



HRA Rent Setting Policy 2019/20

1. Introduction

1.1. This policy outlines how Medway Council (the council) will calculate, consult and charge rent for our Housing Revenue Account (HRA) owned stock that we have responsibility to manage and maintain and the factors involved with this decision.

2. Purpose

2.1. The purpose of this policy is to:

- 2.1.1. ensure that the HRA adheres to government legislation when setting rent;
- 2.1.2. ensure that the HRA does not fall into a deficit position;
- 2.1.3. help the council to plan for future investment;
- 2.1.4. protect social tenants from excessive increases in rents;
- 2.1.5. help ensure sub-market rents are being provided only to those in housing need.

3. Background

3.1. The Government introduced new rent setting measures under the Welfare Reform and Work Act 2016, for social housing landlords to reduce the rent payable by tenants by 1% each year between April 2016 and April 2019. This supersedes the Government's previous 10 year rent increase policy implemented in April 2015.

4. Scope

- 4.1. This policy is intended for all HRA residential properties that the council owns and has responsibility to maintain and manage.
- 4.2. This policy does not include the setting of service charges that contribute to the overall rental charge of a property; service charges are calculated separately.

5. Legislation and Guidance

- Welfare Reform and Work Act 2016 (including amendments)
- HCA Rent Standard Guidance 2015
- Guidance on rents for social housing from April 2015
- Rent setting: social housing (England) 7 October 2015
- Summer Budget 2015, HC 264, July 2015, para 1.140
- Housing Act 1985 Section 24
- Local Government and Housing Act 1989 Section 76

- Guidance on Rents for Social Housing 2014 (Chapter 4)
- Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016

6. The Policy

6.1. Calculation of rent

6.2. The council will initially charge social housing rents for all properties, unless the nomination meets the criteria set out in 6.10.

6.3. Under social rent policy (excluding households that meet the criteria for fairer rent) rents will be set based on a formula that has consideration of:

- The condition and location of a property – reflected in its value;
- Local earnings;
- Property size (specifically, the number of bedrooms in a property).

6.4. The basis for the calculation of formula rents is:

- 30 percent of a property's rent should be based on relative property values;
- 70 percent of a property's rent should be based on relative local earnings; and
- A bedroom factor should be applied so that, other things being equal, smaller properties have lower rents.

6.5. Relative property value means an individual property's value divided by the national (England) average property value, as at January 1999 prices.

6.6. Where a property has a purpose built bedroom on the ground floor, the size of the property in terms of its numbers of bedrooms will be counted as such. Properties identified with "pods" will be charged for only bedrooms on the upper floors of properties from 1st April 2012 and pods, regardless of their usage, will be disregarded for rent charging purposes.

6.7. In accordance with the measure set out in the Welfare Reform and Work Act 2016 the council from April 2016 will reduce current weekly rent by 1% starting from the 2016/17 rent year and so on for the following 3 years.

6.8. The 1% rent decrease in April 2019 is based on proposed rents payable in 2018/19.

6.9. The council has some properties with a rent charge below that of formula rent. When one of these properties becomes void in 2019/20 the proposed rent will be recalculated the formula rent level.

6.10. Rents for social housing tenants with high incomes (HIST)

6.11. Where a household has a taxable earned income of £60,000 or over (consistent with child benefit cap and eligibility for shared ownership housing schemes), the council will charge a fairer rent.

- 6.12. The “household” means the tenants named on the tenancy agreement and any tenant’s spouse, civil partner or partner residing in the rental accommodation.
- 6.13. Where there are more than two incomes that include the tenant, or tenant’s civil partner or spouse, only the two highest taxable income earnings will count towards the £60,000 threshold.
- 6.14. The income from the previous tax year should be used to calculate the rent for the following year.
- 6.15. The council will request that tenants declare information if their incomes exceed this limit in accordance with the terms of their tenancy agreement.
- 6.16. Fairer rent will be charged at 80% of the market rental price.
- 6.17. The council will use its discretion to revert the rental charge to social housing rent, if a household is charged fairer rent and is suffering from financial hardship.
- 6.18. Where a high-income social tenant’s tenancy comes to an end, and they vacate the property, we will re-let the property in line with the previous social housing rent.

6.19. Garages

- 6.20. Prior to April 2018 the council set the rental charge of garages at two separate rates depending on the type of tenure of the license holder.
- 6.21. From April 2018 the council moved towards a single rate, irrespective of the tenure of the license holder. This has been done on a three year cascade approach (from April 2018) to ensure base line garage rents are set to the same level regardless of tenure type. Medway Council tenants will be charged the cost of a garage minus VAT. The cost for all other license holders will include VAT.
- 6.22. From April 2018 all new garage lettings are to be charged at the new single rate.

6.23. Consultation

- 6.24. The council will renegotiate tenancies and set rents annually by giving tenants at least 28 calendar days notification of a variation to their rent charge.
- 6.25. The council will consult with residents on the budget that includes information on changes to rental charges on an annual basis.

6.26. Rent Charge period

- 6.27. Rents will be charged based on a 52 week rent cycle

7. Role, Responsibilities and Authority

- 7.1. It is the decision for Full Council to set the yearly change to rental charges as this forms part of the council's budget and policy framework.
- 7.2. The Head of Housing Management has responsibility for ensuring that all associated processes are followed.

8. Monitoring, Review and Evaluation

- 8.1. Performance of rental income collected is monitored and reported on a monthly basis.
- 8.2. Elements within the policy have been considered within the 2019 HRA budget setting Diversity Impact Assessment.
- 8.3. Landlord Services will review this policy on an annual basis.

Policy Version Control Sheet

Policy Title: HRA Rent Setting Policy

Policy Author(s): Policy and Partnership officer

This Version: March 2019

Projected Date of Review: March 2020

Cross References: Medway Council tenancy agreements; Rent Arrears Policy; Budget Report; HRA Business Plan, Value for Money Statement

Amendments Made:

April 2017 – Policy updated to reflect the 2017/18 financial year.

March 2018 – Policy updated to reflect the 2018/19 financial year. Including the commencement of a single rent charge for garage rental.

March 2019 – Policy updated to reflect the 2019/20 financial year. No other alterations have been made.