

**AGENDA ITEM:**

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Meeting	Council
Date	7 April 2009
<b>Subject</b>	<b>Housing Revenue Account – Dwelling Rents 2009/10.</b>
Report of	The Leader and Cabinet Member for Resources Cabinet Member for Community Services
Summary	To implement the reduction in the rent increase in line with newly announced Government guide lines

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Officer Contributors	Director of Resources
Status (public or exempt)	Public
Wards affected	Not Applicable
Enclosures	None
For decision by	Council
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not Applicable

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## **1. RECOMMENDATIONS**

- 1.1 That the offer of a reduced guideline rent and appropriate compensation from the Department for Communities and Local Government (CLG) be accepted.**
- 1.2 That, with effect from 4 May 2009:-**
  - (a) The rent of all Council dwellings, with the exception of those included under Recommendation (1.3), be changed in line with the proposals outlined in this report, producing an average increase of 3.1%.**
- 1.3 That, with effect from 4 May 2009: -**
  - (a) The basic rents of dwellings in the Council's equity sharing scheme at Moorlands Avenue, NW7 be amended in line with rent restructuring**
  - (b) The net rents of dwellings in the equity share scheme at Friern Hospital be amended in line with rent restructuring.**

**The maximum increase in (a) and (b) above will be 2.4% plus £2 (pro rata to the rented share).**
- 1.4 That the Chief Executive be instructed to take the necessary action including the service of the appropriate Notices.**
- 1.5 That should the final level of increase issued by CLG differ from 3.1 % the Director of Resources be authorised to set the level.**
- 1.6 That further consultation only be undertaken where it is a statutory requirement**
- 1.7 To note that any additional cost and changes to the budget will be reported to Cabinet Resources Committee after the final HRA subsidy determination is made and that such costs do not fall on the General Fund but are addressed by the Housing Revenue Account.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Council 3 March 2009**

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Housing Revenue Account (HRA) Business Plan supports the council's objective to support the vulnerable, and the council's Housing Strategy Housing objectives of improving the quality of Housing and delivering Decent Homes, and providing quality services.**

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Proceeding before the final subsidy determination is made there is a risk that there might be further changes made by CLG following the close of consultation on 24 April, but it is considered that getting the reduction out to tenants as soon as possible is important.**
- 4.2 This will be the first time we have adjusted rents and benefits assessments after the start of the year, so this requires testing within the rents and benefits**

systems prior to being run live. This testing needs to be completed as far as possible before 7 April, in case complications arise with the IT that require the timetable to be extended.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The Council must have due regard to the need to achieve the objectives under the Equalities legislation before taking any decision.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

- 6.1 There are additional administration costs as described in paragraph 9.4 below. Any increase in housing benefit administration cost not funded by the government will be a call on General Fund balances

- 6.2 The reduction in rent income (approximately £1.36m) will be compensated for by a reduction in the negative housing subsidy payable.

- 6.3 Any additional cost and budget changes will be reported to Cabinet Resources Committee as part of the regular Monitoring 2009/10 item after the final HRA subsidy determination is issued.

## **7. LEGAL ISSUES**

- 7.1 The powers to set housing rents are laid down under the Housing Act 1985 (as amended) including:

- (1) A local housing authority may make such reasonable charges as they may determine for the tenancy or occupation of their houses.
- (2) The authority shall from time to time review rents and make such changes, either of rents generally or of particular rents, as circumstances may require.

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Executive makes recommendations to Council on the revenue budget, council tax, capital programme and rent levels in February, following announcement of the Final Local Government Finance Settlement. This report is submitted direct to Council because of the need to agree the rent decrease as quickly as possible.

## **9 BACKGROUND INFORMATION**

- 9.1 The 2009/10 Housing Subsidy determination issued by central government in December 2008 included a guideline rent increase of 6.2%, despite heavy representation from local authorities that this was not acceptable in the present financial climate. On 3 March 2009 the Council agreed an increase in 2009/10 rents for Council dwellings averaging 6.2%, in line with the

determination. Failure to have done so would have resulted in a deficit on the Housing Revenue Account (HRA) and/or reduced services to tenants.

- 9.2 On Friday 6 March 2009 the Minister for Housing, Margaret Beckett, announced proposals to implement a reduction in the national average guideline rent to 3.1%. Like most other local authorities, letters advising its tenants of the higher increase had already been posted by Barnet.
- 9.3 Detail of the proposals was finally received from CLG on 26 March 2009. This is essentially consultation on an amending determination that closes on 24 April 2009. Essentially it is for local authorities to decide whether or not to accept the offer to reduce the average rent increase to 3.1%, for which compensation will be paid through housing subsidy. This new rent increase would apply from 1 April 2009. Individual rent increases would be limited to 2.4% plus £2.
- 9.4 The change applies only to rents for dwellings, not tenant service charges, heating charges or garage rents. The government is also not altering its assumptions around management and maintenance allowance increases and therefore considers that local authorities will have the resources necessary to cover any additional administration cost that falls on the HRA. However there are also additional costs associated with the administration of housing benefit arising from the proposed changes. It will be considering whether or not these constitute an unreasonable additional burden on finances.
- 9.5 The council could wait until the consultation closes and however long it takes thereafter for CLG to issue a final housing subsidy determination. Allowing for the 3-4 weeks it takes to process the new rent and benefit calculations, this could mean rents are not reduced until the middle of June.
- 9.6 The recommendation is to proceed now on the basis of information in the consultation document (assuming the information is complete). The timetable will be as follows:-
  - a) Progressing the new rent calculations (this is underway).
  - b) 7 April – Council amends the rents previously agreed as part of the budget report, and authorises appropriate officers to take the necessary actions, including informing tenants about the change.
  - c) 8 April – letter sent to tenants explaining the Government’s action, the timescale of implementing the new rents and benefits assessments, and advising them to continue paying for the time being the higher rent notified already.
  - d) The new rent will be applied from 4 May. Rent accounts will be credited at or around this same date with the overpaid 2009/10 rent to 4 May, with a corresponding benefit adjustment. This is important to ensure the rents from 4 May are at the correct new level, although this is subject to testing in Saffron and Pericles.

- e) Week ending 18 or 25 April – complete new rent calculations and process revised benefit assessments over a weekend (to avoid local taxation and benefit system downtime).
- f) Letters to tenants with new rent and revised benefit assessments to be coordinated to go out once the revised benefit assessments are completed.

9.7 Following conclusion of the government consultation, should the final guideline rent increase issued by CLG differ from the 3.1% in the consultation, the Director of Resources should be authorised to set the final level of increase.

## **10. LIST OF BACKGROUND PAPERS**

10.1 The Draft Housing Revenue Account Subsidy Determination 2009/10 Amending Determination 2009.

10.2 Council 3 March 2009 Budget 2009/10.

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