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

11th December 2006

Report of the Director of Housing and Adult Social Services

**Housing Rents And Management And Maintenance Allowance
2007/08**

Summary

1. This report asks the Executive Member to consider the rent guidelines and the management and maintenance allowances issued by the Department for Communities and Local Government (DCLG) for 2007/08.

Background

The Guideline Rent

2. Rent restructuring (detailed in a report to Chief Officer in Consultation with Executive Member for Housing in December 2001) is the process of restructuring council rents towards a property's formula rent.
3. The formula rent takes account of various factors including the number of bedrooms a property has, property valuation and average earnings. The guideline rent increase proposed annually by the DCLG (which for 2007/08 is 4.1%) is then applied each year to the formula rent.
4. After applying the guideline rent increase of 4.1% the average council weekly formula rent figure for 2007/08 is £61.30. In 2006/07 it was £58.90.
5. The actual average council weekly rent figure in 2006/07 is £54.37. When applying the guideline rent increase and continuing to implement rent restructuring the 2007/08 average increase in council rents (52 weeks) in York would be 5.82%. This is above the DCLG recommended limit of 5%. Options are outlined in para's 13 to 15 on whether or not to reduce the average increase to within DCLG guidelines.

Management and Maintenance Allowance

6. 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.
7. The government's provision for City of York Council draft management and maintenance allowances per dwelling in 2007/08 is £1423.92, an increase of 5.2% on last year's actual figure of £1353.25.
8. A target allowance is set which is considered to be the real need to spend and this is set at £1427.95 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

9. 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.
10. The government's provision for City of York Council draft major repairs allowance per dwelling in 2007/08 is £583.33, an increase of 3.4% on last year's actual figure of £563.88.

Implementation Timetable

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

Consultation

12. None

Options

Option 1

13. In order to reduce the rent increase to within the DCLG limit of 5% a flat rate reduction across all council dwelling rents could be applied which would reduce each individual property rent by £0.45 per week and reduce the average increase to 5%. The Housing Revenue Account (HRA) would not lose any income by reducing the average increase from 5.82% to 5% as the reduction in increase from 5.82% to 5% is compensated for by the DCLG through the rental constraint allowance, which forms part of the housing subsidy calculation.

Option 2 – RECOMMENDED OPTION

14. In order to reduce the rent increase to within the DCLG limit of 5% a reduction of £1.17 could be applied to bedsits and 1 bed flats. Both of these dwelling types are more difficult to let. Of 597 relets in 05/06 60% were bedsits or 1 bed flats therefore applying the rent reduction in these areas may make them easier to let and whilst they are void the rent loss will be reduced. This option would also be in line with DCLG guidance which states 'Local authorities who are adhering to the policy on rent restructuring.....are encouraged to have regard to the policy intention to create more realistic differentials for larger properties when adjusting their rents to set their average rent increase to 5%.' The HRA would not lose any income as the reduction in increase from 5.82% to 5% is compensated for by the DCLG through the rental constraint allowance which forms part of the housing subsidy calculation.

Option 3

15. To ignore DCLG recommendations and increase council dwelling rents by 5.82%. This option would not generate any additional income for the HRA and is difficult to justify as the reduction in increase from 5.82% to 5% outlined in options 1 and 2 is compensated for by the DCLG through the rental constraint allowance as part of the Housing subsidy calculation.

Analysis

16. The Housing subsidy calculation assumes that rent restructuring policy will be followed and therefore a 5% average increase in actual rents will be applied to council rents. If this is not applied the HRA will lose £22k for every 0.1% reduction below 5%.

Corporate Priorities

17. Complying with the rent restructuring policy will maximise the resources available to the HRA which will help to improve the quality and availability of decent homes within the city.

Implications

18. Implications are outlined below:
 - **Financial** - The financial implications have been included within the 2007/08 Housing Revenue Account budget elsewhere on this agenda.
 - **Human Resources (HR)** - none
 - **Equalities** - none

- **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
- **Information Technology (IT)** - none
- **Property** - none
- **Other** - none

Risk Management

19. 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 effect future planned expenditure.

Recommendations

20. That option 2 is approved and the rent increase in York of 5% be referred to Executive for approval.

Reason: To enable a balanced HRA and comply with rent restructuring policy.

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Report Approved **Date** 20/11/2006

Specialist Implications Officer(s) None

Wards Affected: All

For further information please contact the author of the report

Background Papers:

DCLG Housing Revenue Account Subsidy Determinations November 2006
 OIC Housing December 2001 – Implications of Rent Restructuring

Annexes

None