltered housing support charge, are increased in line with the recommendations from the Department for Communities and Local Government (DCLG).
10. The supporting people team have notified the Council that the financial assistance for those in sheltered housing can be increased by 2.5% and this level of uplift has, therefore, been assumed for the proposed group alarm charge and the support element of the sheltered housing service charge.
11. The assumption, for estimate purposes, regarding the individual alarm charges is that they will be increased by 2.5%, which is figure used throughout the estimates for general inflation.
12. Comments on individual proposed charges are given in the following paragraphs.
13. Rents
  - (a) The government intends that rent setting in the social housing sector should be brought onto a common system related to relative property values, local earnings levels and the size of individual properties. The guidance on this Rent Restructuring Scheme provides a formula by which a target rent for each property is calculated and rents are expected to move to the target level (which is increased each year) over a ten year period.
  - (b) In order to protect tenants from unacceptable annual increases, the government asked Councils to limit individual rent increase to £2 a week in excess of the annual inflationary figure set by the DCLG.
  - (c) For both 2006-07 and 2007-08, the DCLG has also requested that the average rent increase should be no more than 5%.
  - (d) The government will provide financial compensation, through the subsidy system, to authorities that comply with the caps. Consequentially, it has been assumed that South Cambridgeshire will set its rents in line with the Rent Restructuring Guidance and also apply the 5% limit.
  - (e) The inflationary figure to be applied to this year's rent, in line with the government's guidance is 4.1% (based on the September 2006 annual Retail Price Index increase of 3.6% plus 0.5%). To this must be added the amount required to move towards the target rent levels over the remaining five years of the transitional period of the Scheme.
  - (f) It is estimated the 5% limit can be adhered to by applying a maximum adjustment of 0.65p, on top of the 4.1% for inflation, making the average rent for 2007-08 £68.80.
  - (g) It is recommended that the rent increase outlined in the preceding paragraph, be applied from April 2007.

14. Sheltered Housing Service Charges

- (a) The best estimate available for the weekly amount of Supporting People Grant for sheltered housing in 2007-08 is £14.48 per week (an increase of 2.5%). It is therefore suggested that this is adopted as the full charge for the support element of the service charge.
- (b) Members agreed to a transitional scheme for sheltered housing support charges. Under these transitional arrangements, those not on benefit and in residence before the start of the Supporting People Regime are currently paying a reduced charge of £11.04, £3.09 less than the full charge of £14.13. This reduction is being phased out over a four year period which started in 2005-06 and, on this basis, the reduced charge for 2007-08 would be £12.37, a saving of £2.11 in comparison to the proposed full support charge of £14.48.
- (c) The assumption used for the sheltered housing charge for communal facilities is that this would increase by 4.1% in line with the government recommendation. This would increase the charge from £6.04 per week to £6.29 a week.
- (d) Many of the sheltered housing units have been leased under the equity share scheme. For tenants all maintenance is covered by their rent but this is not the case with equity shareholders. Consequently, for the charges made to tenants and shareholders to be equitable, shareholders should pay more than tenants. Therefore, in addition to the support and communal facilities charges for sheltered housing, equity shareholders pay £3.50 per week (in relation to items included in the rent for tenants such as external maintenance).
- (e) The proposed sheltered housing charges recommended by the Portfolio Holder are set out below.

Sheltered Housing Charges	Current Charge	Proposed Charge	Increase	
	p.w. £	p.w. £	%	£
Tenants				
- support element				
- those in residence prior to 01/04/03	11.04	12.37	12.0	1.33
- other tenants	14.13	14.48	2.5	0.35
- communal facilities	6.04	6.29	4.1	0.25
Equity Shareholders				
- schemes with communal facilities				
- those in residence prior to 01/04/03	20.58	22.16	7.7	1.58
- other shareholders	23.67	24.27	2.5	0.60
- schemes without communal facilities				
- those in residence prior to 01/04/03	14.54	15.87	9.1	1.33
- other shareholders	17.63	17.98	2.0	0.35

15. Alarm System Service Charges for those not on a sheltered housing scheme

- (a) Only around 20% of the individual lifeline alarms are used by those living in Council properties and, therefore, the inflation rate of 2.5% (as used throughout the estimates for general inflation) has been applied to the full lifeline charges. .
- (b) At present there are reduced charges for those in receipt of benefit, which were introduced some years ago because the charges for lifelines are not eligible for benefit. Two years ago it was agreed that these lower charges would be phased out over a four-year period. However, as part of a General

Fund savings exercise the Council agreed that the reduced charges would be abolished from 2006-07. In the event, the Council revisited the earlier decision and did not abolish the reduced charges. Whilst, for 2006-07 only an increase of 2.5% was applied, the proposed charges have been calculated on the basis that the reduced charges continue to be phased out.

