

# Housing Revenue Account Rent Setting Policy June 2018

## Version Control

Rev	Issue	Date	Originator	Approved	Date
V1.1	Draft for internal service comment	10.7.18	Mike Platten		
V1.2	Draft	17.8.18	Deborah Harding		

## **1. Objective**

- 1.1 This policy sets out how Waverley Borough Council (Waverley) will calculate and charge rent for our Housing Revenue Account (HRA) owned stock.

## **2. Scope of the Policy**

- 2.1 The policy applies to all HRA properties that the Council owns and has responsibility to maintain and manage. The policy does not apply to service charges that contribute to the overall rental charge for a property. These charges are calculated separately.

## **3. Aim of the Policy**

- 3.1 The purpose of this rent setting policy is to:
- Provide a clear framework for the setting and review of rent levels for each property;
  - Ensure that Waverley adheres to legislation and regulations when setting rent for HRA properties;
  - Help the Housing Service to plan for future investment;
  - Establish how rents are varied annually; and
  - Ensure that all tenants are made aware of the weekly rent payment due to the Council in respect of their property both at the beginning of their tenancy and when it changes in April every year.
- 3.2 We strive to ensure that our rents are affordable to our residents, while raising sufficient funds to manage and maintain our properties to a high standard, build new homes, deliver relevant services, and meet the commitments of our HRA Business Plan, within constraints of government policy.

## **4. Roles and Responsibility**

- 4.1 It is the responsibility of Full Council to set the yearly change to HRA rents, as this forms part of the Council's budget and policy framework. The Rent Accounts Manager, reporting to the Head of Housing Operations has responsibility for ensuring that all associated processes are followed, including compliance with legislation and directions from central government on the setting of housing rents.

## 5. Policy Background

- 5.1 The various rent types currently in operation across Waverley are the result of successive changes to legislation and government initiatives concerning rented and social housing across England over the last four decades.
- 5.2 Rent setting for social housing is currently driven by measures set out in the Welfare Reform and Work Act 2016, which requires that social housing rents should be reduced by 1%, for four financial years from, 2016-17 through to 2019/20.
- 5.3 The Government has indicated that from 2020/21, social housing landlords will be permitted to increase rents by Consumer Price Index plus 1% for five years.

## 6. Types of Rent

- 6.1 Waverley operates two primary rent types for social accommodation:
  - Social Rents set with reference to the formula rate, adjusted to reflect rent reductions required by central government; and
  - Affordable Rents set at a proportion of the market rate.

## 7. Social Rents - Rent Setting Policy

### Existing Tenancies

- 7.1 In accordance with measures set out in the Welfare Reform and Work Act 2016, rents for existing tenancies will be reduced by 1% per year until 2019/20. After this, rents will be set in line with directions from Government.

### New Tenancies - Existing Social Housing

- 7.2 When a social rent property is let to a new tenant, the rent will be generally set at the target rent (adjusted for any 1% rent reductions that may have come into force whilst the property was empty).

### Annual Rent Review

- 7.3 Rents will change annually during the course of the tenancy in line with the annual rent charge determined by Government.

## 8. Affordable Rents

### Rent Setting

- 8.1 The Council may seek to charge an affordable rent for all new build properties. Affordable Rents are set at up to 80% of the market rate inclusive of service charges. Affordable Rents will only be used for introductory and flexible secure tenancies (and not 'lifetime' tenancies) due to the need to periodically rebase rents to ensure they continue to reflect the market rate.

- 8.2 The market factor may vary from property to property, but cannot exceed 80% of the equivalent market rent for the property. In determining the market factor, we will consider affordability in the local area and viability of any new build housing schemes. The market factor will typically range between 60% and 80%.
- 8.3 Any decision to apply an affordable rent at less than 80% of market rent will be made after completion of an affordability and viability review and will be subject to approval by the Head of Housing Operations.
- 8.4 We will not set an affordable rent at a level lower than the equivalent formula rate for the property. We will not set the combined rent and eligible service charge for an Affordable Rent at a level higher than the relevant local housing allowance for the property.
- 8.5 In accordance with the Local Lettings Plan for Ockford Ridge the Council will, on occasion, when a move is required to progress the redevelopment allocate new build housing to tenants at social rents.

#### **Annual Rent Review**

- 8.6 Affordable Rents will change in the course of the tenancy in line with the annual rent charge determined by Government. Rents cannot be rebased or refactored during the tenancy.

#### **New Tenancy Agreement – Affordable Rent Property**

- 8.7 We must rebase the rent, using a new market valuation, when renewing an affordable rent tenancy or issuing a new tenancy agreement to ensure that it continues to reflect the market rent for the property. We may also change the market factor percentage. This requirement, which overrides the annual rent increase limit, is designed to ensure that the rent set at the beginning of each new tenancy is no higher than 80% of the market rent.

### **9. Shared Ownership Properties**

- 9.1 The Council part owns a small number of shared ownership properties. Rents on these properties are governed by rental agreements with tenants.

### **10. Garages**

- 10.1 Garage rents are not subject central government directives. The Council will set the rental charge of garages annually; this will be approved at Full Council at the same time as housing rents.

### **11. Pay to Stay**

- 11.1 The Council has the discretion to charge high income social tenants a rent equivalent to Full Market Rent or Intermediate Market Rent; this system is known as Pay-to-Stay. The Council does not currently operate a Pay-to-Stay model.

## **12. Notification to Tenants**

- 12.1 The Council will set rents annually by giving tenants at least 28 calendar days notification of a variation to their rent charge. This is in accordance with the terms of their tenancy agreement and legislation.
- 12.2 The Council will record rent data on its housing management system. All of the Council's key performance indicators related to rent will be closely monitored and reported against routinely through the Council's performance management framework.

## **13. Review of this Policy**

- 13.1 This policy will be reviewed every three years, unless legislative or regulatory changes require an earlier review. It is envisaged that the next review will be carried out for the 2020-21 rent year, once government rent setting policy for this period has been finalised.

## **14. Legislation and Guidance**

- Welfare Reform and Work Act 2016 (including amendments)
- HCA Rent Standard Guidance 2015
- Guidance on rents for social housing from April 2015
- Rent setting: social housing (England) 7 October 2015
- Summer Budget 2015, HC 264, July 2015, para 1.140
- Housing Act 1985 Section 24:
- Local Government and Housing Act 1989 Section 76:
- Guidance on Rents for Social Housing 2014 (Chapter 4)
- Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016
- Housing and Planning Act 2016