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27 January 2009

S U M M O N S

MEETING: Housing Board (Extraordinary Meeting)
DATE: 4 February 2009
TIME: At the conclusion of the extraordinary meeting of the
Community and Environment Board
PLACE: Committee Room 2, Town Hall, Gosport
Democratic Services contact: Catherine McDonald

LINDA EDWARDS
BOROUGH SOLICITOR

MEMBERS OF THE BOARD

Councillor Gill (Chairman)
Councillor Bradley (Vice Chairman)

| | |
|-----------------------|----------------------|
| Councillor Allen | Councillor Edwards |
| Councillor Ms Ballard | Councillor Geddes |
| Councillor Beavis | Councillor Mrs Mudie |
| Councillor Mrs Cully | Councillor Philpott |

The Mayor (Councillor Kimber) (ex officio)
Chairman of Policy and Organisation Board (Councillor Smith) (ex-officio)

FIRE PRECAUTIONS

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In the event of the fire alarm (single continuous sound) being activated, please leave the room immediately.

Proceed downstairs by way of the main stairs or as directed by GBC staff, follow any of the emergency exit signs. People with disability or mobility issues please identify yourself to GBC staff who will assist in your evacuation of the building.

Legal & Democratic Support Unit: Linda Edwards – Borough Solicitor
Switchboard Telephone Number: **(023) 9258 4242**
Britdoc Number: **DX136567 Gosport 2** Website: **www.gosport.gov.uk**

IMPORTANT NOTICE:

- If you are in a wheelchair or have difficulty in walking and require access to the Committee Room on the First Floor of the Town Hall for this meeting, assistance can be provided by Town Hall staff on request

If you require any of the services detailed above please ring the Direct Line for the Democratic Services Officer listed on the Summons (first page).

NOTE:

- i. Members are requested to note that if any member wishes to speak at the Board meeting then the Borough Solicitor is required to receive not less than 24 hours prior notice in writing or electronically and such notice shall indicate the agenda item or items on which the member wishes to speak.
- ii. Please note that mobile phones should be switched off for the duration of the meeting.

Housing Board (Extraordinary Meeting)
4 February 2009

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 2 February 2009. 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 2 February 2009).

5 COUNCIL DWELLING RENTS 2009/10

This report considers the Board's revised 2008/2009 budget and the 2009/2010 budget for the Housing Revenue Account and makes recommendations on rent levels for next year.

PART I
Contact Officers:
Julian Bowcher
Extension 5551 /
Tim Hoskins
Extension 5322

6 HOUSING GENERAL FUND BUDGET 2009/10

The purpose of this report is to consider the Board's revised 2008/2009 budget and 2009/2010 budget, including the Board's Fees and Charges for 2009/2010 and capital programme and to recommend to the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

PART II
Contact Officers:
Julian Bowcher
Extension 5551 /
Tim Hoskins
Extension 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: | 4 th February 2009 |
| Title: | Council Dwelling Rents 2009/2010 |
| Author: | Financial Services Manager and Housing Services Manager |
| Status: | For Recommendation to Council |

Purpose

This report considers the Board's revised 2008/2009 budget and the 2009/2010 budget for the Housing Revenue Account and makes recommendations on rent levels for next year.

Recommendations

The Board is requested to recommend to Council its requirements for increases from the 6th April 2009 as described below:

- 1.1 The average weekly Council Dwelling rents to increase by 6.8%
- 1.2 Garage, carports and parking lot rents to increase by 5.00%.

1.0 Background

- 1.1 This report considers the revised budget for 2008/2009 and the budget for 2009/2010 for the Housing Revenue Account (Appendix A).
- 1.2 The report makes recommendations on rent levels for next financial year. A schedule detailing proposed rent levels is attached at (Appendix B).

2.0 Housing Revenue Account (HRA)

- 2.1 The HRA revised Council house maintenance budget for 2008/2009 is £2.475M, a reduction of £49,000 on the original budget. The Council house maintenance budget for 2009/2010 is £2.456M representing a £19,000 reduction on the 2008/2009 revised estimate.
- 2.2 It is anticipated that HRA balance level will reduce to approximately £418,000 from the current balance of £677,000 by the end of the financial year 2008/2009. This is significantly below the minimum balance identified within the Medium Term Financial Strategy and means that there is a high risk of the HRA going into deficit if the required rent increase of 6.8% is not approved. The major variances to budget have occurred in the following areas:

- The slowdown in Right to Buy has affected revenue budgets as administration and maintenance expenditure on sold properties is reclaimable from the receipt issued to Central Government. In the current year the Council has sold only two properties and the subsequent loss to revenue is budgeted at approximately £90,000.
- Central recharges for services have increased by £39,000 and insurance costs by £12,000. Utilities costs for Sheltered Schemes have increased by £35,000 and Capital financing costs by £22,000.
- The level of rental income included within the original budget has also reduced by £47,000 primarily due to the earlier than originally anticipated decanting of tenants from the Sheltered Scheme at Rogers House.

