

	<b>AGENDA ITEM NO.</b>
<b>Report Cover Sheet</b>	
<b>Name of Meeting:</b>	Executive
<b>Date of Meeting:</b>	11 February 2008
<b>Report Title:</b>	Housing Rents and Housing Revenue Account 2008/09
<b>Summary of report:</b>	To present proposed increases in dwelling and garage rents and the Supporting People charges payable on designated dwellings and the proposed HRA budget for 2008/09 and recommend that these are presented to Council for approval.
<b>For Further Information Please Contact (report author):</b>	Bill Hunt, Head of Housing and Property Services (01926) 456403 <a href="mailto:bill.hunt@warwickd.gov.uk">bill.hunt@warwickd.gov.uk</a>  Sandra Jones, Principal Accountant (Housing) (01926) 456803 <a href="mailto:sandra.jones@warwickdc.gov.uk">sandra.jones@warwickdc.gov.uk</a>
<b>Business Unit:</b>	Housing and Property Services/Finance
<b>Would the recommended decision be contrary to the Policy Framework:</b>	No
<b>Would the recommended decision be contrary to the Budgetary framework:</b>	No
<b>Wards of the District directly affected by this decision:</b>	All
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan?</b>	Yes Ref 53
<b>Is the report private &amp; confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No
<b>Date and name of meeting when issue was last considered and relevant minute number:</b>	Executive, 10/12/07 Minute number 704
<b>Background Papers:</b>	Approval of HRA base estimates, revised 2007/08 and original 2008/09 – Executive 10/12/07 Housing Rents and Housing Revenue Account 2007/08 – Executive 12/2/07, Council 21/2/07 2008/09 HRA Draft and Final Subsidy Determinations HRA Budget Working Papers

<b>Consultation Undertaken</b>		
Below is a table of the Council's regular consultees. However not all have to be consulted on every matter and if there was no obligation to consult with a specific consultee they will be marked as n/a.		
<b>Consultees</b>	<b>Yes/ No</b>	<b>Who</b>
Other Committees	No	
Ward Councillors	No	
Portfolio Holders	Yes	Councillor Doody
Other Councillors	Yes	Councillor Mrs. Grainger
Warwick District Council recognised Trades Unions	No	
Other Warwick District Council Service Areas		
Project partners	No	
Parish/Town Council	No	
Highways Authority	No	
Residents	No	
Citizens Panel	No	
Other consultees	No	
<b>Officer Approval</b>		
With regard to officer approval all reports must be approved by the report authors relevant director, Finance Services and Legal Services.		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director(s)	22/1/08	Mary Hawkins
Chief Executive	22/1/08	
CMT	22/1/08	
Section 151 Officer	22/1/08	Mary Hawkins
Legal	22/1/08	Simon Best
Finance	22/1/08	Mike Snow
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1. RECOMMENDATION(S)**

### **1.1 To recommend to Council:**

- That housing dwelling rents for 2008/09 be increased by an average of 7.6%.
- That garage rents be increased by 2.5%.
- That Supporting People charges be increased by 1.5%.
- That the 2008/09 Housing Revenue Account (HRA) budget, updated with the Final Subsidy Determination information, as set out at Appendix 3, be agreed.

## **2. REASON(S) FOR THE RECOMMENDATION(S)**

- 2.1 The Council is required to set a budget for the HRA each year, requiring agreement on the level of rents and other charges that are levied. The Executive is therefore required to make recommendations to Council that take into account the base budget revenue estimates for the HRA, the 2008/09 final subsidy determination and the current Government guidance on rent restructuring.
- 2.2 The proposed dwelling rent increase is in accordance with Government guidance and the Council's financial strategy.
- 2.3 The proposed garage rent increase is not governed by Government guidance on rent restructuring. An increase below the rate of inflation is proposed as over a third of current garage lettings are to housing tenants who will be experiencing a rent increase for their home that is significantly above the rate of inflation. The proposal minimises the potential for these tenants to fall into rent arrears without compromising the financial stability and viability of the HRA.
- 2.4 The proposed Supporting People charge increase is equivalent to the inflationary increase, awarded by Warwickshire County Council for all Supporting People contracts, effective from April 2007. The County Council's decision on this increase was received too late for it to be reflected in the 2007/08 charge levied to tenants.
- 2.5 The recommendations will enable the proposed Housing Investment Programme for 2008/09 to be carried out, partially funded by a revenue contribution to capital outlay (RCCO) payment from the HRA, whilst maintaining a minimum working balance on the HRA of at least £750,000, in line with Council policy.

