

**REPORT FOR: TENANTS',  
LEASEHOLDERS' AND  
RESIDENTS'  
CONSULTATIVE FORUM**

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**Date of Meeting:** 11 January 2012

**Subject:** Rent Strategy

**Responsible Officer:** Julie Alderson, Interim Director of Finance and Paul Najsarek, Corporate Director of Adults & Housing

**Portfolio Holder:** Councillor Bob Currie, Portfolio Holder for Housing

**Exempt:** No

**Enclosures:** Appendix 1 – Rental Strategy 2012/13

## **Section 1 – Summary and Recommendations**

This report sets out the proposals for the updated rental strategy for 2012-13, which will be considered by Cabinet in February 2012 as part of approving the Housing Revenue Account (“HRA”) Budget for 2012-13.

### **Recommendations:**

TLRCF is requested to consider the rent proposals and make recommendations to Cabinet to enable the HRA Budget to be considered following this consultation at Cabinet and Council in February.

### **Reason: (For recommendation)**

To ensure that tenants are consulted on the rental strategy and to enable feedback to be made to the Council to assist with the decision making process.

## **Section 2 – Report**

1. Historically the rental strategy is considered as part of the draft HRA budget by Cabinet in December, enabling consultation at the January TLRCF meeting and to enable feedback to Cabinet and Council.
2. However, given the scale of changes surrounding the Housing Service and the delayed issue from Communities and Local Government in relation to the self financing settlement, a draft HRA budget 2012-13 was not considered by Cabinet in December. Instead Cabinet received a report which updated Members on some of the key issues and considerations to be addressed by Cabinet in February 2012.
3. A recommendation from this report was to agree to consult on a revision to the current rental strategy and to delegate Corporate Directors of Finance and Adults and Housing and their respective Portfolio Holders to bring a report to Cabinet in February 2012 recommending a revised rent strategy and recommended rent increases to be implemented from April 2012.
4. Following this meeting, the rental strategy has been reviewed and this paper attached at Appendix 1 for consideration by the Forum.
5. There is no statutory duty to consult tenants on variations to their rents, however as TLRCF was consulted last year about the proposed rent increases for the following three years, it is appropriate to seek the views of TLRCF on the updated strategy. If agreed by Cabinet, tenants will receive the contractual 28 days notice of the increase in accordance with their tenancy conditions.
6. The rent increases are expected to be covered by Housing Benefit, however, the Forum is reminded that there the Welfare Benefit Reforms may at some future point, affect the individual amount of benefit that a tenant may receive. Currently there are approximately 70% of council tenants in receipt of full or partial benefit.
7. Changes to the current rental strategy, if approved, would generate additional income to the HRA in the region of £820k. This additional income and other financial factors arising from the Housing Reforms, will be considered by Cabinet and Council as part of the budget setting process for 2012-13 and will help to sustain the viability of the HRA and enable further investment in the stock and in services.

### **Corporate Priorities**

8. The appended report incorporates the corporate priorities of:
  - United and involved communities: A Council that listens and leads
  - Supporting and protecting people who are most in need

### **Section 3 - Statutory Officer Clearance**

Name: Jennifer Hydari



on behalf of the  
Chief Financial Officer

Date: 5 January 2012

Name: Sarah Wilson



on behalf of the  
Monitoring Officer

Date: 5 January 2012

### **Section 4 - Contact Details and Background Papers**

**Contact:** Donna Edwards, Finance Business Partner, Adults & Housing  
Tel : 020 8424 1140

**Background Papers:** HRA Budget 2011-12 February Cabinet 2011

## Appendix 1

### Rental Strategy

#### Principles

- To ensure those vulnerable tenants on low incomes are not disproportionately affected by rent changes;
- To retain the differential between the Council and other registered social landlord rents;
- To enable investment in the service and in the stock;
- To repay Housing debt.

#### Background

Cabinet agreed the existing rental strategy in February 2011 and referred to Council. This assumed continuation of the Government rent policy to enable rent convergence in accordance with the timescale of 2015/16. A rent increase in 2011/12 of 7.65% was approved and anticipated rent increases of 3.7% in 2012/13 and 2013/14 on the basis of RPI plus 0.5% plus £2.

