

COMMITTEE:	CABINET
DATE:	13th February 2003
SUBJECT:	Council Housing Rent Setting and outline of Housing Revenue Account Budget for 2003/04
REPORT OF:	Head of Housing Management
Ward(s):	All
Purpose:	To inform Members of the rent setting levels for 2003/04 for all of Eastbourne Borough Council's housing tenants and to outline the Housing Revenue Account Budget for 2003/04.
Contact:	Janet Canny, Head of Housing Management, Telephone 01323 415306 or internally on extension 5306.
Recommendations	<p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Agree that the housing rents are set with an average increase of 2.62% with effect from the 7th April 2003. 2. Agree that garage rents are set with an increase of 2.6% in line with the rent increase 3. Agree the arrangements for an average 2.4% increase on service charges, following the determinations of and implementation of the supporting people financial regime
1.0	<u>Background</u>
1.1	Cabinet on the 5 th December 2001, agreed that Eastbourne Borough Council housing rents would in future, be set in accordance with the Governments proposals to achieve rent convergence over a ten year period. In effect, future rents for all social housing tenancies would be set utilising a specific formula.

1.2	<p>In simple terms, using this new formula, the weekly target rent for each property is equal to:</p> <p>70% of the average rent for the sector (Local Authority or RSL)</p> <p>Multiplied by the relative County earnings</p> <p>Multiplied by the bedroom weight</p> <p>PLUS</p> <p>30% of the average rent for the sector (Local Authority or RSL)</p> <p>Multiplied by the relative property value (set at 1999 levels)</p>
1.3	<p>Local Authorities have some discretion in moving overall to a position of being within 5% of target rents, within the next ten years. However, this would need to be balanced with the potential changes to be made to housing subsidy, details of which are found later in this report.</p>
1.4	<p>The Government has emphasised that it does not want any household to experience any dramatic increase or decrease in their weekly rent levels. Therefore they are limiting any changes in rent to a maximum of £2.00 per week, plus RPI plus 1%. It has also recently provided additional guidance detailing a cap to be placed on rent levels. However, it should be noted that Eastbourne Borough Council secure tenants all have rents below this capping level.</p>
2.0	<p><u>Rent payment periods</u> <u>2003/04</u></p>
2.1	<p>The rent charging system is based on a 48 week rent year, thus allowing 4 'rent free' periods, which have proved to be very popular with the tenants.</p>
2.2	<p>It is intended that the rent free weeks will continue to be offered for the weeks commencing 15th and 22nd December, 2003 and weeks commencing 22nd and 29th March 2004.</p>

2.3	Additional consultation was undertaken through the 2001 tenants survey to establish if there was a preference for one of the usual 4 'rent free' periods to be moved permanently to August. However, the majority of respondents were not in favour of this proposal.
3.0	<u>Rent levels for 2003/04</u>
3.1	For 2002/03 the average rent increase was 1.8%. The range of actual changes on the individual tenants rent levels for 2002/03 varies from a 2.3% reduction to a 9% increase. Some 949 tenants received a reduction in their rent and 387 tenants, an increase of more than 5%.
3.2	In 2002/03 Eastbourne's average rent over 48 weeks a year is £54.34. It exceeds the average target rent for 2003/04 of £50.52 by £3.82. However, after adding inflation, the 1% real increase demanded by Government, together with the £2 damping mechanism previously mentioned, the net affect on rent levels for 2003/04 will be an average of a 2.62% increase on this year. In effect this would set the average rent for 2003/04, over 48 weeks a year at £55.77.

3.3	<p>The required rent changes however, vary from property to property. The range of actual changes on the individual tenants rent levels for 2003/04 varies from a 1.8% reduction to a 7.1% increase. Some 247 tenants will receive a reduction in their rent and 203 tenants, an increase of more than 5%.</p>
3.4	<p>For those who have shared ownership properties the average increase for their rental element, will be at 12.8%. However, it should be noted that this equates to an average increase of £1.76 per week, and the differential in the percentage rate, compared to secure tenants, is influenced by the capital value of these properties.</p>
3.5	<p>By 2011/12 it is estimated that 93% of all Eastbourne rents will be within 5% of target. As yet the Government has not decided how those rents not meeting this target will be dealt with.</p>

3.6	It is estimated that as a result of restructuring, Eastbourne's gross weekly rent income in 2011/12, compared to 2001/02 will have fallen, in real terms, by 9.5%.
4.0	<u>Service Charges</u>
4.1	Additional guidance was received from the Office of the Deputy Prime Minister (ODPM) regarding how service charges are to be calculated in future years. It was indicated that Local Authorities had the discretion to decide whether to 'depool' their service charges. In other words, to move away from a system where charges were calculated across all of the housing stock. However, it should be noted that in Eastbourne the majority of our services charges are already calculated on an individual property/scheme basis.
4.2	However, matters relating to service charges are made more complex due to the introduction of the supporting people framework. Traditionally service charges, particularly for the residents of retirement housing, include the costs of the support received from the Court Manager. From April 2003, these will be delivered through the supporting people financial regime. At the time of developing this report, notifications had not been received as to the level of supporting people funding we would receive.
4.3	It is anticipated that these will be available in January, with a view to submitting this information to Cabinet. In respect of the charges, which are not covered by supporting people, i.e. for non-support services, then it is anticipated that the increase will be broadly in line with that made for 2002/03 – namely an average of 2.4%.
5.0	<u>Cost Reflective Improvements</u>