## **3. ALTERNATIVE OPTION(S) CONSIDERED**

- 3.1 There is no alternative option for the setting of housing dwelling rents other than to comply with the Government's rent restructuring criteria.
- 3.2 There are alternative options in relation to garage rents as these are not subject to the Government's rent restructuring criteria. Any option, from a nil increase to a percentage in excess of the proposed 2.5% increase for dwellings, could be selected. Each option would realise greater or lesser levels of additional income to the £11,300 that would be generated by a 2.5% increase.

- 3.3 The proposed garage rent increase is considered reasonable as it balances the desire to maximise additional income, which can be recycled into improvements in the housing stock, with the need to ensure that garage rents remain affordable. If they became unaffordable the income stream from these assets would diminish.
- 3.4 The Supporting People charge is also not subject to the rent restructuring criteria. The proposed increase reflects the level of the inflationary increase set by Warwickshire County Council for the financial year 2007/08. Indications are that the County Council are planning to set a further inflationary increase on Supporting People charges for 2008/09, possibly of 2.0%, but formal notification will again come too late for the increase to be reflected in the rent and charge setting process.
- 3.5 It is not a viable option to wait for this decision and set an increase for the year that reflects both the 2007/08 and 2008/09 inflationary awards. Had it been possible it would in any case have left some of our most vulnerable tenants facing an increase of around 3.5% in addition to a rent increase of 7.6%. It is therefore proposed that any subsequent inflationary increases are also levied one year in arrears.

#### 4. **BUDGETARY FRAMEWORK**

- 4.1 The HRA is a key component of the Council's budget framework.

#### 5. **POLICY FRAMEWORK**

- 5.1 The rent and budget setting process is designed to comply with the requirements of the Council's Financial Strategy.

## **5. BACKGROUND**

- 5.1 The Executive received a report on the background to setting the HRA budget and housing rents and charges for 2008/09 at its meeting on 10<sup>th</sup> December 2007.
- 5.2 However, there are three elements that require consideration before the final 2008/09 rent increase can be agreed which are set out in Sections 6-8 below. The rent increase, in turn, impacts on the setting of the final HRA budget which is considered in Sections 9 and 10.

## **6 RENT RESTRUCTURING OF DWELLING RENTS**

- 6.1 Rent Restructuring was introduced by the Government in 2002/03, with the intention of bringing all social housing rents into line with each other, so that a similar sized property within a particular area will cost the same regardless of who is the landlord. The aim of the rent restructuring would be to achieve this convergence by 2012. Since its introduction rent setting for all social housing has been governed by the application of a prescribed national formula designed to bring about this convergence. The application of the formula is described in detail in Appendix 1.
- 6.2 Appendix 2 sets out the application of the formula to existing rents. To achieve the required rent convergence the formula prescribes a method of increasing current rents and then applying a second uplift to narrow the gap between the newly increased rent and the Formula Rent as shown in the appendix. The effect of these two uplifts is to raise the average rent for 2008/09 by £4.74 to £67.09 per week, an increase of 7.60% on the previous year's average rent.
- 6.3 This year's rent increase is higher than for the last two financial years as in 2006/07 and 2007/08 the national guidance required local authorities to ensure that their average rent increase did not exceed an average 5% per annum. By doing so the Communities and Local Government department (CLG) acknowledged that this mandatory cap on average rents would leave many authorities financially disadvantaged, as the income they would receive from the capped average rents would be below that they would have collected had they set the level of rent increase in line with the formula needed to ensure rent convergence by 2012. CLG committed to compensate those authorities adversely affected through a payment known as Rental Constraint Allowance (RCA). We have received RCA in both of the last two financial years.
- 6.4 The guidance for 2008/09 is that the maximum 5% average rent increase is to be removed and all RCA payments are to be abolished. The guidelines have reverted to the previous system of 'caps and limits' which imposes a maximum increase of inflation, at 4.4%, plus a further £2 when applied to the previous years' actual rent. Without these 'caps and limits' the average rent for 2008/09 would have needed to increase by £6.24 per week, a 10% increase.
- 6.5 Whilst those authorities, including us, that have been receiving RCA have been financially compensated for the effect of the average rent cap its wider impact has been to leave average rents at a level significantly below that needed to ensure convergence by 2012.

