

REQUEST FOR DMPC DECISION – DMPCD 2016-005

Title: Residential Rent Review 2016

Executive Summary:

In line with the approved policy MPS have undertaken the annual review to ensure that residential rents for officers who joined after September 1994 and are in occupation of residential accommodation, and for service charges for officers in section houses remain consistent with the change in Registered Social Landlords (RSL's) rents charged in London Boroughs.

Based on rental data relating to London based RSL's from the Homes and Communities Agency (HCA) the DMPC is now asked to approve the proposed rents set out in paragraph 2.2. If implemented the effect of the proposed increase will be to raise an additional £89,568 p.a.

Recommendation:

The DMPC is asked to approve the proposed rent and service charge levels as set out in paragraph 2.2

Deputy Mayor for Policing And Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature



Date

28/11/2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1. Introduction and background

- 1.1. The withdrawal of rent free residential accommodation for newly appointed officers was implemented with effect from September 1994 arising from the Sheehy Report.
- 1.2. The previously agreed policy is to annually review the rents and service charges for officer accommodation in line with the change in rents charged by Registered Social Landlords (RSL's) who operate in London Boroughs.

2. Issues for consideration

- 2.1. Currently there are 19 officers (25 last year) who have an assured shorthold tenancy or room licence, and a further 226 (323 last year) who occupy Section House accommodation. Further reductions in officers using this accommodation, which may impact on the income generated, may arise due to recruiting from the London-only area.
- 2.2. Based on HCA rental data for the increase in social housing rents across London Boroughs the proposed rent levels are

2 Bedroom Unit

Council Tax Band	2015-16 Monthly £	2016-17 Monthly £	Change Monthly £	Change %
A-D	535.50	566.50	31.00	5.78%
E	652.50	690.00	37.50	5.74%
F	766.00	810.00	44.00	5.74%
G	892.50	943.50	51.00	5.71%
H	1,069.50	1,131.00	61.50	5.75%

3 Bedroom Unit

Council Tax Band	2015-16 Monthly £	2016-17 Monthly £	Change Monthly £	Change %
A-D	610.00	643.00	33.00	5.41%
E	743.00	783.50	40.50	5.45%
F	877.00	924.50	47.50	5.42%
G	1,011.00	1,065.50	54.50	5.39%
H	1,215.50	1,281.50	66.00	5.43%

4 Bedroom Unit

Council Tax Band	2015-16 Monthly £	2016-17 Monthly £	Change Monthly £	Change %
A-D	641.50	674.50	33.00	5.14%
E	777.00	817.00	40.00	5.15%
F	922.00	969.50	47.50	5.15%
G	1,067.00	1,122.00	55.00	5.15%
H	1,280.50	1,346.50	66.00	5.15%

- 2.3. By way of comparison with private sector rents the average monthly rent for house/flats across London and in the City of Westminster where the core residential estate is located are set out below:

Bedroom	London-wide	City of Westminster
2	£2,572	£4,081
3	£4,781	£8,217
4	£7,833	£10,209

Section House

	2015-16 £	2016-17 £	Change £	Change %
Overnight	57.50	61.00	3.50	6.09
Weekly	127.00	134.00	7.00	5.51
Monthly	549.00	579.00	30.00	5.46

- 2.4. In addition, Appendix 1 shows the rents/service charges which would be charged if the existing levels were increased by 8.54% to be comparable with key worker rental levels.

3. Financial Comments

- 3.1. Based on the current level of tenants residential rent income is expected to be £158,970 in 2016/17, an increase of £8,208 from 2015/16.
- 3.2. Based on the current level of section house tenants section house service charge income is expected to be £1,570,248 in 2016/17. An increase of £81,360 from 2015/16.

4. Legal Comments

- 4.1. Officers living in MOPAC houses or flats and section house rooms occupy under either an assured shorthold tenancy or a room licence, respectively.
- 4.2. Assured Shorthold Tenancies have a statutory basis that originates from the Housing Act 1988 (as amended). Rent under the standard Assured Shorthold Tenancy and the standard licence for a section house room may be reviewed in accordance with the rent review clause(s) incorporated within the tenancy/licence document, provided adequate notice is given of the increase and the rent increase is in line with the market rate (and is not excessive). The report confirms the proposed rental increases are in line with charges made by other Registered Social Landlords.

- 4.3. The recommendations are within the DMPC's broad powers to do anything that is calculated or facilitated or conducive to its functions, and the increased rental charges supports the maintenance of an efficient MOPAC estate.

