

Agenda Item 8

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

Author: Cabinet Member for Health, Housing & Social Care and Director of Housing and Leisure

Wards Affected: All

Purpose

- To approve the proposed rents, service charges and support charges for 2010/11 and to approve the budget for the Housing Revenue Account (HRA) for 2010/11.

Recommendation

Council be recommended to approve:

- The proposed average rent for Housing Revenue Account (HRA) dwellings for 2010/11 of £69.22 per week (48 week basis), which is an increase of 2.16%, be approved (Appendix 2) in accordance with the Government's rent restructuring policy.
- The housing related support charges for 2010/11 and service charges for 2010/11 as outlined in Appendices 5 - 9 be approved.
- A project be set-up to review the unpooling of service charges with a view to report findings to the Housing Advisory Forum in January 2011.
- Leaseholder service charges be set for 2010/11 as shown in Appendix 10.
- Garage rents, parking charges and cross over charges be set for 2010/11 as shown in Appendix 11 and Appendix 12.
- That the views expressed by the Housing Advisory Forum will be updated as this meeting as the original meeting was postponed due to inclement weather.
- Based on the proposals set out within this report that the Housing Revenue Account (HRA) proposed budget 2010/11, shown in Appendix 13, be approved and that the HRA Repairs Budget and Funding be approved as shown in Appendix 14.
- Rents charged on General Fund properties be increased by the average rent increase for HRA dwellings (2.16%) and the rents and charges for the David Murray John Apartments, as shown in Appendix 15, be approved.
- Rents charged for plots at the Hay Lane Residential Gypsy Site be increased by £1.00 per week to £39.00 per week (52 week basis) and the rents for workpens, as shown in Appendix 16, be approved.
- Homelessness contribution outlined in paragraphs 2.69-2.70 be approved.

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

1. Reasons

- 1.1. To inform Members of the proposed budget for the Housing Revenue Account (HRA) for 2010/11 and implications for rents, service charges and support charges.

1. Detail

- 1.1. The Housing Revenue Account (HRA) is a statutory account set up in accordance with the Local Government and Housing Act 1989. The account is ring fenced and cannot be subsidised by the General Fund or vice versa.
- 2.2. The HRA contains all expenditure relating to the Council's landlord function of over 10,500 dwellings, supported housing schemes, sheltered schemes, commercial premises and garages. Income is generated through rents, charges and interest received on balances.

Housing Revenue Account (HRA) Rents and Charges

- 2.3. Swindon's Housing Revenue Account (HRA) receives the majority of its income from the charges it levies upon its tenants. Tenants can pay up to 3 elements for their homes :
- Rent - a charge for the occupation of a dwelling. Rents pay for the management and maintenance of the properties.
 - Service charge - additional services which may not be provided to every tenant, or which may be connected with communal facilities e.g. a caretaker service.
 - Support charge - additional services to help tenants maintain their tenancies i.e. the warden service in sheltered accommodation and the Homeline alarm system.

Dwelling Rents

- 2.4. The Government's Housing Statement in December 2000 announced a new method of calculating social rents by means of a new national formula.
- 2.5. Since 1st April 2002, local housing authorities with housing stock, including Swindon, have been setting their rents based on the Government's rent restructuring policy.
- 2.6. Under the rent restructuring policy, each property has what is known as a target or formula rent which takes into account the valuation of the property, the average manual earnings for Wiltshire and the number of bedrooms. The base

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

year for formula rents was 2000/01. These formula rents are inflated each year by inflation factors set by the Government.

