

## Selby District Council – Rent Setting Policy (2020)

### 1. Introduction

1.1 The purpose of this policy is to:

- Ensure that Selby District Council rents are set in accordance with relevant statutory and regulatory obligations.
- Ensure that rents are set at a level which ensures the Council meets its responsibilities to customers, maintains stock at a high standard, plans for future investment and continues to function as a financially viable organisation.
- Protect Council tenants from excessive increases in rents.
- Help ensure sub-market rents are being provided throughout the district to those in housing need.
- Provide a clear framework for Selby District Council's approach to setting Social and Affordable Rent on existing and new build Council dwellings and any property acquisitions that are assimilated into the Council's housing stock.

### 2. Social Rents – A Brief History

2.1 Social rents were set under a national rent regime in 2002 which introduced a rent convergence policy. A 'rent formula' was established which took account of the values of properties and local earnings, relative to national earnings. A 'bedroom weighting' factor was also applied to try and ensure that the resulting rents better reflected the perceived value of the properties being occupied.

2.2 As part of 2013's Spending Round, the Coalition Government announced that from 2015/16, social rents would rise by Consumer Price Index (CPI) +1% each year for the subsequent ten years. However, this was short lived when in July 2015's Summer Budget, the then Chancellor announced that rents in social housing would be reduced by 1% a year for four years, resulting in a 12% reduction in average rents by 2020/21. This measure was forecast to save £1.4bn within this time, primarily in reduced Housing Benefit expenditure.

2.3 Following this four year rent reduction, in February 2019 it was confirmed that following consultation, the Government would permit annual social housing rent increases of up to CPI +1% from April 2020, for a period of five years; as well as bring both local authority and private registered providers within the scope of the Regulator of Social Housing's Rent Standard.

### 3. Setting Social Rents

3.1 Local authorities must charge reasonable rents for tenants living in their housing stock and this applies to most secure, flexible and introductory tenancies. As such, Selby District Council follows Government guidance and the Rent Standard as set by the Social Housing Regulator; in calculating formula rents and undergoing any subsequent rent reductions or increases to social rent.

- 3.2 Formula rent is also subject to a rent cap based on the size of the property (2019-2020 figures can be found in Appendix A of the MHCLC's 'Policy Statement on rents for Social Housing'). From 2020-21 onwards, rent caps will increase by CPI +1.5% annually. Where the formula rent would be higher than the rent cap, the rent cap will be used instead.
- 3.3 As advised, social rents are set using a government formula; and current policy provides flexibility for registered providers to set rents at up to 5% above formula rent, and 10% for supported housing. Selby District Council reserves the right to apply this flexibility, but must provide a clear rationale for doing so which takes into account local circumstances and affordability.
- 3.4 Calculating formula rent requires a consistent approach to property valuations. These will be done in accordance with a method recognised by the Royal Institution of Chartered Surveyors (RICS) and will be made at January 1999 prices. Selby District Council does however reserve the right to re-value properties where we have carried out 'major works' that have materially affected the value of the property. 'Major works' do not include normal stock management activity such as repairs, maintenance or updating of properties; but will include structural alterations, such as adding an extra room or extensions.
- 3.5 From April 2020, as per Government direction, Selby District Council are permitted to increase social rents annually by up to CPI +1% for a minimum of five years. This will be a yearly consideration for Executive Members to undertake. Any conditions relating to this process included in The Direction of the Rent Standard 2019 and corresponding Policy Statement will also be adhered to, including the requirement to restrict any rent increase in the first year following the rent reduction to the 2020 limit for existing tenants.
- 3.6 Annual rent changes will normally take place on the 1st Monday of each April. When considering a change in rent, the Council will take into consideration local factors and concerns, and affordability for tenants; in balance with providing a financially viable Housing Revenue Account.
- 3.7 Tenants who undergo a change in rental amount will receive notification of the changes at least 4 weeks prior to the change taking effect.
- 3.8 Exemptions: it is noted that certain types of local authority accommodation are exempt from the Rent Standard, including:
- Shared ownership low cost rental accommodation
  - Intermediate rent accommodation
  - Specialised supported housing
  - Relevant local authority accommodation
  - Student accommodation

- PFI social housing
- Temporary social housing
- Care homes

(Full definitions can be found in Chapter 5 of the MHCLC's 'Policy Statement on rents for Social Housing').

