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16 January 2007

S U M M O N S

MEETING: Housing Board
DATE: 24 January 2007
TIME: 6.00pm
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Lindsey Holloway

Linda Edwards

BOROUGH SOLICITOR

MEMBERS OF THE BOARD

Councillor Mrs Wright (Chairman)
Councillor Cully (Vice Chairman)

Councillor Allen	Councillor Gill
Councillor Burgess	Councillor Mrs Mudie
Councillor Foster	Councillor Philpott
Councillor Foster-Reed	Councillor Rigg

The Mayor (Councillor Mrs Cully)(ex-officio)

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(To be read from the Chair if members of the public are present)

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AGENDA

RECOMMENDED
MINUTE
FORMAT

PART A ITEMS

1. APOLOGIES FOR NON-ATTENDANCE

2. DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter, any personal or personal and prejudicial interest in any item(s) being considered at this meeting.

3. DEPUTATIONS – STANDING ORDER 3.5

(NOTE: The Board is required to receive a deputation(s) on a matter which is before the meeting of the Board provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Monday 22 January 2007. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

4. PUBLIC QUESTIONS – STANDING ORDER 3.6

(NOTE: The Board is required to allow a total of 15 minutes for questions from Members of the public on matters within the terms of reference of the Board provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Monday 22 January 2007).

5. COUNCIL DWELLING RENTS 2007/08

This report considers the Board's revised 2006/07 budget and the 2007/08 budget for the Housing Revenue Account and makes recommendations on rent levels for next year (report attached).

PART II
Contact Officer
Julian Bowcher
Ext 5551/
Andy Elder
Ext 5351/
Tim Hoskins
Ext 5322

6. HOUSING GENERAL FUND BUDGET 2007/08

This report considers the Board's revised 2006/07 budget and the 2007/08 budget for the Housing General Fund and recommends thereon to the Policy and Organisation Board for inclusion in the Council's overall budget proposals (report attached).

PART II
Contact Officer
Julian Bowcher
Ext 5551/
Tim Hoskins
Ext 5322

7. ANY OTHER ITEMS

- which, in the opinion of the Chairman should be considered as a matter of urgency by reason of special circumstances.

Agenda item no. 5

Board/Committee:	Housing Board
Date of Meeting:	24 January 2007
Title:	Council Dwelling Rents 2007/2008
Author:	Financial Services Manager & Housing Services Manager
Status:	For Decision

Purpose

This report considers the Board's revised 2006/2007 budget and the 2007/2008 budget for the Housing Revenue Account and makes recommendations on rent levels for next year.

Recommendations

It is recommended that with effect from 2nd April 2007. That the Board approve the revised 2006/07 budget and the 2007/08 budget for the Housing Revenue Account including:

- i) Increasing average weekly Council Dwelling rents by 4.9%
- ii) Increasing Garage, carports and parking lot rents by 3.0%.

1.0 Background

- 1.1 This report considers the revised budget for 2006/2007 and the budget for 2007/2008 for the Housing Revenue Account (Appendix 1). These budgets are also shown on page 47 of the Budget Book.
- 1.2 The report makes recommendations on rent levels for next year. A schedule detailing proposed rent levels is attached at (Appendix 2).

2.0 Housing Revenue Account (HRA)

- 2.1 The HRA revised council house maintenance budget for 2006/2007 is £2.614M, an increase of £0.94M on the Original budget. The principle cause of this is a change in the apportionment of recharging from the Housing administration accounts. The council house maintenance budget for 2007/2008 is £2.927M representing a £0.313M increase on the 2006/2007 revised estimate.

