
Subject:	HOUSING REVENUE ACCOUNT RENT-SETTING POLICY
Meeting and Date:	Cabinet – 4 March 2024
Report of:	Rachel Collins, Head of Housing
Portfolio Holder:	Councillor Pamela Brivio, Portfolio Holder for Housing, Skills and Education
Decision Type:	Key Decision
Classification:	Unrestricted

Purpose of the report: To provide detail in relation to the proposed Housing Revenue Account (HRA) Rent-Setting Policy (“the Policy”) and seek Cabinet approval for the Policy to be adopted.

Recommendation: That Cabinet:

1. Notes and approves the content of the proposed Policy.
2. Approves the adoption of the proposed Housing Revenue Account Rent-Setting Policy.
3. Approves delegated authority to the Strategic Director (Finance and Housing), in consultation with the Portfolio Holder for Housing, Skills and Education, to make future minor amendments to the Policy as required.

1. Summary

- 1.1 The affordability of rents is one of the fundamental benefits of social housing and setting social housing rents in line with legislation and Government rent policy is an essential requirement for the Council as a social housing landlord.
- 1.2 Key changes to national rent policy since 2020 now require the Council to review the current Rent Setting and Income Recovery Policy and reflect the changes in an updated version.
- 1.3 The proposed updated Policy explains how the Council calculates and manages rent and service charges (where these are applicable) for residential properties within our HRA in compliance with the Policy Statement on Rents for Social Housing (“the Policy Statement”) and the Rent Standard 2023 (“the Rent Standard”) as published by the Regulator of Social Housing (“the Regulator”).
- 1.4 From 1 April 2024 all council tenancies, existing and new, will be let at the rent rate of CPI+1%, or in accordance with any rent cap introduced by Government policy and / or legislation.
- 1.5 Failure to set rents correctly would put the Council at risk of non-compliance with rent and data quality requirements as set out by the Regulator, and impact our ability to maximise our income, putting the services we provide to our residents at risk. It is therefore important for the Council to have an established and approved rent setting policy.

2. **Background**

- 2.1 National rent policy is governed by the Policy Statement on Rent for Social Housing and the Rent Standard as set by the Regulator of Social Housing (RSH). The Rent Standard is one of five economic standards set by the RSH which Registered Providers of Social Housing RPSH (both local authorities and private registered providers) are expected to comply with.
- 2.2 From 2020 Government policy on rents for social housing changed. For the first time the Government directed the RSH to apply its Rent Standard to all Registered Providers (RP) (both local authority registered providers and private registered providers) and comes as part of the increased monitoring and regulatory powers of the RSH introduced by the Social Housing White Paper 2020. Both the Policy Statement and Rent Standard confirm that social rents can be increased by CPI + 1% from 2020 until 2025.
- 2.3 The Autumn Statement 2022 announced rent increases would be capped at 7% in 2023/24, saving the average social rented tenant around £200. The cap was introduced to protect social tenants from paying an expected 12% increase on their rent that year due to high interest rates and inflationary pressures. This policy only applied to existing social tenants; new tenancies granted after 1 April 2023 were not included.
- 2.4 In January 2024, the government confirmed it would revert to its old rent setting for 2024/25 (CPI+1%) based on the September 2023 inflation figure of 6.7%, meaning that rents for 2024/25 can increase by 7.7%.

3. **Policy Purpose and Scope**

- 3.1 The Policy explains how the Council will calculate and charge:
 - a) Rent for all residential properties within our HRA; and
 - b) Service charges where these are applicable.
- 3.2 The purpose of the Policy is to:
 - a) Ensure the Council adheres to current government legislation and regulation when setting and agreeing rents.
 - b) Provide a clear and consistent framework for setting and reviewing the rents for all properties within the HRA.
 - c) Provide as much financial certainty for the HRA as possible.
 - d) Maximise the income available to maintain our existing housing stock and invest in the development or acquisition of new affordable housing.
 - e) Support the delivery of the HRA Business Plan.
- 3.3 The Policy does not cover:
 - a) Rents and service charges for General Fund residential properties, such as Shared Ownership.
 - b) Ground rents and service charges for leasehold residential accommodation, including Shared Ownership properties.
 - c) Garages; and
 - d) Shops and commercial premises.

- 3.4 The Policy, if approved, will apply to 4,382 homes which are currently within the Council's HRA, and any new homes purchased or developed by the Council to be included within the HRA. Broken down this currently equates to:
- a) 4,033 social rented properties
 - b) 61 affordable rented properties
 - c) 288 sheltered accommodation properties

4. **The Policy**

- 4.1 In summary, the key provisions of the Policy are:

- a) From 1 April 2023 until 31 March 2024, existing council tenancies will be let at the capped rent rate of 7 %. All new council tenancies granted during this period will be charged at CPI +1%.
- b) From 1 April 2024 all council tenancies, existing and new, will be let at the rent rate of CPI+1%, or in accordance with any rent cap introduced by Government policy and / or legislation.
- c) All existing supported housing, including sheltered housing and other accommodation designated for older people, that become available for re-let will be let at Formula Rent. Rent flexibility will not be applied to this type of housing.
- d) DDC will enter into agreement with Homes England to build new homes at Affordable Rent to help fund the construction of new Council housing.
- e) Affordable Rents will be charged at 80% of the market value of the property, or the Local Housing Allowance (LHA) rate, whichever is lower.
- f) All other existing general needs dwellings that become vacant and available for re-let, and all newly built or acquired general needs dwellings that are not let at affordable rent will be at Formula Rent +5% rent flexibility from 2023/24 onwards to boost funds for planned maintenance on the existing stock and the development of new Council housing.

