

Report of:	Head of Housing & Partnerships
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Key Decision:	Yes
Report Track:	Cabinet: 30/01/20

**CABINET
30 JANUARY 2020
RENT SETTING POLICY – APRIL 2020**

1 Purpose of Report

- 1.1 To review the Council's housing rent setting policy following the publication of 'The Direction on the Rent Standard 2019' from Secretary of State for Housing, Communities and Local Government and Policy Statement is publicised by Ministry of Housing, Communities & Local Government in February 2019.

2 Recommendations

- 2.1 That the revised housing rent setting policy as set out in Appendix 1 is agreed and implemented with effect from 1 April, 2020.

3 Key Issues and Reasons for Recommendation

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. The CPI rate used will be the Consumer Price Interest rate for September of the previous financial year as set out in the rent standard.
- 3.2 This report confirms the details provided in Housing Revenue Account report dated 7 February 2019 and three-year Business Plan approval for HRA budgets 2019-20, 2020-21 and 2021-22; which have been formulated within the framework set out in the Government formulated rent policy.
- 3.3 It is proposed that this report seeks approval to follow the formulated social rent policy and is implemented from 1 April, 2020.

- 3.4 The Regulator is proposing to replace the existing 2015 Rent Standard with a new Rent Standard for registered providers of social housing from 1 April 2020 and local authorities will be included. Also from 2020 all Local Authorities with housing stock are required to submit stock and rents information to Regular Social Housing.

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 Since 2001, rent for properties let at social rent has been based on a formula set by government. This creates a 'formula rent' for each property, which is calculated based on regional factors that look at relative value of the property, relative local income levels, and the size of the property. Details of Government rent policy have been cited in reports to cabinet on 21/08/14 and 24/09/15; the below is a summary for the national rent setting policy changes from 2002:
- (a) **Rent restructuring and convergence 2002-15** - In 2002 the Government introduced a rent convergence policy under which, over a 10-year period, rents in social housing (local authority and housing association owned stock) were to be brought into alignment. A rent formula was established with actual rents moving towards a national formula rent which took account of values of properties and local earnings relative to national earnings. A 'bedroom weighting' factor was also applied to try and ensure the resulting rents better reflected the perceived value of the properties being occupied. These formula rents were increased each year by the Retail Prices Index (RPI) + 0.5%. The Coalition Government continued this rent setting process with (initially) a revised target convergence date for local authorities of 2015-16, subject to a maximum annual rent rise for an individual tenant of RPI + 0.5% + £2 per week.
 - (b) **A 10-year rent settlement from 2015** - As part of the 2013 Spending Round the Coalition Government announced that "from 2015-16 social rents will rise by the Consumer Price Index (CPI) plus 1 per cent each year for 10 years." Following this announcement, DCLG sent a letter to housing bodies on 2 July 2013 in which plans to cut short the policy of converging council and housing association rents were revealed.

