

<b>TITLE</b>	<b>Rent Setting Policy</b>
<b>FOR CONSIDERATION BY</b>	The Executive on Thursday, 27 October 2022
<b>WARD</b>	None Specific;
<b>LEAD OFFICER</b>	Director, Place and Growth - Steve Moore
<b>LEAD MEMBER</b>	Deputy 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, the 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.

## **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 (2567 properties) plus includes a small number (18 properties) of General Fund properties.

Note the economic challenges that many of our tenants 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 2023.

## **EXECUTIVE SUMMARY**

### **Why has a 'Rent Setting Policy' been produced?**

The Rent Standard 2020 now 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 2,570 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' and 'Rent Standard 2020'. The 'Rent Setting Policy' ensures we are regularising the process, the 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 policy is reviewed each year and be included as part of the Housing Revenue Account (HRA) budget setting papers.

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

## **BACKGROUND**

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 councils can increase rents in April each year by 1% plus the Consumer Price Index (CPI) figure at the end of the previous September.

This policy seeks to strike a balance between the need to keep rents affordable whilst providing sufficient funds to support the Council's need to maintain its housing stock. The Council is aware that many tenants have low incomes and aims to provide housing that remains affordable.

### **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 1% plus CPI increase (to support the long-term HRA Business Plan) albeit occasional exceptions are reported in the housing press.

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 1% plus CPI increase is a five-year policy with the final year being 2024/25 inclusive.

While a council could choose to not apply the 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 wont charge higher Affordable Rents
- will not charge a higher market rent to tenants with an annual household income of £60k+
- will continue to let 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, and
- 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 each year. The policy confirms our approach to rent setting continues without any changes to our historical approach.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

***The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources 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)	£0	Yes	Revenue
Next Financial Year (Year 2)	£0	Yes	Revenue
Following Financial Year (Year 3)	£0	Yes	Revenue

### Other Financial Information

The Rent Setting Policy primarily relates to the Housing Revenue Account (2567 properties) rather than General Fund (18 properties). The financial implications in the Table above show a £0 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.

### Stakeholder Considerations and Consultation

Prior to Executive approval, the council will have consulted our Tenant & Landlord Improvement Panel (TLIP).

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

Due regard to the Public Sector Equality Duty has been taken and an equalities assessment has been completed.

***Climate Emergency – 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***

There isn’t a positive or negative impact of the decision being made on the Council’s carbon neutral objective.

<b>Reasons for considering the report in Part 2</b>
N/A
<b>List of Background Papers</b>
N/A

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