

Agenda item: 

**Decision maker:** Cabinet Member for Housing

**Subject:** COUNCIL HOUSING BUDGET FOR 2010/11

**Date of decision:** 8<sup>th</sup> February 2010

**Report by:** Head of Housing Management  
Strategic Director and Section 151 Officer

**Wards affected:** ALL wards

**Key decision:** Yes

**Budget and policy framework decision:** Yes

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## 1 Summary

- 1.1 The law requires that all income and expenditure relating to Council Housing is accounted for separately in the “Housing Revenue Account” or HRA. All other Council income and expenditure is accounted for together in a separate account called the General Fund. This report deals solely with the HRA.
- 1.2 The City Council has delegated to the Cabinet member for Housing the function of setting rents, charges and budgets for council housing. Following extensive consultation with residents representatives this report seeks to deal with all HRA budget issues and also to approve a process for making decisions on a crucial Government consultation paper expected out at the end of February 2010.

## 2 Purpose of report

- 2.1 The purpose of this report is to seek the Cabinet Member’s decisions on Council housing budgets, rents and other charges, debt repayment and grant to the John Pounds Community Trust and to give authority for managers to incur expenditure in 2010/11.
- 2.2 Approval is also sought to allow officers to consult with resident’s representatives, the Cabinet Member for Housing and Opposition spokespersons over the Government consultation “offer” (expected before the end of February) to take on extra debt in exchange for ending payments to Government under the HRA Subsidy System and retaining all receipts from “Right to Buy” sales.

### 3 Papers included in the Appendix to this report

Page 1	“Council Housing Accounts - the law”, a summary of the legal framework governing the Housing Revenue Account.
Pages 2-3	Housing Strategy Executive Summary - top priorities
Page 4	Budget Principles for Health, Housing and Adult Social Care
Pages 5-6	Revenue budget sheets 2009/10 to 2015/16
Page 7	Payments to Government and Rent Rebate Subsidy Limitation
Page 8	Provisional timetable for consultation and response to Government “offer” to “Buy out” of the Housing Revenue Account Subsidy System and retain all rents and receipts from Right to Buy sales of council homes
Page 9	Worked example to show calculation of dwelling rent
Page 10	5.3% rent increase - Impact on average weekly rents
Page 11	5.3% rent increase - General Service charge proposals
Page 12	3.4% rent increase - Impact on average weekly rents
Page 13	3.4% rent increase - General Service charge proposals
Page 14 review	Garages and parking sites – Update on progress following review
Page 15	Mobile Home, Garage and Parking Site rents
Page 16	Sheltered Housing and Supporting People Service Charges
Pages 17-18	Heating charge options - increases capped at 15% or 20%

### 4 Final position for 2008/09

- 4.1 Excluding the capital reserve the actual balance on the Housing Revenue Account at 31 March 2009 was £4.9 million, around £0.9 million more than that anticipated in the Revised Budget. Total balances including the capital reserve were £9 million, see Appendix page 6, lines 102 to 112, column B.

## 5 Revised budget for this year 2009/10

5.1 This time last year the main changes made to rents and charges in setting the original budget for 2009/10 were:

- Rents up on average 5% or £3.32 per dwelling per week.
- General charge up 4%:
  - Homes receiving cleaning and other special services up 16p to £4
  - All other dwellings up 8p per week to £1.92
- Mobile home rents up 5%.
- Garage changes to help bring charges in line with market demand:
  - Leigh Park and Paulsgrove no change for tenants and significant reductions for leaseholders and private lettings
  - Inside the City 5.6% for tenants and no change for leaseholders and private lettings
- Parking sites increases between 1.6% and 25.8% to help bring charges in line with market demand
- Sheltered Housing Service Charges and Supporting People Charges
  - Category 1 up 1.4%
  - Category 2 up 4.6%
  - Category 2.5 up 5%
- Heating charges – rises capped at 15%.

5.2 Subsequently during March 2009 the Government unexpectedly announced support to help councils cut their planned rent increases for tenants as a result of the current economic climate. This proposal reduced the amount payable to Government from £6.0 million to £4.5 million but was conditional on reducing the average rent increase over the whole year to 2.92% or less.

