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26 January 2010

S U M M O N S

MEETING: Housing Board (Extraordinary Meeting)
DATE: 3 February 2010
TIME: At the conclusion of the extraordinary meeting of the
Community and Environment Board
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Chris Wrein

LINDA EDWARDS
BOROUGH SOLICITOR

MEMBERS OF THE BOARD

The Mayor (Councillor Mrs Searle) (ex officio)
Chairman of Policy and Organisation Board (Councillor
Hook) (ex-officio)

Councillor Philpott (Chairman)
Councillor Beavis (Vice Chairman)

Councillor Allen	Councillor Gill
Councillor Mrs Cully	Councillor Hylands
Councillor Edwards	Councillor Mrs Mitchell-Smith
Councillor Geddes	Councillor Mrs Mudie

FIRE PRECAUTIONS

(To be read from the Chair if members of the public are present)

In the event of the fire alarm (single continuous sound) being activated, please leave the room immediately.

Proceed downstairs by way of the main stairs or as directed by GBC staff, follow any of the emergency exit signs. People with disability or mobility issues please identify yourself to GBC staff who will assist in your evacuation of the building.

IMPORTANT NOTICE:

- If you are in a wheelchair or have difficulty in walking and require access to the Committee Room on the First Floor of the Town Hall for this meeting, assistance can be provided by Town Hall staff on request

If you require any of the services detailed above please ring the Direct Line for the Democratic Services Officer listed on the Summons (first page).

NOTE:

- i. Councillors are requested to note that, if any Councillor who is not a Member of the Board wishes to speak at the Board meeting, then the Borough Solicitor is required to receive not less than 24 hours prior notice in writing or electronically and such notice shall indicate the agenda item or items on which the member wishes to speak.
- ii. Please note that mobile phones should be switched off for the duration of the meeting.

AGENDA

RECOMMENDED
MINUTE
FORMAT

PART A ITEMS

1 APOLOGIES FOR NON-ATTENDANCE

2 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter, any personal or personal and prejudicial interest in any item(s) being considered at this meeting.

3 DEPUTATIONS – STANDING ORDER 3.5

(NOTE: The Board is required to receive a deputation(s) on a matter which is before the meeting of the Board provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Monday 1 February 2010. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

4 PUBLIC QUESTIONS – STANDING ORDER 3.6

(NOTE: The Board is required to allow a total of 15 minutes for questions from Members of the public on matters within the terms of reference of the Board provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Monday 1 February 2010).

5 COUNCIL DWELLING RENTS 2010/11

This report considers the Board's revised 2009/2010 budget and the 2010/2011 budget for the Housing Revenue Account and makes recommendations on rent levels for next year.

PART I
Contact Officers:
Julian Bowcher
Extension 5551 /
Tim Hoskins
Extension 5322

6 HOUSING GENERAL FUND BUDGET 2010/11

To consider the Board's revised 2009/2010 budget and 2010/2011 budget, including the Board's Fees and Charges for 2010/2011 and capital programme and to recommend to the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

PART II
Contact Officers:
Julian Bowcher
Extension 5551 /
Tim Hoskins
Extension 5322

7 ANY OTHER ITEMS

- which, in the opinion of the Chairman should be considered as a matter of urgency by reason of special circumstances.

Agenda item no. 5

Board/Committee:	HOUSING BOARD
Date of Meeting:	3 FEBRUARY 2010
Title:	COUNCIL DWELLING RENTS 2010/11
Author:	FINANCIAL SERVICES MANAGER AND HOUSING SERVICES MANAGER
Status:	FOR RECOMMENDATION TO COUNCIL

Purpose

This report considers the Board's revised 2009/2010 budget and the 2010/2011 budget for the Housing Revenue Account and makes recommendations on rent levels for next year.

Recommendations

The Board is requested to recommend to Council its requirements for increases from the 5 April 2009 as described below:

- 1) The average weekly Council Dwelling rents to increase by 3.1%
- 2) Garage rents to increase by £1 per week plus 3.1%.

