

Joint Report of:	Head of Finance Head of Housing & Partnerships
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Key Decision:	No
Report Track:	Cabinet: 02/02/2022

**Cabinet
2 February 2022
Rent Setting Policy - April 2022**

1 Purpose of Report

- 1.1 To review the Council's Housing Rent Setting Policy following the publication of Rent Standards 2020 and guidance and Limit on annual rent increases 2022-23 in accordance with the Government's Policy Statement on Rents for Social Housing 2018. Also, to seek approval for the rent increase for 2022.

2 Recommendation(s)

- 2.1 That the revised Housing Rent Setting Policy as set out in Appendix 1 is agreed and implemented with effect from 1 April 2022.
- 2.2 To note that consultation with tenants has taken place as approved at last year's meeting and a copy of the consultation outcome is attached in Appendix 4.

3 Key Issues and Reasons for Recommendations

Key Issues

- 3.1 A revised rent setting policy for social landlords beyond 2020 was announced by Department for Communities and Local Government (DCLG) on 4 October 2017 and confirmed in Direction on rent standard 2019 whereby increases to social housing rents will be limited up to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.

- 3.2 The Rent Standard forms part of the regulatory framework for social housing and from April 2020 the Council's rent setting is now subject to the regulatory framework.

Reasons for Recommendations

- 3.3 This report confirms the details provided in the Housing Revenue Account Budget 2021-22 to 2024-25 report elsewhere on this agenda. Rent proposals have been formulated within the framework set out in the Government formulated rent policy.
- 3.4 It is proposed that this report seeks to continue to follow the formulated social rent policy implemented from 1 April 2020 and to continue with year 3 of the 5-year national rent setting policy.

4 Relationship to Corporate Priorities

- 4.1 This report supports the Council's Corporate Priorities as follows:
- (i) Supporting Economic Recovery – Increase the supply of affordable housing.
 - (ii) Supporting Health and Wellbeing- Consulting with Tenants about changing in rent charges and offering help to tenant who may struggle with paying rent
 - (iii) Financially Resilient Council – by offering rent that is good value for money and improving the Council's social housing stock.

5 Report Detail

- 5.1 Past reports have provided Cabinet with a summary of the history of rent setting in social housing sector from rent restructuring and rent convergence 2002-15, the 10-year rent settlement from 2015, rent freeze from 2016 and the current formula rent regime since 2020. Appendix 2 provides an historical background to rent increase and decreases from 2001.
- 5.2 The Government confirmed the previous arrangements for limiting the welfare costs associated with local authority rents (the Rent Rebate Subsidy Limitation scheme) will not operate alongside Universal Credit.
- 5.3 The Regulator for Social Housing (RSH) regulates rents charged by social housing stock-owning local authorities and as aligned the regulation of Local Authority rents with Registered Providers rent. In 2019/20 Local authorities were encouraged to submit data collection on a voluntary basis and from 2020/21 RSH annually collects data from stock holding Local Authorities and other social landlords. This information is submitted through Local Authority Data Return (LADR) and involves collecting information on stock information and rents for the purposes of rent regulation.
- 5.4 In September each year the annual Consumer Price Index (CPI) figure is set which is used to establish the limit on annual rent increases. Council tenants rent is set based on resultant "formula rents" that Government prescribes and for 2022/23 it will increase by CPI September 2021 rate plus 1%. A revised formula rent has therefore been calculated for each of the Council's 5090 properties and has then been compared with the Council's current rents to assess the required increases

in accordance with Rent Standard. At the start of all new tenancies after April 2022 the formula is applied.

