

Committee:	Community & Housing Committee	Finance & Administration Committee	Agenda Item 8
Date:	19 March 2009	26 March 2009	
Title:	Rent Setting 2009/10		
Author:	Stephen Joyce, Chief Finance Officer Roz Millership, Head of Housing Services		Item for decision

Summary

- 1 On 19 February 2009, the Full Council approved an average council dwelling rent increase of 6.07%. This was based upon rent restructuring regulations issued by DCLG, which included an average guideline rent increase of 6.2%.
- 2 On 6 March 2009, DCLG issued a press release which stated that the average guideline rent increase of 6.2% is to be halved to 3.1%, with the expectation that councils would ensure that tenants receive the full benefits of this lower increase. This is in recognition that the original guideline rent increase was determined at a time of much higher inflation. The DCLG indicated that funding would be made available to support Councils in making this change.
- 3 At the time of issuing this report, 11 March 2009, DCLG had issued no guidance to councils on the practical effect of this headline reduction, including details of the funding available and revised subsidy determination. The Council cannot afford to implement the lower increase unless the negative housing subsidy payment is reduced. (That said, it is reasonable to assume that an adjustment will be made.)
- 4 In light of the DCLG press release, and in recognition that the benefits to Uttlesford council house tenants of implementing a lower increase would be considerable, 11 Members have signed a motion under Rule 12 that the Council decision of 19 February be rescinded.
- 5 It is proposed that, subject to there being no significant adverse financial implications for the Housing Revenue Account, that the rent increase be reduced in line with the revised guideline rent increase.
- 6 The DCLG have indicated that detailed regulations will be issued for consultation shortly with the intention of finalising this by end of March. This is too late to amend rent payments due to be collected in April. Any revision will have to be implemented as soon as practical during the financial year and the effects backdated to 1 April.

Recommendations

The Community & Housing Committee is requested to recommend to the Finance & Administration Committee approval of the following:

- To agree in principle to amending the 2009/10 rent increase in line with the revised guideline rent increase, subject to there being no significant adverse financial effect on the Housing Revenue Account
- To delegate authority to the Chief Finance Officer and Head of Housing Services to finalise and implement the revised 2009/10 rent increase in accordance with the above principle.
- To delegate authority to the Chief Finance Officer to make the necessary budgetary adjustments within the Housing Revenue Account, on the basis that the bottom line effect will not be significant.

Background Papers

Report to Full Council 19 February 2009, Item 6

Impact

Communication/Consultation	The Tenants Forum is aware of the Government's proposal and has informally indicated support for a lower increase.
Community Safety	No specific implications
Equalities	No specific implications
Finance	<p>A lower rent increase will result in a lower level of income to the Housing Revenue Account which it cannot afford to sustain. If the Government amends the Housing Subsidy Determination appropriately the lower level of rent income should be offset by a lower negative subsidy payment, so that the bottom line effect on the Housing Revenue Account would be neutral. It is expected that this adjustment will be made, but this is not yet certain.</p> <p>Additional costs will be incurred by the Council e.g. preparing and issuing revised bills, benefits system adjustments. The Government has indicated that funding will be made available to Councils, but it is not yet certain whether all costs will be recoverable.</p>

Human Rights	No specific implications
Legal implications	No specific implications
Sustainability	No specific implications
Ward-specific impacts	No specific implications
Workforce/Workplace	No specific implications

Situation

- 7 The following table compares the existing Council decision with an estimate of the effect of revising the rent increase in line with the Government announcement.

	Existing decision	Estimated revision	Difference
Average increase in dwelling rents	6.07%	3.06%	-3.01%
Lowest percentage increase	4.97%	1.98%	-2.99%
Highest percentage increase	8.35%	5.25%	-3.10%
2009/10 average weekly rent	£78.65	£76.41	-£2.24
Average weekly Increase	£4.51	£2.27	-£2.24
Gross rental income to HRA	£11.461m	£11.127m	-£0.334m
Negative Housing Subsidy payment	£5.469m	£5.135m	-£0.334m

- 8 The actual effects will be based upon government guidance yet to be issued so may vary from the above estimates.
- 9 The Assistant Chief Executive has advised that:
- The Community & Housing Committee should determine a recommended course of action
 - The Finance & Administration Committee should consider the Community & Housing Committee recommendation and make a decision
 - The Full Council should be informed of the Finance & Administration Committee's decision and the action taken.

- 10 The DCLG press release of 6 March 2009 is reproduced below:

Housing Minister Margaret Beckett has today announced new support to help councils cut their planned rent increases for tenants in the current economic climate.

The average guideline rent increase for 2009/10 will be halved from 6.2 per cent to 3.1 per cent for local authority tenants, to encourage councils to reduce the amount tenants would have to pay for the coming year.

Mrs Beckett announced that the Government would make funding available to support local authorities to make the changes, and revise their rents for 2009/10 accordingly.

The changes to the guideline rent increase means tenants should see a marked drop in their proposed average rent increase for the coming year from around £4 per week to approximately just under £2.

Mrs Beckett said:

"We are facing challenging economic times and it is right that this Government offers real help now to council tenants. We have listened to what councils and their tenants have said to us about the planned rent increases, and we are determined to help tenants get a fair and affordable deal.

"Ultimately, it is for each council to take up this offer of support, but I would expect them to ensure their tenants receive the full benefits."

The Minister has already indicated that she will look again at the guideline rents for 2010-11 to ensure that council tenants continue to pay rents that are affordable and fair.

- 11 Accompanying this report is the motion to rescind the Full Council decision under Rule 12, signed by the requisite number of Members.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Costs of adjusting the rent increase may not be fully funded by DCLG	2	1	Costs will be accurately recorded and claimed in full, subject to the limits of the funding arrangements put in place
The negative housing subsidy payment may not be reduced sufficiently to compensate the Council for the reduced level of rent income	2	2	We will respond to the DCLG consultation, making clear that there must be reduction in negative subsidy commensurate with the reduced income. We will not proceed with the revised increase if there is a significant adverse financial impact on the HRA.
The revised increase cannot be implemented prior to 1 April, so there is a risk of confusion and dissatisfaction arising, and a risk of discrepancies arising on rental accounts	2	2	The situation will be clearly explained in a letter to tenants and on the Council website The revised increase will be implemented as soon as practicable and effects backdated to 1 April.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.