

Rent Constraint could lead to future problems for both tenants and landlords

The Government policy which commenced April 2002 of converging local authority rent levels with those that applied in the Housing Association sector, was always going to require significant annual increases in order to achieve the target rent by the Government's deadline of 2012. For the first four years, the Government-declared uplift was always lower than that needed to achieve convergence. With effect, from 2005-06 they changed the basis of calculation of increases, by using the Association sector data, which would automatically achieve convergence but would result in high annual increases. The Government, worried about affordability issues of such high increases, introduced a ceiling of an authority average of 5% with effect from 2006-07.

Rent constraint to an average increase of 5% has now been proposed for the second year running, as part of the recently published draft subsidy determinations. Ian Wright, Service Development Director at the Northern Housing Consortium stated "Whilst 5% is still a relatively large increase for the tenants this coming financial year, it is merely storing up even higher increases over the remaining four years of rent restructuring / convergence period. The Government will either have to extend the constraint for the forthcoming years, which will mean that local authority rents will not converge with rents in the RSL sector by 2012, or accept high increases being imposed for the next four years. A typical example is an increase in 2007-08 at 5%, but the following four years will mean increases at over 8% at current inflation rates, in order to achieve the target rent by 2012".

Richard Bramley, an independent housing consultant and Policy Advisor to the Consortium added "This position then leads to further problems. The guideline rent increase next year will be less than the actual rent increase. Government has adopted the principle of deducting the actual rent increase from the guideline rent increase when calculating the amount of resources available for re-basing the management and maintenance allowances. From 2008-09 it is likely that this will lead to a negative situation. For 2007-08, the amount was only a positive 30 pence, which was a 1% uplift to the allowances. Such a small increase means that it will be some years before the Government achieves its intention of bringing all authorities in line with their calculated entitlement. This is particularly bad news for the northern authorities, as they are the ones that are below their current entitlement. There will be no scope for further re-basing unless the Government changes the method of calculating the resources available."

Ian Wright added, "The rent constraint will also cause real problems for those authorities that recently transferred their housing stock and gave a contractual undertaking that future rent increases would be at the level that they would have been had the tenants stayed with the council. Registered Social Landlords (RSLs) are not entitled to the rent constraint allowance at present. Therefore if the RSL applies the increases as per the Offer Document, then their business plan could suffer and target rents would not be achieved by 2012."

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