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Reason for Urgent Cabinet

Following updated information on the progress of the Welfare Reform and Work Bill through Parliament, the following updated recommendations are recommended to Cabinet. Each recommendation listed below supersedes the recommendations of the same letter within the original Cabinet Report (9 February 2016, Agenda Item 13).

Recommendations

It is recommended that Cabinet recommend to Council approval of the following recommendations:

- l) reduce dwelling rents for non-sheltered housing units by 1%, and increase rents for sheltered housing units by CPI plus 1%, resulting in an average rent of £105.52 per week (based on 52 weeks)

- m) approve the updated HRA estimate for 2016/17 as shown in Supplementary Appendix F.

Background

1. Within the summer 2015 budget announcement, Government made a commitment to reduce social rents by 1% per year for four years from April 2016 to help reduce the Housing Benefit bill and cut the deficit. The statutory provision required to give effect to that commitment is contained in the Welfare Reform and Work Bill currently before Parliament.
2. This Bill will not have passed through parliament and received Royal Assent before Council has to vote on setting rent levels for 2016/17. This means that at the point the decision will be made by Members, the Council will not statutorily be compelled to implement a 1% rent reduction.
3. This supplementary Cabinet report has been drafted in consultation with the Council's Corporate Director (Housing & Regeneration) in order to advise Members on the anticipated outcome of the Bill, and how this should inform rent-setting for 2016/17.

Requirement to reduce rents by 1%

4. In its current drafting, clause 20 of the Bill requires that all registered providers of social rent, which includes the Council, reduce their rents by 1% from the amount payable in respect of the preceding 12 months. This means that any local authority provider which did not implement a 1% reduction as of 1 April 2016 would need to make a deeper reduction later in the year in order to comply.

5. The view of ARCH (Association of Retained Council Housing), of which Dacorum is a member, is that the Bill will receive Royal Assent ahead of the new financial year, and that clause 20 will remain substantially unchanged. They expect their members to implement a 1% reduction for the year commencing 1 April 2016.
6. The Council would face significant costs associated with rebilling tenants if it was to continue with its current rent policy and reduce rents only when the Bill receives Royal Assent. On this basis, the advice of ARCH, and the clarity of Government's commitment to effecting the reduction, it is recommended that the Council reduces rent for all non-sheltered housing (see section below) by 1% from 1 April 2016.

Exception to rent reduction for Sheltered Housing

7. Lord Freud (Minister for Welfare Reform) announced in the House of Lords on 27 January 2016 that sheltered housing would be exempt from the 1% reduction for one year pending the completion and consideration of a review currently underway. The advice from DCLG is that councils may (for sheltered housing) freeze rents or increase them by the current government rent guideline of CPI plus 1%. Final detail will be set out in regulation following Royal Assent (i.e. after rent setting for us).
8. Hitherto, council policy has been to increase rents for properties not at target rent by RPI plus 0.5% plus £2 per week. However, as the final regulations may potentially prohibit increases above the government guideline of CPI plus 1%, it is recommended that the Council continue to increase rents for sheltered housing units, but limit increases to CPI plus 1% in line with government guidelines.