5.3 The law requires 28 days notice to be given to tenants of any change in rents so the offer was too late to enable the planned 5% rent increase in April to be changed. A report was brought to the Housing Cabinet Decision meeting on 14<sup>th</sup> July and a decision was taken to reduce rents by 4% from 5<sup>th</sup> October 2009. The combination of a 5% increase for the first six months April to September then a 4% reduction for the last six months met the Government requirement for an average rent increase over the financial year of 2.92%. The resulting average rents per dwelling per week are as follows:

Average Rent April to September 2009	£69.79
4% reduction	<b>-£2.76</b>
Average Rent October 2009 to March 2010	£67.03
 Average rent for April 2009 to March 2010	 £68.41

- 5.4 Although the reduced level of HRAS did not relate to Mobile Homes nevertheless it was recommended and approved that Mobile Home charges should also be reduced by 4%. No changes were made to other charges.
- 5.5 A safe level of balances is required to avoid the possibility of falling into deficit which would be against the law (see appendix page 1). When the budget was approved last year the balance as at 31 March 2010, excluding the capital reserve, was forecast to be £2.7 million. The revised forecast is £4.4 million, (£10.2 million including capital reserve) a safe level of balances which underpins the assumptions (described later in the report) upon which the 2010/11 budgets have been prepared. The revenue budget sheets attached at pages 5 and 6 of the Appendix, columns C and D, show the Original and Revised budgets for the current financial year 2009/10.

## **6 Housing Strategy and Budget Principles**

- 6.1 The Housing Strategy drives the Budget process. Budgets have been based on our Housing Strategy for 2005 to 2010 and a copy of the Executive Summary showing the top six priorities for action is attached (Appendix pages 2 and 3). After discussion with Residents Consortium representatives and the Cabinet Member for Housing the budget principles (Appendix page 4) were adopted.

## **7 Rent Restructuring**

- 7.1 Seven years ago the Government introduced “Rent Restructuring” with the intention of bringing all council housing and social landlord (Housing Association) dwelling rents on to the same basis of calculation over ten years, finishing in 2012/13. The calculation is based on the following main factors:

Property value at January 1999 compared to a national average property value.

Average earnings in Hampshire compared to national average earnings.

A “bed weighting” to give higher rents for properties with more bedrooms.

- 7.2 Following consultation two years ago the Government decided to extend the period over which Rent Restructuring is to be achieved from 2012 to 2016, then a year ago further extended the period from 2016 to 2022. This year the end date has been brought back to 2012. The main effects of this are to reduce the period for which “rent rebate subsidy limitation” (RRSL) will apply and reduce the amounts payable to Government via the Housing Revenue Account Subsidy System (HRASS). Appendix page 7 shows the estimated costs of RRSL on line 12 and HRASS on line 9.

- 7.3 Rent Restructuring also provides that rents are to be subject to “Limits” and “Caps”. The “limits” are to restrict annual rent changes to a maximum increase of inflation plus half a percent plus £2 per week. The “caps” are maximum rents set by the Government each year to avoid very high rents on valuable properties, however none of Portsmouth City Council’s homes have rents so high that these “caps” would come into effect. Appendix page 9 shows two worked examples of how rents have been calculated in the budget prepared for 2010/11.
- 7.4 Service Charges. The Government have indicated that the new Rent Restructuring proposals are to cover only “rent” and not “service charges”. An example of a service charge is a charge made for cleaning of communal areas in flats and maisonettes. Councils can bring in service charges for new services introduced since 2001/2 without any effect on payments to/from the Government. However, if service charges are introduced for services that were already being provided in 2001/2 then payments to/from the Government may be worsened by 20% of the income generated in 2010/11 and 10% of income in 2011/12.

## **8 Duty to involve - Resident involvement in the budget process**

- 8.1 Representatives of the Residents Consortium (The RC) have again played a vital part in the detailed budget setting process. At the invitation of the Cabinet member for Housing, the Head of Housing Management (HHM) and the Head of Financial Services (HFS) a panel of resident’s representatives have helped draw up both this council housing budget and also the Housing Investment Programme budget reported elsewhere on this agenda.
- 8.2 A meeting was held with the full Residents Consortium on 15th January 2009 to brief them on the 2010/11 budget. The proposals set out below were discussed including the options for rents, service charges etc and other proposed charges as shown on the attached Appendix pages 10 to 18. The Residents Consortium (RC) were asked if they felt spending should be reduced and if so where they felt economies should be made. They were also asked if they felt that new services should be provided which could be financed by cuts in services or new service charges. The Residents Consortium are due to report back to the Cabinet Member for Housing on 4<sup>th</sup> February 2010 giving the views of those they represented on the proposed budget changes.
- 8.3 Both HHM and HFS would like to place on record their thanks for the invaluable help given by our Residents Representatives.

