

## MUNICIPAL YEAR 2005/06 REPORT NO. 292A

**CABINET** - 8.02.06  
**COUNCIL** - 22.02.06

Joint report of:  
Director of Community, Housing & Adult  
Social Services  
Director of Finance & Corporate  
Resources

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<b>AGENDA – PART 1</b>	<b>ITEM 8</b>
<b>SUBJECT -</b>	<b>DEC</b>
HOUSING REVENUE ACCOUNT DRAFT REVENUE ESTIMATES 2006/07 (RENT SETTING)	
HRA/GF	ALL WARDS
<b>CABINET MEMBER CONSULTED: CLLR MATTHEW LABAN</b>	

### 1. EXECUTIVE SUMMARY

- 1.1 The report presents for approval the detailed revenue estimates of the Housing Revenue Account for 2006/07 following consultation with residents on the HRA budget position and the options for the rent proposals. Presentations were made to residents groups at meetings held on 15 November 2005 and 17 January 2006.
- 1.2 The Council is asked to approve the level of rents and service charges to be operative with effect from 3 April 2006 for Council tenants and also seeks approval to the rent levels for temporary accommodation.

### 2. RECOMMENDATIONS

- 2.1 That the detailed revenue estimates of the Housing Revenue Account for 2006/07 be approved as set out in table 1.
- 2.2 That the formula rents be increased by 3.2% in line with Government guidance.
- 2.3 The level of service charges as set out in para. 13.1 for those properties receiving the services be agreed for 2006/07.
- 2.4 The proposals for increases in other income as detailed in Appendices 2 and 3 be agreed for 2006/07.

### 3. BACKGROUND

- 3.1 Each year the Council is required by law to set the level of rents for Council dwellings for the forthcoming financial year after consultation with tenants. The decision must be taken early enough for tenants to be advised of any change at least 4 weeks prior to the date of change. The following sections

of the report set out the financial position on the HRA for Cabinet and Council to consider.

- 3.2 For 2006/07 the Government's subsidy determinations have been based on an increase in Enfield's rent of 3.2% applied to the 2005/06 formula rent.

#### **4. FORMULA RENTS**

- 4.1 Members will recall that the Government decided that by 2003/04 at the latest to introduce a new method for calculating Local Authority and Registered Social Landlord rents. Accordingly from 2003/04 Enfield rents are calculated using a formula based on the market value of the property, average earnings for London manual workers and the national average Council rent. The formula also takes account of the number of bedrooms in the property.
- 4.2 In addition to the rents, tenants may also be charged a service charge for certain communal services as appropriate. Government guidance gives some discretion over what services may be charged separately. The proposed charges for 2006/07 are shown in para 13.1 and reflect the full cost of providing the service. There are no proposals for new service charges in 2006/07.
- 4.3 The new formula rents, together with the separate charging for services, would mean significant increases or decreases for some tenants if introduced immediately. In recognition of this the Government decided that the move to the new formula rents would be phased over 9 years and that no rent should increase/decrease by more than £2 per week after adjustment for the annual guideline increase set by Government.

#### **5. REVIEW OF FORMULA RENTS**

- 5.1 When the Government introduced formula rents for social housing, it also announced that the policy would be reviewed after three years. The review of rent restructuring was implemented in November 2005 with effect from 2006/07.
- 5.2 The key changes to the formula rents for social housing are:
- Larger properties – higher bedroom weightings for 3 and 4 bedroom properties and new higher weightings for properties with 5 and 6 or more bedrooms.
  - Harmonisation from April 2006 using the same formula for restructuring local authority (LA) rents as that currently used for the restructuring of Registered Social Landlord (RSL) rents and adopting the RPI as the inflation measure used in calculating LA rent increases.
  - Implementation: LA's should ignore the downward limit of RPI plus 0.5% minus £2 per week on rent changes in order to achieve restructuring on all properties for which rents need to fall by 2012.

