

FOR PUBLICATION

ANNUAL HOUSING REVENUE ACCOUNT RENT AND SERVICE CHARGE INCREASE (H000)

MEETING: 1. CABINET
 2. EXECUTIVE MEMBER FOR HOUSING

DATE: 1. 27 JANUARY 2015
 2. 16 JANUARY 2015

REPORT BY: HOUSING SERVICE MANAGER – BUSINESS
 PLANNING AND STRATEGY
 CHIEF FINANCE OFFICER

WARD: ALL

COMMUNITY
ASSEMBLIES: ALL

KEY DECISION 445
REFERENCE
(IF APPLICABLE):

FOR PUBLICATION

1.0 PURPOSE OF REPORT

1.1 To set rent and service charge levels for 2015/16.

2.0 RECOMMENDATIONS

2.1 It is recommended that;

2.1.1 For 2015/16 individual social rents be set based on the current National Social Rent Policy, giving a real rent increase of 2.2% with effect from 6 April 2015.

- 2.1.2 For 2015/16 onwards, where a social rent property is re-let to a new or transferring tenant the rent level be increased to the target rent for that property.
- 2.1.3 For 2015/16 individual affordable rents be set based on the current National Social Rent Policy, giving a real rent increase of 2.2% with effect from 6 April 2015.
- 2.1.4 For 2015/16 onwards, where an affordable rent property is re-let to a new or transferring tenant the rent level be set by reference to 80% of the market rent for a similar property prevailing at the time of re-letting.
- 2.1.5 Charges for heating tickets to be raised by £2.00 to £24.16 so that the CHP district heating scheme moves towards reducing the forecast deficit. This increase will only affect tenants until the remaining District Heating System has been removed at Lowgates during 2015/16.
- 2.1.6 Charges be reviewed and the following recommended revised levels be agreed for;
- a) Heating service charges (Sheltered Schemes) – no increase recommended
 - b) Garage rents – recommend an increase of 5% from £5.45 to £5.72 per week
 - c) Garage Sites – recommend an increase of 5% from £37.00 to £39.00 per annum (Shale); from £47.00 to £49.00 per annum (Asphalt); from £52.00 to £54.00 per annum (Other)
 - d) Tenants Metered Water Charges – no increase recommended
 - e) Garden Assistance Scheme – recommend an increase of 10% to the following weekly charge; grass cutting and hedges from £3.60 to £3.95; grass only from £2.55 to £2.80; hedges only from £1.05 to £1.15
 - f) Sheltered Scheme Service Charge – recommend an increase of 5% from £5.32 to £5.59
 - g) Careline – recommend an increase of 50p per week (17%) from £2.90 to £3.40
 - h) Charges in respect of Community Rooms – no increase recommended
 - i) Communal Staircase Cleaning – recommend an increase of 5% from £1.58 to £1.66 per week

3.0 BACKGROUND

- 3.1 The Council is required to keep a separate Account for its activities as a housing landlord. This is called the Housing Revenue Account (HRA). The HRA is closely governed by the Local Government and Housing Act 1989 and by Determinations made under this Act by DCLG.
- 3.2 As a consequence of the HRA self-financing regime, we are required to ensure that our HRA Business Plan is financially viable, delivers reasonable standards for tenants and maintains at least the minimum Decent Homes Standard.
- 3.3 Under HRA self-financing the Council is no longer obliged to follow the National Social Policy, however any rent increases below those assumed in the HRA self-financing settlement at April 2012 (which assumed rents would rise in line with National Social Rent Policy) may put at risk the Council's ability to finance the future capital investment to the required or desired standard and the servicing of, or repayment of debt.
- 3.4 Future investment in the Housing Service and the housing stock is largely funded through income from the properties and is therefore directly influenced by decisions on rent levels, additional borrowing or the use of cash reserves.
- 3.5 On the 28 January 2014, Cabinet agreed that from 2015/16 onwards individual rents would be set based on the proposed (at that time) new National Social Rent Policy of CPI plus 1% and where property is re-let during the financial year (and where it is not already at target rent), the rent level be increased to the target rent for that property, irrespective of the current tenure of the new prospective tenant.
- 3.6 This report builds on that decision and provides the actual rent increase and service charge figures for 2015/16.

