



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

2014/15 Rent Report



PRESENTATION BY

Steve Mellor
&
Anthony Parkes

Main Purposes of Report

- To set out the proposed HRA Budget for 2014/15
- To set out proposals for rent increases in 2014/15



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Contents



- Process
- Self-Financing
- HRA Budget
- Rent Setting
- HRA Outlook
- Key Messages

Process

- TMO Board
- Scrutiny Committee
- Tenants Consultative Committee
- Key Decision by Cabinet Member



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Self – Financing



- Introduced in April 2012
- Replaced Housing Subsidy
- Aim is for Local Authorities to support their own housing stock from their own income
- Readjustment of historical debt
- Royal Borough debt increased by £24.9m

How is the HRA Budget made up?

- Gross Budget £56 million
- TMO Management Fee
- Managed TCC Budgets
- Council managed HRA budgets

TMO Management Fee 2014/15

- Management Fee to £10.5m
 - Inflation increase of 1% based on continued pay restraint
 - 2 additional welfare officers to mitigate the effect of benefit changes
 - Additional project officer on income generation projects
- TMO to maintain an operating surplus within the financial framework of the RBKC management fee including Lancaster West

TCC Managed Budgets 2014/15

£356k increase in costs 1.6% to £21.832m

- Responsive Maintenance increased by £118k to reflect inflation and the increase in job numbers with Repairs Direct
- Electricity, Heating and Hot Water increased by an estimate 5% £172k
- Provision for bad debts static at £723k. To be reviewed over the course of the year.

Income excluding rents increased by £179k to £16.008m

- Increase in Leasehold insurance recovery £189k
- Tenants service charges increased by £113k reflecting increases in pest control and health and safety services
- Commercial properties rents reduced by £80k on delay in lease

Council Budgets 2014/15

Overall Council managed budgets total £23.4m and comprise:

- Capital Charges 11.4m
- Depreciation/Transfer to Capital 9.4m
- Insurance 1.4m
- Recharges for Council Services 0.9m
- Development/Regeneration 0.3m



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Rent Setting - 1



- The budgeted income from dwelling rents in 2014/15 is 72% of total income
- National regime (Rent Restructuring)
- Constraints within national regime have prevented most properties from converging with their Target Rent
- Capital Expenditure requirements



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Rent Setting - 2



- Member Sub-Group – Options to increase rental income
- Move to Target Rent over 5 years, ignoring the national caps
- Maximum annual increase 10%
- Additional 7m over 5 years
- Average rent in 2014/15 £118.29
- An increase of 6.26%



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Comparison of 2013/14 Rents



	Average Rent per week	Target Rent per week
H+F	£ 99.48	£112.62
K+C	£111.32	£124.09
Wandsworth	£123.71	£121.09
Westminster	£116.79	£121.06

Budgets 2013/14 & 2014/15

All figures in £000	Original 2013/2014	Estimate 2014/2015
TMO	10,401	10,505
TCC Managed	-34,360	-36,600
Council	21,489	23,394
Net Expenditure(+)/Income (-)	-2,470	-2,701



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

HRA Outlook



- HRA working balance estimated to be £20.9m at 31/3/2015
- Medium Term Forecast
- Capital and Major Works reserve reducing – fully used by 31/3/2015



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Key Messages



- Revised formula used to calculate rents
- Average rent increase 6.26%
- Healthy Working Balance
- Opportunity to increase capital resources