- 2.7. In the majority of cases, Swindon's actual rents are lower than the formula rents set for those dwellings. Actual rents are therefore increased by the formula rent inflation factor plus a fraction of the difference between the formula rent and actual rent. The Government initially allowed local authorities a period of 10 years to move their actual rent per property towards the formula rent per property. This is known as rent convergence. The rent convergence target date was initially set at 2011/12. However, changes to the rent restructuring policy over the last few years has resulted in the need to amend the rent convergence date, which is discussed further below.
- 2.8. The national rent formula was changed with effect from 1st April 2006. The revised rent setting formula changed the elements in the formula to be the same as housing associations including the same measure of inflation used by housing associations when increasing the formula rent. This resulted in a much higher formula rent than the one previous calculated using the local authority rent formula. The formula rent is shown in Appendix 1. The formula rent is then inflated each year from 2000/01 by the Retail Price Index (RPI) + 0.5%. Actual rents are increased by RPI +0.5% plus (an amount equal to the difference between the guideline rent and the actual rent) divided by the number of years remaining to convergence. This was subject to a maximum capped increase of RPI+ 0.5% +£2 in order that tenant's were not subject to extremely high rent increases.
- 2.9. The final HRA Subsidy Determinations for 2009/10 outlined the withdrawal of the cap on average rents of 5%. This would have resulted in significant rent increases since the actual rent is trying to meet the formula rent in the remaining 4 years up to 2011/12. The Government confirmed a new rent convergence date of 2016/17 to flatten out large increases in actual rents.
- 2.10. The final HRA Subsidy Determinations for 2009/10 showed that the inflation rate at the end of September was at an all time high of 5% resulting in a total increase of 6.2%. The Government, however, indicated in the final determinations that they will be extending the rent convergence date to 2023/24 to flatten out large increases in actual rents. The Government subsequently offered a reduction in the subsidy payment to Council's that implemented a lower increase of 3.1% with a convergence date of 2023/24, which Swindon Borough Council accepted.
- 2.11. The final HRA Subsidy Determinations for 2010/11, issued on 9th December 2009, outlined the base RPI to be used for the 2010/11 rent setting as -1.4%. Therefore, in theory rents would actually decrease by 0.9% before accounting for the rent convergence increase. The Government had indicated that they were anticipating an average rent increase of 3.1% nationwide, this was achieved by bringing the convergence date back to 2011/12. The effect of this

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

was to force about 85% of our properties to be 'capped' by RPI +0.5%+£2, in effect this means an actual increase of around £1.50 per week.

- 2.12. Appendix 2 shows the impact on Swindon's actual average rent converging with the formula rent in 2011/12. The table shows that the average actual rent for 2009/10 was £67.76 per week (48 week basis). Adopting a rent convergence date of 2011/12, then the average rent for 2010/11 becomes £69.22 per week, a rent increase of 2.16% on 2009/10. The rent increase is made up of two constituent parts -0.9% being the inflationary decrease as highlighted at paragraph 2.11 above and 3.06% (equivalent to £2) being the increase to rent convergence in 2011/12. Although the rent increase is shown as 2.16%, it will actually feel more like 4% in real terms, this is due to the reduction in rents last year as a result of the changes made during last year. A worked example for a 2 bed property in Pinehurst is given below:-

	48 week rent
• The rent in 2008/09	£68.23
• The rents were increased by 6.2% in April last year.	£72.35
• In August the reduction in rents was implemented, rent for the year should have been set at.	£70.20
• The rents were reduced to reflect the over payment already made in the year, thus the rent for the remainder of the year is.	£68.91
• The rent for 2010/11 is to be set at	£71.74
• This is an annual increase of 2.19% but is a cash increase of 4.11%.	

- 2.13 Appendix 2 also summarises the increase in HRA maximum, median and minimum rent levels from 2009/10 to 2010/11.
- 2.14 The average formula rent in 2009/10 was £76.64 per week (48 week basis). The formula rent inflation factor for 2010/11 is -0.9% i.e. RPI of -1.4% + 0.5%, which results in an average formula rent for 2010/11 for Swindon of £75.95 per week. Therefore, the gap between the average formula rent and average actual rent in 2009/10 was £8.87. The gap between the average formula rent and the actual average rent is £6.74 when the rent convergence date of 2011/12 is applied as shown in Appendix 3.
- 2.15 Tenants are protected under rent restructuring so that their actual rents cannot increase by more than -0.9% + £2 per week (RPI of -1.4% + 0.5% + £2 per week) in 2010/11. A rent convergence date of 2011/12 sees all of Swindon's actual rents being equal to their corresponding formula rents in 2016/17. Once rents have converged, future rent increases are pegged at RPI + 0.5%.
- 2.16 Appendix 3 shows Swindon's forecast actual average rent moving towards the average formula rent over the period from 2009/10 to 2016/17.
- 2.17 It must be noted that local housing authorities are free to set their actual rents at whatever level they choose. However, setting a rent level outside the rent

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

restructuring framework will result in further severe financial penalties for Swindon's HRA due to the operation of the HRA subsidy system and the limit rent which is used for capping housing benefit payable. Therefore, it may appear that setting rents at a local level is at the discretion of the local authority, there is actually no choice due to the financial constraints imposed on council housing finance and the impact that these have on Swindon's HRA.

