

COMMITTEE:	TENANTS ADVISORY GROUP
DATE:	28TH JANUARY 2002
SUBJECT:	COUNCIL HOUSING RENT SETTING AND DETAILS OF RENT SETTING PROCESS FOR 2002/03
REPORT OF:	HEAD OF HOUSING MANAGEMENT
Ward(s):	All
Purpose:	To inform Tenants Advisory Group of the new mechanisms for setting rents and to outline the proposals for the rent levels for 2002/03 for all of Eastbourne Borough Council's housing tenants
Contact:	Janet Canny, Head of Housing Management, Telephone 01323 415306 or internally on extension 5306.
Recommendations	Tenants Advisory Group is asked to consider and note the report.

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>In simple terms, the higher the capital value of an area, and the higher the local earnings, tenants could expect to pay a higher rent than those living in areas where the opposite factors exist.</p>
1.4	<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>

1.5	<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. 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>2002/03</u></p>

2.1	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. 2002/03 however allows the opportunity to offer 5 such periods as for accounting purposes there are 53 potential charging weeks.
2.2	It is intended that the rent free weeks will continue to be offered for the weeks commencing 16 th and 23 rd December, 2002 and weeks commencing 24 th and 31 st March 2003. The additional week will be during the week commencing the 26 th August 2002. This falls within the August bank holiday period and is a time when families have additional expenditure due to the return to school, but also when most tenants may have additional household expenditure due to having summer time activities.
2.3	Additional consultation is being undertaken through the annual tenants survey to establish if there is a preference for one of the usual 4 'rent free' periods to be moved permanently to August.
3.0	<u>Rent levels for 2002/03</u>
3.1	In 2001/02 Eastbourne's average rent over 48 weeks a year is £53.19. It exceeds the average target rent for 2002/03 of £48.14 by £5.05. 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 2002/03 will be an average of a 1.8% increase on this year. In effect this would set the average rent for 2002/03, over 48 weeks a year at £54.14.

3.2	<p>The required rent changes however, vary from property to property. 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 will receive a reduction in their rent and 387 tenants, an increase of more than 4%.</p>
3.3	<p>The full range of rent changes and the link to property type are detailed in appendix one of this report.</p>
3.4	<p>Additional guidance is still expected from the DTLR regarding how service charges are to be calculated in future years. However, for 2002/03 it is proposed that service charges for those tenants living in the Retirement Housing Stock are increased by an average of 2.4% which is the equivalent of 66 pence per week.</p>
3.5	<p>The new rent setting formula also makes little allowance for changes in the rent to be bought about as a result of “cost-reflective” works, for example Kitchen and Bathroom Improvements. It has been usual for an additional charge to be made when these works have been undertaken. Rent increases for 2002/03 are levied against the existing rent being paid by tenants and therefore will take account of any such improvements which have already been undertaken. In future years, any changes to the rent can only be bought about by a change to the actual capital value of the property. Officers are currently undertaking additional work to establish the process for ensuring that such improvements are incorporated into the rent setting process for the individual property concerned. This will also need to take account of how such works may be meeting the decent home standard, rather than making any improvement above this standard.</p>

3.6	By 2011/12 it is estimated that 87% 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.
3.7	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>Garage Rents</u>
4.1	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.
4.2	It is therefore proposed that garage rents will be increased by 3% in line with the Councils rate of increase. In effect this means that garage rents for 2002/03 will range from £7.23 - £10.68 depending upon location.
5.0	<u>Housing Revenue Account Budget 2002/03</u>
5.1	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.

5.2	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.
5.3	The Maintenance allowances have increased by 8% and the Management allowances by 3.7%. This equates to £62.93 per property per annum.
5.4	The subsidy calculation also takes into account forecasts made in terms of loss of stock through the year due to the right to buy and also the loss of 13 units bought about by conversion work being undertaken.

6.0	<u>Consultations</u>
6.1	The rent restructuring proposals have already been raised at a variety of Member and Tenant seminars held over the last 18 months. The issues in respect of setting the rent levels for 2002/03 is due to be considered by Cabinet on the 6 th February 2002.
6.2	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 27 th February.
7.0	<u>Financial Implications</u>
7.1	The HRA will balance if these proposals are agreed.

7.2	<p>The DTLR 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 new system develops.</p>
8.0	<p><u>Anti-Poverty Implications</u></p>
8.1	<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>
8.2	<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>
8.3	<p>The Government is also seeking to limit any impact of the rent setting policy, by limiting any increases/decreases in rents to a £2 maximum each year.</p>
9.0	<p><u>IT Implications</u></p>

9.1	The Housing Management Division makes use of a bespoke property management system called Orchard. Officers have had lengthy discussions with them and are assured that the appropriate soft ware will be available to ensure that each property can have the necessary specific rental changes made to their rent accounts.
9.2	Additional work has already been undertaken to ensure that the system is updated in time to ensure compliance with the work of the Community Finance Division, in respect of housing benefit changes, and also in terms of ensuring that the appropriate notifications can be made to tenants, in line with our statutory obligations.

10.0	<u>Summary</u>
10.1	Tenants Advisory Group is asked to consider and note the report.
Janet Canny, Head of Housing Management	
Background Papers: The Background Papers used in compiling this report were as follows: To inspect or obtain copies of background papers please refer to the contact officer listed above.	