## **9 Budget for next year 2010/11**

- 9.1 The budget sheets attached as Appendix pages 5 and 6 incorporate the estimated effects of all the changes described above and columns C and D show the original and revised estimate for 2009/10 and columns E and F show the original and revised estimates for 2010/11. Also shown for comparative purposes are the estimated budgets through to 2015/16 both as they were at the time of the report on last years budget in February 2009 and as they are now estimated for this report. The last three columns on pages 5 and 6 show the total change over the seven year period.

## **Government Grant**

- 9.2 The calculation of payments to/from Government in respect of council housing is based on a "Notional" Housing Revenue Account as set out in detail in Appendix page 7. If there is no change to the system it is estimated that the HRA would have to pay over to the Government over a third of a billion pounds over the next 30 years. Appendix page 7, lines 1 to 9 show how this sum is calculated.
- 9.3 The effect of the Housing Revenue Account Subsidy System (HRASS) and Rent Rebate Subsidy Limitation (RRSL) is that whilst extra income is raised by increases in rent and service charge income more than 60% is lost through increased payments to Government. In other words over 60% of the extra rent and service charge paid by tenants will effectively be taken by central government.
- 9.4 Nationally from a total of 200 Councils that still retain their council housing more than 150 pay in to the HRASS and less than 50 receive payments. The Department of Communities and Local Government have confirmed that in 2009/10 the HRASS will withdraw around £370 million net resources from council housing nationally, effectively a "Tenant Tax" on council tenants. For next financial year 2010/11 the amount Government will withdraw from council housing is estimated to rise further to around £430 million.
- 9.5 In addition to the effects of HRASS described above for every council home sold under the "Right To Buy" (RTB) 75% of the proceeds has to be paid to the Government. It is estimated that for Portsmouth payments of receipts from council home sales to the Government will amount to over £428 million over the course of 30 years as shown at Appendix page 7, line 11.
- 9.6 The City Council has approved a "Key Delivery Target" with the aim of bringing pressure to bear on the Government to achieve a fairer approach to Housing Finance and so reduce the burden on our tenants. We have linked up with over 70 other councils following an initiative proposed by Waverley Borough Council. Around 30 of the councils contributed £900 each to fund the appointment of "Political Lobbyists" to strengthen our campaign for "Fair and Local Housing Finance".
- 9.7 The campaign mobilised tenants and politicians in all the authorities in order to get the best possible outcome from the Governments review. Over 4,000 Portsmouth residents signed a petition protesting against what they termed the "Tenant Tax" and in February 2009 a deputation of tenants visited the Prime Minister and Parliament to hand details of the petition in at 10 Downing Street. On the same day the MP for Portsmouth South formally deposited the petition in Parliament and also instigated a debate on this issue which enabled MP's to make very clear to the Housing Minister how unfair the current arrangements are and to press for change.

- 9.8 The Government issued a consultation paper in the summer which favoured proposals to end the HRASS system and allow Council's to retain rents and receipts from council home sales in exchange for a "debt redistribution". The debt redistribution would mean Councils who pay in to the HRASS system would have to take on extra debt, whilst those who currently receive grant would receive a payment enabling them to reduce their debt. Here in Portsmouth that would mean having to take on extra debt to "buy out" of the current arrangements, after which no further HRASS payments would be made to Government and we would retain all receipts from sales of council homes. The consultation did not, however, give any indication of the level of debt redistribution to each authority.
- 9.9 Civil Servants have now indicated that Ministers intend to issue an "offer" at the end of February which will set out in detail how the "debt redistribution" would work. The offer will be made via a consultation process which is likely to be a short one, constrained by the impending General Election. It will be essential to evaluate the options thoroughly on behalf of our tenants and leaseholders to identify the financial effects, risks and benefits of the offer (and the alternatives) before making a decision on whether to accept or not. A draft timetable is shown at Appendix page 8. Note that the consultation process is likely to end during May so the decision on whether or not to implement the debt re-allocation proposals would be made by the new Government. If the new Government does decide to proceed the change could come into effect from April 2011.
- 9.10 The likely timing of the consultation means that there are no Cabinet or Council meetings planned for the key decision period at the beginning of May. Accordingly it is recommended that authority to respond to the consultation indicating whether or not the City Council would agree to the debt re-allocation proposals should be delegated to the Head of Housing Management and the Strategic Director and Section 151 Officer.
- 9.11 Note that, as shown on the draft timetable, the outcome of this process will be a material factor in the decision to be taken in the early summer on the affordability of the Somerstown Phase 2 Private Finance Initiative (PFI) scheme.

