

**TO: Cabinet Member for Housing**

**14th July 2009**

**REPORT BY: Head of Housing Management  
Strategic Director and Section 151 Officer**

**AUTHOR: Peter Pennekett, Financial Services**

**COUNCIL HOUSING RENT REDUCTION 2009/10**

**PURPOSE OF THIS REPORT**

1. The main purpose of this report is to recommend a reduction in Council Housing rents from 5<sup>th</sup> October 2009.

**RECOMMENDED THAT:**

- (i) That with effect from 5<sup>th</sup> October 2009 the average weekly rent for Council Homes should be reduced from £69.79 to £67.03.
- (ii) That with effect from 5<sup>th</sup> October 2009 the average weekly rents for Mobile Homes should be reduced as set out in Appendix 3.
- (iii) The reduction in the projected HRA deficit for 2009/10 from £1.3M to £1 M be approved.
- (iv) The success of the campaign to abolish the Housing Revenue Account Subsidy System and retain all receipts from sales of housing assets be welcomed.
- (v) The City Council continue to campaign for the cancellation of housing debt.

**PAPERS ENCLOSED WITH THIS REPORT**

2. The following papers are attached:

Appendix 1 - 5% rent increase – Impact on average weekly rents, as approved on 3<sup>rd</sup> February 2009.

Appendix 2 - 2.92% rent increase – Impact on average weekly rents

Appendix 3 - Mobile Home rents

## **BACKGROUND**

3. The level of Housing Revenue Account Subsidy (HRAS) that Portsmouth City Council (PCC) has to pay to Government is partly based on a notional "Guideline Rent increase" which was set by the Government at 6.2% for 2009/10. Based on this PCC would have had to pay £6.0M to Government in 2009/10 and to balance the Housing Revenue Account an average rent increase of 7% would have been required.
4. After consultation with residents representatives, the Head of Housing Management & the Strategic Director & Section 151 Officer the Cabinet Member for Housing decided to do as much as possible to ease the burden on tenants whilst maintaining services. On 3rd February 2009 he approved the following changes to come into effect on 6<sup>th</sup> April 2009:
  - Limiting the average rent increase for financial year 2009/10 to the minimum possible of 5%, £3.32 per dwelling per week.
  - Limiting the General Charge increase to 4%, the minimum possible.
  - A budgeted deficit of £1.3 million for 2009/10
5. During March the then Housing Minister Margaret Beckett announced support to help councils cut their planned rent increases for tenants as a result of the current economic climate. The proposal was to halve the "Guideline Rent increase" from 6.2 per cent to 3.1 per cent but was conditional on councils reducing tenant's rents to the lower of 3.1% of the average "guideline rent" in 2008-09 or the average actual rent in 2008-09. This proposal would reduce PCC's level of HRAS payable to the Government by £1.5 million from £6.0M to £4.5M.

## **RENTS OPTIONS**

### **Date from which rents should be reduced**

6. Obviously it is vital to take the opportunity to reduce payments to Government & reduce tenant's rents, however consideration needs to be given to the date the rent reduction would come into effect. Two key factors are effected by the date of the change as follows:
  - The later the implementation date the higher the rent reduction needs to be to bring the Average Rent for the year in line with the Government's criteria.
  - The date chosen materially effects the amount of manual work needed to implement the reduction and could also lead to confusion with tenants leading to arrears in future, which is bad both for tenants & the level Housing Revenue Account balances.

## RENTS OPTIONS (Continued)

### Date from which rents should be reduced (Continued)

7. Having liaised with Legal Services, Housing Benefit staff and ICT Services several potential dates and the corresponding rent decreases needed were identified as shown in Table 1 below. The table includes two columns of percentages. Column A shows the average rents which would reduce rent income in 2009/10 by the full £1.5 million reduction in HRAS. Column B shows the average rents which would reduce rent income in 2009/10 by £1.2 million, sufficient to achieve the Government criteria for reducing HRAS.

**TABLE 1**

<b>TABLE 1 Implementation date</b>	<b>Average rent (per week)</b>	
	<b>A Reduce by full £1.5 million</b>	<b>B Reduce to meet Government criteria</b>
	<b>1.03%</b>	<b>2.92%</b>
6 <sup>th</sup> April 2009 - backdated	£67.16	£68.41
7 <sup>th</sup> September 2009	£65.22	£67.39
5 <sup>th</sup> October 2009	£64.52	£67.03

8. The possibility of backdating the rents to the 6<sup>th</sup> April 2009 was considered however, due to the limitations of the Northgate IT Systems, the amended rates would need to be individually actioned, time consuming to administer and with the potential for error. It would also be highly resource intensive for Housing Benefits staff. Overall this option seems likely to create a number of overpayments which could cause problems for tenants who are receiving Housing Benefit. For that reason the option of backdating to April is not recommended.
9. The issues referred to above also apply to a lesser degree to changes in rents before the end of September. However making the change at the half year point should eliminate the Housing Benefit overpayment issues, be much simpler to administer and be significantly less confusing for our claimants. For that reason it is recommended that the change be made from the 5<sup>th</sup> October 2009.