1.0 Background

- 1.1 This report considers the revised budget for 2009/2010 and the budget for 2010/2011 for the Housing Revenue Account (Appendix A).
- 1.2 The report makes recommendations on rent levels for next financial year. A schedule detailing proposed rent levels is attached at (Appendix B).

2.0 Housing Revenue Account (HRA)

- 2.1 The HRA revised Council house maintenance budget for 2009/2010 is £2.534M, an increase of £78,000 on the original budget. The Council house maintenance budget for 2010/2011 is £2.532M representing a £2,000 reduction on the 2009/2010 revised estimate.
- 2.2 It is anticipated that HRA balance level will decrease to approximately £383,000 from the current balance of £490,000 by the end of the financial year 2009/2010. This is still significantly below the target level of £800,000 identified within the Medium Term Financial Strategy. The major variances to the original budget have occurred in the following areas:

- The rental income figure is reduced due to the fact the original

figure was based on a rent increase of 6.8% which of course was reduced to 3.1% at very short notice in March after the budget had been agreed. This reduction is partly offset by the reduction in subsidy payable to the Government.

- Management costs have increased by £21,000 primarily due to an increase in Sheltered Scheme staffing costs and temporary staff required in Operational Services, although this has been largely offset by savings identified elsewhere.

- 2.3 It is anticipated that the HRA balance will increase to £649,000 by the end of 2010/2011. This recovery in reserves is due to a number of factors including the reduced depreciation charge and a reasonably favourable subsidy settlement.
- 2.4 The housing subsidy settlement for 2009/10 for this Council shows a reduction of £615,000 payable to the Government compared to the original budget. This is because the original figure was based upon the 6.8% rent increase. It was subsequently reduced to £3,209,000 after the lower rent increase and further reduced by £300,000 with the variation on MRA funding. The DCLG made an additional offer of £300,000 in advanced MRA funding for this authority to help with Decent Homes work. The total amount of subsidy payable for 2009/10 was subsequently reduced by this amount. The depreciation charge which for accounting purposes is equal to the MRA but payable through the HRA subsequently increased by £300,000 to give a zero net effect on budgets.
- 2.5 The draft subsidy settlement for 2010/11 results in a requirement to pay £3,395,000 to the Government, an increase of £486,000 from that payable in the current year. This is partially offset by the rental income increase of £369,000. The reduction in depreciation due to the accounting adjustment as mentioned in 2.4 (on advanced MRA of £300,000) helps recoup much of the deficit from 2009/10, as does the slight reduction in this authorities guideline rent increase(see 4.4).

3.0 HRA Capital Programme

- 3.1 The Capital Programme for 2009/2010 to 2014/2015 is shown on page 46 of the draft budget book. The HRA Capital Programme totalling approximately £2.600M in the revised budget for 2009/2010 is funded from the Major Repairs Allowance (MRA) £2.543M and HRA funding of £57,000. The Capital Programme for 2010/2011 is £2.324M .
- 3.2 The expenditure for 2010/2011 of £2.3M is to be financed primarily from MRA of £1.965M and the remainder will be met from borrowing.

4.0 HRA Subsidy

- 4.1 There has been an increase in the formula for Management and

Maintenance allowances in the Notional HRA. The increase is £226,000 or 4.3%. The allowance will increase from £5.267M to £5.493M.

- 4.2 The MRA has increased from £690 per property in 2009/2010 to £703 in 2010/2011, an increase of 1.9%. The MRA provides the Council with the resources to maintain the condition of its housing stock over the long term and keep on track to achieve the Decent Homes Standard by 2010.
- 4.3 There are further changes in the methodology for calculating formula rents.
- 4.4 The proposed date for rent convergence has been moved back again to 2013/2014. This has been done to enable the guideline rent to be reduced to 3.1%. The Government hope that this will keep rent increases to around the level of guideline rent increases mentioned earlier. The Government assumes that all Authorities are now close to their guideline rents when it makes its subsidy calculations, although this Council's actual rents are substantially below this figure, which equates to lost revenue to the HRA. The Government assumes this Council will be charging close to guideline rent at £66.09 per property per week: whereas the actual charge will be £62.40. With the likelihood of the Governments offer on HRA subsidy reform (as discussed at the October extraordinary Housing Board) coming before the financial year end no comment can be currently made on future subsidy determinations.

