

TITLE	Affordable Housing Rent Setting Policy
FOR CONSIDERATION BY	The Executive on Thursday, 26 October 2023
WARD	(All Wards);
LEAD OFFICER	Director, Place and Growth - Giorgio Framalicco
LEAD MEMBER	Leader of the Council and Executive Member for Housing - Stephen Conway

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

The 'Rent Setting Policy' ensures we are regularising the current annual rent setting process, that re-confirms the rent setting is part of the annual Housing Revenue Account budget setting process.

The policy requires the council to adhere to the Rent Standard 2020 that in practice, means our approach to rent setting continues without any changes to our historical approach.

The final rent level will be agreed as part of the Housing Revenue Account budget setting process.

RECOMMENDATION

That the Executive approve the Rent Setting Policy as set out in Appendix 1 to the report, for which the 'Rent Setting Policy' primarily relates to the Housing Revenue Account (2573 properties) plus includes a small number (18 properties) of General Fund properties.

EXECUTIVE SUMMARY

Why has a 'Rent Setting Policy' been produced?

The Rent Standard 2020 and any subsequent amendments applies to councils (previously this applied to Housing Associations) with the standard being regulated by 'The Regulator of Social Housing'. The policy applies to the circa 2,600 homes owned/managed by the council.

At present, the council sets rents as set out in the government's 'Policy statement on rents for social housing', 'Rent Standard 2020' and 'Rent Standard 2023'. The 'Rent Setting Policy' ensures we are regularising the process, that re-confirms the rent setting is part of the annual Housing Revenue Account budget setting process.

Does the policy show any changes to our current and previous approach?

The attached policy does not involve any changes to the approach to how the council charges rents.

This Rent Setting Policy will be reviewed at a minimum every 5 years, or when appropriate and be included as part of the annual Housing Revenue Account (HRA) Budget report to full council.

The key messages in the attached Rent Setting Policy are the council will continue the existing approach to rent setting.

BACKGROUND

The Council owns and manages some 2600 properties. The physical and financial performance of these assets underpins the viability of the Housing Revenue Account (HRA) mainly funded through rents. The quality of our assets and how they perform also directly impacts on our customers and the communities that they are part of. Good quality and well-maintained homes can significantly impact upon the health, wellbeing and quality of life of our residents.

The amount of rent charged is worked out using a government formula that has been in place since 2001. This works out formula rents for each of our properties (a maximum rent is calculated for each individual property that is known as the 'formula rent'), and most recently affordable rents with sets rent at 80% of market rent, know as 'affordable rent'

Councils can increase rents in April each year by the Consumer Price Index (CPI) figure at the end of the previous September plus 1%. With 2023/2024 rent increases being the exception by being capped at 7%.

What are the key aspects within the policy?

Since the rents could be increased again from April 2020 (rents reduced by 1% for each of the previous four years), councils have applied the CPI plus 1% increase (to support the long-term HRA Business Plan) albeit occasional exceptions such as the 2023/2024 7% rent cap.

If the September CPI figure is unusually high, the council can if it feels it is financially viable to do so (that includes taking into account of for example, financial resilience, commitment to the tackling-poverty initiative and affordability) make a decision about capping the CPI figure to a lower amount.

The council can consider whether to apply this to all tenants rent charges, or whether to apply this cap to just the rents that have already reached formula rent. Any such capping of rents will be included as part of the annual Housing Revenue Account budget setting report. The current government policy for the CPI plus 1% increase is a five-year policy with the final year being 2024/25 inclusive.

While a council could choose to not apply the CPI plus 1% increase, could freeze rents or even reduce rents, the Rent Setting Policy is equally about formally recording four key aspects, being the council:

- will continue to charge social rents so with the exception of any Homes England schemes granting us authority to charge Affordable Rents.
- will not charge a higher market rent to tenants with an annual household income of £60k+
- will continue to let social rent new properties at the formula rent (social rent) that means when a property becomes empty, if the rent charged to the previous tenant hasn't yet reached formula rent (maximum rent), the new tenant will be charged formula rent
- affordable rents will be let at either 80% of market rent or local housing allowance, whichever is lowest and upon re-let the rent will be recalculated based on the local private rented market
- will not seek 'rent flexibility' where the council could increase formula rent by 5% for general needs properties, and 10% for sheltered housing (the council has 241 sheltered housing properties).

BUSINESS CASE

The council is regularising the current process by having a 'Rent Setting Policy' that is approved by Executive. The policy confirms our approach to rent setting continues without any changes to our historical approach.

We note the economic challenges that many of our tenant's face and that The Lead Member for Housing in consultation with The Director of Place & Growth, is exploring all opportunities to minimise any increase between now and the budget setting process in February/ March 2024

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces unprecedented financial pressures as a result of; the longer term impact of the COVID-19 crisis, Brexit, the war in Ukraine and the general economic climate of rising prices and the increasing cost of debt. It is therefore imperative that Council resources are optimised and are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Nil	N/A	N/A
Next Financial Year (Year 2)	Nil	N/A	N/A
Following Financial Year (Year 3)	nil	N/A	N/A

Other Financial Information

The Rent Setting Policy primarily relates to the Housing Revenue Account (2573 properties) rather than General Fund (18 properties). The financial implications in the Table above show a £nil impact, and this applies to both General Fund and Housing Revenue account properties.

The 'Rent Setting Policy' relates to the annual budget setting process for which rents are set in the context of affordability and financial resilience. The rental increases when applied will have a financial impact but this does not form part of this report.

Legal Implications arising from the Recommendation(s)

No legal implications, confirmed by Rachel Lucas, Senior Solicitor and Team Leader

Stakeholder Considerations and Consultation

On 28 September 2023 our Tenant & Landlord Panel (TLIP) were consulted on this policy. TLIP were happy with the policy and agreed that the Rent Setting Policy will be reviewed at a minimum every 5 years, or when appropriate.

The Rent Setting Policy will be included as part of the annual HRA budget setting papers that are approved by council each year. The HRA budget setting papers are presented to TLIP each year that in effect will provide an annual opportunity to provide comment and challenge regarding the Rent Setting Policy.

Public Sector Equality Duty
Completed 27.07.2023.

Climate Emergency – <i>This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030</i>
There isn't a positive or negative impact of the decision being made on the Council's carbon neutral objective.

Reasons for considering the report in Closed Session
N/A

List of Background Papers
N/A

Contact Harrision Wilks	Service Housing, Income and Assessments
Telephone 07834150278	Email harrision.wilks@wokingham.gov.uk