- 2.2 It is anticipated that HRA balance level will decrease to £901,000 from the current £991,000 by the end of the current year. This is primarily due to an increase in costs. Management costs have increased significantly due to a number of factors. These have included Administration recharges, Audit fees and insurance which have all been higher than anticipated in the Original budget. These have been partially offset by a reduction in expenditure on supplies.
- 2.3 It is estimated that the HRA balance for 2007/08 will decrease to £814,000 by the end of the year. This is due to a number of factors, the main one being an increase in the level of expenditure on repairs and maintenance. Increased expenditure in this area is affordable largely due to an increase in subsidy through the rental constraint allowance. Whereas guideline rents have increased by 6.5% in the HRA notional (HRA subsidy account) Government recommendations are that actual rents increase by no more than 5% on average across the stock. This means that the rental income assumed for subsidy purposes is higher than actual rent received. The DCLG (Department for Communities and Local Government) have calculated that this authority receives the shortfall of £955,000 through the rental constraint allowance. The predicted HRA balance at the end of 2007/08 of £814,000 equates to approximately 7.5% of HRA turnover. This balance is in line with the recommendations laid out in the Audit Commission annual letter of October 2003, and is considered adequate for present needs.

3.0 HRA Capital Programme

- 3.1 The Capital Programme for 2006/2007 to 2011/2012 is shown on page 84 of the draft budget book. The HRA Capital Programme totalling approximately £4.250M in the revised budget for 2006/07 is funded from the Major Repairs Allowance (MRA) £2.166M, revenue contributions £0.400M, capital receipts of £0.884M, and borrowing of £0.800M.
- 3.2 The HRA Capital Programme for 2007/08 has been increased to £4.606M as we work to achieve the Decent Homes Standard by December 2010. This expenditure is to be financed from MRA £2.163M, revenue contributions from within the HRA of £0.400M. The remainder of £2.043m would be funded by capital receipts of £0.156M and prudential borrowing of £1.887M.

4.0 HRA Subsidy

- 4.1 The Government has published the Final Housing Revenue Account Subsidy and Item 8 Determinations for 2007-08.

- 4.2 There has been a slight increase in the formula for Management and Maintenance allowances and the allowance for this authority has increased from £5.11m to £5.14m. This represents an increase of around 0.6% and does not compare favourably with other Districts ranking Gosport's increase 197 out of 234 in England.
- 4.3 The Major Repairs Allowance (MRA) has increased from £645 per property in 2006/07 to £660 in 2007/08, an increase of 2.3% although the total sum payable has decreased slightly as a result of the reduction in stock numbers. The MRA provides the Council with the resources to maintain the condition of our housing stock over the long term and keep on track to achieve the Decent Homes Standard to 2010.
- 4.4 There are no further changes in the methodology for calculating formula rents as authorities continue to implement rent restructuring on the basis of the rules introduced following the 3 year review in 2004.
- 4.5 The HRA subsidy system is therefore being brought gradually into line with restructured rents and up-to-date assessments of authorities relative spending needs. The overall aim is that it should be fairer and assist business planning whilst helping tenants and others understand how the HRA is funded and maintained.

5.0 2007/2008 Rent Level Proposals

- 5.1 The Government policy of rent restructuring came into effect in 2002/03 and a review of the policy took place during the summer of 2004. This was discussed in detail in the HRA Council dwellings report for 06/07.
- 5.2 This process requires Local Authorities and housing associations to set their rents based upon a range of factors, including average wages, property size and location and condition.
- 5.3 The Governments objectives for Rent Restructuring are:
- To ensure social rents should remain affordable and well below those in the private sector.
 - To ensure social rents should be fairer and less confusing for tenants.
 - To provide a closer link between rents and the qualities that tenants value in their properties.
- 5.4 This process is intended to achieve a 'harmonisation' of rents, so that similar properties in the same area should have broadly similar rents. Rent restructuring is also about clarity and transparency. It aims to bring some

coherence to the rather haphazard picture across the social rented sector. By 2012 both local authority and RSL (Registered Social Landlords) rents should be broadly in line, subject to any differences in service charges.

