

Report of:	Head of Housing
Contact Officer:	Ian Tennant
Telephone No:	01543 464210
Portfolio Leader:	Housing
Key Decision:	No
Report Track:	Cabinet 31/01/13 Council 13/02/13

**CABINET
31 JANUARY 2013
RENT RESTRUCTURING**

1 Purpose of Report

- 1.1 To introduce a report in respect of rent restructuring to be considered by Council on 13 February 2013.

2 Recommendations

- 2.1 That Cabinet note the contents and recommendations in respect of the Rent Restructuring report (attached as Annex 1) to be considered by Council on 13 February 2013.

3 Key Issues and Reasons for Recommendation

- 3.1 A report on the Council's rent restructuring strategy will be considered by the Council on 13 February 2013.
- 3.2 The report informs Council of the Government's prescribed increase in formula rents for 2013-14 and the resultant average increase in Council dwelling rents, in order that in accordance with the Government's national social rents policy rent convergence is achieved in April 2015.
- 3.3 The additional income arising from the rent increase has been included in the revised HRA Business Plan and the Housing Revenue Account budget for 2013-14.

4 Relationship to Corporate Priorities

- 4.1 This is addressed in the attached report to Council.

5 Report Detail

5.1 This is contained in the attached report to Council.

6 Implications

These are addressed in the attached report to Council.

7 Appendices to the Report

Annex 1: Report to Council 13 February 2013 "Rent Restructuring"

Previous Consideration

This is addressed in the attached report to Council.

Background Papers

Report of:	Head of Housing and Head of Finance
Contact Officer:	Ian Tennant
Telephone No:	01543 464210
Portfolio Leader:	Housing
Key Decision:	No
Report Track:	Council 13/02/13

**COUNCIL
13 FEBRUARY 2013
RENT RESTRUCTURING**

1 Purpose of Report

- 1.1 To advise Council of the Government's prescribed increase in formula rents for 2013-14 and the resultant average increase in Council dwelling rents.

2 Recommendations

- 2.1 That the Government's prescribed increase in 2013-14 formula rents and the resultant £2.60 average increase in Council dwelling rents are noted.
- 2.2 That the rent increase is implemented with effect from 1 April 2013.

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 and achieve rent convergence by 2015-16.
- 3.2 A 3.1% increase in formula rents has been prescribed for 2013-14, whilst increases of 2.5% have been assumed for both 2014-15 and 2015-16. As a result of the revised formula rents and the need to achieve rent convergence by 2015-16 Council dwelling rents will increase by an average of £2.60 (3.81%) per week.
- 3.3 The rent increase will be implemented with effect from 1 April 2013.
- 3.4 The actual rent increase is higher than the prescribed increase in formula rents due to the effect of the large increase (6.1%) in formula rents in 2012-13. A

large increase in later years has a larger effect on the remaining period due to the decreasing number of years remaining to reach the specified convergence date of April 2015.

4 Relationship to Corporate Priorities

- 4.1 A review of the Council's Housing Revenue Account Business Plan has been identified as a key action within the agreed 2012-13 "Place" Priority Delivery Plan.
- 4.2 The revised HRA Business Plan assumes that Council dwelling rents will be set in accordance with the Government's national rent policy and as a result a 3.81% increase has been included for 2013-14, together with assumed increases of 2.5% for 2014-15 and 2015-16.

5 Report Detail

- 5.1 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.
- 5.2 The national social rents policy requires rents to be set in accordance with the defined formula set out in Appendix 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.
- 5.3 Formula rents are subject to a Government prescribed increase of RPI plus 0.5% each year. For 2013-14, the Department for Communities and Local Government have informed the Council that this equates to 3.1% (i.e. the September 2012 RPI of 2.6% plus 0.5%).
- 5.4 A revised formula rent (using the Government's prescribed 3.1% increase for 2013-14 and assumed increases of 2.5% for both 2014-15 and 2015-16) has been calculated for each of the Council's 5,388 properties. This has then been compared with the Council's current rents to assess the necessary changes to achieve convergence by 2015-16.
- 5.5 In accordance with the Council's agreed rent restructuring strategy the revised rent charge will be implemented in three equal steps.
- 5.6 The rent charges determined by this strategy provide a revised individual rent for each of the Council's 5,388 dwellings which results in an average rent increase of £2.60 (3.81%) based on a 52 week year. It is, however, the Council's policy to collect rents in accordance with a 50 week year and on this basis the increase is £2.70 per week.
- 5.7 The actual rent increase is higher than the prescribed increase in formula rents due to the effect of the large increase (6.1%) in formula rents in 2012-13. A large increase in later years has a larger effect on the remaining period due to

the decreasing number of years remaining to reach the specified convergence date of April 2015.

5.8 The rent increase will be implemented with effect from 1 April 2013.

6 Implications

6.1 Financial

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.

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	16 February 2011
Rent Restructuring	Council	15 February 2012

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%