5.0 2010/11 Rent Level Proposals

- 5.1 The Government policy of Rent Restructuring came into effect in 2002/2003 and a review of the policy took place during the summer of 2004. This was discussed in detail in the HRA Council dwellings report for 2006/2007.
- 5.2 This authority has benefitted from work done on the most recent subsidy return and its guideline rents have reduced by £0.32 per property from their original 2010/11 level of £66.41. The guideline rent is now at £66.09 per property per week and the actual average rent with the 3.1% proposed increase is now at £62.40. This still means that we are some way below the rent level that the Government assumes when calculating our subsidy payment. As reported in October 2009 this results in a significant loss of income for Gosport.
- 5.3 Actual rents will have to increase by £1.90 (3.1%) on average in order for this Council to restore the HRA working balance to a more acceptable level.
- 5.4 In 2001, changes were made to the way that the Government subsidised the HRA, by introducing Rent Restructuring. Under a process known as 'convergence', the rents of Gosport Borough Council properties have been

increased incrementally each year, so as to reach the restructured levels by 2013/14. It is likely that this date will be moved again or removed completely when the HRA reform offer is finalised.

- 5.5 It is proposed to increase rent levels for garages, by £1 per week plus 3.1% as detailed in June's Housing Board report. The proposal for parking spaces is that they increase in line with rents.

6.0 Risk Assessment

- 6.1 The HRA is currently considered to be one of the higher risk areas of this Council's budget and as a result of the Government's proposals to reform the subsidy system the current position is particularly uncertain. In addition balance levels are significantly lower than what is considered to be the minimum level required to provide a reasonable safeguard against such risks. It is therefore seen as particularly important that the proposals relating to rent levels are approved to enable restoration of the balance to an acceptable level.
- 6.2 It is likely that any offer to this Council to withdraw from the subsidy system by taking on debt will be based on guideline rent levels rather than actual rents charged. Any further increase in the difference between the Councils actual rents and guideline rents will reduce the likelihood that such an offer will be accepted.

7.0 HRA Balance Levels

- 7.1 The Medium Term Financial Strategy currently states that the Council should move towards a target figure of £250 per property (approximately £800,000). The anticipated balance mentioned in 2.2 above are below this level and to ensure that they are restored to a more acceptable level it is essential that the proposed rent increase is approved.

8.0 Other Properties

- 8.1 There are a small number of other properties where the rent levels are assessed in line with HRA properties. The proposal is to also increase these by 3.1%

9.0 Conclusions

- 9.1 The proposed average rent increase of 3.1% is in accordance with the percentage increase in guideline rent within the Government's Housing Subsidy Settlement 2010/11. This Council's actual rent is still significantly lower than the guideline rent level included within the subsidy settlement.

Financial Implications:	As set out in the report
Legal Implications:	The Council is under a duty to set a budget which prevents the Housing Revenue Account becoming overdrawn.
Service Improvement Plan Implications:	The meeting of the Decent Homes Standard by 2010 is a key Service Improvement Plan (SIP) objective of the Housing Service
Corporate Plan:	More effective performance management, which includes making the best use of our assets, is a strategic priority in the Corporate Plan.
Risk Assessment:	As set out in the report
Background Papers:	Draft Budget Book and Fees and Charges
Appendices/Enclosures:	Appendix A Appendix B
Report Author/Lead Officer	Tim Hoskins and Julian Bowcher

