

# REPORT TO CABINET

**REPORT OF:** Director of Tenancy Services

**REPORT NO:** TSE37

**DATE:** 6 July 2009

<b>TITLE:</b>	<b>RENT INCREASE AMENDMENT</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	N/A	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Councillor Paul Carpenter, Portfolio Holder for Corporate Governance and Housing.	
<b>CONTACT OFFICER:</b>	Tony Campbell, Director of Tenancy Services 01476 406501 t.campbell@southkesteven.gov.uk	
<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>	N/A	
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Local Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	Report CHFCS37 to Council, 23 April 2009 Revision of guideline rent 2009/10	

## 1. RECOMMENDATIONS

It is recommended that:

Cabinet agree to implement the revised rent increase in respect of Housing Revenue Account properties, to a guideline rent increase of 3.1%, in line with the revised HRA subsidy determination approved by Council at its meeting on 23 April 2009, with effect from 7 September 2009.

## 2. PURPOSE OF THE REPORT/DECISION REQUIRED

As part of the budget report on 2 March 2009 (CHFCS 25), the Council agreed to increase dwelling rents in accordance with the increase in guideline rents of 6.2%, as recommended in the Housing Revenue Subsidy Determination 2009-10. A cap on individual rent increases of 7% was agreed and the average actual rent increase was 6.04%.

On 6 March 2009 the Minister for Housing announced a new proposal for a lower average rent increase of 3.1%, subject to consultation with local authorities. The Council meeting on 23 April supported this proposal.

On 20 May 2009 the government confirmed that it would be proceeding with amended rent increase and following this a revised Housing Revenue Subsidy Determination was issued.

This Determination confirms that our subsidy payment will be amended to reflect the amended rent increase and that we will not suffer financially. However, the administrative costs of processing the amended rents will fall on the Housing Revenue Account and we will not be compensated for these costs.

The Determination does not state when the amended rent increase should take effect, however officers' views are that it should take place as soon as practicable.

### **3. DETAILS OF REPORT**

The original average increase in guideline rents published on 18 December was 6.2%. This was because rent increases are based on the September RPI figure, which was 5%. Our average rents under this calculation would have been £62.61, with a range from £44.35 to £91.16.

In response to the economic climate the government proposed a reduction of the average guideline rent increase to 3.1%. However, this proposal came too late to stop the original rent increase being implemented at the start of the financial year.

The revised Subsidy Determination confirms the amended rent increase at 3.1% and under this calculation the average rent is £59.45, with a range from £42.09 to £86.53 (based on a 52 week rent year).

To achieve the amended average rent increase for the year we will have to amend rents with effect from 7 September 2009. We will have to give to all tenants four weeks notice of their new rents.

A number of actions will be necessary to implement the amended rents including:

- sending new rent notification letters to all tenants including a rent statement to show the impact of the lower increase on their accounts
- recalculating new Direct Debit payments and writing to all tenants who pay rent by this method
- recalculating rents in the rent accounting system to update tenants' accounts, including testing and checking for accuracy
- dealing with increased phone calls resulting from customer enquiries.

It is estimated that these additional costs, including officer time, will be in the region of £10,000 - £15,000. The government will not meet these additional costs.

These additional administrative costs will also impact on the arrears collection process as recovery action will need to be suspended pending the crediting of the reduced rental figure for each customer.

There will also be additional costs to the general fund for actions such as:

- sending out revised benefit notification letters to tenants who receive housing benefit
- updating the housing benefit system with new benefit entitlements

- dealing with increased telephone calls resulting from customer enquiries.

It is estimated that these additional costs will be in the region of £8,000. The government has not yet confirmed whether it will compensate the Council for these additional costs.

#### **4. OTHER OPTIONS CONSIDERED**

The option of keeping to the original guideline rent increase was not supported by the Council meeting on 23 April 2009.

#### **5. RESOURCE IMPLICATIONS**

These have 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**

At its meeting on 23 April 2009, Council agreed to give a positive response to Government to implement a reduced rent increase in 2009/10 on the understanding that the subsidy determination would be amended accordingly in order to ensure the Council is not financially penalised by the proposal. This has been confirmed, however the implementation costs of introducing the reduction will need to be met from both the Housing Revenue Account and the General Fund. The Cabinet should also be aware that there may be a detrimental impact on the recovery of rents due, whilst the implementation is underway, which could have consequences from both a cash flow and a performance outturn perspective.

#### **10. COMMENTS OF MONITORING OFFICER**

The Minister for Housing's proposal of 6 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. Council resolved "to endorse the Cabinet's recommendation 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 by the Minister for Housing announced on 6 March 2009." The Government consultation on the proposed increase has now been completed and a 3.1% rent increase has been confirmed. Cabinet is now being asked to implement that increase.

## **11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER**

Jane Booth, Service Manager Tenancy & Neighbourhood Services - I support the recommendation for Cabinet to consider implementing the revised rent increase to a guideline increase of 3.1% with effect from the 7 September 2009.

## **12. APPENDICES: None**