

Report of	Meeting	Date
Director of Finance (Introduced by the Executive Member for Resources)	Executive Cabinet	11 January 2007

HOUSING RENTS AND CHARGES 2007/08

PURPOSE OF REPORT

1. This report seeks approval to the 2007/08 increase in housing rents and other housing charges, such increases to apply from 2 April 2007.

CORPORATE PRIORITIES

2. The report is linked to the Corporate Priority of Chorley being a performing organisation.

RISK ISSUES

3. The issue raised and recommendations made in this report involve risk considerations in the following categories:

Strategy		Information	
Reputation		Regulatory/Legal	√
Financial	√	Operational	
People		Other	

4. The main risk issue relates to meeting statutory deadlines for issuing appropriate rent increase notices, given the timing of the transfer of the stock to Chorley Community Housing.

BACKGROUND

5. Although it is planned that Chorley's housing stock should transfer on the 26 March 2007, it has been agreed with Chorley Community Housing that in order to achieve an April rent increase, the decisions on the levels of rents and charges for 2007/08 will go through the Council's normal approval channels. This is to ensure statutory dates for issuing rent notices is achieved.
6. The proposals in this report were considered by the Finance Committee of CCH on 11 December 11, and tenants were consulted on 18 December.

RENTS

7. 2007/08 is the sixth of the planned ten year journey to restructured rents. Each year however the Government urges authorities to constrain rent increases in accordance with a formula, and in both 2007/08 and 2006/07 it has further requested authorities to limit the average rent increase to 5%. The effect of these limits is that the restructuring period will exceed ten years for many properties. (Note that although the constraints and limits are not statutory there are subsidy penalties on any increase in excess of the requested amount).

8. The Council has 2,923 council houses (excluding Cotswold House), and it is proposed that all but 19 of these be subject to the 5% rent increase. The rents of the 19 properties are already in excess of the formula rent, or would be if they were increased by 5%. These rents have therefore been subject to the “normal” constraint formula. The average rents of these properties will increase by 3.61%. The average increase for all properties is 4.99%.

SERVICE CHARGES

9. Service charges for grounds maintenance at general needs housing, and for caretaking, communal areas and grounds maintenance at sheltered housing, were unpooled in 2006/7, (i.e. in previous years a separate charge was not levied for these items, the costs were deemed to be recovered through the rent. In 2006/07 rents were reduced and a new charge levied for the same amount, a process known as “unpeeling”).
10. The unpooling of the full charge at some schemes will take more than one year. In 2007/08 it is necessary therefore to review the existing charges, and also to unpool the second tranche of the service charge. Details are shown in Appendix 3.
11. The rent restructuring guidance is that existing service charges should not increase by more than inflation plus 0.5%. The DCLG have determined inflation (RPI “all items”) to September 2006 as 3.6%.
12. It is proposed therefore that the existing service charge for sheltered property and general needs housing should increase by 4.1%.

SUPPORT AND OTHER RELATED CHARGES

13. A Support Charge is levied on those properties covered by the warden service. Charges are also levied on properties covered by the Tunstall alarm system (wired into the property) and persons using the Lifeline alarms (portable alarms).
14. These charges are met, in many cases, by Supporting People Grant. Any increase in them should be consistent with changes in the level of SPG, but the Commissioning Board will not decide on this until its meeting on 26 January. At this stage it is assumed that the increase will be based on inflation less required efficiency savings. This is estimated at a net 1.1%, and this increase has been assumed in Appendix 1. Members are asked to approve the principle that the change in these charges be linked to the change in SP grant. Appendix 1 will be subject to amendment when the final figure is known.
15. Currently 81 tenants pay a reduced, “protected” support charge due to the phased introduction of the charges. In 2007/08 that protection ceases. For 75 tenants this will mean an increase of £1.87, for the other 6, who only receive a partial service, the increase will be £0.54.
16. 160 tenants in sheltered property currently pay a weekly charge of £0.20 for the rent of a cooker, and 82 pay the same amount to rent a fridge. In accordance with the offer document to tenants it is proposed that these charges be cancelled.