- 5.5 The Council's revised rent setting policy, which has been formulated in accordance with the national rent guidance, is attached as Appendix 1. This proposes that: -
- I. The Council's existing stock is let at social housing rents.
 - II. New build and newly acquired properties are let at affordable housing rents which are equivalent to social housing rents. (As agreed by Cabinet on 17 April 2014).
 - III. Market rents are not charged for tenants with high income.
 - IV. Rents are reviewed annually with any resultant increase not exceeding the government defined formula of Consumer Price Index plus 1%.
 - V. The rents of vacant properties are increased (where necessary) to formula rents on re-letting.
- 5.6 It will be noted that it is not proposed to adopt a policy to charge market rents for households with incomes over £60,000. It is considered that the cost of implementing any policy does not justify the limited benefits from charging a small number of tenants (higher rents).
- 5.7 The Council is seeking to charge CPI from September 2021 which is 3.1% plus 1% to tenants in 2022-23 to address some of the financial implications outlined in the 2015 report to Cabinet and to support funding of the revised position with regard Housing Revenue Account Budgets for the period 2022-23 to 2024-25. The increase will also help to ensure the maintenance of a minimum level of working balances and to deliver the refreshed Capital Programme, proposed elsewhere on this agenda.
- 5.8 The additional income will be used to:
- Improve services and the housing stock meeting legally required work to ensure all homes meet the RSH economic and consumer standards.
 - Fund the cost of ensuring our housing stock can meet climate change targets by reducing carbon emissions, making it cheaper and easier to manage and maintain buildings for our tenants. This will help to overcome some of the problems with the management of older housing stock and therefore improving the health of occupants.
 - To recover from impact of the Covid-19 pandemic which has seen an increase in rent loss due to the increase in the turnaround time of empty properties and the subsequent increase in council tax charges for empty properties.
 - Meet the requirements of the Government White paper on Social Housing 2020: The Charter for Social Housing Residents.
- 5.9 It should be noted that the Council's average rent is out of kilter with most social landlords that operates in the Cannock area and throughout Staffordshire

(Appendix 3). In accordance with the national rent policy, rents were reduced by 1% per annum from 2016-20 and hence there is a need to adhere to the new government policy to enable investment in our housing stock. If we do not increase the rent in 2022/23 the disparity gap between the rent levels of Council and social landlords will increase.

- 5.10 It is proposed that the draft policy (Appendix 1) is approved and implemented from April 2022.
- 5.11 Tenancy Service undertook a brief consultation from October until December seeking the opinion of tenants regarding the potential rent increase and feedback to the report of Cabinet. This is a practice used by other social landlords who have been subject to previous rent regulatory scrutiny. It is also an ideal opportunity to encourage tenant engagement before the start of the financial year. The outcome of the consultation with tenants can be found at Appendix 4.

6 Implications

6.1 Financial

The additional income which will be generated from the rent increase had been included within the draft HRA Budgets proposed elsewhere on this agenda. The indicative budgets agreed were based on an indicative rent increase of 4.1%. The CPI (Consumer Price Index rate) is based on the September rate from the previous financial year which is 3.1%, which would give a maximum increase of 4.1%. This will generate approximately £580k additional dwelling rent income in 2022-23. Due to an increase in void allowance for 2022-23 of £103k, approximately £480k additional dwelling income is expected in 2022-23.

6.2 Legal

Section 24 Housing Act 1985 gives the power for Local Housing Authorities to review its rents, provided due regard is given to any relevant standards set for them under s.193 Housing & Regeneration Act 2008. The Rent Standard applies to low-cost rental accommodation as defined by s.69 of the 2008 Act. Registered Providers must set rents from 01/04/20 in accordance with the Government's Policy Statement on Rents for Social Housing 2019.

6.3 Human Resources

The estimated budgets include provision for employees.

6.4 Risk Management

Self-financing increases the risks associated with the management of the HRA and a detailed risk analysis forms part of the 30 Year Business Plan.

The risks relate to income as well as expenditure and any change in Government policy will impact upon the balances available to support the Capital Programme and its minimum level of revenue working balances. The risk has however been reduced because change to social housing rent will provide a degree of certainty regarding potential level of rent income for 2020-25. Tolerance stress testing is undertaken to ensure that budget setting is robust.

