

Meeting: Executive / Scrutiny Overview
Committee / Council

Agenda Item: **2**

Portfolio Area: Resources and Housing

Date: 25th January 2010 /
27th January 2010

**NOTE: PLEASE RETAIN THIS REPORT FOR USE AT THE THREE MEETINGS
DETAILED ABOVE**

HOUSING REVENUE ACCOUNT (HRA) RENT SETTING FOR 2010/11

KEY DECISION

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REASON FOR URGENCY

As the Rent setting forms part of the Council's Budget and Policy Framework (as an integral part of the HRA) there are specific rules of procedure for decision making. In accordance with these rules whilst the item has appeared on the Leader's Forward Plan of Key Decisions, it has not been possible to publicise detailed proposals for the 2010-2011 revised rent levels for the 3 week period also required. This is due to the delay in the Department of Communities and Local Government's (DCLG) consultation and subsequent announcement of the final determination. However, there is still the need for a decision to be taken by Council by the end of January in order for the necessary consultation with tenants be undertaken before the new rent levels are implemented in April 2010.

1. PURPOSE

1.1 This report, detailing the final proposals on the rent setting for 2010-2011, is to be considered by the Executive on 25 January 2010. The Scrutiny Overview Committee, also on 25 January, will consider the decisions of the Executive. At its meeting on 27 January, Council will receive both details of the decisions of the Executive together with any comments thereon from the Scrutiny Overview Committee.

2. RECOMMENDATIONS

Executive 25 January 2010

2.1 That it be noted that in order for Council on 27 January to determine rent levels to be set for 2010/2011 for implementation from April 2010, Council will be requested firstly

to approve the suspension of Budget and Policy Framework Procedure Rule 2 in relation to the set arrangements for consultation.

- 2.2 That, subject to the final determination from the DCLG being known before the Executive and Scrutiny Overview Committee meetings on 25 January and/or the Council meeting on 27 January, the following recommendations be approved for recommendation to Council on 27 January 2010:-
- a) That the rents of HRA dwellings be increased, with effect from the week commencing 5 April 2010 by 1.72% in accordance with the Government's Revised National Rent Restructuring Formula, subject to the Government's caps and limits applicable to each property.
 - b) That delegated authority be given to the Strategic Director (Resources), in consultation with the portfolio holders for Resources and Housing, for any change to the rent increase as a result of the final subsidy determination, within a tolerance up to the guideline rent increase of 3.1%.

2.3 That given the curtailed consultation period for the proposals to change the Budget and Policy Framework, it be noted that the Scrutiny Overview Committee may comment directly to Council.

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- 2.4 That it be noted that in order for Council on 27 January to determine rent levels to be set for 2010/2011 for implementation from April 2010, Council will be requested firstly to approve the suspension of Budget and Policy Framework Procedure Rule 2 in relation to the set arrangements for consultation.
- 2.5 That having considered the decisions of the Executive in respect of this report and in particular in relation to recommendation 2.2 above (to be reported at the meeting), and the reason for urgency, the Committee agree to waive its right to call-in of that decision and report any comments thereon directly to Council.

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- 2.6 That the suspension of Budget and Policy Framework Rule, 2 in relation to the set arrangements for consultation on published proposals for the setting of the rent be approved due to the reasons for urgency set out above.
- 2.7 That subject to any comments submitted by the Scrutiny Overview Committee, the recommendations from the Executive dated 25 January 2010, particularly in relation to recommendation 2.2 above, (to be reported to the meeting) be approved.

3. BACKGROUND

- 3.1 In 2002/03 the Government introduced its Rent Restructuring policy which was intended to converge the rents of all social landlords over a ten year period, in order that rents of tenants in similar Council or Register Social Landlord (RSL) properties

would be the same by the end of the period. As at 2010/11, the draft subsidy determination now shows a three year convergence period.

- 3.2 For the 2009/10 rent increase the Council took up the option offered by the Department of Communities and Local Government (DCLG) to reduce the average rent from £77.92 (6.06%) to £75.75, (3.1%), under the special final subsidy determination issued in May 2009. This was implemented in September 2009 and the average rent from 28 September 2009 was £73.59 for the six month period.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Timetable

- 4.1.1 The Rent setting timetable (allowing for notice, implementation, scrutiny and approval) requires the draft and final proposals to be considered by the Executives and Scrutiny Overview Committee before final approval at the Council meeting on 27 January 2010.

- 4.1.2 Due to the delay in the Department of Communities and Local Government's (DCLG) consultation and subsequent announcement of the final determination the Executive and Scrutiny Overview Committee did not consider the final proposals on the rent setting until their meetings on 25 January 2010. Accordingly the recommendation of the Executive and any comments thereon from the Scrutiny Overview Committee will be reported at the Council meeting.

4.2 HRA Rent Increase Proposals for 2010/11

- 4.2.1 The proposals for increasing the rents of HRA dwellings, in line with the Government's Rent Restructuring policy, are detailed in the attached report from Stevenage Homes Ltd (based on 50 weeks), which SBC officers support and recommend to the Executive. A summary of the proposed average rent increase (based on a 52 weeks) is shown in the table below.

2009/10 average rent set at Government Constrained Rent	£75.75
Inflationary increase	-£1.07
Add rent restructuring increase	£2.39 1.72%
2010/11 Average Rent	£77.07

- 4.2.2 The guideline rent included in the draft subsidy determination increased by 3.1%. This is the amount of money the DCLG deducts from the housing subsidy due to the HRA. The rent increase or subsidy position may change as a result of the final determination and Members are asked to delegate approval of the rent increase within a tolerance of up to the guideline rent of 3.1% to the Strategic Directors of Resources and Community in consultation with the relevant portfolio holders.
- 4.2.3 SHL will be responding to the DCLG on the draft determination (see also paragraphs 4.3.1-4.3.2 below), addressing the issue of the disparity between the

guideline rent increase (3.1%) and the actual rent formula increase (1.72%). The final determination may change the final rent increase.

- 4.2.4 The consultation period finishes on the 25 January 2010 and the Council is unlikely to be advised about the final determination until February 2010.

4.3. Housing subsidy Determination

- 4.3.1 The draft subsidy determination has an adverse impact on the assumptions for rental income. The guideline rent assumed in the subsidy determination is 3.1%, the rental increase is limited to the formula RPI (-1.4%) +0.5%+£2. This means that the government is assuming rental income at 3.1% when the actual rent increase is 1.72%. Although the guideline rent is £75.69 for subsidy purposes which is lower than the proposed rent of £77.07, the impact on the HRA is an increase in subsidy withdrawal of £500,000. This adverse variance is not unique to Stevenage but is a national issue.
- 4.3.2 SHL will be writing to the DCLG in response to the draft determination raising this issue identified above. Members will be updated at the February Executive.

5. IMPLICATIONS

5.1 Financial Implications

- 5.1.1 As in the body of the report and as detailed in the Stevenage Homes Ltd report attached.

5.2 Legal Implications

- 5.2.1 Legal implications are contained within the body of the report.

5.3 Equality and Diversity Implications

- 5.3.1 The recommendation in the report is as a result of a technical nature. An impact of the rent increase will be in relation to accessing housing benefit. The Benefits service carries out equality impact assessments on its service.

BACKGROUND DOCUMENTS

2010/11 HRA Subsidy Determination.

APPENDICES

Appendix A -Stevenage Homes Ltd attached Report - Housing Revenue Account (HRA) Rent Increase.