### **Rents and General Service charge 2010/11**

- 9.12 For next year it is suggested that rents currently below the Government's "Rent Restructuring" rent should move up to that rent as quickly as possible based on the 2012 Rent Restructuring convergence date, but no increase will be more than inflation plus 0.5% plus £2 per week. Rents currently above the Governments "Rent Restructuring" rent should move to that rent in even stages between now and the 2012 deadline for implementation of Rent Restructuring. Appendix page 9 shows example calculations to illustrate how this would be done.
- 9.13 The "Credit Crunch" has materially altered the financial environment for everyone, including our tenants. Unemployment is higher. Interest rates have been reduced to an historic low, disadvantaging those who rely on interest income from savings. Things have changed little since last year and it remains important to do what we can to help offset the effects of the Credit Crunch on our tenants.

9.14 Accordingly options for Rents and General Charges have been prepared which are as low as possible whilst still meeting the need to have a safe level of balances remaining at the end of March 2011. Two options are shown below, both of which are affordable and will raise about the same level of income.

OPTION 1 – lower net effect on those receiving more services including cleaning, mainly bedsits, maisonettes and flats:

- 5.3% rent increase, average increase £3.57 per week per dwelling
- 2p/week increase in General charge for properties receiving few services
- 5p/week increase in General charge for properties receiving services such as cleaning

OPTION 2 - lower net effect on those receiving fewer services, mainly houses and bungalows:

- 3.4% rent increase, average increase £2.28 per week per dwelling
- 14p/week increase in General charge for properties receiving few services
- 74p/ week increase in General charge for properties receiving services such as cleaning

9.15 Appendix pages 10 (5.3% increase) and 12 (3.4% increase) show how the two Options effect average rents for different types of dwelling. It must be emphasised that every single rent calculation is different and the figures shown are averages. Appendix pages 11 and 13 show proposed service charges for the two options, with details of previous years charges and budgeted changes in future years.

9.16 The appendix shows that for both options rents for houses and bungalows will rise faster than rents for flats, maisonettes and bedsits, even though over £5 million of the Special Management expenses we incur relate almost exclusively to services for flats, maisonettes and bedsits. For Option 2 when rents and service charges are considered together the higher average rent increases for houses and bungalows will be partly offset by the higher General Charge increase which will effect mainly flats, maisonettes and bedsits. Note rents are paid fortnightly and will be rounded to the nearest four pence to facilitate Housing Benefit calculations.



9.17 It is relevant to note that, due to the requirement to reduce rents at October 2009 (see Para's 5.2 and 5.3 above) the average rent increase for April 2010 is actually only 3.2% for Option 1 and 1.3% for Option 2, see Tables 1 and 2 below:

**TABLE 1** **A**      **B**

<b>1</b>	Increase compared with Average rent per dwelling per week <b>October 2009 to March 2010</b>		
<b>2</b>	Average rent per dwelling per week <b>October 2009 to March 2010</b>	<b>£67.03</b>	
	Options for increase April 2010	Option 1	Option 2
<b>3</b>	<b>- Percentage increase</b>	<b>5.3%</b>	<b>3.4%</b>
<b>4</b>	- increase per dwelling per week	£3.57	£2.28
<b>5</b>	Average rent per dwelling per week April 2010	£70.60	£69.31

**TABLE 2**

<b>6</b>	Increase compared with Average rent per dwelling per week <b>April 2009 to March 2010</b>		
<b>7</b>	Average rent per dwelling per week <b>April 2009 to March 2010</b>	<b>£68.41</b>	
	Options for increase April 2010	Option 1	Option 2
<b>8</b>	<b>- Percentage increase</b>	<b>3.2%</b>	<b>1.3%</b>
<b>9</b>	- increase per dwelling per week	£2.19	£0.90
<b>10</b>	Average rent per dwelling per week April 2010	£70.60	£69.31

9.18 It should be noted that the average rent for 2010 under Option 2 of £ 69.31 would be less than the average rent at April 2009 of £69.79.

