

**Annual Analysis of the Current
Pattern of Registered Social
Landlord Rents, 2007/08**

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1. Introduction

In 2000, the rent restructuring regime was first set out in the Housing Green Paper (DETR) with the objectives of bringing greater coherence to rent structures across the whole social rented sector and relating rents more closely to fundamentals. Target rents were introduced by the government in April 2002 as part of the rent restructuring framework. The framework required registered social landlords (RSL) to adjust their existing rents to target rents by 2010 based on a formula taking account of local income, property size and property value. RSL rents were also subject to a control regime based on RPI + 0.5%. However, rents on individual properties could in addition be adjusted by plus/minus £2 per week to allow adjustment towards target rents.

The rent regime therefore includes a number of important elements:

- Limiting average rents to inflation plus a small amount for rising rent costs;
- Adjusting individual rents so they are better related to both capital values and local incomes;
- Achieving target rents, based on these values and incomes plus property size over a ten-year period.

Since 2006, Dataspring has undertaken a detailed analysis of the spatial pattern of RSL rents. This paper both updates the series of analysis to 2007/08 and examines the pattern of change since 2001/02 at national, regional and local levels. It concentrates not only on the analysis of average rents but also the relationship between average rents and target rents; how rents vary with property size; and rent relativities at the local level. It also includes some analysis of service charges.

Average weekly RSL rents are calculated as weighted averages for the corresponding area. The source of the RSL rent data is the Regulatory and Statistical Return (RSR). For details of the data see *Guide to Local Rents 2008 Part II: Social Landlord Rents*.¹

The RSR 2008 data used in this paper are RSL net rent levels as at 31 March 2008 and cover general needs assured and secure tenancies including Estate Renewal Challenge Fund stock but excluding supported housing and housing for older people. The data come from all RSLs that completed the long version of the RSR and made a valid return, i.e., those that own or manage more than 1000 dwellings and/or bedspaces, including shared ownership dwellings. Net rents are used because they are the basis by which target rent levels are calculated.

The paper is structured as follows. Section 2 describes the pattern of RSL net rents and services charges at national and regional levels. It examines the development of RSL net rents and disparities with target rents between 2002/03 and 2007/08. Section 3 looks at the patterns of net rents and service charges at local authority (LA) level and includes an analysis of RSL property sizes and rental coherence across LA areas. Section 4 examines rent patterns and developments for LSVT and BME RSLs compared to non-LSVT and non-BME RSLs. Section 5 contains a discussion and summary.

¹ Available at Dataspring's website (<http://www.dataspring.org.uk/Outputs/detail.asp?OutputID=183>).

2. RSL Rent Patterns at the National and Regional Levels

This section examines the regional pattern of average rents and service charges by property size in 2007/08. It also looks at the development of RSL net rents since 2001/02, the year before the introduction of target rents, and assesses how far average net rents have moved towards target rents between 2002/03 and 2007/08.

2.1 The pattern of net rents in 2007/08

The national average net rent for all property sizes in 2007/08 was £69.95 per week. At regional level, London had the highest average net rent (£85.54) and Yorkshire and the Humber the lowest (£58.01), a range of £27.53 (Table 2.1). The average rent in London was 22% above the national average with Yorkshire and the Humber 17% below.

Table 2.1 Average net rents for two-bedroom properties and all property sizes: 2007/08

Region	Two bedroom		All property sizes	
	£ per week	England = 1.00	£ per week	England = 1.00
London	85.02	1.23	85.54	1.22
South East	79.18	1.15	80.65	1.15
South West	68.72	0.99	70.10	1.00
East Midlands	64.16	0.93	64.14	0.92
East of England	70.89	1.03	72.24	1.03
West Midlands	63.53	0.92	64.22	0.92
Yorkshire and the H	57.65	0.83	58.01	0.83
North East	57.73	0.84	58.25	0.83
North West	60.62	0.88	61.77	0.88
England	69.10	1.00	69.95	1.00

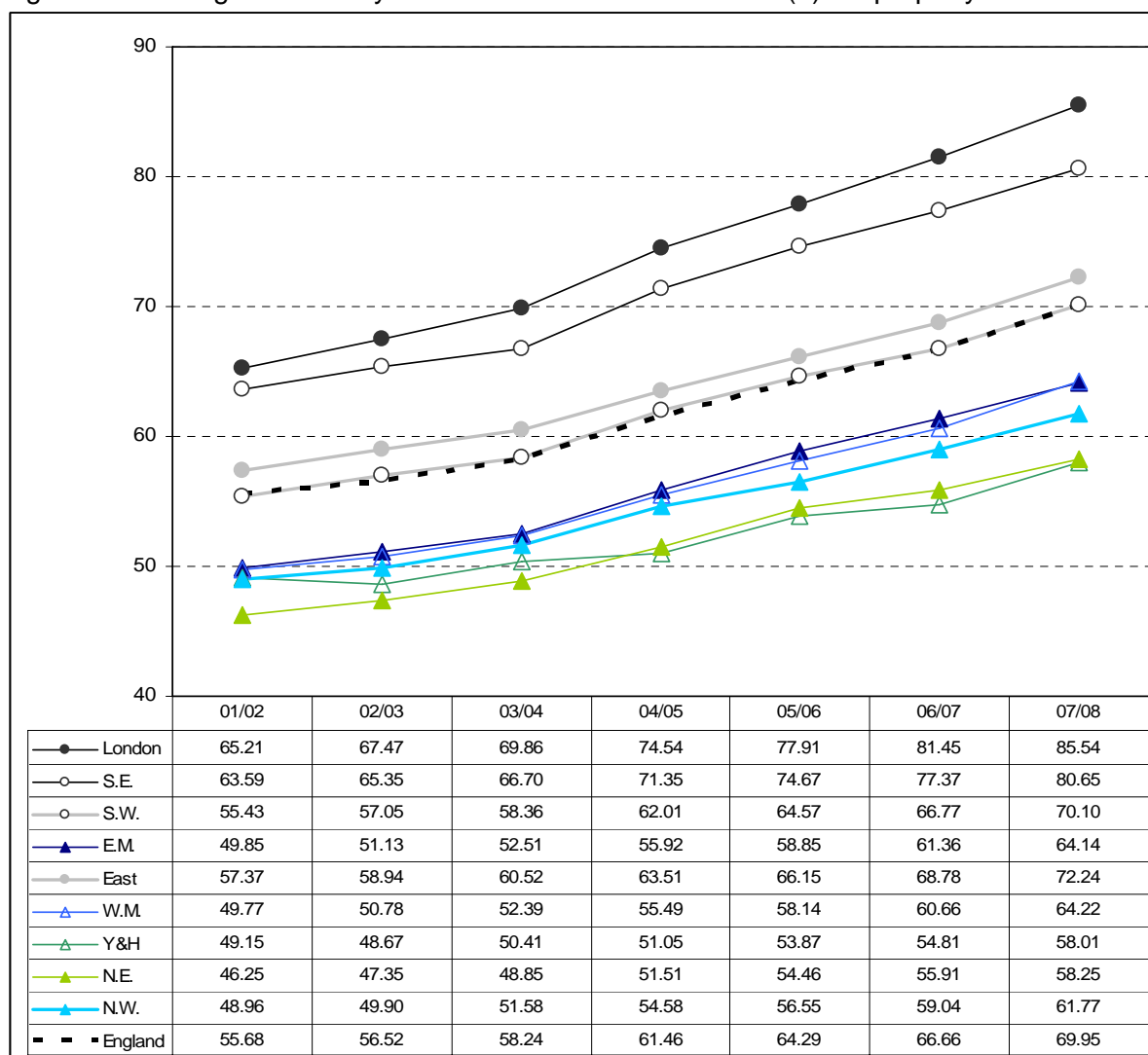
A second important observation is that average rents for two-bedroom properties are very close to average rents for all property sizes across the country. The national average for two-bedroom properties was £69.10 per week, ranging from £85.02 in London to £57.65 in Yorkshire and the Humber, a difference of £27.37. Across the nine regions, the difference between rents for all properties and two-bedroom properties are modest – from 1.00 to just 1.02 – confirming that average net rents for 2-bed properties can be considered indicative of all stock (Table 2.1).

2.2 Developments in rents from 2001/02 to 2007/08

The national average weekly net rent for all property sizes increased from £55.68 in 2001/02 to £69.95 in 2007/08; an increase of £14.27 or 20.4%, an annual increase of 3.9% on average for the six-year period.² The average net rents for all nine regions also increased each year with one exception: Yorkshire and the Humber in 2002/03. London had the highest rent levels during the observation period. The lowest were observed in the North East until 2003/04. Thereafter Yorkshire and the Humber had the lowest rents. As can be seen from Figure 2.1, the regional pattern of average rents has not changed significantly over these six years.

² Rents examined in this paper are those for general needs housing whose definition has been modified since the 2005 RSR. Previously, general needs housing included some dwellings classified as sheltered housing for older people. In the 2005 RSR, this classification was abolished and dwellings that met certain design criteria moved to a new category, 'housing for older people'.

Figure 2.1 Average net weekly rents from 2001/02 to 2007/08 (£): all property sizes



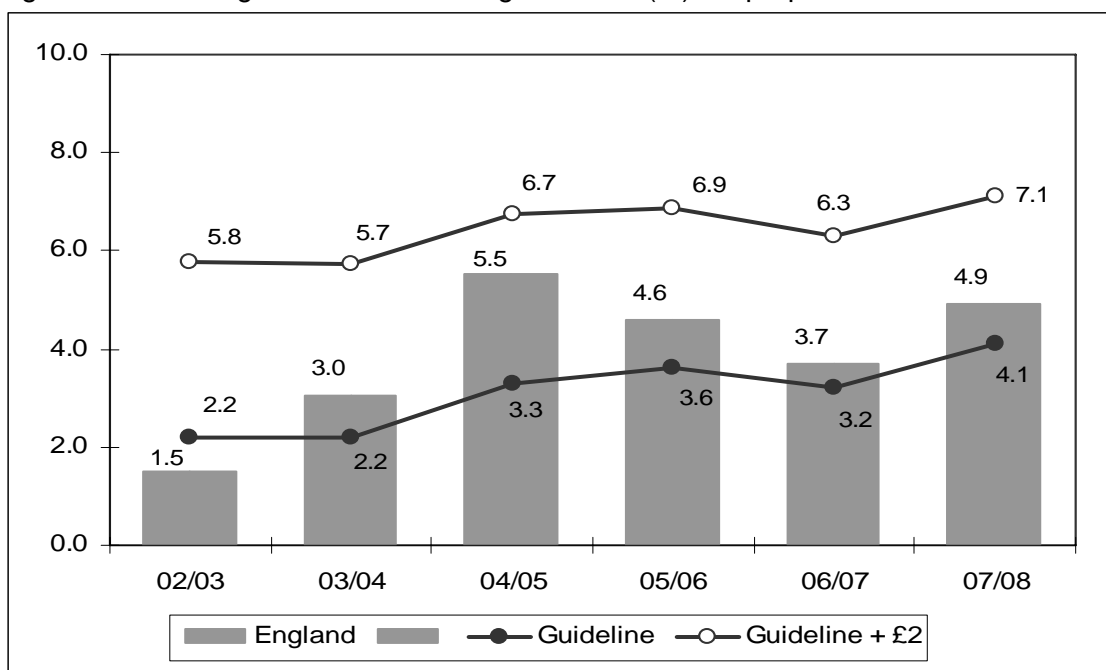
Regional relativities have increased considerably over the period. In 2001/02, the highest average weekly rent for all property sizes was in London, at £65.21 and the lowest, £46.25 in the North East, a difference of £18.96. This compares with the £27.53 difference in 2007/08, from £85.54 in London to £58.01 in Yorkshire and the Humber. The growth in the inter-regional range for the six-year period was around 45%. In the case of 2-bed properties, the range was £18.71 in 2001/02 (from £47.18 in the North East to £65.89 in London), compared to £27.37 in 2007/08 (from £57.65 in Yorkshire and the Humber to £85.02 in London), an increase of 46%, suggesting a very similar picture.

When we look at the trends in rents by property size, the overall pattern is similar, although less consistent, especially for bedspaces. Rents for smaller properties have increased more than those in the largest categories. Over the past six years (five years for bedspaces), the increases in the national averages were, in order of small to large unit size: (i.e., bedspaces to 4+ bed) £7.95 (18.3% for the period, 3.4% per annum), £14.88 (36.7%; 5.4%), £12.73 (26.2%; 4.0%), £12.82 (22.8%; 3.5%), £12.34 (19.8%; 3.1%) and £14.13 (19.2%; 3.0%). This implies that rent variations between sizes, except bedspaces, have contracted in relative terms.