2.3 It is anticipated that the HRA balance will increase to £479,000 by the end of 2009/2010. This slight increase in reserves is dependent upon several factors including a small increase in service charges to reflect the actual costs concerned and averaging approximately £0.52 per property per week.

2.4 The draft housing subsidy settlement for this Council shows an increase of approximately £360,000 payable to Central Government for the financial year 2009/2010. This means that this Council will now pay £3.524M in subsidy which equates to £0.34 in every £1 collected. This is primarily due to guideline rents increasing by 6.2% and management and maintenance allowances by only 2.7% and Major Repairs Allowance (MRA) by 4%. The subsidy settlement has used the RPI (Retail Price Index) figure to calculate the guideline rent increase figure and it was measured at 5.1% for the subsidy determination. A 6.8% rent increase is assumed within the budget which, if approved, will enable maintenance expenditure on Council homes to be maintained at the similar levels and increase the balance of reserves by approximately £60,000 to £479,000. Due to the anticipated deficit in the revised budget for 2008/2009 it is essential that action is taken to protect the level of HRA reserves in 2009/2010.

3.0 HRA Capital Programme

3.1 The Capital Programme for 2008/2009 to 2013/2014 is shown on page 46 of the draft budget book. The HRA Capital Programme totalling approximately £3.676M in the revised budget for 2008/2009 is funded from the Major Repairs Allowance (MRA) £2.160M and borrowing of £1.51M. The Capital Programme for 2009/2010 is £2.3M as we work to achieve the Decent Homes Standard by December 2010.

3.2 The expenditure for 2009/2010 of £2.3M is to be financed primarily from MRA of £2.23M and is likely to stay at similar levels for the foreseeable future.

4.0 HRA Subsidy

- 4.1 There has been an increase in the formula for Management and Maintenance allowances in the Notional HRA. The increase is £143,000 or 2.7%. The allowance will increase from £5.124M to £5.267M.
- 4.2 The MRA has increased from £663 per property in 2008/2009 to £690 in 2009/2010, an increase of 4%. The MRA provides the Council with the resources to maintain the condition of its housing stock over the long term and keep on track to achieve the Decent Homes Standard to 2010.
- 4.3 There are further changes in the methodology for calculating formula rents although last years amendments were anticipated as being a one-off.
- 4.4 Rent convergence has been moved back to 2024/2025 (for the purposes of calculation and is in effect for one year only). The Government hope that this will keep rent increases to around the level of guideline rent increases mentioned earlier. The Government assumes that all Authorities are now close to their guideline rents when it makes its subsidy calculations, although this Council is still under this figure, which equates to lost revenue to the HRA. The Government assumes this Council will be charging close to guideline rent at £66.72 per property per week: whereas the actual charge will be £62.86. This figure takes into account the de-pooling of service charges, which equate to an average of £1.60 per week (which should be included when calculating the deficit in guideline rent). It appears likely that this level of subsidy settlement will be in place next year to coincide with the Comprehensive Spending Review (so it would appear that a similar increase will be required next year).

5.0 2009/2010 Rent Level Proposals

- 5.1 The Government policy of Rent Restructuring came into effect in 2002/2003 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 2006/2007.
- 5.2 In order to maintain the move towards target rents in equal annual steps, a national average increase of 8 - 9% would be needed. However the Government has estimated by using the RPI+0.5%+£2 rule this will limit the increases to an average of between 6.2 and 7% nationally. This has been achieved by moving the convergence date for one year only to 2023/2024 therefore allowing increases to be 5.5% +1/15th of the increase required from 2009/2010 until 2023/2024.
- 5.3 The change to the rent convergence date has meant target rents have increased significantly and actual rents will have to increase by £4.00 (6.8%) on average in order for this Council to have a working balance on

the HRA that is not too low as to pose a potential risk to repairs and maintenance contracts which could lead to the HRA having a deficit.