- 5.3 As part of the subsidy determination for 2006/07 the Government has implemented the changes outlined above. Formula rents have been recalculated using the same formula as applies to RSLs under rent restructuring with the effect that formula rents are now 8.7% higher. This additional rent is paid to government through the subsidy mechanism however the government has made a number of other adjustments to the subsidy for 2006/07 with the effect that Enfield will suffer a loss of subsidy in 2006/07 of £550k whilst the average actual rent will increase by approx £0.30p more per week than it would have done under the previous formula.
- 5.4 In addition to the above changes ODPM also agrees the continuation of the transitional protection allowance on Management and Maintenance allowance up to 2007/08.

## **6. FINANCIAL MONITORING 2005/06**

- 6.1 Before considering the proposals for 2006/07, it is necessary to review the estimates for the current financial year to determine the estimated level of the available balances at 31 March 2006, to reflect upon the major changes which have occurred during the year and to consider their ongoing impact into 2006/07 and future years. These have been highlighted throughout the year in the regular financial monitoring reports and the current position is indicating a saving of £533k.
- 6.2 A summary of the major changes during 2005/06 are shown in Appendix 1.

## **7. CONSULTATION ON THE LEVEL OF RENT FOR 2006/07**

- 7.1 At the Residents' consultation meeting held on 15 November 2005, residents were advised of estimated budget pressures totalling £1.774m for 2006/07 compared with the projected deficit position for 2006/07 identified a year earlier of £1.319m. However, following receipt of the final subsidy claim and completion of the estimates the cost pressure has reduced to £0.285m. Details of the significant changes from last year's projected £1.319m deficit to the current position are shown in Appendix 5.
- 7.2 FECA COMMENTS  
At the time of finalising the report no formal comments had been received from FECA.

## **8. BASE BUDGET FOR 2006/2007**

- 8.1 Table 1 sets out the Base Budget for 2006/07 compared to 2005/06 and includes projections for the next two years, ie 2007/08 and 2008/09. Table 2 sets out assumptions for formula rents, inflation etc made in compiling the budget and projections.

**TABLE 1 - HOUSING REVENUE ACCOUNT 2006/07 TO 2008/09**

	2005/06 Original Budget £'000	2006/07 Estimate £'000	Variations £'000	See Para	2007/08 Projection £'000	2008/09 Projection £'000
<b>Expenditure</b>						
Supervision & Management – General	11,640	12,519	879	8.2.1	13,251	13,548
Supervision & Management - Special	4,897	5,093	196	8.2.2	5,269	5,450
Rents, Rates and other charges	913	931	18		950	969
Rent Rebates	1,623	1,053	(570)	8.2.3	706	392
Cost of Capital	24,523	22,624	(1,899)		22,850	23,079
Depreciation	9,171	8,933	(238)	8.2.4	8,855	8,796
Contribution to the repairs fund	14,302	15,179	877	8.2.5	15,955	16,754
Increased provision for bad & doubtful debts	400	400	0		400	400
<b>Total Expenditure</b>	<b>67,469</b>	<b>66,732</b>	<b>(737)</b>		<b>68,236</b>	<b>69,388</b>
<b>Income</b>						
HRA Subsidy – MRA	(9,171)	(8,933)	238	8.2.6	(8,855)	(8,796)
HRA Subsidy - Housing element	11,689	13,207	1,518	8.2.6	14,860	16,610
<b>Net Subsidy</b>	<b>2,518</b>	<b>4,274</b>	<b>1,756</b>		<b>6,005</b>	<b>7,814</b>
Rent Income						
Dwellings	(44,026)	(46,024)	(1,998)	8.2.7	(48,169)	(49,948)
Garages	(975)	(1,000)	(25)	8.2.8	(1,020)	(1,040)
Shops/Commercial	(1,797)	(1,964)	(167)	8.2.9	(2,004)	(2,044)
Service Charges	(2,810)	(3,173)	(363)	8.2.10	(3,236)	(3,301)
<b>Total Income</b>	<b>(47,090)</b>	<b>(47,887)</b>	<b>(797)</b>		<b>(48,424)</b>	<b>(48,519)</b>
<b>Net Cost of Services</b>	<b>20,379</b>	<b>18,845</b>	<b>(1,534)</b>		<b>19,812</b>	<b>20,869</b>
Adjusting Transfer from AMRA	(22,493)	(20,592)	1,901		(20,621)	(20,661)
Amortised Premiums and Discounts	358	386	28	8.2.11	386	386
Interest on balances	(850)	(1,000)	(150)	8.2.12	(1,000)	(1,000)
Right to Buy Mortgage interest	(50)	(10)	40	8.2.13	(10)	(10)
<b>Net operating Expenditure</b>	<b>(2,656)</b>	<b>(2,371)</b>	<b>(285)</b>		<b>(1,433)</b>	<b>(416)</b>
Housing Set a side (MRP)	0	0	0		0	0
Revenue Contribution to Capital Expenditure	2,656	2,371	(285)		2,656	2,656
<b>(Surplus)/Deficit for year</b>	<b>(0)</b>	<b>0</b>	<b>0</b>		<b>1,223</b>	<b>2,240</b>
Asset Management Account						
Income - interest charged to the HRA	(24,523)	(22,624)	(1,899)		(22,496)	(23,079)
Expenditure - Loan interest	2,030	2,032	(2)		2,210	2,418
<b>Adjusting Transfer to Operating A/c</b>	<b>(22,493)</b>	<b>(20,592)</b>	<b>(1,901)</b>		<b>(20,286)</b>	<b>(20,661)</b>
HRA Balance b/fwd	6,453	8,080			8,113	8,113
In year Surplus(deficit)	0	33			0	
Balance c/fwd	6,453	(8,113)			(8,113)	(8,113)