COUNCIL HOUSING

	ORIGINAL 2009/2010 £000	REVISED 2009/2010 £000	BUDGET 2010/2011 £000
HOUSING REVENUE ACCOUNT			
Income			
Dwelling Rents	10,691	10,272	10,641
Shops & Garages	240	240	294
Service Charges	395	395	395
	<u>11,326</u>	<u>10,907</u>	<u>11,330</u>
Expenditure			
Management	2,805	2,826	3,015
Maintenance	2,456	2,534	2,532
Rents, Rates, Taxes, Other Charges	77	45	45
Cost Of Capital / Deferred Charges	0	0	0
Depreciation	2,234	2,543	1,965
HRA Subsidy	3,524	2,909	3,395
	<u>11,096</u>	<u>10,857</u>	<u>10,952</u>
Net Cost Of Services	<u>(230)</u>	<u>(50)</u>	<u>(378)</u>
Financing Adjustment	0	0	0
Item 8 Debit	189	187	132
HRA Investment Income / Mortgage Interest	(20)	(30)	(20)
	<u>169</u>	<u>157</u>	<u>112</u>
Net Operating Expenditure	<u>(61)</u>	<u>107</u>	<u>(266)</u>
Capital Expenditure funded from Revenue	0	0	0
Housing Revenue Account Balance			
Surplus at beginning of Year	418	490	383
Surplus / (-) Deficit for Year	61	(107)	266
Surplus at end of Year	479	383	649

Agenda item no. 6

Board/Committee:	Housing Board
Date Of Meeting:	3 February 2010
Title:	Housing General Fund Budget 2010/2011
Author:	Financial Services Manager and Housing Services Manager
Status:	For Recommendation to Policy and Organisation Board

Purpose

The purpose of this report is to consider the Board's revised 2009/2010 budget and 2010/2011 budget, including the Board's Fees and Charges for 2010/2011 and capital programme and to recommend to the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

Recommendation

- 1) The Board is requested to recommend to Policy and Organisation Board its requirements for the:
 - a) Revenue budget (revised 2009/2010 and estimate 2010/2011)
 - b) Fees and Charges for 2010/2011
 - c) Capital programme 2009/2010 to 2014/2015.
- 2) The Board is requested to recommend to Policy and Organisation Board the proposals relating to the rent level for Stoke Road hostel as outlined in paragraph 4.3 of the report.

1.0 BACKGROUND

- 1.1 The Board is required to consider and recommend to Policy and Organisation Board its requirements for the 2009/2010 and 2010/2011 financial years.
- 1.2 Policy and Organisation Board will consider its own and other Board requirements on 3 February 2010 and make recommendations to Council regarding the overall Council budget.
- 1.3 Members have been circulated with drafts of both the Budget and Fees and Charges Books for 2010/2011. The draft figures have been compiled in line with the guidance contained in the Council's budget strategy.

1.4 This Board's budgets are contained on the following pages:

- Revenue budgets pages 15 to 17
- Revenue variances page 58
- Capital programme page 46.

1.5 The Budget Book continues to be presented in the revised format that was first used in 2007/2008 that is aimed at providing a presentation that more readily aligns with the Council's service unit structure.

1.6 There are several general points regarding the reported figures:

- Administration Recharges

Administration recharges represent the cost of the Council's service units – both frontline and support – that are incurred in providing the Council's services. They are a recharge of the total service unit costs which are overseen by the Personnel-Sub and Policy and Organisation Board. They can vary between both services and Boards, as well as between the General Fund, Housing Revenue Account and the Capital Programme and reflect the complexity of the Council's structure and services provided.

- Variance Analysis

The variance analysis shows the major budgetary variations from (i) the original budget to the revised budget and, (ii) the revised budget to the estimated budget.

In practice, at the lowest level, there will always be many budgetary variations – both positive and negative - as Officers manage budgets and provide for service delivery under delegated authority. These will also include virements in line with financial regulations. The variance analysis in the budget book includes the major variations only.

2.0 REVISED BUDGET 2009/2010

2.1 The revised budget for 2009/2010 for this Board is £526,720 - an increase of £40,760 (8.4%) on the original budget for 2009/2010 of £485,960. The increase is primarily due to an anticipated reduction in subsidy payable on various homelessness initiatives during 2009/2010.

3.0 BUDGET 2010/2011

3.1 The budget for 2010/2011 for this Board is £516,710 an increase of £30,750 (6.3%) on the original budget for 2009/2010 of £485,960 and a decrease of £10,010 (1.9%) on the revised budget for 2009/2010 of £526,720.

- 3.2 The major variations are listed in an appendix at the front of the draft budget book.