- 5.4 In 2001, changes were made to the way that the Government subsidised the HRA, by introducing Rent Restructuring. Under a process known as 'convergence', the rents of Gosport Borough Council properties will be increased incrementally each year, so as to reach the restructured levels by 20011/2012 which was the original date set for convergence. It appears likely that this date will be moved forward or removed completely when the HRA subsidy review results are made available sometime during 2009.
- 5.5 This process required Local Authorities and Housing Associations to set their rents based upon a range of factors, including average wages, property size and location and condition.
- 5.6 The Government's reasons for Rent Restructuring were stated as:
- 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 properties.
- 5.7 This process was intended to achieve a 'harmonisation' of rents, so that similar properties in the same area would have similar rents. Rent Restructuring was also about clarity and transparency. Its aim was to bring some coherence to the rather haphazard picture across the social rented sector.
- 5.8 Unfortunately it would appear that there is still some way to go before Housing Association and Local Authority rents in the same area are seen to be equal.
- 5.9 This Council has applied property specific Rent Restructuring from 2003/2004 and using the Government's prescribed formula it is calculated that an average increase of 6.8% is required this year.
- 5.10 In addition to ensuring the gap between guideline and actual rents does not widen any further, this proposed increase is also required to offset the loss in subsidy and to ensure a working balance that is not so low, as to pose a significant risk of an HRA deficit at the end of 2009/2010.
- 5.11 Since the principle of 'harmonisation' of rents was introduced this Council has frozen rent levels for Barclay House homeless persons hostel. The reason for this was that the rents charged were significantly higher than those charged for secure tenants. However, in comparison to rent levels at Stoke Gardens (homeless persons hostel (General Fund)) Barclay House

rents are significantly lower. At this stage, and pending a more detailed consideration of the hostels business plans, it is recommended that Barclay House rents increase in line with the Councils standard housing rents, proposed to increase at 6.8%.

- 5.12 It is proposed to increase rent levels for garages, carports and parking lots by 5.00% from April 2009.

6.0 HRA Balance Levels

6.1 A report was taken to Housing Board in November 2007 concerning the restoration of HRA balances which estimated that a balance of £507,000 would be achieved by 31st March 2008. The balance at the end of the year was in fact £677,000 due to a combination of initiatives taken throughout the year. Due to a number of factors, this balance is now budgeted to reduce to £418,000 by 31st March 2009 (as mentioned in 2.2 above).

6.2 The Medium Term Financial Strategy currently states that a minimum balance required for the HRA is £640,000, which is equivalent to approximately £200 per property.

7.0 Other Properties

7.1 There are a small number of other properties where the rent levels are assessed in line with HRA properties. The proposal is to also increase these by 6.8%.

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 is that they 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 2002/2003, although Authorities had been given the option not to implement the restructuring on an individual property basis until 2003/2004.

9.2 This Council agreed to the implementation of Rent Restructuring for

2003/2004. In order for rent convergence targets to be maintained the continuation of an effective service for the tenants of Gosport it is necessary that the proposed average rental increase of 6.8% 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 and Charges |
| Appendices/Enclosures: | Appendix A: HRA 2008/2009 Revised budget & HRA 2009/2010. Appendix B: A schedule detailing proposed rent levels |
| Report Author/Lead Officer: | Tim Hoskins and Julian Bowcher |

Appendix

A

Income

| | | | |
|-----------------|---------------|---------------|---------------|
| Dwelling Rents | 10,002 | 9,955 | 10,691 |
| Shops & Garages | 236 | 220 | 240 |
| Service Charges | 399 | 388 | 395 |
| | <u>10,637</u> | <u>10,563</u> | <u>11,326</u> |

Expenditure

| | | | |
|------------------------------------|---------------|---------------|---------------|
| Management | 2,608 | 2,822 | 2,805 |
| Maintenance | 2,524 | 2,475 | 2,456 |
| Rents, Rates, Taxes, Other Charges | 77 | 77 | 77 |
| Depreciation | 2,161 | 2,160 | 2,234 |
| HRA Subsidy(including MRA) | 3,172 | 3,166 | 3,524 |
| | <u>10,542</u> | <u>10,700</u> | <u>11,096</u> |