When rents were set last year, the Government inflation figure was not known in relation to rent setting for 2012/13, and as a result the rent strategy assumed inflation at 2.5% within the rent formula and to reach convergence within the Government intended timescale.

Detailed below is the likely level of rent for 12/13 which would result from the continuation of the current approved strategy, without uplifting Government inflation assumptions.

Bedrooms	Sum of Dwellings	Average of 2011.12 Actual Rent	Average of 2011.12 Unpooled Service Charge	Average of 2012.13 Formula Rent	Average of 2012.13 Actual Rent	Average of 2012.13 Unpooled Service Charge	Average of 2012.13 Actual Rent Increase %
0	160	£75.95	£2.89	£78.84	£78.38	£2.96	3.21%
1	1838	£82.34	£2.87	£86.35	£85.20	£2.94	3.46%
2	1475	£96.02	£2.76	£101.98	£99.66	£2.83	3.82%
3	1399	£112.37	£1.84	£119.29	£116.63	£1.89	3.80%
4	88	£124.74	£2.21	£133.37	£129.38	£2.27	3.74%
5	7	£134.80	£0.44	£142.67	£139.72	£0.45	3.68%
6	2	£148.44	£0.82	£171.75	£153.74	£0.84	3.57%
7	1	£167.20	£1.14	£159.60	£169.06	£1.16	1.11%
Grand Total	4970	£95.52	£2.53	£100.98	£99.02	£2.59	3.66%

#### Updated Strategy – uplift rents for inflation

Communities and Local Government [CLG] announced on 21st November that the September 2011 inflation figure of 5.6% should be used in calculating rents. The CLG assume that the Council will follow this in setting rents and the amount of debt that the Council can support in the Self Financing settlement calculated accordingly. Should the Council decide not to uplift

rents in this way, there will be less rental income to support the additional debt financing costs. Detailed below are the likely rents which would result if the existing strategy was uplifted for the revised inflation figure.

Bedrooms	Sum of Dwellings	Average of 2011.12 Actual Rent	Average of 2011.12 Unpooled Service Charge	Average of 2012.13 Formula Rent	Average of 2012.13 Actual Rent	Average of 2012.13 Unpooled Service Charge	Average of 2012.13 Actual Rent Increase %
0	160	£75.95	£2.89	£81.22	£80.74	£3.05	6.31%
1	1838	£82.34	£2.87	£88.95	£87.76	£3.03	6.58%
2	1475	£96.02	£2.76	£105.04	£102.66	£2.91	6.94%
3	1399	£112.37	£1.84	£122.88	£120.13	£1.95	6.92%
4	88	£124.74	£2.21	£137.38	£133.27	£2.34	6.86%
5	7	£134.80	£0.44	£146.96	£143.92	£0.46	6.80%
6	2	£148.44	£0.82	£176.92	£158.36	£0.87	6.68%
7	1	£167.20	£1.14	£164.41	£174.15	£1.20	4.16%
Grand Total	4970	£95.52	£2.53	£104.02	£102.00	£2.67	6.78%

### Registered Social Landlord Rents

RSL's follow the same rent formula in calculating rent charges for their tenants (RPI + 0.5%), albeit rents may be higher reflecting the higher value of their properties. Information has been obtained from five key RSL providers in Harrow on the 10/11 rents and the range detailed below.

One bedroom - £80.92 to £89.60  
 Two bedroom - £93.04 to £124.14  
 Three bedroom - £103.15 to £147.29

The 2011/12 rents have been obtained from one provider and are detailed as follows with the comparison to the Council rents:

Bedrooms	Average 2011.12 Council Rent	Average 2011.12 RSL Rent
1	£82.34	£92.98
2	£96.02	£112.51
3	£112.37	£127.51

Assuming RSL rents are uplifted by the Government inflationary uplifts of 5.1% for 2011/12 and 6.1% this could make the comparable rents for 12/13 as follows:

Bedrooms	RSL Range	Council Existing	Council Uplifted
1	£90.23 to £99.91	£85.20	£87.76
2	£103.75 to £138.43	£99.66	£102.66
3	£115.02 to £164.24	£116.63	£120.13