

HRA, Rents and Service charges 2005-06

**PRESENTATION TO
EXECUTIVE**

8th February 2005

BACKGROUND

- Office of the Deputy Prime Minister (ODPM) introduced Rent restructuring from 2002-03.
- Intention being that:-
 - Social rents should remain affordable and well below those in the private sector
 - Social rents should be fairer and less confusing for tenants
 - There should be a closer link between rents and the quality of services tenants expect
 - Rents of Local Authorities (LA's) should be in line with Registered Social Landlords (RSL's)
- To achieve this, the ODPM have set Target (Formula) rents for both Local Authorities and RSLs that are based on local earnings and property values.

CURRENT POSITION

- Rents - defined as all charges associated with the occupation of a dwelling such as maintenance and general housing management services.
- Service charges - reflect additional services which may not be provided to every tenant or which may be connected with common facilities rather than particular to occupation of a dwelling
- Formula rent - Government set target rent for all local authorities, to be achieved by 2011-12. It does not include service charges
- ODPM are encouraging LA's to identify service charges separately based on the actual cost of services to individual properties. This will allow tenants to see what they are getting for their money and to assess the reasonableness of the charge.

CURRENT POSITION - LONDON

- A Survey of Rents and Service charges of London boroughs was undertaken last year.
- Summary of service charges are:-
Of the 28 boroughs surveyed;
 - 19 have already unpooled rents and set up service charges
 - 6, including B&D were considering unpooling from 05-06
 - 3 are deferring until later years.

CURRENT POSITION - LONDON

- Of the 19 authorities that have introduced service charges, the main services and average charges are as follows:-

Services unpooled	Ave charge
Grounds maintenance	0.84
Caretaking service	1.83
Communal lighting	0.58
Estate cleaning	1.46
Door entry systems	0.65

CURRENT POSITION - LONDON

- Average service charges in London are £5.98
- Average rents in London are £69.56
- Barking and Dagenham have the 2nd lowest rents at £60.65, some £8.91 (13%) below the average.
- As the rents for most London Boroughs now exclude service charges, it will no longer be possible to make comparisons unless our service charges are also separated out.

LONDON RENTS 2004/5 – TOP HALF

Westminster	85.11
Wandsworth	82.48
Hillingdon	80.68
Kensington	79.52
Kingston	77.58
Harrow	77.42
Brent	76.96
Redbridge	73.75
Camden	73.22
TowerHamlets	73.12
Islington	72.77
Waltham Forest	72.71
Ealing	70.91
Croydon	70.33

LONDON RENTS 2004/5 – BOTTOM HALF

Enfield	69.88
Hackney	68.97
Haringey	68.91
Hammersmith	68.55
Barnet	67.12
Merton	66.88
Southwark	66.76
Sutton	65.52
Greenwich	64.95
Hounslow	64.80
Newham	62.56
BARKING AND DAGENHAM	60.65
Havering	55.30

RENT PROPOSALS 2005-06

- Rents to increase by average of £2.25 per week in line with ODPMs Rent Restructuring formula
- Average increase for Houses = £2.85
- Average increase for flats = £1.72

RENT PROPOSALS 2005-06

- **HRA estimates include provision for the following identified pressures and savings**
- **Pressures**
 - Tri-annual pension review
 - Customer First contributions
 - Increasing corporate capacity by introducing CDC costs.
 - Need for cyclical painting programme
 - Implementation of Housing Futures
- **Savings**
 - Direct management costs reduced by 1%
 - Review of Landlord Services and Policy Division
 - Reduction in Central Support recharges
 - Reduction in amenity greens recharge

SERVICE CHARGE PROPOSALS

- Depool caretaking service and communal greens from April 2005
- Depool Door entry systems from 2006-07
- Phase in increases over a number of years
- Service charge increase for 2005-06 to be capped at £1 per week
- All rents + services charge increase will be subject to cap (RPI + ½% + £2)
- All service charges will be eligible for Housing Benefit

EXAMPLE FOR 1 BED HIGH RISE FLAT

Year	Formula rent	Actual rent	Service charge	Rent + service charge	Increase/decrease	Cap
	£ p	£ p	£ p	£ p	£ p	£ p
2005/06	48.37	55.53	1.00	56.53	1.96	4.04
2006/07	50.32	56.49	2.00	58.49	1.96	4.11
2007/08	52.35	57.45	3.00	60.45	1.96	4.18
2008/09	54.46	58.41	4.00	62.41	1.96	4.25
2009/10	56.65	59.37	5.00	64.37	1.96	4.32
2010/11	58.93	60.33	5.00	65.33	0.96	4.35
2011/12	61.31	61.31	5.00	66.31	0.96	4.39

EXAMPLE OF 3 BED HOUSE

Year	Formula rent	Actual rent	Service charge	Rent + service charge	Increase/decrease	Cap
	£ p	£ p	£ p	£ p	£ p	£ p
2005/06	74.00	69.61	0.00	69.61	4.03	4.51
2006/07	76.98	73.64	0.00	73.64	4.03	4.65
2007/08	80.08	77.67	0.00	77.67	4.03	4.80
2008/09	83.31	81.70	0.00	81.70	4.03	4.94
2009/10	86.67	85.73	0.00	85.73	4.03	5.09
2010/11	90.16	89.76	0.00	89.76	4.03	5.23
2011/12	93.80	93.80	0.00	93.80	4.03	5.38

COMPARISON OF EXAMPLES

Year	1 bed flat	3 bed house	Difference	Difference
	£ p	£ p	£ p	%
2005/06	56.53	69.61	13.08	19
2006/07	58.49	73.64	15.15	21
2007/08	60.45	77.67	17.22	22
2008/09	62.41	81.70	19.29	24
2009/10	64.37	85.73	21.36	25
2010/11	65.33	89.76	24.43	27
2011/12	66.31	93.80	27.49	29

TIMETABLE

- Exec report 8 February
- Meeting with Resident representatives 10 February
- CHPs March
- Letter/briefing note to all tenants – late February
- Charges commence April 2005
- Set up Rents Focus Group – volunteers please