

Executive*On 20 February 2007*

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| Report title: | Rent and Tenants Service Charge Increases 2007/08 | | |
| Report of: | The Director of Adults & Community and the Acting Director of Finance | | |
| Wards affected: All | Report for: Key decision | | |
| 1. Purpose | | | |
| 1.1 To approve the rent and service charge increases for tenants for 2007/08 | | | |
| 2. Introduction by Executive Member | | | |
| 2.1 Homes for Haringey, in accordance with the rules governing its relationship with the council, is asking the council's permission to implement the formulae indicated in this report for next year's rent and charges increases. | | | |
| 2.2 This has been the subject of extensive consultation and is consistent with our duties under the government's rent restructuring rules. | | | |
| 2.3 The government's rent restructuring formula indicates an average increase of 6.2%, which would have been higher than the 5% ceiling. Homes for Haringey after a consultation with tenants is proposing the indicated formula which brings the average increases within the 5% ceiling, with an additional ceiling of a max £3.60 increase for any unit. I believe that this is the most sensible option and also consistent with the result of the consultation exercise. I therefore recommend that the proposal is endorsed. | | | |
| 2.4 H4H also proposes limiting increases in general charges to the actual level of cost increases. This implies the rate of the inflation (2.9%), for all charges, except for heating and lighting where factors outside our control have dictated higher increases. I believe that this is the most sensible and fair way to proceed and therefore I recommend that we agree the recommendations. | | | |
| 3. Recommendations | | | |
| 3.1 To approve the average rent increase of 5% with a maximum increase per property of £3.60 | | | |

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| 3.2 To approve the tenant service charge increases as set out in paragraphs 10.1, 10.2 and 10.3 |
| Report authorised by: Gerald Almeroth, Acting Director of Finance |
| Contact officers: Kevin Bartle, Acting Head of Corporate Finance and Rowann Limond, Executive Director of Finance (HfH) |
| <p>4. Head of Legal Services Comments</p> <p>4.1 The Head of Legal Services has been consulted on this report, and advises that there are no legal implications which arise from its recommendations given the available evidence to support the proposed decisions.</p> |
| <p>5. Local Government (Access to Information) Act 1985</p> <p>5.1 The following papers were used in the preparation of this report:</p> |

6. Financial Implications

6.1 The proposed rent and service charge increase were incorporated within the HRA budget approved by the Executive on 23rd January and Full Council on 5th February 2007. The increases were assumed in the balanced budget position reported and it was noted that the capping regime has resulted in a shortfall of potential rental income of £610k.

7. Consultation

7.1 On behalf of the Council, Homes for Haringey carried out a consultation exercise on housing rents over the period of 1 December 2006 to 12 January 2007. the following four options were proposed for consideration:

Option 1 – Reduce increases by setting a maximum increase;

Option 2 – Reduce all increase by an equal amount;

Option 3 – Reduce increase by different amounts depending on property size;

Option 4 – Reduce all increases by an equal proportion.

Option 1 was indicated to be the Council's preference.

- 7.2 As previous years' consultation (consisting of a mailshot to all 17,000 tenants) have produced poor returns, the consultation for the 2007 increase was targeted at those tenants considered most likely to respond, through:
- Letters to all tenants who have previously attended consultation events (c150);
 - Letters to contacts of all recognised Residents' Associations (c50);
 - Letters/emails to previous respondents to rent increase consultations (c20) and,
 - Letters to member of the Residents Finance Panels (c12).
- 7.3 To ensure that this was not an exclusive process, the consultation was also publicised through:
- Posters in Customer Services Centres, Concierge stations, Estate notice boards;
 - Leaflets made available through the same channels;
 - Advertisements in local newspapers referring interested tenants to the above.
- 7.4 A meeting of the Residents Finance Panel has been held, to which representatives of Residents Associations were also invited, at which the context and options were presented in detail in order to obtain fully informed feedback.

8. Background

- 8.1 The Financial Planning report to the Executive on 23rd January and to Full Council on 5 February 2007 outlined the HRA budget and strategy. The budget assumed the increases now proposed in this report.

9. Rent Increase 2007/08

- 9.1 Haringey has been complying with the Government's Rent Restructuring policy since it was introduced in 2003/04. This requires rents to converge on "Formula" rents by 2011 and includes caps and limits to moderate "Formula" rents and to constrain individual increases in any one year.
- 9.2 Last year, the Government applied a new 'ceiling' of 5% on the average rent increase, the effects of which on LA's income are compensated for in Subsidy. Due to the low inflation rate last year (2.7%) the Council's increase was below this level and so the 'ceiling' did not come into effect.
- 9.3 In calculating the 2007 increase, the September 2007 RPI of 3.6% (and formulae set out in the Housing Subsidy Determination) means that the "Formula" rent increase is significantly higher than last year. This results, after the application of the same caps and limits of last year, in a calculated

average increase of 6.2% for 2007, assuming a 5% increase for Hostels. The 5% ceiling will therefore come into effect.

- 9.4 Within the average increase of 6.2% (£3.735 million), there is large range of rent increases (and decreases) on individual properties as a result of the application of the rent restructuring formula.
- 9.5 The Council has discretion over how to reduce the average increase by 1.2% down to the ceiling, although the Government's expectations are that the spirit of rent restructuring should be observed. Further constraints are that the application should not be "unreasonable", and that the application should not be such as to be disproportionately loaded onto Housing Benefit. The reduction of 1.2% represents some £610,000 in rent income regardless of the method used to contain the increase to 5%.
- 9.6 With the agreement of the Council, Homes for Haringey consulted tenants on the options available to contain the overall rent increase to 5%. The consultation response agreed with the preferred option of the Council that an average increase of 5% should be applied by setting a maximum increase of £3.60 per dwelling.

10. Tenants Service Charges and Garage Rents

- 10.1 Due to the low take up of garages, it is not proposed to increase these rents.
- 10.2 It is proposed that all general service charges are increased in line with the higher cost of running the services. The general level of pay and price inflation on these services in 2007/08 is 2.9% and it is proposed that charges are increased by this percentage.
- 10.3 For lighting and heating, the proposed increases are based upon prices negotiated by Corporate Procurement and the allowance of a further anticipated increase of 10% in September 2007. The weighted average annual increase in 2007/08 is 16.46% for gas related charges and 14.8% for electricity related service charges and it is proposed that lighting and heating charges are increased by these percentages.

11. Conclusion

- 11.1 This report sets out the rationale and need for rent and service charge increases for tenants from 2nd April 2007 and recommends option 1 from the consultation, which received majority support, to apply a 5% limited rent increase.