



Housing Services  
**Rent Setting Policy**  
**(2023)**

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## **1. Purpose of this Policy**

- 1.1. The purpose of the rent setting policy is to state how London Borough of Havering (LBH) sets rents for its residential properties, car parking and garages that are affordable and comply with legal and regulatory requirements.
- 1.2. All Local Authorities are required to set rents in accordance with the Government's Policy Statement on Rents for Social Housing 2019 (as amended) (Rent Policy Statement) and to comply with the Rent Standard issued by the Regulator of Social Housing (Rent Standard).
- 1.3. Rent levels are expected to generate sufficient rental income to cover the costs of managing and maintaining properties, of carrying out future planned improvements and maintenance, and of providing a quality service to customers, the Council's long-term viability through generating Income into the Housing Revenue Account and General Fund.
- 1.4. Failure to set rents correctly would put LBH at risk of non-compliance with rent and data quality requirements as set out by the RSH, and impact on our ability recover rents and to maximise income, putting the services we provide to our residents at risk. We could also be at risk of breach of contract for noncompliance with the requirements of existing tenancy agreements.

## **2. Aims of the Policy**

- 2.1. To ensure rents are fair and affordable and set in line with regulatory or statutory guidelines.
- 2.2. To meet the cost of services provided through general rent charges or where appropriate, specific service charges depending on the tenure type.
- 2.3. To recover all eligible service charges in an open and transparent way demonstrating value for money.

## **3. Scope of this Policy**

- 3.1. This Policy relates to Havering Housing Services properties including those it manages under private sector leasing (PSL) for temporary accommodation

## **4. Delegated Authority to make Changes to this Policy**

- 4.1. To ensure that this policy is operated fairly and legally throughout, the Assistant Director of Housing Operations and Estates, in consultation with the Director of Living Well and Director of Housing and Property, will be able to approve minor amendments; i.e. amendments that do not significantly change this policy or associated procedures.

## **5. Timescales of this policy**

- 5.1. This policy will commence in August 2023 and will be subject to updates every year in line with the updated business plan and changes in legislation and guidance.

## **6. Legal Context of this policy**

- 6.1. The Direction on the Rent Standard 2020 (“the Direction”) was issued by the Secretary of State in April 2020 and amended December 2022. It requires LBH to comply with the Policy Statement on Rents.
- 6.2. The Policy Statement on Rents for Social Housing (“the Policy Statement”), was published by the Department for Levelling Up, Housing and Communities (DLUHC) in February 2019 and sets out the Government’s policy on rents for social housing.
- 6.3. The Rent Standard, introduced by the RSH, applies to all RP and Local Authority low-cost social rental accommodation. It allowed rents to be increased annually up to the Consumer Price Index (CPI) measure of inflation, plus 1%. CPI is based on the September of the previous year. However, in response to the steep increase in inflation, and the impact that will have on the cost to the government of welfare benefits the Government, through the RSH, has imposed a limit of 7.0% on rent caps.
- 6.4. Setting rents for social housing – addendum to the Sector Risk Profile 2019 was issued by the RSH in March 2020 to supplement the 2019 Sector Risk Profile report and sets out what the sector can expect with regard to the regulation of rent requirements in future.
- 6.5. This policy also relates to Rent Act 1977, Housing Acts 1985, 1988. The Rent Acts (Maximum Fair Rent) Order 1999, Welfare Reform and Work Act 2016 (including amendments), Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 (as amended 2017), Policy Statement on Rents for Social Housing 2018 (Feb 2019), Rent Standard (Regulator of Social Housing) 2020, Limits on annual rent increases 2021-22 (Regulator of Social Housing)

## **7. Equal Opportunities Statement**

- 7.1. All applicants will be invited to provide details of ethnic origin, sexuality, disability and other equalities information. Provision of this information will not be obligatory or a requirement. Such information however will help the Council monitor the number and types of households with protected characteristics and their position under the policy. Therefore applicants will be encouraged to supply the relevant information to be used for this purpose.
- 7.2. Equalities data will be kept and monitored on a regular basis. This policy itself will be monitored to ensure it does not operate in ways that discriminate against, or unfairly disadvantage, any particular group.
- 7.3. The Council will seek to ensure that this policy is operated in a manner that is fair to all sections of the community. The information provided will be kept confidential and treated with respect at all times.

## **8. Responsibilities**

- 8.1. The Council has responsibility for a rent setting policy that underpins the continuing financial viability of London Borough of Havering and complies with legal and regulatory requirements.

