

## EXECUTIVE DECISION RECORD SHEET

<b>Name of decision maker:</b>	<b>Cllr Williams</b>
<b>Portfolio:</b>	<b>Leader and Community Leadership</b>
<b>Date of Portfolio Holder Decision:</b>	<b>1 September 2009</b>

<b>Title of Decision:</b>	<b>Reduction in Rent Repayments (Implications of Rent Policy and Review of 2009/10 Budget)</b>
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### Decision made and reasons:

Following consent of the Chair of Social Overview and Scrutiny Committee, delegated authority be given to the Leader of the Council to:

1. approve the revised estimate for 2009/10, as attached at Appendix A of the report, which reflects the revised rental income and negative Housing Revenue Account (HRA) subsidy resulting from the amended HRA Subsidy Determination for 2009/10, as a result of the Housing Minister's offer to reduce the guideline rent for housing subsidy purposes
2. approve the revised average rent increase of 3.26% resulting in an average, with effect from 6 April 2009, of £76.72.

### Reports considered: ( here reference can be made to specific documents)

Cabinet 28 July 2009 (attached)

### Officers/Councillors/Ward Councillors/Stakeholders Consulted:

Cllr Janice Marshall

**Monitoring Officer comments:** The Cabinet report on 28 July 2009 contained the comments of the Section 151 Officer

**Chief Financial Officer comments:** The Cabinet report on 28 July 2009 contained the comments of the Section 151 Officer

### Implications:

**Risk:** Risk implications were contained within the report to Cabinet on the 28 July 2009.

**Value for Money:** The implications with regards to Value for Money were included within the report to Cabinet on the 28 July 2009

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**Options Considered and reasons for rejection:**

**Portfolio Holders Signature:**

**Date:**

**Details of any interests declared and any dispensations given by the Standards Committee:**

### **For Member Support Officer use only**

Date Decision Record Sheet received from portfolio holder: 28 August 2009

Date Decision Published: 1 September 2009

Decision No: PH/046/09

Date of Expiry of Call-In Period: 8 September 2009

Date any Call-In received or decision implemented:

### **BACKGROUND**

Please see attached report and decision sheet for information.

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## AGENDA ITEM:

### SUMMARY

<b>Report for:</b>	<b>Cabinet</b>
<b>Date of meeting:</b>	<b>28<sup>th</sup> July 2009</b>
<b>PART:</b>	1
If Part II, reason:	

<b>Title of report:</b>	<b>HOUSING REVENUE ACCOUNT – IMPLICATIONS OF RENT POLICY AND REVIEW OF 2009/10 BUDGET</b>
<b>Contact:</b>	Cllr Margaret Griffiths, Portfolio Holder for Housing Cllr Nick Tiley, Portfolio Holder for Finance & Resources Sally Marshall, Director of Finance & Corporate Services (ext 2313)
<b>Purpose of report:</b>	To seek Cabinet approval for an urgent decision outside the budget policy framework to approve a revision to the estimates for 2009/10 Housing Revenue Account to reflect the revised rental and subsidy position following the receipt of the amended subsidy determination for 2009/10 in accordance with Part 4 of the Constitution Section 3.
<b>Recommendations</b>	It is recommended that Cabinet <ol style="list-style-type: none"><li>1. Approves the revised estimate for 2009/10, as attached at Appendix A, which reflects the revised rental income and negative Housing Revenue Account subsidy resulting from the amended HRA Subsidy Determination for 2009/10, as a result of the Housing Minister's offer to reduce the guideline rent for housing subsidy purposes.</li><li>2. Approves a revised average rent increase of 3.26% resulting in an average, with effect from the 6<sup>th</sup> of April 2009 of £76.72.</li><li>3. Note that there has been ongoing dialogue between officers to resolve issues with the Department of Communities and Local Government in relation to the Housing Revenue Account and HRA subsidy guideline rents.</li></ol>

