

RENTS AND CHARGES

1 BACKGROUND

- 1.1 The Council is required to determine the rents and charges applicable to the Housing Revenue Account for the Financial Year 2001/02.
- 1.2 This report is subject to consultation with Tenant representatives and their views will be made available to the Sub-Committee.

2. DISCUSSIONS

- 2.1 The operation of the Housing Revenue Account is tightly controlled by legislation. This legislation lays down what items of expenditure and income are allowed to be accounted for within the Housing Revenue Account and the way Government support works through the Housing Subsidy system.
- 2.2 A major part of the Housing Subsidy system is the setting by the Government of the guideline rent increase. This is part of the financial model operated by the Government to determine how much is granted to Rochford as cash support to the Housing Revenue Council.
- 2.3 Looking at the major items (excluding the new major repairs allowance) the model is as follows:

	£M
Allowance for management and maintenance	1.6
Provision for interest and debt repayment	1.6
	<hr/> 3.2
<u>Less</u> rent income	4.7
Negative amount	<hr/> 1.5 <hr/>

- 2.4 This negative sum reduces the subsidy that the Housing Revenue Account receives in respect of Housing Benefit Payments.
- 2.5 It can be seen from the above that the higher rent level in the model the less grant actually comes to the Authority. This increase in rents within the model is the rent guideline issued by the Government.

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- 2.6 In previous years this Authority has increased actual rents in line with rent guidelines to cover the loss of subsidy that flows from the model. This will again be the recommendation for 2001/02.
- 2.7 The result of this subsidy system is that real increases in rent income are used to cover loss of subsidy. There is therefore no additional funds to cover inflation etc. It is for this reason that the future management of the Housing Revenue Account will become increasingly difficult. This aspect is made worse by the low stock numbers, which are still declining through the right to buy process.
- 2.8 The subsidy system has a major effect on the forward strategy on the Housing Revenue Account. Reports covering Best Value in relation to Housing Management will deal with this issue in more detail.
- 2.9 Many Authorities have had to increase rent levels beyond Government guidelines. However, the subsidy system imposes steep penalties for any increase above the rent guideline.
- 2.10 Using figures for the current Financial Year, had rent been increased by an additional £3.00 per week the actual rent income would have been £1.17 per week with £1.83 being returned to the Government.
- 2.11 The Housing Revenue Account will be subject to a number of changes in the next few years as a result of the introduction of resource accounting and changes to the Housing Subsidy system.
- 2.12 For 2001/02 it is therefore recommended that rents be increased by the rent guidelines which is 3.5%.

3. MAJOR REPAIRS ALLOWANCE

- 3.1 For 2001/02 the Government has introduced a Major Repairs allowance. Provisional figures show this to be in excess of £1M for Rochford and will be added to Housing Subsidy and credited to the Housing Revenue Account. The draft accounting treatment requires that this sum is then fully depreciated thereby removing it totally from the Housing Revenue Account and placing it in another provision. How this provision is spent will be the subject of legislation yet to be published. However, it is broadly described as for Capital like purposes.
- 3.2 This issue will be dealt with in detail at the Housing Management Sub-Committee on 15 March in relation to the Capital Programme for 2001/02.

4. FINCHFIELD AND DUTCH COTTAGE

- 4.1 Traditionally rents for these properties will already keep pace with the Housing Revenue Account. It is therefore recommended that the general increase of 3.5% be applied to these properties.

5. CHARGES – SHELTERED ACCOMMODATION

5. Charges are set to recover costs in relation to sheltered housing. It is proposed that there be no increase in these charges for 2001/02.

6. CHARGES - GARAGES

- 6.1 Garages are let for both housing tenants and non-housing tenants. The current charge is £5.60 per week and it is recommended that this be increased to £5.80 per week.

7 RESOURCE IMPLICATIONS

- 7.1 These recommendations have been included within the draft estimates for 2001/02.

8 RECOMMENDATION

It is proposed that the Sub-Committee **RECOMMENDS** to Council on 23 January 2001:-

- (1) That the rents be increased by an average of 3.5%.
- (2) That the rents for Finchfield Trust bungalows and the Dutch Cottage Trust shall increase by 3.5%.
- (3) That there be no increase in the charges in respect of sheltered accommodation.
- (4) That garage rents be set at £5.80 per week. (CD(F&ES))

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