- (c) **Summer Budget 2015** - reducing rents by 1% - The Chancellor announced that rents in social housing would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21. The measure was forecast to save £1.4 billion by 2020-21, primarily in reduced Housing Benefit expenditure. Around 1.2m tenants not in receipt of Housing Benefit in the social rented sector were expected to benefit from the reduced rent. This is designed to help put welfare spending on a more sustainable footing, to ensure that the social housing sector plays its part in helping to reduce the deficit and to reduce costs for tenants paying all or part of their rent.
- 5.2 Cabinet on 10 December 2015 approved a revised Housing Revenue Account Business Plan for the continued implementation of the devolved HRA “self financing system”. The revised plan covered the period 2015-16 to 2019/20 and reflected the 1% reduction in rents for 4 years with effect from April 2016, covering the period 2016-17 to 2019-20. This report highlighted the financial implication was a reduction in HRA resources, reduction in rental income, a shortfall in Capital Programme.
- 5.3 The Housing White Paper, Fixing our broken housing market (February 2017), included a commitment to develop a rent policy for social landlords beyond 2020. On 4 October 2017, DCLG announced that “increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020”. This is currently reflected in HRA budgets from 2020-21 onwards.
- 5.4 The government concluded its consultation on rent standard with social landlords July 2019 and we are still waiting the conclusion. However, government intends that the rent standard should apply to local authority and all registered providers from 2020 onwards. The Governments 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. Also, the Regulator for Social Housing (RSH) will now regulate rents charged by social housing stock-owning local authorities and aligning the regulation of council rents with registered providers.
- 5.5 To effective regulation of the Rent Standard, RSH will, in future, collect data directly from stock holding Local Authorities. Whilst RSH will only be responsible for regulating Local Authority rents from April 2020, there was an encouragement for the council to submit data collection on a voluntary basis in 2019/20. The Local Authority Data Return (LADR) involved collecting information on stock and rents for the purposes of rent regulation.
- 5.6 The Council rents is to be set based on resultant “formula rents” that Government prescribes and from 2019/20 it’s increase up to CPI plus 1%. A revised formula rent has therefore been calculated for each of the Council’s 5,145 properties and has then been compared with the Council’s current rents to assess the required increases in accordance with rent the new rent standard.
- 5.7 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.
- 5.8 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).
- 5.9 The Council are seeking to charge CPI plus 1% to address some of the financial implications outlined in 2015 report to cabinet and ensure there is more investment in HRA resources and in housing stock. The additional income will be used to retrofit the Council's older stock to make buildings more thermal efficient and sustainable. This can help cut carbon emissions, make it cheaper and easier to run buildings for our tenants. This will help to overcome poor ventilation and damp problems in older housing stock and therefore improving the health of occupants. Retrofitting will increase our housing stock adaptability, durability and resiliency, helping us to contribute toward climate change agenda and reduce the council's carbon footprint.
- 5.10 It should be noted that Council's average rent is out of kilter to most social landlords that operate in the Cannock area and throughout Staffordshire. If we do not increase the rent in 2019/20 the disparity gap between the rent levels of Council and social landlords will increase. Also, if we do not increase the rent in 2019/20 the disparity gap between the rent levels of Council and social landlords will increase.
- 5.11 It is proposed that the draft policy is approved and implemented from April 2020

6 Implications

6.1 Financial

The additional income which will be generated from the rent increase had been included within the draft budgets proposed Housing Revenue Account in February 2019 for the period 2020/21 to 2021/22. 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 1.7%, which would give a maximum increase of 2.7%. A 1% increase generates approximately £190,000 additional dwelling rent income.

6.2 Legal

The Secretary of State Housing, Communities and Local Government is exercising of the powers conferred by section 197 of the Housing and

Regeneration Act 2008 section 197(4) and (5) of that Act, and the Regulator of Social Housing will regular all social landlord rent charges.

6.3 Human Resource

The estimated budgets include provision for employees.

6.4 Section 17 (Crime Prevention)

Actions to combat anti-social behaviour on the council's estates funded through the proposed budgets would have positive implications form crime prevention.

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 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. 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- 21 and beyond.

6.8 Equality & Diversity

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

6.9 Best Value

None.

7 Appendices to the Report

Appendix 1: Rent Setting Policy 2020

Previous Consideration

Budget Presentation	Cabinet	19 December 2019
Interim Review of Housing Revenue Business Plan	Cabinet	10 December, 2015
Rent Restructuring Strategy	Council	6 August 2008

Background Papers

HRA Budgets 2018-19 TO 2021-22	Cabinet	7 February 2019
HRA Budgets 2016-17 TO 2018-19	Cabinet	1 February 2016
Proposed Reduction In Rent	Cabinet	24 September 2015

The Direction on the Rent Standard:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781730/Direction_to_the_regulator.pdf

Rent Policy statement (February 2019):

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf

Consultation on a new Rent Standard from 2020:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/843799/Decision_Statement___Consultation_on_the_Rent_Standard.pdf

Rent Setting Policy 2020

This policy applies to Cannock Chase Council

Link to other Cannock Policies:

Allocation Policy

Information for tenants:

Offer letter

Tenancy agreement

External Information:

The Direction on the Rent Standard

Rent Policy statement (February 2019)

Consultation on a new Rent Standard from 2020

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.

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.