- 5.5 In order to maintain the move towards target rents in equal annual steps, a national average increase of 6.5% would be needed. However the DCLG has estimated by using the RPI+0.5%+£2 rule this will limit the increases to an average of 5%, if necessary by using the tolerances within the system. The guideline rent is a major factor in determining the level of subsidy an authority receives. The guideline rent, set by the DCLG, for this authority has increased by 6.5% in 2007/08 and the impact of this when input to the subsidy calculation is a net loss of subsidy to Gosport of £955,000 for 2007/08, although this has been offset by the Rental Constraint Allowance. Aligning of guideline rents to actual rents is a fundamental part of rent restructuring.
- 5.6 The introduction of the new proposals have meant target rents have increased significantly and actual rents will have to increase by £2.86 or 4.9% on average in order for Gosport to remain on target to achieve rent convergence by 2012. It is a Government requirement that we achieve rent convergence by 2012, so we must implement the necessary level of rent increase each year to achieve that fundamental objective. If we fail to implement the required annual rent increases we may face financial penalties, which would impact on our ability to achieve the Decent Homes Standard by 2010.
- 5.7 It is proposed to increase rent levels for garages, carports and parking lots by 3% from April 2007.

6.0 Risk Assessment

- 6.1 Should a lower rent increase be levied it would lead to a widening of the gap between this Council's average rent levels and those it is expected to reach under rent restructuring which would lead to greater increases being required in the future. In addition less income would be available to support housing repairs and other expenditure to improve services to residents. A rent level higher than that calculated by the formula would result in the rent subsidy limitation rules coming into effect with the resulting loss of subsidy.

7.0 Other Properties

- 7.1 There are a small number of other committee properties where the rent levels are assessed in line with HRA properties. The proposal is to also increase these by 4.9%.

8.0 Comparisons with The Private Sector

8.1 The Local Government and Housing Act 1989 requires local housing authorities to 'have regard in particular to the principle that the rents of houses of any class or description should bear broadly the same proportion to private sector rents as the rents of houses of any other class or description'. The Government's policy for social rents that are fair, affordable and less confusing for tenants was set out in the December 2000 policy statement, "The way forward for Housing". Further details were given in "A Guide to Social Rent Reforms" which was issued at the same time.

9.0 Conclusions

9.1 The Government's rent restructuring policy came into effect in 2002/03 although Authorities had been given the option not to implement the restructuring on an individual property basis until 2003/04. This authority agreed to the implementation of rent restructuring for 2003/04. In order for rent convergence to be achieved by the Government deadline of 2012, it is necessary that the proposed average rental increase of 4.9% is approved.

Financial Implications:	As set out in the report
Legal Implications:	The Council is under a duty to set a budget which prevents a debit balance arising on the Housing Revenue Account.
Service Improvement Plan Implications:	The meeting of the Decent Homes Standard by 2010 is a key Service Improvement Plan (SIP) objective of the Housing Service
Corporate Plan:	More effective performance management, which includes making the best use of our assets, is a strategic priority in the Corporate Plan.
Risk Assessment:	As set out in the report
Background Papers:	Draft Budget Book and Fees & Charges
Appendices/Enclosures:	Appendix 1: HRA 2006/07 Revised budget & HRA 2007/08. Appendix 2: A schedule detailing proposed rent levels
Report Author/Lead Officer:	Andy Elder, Tim Hoskins & Julian Bowcher

