

SOUTH HOLLAND DISTRICT COUNCIL

REPORT TO: CABINET – 21 JULY 2009**BY: PORTFOLIO HOLDER FOR HEALTHY COMMUNITIES AND HEAD OF HOUSING AND PROPERTY SERVICES**

SUBJECT: Council House Rents 2009/10**PURPOSE: To report on proposed rent increase and make recommendation to Council**

This report relates to a matter which comes within the jurisdiction of the full Council, however it is considered appropriate to consult Cabinet on the issue before it is put before Council. It is therefore anticipated that the Cabinet will not make an executive decision but will instead make a recommendation to full Council. In view of this the call-in procedure will NOT apply.

1.0 INTRODUCTION

1.1 In March 2009, following pressure from the LGA and public sector landlords, the Housing Minister announced a revised recommended increase. The average guideline rent increase for 2009/10 was to be halved, from 6.2% to 3.1%. The government subsequently published the draft amended formula for consultation. It was proposed that Councils who accepted the amended determination would be eligible for compensation.

1.2 On 1 April 2009 Council agreed that the council house rent increase should not be applied, pending further government guidance and a report to Council.

1.3 The government has now published the revised HRA Subsidy Determination 2009/10.

2.0 HRA SUBSIDY DETERMINATION 2009/10

2.1 The revised determination has confirmed a national average guideline rent increase of 3.1%, as proposed in the draft amended determination. Applying the formula for South Holland, equates to an estimated increase of 3.09%; an average rent of £59.48 per week on a 50 week basis. The amended determination is attached at Appendix A.

3.0 LEGAL, FINANCIAL AND OTHER IMPLICATIONS**3.1 Financial:**

We will collect the increased rent due for 2009/10 during weeks 23- 52 of the rent year (excluding two collection free weeks at Christmas). This is because any variation in rent charges can only be applied four clear weeks after service of notice. We will therefore be applying the rent increase as from 07.09.09. Although the average weekly rent for the year is £59.48, from the date of implementation to the end of the rent year it will be £60.88 to enable us to collect all rent due over the rent year. The table below shows the estimated average rent.

	2008/09 50 week basis	2009/10 50 week basis	Weeks 1-22 50 week basis	Weeks 23- 52 50 week basis
Average rent £	57.69	59.48	57.69	60.88

The additional costs of issuing a second rent notification to tenants were unforeseen, and will therefore result in additional costs to the HRA of around £4,000. These costs are not eligible for any compensation from the government. It is therefore proposed that these costs are met from the HRA contingency budget. The HRA total budget has therefore been revised as detailed in the table below.

The revised determination will not result in any significant material loss because the revised arrangements recoup nearly all of the losses to the HRA resulting from reduced actual rental income.

Reduction in rent income	£347,000
Reduction in subsidy payable	£343,000
Net cost to HRA	£ 4,000

It is proposed that the net cost to the HRA is met from the HRA contingency budget. The HRA total budget has therefore been revised as detailed in the table below.

Housing Benefit is calculated based upon what the rent is at that given time, and likewise, subsidy on those payments of Housing Benefit is to be claimed based upon the Housing Benefit that is paid at that time. We are co ordinating with HB to ensure a smooth transition to the higher rents.

We have applied for compensation of £1,300 to cover any costs to the General Fund of implementing changes to Housing Benefit entitlements, and advising tenants of these entitlements. We have not yet been advised whether our application has been successful.

The Head of Finance has been consulted and has approved the financial implications identified.

Table – Revised HRA Estimates by type of spend for 2009/10

Expenditure	Original Estimate 2009/10 £'000's	Revised Estimate 2009/10 £'000's	Amendment £'000's	Note
Employee	2,569	2,569		
Premises	1,436	1,436		
Transport	283	283		
Supplies & Services	1,332	1,328	4	1
3 rd Party Payments	318	318		
Transfer Payments	4,075	3,732	343	2
Support Services	1,861	1,861		
Capital Charges	2,377	2,377		
Direct Revenue Financing				
	1,000	1,000		
Capital charges Adjustments	(203)	(203)		
Pensions Adjustments	33	33		
Total Expenditure	15,081	14,734	347	
Income				
Rents	(12,024)	(11,677)	(347)	3
Fees and Charges	(719)	(719)		
Grants	(657)	(657)		
Recharges	(1,039)	(1,039)		
Other	(33)	(33)		
Total Income	(14,472)	(14,125)	(343)	
(Surplus)/ Deficit	609	609	0	

Notes

1. Increased Postage costs £4,000; net loss to HRA of revised subsidy £4,000; contingency budget of £80,000 reduced (£8,000)
2. Reduced Subsidy due £347,000
Reduced Rental income £343,000

3.2 Legal:

The terms of the Secure Tenancy and the Introductory Tenancy require us to give four weeks notice to tenants to vary their rent charges. We would therefore need to give the required notice once the revised rent increases have been approved. Any variation can only be applied four clear weeks after service of notice. Therefore 07.09.09 is the earliest date we can apply the rent increase. The Notice letter will explain the reasons for the timing of the increase, and the effect of the timing on the rent increase they will see for the remainder of the year.