4.0 2015/16 RENT INCREASE AND FUTURE RENT SETTING

- 4.1 In June 2014 DCLG confirmed the new rent guidance which sets out its future National Social Rent Policy from April 2015 onwards for at least 10 years. This guidance removed the requirement for rents to aim to converge with the target rent for that property from 2015/16 (from 6 April 2015). At the time of writing only 2,313 Council tenancies in Chesterfield have reached convergence levels. Of these, 246 additional properties reached convergence levels by moving to target rent during the financial year on re-let to a non-transferring new tenant.

- 4.2 The new guidance retains the principle of formula (target) rents for each social rent property with uplifts of CPI (Consumer Price Index) plus 1%, removes any flexibility to increase rents by more than this uplift (except for re-lets where increases to target rent are expected) and commits to this Policy for the next 10 years to 2024/25. The increase of CPI plus 1% replaces the historic increase in rents of RPI (Retail Price Index) plus 0.5% plus £2 per week where rents were below target rent. Also, this policy, for the first time, breaks the relationship between increases in rental income and increases in expenditure, which were both previously based on the RPI measure.
- 4.3 Therefore in line with the aforementioned, it is recommended that for 2015/16 all local authority social rents will increase at a rate of CPI plus 1%. The reference date for the rate of CPI to be used for rent setting for 2015/16 is September 2014, when the CPI rate was 1.2%. For Chesterfield this therefore amounts to an increase of 2.2%.
- 4.3.1 For the first time all properties with social rents will rise by this percentage, as there is no additional convergence factor to affect different property rents. Historically the rent increase has been a true average and therefore there have been some properties that had rents rise by a larger or smaller percentage due to the factor added to take account of the convergence to target rent.
- 4.4 The impact of this increase across all properties is an average real increase for 2015/16 of £1.82 per week on a 48 week basis (£1.68 on a 52 week basis).
- 4.5 This is only an average real monetary increase and because rents will be calculated for each individual address, some rents will rise by more than the average but conversely some rents will rise by a lower amount. The lowest change is an increase of £1.37 per week and the highest an increase of £2.46 per week, both based on a 48 week basis (£1.27 and £2.27 respectively on a 52 week basis).
- 4.6 The proposed 2015/16 increase of 2.2% is substantially lower than the 2014/15 increase which was 6.31% (average £2.36 per week). Indeed this rent increase is the lowest increase in recent years and is even lower than the increases in 2009/10 and 2010/11 when DCLG halved the national rent increase (3.1% and 2.60% respectively).
- 4.7 During 2014/15, three properties have been acquired using grant funding from the Homes and Communities Agency (HCA) and as a result have rents that are an 'affordable' rent rather than a 'social' rent. These properties do not have a target rent but instead at the date of first letting a

rent is set which is 80% of the market rent for a similar property in the area.

- 4.8 It is recommended that the annual rent for these properties in 2015/16 increases in line with social rented properties, by CPI plus 1%, i.e. 2.2%. On a change of tenancy, the rent must be re-calculated by reference to 80% of the market rent at that date. This may mean that the rent falls rather than rises, depending on market conditions prevailing at the time.

5.0 SERVICE CHARGES

- 5.1 A detailed consideration of possible increases to heating tickets, garage rents, garage site rents, the garden assistance scheme, tenants water charges, community room charges and Wardens Services is set out in **Appendix A**.

6.0 FEE AND CHARGES INCREASE SUMMARY

- 6.1 The table below shows the annual impact of the recommended fee and charge increases, set out in Appendix A on the 2015/16 year-end balance available:

Description	Additional Income in 2015/16 (£)
CHP Scheme	6,000
Heating Service Charge	0
Garage Rents	14,950
Garage Sites	650
Water Charges	0
Garden Assistance Scheme	2,090
Community Room Hire	0
Communal Staircase Cleaning	8,250
Sheltered Scheme Service Charge	1,470
Careline	28,680
Total of Proposed Increases	62,090

7.0 EQUALITIES

- 7.1 In setting the National Social Rent Policy, an Equalities Impact Assessment has been carried out nationally. The impact on tenants with protected characteristics has been considered when setting fees and charges and

where possible these have been minimised to mitigate any negative impact.

