

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF HOUSING & COMMUNITY CARE and DIRECTOR OF
RESOURCES

TO:	COUNCIL		
DATE:	31 MARCH 2009	AGENDA ITEM:	7
TITLE:	REDUCTIONS IN RENT INCREASE		
LEAD COUNCILLOR:	CLLR EDWARDS	PORTFOLIO:	HOUSING
SERVICE:	HOUSING	WARDS:	ALL
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1. PURPOSE AND SUMMARY OF REPORT

- 1.1 Further to Minute 54 of the Council meeting held on 27 January 2009, this report outlines the potential to reduce the agreed average rent increase for Council tenants in 2009/10 (of 4.9%), through taking advantage of a recent Government proposal to halve the guideline rent increase for 2009/10, from 6.2% to 3.1% for 2009 and to change the subsidy position for those authorities which reduce their average increase in rents for 2009/10 in line with the new national average. The purpose of the report is to seek agreement that the Council would wish to pursue the possibility of a reduction in the rent increase and thereafter agree a process for doing so.
- 1.2 The revised Government position was announced in a written Ministerial Statement from the Minister for Housing (Margaret Beckett) issued on 6 March 2009. A copy is attached as Appendix A.

2. RECOMMENDED ACTION

- 2.1 That in the light of the Ministerial Statement attached as Appendix A, the principle be agreed of the authority taking advantage of the Government's changed subsidy position to reduce the agreed rent increase for Council tenants in 2009/10 from 4.9%, subject to the Government making additional subsidy available to enable this to happen within the budget for the Housing Revenue Account for 2009/10 approved by Council on 27 January 2009; and that the final amount of the reduction be determined:

- a) either by Cabinet, at its meeting on 14th April 2009, or,
- b) if the Government's consultation timetables do not allow Cabinet on 14 April 2009 to make this decision, by the Director of Housing & Community Care and the Director of Corporate Resources, in consultation with the Lead Councillor for Housing and the Housing spokespersons for the Conservative and Liberal Democratic parties, and subject to the decision being published through the Decision Book.

3. POLICY CONTEXT

- 3.1 On 27 January 2009, Council approved the budget for the Housing Revenue Account (HRA) and approved an average level of rent increase of 4.9% for Council tenants to be applied as from 1 April 2009. This decision has been communicated to tenants.
- 3.2 On 6 March 2009, the Minister for Housing and Planning announced that additional support was available to Councils, thus enabling local authorities to reduce the amount of the rent increases to be paid by tenants. The national average guideline rent increase has been halved from 6.2% to 3.1%.
- 3.3 Approval of the average rent increase is normally dealt with by Cabinet recommending the HRA budget and rent level to full Council for agreement.

4. DETAILS OF ANNOUNCEMENT

- 4.1 On 11 March 2009 the Department for Communities and Local Government (DCLG) sent a letter to all Councils setting out an indication of how the new guideline rent increase for 2009-10 will be implemented and how it will be treated in the subsidy system. It is acknowledged that most Councils will, by now, have sent out rent notices and that the DCLG timetable is of some importance. The Council has been requested to respond to the DCLG by the end of April 2009. Unfortunately however the consultation period on the draft amending determination begins on 23 March 2009 and will last for around four weeks. This means that Councils will not know the fine detail of the scheme until at least the last week in April 2009.
- 4.2 What is known is that if Reading wished to take advantage of this opportunity to introduce a lower rent increase, compensation would (subject to the consultation exercise outlined above) be available. At national level officers understand that the DCLG proposes that if the average actual rent increase is less than or equal to the lower of 3.1% of:

- average guideline rent in 2008/09; or
- actual average rent in 2008/09,

then the Council will receive an increase in subsidy that is equal to what a change in the national average guideline increase of 3.1% would result in for the Council. In short, any loss of income that will result from a lower rent increase will be covered by a reduction in the negative subsidy.

- 4.3 As outlined in paragraph 4.1 above, the timetable for consultation and response does not accord with the Council's normal decision making processes whereby Cabinet would make a recommendation to full Council. Officers are therefore recommending that Council determine if it wishes to seize the potential of this scheme but leave the final determination of the rent level to Cabinet. This will allow officers time to produce a considered report that manipulates the scheme to ensure the fullest possible benefits are passed on to Council tenants. As a fall-back position, to allow for the risk that the consultation timetable set by the DCLG is longer than anticipated and Cabinet therefore will not be in a position to determine the rent level at its meeting on 14 April 2009, the report also recommends that the final decision be delegated to the Director of Housing & Community Care and the Director of Corporate Resources, in consultation with the Lead Member for Housing, and the other party Housing spokespersons.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 Council tenants who pay rent are in general among the poorer members of society, so the proposal to reduce the rent they pay (funded by the Government) should assist this key group in difficult economic times.
- 5.2 Bringing empty homes into use quickly, looking after the appearance of housing estates, keeping homes wind and watertight, and providing efficient and reliable heating sources all contribute to sustaining the environment, the community and individual householders within it.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 Officers have held an initial briefing meeting with tenant representatives to notify them of the fact of the DCLG announcement. As very few details were available at that stage, no local consultation has taken place as yet on how the reduced rent increase would benefit Reading residents. It should be noted that tenant representatives have been keen that the Council should take up the offer of increased subsidy in order to benefit working tenants during the economic downturn.
- 6.2 Subject to a decision of Council a further meeting will be held with tenants to discuss the actual reduction in rent and the timing of the introduction of the rent reduction.

