



Rent Policy: Council owned accommodation

Housing Services

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Contents

Rent Policy: Council owned accommodation	1
1. Summary.....	2
2. Principles	3
3. Legislative and Regulatory Context	3
4. Social rent.....	4
5. Affordable rent	7
6. Service Charge	8
Glossary of terms	10

1. Summary

- 1.1. Reigate and Banstead Borough Council (the Council) is committed to setting rents that comply with relevant guidance and standards and help achieve organisation commitment to the relief of need, hardship and distress experienced by homeless people and disadvantaged groups. The Council will comply with relevant legislation and regulatory requirements to ensure it maintains financial viability and achieves value for money.
- 1.2. The Council operates in line with Homes England (HE), Regulator of Social Housing (the Regulator) Rent Standard Regulatory Guidance, under its delegated powers from the Department for Levelling Up, Housing and Communities (DLUHC).

Specifically, the Council will:

- Ensure that tenants are properly informed on changes to rents.
- Ensure that tenants are properly informed on changes to service charges.
- Ensure that it approaches rent and service charge setting in a transparent and open manner.
- Ensure that rent setting processes are efficient and effective.
- Ensure rents are set at no more than social formula rent levels
- Ensure affordable rents are set at the lower of 80% of market rent levels or the Reigate and Banstead local housing allowance
- Relet properties at formula rent levels
- Review affordable rent levels at reletting of properties
- Apply rent flexibilities of up to 10% above social formula rent levels, where there is a clear rationale for doing so

- Ensure no rents exceed the rent cap set annually by government
 - Ensure rents are only increased once a year and within government guidelines currently CPI plus one percent
 - Ensure increases take effect at least 52 weeks after the previous increase.
- 1.2 This document sets out how the Council sets rents on residential properties owned and managed by itself and its managing agents. The Council has been a registered social housing provider since 2021 as a pre-requisite of an application for funding from the Rough Sleeper Accommodation Programme (RSAP). Consequently, the Council must comply with the Rent Standard as set out in the policy statement issued by DLUHC [policy statement on rents for social housing](#) (policy statement).
- 1.3 This rent policy complies with the requirements of the law as set out in legislative and regulatory framework and will remain in force until at least 31 March 2025. Unless any changes are required due to legislative or regulatory requirements implemented by government, or the Council's approach.

2. Principles

2.1. As well as legal and regulatory compliance, this policy seeks to embody the following principles:

- Affordability
- Tenancy sustainment
- Fairness
- Transparency
- Reflection of the cost of delivering a high-quality management and maintenance service to the stock
- Consideration of the cost of future investment in the stock so that it meets all legislative and regulatory requirements, as set out in the Councils Business Plan
- Consideration of property attributes and future upgrades

3. Legislative and Regulatory Context

3.1 The key piece of legislation governing the setting of social rent is the Housing Act 1985 which gives landlords the power to set and increase rents on an annual basis and sets out the steps they should follow in order to do so.

- 3.2 Government guidance issued in 1999 introduced the concept of a ‘formula’ rent based on the relative value of the property, the size of the property, and relative local income levels. The aim of this formula-based approach to setting rent levels is to ensure that similar rents are charged for similar social rented properties within a region.
- 3.3 From 2015 a ten year settlement of CPI +1% as a maximum annual increase was put in place. The Welfare Reform and Work Act 2016 however subsequently prescribed a compulsory annual reduction in rents of 1% for four years commencing from 2016-17.
- 3.4 From April 2020 all registered housing providers are required to comply with the Rent Standard. The Regulator of Social Housing (RoSH) produced guidelines [policy statement on rents for social housing](#) (policy statement) which was issued by the Ministry of Housing, Communities and Local Government (MHCLG).
- 3.5 The policy statement prescribes that social housing providers should not increase rents from 2020-21 until at least 2024-25 by more than the previous September CPI rate +1% annually. However, given rising inflation levels the government revised its position and announced in the Autumn Statement 2022 this formula would be replaced with a maximum increase of 7 percent increase for 2023-24.
- 3.6 In 2011, as part of the then government’s Affordable Homes Programme, social landlords were given the power to charge ‘affordable rents’ for new social homes, both new build and acquisitions. This needs specific approval from Homes England as part of any grant funding application. An affordable rent is a sum equal to, up to a maximum 80% of the market rent (including service charges). For some central government grant programmes, it has been a requirement that affordable rents are set on those new schemes.
- 3.7 Homes held by the Council are charged at either a ‘social (‘formula’ rent) or an ‘affordable’ rent. Each of these is explained below, along with the methodology for setting them.

