

 Executive 10th June 2009		Agenda Item No.
Title	Housing Revenue Account Budget 2009/10 and Housing Rents	
For further information about this report please contact	Alison Simmons (Tel: 01926 456403)	
Service Area	Housing and Property Services / Finance	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Executive – 4 th February 2009, Minute 780 Council – 23 rd February 2009, Minute 821	
Background Papers	Report to Executive 4 th February 2009 Housing Revenue Account Budget 2009/10 and Housing Rents Chief Executive Report – 1 st April 2009 Chief Executive Report – 2 nd April 2009	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes

Officer/Councillor Approval		
With regard to officer approval all reports <u>must</u> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Deputy Chief Executive		Bill Hunt
Chief Executive		Chris Elliott
CMT		
Section 151 Officer		Mike Snow
Legal		Peter Oliver
Finance		Sandra Jones
Portfolio Holder(s)		Cllr Grainger
Consultation Undertaken		
Please insert details of any consultation undertaken with regard to this report.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

- 1.1 This report asks Executive to note the decisions made by the Chief Executive which revoked the decision made by the Council on the 23rd February 2009 (using his delegated authority to deal with urgent items that occur between meetings, Constitution G(17)) in consultation with the relevant Strategic Directors, Heads of Business Units and Group Leaders) and to enable the Council to meet the changes in the Government's Housing Subsidy Determination Guidance for rent increases in 2009/10.

2. RECOMMENDATION

- 2.1 To note the decisions made by the Chief Executive under delegated authority:
- That the Housing dwelling rents for 2009/10 would not be increased by 6.44% on the 6th April 2009 as approved at Executive on the 4th February 2009 and Council on the 23rd February 2009 and would initially remain as those set in 2008/09.
 - That the Housing dwelling rents would be increased by an average of 3.1% from Monday 18th May 2009 following the receipt of new Government Subsidy Determinations and Guidance for 2009/10..
 - That the Council would confirm by the 24th April 2009 that we intend to take up the offer to reduce the average rent increase for 2009/10 and be compensated through the Housing Subsidy System.
 - To confirm that there will be no increase to garage rents as approved at Executive on the 4th February 2009 and Council on the 23rd February 2009.
 - To confirm that Supporting People charges will be increased by 2% as approved at Executive on the 4th February 2009 and Council on the 23rd February 2009.

3. REASONS FOR THE RECOMMENDATION

- 3.1 The Constitution provides for urgent decisions to be made by the Chief Executive, after appropriate consultation with the Group Leaders, under section G(17) of the Scheme of Delegation "subject to the matter being reported to the Executive at its next meeting". This report therefore sets out the context and basis of the decisions made under delegated powers
- 3.2 Following Government's concerns that new rent increases were above inflation rates an announcement was made on the 6th March 2009 by Margaret Beckett, the Minister of State for Housing and Planning asking Council's to consider reducing the rents increase to 3.1% or less which was half of the proposed guideline rent increase in the original Subsidy Determination. The Council had to consider the options available as to whether to charge the increase of 6.44% from the 6th April 2009 as approved at Executive on the 4th February 2009 and Council on the 23rd February 2009 or to reduce in line with the proposed new Guidance.
- 3.3 The Council took advantage of the Government's announcement of the 6th March 2009, the Chief Executive, in consultation with Councillor Grainger the Housing

Portfolio Holder and others as required by the Constitution. Used his emergency powers under paragraph G(17) of the constitution to take the decision not to increase the rents by 6.44% from the 6th April 2009, previously approved by Executive on the 4th February 2009 and Council on the 23rd February 2009.

- 3.4 Further not to wait until the end of the Governments' consultation period to implement the intended 3.1% increase but to send out the required legislative notice of 4 weeks to tenants of the increase, in order to reduce the loss of rental income. Until such time the Council will continue to charge the 2008/09 rents. The Government intends to compensate for the annual loss of rental income from reducing the rent increase from 6.44% to 3.1%. However, as the Council was unable to implement the rent increase from the 6th April 2009 and each week of delay results in a loss of £11,700 per week until the 3.1% increase is charged.
- 3.5 Garage rent increases are not governed by the guidance for rent restructuring, which uses the September 2008 inflation rate of 5% in the calculation. No increase was proposed and it is recommended that this decision stands.
- 3.6 The agreed Supporting People charge is a retrospective increase equivalent to the Inflationary increase awarded by Warwickshire County Council for all Supporting People contracts, effective from April 2008.