5. Equality Comments

- 5.1. There are no direct equality implications arising from this report

6. Background/supporting papers

- 6.1. MPS Briefing Appendix 1

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the MOPAC website within 1 working day of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of **this** form to be deferred? NO

If yes, for what reason:

Until what date (if known):

Is there a **part 2** form – NO

If yes, for what reason:

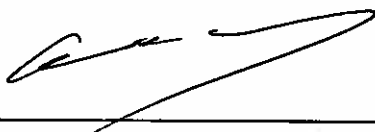
ORIGINATING OFFICER DECLARATION:

		Tick to confirm statement (✓)
Head of Unit: Alex Anderson has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.		✓
Legal Advice: The MPS legal team has been consulted on the proposal.		✓
Financial Advice: The SFRM Team has been consulted on this proposal.		✓
Equalities Advice: Equality and diversity issues are covered in the body of the report.		✓

OFFICER APPROVAL**Chief Operating Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature



Date

28/01/2016

REVIEW OF RESIDENTIAL RENT AND SERVICE CHARGES 1 APRIL 2016

Report by the Director of Commercial and Finance on behalf of the Commissioner

Summary

The MOPAC/MPS Residential Estates Strategy targets a maximum core holding of up to 200 Residential Quarters and no Section House rooms. As at December 2015, MOPAC are holding 203 Residential Quarters and 345 rooms in Section Houses. The MPS continue to administer 'Property Zone' through the property Services' Team. Property Zone links officers/staff searching accommodation in London with those registered social housing providers with whom MOPAC/MPS have links. It is intended to increase links to further providers as Section House accommodation diminishes in 2016/17.

The level of rent that is paid by those police officers who occupy accommodation within the MOPAC's residential estate is reviewed in April each year by reference to the rents that are charged by Registered Social Landlords such as housing associations.

Property Services have undertaken a review based on the rental data provided by the HM Government Homes and Communities Agency and recommend an increase in the annual rental charged across the estate of 5.71% for two bed houses; 5.39% for 3 bed houses; 5.13% for four bed houses and 5.41% for Section Houses, to be effective from 1 April 2016. The changes will impact 19 police officers living in residential quarters and 226 living in the section house estate.

A. RECOMMENDATIONS - That the DMPC:-

1. Approve the proposed increases in the level of residential rent to be charged in 2016/17 in respect of rents that are paid by police officers occupying houses or flats and rooms in section houses within the MOPAC estate in line with Homes and Communities Rate Increases.

B. SUPPORTING INFORMATION

Introduction

1. The current rental levels charged by MOPAC to those officers in occupation of residential accommodation are detailed in **Appendix 1**. The annual review of rents that the MOPAC charges is undertaken and implemented in April each year. Previously, MOPAC have directed that rental levels charged should be reviewed regularly to reflect changes made to

those rental levels charged by Registered Social Landlords (e.g. housing associations) which have tenanted properties in the London boroughs.

2. The MOPAC's standard assured short-hold tenancy and its standard room licence make provision for rent to be paid by those officers who joined after September 1994 when parts of the Sheehy Report were implemented. The changes in the Sheehy Report were implemented through Police Regulations which included the withdrawal of rent free residential accommodation for newly appointed officers. Where the MOPAC provides residential accommodation to eligible post-Sheehy officers the associated assured short-hold tenancy or room licence is subject to the payment of a rent; there are 19 officers in this category. A further 226 occupy Section House accommodation. Those officers who were appointed prior to the implementation of the Sheehy Report do not pay a rent but continue to be eligible for either a Housing Allowance or rent-free accommodation.
3. The Review of the Residential Rent and Service Charges links in with the MOPAC Residential Estate Strategy which targets a maximum core holding of up to 200 quarters and nil section house rooms by April 2017. As at December 2015, MOPAC are holding 203 Residential Quarters and 345 rooms in Section Houses. Based on the current trend in occupation levels the demand for accommodation is projected to remain unchanged until Spring/Summer 2016. The targets should be achieved.

Rent Review April 2016

4. Three options have been considered:-

Option 1 - Do nothing - nil rent increase.

Rental levels have increased across London in the last 12 months.

This Option would not reflect market changes and is not recommended.

Option 2 - Review rent in line with Market Comparators.

To date, MOPAC and previously the MPA, have reviewed rentals in line with the Home and Communities Agency data. This approach would show consistency and compliance to a Market Comparator.

Proposed Option.

Option 3 - Review rent in line with the Open Market.

Open Market rentals fluctuate. Current demand is outstripping supply and open market rents are considerably higher than current rents charged.

Not recommended.

