



# MEETING OF THE EXECUTIVE MAYOR

Monday, 27th April, 2009

at 4.00 pm

Mayors Office,  
Hackney Town Hall - Town Hall,  
London  
E8 1EA

**Committee Members:**

Mayor Jules Pipe




**Gifty Edila**  
Corporate Director of  
Legal and Democratic Services

Contact: Jackie Barrett  
Tel: 020 8356 3503  
Email: [Jackie.Barrett@hackney.gov.uk](mailto:Jackie.Barrett@hackney.gov.uk)

# AGENDA

## Monday, 27th April, 2009

### ORDER OF BUSINESS

Item No		Page No		
1.	<p><b>2009/10 REVISED HOUSING REVENUE ACCOUNT BUDGET INCLUDING TENANT RENTS AND SERVICE CHARGES</b></p> <p>This report will be considered under Special Urgency as detailed in the Access to Information Procedure Rules, Rule 19, for the following reasons:</p> <ul style="list-style-type: none"> <li>• The Council has been notified by the Department for Communities and Local Government of a change to the Housing Revenue Account (HRA) subsidy determination for 2009/10 that has reduced the National Guideline Rent Increase.</li> <li>• Not implementing this change would mean that Council tenants would be paying a higher level of rent than is now necessary.</li> <li>• Taking a decision now means that the Council will be able to ensure that the administration of this reduction can be passed on to tenants at the earliest opportunity.</li> </ul>	1 - 18		
	<table border="1" style="width: 100%;"> <tr> <td style="text-align: center;"> <p><b>Wards Affected</b> All Wards</p> </td> <td style="text-align: center;"> <p><b>Contact Officer</b> Tim Sylvester, Assistant Director Finance </p> </td> </tr> </table>	<p><b>Wards Affected</b> All Wards</p>	<p><b>Contact Officer</b> Tim Sylvester, Assistant Director Finance </p>	
<p><b>Wards Affected</b> All Wards</p>	<p><b>Contact Officer</b> Tim Sylvester, Assistant Director Finance </p>			

## Access and Information

### Location

Hackney Town Hall is on Mare Street, bordered by Wilton Way and Reading Lane, almost directly opposite The Ocean.

**Trains** – Hackney Central Station – Turn right on leaving the station, turn right again at the traffic lights into Mare Street, walk 200 metres and look for the Hackney Town Hall, almost next to The Empire immediately after Wilton Way.

**Buses** 30, 48, 55, 106, 236, 254, 277, 394, D6 and W15.

### Facilities

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall.

Induction loop facilities are available in Rooms 102 and the Council Chamber

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

### Copies of the Agenda

The Hackney website contains a full database of meeting agendas, reports and minutes. Log on at: [www.hackney.gov.uk](http://www.hackney.gov.uk)

Paper copies are also available from local libraries and from Democratic Services officer whose contact details are shown on page 1 of the agenda.

### Local Democracy Website – [www.hackney.gov.uk](http://www.hackney.gov.uk)

The Local Democracy section of the Hackney Council website contains full details about the democratic process at Hackney, including:

- Councillor contact details
- Information about MPs, MEPs and GLA members
- Agendas, reports and minutes from council meetings
- The council's constitution
- Overview and Scrutiny information
- Details and links to area forums and local consultations
- And more.

This page is intentionally left blank



<b>JOINT REPORT OF THE CORPORATE DIRECTOR OF NEIGHBOURHOODS &amp; REGENERATION AND THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES</b>		
<b>2009/10 REVISED HOUSING REVENUE ACCOUNT BUDGET INCLUDING TENANT RENTS AND SERVICE CHARGES</b>	<b>Classification</b> <b>PUBLIC</b>	<b>Enclosures</b> <b>Appendices A - D</b>
	<b>Wards affected</b> <b>ALL</b>	<b>AGENDA ITEM NO.</b>
<b>Meeting of Executive Mayor 27 April 2009</b>		

## REASONS FOR SPECIAL URGENCY

This report will be considered under Special Urgency as detailed in the Access to Information Procedure Rules, Rule 19, for the following reasons:

- The Council has been notified by the Department for Communities and Local Government of a change to the Housing Revenue Account (HRA) subsidy determination for 2009/10 that has reduced the National Guideline Rent Increase.
- Not implementing this change would mean that Council tenants would be paying a higher level of rent than is now necessary.
- Taking a decision now means that the Council will be able to ensure that the administration of this reduction can be passed on to tenants at the earliest opportunity.

