

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 10th February 2005
Scrutiny and Overview Committee 17th February 2005
AUTHOR: Finance and Resources Director

HOUSING REVENUE ACCOUNT RENTS AND CHARGES

Purpose

1. For the Portfolio Holder to recommend to Cabinet appropriate variations in rent and charges for 2005-06.

Effect on Corporate Objectives

2.

Quality, Accessible Services	To ensure that Housing Revenue Account rents and charges provide sufficient resources for the Council to continue and improve its housing services and meet the Decent Homes Standard.
Village Life	
Sustainability	
Partnership	

Background

3. This report relates to the setting of rents and charges, which are considered more comprehensively within the Finance and Resources Director's report to the Portfolio Holder on the Housing Portfolio Holder's estimates as a whole.
4. The estimate report to the Housing Portfolio Holder contained details of the proposed income and expenditure of the Housing Revenue Account (HRA) for the coming financial year and made recommendations concerning the level of rent and charges, compatible with Government guidelines, which would be required to support the envisaged budget. Having considered the report, in turn, the Portfolio Holder for Housing is now able to make recommendations to Cabinet and ultimately to Council on what would constitute the most appropriate variations to the rent and charge levels.
5. In order to contain the length of this report, much of the information provided to the Portfolio Holder has been summarised. The methodology used in determining rents under the Office of the Deputy Prime Minister's (ODPM) guidance is very complex and any Member wishing to have a fuller understanding of the issues involved can be supplied, on request, with a copy of the full report to the Portfolio Holder dealing with this and related matters.
6. Members will naturally wish to know the effect on the proposed rent level of any shortfall in income on the Building Maintenance In-house Contractor (DLO) trading account. The draft estimates include £415,000, for this financial year, and £185,000, for 2005-06, as provisions for the possible under-recovery of costs on this trading account. Savings in maintenance expenditure as a result of undercharging by the DLO, together with other planned reductions, mean that there is no direct impact on the level of tenant's rent proposed.
7. The draft estimates, considered in an earlier item on this agenda, have been prepared on the assumption that the level of rent and other Housing Revenue Account (HRA) charges for 2005-06 are varied as recommended by the Portfolio Holder.

Considerations

RENTS

8. At the Cabinet meeting held on 29th November 2001, Members approved a revised method for determining rents for individual properties in line with the Government's guidance on rent restructuring. In order to maximize income, whilst avoiding suffering a financial penalty, the draft estimates have been prepared on the assumption that rents will be varied in line with the Government's Scheme, with the proviso that the "Limit Rent" is not exceeded.
9. All costs associated with the Rent Rebate Scheme are now a charge on the General Fund. Consequently, the Government is now subsidising these direct benefit payments and will impose a financial penalty on the HRA if the Council's rents are above the ODPM's "Limit Rent" guideline figure which, for this Authority, for 2005-06 is £61.26 per week.
10. The maximum inflationary figure that can be applied to this year's rent and avoid an average rent above the "Limit Rent" whilst otherwise satisfying the Government's guidance is 3.82%. To this must be added the amount required to move towards target rent levels over the remaining seven years of the transitional period of the Scheme.
11. The following table sets out differing levels of percentage increase in rent and the consequential effect on the average rent (currently £57.80 per week) that this would imply for tenants, together with the reductions in expenditure that would be needed if the rents are set below the average level of £61.26 assumed in the draft estimates. Also shown are the additional funds that would be available from an average rent above the £61.26 per week recommended, but Members must be aware that these above "Limit Rent" levels would attract a rent rebate penalty to be paid out of the income received. For example, if the rent level results in an average rent of £61.32 per week an additional £18,000 would be received from tenants of which £8,000 would need to be paid to the Government in the form of a rent rebate penalty.