Support and Service Charges

- 2.18 As part of rent restructuring, authorities were encouraged to introduce separate (unpooled) charges to tenants, where service charges "reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than the particular occupation of a dwelling". The process of introducing service charges is known as "unpooling". It is considered that separating service charges was fairer, as only those getting the services will pay for them in future rather than all tenants paying for the service through the rent pool. Appendix 4 provides a guide to the unpooling of service charges.
- 2.19 Prior to the introduction of rent restructuring in 2002, Swindon had already unpooled a large amount of its service charges e.g. the sheltered housing service charge, the supported housing service charge and multi-storey service charge. However, it is important to note that by 2010/11, £436k of services attributable to identifiable services are still being funded out of the rent pool. When a new service charged is introduced as part of unpooling, in the first year they are notionally unpooled so that increases in service charges are balanced out with a compensating reduction in the rent paid for the property so that the tenant is neither better or worse off in the first year of unpooling.
- 2.20 It is proposed that a review be established during 2010/11 to undertake a review of the unpooling of service charges in Swindon with a view to report the findings at the Housing Advisory Forum in January 2010 and any recommendations be factored into the service charges for 2010/11.

Sheltered Housing

- 2.21 The Government's major policy initiative 'Supporting People' came into force in April 2003. It states that Housing Benefit must only be used to pay for basic housing costs. Housing Benefit is no longer payable for housing related support such as the warden's daily visit to tenants and the warden call system response. Councils are required to separately identify the cost of providing 'support'.
- 2.22 From April 2003 support charges have to be identified and paid for separately from rent and service charges. These support services are paid for by the tenant or Supporting People Grant, with only tenants who are in receipt of Housing Benefit being automatically entitled to Supporting People Grant.

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

- 2.23 The detailed information for 'Supporting People' charges and sheltered service charges are shown in Appendices 4 and 5 respectively.
- 2.24 The support charge for sheltered housing tenants in 2009/10 is £10.18 (48 week basis), costs have actually risen more than this but are restricted by the rent cap detailed above. Support charges have in the past been dependent upon the amount of Supporting People grant receivable. The level of Supporting People Grant relating to each contract has been frozen at £9.65 per week, tenants in receipt of Supporting People Grant will not have to contribute any additional payment above this level. Tenants not eligible for Supporting People will pay the charge of £10.18 per week (48 week basis) in 2010/11. Tenants who continue to be eligible under the transitional protection scheme i.e. they received the service prior to 31st March 2003, have their charges frozen at £8.51 per week (48 week basis) until the end of their tenancy. There are now only 107 tenancies in receipt of this protection.
- 2.25 The sheltered housing service charge is £12.87 in 2009/10 (48 week basis), again this has been frozen due to the restrictions of the rent cap.
- 2.26 In 2006/07, the heating charge in sheltered housing was split between private and communal usage. It is proposed to increase the sheltered housing heating charge (private element) by £1.46 per week from £8.88 per week in 2009/10 to £10.34 per week in 2010/11, due to price increases in the gas and electricity market (Appendix 6). It must be noted that the sheltered housing heating charge (private element) is not a rebateable service charge i.e. all tenants eligible to receive the service must pay for the service whether they are on housing benefit or not. It is not proposed to increase the sheltered housing heating charge (communal element) due to the rent cap. However, the sheltered housing heating charge (communal element) is rebateable i.e. eligible for housing benefit. Since the service charge is rebateable, then there is a restriction on the increase in the charge in line with RPI + 0.5% just like other rebateable service charges. It is proposed that the sheltered water charge will increase by £0.46 from £3.10 per week in 2009/10 to £3.31 per week in 2010/11 as a result of increases in the price of water services.
- 2.27 It is proposed to increase the charge for renting a guest flat in a sheltered scheme from £12.00 per night for a 1 bedroom flat in 2009/10 to £14.00 per night in 2010/11, an increase of £2.00 per night. Additionally, it is proposed to increase the charge for renting a small guest room with shared facilities from at £10.00 per night in 2009/10 to £12.00 per night in 2010/11. These service charges are shown in Appendix 7.

