

**CANNOCK CHASE COUNCIL**

**COUNCIL**

**15 FEBRUARY 2012**

**JOINT REPORT OF THE HEAD OF HOUSING AND THE HEAD OF FINANCIAL MANAGEMENT**

**RENT RESTRUCTURING**

**1. Purpose of Report**

- 1.1 To advise Council of the Government's prescribed 6.1% increase in formula rents for 2012-13.

**2. Recommendations**

- 2.1 That the Government's prescribed 6.1% increase for 2012-13 formula rents and the resultant £3.71 average increase in Council dwelling rents are noted.
- 2.2 That the rent increase is implemented with effect from 2 April 2012.

**3. Summary (inc. brief overview of relevant background history)**

- 3.1 The Council is required to set their dwelling rents in accordance with the Government's national social rent policy in order that rents in the council housing sector converge with those charged by housing associations by 2015-16.
- 3.2 The national social rents policy requires rents to be set in accordance with the defined formula set out in Annex 1. Where current rents differ from those determined by the formula, the Council is required to restructure these to achieve convergence with the formula rents.
- 3.3 Formula rents are subject to a Government prescribed increase of RPI plus 0.5% each year. For 2012-13, the Department for Communities and Local Government have informed the Council that this equates to 6.1% (i.e. the September 2011 RPI of 5.6% plus 0.5%).
- 3.4 As a result of the formula rent increase and the need to achieve rent convergence by 2015-16 Council dwelling rents will increase by an average of £3.71 per week. The rent increase will be implemented with effect from 2 April 2012.

**4. Key Issues and Implications**

- 4.1 A revised formula rent (in accordance with the Government's prescribed 6.1% increase) has been calculated for each of the Council's 5,405 properties. This has then been compared with the Council's current rents to assess the necessary changes to achieve convergence by 2015-16.
- 4.2 In accordance with the council's agreed rent restructuring strategy the revised rent change will be implemented in four equal steps.

4.3 The rent changes determined by this strategy provide a revised individual rent for each of the Council's 5,405 dwellings which results in an average rent increase of £3.71 based on a 52 week year.

4.4 The rent increase will be implemented with effect from 2 April 2012.

**5. Conclusion(s) and Reason(s) for the Recommendation(s)**

5.1 The Council is required to set its dwelling rents in accordance with the Government's national social rent policy and achieve rent convergence by 2015-16.

5.2 The Department for Communities and Local Governments have prescribed a 6.1% increase in formula rents for 2012-13 and in order to achieve rent convergence by 2015-16 this results in an average £3.71 increase in Council dwelling rents for 2012-13.

**6. Other Options Considered**

6.1 The Council is required to set its dwelling rents in accordance with the Government's social rents policy and as a consequence there are no other options in relation to this report.

**7. Report Author Details**

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**SCHEDULE OF ADDITIONAL INFORMATION**

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**Section 1**

**Contribution to Council Priorities**

The formulation of an HRA Business Plan has been identified as a key action within the agreed 2011-12 "Place" Priority Delivery Plan.

The proposed HRA Business Plan assumes that Council dwelling rents will be set in accordance with the Government's social rents policy and a 6.1% increase in formula rents has been included for 2012-13.

**Section 2**

**Contribution to Promoting Community Engagement**

The Chase Tenants and Residents Federation have been informed about the Government's prescribed increase in formula rents and the resultant average rent increase.

**Section 3**

**Financial Implications**

The additional income which will be generated from the rent increase has been included within the proposed HRA Business Plan and the proposed Housing Revenue Account budget for 2012-13.

**Section 4**

**Legal Implications**

Ian Curran.

**Section 5**

**Human Resource Implications**

There are no identified human resource implications associated within this report.

**Section 6**

**Section 17 (Crime Prevention)**

There are no identified Section 17 implications arising from this report.

**Section 7**

**Human Rights Act Implications**

There are no identified implications in respect of the Human Rights Act 1998 arising from this report.

**Section 8**

**Data Protection Act Implications**

There are no identified implications in respect of the Data Protection Act arising from this report.

**Section 9**

**Risk Management Implications**

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.

**Section 10**

**Equality and Diversity Implications**

The Government have undertaken an equal impact assessment regarding their rent policy.

**Section 11**

**List of Background Papers**

Letter from the Department for Communities and Local Government - 21 November 2011.

**Section 12**

**Report History**

Rent Restructuring Strategy	Council	6 August 2002
Rent Restructuring	Council	16 February 2011

**Annexes**

Annex 1: Calculation of Formula Rents



**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%