



Report of the Director of Environment and Neighbourhoods

Executive Board 13th May 2009

Subject: Update on Council Rents - 2009/2010

Electoral Wards Affected:

ALL

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

Executive Summary

The purpose of this report is to note the change in the 2009/10 average rent increase for council dwellings from 6.2% to 3.1%.

1.0 Purpose Of This Report

1.1. This report sets out:-

- the updated position on rent changes in 2009/10.
- the cost implications of changing the rents in 2009/10.

2.0 Background Information

2.1 The final subsidy determination for 2009/10, issued by Communities and Local Government (CLG) on the 18th December 2008, incorporated a fixed guideline rent increase of 6.2%, implying national average rent increases of 6.2%.

2.2 Based upon these assumptions, the average rent increase for Leeds was set at 6.2% by Executive Board on the 13th February 2009. This decision was further approved by Council on 25th February 2009.

2.3 On Friday 6th March, the Housing Minister Margaret Beckett announced that the government recommended national guideline rent increase of 6.2% would be halved to 3.1% and that this would require the issue of new 2009/10 guideline rents to all local authorities. The government's proposal is to change the housing subsidy position of those authorities who reduce their actual average rent increase in line with the new national average.

3.0 The New Subsidy Proposals

- 3.1 On the 26th March 2009, details of the proposed changes to the subsidy arrangements for housing authorities were released. This comprised an 'offer' to change the 2009/10 guideline rent from 6.2% to 3.1%, thus releasing additional subsidy funding to offset the loss in rental income. Councils had until the 24th April to respond to this offer by confirming and affirming the implementation of a new average rent increase of 3.1% for their council dwellings. The change in subsidy was not unconditional and was linked to Councils' agreeing to changing their actual average rent increases to 3.1%.
- 3.2 Following on from the Executive Board's decision on the 1st April to pass onto tenants the full cash change in housing subsidy, the Director of Environment and Neighbourhoods, under delegated powers, agreed to change the average rent increase from the original 6.2% to the lower 3.1%. This change in the Council's rental income equated to the estimated cash change in the housing subsidy after the reduction in the guideline rent from 6.2% to 3.1%.
- 3.3 A formal response was sent to the Government before the 24th April deadline accepting the offer of a 3.1% guideline rent increase and agreeing to an average rent increase of 3.1%, replacing the original 6.2% average rent increase. The Government has now confirmed the Council's new guideline rent and issued a new subsidy determination for 2009/10.

4.0 Cost Implications and Timetable

- 4.1 Working in conjunction with Housing Benefits, the ALMOs/BITMO, Leeds Tenant Federation and the Contact centre, a letter informing tenants of their change in rent, back dated to the 6th April 2009, has been sent out to all tenants along with information on how tenants can recover any overpaid rents arising from the earlier higher rent charge. The new rent charge will apply from early June, after allowing a 28 day notification period.
- 4.2 The costs of implementing the change in rents are still ongoing and are being monitored to ascertain the full costs. Housing Benefits have estimated that the total cost of implementing the rent change could be around £36k after the costs of mailing, overtime and system downtime have been included. The estimated figure for the HRA is lower due to a different mix of costs but is still assessed at around £15k; this figure excludes any additional costs that the Contact Centre and ALMOs/BITMO may directly incur as a result of this rent change.

5.0 Recommendations

- 5.1 Executive Board is asked to note the contents of this report and the change in the 2009/10 average rent increase for council dwellings from 6.2% to 3.1%.

Background Documents

- Revenue Budget 2009/10 – Executive Board 13th February 2009.
- Written Ministerial Statement – Local Authority Rents – 6th March 2009.
- CLG Letter – Council Rent Increases 2009-10 – 11th March 2009.
- Council Rents – 2009/2010 – Executive Board 1st April 2009.
- Draft Housing Revenue Account Subsidy Determination 2009-10: Amending Determination.