

HOUSING RENTS 2008/09

1. In 2000 the Government announced that from April 2002 all councils and housing associations had to set their rents on a new, fair and consistent basis. This involved a phased change in rents over 10 years beginning in April 2002 based on a formula for rent setting created by Central Government. This is known as rent restructuring and will mean that rents charged will move towards a Government set target rent. By 2012 similar properties should be charged similar rents regardless of who owns the property. This is known as rent convergence.
2. Current Government rents' policy assumes that through the process of rent restructuring there will be eventual convergence between the rents in the local authority and registered social landlord (RSL) sectors. At this point actual and guideline rents for a single authority should all have the same value.
3. The actual rent is the rent charged to the tenant. The guideline rent is a notional rent and a feature of the HRA subsidy system. This is the level of rent the HRA subsidy system assumes an authority is receiving for the purpose of calculating its HRA subsidy entitlement and is generated by a Government formula. The actual average council weekly rent figure in 2007/08 is £57.14.
4. This Government formula rent takes account of various factors including the number of bedrooms a property has, property valuation, average earnings and the date at which all rents are expected to converge.
5. Continuing to implement rent restructuring would result in an average increase in council rents (on a 52 week basis) of 6.28%. This would result in council rents being on line to achieve convergence with the formula rent for the majority of properties by 2011/12.
6. However, the CLG have proposed in the draft subsidy determination that the convergence deadline is extended to 2016/17. This revised timescale applies for 2008/09 only and is subject to review in future years. The effect of the extension is to reduce potential rent increases for tenants. If the rent calculations are altered to take account of this extension the average 2008/09 rent increase would be 5.25%.
7. Increasing rents by 6.28% in line with the council's policy on rent restructuring would be against the Government guidance on rent restructuring which has indicated that the date for rent convergence should be extended to 2016/17 pending a further review of rent restructuring and HRA subsidy in 2008/09. This level of rent increase would generate additional income over and above the level assumed in the Governments subsidy calculation and the HRA budgets.
8. The recommended option is to increase rents in line with Government guidance, resulting in an average increase of 5.25%. This is in line with the recommendation from CLG and matches the assumed level of income in the HRA subsidy calculations.
9. The rent increase will apply to all council properties including hostels and travellers sites. It is necessary to serve notices on tenants to vary their current rent and a minimum of four weeks notice is required.