## **9. Social Rents**

- 9.1. Social rents are set in accordance with the Rent Policy Statement and are Formula Rents.
- 9.2. Changes to annual rents will apply from the first Monday in April in accordance with the Rent Standard and Rent Policy Statement.

## **10. Affordable rent**

- 10.1. "Affordable" rents were introduced by the government as a way of allowing housing and local authorities' providers to charge a higher but still discounted rent on some of our homes.
- 10.2. An "Affordable Rent" is defined as a rent up to 80% of the local market rent for the homes we let. The extra income we get from letting a percentage of our homes on an "Affordable Rent" is used to help develop new homes for those in housing need.
- 10.3. The rent we charge, inclusive of service charges, for "Affordable Rent" will be normally be at 80% of the market rent value to maximise our income to develop new homes.
- 10.4. Market rent value is an estimate of Havering's gross market rent inclusive of all service charges at the beginning of the financial year. It is assessed according to similar property characteristics such as area and size as well as service provision, in line with the Royal Institute of Chartered Surveyors guidance.
- 10.5. The affordable rent can be reviewed at two points:
  - a. At the beginning of the financial year where these will increase by CPI+1% in line with government policy and any caps in place. Notice will be given 4 weeks prior to this increase.
  - b. When the property is re-let, the rent will be reset based on a new valuation, at 80% of market rent.

## **11. London Affordable Rents**

- 11.1. London Affordable Rent (LAR) was introduced by the Mayor in the 2016-23 Affordable Homes Programme. It is a type of general needs Affordable Rent home but with rents based on the formula rent cap figures for social rents, initially uprated by CPI for September 2016 plus one per cent, and subsequently uprated each April by the increase in CPI (for the previous September) plus one per cent.

## 12. Local Housing Allowance (LHA)

- 12.1. LHA is governed by the Housing Benefit Regulations 2006 (as amended) and the Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006 (as amended). The Department of Work and Pensions has published guidance for local authorities on the operation of the LHA
- 12.2. LHA rates are based on the “broad market rental area” in which the claimant lives and the 'category of dwelling' deemed appropriate for their household
- 12.3. The Havering area includes both the Outer North East London BRMA and South West Essex BRMA.
- 12.4. The current limits, as of February 2023 are as follows:

Room Size	Outer North East London BRMA	South West Essex BRMA
Shared Accommodation	£101.61 per week	£76.64 per week
One Bedroom Accommodation	£207.12 per week	£161.10 per week
Two Bedroom Accommodation	£264.66 per week	£201.37 per week
Three Bedroom Accommodation	£316.44 per week	£247.40 per week
Four Bedroom Accommodation	£398.14 per week	£306.66 per week

## 13. Temporary Accommodation General Needs

- 13.1. Residents in general temporary accommodation will be charged a formula rent, plus service charges. The rent charged will be increased in line with new general needs rents for 2023/4 – 7.0%

## 14. Supported Housing including Hostels and Sheltered Accommodation

- 14.1. Residents in supported accommodation will be charged a formula rent, plus service charges and are exempt from the rent cap. The rent charged will be increased in line with new general needs rents for 2023/4 – 7.0%

## 15. Basis of Rent Setting

- 15.1. **Social (formula) rent** – Rent is set using the formula set out in the Policy Statement (see below).
- 15.2. **Fair rent (secure tenants only)** - Fair rents apply only for secure tenancies arising prior to 1988 and may be reviewed and reassessed by the Valuation Office Agency (VOA) every two years. Rents charged to secure tenants will be the lower of the formula rent and fair rent.

- 15.3. **Affordable rent** – Where permitted, an affordable rent will be set up to a maximum of 80% of the gross market rent. Gross market rent means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector. Some restriction on rent level may be identified as part of planning agreements (s106).
- 15.4. **London Affordable Rent - weekly rent benchmarks** - As set out in the 2016-21 Affordable Homes Programme Funding Guidance, the GLA updated its London Affordable Rent weekly rent benchmarks on an annual basis, updating each one by the increase in CPI for the previous September plus 1%.
- 15.5. The weekly rent benchmarks from 2017/18 to 2022/23 are shown in the table below. For subsequent years, providers should apply their own updates to the benchmarks in line with the social housing rent-setting guidance published by the Regulator.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Bedsit and 1-bedroom</b>	£144.26	£150.03	£155.13	£159.32	£161.71	£168.34
<b>2 bedrooms</b>	£152.73	£158.84	£164.24	£168.67	£171.20	£178.23
<b>3 bedrooms</b>	£161.22	£167.67	£173.37	£178.05	£180.72	£188.13
<b>4 bedrooms</b>	£169.70	£176.49	£182.49	£187.42	£190.23	£198.03
<b>5 bedrooms</b>	£178.18	£185.31	£191.61	£196.78	£199.73	£207.93
<b>6 or more bedrooms</b>	£186.66	£194.13	£200.73	£206.15	£209.24	£217.82