## 1 INTRODUCTION

- 1.1 The Cabinet agreed the Housing Revenue Account Budget (HRA) for 2009/10 on 26<sup>th</sup> January 2009. This included an average rent increase of **6.2%** based on the Government's rent restructuring guidance and the final subsidy determination issued on 18<sup>th</sup> December 2008.
- 1.2 On the 6<sup>th</sup> March 2009 the Government announced by Written Ministerial Statement to Parliament that it intended to issue a revised HRA subsidy determination that reduced the national Guideline Rent increase from **6.2%** to **3.1%**. A copy of this statement is in Appendix B. Further guidance was issued on the 26<sup>th</sup> March, see Appendix C. The guidance included the additional requirement that Local Authorities submit a return to the Department for Communities and Local Government (CLG) by April 24<sup>th</sup> indicating that they choose to take up the reduced rental offer. This return was made under delegated authority by the Chief Executive. A copy of the return is included in

Appendix D. Following this consultation period a final determination will be issued sometime in May.

- 1.3 The timing of the ministerial statement means that it has not been feasible to revise rents before 6<sup>th</sup> April but if a decrease is agreed it will be backdated to April 6<sup>th</sup>.
- 1.4 This report recommends passing on to our tenants the full rent reduction allowed by government from the 6<sup>th</sup> April. As the council has already approved a rent increase of **6.2%** on 26<sup>th</sup> January 2009, this will mean that tenants receive an average decrease of **3.1%** on the rents that were approved. This is equivalent to an increase of **3.0%** from 2008/09 rents backdated to 6 April 2009, in accordance with government guidance. This is option one of the three options given in paragraph 14 and would take effect at the end of May as per the timetable in Appendix E.

## **2. SUMMARY**

- 2.1 This report sets out the revised Housing Revenue Account (HRA) Budget and Rent increases for **2009/10**, taking into account government guidance, the MTPF and the Council's vision, including maintaining a sustainable HRA and making HRA dwellings Decent. It has been prepared in consultation with Hackney Homes.
- 2.2 The **2009/10** HRA budget enables continuing improvement in landlord services delivered to both tenants and leaseholders within the context of a longer term financial strategy.

## **3. RECOMMENDATIONS**

- 3.1 **To affirm the previous decision made by Cabinet on 26 January 2009 to increase the average dwellings rents by 6.2% from 6 April 2009, for which the requisite statutory notice was given, if recommendation 3.2 below is successfully challenged in court. This will preserve the Council's position to increase the rent by 6.2% in the event of challenge.**
- 3.2 **To agree to decrease the average increase in dwelling rents for 2009/10 from 6.2% to 3.0% backdated to 6 April 2009 in accordance with the Government's revised formula rent guidance. It is recommended that this is done without consultation.**
- 3.3 **To agree that Hackney Homes issue, on behalf of the Council, notice to tenants about the decrease in the rent increase of 3.1% backdated from 6 April 2009. This means tenants will receive on average a net increase of 3.0% from 2008/09 average rent.**
- 3.4 **To affirm all other increases in the previous decision of 26 January 2009.**
- 3.5 **To agree that Hackney Homes issue, on behalf of the Council, notice to Council tenants to the same effect.**

#### **4. RELATED DECISIONS**

- 4.1 The HRA MTPF 2008/09 - 20010/11 (and outline forecast to 2016/17) agreed by Cabinet in July 2008.
- 4.2 The Overall Financial Position reports regularly presented to the meetings of Cabinet throughout 2008/09.
- 4.3 Capital programme update reports regularly presented to the meetings of Cabinet throughout 2008/09.
- 4.4 2008/09 HRA budget report January 2009.

