

**Meeting of the Executive Members for
Housing and Adult Social Services and
Advisory Panel**

14th January 2008

Report of the Director of Housing and Adult Social Services

**DRAFT HOUSING RENTS AND MANAGEMENT AND MAINTENANCE
ALLOWANCE 2008/09**

Summary

1. This report asks the Executive Member to consider the draft rent guidelines and the draft management and maintenance allowances issued by the Department for Communities and Local Government (CLG) for 2008/09.

Background

Rents

2. In 2000 the Government announced that from April 2002 all councils and housing associations had to set their rents on a new, fair and consistent basis. This involved a phased change in rents over 10 years beginning in April 2002 based on a formula for rent setting created by Central Government. This is known as rent restructuring and will mean that rents charged will move towards a Government set target rent. By 2012 similar properties should be charged similar rents regardless of who owns the property. This is known as rent convergence.
3. Current Government rents' policy assumes that through the process of rent restructuring there will be eventual convergence between the rents in the local authority and registered social landlord (RSL) sectors. At this point actual and guideline rents for a single authority should all have the same value.
4. The actual rent is the rent charged to the tenant. The guideline rent is a notional rent and a feature of the HRA subsidy system. This is the level of rent the HRA subsidy system assumes an authority is receiving for the purpose of calculating its HRA subsidy entitlement. It is generated by the Government formula referred to in paragraph 2 above.
5. This Government formula rent takes account of various factors including the number of bedrooms a property has, property valuation, average earnings and the date at which all rents are expected to converge.

6. Continuing to implement rent restructuring would result in an average increase in council rents (on a 52 week basis) of 6.28%. This would result in council rents being on line to achieve convergence with the formula rent for the majority of properties by 2011/12.
7. However, the CLG have proposed in the draft subsidy determination that the convergence deadline is extended to 2016/17. This revised timescale applies for 2008/09 only and is subject to review in future years. The effect of the extension is to reduce potential rent increases for tenants. If the rent calculations are altered to take account of this extension the average 2008/09 rent increase would be 5.25%.

Management and Maintenance Allowance

8. The management and maintenance allowances are based upon objective indicators of local authorities' need to spend on both housing management and maintenance. In determining the allowances, weightings are given to different dwelling types and allowances made for 'social factors' such as crime levels.
9. The government's provision for City of York Council draft management and maintenance allowances per dwelling in 2008/09 is £1537.63, an increase of 7.9% on last year's actual figure of £1424.63.
10. A target allowance is set which is considered to be the real need to spend and this is set at £1565.35 per dwelling in York. In future years the authority's allowance will be increased until the target is reached. The target allowance will be increased by inflation each year.

Major Repairs Allowance

11. The major repairs allowance represents the estimated long term average amount of capital spending required to maintain a local authority's housing stock in its current condition. The major repairs allowance forms part of the resources for the housing capital programme.
12. The government's provision for City of York Council draft major repairs allowance per dwelling in 2008/09 is £639.24, an increase of 9.5% on last year's actual figure of £583.68.

Implementation Timetable

13. It is necessary to serve notices on tenants to vary their current rent and a minimum of four weeks notice is required.

Consultation

14. None specifically required.

Options

15. Option 1

To continue rent restructuring with convergence in 2011/12 and increase rents by 6.28%.

16. Option 2 – RECOMMENDED OPTION

To continue rent restructuring with convergence in 2016/17 and increase rents by 5.25%.

Analysis

17. Option 1 – increase rents by 6.28% in line with the council's policy on rent restructuring. This would be against the Government guidance on rent restructuring which has indicated that the date for rent convergence should be extended to 2016/17 pending a further review of rent restructuring and HRA subsidy in 2008/09. This level of rent increase would generate additional income over and above the level assumed in the Governments subsidy calculation and the HRA budgets included elsewhere on this agenda.
18. Option 2 – increase rents by 5.25% in line with Government guidance. This is in line with the recommendation from CLG and matches the assumed level of income in the HRA subsidy calculations.
19. The rent increase will apply to all council properties including hostels and travellers sites.

Corporate Objectives

20. Implementing the recommended option would ensure a balanced Housing Revenue Account (HRA) budget in 2008/09 thus allowing the work on improving the quality of the councils affordable housing to continue.

Implications

21.

- **Financial**

The financial implications have been included within the Housing & Adult Social Services 2008/09 budget report elsewhere on this agenda. Implementing the higher increase of 6.28% would generate a further £235k income over the amount included in the budget report.

- **Human Resources (HR)** – none arising from this report
- **Equalities** - none arising from this report
- **Legal** - It is necessary to serve notices on tenants to vary their current rent and a minimum of four weeks notice is required.

- **Crime and Disorder** – none arising from this report
- **Information Technology (IT)** – none arising from this report
- **Property** – none arising from this report

Risk Management

22. There is a risk to the long term viability of the HRA should the rent increase not be agreed, as income will be lower than accounted for in the HRA business plan which could in turn effect future planned expenditure.

In compliance with the Councils risk management strategy the main risks that have been identified in this report are therefore those leading to financial loss (Financial).

Measured in terms of impact and likelihood, the risk score all risks has been assessed at less than 16, This means that at this point the risks need only to be monitored as they do not provide a real threat to the achievement of the objectives of this report.

Recommendations

23. That the Advisory Panel advise the Executive Member to approve option 2 to increase rents in York by 5.25% and that this be referred to Executive for approval.

Reason: To ensure a balanced Housing Revenue Account.

Contact Details

Author:

Debbie Mitchell
Head of Housing & Adult Social
Services Finance
Tel No. 554161

Jayne Close
Housing Accountant
Housing & Adult Social Services
Tel No. 554175

Chief Officer Responsible for the report:

Bill Hodson
Director of Housing & Adult Social Services

Steve Waddington
Head of Housing

Report Approved



Date 24 December 2007

Specialist Implications Officer(s) *None*

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

CLG Housing Revenue Account Subsidy Determinations November 2007
OIC Housing December 2001 – Implications of Rent Restructuring

Annexes

None