- 15.6. **Shared ownership rent** - Shared ownership rent is usually charged to a shared owner of a residential unit as a percentage of the equity retained by the council, in line with guidance issued by Homes England. Shared ownership homes are exempt from rent regulation and their rents are usually increased annually in line with the terms of their lease.
- 15.7. **Garages and car parking** – The Council owns and manages garages and car parking spaces principally for use by residents. Charges for garages would usually be CPI +1%. Charges for 2023/24 will be capped at the same 7% increase. The rent for a car parking space will be set at a level it deems

affordable for its residents, which maximises uptake and covers all applicable management costs.

## 16. Formula Rent

16.1. Under the Policy Statement and Rent Standard, social 'formula' rents are calculated as set out below.

<b>Weekly formula rent is equal to:</b>	
	70% of the national average rent
	Multiplied by relative county earnings
	Multiplied by the bedroom weight
Plus	
	30% of the national average rent
	Multiplied by relative property value

16.2. The following bedroom weightings must be applied to the formula:

Number of bedrooms	Bedroom weight
0 (i.e. bedsits)	0.80
1	0.90
2	1.00
3	1.10
4	1.20
5	1.30
6 or more	1.40

16.3. All elements of the formula are published by the Office of National Statistics with the only variable being the property value in 1999.

16.4. Formula rents are subject to rent caps specified in the Policy Statement and subsequent Limits on annual rent increases (published by Regulator of Social Housing) which impose upper limits on Formula Rents according to property size.

16.5. Once a formula rent for 2000-01 has been calculated, it must be adjusted for each year using the following a two-step process set out in in the Policy Statement. This allows for annual inflationary/deflationary changes up until 2019-20 and then inflation by September CPI + 1%.

## 17. Rent Cap

17.1. Following the implementation of Universal Credit a new social housing rents cap at LHA levels was introduced in 2019/20 to replace "limit rents". In Havering, given the historically low level of council rents, the LHA levels for each bedroom size are above the proposed levels of the 2023/24 social rents



- 17.2. The rent caps apply as a maximum ceiling on the formula rent, and depend on the size of the property (the number of bedrooms it contains). Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap must be used instead.
- 17.3. Where a property whose rent has been subject to the rent cap comes up for re-let (and formula rent remains above the rent cap), the new rent may be set at up to the rent cap level – which will have been increasing by CPI + 1.5 percentage points
- 17.4. The Council will ensure that the rent caps are not breached for individual properties. They do not apply to supported accommodation.
- 17.5. If an existing property has an extension built with additional bedrooms then the rent should be revised to reflect the increased property valuation and added bed size, using the Government's formula rent calculation.

## **18. Private Sector Lease and General Needs Temporary Accommodation**

- 18.1. If the Council accepts a duty to provide a household with temporary accommodation, they may be offered a PSL or TAGen property.
- 18.2. It is important to note that PSL properties are leased from private landlords and they are not owned by the Council.
- 18.3. However, the Council are responsible for tenancy management, minor repairs and rent collection.
- 18.4. The majority of our PSL properties are located within the London Borough of Havering, however, we do have PSL properties outside of the borough mainly the surrounding boroughs including Essex.
- 18.5. Rent Levels – PSL and TAGen properties are set as per the following guidelines:

<b>Number of Bedrooms</b>	<b>Weekly Rent (£)</b>
1	140.19
2	176.54
3	218.08
4	290.77

- 18.6. These are based on LHA levels and are amended in line with changes to LHA levels

## **19. Dissemination and communication of this policy**

- 19.1. Housing Services will consult with all affected stakeholders, directly or indirectly, to ensure this policy fulfils its purpose to be clear and transparent.
- 19.2. This policy will be made available internally and externally in hard copy and electronic versions, as well as various formats – such as easy read, multi-lingual, braille and audio - upon request.