

**Housing Revenue Account
Rent Setting
Policy**

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		
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Objective

1. This policy sets out how Waverley Borough Council (the Council) will calculate and charge rent for its Housing Revenue Account (HRA) owned stock.

Scope of the Policy

2. 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 charge for a property. These service charges are calculated separately.

Aim of the Policy

3. 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 the Council 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 is reviewed in April every year.
4. The Council strives to ensure that its rents are affordable to residents, while raising sufficient funds to manage and maintain its properties to a high standard, build new homes, deliver relevant services, and meet the commitments of the HRA Business Plan, within constraints of government policy.

Roles and Responsibility

5. It is the responsibility of Full Council to review and adjust HRA rents on an annual basis as appropriate, as this forms part of the Council's budget and policy framework.

6. 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.

Policy Background

7. 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.
8. 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% per year, for four financial years from, 2016/17 through to 2019/20.
9. The Government has indicated that from 2020/21, social housing landlords will be permitted to increase rents annually by up to the Consumer Price Index plus 1% for five years.

Types of Rent

10. The Council 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.

Social Rents - Rent Setting Policy

11. Existing Tenancies

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.

12. New Tenancies - Existing Social Housing

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

13. Annual Rent Review

Rents will be reviewed and adjusted annually during the course of the tenancy in line with the annual rent charge determined by Government.

Affordable Rents - Rent Setting Policy

14. **New Homes**

The Council wishes to retain flexibility over setting affordable or social rents to ensure homes are truly affordable to those in housing need whilst ensuring schemes are financially viable.

15. The Council has the option 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 need to be periodically rebased to ensure they continue to reflect the market rate.

16. The market factor will 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%.

17. 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.

18. 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.

19. 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.

20. **Annual Rent Review**

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 term.

21. **New Tenancy Agreement – Affordable Rent Property**

The Council must rebase the rent, using a new market valuation, when renewing an affordable rent tenancy or issuing a new tenancy agreement. Thus ensuring that it continues to reflect the market rent for the property.

22. The Council 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.

Shared Ownership Properties

23. The Council part owns a small number of shared ownership properties. Rents on these properties are, and will continue to be governed by rental agreements with tenants.

Garages

24. Garage rents are not subject to 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.

Pay to Stay

25. The Council has the discretion to charge higher income social tenants a rent equivalent to Full Market Rent; this system is known as Pay-to-Stay. The Council does not currently operate nor wish to implement the model.

Notification to Tenants

26. 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.
27. 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.

Review of this Policy

28. 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.

Reference

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

Glossary of terms

Affordable rent Tenure introduced by the Government to charge rents up to 80% of market rents. Within Waverley affordable rents are set at maximum of 80% market rent or the Local Allowance whichever is lower.

Consumer price index A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

Housing Revenue Account A ring fenced account held by local authorities funded by rents to provide landlord services.

Local lettings plan Local Lettings Plans are agreed local plans for the allocation and letting of homes within an agreed community / location following communicate consultation.

Market rent the amount of rent that can be expected for the use of a property, in comparison with similar properties in the same area, calculated using the Royal Institution of Chartered Surveyors approved valuation methods.

Share ownership Part rent/ part buy housing schemes

Social (target) rents A formula to enable social landlords to set rents at a level that allows them to meet their obligations to their tenants, maintain their stock and continue to function as financially viable organisation, including meeting commitments to lenders. The formula-based approach is to ensure that similar rents are paid for similar social rent properties. The basis for the calculation of formula rents is:

- 30% of a property's rent should be based on relative property values compared to the national average
- 70% of a property's rent should be based on relative local earnings compared to the national average
- a bedroom factor should be applied so that, other things being equal, smaller properties have lower rents