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	<p>4. Endorses the Council's subscription to CIPFA Housing Advisory Network (HAN) and notes that an action plan for progressing "Open Book" accounting is being developed with representatives from CIPFA HAN to include on site training for officers (as referred to within the section of the report relating to budget review).</p>
Corporate objectives:	Providing affordable housing while protecting green space
Implications:	<p><u>Financial</u></p> <p>The clarification received within the amending subsidy determination identifies that the proposal to reduce the guideline rent should be cost neutral to the HRA. Details of the broader financial implications are contained within the body of the report.</p>
'Value For Money Implications'	
Risk Implications	<p>The original proposal identified a potential risk of £77,000 reduction to the Housing Revenue Account working balance without very close budgetary control and proactive steps to reduce net expenditure as required. However the amending subsidy determination identifies that the proposal should be cost neutral and local authorities will not be penalised for "rent drift" and subsidy entitlement. "Rent drift" arises as a result of change in average rents across the years connected with stock level fluctuations primarily due to void rates, right to buy sales and new let. Communities and Local Government, whilst expecting councils to set their average rent against stock levels used in the subsidy determination, it is not the department's intention to penalise authorities where the average varies during the year as part of the normal operation of the HRA. Therefore, the proposed revision to the rent should not result in an adverse loss of subsidy as a result of "rent drift".</p>
Equalities Implications	<p>To ensure all tenants to be treated fairly throughout the year, it is proposed that the amendment to the rent increase will take effect from the 6<sup>th</sup> of April 2009 at the start of the rent year in line with the original letter and guidance received from CLG, rather than a larger reduction from a point in the future which is an alternative method that CLG will now endorse.</p>
Health And Safety Implications	None
Monitoring Officer/S.151 Officer Comments	<p><b>Monitoring Officer:</b> Under the Council's Constitution the Cabinet, or an individual member of the Cabinet, may make a decision which is contrary to or not wholly in accordance with the budget approved by full Council if</p> <p>The decision is a matter of urgency, It is not practical to convene a quorate meeting of the full</p>

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	<p>Council; and The Chairman and Vice Chairman of the relevant Overview and Scrutiny Committee give their consent</p> <p>The relevant Committee in this case is the Social Overview and Scrutiny Committee. The consent of the Vice Chairman (Cllr Sutton) has been obtained. It is hoped that the consent of the Chairman (Cllr Janice Marshall) will be obtained before the Cabinet meeting.</p> <p>Given the urgent timescales involved in getting this change to the HRA budget implemented it is clearly not practical to convene a full meeting of Council and the next ordinary Council meeting is not until 30 September 2009.</p> <p><b>S.151 Officer</b></p> <p>Detailed comments of the S151 Officer have been incorporated into the body of the report, but in summary the key issue to consider is the Council's statutory duty to avoid a debit balance on the HRA. As the Council has accepted the Housing Minister's offer to reduce the guideline rent for housing subsidy purposes at its meeting on the 22<sup>nd</sup> of April 2009 and CLG have since confirmed that "rent drift" should not penalised the Council's subsidy position, it is likely that the proposal, once implemented, should not result in a net cost to the HRA as original anticipated.</p> <p>However, in light of the financial position of the Housing Revenue Account, this position should be kept under review during the remainder of the financial year to ensure that, should any impact on the HRA balance overall become apparent, corrective action via budgetary control may be necessary.</p> <p>It will also be essential that all computer systems, in particular the housing system and the benefit system are properly tested prior to the implementation of the rent reduction to ensure that the Council's revenue streams through the rental role and expenditure through the benefits system and any associated technical overpayments are properly dealt with and recorded. This testing should also ensure that there is no impact on the Council's direct debit and financial receipting systems and controls.</p>
<p>Consultees:</p>	<p>The Housing Advisory Panel were informed at their meeting on the 20<sup>th</sup> of April 2009 of the Housing Minister's announcement and the proposal that was considered by Council on the 22<sup>nd</sup> of April 2009.</p>
<p>Background papers:</p>	<p>The Housing Revenue Account Subsidy Determination 2009/10 amending Determination 2009.</p>

### BACKGROUND

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1. The Housing Minister announced on the 6<sup>th</sup> of March proposals for implementing a reduction in the national average guideline rent increase for local authority tenants. The new average guideline rent increase for 2009/10 is 3.1%. Communities and Local Government provided a draft Housing Revenue Account Subsidy Determination 2009/10, amending Determination 2009, for consultation on the 26<sup>th</sup> of March 2009. A further letter was issued on the 7<sup>th</sup> of April 2009 providing a revision to the offer for consultation.
2. The deadline for the acceptance of the Minister's offer was 24<sup>th</sup> of April 2009. This offer was considered by Council on 22<sup>nd</sup> of April 2009. At that meeting, the Council resolved:
  - i. "that Council accepts the Housing Minister's offer to reduce the guideline rent for housing subsidy purposes and ensures that budgets are reviewed following the outturn position for 2008/9 to ensure that the balance of the HRA is maintained in line with the Council's policy on balances and avoids a debit balance on the HRA.
  - ii. Subject to the above, accepts the estimate for 2009/10 will need to be revised and approved by Council to reflect the revised rental income and subsidy.
  - iii. Request that officers resolve the outstanding issues with CLG and upon satisfactory resolution of these issues, the Council will determine the average rent increase for 2009/10"

