

Rent Restructuring

Under the rent restructuring proposals in 2001/02 Councils and Housing Associations were required to bring rents together so that tenants in social housing paid similar rents for similar properties. Housing Association rents were to reduce whereas Local Authority rents were to increase at a greater rate than inflation in order to converge at target rents. Target rents are calculated by a formula that comprises affordability in terms of manual workers wages in the area together with the bedroom size and value of the property being rented compared to national average manual workers wages and property values. The programme started in 2002/03. Its original aim was to put all council house rents on the same clear and transparent basis. There would also be comparability with housing association rents in the same area. It would take 10 years to achieve these aims.

At the end of rent restructuring, councils would be charging formula rents for their properties. Formula rents allow for:

- the size of a property
- the value of a property (as a social rented property)
- average earnings in that council's area
- a percentage uplift each year to reflect inflation and government policy (eg to increase rents faster than inflation).

Councils started restructuring in 2002/03 with very different positions. Some councils were already charging more than the formula, others less. Within any one council, individual properties might start above or below formula rent. Hence restructuring entailed a series of 1/10th steps to move up or down to the individual formula rent.

Rent restructuring has proved very complex. To the already complex idea were soon added other rules:

- a limit on the annual percentage increase for any tenant
- a cap (maximum rent) for different sizes of property.

Restructuring was originally expected to take place over a ten-year period and to be broadly complete by March 2012. However the convergence date has been manipulated by government on affordability grounds. The self-financing determination assumes convergence will now be achieved by 2015/16.