6.5 Equality & Diversity

The draft budget reflects a continuation of current policies and the maintenance of existing service provision throughout the budget period.

6.6 Climate Change

The plan capital expenditure programme will help to improve energy efficiency of our housing stock.

7 Appendices to the Report

Appendix 1: Rent Setting Policy 2022

Appendix 2: Formula rent inflation

Appendix 3: Local Social Housing rent comparisons

Appendix 4: Tenant Consultation 2021

Previous Consideration

HRA Budgets 2020/21 to 2023/24: Cabinet, 10 February 2021

HRA Capital Programmes 2020-21 to 2023-24: Cabinet, 10 February 2021

Rent Setting Policy April 2021: Cabinet, 28 January 2021

Background Papers

Policy statement on rents for social housing - 2019

The Direction on the Rent Standard- 2020

Rent Standard - April 2020

Limit on annual rent increases 2022-23

Rent Setting Policy 2022

This policy applies to Cannock Chase Council

Link to other Cannock Policies:

Allocation Policy

Information for tenants:

Offer letters

Tenancy agreements

Annual rent increase

Consultation with Residents

External Information:

- The Direction on the Rent Standard- 2020
- Rent Standard - April 2020
- Limit on annual rent increases 2021-22
- Guidance Local authority guidance for formal applications to disapply government rent policy

Introduction

This policy outlines out how Cannock Chase Council sets its rents as defined by the Rent Standard Guidance. It will include details of the initial rent calculation and how this will be reviewed annually.

The rents charge covers the costs of managing and maintaining homes together with certain categories of repairs that are carried out in a cyclical programme (e.g. gas servicing) and major improvements carried out through long-term programmes to improve its homes.

This policy meets the requirements of the Regulator, set out in the Rent Standard and Rent Standard Guidance that applies from April 2020, updated by the Welfare Reform and Work Act 2016. Information is available through the GOV.UK website: www.gov.uk/government/organisations/regulator-of-social-housing.

Policy statement

Cannock Chase Council charges rents in accordance with the Government's direction to the Regulator, the Rent Standard Guidance.

Social Housing Rents

The Council's existing stock will be let at Social Housing Rents calculated in accordance with the nationally prescribed formula as set out in "Policy statement on rents for social housing".

The basis for formula rents for Cannock Chase Council is:

- Average rent at April 2000 £54.62
- Average earnings in Staffordshire £296.10
- National average earnings £316.40
- Bedroom weight- based on size of property
- National average property value in January 1999 £49,750

Rents are then calculated by:

- 30% of a property's rent is based on relative property values-
- 70% of a property's rent is based on relative local earnings
- a bedroom factor is applied so that, other things being equal, smaller properties have lower rents

Affordable Rents

New build and newly acquired properties will be let at affordable housing rents which are equivalent to Social Housing Rents.

Rents for Social Tenants with High Incomes

Market rents will not be charged for any tenants who have an income of at least £60,000 per year.

Rent Reviews

Rents will be reviewed annually as part of the Housing Revenue Account Budget process. Any resultant rent increase will not exceed the Government Consumer Price Index plus percentage increase and all rent charge will be subject to Rent Standard Guidance.

Rent Year

Rents will be charged over a 52 week rent year.

Vacant Properties

Where the actual rent of a vacant property is below the formula rent, the rent will be increased to the formula rent level when the property is relet.

Property Revaluations

The property value of the rent formula may be reviewed in respect of properties where major improvement works have significantly increased the value.

Equality Impact Assessment

We will ensure that the service is delivered in a fair and accessible way to all our customers regardless of; gender, race, ethnic, religion or sexual orientation, and due regard will be given to the Council's Public Sector Equality Duty. For monitoring purposes, the Council includes Income Management within its performance report and monitor the household and rent charge in conduct through the housing management system.