Homeline

- 2.28 Since April 2003, the Homeline Service has been classified as 100% support. Housing Benefit is no longer payable for this service. The change in this charge for 2010/11 will be based on the costs of providing the scheme, the level of

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

Supporting People Grant has been frozen at £3.45 per week. The Homeline charge has been frozen at £3.64 per week (48 week basis) for 2010/11, again capped by the rent increase restriction. Tenants who continue to be eligible under the transitional protection scheme i.e. they received the service prior to 31st March 2003, have their charges frozen at £3.34 per week (48 week basis) until the end of their tenancy. There are now only 96 tenancies in receipt of this protection. Private residents who receive the Homeline service should be charged the full cost of the service since they are not eligible for Supporting People funding. It is proposed to increase the Homeline charge for private residents from £4.36 per week in 2009/10 to £4.46 in 2010/11, which is an increase of £0.10 per week (Appendix 5) in order to move closer to the 100% economic cost of providing this service to private residents, this will form part of the service charges reliev.

Supported Housing

- 2.29 Since April 2003, Housing Benefit does not pay for the cost of 'support' in supported housing schemes. This includes warden support, advice and the resettlement service.
- 2.30 Supported accommodation is classified as a short-term service and residents will automatically be entitled to receive Supporting People grant regardless of whether they are in receipt of benefits or employed.
- 2.31 The no increase is proposed for the service charge for supported housing schemes in 2009/10, due to the rent cap, as shown in Appendix 8. Note that all charges associated with supported housing are based on a 52 week rent year.
- 2.32 In 2006/07, the heating charge in supported housing was split between private and communal usage. It is proposed to increase the supported housing heating charge (private element) by £0.52 from £8.35 per week in 2009/10 to £8.97 per week in 2010/11 (Appendix 8). It must be noted that the supported housing heating charge (private element) is not a rebatable service charge i.e. all tenants eligible to receive the service must pay for the service whether they are on housing benefit or not. It is proposed that the supported housing heating charge (communal element) is not increased in 2010/11 (Appendix 8). However, the supported housing heating charge (communal element) is rebateable i.e. eligible for housing benefit. Since the service charge is rebateable, then there is a restriction on the increase in the charge.
- 2.33 Certain properties at The Bungalows had a shared heating supply, this has been split to separate meters this year, therefore this charge has ceased.
- 2.34 It is proposed that the supported housing water charge will increase to £5.49 per week from £3.25 (Appendix 8).
- 2.35 It is proposed that the supported housing electricity charge will increase by £0.45 per week from £3.70 per week in 2009/10 to £4.15 per week in 2010/11.

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

- 2.36 New service charges were introduced during the year relating to 14 Moredon Road and William Robins Court which are supported living schemes for people with Learning Disabilities. The rents for these schemes were set at the target rent thus the tenants will get a rent reduction this year. The service charges for these schemes are not subject to the rent cap and therefore will be increased in line with the increase in operating costs. The service charge for 14 Moredon Road will increase by £1.32 to £30.40 in 2010/11 (Appendix 8). The service charges for William Robins Court will increase by £1.10 to £30.11 in 2010/11 for Learning Disabilities clients and by £0.89 to £8.92 in 2010/11 for the general needs tenants (Appendix 9).

Multi-Storey Blocks, Neighbourhood Wardens and Other Charges

- 2.37 In 2006/07, a borough-wide neighbourhood warden service was introduced which was funded predominantly through service charging HRA tenants and leaseholders. Three new service charges were introduced which were based on the varying levels of service provided to different HRA asset types as follows:

- i). Multi-storey blocks.
- ii). Neighbourhood warden service for low and medium rise blocks.
- iii). Neighbourhood warden service for all housing properties excluding multi-storey blocks, low and medium rise blocks, sheltered accommodation and supported accommodation.