**TABLE 2 - ASSUMPTIONS**

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
Employee inflation + Additional superannuation	3.95%	3.95%	3.95%
Supplies and Service	2.00%	2.00%	2.00%
Repairs and Maintenance	5.53%	5.53%	5.53%
Insurances	5.00%	5.00%	5.00%
Garage income	3.20%	2.00%	2.00%
Other income	2.00%	2.00%	2.00%
RTB sales	79	59	44
Interest rate	5.59%	5.59%	5.59%
<b>Subsidy</b>			
Formula rent increase	3.2%	3.2%	3.2%
Major Repairs allowance	-0.8%	0%	0%
Management and Maintenance	6%	6%	6%

8.2 Explanations of the major variations for 2006/07, when compared with the budget for 2005/06 are as follows.

**8.2.1 Supervision & Management General - increase of £879k**

This is mainly due to increase in irrecoverable admin costs associated with RTB as a result of reduction in the number of estimated completed sales £440k. There is additional inflation on salaries amounting to £318k and an amount equal £80k is included in the estimate for Choice Based Letting Scheme.

**8.2.2 Supervision & Management - Special - increase of £196k**

This increase represents inflation on salaries and non-salaries expenditure.

**8.2.3 Rent rebates - reduction of £570k**

This is the decrease in payments to the General Fund for the loss of benefits payable by the Government because the average HRA rent is greater than the determined limit rent.

**8.2.4 Depreciation – decrease of £238k**

The accounts have to include an amount for depreciation of HRA assets each year. This sum is matched by subsidy payments by the Government. The reduction is due to a change in the basis of the subsidy calculation. See Para 8.2.6.

**8.2.5 Contribution to Repairs Fund – increase of £877k**

The increase is mainly attributable to inflation on the repairs and maintenance budget of £729k, and expenditure incurred on the repairs centre (Claverings) of £149k.

**8.2.6 Subsidy – Increased payment of £1,756k to the Government**

The Government is expecting additional payment of £1,756k. It is anticipated that there will be additional guideline rent of £2,353k, reduction in MRA of £238k and reduced support for capital of £80k. This is offset by additional £875k from the transitional relief on Management and Maintenance allowance and reduction in interest on mortgages of £40k.

**8.2.7 Dwelling rents income – increase of £1,998k**

This increase is the net effect of an increase in rents of £2,294k off set by the estimated loss of rent due to RTB sales of £296k. This represents the full year effect of sales of 79 in 2005/06 and part year effect of an estimated 79 sales in 2006/07.

