

HOUSING REVENUE ACCOUNT RENT POLICY

Background

1. Government guidance on rent setting issued in 2001 prescribed that rents for social housing should be calculated using a set convergence formula based on county-wide manual earnings, bed size and property values. The aim was to ensure that similar rents were charged for similar social housing properties. The move towards the calculated rent (formula rent) was to be phased in over a number of years and to an end date assumed to be 2015/16. The maximum rent increase allowed under this policy was RPI+0.5%+£2.
2. The self-financing settlement in 2012/13 was calculated on the basis of rent restructuring principles, and any deviation from these rent levels will result in a loss or gain compared to the settlement figures.
3. While local authorities are free to set their own rent, if they do not follow the principles of the Government's rent policy they risk incurring penalties in the form of loss of housing benefit subsidy. The impact of this would be on the HRA rather than the General Fund.
4. At the 2010 Spending Review, the Government introduced "affordable rent", allowing landlords to let properties at affordable rent, equating to 80 per cent of local market rent, to help fund new affordable housing. Affordable rents are currently expected to increase by no more than CPI + 1.0 percentage point annually.
5. In May 2014 the Government issued "Guidance on rents for Social Housing" which set out a revised rent policy for social housing. The guidance assumed that from 2015/16 social rents would rise by Consumer Price Index (CPI) +1% for ten years. This move in rent policy towards CPI+1% has resulted in a significant loss of income to the 30 year business plan as the self financing settlement and the subsequent additional debt given to Hillingdon was based on rent convergence being achieved by 2015/16. The September CPI was 1.2% (RPI was 2.3%) resulting in a rent increase of £2.39 to £111.04 and this equates to £58m annual net rent for LB Hillingdon.
6. On 8th July 2015 the Chancellor announced within his budget that social housing rents would reduce by 1% from 2016/17 for four years with the stated aim of reducing the housing benefit bill. This impact of the rent decreases has been built into the Council's HRA business plan and has resulted in a loss of income.

Scope

7. This policy will cover the rents charged to HRA council house tenants both now and in the future. This includes those properties covered by shared ownership and shared equity.
8. The policy will also cover the methodology and approach required to set service charges for both Council tenants and leaseholders.

9. It will also detail the statutory notice process for informing tenants of changes in rents charged

Policy Statement

10. The rent setting policy for LB Hillingdon will set rents and service charges by following the principles outlined below:
- The Council will set rents and service charges using fair and transparent calculations
 - Rents and service charges will be set to ensure a financially viable HRA both in the short and longer-term, and can meet future spending obligations which would include treasury management requirements and capital investment needs within the stock
 - Rents for both existing, void and new properties will be set out within this policy statement

Rents for Existing Tenants

11. The current Council approach is to increase rents as per Government guidance. Rents for existing tenants were set in 2015/16 based on "Guidance on rents for Social Housing" which assumed that from 2015/16 social rents would rise by Consumer Price Index (CPI)+1% for ten years.
12. However the Government has introduced a 1% per annum rent reduction over the 4 year period 2016-2020.
13. For 2016/17 LB Hillingdon has charged rents for existing tenants which reduce by 1% per annum. The rents will continue to be reduced by 1% per annum for the remaining period 2017/18-2019/20. Thereafter rents are anticipated to increase by CPI + 1%.
14. Rent caps are applied to social housing rents and these vary per bed size. LB Hillingdon social housing rents should ensure that the rent caps are not breached for individual properties.
15. If an existing property has an extension built with additional bedrooms then the rent should be revised to reflect the increased property valuation and added bed size, using the Government's formula rent calculation.

Rent Rebate Subsidy Limitation Rule

16. When a local authority (LA) increases its average weekly rent above a limit set in England by the Secretary of State it will only receive subsidy on rebates up to the limit and will have to fund the cost of additional rebates above the limit rent itself, therefore a cost to the HRA.
17. In 2016/17 the limit rent for LB Hillingdon is £110.60.
18. Increasing rents to the level of the limit rent is allowable when following the rent guidance, but will not be allowable between 2016/17 to 2019/20 as directed by legislation to decrease rents by 1%.

Re-let Rents for Void Properties

19. The current policy for new tenants moving into void Council properties is that their starting rents will be based on the rent restructuring formula rent calculated using Government methodology. This policy provides that this approach will continue.

Rents for Newly Acquired or Built Properties

20. The Council signed a RTB agreement with the Government in 2013 which had the expectation that Councils would deliver affordable homes part funded from 1-4-1 RTB receipts. The intention was that these properties would be charged affordable rent. The intention behind this flexibility is to generate additional capacity for investment in new affordable housing

21. The definition of affordable rent is a rent which equates to 80% of the value of local market rents (including service charges). However, it is not mandatory to set affordable rents for newly acquired or bought properties. There is scope to charge social housing rents or a level somewhere in between social housing and affordable rents.

22. Affordable rents should only be set where:

- A Framework Delivery Agreement is in place with the GLA under the affordable homes programme, or
- The GLA indicate that the new supply provides VFM and is not funded by Government grant, or
- There is an agreement with the Government to retain additional RTB receipts for investment in new affordable rented homes

23. Local Housing Allowance (LHA) rents are used as a fair and equitable benchmark of reasonable rents for non-working or low income households

24. Rents for new properties need to be considered alongside the financial viability of each development and the impact on the thirty year HRA business plan. The Supported Housing New Build Programme is one area which assumed an affordable rent would be set to achieve a viable business case. The affordability for tenants will also inform policy.

25. Where the council builds or acquires new properties consideration will be given to letting these properties at a higher rent level i.e. at affordable rent.

Rent Flexibility

26. The Government rent policy allows flexibility for authorities to set rents at up to 5% above formula rent (10% for supported housing and sheltered housing). This policy does not expect this flexibility to be used for all rents.

27. An example where the flexibility could be applied is a significant refurbishment of an existing sheltered scheme where rents for void properties could be set at 10% above the formula rent to aid the viability of the scheme.

Shared Ownership/Shared Equity Properties

28. Rents for shared ownership/equity properties will be amended as per the requirements outlined in their lease.

Service Charges

29. Service charges reflect the additional services which are not attributable to every tenant and may include communal facilities rather than the occupation of part of the building. Government guidance is that service charges should be set on a reasonable and transparent basis and should reflect the service provided. Increases should be limited to CPI +1%, unless new or extended services are introduced.

30. At LB Hillingdon overall service charge increases should follow Government policy but also need to fully recover service costs.

31. Leaseholder service charges will recover all service costs but will also include a management charge.

Annual Rent Review

32. LB Hillingdon will give tenants 4 weeks written notice of any change in the level of rent which normally will be the first Monday in April, and rent increases will be applied in line with Section 13(2) of the Housing Act 1988.

Policy Review

33. This policy will be reviewed on an annual basis by Council as part of the Budget process.

Delegation of rents for Newly Acquired or Built Properties

34. For newly acquired or built properties the Leader of the Council and relevant Cabinet portfolio Member, may agree affordable rent levels on a scheme by scheme basis.