More generally, London has maintained the highest rents throughout the period for all size categories, except bedspace rents in 2007/08. The lowest rents by property size were generally found either in Yorkshire and the Humber or the North East. For the most part, the former has the lowest rent levels for smaller properties and the latter the lowest for larger properties. The widening differential between regions with the highest and lowest rents may be attributed to the rent restructuring regime which includes a market element.

The guideline limit for the annual rate of rent increase has been retail price index (RPI for all items) +0.5% since 1 April 2002. However in order to allow gradual convergence towards actual target rents, individual property rents could vary by a further +/- £2 per week. Figure 2.2 shows the annual average actual rent increases for all size categories over the past six years for England. It also shows the annual increase of the guideline limits for net rent and the guideline limit plus £2.

Figure 2.2 Annual growth rate of average net rent (%): all properties sizes



In 2002/03, the 1.5% national rate of rent increase was below the 2.2% guideline. Thereafter, it was above the RPI $\pm 0.5\%$ level, while remaining under the 'guideline + £2' level. The latest rate is 4.9% compared to the guideline of 4.1% or 7.1% for the guideline plus £2. The annual rates of rent increase for all nine regions generally followed the national trend and were kept under the guideline + £2 level. The only exceptions were London and the South East in 2004/05 (6.7% and 7.0% respectively). By 2007/08, the annual increase in these regions had declined to 5.0% for London and 4.2% for the South East, well below their respective guideline limits + £2 (6.6% and 6.7% respectively).

We next look at how relative rents have changed for different property sizes using the rent index, which is measured by 2-bed averages = 1.00 (Table 2.2).³ Nationally, the rent indices

³ The categorical change of general needs housing in the 2005 RSR, where dwellings for older people were transferred out of the category, appeared less likely to be an explanatory factor for the rises in rents for smaller properties. For details, Udagawa, C. (2008, p.23) *Detailed Analysis of the Pattern of Registered Social Landlord Rents: 2001/02 – 2006/07* (<http://www.dataspring.org.uk/outputs/detail.asp?OutputID=164>). And Knight, *et al.* (2005) *Impact of*

for bedsits rose by 0.08 points, from 0.72 in 2001/02 to 0.80 in 2007/08, while those of 1-bed properties increased by 0.03 points from 0.86 to 0.89. By contrast, the indices for larger properties with three or more bedrooms experienced relative declines, by -0.03 points and -0.04 points, respectively. This again shows that rent differentials with respect to property sizes have narrowed during the study period. Indeed, the range of national average rents from bedsits to 4+ bed was £33.19 (£40.49 – £73.68) in 2001/02 compared to £32.44 (£55.37 – £87.81) six years later.

Table 2.2 Net rents (2-bed average rent = 1.00): 2001/02 and 2007/08

Region	Bedsit		1-bed		3-bed		4+ bed	
	2001/02	2007/08	2001/02	2007/08	2001/02	2007/08	2001/02	2007/08
London	0.70	0.76	0.84	0.87	1.17	1.13	1.34	1.27
S. E.	0.70	0.73	0.84	0.85	1.13	1.12	1.27	1.25
S. W.	0.75	0.76	0.86	0.86	1.10	1.11	1.24	1.23
E. M.	0.69	0.76	0.85	0.87	1.04	1.05	1.21	1.18
East	0.71	0.74	0.83	0.86	1.11	1.11	1.29	1.25
W. M.	0.73	0.77	0.89	0.89	1.07	1.07	1.28	1.24
Y & H	0.66	0.76	0.85	0.88	1.11	1.08	1.34	1.30
N. E.	0.73	0.80	0.91	0.90	1.05	1.07	1.09	1.15
N. W.	0.70	0.78	0.91	0.89	1.09	1.08	1.24	1.20
England	0.72	0.80	0.86	0.89	1.11	1.08	1.31	1.27

At the regional level, the changes in the rent indices generally followed the national pattern with some exceptions (Table 2.2). For bedsits, all regions saw relative increases with the largest in Yorkshire and the Humber by 0.1 points; from 0.66 in 2001/02 to 0.76 in 2007/08. Similarly, the indices for 1-bed units rose in all nine regions, except the North East and the North West. London, the East of England and Yorkshire and the Humber showed the largest increases of 0.03 points each. The 3-bed category showed a mixed picture: four regions experienced declines but three regions saw rises, leaving the remaining two regions unchanged. Four or more bedroom properties decreased across all regions except the North East. The largest decline was observed, again, in London by 0.07 points: from 1.34 to 1.27. Overall, there has been a narrowing of rent differentials consistent with the rent restructuring regime, which has dampened rents for larger size properties.

2.3 The pattern of service charges

In 2007/08, the average service charge for all property sizes in England was £4.83 per week. At the regional level, London had the highest service charge (£7.56), 57% above the national level. The South West had the lowest (£3.63), just half of the average for London.

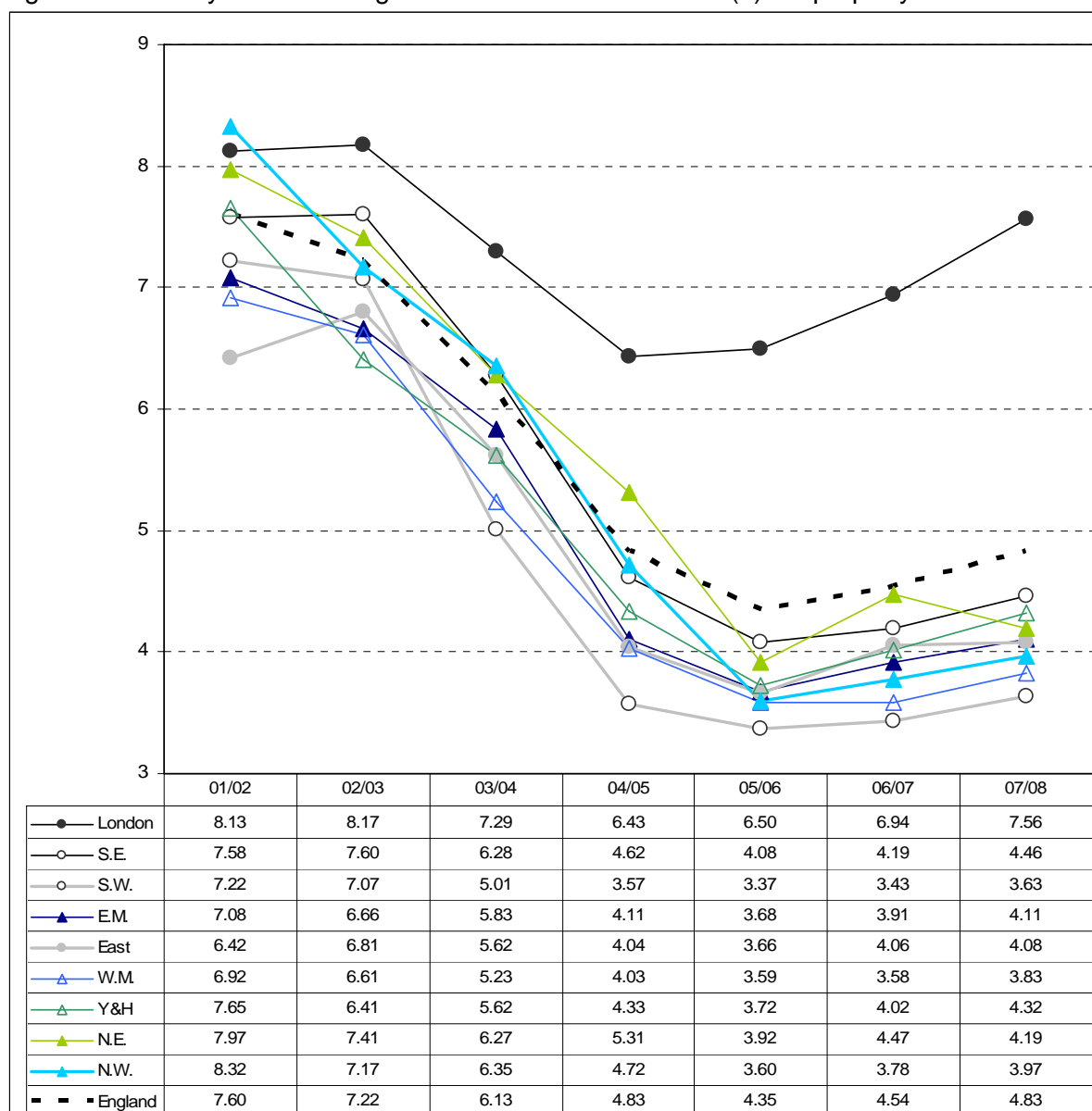
Table 2.3 shows service charges for all property sizes and for the smaller sizes, where there is distinct regional variation. This is similar to the national picture. It shows that the highest service charges are concentrated in bedspaces, bedsits and one bedroom units. The effect is that gross rent differentials between property sizes are smaller than those observed for net rents. London, once again, had the highest averages for all property size categories except bedsits where the East Midlands and the North East recorded higher charges. Across smaller sized properties, the regions with the lowest averages varied.

Table 2.3 Average weekly service charge by region (£): 2007/08

Region	Bedspace	Bedsit	1-bed	2-bed	All property sizes
London	16.73	7.83	7.94	8.20	7.56
South East	10.38	6.74	5.47	4.78	4.46
South West	14.41	5.32	5.26	3.54	3.63
East Midlands	0.00	9.30	6.06	3.74	4.11
East of England	13.23	6.89	5.22	3.92	4.08
West Midlands	6.56	5.88	5.14	4.06	3.83
Yorkshire and the Humber	8.50	7.41	5.53	4.46	4.32
North East	n.a.	8.89	5.22	4.27	4.19
North West	24.15	7.35	5.14	4.29	3.97
England	14.84	7.15	5.90	5.06	4.83

Figure 2.3 shows that over time, compared with net rents, service charges are less coherent across regions and size categories. This is hardly surprising as service charges relate to the specific features of dwellings rather than to capital values and local incomes. It also shows importantly that in general, service charges fell until around 2005/06 and afterwards showed upturns. The national average was £7.60 in 2001/02 and £4.35 in 2005/06 (the bottom year), which is 157% and 90% respectively of the latest average.

Figure 2.3 Weekly service charges from 2001/02 to 2007/08 (£): all property sizes



2.4 Disparities between net rents and target rents

In 2007/08 at the national level, the disparity between average net rents and average target rents for all property sizes was 3.86% (Table 2.4). This is calculated by subtracting an average net rent from an average target rent and is expressed as a percentage of net rent.⁴ London and Yorkshire and the Humber fell outside the $\pm 5\%$ range of target rent for all property sizes taken together. In terms of property sizes, three bedroom properties showed a greater discrepancy than other bedsizes.

We can compare these disparities with those in 2002/03 – the first year providing the net rent development towards targets (Table 2.5). This shows that London has been

⁴ Net rent stock without target rents is included in the calculation of the disparities. However, to gain an overall picture of the disparities across England, we have assumed that the bias arose from including these units is negligible. The total number of stock that had net rent reported was 1,614,912 while those with both net rent and target rent was 1,614,616.

consistently outside the $\pm 5\%$ range for both years. All other regions were close to or below $\pm 5\%$ even in 2002/03. There has been significant positive movement of average net rents towards target rents, especially in respect of bedspaces and bedsits. Even in London, the gap between the actual averages and targets has diminished over time.

Table 2.4 Disparities between net rents and target rents by region (%): 2007/08

Region	2007/08									
	All sizes	Bedspace	Bedsit	1-bed	2-bed	3-bed	4-bed	5-bed	6+ bed	
London	7.79	-0.65	9.38	8.53	7.32	7.23	8.88	11.84	15.63	
S. E.	2.27	-0.97	1.79	1.43	1.53	3.20	3.04	4.32	3.07	
S. W.	0.03	1.92	-0.23	-0.74	-1.08	1.28	1.05	0.09	-1.57	
E. M.	1.61	10.60	-3.09	-1.40	-1.11	5.03	5.26	1.10	0.39	
East	3.17	-0.74	5.18	2.11	2.05	4.41	4.21	4.13	6.10	
W. M.	2.21	-0.30	-1.04	-1.41	0.69	5.32	2.14	3.03	1.86	
Y & H	7.05	22.18	5.15	4.75	6.44	9.62	2.19	-2.40	1.17	
N. E.	4.74	n.a.	3.24	1.77	3.45	7.05	9.79	13.70	4.47	
N. W.	3.17	1.36	2.08	0.30	1.37	5.47	4.42	3.10	1.73	
England	3.86	0.06	4.68	2.94	2.69	5.17	5.30	6.79	8.61	

Note: Figures outside of a $\pm 5\%$ range are shaded.