- 4.2 The Policy does not include charging market rent for higher earners (households earning more than £60K) living in Council housing currently. This is for the following reasons:

- a) We do not gather or monitor tenants' incomes. We assess applicant's financial information when they apply to be on the register, but this is not something we replicate throughout their tenancy. Furthermore, our tenancy agreement does not mention anything about periodic income checks/ assessments, nor that households within a combined income of £60K will be charged a market rent for their property.
- b) Affected tenants could face substantial rent increases (particularly now with the cost-of-living crisis, high inflation, and high private rents) and may potentially disincentivise households to work and potentially increase occurrences of rent arrears.
- c) The 'pay to stay' legislation which introduced the market rents for high earners was made discretionary on 21 November 2016, and therefore is no longer a compulsory requirement.

5. **Monitoring and Implementation**

- 5.1 Rent levels and service charges will be monitored annually. A summary of these charges is reported in the annual HRA budget report and Medium-Term Financial Plan (MTFP).

- 5.2 Changes to rent and service charge amounts will be agreed by Full Council through the Council's governance process.
- 5.3 The Council is in the process of developing an updated HRA Business Plan which this Policy will contribute to, along with other housing related documents.
- 5.4 Formal reviews of the policy will be conducted annually and in advance of the next financial year, or where there are changes to national rent policy, legislation and/or regulations that require an immediate review of the policy.
- 5.5 Staff will be provided with guidance and training on the policy's provisions to ensure that they are compliant and can provide good customer service and care to our tenants.

6. **Consultation**

- 6.1 No public consultation is required on this policy as it is simply codifying existing practice and ensuring the Council's compliance with rent and service charge setting procedures as set out by the Regulator and national policy. There will be no changes to the terms and conditions of existing Council tenancies.

7. **Equality Impact Assessment**

- 7.1 A full equality impact assessment (Appendix 2) has been completed for the proposed policy and has identified the negative and positive impacts to the protected characteristic groups. Where there are negative implications, mitigating actions have been identified to reduce the impact to those affected.

Identification of Options

- 7.2 Option A: Cabinet agrees to points as stipulated in the recommendations of this report.
- 7.3 Option B: Cabinet does not agree to adopt the proposed policy.

8. **Evaluation of Options**

- 8.1 Option A is the preferred option for the following reasons:
 - a) The Council will have an approved rent setting policy that sets out our position on rents and services charges for staff and residents to take guidance from.
 - b) By having an established rent setting policy, the Council will be complying with the Rent Standard 2023.
 - c) The Council will be complying with the contractual arrangement detail in its tenancy agreements which specify initial rental charges and the mechanism for staging rental changes in accordance with Sections 13 and 14 of the Housing Act 1988 and Housing Act 1985, and Section 18 of Landlord and Tenant Act 1985 for service charges.
 - d) Under the Health and Social Care Act 2012 the Council has an important role in improving resident's health. This relates to our 'core functions' (housing, leisure, green spaces and environmental health) and our 'enabling roles' (economic development, planning and engaging with communities).The policy will help the Council improve health / reduce inequalities for tenants by ensuring rents are compliant with current legislation to enable the Council to provide well managed and maintained social housing for our tenants which in turn will help to improve and reduce health inequalities for tenants.

- e) Having delegated authority will ensure that minor amendments to the policy can be completed more efficiently thereby having negligible impact to operations and services.

8.2 Option B is not our preferred option since it would be counter-productive to the reasons identified in 9.1. In general, by not having an updated Rent Setting Policy the Council will be at risk of non-compliance with national rent policy and the Rent Standard 2023, which could:

- (i) result in overcharging tenants for their rent;
- (ii) a potential increase in complaints to the Housing Ombudsman regarding rent handling, resulting in fines and negative publicity;
- (iii) impacting on our ability to maximise income for reinvestment in our provision of housing services and the development of new affordable housing.
- (iv) We will not be complying with contractual arrangements in our Tenancy Agreement.

9. **Resource Implications**

9.1 The report sets out the practices to current and expected rent setting practices. No operational or financial impact to the Council is expected from the decision.

9.2 The Government's announcement in January 2024 to revert to CPI +1% rather than a rent cap, may impact on some tenants' finances and increase occurrences of rent arrears, resulting in increased staff time resolving these issues. Therefore, the Council should be prepared to provide support and advice to tenants who are struggling to pay their rent and/or service charges.

10. **Climate Change and Environmental Implications**

10.1 No implications or impacts have been identified in the preparation of this report or the development of the proposed Policy to climate change or the environment.

11. **Corporate Implications**

11.1 Comment from the Director of Finance (linked to the MTFP): Accountancy have been consulted and have no further comments to add (AC)

11.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make. (SRD)

11.3 Comment from the Equalities Officer: As noted in the Equality Impact Assessment both negative and positive impacts have been highlighted. Where there are negative implications, mitigating actions have been identified to reduce the impact to the groups affected. In discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>

11.4 Other Officers (as appropriate):

12. **Appendices**

Appendix 1 – HRA Rent Setting Policy - DRAFT

Appendix 2 – Equality Impact Assessment

13. **Background Papers**

13.1 [Rent Standard 2023](#)

- 13.2 [Policy statement on rents for social housing \(December 2022\)](#)
- 13.3 [Limit on annual rent increases 2024-25 – from April 2024 \(accessible version\) - GOV.UK \(www.gov.uk\)](#)

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