

CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**8<sup>th</sup> January 2009**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION**

**HOUSING AND COMMUNITY SAFETY - LEAD CABINET MEMBER – CLLR. STEVE NELSON**

**2009/10 ANNUAL RENT INCREASE (COUNCIL HOUSING STOCK)**

1. Summary

To present to Members details of the Government guidance on the 2009/10 annual rent increase for Council Homes.

2. Recommendations

1. Members agree to an average 6.5% rent increase for 2009/10 for Council homes.

**DETAIL**

3. Reasons for the Recommendations/Decision(s)

To set rent levels for 2009/10 for the Council's housing stock.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.**

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**2009/10 ANNUAL RENT INCREASE (COUNCIL HOUSING STOCK)**

**SUMMARY**

To present to Members details of the Government guidance on the 2009/10 annual rent increase for Council Homes.

**RECOMMENDATIONS**

1. Members agree to an average 6.5% rent increase for 2009/10 for Council homes.

**DETAIL**

**Background**

1. Members should note that it is Government who establish the framework for the level of rent each Local Authority charges its Council tenants. The setting of rents is linked into the Housing Subsidy system on the basis that the Government give annual guideline rent increases to each Local Authority and presume that level of increase is levied, setting the Housing Subsidy on this basis.
2. In 2001 Members will recall the Government introduced rent restructuring with a view to bringing Council house rents and Housing Association rents in line with each other (Housing Association rents were traditionally higher). The guidance was that by a given date (2012) rent levels would be equal (convergence).
3. The Housing Subsidy system is currently subject to a national review and this may affect rent levels and convergence in the future. In the interim the Government have put back the convergence date to 2024/25 but this could again be brought forward in the future. Members will recall that some Local Authorities are in positive subsidy taking money out of the subsidy pot and some are in negative subsidy putting money into the pot. Overall there is an annual surplus in the pot and as the Government does not want to have excessive balances in the pot, it is on this basis that the convergence date has been put back (ie. less rent = less subsidy balances).
4. To add to the complexity of the situation rents are set by calculating the annual Retail Price Index (RPI or inflation figure) and adding a ½% for growth and then, depending on how high the baseline figure is, Government decide what is a reasonable figure to add on to reach the convergence date. On this basis the convergence date keeps changing.

5. So for example if inflation were low next year as predicted and, for example, the RPI was 1%, then this plus the ½% growth would leave more scope for rent restructuring, thus the convergence date could be brought forward again.

## Proposal

6. The Government have said that the recommended average rent increase in Stockton Borough Council should be 6.5% which equates to an average of £4.02 per week increase to give an average weekly rent of £66.14 over the 48-week rent period. Last financial year the rent increase equated to 6.22% or £3.40.
7. Members are recommended to agree the 6.5% average rent increase. If Members agreed to a lower rent increase, for example a 5% increase (an average of £3.11 increase per week and a subsequent average rent of £65.23 over the 48-week rent period) then there would be a charge on the Housing Revenue Account of £450,000 in the financial year 209/10 and £900,000 in the financial year 2010/11.
8. Members will note that in the current economic climate revenue from the Housing Revenue Account over and above the agreed Tristar annual allocation for repairs and management is being used to fund a range of service improvements and pressures such as Choice Based Lettings, additional initiatives to tackle anti social behaviour, domestic energy assessments, access to service and changes due to job evaluation. Revenue is also being used to help fund the housing capital programme for works to Tristar managed stock. Members will note that the housing capital programme has been severely hit (to the value of circa £1.8 million in this financial year) by the lack of capital receipts from the sale of council housing due to the implications of the credit crunch. We are anticipating that in the financial year 2009/10 capital receipts will continue to be low (circa 25 as compared to an average 150 in previous years) and in order to keep the capital programme at the current level, (finishing the decent standard works, continuing to carry out health and safety works and funding disabled adaptations), we anticipate having to make significant revenue contributions which will come from balances in excess of the 3% or £1 million working balance.
9. We anticipate that in the financial year 2009/10 the HRA will have balances of around £3 million after paying standard Tristar management and maintenance allowances and deducting the working balance provision. However calls on the working balances to fund both capital and revenue are already in excess of £4 million – see table below.

