

Body:	Cabinet
Date:	7th February 2007
Subject:	Council Housing Rent Setting and Outline of Housing Revenue Account Budget for 2007/08
Report of:	Neil Fuller (Director of Housing, Health & Community Services)
Ward(s)	All
Purpose	To inform Members of the proposed rent setting levels for 2007/08 for all Eastbourne Borough Council's housing tenants
Decision Type:	Key Decision
Recommendation:	Cabinet is recommended to: <ul style="list-style-type: none">a) Agree that the housing rents are increased in line with rent convergence policy with an average increase of 4.33%b) Agree that garage rents are increased by 3.6% in line with inflationc) Agree that service charges (exclusive of heating costs) are increased by 3.6% in line with inflation and that heating costs are increased to meet rise in fuel costsd) Give delegated authority to the Director of Housing, Health and Community Services, in conjunction with the Cabinet Spokesperson for Housing and Director of Financial Services, to finalise Eastbourne Homes' Management Fee and Delivery Plan negotiations and recommend a final fee level as part of the Council's budget setting process
Contact:	Ian Fitzpatrick, Assistant Director – Housing & Health Services. Telephone 01323 415935 or internally on extension 5935. E-mail address: ian.fitzpatrick@eastbourne.gov.uk

1.0 Background / Introduction

- 1.1 On the 5th December, 2001, Cabinet agreed that Eastbourne Borough Council housing rents would be set in accordance with the Government's proposals to achieve rent convergence for all social tenancies over a ten year period. In effect, for the duration of the ten year period, it was agreed that rents for Eastbourne Borough Council housing tenancies would be set using

the Government's specified rent convergence formula.

- 1.2 In simple terms, using this new formula, the weekly target rent for each property is equal to:

70% of the average rent for the sector (Local Authority or RSL)
Multiplied by the relative County earnings
Multiplied by the bedroom weight
PLUS
30% of the average rent for the sector (Local Authority or RSL)
Multiplied by the relative property value (set at 1999 levels)

- 1.3 The Government has emphasised that it does not want any household to experience any dramatic increase or decrease in their weekly rent levels. They are therefore limiting any changes in rent to a maximum of £2.00 per week, plus RPI plus 0.5% The Government, at December 2006, have assumed an RPI of 3.6% for 2007/8 and this, plus the 0.5% real increase gives a formula increase of 4.1% for the year. It has also provided additional guidance detailing a cap to be placed on rent levels. The vast majority of Eastbourne Borough Council secure tenants have rents below this capping level. Increases to rents which would otherwise rise to levels above this cap will therefore be restricted in line with the government guidance.
- 1.4 Under the terms of their Management Agreement with the Council, Eastbourne Homes are obliged to undertake the background activities in relation to rent setting and make recommendations to the Council for increases in rent levels, service and other charges. The information contained within this report reflects the recommendations made by Eastbourne Homes using the rent convergence formula described above.

2.0 Rent Payment Periods for 2007/08

- 2.1 The rent charging system is based on a 48 week rent year, thus allowing 4 'rent free' periods in a 52 week year. These 'rent free' weeks have proved to be very popular with tenants.
- 2.2 As 2007/8 is a 53 week year, 5 'rent free' weeks are proposed. It is intended that the rent free weeks will be offered for the weeks commencing 24th & 31st December 2007, and 17th, 24th & 31st March 2008. The proposed dates were endorsed by tenants at the EHL Residents meeting held 22nd January 2007.

3.0 Rent Levels for 2007/08

- 3.1 For 2006/7 the average rent over 48 weeks a year is £60.99. After adding inflation at 3.6% as set by the government, plus the 0.5% real increase allowed and the £2 damping mechanism previously mentioned, the average increase in rents for 2007/08 will be 4.33% on the 2006/07 levels. In effect, this would set the average rent for 2007/08 over 48 weeks a year at £63.63.
- 3.2 The required rent changes, however, vary from property to property. The range of actual changes on individual tenants' rent levels for 2007/08 varies from a 4.2% reduction to an 8.9% increase. Some 19 tenants will receive a

reduction in their rent and 974 tenants will see their rent increase by more than 5%.

- 3.3 There are 29 shared ownership properties and the formula increase for these equates to an increase in the rental element of 4.7%.