#### **5. FINANCIAL CONSIDERATIONS**

- 5.1 The report recommends increasing a revised rent increase for 2009/10. In January 2009 the council agreed a rent increase of 6.2%. Since then revised subsidy guidance has been issued and the council is able to reduce this increase to 3.0% for 2009/10 in line with the Government's revised rent restructuring guidance. This together with efficiency savings of £3.1m will enable a balanced budget to be achieved whilst maintaining current service levels.
- 5.2 If the rent increase was below 3.0% services to tenants would need to be reduced or additional efficiency savings delivered to achieve a balanced budget.
- 5.3 The budget assumes general inflation of 2.5% for pay and prices and an investment of £1.165m on priority one-off growth. Should inflation fall below this estimate the net benefits that may result will be carried forward into the next year.
- 5.4 The cost of implementing the proposed rent reduction will be around £24k. Half of this is a charge to the HRA for sending revised rental notices to tenants and half will be a charge to the general fund for revising Housing Benefit payment amounts.
- 5.5 The recommended rent decrease option (option 1) proposes approving the 3.0% rent decrease on April 27<sup>th</sup>. This is prior to the final determination being issued sometime in May. However it is extremely unlikely that there will be a revision to the draft determination or that the impact would be significant on the HRA.
- 5.6 The Corporate Director of Finance and Resources considers the reserves of **£24.8m** at 1<sup>st</sup> April 2009, including £13.9m right-sizing reserve to be adequate.

## **6 LEGAL COMMENTS**

- 6.1 The Local Government and Housing Act require local Councils to maintain a Housing Revenue Account ("HRA"). The HRA must always remain in balance and not have a deficit budget. The HRA is a combination of rent and other charges levied to tenants by Councils and a Government subsidy.
- 6.2 The Housing Act 1985 governs the tenancy arrangements between Councils and their tenants. Councils may make reasonable charges to tenants under the Act. In respect of this Council, in the event that there is a proposal to increase the rents, under the Tenancy Agreements there is a need to consult tenants on the proposed increase in rents of 6.2% from 6 April 2009.
- 6.3 The Government announced its intention to increase the subsidy to Councils who decrease their rents in line with the recommended guidance. The Council may take up this option by reducing the agreed increase of 6.2% to 3.0%.
- 6.4 As the Council's Tenancy Agreements only refer to the need for consultation in the event of a rent increase, the legal advice is that there is no need for further consultation to reduce the percentage increase from 6.2% to 3.0%.
- 6.5 There is a low risk that an interested party may challenge this decision not to consult on the 3.1% proposed reduction. For that reason the Council is asked to affirm its previous decision to levy a 6.2% increase as a fall back position.
- 6.6 The safest option that has virtually no risk of challenge is Option 3 in the report. However the legal advice is should the Council wish to adopt Option 1 that is an arguable option that carries low risk of successful challenge in court.

## **7 COMMENTS OF THE HEAD OF PAID SERVICE**

- 7.1 The Chief Executive has been involved in the preparation of this report.

## **8 BACKGROUND**

- 8.1 The Housing Revenue Account (HRA) is a statutory "ring fenced" account which must only contain the income and expenditure relating to the Council's landlord function. The expenditure allowed includes the management and maintenance of stock and the housing related debt charges. The income is mostly from rents, leaseholder re-imbursments, Government grant and fees & charges.
- 8.2 The Local Government and Housing Act 1989 gives the Council a duty to set the HRA budget and the related rents by the February before the start of the financial year that avoids a deficit on the HRA. In developing the budget and rent proposals the Council must take into account all relevant factors affecting the budget in 2009/10 and future years.



The HRA MTPF which is updated twice a year includes the overall financial strategy, the main aims of which can be summarized as follows:

- The HRA account continues to manage within forecast resources.
- Sufficient resources are available to enable the Council and Hackney Homes to meet their strategic targets and continue to improve performance standards and service to the public and stakeholders.
- To ensure proper stewardship of the HRA assets, including adequate funds for capital and revenue repairs
- Accountability to the Executive, members of the public and the community is enhanced by providing robust financial information
- Value for Money is improved annually and charges to tenants minimised

