

## **DERBY HOMES PROPERTY RENTS**

Report of the Director and Company Secretary

### **1. SUMMARY**

Derby Homes owns ten properties of its own. The rent needs to be increased each year to ensure the overall financial viability of the project. Rental policy needs to be agreed for the future. This report recommends increasing rents each year in line with target rent increases, and formally consulting the tenants on this approach.

### **2. RECOMMENDATION**

- 2.1 The Board agreed to consult its tenants on a proposal to automatically increase rents each year by the regular increase in target rents, based on September RPI plus 0.5% each year, starting in July 2013. The proposed consultation letter is attached.

### **3. MATTER FOR CONSIDERATION**

- 3.1 When the new Derby Homes properties were first let they were rented at the then current target rent. These rents need to be reviewed each year.
- 3.2 The ten properties were constructed using a financial model that requires regular rent increases each year in line with target rent. Each year, target rents are increased from April nationally at the rate of the previous September's RPI increase plus 0.5%. This year the relevant RPI was 2.6%, and hence the correct increase this year would be 3.1%.
- 3.3 Under the grant agreement with the Homes and Communities Agency (HCA), only one increase in any twelve month period is permitted. It is proposed that tenants be informed of this increase and given the normal four weeks' notice, so that the rent increase would come in from July 2013.
- 3.4 A consultation letter is attached at Appendix 1 and indicates that the increase would be 3.1% for next year's rent, and thereafter by RPI plus 0.5% each year.
- 3.5 This would remove the need for future consultation each year unless there needed to be a change in that policy – it is also a requirement of the grant agreement that rents are not increased any faster than this amount. Tenants could still feed back into the consultation required for Council tenants' rents each year which will continue as normal. This proposal gives a clear rental policy within the terms of the Grant agreement with the HCA, without requiring further approvals to be given by the Board each year. Feedback on the consultation – which will run until the end of January – will be given to the Board at its meeting in March when a final decision on the rent policy can be made for the long term.

- 3.6 The eight 4 bedroom homes will therefore all be charged the same in future at £108.02 a week (previously £104.77 a week). The two 2 bedroom flats will be charged at £80.42 a week (from £78).
- 3.7 This report does not apply to the five properties held under an agreement with the Derwent New Deal where separate arrangements apply.

#### **4. CONSULTATION IMPLICATIONS**

Consultation with Council tenants is necessary each year, and it is proposed that the underlying rental policy suggested here would be able to be discussed within that same process. In effect, the proposal is that target rents be continued each year until further notice.

#### **5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS**

Without rent increases each year, future developments would not be financially viable, as it is these increases which fund the costs of such development. This development was based on an assumption of annual rental increases in line with target rents.

#### **6. EQUALITIES IMPACT ASSESSMENT**

- Does this report affect the delivery of a service Yes
- Has an Equality Impact Assessment been completed No (please attach as appendix)
- If no Equality Impact Assessment has been completed please provide a summary of the equalities implications – all tenants have been treated equally in this respect.

The areas listed below have no implications directly arising from this report:

Legal and Confidentiality  
Council  
Personnel  
Environmental

Health & Safety  
Risk  
Policy Review

If Board members or others would like to discuss this report ahead of the meeting please contact the author.

Author: David Enticott / Director and Company Secretary / Phone 01332 888529/ Email david.enticott@derbyhomes.org

Background Information: None

Supporting Information: None

**Our reference**

**Date**

December 2012

**Contact**

Barbara Peach

**Telephone**

01332 888777

**Email address**

Barbara.peach@derbyhomes.org

Dear

**CONSULTATION ON AN INCREASE TO RENTS**

This letter tells you about Derby Homes' proposal for increasing your rent from July 2013, and again each July thereafter.

Under the terms of the grant agreement with the Homes and Communities Agency (HCA) that Derby Homes entered into in order to be able to finance the building of your home, rents can be increased only once in any twelve month period and are limited to an initial figure plus a figure based on 0.5% above the rate of inflation - normally based on the previous year's September Retail Prices Index (RPI).

This year's RPI is 2.6% and therefore RPI + 0.5% is 3.1%

Derby Homes is therefore proposing:

- To increase your rent by 3.1% from the first week in July 2013
- To increase your rent by RPI plus 0.5% in all subsequent years unless and until further consultation on rent levels occurs. This is unlikely to occur in the near future as we are governed by the grant agreement with the HCA

Derby Homes is seeking your views on this increase, both for next year and into the future. We would be grateful if you could reply to our questions on the attached sheet.

Yours faithfully

David Enticott  
Director and Company Secretary

## Consultation on an Increase to Rents – Page 2

Proposal	2013 increase 3.1%	Future years September RPI + 0.5%
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This increase was built into the business case to finance the building of your home. Without annual increases to your rent Derby Homes would not be able to finance the debt on your home in the long term.

Please tick any boxes that represent your views:

I agree that this method of setting increases is reasonable [ ☐ ]

I think that the proposed rent is reasonable for what I get [ ☐ ]

I'm not happy about the increase but accept it is necessary [ ☐ ]

I think a 3.1% increase is excessive [ ☐ ]

I think RPI +0.5% in the future is excessive [ ☐ ]

Please return by 14 January 2013 to:

Barbara Peach  
Derby Homes  
Cardinal Square  
Nottingham Road  
Derby