



Report Reference Number: E/19/43

To: Executive
Date: 10 January 2020
Status: Non Key Decision
Ward(s) Affected: All
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Title: Rent Policy 2020

Summary:

Local authorities must charge reasonable rents for tenants living in their housing stock and this applies to most secure, flexible and introductory tenancies. As such, Selby District Council follows Government guidance and the Rent Standard as set by the Social Housing Regulator; in calculating rents and undergoing any subsequent rent reductions or increases. In publishing a Rent Policy 2020, we provide tenants with a clear framework on Selby District Council's approach to setting Social and Affordable Rent on existing and new build Council dwellings and any property acquisitions that are in future assimilated into the Council's housing stock.

Recommendations:

That Executive Members approve the attached Rent Policy 2020 (Appendix 1).

Reasons for recommendation:

Approving the Rent Policy further guarantees that Council rents are set in accordance with relevant statutory and regulatory obligations. It also ensures that rents are set at a level which ensures the Council meets its responsibilities to customers, maintains stock at a high standard, plans for future investment and continues to function as a financially viable organisation.

1 Introduction and background

1.1 Social rents were set under a national rent regime in 2002 which introduced a rent convergence policy. A 'rent formula' was established which took account of the values of properties and local earnings, relative to national earnings. A

'bedroom weighting' factor was also applied to try and ensure that the resulting rents better reflected the perceived value of the properties being occupied.

- 1.2 As part of 2013's Spending Round, the Coalition Government announced that from 2015/16, social rents would rise by Consumer Price Index (CPI) +1% each year for the subsequent ten years. However, in July 2015's Summer Budget, it was 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. This measure was forecast to save £1.4bn within this time, primarily in reduced Housing Benefit expenditure.
- 1.3 Following this four year rent reduction, in February 2019 it was confirmed that following consultation, the Government would permit annual social housing rent increases of up to CPI +1% from April 2020, for a period of five years; as well as bring both local authority and private registered providers within the scope of the Regulator of Social Housing's Rent Standard. More detail as to the impact of this decision can be found in the Rent Setting Report which is also being presented to the Executive for approval.
- 1.4 Given this change, it is appropriate to publish a Rent Policy on behalf of Selby District Council. The purpose of this policy is to:
 - Ensure that Selby District Council rents are set in accordance with relevant statutory and regulatory obligations.
 - Ensure that rents are set at a level which ensures the Council meets its responsibilities to customers, maintains stock at a high standard, plans for future investment and continues to function as a financially viable organisation.
 - Protect Council tenants from excessive increases in rents.
 - Help ensure sub-market rents are being provided throughout the district to those in housing need.
 - Provide a clear framework for Selby District Council's approach to setting Social and Affordable Rent on existing and new build Council dwellings and any property acquisitions that are assimilated into the Council's housing stock.

2 The Rent Policy 2020

- 2.1 The attached Rent Policy 2020 (Appendix 1) will clearly set out for our tenants and relevant stakeholders:
 - How Social and Affordable Rents are calculated and set.
 - What flexibility is afforded to the Council by Government policy.
 - What accommodation is exempt from the Rent Policy.
 - The importance of ensuring Affordable Rent remains 'affordable.'
 - The impact of tenancy type on rent setting.
 - The appeals process.
- 2.2 Given that the Council must adhere to Government guidance in the form of MHCLC's 'Policy Statement on rents for Social Housing,' much of the Rent Policy outlines our statutory functions in order that tenants can better understand how and why we undergo the rent setting process.

- 2.3** However, there is some flexibility afforded to the Council which is included within this Rent Policy. For example, whilst calculating ‘formula rent’ requires a January 1999 property valuations via the Royal Institution of Chartered Surveyors (RICS) method; we also reserve the right to re-value properties where we have carried out ‘major works’ that have materially affected the value of the property. ‘Major works’ do not include normal stock management activity such as repairs, maintenance or updating of properties; but will include structural alterations, such as adding an extra room or extensions. This may be valuable when we look to re-set rent on commencement of a new tenancy, where a property has undergone considerable work since 1999. This will provide additional income to the Housing Revenue Account (HRA) and ensure rental amounts are appropriate to the property in question.
- 2.4** Additionally, in setting Affordable Rent guidance, the Council should address two objectives: the need to ensure Affordable Rents are affordable relative to average incomes in the district, taking into account Housing Benefit and welfare caps, as well as the ability of Registered Providers (including the Council) to optimise rent income to support affordable housing delivery throughout the district. Therefore, whilst the Council is able to charge an Affordable Rent higher than the Local Housing Allowance for any relevant property, we will always consider the local market and applicable Local Housing Allowance rate when setting Affordable Rents. Where appropriate, we will also look to demonstrate some flexibility when setting Affordable Rents, based on individual business cases.
- 2.5** We consequently intend to publish this Rent Policy as soon as approval is gained, in preparation for the subsequent rent alterations taking place in April 2020.

3 Alternative Options Considered

None

4 Implications

4.1 Legal Implications

The Local Government and Housing Act 1989 sets out the obligations for annual reviews of rent to ensure there is a balanced budget for the Housing Revenue Account (HRA). This Rent Policy compliments our yearly Rent Report which reviews Council rents.

4.2 Financial Implications

Our rental income is a key component of the HRA Budget. Working in-line with this Rent Policy, along with the complimentary Rent Report, will ensure that the HRA continues to operate as a viable business.

As advised, any changes to Affordable Rent amounts are at the discretion of the Council and subject to individual business cases. Financial viability remains central to this consideration.

4.3 Policy and Risk Implications

N/A

4.4 Corporate Plan Implications

N/A

4.5 Resource Implications

N/A

4.6 Other Implications

N/A

4.7 Equalities Impact Assessment

An Equality, Diversity, and Community Impact Screening was completed on 20 November 2019. The screening showed that there were no equalities implications as a result of the rent policy.

5 Conclusion

Approving the Rent Policy 2020 helps to ensure that rents are set at a level which ensures the Council meets its responsibilities to customers, maintains stock at a high standard, plans for future investment and continues to function as a financially viable organisation. It also provides our tenants and key stakeholders with a clear and concise framework as to how the Council approaches rent setting in all of our properties, increasing our transparency.

6 Background Documents

MHCLC's 'Policy Statement on rents for Social Housing'
Report to Executive 9 January 2020 - Rent Report

7 Appendices

Appendix 1 - Rent Policy

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