4. Social rent

- 4.1 Since 2001, rents for properties let at ‘social rent’ in England have been based on a formula set by government. This is known as a ‘formula rent’ often referred to as ‘target rent’.

- 4.2 The formula contained within the policy statement is based upon a 1999 England average weekly rent of £54.62, relative local authority property values at January 1999 valuations, and relative county income levels in 1999, and the size of the property.
- 4.3 In Surrey manual weekly county earnings in 1999 were £333.20 compared to a national England average of £316.40. Individual property valuations at 1999 prices are available for all council owned properties in Reigate and Banstead based upon either a specific RICS valuation or referral to [land registry database](#) and can be compared to a national average property valuation of £49,750.

The calculation for setting social rents is based upon;

- 70% of the national average rent
- Multiplied by relative county earnings
- Multiplied by a bedroom weighting

Plus

- 30% of the national average rent
- Multiplied by relative property value
- Uplifted by a cumulative inflationary increase of 73.64% for general needs properties or 76.97% for supported accommodation to reflect 2022/23 prices. The difference reflects a 0.9% permitted increase as part of the Welfare Reform Act 2016 for supported accommodation.

4.4 All Council properties are currently let at, or below social formula rent levels.

4.5 The Council will set rents at formula rent on all relets

4.6 All rents levied by the Council will be below rent caps set annually by Government. For 2022/23 these are:

Number of bedrooms	Rent cap (52 weeks)
1 and bedsits	£148.88
2	£157.62
3	£166.38
4	£175.12
5	£183.89
6 or more	£192.64

- 4.7 Rent caps will increase annually at CPI plus 1.5%, unless otherwise directed by government, and are unlikely to affect properties owned by the Council for the foreseeable future.
- 4.8 Rents are collected on a 52 week basis.
- 4.9 The Council will review rents annually. Social rents will be set, and any annual increase applied, as part of the Council's annual budget-setting process. Any change to rents will be approved at Executive Committee in January each year. Changes will apply from the following financial year commencing in April.
- 4.10 Where there have been major alterations or investment in a property such as an extension or an increase in the number of bedrooms the Council may apply to have the property revalued to reflect improvements made in accordance with the policy statement and if appropriate recalculate rent accordingly.
- 4.11 Tenants will be notified in writing of rent increases and weekly amount payable at least 28 days in advance of the new payment being due.
- 4.12 Any properties which are not currently levied at formula rent will be reset to the formula rent value when they become vacant and are relet.

