

## County Council

27 February 2009



### Setting Rents for Sedgfield Borough Council Area 2009/10

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#### **Report of Stuart Crowe, Corporate Director of Resources [Cabinet Portfolio Member for Corporate Resources - Councillor Michele Hodgson]**

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#### **Purpose of the Report**

- 1 This report is presented to Members to enable them to agree to the level of house and garage rents to be set for Sedgfield Borough Council tenants prior to the transfer of all stock under Large Scale Voluntary Transfer (LSVT) to Sedgfield Borough Homes. The report also asks Members to approve an increase in service charges for those with communal heating schemes.

#### **Background**

- 2 At its meeting on 25<sup>th</sup> April 2008 Durham County Council's Implementation Executive agreed to a proposal by Sedgfield Borough Council to transfer its Housing Stock and associated land to a standalone Registered Social Landlord.
- 3 This approval was given in accordance with guidance issued by CLG and was subject to a successful tenants' ballot, consent from the CLG and that the terms and conditions of the agreement were to the satisfaction of the Director of Resources.
- 4 The tenants of Sedgfield were balloted on the proposal of LSVT to a new Registered Social Landlord, Sedgfield Borough Homes, in the summer of 2008.
- 5 Following a strong turnout of around 67% there was significant support to transfer with 74% voting in favour. This follows a similar pattern to Chester-le-Street, Derwentside and Teesdale where LSVT has previously taken place.
- 6 Given the strong mandate from tenants Sedgfield Borough Council agreed to continue with the housing stock transfer in August 2008 and significant work has been undertaken to progress the project.
- 7 Government Office North East and the Department for Communities and Local Government [DCLG] have supported the proposals and the Director of Resources is satisfied that the terms and conditions provide a robust and financially prudent agreement. The Transfer is expected to go ahead on 30<sup>th</sup> March 2009.
- 8 Until transfer takes place the Council remains the legal owner of the properties and retains responsibility for setting tenants' rents for the financial year 2009/10,

although if the transfer goes through as expected, Sedgefield Borough Homes would collect rents from tenants to enable them to deliver ongoing services and promises as laid out in the offer document.

- 9 Tenants must receive written notification of their new rent by no later than 6<sup>th</sup> March in order to comply with statutory notice periods.
- 10 In common with the other areas where housing stock is still owned and managed by the Council the responsibility for setting rents for 2009/10 moves from the District areas to Durham County Council prior to it taking on its Unitary status from the 1<sup>st</sup> April.

## **2009/10 Requirements**

### **Rents**

- 11 Members of Cabinet have previously been appraised of the Housing Subsidy system, rent convergence and the transitional arrangements for 2009/10 via the issue of separate subsidy determinations for Districts that will form part of the new Durham County Council from April 2009.
- 12 These arrangements allow for the continuation of the setting of rents in line with convergence policy and moving towards guideline rents based on the general assumption that rents in all parts of the social landlord sector should be broadly similar.
- 13 This information has been used to determine rents in all of the areas that the Council will continue to have responsibility for and to draw together a consolidated Housing Revenue Account (HRA) for 2009/10.
- 14 No elements of Sedgefield Borough Council's existing HRA and draft subsidy determinations have been included in the Account based on the expectation that the LSVT will take place on the 30<sup>th</sup> March 2009. However, the information supplied by DCLG is still required to form the basis of the rent levels for those tenants transferring.
- 15 Rent convergence methodology still applies and as part of the consultation with tenants and explicit within the offer document Sedgefield Borough Homes will still be bound to following the Governments policy. The offer document states: -
  - House Rents would rise by no more than inflation plus 0.5% plus up to £2 per week until the target has been reached.
  - Rent Convergence would be achieved by 2016/17
  - Sedgefield Borough Homes' spending plans are based on rent rises of no more than inflation plus 0.5% once target rent has been reached.
- 16 Application of the formula for 2009/10 requires average increase in house rents of 6.58%, making the average rent in the Borough £63.31, with the range of increases being between £2.45 and £6.31 per week [based on 47rent weeks per annum].

## **Garage Rents**

- 17 Sedgefield Borough Council currently charges £5.70 for a garage and £2.85 for a motorcycle garage per week. It has been the Council's policy to increase these rents in line with the house rent proposals contained in DCLG's housing subsidy determinations and for 2009/10 it is again intended to follow this policy. The rents for 2009/10 would therefore be £6.00 and £3.00 respectively

## **Communal Heating Charges-Grouped Accommodations**

- 18 The Council also has a responsibility to determine heating charges for tenants in grouped accommodations. Whilst the Borough Council has previously had a very good record at being able to hold prices to the tenants significant increases in both gas and electricity prices in recent years have meant that it was necessary to increase the charges from April 2006 for the first time in 9 years and increase them again with effect from 1<sup>st</sup> April 2007 and 2008.
- 19 During 2008/09 the Borough Council has continued to monitor the costs of both gas and electricity used in the communal heating schemes and whilst the account is still in deficit a combination of contract price monitoring and energy efficiency measures has seen the projected under recovery for 2009/10 contained to about £60,000.
- 20 In line with the decision taken during the 2008/09 budget setting round Sedgefield Borough Homes will follow the Council's policy and continue to make staged increases in the charges over the next few years to fully recover the energy costs incurred and as a result a 8% increase will be applied during 2009/10. Current charges range between £3.15 for a one-person bed-sit to £9.67 for a three-bedroom flat. Similar charges for 2009/10 would range between £3.40 and £10.44 per week.
- 21 One change that was introduced in 2007/08 was to split the charge to the tenants between a contribution to the heating of the communal facilities and the heating of their own property, this change has allowed those tenants in receipt of housing benefit to mitigate some of the increased charges, for 2009/10 it is intended to continue with that policy.

## **Summary/Conclusions**

- 22 The LSVT to Sedgefield Borough Homes is progressing well and is on track to take place on 30<sup>th</sup> March 2009.
- 23 The timing of the transfer requires that the County Council agree the rent levels for 2009/10 to allow for statutory notification procedures to be complied with. The level of increase follows the rent convergence formula moving tenants towards guideline rent.
- 24 A number of tenants within the Sedgefield Borough area receive heating via communal schemes for which the cost recovery is via a service charge. Due to the escalation in prices in recent years Sedgefield Borough Council agreed to stage the increase and lessen the impact on the tenant. As the account is still in deficit then prices need to be increased for 2009/10.

## Recommendations

25 It is recommended that :

- Members note that the Transfer of Sedgfield Borough Council's Housing Stock to a standalone Registered Social Landlord is still expected on 30<sup>th</sup> March 2009.
- Members agree the increase in house rents for Sedgfield Borough Council Tenants for 2009/10 in advance of the transfer to Sedgfield Borough Homes. The average rent increase would be £3.91 though increase would range between £2.45 and £6.31.
- Members agree the increase in garage rents for Sedgfield Borough Council Tenants for 2009/10 in advance of the transfer to Sedgfield Borough Homes. Garage and Motorcycle garage rents would become £6.00 and £3.00 respectively.
- Members agree to increase service charges for communal heating schemes at 8%.

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