- 6.6 The only way the shortfall between the actual rents being charged and the levels required to achieve convergence by 2012 could be rectified in a single year would be by setting a rent increase that would simply be unaffordable for many tenants. CLG has acknowledged this would not be viable and have instead issued guidance that allows for the calculation for 2008/09 to be based on a path of convergence leading to 2016/17 rather than 2011/12. Ministers have further indicated that with the forthcoming wider review of the HRA subsidy system, it is likely the convergence date will be reviewed again in future years.
- 6.7 Whilst RCA has been abolished the principle of authorities being compensated for lost rental income arising from rental constraint remains. RCA provided direct compensation 'in year' the revised guidance has now reverted to the old system of retrospective compensation. During 2008/09 we will receive an estimated payment of £428,000, which will reduce our 2009/10 contribution to the housing rent pool.
- 6.8 The current operation of the rent restructuring formula means that even with the extended number of years to convergence, all but 86 of our properties will fail to reach their target rents by 2016/17. This will mean that further rent restructuring uplifts, additional to the annual rent increase, will continue to be levied beyond the target date, as explained in Appendix 1.

## **7 GARAGE RENTS**

- 7.1 Garage rents are unaffected by the rent restructuring guidelines described in Section 6 and any percentage increase can therefore be considered. Whilst a high rent rise would maximise the potential to realise additional income, this would be offset if the new rent was higher than the local market could sustain resulting in higher void levels and consequent void rent loss.
- 7.2 A rent increase of just 2.5% is proposed. This will ensure garage rents in our district, already the lowest charged by councils or RSLs in the county other than by North Warwickshire Borough Council, would remain affordable. This is an important consideration for 2008/09 as over a third of all garages are currently let to council housing tenants who will be faced by a 7.6% increase on their dwelling rent.
- 7.3 The proposal does not limit our ability to set higher rent increases in future years, ensuring convergence with the higher rents elsewhere in the county, if this was deemed to be desirable or there was an increasing need to maximise the income stream from our garage assets.

## **8 SUPPORTING PEOPLE CHARGES**

- 8.1 Supporting People charges were introduced in April 2003 for tenants living in properties that receive a housing support service in addition to the normal tenancy management arrangements. Whilst the latter are financed from the rents that all tenants pay, the introduction of the Government's Supporting People initiative meant that the costs of the additional housing support, available only to particular groups of tenants, has to be separately funded to eliminate "rent pooling".
- 8.2 The Supporting People charge that is levied for this additional support is payable by the tenant unless they qualify for Supporting People Grant. Anyone eligible for Housing Benefit will automatically qualify for the Grant, which is administered by the

County Council. In addition, any tenant who was resident at 1 April 2003 when the scheme was introduced is classed as a “protected” tenant who does not have to pay the additional charge. When their tenancy ends the charge is registered against the property and the incoming tenant becomes liable to pay it in addition to the rent charged on the property.

- 8.3 The Council has 4 Supporting People contracts covering the support services offered to tenants living in sheltered housing, designated older persons dwellings or any other property with a community (Lifeline) alarm. The support is delivered by Housing Services’, 24 hour, Warwick Response team.
- 8.4 Decisions on the level of grant payable are made by the Supporting People Administrative Authority, in our case Warwickshire County Council. Last year, unlike previous years, they decided to make an inflationary increase to the level of grant. To ensure that the integrity of the Supporting People scheme is preserved and to prevent the potential for rent pooling to creep back into the HRA it is therefore necessary to increase the Supporting People charges levied by a corresponding amount.
- 8.5 However, notification of the award only came after the charge for 2007/08 had been set and it would not have been cost effective to attempt to make an alteration. The 2008/09 increase therefore introduces the inflationary increase retrospectively. Any further awards of this nature will be introduced one year in arrears for future financial years.
- 8.6 The proposed charges for 2008/09 are as follows:

Supporting People Charges:	Proposed Weekly Charge 2008/09
Very Sheltered Housing properties	£ 27.43
Sheltered Housing properties	£ 10.84
Older Person Designated Dwellings	£ 6.16
Other properties with a Community Alarm	£ 2.72