9.19 For 2010/11 it is estimated that Portsmouth's rents will still be low compared with other adjacent Councils and Housing Associations, for example Housing Association average rents in Portsmouth for the current year are estimated to be over £80 per week, more than £10/week higher than average council rents.

9.20 The Cabinet Member for Housing's decision is requested on the level of rents and service charges for next year.

### Mobile homes

9.21 Following extensive consultation with residents two years ago rent increases for mobile homes were linked to the "Retail Price Index, all items" (RPI) for the preceding September. RPI was adopted in the anticipation that it would give a reasonable guide to changes in the costs of management and maintenance of Mobile Home sites.

9.22 However since then the extraordinary economic climate has led to a reduction in the Bank of England Bank Base Lending Rate to 0.5%, the lowest interest rate in over 40 years. Because RPI includes the effects of Mortgage Interest payments this has led to the RPI rate at September 2009 becoming negative at minus 1.4%. City Council costs for Mobile Homes sites do not reflect interest charges so will not reduce in 2010/11. Furthermore if, as seems likely, interest rates in future rise then RPI will increase by an amount greater than the costs of management and maintenance of Mobile Home sites pushing up Mobile Home rents higher than necessary.

9.23 It seems reasonable therefore need to look for a more appropriate index than RPI. The Office of National Statistics maintains a range of inflation indices, one of which is termed RPIX and includes all items except Mortgage Interest Payments. The RPI and RPIX increases over the last few months are shown in Table 3 below. The RPIX increase for September 2010 is 1.3% which seems a reasonable rate to use.

<b>TABLE 3</b>		
<b>Month</b>	<b>RPI</b>	<b>RPIX</b>
July 2009	-1.4%	1.2%
Aug	-1.3%	1.4%
<b>Sep</b>	<b>-1.4%</b>	<b>1.3%</b>
Oct	-0.8%	1.9%
Nov	0.3%	2.7%
Dec	2.4%	3.8%

9.24 Mobile home rents also benefitted from the same 4% reduction in October 2009 as described in Para 5.4 above. Applying the 1.3% RPIX increase to the average Mobile Home rent levels for April 2009 to March 2010 gives the recommended rents shown in lines 2 to 5 of Appendix Page 15. Note that, due to the reduction in rents at October 2009 (see Para's 5.2 and 5.3 above), the actual rent increase for April 2010 would be 3.4% as is the case for Option s on dwelling rents as shown in Tables 1 & 2, column B in Para 9.17.

### **Garage and Parking Site rents**

9.25 Two years ago a review of garages and parking sites was undertaken to determine how to make best use of these resources in line with the Budget Principle "Get the best return possible from non-core activities". A summary of progress and proposed charges for next year based on continuing to implement the review proposals are shown on Appendix pages 14 and 15. It is recommended that authority to let garages at reduced rents where demand is low be delegated to HHM in consultation with the HFS.

## **Heating Charges**

- 9.26 A list of the recommended fortnightly heating charges is attached at appendix pages 17 and 18. Heating charge calculations are based on a five year rolling average of energy use to smooth out peaks and troughs due to variations in the weather and are intended to recover the full costs of providing the service. However, five years ago when charges were first calculated on this basis they showed increases of up to 70% for some homes. This was due to unexpected increases in gas and electricity costs ranging from 30% to over 70%. At the request of Owen Buckwell, Head of Housing Management and after discussion with Residents Representatives a proposal to step in the increases over up to 3 years was agreed.
- 9.27 Over the last four years there have been further high increases in gas and electricity costs so yet again it is suggested that increases in charges to residents should be capped, either at 15% or at 20%. It is estimated that even if future inflationary increases in gas and electricity charges are around 3% per annum it will still take 7 years at 15% increases per annum before income from charges to residents matches the costs incurred. At 20% per annum it would take 5 years. In the meantime the shortfall on the HRA between total electricity and gas costs and income from charges made to residents is a net cost to the Housing Revenue Account.
- 9.28 The Cabinet Member for Housing's decision is requested on the level of heating charges for next year.