## **9. HRA projected out-turn 2008/2009**

- 9.1 As the HRA is a ring fenced account any surplus or deficit at the end of each financial year will be carried forward into the next year, reducing or increasing the HRA reserves. Any over or underspends that will continue into the next financial year are built into the following years budget.
- 9.2 The February 2009 Overall Financial Position (OFP) report forecasts a surplus for 2008/09 of **£1.7m**. The main reason for the surplus is the release of **£3m** of provisions due to the Council's improved debt collection and savings of **£0.8m** on Estate Cleaning, offset by large increases in the cost of fuel totaling **£1.5m**, net of recoveries from leaseholders. There were also overspends on repairs and maintenance of **£0.5m**, in part caused by the increase in the Consumer Price Index (CPI) of 4.1% in November on an annualised basis. There are also underlying pressures on the cost of repairs and an increase in the use of reserves to fund essential capital works due to reduction in capital receipts. These underlying variances have been taken account of when setting the 2009/10 Budget, outlined in section 11 and appendix A.
- 9.3 The HRA reserves at the start of 2008/09 were £25.1m and are forecast to fall to £24.8m by 31st March 2009.

## **10. The HRA Medium Term Planning Forecast**

- 10.1 The HRA Medium Term Planning Forecast outlines the financial position of the HRA for the next ten years. It is based on a business plan and Asset Management Plan, both of which extend for thirty years. It models the key variables including rents, inflation, interest rates, tenanted stock, subsidy and management and maintenance cost per property.
- 10.2 For some years the MTPF has shown a deficit in the medium term, mainly because of the decline in subsidy and stock levels. The stock reduction is due to stock transfers and sales. This increases the medium term deficit because the HRA loses income but retains some of the costs because they are of a fixed or semi-fixed nature.

- 10.3 The January 2009 MTPF shows a £41.2m deficit on HRA by 2016/17. This is a significant improvement from the £65m deficit shown in the July 2008 MTFP. This mainly reflects the cumulative impact of the delivery of the planned savings targets for 2008/09. In addition, the Asset Management Plan shows a further requirement of £66m for capital, even after allowing for the ALMO credit, and £36m for revenue over the next 30 years.
- 10.4 The MTPF has to make an assumption on rent increases in future years. It assumes that the Council will follow the Governments rent restructure regime. The rent under the restructure regime are dependant on two key factors. These are inflation and the Government's chosen convergence date. The HRA model assumes inflation of 2.5% and a convergence date of 2016/17. Both are subject to change.
- 10.5 On these assumptions the MTPF identified an efficiency requirement in 2009/10 of £3.1m to balance the HRA – see paragraph 11.2 below.

## **11. The HRA Budget Position for 2009/10**

- 11.1 The HRA budget for 2009/10, including the movements from the original 2009/10 budget presented on January 26th is shown in Appendix A in the standard Best Value Accounting Code of Practice (BVACoP) format. In the sections below the main changes are summarised. The changes represent the impact of the reduction in the rent increase for tenants from an average of 6.2% to an average of 3.0%. All other assumptions used to set the budget are unchanged.

## **12. 2009/10 Proposed Expenditure Budget**

- 12.1 The proposed HRA budget is summarized in Appendix A. The total gross expenditure is £165m after taking into account all the known changes. The revised budget has resulted in one change to the expenditure budget. The contingency budget of £0.5m (included within 'Supervision and Management') has had to be reduced by **£0.16m** to fund the gap between the reduced rental income and the compensating subsidy increase.

## **13. Proposed Income Budget 2009/10**

- 13.1 The revised 2009/10 budget has been prepared on the basis that the Council will reduce tenant rent increases as recommended by Government. The impact of this change is set out below.

### **Subsidy Receivable**

- 13.2 The HRA subsidy is a government grant paid to the HRA, calculated using a formula known as the Subsidy Determination which is issued by the CLG annually. It calculates a council's subsidy based on various allowances for management, maintenance and capital financing costs. From this amount it

deducts an estimate of rental income, based on an average “guideline” rent for each property.

- 13.3 The draft subsidy determination for 2009/10 was issued on 20<sup>th</sup> October and the final on 19<sup>th</sup> December. The CLG sent out a revised determination on March 26<sup>th</sup> 2009 which gives Councils the option to either use the December 19<sup>th</sup> determination or revised figures.
- 13.4 The revised determination reduced the guideline per property from £4,065.99 to £3,947.28 provided the Council adopts the Government recommendation to reduce average rents. Based on the Governments notional property numbers of 23,110.5 and an assumed 2% void rate the Council will receive increased subsidy of £ **2.69m** to compensate for the reduced amount of rental income.