Table 2.5 Disparities between net rents and target rents by region (%): 2002/03.

Region	2002/03						
	All sizes	Bedspace	Bedsit	1-bed	2-bed	3-bed	4+ bed
London	15.46	11.00	21.97	20.81	16.36	10.17	9.22
S. E.	1.20	9.52	2.96	2.28	1.17	0.72	-2.75
S. W.	-1.44	13.48	-2.14	-0.76	-1.72	-1.38	-5.41
E. M.	4.43	1.99	11.18	5.81	2.44	5.76	-2.29
East	5.04	7.47	13.10	7.14	5.53	3.78	-1.06
W. M.	5.56	16.66	6.52	3.57	5.20	8.02	-2.53
Y & H	0.89	13.11	11.43	2.40	0.60	0.16	-10.76
N. E.	4.90	22.79	8.86	2.74	5.87	9.13	10.83
N. W.	-0.46	37.90	8.69	0.02	2.16	2.90	-4.29
England	5.61	13.25	10.81	6.91	5.87	4.66	1.94

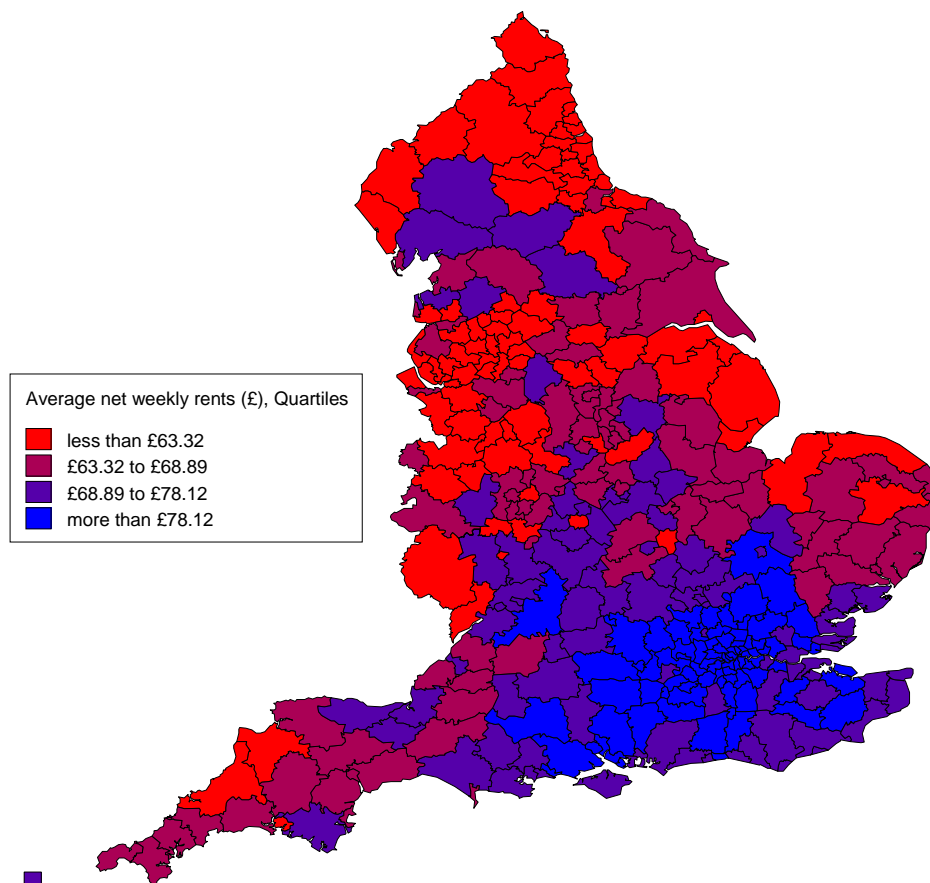
Note: Figures outside of a $\pm 5\%$ range are shaded.

3. RSL Rent Patterns at the Local Authority (LA) Level

3.1 The pattern of net weekly rents at LA level in 2007/08

Figure 3.1 shows the pattern of average rents of two-bedroom properties across England. It clarifies the consistent regional pattern of average rents, with the highest rents in London and the South East and rents generally declining further from the capital.

Figure 3.1 Average net weekly rents of two-bedroom properties for each LA: 2007/08



In 2007/08, the *median* net weekly rent for all property sizes in the 354 English LA areas was £69.88, an increase of £3.25 from the median for 2006/07. The range was £44.09. The annual increase was £0.97. Table 3.1 shows that Wokingham had the highest average net rent (£94.98). Of the 20 LA areas with the highest average net rents, 13 are in London, six in the South East and one in the East of England. The lowest (£50.89) was found in Wansbeck (Table 3.2). Half of the 20 lowest rents were observed in the North East, and the rest in Yorkshire and the Humber (five), the West Midlands (three) and the North West (two).

Table 3.1 20 LAs with high average net weekly rents: all property sizes, 2007/08.

LA	Region	£	Stock
Wokingham	South East	94.98	875
Woking	South East	91.86	610
Hillingdon	London	91.75	4,465
Redbridge	London	91.60	2,461
Harrow	London	91.23	2,289
Croydon	London	91.19	7,850
Kingston upon Thames	London	91.18	1,478
Camden	London	91.14	6,386
Windsor and Maidenhead	South East	90.72	6,187
Barnet	London	90.09	4,442
Westminster	London	90.07	10,072
Epping Forest	East of England	90.05	1,068
Wandsworth	London	89.65	6,845
Ealing	London	89.55	6,888
Tandridge	South East	89.49	595
Hart	South East	89.41	2,189
Slough	South East	89.41	2,268
Havering	London	89.06	1,628
Brent	London	88.99	11,675
Enfield	London	88.78	5,125

Table 3.2 20 LAs with low average weekly net rents: all property sizes, 2007/08.

LA	Region	£	stock
Wansbeck	North East	50.89	3,856
Newcastle-under-Lyme	West Midlands	51.52	7,994
Castle Morpeth	North East	52.64	2,455
Derwentside	North East	53.00	7,278
North Lincolnshire	Yorkshire and the Humber	53.42	8,095
Calderdale	Yorkshire and the Humber	53.53	12,444
Chester-le-Street	North East	54.12	2,930
Wakefield	Yorkshire and the Humber	55.06	31,031
Bradford	Yorkshire and the Humber	55.17	25,352
Newcastle upon Tyne	North East	55.74	4,428
Chorley	North West	55.82	4,828
Tynedale	North East	56.07	3,531
Blyth Valley	North East	56.27	1,114
Pendle	North West	56.37	2,803
Alnwick	North East	56.44	424
East Staffordshire	West Midlands	56.55	4,988
Sheffield	Yorkshire and the Humber	56.72	13,503
North Shropshire	West Midlands	56.76	2,594
Easington	North East	56.86	1,554
Gateshead	North East	57.27	3,469

Table 3.3 clarifies average net rents at LA level. The median rents increased with property size (the first row of the table) with the exception of bedspaces. The same is generally true for both the lowest and highest rents observed. Thus, rent relativities at LA level were mainly in line with the intentions of the rent restructuring regime.⁵ The higher rents for bedspaces were only observed at this spatial level and not at either national or regional levels.⁶

Rent variations increased with property size, except for bedspaces which showed a greater variation. This is probably because unlike the typical two or three bedroom dwellings,

⁵ DETR(2001) *Guide to Social Rent Reforms*.

⁶ The national average net rents were £51.51 per week and £55.37 for bedspaces and bedsits respectively (For source, see Footnote 1).

bedspaces are more likely to have unique attributes or facilities. Also, the relatively small numbers in some LAs of the smallest size properties could produce extreme values for the averages.

Overall, following the national pattern for all property sizes, LA areas in the southern regions had the highest average rents for each property category while those in the north had the lowest.

Table 3.3 Statistics of average net weekly rents at LA level (£): 2007/08

	Bedspace	Bedsit	1-bed	2-bed	3-bed	4-bed	5-bed	6+ bed
Median	56.06	51.75	59.38	68.88	75.70	83.35	90.88	100.58
Standard deviation	15.30	7.99	7.96	9.79	12.20	14.16	15.63	20.23
Highest	83.32 *	79.83	82.91	94.51	105.97	116.76	127.22 *	175.06 *
LA (region)	Gosport (SE)	Chiltern (SE)	Westminster (Lon)	Westminster (Lon)	Ealing (Lon)	Epping Forest (East)	Gravesham (SE)	Shepway (SE)
Lowest	17.42 *	31.77	42.34	48.96	53.04	56.65	60.67 *	72.47 *
LA (region)	Sheffield (Y&H)	Wansbeck (NE)	Wansbeck (NE)	Wansbeck (NE)	Wansbeck (NE)	Newcastle-under-Lyme (WM)	Derwentside (NE)	St.Helens (NW)

Note: * indicates the corresponding stock size is smaller than ten properties.

3.2 The pattern of service charges

The median of average service charges for all property sizes in the 354 LA areas was £4.14 per week, almost unchanged from £4.12 in 2006/07. The range was £10.80 with the highest of £11.82 which was charged in Sefton in the North West while the lowest of £1.02 was charged in North Norfolk in the East of England (Table 3.4). With the exception of the highest two areas, LAs in the south had the highest averages for service charges.

Table 3.4 Ten LAs with high and low weekly service charges: all property sizes, 2007/08.

LA	Region	£	Stock
Highest			
Sefton	North West	11.82	2,991
Derwentside	North East	10.77	633
Kensington and Chelsea	London	9.95	5,996
City of London	London	9.44	173
Southwark	London	9.38	7,122
Gravesham	South East	9.21	182
Southend-on-Sea	East of England	8.95	1,895
Hammersmith and Fulham	London	8.87	4,314
Lambeth	London	8.66	11,153
Islington	London	8.61	6,175
Lowest			
North Norfolk	East of England	1.02	3,369
Derbyshire Dales	East Midlands	1.21	2,023
Wear Valley	North East	1.29	350
South Shropshire	West Midlands	1.33	1,227
South Bucks	South East	1.42	1,147
Pendle	North West	1.42	2,373
Chester-le-Street	North East	1.44	2,807
Easington	North East	1.51	731
St.Helens	North West	1.53	12,780
Lichfield	West Midlands	1.57	3,361

3.3 Disparities between average net rents and average target rents

Table 3.5 presents the number of LA areas where the disparities between average net rents and average target rents were within the range of $\pm 5\%$ of target rents in 2007/08. Across the country, 229 LA areas had their average net rents within the benchmark range. In terms of the proportion of all reporting LA areas, 64.7% of disparities fell within the range $\pm 5\%$. The largest disparity was observed in the South West (77.8%) and the smallest in the West Midlands (52.9%).

LAs with target rents above actual rents by more than 5% were mainly in the south. London and the South East had 15 such LAs and the East of England 11. By contrast, no LAs in London were below the benchmark range.

Table 3.5 Number of LAs with disparities within a $\pm 5\%$ range: all property sizes, 2007/08 (proportions in parentheses).

	Below 5%		Within $\pm 5\%$		Above 5%		Total no. of LAs
London	0	(0.0)	18	(54.5)	15	(45.5)	33
South East	6	(9.0)	46	(68.7)	15	(22.4)	67
South West	6	(13.3)	35	(77.8)	4	(8.9)	45
East Midlands	11	(27.5)	22	(55.0)	7	(17.5)	40
East of England	3	(6.3)	34	(70.8)	11	(22.9)	48
West Midlands	7	(20.6)	18	(52.9)	9	(26.5)	34
Yorkshire and the Humber	4	(19.0)	13	(61.9)	4	(19.0)	21
North East	2	(8.7)	15	(65.2)	6	(26.1)	23
North West	6	(14.0)	28	(65.1)	9	(20.9)	43
England	45	(12.7)	229	(64.7)	80	(22.6)	354

Note: Net rent data are based on stock with target rents.

At LA level, Barking and Dagenham in London showed the smallest disparity of -0.05%, with average net rent marginally above the target rent level (Table 3.6). Of the top ten LA areas with the smallest disparities, three were each in the South West and in London while two

were in the East of England. Among the top ten LA areas with targets significantly below net rents, five were in the South East with two each in the East Midlands and Yorkshire and the Humber. Not surprisingly, LA areas with rents considerably above the target were mainly in London.

