

Report of:	Head of Housing and Waste Management and Head of Finance
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Key Decision:	No
Report Track:	Council: 12/02/14

**COUNCIL
12 FEBRUARY 2014
RENT RESTRUCTURING**

1 Purpose of Report

- 1.1 To advise Council of the Government's prescribed increase in formula rents for 2014-15 and the resultant average increase in Council dwelling rents.

2 Recommendations

- 2.1 That the Government's prescribed increase in 2014-15 formula rents and the resultant £3.22 average increase in Council dwelling rents are noted.
- 2.2 That the rent increase is implemented with effect from 7 April 2014.

3 Key Issues and Reasons for Recommendation

- 3.1 The Council is required to set its dwelling rents in accordance with the Government's national social rent policy.
- 3.2 This requires rents to be set in accordance with a prescribed formula. Where current rents differ from the formula rents, the Council is required to increase these (within a defined limit) to achieve convergence with the formula rents.
- 3.3 A 3.7% increase in formula rents has been prescribed for 2014-15. As a result of the revised formula rents and the need to achieve rent convergence, Council dwelling rents will increase by an average of £3.22 (4.55%) per week.

- 3.4 The rent increase will be implemented from 7 April 2014 in accordance with the agreed 52 week rent year.

4 Relationship to Corporate Priorities

- 4.1 The additional income generated by the rent increase will contribute to the following service aims, which form part of the Housing Portfolio section within the proposed 2014-15 "Place" Priority Delivery Plan, i.e.
- (i) Increase the supply of affordable housing.
 - (ii) Maintain and improve the facilities and energy efficiency of the Council's housing stock.
 - (iii) Manage the Council's housing stock.
 - (iv) Support vulnerable Council tenants to live independently in their own homes.

5 Report Detail

- 5.1 The Council is required to set its dwelling rents in accordance with the Government's national social rent policy.
- 5.2 This requires rents to be set in accordance with a defined formula set out in Appendix 1, with the resultant "formula rents" being subject to a Government prescribed increase of RPI plus 0.5% each year.
- 5.3 Where current rents differ from the "formula rents", the Council is required to increase these to achieve convergence with the formula rents. Weekly rents therefore increase annually by the Retail Price Index plus 0.5%, plus up to an additional £2 where the current rent is below the formula rent for the property.
- 5.4 Formula rents have increased by 3.7% for 2014-15. This comprises the September 2013 Retail Price Index increase of 3.2% plus 0.5%.
- 5.5 A revised formula rent has therefore been calculated for each of the Council's 5,361 properties and has then been compared with the Council's current rents to assess the required increases in accordance with rent convergence. A revised individual rent for each of the Council's properties has therefore been determined which results in an average rent increase of £3.22 (4.55%) based on a 52 week rent year. (Note: The difference between the 3.7% increase in formula rents and the 4.55% increase relates to the increase in relation to rent convergence).
- 5.6 It has previously been the Council's policy to collect rents in accordance with a 50 week year. However, following recommendations from the Housing Policy Development Committee of 21 October 2013, Cabinet on 21 November 2013

agreed to introduce a 52 week rent year for 2014-15 and subsequent years, to accord with the Universal Credit payment regime. Any tenant who wishes to continue to have a “rent free period” at Christmas (or any other time) can continue to do this through an individual arrangement with the Council.

- 5.7 The rent increase will be implemented from 7 April 2014 in accordance with the agreed 52 week rent year.
- 5.8 The Government propose changes to the national social rent policy with effect from 2015-16, details of which were considered by Cabinet on 19 December 2013. In particular, it is proposed that annual rent increases will change from the Retail Price Index plus 0.5% and up to £2 per week, to a limit of the Consumer Price Index plus 1%. As a consequence, the requirement to achieve rent convergence will no longer apply.
- 5.9 The proposed changes have been subject to a Government consultation exercise and it is expected that a revised national social rent policy will be issued in the near future.

6 Implications

6.1 Financial

The additional income which will be generated from the rent increase has been included within the proposed Housing Revenue Account budgets for the period 2014-15 to 2016-17.

6.2 Legal

The Council is required to set Council dwelling rents in accordance with the Government’s national social rents policy.

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

None

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

There are a number of risks associated with the implementation of the annual rent review. These risks are, however, managed through established procedures which include a number of verification checks and are the subject of an annual audit review.

6.8 Equality & Diversity

The Government have undertaken an Equality Impact Assessment in respect of their national social rents policy.

6.9 Best Value

None

7 Appendices to the Report

Appendix 1: Calculation of Formula Rents

Previous Consideration		
Rent Restructuring Strategy	Council	6 August 2002
Rent Restructuring	Council	12 February 2013
Introduction of a 52 week Rent Year	Housing Policy Development Committee	21 October 2013 (Recommendations agreed by Cabinet 21 November 2013)
Consultation on Rents for Social Housing from 2015-16	Cabinet	19 December 2013

Background Papers

CALCULATION OF FORMULA RENTS

1. The weekly formula rent is calculated in accordance with a common April 2000 baseline, whereby the weekly rent is:-

70% of the average rent for social housing *¹
multiplied by relative county earnings *²
multiplied by bedroom weight *³

Plus

30% of the average rent for social housing
multiplied by relative property value *⁴

Notes

- *¹ The average social housing rent is the average for England at April 2000.
- *² Relative country earnings are the average manual earnings for Staffordshire (at a 1999 price base) divided by the average manual earnings for England (at April 2000).
- *³ A bedroom weight (as prescribed by the DCLG) is applied so that other factors being equal, smaller properties have lower rents.
- *⁴ Relative property value is the existing use value of a dwelling divided by the national average value of social housing in England at January 1999 prices. A valuation exercise to determine 'beacon' relative property values for the Council's housing stock (at a January 1999 price base) was completed in April 2002.

2. The formula rent is then updated each year by inflation and a real terms increase prescribed by the Department for Communities and Local Government. Increases from 2006-07 are set out below:-

Formula Rent 2006-07	-	3.2%
Formula Rent 2007-08	-	4.1%
Formula Rent 2008-09	-	4.4%
Formula Rent 2009-10	-	5.5% (3.1% after rent limitation)
Formula Rent 2010-11	-	(0.9)%
Formula Rent 2011-12	-	5.1%
Formula Rent 2012-13	-	6.1%
Formula Rent 2013-14	-	3.1%
Formula Rent 2014-15	-	3.7%