**8.2.8 Garages income – increase of £25k**

This is due to inflation increase.

**8.2.9 Shops/Commercial – increase of £167k**

This is the assumed increase for inflation.

**8.2.10 Service Charges income - increase of £363k**

This reflects the level of additional properties sold during 2005/06, increase in charges and increase in estimated major works income.

**8.2.11 Amortised Premiums and Discounts – increase of £28k**

A share of the premiums on the early redemption of loans is charged to the HRA.

**8.2.12 Interest on balances (income) – increase of £150k**

High level of HRA balance anticipated.

**8.2.13 Right to Buy mortgage interest (income) – decrease of £40k**

This reflects increased redemption of mortgages.

**9. MEDIUM TERM FINANCIAL PLAN - PROJECTIONS 2006/07 AND 2007/08**

- 9.1 The latest estimates for 2007/08 and 2008/09, in table 1, show in year losses of £1.223m and £2.240m. These assume that the RCCO of £2.656m per year is maintained. This means that the HRA is unable to sustain the current level of revenue expenditure. If the current method of financing capital is to be continued further efficiency savings will need to be identified.
- 9.2 The latest estimates for 2009/10 and 2010/11 are showing in-year losses of £3.2m and £4.4m respectively and further efficiency savings will need to be identified to balance the accounts.
- 9.3 The stock options appraisal completed in July 2005 has identified that there is a £77m capital gap at 2010/11 increasing to £106m by 2034/35. As a result of this appraisal, the Council agreed to seek Government approval to set up an Arms Length Management Organisation (ALMO) and to bid for ALMO funding to cover the capital funding gap.

- 9.4 Officers are preparing an ALMO funding bid in the sum of approximately £50m. ODPM has yet to announce the timetable for the submission of bids. However, in anticipation of a favourable outcome, preparations are in hand for the setting up of the ALMO with effect from April 2007.

## **10. ALMO**

- 10.1 A small project team has been set up to produce the ALMO bid and establish the new organisation. CMB have also set up a sub group to work with this team and oversee the project from a corporate perspective. Initial work has focused on the bid and the development of a project plan. A first draft of the bid has been produced and is currently being edited. It is anticipated that the final bid will be submitted to Cabinet on 1 March 2006, however this is dependent on the formal bidding round being announced.
- 10.2 In anticipation of a successful bid, work is being carried out to identify which functions will transfer to the ALMO, which will be retained by the Council and the range of support services the ALMO will need. The ALMO steering group on 17 January agreed the mechanism for selecting and recruiting ALMO shadow board members by the target date of 1 April 2006. Once the board is in place they will play a key role in setting up the ALMO, agreeing standards for performance and setting a course for 2 or 3 star inspection rating and delivery of the Decent Homes Standard by 2010.

## **11. CAPITAL FINANCE AND PRUDENTIAL CODE**

- 11.1 The Prudential Code for Capital Finance requires the authority to have regard to affordability, prudence and sustainability when considering its capital investments plans and to set and keep under review a range of prudential indicators. The prudential indicators for the HRA are:
- estimated capital financing charges as a percentage of net revenue stream
  - estimated capital expenditure
  - estimated capital financing requirement
  - incremental effect of capital investment decisions on housing rents.
- 11.2 The General Fund Budget report for 2006/07 elsewhere on the agenda sets out the background to the prudential code and shows the indicators for the General Fund and HRA.
- 11.3 In essence the Prudential regime gives scope for the HRA to borrow for capital investment if the forecasts show that the resulting charges can be afforded over the medium to long term.
- 11.4 The 2006/07 Supported Capital Expenditure (SCE) for Housing is £4.767m, i.e. interest payments on this figure are funded by way of Housing subsidy, the current estimates and projections for the HRA include the revenue effects of borrowing to this level. In addition the HRA will fund the borrowing for the 2006/07 Grants to Vacate programme.