## **Sheltered Housing Service Charges and Supporting People Charges**

- 9.29 Sheltered Housing is intended to meet the needs of residents who require support to live independently. There are three levels of service with increasing levels of support termed Category 1, Category 2 and Category 2.5. Sheltered Housing was set up originally on the basis that the extra costs of provision of the service over and above those arising from normal Council Housing provision would be recovered from the tenants in Sheltered Housing via a "Sheltered Housing Service Charge".
- 9.30 With effect from 2003/04 the Government introduced "Supporting People" legislation requiring all landlords, including the City Council, to identify the level of "support" provided through their residential schemes providing sheltered care. A number of significant changes occurred resulting in a reduced Sheltered Housing Service Charge (which is eligible for Housing Benefit) and the creation of a new "Supporting People Charge" charge (which is NOT eligible for Housing Benefit).
- 9.31 The policy adopted was that tenants receiving any Housing Benefit (HB) towards their rent and/or Sheltered Housing Service Charge (around 80% in each category) would not have to pay anything towards their Supporting People Charge. For some years thereafter the shortfall in income arising because tenants on HB did not pay their Supporting People Charge was offset by Supporting People Grant from the Government.

- 9.32 The new arrangements also provided that those tenants not receiving Housing Benefit who were in their current tenancy in March 2003 should only have to pay increases in Supporting People Charges in line with inflation.
- 9.33 In the last two years the Government has cut Supporting People Grant significantly and so it no longer meets the loss of income arising because tenants on HB do not pay their SP charge. The shortfall in this financial year is over £250,000, which is reflected in the recommended budgets. These extra net costs have to be funded via increased rents and the average cost to each of our 15,200 tenants is circa 31p/week.
- 9.34 Last year the increases for Sheltered Housing Charges and Supporting People Charges in total were as shown below. The Category 2.5 increase should have been 10% but was limited to 5% to limit the impact on tenants.
- Category 1 1.4%
  - Category 2 4.6%
  - Category 2.5 5%
- 9.35 Following the implementation of the Local Pay Review and the European Working Time Directive a report was approved at the Housing Cabinet on 30 July 2009 introducing a new mobile night service for Category 2.5 schemes. Subsequently there has been a legal challenge to that change and at the moment it is not clear how the night service for Category 2.5 schemes will be provided in 2010/11.
- 9.36 To be prudent the recommended budget provides for an “on site” service, the most expensive of the likely options for a Category 2.5 night service. If the current policy of tenants receiving any Housing Benefit (HB) (around 80% in each category) not paying any Supporting People Charge this will increase the deficit from £250k to £524k, equivalent to an average cost to each of our 15,200 tenants of 66p/week.
- 9.37 This issue has been raised with tenant’s representatives during the budget consultation process and generally they felt it would be reasonable for Sheltered Housing Tenants in receipt of some Housing Benefit to pay something towards the support they receive. Accordingly Appendix page 16 on Sheltered Housing Service Charges and Supporting People Charges shows the existing charges for 2009/10 and the recommended charges for 2010/11 together with two options which would see tenants on Housing Benefit starting to make a contribution towards their Sheltered Housing Charge (see columns I and J). Column I shows a low minimum charge which would contribute £49,000 to reduce the budgeted £517,000 deficit to £468,000. Column J shows a higher charge which would maintain the deficit at the same £250,000 level as in the current financial year.
- 9.38 The Cabinet Member for Housing’s decision is requested on the level of Supporting People Charges for next financial year.

### **Support Service, Front Line Service and City Government charges.**

9.39 A first estimate of charges for the costs of professional services, office services, accommodation etc. for next financial year has been made but will continue to be reviewed prior to being reported to City Council on 9th February. The figures shown on Appendix page 5, lines 14 and 15 may therefore change, though it is not anticipated that the changes will be significant enough to affect the rent and charges setting process.

### **Revenue Contributions**

9.40 Following a review of the systems for repair and maintenance of council homes a number of changes were made last year in response to demand for services from our residents. This has prompted a switch of resources away from capital schemes within the Housing Investment Programme to finance the improved repairs and maintenance services to residents. Recommended budgets (Appendix page 5, lines 48 and 52) reflect that change in use of resources, though it is anticipated that it will be possible to reverse the switch over time as repairs are dealt with in a more timely and efficient fashion.