3.3 Risk Management:

The possible existence of actual or potential implications has been considered and that in the opinion of the report author there are none.

4.0 ALTERNATIVE OPTIONS

4.1 Not to increase rents; we could opt not to increase the rental charged in 2009/10. However, the Rent restructuring programme requires that we reach target rents by 2013/14. Therefore, we would be required to increase rents by a greater margin in 2010/11, which would not be fair for our tenants.

4.2 Increasing the rents by a greater amount than the average national guideline; this is no longer an option, as we have already advised the Government that we accept the revised determination.

4.3 Not approve the revised HRA budget; the budget has been revised to meet unforeseen costs of implementing the revised rent determination. However there is contingency capacity to meet the increased costs.

5.0 TIMETABLE

Preparation for rent increase including modeling work with Tribal and test with Northgate	June/July
Seek Cabinet approval and recommendation to Council	21 July
Seek Council approval	29 July
4 week notice sent to tenants	30 July- 7 August
Revised standing order and direct debits calculated	30 July- 4 Sept
Rent increase effective	7 Sept

6.0 REASONS FOR RECOMMENDATIONS

6.1 The recommendation is made on the grounds that:

- The revised determination has confirmed a national guideline rent increase of 3.1%.
- Following the Council decision of 01.04.09 we advised the Government of our wish to accept the amended guideline rent.
- The budget should be revised to meet unforeseen costs of implementing the revised rent determination and there is contingency capacity to meet the increased costs.

7.0 RECOMMENDATIONS

- 7.1 It is recommended to Council that the Council house rents 2009/10 be increased by an estimated 3.09% and that the revised HRA budgets 2009/10 be approved.

Background papers:-

HB/CTBS3/2009 (Rent Rebate Subsidy Limitation information 2009/2010)

File Ref:

http://shine/personal/shdc_may7ead/Shared%20Documents/Forms/AllItems.aspx?RootFolder=%2fpersonal%2fshdc%5fmay7ead%2fShared%20Documents%2fCouncil%20House%20Rents%202009%2d10&View=%7bC10C3F92%2dC59A%2d4725%2d9826%2d3CFA839CFA38%7d

Appendices: Appendix A - CLG letter dated 20.05.09- Housing Revenue Account Subsidy Determination 2009-10 Amending Determination 2009

Report Author: May Read

Local Government (Access to Information) Act 1985

Please contact Kim Warren, the Head of Housing and Property Services if you want more information about this report or the background papers. You can contact her:

- by post at the Council Offices, Priory Road, Spalding, Lincolnshire, PE11 2XE
- by phone on 01775 761161
- by email at info@sholland.gov.uk

Department for Communities and Local Government Zone 1/A1 Eland House Bressenden Place London
SW1E 5DU Tel 020 7944 3600 Fax 020 7944 3525 Email peter.ruback@communities.gsi.gov.uk 20 May
2009

Chief Financial Officers/Chief
Accountants,
Local Housing Authorities, England

Our Ref:
Your
Ref:

I should be grateful if you would pass a copy of these papers to your Chief Housing Officer/Director of Housing as soon as possible please.

Dear Chief Finance Officer/ Chief Accountant

Housing Revenue Account Subsidy Determination 2009-2010 Amending Determination 2009

Ann Williams' letter of 26 March and Ken Swan's clarification of 7 April enclosed a draft of and additional explanatory material on the Housing Revenue Account Subsidy Determination 2009-2010 Amending Determination 2009 for consultation.

Authorities were invited to accept the Department's offer of additional subsidy to cover a lower guideline rental income resulting in a reduction of the National average increase from 6.2% to 3.1%. The conditionality of the final offer was modified to ensure that an increase in subsidy would be given to each participating council where the 2009-10 average actual rent increase, in monetary terms, is equal to or less than 3.1% of their authority's average guideline rent in 2008-09. This change only impacts on those authorities where actual average rents in 2008-09 were below 2008-09 guideline rents.

It should be noted that 3.1% is the national average guideline rent increase. Each authority needs to apply their own individual guideline rent increase, which is the difference between 2008-09 and 2009-10 imputed guideline rents under the Amending Determination.

The determination and accompanying material are today being sent to your authority by e-mail and placed on Communities and Local Government's website.

Arrangements for 2010-11

A number of local authorities have expressed concern that rents will have to rise by a much larger percentage in 2010-11 than previously expected to meet the convergence deadline for rent restructuring.