- 11.5 The Code subject to prudence, affordability and sustainability, gives scope to borrow above current levels. This facility will be reviewed as part of the business planning process during the year and its use will be evaluated as an alternative to the current RCCO to fund HRA capital expenditure. The current estimates have £4.220m as a contribution to capital over 3 years. However this produces an unsustainable revenue position, see para. 8.1 above without reductions in cost.

## 12. BUDGET POSITION AND RISK ASSESSMENT

- 12.1 The estimated position on balances for 2005/06 is set out below.

<b>HRA Balances</b>	<b>£m</b>
Actual Balance at 31.3.05	8.080
Plus: Estimated surplus for 2005/06	0.533
Less Budget for set up of ALMO	<u>-0.500</u>
Estimated Balance at 1st April 2006	<u><b>8.113</b></u>

- 12.2 As can be seen from para 12.1 it is estimated that balances at 1 April 2006 will total £8.113m. However in considering the use of balances in future rent strategies, it should be noted that it is prudent to retain a minimum sum of £1.2m. This will be reviewed over the next 12 month as part of the medium term financial plan and will reflect the budgetary risks, their likelihood and potential impact and the extent to which they have been provided for within the budget estimates.
- 12.3 It should also be remembered that in addition to the balances mentioned above, the repairs fund is £4.322m and capital reserves are £5.332m. There is also a bad debt provision of £3.997m, at the 31 March 2006. This is reassessed each year based on collection rates.
- 12.4 It must also be noted that balances cannot be used to sustain expenditure that is too high over the medium to long term. At best they can be used (as one off funding) to facilitate fundamental changes needed to bring the HRA back into balance. The capital reserve and repairs fund are to be used to fund major works programmes and are reflected in the calculation of the £77m gap. See para 9.1.
- 12.5 As part of the budget process a risk assessment has been undertaken. The detailed budget headings within the HRA were considered in terms of their risk factors (including the size of the budget, the degree to which it is demand led, its history of under or overspending and reliability of systems).
- 12.6 The areas of HRA expenditure identified as high risk are explained below. These budgets will be subject to close monitoring throughout the year.
- 12.6.1 **Supervision and management – special - £5.093m**  
Potential increase in energy costs
- 12.6.2 **Responsive Repairs - £11.2m**



This is a large, demand led budget that needs close monitoring throughout the year, although in recent years expenditure has been within budget.

**12.6.3 Rents & service charges - dwellings - £46.02m**

The risks associated with the rents budget lie in the size of this budget along with the complex current changes under the Rent Restructuring regime and the sensitivity of RTB sales to possible changes in Government legislation.

**12.6.4 Rent rebate subsidy limitation - £1.053m**

**12.6.5 Sale of Council House Administration Income - £440k (S&M general)**

The costs of administrating the sale of council houses under the RTB scheme can be charged against capital receipts. Given the increased level of withdrawals to sales there is a risk that this budget may not be achieved.

**13. PROPOSED RENT AND OTHER CHARGES FOR 2006/07**

13.1 It is recommended that the 2005/06 formula rents be increased in line with Government policy by 3.2% and that the rents for 2006/07 are set in accordance with the Government's policy of phasing in formula rents by 2012. This results in an average rent increase of 3.91%. In addition the following service charges be made to those tenants in receipt of the services:

	<u>Charge per week</u>	
	£	
Caretaking level (1) (resident)	4.02	
Caretaking level (2) (non resident)	2.47	
Concierge	11.92	
Grounds maintenance	0.66	
Heating fund (increase of 15%)	12.50	(average)
CCTV	2.21	

In addition to the above water and sewerage charges will continue to be collected through the rents on behalf of the water authorities.

13.2 There are no proposals at the present time to introduce new estate specific service charges, however the Housing Management Division are exploring with tenants the potential for local enhanced services in areas of safety and caretaking/cleaning services which could lead to additional charges being introduced in the future.

