

<b>Committee:</b> Cabinet	<b>Date:</b> 8 April 2009	<b>Classification:</b> Unrestricted	<b>Emergency Report No:</b> CAB 145/089	<b>Agenda Item:</b>
<b>Report of:</b>  Aman Dalvi – Corporate Director Development & Renewal  <b>Originating officer(s)</b> Chris Holme Service Head (Resources) – Development and Renewal / Paul Leeson Finance Manager - Development & Renewal		<b>Title:</b>  Housing Revenue Account Amended Rent Setting Report – 2009/10  <b>Wards Affected:</b>  All		

## Special Circumstances and Reasons for Urgency

On 6<sup>th</sup> March 2009, the Minister of State for Housing and Planning announced that she intended to reduce the national average guideline rent increase as a consequence of the “unprecedented global downturn in the economy.”

On the 26<sup>th</sup> March 2009, Communities and Local Government (DCLG) published a consultation document setting out its proposals for amending Housing Subsidy Determination 2009/10. The consultation document invites Local Authorities to bid for additional subsidy if they are prepared to reduce their actual rent increase to 3.1% or less. Authorities wishing to take up the offer must notify the Department of Communities & Local Government by Friday 24<sup>th</sup> April, 2009. Members consideration of the Minister of State’s offer is therefore urgently required in order satisfy this requirement.

The report was unavailable for public inspection within the standard timescales set out in the Authority’s constitution for the reasons set out above.

The report has been completed prior to the issue of the Department of Communities and Local Government’s final amended Subsidy Determinations. The figures within the report are based on an assessment of the implications contained within the consultation document published on the 26<sup>th</sup> March 2009. Any significant changes between the draft and final determinations could have a major impact upon the Housing Revenue Account. Members will be notified of any significant changes.

If the Council fails to indicate a wish to pass on reduced rent increases to tenants, then the guideline rent increase will remain unaltered from that notified in December, and no additional subsidy will be made available.

## **1. SUMMARY**

- 1.1 Following consideration of the 'Housing Revenue Account First Budget and Rent Setting Report 2009/10' (CAB 097/089 - 14 January 2009) Members approved a rent increase of £4.47 per week, equating to an average of 5.5%. Decisions in respect of this rent increase were made in light of a Government national guideline rent increase of 6.2%.
- 1.2 Following further consideration, the Minister of State for Housing and Planning announced on Friday 6 March 2009 that local authorities could bid for additional Housing Revenue Account Subsidy if they are prepared to revisit the level of rent increases set and to reduce them to a lower level. In order to achieve this the national guideline rent increase will be halved, from 6.2% to 3.1%.
- 1.3 On 26 March 2009 the Department for Communities and Local Government (DCLG) issued the draft 'Housing Revenue Account Subsidy Determination 2009/10 Amending Determination 2009'. This states that authorities wishing to take up the offer of additional subsidy should notify the DCLG of their intention by the end of the consultation period on Friday 24 April, 2009. If the Authority wishes to take advantage of this proposal, the Cabinet decision ('Housing Revenue Account First Budget and Rent Setting Report 2009/10' - CAB 097/089) taken on the 14 January 2009 needs to be amended to incorporate a lower rent increase.

## **2. RECOMMENDATIONS**

Cabinet is recommended to:-

- 2.1 Agree, in accordance with the requirements of the Department of Communities and Local Government's guidance that it intends to pass on the reduced rent increases to tenants and that in order to do this it wishes to take up the offer of the receipt of additional HRA Subsidy.
- 2.2 Not action the previous Cabinet Decision (CAB 097/089 - 14 January 2009) to increase rents by a weekly average of £4.47 from the first rent week in April 2009.
- 2.3 Defer the 2009/10 rent increase until rent week 9 (which begins on 1 June 2009) in order to facilitate the introduction of the lower rent increase.