Table 3.6 Disparities at LA level: all property sizes, 2007/08.

LA	Region	Disparity		Target rent £	Net rent £
		%	£		
Smallest					
Barking and Dagenham	London	-0.05	-0.04	85.30	85.34
Redbridge	London	0.09	0.08	91.68	91.60
North East Derbyshire	East Midlands	0.11	0.07	65.21	65.14
Chelmsford	East of England	-0.13	-0.10	77.85	77.95
Bromley	London	0.13	0.11	85.53	85.42
West Wiltshire	South West	-0.16	-0.11	72.54	72.65
Basildon	East of England	-0.16	-0.14	83.74	83.88
Reading	South East	-0.17	-0.14	86.78	86.93
North Dorset	South West	-0.17	-0.13	77.60	77.74
North Wiltshire	South West	0.18	0.13	72.56	72.43
Largest: net rent > target rent					
Isle of Wight	South East	-13.33	-10.30	66.96	77.26
Kerrier	South West	-12.40	-8.17	57.75	65.93
Thanet	South East	-11.72	-8.67	65.32	73.99
Oadby and Wigston	East Midlands	-11.23	-8.02	63.39	71.41
Hastings	South East	-9.53	-7.00	66.45	73.44
Eastbourne	South East	-9.20	-7.07	69.84	76.91
Mansfield	East Midlands	-8.83	-5.77	59.59	65.36
Dover	South East	-8.77	-6.58	68.42	75.00
Kirklees	Yorkshire and the Humber	-8.50	-5.68	61.12	66.80
Barnsley	Yorkshire and the Humber	-8.44	-5.50	59.66	65.16
Largest: net rent < target rent					
Kensington and Chelsea	London	31.90	26.57	109.85	83.28
Copeland	North West	21.82	12.61	70.39	57.78
City of London	London	21.03	17.35	99.86	82.51
Wansbeck	North East	20.50	10.43	61.33	50.89
Wakefield	Yorkshire and the Humber	19.55	10.77	65.82	55.06
Hammersmith and Fulham	London	19.41	16.92	104.09	87.17
North Lincolnshire	Yorkshire and the Humber	19.28	10.30	63.72	53.42
Wandsworth	London	18.42	16.51	106.17	89.65
South Northamptonshire	East Midlands	17.56	11.83	79.17	67.35
Westminster	London	16.70	15.04	105.11	90.07

Note: Net rents are based on stock with target rents.

3.4 RSL Rent Patterns across property sizes at LA Level

The rent restructuring regime describes objectives for the relationship between rents for different property sizes. These should be reflected in the patterns of rents that we observe. In this section, we examine the relationship between rents in the different size categories by LA area. As in section 2, we use the average net rent for two bedroom properties as a base.

Table 3.7 sets out each property size's average net rent in terms of the average for two bedrooms. Table 3.8 shows the same for target rents. Unsurprisingly, the averages and medians of the rent indices increase in accordance with property size. This demonstrates one of the requirements of rent restructuring, the bedroom factor which was applied to rent levels so that, other things being equal, smaller properties should have lower rents.⁷ In fact,

⁷ DETR(2001) *Guide to Social Rent Reforms*.

the statistics are more or less close to the bedsizes weights used in the calculation of target rent. (For rent relationships between two-bedroom properties and the other property sizes across LAs, see Annex 1).

Table 3.7 Statistics of LAs' average net rents (2-bed = 1.00): 2007/08

	Bedspace	Bedsit	1-bed	2-bed	3-bed	4-bed	5-bed	6+ bed
National average	0.75	0.80	0.89	1.00	1.08	1.25	1.39	1.53
Median of LAs' averages	0.69	0.74	0.86	1.00	1.11	1.22	1.32	1.43
Size weight in the target calculation		0.80	0.90	1.00	1.10	1.20	1.30	1.40
Range across LAs	0.87	0.55	0.19	-	0.32	0.41	1.00	1.28
Minimum	0.22	0.57	0.76	1.00	0.96	1.00	0.90	1.11
Maximum	1.09	1.12	0.95	1.00	1.28	1.41	1.90	2.38

Table 3.8 Statistics of LAs' average target rent (2-bed = 1.00): 2007/08

	Bedspace	Bedsit	1-bed	2-bed	3-bed	4-bed	5-bed	6+ bed
National average	0.73	0.82	0.89	1.00	1.11	1.29	1.45	1.62
Median of LAs' averages	0.68	0.74	0.86	1.00	1.13	1.25	1.36	1.47
Size weight in the target calculation		0.80	0.90	1.00	1.10	1.20	1.30	1.40
Range across LAs	0.84	0.57	0.19	-	0.26	0.36	0.93	1.42
Minimum	0.32	0.60	0.77	1.00	0.99	1.06	0.97	0.99
Maximum	1.16	1.17	0.96	1.00	1.25	1.42	1.90	2.41

3.5 RSL rent relationships between LAs and their neighbouring areas

If levels of RSL rents are determined by fundamentals which are shared by neighbouring LA areas, then a LA area's RSL rent will be positively related to those for its surrounding area. To investigate this association, we will look at the degree of relatedness between these two variables. The neighbouring LA areas' net rents are expressed as a weighted average RSL rent for LA areas surrounding a given LA area.⁸ As an example, the average net rent of two-bedroom properties of Northampton's neighbouring LA areas is calculated below:

Northampton is surrounded by three LA areas – Daventry, South Northamptonshire and Wellingborough. Their average net rents for two bedroom properties are:

LA	Average net rent (£)	Stock
Daventry	67.27	1,048
South Northamptonshire	63.85	784
Wellingborough	58.68	1,364

Average net rents in LA areas surrounding Northampton:

$$(\pounds 67.27 * 1,048) + (\pounds 63.85 * 784) + (\pounds 58.68 * 1,364) = \pounds 200,596.88$$

$$1,048 + 784 + 1,364 = 3,196$$

$$\pounds 200,596.88 / 3,196 = \pounds 62.76$$

⁸ This study excludes those local factors of RSL rent determinants the extent to which adjacent LA areas are in fact connected (e.g. by transportation infrastructure). Thus, LA areas which are considered close in term of traffic links but which are not adjacent, have not been included in this study.

The extent of the difference between the LA area's RSL average net rent and those of its surrounding areas is calculated below:

Northampton's average net rent for two bedrooms was £70.50.

$(£70.50 - £62.76) / £62.76 * 100 = 12.33\% = \text{the 'difference' for Northampton}$

Figure 3.2 shows the relationship between average net rents for all property sizes of each LA area and the equivalents for its neighbouring LA areas for the 352 LA areas in England⁹. The X and Y axes represent the average net rents for neighbouring LA areas and the studied LA area respectively. The scatter pattern shown in the figure demonstrates a significant positive relationship between the two variables. The correlation coefficient is strong and positive at 0.881. (For breakdowns by property size, see Annex 2, which also includes examinations on disparities between net rents and target rents.)

Figure 3.2 Average net rents (£): LAs vs. their neighbouring LAs, all property sizes, 2007/08.

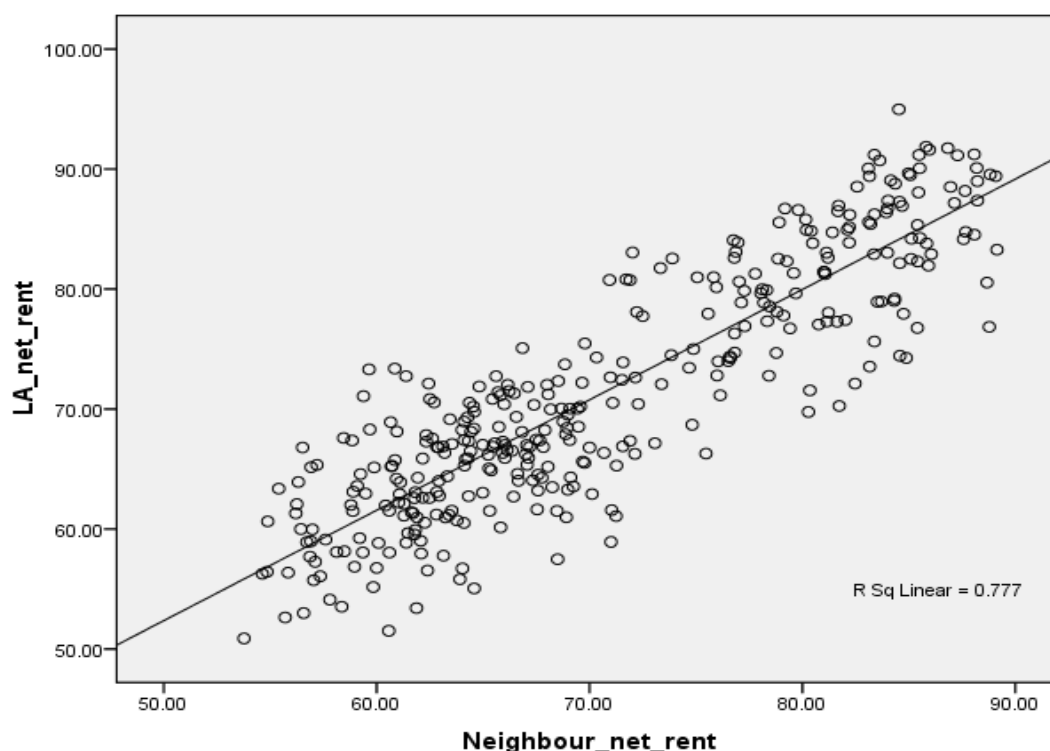


Table 3.9 shows ten LAs with the smallest and largest differences from neighbouring LAs average net rents. The list of ten LAs with the smallest differences consists of equal numbers of large scale voluntary transfer (LSVT) LAs and non-LSVT LAs. All of them are surrounded by authorities with a mix of LSVT and non-LSVTs. Interestingly, all ten LAs with large negative differences (i.e., LA < neighbours) were LSVT LAs with either a whole or partial transfer scheme. These substantially lower average rents compared to those in neighbouring authorities can often be attributed to downwards pressure from the rents in LSVT authorities where rents remain low in the early post-transfer period and where the scale of the stock affected is significant. Examples include Wakefield (Y&H), Sheffield (Y&H) and Coventry (WM). By contrast, the list of ten LAs with large positive differences (i.e.

⁹ The two isle LA areas were excluded in this part of analysis.

LA > neighbours) does not contain any 'LSVT only' LAs, but does contain two 'partial-LSVT' LAs. To some extent, the list is a mirror image of those with large negative gaps. For example, three of the four Yorkshire and the Humber LA areas in the list are adjacent to Wakefield. (For details of rents in Wakefield and its neighbouring LA areas, see Annex 3). A mid-term perspective, however, anticipates that local rent inconsistency arising from LSVT RSLs will decrease, because in the regulatory framework, virtually all RSL rents are currently adjusted to target levels which are set by reflecting locally coherent factors such as property values and county earnings.

Table 3.9 Ten LAs with small and large differences from their neighbouring LAs in the disparities: two-bedroom properties, 2007/08.

