

## WHATS HAPPENED TO SOCIAL RENTS SINCE RENT RESTRUCTURING

Rent restructuring was introduced in 2002 aimed at 'convergence' of social rents - aligning rents of council and private registered providers (housing associations) - within 10 years.

A rent formula was established with actual rents moving towards a national formula rent based on values of properties and local manual earnings. A 'bedroom weighting' factor was also applied. Rents were increased each year by the Retail Prices Index (RPI) + 0.5%.

Rent restructuring was extended for a further three years (to 2015) as rents had not converged with the rent formula by 2012 (particularly in high value property areas like London).

Having acknowledged that increased rents also meant increased Housing Benefit spend, the government announced, in summer 2015, that it would end rent restructuring and that social rents would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21.

This was designed to save £1.4bn by 2020-21, primarily in reduced housing benefit expenditure.

The gap between council and housing association rents continues to widen, and rents in London have increased at a far higher rate than incomes (without even taking into account service charges).

Average London council rents have increased 70% between 2002/03 and 2016/17 and average housing association rents by 92% over the same period of time.

Seemingly, also, housing association rents in London

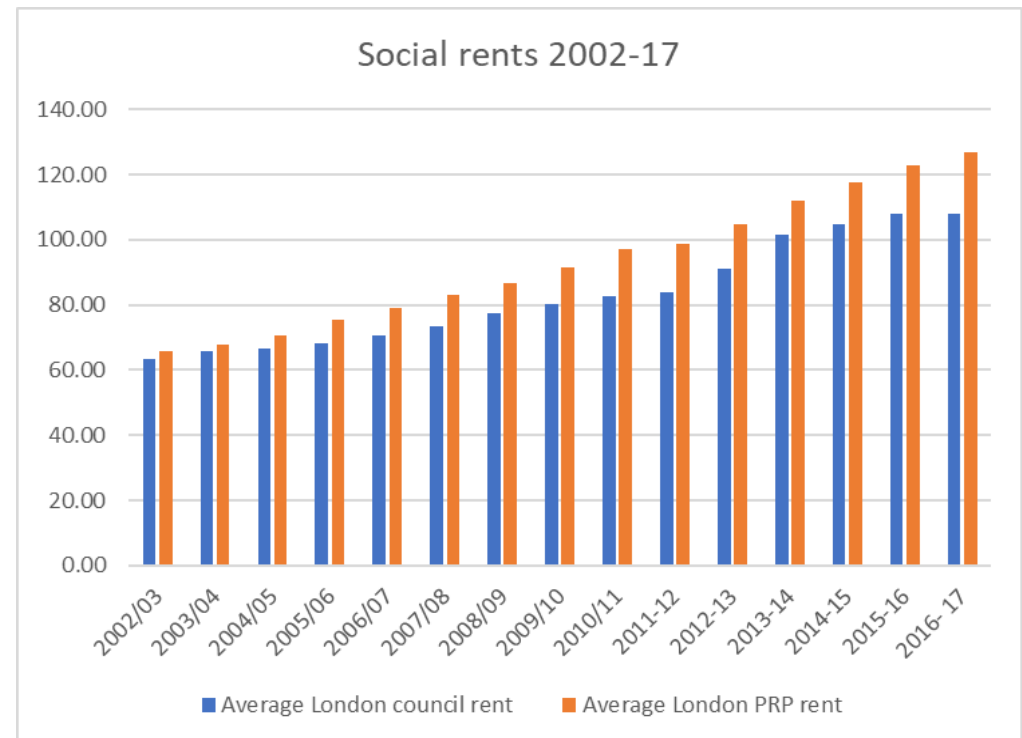
(according to MHCLG data) have not reduced by 1% since 2015.



See overleaf tables relating to annual council and housing association rent increases and percentage increases and total increases and percentage increases since 2002.

As a comparison we have looked at increases in median (mid point) income levels before housing costs in London since 2002/03-04/05 to 2014/15-2016/17 (using DWP data). During this period median income levels increased by just 7.2%

Many social housing tenants incomes have much lower than the median income levels. The DWP defines low-income households to be those with incomes of 60% and less of the median.



