

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 12 February 2009

AUTHOR/S: Chief Executive/Principal Accountant (Housing)

HOUSING RENTS AND CHARGES

Purpose

1. To recommend to Cabinet and Council, variations in housing rent and charges for 2009-10.

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 (and addendum) to the 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 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. For information, the summary Housing Revenue Account is attached as **Appendix A**.

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 2009-10 are varied as endorsed by the Portfolio Holder.
6. Since the Portfolio Holder considered the estimates and charges the general inflation rate to be used for estimate purposes has been reconsidered and reduced from 2.5% to 1%. The estimates have been adjusted at summary level to reflect this change.
7. The estimates have been prepared on the assumption that most HRA charges are increased in line with the recommendations from the Department for Communities and Local Government (CLG).
8. The supporting people team have already indicated the amount of financial assistance that will be provided for support in 2009-10. It has therefore been proposed that the group alarm charge and the support element of the sheltered housing service charge are set in line with these indications.
9. The assumption regarding the individual alarm charges is now that they will be increased by 1% (the amended figure used at summary level in the estimates for general inflation) rather than 2.5%.

10. Comments on individual proposed charges are given in the following paragraphs.

11. 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 over several years.
- (b) To protect tenants from unacceptable annual increases, the government asked Councils to limit individual rent increases to £2 a week in excess of the annual inflationary figure set by the CLG.
- (c) The inflationary figure to be applied to this year's rent, in line with the government's guidance, is 5.5% (based on the September 2008 annual Retail Price Index increase of 5.0% plus 0.5%). To this must be added the amount required to move towards the target rent.
- (d) In order to lessen the impact of rent increases on tenants, the CLG has added twelve years to the timescale for reaching target rent levels. However, the government has intimated that this extension may only apply in 2009-10.
- (e) An inflationary uplift of 5.5% plus a maximum variation of £2 towards restructuring, in line with the scheme, will, it is estimated, increase the average rent by around 6.3% to £77.90
- (f) It is recommended that the rent increase outlined in the preceding paragraph, be applied from April 2009.

12. Sheltered Housing Service Charges

- (a) The best estimate available for the weekly amount of supporting people grant for sheltered housing in 2009-10 is £14.99 per week and this amount has, therefore, been proposed for the support element of the service charge.
- (b) Members agreed to a transitional scheme for sheltered housing support charges for those in residence before the start of the supporting people regime. 2008-09 is, however, the final year of this transitional scheme and, therefore, in future all residents should be charged the same amount.
- (c) The assumption used for the sheltered housing charge for communal facilities is that this would increase by 5.5% in line with the government recommendation. This would increase the charge from £6.57 per week to £6.93 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.
- (e) Under the terms of the equity share lease, leaseholders should pay their share of the full cost of the service. However, in the past, owing to the substantial administrative expenditure that would be involved, it was not considered cost effective to recover the full costs and instead a standard charge was made.
- (f) New legislation means that the Council will now have to provide most of the information to leaseholders that is needed to be able to make a full charge and there is, therefore, no longer any justification for setting a standard charge.
- (g) Next year's charge will, therefore, be based on an estimate of the expenditure (recoverable under the terms of the lease) which is likely to be incurred during

2009/10 together with the actual costs incurred for any capital works undertaken in 2008/09. Consequently, the 2009-10 service charge will vary from scheme to scheme and even within schemes.

- (h) Last year Members agreed that, with the exception of the costs of capital works (which are to be fully recharged), full cost service charges for leaseholders should be phased in and it is proposed that the non-support element is increased by a **maximum** of 5.5% + £2, for those on schemes with common rooms, and 5.5% + 70p, for those on schemes without such facilities.
- (i) The proposed increases could well lead to a greater portion of leaseholders becoming entitled to financial support and letters have been sent to sheltered housing leaseholders informing them that these service charges qualify for benefit.
- (j) 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	13.42	14.99	11.7	1.57
- other tenants	14.48	14.99	3.5	0.51
- communal facilities	6.57	6.93	5.5	0.36
Equity Shareholders				
Maximum Charge (exclusive of capital works)				
- schemes with communal facilities				
- those in residence prior to 01/04/03	23.64	27.77	17.5	4.13
- other shareholders	24.70	27.77	12.4	3.07
- schemes without communal facilities				
- those in residence prior to 01/04/03	17.07	19.54	14.5	2.47
- other shareholders	18.13	19.54	7.8	1.41

13. 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, as used throughout the estimates for general inflation has been applied to the full lifeline charges. Since the Portfolio Holder considered these charges the general inflation rate to be used for estimate purposes has been reconsidered and reduced from 2.5% to 1%. The charges recommended by the Portfolio Holder have, therefore, been recalculated to reflect the 1% general inflation rate.
- (b) Currently 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. However, Members agreed that these lower charges would be phased out and 2009-10 will be the final year of the phasing out of the reduced lifeline charge and, therefore, the same charge should apply to all users for 2010-11.
- (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 should 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 set at a level in line with the indications received from the supporting people team.
- (e) The recommended alarm system service charges for 2009-10 are set out in the following table

Alarm System Service Charges*	Current Charge	Proposed Charge	Increase	
	p.w. £	p.w. £	%	£
Individual Alarms				
- Those not in receipt of benefit				
- where the Council supplies the alarm	3.79	3.83	1.1	0.04
- where the user supplies the alarm	3.06	3.09	1.0	0.03
- Those in receipt of benefit				
- where the Council supplies the alarm	3.11	3.49	12.2	0.38
- where the user supplies the alarm	2.39	2.75	15.1	0.36
Group Alarms	3.36	3.48	3.6	0.12
* plus VAT where appropriate				

14. 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 5.5% (in line with the uplift for HRA charges recommended by the CLG).
- (b) As noted in the estimate report to the Housing Portfolio Holder, 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 2009-10 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	6.64	7.00	5.4	0.36
N.B. In excess of two garages will be subject to VAT				
Other Garages (subject to VAT)	9.17	9.67	5.5	0.50

Implications

15. 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
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Effect on Annual Priorities and Corporate Objectives

16.	<p>Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future</p> <p>Deliver high quality services that represent best value and are accessible to all our community</p> <p>Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work</p>	<p>To determine detailed Housing Portfolio budgets to provide the resources for the Council to continue and improve its services to achieve its corporate objectives as far as possible within the current financial constraints.</p>
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Conclusions/Summary

17. 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. Any variations to the proposed levels of rent and charges may require reconsideration of the HRA budget.
18. In line with the government's recommendation it is proposed that rents are increased by 5.5% in addition to a maximum variation of £2.00 per week in line with the government's rent restructuring scheme. This is based on an increase of 5% in the RPI to September 2008. The RPI has since fallen to an increase of 0.9% to December 2008 and this fall in the RPI should result in a lower level of rent increase for 2010/11, but not to the full extent of the RPI decrease.
19. The table below sets out the proposed garage rents and other service and facility charges.

Service or Facility	Current Charge p.w.	Proposed Charge p.w.	Increase	
	£	£	%	£
Sheltered Housing Charges				
Tenants				
- support element				
- those in residence prior to 01/04/03	13.42	14.99	11.7	1.57
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Equity Shareholders				
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Garage Rents				
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Recommendations

20. Cabinet is requested to recommend to Council that:
- (a) from the first rent week in April 2009, rents are increased in line with the CLG guidelines, based on an inflationary increase of 5.5%, plus or minus a maximum of £2.00 towards the phasing in of rent restructuring; and
 - (b) charges for services and facilities are increased as outlined in the table at paragraph 19.

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 31st January 2009

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