### **Rental Income**

- 13.5 The HRA receives the rent paid on all its tenanted properties. The amount of rent receivable is driven by three main factors: The total number of tenanted properties, the number of tenanted properties that remain un-let, known as voids and the rent level itself.

### **Number of Properties**

- 13.6 The budgeted average number of tenanted properties in the 2009/10 budget is 22,662, a reduction of 930 on 2008/09 budgeted levels. This has reduced income by £2.726m, at 2008/09 rent levels.

### **Void Levels**

- 13.7 The Council has improved its void levels and the percentage of void properties has reduced to 2.13%. This compares with 3.52% in 2008/09. The budget has been adjusted accordingly, providing the HRA with £1.319m extra budgeted income. For each 0.5% change in the voids level the rent level will change by £0.46m.

### **Weekly Dwelling Rent**

- 13.8 Legally councils retain a duty to set their own rents and balance the HRA but since 2004, councils have been restricted in how they increase HRA rents by the Governments rent restructuring regime. This requires council actual rents to reach a predetermined level by a set date. Councils are also restricted by the operation of the notional subsidy account which penalises councils who raise rents below the rent restructure level because subsidy assumes that councils follow the guidance and collect the guideline rent. Using an alternative method of rent setting has also resulted in councils receiving adverse external audit and inspection comments.
- 13.9 The original 2009/10 revised rent restructuring formula recommended that councils increase their rents by September 2008 RPI plus 0.5% plus a convergence factor. This gave an average rent increase for Hackney of 6.2%, or £81.33 per week.

- 13.10 The revised rent restructuring formula issued on March 26<sup>th</sup> 2009 recommended an increase of 2.4% plus the convergence factor. This would give an average weekly rent of £78.84, or an increase of 3.0% over 2008/09 levels. This would reduce rental income by **£2.85m**. Increased subsidy will compensate for **£2.69m** of this, leaving **£0.16m** to be funded from the **£0.5m** contingencies built into the budget.
- 13.11 With the proposed rent increase of 3.0% services can only be maintained at current levels only by incorporating **£3.1m** of efficiency savings in the 2009/10 proposed budget with the approved priority investment identified in paragraph 11.3.
- 13.12 The 2008/09 and 2009/10 averages per bedroom type (excluding service charges) based on a 3.0% rent increase would be:

<u>Bedroom Type</u>	<u>Average Rent</u>	
	<u>2008/09</u>	<u>2009/10</u>
	<u>£</u>	<u>£</u>
<u>Bedsits</u>	<u>60.44</u>	<u>62.56</u>
<u>1</u>	<u>68.99</u>	<u>71.23</u>
<u>2</u>	<u>74.32</u>	<u>77.47</u>
<u>3</u>	<u>83.33</u>	<u>87.30</u>
<u>4+</u>	<u>97.42</u>	<u>103.60</u>
<u>Average</u>	<u>76.58</u>	<u>78.84</u>

## 14. Rent Setting Options

- 14.1 The recommended rent decrease can be done with or without tenant consultation. Under the tenancy agreements any rent increase can only be done after a 28 day tenant consultation, but no consultation is required for rent decreases. As it is extremely unlikely any tenants will object to a rent decrease and a consultation will delay the implementation of a rent decrease as well as costing an estimated additional £12,000 it is recommended that any decrease is done without consultation.
- 14.2 The Housing Benefits team has advised that their systems will be able to revise benefit payments, but there will be a cost for staff overtime and a cost for new benefit letters to be printed and distributed. It is estimated that it will cost around £12,000 in additional postage and overtime. The Benefits Service requires 2 – 3 weeks lead in time so that testing can be conducted and arrangements made to produce the benefit notification letters from our contractor

14.3 If the recommended rent decrease is agreed it is proposed that the reimbursement of overpaid rent is provided as a one off payment to tenants as soon as practical. The alternative would have been to spread the reimbursement over the remaining rental payments. However there are no administrative advantages to this and as well as delaying reimbursement to tenants it would run the risk that future government determinations are based on the lower rent figure. In addition it may be confusing to tenants when they receive their next increase.