# AVERAGE LONDON SOCIAL RENT INCREASES SINCE 2002

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>average London council rent</b>	<b>63.44</b>	<b>65.87</b>	<b>66.45</b>	<b>68.20</b>	<b>70.62</b>	<b>73.26</b>	<b>77.40</b>	<b>80.23</b>	<b>82.85</b>	<b>83.83</b>	<b>91.09</b>	<b>101.45</b>	<b>104.94</b>	<b>107.93</b>	<b>108.06</b>
annual rent increase		2.43	0.58	1.75	2.42	2.64	4.14	2.83	2.62	0.98	7.26	10.36	3.49	2.99	0.13
annual % increase		3.8	0.9	2.6	3.5	3.7	5.7	3.7	3.3	1.2	8.7	11.4	3.4	2.9	0.1
<b>actual increase since 2002</b>		<b>2.43</b>	<b>3.01</b>	<b>4.76</b>	<b>7.18</b>	<b>9.82</b>	<b>13.96</b>	<b>16.79</b>	<b>19.41</b>	<b>20.39</b>	<b>27.65</b>	<b>38.01</b>	<b>41.50</b>	<b>44.49</b>	<b>44.62</b>
% Increase since 2002		3.8	4.7	7.5	11.3	15.5	22.0	26.5	30.6	32.1	43.6	59.9	65.4	70.1	70.3
<b>average London PRP rent</b>	<b>65.94</b>	<b>67.99</b>	<b>70.63</b>	<b>75.64</b>	<b>79.13</b>	<b>82.89</b>	<b>86.80</b>	<b>91.61</b>	<b>97.25</b>	<b>98.68</b>	<b>104.91</b>	<b>112.09</b>	<b>117.62</b>	<b>122.86</b>	<b>126.76</b>
annual rent increase		2.05	2.64	5.01	3.50	3.76	3.91	4.81	5.64	1.43	6.23	7.18	5.53	5.24	3.90
annual % increase		3.1	3.9	7.1	4.6	4.8	4.7	5.5	6.2	1.5	6.3	6.8	4.9	4.5	3.2
<b>actual increase since 2002</b>		<b>2.43</b>	<b>4.69</b>	<b>9.70</b>	<b>13.19</b>	<b>16.95</b>	<b>20.86</b>	<b>25.67</b>	<b>31.31</b>	<b>32.74</b>	<b>38.97</b>	<b>46.15</b>	<b>51.68</b>	<b>56.92</b>	<b>60.82</b>
% Increase since 2002		3.1	7.1	14.7	20.0	25.7	31.6	38.9	47.5	49.7	59.1	70.0	78.4	86.3	92.2
<b>gap between council &amp; PRP rents</b>	<b>2.50</b>	<b>2.12</b>	<b>4.18</b>	<b>7.44</b>	<b>8.51</b>	<b>9.63</b>	<b>9.40</b>	<b>11.38</b>	<b>14.40</b>	<b>14.85</b>	<b>13.82</b>	<b>10.64</b>	<b>12.68</b>	<b>14.93</b>	<b>18.70</b>
% gap between council & PRP rents	3.8	3.1	5.9	9.8	10.8	11.6	10.8	12.4	14.8	15.0	13.2	9.5	10.8	12.2	14.8

Average council tenants rents increased by 70% and housing association rents by 92% between 2002/03 and 2016/17

## MEDIAN (MID-POINT) INCOME LEVELS IN LONDON SINCE 2002/03– 16/17

	02/03-04/05	03/04-05/06	04/05-06/07	05/06-07/08	06/07-08/09	07/08-09/10	08/09-10/11	09/10-11/12	10/11-12/13	11/12-13/14	12/13-14/15	13/14-15/16	14/15-16/17
Equivalentised median income level (BHC)	<b>501</b>	<b>507</b>	<b>511</b>	<b>517</b>	<b>514</b>	<b>516</b>	<b>514</b>	<b>509</b>	<b>506</b>	<b>507</b>	<b>514</b>	<b>528</b>	<b>536</b>
Actual increase/decrease		6	4	6	-3	2	-2	-5	-3	1	7	14	8
% annual increase		1.2	0.8	1.2	-0.6	0.4	-0.4	-1.0	-0.6	0.2	1.4	2.7	1.5
Actual increase/decrease since 02/03-04/05		<b>7</b>	<b>11</b>	<b>17</b>	<b>14</b>	<b>16</b>	<b>14</b>	<b>9</b>	<b>6</b>	<b>7</b>	<b>14</b>	<b>28</b>	<b>36</b>
% increase since 02/03-04/05		1.4	2.2	3.4	2.8	3.2	2.8	1.8	1.2	1.4	2.8	5.6	7.2

Median (mid-point) income levels in London increased just 7.2% from 2001/02-02/03