HEATING CHARGES

17. Heating charges are levied on 85 sheltered properties in three schemes.
18. Gas prices increased by 70% in June 2006 and all three schemes will be substantially in deficit in 2007/08. It is therefore proposed that these charges rise by 50%. This will wipe out the deficit on one scheme and significantly reduce those on the other two.

GARAGES

19. It is proposed that garage rents should increase by 5%, this increase is not subject to rent restructuring and is therefore at the discretion of the Council.

COTSWOLD HOUSE

20. Proposals for rents and charges at Cotswold House will be submitted to the February Cabinet meeting

RESULTS OF CONSULTATION

21. At the meeting with the Tenants Investment Group and the Tenants Forum Committee on 18 December the main area of concern was the large increase in heating charges, but clearly the increase is justified in terms of the increases in tariffs that have occurred.

COMMENTS OF THE DIRECTOR OF HUMAN RESOURCES

22. There are no Human Resources implications to this report.

RECOMMENDATION(S)

23. It is recommended that the rents and charges detailed in Appendix 1 be approved i.e.
- An average rent increase of 4.99%.
 - An increase of 4.1% in the existing sheltered accommodation and general needs environmental charges, and the second tranche of unpooling of those charges
 - That the charges for Supported Housing, the Tunstall alarm system and the Lifeline alarm system be increased by the same amount as the change in SPG funding, once known
 - Removal of remaining protection from the support charge
 - Scrapping of the charges for fridges and cookers
 - An increase of 50% in heating charges in sheltered property despite a 70% increase in energy costs.
 - A 5% increase in garage rents

REASONS FOR RECOMMENDATION(S) (If the recommendations are accepted)

24. The recommendations comply with the Governments guidance on rents and service charges and are consistent with the Business Plan of Chorley Community Homes.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

25. None.

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

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Gordon Whitehead	5480	19 January 2006	ADMINREP/REPORT

HOUSING RENTS AND CHARGES – 2007/08

Item	Current Charge (£)	Proposed Charge (£)
Increased by 5%	50.57	53.09
Increase by 5%	7.38	7.75
Full Service (provisionally increased by 1.1%) Partial Service (provisionally increased by 1.1%) In 2006/7 some tenants were protected at a lower charge. That protection will end in 2007/8 and each tenant will be charged the full or partial rate applicable to his/her dwelling	13.25 6.38	13.40 6.45
Sheltered Tenants (50% increase) Sheltered Managers (50% increase)	3.85 5.75	5.77 8.62
Tunstall (provisionally increased by 1.1%) Lifeline/patron alarms (provisionally inc' by 1.1%) Cookers (delete) Refrigerators (delete)	3.62 2.32 0.20 0.20	3.66 2.35 0 0
Sheltered property General needs dwellings Band 1 General needs dwellings Band 2 General needs dwellings Band 3 All increased by 4.1%	1.09 to 1.60 0.45 0.90 1.60	1.13 to 1.67 0.47 0.94 1.67

Note In all cases the charges shown are collected for 48 weeks of the year.

Appendix 2

Impact of Rent Increase – Examples (all over 48 weeks)

