
REPORT TO:	COUNCIL	AGENDA ITEM: 15
DATE OF MEETING:	9th APRIL 2009	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget round 0910/revisedrent 0910
SUBJECT:	REVISED RENT INCREASE 2009/10	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 That an average rent increase of 3.1% for 2009/10 in accordance with revised Government guidelines be approved.

2.0 Purpose of Report

- 2.1 To assess the implications of implementing the Government's revised housing subsidy determination for 2009/10. This follows their announcement on 6th March to reduce the average national guideline rent increase from 6.2% to 3.1%.

3.0 Detail

Background

- 3.1 On 17th February, the Finance and Management Committee approved an average rent increase for council tenants of 4.9%. This was below the Government's original guideline increase of 6.28%.
- 3.2 The Council received details on 26th March of implementing the revised national guideline. Effectively, this provides authorities with an option of implementing the revised guideline. If the lower option is taken up, the Government will compensate lost rent (compared to the original increase) through the subsidy system.
- 3.3 The option is currently subject to consultation and authorities have until 24th April to inform the Government on whether they wish to implement the lower increase. If the option is taken up, it will be backdated to 1st April, but the implementation date has not been confirmed.

- 3.4 However, any costs associated with recalculating rents, reissuing notices, etc. are not likely to be reimbursed by the Government. The exception is any costs associated with revised benefit calculations/notifications.
- 3.5 As these costs (benefit administration) fall onto the General Fund, the Government are reviewing whether a contribution is appropriate. Full details are not yet available, although the Council will need to submit an estimate of any costs by 24th April if it resolves to implement the lower increase.
- 3.6 All other items within the original subsidy determination on which the Council set its HRA budget for 2009/10, remain unchanged.

Current Situation

- 3.7 The Government's revised increase of 3.1% nationally, is in recognition of the current economic situation. Indeed, the Council's lower increase (at that time) of 4.9% was also approved after considering the local situation.
- 3.8 Therefore, the decision on whether to accept the lower option is perhaps a "principle" decision rather than a financial one and the impact it has (if any) upon the overall 10-year financial projection for the HRA. However, the impact needs to be noted in making the decision.

Projected Effect on the HRA

- 3.9 As noted at Finance and Management Committee in February, implementing a 4.9% increase compared to the proposal of 6.2% would have a detrimental impact on the HRA through a reduction in anticipated rent. This was estimated at approximately £100,000 per year.
- 3.10 Implementing a 3.1% increase reduces rent further, although this would be reimbursed through subsidy – in the Council's case by a reduction in the payment to the national pool (negative subsidy). This would equate to approximately £300,000 for 2009/10.
- 3.11 It should be noted that by setting an increase above the revised national guideline of 3.1%, although this would generate additional rent, the HRA would be penalised by a reduction in benefit subsidy that reimburses rent rebates paid to qualifying tenants. Approximately two-thirds of any additional rent is lost through this mechanism.
- 3.12 The overall position on the HRA is summarised in the following table. This shows the projected impact of the 3 different scenarios involved.

Projected HRA Position to 2018 (Financial planning period)	HRA reserves @ 2018	First Year of Deficit
Original guideline increase proposed – 6.2%	£937,000 (Surplus)	2011/12
Approved increase (as it currently stands) – 4.9%	£85,000 (Deficit)	2010/11
Revised guideline increase – 3.1%	£875,000 (Surplus)	2011/12

3.13 Effectively, the new national guideline proposed almost reverts the HRA back to the projected position reported in February. This is due to the subsidy system reimbursing lower rent levels with all other items remaining unchanged, including formula rents.

Effect on Individual Tenants

3.14 The national guideline is an average increase. In accordance with the Government's rent restructuring policy, individual tenants will pay more or less depending on where their current rent stands in relation to the national formula.

3.15 A broad analysis of increases is shown in the following tables, again over the 3 different scenarios.

Number of tenants affected (Increase in £'s per week)	6.2%	4.9%	3.1%
Less than £2 per week	0	35	2,051
Between £2 and £3	294	1,759	1,043
Between £3 and £4	2,445	1,299	0
Between £4 and £5	355	1	0

Number of tenants affected (Increase in percentage terms)	6.2%	4.9%	3.1%
Less than 5%	0	1,661	3,094
Between 5% and 6%	943	1,429	0
Between 6% and 7%	2,064	4	0
Between 7% and 8%	87	0	0

At the average of 3.1%, the highest increase is £2.76p per week (4.2%)

Average Rents and Rent Restructuring

3.16 The average rent proposed under the 6.2% guideline increase was £61.76 per week. An average of 4.9% gave £60.96, with 3.1% equating to £59.91. It should be noted that the average Formula Rent remains unchanged at £68.13, now nearly 14% above the Council's average.

3.17 Therefore, depending on how rent restructuring is dealt with nationally in future years, tenants could still face larger increases as the average rent is moved to the Formula in accordance with current policy.

4.0 Financial Implications

5.1 As detailed in the report

5.0 Corporate Implications

6.1 None Directly

6.0 Community Implications

7.1 None Directly

8.0 Background Papers

8.1 Department for Communities and Local Government - Housing Subsidy Amending Determination (and associated papers) 2009/10.