13.3 The formula rents regime sets upper limits on rents for different sized properties. In 2006/07 these caps are as follows:

6-bed	£126.59 per week
5-bed	£120.83 " "
4-bed	£115.08 " "
3-bed	£109.33 " "

2-bed	£103.57	“	“
1-bed & bedsits	£ 97.82	”	”

In cases where the formula rent exceeds the cap level the formula rent is set at the cap level and the actual rent will be moved in stages to the cap level.

13.4 Set out at Appendices 2 and 3 are proposed charge levels on other properties within the HRA, for temporary accommodation funded from the General Fund and for leaseholder service charges. These proposals have already been built into the draft estimates for 2006/07, and if these charges are to be varied, this would have to be met by a contribution from balances.

13.5 Shown in Appendix 4 are examples of the proposed rents for 2006/07 for different property types and sizes across the Borough.

#### **14. ALTERNATIVE OPTIONS CONSIDERED**

Two alternatives were considered, these were not increasing rents in line with the Government guideline and increasing rents above the guideline. Both these were discounted as not to increase rents would have meant significant loss of income and the need to reduce services to maintain the account in balance. To increase rents above the guideline was also discounted because with the increased income would be clawed back through the housing subsidy system.

#### **15. REASONS FOR RECOMMENDATIONS**

In view of the implications of the alternatives mentioned in para 14, it was decided to recommend increasing rents and service charges in line with Government guidance in order to maximise income and maintain service levels.

#### **16. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS**

##### **16.1 Financial Implications**

The Local Government Act 2003 requires the Chief Finance officer to report on the robustness of estimates and the adequacy of proposed financial reserves. The 2006/07 HRA estimates show a balance budget and reserves are above the minimum required. However the medium term financial projections shows a deteriorating financial position.

##### **16.2 Legal Implications**

Under the Housing Act 1985, as amended by section 162 of the Local Government and Housing Act 1989 a local authority is to decide on the rent they charge their tenants. Such charge must be reasonable for the tenancy or occupation of the house. The authority is from time to time to review rents and make changes, as circumstances require. There is no method laid for assessment of rents but the law requires that the rent of houses of any class of description to bear broadly the same proportion to private sector rents. In addition, in preparation for the HRA all authorities need to estimate as accurately as possible the total level of income that they need to raise from rents.

## 17. PERFORMANCE MANAGEMENT IMPLICATIONS

Setting a balanced budget for 2006/07 should enable the HRA performance targets to be met.

## 18. PUTTING ENFIELD FIRST

In developing the rent proposals for 2006/07 there have been two consultation meetings. In addition, the Tenant Involvement Unit has continued developing training for tenants on a range of issues. This consultation and training is consistent with the vision of:

- Quality health and care services for vulnerable people in Enfield
- Supporting the delivery of excellent services
- Economically successful and socially inclusive
- Improving quality of life in Enfield

Background papers:	Where located:	Contact:
Director of Finance & Corporate Resources Dept		
Resources Working Papers	9 <sup>th</sup> floor, CC	Fiona Peacock extn 5033
DoE Subsidy and Item 8 determinations		
HRA Business Plan	--	--

## 2005/06 BUDGET MONITORING -VARIATIONS

<u>Budget Head</u>	<u>Variation</u> <u>£'000</u>
1. <b>Repairs Admin</b> No change to budget.	0
2. <b>S&amp;M General</b> The amount of expenditure that the HRA can offset against RTB receipts has reduced with the introduction of the pooling of capital receipts.	300
3. <b>S&amp;M Special</b> The concierge budget is projecting an overspend of £85k due to the contract price rising by more than anticipated. There is also a small overspend of £9k on Community Alarm.	94
4. <b>Rent – dwellings</b> Housing rent income is expected to be greater than budgeted due to the reduction in RTB sales.	-355
5. <b>Rents – non dwellings</b> Additional income from shops is projected due to a number of rent reviews.	-282
6. <b>Interest on HRA balances and RTB mortgages</b> Due to the high level of balances an additional £100k interest is projected.	-100
7. <b>Leaseholder Service Charge income</b> Major works income is projected to be more than originally budgeted.	-190
<b>Total</b>	<hr/> <b>-533</b> <hr/>