## RENTS OPTIONS (Continued)

### The effect of rent reductions now on % Rent increases in April 2010

10. Until the Minister for Housing announced in March that the Government will look again at HRAS arrangements for 2010/11 in the light of the current economic climate it was anticipated that rents might have to rise significantly in 2010/11 to meet the convergence deadline for rent restructuring. In the light of the announcement, however, it is assumed that in April 2010 rents will need rise by an amount that will increase rent income for 2010/11 by 5%.
11. Table 1 shows the effects for both options A & B from Table 1 above of increasing rents in April 2010 by the amount needed to achieve a 5% increase in total rent income for next financial year 2010/11.

**TABLE 2**

<b>Assuming rents down from 5<sup>th</sup> October</b>	<b>Average Rent April to September 2009</b>	<b>Average Rent October 2009 to March 2010</b>	<b>Average Rent April 2009 to March 2010</b>	<b>Estimated Average Rent 2010/11 (based on a 5% increase in total rent)</b>	<b>Increase April 2010 over March 2010</b>
<b>A</b> Reduce by full £1.5 million 1.03%	£69.79	£64.52	£67.16	£70.52	9.3%
<b>B</b> Reduce to meet Government criteria 2.92%	£69.79	£67.03	£68.41	£71.83	7.2%

12. On balance it seems better for resident's personal budgeting purposes to have a smaller reduction in October and then a smaller increase in April 2010. Rents then don't go up & down so much over the six month period October 2009 to April 2010. For that reason it is recommended that Option B be adopted, reducing rents from 5<sup>th</sup> October 2009 by an amount to give an average rent increase of 2.92% and using the extra rent income generated to reduce the deficit this year and thus help reduce rent increases in April 2010.

### Mobile Homes

13. Rent increases for mobile Homes are linked to the "Retail Price Index (RPI), all items" for the preceding September, which gave a rise of 5% for 2009/10. Although the Government announcement did not mention Mobile Homes in its guidance, it is recommended that Mobile Home charges be reduced in line with council housing rents as shown in Appendix 3 attached.

## **RENTS OPTIONS (Continued)**

### **Other charges**

14. Other charges that were set for 2009/10 during the rent setting meeting on 3<sup>rd</sup> February 2009 included:

- General Service Charges
- Garage and Parking Site Rents
- Heating Charges
- Sheltered Housing Service Charges
- Supporting People Charges

15. As the Government announcement and conditions of increased subsidy relate only to rent reductions it is recommended that the charges listed above remain as set on 3<sup>rd</sup> February 2009.

### **Implementation Timetable & Legal Issues**

16. This report has been considered by the City Solicitor for legal issues. Legal Services advice has confirmed that 28 days notice of the rent reduction is required by the Housing Act 1985. The recommended implementation date of 5<sup>th</sup> October gives sufficient time both for that notice to our tenants and the administrative work required to recalculate & test the new rents, Housing Benefit and Direct Debit data.

### **REVIEW OF HOUSING FINANCE**

17. The Government's review of Housing Finance is now nearing completion and the new Housing Minister John Healy has announced his intention to consult soon over proposals to dismantle the Housing Revenue Account Subsidy System (HRASS). His announcement included proposals to replace the HRASS with a "one off" re-allocation of debt, after which Council's would retain all their rents & capital receipts from sales of council housing assets, including Right to Buy sales, instead of having to pay much of them to the Government.

18. These changes are very welcome, however it is recommended that the City Council continue to campaign to achieve the best terms from the consultation process and in particular to press for the cancellation of Housing Debt. If that could be achieved future rent increases would be lower and the City Council would be able to build new council homes to help meet the very high need for decent, affordable homes.

## **BACKGROUND LISTS**

19. This report has drawn on information from many different sources. Details of some of the information used are held in files prepared by the Financial Services Housing Accountancy Team. Please contact the Finance Manager, Peter Pennekett, if further details are required.

