

**IMPLEMENTATION EXECUTIVE
22 APRIL 2009**

Reduction in Council Housing Rents for 2009/10

Executive Summary

In February 2009 the Implementation Executive agreed an average rent increase for council housing of 5.44% (below the national average of 6.2 %) to take effect from April 2009. Whilst the Council does technically have the discretion to set its rent at a level of its choosing, effectively the optimum rent level is set according to a central government formula used to determine the Housing Revenue Account subsidy.

Given the current state of the economy and low inflation rate the size of rent increase was a source of great concern to all councils and tenants.

In March, following considerable lobbying by local authorities the Government announced that it was considering revising subsidy arrangements to enable local Authorities to reduce the level of increase. At the end of March the Government provided further details a revised formula to half the national average increase to 3.1%.

The rent increase agreed by the Implementation Executive in February gives rise to rent increase between 4.55 and 6.81%, however under the revised formula the rent increases can be reduced to between 1.54 and 3.56%. In order to give effect to revised formula it will be necessary for the Implementation Executive to agree the new reduced level of rent increases.

Proposals

It is proposed that the Implementation Executive:

- a. Accepts and approves the application of the revised HRA subsidy formula for 2009/10 giving rise to new levels of rent increase of between 1.54 and 3.56%, replacing the level of rent increases agreed in February 2009 of between 4.56 and 6.81%.

Reason For Proposals

To ensure that council rent increases are kept to a minimum whilst ensuring that net income to the Housing Revenue Account is maximised.

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Purpose of the Report

1. The purpose of this report is to gain approval for a lower level of council housing rent increase for 2009/10 than was previously agreed by the Implementation Executive in February 2009.

Background

2. It is effectively the case that local authorities with a housing revenue account are obliged to set a rent each year in accordance with a formula set by the Government to determine the housing revenue account subsidy. Although legally the council can choose what level to set its rents at, financially it is of most benefit to tenants and the Housing Revenue Account if the council sets a rent in accordance with the Housing Revenue Account Subsidy formula.
3. Unfortunately the way that the formula was applied in respect of the 2009/10 subsidy arrangements gave rise to an average national rent increase of 6.2% (5.44% in Wiltshire). Given the current economic situation and level of inflation this was the cause of considerable outcry from tenants and local authorities.
4. In March the Minister for Housing announced that the national average rate of increase would be halved and at the end of March the Government provided the Council with details of how that would be achieved. These details have been presented to the council as a consultation with councils in which they ask councils if they will reduce rent increases. The Government states that those councils who advise them that they will be reducing rents in line with the revised formula will benefit from a subsidy adjustment that will compensate for the rent reduction. Councils are invited to respond to the consultation by 24 April 2009.

Main Considerations for the Implementation Executive

3. Retrospective changes. As the original increases have now been introduced, any reduction in the rents would need to be introduced retrospectively and take effect from 1 April 2009. This would require those who have paid the original rents in full to be reimbursed probably by crediting their account.
4. IT considerations. A mid year retrospective reduction in rents across all accounts has never before been implemented. The way in which the IT systems can deal with this task is now being evaluated. As well as amendments to the rent accounts, rebilling and notification letters, adjustments will also have to be made to housing Benefits.
5. Communications. Clearly it will be necessary to advise tenants about the potential reduction, to send out formal notices amending the rent and to send out new rent books. Also those who pay

through their bank will need to be able to adjust direct debits and be advised about this. Once the Implementation Executive has made a decision on the proposed rent reduction and the evaluation has been completed on IT and the timetable for giving effect to the proposed reduction then tenants can be advised.

6. Consultation this matter will also be presented to the tenants Panel to enable tenants to give their feedback on the proposal.

Environmental Impact of the Proposal

6. There are no direct impacts of the proposal.

7. Equalities Impact of the Proposal

8. The proposal to reduce current rent levels will benefit some of the most disadvantaged members of the community as well as targeting those on low incomes..

Risk Assessment

9. The main risk in reducing rent levels are the potential complications that could arise from using the IT systems to amend records. It is also necessary to ensure that communications are managed well to avoid an incorrect perception that tenants are being wrongly charged giving rise to a reduction in rent payments pending the reissue of bills.

Financial Implications

10. Government advice indicates that the housing revenue account subsidy will be adjusted to ensure there is no financial loss in respect of the rent increase. However the cost of rebilling will need to be carried by the housing revenue account.

Legal Implications

11. In order to ensure that the revised rents are correctly levied it will be necessary to reissue notices and rent books.

Options Considered

12. the following options were considered
 - a. Not to reduce the rent increase- Since the full benefit of the rent reduction is passed on to the tenant with no negative impact on the housing revenue account, other than the savings on re-billing this option would appear to have no benefits.

- b. To credit rent accounts in the form of a rent free week. – Whilst this option may appear easier to implement, it would have the considerable disadvantage of giving a full year's reduction to those who may leave before the end of the year, and conversely not sharing any benefit of the reduction with those who move in during the year.

Conclusion

13. The Implementation Executive is asked to approve the new reduced rent levels, backdated to 1 April 2009 and to approve a response to central Government advising that we wish to implement the new rent levels.