LA (Region)	Difference (%)	Rent (£)		Stock		LSVT*	LSVT neighbours*/ All neighbours**
		LA	Neighbours	LA	Neighbours		
Smallest							
Cherwell (SE)	-0.01	75.42	75.43	1,558	12,709	whole	6/7
City of London (Lon)	-0.04	84.95	84.98	38	25,923	no	4/7
Swindon (SW)	0.07	73.26	73.21	884	8,171	no	6/6
Carrick (SW)	0.08	65.55	65.50	406	3,154	no	2/2
Kerrier (SW)	-0.09	65.84	65.90	1,571	1,802	whole	1/2
Surrey Heath (SE)	-0.13	82.34	82.45	913	8,212	whole	4/7
North West Leicestershire (EM)	0.18	65.43	65.31	377	5,234	partial	3/7
East Devon (SW)	0.19	67.62	67.49	534	7,974	no	3/6
North East Lincolnshire (Y&H)	0.21	56.91	56.79	2,305	6,738	whole	3/3
South Tyneside (NE)	-0.24	58.13	58.27	1,343	16,936	no	1/4
Largest: LA < neighbours							
Wellingborough (EM)	-17.08	58.68	70.77	1,364	9,849	partial	4/7
North Lincolnshire (Y&H)	-15.88	51.77	61.54	2,385	3,079	partial	2/5
Wakefield (Y&H)	-15.72	54.22	64.33	12,393	6,284	whole	0/5
Newcastle-under-Lyme (WM)	-14.13	51.11	59.52	2,935	7,987	whole	5/6
Sheffield (Y&H)	-14.02	55.21	64.21	5,212	2,674	partial	1/5
Preston (NW)	-13.65	58.15	67.34	2,683	3,060	whole	4/4
Maidstone (SE)	-13.41	69.03	79.72	2,130	7,812	whole	4/5
Worcester City (WM)	-12.62	61.08	69.90	1,580	3,541	whole	2/2
Coventry (WM)	-12.58	62.35	71.32	7,090	2,673	whole	0/5
Bracknell Forest (SE)	-12.35	75.79	86.47	2,359	4,082	partial	4/5
Largest: LA > neighbours							
Harrogate (Y&H)	20.02	71.94	59.94	651	15,399	no	3/7
Wyre (NW)	19.09	72.37	60.77	904	4,351	whole	3/5
High Peak (EM)	17.41	71.22	60.66	237	20,477	no	6/9
South Lakeland (NW)	17.15	71.99	61.45	396	7,210	no	4/7
Kirklees (Y&H)	16.58	65.61	56.28	1,076	30,913	no	4/7
Eden (NW)	16.56	70.96	60.88	557	8,511	whole	4/7
West Lancashire (NW)	15.79	68.64	59.28	182	17,990	no	6/7
Bassetlaw (EM)	15.15	67.26	58.41	260	6,781	no	2/7
Leeds (Y&H)	15.10	64.20	55.78	3,770	22,241	no	2/5
Selby (Y&H)	14.78	66.94	58.32	383	19,255	no	1/6

Note: * includes both completed and proposed LSVTs. ** Neighbouring LSVT LAs consist of 'whole' and 'partial'.

4. Rent Patterns by RSL type: Large scale voluntary transfer (LSVT) and black and minority ethnic (BME)

This section examines rent patterns and progress of LSVT RSLs and BME RSLs towards target rents.

4.1 Net rents of LSVT RSLs

LSVT schemes were introduced in December 1988. By the end of March 2008, there were 238 LSVT RSLs of which 195 completed the RSR 2008 long form. The remaining 187 RSLs reporting the RSR long form are treated as non-LSVT RSLs in this section.

Table 4.1 set out the national average net rents for the two groups. For all property sizes, the LSVT RSLs' average was £66.27 per week. This is 89% of the non-LSVT RSLs' level of £74.36. Rents for two-bedroom properties showed a similar pattern: LSVT RSLs' average (£65.02) was 89% of the non-LSVT RSLs' level (£73.45). LSVT RSLs own and/or manage 20% more stock than non-LSVT RSLs so have a significant impact on the sector. LSVT RSLs do of course have their own new investment stock but transferred stock is still dominant in their portfolios.¹⁰

Table 4.1 Average net weekly rents of LSVT and non-LSVT RSLs (£): England, 2007/08

		LSVT	non-LSVT	ratio
		a	b	a/b
All sizes	rent	66.27	74.36	0.89
	stock	883,240	736,375	1.20
two-bed	rent	65.02	73.45	0.89
	stock	308,604	288,801	1.07

The main reason for the modest rise in LSVT RSL rents is the imposition of the rent guarantee period (usually around five years) and the cap on annual rent increases in the RSL sector (see Section 2.2).

To examine the impact of these constraints, Table 4.2 disaggregates average rents by LSVT RSL maturity, i.e., the duration from the registration of LSVT RSL at the Housing Corporation to the completion of RSR (March 2008). First, we divided LSVT RSLs into two groups: young LSVT RSLs, i.e., those five years old or less, and mature LSVT RSLs, i.e., those over five years old. For all property sizes, young LSVT RSLs recorded average rents of £60.68, 82% of the equivalent for non-LSVT RSLs. The average rent of mature LSVT RSLs was £69.27, 93% of the equivalent for non-LSVT RSLs. Two-bedroom properties' rents also followed this pattern.

Next, we shifted the maturity criterion to the introduction of the Estate Renewal Challenge Fund (ERCF) in 1996/97. The ERCF was created to finance the transfer of low quality dwellings which had a negative value to recipient RSLs. So, in addition to having longer to restructure their rents, 'before ERCF' LSVT RSLs are more likely to have taken over LA dwellings in better condition with rents very close to those of RSL stock standards.^{11,12}

¹⁰ Also, there are cases where already operating LSVT RSLs added LA dwellings in their stock through different transfer packages.

¹¹ However, this does not totally deny possibility that low-quality LA dwellings using the ERCF were transferred to the 'before ERCF' LSVT RSLs, because the ERCF sometimes brought stock transfers to existing RSLs which include already operating LSVT RSLs before the programme.

¹² 'After ERCF' LSVT RSLs were not necessarily subjected to the ERCF. There were some transfer packages without the funds since the programme was in effect. Also as the ERCF was valid for four years, recently established LSVT RSLs were out of the scheme.

The average rents of 'before ERCF' LSVT RSLs marginally outperformed their non-LSVT RSLs' equivalents for all property sizes and for two-bedroom properties, the weekly rents (ratios) were £77.09 (1.04) and £74.79 (1.02) respectively. Thus, there is no significant effect on average rents when transfers were carried out earlier.

Table 4.2 Average net weekly rents by maturity (£): 2007/08 (ratios to non-LSVT in parentheses)

		Young LSVT		Mature LSVT		After ERCF		Before ERCF	
All sizes	rent	60.68	(0.82)	69.27	(0.93)	63.01	(0.85)	77.09	(1.04)
	stock	308,176	(0.42)	575,064	(0.78)	678,660	(0.92)	204,580	(0.28)
Two-bed	rent	59.42	(0.81)	67.80	(0.92)	61.86	(0.84)	74.79	(1.02)
	stock	102,382	(0.35)	206,222	(0.71)	233,260	(0.81)	75,344	(0.26)

Note: 'Young' LSVT RSLs are those aged five years or less since the registration at the Housing Corporation.

LSVT RSLs currently hold stock in all nine regions. Their regional performances are shown in Table 4.3. For all property sizes, LSVT RSLs' average rents in the South East, the South West and the North West appeared close to non-LSVT equivalents, a ratio of 0.97. By contrast, in Yorkshire and the Humber LSVT RSLs had lower average rents than their non-LSVT counterparts, a ratio of 0.87.

With respect to stock ratios, LSVT RSLs dominate in the South West with the stock size more than double of that of non-LSVT RSLs, a ratio of 2.11. On the other hand, London's LSVT RSL stock was only a quarter of that held by non-LSVT RSLs. This is because only three LAs in the capital carried out a whole stock transfer whereas 11 carried out partial transfers.¹³ Two-bedroom properties showed a similar pattern.

Table 4.3 Average net weekly rents of LSVT and non-LSVT RSLs by region (£): 2007/08 (ratios to non-LSVT in parentheses)

		All sizes		Two-bed					
		Rent (£)	Stock	Rent (£)	Stock				
London	LSVT	81.19	(0.94)	52,284	(0.25)	79.23	(0.92)	19,178	(0.25)
	non-LSVT	86.64		207,386		86.48		76,065	
South East	LSVT	79.75	(0.97)	145,847	(1.72)	77.74	(0.96)	50,806	(1.48)
	non-LSVT	82.19		85,008		81.31		34,228	
South West	LSVT	69.52	(0.97)	92,107	(2.11)	67.69	(0.96)	36,602	(1.98)
	non-LSVT	71.35		43,582		70.75		18,499	
East Midlands	LSVT	60.96	(0.91)	35,259	(0.82)	59.70	(0.89)	12,010	(0.67)
	non-LSVT	66.76		42,787		67.16		17,849	
East of England	LSVT	68.74	(0.89)	106,489	(1.52)	67.11	(0.88)	39,231	(1.43)
	non-LSVT	77.55		70,223		76.32		27,349	
West Midlands	LSVT	61.59	(0.90)	110,492	(1.51)	60.65	(0.90)	38,558	(1.35)
	non-LSVT	68.19		73,132		67.42		28,552	
Yorkshire and the Humber	LSVT	54.98	(0.87)	89,373	(1.78)	54.71	(0.88)	30,728	(1.62)
	non-LSVT	63.41		50,229		62.43		18,912	
North East	LSVT	57.47	(0.96)	69,638	(1.88)	56.25	(0.93)	27,010	(1.74)
	non-LSVT	59.72		37,035		60.30		15,557	
North West	LSVT	60.88	(0.97)	181,751	(1.43)	59.26	(0.95)	54,481	(1.05)
	non-LSVT	63.05		126,993		62.06		51,790	

¹³ The remaining 19 LAs in London had no LSVT stock.

4.2 Disparities between net rents and target rents

We now analyse disparities between net rents and target rents for LSVT RSLs. (The definitions and notes on disparities are as set out in Section 2 above.) Firstly, Table 4.4 sets out the national figures. For all property sizes, the average disparity of LSVT RSLs (5.7%) was slightly above the regulatory level of 5%, while that for non-LSVT RSLs (1.8%) was compliant with their target rents. For two-bedroom properties, LSVT RSLs' disparity (4.4%) was also wider than the non-LSVT average (1.1%), but within the acceptable range.

Table 4.4 Disparities between net weekly rents and target rents of LSVT and non-LSVT RSLs: England, 2007/08

	LSVT		non-LSVT		Comparison	
	Disparity (%)	Target (£)	Disparity (%)	Target (£)	Disparity	Target
	<i>a</i>	<i>a'</i>	<i>b</i>	<i>b'</i>	<i>a-b</i>	<i>a'/b'</i>
All sizes	5.7	70.08	1.8	75.73	3.9	0.93
two-bed	4.4	67.91	1.1	74.23	3.4	0.91

Note: Disparities of over 5% are shaded.

Tables 4.5 and 4.6 are breakdowns of LSVT RSLs' disparities by maturity. LSVT RSLs of five years or less are at an early stage of rent restructuring. Their average disparities were 9.1% for all property sizes and 8.2% for two-bedroom properties. However, those who have been registered as LSVT RSLs for more than five years have already raised their net averages satisfactorily close to targets, the disparities were 4.1% and 2.8% for all and two-bedroom properties respectively. LSVT RSLs registered before the ERCF showed further rent progress, their disparities (1.2% for all properties and 0.3% for two-bedroom properties) were comparable to those of their non-LSVT equivalents.

Table 4.5 Disparities by maturity: England, 2007/08 (1)

	Young LSVT			Mature LSVT				
	Disparity (%)	Target (£)	Compared to non-LSVT Disparity (%)	Target (£)	Disparity (%)	Target (£)	Compared to non-LSVT Disparity (%)	Target (£)
All sizes	9.1	66.23	7.3	0.87	4.1	72.14	2.3	0.95
Two-bed	8.2	64.31	7.1	0.87	2.8	69.70	1.7	0.94

Note: As Table 4.4.

Table 4.6 Disparities by maturity: England, 2007/08 (2)

	After ERCF			Before ERCF				
	Disparity (%)	Target (£)	Compared to non-LSVT Disparity (%)	Target (£)	Disparity (%)	Target (£)	Compared to non-LSVT Disparity (%)	Target (£)
All sizes	7.4	67.69	5.6	0.89	1.2	78.02	-0.6	1.03
Two-bed	6.1	65.61	5.0	0.88	0.3	75.04	-0.8	1.01

Note: As Table 4.4. In the ERCF transfers, an individually tailored rent envelope is agreed each year and target rents are not therefore required. However, to measure scope of ERCF RSLs' progress on rent restructuring, the regulator requests them to calculate target rents.

Table 4.7 sets out average disparities by region. For all property sizes, LSVT RSLs as a whole failed to make the $\pm 5\%$ target for average net rents, except in the South East and the East of England. Disparities in the East Midlands, the West Midlands and Yorkshire and the Humber were particularly large. A similar pattern can be found in average net rents for two-bedroom properties, but to a lesser extent (just three regions: London, Yorkshire and the Humber and the North East). In all regions, except the South East, disparities for the all bedroom category between LSVT and non-LSVT disparities narrowed. (For LA areas where LSVT RSLs' average net rent diverged from the non-LSVT equivalent, see Annex 4).