- 2.38 The following are the proposals for the service charges for the multi-storey blocks and the neighbourhood warden service :

- i). Multi-storey blocks - it is proposed that the charge is not increased from £11.82 per week in 2010/11(48 week basis) .
- ii). Neighbourhood warden service for low and medium rise blocks - it is proposed that the charge is not increased from £1.58 per week in 2010/11 (48 week basis).
- iii). Neighbourhood warden service for all housing properties excluding multi-storey blocks, low and medium rise blocks, sheltered accommodation and supported accommodation - it is proposed that the charge is not increased from £1.06 per week in 2010/11 (48 week basis).

Other Charges

- 2.39 The communal staircase lighting service charge is sensitive to changes in the price of electricity. The service charge is now covering the cost of providing the

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

service, so no increase is proposed from £0.69 per week in 2010/11 (48 week basis).

- 2.40 It is proposed that the charge for the cable television service provided in the Railway Village be increased from £0.57 per week in 2009/10 to £2.00 per week in 2010/11, this is reflective of the new contract with Virgin media, and is reflective of the costs associated with the digital switchover.
- 2.41 During 2009/10 a charge was introduced for people who received assistance with maintaining their gardens under the Aged & Infirm Gardening Programme. The programme is designed to help people who live in houses but are unable to maintain their lawns and hedges, by providing a cutting service during the growing season (May – October for lawns), and an annual hedge cut (twice a year for certain types of hedge). The contribution from tenants was set at £1 per week for each service, it is proposed to raise this to £1.02 in 2010/11.
- 2.42 The charges outlined in paragraphs 2.37 to 2.41 are summarised at appendix 9.

Leaseholder Service Charges

- 2.43 Leaseholders are recharged the full cost of providing services. It is proposed that the multi-storey service charge to leaseholders in multi-storey blocks is increased by £1.00 from £11.90 per week in 2009/10 to £12.90 per week in 2010/11 (on a 52 week basis) (Appendix 10).
- 2.44 It is proposed that the charge to leaseholders in low and medium rise flats be increased by £0.40 from £1.52 per week in 2009/10 to £1.92 per week in 2009/10 (52 week basis) to account for inflation.
- 2.45 It is proposed that all flats without a communal area pay an estate charge of £1.34 per week (52 week basis) from the 1/04/10, this is the leaseholder's equivalent of the neighbourhood warden charge and covers the costs of maintaining the environment around the estates that are outside the block area of the flats.
- 2.46 The management charge to leaseholders was £1.40 per week in 2008/09 (52 week basis). Work has been ongoing with a sub-group of leaseholders from the Leaseholder Link forum to identify the true cost of managing leaseholders. A meeting held on Tuesday 27th January 2009 discussed the proposal to increase the weekly cost to £2.96 per week for 2009/10, it was subsequently decided to delay implementation until 1/04/10. The management charge has been calculated in accordance with the formula agreed by the leaseholder sub-group last year; this has resulted in a charge of £3.98 per week (52 week basis) in 2010/11.
- 2.47 The communal staircase lighting service charge is sensitive to changes in the usage and price of electricity. It is proposed to increase the charge from £0.72

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

per week (52 week basis) in 2009/10 to £0.76 per week in 2010/11 (52 week basis).

Garage Rents and Parking Charges for HRA Tenants

- 2.48 Garage rents (HRA tenants) are currently charged at £6.83 per week (48 week basis) in 2009/10. It is proposed to increase garage rents by an inflationary increase of £0.16 per week to £6.99 per week for 2010/11 (48 week basis).
- 2.49 Parking spaces (for controlled bays) are currently charged at £2.31 per week (48 week basis) in 2009/10. It is proposed to increase this charge by inflation to £2.36 per week in 2010/11.
- 2.50 It is proposed to increase the charge for a cross over (curtilage parking) by the rate of inflation from £1.76 per week (48 week basis) in 2009/10 to £1.80 per week in 2009/10, an increase of £0.04 per week. However, each cross over costs approximately £2,000 to install and it would therefore take approximately 28 years to recover the cost of this investment. Therefore, a new charge for new cross overs was introduced for 2006/07, which had the effect of halving the payback period for the initial investment. It is proposed that this charged is increased by inflation from £3.42 per week (48 week basis) in 2009/10 to £3.50 per week in 2010/11. Additionally, as a property with a cross over becomes void in 2009/10, the new tenant is moved to the new cross over charge of £3.50 per week instead of the £1.80 per week charge.
- 2.51 The charges outlined in paragraphs 2.48 to 2.50 are summarised at appendix 11.