4.0 Service Charges

4.1 The costs of housing related support are covered by contracts between this Council and the Supporting People programme. The Council has been notified that there will be no inflationary uplift in the Supporting People contracts for 2007/08. There will therefore be no increase paid to Eastbourne Homes as part of the Management Fee for this element of service provision.

4.2 The costs of all other services need to be passed on to tenants. Eastbourne Homes recommend that these other service charges, with the exception of heating costs, be increased in line with the rate of inflation set by the government at 3.6%.

4.3 In relation to heating, supply contracts have been renegotiated during 2006/7. The renegotiated contracts, in line with the national trend, have resulted in increased fuel costs. It is recommended that charges for heating are amended proportionately, equating to approximately 20% (£1.14 on average per household per week) to reflect the actual fuel cost increase that will be payable in 2007/8.

5.0 Garage Rents

5.1 The Council owns 641 garages available to rent. Consideration was given to increasing these rents by a higher rate but would conflict with a drive to reduce the level of voids, currently running at 8%. It is therefore recommended that, as in previous years, these rents increase in line with the government's inflation rate of 3.6%.

6.0 Consultation

6.1 Rent increases are subject to national policy on rent convergence. In December 2001 Eastbourne Borough Council adopted a policy of achieving convergence, based on consultation with its tenants at that time.

6.2 Additional consultation was carried out through a meeting held on 15th January 2007 of members of Eastbourne Homes' key representative forums, covering both tenants and leaseholders.

6.3 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.

7.0 Housing Revenue Account Budget 2007/08 and Eastbourne Homes Ltd. Management Fee

7.1 The Housing Revenue Account (HRA) budget is set in accordance with the expected rental stream and 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 made by Government is based on assumptions made about local authority guideline rents. This represents the levels of rent the Government expects to be raised locally.

7.3 The Government has confirmed a payment of £871,780, a reduction of £183,679 on the subsidy for 2006/07. After taking account of the subsidy determination, recommended rent levels and anticipated changes in costs, the Housing Revenue Account shows a surplus assuming no change is made to the Management Fee paid to Eastbourne Homes. Following negotiations relating to the Management Fee, any residual surplus will be allocated by the Council in consultation with Eastbourne Homes in line with key priorities (i.e. Decent Homes works).

7.4 Negotiations relating to the Management Fee payable to Eastbourne Homes for 2007/08 are currently taking place. The final calculation of the fee will take account of the terms set out within the Management Agreement between the Council and Eastbourne Homes and reported in line with the Council's annual budget setting process.

8.0 Financial and Staffing Resource Implications

8.1 The Council has taken a pro-active approach to the implementation of the rent convergence policy and the proposals within this report should facilitate the finalisation of the Housing Revenue Account for 2007/08. Further details will be reported to Cabinet as part of the more general budget setting process.

9.0 Other Implications

9.1 Eastbourne Homes Ltd. will make every effort to identify tenants who may face additional financial hardship as a result of rent or service charge increases in order to offer appropriate support and advice.

9.2 It should also be noted that general anti-poverty activity by Eastbourne Homes takes place routinely throughout the year to maximise household income. This includes advice on benefits and arrears management. This targeted use of resources assists greatly in ensuring housing remains affordable. In addition, Eastbourne Homes is committed to delivering energy efficiency improvements in its maintenance and modernisation programmed and developing an Affordable Warmth and Energy Efficiency Strategy by September 2007.

9.3 There are no other implications arising out of this report.

10.0 Summary of Options

10.1 Members are recommended to:

- a) Agree that the housing rents are increased in line with rent convergence policy with an average increase of 4.33%

- b) Agree that garage rents are increased by 3.6% in line with inflation
- c) Agree that service charges (exclusive of heating costs) are increased by 3.6% in line with inflation and that heating costs are increased to meet rise in fuel costs
- d) Give delegated authority to the Director of Housing, Health and Community Services, in conjunction with the Cabinet Spokesperson for Housing and Director of Financial Services, to finalise Eastbourne Homes' Management Fee and Delivery Plan negotiations and recommend a final fee level as part of the Council's budget setting process.

Ian Fitzpatrick
Assistant Director – Housing & Health Services

Background Papers:

The Background Papers used in compiling this report were as follows:

Housing Revenue Account (Item 8) & Housing Revenue Account Subsidy Determinations 2007/08

To inspect or obtain copies of background papers please refer to the contact officer listed above.

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