

<b>Report of:</b>	<b>Head of Housing and Partnerships</b>
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<b>Key Decision:</b>	<b>Yes</b>
<b>Report Track:</b>	<b>Cabinet: 28/01/21</b>

**Cabinet  
28 January 2021  
Rent Setting Policy – April 2021**

**1 Purpose of Report**

- 1.1 To review the Council's Housing Rent Setting Policy following the publication of Rent Standards 2020 and Limit on annual rent increases 2021-22 in accordance with the Government's Policy Statement on Rents for Social Housing 2018. Also seeking approval for the rent increase in 2021.

**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, 2021.
- 2.2 To agree for Housing Service Team to consult with tenants about the rent increases from 2021 until 2025.

**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 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 Housing Revenue Account Draft Budget 2020/21 to 2023/24 report contained elsewhere on the Agenda which 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 2 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) The proposed revised rent setting policy would contribute to the service aim to "manage the Council's housing stock" making better use of resources to enable the Council to achieve its strategic objectives "More and Better Housing" Priority Delivery Plan, i.e.
    - A. Increase the supply of affordable housing.
    - B. Improving the Council's social housing stock.

## 5 Report Detail

- 5.1 Last years report (30 January 2020) provided Cabinet with a summary of the recent 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 formula rent from 2020.
- 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. Last year 2019/20 Local authorities were being encouraged to submit data collection on a voluntary basis. From 2020/21 RSH will, collect data directly 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 Council Tenant's rent is set based on resultant "formula rents" that Government prescribes and for 2021/22 it will increase by CPI September 2020 rate plus 1%. A revised formula rent has therefore been calculated for each of the Council's 5108 properties and has then been compared with the Council's current rents to assess the required increases in accordance with Rent Standard.

- 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 In particular, it will be noted that it is not proposed to adapt a policy to change 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 are seeking to charge CPI which is 0.5% plus 1% to tenants in 2021/22 to address some of the financial implications outlined in 2015 report to cabinet and to ensure the HRA operates within its minimum level of working balances of £1.866 million for 2021-22 and delivering its refreshed capital expenditure programme as included on this Agenda. The addition income will be used improve services and the housing stock; make it cheaper and easier to run buildings for our tenants. This will help to overcome some of the problems with the management older housing stock and therefore improving the health of occupants.
- 5.8 It should be noted that the majority of other social landlord in the local area will be using the CPI plus 1% see appendix 2. Also, Council's average rent is out of kilter to most social landlord that operates in the Cannock area and throughout Staffordshire. If we do not increase the rent in 2021/22 the disparity gap between the rent levels of Council and social landlords will increase.
- 5.9 It is proposed that the draft policy is approved and implemented from April 2021.
- 5.10 Tenancy Service is also seeking approval to undertake a brief consultation from October until December each year before annual report to Cabinet seeking the opinion of tenants regarding the potential rent increase and feedback to the report of Cabinet. This is practices used by other RPs 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 would form part of the report.

## **6 Implications**

### **6.1 Financial**

The additional income which will be generated from the rent increase had been included within the draft HRA budgets for the period 2021/22 to 2023/24. The indicative budgets agreed were based on an indicative rent increase of 3%. The CPI (Consumer Price Index rate) is based on the September rate from the previous financial year which is 0.5%, which would give a maximum increase of 1.5%. A 1% increase generates approximately £190,000 additional dwelling rent income.

### **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 2018.

### **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 2021- 22 and beyond.

### **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 2021

Appendix 2: Local Social Landlords plan rent increases 2021

**Previous Consideration**

HRA Budgets 2019/20 to 2022/23	Cabinet	30 January 2020
HRA Capital Programmes 2019-20 to 2022-23	Cabinet	30 January 2020
Rent Setting Policy April 2020	Cabinet	19 December 2019

**Background Papers**

The Direction on the Rent Standard- 2020

Rent Standard - April 2020

Limit on annual rent increases 2021-22



## Rent Setting Policy 2021

This policy applies to Cannock Chase Council

### **Link to other Cannock Policies:**

Allocation Policy

### **Information for tenants:**

Offer letters

Tenancy agreements

Annual rent increase

### **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 cover 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](http://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.

## Local Social Landlords plan rent increases 2021

<b>Landlords</b>	<b>Basis or Proposed Increase / (Decrease) 2021/ 22</b>
<b>Solihull Community Housing</b>	Increase of CPI+1%
	= 1.5% Overall
<b>Midland Heart</b>	Increase of CPI+1%
	= 1.5% Overall
<b>Wolverhampton Homes</b>	Increase of CPI+1%
	= 1.5% Overall
<b>Tamworth</b>	Increase of CPI+1%
	= 1.5% Overall
<b>whg</b>	Increase of CPI+1%
	= 1.5% Overall
<b>Derby Homes</b>	Increase of CPI+1%
	= 1.5% Overall
<b>Birmingham Council</b>	Increase of CPI+1%
	= 1.5% Overall
<b>Sandwell Council</b>	Increase of CPI+1%
	= 1.5% Overall
<b>Dudley Council</b>	Increase of CPI+1%
	= 1.5% Overall