

DERBY HOMES PROPERTY RENTS

Report of the Director and Company Secretary

1. SUMMARY

Derby Homes owns ten properties of its own. Initial rents were set for these properties in 2011 at the then target rent. The rent needs to be increased each year to ensure the overall financial viability of the project. Rental policy needs to be agreed for both this year and the future. This report recommends increasing rents each year in line with target rent increases.

2. RECOMMENDATIONS

- 2.1 That the Board approves an increase in rents on its own ten properties for 2012/13 of 6.1%, to be implemented on 2 July 2012.
- 2.2 That the Board consults 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.

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 5.6%, and hence the correct increase this year would be 6.1%.
- 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 2 July 2012.
- 3.4 In addition, it is suggested that tenants are consulted about a policy for future rental increases for their homes which would limit increases to the increase in the target rent – that is based on the previous September's RPI plus 0.5% each year, imposed in the first rental week in July 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.

- 3.6 Three properties – Grampian Way 4 bedroom houses – have been marginally overcharged during 2011/12. As a result, around £500 too much rent has been received. This error will be corrected and backdated. The eight new 4 bedroom homes will therefore all be charged the same in future at £104.77 a week (previously £98.75 a week except Grampian Way £101.38), representing the grant agreement level. The two 2 bedroom flats will be charged at £78.00 a week (from £73.50).
- 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, or Phil Davies, Chief Executive, phil.davies@derbyhomes.org – Phone: 01332 888528

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

Background Information: None
Supporting Information: None