

<b>Name of decision maker:</b>	<b>Cllr Margaret Griffiths</b>
<b>Portfolio:</b>	<b>Housing</b>
<b>Date of Portfolio Holder Decision:</b>	<b>11 May 2010</b>

<b>Title of Decision:</b> Refund to Tenants of Target Rent Overpayments
<p><b>Decision made and reasons:</b></p> <p>To approve the refund to affected tenants of an amount equal to the difference between the rent charged and the rent that would have been charged if target rent had not been applied to their tenancies.</p>
<p><b>Reports considered: (here reference can be made to specific documents)</b>  Housing Rents and Other Charges Policy PH/016/10  Background report attached.</p>
<p><b>Officers/Councillors/Ward Councillors/Stakeholders Consulted:</b>  Head of Finance, Revenues and Benefits Support Manager, Senior Accountant – HRA, Housing Advisory Panel</p>
<p><b>Monitoring Officer</b></p> <p>Monitoring Officer: The proposed refund to certain tenants of target rent overpayments is a reasonable action on the part of the Council as its purpose is to rectify a misapplication of adopted Council policy.</p> <p><b>Chief Financial Officer Comments</b></p> <p>The Housing Benefit subsidy claim for 2010/11 will be affected by the rent refund and the General Fund will therefore be reduced by approximately £30,000.</p> <p>However, it is estimated that our Housing Benefit claim form for 2010/11 will be in the region of £45m to £46m therefore this will not have a significant impact on the General Fund Balance, were all other items of income and expenditure in this complex area, remain at estimated levels.</p> <p>The figures been compiled and reviewed in the relevant sections of the finance division (benefits and accountancy) and are the best estimates available at this point in time.</p>
<p><b>Implications:</b></p> <p><b>Risk:</b> Failure to apply this correction in a timely manner will have an impact on the Councils reputation.</p>

**Value for Money:** The estimated cost to the HRA of refunding target rent increases applied to the 69 tenants affected is likely to be in the region of £17,000. However, approximately £4,400 will be recouped through the refund having the effect of partly or fully clearing rent arrears where these exist.

**Options Considered and reasons for rejection:**

The introduction of target rents for these tenants was a misinterpretation of the Council's policy and it would therefore be inappropriate not to rectify this by refunding the tenants affected.

**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: 11 May 2010

Date Decision Published: 11 May 2010

Decision No: PH/027/10

Date of Expiry of Call-In Period: 18 May 2010

Date any Call-In received or decision implemented:

**BACKGROUND**

The Council's decision to let new tenancies at target rent from 1 August 2008 was applied to all tenancies that were not technically assignments. This occurred due to a misinterpretation of the Council's intention which was to apply target rents only where the new tenant was a Homeseeker or transfer applicant. As a result, 69 tenancies were wrongly let at the higher target rents.

The tenancies adversely affected were those that arose as a result of relationship breakdown where the joint tenancy was terminated and a new sole tenancy of the same property let to the remaining partner. In some cases, a sole tenancy was terminated and then let to the other partner.

The Housing Rents and Other Charges Policy that was adopted by the Council on 1 April 2010 defines which tenancies are exempt from letting at target rent. This is a clarification of the Council's previous decision and not an alteration. The tenancies that have been wrongly let at target rent have therefore been amended so that the weekly rent charge has reverted to the formula rent.

A detailed list of the 69 tenancies that have reverted to formula rent has been compiled indicating the amount of rent that has been overcharged in each case. Of these, 44 tenants have been in receipt of Housing Benefit during all or part of the tenancy and therefore some or all of the refund will be in the form of an adjustment

to their Housing Benefit account. This adjustment will have no direct effect on these tenants' personal Housing Benefit liability.

The increase from formula to target rent varies between properties and ranges from £3.08 to £32.90 per week. In terms of the refund due per tenancy, this varies between under £100 to over £1,400, depending on the length of tenancy and the increase in charge. A summary of the affect of amending and refunding each of the 69 tenants is as follows (figures as at 9 March 2010):

	£
2008/09 Total value of tenants overcharged	8,186.44
2008/09 Estimated overpaid Housing Benefit	-4,614.61
2008/09 Estimated refund due to tenants	3,571.83
2009/10 Total value of tenants overcharged	37,267.72
2009/10 Estimated overpaid Housing Benefit	-23,896.71
2009/10 Estimated refund due to tenants	13,371.01
<b>Total estimated refund for 2008/09 and 2009/10</b>	<b>16,942.84</b>

Estimated weekly values for 2010/11 until rents changed:

2010/11 Weekly value of tenants overcharged	866.51
2010/11 Estimated weekly overpaid Housing Benefit	-472.92
2010/11 Estimated weekly refund due to tenants	393.59

There are 32 tenancies that are in rent arrears (as at 21 April 2010), totalling £9,125.38. If these accounts are still in arrears at the point of refund, then the refund will reduce this arrears figure by approximately £4,400. Only those tenants whose accounts are in credit after their account has been adjusted will be able to request a cash refund.

Where a tenant has been receiving Housing Benefit, and their rent level is retrospectively reduced, this will result in a corresponding reduction in the amount of Housing Benefit which was paid to the rent account. As Housing Benefit is paid as a rebate to the rent accounts, when any benefit has been credited which subsequently is found to be in excess of liability, the excess benefit must be removed from the rent account, which means that there will be no impact on the net position of the HRA for these tenants. However, Housing Benefit subsidy of 100% of the amount will have been claimed from DWP for previous years – this means that the 2010/11 subsidy claim will need to be adjusted as in fact no subsidy is payable for these amounts (as they have not been paid against any liability). This in turn means that the General Fund will be reduced by the total amount of rent reduction (£28,511.32) on these benefit-linked tenancies.