Rent Increase					
Inflationary	Inflation plus 1/7 th * Variation Combined	Proposed 2005-06 Average Rent	Reduction In Exp. To Maintain £1m Working Bal	Rent Rebate Penalty	Additional Funds Available
%	%	£	£000	£000	£000
0	0	57.80	990	0	0
0	2.9	59.48	560	0	0
0.5	3.3	59.72	440	0	0
1.0	3.8	59.97	370	0	0
1.5	4.3	60.29	300	0	0
2.0	4.6	60.46	230	0	0
2.5	5.0	60.69	162	0	0
3.0	5.4	60.91	97	0	0
3.5	5.8	61.13	36	0	0
3.8	6.0	61.26	0	0	0
4.0	6.1	61.32	0	8	10
4.5	6.4	61.48	0	29	38
5.0	6.6	61.61	0	45	56
5.5	8.7	61.70	0	57	71
6.0	6.9	61.77	0	66	83

- the 1/7th is to move towards target rent levels over the remaining 7 years of the scheme

12. The Portfolio Holder recommends that from April 2005 rents are increased by an average of 6%, based on an inflationary increase of 3.82%, plus or minus the ODPM recommended amount towards the phasing in of rent restructuring and also subject to

the ODPM recommended maximum of 3.57% plus or minus £2 per week (to protect individual tenants).

CHARGES FOR SERVICES AND FACILITIES

Sheltered Housing Service Charges to Tenants

13. **Support charges.** Members agreed to a transitional scheme for sheltered support charges. As a consequence, tenants not on benefit and in residence before the start of the Supporting People Regime are currently paying a reduced support charge of £7.92 per week, whilst the full charge is £14.42 per week. The Portfolio Holder feels that this reduced charge should be phased out over a period of four years and that an increase to £9.50 per week for 2005-06 offers the optimum solution. This level of charging has been assumed for the purpose of the estimate illustrations.
14. The Government funding for supporting people grants has been reduced and in Cambridgeshire providers have been advised by the Supporting People Team that charges attracting this financial assistance need to be lowered by 3% for 2005-06, such that the maximum amount to be reimbursed will be £13.99 per week. Notwithstanding that the Council's costs in this area have increased and the HRA will, therefore, have to bear a loss, the adverse impact on the HRA income of this reduction will be mitigated against by savings in expenditure on the sheltered housing service.
15. **Service charges.** The ODPM expect Authorities to begin phasing out the "pooling" of service charges. "Pooling" refers to the situation where a portion of the costs of a service, rather than being paid for by the recipient, is shared out between tenants in general. The sheltered housing service charge has a considerable "pooled" element and it is therefore proposed that this is uprated by 3.57% to £5.85 pw (in line with the ODPM advice regarding any increases applied to such service charges).

Sheltered Housing Service Charges to Equity Shareholders

16. **Full individual charging.** Following a recommendation from the Equity Share Advisory Group, Council agreed that full individual charges be phased in for equity shareholders. Last year, Council agreed that the implementation of the new charging scheme be deferred pending the outcome of a review of the basis of charging. Consequently, no scheme of individual charging was introduced in respect of the 2004-05 financial year. At the meeting on 9th December 2004 Cabinet agreed to establish an Advisory Group whose remit would include making recommendations on the most suitable method of charging to be applied in future.
17. The Portfolio Holder recommends that changes in the basis of charging are again deferred and considered as part of the review of sheltered housing.
18. **Proposed service charges (support and service).** A service charge of £16.41 per week (for those in residence prior to 1st April 2003) or £22.91 per week (for others) is currently made to equity shareholders. In addition to the £13.56 per week or £20.06 per week charge for sheltered housing services made to tenants, the charge to shareholders includes £2.85 per week mainly to cover external repairs and estate maintenance. For tenants, these items are included in the rent; therefore, for the charges for tenants and shareholders to be equitable, the charge made to shareholders should be greater than that made to tenants.
19. Officers involved in planned maintenance, assess that the amount included within the service charge for external repairs and estate maintenance should be increased to £3.50 per week per property. The increase is mainly attributable to the fact that building cost inflation has, over the past few years, been higher than general inflation. The charges proposed for equity shareholders are based on those proposed for

tenants with the addition of the £3.50 per week for external repairs and estate maintenance.

Alarm System Service to Owner Occupiers and Tenants not on a Sheltered Housing Scheme

20. The service is subsidised from both the HRA and the General Fund based on the proportion of tenants to owner-occupiers making use of the Scheme. For 2005-06 the cost of the service borne by the Authority is expected to be £23,400; however, both the Portfolio Holder and the Housing and Environmental Services Director have indicated that they would like the alarm systems service to breakeven in the longer term.
21. At present there is a reduced charge for those in receipt of benefit, which was introduced some years ago because the charges for lifelines were not eligible for benefit. It is now proposed that the reduced charge for those on benefit is phased out over a number of years and the Portfolio Holder has suggested a period of 5 years for this process. The proposed reduced 2005-06 charges have therefore been arrived at by applying 2.5% for inflation plus 1/5th of the difference between the resultant figure and the full charge.
22. The estimates have been prepared on the basis that the charge for group alarms be reduced by 3% (in line with the anticipated reduction in supporting people grant), and the full charges for lifelines be increased by 2.5% (in line with inflation). The reduction in income, resulting from the lowering of the group alarm charge, will be more than accommodated by savings in the service costs.

