

**Decision Session - Executive Member for Housing
and Safer Neighbourhoods**

23 May 2016

Report of the Assistant Director, Housing and Community Safety.

Target Rent Policy

Summary

1. This report proposes to change the current policy and to increase the rent on a property when it becomes void and sets out the impact of the change. Existing tenancies will not be affected by this change.

Recommendations

2. The Executive Member is asked to consider:

Option 1 – To increase the rent payable to Target Rent on a property when it becomes void.

Reason: To maximise the council's income

Background

3. In 2002 a national rent convergence policy was introduced under which, over a ten year period, rents in social housing (local authority and housing association owned stock) were to be brought into alignment.
4. A rent formula was established with actual rents moving towards a target rent based on a national formula which took account of values of properties and local earnings relative to national earnings. A 'bedroom weighting' factor was also applied to try and ensure the resulting rents better reflected the perceived value of the properties being occupied. These formula rents were increased each year by the Retail Prices Index (RPI) + 0.5%.
5. In 2012 a revised target convergence date of 2015-16 for local was introduced , subject to a maximum annual rent rise for an individual tenant of RPI + 0.5% + £2 per week.
6. As part of the 2013 Comprehensive Spending Review it was announced that "from 2015-16 social rents will rise by Consumer Price Index (CPI) plus 1 per cent each year for 10 years."

7. As part of the 2015 Summer Budget the Chancellor announced that rents in social housing would be reduced by 1% a year for four years resulting in a real term reduction of 12% in rental income over that previously anticipated.
8. The impact of this change means a reduction in planned income to the HRA income of £12.8m over the four year period and a reduction in income of £240m over the life-time of HRA 30 year business plan.
9. As part of the changes introduced the government have given social housing landlords the freedom to increase the rent on empty homes to target rent rather than phase them.

Consultation

10. The proposal has been discussed with the federation of resident and tenants association. There were no objections to the proposal.

Options

- a) Option 1- To increase the rent payable to Target Rent on a property when it becomes void.
- b) Option 2 - To maintain the current arrangements.

Analysis

Option 1

11. Many of the council properties have not reached target rent yet. An analysis of current position is set out in the table below.

Number of properties	Distance from target rent
187	At target
4,169	Less than £1 per week
2,647	£1 - £1.49 per week
625	£1.50 - £1.99 per week
107	More than £2 per week

12. The average distance to target rent is £1.05 per week with more than 90% of properties less than £1.50 per week below target levels. The average number of unique re-lets^{1 1} are 358 properties per year. So it

¹ 1,793 properties were re-let over the 5 year period giving an average of 359 properties per year.

will take approximately 20 years for all properties to reach target rental income increasing by approximately £20,000 each year.

Option 2

13. Rents will not be increased to target rents and the council will not be maximise on its rental income

Council Plan

14. This change in policy will contribute putting a focus on front line services. It will achieve this by ensuring the authority maximises its income and protects the vulnerable.

15. **Implications**

- **Financial** – Over the 20 year period that it will take to raise all the properties to target rent this policy change will achieve an additional income of £4.2m. This estimate doesn't take account of the impact of inflation.
- **Human Resources (HR)** - none
- **Equalities** – A community impact assessment has been completed and the effect is neutral
- **Legal** – the changes have been advised and agreed with legal services
- **Crime and Disorder** – none
- **Information Technology (IT)** - none
- **Property** - none
- **Other** – none

16 **Risk Management**

There is no risk in implementing this policy. It will ensure that the council maximises its rental income and contribute towards the council achieving the priorities set out in the housing revenue account business plan.

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**Report
Approved**



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Specialist Implications Officer(s)

Financial:
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Wards Affected: *List wards or tick box to indicate all*

All *tick*

For further information please contact the author of the report

Background Papers

None

Annexes

None

Abbreviations

CPI Consumer Price Index
HRA Housing Revenue Account
RPI Retail Prices Index