Formula rent inflation

Year	Inflation	Additional	Total
2001-02	3.3%	1.0%	4.3%
2002-03	1.7%	0.5%	2.2%
2003-04	1.7%	0.5%	2.2%
2004-05	2.8%	0.5%	3.3%
2005-06	3.1%	0.5%	3.6%
2006-07	2.7%	0.5%	3.2%
2007-08	3.6%	0.5%	4.1%
2008-09	3.9%	0.5%	4.4%
2009-10	5.0%	0.5%	5.5%
2010-11	-1.4%	0.5%	-0.9%
2011-12	4.6%	0.5%	5.1%
2012-13	5.6%	0.5%	6.1%
2013-14	2.6%	0.5%	3.1%
2014-15	3.2%	0.5%	3.7%
2015-16	1.2%	1.0%	2.2%
2016-17	N/A	N/A	-1.0%
2017-18	N/A	N/A	-1.0%
2018-19	N/A	N/A	-1.0%
2019-20	N/A	N/A	-1.0%
2020-21	1.7%	1.0%	2.7%
2021-22	0.5%	1.0%	1.5%
2022-23	3.1%	1.0%	4.1%

Local Social Housing rent comparison in 2021-22

	One Bed		Two Bed		Three Bed		Four+ Bed	
	Social Rent	Affordable Rent						
	£	£	£	£	£	£	£	£
Cannock Chase Council 20-21	66.77	72.39	75.78	86.27	80.13	95.97	86.74	106.43
Cannock Chase Council 21-22	67.77	73.47	76.90	87.56	81.33	97.41	87.99	108.03
Accord	77.90	-	90.61	126.62	103.74	129.31	-	-
Aspire	77.64	98.08	95.45	111.74	108.43	-	119.72	-
Bromford	72.70	-	88.97	105.59	101.51	123.96	111.61	-
Midland Heart	76.04	-	90.05	100.37	96.29	110.63	111.36	-
Platform (Waterloo)	69.73	-	89.61	103.00	101.68	117.16	113.37	120.64
Sanctuary	74.80	-	87.67	98.20	98.79	101.37	113.25	-
SSHA (Housing Plus)	-	-	87.73	103.36	101.19	121.19	113.25	131.71
Walsall Housing Group	72.73	91.52	90.61	121.48	103.76	139.42	117.86	158.88
Wrekin Housing Trust	70.66	-	88.83	122.56	103.76	128.59	115.19	146.94
Local Housing Allowance (as at 01.4.21)	97.81		126.58		149.59		195.62	
Private Rent	101.31		135.00		161.31		230.31	

Cannock Chase Council - Housing Services: Rent Increase 2022/23 Tenant Consultation

TOTAL RESPONSES = 10

Q1. Did you find the Frequently Asked Questions (FAQs) helpful?

Yes = 9

No = 1

Comments:

Nothing new to what is always written

Q2. Are you happy with the level of consultation and information you get about the annual rent increase?

Yes = 8

No = 2

Comments:

What consultation, rent is put up we are told.

Haven't received any information.

Q3. Do you think the rent you pay is good value?

Yes = 9

No = 1

Comments:

Poor condition of property

Q4. Did you understand.....

why rent setting is so important?

Yes = 10

No = 0

who determines the level of rent increase?

Yes = 8

No = 2

when you will be informed about the rent increase?

Yes = 10

No = 0

how Cannock Chase Council's rents compare with other social landlords?

Yes = 8

No = 2

how to seek help if you are in difficulty paying your rent?

Yes = 9

No = 1

Q5. Do you have any questions about the Rent Increase 2022/23?

- Answered: 5
- Skipped: 5

Comment:

No

No

Yes

No

No

Q6. Please tell us if there is anything we can do more of or better?

- Answered: 3
- Skipped: 7

Comments:

Nothing.

Stop pestering people with overzealous rent officers, chase people who actually in proper long-term arrears not those a week late.

Can we change rent payments to pcm as well as weekly because my account goes in and out of arrears, I get my uc payments on the 6th, pcm would help us all a lot, it is scary when you get a letter to say you're in arrears and could go to court.