- 2.4 Authorise the Corporate Director, Development & Renewal to bid for additional subsidy following the decision to lower the average rent increase in 2009/10 to equal or lower than 3.1%.
- 2.5 Subject to the subsidy set out in 2.4 agree an average weekly rent increase of £2.80 per week with effect from the 1<sup>st</sup> June 2009 (i.e. rent week 9.) In conjunction with recommendation 2.3 above, this would equate to an average rent increase of 2.9% over a full year if implemented from 1<sup>st</sup> April 2009.
- 2.6 Authorise the Corporate Director, Development & Renewal, after consultation with the Lead Member for Housing and Development, to implement the rent increase having regard to the final Government settlement of Housing Subsidy with such variation as that may require.
- 2.7 Approve the amended HRA Budget as set out in Appendix 1 of this report

### **3. BACKGROUND**

- 3.1 On 14 January 2009, Cabinet approved an average rent increase of £4.47 per week which equated to an increase of 5.5%. This was below the 6.2% guideline rent increase specified in the final HRA Subsidy Determination 2009/10.
- 3.2 On Friday 6 March 2009 the Minister of State for Housing and Planning announced that local authorities could bid for additional subsidy if they are prepared to revisit the level of rents set and reduce them to a lower amount. This is to be achieved by halving the national guideline rent increase from 6.2% to 3.1%
- 3.3 On 26 March 2009 the DCLG issued the draft 'Housing Revenue Account Subsidy Determination 2009/10 Amending Determination 2009'. This states that authorities wishing to take up the offer of additional subsidy should notify the DCLG of their intention by the time the consultation period ends at 10.00am on Friday 24 April, 2009.
- 3.4 The draft Determination also states that authorities which accept the offer do so on the basis that the average rent increase is less than or equal to the lower of:

3.1% of the authority's average guideline rent in 2008/09

or

3.1% of the authority's actual average rent in 2008/09

The proposed average increase of £2.80 per week satisfies this requirement, representing 2.9% of the authority's actual average rent in 2008/09 if calculated over a full rent year.

#### **4. BUDGET 2009/10**

- 4.1 Set out in Appendix 1 is the amended budget following the publication of the draft 'Housing Revenue Account Subsidy Determination 2009/10 Amending Determination 2009'. The amended budget reflects the implications on rental income and the corresponding HRA Subsidy implications of applying a revised average weekly rent increase of 2.9%. Allowance has also been made to incorporate the effect of further recent reductions in interest rates.

#### **5. IMPLEMENTATION TIMETABLE**

- 5.1 To ensure that a rent increase is operative from 1 June 2009 (rent week 9) a Cabinet decision on the rent increase must be made to enable all scrutiny requirements to be met and rent notices to be issued in accordance with statutory time frames. This report has been prepared in advance of final subsidy decisions by the Government and therefore a delegated authority to the Corporate Director of Development & Renewal is sought to vary the rent increase if this becomes necessary.

#### **6. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 6.1 This report asks Members to revise the Cabinet decision made in January 2009, and to agree an amended average rent increase of £2.80 per week. A rent increase of this size will enable the Authority to take up the offer of additional HRA Subsidy to compensate for the lower total rental income that will be received.
- 6.2 The estimates included in Appendix 1 incorporate the impact of the amended rent and subsidy levels. However Members should note they have been recalculated prior to the notification of the final Subsidy Determination and are based on officers' best assessment given the information made available so far. Members should also note the specific Housing Revenue Account risks incorporated within this report (section 9), in particular the potential impact on the HRA that interest rate changes will cause (paragraph 9.3).
- 6.3 Additional administrative costs arising from the proposed changes to the HRA have been factored into the revised budget set out in the appendix. There may be an issue of additional one-off costs that fall to the General Fund particularly with regard to the administration of Benefits. These are being assessed by officers. The consultation documents requests Authorities to consider these as part of the ongoing consultation, but there is no specific indication at this stage that they will be reimbursed.

## **7. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)**

- 7.1 A local housing authority may make reasonable charges for the occupation of its housing stock. It shall periodically review rents, making such changes as circumstances may require. Pursuant to Section 24 Housing Act 1985, in so doing it shall have regard to the rents charged by the private sector for similar dwellings let under assured tenancies under the Housing Act 1988. A local housing authority can increase the rent for secure tenancies by notice under Sections 102 and 103 Housing Act 1985.
- 7.2 Pursuant to Section 76 Local Government and Housing Act 1989, during January and February a local housing authority is required to formulate proposals relating to income from and expenditure to the repair, maintenance, supervision and management of its Housing Revenue Account properties. These proposals must be based upon best assumptions and estimates as to matters which may affect the HRA. When implemented the proposals should ensure that the HRA does not show a debit balance.
- 7.3 As some notices of rent increase had already been sent prior to the announcement by the Minister officers require the authority sought in the report in order to send out fresh notices.

## **8. ONE TOWER HAMLETS CONSIDERATIONS**

- 8.1 There are no specific inequality, community cohesion or community leadership issues arising from this report.