The Written Announcement made in the House of Commons by the Minister for Housing and Planning, stated explicitly that Communities and Local Government would be looking again at arrangements for 2010-11 in the light of current

economic climate. We have reiterated that point on a number of occasions since, most recently in the clarifying letter of 7 April.

Communities and Local Government, together with HM Treasury, the Department for Work and Pensions, the Tenant Services Agency and others is considering the arrangements for 2010-11 average guideline rent increases and the application of caps and limits for 2009-10, with a view to making recommendations to Ministers before issuing proposals for consultation over the summer.

Distribution Procedures

Apart from this letter, paper copies of the Determinations, accompanying documents, and detailed authority annexes are **not** being routinely issued (unless your authority specifically requested them). Instead, the documents referred to in this letter are being made available on Communities and Local Government's web site, in accordance with the provisions of section 87(5) of the 1989 Act, at the following address:

<http://www.communities.gov.uk/housingfinance> .

Documents will be available either in *Adobe Acrobat* format or, in the case of numeric information, as Excel files, which can be freely downloaded from the web-site. The documents will also be e-mailed (along with this letter) to authorities which have notified us of a suitable e-mail address. In case of difficulty accessing the material on the web site or with e-mail, please contact **Victoria Akeredolu**, Zone 1/A3, Eland House (tel: 020 7944 3602; e-mail: victoria.akeredolu@communities.gsi.gov.uk).

If your authority decides that it is no longer willing to accept electronic communication of Part VI determinations and s80A decisions, it may withdraw its notification of an e-mail address, or revoke its agreement at any time, provided that the withdrawal or revocation shall take effect on a date specified by your authority being a date no less than one month after the date on which your authority informs Communities and Local Government that it wants to withdraw the notification or revoke the agreement. Any withdrawal of notification of your authority's e-mail address or revocation of an agreement relating to electronic communications should again be addressed to **Victoria Akeredolu** at the address shown in this letter (or e-mailed to victoria.akeredolu@communities.gsi.gov.uk).

Queries and advice

If you have any queries you wish to discuss with Communities and Local Government, or are seeking advice on any **technical aspects** of the above, please contact:

Anne Mahon, Zone 1/A3 Eland House (tel: 020 7944 3588; email anne.mahon@communities.gsi.gov.uk); or

Apurva Shah, Zone 1/A3, Eland House (tel: 020 7944 5562; e-mail apurva.shah@communities.gsi.gov.uk)

Queries on **conditionality or general policy** should be addressed to:

Ann Williams, Zone 1/A3, Eland House (tel: 020 7944 3582; e-mail ann.williams@communities.gsi.gov.uk); *or*

Bryan Lea, Zone 1/A3, Eland House, (tel: 020 7944 3585; e-mail bryan.lea@communities.gsi.gov.uk).

Copies of any of the papers mentioned here can be obtained by telephoning Victoria Akeredolu: 020 7944 3602

Yours faithfully,

Peter Ruback

Appendix

The following documents are available on the Department's web site at:
www.communities.gov.uk/housing

a. The **Housing Revenue Account Subsidy Determination 2009-2010 Amending Determination 2009**;

b. A worksheet (in Excel) showing the data to be used in making the calculations for each authority in respect of the 2009-2010

formula rent

guideline rent

limit rent

management and maintenance allowances

major repairs allowance

Subsidy Capital Financing Requirement

interest on receipts.

Authorities will be able to use that spreadsheet to produce Annexes specific to their authority.

The Housing Revenue Account Subsidy Determination 2009-2010 Amending Determination 2009

The Secretary of State as respects all local housing authorities in England, in exercise of the powers conferred by sections 80 and 87 of the Local Government and Housing Act 1989, after consulting such representatives of local government and relevant professional bodies as appear to be appropriate, makes the following determination:-

Citation and commencement

- 1.1 This determination may be cited as the Housing Revenue Account Subsidy Determination 2009-2010 Amending Determination 2009 and has effect for the year beginning 1 April 2009.

Amendment to the Housing Revenue Account Subsidy Determination 2009-2010

- 2.1 The Housing Revenue Account Subsidy Determination 2009-2010 shall be amended as follows.

2.2 For paragraph 7.1 substitute the following paragraph:

“7.1 Rent shall be calculated by applying the formula -
 $(X \times Y) - AA$

where -

X is, subject to paragraph 7.2, the number of dwellings assumed by the Secretary of State to be within the authority's HRA on 1 April 2008 specified in Schedule 2;

Y is the guideline rent per dwelling for the authority for 2009-2010 specified in the Amending Schedule;

AA is the allowance for unoccupied dwellings, calculated by applying the formula:
 $(X \times Y) \times 0.02$ ”

PETER RUBACK

for and on behalf of the Secretary of State

20 May 2009