

COUNCIL HOUSING RENT INCREASE - UPDATE**1. INTRODUCTION**

- 1.1 This report advises Cabinet of the latest position regarding the increase in Council house rents for 2009/2010

2. BACKGROUND

- 2.1 At Cabinet on 4 February 2009 the annual budget including the Housing Revenue Account budget for 2009/2010 was agreed. This included a rent increase of 5.8% for Council house rents. This level of increase was necessary to comply with government recommendations aligned to the rent restructuring process.
- 2.2 Both Cabinet members and tenants expressed concerns about this level of increase particularly with the current and forecast levels of inflation and the effects on tenants already affected by the recession. As a result the Portfolio Holder for Housing wrote to Margaret Beckett, MP, and Minister for Housing expressing her concern and asking that the government reconsider their recommendations for the 2009/2010 rent increase. An explanatory letter was also sent to every tenant by the Portfolio Holder.
- 2.3 In order to comply with the Council's tenancy conditions formal notification of any rent change must be advised to tenants at least 28 days prior to that rent change coming into effect. All tenants have therefore been notified that their rents will rise by 5.8% at the start of the new financial year.

3. CURRENT POSITION

- 3.1 An initial response to the Housing Portfolio Holder's letter to Margaret Beckett was received on 16 February 2009. This response was negative and offered no hope that the government were prepared to reconsider their recommendations on Council rent increases.
- 3.2 On 6th March 2009 a press release was issued by Margaret Beckett indicating that the government were halving the average guideline rent increase from 6.2 to 3.1%. The effectively meant that the NFDC rent increase could be reduced to 3%.
- 3.3 Mrs Beckett also announced that the government would make funding available to support local authorities to make the changes and revise their rents for 2009/2010 accordingly.
- 3.4 On 11 March 2009 the Department for Communities and Local Government (CLG) wrote to the Council setting out the next steps. They wrote that they appreciated that most Councils would have decided on rent increases and sent out rent notices and that their timetable (the CLG) was critical for the Council to plan its next steps.

- 3.5 The CLG confirmed that they would be publishing a draft amending determination for a brief period of consultation on the arrangements, including new individual guideline rent increases for each local authority (based upon a national average of 3.1%) in the week commencing 23 March 2009. The consultation period will be no longer than 4 weeks. They will in this communication also include explanatory papers on how the changes will impact upon council's subsidy.
- 3.6 The letter from the CLG also advises that they expect councils to cover any and all administration costs that might be incurred in reducing rent levels to tenants in accordance with the revised national average guideline.
- 3.7 Tenants have been advised by letter and in a press release that NFDC will be reducing the rent increase by approximately 50% and that further details and any reimbursement of overpayment will be confirmed in due course.
- 3.9 Details of how the rent decrease can be implemented and any implications will be the subject of a verbal report to this meeting once the draft amending determination has been received and assessed.

4. FINANCIAL IMPLICATIONS

- 4.1 The costs of all administration work necessary to meet the rent reduction will fall on the Council and in particular on the HRA. Initial indications are that these costs could be substantial if housing benefit recalculations are necessary to deal with any overpayment of benefit that will result from a rent increase reduction.

5. ENVIRONMENTAL, CRIME AND DISORDER AND EQUALITY AND DIVERSITY IMPLICATIONS

- 5.1 There are no implications arising from this report on the above issues.

6. RECOMMENDATION

- 6.1 That the Cabinet note the current position and receive a verbal update at the meeting on the latest developments.

For Further Information Please Contact: Background Papers:

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Cabinet Papers 4 February 2009
Letter from CLG dated 11 March 2009