7. LEGAL IMPLICATIONS

- 7.1 The Housing Acts 1985 and 1996 set out the Council's responsibilities to keep in good repair tenants' homes and to consult on the level of service provided and the annual setting of rent to pay for them.
- 7.2 By law the Council must budget to avoid a debit balance on the HRA at 31 March 2010 by the end of February 2009. The proposed recommendations meet that requirement, as any loss of rental income will be covered by increased subsidy.
- 7.3 The Monitoring Officer and the Head of Legal Services are satisfied that the delegation of the determination of revised rent levels to officers, as detailed in the recommendations, is reasonable, given the unusual circumstances described above and the mismatch between the Government's timetable and the Council's meeting diary, and subject in all cases to the revised levels being consistent with the approved HRA budget for 2009/10.

8. FINANCIAL IMPLICATIONS

- 8.1 The budget for 2009/10 incorporates the savings that have been so far identified in accordance with the requirements of the HRA Business Plan. Given the guidance received to date the impact of a reduction in the rent should be cost neutral as whilst a lower rent yield is collected, the Council will be paying a lower level of negative subsidy.
- 8.2 Whilst the statutory obligation to ensure the account has a positive balance at each financial year-end is met, the financial modelling for the Stock Options Appraisal shows that increased revenue is required to sustain the HRA. Some further reductions in overhead costs are planned in 2009/10. Further work will be undertaken on the introduction of service charges during the financial year 2009/10, which has previously been reported in the context of the Stock Options Appraisal. This has been the subject of consultation with RFTRA.
- 8.3 As tenants have already been advised of an average 4.9% rent increase and the earliest it will be possible to implement a reduction will be a date in June 2009 there are several options for proceeding which will need to be discussed with Cabinet and the other party spokespeople. There will be some costs associated with implementing the change which will need to be met from approved HRA budgets.
- 8.4 Although not directly impacting HRA balances, in a separate exercise in the context of the current economic climate, the Government has proposed advancing some of the major repairs allowance from 2010/11 to 2009/10 (principally to help the construction industry), but also having the effect of advancing some decent homes works between those years. Subject to the government's response to our proposals, this is the main known financial change since the January 2009 Council meeting.

9. BACKGROUND PAPERS

- 9.1 Housing Revenue Account Business Plan 2004/34
- 9.2 Housing Subsidy Determination 2009/10
- 9.3 Report to Council January 2009 (rent setting)
- 9.4 Letter DCLG 11 March 2009

*Written Ministerial Statement
Friday 6 March 2009*

COMMUNITIES AND LOCAL GOVERNMENT

Local Authority Rents

The Minister for Housing (Margaret Beckett): Each autumn, after consultation, the Government publish formal guideline rents so that local authorities know where they stand on Government subsidy on the Housing Revenue Account (HRA) system.

Authorities are then free to make their own decisions on the actual rent level to set in their particular circumstances. Many authorities set actual rents below the guideline figure.

Last year, the Government were pressed to give authorities greater financial certainty and responded by giving guidance for two years rather than one—which authorities appeared to welcome. However, since recent major changes in the economic situation, the Government are under substantial pressure from local authorities who would prefer us to reconsider the two-year deal. I have already indicated that we will re-examine the guideline rents for the second year, 2010-11.

More recently, we have also had increased pressure to re-examine the guideline rents already issued for this coming year. Under normal circumstances, this is not something that I would be prepared to contemplate.

But, in, and only in the context of the present unprecedented global downturn, it is right that the Government offer real help to council tenants. I am therefore quite exceptionally prepared to offer authorities the opportunity to bid for additional subsidy, if, and only if they are preparing to revisit the level of rents set and reduce them by that amount.

We are therefore halving the national average guideline increase from 6.2 per cent. to 3.1 per cent. This will require the Department to issue new 2009-10 guideline rents for all local authorities. I am prepared to change the subsidy position of those authorities who reduce their actual average increase in rents in 2009-10 in line with the new national average.

We will be inviting authorities to let us know whether they will take this up by around the end of April. They will be able to introduce the new rent increases as soon as is practicable for them.