



Meeting: Executive

Date: 25th January 2007

HOUSING REVENUE ACCOUNT (HRA) RENT INCREASE SETTING FOR 2007/08

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1. PURPOSE

1.1 To recommend to Council rent increases for 2007/08 in respect of dwellings.

2. BACKGROUND

- 2.1 In 2002/03 the Government introduced its Rent Restructuring policy which was intended to converge the rents of all social landlords over a ten year period, in order that rents of tenants in similar Council or Register Social Landlord (RSL) properties would be the same by the end of the period.
- 2.2 The Rent Restructuring policy provides a detailed formulaic method for determining rents increases. Stevenage Borough Council has been applying the Government's Rent Restructuring policy since 2002/03 and 2007/08 will be the sixth year of implementation.
- 2.3 In 2003/04 the Council introduced the collection of Rent and Service Charges over a 50 week period (i.e. operating 2 "rent free" weeks). Periodically it occurs that a financial year has 53 Mondays in it, making the year a 53 week rent year. 2007/08 is a 53 week rent year, and hence, with the 2 "rent free" weeks, rent will actually be collected for 51 weeks. However, all of the weekly figures referred to in this report are based on a standard 52 week year.

3. RECOMMENDATIONS

That the following recommendations be made to Full Council on 31st January 2007:-

- 3.1 That the rents of HRA dwellings be increased, with effect from the week commencing 2nd April 2007, by 2.94% and increased or decreased by the Rent Restructuring figure determined for each dwelling in accordance with the Government's Revised National Rent Restructuring Formula, subject to the Government's caps and limits applicable to each property, as detailed in paragraph 4.2.2 to 4.2.5.
- 3.2 The Government's Cap on the combined increase in rent and un-pooled Service Charges for an individual property be applied as detailed in paragraph 4.2.5.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Timetable

4.1.1 The Rent setting timetable (allowing for notice, implementation, scrutiny and approval) requires the proposals to be considered at the Council's Executives in December and January before final approval at Full Council on 31st January 2007.

4.2 Rent Setting

4.2.1 Stevenage has followed the Government's Rent Restructuring Policy since its introduction in 2002/03 and tenants were consulted on this policy in 2002. Otherwise the HRA would be left with a significant shortfall because the subsidy calculations and particularly the rent withdrawal figure in the Subsidy calculations assume that Rent Restructuring is being followed.

4.2.2 The rent proposals for the 2007/08 Rent Increase are summarised as follows:

2006/07 Average Rent Set at Government Constrained Rent	= £66.36
Inflationary Increase	= £ 1.95 2.94%
Average Rent Restructuring Increase	= £ 1.37 2.06%
Overall Increase	= £ 3.32 5.00%
2007/08 Average Rent	= £69.68

4.2.3 The proposed Average Rent above has been set by continuing to applying the Government's Revised Rent Restructuring formula.

4.2.4 In practice, individual rents would be calculated by applying a 2.94% increase to the 2006/07 rent, plus or minus an individual convergence figure calculated in accordance with the Government's formula for the sixth year of Rent Restructuring.

4.2.5 As in previous years, the Government intends that increases and decreases in Rents and Service Charges of individual properties should continue to be capped at RPI+½% + or - £2. It is proposed that the Council continues to implement this cap. The + or - £2 convergence cap will apply to some 14 properties in Stevenage in 2007/08, resulting in an annual rent loss to the HRA of only £200.

4.2.6 Once again for 2007/08, the Government also proposes that increases in the average rent should be limited to 5%. Implementing this 5% limit means that instead of using the Government's guideline inflationary increase of RPI plus ½% of 4.1% (3.6% + 0.5%) the Council's inflationary increase would be limited to 2.94%, as shown in the proposal at 4.2.2 above. The Government have indicated that Authorities will be compensated again for the resulting loss of rent. The impact of the 5% limit on the average rent increase is an estimated annual loss of rent to the HRA of some £383,000.

4.2.7 Projections of future rent increases indicate that average rents in Stevenage should achieve the rent convergence objective by the end of the 10 year Rent Restructuring period in 2011/12. This will be dependant upon future inflationary levels. It is possible that some individual rents may converge after 2011/12, if the rent cap was continued.

4.2.8 FOSTA (federation Of Stevenage Tenants Association) have been consulted on the Rent increase proposals and the Draft HRA Estimates at their meeting on 3rd January 2007 and supported the recommendations.

5. IMPLICATIONS

5.1 Financial Implications

This report is largely financial in nature and relevant implications are included in the body of the report and appendices.

5.2 Legal Implications

The Council has a statutory duty to balance the Housing Revenue Account. The Council has a statutory duty to consult its tenants on changes in policy and practice on matters of housing management.

5.3 Policy Implications

All of the proposals in this report are intended to be consistent with the Corporate Business Strategy ambitions and priorities that relate to the housing stock.

5.4 Service Delivery Implications

The proposals in the report reflect the aim of setting the HRA to ensure our ability to fund the ALMO, achieve a three star Housing Service and deliver the Decent Homes Programme.

5.5 Other Implications

There are no other direct implications to report at this time.

6. BACKGROUND DOCUMENTS

7. APPENDICES

None