Garage Rents and Parking Charges for non-HRA Tenants

- 2.52 Garage rents (non-HRA tenants) are currently charged at £7.25 per week (52 week basis) in 2009/10. It is proposed to increase garage rents by an inflationary increase of £0.24 per week to £7.57 per week for 2010/11 (52 week basis). It is worth noting that garages rented by non-HRA tenants are subject to VAT (at a rate of 17.5%) and are charged over a 52 week basis rather than a 48 week basis.
- 2.53 Parking spaces (for controlled bays) are currently charged at £2.47 per week (52 week basis) in 2009/10. It is proposed to increase this charge by inflation to £2.53 per week in 2009/10. Parking spaces rented to non-HRA tenants are also subject to VAT (at a rate of 17.5%) and are charged over a 52 week basis rather than a 48 week basis.
- 2.54 The charges outlined in paragraphs 2.52 to 2.53 are summarised at appendix 12.

Consultation

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

- 2.55 Two rent setting consultation meetings were held on 5th January 2010 but only 4 tenants and leaseholders attended the two sessions. The main issues raised included :
- 2.56 The main issues raised during the consultation meetings included :
- i) Concerns around the increases in utility prices.
 - ii) Discussion around what flexibility the Council has in setting rent policy. This included discussion around why the Council has to hand £8.8m in negative subsidy to the Government?

Alternative Options

- 2.57 The setting of local authority rents is largely determined by a formula provided by Central Government. The Council has the ability to set the rents at any level, however there are two constraints on this. Firstly the Council could chose a much higher rent than that given under the formula, this could cause severe financial hardship for some of our poorest tenants. Secondly the Council could set a much lower rent increase, in this situation the Government would not reduce the amount of subsidy payable to the national HRA. Any reduction in rent increase would need to coincide with a simultaneous reduction in costs and this would reduce the service provided to tenants again affecting the poorest tenants.
- 2.58 Issues relating to services funded via service or support charges were discussed with tenants and leaseholders as part of the rent setting consultation process with the key issues raised being identified in paragraph 2.56 of this report.
- 2.59 The Housing Advisory Forum on 13th January 2010 was postponed an update will be provided once the rearranged meeting has been held.

Housing Revenue Account (HRA) Budget 2010/11

- 2.60 The HRA budget for 2010/11 is dependent upon the decisions Members make on rents, service charges, support charges, level of balances and works to the stock.
- 2.61 Appendix 13 shows the proposed HRA budget for 2010/11 assuming Members agree to the recommendations on rents and charges set out in this report. The following paragraphs will outline the major movements (key variances) from the 2009/10 base budget to the proposed 2010/11 budget. This section will also bring to Members' attention the short term and medium financial implications and challenges facing Swindon's HRA.