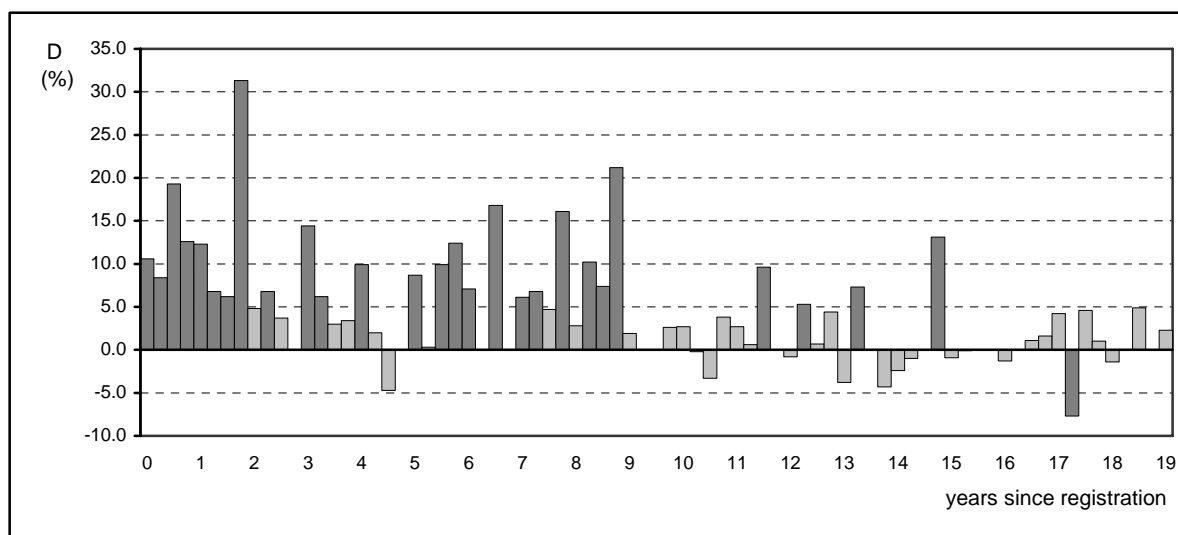
Table 4.7 Disparities of LSVT and non-LSVT RSLs by region: 2007/08

		All sizes				Two-bed			
		Disparity	Target	Compared to non-LSVT		Disparity	Target	Compared to non-LSVT	
				Disparity	Target			Disparity	Target
London	LSVT	7.0	86.91	-1.0	0.93	7.8	85.42	0.6	0.92
	non-LSVT	8.0	93.54			7.2	92.71		
South	LSVT	4.0	82.95	4.6	1.02	3.5	80.45	4.7	1.00
East	non-LSVT	-0.6	81.67			-1.2	80.31		
South	LSVT	1.7	70.68	5.1	1.03	0.4	67.96	4.2	1.00
West	non-LSVT	-3.4	68.93			-3.8	68.03		
East	LSVT	8.6	66.19	12.2	1.03	4.5	62.39	9.0	0.97
Midlands	non-LSVT	-3.6	64.33			-4.5	64.16		
East of	LSVT	4.8	72.06	3.9	0.92	3.7	69.59	3.7	0.91
England	non-LSVT	0.9	78.26			0.0	76.29		
West	LSVT	6.2	65.41	9.4	0.99	4.2	63.22	7.8	0.97
Midlands	non-LSVT	-3.2	65.99			-3.6	64.98		
Yorks and the Humber	LSVT	13.0	62.10	15.1	1.00	12.1	61.31	13.7	1.00
	non-LSVT	-2.1	62.11			-1.6	61.42		
North	LSVT	7.4	61.73	7.5	1.03	6.0	59.64	6.7	1.00
East	non-LSVT	-0.1	59.65			-0.7	59.85		
North	LSVT	5.4	64.17	5.3	1.02	3.2	61.18	3.7	0.99
West	non-LSVT	0.1	63.10			-0.5	61.74		

Note: Disparities of over 5% are dark-shaded.

Lastly, we examine the impact of LSVT maturity on achieving the targets set out in the rent restructuring regime. Figure 4.1 sets out stock-weighted average disparities of LSVT RSLs aggregated by maturity (quarterly). LSVT RSLs which registered more recently had large positive disparities, i.e., their net rents need to be increased significantly to achieve targets. This suggests that although LA stock is equally subject to the rent restructuring regime, progress by LAs towards targets was slower than that of RSLs. Also, the older RSL LSVTs tend to have rents which are more consistent with the RSL average as the guarantees work themselves out and adjustments are made within the rent restructuring regime.

Figure 4.1 LSVT RSLs' average disparities by quarterly maturity (%): all property sizes, March 2008



Note: Quarters without bars indicate no registrations. Bars showing outside of a $\pm 5\%$ range are dark-coloured.

4.3 Net rents of BME RSLs

At the end of March 2008, there were 65 BME RSLs. Of those, ten completed the RSR 2008 long form. The remaining 372 RSLs reporting the form are thus termed as non-BME henceforth. Table 4.8 sets out the national average net rents for these two RSL groups. In general, BME RSLs charged higher rents than non-BME counterparts. For all property sizes, the average of BME RSLs was £87.72 per week, which provides a rent ratio to non-BME of 1.18. For two-bedroom properties, the BME average weekly rent was £84.54 and the ratio increased to 1.23. However, BME stock is not particularly significant in relation to the sector as whole. The ratio of BME stock to non-BME is 0.01, both for all and for two-bedroom properties. Thus, upward pressure of BME rents on the sector's average would not be significant.

Table 4.8 Average net weekly rents of BME and non-BME RSLs (£): England, 2007/08

		BME	Non-BME	Ratio
		A	b	a/b
All sizes	rent	87.72	74.36	1.18
	stock	15,539	1,604,076	0.01
Two-bed	rent	84.54	68.96	1.23
	stock	5,063	592,342	0.01

Almost all (98%) of stock owned and/or managed by BME RSLs is located in urban LAs, reflecting ethnic diversity on those areas. The regional distribution of the stock was, thus, biased heavily towards London, which held 67%. Besides the capital, only Yorkshire and the Humber had BME stock of more than 1,000 dwellings.¹⁴

Table 4.9 sets out the two regions' BME rent averages for all property sizes. London's BME RSLs average was £93.23 per week and the ratio to non-BME was 1.09. In Yorkshire and the Humber, the BME average (£74.33) was substantially higher than the non-BME average, the ratio was 1.29.

Table 4.9 Average net weekly rents of BME and non-BME RSLs (£): London and Yorkshire and the Humber: all property sizes, 2007/08

		BME	Non-BME	Ratio
London	rent	93.23	85.22	1.09
	stock	10,424	249,246	0.04
Yorkshire and the Humber	rent	74.33	57.68	1.29
	stock	2,813	136,789	0.02

With respect to average disparities between net rents and target rents (Table 4.10), BME RSLs were comfortably within the regulatory range. Their averages were -1.6% for all property sizes and -0.9% for two-bedroom properties. Negative signs of the disparities mean that BME net rents were above target levels. On the other hand, non-BME RSLs, also achieved their targets on average or charged average net rents lower than their targets.

¹⁴ The North East and the South West did not report any BME stock in the RSR 2008.

Table 4.10 Disparities between net weekly rents and target rent (%): England, 2007/08

	BME		Non-BME		Comparison	
	Disparity	Target (£)	Disparity	Target (£)	Disparity	Target
	<i>a</i>	<i>a'</i>	<i>b</i>	<i>b'</i>	<i>a-b</i>	<i>a'/b'</i>
All sizes	-1.6	86.30	3.9	72.52	3.9	1.19
two-bed	-0.9	83.74	2.8	70.86	3.4	1.18

The regional breakdown of average disparities for all property sizes (Table 4.11) reflects well on London's BME RSLs. Their disparity was 0.4%, which means that the average net rent was very close to target. This success is due largely to net rent developments rather than changes to the targets. In fact, the average target rent for BMEs was slightly higher than that for non-BMEs, the ratio was 1.02. Generally in London, social landlords are struggling to achieve targets driven by high property values, for example, the region's non-BME disparity was 8.1% (see Table 2.4 for all RSLs). In this context, the experience of BME RSLs in the capital could be a good lesson for other RSLs managing high value stock.

In Yorkshire and the Humber, the average disparity with respect to BME RSLs was -8.5%, i.e., their average net rents were much higher than target. Equally, non-BME RSLs' disparity at 7.5% was also outside the 5% range but in the opposite direction, i.e., substantially below the target level. Looking at LA level, Bradford and Leeds were identified as areas with relatively large scale BME stock holdings, 1,006 and 899 dwellings respectively. Whereas the average disparity in Bradford (-2.8%) was within the 5% range, that of Leeds (-13.4%) was far outside.¹⁵

Table 4.11 Disparities (%): London and and Yorkshire and the Humber, all property sizes, 2007/08

	BME		non-BME		Comparison	
	Disparity	Target (£)	Disparity	Target (£)	Disparity	Target
	<i>a</i>	<i>a'</i>	<i>b</i>	<i>b'</i>	<i>a-b</i>	<i>a'/b'</i>
London	0.4	93.64	8.1	92.14	-7.7	1.02
Yorks and H	-8.5	67.99	7.5	61.98	-16.0	1.10

Note: Disparities outside of a $\pm 5\%$ range are shaded.

¹⁵ The BME net weekly rent and target rent averages were £79.43 and £77.17 for Bradford and £72.58 and £62.85 for Leeds.

5. Summary

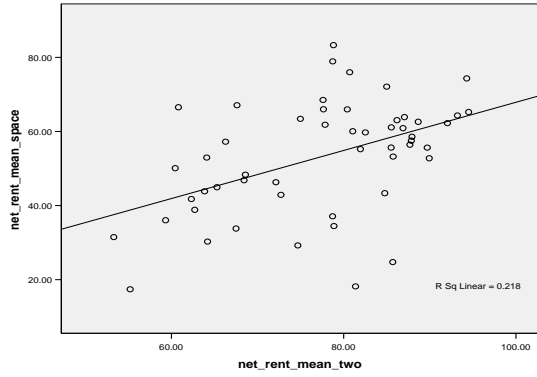
This paper has examined the detailed pattern of RSL rents as reported in RSR 2008 by type of RSLs and at different spatial levels. Overall, RSL rents and rental developments showed good progress towards achieving the objectives of the rent restructuring regime. Regional average net rents were consistent with target while annual rent increases were consistent with the guidelines. At LA level, the regulatory requirements were also met to a reasonable extent. Average net rents by LA area appeared positively correlated with each other across neighbouring areas, and rental progress showed local coherence. This is partly because target rents are formulated to reflect local fundamentals such as county earnings and property values.

However, LA areas with recent LSVT RSLs were further away from target requirements. This is primary because of the lower initial average rent levels with which they were faced, and by the scale of the transfers which significantly affected average rent levels. However, it is encouraging to note that the more mature LSVT RSLs are now consistent with non-LSVT RSL average rent levels, within both their targets and the guidelines. The performance of BMEs is also to be applauded. Even BMEs in London – the most pressurised region for rent restructuring – comfortably achieved their regulatory objectives without relaxing their targets.

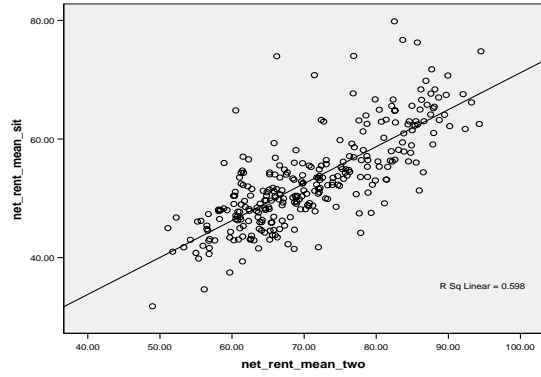
Annex 1: Rent relationships between 2-bed properties and the other sizes across LAs

Figures below plot LAs by 2-bed average net rents (x axis) and their equivalents for other property sizes (y axis).