4. ALTERNATIVE OPTION CONSIDERED

- 4.1 The alternative option considered was to apply the rent increases agreed on the 4th and 23rd of February 2009 until the new Government Guidance was received. Once the rents had been recalculated then each rent account would be credited accordingly. This was not considered to be desirable in the current economic climate to charge the Council tenants rent above what will become the 2009/10 rate.

5. BUDGETARY FRAMEWORK

- 5.1 The HRA is a key component of the Council's budget framework.
- 5.2 In order for the 3.1% increase to be implemented the Council will need to notify every tenant of the proposed increase. Not only will this meet our legislative requirements but will also eliminate any confusion that may have arisen from the previously notification of a 6.44% increase.
- 5.3 There is a minimal risk that the Government through the Consultation process will again revise the proposed increase, however the probability of this is low.
- 5.4 The consequence of the Council choosing not to implement the proposed 3.1% increase and await the results of the Consultation will result in a rent loss of £11,700 per week until any increase is implemented.
- 5.5 The Council has incurred costs of £5,456 in terms of both staff resources and postage for both Housing and Property Services and Housing Benefits in advising the tenants that the approved rent increase and benefit entitlements that they had previously been advised of will not be implemented.

- 5.6 Also as a result of the Government's announcements the Council has had to revise its planned increase of 6.44% resulting in a cost of £6,900 to make the necessary software changes.

6. **POLICY FRAMEWORK**

- 6.1 The rent and budget setting process is designed to comply with the requirements of the Council's Financial Strategy

7. **BACKGROUND**

- 7.1 Rent Restructuring was introduced by the Government in 2002/03, with the intention of bringing all social housing rents into line with each other, so that a similar sized property within a particular area will cost the same regardless of who is the landlord. The aim of the rent restructuring would be to achieve this convergence by 2012. Since its introduction rent setting for all social housing has been governed by the application of a prescribed national formula designed to bring about this convergence. The application of the formula is described in detail in Appendix 1.

- 7.2 The change follows the announcement of the Housing Minister on Friday the 6th March in which proposals were outlined to change the national average guideline rent increase for 2009-10 and letter received from the Communities and Local Government on the 26th March 2009 commencing the consultation process.

- 7.3 Under Section 87(2) of the Local Government and Housing Act 1989, the Secretary of State is required to consult representatives of local government and relevant professional bodies before making new directions and determinations, or before varying existing determinations.

- 7.4 The original average increase in guideline rent published for December 2009-10 was 6.2%. This comprised a general increase in guideline for all councils and an element due to convergence to formula rents. The new guideline rent increase for 2009-10 is 3.1%. This has been calculated by changing only the element of general increase in guideline rents originally proposed. It is intended that those councils that accept the Minister's offer and reduce the actual rent increases will be compensated on the following basis:-

If the Council's 2009-10 average actual rent increase is less than or equal to the lower of 3.1% of:-

- average guideline rent in 2008-09; or
- actual average rent in 2008-09

then the Government will give each Council the increase in subsidy that a change in the national average guideline increase of 3.1% would result in for that Council.

- 7.5 The Government has published a draft amending determination for a brief period of consultation on these arrangements, including new individual guideline rent increases for each local authority based on a national average of 3.1%, in the week beginning 23 March 2009. The consultation period was no longer than 4 weeks. The draft amending determination also included for comparison the original individual guideline rent increases for each council based on a national average guideline rent increase of 6.2%.

- 7.6 The determination included explanatory papers on how this will impact upon Councils' subsidy. The amending determination will address the proposed changes to the guideline rent only and all other sections of the Housing Revenue Account Subsidy Determination 2009-10 will remain as set in December 2008.
- 7.7 The Government expect to issue the final amending determination in May and this will incorporate information on those councils who have agreed to reduce their average actual rents in line with the reduced guideline rent proposal for 2009-10, and the rent information contained in the 18th December determination for any that opt not to take up the proposals.