Appendix 1

HRA

	06/07 Original £'000	06/07 Revised £'000	07/08 Estimate £'000
Income			
Dwelling Rents	9,250	9,124	9,570
Shops & Garages	230	214	223
Service Charges	490	543	484
HRA Subsidy(including MRA)		0	0
	<u>9,970</u>	<u>9,881</u>	<u>10,277</u>
Expenditure			
Management	2,610	2,646	2,775
Maintenance	2,520	2,614	2,927
Rents ,Rates, Taxes, Other Charges	100	91	99
Cost Of Capital/Impairment/Deferred Charges)	6,120	6,118	6,118
Depreciation	2,110	2,153	2,163
HRA Subsidy(including MRA)	2,240	2,166	2,039
	<u>15,700</u>	<u>15,788</u>	<u>16,121</u>
Net Cost Of Services	<u>5,730</u>	<u>5,907</u>	<u>5,844</u>
TFR AMRA (Difference between cost of capital and impairment/ deferred charges and HRA interest costs)	-6,150	-6,160	-6,108
Amortised Premiums/discounts	40	0	0
HRA Investment income/mortgage interest	-50	-57	-49
	<u>-6,160</u>	<u>-6,217</u>	<u>-6,157</u>
Net Operating Expenditure	<u>-430</u>	<u>-310</u>	<u>-313</u>
Appropriations			
Revenue Contributions to Capital	400	400	400
HRA set-aside		0	0
Housing Revenue Account Balance			
Surplus/(-)Deficit at beginning of Year	787	991	901
Surplus/(-)Deficit for Year	30	-90	-87
Surplus(-)/Deficit at end of Year	<u>817</u>	<u>901</u>	<u>814</u>

Appendix 2

Type	Bedroom	Count	Total			
			Weekly Rent Income	Average Weekly Rent	Maximum Rent Charge	Minimum Rent Charge
Bedsit	1	12	494.38	41.20	47.20	40.10
Bungalow	1	316	17,566.51	55.59	66.38	45.18
Bungalow	2	63	4,172.47	66.23	69.74	54.42
Bungalow	3	11	844.69	76.79	78.85	72.58
Flat	1	956	52,603.15	55.02	63.59	43.73
Flat	2	59	4,072.15	69.02	75.73	58.30
Flat	3	17	1,268.87	74.64	82.78	66.03
House	1	11	640.66	58.24	60.47	58.02
House	2	309	19,459.41	62.98	70.96	54.17
House	3	925	65,576.81	70.89	83.80	0.00
House	4	84	6,462.01	76.93	85.91	65.65
House	5	1	73.63	73.63	73.63	73.63
Maisonette	1	24	1,548.89	64.54	72.81	57.32
Maisonette	2	110	7,025.35	63.87	83.80	56.01
Maisonette	3	58	3,729.70	64.31	72.80	59.01
Maisonette	4	2	161.62	80.81	80.81	80.81
Sheltered Bedsit	1	49	2,144.38	43.76	50.00	42.31
Sheltered Bedsit	2	1	64.70	64.70	64.70	64.70
Sheltered Bungalow	1	50	2,660.55	53.21	58.66	39.25
Sheltered Flat	1	172	8,946.49	52.01	72.46	43.14
Sheltered Flat	2	3	188.54	62.85	80.15	50.44
Sheltered Flat	3	1	57.26	57.26	57.26	57.26

Please Note:

Average Rent Charge Includes Service Charges

Rental Increase By Amount

137	Properties will have a nil increase
58	Properties will have an increase of £0-£1
57	Properties will have an increase of between £1-£2
1541	Properties will have an increase of between £2-£3
1441	Properties will have an increase of £3 and over

Agenda item no. 6

Board/Committee:	Housing Board
Date Of Meeting:	24 th January 2007
Title:	Housing General Fund Budget 2007/2008
Author:	Borough Treasurer And Housing Services Manager
Status:	For Recommendation to Policy & Organisation Board

Purpose

This report considers the Boards revised 2006/2007 budget and the 2007/2008 budget for the Housing General Fund and recommends thereon to the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

Recommendation

The Board is requested to recommend to P&O Board, its requirements for:

- the Revenue Budget (revised 2006/07 and estimate 2007/08)
- the Capital Programme 2006/07 to 2011/2012.

1.0 Background

1.1 This special meeting is for members to make recommendations on the draft budget.

1.2 There are several general points regarding these figures:

1.3 CAPITAL FINANCE CHARGES

A notional depreciation charge is made to revenue services and administration accounts. This charge represents the cost of using the council's assets during the year and is cancelled by an opposite and equal figure within the P&O Board budget – there is therefore no real cost to the Council. This accounting treatment is obligatory and is carried out by all local authorities.