## 9 HOUSING REVENUE ACCOUNT

- 9.1 Appendix 3 shows the proposed Housing Revenue Account for 2008/09.
- 9.2 The 2008/09 Final Subsidy Determinations for all local authorities with a HRA were published on 15 January 2008. As with rent restructuring the formula used for calculating the subsidy determination is subject to change and revisions to the existing formula were introduced this year.
- 9.3 The key assumptions contained within the Final Subsidy Determination for Warwick District are:

	2007/08	2008/09	% change
No. of dwellings	5,677	5,645	-0.56
Management allowance per dwelling	£426.61	£454.00	6.42

Maintenance allowance per dwelling	£915.77	£978.08	6.80
Major Repairs Allowance per dwelling	£616.98	£641.37	3.95

- 9.4 The Management Allowance includes a 'one-off' payment of £4 per dwelling, to fund the production of Energy Performance Certificates. A below inflation percentage increases has been applied to the Major Repairs Allowance for 2008/09. Whilst the Government itself uses the GDP deflator rate for the subsidy calculation which this year will be 2.75%, in many cases the actual rate of inflation will be higher, e.g. for our investment programme where we have used a 5.4% building cost inflation rate. This does not pose a problem for the 2008/09 budget but the net impact will be to reduce the overall HRA balances to maintain our current rate of spending. This is not a problem in the short term as our balances currently exceed £14M but clearly would not be sustainable into the medium or long term were we to continue to receive below inflation increases on subsidy allowances in future years.
- 9.5 Despite our relative loss of subsidy the payments we make to the 'national rent pool' are set to increase. The rent pool has operated since 2004/05, when Housing Benefit rebates and their associated subsidy were removed from the HRA and placed in the General Fund. The rent pool is a redistributive system with authorities either paying into, or receiving additional subsidy payments from the pool. The Government uses a 'notional HRA' budget calculation for each local authority with a housing stock to determine whether their assumed rental income will be above or below the assumed management and maintenance costs for their stock. This notional HRA determines whether they will be net recipients to, or beneficiaries from the national rent pool.
- 9.6 In our case, the Government's subsidy assessment is that our rental income will exceed our housing costs. This gives us a 'negative subsidy requirement' meaning we will remain a contributor to the national rent pool. The payments we are required to make to the national rent pool represents a considerable loss of resources to the "real" HRA as they entail resources being directed elsewhere rather than being made available locally to fund stock or service improvements for WDC tenants.
- 9.7 As the table below shows, our income will exceed our expenditure by £6.7M in the notional HRA calculation and there will be no 'in year' compensation via RCA:

	2007/08 (£M)	2008/09 (£M)
Management & Maintenance Allowances	7.6	8.1
Major Repairs Allowance	3.5	3.6
Charges for Capital	1.5	1.5
Total Assumed housing costs	12.6	13.2
Rental Income	(18.9)	(19.9)
Difference	(6.3)	(6.7)
Compensation for 5% average rent increase cap (RCA)	0.7	0.0
Payment to National Rent Pool	(5.6)	(6.7)

NB Figures rounded up or down



9.8 The £6.7M payment to the national rent pool is shown as the Transfer Payments total within the HRA budget as set out at Appendix 3. This increased payment of £1.1M is mitigated by the additional rent income anticipated of £0.5M. This, together with other changes, particularly a reduction in insurance costs and an increase in communal area cleaning costs, will reduce the anticipated balance on the HRA from £7.84M to £7.24M for 2008/09. As the overall balances on the HRA are healthy, this increase will not have a detrimental impact on our ability to achieve the Decent Homes Standard by 2010.

9.9 Aside from the impact of the subsidy determination there are some significant changes between the proposed 2008/09 budget and the draft presented in December. These are:

- A £471,400 increase in rental income. This is a consequence of the proposed 7.6% rent increase rather than the estimated 5% increase equivalent to that levied in previous years.
- A £1,023,300 decrease in subsidy income. This is a result of changes between the draft (November) and final (January) subsidy determinations issued by Government.
- A £37,600 increase in the Supervision and Management Special budget. This will provide for the procurement of time recording software and handheld PDAs for Warwick Response staff, essential for the Supporting People returns required for our 4 contracts and the extension of the temporary admin post for a further 6 months until the system is in place. The other main change is an increase in the costs of contract cleaning of communal areas within blocks of flats. This follows the re-tendering of the existing contract under EU procurement guidelines.
- A £12,300 increase in the Supervision and Management General budget. This provides for the recruitment of a Business Development Manager post to co-ordinate policy and service development, resident involvement and complaint handling and learning and for an increase in the budget held for consultancy costs to ensure that housing options generally and in particular the HRA self financing project are effectively analysed and progressed. (A further report on the progress of this project will be submitted to the March Executive). The full impact of these increased costs is offset by a significant reduction in insurance premia.