## **9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 9.1 The Council will be required to send out amended rent and benefits notification letters. There are no other specific SAGE implications.

## **10. RISK MANAGEMENT IMPLICATIONS**

- 10.1 In previous years the main area of risk has been significant changes in stock numbers and the implications for subsidy entitlement and expenditure. As the Housing Choice programme is coming to an end there is less risk. Agreed local housing regeneration initiatives are factored into HRA calculations.
- 10.2 A detailed review of the medium term financial forecast of the HRA has been undertaken to assess the appropriate levels of balances and reserves taking into account the risks and uncertainties facing the HRA over the next five years.

- 10.3 The recent decisions of the Bank of England to reduce base interest rates have had a major impact on the HRA, as will any future rate changes. The budget incorporates a likely assessment of the effect of the base rate changes, but the position will be closely monitored and Members will be updated of the position within the quarterly budget monitoring reports to Cabinet
- 10.4 There is a risk that by setting a level of rent (2.9%) which is less than that indicated in the draft determination (3.1%) the Council will not be following rent restructuring rules which could affect subsidy entitlement in 2010/11. Due to the current review of the Housing Finance system the effects, if they exist, cannot be quantified.

**11. EFFICIENCY STATEMENT**

- 11.1 Gershon efficiency savings have been incorporated into the draft estimates in order to ensure the HRA remains in balance.

**12. APPENDICES**

Appendix 1 Housing Revenue Account Draft Estimates 2009/10 Amended

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**Local Government Act, 1972 Section 100D (As amended)  
List of "Background Papers" used in the preparation of this report**

There are no working papers applicable to this report

**HOUSING REVENUE ACCOUNT**  
**Budget 2009/10 (Amending)**

**Cabinet 8th April 2009**  
**Report No**

**HRA INCOME & EXPENDITURE ACCOUNT**

**APPENDIX 1**

2008-2009		2008-2009	2008-2009	2009-10
Approved Budget	Housing Revenue Account	Latest Budget	Pojected Outturn	Draft Estimates
£,000		£,000	£,000	£,000
	<b>INCOME</b>			
52,982	Dwelling Rents	52,982	54,214	55,219
3,311	Non Dwelling Rents	3,311	2,939	2,815
6,212	Tenants Charges for Services & Facilities	6,212	6,185	6,718
10,888	Leaseholder Charges for Services & Facilities	10,388	8,825	9,613
115	Contributions towards expenditure	115	115	115
-	Reduced Provision for Bad Debts	-	-	-
21,323	HRA Subsidy Receivable	21,323	20,569	19,344
94,831	<b>GROSS INCOME</b>	94,331	92,847	93,824
	<b>EXPENDITURE</b>			
26,442	Repair & Maintenance	26,842	26,842	22,901
25,158	Supervision & Management	25,158	25,158	25,477
13,278	Special Services	13,278	13,278	13,546
2,686	Rents, Rates, Taxes and Other Charges	2,686	2,686	2,947
1,480	Subsidy Limitation transfer to Gen Fund	1,480	800	-
810	Provision for Bad Debts	810	810	900
19,742	Interest Payable - Item 8	19,742	19,084	17,630
11,555	Depreciation - HRA Dwellings	11,555	11,812	12,556
1,088	Depreciation - Non Dwellings	1,088	789	789
205	Debt Management Costs	205	205	213
102,444	<b>GROSS EXPENDITURE</b>	102,844	101,464	96,959
7,613	<b>NET COST OF HRA SERVICES</b>	8,513	8,617	3,135
666	Amortisation of Premiums & Discounts	666	666	585
-910	Supporting People Contribution	-910	- 910	- 538
- 815	Interest & Investment Income	- 815	- 1,000	- 612
6,554	<b>SURPLUS OR DEFICIT ON HRA</b>	7,454	7,373	2,570
	<b>Appropriations</b>			
	Revenue Contribution to Capital Expenditure	750	750	1,750
- 5,466	Net contribution from Housing Choice Reserve	- 5,466	- 5,466	- 1,181
- 1,088	Transfer fro Major Repairs Reserve	- 1,088	- 789	- 789
-	<b>NET POSITION</b>	1,650	1,868	2,350
	<b>Balances</b>			
- 17,116	Balances at the beginning of the Year	- 19,188	- 19,188	- 17,538
-	Surplus /(Deficit) on HRA	1,650	1,868	2,350
- 17,116	<b>Balances at end of Year</b>	- 17,538	- 17,320	- 15,188