



**Housing Landlord Services**

**Rent Setting Policy, Landlord Services**

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Originator: Tina Mustafa

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## Document Location

Printed documents may be obsolete, an electronic copy will be available on Tamworth Borough Councils Intranet. Please check for current version before using.

## Revision History

Revision Date	Version Control	Summary of changes
October 2017	1	Draft to RB
October 2017	2	Changes to Policy following RB feedback and passed to NWL solicitors
November 7 <sup>th</sup> 2017	3	Amended following finance and solicitors comments
17 <sup>th</sup> November 2017	4	Updated following policy development

## Approvals Creation and Major Change

Name	Title	Approved
CMT		
Cabinet		
TULG		
Data Protection Officer		

## Approvals Minor Change and Scheduled Review

Name	Title	Approved
Tina Mustafa	Head of Landlord Services	

## Document Review Plans

This document is subject to a scheduled review to take place every three years. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

## Distribution

The document will be distributed and targeted to key staff through NETConsent and will also be available on the Intranet and paper based copies.

## Security Classification

This document is classified open with public access

# Tamworth Borough Council's Landlords Services Rent Setting Policy

**This policy sets out how Tamworth Borough Council sets its council house rents and how changes in rent are worked out.**

## 1. Scope

- 1.1 This policy applies to supported and general need tenants of Tamworth Borough Council and will apply to secure tenancies and fixed term tenancies.
- 1.2 There are currently 3818 tenants with a secure tenancy and 365 with a flexible fixed term tenancy and 4 fixed term tenancies at an affordable rent and 21 voids totalling 4208 as at November 2017.
- 1.3 The average rent for a Tamworth Borough Council property in 2017/18 following the 1% reduction was £85.29 over a 48-week rent year<sup>1</sup>.

## 2. Policy Purpose and Aims

- 2.1 This policy provides a framework within which Tamworth Borough Council will set rents and service charges and draws on the Department for Communities and Local Government Guidance on Rent Setting for Social Housing.
- 2.2 The Council aims to demonstrate compliance with the Government's aims for its rent policy by applying the following principles:-
  - Ensuring rents remain affordable in the long-term
  - Protecting social tenants from excessive increases in rents
  - Ensuring rents take account of local conditions
  - Providing long-term certainty and stability to social tenants, social landlords and their funders in order to:-

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<sup>1</sup> [http://tammodgov.tamworth.gov.uk/documents/b2934/To%20Follow%20Report%20-%20Corporate%20Vision%20Priorities%20Plan%20Budget%20Medium%20Term%20Financial%20Strategy%2020171.pdf?T=9&SLO\\$=1](http://tammodgov.tamworth.gov.uk/documents/b2934/To%20Follow%20Report%20-%20Corporate%20Vision%20Priorities%20Plan%20Budget%20Medium%20Term%20Financial%20Strategy%2020171.pdf?T=9&SLO$=1)

- Enable tenants to understand their housing costs better
  - Enable planning for future investment
  - Encourage investment into new and affordable housing, helping more people in need
  - Support value for money and increase investor confidence in commercial decisions supporting social housing
- Maximising rental income, whilst remaining affordable, to invest in the management and maintenance of the Councils existing stock; including the provision of new and affordable homes to secure continued improvements in customer satisfaction with the Councils services.
  - Contributing to the wider control of Government public expenditure by being alive to the impact of housing benefit costs

2.3 These policy aims directly contributes to the strategic priorities of the Council to ultimately deliver quality services through the application of consistent and accessible service standards.



2.4 The national and strategic context described within the policy principles above are reflected in the Councils Rent Standard Service Offer.

### **3. The Policy**

- 3.1. In amending this rent setting policy the Council has had full regard to legislation, regulations and associated rent setting guidance. The Welfare Reform and Work Act 2016 gave effect to the Government's 1% rent reduction for four years up to 2020/2021.
- 3.2. Rents are charged in accordance with Council Tenants' tenancy agreements. The Councils Landlord Service is regulated by the Homes and Communities Agency (HCA) with regard to its tenancy standard. The HCA rent standard forms part of the economic standards and therefore does not currently apply to Local Authority stock retained landlords.
- 3.3. Rents are calculated annually in advance, with 4 annual rent free weeks, which are part of the rent service standard. The 4 rent free weeks do not change and are offered as follows:-
  - 2 x rent free week at the end of March
  - 1 x rent free week over the summer
  - 1 x rent free week at Christmas
- 3.4. Tenants' will be given at least four weeks' notice of any rent increase or decrease in accordance with section 103 of the Housing Act 1985 and this standard practice and is built into the Councils financial management strategy.