9.10 Should the HRA budget be approved as recommended the staffing issues set out above will be referred to Employment Committee for approval.

## **10 RISK MANAGEMENT AND SENSITIVITY ANALYSIS**

10.1 The risks, and appropriate control mechanisms, for the 2008/09 HRA and the rent increase process are considered to be:

### Revenue

- The County Council has begun a programme of reviewing all current Supporting People contracts. The Supporting People Commissioning Body is likely to use this programme to change existing patterns of expenditure and introduce a new mix of schemes that will in future receive funding. This can only be achieved

through decommissioning existing schemes and it is known that those schemes providing support for older people will come under particular scrutiny as these currently take up the majority of the available funding. This could mean that proposals are brought forward that impact on the funding of our contracts.

- Increased void levels or lengthening re-let times, for either dwellings or garages, would affect income receipt. Effective management of void rent loss is critical to efficient service delivery, recognised by its inclusion as one of the proposed top 21 corporate performance indicators and scrutinised regularly by the service area's management team. The implementation of Homechoice, the District's Choice Based Lettings scheme, during 2005/06 had an adverse impact on void relet times and despite a subsequent improvement these have yet to recover to the pre-Homechoice levels. Further work to minimise the impact, including a review of the Homechoice scheme itself, a new incentive scheme for harder to let older people's accommodation and a district wide review of older people's housing across all providers is scheduled for 2008/09.

### Capital

- The position regarding 'Right to Buy' (RTB) sales of council homes appears to have stabilised although the level of capital receipts arising from such sales remains significantly lower than in previous years. After 111 sales in 2003/04, applications and completed sales have declined each year and only 32 sales were completed in 2006/07. A further 19 properties have been sold to date during 2007/08 and we anticipate the total for the year will not exceed 26. The 2008/09 budget currently has a reduced estimate of a further 22 sales.
- The capital receipts from RTB sales have traditionally been used to support General Fund housing initiatives, particularly grant provision for private sector housing. The Council's own housing stock tends to have 'second call', on any available receipts. The only receipts currently used on the housing stock are for the £105,000 capital budget for major structural adaptations to HRA stock.

10.2 These key risks have been considered when setting the HRA budget for 2008/09. A sensitivity analysis of assumptions relating to these risks and their potential impact on the budget is as follows:-

- 20% reduction in Supporting People income = £115,500
- 5 less RTB sales = £158,000 reduction in capital receipts
- 0.5% increase in void rent loss = £98,300

10.3 Were any, or all, of these possibilities to arise the impact could be accommodated within the proposed HRA budget for 2008/09.

**Application of the Government's Rent Restructuring Guidelines**

- 1.1 The rent restructuring formula is designed to bring all social housing rents into line so that a similar sized property within a particular area will cost the same regardless of its landlord. All social housing rents are now set using a prescribed national formula designed to bring about this realignment.
- 1.2 The formula uses a 'National Average Rent' which is then varied to account for regional rent variations. In each locality the first component of the formula is to take 70% of the National Average Rent and adjust this figure by the average level of manual earnings in the area, with a further adjustment for a set 'bedroom weighting' factor. The second component is to take the remaining 30% and adjust this to take account of relative property values within the area compared to a set national average value. This enables a 'Formula Rent' to be calculated for each individual property.
- 1.3 The Formula Rent is integral to the Rent Restructuring process as the guidelines are designed to ensure actual rents converge with the Formula Rent, eliminating the current differences between them. Initially convergence was planned for 2011/12 but the revised guidelines now envisage convergence by 2016/17.
- 1.4 The Formula Rent is integral to the Rent Restructuring process as the guidelines envisage actual rents converging with the Formula Rent. The original intention had been for this convergence to be achieved by 2011/12 but this has now been extended to 2016/17. If rent restructuring had already been completed and we were charging our tenants at Formula Rent levels, the average rent for 2007/08 would have been £72.80, as shown at Column 2 of Appendix 2, compared to the actual average rent charge of £62.35, as shown at Column 4.
- 1.5 Rent restructuring is deliberately designed to be a gradual process preventing the possibility of the desired parity in rents only being achievable through a single or series of unaffordable rent increases. Actual average rent levels will therefore be below the Formula Rents in any given year until the projected convergence in 2016/17. The policy also provides for a system of 'caps & limits', designed to ensure that individual property rents do not rise at a rate significantly above the average, minimising the risk of rents becoming unaffordable for individual tenants. The application of these caps and limits further depresses the actual average rents charged. Had 'caps and limits' not been applied up to 2007/08 the actual average rent charged in that year would have been £64.82 rather than £62.35. This higher figure is classed as the 'unconstrained rent' and is shown at Column 3 of Appendix 2.
- 1.6 When calculating the 2008/09 rents the rent restructuring Guidelines have to be applied. Firstly the Formula Rents are increased by the inflation rate prescribed in the guidance. This is a set percentage, which this year is 4.4%. This raises the average Formula Rent to £76.00 as shown at Column 5.