**14.4 OPTION 1: Decrease Rent – No tenant consultation. Cabinet Decision On April 27th**

Without tenant consultation, the rent decrease can be approved at the cabinet meeting to be held on April 27th. The decrease would need to be back dated to April 6<sup>th</sup>. Therefore the overpaid rent would need to be reimbursed to tenants as part of the first revised rent payment which would be at the end of May. The final determination will not be announced until sometime in May and therefore there is a small risk that the final determination will be different to that issued on March 26<sup>th</sup>.

**14.5 OPTION 2: Decrease Rent –Tenant consultation. Cabinet Decision On 22<sup>nd</sup> June**

With a 28 day tenant consultation, the rent decrease could only be approved at the cabinet meeting to be held on June 22nd. The decrease would need to be back dated to April 6<sup>th</sup>. Therefore the overpaid rent would need to be reimbursed to tenants as part of the first revised rent payment. This would occur by the end of July.

**14.6 OPTION 3: No Rent Decrease**

There is no statutory requirement to reduce rents in line with the revised government guidelines, However as the HRA will be compensated for all but approximately £160k of reduced rental income through increased subsidy it would be in the interests of tenants to accept the government recommendation. There would be considerable tenant dissatisfaction if the rent reduction of **£2.85m** was not passed on.

14.7 On balance it is recommended that the Council goes with Option 1 for the reason outlined above.

**15 CONCLUSIONS**

15.1 This report sets out a balanced budget for the HRA in 2009/10 that is sustainable and realistic. Nearly £1m has been invested in key priorities which has only been made possible by the significant planned efficiency savings in 2009/10 of £3.1m, as well as by the the value for money improvements already delivered by Hackney Homes in 2008/09. The proposed budget set out in appendix A includes the impact of the recommendations set out in section 3 and efficiency improvements such as increased rent collections levels and a reduction in the number of empty properties due to improved voids management.

**CLLR SAMANTHA LLOYD**  
**Cabinet Member for Finance & Resources**

**IAN WILLIAMS**  
**Corporate Director of Finance and Resources**

Report Originating Officer:	<b>Tim Sylvester</b>	☎ 020 8356 2020
Financial Considerations:	<b>Tim Sylvester</b>	☎ 020 8356 2020
Director of Legal and Democratic Services Comments:	<b>Gifty Edila</b>	☎ 020 8356 3265

**APPENDIX A. HRA - OPERATING ACCOUNT BUDGET SUMMARY 2009/10**

	<b>2009/10 Original Budget £'000</b>	<b>2009/10 Proposed Budget £'000</b>
<b><u>INCOME</u></b>		
Dwellings Rents Gross	-93,275	-90,425
Non-Dwellings Rents Gross	-2,333	-2,333
Tenant Charges	-10,936	-10,936
Leaseholder Charges for Services & Facilities	-8,895	-8,895
Other Charges for Services & Facilities	-3,148	-3,148
Subsidy	-23,515	-26,205
Major Repairs Allowance	-21,851	-21,851
<b>GROSS INCOME</b>	<b>-163,953</b>	<b>-163,793</b>
<b><u>EXPENDITURE</u></b>		
Repairs and Maintenance	27,131	27,131
Special Services	16,288	16,288
Supervision and Management	49,118	48,958
Rents, Rates, Taxes & Other Charges	1,878	1,878
Increased Provision for Bad & Doubtful Debts	451	451
Cost of Capital Charges	47,312	47,312
<b>Depreciation or Impairment of Fixed Assets</b>	<b>23,530</b>	<b>23,530</b>
<b>GROSS EXPENDITURE</b>	<b>165,708</b>	<b>165,548</b>
<b>NET COST OF SERVICES</b>	<b>1,755</b>	<b>1,755</b>
HRA INVESTMENT INCOME	-326	-326
TRANSFER FROM MAJOR REPAIRS RESERVE	-1,679	-1,679
<b>NET OPERATING EXPENDITURE</b>	<b>-250</b>	<b>-250</b>
Revenue Contributions to Capital	750	750
<b><u>NET HRA (SURPLUS)/DEFICIT FOR THE YEAR</u></b>	<b>500</b>	<b>500</b>
Transfer from Right Sizing Reserve	-500	-500
<b><u>NET HRA (SURPLUS)/DEFICIT FOR THE YEAR</u></b>	<b>0</b>	<b>0</b>

