

REPORT TO CABINET

REPORT OF: CORPORATE HEAD OF FINANCE AND CUSTOMER SERVICES

REPORT NO: CHFCS36

DATE: 6 APRIL 2009

TITLE:	REVISION OF GUIDELINE RENT 2009/10	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	N/A	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	COUNCILLOR MAUREEN SPENCER-GREGSON O.B.E.	
CONTACT OFFICER:	RICHARD WYLES	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Local Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS		

1. RECOMMENDATION

Cabinet is asked to:

- 1) Recommend to Council that a positive response is given to the consultation to support a reduction in the rental increase (in respect of the Housing Revenue Account) for 2009/10 to a guideline rent increase of 3.1%, in line with the proposal of the Minister for Housing announced on 6 March 2009; or
- 2) Recommend to Council to keep to the average guideline rent increase of 6.04% as approved by Council on 2 March 2009.

2. PURPOSE OF THE REPORT/DECISION REQUIRED

As part of the budget report to Council (CHFCS 25) on 2nd March 2009, the following decision was taken:

To set dwelling rent increases in accordance with Government guideline rent, but with a cap on individual rent increases of no more than 7%, providing an average rent of £62.61 (and an average rental increase of 6.04%)

However, on 6th March 2009 the Minister for Housing announced a new proposal for a lower average guideline rent of 3.1%. This proposal has now been taken forward for consultation in accordance with Section 87 (2) of Local Government and Housing Act 1989 and is due to end on 24th April 2009 - the proposals relate to dwelling rents only.

3. DETAILS OF REPORT (SUMMARY – USE APPENDICES FOR DETAILED INFORMATION)

The original average increase in guideline rent published on 18th December 2008 in the Housing Revenue Subsidy Determination 2009-10 was 6.2% when RPI was at its highest in September 2008 at 5%. In response to the economic climate the Government is proposing a reduction of the average guideline rent increase for 2009/10 of 3.1%.

The consultation requests that if the Council wishes to take the offer from Communities and Local Government (CLG) of using the lower average guideline rent, (which will reduce our actual rent increases and therefore lower budgeted income levels), CLG will compensate the Council if it meets the set criteria laid out in the consultation document.

Having followed the specified calculations under the criteria identified, the Council will qualify for assistance which will result in a downward adjustment (reduction) being made to the subsidy amount payable.

Therefore, as a direct consequence of the proposal there will be no significant financial impact on HRA. However there will be associated costs of having to implement this which will have to be funded by the HRA itself and these are shown below.

Furthermore, as part of the consultation, CLG has asked for an indication of costs that may fall to the General Fund. This is to help ascertain whether they are likely to have an unreasonable impact on finances or constitute a potentially unreasonable additional burden. They have not confirmed whether any of these General Fund costs will be reimbursed. An indication of the anticipated costs that could fall onto the General Fund is given later in the report.

The proposals expect Councils to implement this reduced rent backdated from the 1st April 2009. This would result in a rents range from £43.05 to £88.49 from a previous range at 6.04% of £44.35 to £91.16.

HRA Costs

If the lower guideline average rent increase is implemented then a number of actions will be required in order to facilitate this, resulting in additional fixed costs for the HRA and officer time amounting to £10,000- £15,000 which includes areas such as:

- New rent notification letters to all tenants including latest rent statement to show impact of lower increase on their accounts.
- New Direct Debit letters to those paying by this method including checking of calculations
- Recalculation of average rent figures within the rent system to update tenants accounts including testing and checks for accuracy.

- Dealing with increased telephones calls resulting from customer queries

There is a separate concern regarding the impact on the rent collection process as all recovery action will need to be suspended pending the crediting of the reduced rental figure for each customer. This area will require careful management as there has been poor performance in respect of rent collection and this course of action could further deteriorate performance.

General Fund Costs

There will be some additional one-off costs that fall to the General Fund particularly in the administration of Housing Benefit arising from the proposed changes and the associated enquiries that will need to be dealt by Customer Services. It is difficult to fully quantify this impact as mitigating actions such as clear and concise customer information should reduce confusion and therefore the need for tenants to contact us. However a prudent estimate of the likely cost impact could be in the region of £8,000, including direct costs and officer time for actions such as:

- Sending out new benefit notification letters to relevant tenants
- Updating the Housing Benefit system with new benefit requirements
- Dealing with increased telephones calls resulting from customer queries

If the Council wants to take up the offer from CLG in implement the lower guideline average rent increase of 3.1% then it needs to indicate this to CLG by the 24th April 2009.

4. OTHER OPTIONS CONSIDERED

The other option is to keep to the average guideline rent increase at the 6.04% as approved by Council on 2nd March 2009

5. RESOURCE IMPLICATIONS

This has been identified in section 3 of the report.

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

Not applicable

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

Not applicable

8. CRIME AND DISORDER IMPLICATIONS

Not applicable

9. COMMENTS OF SECTION 151 OFFICER

My comments are contained within the report.

10. COMMENTS OF DEPUTY MONITORING OFFICER

The Minister for Housing's proposal of 6th March 2009, to reduce the guideline rent increase from the previous Government guidance of 6.04% to 3.1% is discretionary. As the proposal is a departure from the budgetary framework set by this Council on 2 March 2009 (report CHFCS 25), where it was agreed to set dwelling rent increases in accordance with the Government guideline rent at that time (i.e. 6.04%), the exercise of that discretion is for Council.

11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER

Jane Booth – Tenancy and Neighbourhood Services

I support the recommendation that Cabinet consider and recommend to Council a reduction of the rent increase in line with the CLG's recent proposal.
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