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

- 2.62 The HRA subsidy determinations issued by Government in December 2009 outlined the level of allowances due to Swindon's HRA and the level of notional rent which must be repaid to the Government. The impact of the HRA Subsidy Determinations for 2010/11 sees the level of notional rent far outweighing the level of allowances receivable. This is known as 'negative housing subsidy'. Items 3 on Appendix 13 shows a decrease of £832k in Swindon's 'negative housing subsidy' from £16,576k in 2009/10 to £15,744k in 2010/11, this is due to the adjusted rent increase last year. The Council also receives the Major Repairs Allowances (MRA) as part of the HRA subsidy determinations. The net effect of 'negative housing subsidy' and the Major Repairs Allowance (item 15, Appendix 13) results in a net payment to the Government in 2010/11 of £8,793k, which is then used by the Government to fund national housing priorities. Therefore, in simple terms, for every £1 in rent a tenant pays the Council, only services amounting to 75p can be provided since 25p in every £1 is paid over to the Government in 'negative housing subsidy'.
- 2.63 The budgeted cost of revenue repairs (item 5, Appendix 13) has been increased by £2,269k from £7,679k in 2009/10 to £9,917k in 2010/11 to assist in delivering our repair obligations
- 2.64 The income from dwelling rents (item 15, Appendix 13) is budgeted to decrease by £361k from £35,179k in 2009/10 to £34,817k in 2010/11, this is due to the adjustments made to rents after the start of last year. The increase in rental income is based on Swindon's average rent increasing by 2.16%.
- 2.65 The capital expenditure funded from the HRA, known as direct revenue financing (item 36, Appendix 13), has been reduced to £520k, this is required to enable the additional funds needed for the revenue repairs programme to be made available. Restrictions in rent increases in 2009/10 were compensated by Government in the form of caps and limits to the guideline rent through Housing Subsidy but this adjustment is made a year in arrears i.e. compensation with respect to 2009/10 is received in 2010/11.
- 2.66 The HRA balance of £2,319k shown at line item 41 reflects the position following the forecast HRA position for 2009/10.
- 2.67 The HRA overall is budgeted to produce a small surplus of £3k in 2010/11 compared to a budgeted surplus of £127k in 2009/10 (item 39, Appendix 13). The fundamental review of council housing funding is ongoing and a statement from the Minister is expected in the spring of 2009 which could mean that Swindon's HRA could be exposed to another volatile HRA Subsidy Determination settlement for 2010/11. It is proposed the HRA balance be maintained at £2m to mitigate against the financial risks arising from the housing subsidy system.
- 2.68 Appendix 14 shows the HRA Repairs Budget and Funding for 2010/11. The Major Repairs Allowance (MRA) funding from Government has increased by £310k from £6,515k in 2009/10 to £6,825k in 2010/11 (item 1, Appendix 14).

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

- 2.69 The HRA Improvements Programme has been reduced by £2,401k (item 2, Appendix 14). However, it must be noted that there will be significant changes in the way that the HRA Capital Programme will be funded in 2010/11. Direct revenue financing of the HRA Improvements Programme has reduced by £2,265k. Due to current economic conditions, the level of funding available to Swindon's HRA through Right to Buy (RTB) sales has reduced significantly. The HRA used to benefit from a funding stream of £1m from RTB sales (80 properties) but it is anticipated that less than 20 properties will be sold in 2010/11, which will only generate a usable capital receipt of £250k. The remaining £340k will be funded from the HRA usable capital receipts reserve. This can only be considered as a one-off contribution from the capital receipts reserve and so a sustainable capital funding source will have to be identified for 2010/11 and beyond if the difficult economic conditions continue through to the medium-term.
- 2.70 The proposals contained in this report will produce a balanced HRA budget in 2010/11. The budget has been balanced by reducing the level of capital expenditure to an affordable level, the Housing Options Appraisal identified a backlog of repairs that were valued in the region of £50m, as the reduction in capital expenditure continues this backlog will inevitably keep growing. The current capital programme will provide approximately 400 kitchens, however it has been identified that there are approximately 4000 kitchens that require updating. It must be noted that the Housing Options Appraisal includes detailed financial modelling of Swindon's HRA over the longer-term.

General Fund Rents and Service Charges

- 2.71 There are a number of rented properties in the General Fund including the David Murray John Tower (DMJ). Rent restructuring affects only HRA properties although it would be reasonable for Members to apply the same principles to the Council's General Fund properties. For 2010/11, it is recommended that the average rent increase of 2.16% proposed for HRA dwellings be also applied to General Fund properties. Appendix 15 shows the proposed rents and charges for the DMJ and it is recommended that these be approved.

Hay Lane Residential Gypsy Site

- 2.72 There are 37 plots at Hay Lane and a rent of £37.00 per week is charged in 2009/10. It is proposed to increase this charge for 2010/11 in line with inflation to £38.00 per week, an increase of £1.00 per week.
- 2.73 Workpens at Hay Lane vary in size. New charges were introduced as part of the rent setting process for 2007/08 and it is proposed that the charges are frozen at the 2007/08 levels for 2010/11. It is recommended that charges for Hay Lane outlined at Appendix 16 be approved.

