
HOUSING RENTS AND CHARGES

1 SUMMARY

- 1.1 As part of the budget process recommendations are made to the full budget making Council on the proposals for rents in 2002/03. Also at this stage, tenants' representatives are consulted on the proposals.
- 1.2 Rent setting for 2002/03 has to be undertaken within the new Government framework for rent restructuring.

2 INTRODUCTION

- 2.1 At the moment this report is based on provisional information released by the Government. Final announcements will be made in December and therefore some detail within this report may be subject to change.
- 2.2 In the earlier report on this Agenda, Members were made aware of the rent reforms and the requirement to set rents with regard to the new formula rent. The issues relating to this process are as follows.
- 2.3 Initially each property will have a formula rent. This will be calculated using the formula :-

70% of the average rent for Local Authority housing,
Multiplied by relative county earnings, multiplied by bedroom weight

Plus

30% of the average rent for Local Authority housing,
Multiplied by relative property value.
- 2.4 It can be seen that using this formula the new rent will take account of the number of bedrooms, its value, which is a reflection of the type of property, location and amenities. It also takes into account local earnings for ability to pay.
- 2.5 For 2002/03 the formula is currently based on some very broad data and therefore as mentioned before, it is expected that the Government will refine elements of the formula.
- 2.6 Looking at the elements of the existing formula the average rent for Local Authority dwellings is given as £45.60 for April 2000. This compares fairly closely with Rochford's figure of £46.50.

2.7 The weighting for bedrooms is

<u>Description</u>	<u>Factor</u>
Bedsit	.8
1 Bedroom	.9
2 Bedroom	1
3 Bedroom	1.05
4 or more Bedrooms	1.10

2.8 Relative County earnings are £325.90 per week for Essex against a national average of £316.40.

2.9 For property values the national average for July 1999 is shown as £41,350 whereas for Rochford this is £52,585.

2.10 In applying the formula rents there will be two major changes. Firstly all properties will generally move from the current average rents to the new average rents as calculated from the new rent formulas. Secondly properties within Rochford's existing stock will move in relative terms up or down to reflect the new basis for rent setting.

2.11 The Government intends to implement the new rent structure over a ten-year period. Within this period of change it has determined that for 2002/03, rents will rise by inflation plus 1% plus the movements in relation to restructuring, however the maximum increase shall be capped at £2 per week in relation to the change due to re-structuring.

2.12 By applying the formula rents currently available the individual rents for properties have been calculated. A sample of these properties current rents has been compared to the new formula rents.

2.13 Of the sample of 108 properties it showed that the effect of rent re-structuring only,

- for the whole sample rents would increase by an average of £2.68 per week (3.2%)
- within the sample of general needs properties rents increased for 47 properties and decreased for 28
- the average increase was £8.21 and the average decrease £6.60
- the maximum increase was £20.80 and the maximum decrease was £27.56
- for sheltered housing rents increased for 14 properties and reduced for 19
- the average increase was £3.97 and the average decrease £4.72

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- The maximum increase was £9.17 and the maximum decrease was £12.48.
- 2.14 As can be seen from the above there will be significant changes to the existing rent structure over the 10 year period.
- 2.15 At the moment there are still some unanswered questions in relation to the new structure of rents. For example, where the calculation shows that rents should decrease the rate of the decrease is not at the moment totally clear, although the £2 movement is assumed. Also where a new tenancy commences should the Authority implement the new rent straight away or still comply with the gradual move from one rent to another. Although there may appear to be a practical answer to these questions, real rents have to be kept in line with subsidies otherwise the Council may, for example, reduce rents but see no increase in subsidies.
- 2.16 It is envisaged that these details and details relating to the whole scheme will be made clearer with the formal announcement by the Government in December.
- 2.17 As in previous years this report will be submitted to tenant representatives and their views will be made available to the Sub-Committee. In addition owing to the individual nature of the rent changes a separate notification will be made to each tenant. In order that this may be understood more easily an explanation of the changes will be circulated to all tenants prior to the actual rent notification.

3 RENT SETTING 2002/03

General Rents

- 3.1 It is hoped that by the date of the meeting the Government announcements will be available and therefore clarification can be given to the specific issues regarding rent setting for 2002/03.
- 3.2 Given the changes taking place the broad recommendation will be to implement the rent guidelines determined by the Government together with the changes through rent re-structuring. This Authority has always agreed rent increases in line with Government rent guidelines and therefore this recommendation will continue.
- 3.3 Increases above guidelines have in the past been possible however they incur significant penalties and therefore have been avoided by this Authority.

Garages

- 3.4 The current rent for a garage is £5.80 (increased from £5.60 from the previous year). It is proposed that for 2002/03 rent be increased to £6.00 per week, as garage lettings remain buoyant.

Sheltered Housing

- 3.5 In addition to rents, tenants of the Council's Sheltered Housing pay charges to cover wardens' costs, heating, lighting etc. It is proposed that these charges be increased by an average of 2.42%.

Finchfield and Dutch Cottage

- 3.6 This Council has in the past always taken a view on the rent increase that should be applicable to the properties held by the Finchfield Trust and the Dutch Cottage Trust. New requirements from the charity commissioners now require the Authority to fully separate these Trusts from the Local Authority accounts. The Trusts will be required to set rents in accordance with their own criteria and therefore will not be fully subject to the rent restructuring now required for housing revenue account properties. When compiling information for the Charity information will be given to them regarding what the target rents would have been as if they were Local Authority properties.

4 RESOURCE IMPLICATIONS

- 4.1 Housing rents and charge are the major part of funding for the housing revenue account. A separate statement will be provided for the trustees of Finchfield properties and the Dutch Cottage.
- 4.2 It should be noted that recommendations from this Sub-Committee will be presented to the Council meeting on 22 January 2002 dealing with the whole of the Council's finances.

5 RECOMMENDATION

- 5.1 It is proposed that, subject to changes necessary from the actual Government announcement, the Sub-Committee **RECOMMENDS**
- (1) That rents be increased in accordance with Government guidelines.
 - (2) That rents of garages be increased by 20p to £6.00 per week.
 - (3) That charges to residents of sheltered accommodation be increased by an average of 2.42%. (HFS)

D Deeks

Head of Financial Services

Background Papers:

None

For further information please contact D Deeks on:-

Tel:- 01702
E-Mail:- dave.deeks@rochford.gov.uk