8.0 **RISK MANAGEMENT**

Description of the Risk	Risk Rating	Likelihood	Impact	Mitigating Action	Residual Likelihood	Residual Impact
Divergence from National Social Policy resulting in the inability to finance future capital investment in housing stock, service and repay debt	Medium	Low	Medium	Increase rents in accordance with National Social Rent Policy to maximise available income	Low	Low

9.0 **RECOMMENDATIONS**

9.1 It is recommended that:

- 9.1.1 For 2015/16 individual social rents be set based on the current National Social Rent Policy, giving a real rent increase of 2.2% with effect from 6 April 2015.
- 9.1.2 For 2015/16 onwards where a social rent property is re-let to a new or transferring tenant the rent level be increased to the target rent for that property.
- 9.1.3 For 2015/16 individual affordable rents be set based on the current National Social Rent Policy, giving a real rent increase of 2.2% with effect from 6 April 2015.
- 9.1.4 For 2015/16 onwards, where an affordable rent property is re-let to a new or transferring tenant the rent level be set by reference to 80% of the market rent for a similar property prevailing at the time of re-letting.
- 9.1.5 Charges for heating tickets to be raised by £2.00 to £24.16 so that the CHP district heating scheme moves towards reducing the forecast deficit.

This increase will only affect tenants until the remaining District Heating System has been removed at Lowgates during 2015/16.

- 9.1.6 Charges be reviewed and the following recommended revised levels be agreed for:
- a) Heating service charges (Sheltered Schemes) – no increase recommended
 - b) Garage rents – recommend an increase of 5% from £5.45 to £5.72 per week
 - c) Garage Sites – recommend an increase of 5% from £37.00 to £39.00 per annum (Shale); from £47.00 to £49.00 per annum (Asphalt); from £52.00 to £54.00 per annum (Other)
 - d) Tenants Metered Water Charges – no increase recommended
 - e) Garden Assistance Scheme – recommend an increase of 10% to the following weekly charge; grass cutting and hedges from £3.60 to £3.95; grass only from £2.55 to £2.80; hedges only from £1.05 to £1.15
 - f) Sheltered Scheme Service Charge – recommend an increase of 5% from £5.32 to £5.59
 - g) Careline – recommend an increase of 50p per week (17%) from £2.90 to £3.40
 - h) Charges in respect of Community Rooms – no increase recommended
 - i) Communal Staircase Cleaning – recommend an increase of 5% from £1.58 to £1.66 per week

10.0 REASONS FOR RECOMMENDATION

- 10.1 To enable the Council to set the level of Council house rents in accordance with Government guidelines and to set service charges for 2015/16.
- 10.2 To continue with the financial strategy contained in the Housing Revenue Account Business Plan and self financing debt settlement arrangements
- 10.3 To contribute to the Council's Corporate Priority 'To improve the quality of life for local people'.

ALISON CRAIG

HOUSING SERVICE MANAGER – BUSINESS PLANNING AND STRATEGY

BARRY DAWSON

CHIEF FINANCE OFFICER

You can get more information about this report from Alison Craig on extension 5156

Officer recommendation supported.

A handwritten signature in black ink, appearing to be 'B. Dawson', written in a cursive style.

Signed

Assistant Executive Member

Date

Consultee Executive Member/Support Member comments (if applicable)

HOUSING REVENUE ACCOUNT SERVICE CHARGES 2015/16

1.0 DISTRICT AND GROUP HEATING

1.1 General

1.1.1 Tenants linked to district and group heating schemes pay for heat in one of two ways -

- (a) **Heating Tickets.** This system operates for tenants in the Staveley district heating scheme. Tenants purchase tickets, currently priced at £22.16, which provide heat when inserted into a meter at each dwelling. The ticket price includes 5% V.A.T.
- (b) **Service Charges.** Service charges, paid with the rent, apply to all other tenants linked to district or group heating schemes. The average charge for this service is £18.13 per week. V.A.T. is not currently payable on service charges.

1.1.2 Heating charges are not eligible for Housing Benefit.

1.2 CHP District Heating – Heating Tickets

1.2.1 From the Council's perspective the objective is for the scheme to be cost neutral and Members will recall that previously it was recommended to use a "stepped" approach to move towards a break-even position. At 2014/15 levels the CHP District Heating Scheme is expected to make a deficit of £108,000. The projected income now covers 52% (47% last year) of expenditure.

1.2.2 Charges would need to rise by £36.34 (164%) per heating ticket from £22.16 to £58.50 to attain a breakeven position. The 2015/16 subsidy per tenant based on the £22.16 charge is 24p per week. The table below shows a range of price increase options indicating for each the impact on the forecast deficit and the subsidy all tenants will make towards the scheme.