### **4. Rent Setting**

The Council intends to charge both social and affordable rents and the policy conditions are set out below.

#### **Social Rent Setting**

- 4.1. The setting of social rents is based on a formula. The Government prescribes that social rents take account of:-
  - The condition and location of a property – reflected in its value:
  - Local earnings; and
  - Property Size (specifically, the number of bedrooms in a property)
- 4.2. Property Value provides a simple way of reflecting the attractiveness and quality of the property. Local earnings ensure that rents take account of how much income people have, helping them to remain affordable. And property size helps to ensure that properties with more bedrooms have a proportionately higher rent, as would be expected.

4.3. The basis for the calculation of formula rents is:-

- 30% of a property's rent should be based on relative property values
- 70% 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

4.4. This can be expressed as a formula, in which the formula rent for a property is calculated using the following approach:-

**Weekly formula rent is equal to:**

70% of the national average rent<sup>2</sup>  
Multiplied by relative County Earnings<sup>3</sup>  
Multiplied by the bedroom weight

**PLUS**

30% of the national average rent  
Multiplied by relative property value<sup>4</sup>

**Uplift &/or Reduction to Social Rent**

4.5. The Welfare Reform and Work Act 2016 implemented the Governments four year 1% reduction to social rented properties (including sheltered and supported). This policy will continue until 31<sup>st</sup> March 2020 unless amended by the Government and will be reflected in the Councils Medium Term Financial Strategy.

4.6. Currently the Government intention post 1<sup>st</sup> April 2020 is to uplift social rents by Consumer Price Index (CPI) at September of the previous year plus 1%. Unless legislation changes then it is anticipated that rents will be (longer-term) adjusted on this basis.

**Rent Flexibility Level**

4.7. This policy does allow for flexibility to set rents up to 5% above formula rent (10% for sheltered and Supported housing) and as this will need to be applied in a balanced way so as not set all rents 5% (or 10%) above

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<sup>2</sup> National Average Rent means the national (England) average rent in April 2000

<sup>3</sup> Relative County Earnings means the average manual earnings for Staffordshire divided by national average manual earnings, both at 1999 levels. (details contained within the DCLG Rent Guidance)

<sup>4</sup> Relative Property Value means an individual property's value divided by the National (England) average property value as at January 1999 prices.

the formula rent and therefore will be part of the council usual budget setting process.

### **Limit on Rent Charges**

- 4.9. From April 2016 the Government requires Landlords to reduce rents by 1% for 4 years, until 31<sup>st</sup> March 2020. Previous guidance suggested that where rents were below formula then notwithstanding the limits should charge formula rent where the property is relet following a vacancy. This will be applied unless changed post 2020/2021.

### **Rent Caps**

- 4.10. Rent caps will be applied in determining formula rents as per the Governments guidance, however Tamworth's rent levels are well below these current caps and therefore the policy detail below is advisory only.
- 4.13 Where a rent is above the rent cap level, the Council will look to reduce the rent level over time so that it is within the cap.

### **Property Valuations**

- 4.14 A common approach will be used for the valuation of properties. Existing use value is not the same as "existing use value – social housing", which is typically used for resource accounting purposes, and makes a downward adjustment to the existing use value to reflect the lower value of properties when used for social housing.
- 4.15 A downward adjustment to open market valuations – to reflect factors such as sub-market rents – should not be made for social rent purposes. It would add complication and introduce circularity by allowing the pattern of current rents to influence the pattern of formula rents.
- 4.16 As set out above, the valuation should be made at January 1999 prices.
- 4.17 As the price base is constant, the valuation of a property for social rent purposes should generally remain the same, over time. However, an authority may want to revalue where it has carried out major works that materially affect the value of the property.
- 4.18 Individual valuations of each individual property need not be undertaken. Generic valuations for particular types and sizes of properties in different locations are assessed.

## **Affordable Rent**

### **Key Principles**

- 4.18 Properties let on affordable rent terms fall within the definition of social housing, but are exempt from the social rent expectations outlined in 4.1 to 4.17.
- 4.19 Affordable rent allows the Council to set rents at levels that are typically higher than social rents. The intention behind this flexibility is to enable additional financial capacity for investment in new affordable housing.