Social rent flexibilities

- 4.13 Current guidelines maintain discretion for local authorities to set rents above formula rent by up to 5% for general needs properties and 10% for supported accommodation. However, any use of rent flexibilities must be in accordance with a clearly defined rationale that has been developed with tenants and takes account of local circumstances and affordability. Rent flexibilities are not to be used as a general policy and must relate to individual properties.
- 4.14 Defining a clear rationale can be complex but can be used to reflect any significant improvements that need to be carried out in a property, for example, major energy improvements. When applying flexibility, the Council will ensure that it details the exact criteria for which flexibility is being applied and consult with tenants accordingly. These criteria will be reviewed on an annual basis.
- 4.15 The Council will use rent flexibility where appropriate when reletting properties. Rent flexibilities are not permitted on existing tenancies and cannot be applied retrospectively.
- 4.16 Whilst it is not possible to list every scenario in which the flexibility will be applied, some of the likely circumstances which may be appropriate include:
- Major energy efficiency schemes such as external wall insulation
 - Photo voltaic panels
 - Making homes carbon zero
 - Meeting decent homes standards
 - Fire safety measures
 - Intensive levels of housing management and tenancy support
- 4.17 In considering whether to apply rent flexibilities, the Council will ensure rents remain affordable and do not exceed local housing allowance rates and rent caps set by government.
- 4.18 Where a property is currently being charged a social rent that exceeds the formula rent and the local flexibility criteria is no longer applicable, the Council will either reduce the rent immediately or limit annual rent increases to the relevant CPI value only until formula rent is restored.

5. Affordable rent

- 5.1. Affordable rent is generally applied to new build properties and acquisitions and requires approval by Homes England as part of development proposals. Initial

affordable rents will be set at a maximum of 80% of market rent inclusive of service charges, in accordance with prescribed RICS Red Book valuation methodology.

- 5.2. Affordable rents will increase annually by a maximum of CPI plus 1% in line with the policy statement on rents for social housing so long as affordable rents will not exceed 80% of market rent.
- 5.3. When an affordable rent property becomes vacant, the property may be revalued, and the affordable rent levied on relet will be based on a maximum of 80% of the current market rent value at the time of reletting.
- 5.4. In determining a market rent value, the Council will utilise a range of market data to establish current market rent levels.
- 5.5. When setting an affordable rent, prevailing rental market conditions will be considered. When local private rents are increasing rapidly and significantly, it may not be appropriate to set a rent at 80% of market rent as this may well push such rents beyond affordability. In such cases, the rent should be set at the local housing allowance level.

6. Service Charge

- 6.1. In addition to the rent due on their homes, tenants may also be liable for additional charges in relation to services which they receive above and beyond the general occupation of a property.
- 6.2. Service charges usually reflect additional services which may not be provided to every tenant, or which may relate to communal facilities rather than being particular to the occupation of a dwelling.
- 6.3. Any charge will only reflect the cost of providing those services and will be reviewed and where appropriate adjusted annually. Tenants will be notified on annual rent statements.
- 6.4. Service charges are not specifically covered by the policy statement, however there is an expectation that they must not exceed the cost of services provided and that any annual increase should be no more than CPI plus 1%.
- 6.5. Council Approach to Service Charge Setting is as follows:

- Where appropriate, the Council will charge licensees/tenants for additional services such as cleaning of communal areas etc based on actual costs of the services provided
- Utility costs for communal spaces will be based on actual costs
- The costs of the utilities for communal spaces will be based on the percentage of floor space that is used for communal use including hallways, bathrooms, kitchen and other shared living areas
- The Council may consider introducing new service charges. We will inform tenants of the new service charge in writing, giving at least one month's notice in line with Section 20 of the Landlord and Tenant Act 1985.

Glossary of terms

Affordability – Ability of tenants to afford rent and associated service charges

Consumer Price Index – measurement of annual price increases

Affordable rent – charges levied for properties acquired or built as part of Affordable Homes programme or funded by Right to Buy receipts.

Consumer Price Index – Office for national statistics (ONS) measurement of annual price comparisons

Formula rent – Government policy to determine level of social rents

Housing Revenue Account (HRA) – A ring fenced account used for all income and expenditure relating to housing properties and land.

Regulator of Social Housing – regulatory body for registered social housing providers

Rent convergence – process of ameliorating difference between council and housing association rents

Rent flexibility – discretion allowed by government for housing providers to charge up to 5 or 10 per cent above formula rents

Rent Standard – a regulatory standard for social housing rent levels

Service charges – charge for additional services above the occupation of a dwelling.

Tenancy sustainment – being able to conduct and maintain a satisfactory tenancy