Price Increase	Revised Deficit	Subsidy per Tenant per Week
£0.00	£108,000	24p
£0.50	£106,500	23p
£1.00	£105,000	23p

£1.50	£103,500	22p
£2.00	£102,000	22p

1.2.3 It should be noted that the CHP District Heating Scheme at Lowgates, Staveley will be included in the Capital Programme for removal in 2015/16. As it is not known when this will occur the above table includes the Lowgates scheme for a full year.

1.2.4 It is proposed to increase the heating ticket price by £2.00 from £22.16 to £24.16. This will leave a deficit of £102,000 per annum before the Lowgates scheme is removed.

1.3 **Group Heating Schemes – Service Charges**

1.3.1 The estimated cost of running the group heating schemes in 2015/16 is £158,000. It is estimated that the group heating schemes will generate a small surplus of £7,000 in 2015/16 and therefore it is proposed that charges remain at current levels.

2.0 **GARAGE RENTS & GARAGE SITES**

2.1 Income streams from both garage rents and garage site rents currently cover expenditure. However, significant capital improvements to sites are planned in 2015/16 and future years. Therefore, it is proposed to increase the charges by 5% as detailed in the table below.

Service	Current Charge	Revised Charge	Actual Increase in 2015/16
Garage Rents	£5.45 per week	£5.72 per week	27 pence per week
Garage Site – Shale Surface	£37.00 per annum	£39.00 per annum	£2.00 per annum
Garage Site - Asphalt Surface	£47.00 per annum	£49.00 per annum	£2.00 per annum
Garage Site - Other	£52.00 per annum	£54.00 per annum	£2 per annum

2.2 Garage Rents are not eligible for Housing Benefit.

3.0 WATER CHARGES

3.1 Members previously agreed to review charges to tenants with a metered water supply annually as part of the review of service charges.

3.2 Due to fluctuations in usage and cost, only minor adjustments are necessary to the budget and there is therefore no requirement to review water charges to tenants this year as income and expenditure are at a break-even position.

3.3 Water charges are not eligible for Housing Benefit.

4.0 GARDEN ASSISTANCE SCHEME

4.1 The current scheme is subsidised by approximately 38% and in order to move towards a breakeven position, it is proposed to increase charges by 10% (rounded to the nearest whole 5p). The charges will change as follows:

Service	Current Charge	New Charge	Actual Increase in 2015/16
Grass Cutting and Hedges	£3.60	£3.95	35 pence per cut
Grass Only	£2.55	£2.80	25 pence per cut
Hedges Only	£1.05	£1.15	10 pence per cut

4.2 Garden Assistance charges are not eligible for Housing Benefit.

5.0 COMMUNITY ROOMS

5.1 It is not proposed to increase charges for community hire. Usage remains limited and any increase may result in even fewer hirings.

6.0 COMMUNAL STAIRCASE CLEANING

6.1 The contract for cleaning communal staircases was awarded to the in-house Building Cleaning ISP in July 2014. In order that this service continues to recover its costs it is proposed to increase the weekly charge to tenants from £1.58 to £1.66 (5%).

6.2 Communal Staircase Cleaning charges **are** eligible for Housing Benefit.

7.0 **WARDENS SERVICES**

- 7.1 The Warden Service is provided under three separate contracts to DCC, Sheltered Schemes, Floating Support (visiting wardens) and Careline.
- 7.2 **Sheltered Schemes** – the contract was awarded to the Council from 1st April 2012 following negotiations with DCC at a price set by them of £13.10 per week. Chesterfield Borough Council apply a service charge on top of this figure to cover the non-housing support elements of the service which is currently £5.32 per week and which it is proposed to increase to £5.59 per week, subject to the ongoing funding consultation with DCC. When adding the Careline charge of £3.40 per week this amounts to a current total charge of £21.32 per week.
- 7.3 **Floating Support for Older People** – this contract was awarded to the Council and commenced on 1st April 2013 for 2 years, with an option to extend for a further 2 years. Payment to the Council is by way of a block grant of £322,577, with a move towards payment by outcomes in year three and subsequent years.
- 7.4 There are only a handful of self funding clients receiving the warden visiting service and it is proposed to increase the charge for this service by 5% in line with other service charge increases.
- 7.5 **Careline** – It is proposed to increase the charge by 50 pence per week (17%) from £2.90 to £3.40 subject to ongoing negotiations between the Council and DCC regarding the formation of a Careline Consortium to continue to deliver the service in Chesterfield and across the rest of Derbyshire. This increase will also ensure that charges in Chesterfield are brought into line with those of the other Consortium partners on a gradual basis.