### **Housing Revenue Account Subsidy Determination 2009/10 amending Determination 2009**

3. The HRA Subsidy Determination 2009/10 amending Determination 2009 has now been released by CLG. 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 2008/9. This change only affected authorities where actual average rents in 2008/9 were below the 2008/9 guideline rents (as in the case of Dacorum Borough Council).
4. It should be noted that the 3.1% is the national average guideline rent increase and each authority is required to consider revising rent levels against their own individual guideline rent increases which is the difference between the 2008/9 and the 2009/10 imputed guideline rents under the amending determination. In the case of Dacorum Borough Council that is 3.28%.
5. In responding to the consultation document, a number of Council's express concern over the issue of "rent drift" that is to say the change in average rents across the years as stock levels fluctuate due primarily to void rates, right to buy sales and new lets. The CLG have stated that they would expect councils to set their average rent against the stock levels used in the subsidy determination and that the average would be calculated against that figure. However, it should be noted that it's not the department's intention to penalise authorities where the average varies during the year as part of the normal operation of the HRA. Revised rent has been calculated at an average rent increase of 3.26% with effect from the 6<sup>th</sup> of April 2009 resulting in an average rent of £76.72.
6. In a written announcement made in the House of Commons by the Minister of Housing and Planning, it was stated implicitly that the Communities and Local Government would be looking again at the 2010/11 guideline rent, in light of the

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current economic climate. Communities and Local Government, together with HM Treasury, The Department for Works and Pensions, the Tenants Services Agency and others are considering the arrangements for 2010/11 average guideline rent increases, and the application of the 2009/10 caps and limits, with a view to making recommendations to Ministers before issuing proposals for consultation over the summer. A further report will be provided to members in due course once this has been received.

7. With regard to additional costs, Communities and Local Government has taken the view that as the allowances have remained at a higher level than if they had been reduced in line with the fall in inflation as they have done with rent increases, authorities should be able to cover the additional HRA administration costs from allowances announced in December and therefore there will be no provision made for additional costs for implementing the amendment to the rent increase. Although CLG will write to authorities separately regarding the treatment of costs falling to the General Fund, at the time of writing this report that has not been received.

### **Review of Budgets Following the Outturn Position for 2008/09**

8. At the meeting of Council on the 22<sup>nd</sup> of April, it was resolved that the Council accepts the Housing Minister's offer to reduce guideline rents for housing subsidy purposes and ensures that budgets are reviewed following the outturn position for 2008/9 to ensure that the balance on the HRA is maintained in line with the Council's policy on balances and avoid a debit balance on the HRA. A report elsewhere on this agenda deals with the quarter one budget monitoring position for the HRA, the report identifies that there is a projected overspend based on quarter one performance of £178,000. It also identifies that tight budgetary control will need to be in place to try and avoid an actual overspend and potential reduction in the HRA balance.
9. Members will note from the above that the amending subsidy determination should be cost neutral and therefore should not impact on the balance of the HRA. However from the report elsewhere on this agenda, Members will note that an area to be kept under close review is the repairs account which is currently showing the potential for a projected overspend of £122,000 by the end of the financial year. Members have received updated reports on progress on ongoing work in relation to responsive repairs and this is continuing. To enable the Council to develop its responsive repairs, Members are asked to note that officers have utilised some existing budgets to subscribe to CIPFA Housing Advisory Network who have worked with the Council to undertake an initial diagnostic of the current position
10. The action plan being developed by officers and this includes provision of on site training for up to 15 members of staff (to be contained within existing budgets) on "open book accounting". The training course is the only certificated training course available currently and is endorsed by the Chartered Institute of Public Finance and Accountancy. A date has been reserved during August to provide this on-site training for officers and following this training, the detailed action plan will be finalised and reported back in more detail to Cabinet.

### **Summary**

11. This report has brought together the implications of the Government's revised rent policy for the Council's Housing Revenue Account as requested by Council

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at its meeting on the 22<sup>nd</sup> of April 2009. This report should also be read in conjunction with the report elsewhere on the agenda relating to budget performance which has reviewed the budget for 2009/10 following the outturn position for 2008/9, the resulting balance brought forward and also performance based on quarter one for 2009/10.

12. At this stage, the overall position on the HRA is showing a projected overspend of £178,000 at the end of the financial year, although budget control is being implemented by the service department together with additional works on the action plan around the responsive repairs contract. Therefore the revised budget as attached at Appendix A provides only for an amendment at this stage to the dwelling rents and the negative subsidy payments to the Secretary of State. These amendments reflect the outcome of the Government's review of rent policy.
13. Close budgetary control will need to be maintained to ensure that the projected overspend does not occur and that the budgets are met.



