

HOUSING CABINET MEMBER MEETING

Agenda Item 13
Brighton & Hove City Council

Subject: Housing Revenue Account Budget 2009/10 -
Reduction in Rent Increases

Date of Meeting: 3 June 2009

REPORT OF: Director of Adult Social Care & Housing
Director of Finance & Resources

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Key Decision: Yes Forward Plan No. HSG 10422

Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Housing Revenue Account (HRA) Budget for 2009/10 was approved at Cabinet on 12 February 2009. This report included increases to rents in line with the Government's Subsidy Determination in January 2009. To support tenants, in light of the current economic climate, the Government has now issued a revised Subsidy Determination allowing Council's to reduce rent increases. This report seeks approval to revise the approved rent increases for 2009/10 in line with the Government's proposals.

2. RECOMMENDATIONS:

- 2.1 That Housing Cabinet Member recommends that Cabinet approves the amendments to individual rent increases and decreases in line with rent restructuring principles as determined by the latest Government Subsidy Determination issued in May 2009.

3. RELEVANT BACKGROUND INFORMATION

Rents 2009/10

- 3.1 Rents are calculated in accordance with the government's rent restructuring guidelines. Target rents for each property are calculated based on the relative property values, bedroom size and local earnings. The act of moving tenants' current rents to the target rent is called rent convergence. In order to limit increases in current rents to reach target rents, the guidance specifies a maximum rent increase equivalent to inflation + ½% + £2 per week.

- 3.2 The original subsidy determination 2009/10 required Local Authorities to use the September 2008 RPI (Retail Price Index) of 5% for setting rent inflationary increases. The Government acknowledged that this level of RPI would set high rent increases and in order to minimise these, the determination proposed to set a 'provisional' rent convergence date for the future. This meant that the date for rent convergence will now change yearly depending on the level of inflation for that year. Therefore, the rent convergence date has now been extended from 2011/12 to 2023/24 and this resulted in an average rent increase of 5.45% for Brighton & Hove, against a national position of an average guideline rent increase of 6.2%.
- 3.3 The government then announced in March, that as a result of the unprecedented global downturn that they would like to offer real help to council tenants by reducing the national average rent increase for this year from 6.2% to 3.1%.
- 3.4 In May 2009, the Government issued a revised Housing Subsidy Determination. This proposed that for 2009/10, rent convergence would remain at 2023/24 but actual rent increases for Brighton and Hove would increase by an average of 2.37% or £1.52 per week compared to the current approved increase of 5.45% or £3.50 per week. This amends the average weekly rent, from £67.70 to £65.72. The reductions to the rent increases will be back dated to 6 April 2009.
- 3.5 However, all rents are moving towards their individual targets which means that although the average increase is £1.52, some rents will be increasing by more than the average and others reducing. The maximum increase will now be £3.94 and the maximum reduction will be £0.71 per week.

Housing Subsidy Determination 2009/10, issued May 2009

- 3.6 The HRA is part of the national housing subsidy system through which Council Housing Rents are standardised across the country. The subsidy system uses a national formula to set guideline rents for each property together with allowances for management, maintenance and capital charges based on notional costs. The current subsidy system was introduced in 1990 and relies on the Secretary of State publishing annual 'Determinations' which set out the basis of subsidy. Full details of the original subsidy determination are detailed in the HRA Budget Report 2009/10 approved at Cabinet on 12 February 2009.
- 3.7 The council will be compensated for the loss of rental income from the reductions in rent increases by an increase in housing subsidy. The net effect means that the HRA Budget will remain in balance. The table below provides shows the revised subsidy position taking into account the latest determination. The revised subsidy results in an overall subsidy position (taking into account the capital element) of a reduction in subsidy payable to the Government of £0.696 million.

Housing Subsidy	2008/09 £'000	2009/10 £'000	Change £'000
<i><u>'Notional' Revenue Items</u></i>			
Management Allowance	(7,638)	(8,041)	(403)
Maintenance Allowance	(14,526)	(14,869)	(343)
Capital Charges	(7,065)	(6,240)	825
	(29,229)	(29,150)	79
Less Guideline Rent	40,723	40,233	(490)
Net revenue subsidy payable to the Government (exc. MRA)	11,494	11,083	(411)
<i><u>Capital Items</u></i>			
Major Repairs Allowance	(9,067)	(9,352)	(285)
Overall subsidy position – net payment to the Government	2,427	1,731	(696)

4. CONSULTATION

- 4.1 Tenants are consulted during the year on the HRA Budget and the Estate Development Budget. After Cabinet approval, tenants will receive notification of their individual rents and charges for 2009/10.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The government will compensate the council for the loss of rental income from these reductions in rents by increasing housing subsidy so the HRA Budget will remain in balance. However, the council will need to fund any additional costs such as printing of letters and ICT changes required to amend the rents from within existing budgets. These additional costs will be monitored as part of the Targetted Budget Management process for 2009/10.

Sue Chapman, Head of Financial Services

7 May 2009

Legal Implications:

- 5.2 By section 24 of the Housing Act 1985, local housing authorities such as the Council may only make such reasonable charges as they may determine for the tenancy or occupation of their houses. From time to time they are required to review rents and make such changes as circumstances may require. The

reduction in rent increases proposed by the report is consistent with that duty. Rents for secure tenancies can only be lawfully varied in accordance with the terms of the secure tenancy (section 102 (1) (b) of the 1985 Act). The Council's standard secure tenancy agreement requires 4 week's written notice of any variation in rent to be given.

Liz Woodley, Lawyer

12 May 2009

Equalities Implications:

- 5.3 There are no equalities implications from reducing tenants' rents. Tenants' rents are based on a formula determined by the Government.

Sustainability Implications:

- 5.4 There are no sustainability implications from reducing tenants' rents.

Crime & Disorder Implications:

- 5.5 There are no crime and disorder implications from reducing tenants' rents.

Risk and Opportunity Management Implications:

- 5.6 Financial risks have been assessed throughout the development of these proposals.

Corporate / Citywide Implications:

- 5.7 The reduction in tenants' rents should improve their affordability in the current economic climate.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 Rents are set in accordance with the Government's rent restructuring guidance and increases are in line with the Housing Subsidy Determination. The Housing Subsidy Determination controls rent setting by removing resources from local authorities through non compliance. The current 2009/10 Rents have been approved based on the original determination which calculated an average increase of 5.45% for Brighton and Hove tenants. This report recommends reducing the 2009/10 increase from 5.45% to 2.37% based on the revised subsidy determination received in May 2009. The alternative option would be to remain with increases at the current level, which would make rents less affordable to tenants in the current economic climate.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 The council's constitution requires that the council seeks approval for the setting of tenants' rents in line with the Local Government and Housing Act 1989.

SUPPORTING DOCUMENTATION

Appendices:

1. None

Documents In Members' Rooms

1. None

Background Documents

1. 2009/10 HRA Subsidy Determination January 2009 and revised Subsidy Determination May 2009
2. 2009/10 HRA Rent Restructuring Working Papers

