

MUNICIPAL YEAR 2009/2010 REPORT NO. 19

MEETING TITLE AND DATE:

CABINET - 17 June 2009

COUNCIL - 01 July 2009

JOINT REPORT OF:

Director of Place Shaping & Enterprise
Director of Finance & Corporate
Resources

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Agenda – Part: 1

Item: 13

SUBJECT:

Housing Revenue Account- Amended Rent Increase

ALL WARDS

CABINET MEMBERS CONSULTED: CLLR MATTHEW LABAN
CLLR ERTAN HURER

1. EXECUTIVE SUMMARY

- 1.1 The Cabinet is asked to approve the amended level of rents to be operative with effect from 6th April 2009 for Council tenants and the amendments to HRA budgets to reflect this.

2. RECOMMENDATIONS

- 2.1 That the guideline rents for 2009/10 be increased by 3.1% only in line with amended government guidance. This will result in an average increase of 2.85% for Enfield tenants. This amends the rent increase agreed at Cabinet (11 February 2009) and Council (25 February 2009) whereby guideline rents were increased by 6.2%. This resulted in an average rent increase of 5.74% for tenants for 2009/10 effective from 6 April 2009.
- 2.2 That the weekly reduction in actual rents as outlined above (which is an average of £2.30 per tenant for 2009/10) be backdated to 6 April 2009.
- 2.3 That the HRA budget be amended to reflect these changes.

3. BACKGROUND

- 3.1 Each year the Council is required by law to set the level of rents for Council dwellings for the forthcoming financial year after consultation with tenants. This decision was taken at Cabinet and Council and all tenants were consulted. The 2009/10 Government subsidy determinations were based on an average increase of 6.2% applied to the 2008/09 guideline rent.
- 3.2 Since 2003/04 Enfield rents have been calculated using the formula based on the market value of the property, average earnings for London manual workers and the national average council rent. The formula also takes account of the number of bedrooms in the property. Government also said no rent should increase by more than £2 per week after adjustment for the annual guideline increase set by Government.
- 3.3 The rents for 2009/10 were set in accordance with Government's policy. This resulted in an average rent increase of 5.74% for tenants and this was implemented from 6 April 2009.

4. AMENDING DETERMINATION

- 4.1 The Government decided to amend their guidelines on the 2009/10 rent increase. However this happened after the Cabinet and Council decisions and after the notification of the increase to tenants. The CLG asked all councils to consider reducing the level of the increase and base it on the government guideline increase of 3.1% rather than 6.2%
- 4.2 This proposal was sent to all councils in April. The Council responded and said that it would consider implementing the reduction providing there were no financial implications and the proposal was cost neutral. The proposal will make the following amendments to the budgets.

	£ original	£ adjustment	£ amended budget
HRA subsidy repaid	10,173,870	1,423,090	8,750,780
Rent Income from dwellings	51,410,350	1,360,570	50,049,780
Total impact		62,520	

As can be seen from the table above the impact on the council's HRA budgets was favourable.

- 4.3 In addition the CLG indicated it would contribute to general fund costs of revising the rents, estimated to be £60k.
- 4.4 In line with DWP advice, the Housing Benefit overpayment should be netted off against the rent reduction, meaning the authority will receive 100% subsidy against the net amount. No overpayment will need to be recovered as it will be posted directly against the rent account where the rent reduction will be held.

In terms of the Government Return for HB Subsidy this will show as technical Overpayments and these will be netted against the Overall HRA HB expenditure.

5. PROPOSED IMPLEMENTATION OF NEW RENT AND OTHER CHARGES FOR 2009/10

- 5.1 There will be no change to the services charges or to any of the other charges agreed in the original rent setting report.
- 5.2 Appendix 1 gives indicative rents and shows the potential reductions for tenants. The average rent for 2009/10 will now be £81.32.
- 5.3 The formula rents regime sets upper limits on rents for different sized properties. The revised caps on weekly rents are as follows:

6-bed	£147.23
5-bed	£140.53
4-bed	£133.85
3-bed	£127.16
2-bed	£120.46
1-bed & bedsits	£113.77

In cases where the formula rent exceeds the cap level the formula rent is set at the cap level and the actual rent will be moved in stages to the cap level.

