

Meeting of the Cabinet – 18th March 2009

Joint Report of the Director of Adult, Community and Housing Services and the Director of Finance

Housing Revenue Account (HRA): Rent Increase 2009-10

Purpose of Report

1. To advise Cabinet of government proposals to reduce the national guideline rent increase and to request delegation of authority to:
 - apply for additional HRA Subsidy;
 - reduce council housing rents in accordance with the revised national guideline.

Background

2. The HRA is a "ring-fenced" revenue account and deals with landlord functions associated with public sector housing. The costs of improvement and programmed maintenance of the Council's housing stock are treated as capital expenditure and are accounted for separately.

Rent increase

3. Cabinet on 11 February 2009 agreed an average rent increase of 6.1% for Dudley tenants from 6 April 2009. This was calculated in line with the Government's national guideline rent increase. As required by law, letters notifying tenants of this increase have already been sent out.
4. The national guideline rent increase is based on inflation levels, as measured by the Retail Price Index (RPI), as at September annually. In September 2008, RPI reached a peak of 5%, since when it has been falling (to 0.1% in January 2009).
5. On 6 March 2009, the Minister for Housing, Margaret Beckett, made a statement in the House of Commons proposing to halve the national guideline rent increase from 6.2% to 3.1% and to make additional subsidy available for councils that choose to revisit the level of rents set and reduce them accordingly.
6. No details of the proposed additional support or of the exact changes to the rent formula are available as yet, but councils will have until the end of April

to consider the offer and to apply for additional subsidy. Councils may then reduce the rent as soon as is practicable.

7. The Government's proposal is welcomed in that it will achieve lower rents for council tenants, who are among the most disadvantaged members of the community. In his response in November 2008 to the draft HRA Subsidy Determination, the Cabinet Member for Housing commented on the original rent increases that "We note that... the usual basis of calculating guideline rents, based on September RPI, has been used. We note that this leads to an increase of over 6%, and that rental constraint allowance is only being proposed for increases of over 7%. We find it difficult to understand how, when increases of 5% were seen as the maximum in previous years, it now appears, in a period of economic challenge, falling inflation and recession, that rent increases of up to 7% for our tenants are acceptable."
8. We are consulting the Dudley Federation of Tenants' and Residents' Associations (DFTRA) on these proposals and will report verbally on their response at the Cabinet meeting.
9. Changes to council housing rents ordinarily require the approval of Cabinet. In this instance and in order to ensure the prompt reduction of rents paid by tenants, it is proposed that authority be delegated to the Cabinet Members for Housing and Finance and the Directors of Adult, Community and Housing Services and Finance as set out in paragraph 14 below.

Finance

10. Section 76 of the Local Government and Housing Act 1989 places a duty on the Council to ensure that no action will be taken to cause a deficit to arise on the HRA at 31st March 2009. There is also a duty placed on the Council to review the financial prospects of the HRA from time to time. Reviews carried out can confirm that the HRA will be in surplus at the 31st March 2009 and therefore complies with the requirements of the Act.
11. Detailed assessment of the Government's proposals will be undertaken as soon as the information is available, to ensure that the additional subsidy will fully compensate the Council for the rent reductions and the administrative costs of implementation and that the impact on the Council will therefore be cost-neutral. We will report to Cabinet at the earliest opportunity to present the revised budget.

Law

12. HRA finances are governed by Section 74-88 in Part IV of the Local Government and Housing Act 1989.

Equality Impact

13. This is primarily a financial report concerned with forecasting of income and application of resources. A reduction in rents will help to improve the quality of life for disadvantaged groups.

Recommendations

14. It is recommended that Cabinet authorise the Cabinet Members for Housing and Finance and the Directors of Adult, Community and Housing Services and Finance, subject to there being no detrimental effect on the Council's financial position, to
- apply for additional subsidy;
 - agree new rent levels in accordance with the revised national guideline;
 - report on the impact on the HRA budget to Cabinet at the earliest opportunity.



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List of Background Papers:

Housing Revenue Account Subsidy Determination 2009/10
Written Ministerial Statement on Local Authority Rents 6 March 2009 (Hansard)
CLG press release "Beckett cuts planned council rent increases in half" 6 March 2009