

## **BABERGH DISTRICT COUNCIL**

**FROM: Director of Finance**

**REPORT NUMBER H167**

**TO: STRATEGY COMMITTEE**

**DATE OF MEETING 15 January 2009**

### **COUNCIL HOUSING BUDGET**

#### **1. PURPOSE OF REPORT**

- 1.1 This report outlines the position on Council Housing rent increases for next year, which are likely to be 6.7% on average, based on the Government's consultation on future rent restructuring arrangements. This is to ensure that rents are brought into line with the Registered Social Landlord sector. The position on charges for residents in sheltered accommodation is also outlined.
- 1.2 Once the Government's final proposals are known, the detailed draft Council Housing Budget for 2009/10 including the 3-year Capital Programme will be considered by the Housing Panel and the Overview and Scrutiny (Community Services) Committee prior to being presented to this Committee for consideration.

#### **2. RECOMMENDATIONS**

- 2.1 That Members note the likely position on Council Housing Rents and charges for residents in sheltered accommodation for 2009/10.
- 2.2 That the Housing Panel and Overview & Scrutiny (Community Services) Committee consider the above and the detailed draft Council Housing Budget for 2009/10 including the 3-year Capital Programme.

Final consideration will then be given to the necessary recommendations on the 12 February 2009 for submission to Council on the 24 February.

#### **3. FINANCIAL IMPLICATIONS**

- 3.1 The current Housing Revenue Account Budget and Capital Programme is adequately funded and this should remain the case until 2010/11 when the Government's capital allocation for decent homes work of £550,000 will cease.
- 3.2 The Government's proposals for rent increases in 2009/10 in accordance with their rent restructuring arrangements have not been finalised but indicate a potential average rent increase for Babergh tenants of 6.7%. This is based on the RPI of 5% in September 2008.
- 3.3 The final proposals, which are also likely to indicate the guideline rent increase proposals for 2010/11, will be known in time for the Housing Panel and the next Overview & Scrutiny (Community Services) Committee meeting.

- 3.4 Although approximately 70% of tenants receive Housing Benefit, a number of tenants will have to pay the increase on the full rent or part of it. Councils are lobbying Government for a change in funding rules for Council Housing and for an end to the significant sums that are paid over to the Government in ‘negative’ housing subsidy – Babergh will pay £4.6m in the current year with that amount increasing annually based on the current subsidy rules.
- 3.5 Charges for heating/lighting and scheme service charges for residents in sheltered accommodation also need consideration and agreement. Given the significant increases in energy charges during 2008/09 and, notwithstanding the prospects for reductions during 2009, there will be a need for fairly significant increases from April 2009 of between 30% and 40% potentially. The Housing Panel will be asked to consider options for recouping costs over a 2 or 3 year period to smooth out the impact of any increases as far as is possible.
- 3.6 It is likely that sheltered scheme service charges will need to increase by at least 5.5% to cover potential cost increase that have arisen.

**4. RISK MANAGEMENT**

4.1 This report is most closely associated with Significant Business Risk No.7 – Financial, Performance and Risk Management. Key risks are set out in the table below:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Seriousness or Impact</b>	<b>Mitigation Measures</b>
Actual income and expenditure does not match budget expectations	Low	Marginal	The proposed revenue budget and capital programme will be based on clear assumptions and the potential finances available. The Housing Panel and the O&S Committees will monitor the budget on a regular basis.

**5. KEY INFORMATION**

- 5.1 The Housing Panel has already responded to the Government’s initial rent increase proposals on the following key points:
- Average rent increases of over 6% (potentially for the next 2 years) at a time when inflation rates are falling will be hard to explain to tenants
  - Any increases for 2010/11 should be in line with next year's inflationary background.
  - Those on low incomes who are just above the threshold for benefits would be severely affected by the rises in both years
  - A limitation in RSL rents should be considered

- Softening the blow on social housing rents would be a valuable part of central Government's attempts to assist those worst affected by the current economic downturn.

5.2 Insofar as the Budget is concerned, detailed income and expenditure estimates, both revising the current year's budget and setting the budgets for 2009/10, will be presented to this Committee following consideration by the Housing Panel and the next Overview & Scrutiny (Community Services) Committee.

5.3 This will provide further details of:

- The final proposed annual rent increases under the Government's rent restructuring arrangements
- The Government's Housing Subsidy determinations, which include allowances towards management and maintenance costs and major repairs
- Proposed expenditure on repairs and maintenance
- Changes in other areas of expenditure and income
- Capital investment plans including resources available from the Revenue Account, the Government's Major Repairs Allowance and supported borrowing requirements
- The levels and proposed use of reserves.

5.4 It will also set out costs and proposals relating to heating/lighting and scheme service charges for residents in sheltered accommodation.

## 6. **APPENDICES**

None.

## 7. **BACKGROUND PAPERS**

None.

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