#### 4. Setting Affordable Rent

- 4.1 'Affordable Rent' is rent charged at up to 80% of gross Market Rent (the rental amount a property could reasonably expect to receive if it was available to rent on the open market). A valuation of Market Rent must be made in accordance with a Royal Institution of Chartered Surveyors (RICS) recognised method. Property size, location type and service provision must be taken into account when determining Market Rent.
- 4.2 A property can only be considered for an 'Affordable Rent' where it is linked to an agreement with the HCA (now Homes England) on investment. This includes purchasing affordable homes constructed by another developer and buying back previous Right to Buy Council properties. Relevant Selby District Council properties will be let at Affordable Rent unless the Social Rent level in the area is higher. When setting Affordable Rents, the Council will comply with the terms of any agreement entered into with Homes England and valuations for initial rent setting will be made in accordance with a method recognised by the RICS.
- 4.3 In order to provide certainty for tenants, the maximum annual rent increase on an Affordable Rent property will be CPI +1%, in accordance with the Rent Standard. CPI will be taken as at September of the previous year. Affordable Rents are not subject to the Local Housing Allowance. However, the Council will have regard to the local market context, including the relevant Local Housing Allowance, when setting affordable rents.
- 4.4 Regulations require the Council to re-base rent on every occasion that a new tenancy is issued or renewed for an Affordable Rent property (except where the accommodation is re-let to the same tenant as a result of an introductory tenancy coming to an end). If the property is being re-let to an existing tenant, the rent must not increase by more than CPI +1%. This requirement is designed to ensure that the rent set at the beginning of each new tenancy is no higher than 80% of the gross Market Rent.

#### 5. Ensuring Affordable Rents are affordable

- 5.1 In setting Affordable Rent guidance, the Council should address two objectives: the need to ensure Affordable Rents are affordable *relative to average incomes* in the district, taking into account Housing Benefit and welfare caps, as well as the ability of Registered Providers (including the Council) to optimise rent income to support affordable housing delivery throughout the district. Consequently, it is important that Affordable Rents do not make it more economical for tenants to leave employment, or for them to remain on benefits when suitable employment may be available.

5.2 Selby is covered by four Broad Rental Market Areas (BRMAs) with differing Local Housing Allowance (LHA) rates as shown below (amounts set by Government and liable to change):

	York		Doncaster		Wakefield		Leeds	
	Weekly	Monthly	Weekly	Monthly	Weekly	Monthly	Weekly	Monthly
Shared Room	£67.09	£291.52	£55.12	£239.51	£55.00	£238.99	£62.48	£271.49
1 bedroom	£98.96	£430.00	£78.08	£339.28	£86.30	£374.99	£100.05	£434.74
2 bedrooms	£123.58	£536.98	£93.23	£405.11	£103.56	£449.99	£122.36	£531.68
3 bedrooms	£141.24	£613.72	£103.56	£449.99	£113.92	£495.01	£149.59	£650.00
4 bedrooms	£200.09	£869.44	£143.84	£625.02	£149.59	£650.00	£195.62	£850.02

5.3 Whilst the majority of the authority is covered by the 'York' BRMA, a number of towns within the district instead fall within an alternative BRMA (shown below) and therefore could potentially have Affordable Rents above the LHA rate:

- Leeds: Church Fenton, Barkston Ash, Sherburn-In-Elmet, South Milford and Monk Fryston.
- Wakefield: Fairburn, Brotherton and Byram.
- Doncaster: Womersley, Walden Stubbs and Balne.

5.4 The Council are able to charge an Affordable Rent higher than the Local Housing Allowance for any relevant property. However, the Council will always consider the local market and applicable Local Housing Allowance rate when setting Affordable Rents. It will also advise potential tenants of any differences between the Affordable Rent and the Local Housing Allowance when properties are advertised on North Yorkshire Home Choice and will complete an affordability check before any offer of accommodation is made where the Affordable Rent is in excess of the Local Housing Association to ensure tenancy sustainability.

5.5 In order to ensure affordability throughout the district, the Council will, where appropriate, demonstrate flexibility when setting Affordable Rents, based on individual business cases.

## 6. Two types of tenancy

6.1 From April 2016, Selby District Council has differentiated between two tenancy types for their social housing tenants: secure (lifetime) tenancies or flexible (secure fixed-term) tenancies. Both tenancy types can be offered at either Affordable or Social Rent, with the rent levels being set by the Council in accordance with Government policy.

6.2 Where an existing fixed-term tenancy is being terminated but a further tenancy in the same property is offered, an existing tenant paying Social Rent will be offered a new tenancy at Social Rent, and an existing tenant paying Affordable Rent will be offered another Affordable Rent (subject to a new valuation). If the property no longer meets

the needs of the household and they are offered a new tenancy at another property, then that property will be let as defined by this policy.

## 7. Appeals

- 7.1 Any tenant charged either Social or Affordable Rent who feels their rent has not been set in accordance with this policy (since its implementation) can appeal using the Council's complaints procedure.
  
- 7.2 Any tenant who is considering appealing should first seek independent advice from a legal advisor or from Citizen's Advice.