

HRA RENT INCREASES – 2009/2010

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Summary

Members will recall the decision of Council on 26 February concerning this matter. Cabinet on 19 March 2009 agreed that until Council made a new determination, council tenants would be notified in writing with immediate effect that they would be liable to pay an interim 3.1% average annual increase in rent - thereby suspending the 26 February 2009 Council decision of increasing average rents by 6.20 %. This was based on an expectation that following a ministerial announcement, a formal notification from the Government would be received that would amend the Council's HRA Subsidy to cover for the loss of income associated with reducing average rents to 3.1 %. Such formal notification has been received in the form of the Housing Revenue Account Subsidy Determination 2009-10 Amending Determination 2009 and Council is being recommended to rescind its previous decision to increase Council rents by an average of 6.2% for 2009/10 and instead confirm an annual average increase of 3.1% for 2009/10. Tenants will then be notified accordingly.

RECOMMENDATION: That Council:

- a) rescind its previous decision made on 26 February 2009 to set an annual average increase of 6.2% in rents payable by its tenants in respect of the 2009/10 financial year.**
- b) Agree that there should be an annual average increase of 3.1% in rents payable by its tenants in respect of the 2009/10 financial year with effect from 6 April 2009.**

Supporting Information

1. As part of the normal budget setting process and in line with previous years, the HRA budget, including a rent increase of 6.2%, was determined by full Council on 26 February 2009 following the Cabinet meeting on 19 February 2009. Under the Constitution, any amendment to this figure will also have to be agreed by full Council.
2. Under this national framework, regulated by the DCLG, the level of charge was provided to the Council as part of the HRA subsidy determination in December 2008. In line with section 102 of the Housing Act 1985, immediately after the Council decision on rent levels for 2009/10, a notification was sent to tenants advising them of the Council's intention to raise the rent after 28 days. That letter was received by most tenants during the first week of March 2009.
3. On Friday 6 March 2009, the Housing Minister made an announcement that the Government was indeed changing the requirement under the

guideline rent charges for 2009/10 from the original 6.2% increase to 3.1%.

4. Following the Cabinet meeting of 19th March new letters were sent to tenants which informed them of an interim but immediate 3.1% increase pending a formal HRA Subsidy amendment. Once Council has rescinded the original valid average increase of 6.2 % and instead confirmed a revised increase of 3.1% for 2009/10, new letters will be sent out to tenants to formally confirm this decision.

Financial Implications

5. The Hillingdon dwelling rents average increase of 6.2%, approved by 19 February 2009 Cabinet, was based on property specific calculations using the rent restructuring formula provided by DCLG.
6. For 2009/10, the guideline rent increase comprised a general (inflation related) increase and an element due to convergence to formula rents modified by caps and limits. The caps and limits ensure that the formula does not result in very high increases for some tenants as a result of the convergence element of the formula. The 6.2% average increase agreed by Cabinet on 19 February 2009 included a rent increase of 7% for around 1,400 tenants.
7. The proposed changed guideline average annual rent increase for 2009-10 of 3.1% is similarly likely to result in variations for individual tenants and these will depend on the value of individual parameters set out by DCLG. The recommended interim rent increase is similarly being based on parameters set out in the Housing Revenue Account Subsidy Determination 2009-10 Amending Determination 2009 , The use of these assumptions results in average increase of 3.1% as set out in table 1 below.

TABLE 1 HRA DWELLING RENTS		PREVIOUS YEAR	PREVIOUS YEAR	CURRENT YEAR	NEXT YEAR PROPOSED	
		2006/07 RENT	2007/08 RENT	2008/09 RENT	2009/10 RENT	2009/10 RENT
		ACTUAL RENT pw	ACTUAL RENT pw	ACTUAL RENT pw	RENT RESTRUCTURE pw	% Increase for Restructured rent
	HRA COUNCIL DWELLING RENTS (AVERAGE)	£80.88	£84.14	£86.09	£88.72	3.06%
a.	Flats/Maisonettes 1 bed	£67.40	£70.02	£70.48	£72.64	3.05%
b.	Flats/Maisonettes 2 beds	£77.52	£79.96	£79.75	£82.08	2.92%
c.	Flats/Maisonettes 3+ beds	£87.99	£91.09	£92.59	£95.44	3.08%
d.	Houses/Bungalows 1 bed	£71.73	£76.03	£79.53	£81.99	3.10%
e.	Houses/Bungalows 2 beds	£85.01	£88.85	£92.32	£95.18	3.10%
f.	Houses/Bungalows 3 beds	£96.59	£100.27	£104.81	£108.06	3.10%
g.	Houses/Bungalows 4+ beds	£103.36	£107.95	£112.22	£115.71	3.11%

h.	TEMPORARY ACCOMMODATION HRA HOSTELS (AVERAGE)	£57.77	£57.40	£77.54	£79.95	3.11%
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8. It should be noted that individual rents based on the average rents in the above table have already been applied as a result of the March 19th 2009 Cabinet decision to suspend the decision to increase rents by an average of 6.2% and instead apply an interim rent increase of 3.1% in anticipation of receiving formal documentation confirming the ministerial announcement of 6th March 2009.

CORPORATE IMPLICATIONS

Corporate Finance

9. The implications of rent levels for individual Council tenants are set out in the financial implications above. The key change between the situation described in the report to Cabinet on 19 March 2009 and the action now recommended to the Council has been the receipt of the Housing Revenue Account Subsidy Determination 2009-10 Amending Determination 2009 and its subsequent verification by officers. This now allows full Council to with confidence re-set rent levels for 2009/10 with the backing of the appropriate level of Government HRA rent subsidy in place.

Legal

10. In the event that Council agrees to set an annual average increase of 3.1% in rents payable by its tenants in respect of the 2009/10 financial year, Notices of Variation will have to be sent to all tenants in accordance with section 102 of the Housing Act 1985. Such Notices will replace those which were previously served by the Council on 27 February 2009.