Net Cost Of Services

| | | | |
|--|-------------|------------|--------------|
| | <u>(95)</u> | <u>137</u> | <u>(230)</u> |
|--|-------------|------------|--------------|

| | | | |
|---|-----------|------------|------------|
| Financing Adjustment | 0 | 0 | 0 |
| Item 8 debit | 130 | 152 | 189 |
| HRA Investment income/mortgage interest | (35) | (30) | (20) |
| | <u>95</u> | <u>122</u> | <u>169</u> |

Net Operating Expenditure

| | | | |
|--|----------|------------|-------------|
| | <u>0</u> | <u>259</u> | <u>(61)</u> |
|--|----------|------------|-------------|

Appropriations

| | | | |
|----------------------------------|---|---|---|
| Revenue Contributions to Capital | 0 | 0 | 0 |
|----------------------------------|---|---|---|

Housing Revenue Account Balance

| | | | |
|--|------------|------------|------------|
| Surplus/(-)Deficit at beginning of Year | 584 | 677 | 418 |
| Surplus/(-)Deficit for Year | 0 | (259) | 61 |
| Surplus(-)/Deficit at end of Year | 584 | 418 | 479 |

Appendix B

| TYPE | Bedroom | Total | Weekly Total Rent Income | Weekly Average Rent | Maximum Rent Charge | Minimum Rent Charge |
|--------------------|---------|-------|--------------------------|---------------------|---------------------|---------------------|
| Bedsit | 1 | 12 | 548.32 | 45.69 | 53.56 | 44.30 |
| Bungalow | 1 | 316 | 19,734.08 | 62.45 | 72.30 | 55.67 |
| Bungalow | 2 | 63 | 4,590.41 | 72.86 | 76.00 | 61.42 |
| Bungalow | 3 | 11 | 912.32 | 82.94 | 84.36 | 71.71 |
| Flat | 1 | 951 | 56,116.41 | 59.01 | 67.30 | 47.66 |
| Flat | 2 | 59 | 4,304.05 | 72.95 | 74.58 | 63.07 |
| Flat | 3 | 17 | 1,305.92 | 76.82 | 81.15 | 70.26 |
| House | 1 | 10 | 645.36 | 64.54 | 66.94 | 64.27 |
| House | 2 | 306 | 21,638.96 | 70.72 | 77.47 | 62.82 |
| House | 3 | 918 | 72,532.90 | 79.01 | 87.66 | 53.38 |
| House | 4 | 83 | 7,137.23 | 85.99 | 94.49 | 75.46 |
| House | 5 | 1 | 83.05 | 83.05 | 83.05 | 83.05 |
| Maisonette | 1 | 24 | 1,565.21 | 65.22 | 71.04 | 61.61 |
| Maisonette | 2 | 108 | 7,442.41 | 68.91 | 82.05 | 63.77 |
| Maisonette | 3 | 58 | 4,101.37 | 70.71 | 77.27 | 65.84 |
| Maisonette | 4 | 2 | 171.85 | 85.92 | 85.92 | 85.92 |
| Sheltered Bedsit | 1 | 13 | 602.24 | 46.33 | 47.50 | 46.11 |
| Sheltered Bungalow | 1 | 50 | 2,903.16 | 58.06 | 62.80 | 46.38 |
| Sheltered Flat | 1 | 129 | 6,893.93 | 53.44 | 68.19 | 39.54 |
| Sheltered Flat | 2 | 3 | 208.02 | 69.34 | 75.88 | 66.06 |

Please note: The above average weekly rental charge excludes the service charge element

| 2009-10 Rent Increment | |
|------------------------|-------|
| Band | Total |
| Nil Increase | 41 |
| Less Than £3 | 50 |
| Between £3-5 | 2019 |
| Above £5 | 1024 |
| Grand Total | 3134 |

Agenda item no. 6

| | |
|-------------------------|---|
| Board/Committee: | Housing Board |
| Date Of Meeting: | 4 th February 2009 |
| Title: | Housing General Fund Budget 2009/2010 |
| Author: | Financial Services Manager and Housing Services Manager |
| Status: | For Recommendation to Policy and Organisation Board |

Purpose

The purpose of this report is to consider the Board's revised 2008/2009 budget and 2009/2010 budget, including the Board's Fees and Charges for 2009/2010 and capital programme and to recommend to the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

Recommendation

The Board is requested to recommend to Policy and Organisation Board its requirements for the:

- a) Revenue budget (revised 2008/2009 and estimate 2009/2010)
- b) Fees and Charges for 2009/2010
- c) Capital programme 2008/2009 to 2013/2014.