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Homelessness Contributions

- 2.74 The level of homelessness contributions for private accommodation requested from employed tenants was linked to the housing benefit capping threshold for Swindon in 2009/10. It is proposed that contributions from existing homelessness clients not in receipt of housing benefit continue to be linked to the housing benefit capping threshold for existing tenants, which increases was £100.15 per week in Swindon for 2009/10, irrespective of the number of bedrooms occupied. Officers are currently working through the implications of changing the contributions in line with the Local Housing Allowance that is payable for each size of property.
- 2.75 The policy on homelessness contributions was changed for new clients housed after 1st April 2009. The Council pays private landlords a market rental to secure accommodation for homelessness purposes, the Council has been charging £179.08 per week for these properties. The weekly rental charge was set based on the maximum housing benefit contribution receivable for these properties. The subsidy payable has been changed with effect from 1 April 2010, the details of these changes is shown on Appendix 17. The Council is aware that the large increase in weekly rent for tenants in 3 bedroom properties could cause significant financial hardship for working families in these properties. In light of this it is proposed that the rent for families affected by these changes will be protected at the 2009/10 rate of £179.08 per week. It is proposed that this policy be monitored regularly to assess the impact on vulnerable clients and those on partial housing benefit.

3. Alternative Options

The setting of local authority rents is largely determined by a formula provided by Central Government, further details are given in paragraphs 2.57 -2.59.

Issues relating to services funded via service or support charges were discussed with tenants and leaseholders as part of the rent setting consultation process with the key issues raised being identified in paragraph 2.56 of this report.

Risk Management

Financial and Procurement Implications

- The proposals outlined in the report will ultimately result in increased charges to tenants with effect from 5th April 2010 i.e. start of the 2010/11 rent year. The increased rents and charges proposed within this report are in line with the Government's rent restructuring policy.

Legal/Human Rights Implications

- The Council's rent setting powers are outlined in the Housing Act 1985. A local housing authority may make such reasonable charges as they may determine for

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

the tenancy or occupation of their houses. The authority shall from time to time review rents and make such changes, either of rents generally or of particular rents, as circumstances may require.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

- The HRA helps to achieve the objective of enabling people to live in a healthy and safe environment and ensures that the Decent Homes Standard target is met by 2008 (promise number 13 in Swindon 2010).

Consultees

- Consultation forums with tenants and leaseholders were held on 5th January 2010. The main issues raised at the consultation meetings are summarised in paragraph 2.56 above.
- The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

Background Papers and Appendices

- Appendix 1 - Local Authority Rent Setting Formula.
- Appendix 2 - Average, Maximum, Median and Minimum Rents.
- Appendix 3 - Rent Convergence of Swindon's Actual Average Rent to the Average Formula Rent from 2009/10 to 2019/20 (based on a convergence date of 2023/24).
- Appendix 4 - Unpooling of Service Charges to Tenants.
- Appendix 5 - Support Charges (Supporting People).
- Appendix 6 - Sheltered Housing Charges.
- Appendix 7 - Sheltered Housing - Guest Flat & Guest Room Charges
- Appendix 8 - Supported Housing Charges.
- Appendix 9 - Multi-Storey Blocks, Wardens and Other Charges.
- Appendix 10 - Leaseholder Charges.
- Appendix 11 - Garage and Parking Charges (Tenants).
- Appendix 12 - Garage and Parking Charges (Non-tenants).

Further information on the subject of this report can be obtained from
Ian Burbidge on Direct Dial No. 464384 or Email : iburbidge@swindon.gov.uk

Housing Revenue Account (HRA) - Rents and Charges 2010/11

Council

Date: 23rd February 2010

- Appendix 13 - Proposed HRA Budget 2010/11.
- Appendix 14 - Proposed HRA Repairs Budget and Funding 2010/11.
- Appendix 15 - David Murray John (DMJ) Apartments - Rents and Charges.
- Appendix 16 - Hay Lane Residential Gypsy Site - Rent and Charges.
- Appendix 17 - Homeless Contributions (for new clients post 1st April 2009).

Key Decision/Decision in Forward Plan

- The final decision on setting Housing Revenue Account rents and charges for 2010/11 and approving the HRA budget for 2010/11 are to be made by full Council on 22nd February 2010. At this meeting, Council will also be asked to approve the General Fund rents and charges for the David Murray John Tower, the Hay Lane Residential Gypsy Site and homelessness contributions.