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Appendix A

## Housing Revenue Account 2009/10

	Full Year Budget 2009/10	Revised Estimate 2009/10	Variance
<b>INCOME</b>			
Dwelling Rents Net of Voids	(43,125,950)	(41,815,528)	1,310,422
Non Dwelling Rents	(215,500)	(215,500)	0
Leaseholder Charges (ground rents and insurance)	(203,660)	(203,660)	0
Sale of Houses - Mortgage Interest	(29,040)	(29,040)	0
Other Items of Income (Commision on Water charges)	(211,230)	(211,230)	0
Housing Subsidy - Major Repairs allowance	(7,919,930)	(7,919,930)	0
Transfer from Major Repairs Reserve To Finance			
Transitional Measures General Fund (1/3)	(280,000)	(280,000)	0
	<b>(51,985,310)</b>	<b>(50,674,888)</b>	1,310,422
<b>EXPENDITURE</b>			
Housing Repairs (includes recovery of leaseholders repairs)	8,853,910	8,853,910	0
Capitalised Repairs met from HRA	0	0	0
Housing Repairs - Supporting People Grant	0	0	0
Supervision & Management			
General Expenses	5,289,800	5,289,800	0
Special Expenses	2,891,850	2,891,850	0
Housing Futures -HRA	246,100	246,100	0
Supporting People- Transition	150,000	150,000	0
Rent. Rates, Taxes & Other Charges	44,000	44,000	0
Provision for Bad Debts	250,000	250,000	0
Housing Rev A/C Subsidy:			
Subsidy to Major Repairs Reserve - Gross of transition	7,919,930	7,919,930	0
Negative Subsidy- Payments to Secretary of State	18,089,980	16,779,558	(1,310,422)
Transitional Measures: Transfer to General Fund (2/3)	560,000	560,000	0
Resource Accounting:			
Capital Asset Charges	0	0	0
Depreciation	7,980,890	7,980,890	0
	<b>52,276,460</b>	<b>50,966,038</b>	(1,310,422)
<b>Net Cost of HRA Services as included in the whole authority Income and Expenditure Account</b>	<b>291,150</b>	<b>291,150</b>	0
Resource Accounting:			
Capital Asset Charges for Dwellings	0	0	0
Capital Asset Charges for Other Assets	0	0	0
HRA services share of corporate and democratic core	302,840	302,840	0
<b>Net Cost of HRA Services</b>	<b>593,990</b>	<b>593,990</b>	0
<b>Appropriations</b>			
Interest and Investment Income	(250,740)	(250,740)	0
Resource Accounting:			
Further Depreciation on Dwellings from MRR	0	0	0
Transitional Measures: Transfer to General Fund (1/3 from MRR)	280,000	280,000	0
Depreciation on Other Assets	(60,960)	(60,960)	0
Transfer from Housing Reserves	0	0	0
<b>Housing Revenue Account - Deficit / (Surplus)</b>	<b>562,290</b>	<b>562,290</b>	<b>0</b>
<b>Housing Revenue Account Balance</b>			
Opening Balance at 1 April	1,965,000	1,965,000	
Deficit for year	(562,290)	(562,290)	
Transfer from Housing Reserves	0	0	
<b>Closing Balance at 31 March</b>	<b>1,402,710</b>	<b>1,402,710</b>	

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### Notes of Key Decisions/Action Points

**Meeting:** Cabinet

**Date:** 28 July 2009

<p><b>28 July 2009</b> <b>CA/304/09</b> <b>Item 12</b></p> <p>Housing Revenue Account I Implication of Rent Policy and Review of 2009/10 Budget</p>	<ol style="list-style-type: none"><li>1. That the decision to approve the revised estimate for 2009/10, as attached at Appendix A of the report, which reflects the revised rental income and negative Housing Revenue Account (HRA) subsidy resulting from the amended HRA Subsidy Determination for 2009/10, as a result of the Housing Minister's offer to reduce the guideline rent for housing subsidy purposes, be delegated to the Leader of the Council, in consultation with Chairman of the Social Overview and Scrutiny Committee.</li><li>2. That the decision to approve a revised average rent increase of 3.26% resulting in an average, with effect from 6 April 2009, of £76.72, be delegated to the Leader of the Council, in consultation with the Chairman of the Social Overview and Scrutiny Committee.</li><li>3. That the ongoing dialogue between officers to resolve issues with the Department of Communities and Local Government in relation to the Housing Revenue Account and HRA subsidy guideline rents be noted.</li><li>4. That the Council's subscription to CIPFA Housing Advisory Network (HAN) be endorsed and that it be noted that an action plan for progressing "Open Book" accounting was being developed with representatives from CIPFA HAN to include on site training for officers (as referred to within the section of the report relating to budget review).</li></ol>	<p>Cllr M Griffiths, Portfolio Holder for Housing Cllr N Tiley, Portfolio Holder for Finance &amp; Resources Sally Marshall, Director of Finance &amp; Corporate Services</p>
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