1.0 BACKGROUND

- 1.1 The Board is required to consider and recommend to Policy and Organisation Board its requirements for the 2008/2009 and 2009/2010 financial years.
- 1.2 Policy and Organisation Board will consider its own and other Board requirements on 4th February 2009 and make recommendations to Council regarding the overall Council budget.
- 1.3 Members have been circulated with drafts of both the Budget and Fees and Charges Books for 2009/2010. The draft figures have been compiled in line with the guidance contained in the Council's budget strategy.
- 1.4 This Boards budgets are contained on the following pages:
 - Revenue budgets pages 15 to 17
 - Revenue variances appendix 1, page 2
 - Capital programme page 46.

1.5 The Budget Book continues to be presented in the revised format that was first used in 2007/2008 that is aimed at providing a presentation that more readily aligns with the Council's service unit structure.

1.6 There are several general points regarding the reported figures:

- Administration Recharges

Administration recharges represent the cost of the Council's service units – both frontline and support – that are incurred in providing the Council's services. They are a recharge of the total service unit costs which are overseen by the Personnel-Sub and Policy and Organisation Board. They can vary between both services and Boards, as well as between the General Fund, Housing Revenue Account and the Capital Programme and reflect the complexity of the Council's structure and services provided.

- Variance Analysis

The variance analysis shows the major budgetary variations from (i) the original budget to the revised budget and, (ii) the revised budget to the estimated budget.

In practice, at the lowest level, there will always be many budgetary variations – both positive and negative - as Officers manage budgets and provide for service delivery under delegated authority. These will also include virements in line with financial regulations. The variance analysis in the budget book includes the major variations only.

2.0 REVISED BUDGET 2008/2009

2.1 The revised budget for 2008/2009 for this Board is £533,800 - an increase of £2,670 (0.50%) on the original budget for 2008/2009 of £531,130.

3.0 BUDGET 2009/2010

3.1 The budget for 2009/2010 for this Board is £485,960 a decrease of £45,170 (8.5%) on the original budget for 2008/2009 of £531,130 and a decrease of £47,840 (8.96%) on the revised budget for 2008/2009 of £533,800.

3.2 The major variations are listed in an appendix at the front of the draft budget book.

4.0 HOMELESSNESS

4.1 The Housing General Fund Budget consists of three service areas, namely Home Adaptations, Private Sector Housing and Homelessness.

There has been an increase in Administration Recharges for both Home Adaptations and Private Sector Housing.

- 4.2 The overall Homelessness budget has reduced between the 2008/2009 Original £403,750 and the 2008/2009 Revised, £400,060 and the 2009/2010 budget shows a further reduction to £341,690. There has, however, been a continuing trend away from commercial bed and breakfast to other categories of temporary accommodation including Rented Accommodation in the Private Sector (RAPS), lodgings and hostel accommodation.

5.0 FEES AND CHARGES 2009/10

- 5.1 The recommended Fees and Charges are included within the draft Fees and Charges book (page 25).

6.0 CAPITAL PROGRAMME

- 6.1 The draft capital programme is contained within the draft budget book (page 46) for approval. Policy and Organisation Board will consider the overall programme in the light of available financing resources.

7.0 RISK ASSESSMENT

- 7.1 Generally, Council budgeting processes include an element of risk in respect of the many variables involved. These include:

- New statutory responsibilities
- Government led or notified activities
- Demand led activities which may result in the Council have to react to external factors
- Contractual obligations
- Market and economic factors including interest rates.

- 7.2 To counter these risks and uncertainties, the Council aims to be proactive in monitoring and controlling its services and budgets and taking prompt corrective action when necessary.

- 7.3 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 including Housing Benefit grant and currently, the uncertain financial climate.

- 7.4 Budget risks are considered further in the Council Budget report to Policy and Organisation Board due to their potential impact on the robustness of the Council budget and reserve levels.

8.0 CONCLUSION

- 8.1 This report summarises the Housing Board (General Fund) revenue and capital budgets for 2008/2009 revised and 2009/2010 together with its Fees and Charges and seeks a recommendation of the Board's requirements to the Policy and Organisation Board.

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|---|--|
| 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 function 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 7.0 |
| Background papers: | Draft Budget Book and Fees and Charges |
| Appendices/Enclosures: | None |
| Report Author/Lead Officer | Tim Hoskins/Julian Bowcher |