

Briefing on Rent Increase for West Hendon Estate- requested at Housing Committee on 27 April 2015

Increased Costs & Impact on Tenants

1 Rents

- 1.1 The rents for existing tenants moving into new homes at West Hendon are Target Rents, based on a formula calculated by Government. Local authorities have traditionally charged lower rents than Registered Providers. Target rents have been put in place in an attempt to develop a fairer system of rents in the social housing sector and to end the inconsistency between rents being charged by different landlords for similar properties in a similar locality.
- 1.2 The move to target rents will mean rent increases for current Council tenants. However, the rent charge is in line with other Registered Providers on new build homes in Barnet.
- 1.3 Metropolitan Housing Trust have acknowledged that information about rents for Phase 3a should have been provided to tenants sooner.
- 1.4 To address concerns of residents and in order to ease the transition, Metropolitan Housing Trust has agreed to subsidise rents for the initial 9 months of occupation. The rents will rise gradually over the 9 month period. This will help residents adjust their budgeting and enable those that can claim additional benefits to complete the process.

2 Service Charges

- 2.1 An assessment of residential service charge data across Barnet highlighted the fact that the average residential service charge for Council and RSL property in the borough is higher than the service charge currently paid by residents on the West Hendon Estate.
- 2.2 Barnet Homes currently operate a fixed rate service charge for all homes regardless of their size. However, the charge on the new apartments is payable on the relative floor area of the apartment. This means that the bigger a tenants apartment, the greater the service charge they will pay.
- 2.3 In order to help tenants adjust to the new service charge regime Barratt Metropolitan LLP (BMLLP) will be providing a 10 year service charge subsidy to existing tenants moving to the new homes at West Hendon.
- 2.4 For the first 5 years the subsidy will cover 100% of the increased service charge. This means that the service charge will remain at the level currently payable by tenants to Barnet Homes - £445.64 per annum.
- 2.5 From years 6 to 10, the service charge subsidy will reduce by equal amounts each year. At year 11 tenants will be paying the actual service charge due for their property.

3 Financial Inclusion Workshops

- 3.1 To help residents plan for the new rent and service charge regime, Metropolitan arranged two workshop sessions during March 2015.

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- 3.2 The workshops were tailored to individual circumstances and offered advice on benefits entitlement (e.g. family tax credit, child tax credit, etc), budgeting and debt advice and identifying other agencies capable of providing additional support.

4 Energy Service Company Standing Charge

- 4.1 In the new development residents will be required to pay a standing charge to the Energy Service Company (ESCo) for the combined heat and energy centre. To help residents adjust to this regime BMLLP have proposed a subsidy to residents over a 10 year period - with 5 years fixed and 5 years reduced subsidy each year – with no subsidy paid in Year 11.

5 Appendices

Further details on the above is set out in Appendix 1.

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APPENDIX 1 - West Hendon Cost Rise Summary Data

1 INCREASED COST OF LIVING

- 1.1 The figures below outline the increase in living cost moving from their existing homes to the new home on the West Hendon Development. The figures take into account, rent, council tax and service charge increases. The figures do not include Water charges, utility bills or the ESCo standing charge.

| Cost of living increase same unit size pw | LLB | MHT | Increase pw |
|---|------|------|-------------|
| 1 bed | £110 | £159 | £49 |
| 2 bed | £123 | £190 | £67 |
| 3 bed | £136 | £215 | £79 |
| | | | |

| | |
|----------------------------------|---------------|
| Moving from a 2 bed into a 3 bed | |
| 2 bed LLB | £123.06 |
| 3 bed MHT | £215.09 |
| Increase pw | £92.03 |

| | |
|----------------------------------|----------------|
| Moving from a 2 bed into a 4 bed | |
| 2 bed LLB | £123.06 |
| 3 bed MHT | £250.30 |
| Increase pw | £127.24 |

2 SUBSIDY

- 2.1 A Service Charge Endowment Fund has been set up to subsidise service charges for a period of 10 years. For the first 5 years residents are to pay the same amount they pay Barnet Homes for the services they receive (i.e. £8.56 pw) there is an annual increment of CPI. Following on the service charge subsidy will reduce in equal amounts for a further 5 years until the subsidy periods ends.
- 2.2 For those who are not claiming benefit but are on a low salary, in addition to the service charge subsidy there is a rent subsidy for 36 weeks to slowly bring the rent to full rent in week 37. (Rent subsidy 1 bedroom £526.88, 2 bed £633.63)
- 2.3 The actual living cost increase with the service charge subsidy in place for year 1-5 is detailed in the figure below.

| Cost of living increase same unit size with sc subsidy | LLB | MHT | Increase |
|--|-----|-----|----------|
| | | | |

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| | | | |
|-------|------|------|------------|
| 1 bed | £110 | £141 | £31 |
| 2 bed | £123 | £163 | £40 |
| 3 bed | £136 | £184 | £48 |
| 4 bed | | | |

The actual living cost increase with the service charge and rent subsidy in place for year 1-5 is detailed in the figure below.

| Cost of living increase same unit size with subsidies pw | LLB | MHT | Increase |
|--|------|------|------------|
| 1 bed | £110 | £126 | £16 |
| 2 bed | £123 | £146 | £23 |
| 3 bed | £136 | £166 | £30 |