1.4 ADMINISTRATION RECHARGES

Administration recharges represent the cost of the Council's business units – both frontline and support – that are incurred in providing the Council's services. They are a recharge of the total service unit costs

as overseen by the Personnel Sub and Policy and Organisations Boards.

2.0 Report

2.1 The Housing General Fund budgets are within the draft budget book as follows:

- Revenue budgets, pages 15 to 20
- Capital budgets, page 46

2.2 REVISED BUDGET 2006/2007

2.2.1 The revised budget for 2006/2007 for this Board is £561,390 an increase of £27,750 (5.2%) on the original budget for 2006/2007 of £533,640.

2.3 BUDGET 2007/2008

2.3.1 The budget for 2007/2008 for this board is £532,530, a decrease of £1,110 (0.2%) on the original budget for 2006/2007 of £533,640 and a decrease of £28,860 (5.1%) on the revised budget for 2006/2007 of £561,390.

3.0 Homelessness

3.1 The Housing General Fund Budget consists of three service areas, namely Home Improvement Grants (HIG), Private Sector Housing and Homelessness. Whilst there has been very little variation in the budgets for Home Improvement Grants and Private Sector Housing, the Homelessness budget has experienced more significant variations.

3.2.1 The homelessness budget is complex and is considered high risk because of its dependency on demand coupled with the Council's statutory and social responsibilities.

3.2.2 The homeless budget falls into two broad categories:

- Emergency Accommodation-commercial bed and breakfast, Council lodgings and hostel accommodation
- Move-on accommodation- RAPS (rented accommodation in the private sector)

3.2.3 Whilst the provision of extra hostel accommodation has helped reduce expenditure relating to Bed and Breakfast the overall demand on the Homelessness budget has resulted in an increase in net expenditure of £25,050 from the original budget of £377,230 to a revised of £402,300.

4.0 Capital Programme

- 4.1 The draft capital programme comprises of three areas.
- Social Housing – funding is from developer contributions with the exception of £450,000 included in 2007/08 for the introduction of a further hostel. This will be funded from the Council's capital resources (capital receipts or borrowing) and will only proceed if future revenue savings can meet financing costs ('a spend to save basis ')
 - Disabled facilities – a statutory responsibility with 60% of funding from specific government grants
 - Housing Renewal – a discretionary responsibility part funded by government grant of £60,000 per year.
- 4.2 It should be noted that where capital expenditure is not supported by external funding (government grant, developer contributions, commuted sums etc) there is a direct and material impact on the Council's revenue budget by way of lost interest and borrowing costs. The full capital programme including the overall funding and the end impact on the revenue budget will be considered by P&O Board on 30th January.

5.0 Risk Assessment

- 5.1 The primary risks to the Housing (General Fund) Budget relate to Homelessness and cover such risk areas as a shortage of private sector lets, an over reliance on commercial Bed and Breakfast accommodation and complying with external grant funding conditions. The area of Homelessness is included within the risk assessment contained in the Council Budget Report 2007/08 identifying the major risk areas in the Council's budget.

6.0 Conclusion

- 6.1 The Homelessness service is a particularly fluid service and is constantly changing and the budgeting process is becoming increasingly complex .An audit of the processes involved is currently underway seeking to simplify and improve the budgeting and financial reporting for this difficult area.
- 6.2 It is recommended that the revised budget for 2006/07 and the budget for 2007/08 be approved.

Financial Implications:	As set out in the report
Legal Implications:	The Council has to set a balanced and robust budget and has an obligation to discharge its functions effectively, efficiently and economically.
Service Improvement Plan implications:	The delivery of a comprehensive homelessness service is a key element of the Service Improvement Plan (SIP) for the Housing Service
Corporate Plan:	Better access to decent housing is a key Strategic Priority (Prosperity) for the Council.
Risk Assessment:	See Section 5.0
Background papers:	Draft Budget Book and Fees and Charges
Appendices/Enclosures:	None
Report Author/Lead Officer	Tim Hoskins/Julian Bowcher