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**OWEN BUCKWELL**  
Head of Housing Management

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**ROGER CHING**  
Strategic Director and Section 151 Officer

# COUNCIL HOUSING BUDGET 2009/10

# APPENDIX 1

## AVERAGE RENTS AND CHANGES 2009/10 AFTER 5% RENT INCREASE 6TH APRIL 2009

	A	B	C	D	E	F	G	H	I
1	<b>Property Type &amp; number of beds</b>	<b>Bedsit</b>	<b>1 BED</b>	<b>2 BED</b>	<b>3 BED</b>	<b>4 BED</b>	<b>5 BED</b>	<b>6 BED</b>	<b>Grand Total</b>
2									
3	Bedsit/Studio	487	94						<b>581</b>
4	Bungalow		193	14	13				<b>220</b>
5	Flat	1	3910	3406	697	16	6		<b>8036</b>
6	House		1	1302	2680	363	45	3	<b>4394</b>
7	Maisonnette		3	573	1378	24	4		<b>1982</b>
8									
9	<b>Grand Total</b>	<b>488</b>	<b>4201</b>	<b>5295</b>	<b>4768</b>	<b>403</b>	<b>55</b>	<b>3</b>	<b>15213</b>
10									
11									
12	<b>Average weekly rent after increase</b>	<b>Bedsit</b>	<b>1 BED</b>	<b>2 BED</b>	<b>3 BED</b>	<b>4 BED</b>	<b>5 BED</b>	<b>6 BED</b>	<b>Grand Total</b>
13									
14	Bedsit/Studio	£54.22	£59.07						<b>£55.00</b>
15	Bungalow		£65.33	£76.07	£80.18				<b>£66.89</b>
16	Flat	£56.20	£61.31	£68.30	£75.58	£75.98	£74.94		<b>£65.55</b>
17	House		£67.66	£73.18	£78.76	£87.01	£92.60	£108.54	<b>£77.95</b>
18	Maisonnette		£62.27	£68.73	£75.45	£82.21	£86.72		<b>£73.59</b>
19									
20	<b>Grand Total</b>	<b>£54.22</b>	<b>£61.45</b>	<b>£69.56</b>	<b>£77.34</b>	<b>£86.29</b>	<b>£90.24</b>	<b>£108.54</b>	<b>£69.79</b>
21									
22									
23	<b>Average weekly increase in rent in £</b>	<b>Bedsit</b>	<b>1 BED</b>	<b>2 BED</b>	<b>3 BED</b>	<b>4 BED</b>	<b>5 BED</b>	<b>6 BED</b>	<b>Grand Total</b>
24									
25	Bedsit/Studio	£2.75	£2.57						<b>£2.72</b>
26	Bungalow		£3.93	£3.19	£4.27				<b>£3.91</b>
27	Flat	£2.52	£2.99	£2.85	£3.41	£2.64	£2.48		<b>£2.97</b>
28	House		£3.42	£3.86	£4.05	£4.25	£4.41	£4.49	<b>£4.01</b>
29	Maisonnette		£2.47	£3.17	£3.42	£3.64	£4.48		<b>£3.35</b>
30									
31	<b>Grand Total</b>	<b>£2.75</b>	<b>£3.02</b>	<b>£3.14</b>	<b>£3.77</b>	<b>£4.15</b>	<b>£4.20</b>	<b>£4.49</b>	<b>£3.32</b>
32									
33									
34	<b>Average weekly increase in rent in %</b>	<b>Bedsit</b>	<b>1 BED</b>	<b>2 BED</b>	<b>3 BED</b>	<b>4 BED</b>	<b>5 BED</b>	<b>6 BED</b>	<b>Grand Total</b>
35									
36	Bedsit/Studio	5.0%	4.7%						<b>5.0%</b>
37	Bungalow		6.8%	4.9%	6.0%				<b>6.6%</b>
38	Flat	5.1%	4.6%	4.4%	4.7%	3.2%	2.3%		<b>4.5%</b>
39	House		6.0%	6.0%	5.8%	5.6%	5.4%	4.8%	<b>5.8%</b>
40	Maisonnette		3.8%	4.6%	4.7%	4.7%	4.6%		<b>4.7%</b>
41									
42	<b>Grand Total</b>	<b>5.0%</b>	<b>4.7%</b>	<b>4.8%</b>	<b>5.4%</b>	<b>5.4%</b>	<b>5.1%</b>	<b>4.8%</b>	<b>5.0%</b>