- 1.7 The next stage is to apply the same percentage increase, 4.4%, to the Unconstrained Rent, the rent which would be charged if no constraining 'caps or limits' were applied. As the purpose of rent restructuring is, of course, to narrow the gap between Actual Rents and Formula Rents a second uplift is also applied to this part of the calculation. This uplift is calculated by dividing the difference between the Unconstrained Rent and the Formula Rent for each property by the number of years left until the target date for convergence. As the target date has now been extended to 2016/17 which is still 9 years away this means the uplift for the current year's rents will be  $1/9^{\text{th}}$  of the difference between them and the Formula Rents.
- 1.8 Column 6 shows the impact of these uplifts. Unconstrained Rents would increase by 5.82% compared to the 4.40% increase in Formula Rents, narrowing the gap between the two. The average Unconstrained Rent payable would increase by £3.77 to £68.59.
- 1.9 The final stage is to compare the Unconstrained Rent with the Actual Rent charged in the previous year, 2007/08. The purpose of this part of the calculation is to ensure that the rent increase charged for each individual property does not exceed the prescribed guideline increase of 4.4% (inflation) plus £2. This limiting factor is calculated for each property and compared with the Unconstrained Rent. The lower of the two amounts is charged as the Actual Rent. Over 98% of our rents are constrained by this limit and have an Actual Rent that is below the Unconstrained Rent.
- 1.10 In reality, not only have some individual rents been constrained in each year that rent restructuring has been applied, but we have also had to apply the absolute constraint of capping the total average rent increase across the whole stock to 5% in the last two years. Despite the removal of the 5% average rent increase constraint for 2008/09 the actual rents we will be charging will remain below the unconstrained rent and, of course, significantly below the Formula Rent. The actual average rent to be charged is shown in Column 7. This will now be £67.09 a £4.74 or 7.6% increase on the actual average rents charged in 2007/08 (Column 4).
- 1.11 Unlike 2006/07 and 2007/08 we will not receive RCA. However we will still be compensated for the lost income arising from the difference between the unconstrained rents we should be charging to ensure convergence by 2016/17 (Column 6) and the actual rents (Column 7). This payment, estimated to be £428,000 will be received retrospectively and will offset our payment to the national rent pool (described in Section 9.8 of the main report) for 2009/10.
- 1.12 However, the imposition of the 5% cap had a significant impact on rent restructuring. Despite the extension of the planned convergence to 2016/17 a significant gap has opened between the actual rents we are charging and the unconstrained rents that would be needed for us to be on track to achieve convergence at the target date. Although tenants will have an increase exceeding 5% in 2008/09 this gap will not be narrowed significantly because of the 'caps and limits' that still apply to individual property rent increases. Because of this limiting factor we will only have 86 properties that have achieved parity between the actual rent and the Formula Rent by 2016/17.
- 1.13 This will mean many tenants will continue to experience further rent restructuring uplifts beyond 2016/17, in addition to any annual rent increase we choose to make.

This will continue for differing number of years for each tenant until their home has attained its individual Formula Rent.

- 1.14 However, the Government has recently announced a major review of the national HRA subsidy system. Whilst this may have implications elsewhere, for example with the HRA self-financing project, it is probable that it will lead to further changes in the rent restructuring guidance and potentially even the 2016/17 target convergence date.