5.1	Traditionally Eastbourne has provided tenants with a range of modernisation works, which have attracted an additional charge to their rent accounts. For example this has included works under our Kitchen and Bathroom Improvement and central heating installation schemes.
5.2	Following the introduction of the decent homes standards, coupled with this new rent setting regime, we are no longer in a position to charge increases in this way.
5.3	In future, we will implement such programmes of work in line with those properties, which require them to meet the decent homes standards. Furthermore rent increases for such improvements will not occur, unless they are not related to decent homes standards, such as the provision of hardstandings, or where the works make a significant change to the capital value of the property, for example the provision of an extension.

6.0	<u>Garage Rents</u>
6.1	The Council currently has a stock of some 621 garages. It has been the case that garage rent changes have been aligned to those of the housing stock. Given the changes to the rent setting process this is no longer practicable.
6.2	It is therefore proposed that garage rents will be increased by 2.6% in line with the Councils average rent increase. In effect this means that garage rents for 2003/04 will range from £7.42 - £10.96 depending upon location.
7.0	<u>Housing Revenue Account Budget 2003/04</u>
7.1	The Housing Revenue Account (HRA) budget is set in accordance with the expected rental stream and in accordance with the subsidy determination made each year by Government. The Council is under a statutory obligation to ensure that the HRA balances.
7.2	The housing subsidy calculation is based upon assumptions made of a Local Authorities guideline rent. This represents the level of rent the Government expects to be raised locally.
7.3	The guideline rent increase for 2003/04 is set at 2.807%. Despite the average rent increase being set at 2.62% the average rent will still be above the average limit rent of £52.62. Therefore for any housing benefit paid for the £3.15 difference, there will be no subsidy paid. This amounts to approximately £338,000. This scenario is one, which has occurred, in previous years.
7.4	The Maintenance allowances have increased by 7.32% and the Management allowances by 7.02%. This equates to an additional £71.79 per property per annum.

7.5	The subsidy calculation also takes into account forecasts made in terms of loss of stock through the year due to the right to buy.
8.0	<u>Summary of Housing Revenue Account for 2003/04</u>
8.1	Assuming that rent setting occurs in line with that recommended within this report, the HRA will balance.
8.2	Allowing for a stock level at 31.3.04 of 3932 properties and an average rent of £55.77 the overview of the HRA is as follows:

	<u>Income</u>	<u>£'000</u>	
	Rent revenue	10,830	
	Charges for services	1,027	
	Housing subsidy	6,650	
	Interest received	57	
	Total:	18,564	
	<u>Expenditure</u>	<u>£'000</u>	
	Repairs and maintenance	2,765	

	Supervision and management	2,927	
	Rents and other charges	100	
	Rent rebates	6,150	
	Capital finance charges	3,950	
	Revenue contributions to capital outlay	100	
	Provision for doubtful debts	100	
	Capital expenditure (financed by major repairs allowance)	2,472	
	Total:	18,564	
8.3	The above budget will need to be revised for the effects of the Supporting People contracts when they are received.		
9.0	<u>Consultations</u>		
9.1	The issue of rent restructuring and the proposed rent increases have been discussed at the January Tenants Advisory Group meeting.		
9.2	The Council is obliged to ensure that all tenants are given 28 days notice of any changes to their tenancy, including changes to the rent they pay. This notification is scheduled to be made after the meeting of full Council on the 26 th February.		
10.0	<u>Financial Implications</u>		
10.1	The HRA will balance if these proposals are agreed.		

10.2	<p>The ODPM has not yet decided how to proceed should there be any properties which have not met their target rent by 2011/12, despite the best efforts of the landlord. This, and other issues, will become clearer as the Government intend to undertake a review of this rent setting system in 2004/05.</p>	
11.0	<p><u>Anti-Poverty Implications</u></p>	
11.1	<p>Every effort will be made by officers in the Housing Management Division to identify those tenants who may face additional financial hardship in order to offer appropriate welfare benefits advice.</p>	
11.2	<p>It is worth noting that this situation would occur at any time that rent levels are increased and in previous years efforts to maximise household income have assisted greatly in ensuring that accommodation remains affordable.</p>	
11.3	<p>The Government is also seeking to limit any impact of the rent setting policy, by limiting any increases/decreases in rents, as discussed elsewhere in this report.</p>	
12.0	<p><u>Summary</u></p>	

12.1	<p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Agree that the housing rents are set with an average increase of 2.62% with effect from the 7th April 2003. 2. Agree that garage rents are set with an increase of 2.6% in line with the rent increase from 7th April 2003 3. Agree the arrangements for an average 2.4% increase on service charges, following the determinations of and implementation of the supporting people financial regime 	
Janet Canny, Head of Housing Management		
<p>Background Papers:</p> <p>The Background Papers used in compiling this report were as follows:</p> <p>To inspect or obtain copies of background papers please refer to the contact officer listed above.</p>		