<b>CALLS ON BALANCES IN 2009/10</b>			
<b><u>CAPITAL</u></b>		<b>£000's</b>	<b>£000's</b>
1	Slippage from 2008/9 Delegated Tristar Budget because of reduced capital receipts:-		
1a	Decent Standard Works	1,108	
1b	Asbestos removal, Electrical testing, SAP ratings, Emergency lighting and Legionella surveys.	570	
2	Disabled Adaptations previously funded by capital receipts	508	
3	High cost and SRP voids	960	
	<b>CAPITAL TOTAL</b>		<b>3,146</b>
<b><u>SERVICE IMPROVEMENTS AND PRESSURES</u></b>			
4	Choice Based lettings	350	
5	Job Evaluation	270	
6	Domestic Energy Assessments	107	

		<b>£000's</b>	<b>£000's</b>
7	Service Improvements	344	
8	Estate Shops additional works	10	
9	Anti Social Behaviour	15	
	<b>SERVICE IMPROVEMENTS AND PRESSURES TOTAL</b>		<b>1,096</b>
	<b>OVERALL TOTAL</b>		<b>4,242</b>

10. To illustrate what differing rent increases will mean for different property types in the Borough the following charts have been included for reference.

Table a) shows the 2008/09 average increase on different property types (as agreed as part of last year's budget setting).

Table b) shows the proposed average increase for 2009/10 based on the Government's recommended 6.5%.

Table c) shows a comparison between an average 6.5% increase and an average 5% increase.

Table a)

<b>2008/09 RENT INCREASE</b>		
	<b>Rent Increase £</b>	<b>Rent Increase %</b>
0 Bedrooms	£2.57	5.62%
1 Bedroom	£3.19	6.18%
2 Bedrooms	£3.50	5.99%
3 Bedrooms	£4.02	6.36%
4 Bedrooms	£4.51	6.81%
5 Bedrooms	£4.89	7.11%
<b>AVERAGE</b>	<b>£3.40</b>	<b>6.22%</b>

Table b)

<b>PROPOSED 2009/10 RENT INCREASE (6.5%)</b>		
	<b>Rent Increase £</b>	<b>Rent Increase %</b>
0 Bedrooms	£2.96	6.1%
1 Bedroom	£3.52	6.4%
2 Bedrooms	£3.93	6.4%
3 Bedrooms	£4.40	6.5%
4 Bedrooms	£4.79	6.8%
5 Bedrooms	£5.27	7.1%
<b>AVERAGE</b>	<b>£4.02</b>	<b>6.5%</b>

Table c)

<b>2008/09 COMPARISON BETWEEN 6.5% and 5% AVERAGE RENT INCREASE</b>		
	<b>Rent Increase 6.5%</b>	<b>Rent Increase 5%</b>
0 Bedrooms	£2.96	£2.41
1 Bedroom	£3.52	£2.74
2 Bedrooms	£3.93	£3.09
3 Bedrooms	£4.40	£3.36
4 Bedrooms	£4.79	£3.54
5 Bedrooms	£5.27	£3.69
<b>AVERAGE</b>	<b>£4.02</b>	<b>£3.11</b>

11. Any additional 1% reductions on rent levels will equate to a loss of £300,00 in 2009/10 and £600,000 in 2010/11.
12. In addition Members should note that to give a less than the guideline increase now will mean higher than guideline increases in the future.
13. The Cabinet Member for Housing & Community Safety has written to the Department of Communities & Local Government about the formula for the rent restructuring process and the impact such high level rent increases have on our tenants.

#### **14. FINANCIAL IMPLICATIONS**

The proposed rent increase will equate to an average £4.02 per week increase for tenants of Council homes. Any rent increase below the guideline rent will have a negative financial impact on the Housing Revenue Account.

#### **15. LEGAL IMPLICATIONS**

None.

#### **16. RISK ASSESSMENT**

If an increase below the guideline rent is agreed then bigger increases are likely to follow in the future to ensure rents remain on track for rent convergence as per Government policy.

#### **17. SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

This report is under the banner the Environment & Housing Theme in the Sustainable Community Strategy. One of the key aims is to keep housing affordable and on this basis we are lobbying Government about the impact of the current guideline rent which means an above inflation rent increase for Council tenants.

#### **18. EQUALITIES IMPACT ASSESSMENT**

An impact assessment has been undertaken and the main action arising is lobbying on the level of the rent increase to Central Government.

#### **19. CONSULTATION INCLUDING WARD/COUNCILLORS**

Consultation has been undertaken with the Cabinet Member for Housing & Community Safety.

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#### Background Papers

Draft Subsidy determination 2009/10

#### Ward(s) and Ward Councillors:

All who have Council housing in their Wards.

#### Property

No implications.