- (i) Private sector rents across London range from £2,572 to £7,833 per month. In the City of Westminster, average private sector rents range from £4,801 to £10,209 per month for 2, 3 & 4 bedroom units
- (ii) Average University accommodation costs across London are £537 per month (National Union of Students). A comparison of Housing Association Key Worker shared accommodation monthly rents indicates that they start at £610 per month and upwards
- (iii) Key Worker type accommodation is available at rents which are on average 8.54% higher than the current rents charged on MOPAC residential properties.

Option 2 - Review rent in line with Market Comparators

5. A review of the MOPAC's residential rents has been undertaken in conjunction with an analysis of rental data published by The Homes and Communities Agency ('HCA'), whose data has been used to inform the level of rent for the MOPAC residential estate. The data draws upon all rents charged by providers of social housing within the London boroughs.
6. There has been a small increase in the social housing rents levied across London, pressure on the rental market increases and levels of housing stock cannot meet demand. Rents have increased in year within the range 5.13% to 5.71%, depending upon the size of individual units. The average being 5.41%.
7. Based on the review of the rental data published by the HCA as detailed in Appendix 2, the following rental increases are proposed (Based on Council Tax Band A-D):-
 - 2 bed flat - 5.71% or £566.50 pcm compared to average private rental £2,772 pcm
 - 3 bed flat - 5.39% or £643.00 pcm compared to average private rental £4,781 pcm
 - 4 bed flat - 5.13% or £674.50 pcm compared to average private rental £7,833 pcm
 - Section Houses - 5.41% or £579.00 pcm compared to £610 pcm upwards for Key Worker space

C. OTHER ORGANISATIONAL & COMMUNITY IMPLICATIONS

Equality and Diversity Impact

1. The MPS policies on equal opportunities and diversity apply to the content of the review and the management of the residential estate. The level of rent is related solely to each property's value not to the occupying tenant.

There are 245 Police Officers who will be directly affected by this rent review. The Police Federation have been notified of these proposals and have offered no comment in regard to the increase rentals. The proposals have been supported by Management Board leads.

Value for Money

2. The residential rent review reflects market conditions across London and will ensure MOPAC minimise the financial impact that arises from the management of the residential estate.

Financial Implications

Revenue Implications

3. In respect of rental income from quarters the forecast income for 2016/17 is £158,970 and is based on 19 rent paying officers. Current rental levels are £150,762, increasing the rental charges by the proposed amounts increases rental income by £8,208 p.a.

4. In respect of Section Houses the forecast income for 2016/17 is £1,570,248 based on 226 service charge payers. Current rental levels are £1,488,888. Increasing the service charge by the proposed amounts increases income by £81,360 p.a. Rental income is allocated against the revenue budgets for Property Services and the proposed increases are built into the Revenue Programme for 2016/2017.

Capital Implications

5. There are no Capital impacts as a result of this proposal.

Legal Implications

6. Officers living in MOPAC houses or flats and section house rooms occupy under either an assured short-hold tenancy or a room licence, respectively.
7. Assured Short-Hold Tenancies have a statutory basis that originates from the Housing Act 1988 (as amended). Rent under the standard Assured Short-Hold Tenancy and the standard licence for a section house room may be reviewed in accordance with the rent review clause(s) incorporated within the tenancy/licence document, provided adequate notice is given of the increase and the rent increase is in line with the market rate (and is not excessive). The report confirms the proposed rental increases are in line with charges made by other Registered Social Landlords.

Under Paragraph 7 (1) of Schedule 3 of the Police Reform and Social Responsibility Act 2011, MOPAC are allowed to do anything that is calculated or facilitated or conducive to its functions, and the increased rental charges supports the maintenance of an efficient MOPAC estate.

Environmental Implications

8. There are no specific environmental implications as a result of this review of residential rent and service charge.

Risk Implications

9. The future demand for both Residential Quarters and Section House rooms may decrease during 2016/2017 due to the likely impact of the MPS only recruiting police officers from the London area and due to the success of the MOPAC/Peabody Housing Pilot Scheme. Peabody Housing has already released 15 properties for Police Constables to rent at affordable rents. MOPAC are planning on approaching other Housing Associations with the G15 to expand the scheme further. Unless residential rents are reviewed there could be a further deterioration in rental income and disconnect with corporate budgets in 2016/17 in addition to the current recruitment policy and housing schemes impact on the demand for both Residential Quarters and Section House Rooms.

Report Author: Jane Bond, Director of Property Services

Contact: Melanie Spooner, Residential Estate Manager, Estate Management

Background Papers

- Statistical data return published by the Homes and Communities Agency.
- MPA Finance Committee Report - Review of Residential Rent and Service Charge 16 February 2006.
- MPA F & R Committee Report - Estates update paper (Residential Rent Review, paragraphs 18-21) 11 February 2010.