### **“Decent Homes” and Repairs and Maintenance**

9.41 The Government have issued a “Public Service Agreement” which defines a “Decent home” and seeks to ensure that “all social housing meets a set standard of decency by 2010” and our Budget Principles (Appendix page 4) reflect these proposals. Recommended budgets have been set at a level which the Head of Housing Management is satisfied will be sufficient to provide for all day-to-day repairs and, in conjunction with the capital provision in the Housing Investment Programme, will also be sufficient to achieve our “Decent Homes” targets by 2010.

### **Other budget issues**

9.42 The City's Council Tax (General Fund) budgets will not be set until the Council meeting 9th February 2009. Some of the decisions taken at that time may have a knock-on effect on the Housing Revenue Account. It is therefore recommended that authority be delegated to the Head of Housing Management in consultation with the Head of Financial Services to amend the budgets to reflect the latest available information prior to finalising budgets for 2010/11.

9.43 To achieve the lowest possible increases in rents and charges the recommended budgets provide for the following:

- **Staffing savings** of £200,000 per annum from 2010/11 have been implemented. This is possible as a result of the systems “interventions” undertaken over the last two years which have achieved significant efficiencies.
- **Debt repayments** continue to be suspended but this policy will be reviewed annually. Each annual review will seek to identify an affordable sum to be repaid from additional capital receipts from right to buy sales, using 2004/05 HIP budgets approved in February 2004 as the baseline. The Head of Financial Services will determine the sum to be repaid up to an overall maximum of 2% per annum of overall council housing debt.
- The policy of **increasing service charges over the next 4 years** to fully recover the actual costs of special services, see illustrative effects for Options 1 and 2 on lines 7 to 9 of Appendix pages 11 and 13 respectively.

9.44 The **John Pounds Community Trust** is a charitable body that administers the John Pounds Centre and seeks to achieve the following objectives for the City of Portsmouth with particular reference to Portsea:

- To advance education among persons of 25 years or under and secondary to that
- To help and educate young people through their leisure time activities so as to develop their physical, mental and spiritual capacities that they may grow to full maturity as individuals and members of society and that their conditions of life may be improved
- To promote the healthy living benefits of the people of Portsmouth, particularly in the area known as Portsea. In co-operation with the residents of the area, the local authority and voluntary and other organisations, in a common effort to advance education and to provide facilities for social, recreational and creative leisure time opportunities for the said residents with the object of improving their conditions of life
- To establish, maintain and manage the John Pounds Community facility in liaison with other voluntary and statutory bodies and to promote community involvement in such management

9.45 The City Council currently pays an annual grant of £32,000 which has not been increased since 2003. The Trust now needs an increase to reflect price rises since 2003 and it is therefore recommended that grant to the John Pounds Trust be increased to £39,000 for 2010/11 (based on RPIX rise since 2003) and should be increased annually in future using the “RPIX” measure of inflation for September of the preceding year.

9.46 The **Local Pay Review**, a process required by the government which seeks to assess the relative complexities of every council job, has been implemented with effect from 1 April 2009. Where pay reduced there is a two year salary protection up to March 2011. Pay related budgets reflect the increased costs arising.

9.47 A **Contingency Provision** of £300,000 per annum for the three years 2010/11 to 2012/13 has been provided to cover any unforeseen costs that cannot be met by reducing other budgets or by generating extra income.

## **10 Future years budgets and the level of balances in hand**

10.1 The law requires that a budget be set to avoid a deficit on the council housing account (Housing Revenue Account). It is forecast that the level of balances will be £8.1 million at 31st March 2011, including the earmarked capital reserves, so unless very significant unforeseen costs or losses of income arise this requirement will be achieved for 2010/11.

10.2 The financial models maintained by the Head of Financial Services estimate what will happen on the council housing accounts for 30 years into the future. Prudent estimates have been made on inflation, interest rates, capital spending, etc so that the model can estimate the effects that budgets, rents and charges decisions made now could have on future years.