**OTHER PROPOSALS FOR INCREASED INCOME**

**1. Homeless Accommodation - Hostel Licence Charges**

- 1.1 There are 17 HRA hostel premises providing 118 units of temporary accommodation. The rents for 2006/07 will range between £31.44 and £112.64 per week. This compares with the range in 2005/06 of between £30.55 per week and £110.91 per week. In addition an amenity charge of up to £8.50 per week will also be charged.
- 1.2 On multiple occupancy hostels, the Community, Housing and Adult Social Services Department is responsible for payments of the Council Tax (CT). In these cases, an additional charge has to be added to the rental to represent the CT payment. The charge is calculated to ensure that the CT cost of each hostel is fully covered. The CT charge made to tenants is included for Housing Benefit purposes.

**2. North Circular Road Properties**

Rents for North Circular Road properties have been calculated in the same way as for the Council's permanent housing stock. However for those North Circular Road properties that have been shortlified by Housing Associations, it is proposed to increase the rents charged to the Associations in line with the increase applied by Transport for London.

**3. Garage Rents**

- 3.1 There are 2 types of garages which are let to Council tenants, leaseholders and private tenants, wire cage (multi-storey block) and the standard lock-up.
- 3.2 A 'non Council tenant premium' is also charged on all lets to private tenants, and any Council tenant or leaseholder who rents more than 2 garages. It is proposed that the rents be increased by 3.2% in line with Government guidance. The proposed charges for 2006/07 are:

	2005/06 Weekly Net Rent £	2006/07 Suggeste d Net Rent £
Category (G1) Standard Lock-up Garages	7.11	7.34
Non Council tenant premium (NCTP)	1.88	1.94
Category (G0) Garages in multi-storey blocks	4.09	4.22

**4. Communal Heating Charges**

- 4.1 The Council has 1791 properties in 71 blocks of flats serviced by communal heating systems. The properties do not have individual metering. There are a mixture of electric, gas and oil fired systems but the charges for tenants (which are reviewed annually) are calculated on a pooled basis rather than on the cost of the fuel used by individual systems. Since 1996 leaseholders have

been charged a proportion of the actual cost of the fuel used in their blocks, calculated on the basis of individual property rateable values.

- 4.2 In 2006/07 the costs of gas and electricity will rise by 57% and 20% respectively. Based on this level of increase in fuel costs it is estimated that the heating charge will have to increase by 15%.

## 5. Private Sector Leased Properties and Bed & Breakfast Accommodation

- 5.1 In 2001/02 the Council reviewed its policy of pooling homelessness costs and concluded that the overall interests of homeless households and the Council were best served by retaining the policy of pooling homelessness costs and setting a single rent irrespective of accommodation type and size. The review also concluded that the rent should reflect the overall cost to the Council of providing temporary accommodation but it should not exceed the HB cap level because of the impact on homeless families and the fact that the collection of such sums above this amount would be unrealistic. However, with effect from April 2003 the Government introduced new subsidy arrangements for B&B accommodation, which meant that the Council would receive no benefit by setting rents for those properties above the HB threshold level.

- 5.2 The Housing Benefit threshold has remained at £223.51 so it is proposed that B&B rents remain at that level. However costs of homeless have increased slightly since the rents for PLA and PSL were set 4 years ago and the GF budget consultation contains proposals to increase these rents by £5 per week.

## 6. Community Alarm

Charges will be increased by 7%. For tenants in sheltered blocks this will mean an increase from £4.30 to £4.60 per week.