MOPAC: RESIDENTIAL RENTAL CHARGES 2014/2015 OPTION ONE**APPENDIX 1****RESIDENTIAL QUARTERS - RENTS PROPOSED RENTAL :
1 APRIL 2015**

<i>Increase this year:</i>		3.21%	2.96%	2.67%	Average 2.95%
COUNCIL TAX BAND	2 BEDROOMS	3 BEDROOMS	4 BEDROOMS	Average Private House+Flat Rents *1 (Not by Council Tax Band)	
	Monthly £	Monthly £	Monthly £	London Monthly £	
A - D	535.50	610.00	641.50	2 Bed - £2,383 3 Bed - £3,731 4 Bed - £5091	
E	652.50	743.00	777.00	Westminster Monthly £ 2 Bed - £3,791 3 Bed - £7,002 4 Bed - £10,915	
F	766.00	877.00	922.00		
G	892.50	1011.00	1067.00		
H	1069.50	1215.50	1280.50		

*1 data from
www.zoopla.co.uk

SECTION HOUSE RENTS : 1 APRIL 2015

<i>Increase this year:</i>		2.95%	2.95%	2.95%	Average 2.95%
PERSONNEL	Overnight £	Weekly £	Monthly £	Average *2 University Student Accommodation £512 per month	
Police Officers and Staff	57.50	127.00	549.00	Key worker *3 shared type accommodation Monthly cost from £600 upwards	

*2 data from National
Union of Students
*3 data from London
Housing Associations

Estate Management [EM], Property Services

Dated: December 2014

**RESIDENTIAL QUARTERS - RENTS PROPOSED RENTAL :
1 APRIL 2016 BASED ON MARKET COMPARABLES
PREFERRED OPTION**

<i>Increase this year:</i>	5.71%	5.39%	5.13%	<i>Average</i> 5.41%
COUNCIL TAX BAND	2 BEDROOMS	3 BEDROOMS	4 BEDROOMS	Average Private House+Flat Rents *1 (Not by Council Tax Band)
	Monthly £	Monthly £	Monthly £	London Monthly £
A - D	566.50	643.00	674.50	2 Bed - £2,572 3 Bed - £4,781 4 Bed - £7,833
E	690.00	783.50	817.00	Westminster Monthly £ 2 Bed - £4,801 3 Bed - £8,217 4 Bed - £10,209
F	810.00	924.50	969.50	
G	943.50	1065.50	1122.00	
H	1131.00	1281.50	1346.50	

*1 data from
www.zoopla.co.uk

SECTION HOUSE RENTS : 1 APRIL 2016

<i>Increase this year:</i>	5.41%	5.41%	5.41%	<i>Average</i> 5.41%
PERSONNEL	Overnight £	Weekly £	Monthly £	Average *2 University Student Accommodation £537 per month
Police Officers and Staff	61.00	134.00	579.00	Key worker *3 shared type accommodation Monthly cost from £610 upwards

*2 data from National Union of Students
*3 data from London Housing Associations

Estate Management [EM], Property Services

Dated: December 2015

MOPAC: PROPOSED RESIDENTIAL RENTAL CHARGES 2016/2017
BASED ON KEY WORKER RENTALS
OPTION THREE

APPENDIX 3

RESIDENTIAL QUARTERS - PROPOSED RENTAL £163,698 (an increase of £12,936) from 1 APRIL 2016

Average

Increase this year:

8.54%

8.54%

8.54%

8.54%

COUNCIL TAX BAND	2 BEDROOMS	3 BEDROOMS	4 BEDROOMS
	Monthly £	Monthly £	Monthly £
A - D	581.50	662.50	696.50
E	708.50	806.50	843.50
F	831.50	952.00	1001.00
G	969.00	1097.50	1158.50
H	1161.00	1319.50	1389.50

SECTION HOUSE RENTS : PROPOSED RENTAL £1,616,352 (an increase of £127,464) from 1 APRIL 2016

Average

Increase this year:

8.54%

8.54%

8.54%

8.54%

PERSONNEL	Overnight £	Weekly £	Monthly £
Police Officers and Staff	62.50	138.00	596.00

Increasing rental levels by 8.54% from April 2016 will result in an annual income of £163,698 (based on current occupancy levels) for residential houses and £1,616,352 (based on current occupancy levels) for Section House accommodation.

Asset Management [EM], Property Services

Dated: December 2015