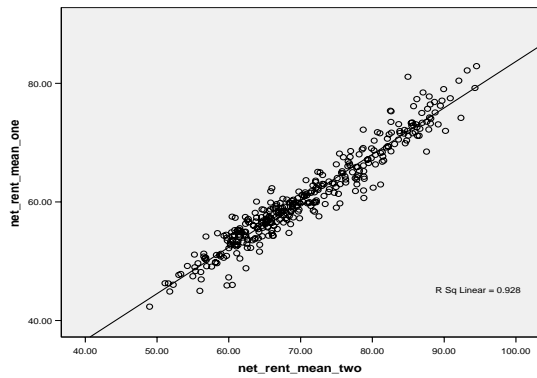
vs. bedspace



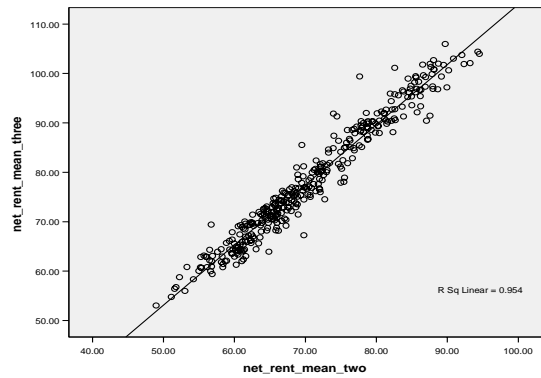
vs. bedsit



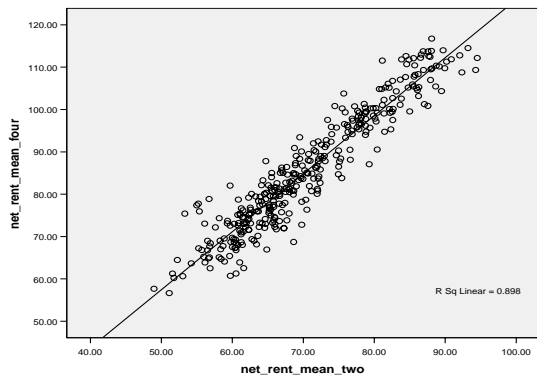
vs. one-bedroom



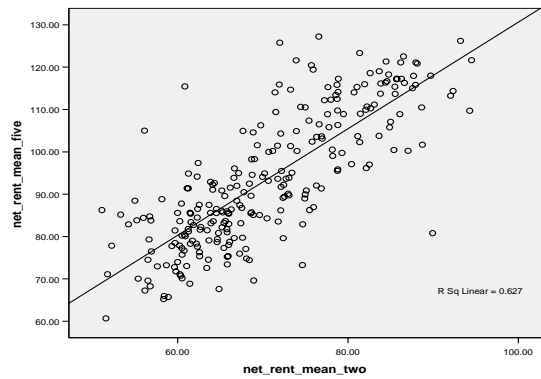
vs. three-bedroom



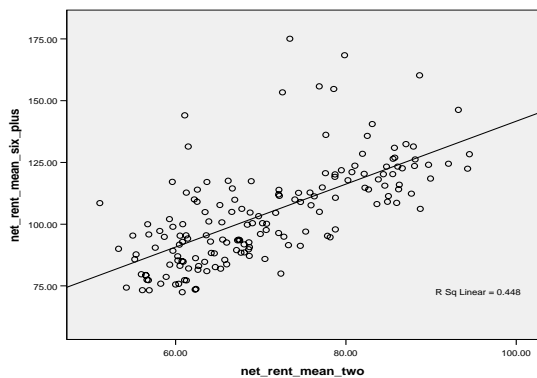
vs. four-bedroom



vs. five-bedroom



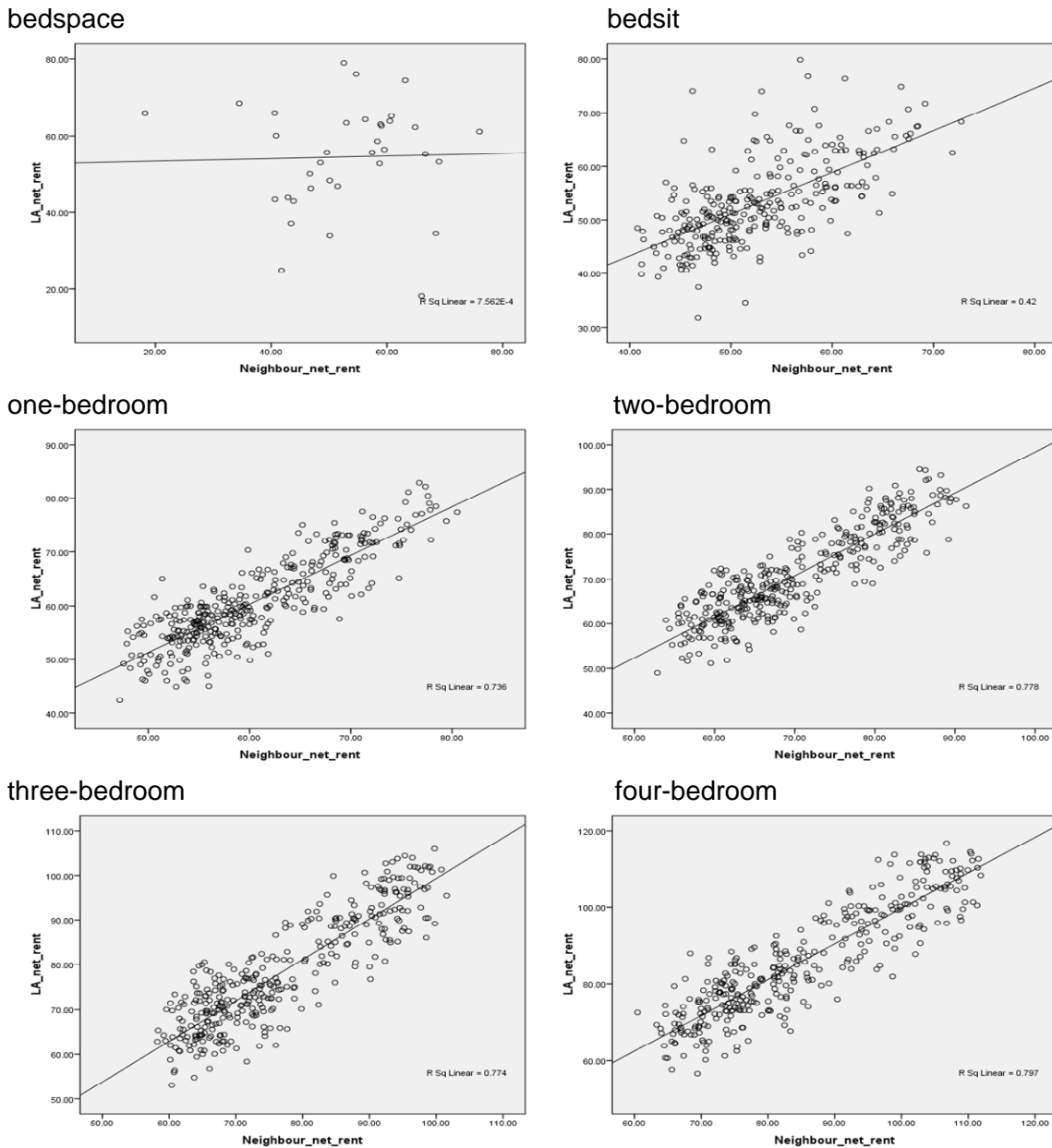
vs. six-or-more-bedroom



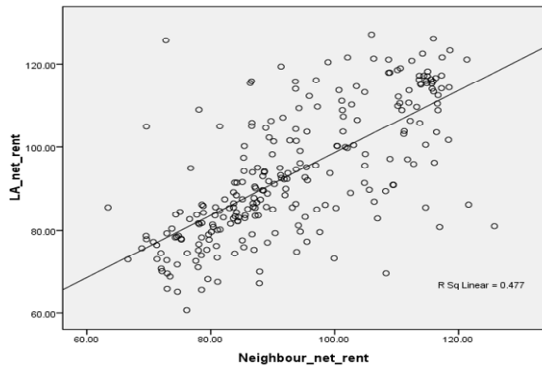
Annex 2: Rent relationships between LAs and their neighbouring LAs

Figure A.2.1 shows that the positive and significant relationship between average net rents in each LA area and the equivalent for its neighbouring LA areas carries across all size categories, except bedspaces where the correlation coefficient appears moderate (0.027). In addition to a possible bias on rents due to the small stock of bedspaces in some LA areas there may be other unique attributes of small dwellings which might be blurring local impacts even assuming they exist.

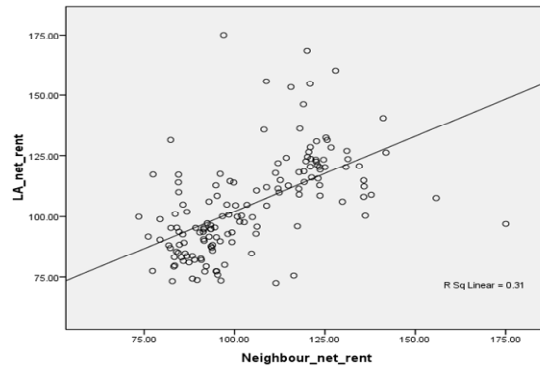
Figure A.2.1 Average net weekly rents (£): LAs vs. their neighbouring LAs by property size, 2007/08



five-bedroom



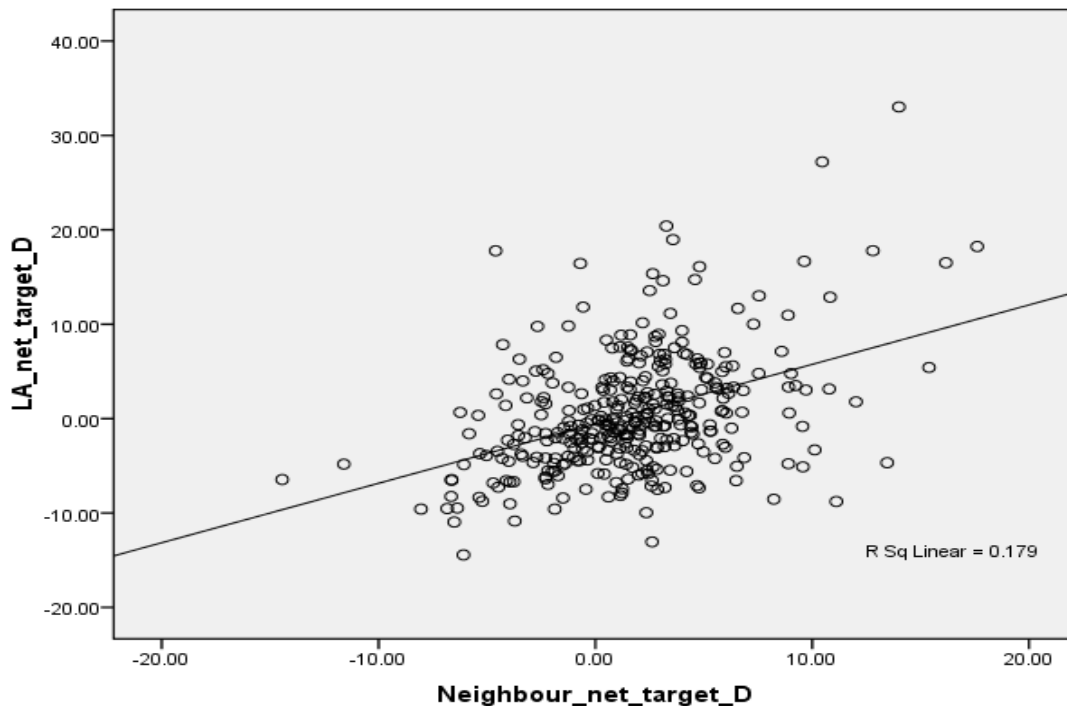
six-or-more-bedroom



Disparities between average net rents and average target rents¹⁶

Figure A.2.2 plots 352 LAs according to average disparity (y-axis) and their neighbouring LAs' equivalents (x-axis) for two-bedroom properties. It shows a positive but weak relationship between the two variables. The correlation coefficient appeared relatively small (0.423) which was much smaller in fact than the equivalent for average net rents for this size category. This implies that when the surrounding areas have a wide (narrow) disparity between average net rents and average targets, a LA area's disparity may also be wide (narrow), but this pattern was not observed consistently across England.

Figure A.2.2 Average disparities (%): LAs vs. their neighbouring LAs, two-bedroom properties, 2007/08



¹⁶ The disparity is calculated as in Section 2. Recall that to create a neighbouring LA areas' disparity, first the relevant neighbour's average net rent and target rent are calculated (e.g., as in Section 5.1), and then the disparity measured using the two variables. Thus, the result is different from a case-weighted average of disparities for each LA area in the neighbouring area.

When converting the disparities from a continuous variable to a categorical one, i.e., 'below', 'within' and 'above' the regulatory range of $\pm 5\%$ of target, LAs' disparities appeared by and large in line with their neighbours' equivalents. Shown in Table A.2.1, the great majority of LAs fell within the core range, when their neighbours were also in that range. However, where an LA's neighbours were below (above) the benchmark range, LAs were never (unlikely to be) within the core range.