		Current Rent 2006/07	Property Valuation	Formula Rent 2007/08	New Rent 2007/08	Increase	Increase
		£	£	£	£	£	%
Adlington	1 Bed Bungalow	44.49	30000	58.08	46.71	2.22	5.0
Euxton	1 Bed Bungalow	42.51	27500	56.96	44.63	2.12	5.0
Heath	1 Bed Bungalow	40.55	30000	58.08	42.59	2.04	5.0
Charnock	1 Bed Bungalow	44.80	33250	59.52	47.05	2.25	5.0
Heapey	1 Bed First Floor Flat	46.62	30000	58.08	48.96	2.34	5.0
Adlington	1 Bed First Floor Flat	41.99	24000	55.39	44.09	2.10	5.0
Chorley	1 Bed First Floor Flat	46.71	23500	55.17	49.05	2.34	5.0
Chorley	1 Bed Grnd Floor Flat	45.87	25000	55.84	48.17	2.30	5.0
Clayton le Woods	1 Bed Grnd Floor Flat	40.16	22500	54.73	42.16	2.00	5.0
Chorley	2 Bed House	50.72	33750	64.72	53.26	2.54	5.0
Adlington	2 Bed House	61.76	38000	66.61	64.85	3.09	5.0
Hoghton	3 Bed Bungalow	70.44	35000	70.24	72.72	2.28	3.2
Croston	3 Bed Grnd Floor Flat	56.22	22000	64.43	59.02	2.80	5.0
Coppull	3 Bed House	66.33	38000	71.58	69.65	3.32	5.0
Chorley	3 Bed House	59.93	43000	73.82	62.93	3.00	5.0
Eccleston	3 Bed House	60.79	47500	75.83	63.84	3.05	5.0
Heskin	3 Bed House	60.61	47500	75.83	63.65	3.04	5.0
Mawdesley	3 Bed House	60.21	42500	73.59	63.22	3.01	5.0
Charnock	3 Bed House	61.42	47000	75.60	64.48	3.06	5.0
Richard	3 Bed House	64.38	45500	79.90	67.60	3.22	5.0
Heapey	4 Bed House	71.93	47000	80.56	75.53	3.60	5.0
Chorley	4 Bed House	66.46	51000	82.35	69.79	3.33	5.0
Brinscall	4 Bed House	63.84	32500	74.09	67.04	3.20	5.0
Euxton	Bedsit - Ground Floor	37.16	18000	47.75	39.02	1.86	5.0
Chorley	Bedsit - Ground Floor	34.50	18000	47.75	36.23	1.73	5.0
Coppull	Bedsit	41.57	29500	52.89	43.65	2.08	5.0
Whittle le Woods	Bungalow						

Range of Rent Increases 2007/08

Less than £1 per week	1	£2.51 to £3 per week	973
£1 to £2 per week	214	£3 to £3.50 per week	428
£2 to £2.50 per week	1,297	£3.51 to £3.85 (maximum)	10

In percentage terms 2,904 property rents have increased by 5%, with the rest increasing by a smaller amount.

Appendix 3

Sheltered Housing

Scheme	Service Charge at cost 2006/07	Amount unpooled in 2006/07	Amount to be unpooled in 2007/08	Amount to be unpooled in 2008/09	Amount to be unpooled in 2009/10	Amount to be unpooled in 2010/11
Arcon House	£7.76	£1.60	£1.54	£1.54	£1.54	£1.54
Eldon House	£7.76	£1.60	£1.54	£1.54	£1.54	£1.54
The Willows	£7.76	£1.60	£1.54	£1.54	£1.54	£1.54
The Heys	£1.24	£1.24				
Charnock Richard	£1.49	£1.49				
Eccleston	£3.46	£1.60	£1.05	£0.81		
Heapey	£2.35	£1.60	£0.75			
Heath Charnock	£1.09	£1.09				
Hurst Green	£4.91	£1.60	£0.83	£0.83	£0.83	£0.82
Church Hill	£1.60	£1.60				
Calder/Hodder	£1.66	£1.60	£0.06			

The service charges cover the cost of Caretaking, Repairs and Utilities in Communal Areas, Grounds Maintenance, and related administrative support costs.

General Needs Housing

Band 1	£0.45	£0.45				
Band 2	£0.90	£0.90				
Band 3	£1.80	£1.60	£0.20			
Band 4	£2.71	£1.60	£1.11			

The charge to general needs properties covers grounds maintenance