- (c) At present, as it is intended that the alarm service breaks even, those users paying the full charge are effectively subsidising those paying the reduced charge. Therefore, the phasing out of the reduced charge will, all things being equal, allow the Council to set the full charge at a lower level in future years.
- (d) The charges for the group alarms hardwired into properties not on sheltered housing schemes qualify for Supporting People Grant and, therefore, it is proposed that they are increased by 2.5% (to £3.36 per week) in line with the indications received from the supporting people team.
- (e) The recommended alarm system service charges for 2007-08 are set out in the following table

Alarm System Service Charges*	Current Charge	Proposed Charge	Increase	
	p.w.	p.w.	%	£
	£	£		
Individual Alarms	3.28	3.36	2.5	0.08
- Those not in receipt of benefit				
- where the Council supplies the alarm	3.61	3.70	2.5	0.09
- where the user supplies the alarm	2.92	2.99	2.5	0.07
- Those in receipt of benefit				
- where the Council supplies the alarm	2.30	2.70	17.4	0.40
- where the user supplies the alarm	1.63	2.00	22.7	0.37
Group Alarms	3.28	3.36	2.5	0.08
* plus VAT where appropriate				

#### 16. Garage Rents

- (a) Any increased income from garage rents is fully available to the HRA and it is proposed that all garage rents are increased by 4.1% (in line with the uplift for HRA charges recommended by the DCLG).
- (b) As noted in the estimate report to the Housing Portfolio Holder last year (and also in the previous year), housing service officers have proposed that, should rent increases lead to a higher level of voids, the opportunity will be taken to consider the sale of any underused garage areas as land for new housing. Currently around 30% of garages are void and rent increases may lead to an even higher level.
- (c) The recommended 2007-08 garage rents are set out in the table below.

Garage Rents	Current Rent	Proposed Rents	Increase	
	p.w.	p.w.	%	£
	£	£		
Garages rented to a Council tenant or leaseholder	6.11	6.36	4.1	0.25
N.B. In excess of two garages will be subject to VAT				
Other Garages (subject to VAT)	8.43	8.78	4.1	0.35

17. Rents - Hostels for the Homeless

- (a) The 2007-08 draft estimate for the hostel service has been compiled on the assumption that the agency agreement with Hereward Housing Association for the management of the hostels will continue on a substantially similar basis to that in the original contract.
- (b) The agency agreement allows for a maximum inflationary uplift in rent levels of 4.1% (based on September 2006 Retail Price Index increase of 3.6% plus 0.5%).
- (c) The new agreement is still in the process of negotiation; however, Hereward have indicated that they are unlikely to be able to provide the service unless the Council is either prepared to increase the agency payment or to permit an above inflationary increase in the weekly charge Hereward makes to its tenants.
- (d) The government expect Councils to move to a situation where the full cost of any HRA service is paid by the user rather than by tenants in general. It would therefore be inappropriate to increase the subsidy from the HRA for this hostel service and with the financial pressures on the General Fund it is unlikely that additional funding would be available from this source.
- (e) In order to cover a greater proportion of the cost of the service, which currently makes a loss, Hereward would like to increase the charges to their tenants by £11.06 per week in addition to the normal inflationary increase.
- (f) The total amount charged to tenants is comprised of rent and a service charge (for items such as electricity).
- (g) The following table compares the existing weekly charge to the proposed charge by hostel.