# COUNCIL HOUSING BUDGET 2009/10

# APPENDIX 2

## AVERAGE RENTS AND CHANGES 2009/10 AFTER RENT REDUCTION 5TH OCTOBER 2009

	A	B	C	D	E	F	G	H	I
1	<b>Property Type &amp; number of beds</b>	<b>Bedsit</b>	<b>1 BED</b>	<b>2 BED</b>	<b>3 BED</b>	<b>4 BED</b>	<b>5 BED</b>	<b>6 BED</b>	<b>Grand Total</b>
2									
3	Bedsit/Studio	487	94						581
4	Bungalow		193	14	13				220
5	Flat	1	3910	3406	697	16	6		8036
6	House		1	1302	2680	363	45	3	4394
7	Maisonnette		3	573	1378	24	4		1982
8									
9	<b>Grand Total</b>	<b>488</b>	<b>4201</b>	<b>5295</b>	<b>4768</b>	<b>403</b>	<b>55</b>	<b>3</b>	<b>15213</b>
10									
11									
12	<b>Average weekly rent after increase</b>	<b>Bedsit</b>	<b>1 BED</b>	<b>2 BED</b>	<b>3 BED</b>	<b>4 BED</b>	<b>5 BED</b>	<b>6 BED</b>	<b>Grand Total</b>
13									
14	Bedsit/Studio	£52.04	£56.67						£52.78
15	Bungalow		£62.50	£72.97	£76.96				£64.02
16	Flat	£53.87	£58.94	£65.65	£72.52	£74.03	£73.55		£63.00
17	House		£64.97	£70.21	£75.56	£83.67	£88.83	£104.16	£74.80
18	Maisonnette		£59.72	£66.01	£72.41	£78.90	£83.22		£70.64
19									
20	<b>Grand Total</b>	<b>£52.05</b>	<b>£59.06</b>	<b>£66.83</b>	<b>£74.21</b>	<b>£83.01</b>	<b>£86.76</b>	<b>£104.16</b>	<b>£67.03</b>
21									
22									
23	<b>Average weekly increase in rent in £</b>	<b>Bedsit</b>	<b>1 BED</b>	<b>2 BED</b>	<b>3 BED</b>	<b>4 BED</b>	<b>5 BED</b>	<b>6 BED</b>	<b>Grand Total</b>
24									
25	Bedsit/Studio	-£2.17	-£2.40						-£2.22
26	Bungalow		-£2.84	-£3.10	-£3.22				-£2.88
27	Flat	-£2.33	-£2.37	-£2.65	-£3.05	-£1.95			-£2.54
28	House		-£2.69	-£2.96	-£3.20	-£3.34	-£3.76	-£4.38	-£3.15
29	Maisonnette		-£2.54	-£2.73	-£3.04	-£3.31	-£3.51		-£2.95
30									
31	<b>Grand Total</b>	<b>-£2.17</b>	<b>-£2.39</b>	<b>-£2.73</b>	<b>-£3.13</b>	<b>-£3.28</b>	<b>-£3.49</b>	<b>-£4.38</b>	<b>-£2.76</b>
32									
33									
34	<b>Average weekly increase in rent in %</b>	<b>Bedsit</b>	<b>1 BED</b>	<b>2 BED</b>	<b>3 BED</b>	<b>4 BED</b>	<b>5 BED</b>	<b>6 BED</b>	<b>Grand Total</b>
35									
36	Bedsit/Studio	-4.0%	-4.1%						-4.0%
37	Bungalow		-4.3%	-4.1%	-4.0%				-4.3%
38	Flat	-4.1%	-3.9%	-3.9%	-4.0%	-2.6%	0.0%		-3.9%
39	House		-4.0%	-4.1%	-4.1%	-3.8%	-4.1%	-4.0%	-4.0%
40	Maisonnette		-4.1%	-4.0%	-4.0%	-4.0%	-4.0%		-4.0%
41									
42	<b>Grand Total</b>	<b>-4.0%</b>	<b>-3.9%</b>	<b>-3.9%</b>	<b>-4.0%</b>	<b>-3.8%</b>	<b>-3.9%</b>	<b>-4.0%</b>	<b>-4.0%</b>



**WEEKLY RENTS - MOBILE HOMES**

**To give average increase of 2.92% for 2009/10**

	A	B	C	D	E	F
1	<b>DESCRIPTION</b>		<b>Last year 2008/09 Weekly Rent</b>	<b>Current 2009/10 Weekly Rent</b>	<b>NEW 2009/10 Weekly Rent</b>	<b>% Change</b>
	<b><u>MOBILE HOMES WEEKLY RENTS</u></b>		<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>%</b>
2	Single Site		24.45	25.67	24.66	-3.93%
3	Single Site (larger)		27.67	29.05	27.90	-3.96%
4	Double Site		30.78	32.32	31.04	-3.96%