## 7. Summary of Charges

	<b>2005/06 £</b>	<b>2006/07 £</b>
Hostel licence charges	<b>30.55 to 110.91</b>	<b>31.44 to 112.64</b>
Garage rents		
G1 Standard lock up	<b>7.11</b>	<b>7.34</b>
Non Council Tenant Premium	<b>1.88</b>	<b>1.94</b>
G0 Garages in multi-storey blocks	<b>4.09</b>	<b>4.27</b>
Communal Heating	<b>10.87 average</b>	<b>12.50 average</b>
Private Sector Leased property	<b>285.00</b>	<b>290.00</b>
B&B	<b>223.51</b>	<b>223.51</b>

**ADMINISTRATION/MANAGEMENT CHARGE FOR LEASEHOLD UNITS**

1. The administration and management charge is a flat rate added to the cost of services to cover the preparation of estimates and actual costs, billing consultation on repairs and improvement works and estate management.
2. It is estimated that at 31 March 2007 there will be 4585 sold flats.
3. At the end of each financial year, the actual cost is determined and an appropriate adjustment made to the charge.
4. The cost of administration and management for 2006/07 is estimated at £692,900 and it is, therefore, recommended that the charge for 2006/07 be fixed at £152 per leasehold unit. This compares with the 2005/06 charge of £143.00.

## APPENDIX 4

### EXAMPLES OF RENTS IN 2006/07

Type			Edmonton		West		East	
			2006/07 Rents		2006/07 Rents		2006/07 Rents	
			Actual	Formula	Actual	Formula	Actual	Formula
Bungalows		2 Bedroom	£67.72	£83.19	-	-	-	-
Houses		2 Bedroom	£75.84	£83.19	£78.20	£85.17	£73.50	£81.20
		3 Bedroom	£83.28	£90.32	£87.43	£96.26	£83.82	£88.33
		4 Bedroom	£91.44	£87.45	£102.82	£111.32	£94.51	£99.43
Flats	Low rise	1 Bedroom	£62.01	£66.15	£63.37	£68.13	£64.42	£64.47
		2 Bedroom	£65.00	£73.28	£77.19	£75.26	£69.34	£71.30
Flats	High rise	1 Bedroom	£57.24	£60.20	£63.48	£64.17	£58.86	£60.20
		2 Bedroom	£65.99	£67.33	£73.81	£71.30	£69.17	£67.33
Maisonette	Low rise	2 Bedroom	£71.68	£73.28	£74.02	£75.26	£70.10	£73.28
	High rise	2 Bedroom	£66.06	£67.33	-	-	-	-
Bedsits			£50.25	£57.04	£57.59	£62.98	£50.25	£57.04

The above are examples of the rents likely to be charged for specific properties in the areas indicated. They are not necessarily typical, nor the maximum or minimum rents which will be charged.

Service charges have been excluded, but will be payable in addition to the rent subject to the services provided to each property.

The rent calculation is a function of the formula rent (using the ODPM formula) and the existing 2005/06 net rent and is subject to various caps and limits.

## APPENDIX 5



**SIGNIFICANT BUDGET CHANGES FOR 2006/07  
BETWEEN FEBRUARY 2005 AND FEBRUARY 2006**

	£'000	£'000
Additional garage and shops rent		(98)
Inflation on repair costs		637
Reduction in depreciation		(88)
Additional dwelling rent income		(1,686)
Increase in Subsidy payment to Central Government		1,246
Irrecoverable admin costs associated with RTB		350
Increase in Leasehold service charges		(148)
Additional expenditure on Repairs Centre (Claverings)		90
Increase in inflation		341
Choice Based Lettings		80
Reduction in Rent Rebate Subsidy Limitation		(158)
Decrease in RTB mortgage interest		25
Reduction in cost of capital		(24)
Increase in rents, rates and other charges		(14)
General Budgets efficiency savings		(96)
<b>Total costs identified at first rent setting meeting</b>		<b>457</b>

Further savings/pressures identified:

Reconsideration of subsidy payment under Rent restructuring review	(435)	
Reconsideration of irrecoverable admin costs associated with RTB	90	
Interest on balances	(500)	
Review of inflation on repairs	(410)	
Additional inflation on Supervision & Management	(188)	
Review of dwelling rent income	(24)	
Increase in the income from shops and garages	(24)	
Review of cost of capital	(9)	
Increase in rent and service charges for Repairs Centre	59	
Reduction in Depreciation	(37)	
Review of RTB mortgage interest	(13)	<b>(1,491)</b>
		<b>(1,034)</b>