

## Housing Revenue Account (HRA) Rent Setting Policy

### **1.0 Introduction**

- 1.1 Each year, the council must set rents for its housing properties and notify each individual tenant of any proposed rent change, in accordance with legislation.
- 1.2 This policy outlines how Newark and Sherwood District Council (NSDC, the council) will calculate and charge rent for the housing properties that it owns within its Housing Revenue Account (HRA) and has responsibility to manage and maintain.

### **2.0 Purpose of Policy**

- 2.1 The purpose of this policy is primarily to ensure that rents are set in accordance with all relevant legislation and obligations; and provide a clear framework for setting and reviewing the rent levels of properties.

### **3.0 Background Information**

- 3.1 On 08 July 2015, the Government announced that registered providers (including social housing stock-owning local authorities) had to reduce social housing rents by 1% each year for four years from 2016/17, in accordance with section 23 (Reduction in social housing rents) of the *Welfare Reform and Work Act 2016*. 2019/20 is the last year of the 1% rent reduction.
- 3.2 In February 2019, the Government published a Direction to the Regulator of Social Housing (RSH) to set a Rent Standard which would apply from 2020. This was published alongside a Policy Statement on Rents for Social Housing 2018 (Rent Policy Statement) for the Regulator to have regard to when setting its Rent Standard.
- 3.3 The Rent Standard 2020 specifies that rents must be set in accordance with the Rent Policy Statement. The government's Rent Policy Statement now allows annual rent increases to social rent and affordable rent properties for at least five years, up to (and including) the CPI rate published for September of the preceding financial year plus 1%.
- 3.4 By providing a five-year rent settlement, the Government has recognised:

*“the need for a stable financial environment to support the delivery of new homes”, and that “enabl[ing] registered providers to plan ahead” will allow them “to make the best possible use of their resources”.*

- 3.5 In restricting annual rent increases to CPI + 1%, the Government aims to:

*“strike a fair balance between the need to maintain existing affordable homes and the provision of additional affordable housing; the interests of existing and potential social housing tenants; and the cost to taxpayers through Housing Benefit/Universal Credit”.*

## 4.0 The Policy

4.1 In accordance with the Rent Policy Statement, the council will calculate and charge rent for all housing properties that it owns within its HRA and has responsibility to manage and maintain. The paragraphs below summarises the relevant content from this document.

### Social Rent

4.2 Social rent properties here refers to accommodation, as defined by section 69 (Low cost rental) of the *Housing and Regeneration Act 2008*, not classified as:

- a) affordable rent accommodation;
- b) let to social tenants with high incomes;
- c) shared ownership low cost rental accommodation;
- d) intermediate rent accommodation;
- e) specialised supported housing;
- f) relevant local authority accommodation;
- g) student accommodation;
- h) Private Finance Initiative (PFI) social housing;
- i) temporary social housing; or
- j) care homes.

4.3 The council will set the initial rent on a social rent property at a level no higher than 10% above formula rent for supported housing, and no higher than 5% above formula rent for all other social rent properties.

4.4 Formula rent is based on:

- a) 30% of a property's rent being based on relative property values;
- b) 70% of a property's rent being based on relative local earnings; and
- c) a bedroom factor, so that other things being equal, smaller properties have lower rents.

4.5 Formula rent will increase by the Consumer Price Index (CPI) plus 1% each year, based on the CPI rate for September of the previous financial year.

4.6 Formula rent is subject to a rent cap based on the number of bedrooms in a property. Where formula rent would be higher than the rent cap for a particular property, the rent cap will be used instead.

4.7 The rent cap will increase by CPI plus 1.5% each year.

4.8 The annual change in rent for tenants in a specific property will increase by no more than CPI plus 1% each year.

4.9 The rent for a property which exceeds the rent flexibility level will increase by no more than CPI each year, until the rent for the property is brought within the rent flexibility level.

4.10 The rent for a property which exceeds the rent flexibility level will not exceed formula rent plus the rent flexibility level when the property is re-let.

4.11 A social rent property will not be converted to market rent, intermediate rent or affordable rent properties, except for the latter where agreed to by Homes England or the Secretary of State.

#### Affordable Rent

4.12 Affordable rent properties here refers to accommodation which Homes England or the Secretary of State have agreed can be let at an affordable rent (including service charges).

4.13 Affordable rent will not exceed 80% of gross market rent (including applicable service charges).

4.14 Gross market rent is the rent the property would reasonably be expected to be let for in the private sector. Factors including property size, location type and service provision will be taken into account when determining gross market rent.

4.15 The council will comply with the terms of any agreements with Homes England or the Secretary of State when setting affordable rents.

4.16 The council will also have regard to the local market context, including the Local Housing Allowance (LHA) for the Broad Rental Market Area (BRMA) the property is located in, when setting affordable rents.

4.17 Affordable rent will, as a minimum, be the potential formula rent for the property.

4.18 Affordable rent properties will not be converted to market rent or intermediate rent.

4.19 The annual change in rent for tenants in a specific property will increase by no more than CPI plus 1% each year.

4.20 The rent of an affordable rent property let to a new tenant (or licensee) or re-let to an existing tenant (or licensee) will be based on a new valuation, so as to ensure the new rent does not exceed 80% of relevant market rent.

4.21 The rent of an affordable rent property re-let to the same tenant because their probationary tenancy has ended will not be re-set.

#### 2020 Limit for Social Rent and Affordable Rent Accommodation

4.22 In 2020/21, the maximum rent increase for existing tenants will be calculated using the 2020 limit.

4.23 The 2020 limit is the average weekly rent payable by a tenant for accommodation in 2019/20. For properties re-let in 2019/20, the average weekly rent will be calculated based on the period since the property was last re-let.

4.24 The average weekly rent will be calculated based on the council's annual rent cycle of 48 weeks in a 52 week financial year, and 49 weeks in a 53 week financial year (four rent free weeks a year).

### Service charges

- 4.25 The council is expected to set reasonable and transparent service charges which reflect the service provided to tenants.
- 4.26 The council is expected to identify service and rent charges separately for social rent properties.
- 4.27 The council should endeavour to keep service charge increases within the CPI + 1% limit of annual rent changes, so that charges remain affordable.
- 4.28 The council should consult with tenants where an additional charge may need to be made for new or extended services.

### Garages

- 4.29 The approach to charging for garages, garage ports (or car ports/parking spaces) and garage plots (or parking plots) may differ from the approach to charging for rents and the approach to charging for housing-based support services.
- 4.30 The council should endeavour to strengthen the relationship between garage-related expenditure and income, and to adopt a more transparent pricing structure which better reflects garage-related demand.
- 4.31 The council should consider factors including the location, condition and availability or demand when setting garage-related rents.

### Notification of rent changes

- 4.32 Tenants will be given at least four weeks' notice in writing of any changes in rent due and the reasons for the rent change.