Garage Rents

23. The Portfolio Holder has indicated her preference for the rent for garages occupied by non-Council tenants or leaseholders, to be increased by 15% and the rent for other garages by 5%. These above inflationary increases are to take advantage of the fact that any additional income from garage rents is fully available to the HRA. The proposed extra rent for those who are not tenants or leaseholders is expected to raise HRA income by more than £23,000 (of which almost £20,000 relates to the above inflationary element). Should the rent increases lead to a higher level of voids, Shire Homes will take the opportunity to consider the sale of any under-used garage areas to make land available for new housing.
24. The Portfolio Holder recommends that the charges for services and facilities are varied as detailed on the following page:

Service or Facility	Current	Proposed	Change	
	Charge per week	Charge per week	%	£.p
	£.p	£.p		
<u>Sheltered Housing Service Charge</u>				
Sheltered Housing Service Charge for Tenants				
- support element				
- those in residence prior to 01/04/03	7.92	9.50	+20	+1.58
- other tenants	14.42	13.99	- 3	-0.43
- other (communal facilities etc)	5.64	5.85	+ 4	+0.21
Sheltered Housing Charge for Equity Shareholders				
- schemes with all facilities				
- those in residence prior to 01/04/03	16.41	18.85	+15	+2.44
- other shareholders	22.91	23.34	+ 2	+0.43
- schemes without a common room				
- those in residence prior to 01/04/03	10.77	13.05	+21	+2.28
- other shareholders	17.27	17.49	+ 1	+0.22
<u>Alarm System Service Charge*</u>				
Group Alarm Schemes	3.35	3.25	- 3	-0.10
Other				
Those not in receipt of benefit				
- where the Council supplies the alarm	3.43	3.52	+ 3	+0.09
- where the tenant supplies the alarm	2.78	2.85	+ 3	+0.07
Reduced charge for those in receipt of benefit				
- where the Council supplies the alarm	1.87	2.24	+20	+0.37
- where the tenant supplies the alarm	1.25	1.59	+27	+0.34
* plus VAT where appropriate				
<u>Garage Rent</u>				
Garages rented to a Council house tenant or leaseholder	5.64	5.92	+ 5	+0.28
N.B. in excess of two garages will be subject to VAT				
Other Garages (subject to VAT)	6.66	7.66	+15	+1.00

Financial Implications

25. The financial implications contained in the body of the report.

Legal Implications

26. The Authority has a statutory obligation to balance its HRA.

Staffing Implications

27. Provided Members approve the draft estimates and the proposed rent and charge levels, there do not appear to be any direct staffing implications.

Risk Management Implications

28. With the proviso contained in the above paragraph, there do not appear to be any risk management implications.

Conclusions/Summary

29. The estimates which have been considered by the Portfolio Holder and, by the time of this meeting, by the Estimates Scrutiny include income from rents and charges at the levels recommended by the Portfolio Holder. Any variations to the draft estimates and/or the proposed levels of rent and charges may require reconsideration of the HRA budget.

Recommendations

30. The Portfolio Holder requests Cabinet to recommend to Council that:
- (a) from April 2005, rents are increased by an average of 6%, based on an inflationary increase of 3.82% plus or minus the ODPM recommended amount towards the phasing in of rent restructuring and also subject to the ODPM recommended maximum of 3.57% plus or minus £2 per week (to protect individual tenants);
 - (b) the phasing in of full individual charges for equity shareholders on sheltered housing schemes be further deferred and considered as part of the review to be undertaken by the Housing for Older People Advisory Group; and
 - (c) charges other than rents be altered as outlined in the table at para 24.

Background Papers: the following background papers were used in the preparation of this report:

The Revenue and Capital Estimates Report presented to the Housing Portfolio Holder on 28th January 2005

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