



Part I
Release to Press

Meeting: EXTRAORDINARY MEETING OF
COUNCIL

Agenda Item:

3

Portfolio Area: Housing

Date: 18 June 2009

HOUSING REVENUE ACCOUNT (HRA) REVISED RENT INCREASE
PROPOSALS 2009/10

(Resources)

KEY DECISION

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Reason for Urgency

It is a statutory requirement for the Executive and Council to formally approve the HRA Rents. Given the time-scale to process the rent increases and give adequate notice to tenants, it is important that this is therefore considered at the Executive meeting on 10 June 2009.

1 PURPOSE

1.1 To consider a revised rent increase for 2009/10 in respect of HRA dwellings as a result of the government announcement on reducing the 2009/10 guideline rent to 3.1%.

2 RECOMMENDATIONS

2.1 To recommend to Council the revised 2009/10 HRA rent increase of 3.1%, a reduction of 2.96% from the average rent increase of 6.06%, approved by Council on the 28 January 2009.

2.2 To recommend to Council the implementation of the full year rent reduction from the 28 September 2009, for the remaining 25 chargeable rent weeks. This means the rent reduction will be spread over the remaining 25 weeks (excluding 2 rent free weeks) and not backdated to the 1 April 2009.

2.3 That Scrutiny Overview Committee report and comments on this matter direct to

Council.

3 BACKGROUND

- 3.1 The Department of Local Government and Communities (DCLG) wrote to Council's on the 26 March 2009 inviting Authorities to accept the Departments offer of additional subsidy, to cover a lower guideline rental income, resulting in a reduction of the national average increase from 6.2% to 3.1%. A written response was required from local authorities by the 24 April 2009. SHL's Board approved the the reduced rent increase.
- 3.2 Stevenage Homes Limited (SHL) wrote to the DCLG on the 23 April 2009, on behalf of the Council, confirming the Council's intention to take up the offer of implementing the proposed new rent increase. The letter also requested clarification on the method of implementation of the rent increase should it be :
- backdated to the 1 April 2009, which may have Housing Benefit overpayment issues
 - spread the reduction of the increase over the remaining months of 2009/10. This may impact on the housing determination calculations of 2010/11.
- 3.3 The final subsidy determination from the DCLG was received on the 20 May 2009.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Revised Rent Implementation Issues

- 4.1.1 The recommended implementation date for the revised rent increase is week 26 (28 September 2009). There are number of lead in times that have to be factored in the process which means the earliest the new rent can be implemented is September, these are:
- The final determination was not received by the Council until 20 May 2009, however no implementation guidance was given.
 - Changes to the rent system to recalculate rents and liaising with the software supplier, (Northgate) including re-running the rent system and testing the revisions to the software (estimated time 2 months).
 - Changes to the benefits system Pericles (updating 4,000 benefit accounts), liaising with software supplier and testing of changes to the software (estimated time 2 months).
- 4.1.2 The decision to introduce the revised rent at the mid point of the year, (as opposed to backdating the charge to 1 April)was made, to avoid the vast majority of tenants being overpaid rent and incurring a housing benefit overpayment on the Pericles housing benefit system. The reduction in rents would require a recalculation of housing benefit for those qualifying tenants. As the proposed date of the amendment is 28 September, the housing benefit can be revised as a single event, avoiding the creation of overpayments had the rent decrease been backdated.

It would be difficult with the current benefit system to determine which

overpayments of benefit were due to the change in rent and which were genuine Local Authority overpayments. The latter attract no subsidy above a calculated threshold.

4.1.3 The IT issues are further complicated by the implementation of the new revenues system in September. As the new benefits system is currently scheduled to go live from 15 September, the Head of Revenues is reviewing the risks and in discussion with the implementation partners, Capita Business Services, to ensure a smooth transition for our benefit claimants.

4.2 Implications for Tenants

4.2.1 Tenants will pay one rental charge up to 27 September and a new charge from 28 September. These are:

- The average rent for weeks 1 to 25 is £77.92, (agreed at the January Council)
- The average rent for weeks 26 to 52 is £73.59
- The average rent for the year is £75.75

4.2.2 The impact of implementing the increase part way through the year on tenants is as follows:

- Tenants on partial benefit or who are not entitled to benefit for weeks 1 to 25 and who terminate their tenancy before 28 September will not benefit from the rent reduction. There have been 38 tenants who have terminated their tenancies between 5 April and 24 May 2009.
- Tenants on partial benefit or who are not entitled to benefit, who commence a tenancy from week 26 will benefit from a revised rent of £73.59.

By the implementation date of the revised rent it is estimated that:

- 120 tenants will have terminated their tenancy, who would be in full or partial receipt of housing benefit
- 180 tenants will have terminated their tenancy who would have paid the full rental charge.

5 IMPLICATIONS

5.1 Financial Implications

The reduction in rental income will be offset by a reduction in subsidy foregone in 2009/10, however there will be an impact on the HRA, of £10,000 for reprinting rent letters and postage costs. The DCLG has indicated that these costs will not be reimbursed and need to be borne by the authority.

5.2 Legal Implications

The change in rent increase has to be notified to tenants 28 days prior to implementation.

5.3 Equalities and Diversity Implications

SHL have determined an equalities impact assessment is not required.

5.4 Risk Implications

There are IT risks in implementing the changes as:

- The implementation of a new rent part way through the year has never been done before, this is being monitored via the project group for implementing the changes.
- The implementation of a new benefits system in September, this risk is being monitored by the implementation team.

SHL board will be updated in the July Board meeting.

BACKGROUND PAPERS

- DCLG final Determination issued 20 May 2009
- SHL Board report