4.0 HOMELESSNESS

- 4.1 The Housing General Fund Budget consists of three service areas, namely Home Adaptations, Private Sector Housing and Homelessness. There has been a slight increase in Administration Recharges for both Home Adaptations and Private Sector Housing. Although costs have reduced for Homelessness the overall budget has increased as the level of subsidy is budgeted to fall as well. The increase for the revised budget is £37,910 on the original budget for 2009/10.
- 4.2 The overall Homelessness budget has reduced between the 2009/2010 Revised £379,600 and the 2010/2011 Budget of £349,240. There has been a continuing trend away from commercial bed and breakfast to other categories of temporary accommodation including Rented Accommodation in the Private Sector (RAPS), lodgings and hostel accommodation.
- 4.3 The proposed subsidy changes that are due to take place from 1 April 2010 have the most adverse affect on the Stoke Gardens hostel business plan. This was mentioned in the November 2009 Housing Board report, Temporary Accommodation Strategy Review. It is this reduction in subsidy that has prompted a review of the rents currently being charged for Stoke Gardens. The conclusion is that the rents should be reduced by an average of £40 per week from 1 April 2010. This would reduce the average rent from the current £183 to an average rent of £143. This would also bring the rents into line with those charged for other Hostel accommodation.

5.0 FEES AND CHARGES 2010/11

- 5.1 The recommended Fees and Charges are included within the draft Fees and Charges book (page 25).

6.0 CAPITAL PROGRAMME

- 6.1 The draft capital programme is contained within the draft budget book (page 46) for approval. Policy and Organisation Board will consider the overall programme in the light of available financing resources.

7.0 RISK ASSESSMENT

- 7.1 Generally, Council budgeting processes include an element of risk in respect of the many variables involved. These include:
- New statutory responsibilities
 - Government led or notified activities

- Demand led activities which may result in the Council have to react to external factors
 - Contractual obligations
 - Market and economic factors including interest rates.
- 7.2 To counter these risks and uncertainties, the Council aims to be proactive in monitoring and controlling its services and budgets and taking prompt corrective action when necessary.
- 7.3 The primary risks to the Housing (General Fund) Budget relate to Homelessness and cover such risk areas as a shortage of private sector lets, an over reliance on commercial Bed and Breakfast accommodation and complying with external grant funding conditions including Housing Benefit grant and currently, the uncertain financial climate.
- 7.4 Budget risks are considered further in the Council Budget report to Policy and Organisation Board due to their potential impact on the robustness of the Council budget and reserve levels.

8.0 CONCLUSION

- 8.1 This report summarises the Housing Board (General Fund) revenue and capital budgets for 2009/2010 revised and 2010/2011 together with its Fees and Charges and seeks a recommendation of the Board's requirements to the Policy and Organisation Board.

Financial Implications:	As set out in the report
Legal Implications:	The Council has to set a balanced budget and has an obligation to discharge its function effectively, efficiently and economically.
Service Improvement Plan implications:	The delivery of a comprehensive homelessness service is a key element of the Service Improvement Plan (SIP) for the Housing Service
Corporate Plan:	Better access to decent housing is a key Strategic Priority (Prosperity) for the Council.
Risk Assessment:	See Section 7.0
Background papers:	Draft Budget Book and Fees and Charges
Appendices/Enclosures:	None
Report Author/Lead Officer	Tim Hoskins/Julian Bowcher

ADDENDUM REPORT

Agenda item no. 5

Board/Committee:	HOUSING BOARD
Date of Meeting:	3 FEBRUARY 2010
Title:	COUNCIL DWELLING RENTS 2010/11
Author:	FINANCIAL SERVICES MANAGER AND HOUSING SERVICES MANAGER
Status:	FOR RECOMMENDATION TO COUNCIL

Since the report was circulated a typographical error in the recommendation has been noted. Therefore this report sets out the correct recommendation

'The Board is requested to recommend to Council its requirements for increases from the **5 April 2010** as described below:

- 1) The average weekly Council Dwelling rents to increase by 3.1%
- 2) Garage rents to increase by £1 per week plus 3.1%.'