### **Applicability**

- 4.20 Local authorities should only let properties on affordable rent terms:-
- Where they have a Framework Delivery Agreement in place with the Homes and Communities Agency or Greater London Authority, under the Government's affordable homes programmes; or
  - Where the Homes and Communities Agency have indicated that the new supply they propose to provide represents value for money, for new build affordable housing that is not funded (in part) by Government grant; or
  - Where they have an agreement in place with the Secretary of State, to retain additional Right to Buy receipts for investment in new affordable rented homes.

### **Rent Setting**

- 4.21 Homes let on affordable rent terms should be made available at a rent level of up to 80% gross market rents, inclusive of service charges where these are applicable and capped at current LHA rates as per cabinet decisions.
- 4.22 Gross market rents generally include any service charges, and these, as well as the property size and location, should be taken into account when determining what rent level a property might achieve.



- 4.23 Affordable rents (up to 80%) of the RICs assessed market value will be charged unless it exceeds the Local Housing Allowance rate, whereupon it will capped (unless HCA and/or 1-4-1 conditions prevent this)
- 4.24 The LHA rate will be applied in accordance with the Government guidelines and as published on the Councils website.
- 4.25 An affordable rent should be no lower than the potential formula rent for the property. In cases where the affordable rent would be lower than the formula rent, the formula rent will constitute a floor for the rent to be charged.
- 4.26 The Council will comply with the terms of relevant agreements with the Homes and Communities Agency where applicable, in setting rents.

### **Property Valuations**

- 4.27 Valuations for initial rent setting will be made in accordance with a method recognised by the Royal Institution of Chartered Surveyors. This expectation is intended to help ensure that authorities adopt a consistent and transparent approach to the valuation of market rents.

### **New and Reissued Tenancies**

- 4.28 On each occasion that an affordable rent tenancy is issued for a property – whether it is let to a new tenant, or an existing tenancy is re-issued – the Council will re-set the rent based on a new valuation, to ensure it remains at no more than 80 percent of the relevant market rent &/or LHA cap where 80% of market rent is more.

### **Housing Benefit**

- 4.30 The Government has implemented a process to allow properties let on affordable rent terms by Councils to be treated outside of the Rent Rebate Subsidy Limitation scheme.
- 4.31. To claim Housing Benefit subsidy above the limit rent for affordable rent properties, the Council will comply with the Section 151 Officer requirements in order to maximise its subsidy and remain compliant.

## **5. Service Charges**

- 5.1 In addition to their rent, tenants also pay service charges. Rents are generally taken to include all charges associated with the occupation of a property, such as maintenance and general housing management services. Service charges reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than being particular to the occupation of a dwelling. Service charges are subject to separate legal requirements and are limited to covering the cost of providing the services and details are set out in the Councils Service Charge Policy.
- 5.2. Additional income raised as a result of charging of affordable rent and not social (formula rent) will be reinvested into affordable housing.

More details can be found in the Service Charge Offer document, at the following link  
[http://www.tamworth.gov.uk/sites/default/files/housing\\_docs/Service-charge-offer-document.pdf](http://www.tamworth.gov.uk/sites/default/files/housing_docs/Service-charge-offer-document.pdf)

## **6. Garage Rents**

- 6.1 Garage rents are agreed by the Council and are usually increased each year by inflation 'fees & charges'. There will be a 2.5% increase in garage rent for 2017/2018 and 2018/2019.
- 6.2 Garages let to non-Council tenants will have VAT added to the rent in accordance with HMRC guidelines.
- 6.3 Garages let to tenants who are disabled and have a blue parking badge will have a reduction of 10% on the full charge.

## **7. Communicating with our tenants**

- 7.1 Secure and fixed tenants will receive a letter giving 4 weeks' notice of any change in rents and service charges.
- 7.2 Garage tenants will receive a letter giving at least one weeks' notice of a garage rent increase or decrease.
- 7.3 Under the Council's landlord regulatory framework, the tenant Consultative Group (TCG) are constituted and seeks to inform, scrutinise and monitor all of its policies including the rent setting. Through the budget setting process customers are also consulted on priority spending and savings as a result of rent setting decisions.
- 7.4 The TCG will also inform the production of an "easy read" customer guide.

## **8. Associated Policies**

Rent Collection, Arrears Prevention and Recovery Policy  
Service Charge Policy  
Garage Policy  
Financial Inclusion Strategy

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