- 5.4 A communications plan has been agreed with Enfield Homes, who will act as the first point of contact with tenants. All tenants will receive a rent variation notification letter together with an amended rent notice to make payments. The Council will work closely with FECA and Enfield Homes to provide information on the changes and the Enfield Homes contact centre will be provided with frequently asked questions to respond to any queries from tenants. The Enfield Homes and Enfield Council websites, Housing News, and the press will be used to make sure that tenants are fully informed of the changes and have access to good quality information.
- 5.5 The Council is waiting for further information from its Housing System supplier, Northgate, to confirm the likely implementation dates for the backdated adjustment to the rent accounts. Experience from other local authorities indicates that the changes required are significant and may take around 3 months to fully implement because all of the approximately 11,000 rent accounts on the housing system need to be completely updated, including direct debits and standing orders, and related changes will also need to be made to the Council's housing benefits system.
- 5.6 There will be no impact for tenants on full housing benefit. Tenants on full or part rebated rent will receive a rent credit on their rent account.

6. ALTERNATIVE OPTIONS CONSIDERED

An alternative was considered, this was not reducing the rents in line with amended Government guidelines. This was discounted since the Government was offering to fully fund the reduction.

7. REASONS FOR RECOMMENDATIONS

In view of the implications of the alternatives mentioned in para 6, it is recommended to reduce rents in line with Government guidance.

8. COMMENTS OF THE DIRECTOR OF FINANCE & CORPORATE RESOURCES AND OTHER DEPARTMENTS

8.1 Financial Implications

The Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates and the adequacy of proposed financial reserves.

It is the view of the Director of Finance and Corporate Resources that the revised HRA budget is robust and that the balances held are prudent. However, Members will note that a balanced HRA over the medium term is only achieved by assuming significant savings. Action is being taken to reduce costs and achieve savings necessary to maintain a balanced HRA. The HRA Business Plan has been revised and will be updated regularly.

8.2 Legal Implications

Under the Housing Act 1985, as amended by section 162 of the Local Government and Housing Act 1989 a local authority is to decide on the rent they charge their tenants. Such charge must be reasonable for the tenancy or occupation of the house. The authority is required to review rents and make changes, as circumstances require. There is no methodology laid out for assessment of rents, but the law requires that the rent of houses of any class of description to bear broadly the same proportion to private sector rents. In addition, in preparing the budget for the HRA, all authorities are required to estimate as accurately as possible the total level of income that they need to raise from rents.

9. RISK MANAGEMENT IMPLICATIONS

This report proposes a reduced rent increase in line with amended government guidance. In the light of the government's offer to fully fund the reduction, the main risk associated with this proposal would be to the Council's reputation if the change is not implemented.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

Setting a balanced budget for 2009/10 should enable the HRA performance targets to be met.

11. COMMUNITY IMPLICATIONS

Providing high quality housing continues to be a priority. Residents' views were sought on the proposed budget as detailed under Putting Enfield First. Rents are set in line with Government guidance and an increase of 2.85% is low when compared to a number of other London boroughs.

12. PUTTING ENFIELD FIRST

In developing the rent proposals for 2009/10 two meetings were specifically arranged to seek residents views. In addition, officers attended Community Housing Partnership (CHP) gatherings in the three housing districts in order to widen tenant involvement. The Tenant Involvement Unit is continuing to develop training for tenants on a range of issues. This consultation and training is consistent with the vision of:

Quality health and care services for vulnerable people in Enfield
Supporting the delivery of excellent services
Economically successful and socially inclusive
Improving quality of life in Enfield

Background papers:	Where located:	Contact:
Director of Finance & Corporate Resources Dept	Fiona Peacock 4 th floor, CC	extrn 5033
Resources Working Papers	“	“
DCLG Subsidy and Item 8 determinations		
HRA Business Plan		

APPENDIX 1

LB ENFIELD AVERAGE RENTS 2009-10			
	Bedroom size	Actual - original	Actual - amending
		£	£
Bungalows	2	88.21	85.80
Houses	2	88.15	85.74
	3	97.65	94.96
	4	109.26	106.27
Flats – low rise	1	74.40	72.36
	2	85.48	83.14
Flats – high rise	1	67.49	65.64
	2	80.37	78.16
Maisonettes – low rise	2	82.86	80.59
Maisonettes – high rise	2	78.68	76.52
Bedsits		66.29	64.48