This implies that the average disparities were coherent across LAs but the local consistency was not fine-tuned. One possible explanation for this is that even if net rent movements towards targets are locally in the same direction, once net rents reach the target range, further incentives (e.g. equalising net rents to targets) might not operate across localities to a similar extent. As a result, LAs' and their neighbours' disparities appeared somewhat randomly distributed within the $\pm 5\%$ range.

Table A.2.1 Number of LAs by their disparities and their neighbouring LAs' equivalents: two-bedroom properties, 2007/08

		Neighbours			Total
		<-5%	$\pm 5\%$	>5%	
LA	<-5%	11	42	5	58
	$\pm 5\%$	7	183	35	225
	>5%	0	52	17	69
Total		18	277	57	352

Table A.2.2 shows ten LAs with the smallest and largest differences from their neighbouring areas in terms of disparities. Of the ten LAs in the list of small differences, nine had average rents within the regulatory range. The list is a mixture of LSVT and non-LSVT LAs. All were surrounded by a mixed LSVT and non-LSVT environment.

All ten LAs with the largest positive differences (LA > neighbours) had average net rents much higher than their targets (i.e., their disparities were much greater than 5%). (Note that all were whole LSVT LAs with the exception of the two most expensive LAs in inner London.) In these areas, rents of former council dwellings might be still at moderate levels due to being in an early period after transfer, resulting in slow progress towards targets compared to traditional RSL rents in their neighbourhoods. An apparent example is Wakefield (Yorkshire and the Humber), which is surrounded by non-LSVT areas.

Seven out of the ten LAs with the largest negative differences (LA < neighbours) had average net rents below the regulatory level of -5%. Six were non-LSVT while four were whole-LSVT LAs. As expected, some LAs in the list are adjacent to those in the previous top-ten table. For example, four Yorkshire and the Humber LAs surround Wakefield (for details, see Annex 3).

Table A.2.2 Ten LAs with small and large differences from their neighbouring LAs in the disparities: two-bedroom properties, 2007/08.

LA (region)	Difference (%-point)	Actual-target disparity (%)		LSVT*	
	(a-b)	LA (a)	Neighbours (b)	LA*	LSVT neighbours/ All neighbours**
Smallest					
Ipswich (East)	-0.01	0.24	0.26	no	1/3
North Somerset (SW)	-0.05	2.26	2.31	whole	2/4
Gravesham (SE)	0.06	-0.12	-0.18	no	3/6
Bromsgrove (WM)	0.07	1.04	0.97	whole	4/8
Manchester (NW)	0.07	-0.69	-0.76	partial	5/8
Sunderland (NE)	0.07	1.95	1.88	whole	1/5
Bexley (Lon)	-0.08	-0.48	-0.39	whole	2/5
Huntingdonshire (East)	-0.09	2.17	2.26	whole	6/7
Hinckley and Bosworth (EM)	0.09	-4.21	-4.30	no	2/6
Blaby (EM)	0.09	-6.54	-6.64	whole	1/6
Largest: LA's disparity > neighbours' disparity					
Wakefield (Y&H)	22.38	17.78	-4.60	whole	0/6
Kensington and Chelsea (Lon)	19.03	33.02	13.99	no	1/4
North Lincolnshire (Y&H)	17.14	16.44	-0.70	whole	2/5
Wansbeck (NE)	17.13	20.40	3.27	whole	1/2
City of London (Lon)	16.74	27.20	10.46	no	4/7
Copeland (NW)	15.39	18.97	3.58	whole	1/3
Mole Valley (SE)	12.72	15.36	2.64	whole	5/7
Shrewsbury and Atcham (WM)	12.44	9.77	-2.67	whole	1/5
Calderdale (Y&H)	12.39	11.82	-0.57	whole	4/6
Hartlepool (NE)	12.12	7.84	-4.27	whole	1/4
Largest: LA's disparity < neighbours' disparity					
Barnsley (Y&H)	-19.89	-8.78	11.11	no	2/6
Doncaster (Y&H)	-18.13	-4.67	13.45	no	2/7
Kirklees (Y&H)	-16.76	-8.54	8.23	no	4/7
Hastings (SE)	-15.67	-13.06	2.61	whole	1/1
Oswestry (WM)	-14.68	-5.11	9.57	whole	2/2
Stoke-on-Trent (WM)	-13.69	-4.78	8.90	no	3/3
Leeds (Y&H)	-13.43	-3.32	10.11	no	2/6
Burnley (NW)	-13.06	-6.57	6.49	whole	5/5
Sedgemoor (SW)	-12.31	-9.96	2.35	no	4/5
Crawley (SE)	-12.13	-7.34	4.78	whole	5/5

Note: As Table 5.1. Disparities outside of a $\pm 5\%$ range are in shade. Due to rounding, .01-errors might be allowed.

Annex 3: LSVT arrangement of Wakefield and its implication for local RSL sector

As part of Yorkshire and the Humber region, Wakefield borders five LAs, from north clockwise, Leeds, Selby, Doncaster, Barnsley and Kirklees. As in April 2004, all the LAs had sizable stock of council dwellings, which did not meet the Decent Home standard specified by the Office of the Deputy Prime Minister.



As a means of complying with the rent restructuring regulations by 2010, Wakefield distinguished itself from its neighbours by transferring all council dwellings to a newly created RSL, 'Wakefield HA', under the LSVT scheme in March 2005. The neighbouring LA areas decided to retain ownership of their council dwellings (Table A.3.1).

Table A.3.1 Approach to the Decent Home standard

LA	Non-decent LA stock*	Chosen Approach**	Note
Wakefield	25,758	LSVT	Ballot was successful in April 04 with 74% of tenants in favour.
Leeds	32,306	ALMO	
Selby	1,914	Retention	LSVT option resulted in failed ballot in April 06.
Doncaster	8,152	ALMO	
Barnsley	8,413	ALMO	
Kirklees	17,786	ALMO	

Note: * Reported in April 2004. **Under the Arms Length Management Organisation (ALMO) scheme, ownership of and management responsibility for council dwellings belong to an LA and an ALMO respectively.
Source: Yorkshire and the Humber Regional Housing Board.

The size of the stock transfer to Wakefield HA was much greater than that of traditional RSLs in the LA. The latest data show that more than 90% of RSL two-bedroom properties in the area were owned by Wakefield HA (Table A.3.2). Therefore, rent statistics for Wakefield are skewed by those of the new LSVT RSL, which inherited modest rent levels and under the rent guarantee agreement and the guideline limits cannot raise them significantly. Under this downwards pressure, Wakefield has rather low RSL average net rents and has been left behind in progress towards target compared to neighbouring LAs (see Tables 3.9 and A.2.2).

Table A.3.2 RSL weekly rent averages for an LSVT and non-LSVT RSLs in Wakefield: two-bedroom properties, 2007/08 (proportions in parenthesis)

	Net rent (£)	Stock		Target rent (£)	Stock		Actual-target disparity (%)
Wakefield overall	54.22	12,393		63.86	12,393		17.8
Wakefield HA	53.49	11,514	(92.9)	64.04	11,514	(92.9)	19.7
The rest : 14 RSLs	63.84	879	(7.1)	61.53	879	(7.1)	-3.6

Note: Due to rounding, .01-errors might be allowed.
Source: Dataspring, *Rent Guide 2009 Part 2*.

Exclude the average rent of Wakefield, the LA's net weekly rent average (£63.84) and disparity from the target (-3.6%) could have been much closer to those of the surrounding areas. This is because with a few exceptions, the traditional RSLs operating in Wakefield set their rent levels more or less in line with target (Table A.3.3). Wakefield will, of course,

progress towards local coherence as LSVT rents in the area are gradually adjusted to target levels (which take account of regional fundamentals).¹⁷

Table A.3.3 Average net weekly rents in and around Wakefield by RSL (£, %): two-bedroom properties, 2007/08

RSL	In Wakefield		In five neighbouring LAs		(a-b)/b
	Net rent (a)	Stock	Net rent (b)	Stock	
Accent Foundation	59.63	78	70.38	109	-15.3
Chevin Housing	62.15	219	63.07	795	-1.5
English Churches	59.79	24	63.40	13	-5.7
Habinteg	55.91	8	64.83	14	-13.8
Home Group Limited	65.65	21	65.89	141	-0.4
Jephson	56.73	20	60.03	16	-5.5
Jephson Homes	64.18	8	65.35	34	-1.8
Leeds & Yorkshire	60.23	1	59.33	316	1.5
Leeds Federated	66.42	29	64.52	880	2.9
Northern Counties	66.55	85	65.41	152	1.7
Places For People H	59.17	84	61.11	459	-3.2
Sadeh Lok	66.32	47	67.10	195	-1.2
South Yorkshire	69.11	19	65.86	300	4.9
Yorkshire Housing	67.38	236	65.03	1,015	3.6
Wakefield HA	53.49	11,514		0	

Note & Source: As Table A.3.2.

¹⁷ LSVT of Wakefield was undertaken without the ERCF, and thus the LSVT rents need to be adjusted towards targets.

Annex 4: LA areas where LSVT RSLs' rents were high/low compared to non-LSVT equivalents

Table A.4.1 sets out the ten LA areas where LSVT RSLs' rents were lowest compared to their non-LSVT equivalents. The table also profiles a major LSVT RSL in each area. Of ten LAs, six were categorised as urban and four rural. All LA areas have transferred their stock in a whole LSVT scheme, which means that in these LA areas, social rented dwellings are currently provided only by RSLs. Young and mature RSLs are represented equally but all the major RSLs were registered after the introduction of the ERCF. In six RSLs, tenants constituted a third or more of board members.

Table A.4.1 Ten LAs with a small LSVT to non-LSVT rent ratio: all property sizes, 2007/08

LA (region)	Rent		Major LSVT RSL				Resident board member	
	Ratio	LSVT (£)	Non-LSVT (£)	Whole/partial	Young/mature	Before/after ERCF	count	share
Calderdale (Y&H)	0.79	51.39	64.98	w	m	a	4	33
North Lincolnshire (Y&H)	0.79	52.14	65.66	w	y	a	5	33
Newcastle-u-L (WM) *	0.80	49.99	62.68	w	m	a	3	25
S. Gloucestershire (SW) *	0.80	63.80	79.75	w	y	a	4	27
Chorley (NW) *	0.80	49.82	62.23	w	y	a	4	36
Bradford (Y&H) *	0.81	52.04	64.50	w	y	a	5	42
Rushcliffe (EM)	0.81	60.21	74.37	w	m	a	2	17
Rochford (East) *	0.81	64.99	80.15	w	m	a	4	33
Mole Valley (SE) *	0.81	72.48	89.36	w	m	a	6	40
Test Valley (SE)	0.82	70.38	85.76	w	y	a	4	36

Note: * indicates an urban LA based on the DEFRA definition.

Table A.4.2 sets out the ten LAs with the highest LSVT RSLs' rents compared to their non-LSVT equivalents. Six were rural LAs and four urban. Three LAs have two major LSVT RSLs in each area. Hence, 13 major LSVT RSLs are presented in the table. All of them were established in a whole transfer scheme, except for one in Waltham Forest. All were mature LSVT RSLs with eight registering before the ERCF. Compared to the previous table, tenants were less well represented on RSL boards (one third or less in all but one cases).

Table A.4.2 Ten LAs with a large LSVT to non-LSVT rent ratio: all property sizes, 2007/08

LA (region)	Rent		Major LSVT RSL				Resident board member	
	Ratio	LSVT (£)	Non-LSVT (£)	Whole/partial	Young/mature	Before/after ERCF	count	share
Wyre (NW) *	1.14	74.76	65.47	w	m	b	2	33
Allerdale (NW)	1.13	66.81	59.18	w	m	a	2	22
Wychavon (WM)	1.12	70.60	63.23	w	m	b	2	20
				w	m	b	3	27
Isle of Wight (SE)	1.11	77.70	69.96	w	m	b	3	23
				w	m	b	3	27
Malvern Hills (WM)	1.09	73.63	67.52	w	m	b	2	20
Bexley (Lon) *	1.07	84.07	78.37	w	m	b	3	27
				w	m	a	2	17
Eden (NW)	1.07	74.98	69.90	w	m	a	4	33
Waltham Forest (Lon) *	1.07	89.24	83.28	p	m	a	8	73
Brighton and Hove (SE) *	1.07	77.79	72.98	w	m	b	2	18
Cotswold (SW)	1.06	81.62	76.67	w	m	a	3	23

Note: As the previous table.