## **Appendix B: Ministerial Statement**

### **Section 1.01 Written Ministerial Statement**

(i) **Friday 6 March 2009**

(B) COMMUNITIES AND LOCAL GOVERNMENT

(i) **Local Authority Rents**

**The Minister for Housing (Margaret Beckett):** Each autumn, after consultation, the Government publish formal guideline rents so that local authorities know where they stand on Government subsidy on the Housing Revenue Account (HRA) system.

Authorities are then free to make their own decisions on the actual rent level to set in their particular circumstances. Many authorities set actual rents below the guideline figure.

Last year, the Government were pressed to give authorities greater financial certainty and responded by giving guidance for two years rather than one—which authorities appeared to welcome. However, since recent major changes in the economic situation, the Government are under substantial pressure from local authorities who would prefer us to reconsider the two-year deal. I have already indicated that we will re-examine the guideline rents for the second year, 2010-11.

More recently, we have also had increased pressure to re-examine the guideline rents already issued for this coming year. Under normal circumstances, this is not something that I would be prepared to contemplate.

But, in, and only in the context of the present unprecedented global downturn, it is right that the Government offer real help to Council tenants. I am therefore quite exceptionally prepared to offer authorities the opportunity to bid for additional subsidy, if, and only if they are preparing to revisit the level of rents set and reduce them by that amount.

We are therefore halving the national average guideline increase from 6.2 per cent. to 3.1 per cent. This will require the Department to issue new 2009-10 guideline rents for all local authorities. I am prepared to change the subsidy position of those authorities who reduce their actual average increase in rents in 2009-10 in line with the new national average.

We will be inviting authorities to let us know whether they will take this up by around the end of April. They will be able to introduce the new rent increases as soon as is practicable for them.



## Appendix C : CLG Letter to Chief Officers 11 March 2009 (Extract)

### Council Rent Increases 2009-10

Dear Chief Financial Officer/Chief Accountant

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.

### THE DRAFT HOUSING REVENUE ACCOUNT SUBSIDY DETERMINATION 2009-2010 AMENDING DETERMINATION 2009

**COMMENTS ARE REQUIRED BY NO LATER THAN 10am 24<sup>th</sup> APRIL 2009, PLEASE. COMMENTS MAY BE RETURNED BY E-MAIL OR IN HARD COPY AND SHOULD BE SENT TO: [victoria.akeredolu@communities.gsi.gov.uk](mailto:victoria.akeredolu@communities.gsi.gov.uk) OR MARKED FOR THE ATTENTION OF VICTORIA AKEREDOLU AT THE ABOVE ADDRESS**

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.

The purpose of this letter is to notify you of the start of consultation on the amending determination mentioned above. **Consultation ends at 10am on 24<sup>th</sup> April 2009.**

The attached Appendix gives details of the draft determination and accompanying material.

#### **Revision of Guideline Rents**

My letter of 11<sup>th</sup> March to Chief Financial Officers outlined the way Communities and Local Government intends to take forward proposals for implementing the reduction in the national average guideline rent increase for local authority tenants announced by the Minister for Housing on 6<sup>th</sup> March.

The original average increase in guideline rent published on 18<sup>th</sup> December 2009 in the Housing Revenue Account Subsidy Determination 2009-10 was 6.2%. This comprised a general inflator term (term A1) plus a term due to convergence toward formula rent (term B1).

The proposed new average guideline rent increase for 2009-10 is 3.1%.

This has been calculated by changing only term A1 in the guideline rents formula to bring about the proposed reduction. Details of changes to the formula are given below and in the attached draft ***Housing Revenue Account Subsidy Determination 2009-2010 Amending Determination 2009 ("the Amending Determination")***. It is intended that those councils that accept our offer and reduce their 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 the authority's average guideline rent in 2008-09; **or**
- 3.1% of the authority's actual average rent in 2008-09;

then Communities and Local Government will give each participating council the increase in subsidy that a change to the national average guideline increase of 3.1% would result in for that council.