10.3 It must be emphasised that the most significant factor affecting the stability of our council housing accounts is the amount of money taken each year by the government. Currently our model shows that after reflecting over £0.3 billion being paid to the Government over the course of 30 years the account is only in balance for the next 10 years. However that is based on assumptions as to what the Government will do for future years and takes no account of the changes that may result from the Government's "Review of Housing Finance" described in Para's 9.2 to 9.11 above.

10.4 The advantage of longer term financial planning over 30 years is to enable actions to be taken well in advance to achieve a medium term balanced budget. The aim for the Council Housing Account is to remain in balance over the medium term, i.e. over a minimum rolling 6 year period.

## **11 Authority to incur revenue expenditure**

11.1 It is proposed that subject to the City Council approving the revenue budgets on 10th February 2009, Heads of Service be authorised to incur expenditure in accordance with the City Council Constitution. The only exceptions would be those items members consider should be the subject of a separate report before expenditure is incurred.

## **12 Recommended that**

- 12.1 All new rents and charges to be effective from 5th April 2010 or such other date as determined by the Head of Housing Management (HHM) in consultation with the Head of Financial Services (HFS).
- 12.2 Dwelling rents and the General Charge for next year to be set at this meeting by reference to the two options set out in this report.
- 12.3 Mobile home license fees to rise in line with the “RPIX” measure of inflation for September 2009 as shown on Appendix page 15.
- 12.4 Garage and parking site rents as shown on Appendix page 15 be approved and authority to let garages at reduced rents where demand is low be delegated to HHM in consultation with the HFS.
- 12.5 Sheltered Housing Service Charges and Supporting People Charges be set at this meeting by reference to the options set out on Appendix page 16.
- 12.6 Heating to be set in accordance with the options in Appendix pages 17 and 18.
- 12.7 Authority be delegated to the HHM and HFS in consultation with residents representatives, the Cabinet Member for Housing and Opposition spokespersons to respond to Government consultation setting out the “offer” to take on extra debt in exchange for ending HRASS payments to Government and retaining all receipts from “Right to Buy” sales.
- 12.8 Grant to the John Pounds Trust be set at £39,000 for 2010/11 and rise annually using the “RPIX” measure of inflation for September of the preceding year.
- 12.9 Revenue budgets for 2009/10 and 2010/11 be approved and authority given to the HHM in consultation with the HFS to amend the budgets to reflect the latest available information prior to finalising budgets for 2010/11.
- 12.10 The relevant Managers be authorised to incur expenditure in 2010/11.
- 12.11 Repayment of debt to be calculated annually as described in this report.

## **13 Reasons for recommendations**

- 13.1 To set budgets, rents and charges for council housing for 2010/11 and prepare for major change to Housing Finance as a consequence of the “offer” expected from Government following the Review of Council Housing

## **14 Options considered and rejected**

- 14.1 This report outlines a series of options for rents and charges and seeks the Cabinet Member’s decision.



## 15 Corporate priorities

15.1 This report and the project it refers to contribute to the following Corporate Priorities:

- Reduce crime and the fear of crime
- Increase availability and quality of housing
- Protect and support our most vulnerable residents
- Improve efficiency and encourage involvement
- Raise standards in English and maths
- Regenerate the city
- Cleaner and greener city

## 16 Financial implications

16.1 The HFS has been consulted and is in agreement with the recommendations to this report.


## 17 Equality impact assessment (EIA)

17.1 A preliminary EIA has been carried out which indicates that the requirement for a full EIA is low.

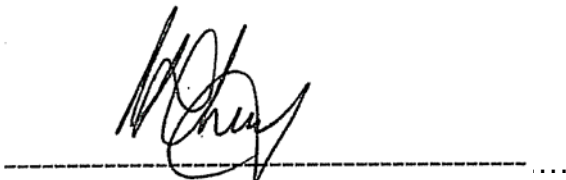
## 18 Legal implications

18.1 The recommendations to this report cover only approval to budgets, increases in rents, changes & grants and a delegation to respond to a consultation paper. There is therefore no requirement for the City Solicitor's comments.

Signed by:



**Owen Buckwell – Head of Housing Management**



**Roger Ching - Strategic Director responsible for financial administration (S.151 Local Government Act 1972)**

**Appendices:**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
1 Budget files	Financial Services Housing Accountancy team
2	
3	
4	

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Cabinet Member for Housing on 8th Feb 2010.

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**Signed by: Cabinet Member for Housing**