Charge	Hostel		
	Robson Court	The Poplars	The Bungalow
	£	£	£
<b>Rent</b>			
2006-07	67.62	64.96	61.25
Plus 4.1% permitted uplift	2.77	2.66	2.51
2007-08 (as per agreement) <b>a</b>	70.39	67.62	63.76
Requested addition	11.06	11.06	11.06
<b>Proposed rent for 2007-08</b> <b>b</b>	<b>81.45</b>	<b>78.68</b>	<b>74.82</b>
<b>Service Charge</b>			
2006-07	14.28	9.73	13.51
Plus 4.1% permitted uplift	0.59	0.40	0.55
2007-08 (as per agreement) <b>c</b>	14.87	10.13	14.06
<b>Total charge</b>			
2007-08 (as per agreement) <b>a + c</b>	85.26	77.75	77.82
2007-08 – proposed <b>b + c</b>	96.32	88.81	88.88

- (h) The majority (22 out of 26) of hostel tenants are in receipt of housing benefit and, therefore, will not be affected by any increase. The proposed rents for 2007-08, shown in the above table, vary between £74.82 and £81.45, depending on the hostel, and are still considered to be affordable; being well below the market rent for hostel accommodation in Cambridgeshire.
- (i) It is recommended that Hereward Housing Association are allowed to increase hostel rents from April 2007 by £11.06 per week in addition to the inflationary uplift.

## Implications

18.	Financial	The financial implications are contained in the body of the report
	Legal	There is a statutory obligation for the HRA to be in balance
	Staffing	Provided Members approve the proposed rent and charge levels, there do not appear to be any staffing implications
	Risk Management	Provided Members approve the proposed rent and charge levels, there do not appear to be any risk management implications
	Equal Opportunities	There do not appear to be any equal opportunities implications

## Effect on Annual Priorities and Corporate Objectives

19.	Affordable Homes	To ensure that Housing Revenue Account rents and charges provide sufficient resources for the Council to continue and improve its housing services and meet the Decent Homes Standard.
	Customer Service	
	Northstowe and other growth areas	
	Quality, Accessible Services	
	Village Life	
	Sustainability	
	Partnership	

## Conclusions/Summary

20. The draft estimates, considered in an earlier item on this agenda, include income from rents and charges at the level recommended by the Portfolio Holder. It has also been assumed, for the purposes of the draft estimates, that the Portfolio Holder's endorsement to permit the Hereward Housing Association to increase hostel rents above the inflationary level will be approved and, consequently, no additional subsidy will be required from either the HRA or the General Fund. Any variations to the proposed levels of rent and charges may require reconsideration of the HRA budget.
21. In line with the government's recommendation it is proposed that rents are increased by an average of 5%.

22. The table below sets out the proposed garage rents and other service and facility charges.

Service or Facility	Current Charge	Proposed Charge	Increase	
	p.w. £	p.w. £	%	£
<b>Sheltered Housing Charges</b>				
Tenants				
- support element				
- those in residence prior to 01/04/03	11.04	12.37	12.0	1.33
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<b>Alarm System Service Charges*</b>				
Individual Alarms	3.28	3.36	2.5	0.08
- Those not in receipt of benefit				
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- where the user supplies the alarm	1.63	2.00	22.7	0.37
Group Alarms	3.28	3.36	2.5	0.08
* plus VAT where appropriate				
<b>Garage Rents</b>				
Garages rented to a Council tenant or leaseholder	6.11	6.36	4.1	0.25
N.B. In excess of two garages will be subject to VAT				
Other Garages (subject to VAT)	8.43	8.78	4.1	0.35

### Recommendations

23. Cabinet is requested to recommend to Council that:
- from the first rent week in April 2007, rents are increased by an average of 5%, based on an inflationary increase of 4.1%, plus or minus a maximum of £0.65 towards the phasing in of rent restructuring;
  - permission is granted to Hereward Housing to increase hostel rents by £11.06 per week, in addition to 4.1% for inflation, from April 2007; and
  - charges for services and facilities are increased as outlined in the table at paragraph 22.

**Background Papers:** the following background papers were used in the preparation of this report:

The Revenue and Capital Estimates Report presented to the Housing Portfolio Holder on 29<sup>th</sup> January 2007

HRA – A Forward Look, 2007/08 to 2011/12 - Item 20 of 14 December 2006 Cabinet Agenda

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