

CANNOCK CHASE COUNCIL

COUNCIL

16 FEBRUARY 2011

**JOINT REPORT OF THE DIRECTOR OF SERVICE IMPROVEMENT AND THE HEAD OF
FINANCIAL MANAGEMENT**

RENT RESTRUCTURING

1. Purpose of Report

- 1.1 To review the Council's rent restructuring strategy in the light of the Government's revised rent policy and consider:-
- (a) The extension of the Council's rent restructuring strategy to 2015.
 - (b) A proposed rent restructuring plan for 2011-12.

2. Recommendations

- 2.1 That Council agree :-
- (a) To extend the Council's rent restructuring strategy to achieve convergence by 2015.
 - (b) The 2011-12 rent restructuring plan formulated in accordance with the Council's revised rent restructuring strategy as set out below:-
 - (i) No rent will change by more than RPI plus 0.5% plus £2.00 per week.
 - (ii) All rent changes will be implemented via five equal steps between April 2011 and April 2015 except where the total change in rent is between £0.10-£1.00 over the restructuring period, in which case the total change will be implemented in April 2011.
- 2.2 That the 2011-12 rent restructuring plan is implemented with effect from 4 April 2011.

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

- 3.1 The Government require all social landlords to set their dwelling rents in accordance with a prescribed formula as set out in Annex 1. Where current rents differ from those determined by the common formula, landlords are required to restructure their rents to achieve convergence with those determined by the formula.
- 3.2 Whilst rent convergence was originally to be achieved by March 2012, the Government have reviewed their rent policy as part of their proposed reform of the Housing Revenue Account. As a result rent convergence is now to be achieved by April 2015.
- 3.3 Council on 8 August 2002 agreed a rent restructuring strategy based on implementing all rent changes through 9 equal steps in order to achieve the original 2012 convergence date, and this

has subsequently been implemented through the annual rent review process. As the Government have extended the date for rent convergence to 2015, it is proposed that the Council's strategy is similarly extended, as this will enable rent increases to be implemented over a longer period.

- 3.4 The Government have prescribed a 5.1% increase in guideline rents for 2010-11 and the formula rent increase is based on the RPI as at September 2010 of (4.6%) plus 0.5%. A revised formula rent has therefore been calculated for each of the Council's properties, which has then been compared with the Council's current rents to assess the necessary changes with the aim of achieving convergence by April 2015.
- 3.5 The required changes will be implemented in accordance with the Council's agreed rent structuring strategy which for the majority of properties will be via five equal steps. All rent changes will be implemented with effect from 4 April 2011 and will result in an average rent increase of £3.45 per week.

4. Key Issues and Implications

- 4.1 A revised formula rent (in accordance with the Government's 5.1% increase) has been calculated for each of the Council's 5,422 properties. This has then been compared with the Council's current rents to assess the necessary changes to achieve convergence by April 2015.
- 4.2 In accordance with the proposed revision of the rent restructuring strategy the revised rent change will be implemented in five equal steps except where the total change in rent is between £0.10-£1.00 over the rent restructuring period in which case the total change will be implemented in April 2011.
- 4.3 The rent changes determined by the revised rent restructuring strategy provide a revised individual rent for each of the Council's 5,422 dwellings which will be implemented through the 2011-12 rent restructuring plan. An analysis of the rent changes, on a 52 week basis, included within the 2011-12 plan are set out below:-

	<u>No. of Properties</u>	
	<u>Rent Increase</u>	<u>Rent Decrease</u>
(i) <u>Proposed Changes in five Equal Steps</u>		
£0.10 - £1.00 per week	-	
£1.01 - £2.00 per week	3	
More than £2.01 per week	5,419	
(ii) <u>Other Changes</u>		
£0.10 - £1.00 in April 2011	-	-
<u>TOTAL:</u>	5,422	-
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- 4.4 All rent changes will be implemented with effect from 4 April 2011 and will result in an average rent increase of £3.45

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

5.1 The Government require all social landlords to set their rents in accordance with a common formula and, the majority of properties, achieve rent convergence by March 2015. This report presents details of the 2011-12 rent restructuring plan which has been formulated in accordance with the principles of a rent restructuring strategy which has been revised in accordance with the Government's revised rent policy which extends rent restructuring to 2015.

6. Other Options Considered

4.4 The Council has little discretion regarding its rent setting 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 (i.e. CHASE, Corporate Priorities)

The implementation of the Council's rent restructuring plan for 2011-12 will generate additional income for the Housing Revenue Account. The additional income will be used to provide housing services which contribute to the Healthier Communities, Housing and Older People objective of CHASE.

Section 2

Contribution to Promoting Community Engagement

The Council's agreed rent restructuring strategy was the subject of consultation with the Chase Tenants' and Residents' Federation. Tenants were consulted on the introduction of service charges through the consultation exercise on the revised Tenancy Agreement.

Section 3

Financial Implications

The additional income from the Council's rent restructuring plan have been built into the Housing Revenue Account budget for 2011-12.

Section 4

Legal Implications

Any changes to the rent structure must be implemented having regard to the guidance issued by the Department for Communities and Local Government. These changes are being made to promote harmonisation between tenants and to achieve fairness and equality in the charging policy.

Social landlords are being encouraged to restructure their rents towards the new target rents, with the aim of completing the process as far as possible by March 2015, until total convergence is achieved. The Council has the discretion to implement the changes as it deems appropriate within the recommended five year timescale. Clearly, rent restructuring is less likely to have a significant impact on tenants if it is introduced more gradually over a longer period of time.

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

None

Section 12

Report History

Rent Restructuring Strategy	Council	6 August 2002
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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%