

Taunton Deane Borough Council

Executive – 11 August 2009

Rent Increase Decrease

Report of the Chief Housing Officer (John Williams)

(This matter is the responsibility of Councillor Hazel Prior-Sankey, Housing Portfolio Holder)

1. The Purpose of the Report

- 1.1 To seek a decision on whether to reduce the rent increase of 6.2% for Council tenants, which was agreed by Council on 17th February this year, to a local average of 2.95%.

Executive Summary

Following the setting of Council rents on 17th February, using the government formula, and the formal notification of an average rent rise for TDBC tenants of 6.2%, the government made a surprise announcement that they would enable Councils to reduce their rent to a national average of 3.1%. A period of formal consultation followed before the government released a new formal subsidy determination for each authority.

The government will fund the reduction in the rent increase by, in their terms, increasing the Council's subsidy. From the viewpoint of tenants, Officers and Members of this authority, this means that the Council will pay less in Negative Subsidy – TDBC's contribution to the national subsidy pot will be therefore be less than the projected £6,112,000 contribution.

The average rent for a TDBC tenant was set at £63.96 in February, but will reduce to £62.10 if the Council decides to reduce the rental increase.

There will be no significant impact on service or investment because the loss in income will be compensated through the subsidy determination. However, there will be additional IT and administrative costs, estimated at £15,000, which will not be covered by government, and which therefore will slightly reduce the HRA working balance.

2. Background

- 2.1 There are a number of partners and contractors who have to be involved in the implementation of a mid-year rent decrease:

South-west One – IT, housing benefit, finance and administration, and the management of IT suppliers.

IBS – Housing Benefit software

Capita – Housing *Academy* software

3. Timetable

- 3.1 The proposed decrease has been provisionally scheduled to operate from 5th October 2009, which is exactly half-way through the rent year. The decision to implement the decrease at that point has been taken with the following factors in mind:

- We can gain from the experience of other authorities, particularly those using Academy rents software, who implement earlier
- Tenants can more easily check the accuracy of the calculations made at this half-way point in the rent calendar

4. The Effect on Tenants

- 4.1 First of all, some tenants are almost inevitably going to be confused by the changes, and this is why the Council's Public Relations Officer is an integral member of the project team. A publicity campaign has been created to get the key messages across.
- 4.2 The 41% of tenants who receive full housing benefit will experience no financial gain, and the further 18% who receive partial housing benefit will only receive a reduced gain. It is therefore important to manage expectations amongst those on benefit.
- 4.3 The following table illustrates the kind of difference in rent those who receive no housing benefit are likely to see. I do stress they are illustrative examples based on average rents of the various property types.

No of Bedrooms	Academy Rent 2008-09	Academy Rent 2009-10 060409	Reduced rent	Rent difference	New increase from 08-09	% increase	Credit Adjustment @ 26 Weeks
1 Average	53.47	56.83	55.09	1.74	1.62	3.03	45.24
2 Average	59.91	63.59	61.64	1.95	1.73	2.89	50.70
3 Average	66.50	70.62	68.45	2.17	1.95	2.93	56.42
4 Average	72.45	76.95	74.59	2.36	2.14	2.95	61.36
5 Average	79.41	84.36	81.77	2.59	2.36	2.97	67.34
6 Average	83.93	89.28	86.55	2.73	2.62	3.12	70.98
Bedsit Average	42.40	45.49	43.78	1.71	1.38	3.25	44.46
Grand Average	60.32	64.07	62.10	1.97	1.78	2.95	51.22

5. The Effects on the Council

- 5.1 The proposed decrease will be largely cost neutral during this financial year, as the government has promised to cover the loss of rental income (approx. £620,000 for TDBC) by taking less from us in Negative Subsidy. However, as explained earlier, administrative costs will not be covered and are estimated to be approximately £15,000.
- 5.2 There will be a significant additional workload placed upon existing staff involving additional administrative and IT tasks, in addition to an inevitable temporary increase in tenant enquiries
- 5.3 There are potential risks in what is a complex and untried administrative task, involving a number of partners and IT systems.
- 5.4 There will be administrative and IT challenges even where the actual net financial gain to the tenant is zero, because HB overpayments will be created which have to be recovered from the rent accounts.
- 5.5 Whilst the major cost of this one off adjustment will be covered by government, this loss of rent operates year upon year and as yet there is no certainty that the reduction in Negative Subsidy payment will continue after this financial year.

6. Recommendation

6.1 Members are asked to decide from the following two options:

1. To maintain the average rent increase of 6.2% for all Council tenancies, which was approved by full Council on 17th February 2009.
2. To reduce the rent increase agreed by full Council on 17th February 2009 to a local average of 2.95%, as described in the report.

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