

NORTHUMBERLAND

Northumberland County Council

Rent Setting Policy

2016/17

November 2016

1. Scope

1. This policy applies to the supported and general needs tenants of all Northumberland County Council housing. It covers social and affordable rents across the social housing tenures that the Council operates.

2. Policy

2.1 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, resulting in an estimated actual 12% reduction in average rents by 2020-21. This supersedes the Government's previous 10 year rent increase policy implemented in April 2015.

2.2 The Council will comply with the Rent Standard and any other rent setting Government and Regulatory Standards around rent setting.

2.3 The Rent Setting policy is used to:

- Set rents for secure tenancies;
- Set rents for re-let properties which are to be let on secure tenancies at a social rent and an affordable rent; and
- Set rents for new units to be let on secure tenancies at both a social and an affordable rent.

Tenancy types

2.3 From April 2015, Northumberland County Council has offered two tenancy types for social housing tenants – secure (lifetime) tenancies or flexible (secure fixed term) tenancies.

2.4 Both tenancy types can be offered at either affordable or social rent, with the rent levels being set by the Council in accordance with the Government policy.

Which homes will we let at affordable rent?

2.5 The Council can let properties at an affordable rent when general needs properties are relet, newly built or become available at the end of a tenancy. Currently the Council has chosen **not** to charge affordable rents for properties that are re-let however this may change. Sheltered and supported housing properties will not be let at affordable rent.

2.6 Properties built as part of the affordable housing programme will be let at affordable rent unless the social rent level in the area is higher.

2.7 Affordable rent may be charged provided that the rent level set is not lower than social rent.

3. Social Rent Setting for Secure (lifetime) and Flexible (secure fixed term) Tenants

3.1 In accordance with the measure set out in the Welfare Reform and Work Act 2016, the Council from April 2016 has reduced current weekly rent by 1% and will continue to do so for the following 3 years. Sheltered Housing schemes are currently exempt from this reduction until 2017/18 and in following years the reduction will be based upon the Consumer Price Index (CPI) at September of the previous year plus 1.0 %. n.b. This exemption may be extended and if so the policy will be updated to reflect this.

Calculating the formula rent

3.2 Each individual property has a 'formula rent'. The rent is calculated using a formula that takes into account the value of the property (as at January 1999), the size of the property and the average local earnings in the local area.

3.3 The weekly formula rent is:

70% of the national average rent x by relative county earnings x by the bedroom weight

Plus

30% of the national average rent x by relative property value

3.4 These values have been determined by Government policy.

Rent caps

3.5 Formula rents are capped to minimise the impact of high property values on affordability for tenants. These rent caps apply as a maximum ceiling on the formula rent, and depend on the size of the property. Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap should be used instead.

3.6 From 2016-17 onwards, rent caps will increase annually by CPI (at September of the previous year) + 1.5 % unless a property is rent capped. Currently no rent caps apply to NCC properties.

Service Charges

3.7 In addition to their rent, tenants may also pay service charges. 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.

Social rent setting for existing and new secure tenants

3.8 For 2016/17 in accordance with the Welfare Reform and Work Act 2016, rent levels decreased for all existing and new tenants by 1%. It is anticipated that rent levels will decrease by 1% year on year until 2019/20.

3.9 For 2016/17 there was an exemption to the statutory rent decrease for those tenants occupying Sheltered Housing. Therefore rent levels were subject to an increase of CPI plus 1% in April 2016. This has been extended and will also apply from 1st April 2017. For following years each rent will be calculated within the permitted formula and caps.

Rent setting for new developments

3.10 New developments of general needs accommodation will be let at either formula rent (subject to the rent caps), or at the new affordable rent levels.

4. Rent Setting for Affordable Rent Secure (lifetime) and Flexible (secure fixed term) Tenants

Affordable rent setting for new tenancies

4.1 The affordable rent for each property will be evaluated (also known as rebased) each time the property becomes vacant using a RICS (Royal Institute of Chartered Surveyors) approved method.

4.2 On each occasion that an affordable rent tenancy is issued for a property we will re-set the rent based on a new valuation. This ensures it remains at no more than 80 percent of the relevant market rent.

4.3 The only exception to this is where the accommodation is re-let to the same tenant as a consequence of a probationary tenancy coming to an end. In this case, an authority is not expected to re-set the rent.

4.4 This calculation includes the current market rent in the area; any local affordable rent percentage caps and the Local Housing Allowance (LHA) caps for the area.

4.5 If the affordable rent (including service charge) is less than the current formula rent plus service charge for that property, we will charge social rent for the property.

Affordable rent annual rent increases

4.7 There will be a review of rent calculation in the first week of April each year, including in the April following the grant of the tenancy.

4.8 Affordable Rent annual changes will be in line with Government requirements current at that time.

4.9 The total affordable rent amount will include any housing benefit eligible service charges within it. Non-housing benefit eligible service charges will be charged in addition.

5. Garages

5.1 The council will set the rental charge of garages at two separate rates depending on the type of tenure of the license holder. Council tenants will be charged the cost of a garage minus VAT. The cost for all other license holder will include VAT. The weekly rent charges will be increased annually by CPI plus 1%.

6. Appeals

5.1 Any tenant on either affordable or social rent who feels that their rent has not been set in accordance with this policy can appeal using the Council's complaints procedure.

5.2 Any tenant who is considering appealing should seek independent advice about this first from a Law Centre or Citizens Advice Bureau. The statutory right of appeal does not apply to fixed term tenancies.

6. Annual Rent Increases for Tenants.

6.1 Rents will change (increase / decrease) annually on the first Monday in April.