Details of the revised formulae are given in **Annex A**.

### **Take up of offer**

It is Communities and Local Government's intention to issue the Amending Determination to all authorities very quickly after the conclusion of the current consultation process. *The default position on guideline rents remains that published in the Subsidy Determination issued on 18<sup>th</sup> December 2008 and individual authorities must indicate that they wish to take advantage of the proposals to reduce the increases in guideline rents as outlined in the attached draft Amending Determination. Where an authority does not wish to accept the offer or fails to indicate a wish to pass on reduced increases to tenants that authority's guideline rent will remain unaltered from that notified in December.*

**It is important that every council that wishes to take up this offer indicates clearly that it wishes to do so by completing the attached proforma at Annex B and returning it to Communities and Local Government by 10am on 24<sup>th</sup> April 2009.**

The Schedule to the draft Amending Determination shows both the original and revised guideline and limit rents for 2009-10 for each authority. The formula rent will remain unchanged from the 18<sup>th</sup> December determination. The rent details in the schedule that accompanies the final Amending Determination will reflect the decision indicated by the council in its response to this consultation exercise.

### **Costs**

Local authorities' spending allowances were set in the subsidy determination issued in December 2008, with inflation factors incorporated in the calculations appropriate at the time. We do not propose to revisit and reduce these assumptions in the same way that we are looking to reduce rent increases for 2009-10. We would expect, therefore, that local housing authorities will have the resources necessary to cover any such additional cost where it falls to the HRA.

There may be an issue of additional one-off costs that fall to the General Fund, particularly in the administration of housing benefit arising from the proposed changes. The level of cost will inevitably be different from authority to authority. Communities and Local Government would appreciate an indication of the amount of such costs from responding authorities to help ascertain whether they are likely to have an unreasonable impact on finances or constitute a potential unreasonable additional burden.

**Again, any such information should be included with the authority's response to this consultation and returned to the Department by 10am on 24<sup>th</sup> April 2009 – see Annex B to this letter.**

Yours faithfully,

Ann Williams

Appendix D – proposed return to CLG

Preferred option, and additional information

<b>Guideline rent offer – 2009-10</b>		
<b>Local authority name:- Hackney</b>		
<b>Preferred option</b>	<b>6.2%</b>	<b>3.1%</b>
	No	Yes
<b>Actual rent levels</b>	Actual average rent 2008-09 per dwelling	Planned actual average rent 2009-10 per dwelling under preferred option
	<u>£ 76.58</u> (per week, 52 week basis)	<u>£ 78.84</u> (per week, 52 week basis)
<b>General Fund admin costs</b>	N/A	£ 12,000

## Appendix E – Estimated Timetables

### Option 1 – Decrease without Tenant Consultation

	<b>Wc 27<sup>th</sup> April</b>	<b>Wc 4<sup>th</sup> May</b>	<b>Wc 11<sup>th</sup> May</b>	<b>Wc 18<sup>th</sup> May</b>	<b>Wc 25<sup>th</sup> May</b>
<b>Cabinet Approval</b>					
<b>Rent Recalculated</b>					
<b>Letter Issued</b>					
<b>Rent Decrease</b>					

**Option 2 – Decrease with Tenant Consultation**

	Wc 27 <sup>th</sup> April	Wc 4 <sup>th</sup> May	Wc 11 <sup>th</sup> May	Wc 18 <sup>th</sup> May	Wc 25 <sup>th</sup> May	Wc 1 <sup>st</sup> Jun	Wc 8 <sup>th</sup> Jun	Wc 15 <sup>th</sup> Jun	Wc 22 <sup>nd</sup> Jun	Wc 29 <sup>th</sup> Jun	Wc 6 <sup>th</sup> Jul	Wc 13 <sup>th</sup> Jul	Wc 20 <sup>th</sup> Jul	Wc 27 <sup>th</sup> Jul
<b>Tenant Consultation</b>														
<b>Cabinet Approval</b>														
<b>Rent Recalculated</b>														
<b>Letter Issued</b>														
<b>Rent Decrease</b>														

This page is intentionally left blank