

	<h2>Housing Committee</h2> <h3>29 June 2015</h3>
<p style="text-align: right;">Title</p>	<p>Council Housing- Rents Policy</p>
<p style="text-align: right;">Report of</p>	<p>Commissioning Director, Growth & Development</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix 1- Draft Rents Policy Appendix 2- Equalities Impact Assessment</p>
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<h2>Summary</h2>
<p>The Council has developed a draft rents policy which will introduce affordable rents of up to 65% of average market rents for new council homes and new tenants, whilst seeking to implement target rents for existing tenants from April 2016.</p> <p>This report seeks authorisation to consult on the draft policy for council rents and report back to the Housing Committee on 19 October 2015 with proposals for a final policy.</p>

<h2>Recommendations</h2>
<ol style="list-style-type: none"> 1. That the Housing Committee consider and approve the draft Rents Policy for a public consultation.
<ol style="list-style-type: none"> 2. That the Housing Committee notes that the draft Rents Policy will be reported back to the Housing Committee (with any amendments made) on 19th October 2015, with a recommendation that it be approved and implemented.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Council's draft Housing Strategy has identified that due to increasing housing costs, there is a need to increase the supply of affordable homes, and includes proposals to develop a rents policy for existing and new council homes which will generate additional income to help fund the building of new council housing.
- 1.2 Rents for council housing are significantly lower than average rents charged in the private rented sector, and are also lower than those charged by local housing associations:

Beds	1	2	3	4+
Council	£90	£103	£117	£133
Housing Association	£117	£127	£143	£155-171
Private Sector	£237	£307	£402	£762

Table 1 - Average Rents in Barnet

- 1.3 Council rents in Barnet are also lower than those in all but one neighbouring London Borough as shown in table 2 below:

Borough	Average Rent	Borough	Average Rent
Barnet	£103.27	Hillingdon	£111.04
Enfield	£102.75	Brent	£114.45
Haringey	£105.49	Camden	£114.04
Harrow	£114.97	Islington	£115.89

Table 2 – Average Council Rents in North London April 2015

- 1.4 Average council rents in Barnet are also below the target rent which was established in 2002 under the previous national rent setting regime to converge council and housing association rents. The average council rent is £103.27 whilst the average target rent is £110.40.
- 1.5 The current national rents policy assumes that many council rents are already at target rent level, and seeks to move fully towards target rents by letting properties at target rents when they become empty.
- 1.6 Following a change in national funding arrangements in 2012, rents for new affordable housing provided by Housing Associations are set at affordable rents of up to 80% of average private sector rents, although in practice these have tended to be set at an average of 65%.
- 1.7 Government guidance also presumes that new council homes built by local authorities will be let at affordable rent levels of up to 80% of average private sector rents.

- 1.8 The Mayor of London seeks rents of 50% or 80% of average market rents for new affordable homes that will be delivered through the affordable housing programme funded by the Greater London Authority for 2015 – 2018.
- 1.9 Affordable rents are also applied to some existing housing association properties as they become vacant to help fund the building of new affordable homes.
- 1.10 In view of the above, the Council has developed a draft rents policy that will raise additional income by adopting the following approach:

New Council Homes - All newly built council homes will be charged affordable rents at 65% of average market rents, regardless of whether they are let to an existing or new council tenant.

Existing Council Tenants – The Council will seek to fully implement target rents with effect from April 2016. Where the existing weekly rent is more than £10 below the target rent, the increase in rent will be capped at £10 a week each year until the target rent is reached. This approach will result in an average increase of about 7% in April 2016.

Once the target rent has been fully applied, rents will be increased by CPI+1% each year as recommended by the Government.

New Council Tenants- New council tenants will be charged an affordable rent. To align the rents policy with the Council's Tenancy Strategy, a lower affordable rent based on 50% of average private sector rents will be charged for flexible tenancies, whilst rents will be based on 65% of average private sector rents for lifetime tenancies. If a flexible tenancy is renewed after its 5 year initial period the rent will increase to an affordable rent based on 65% of average private sector rents.

Younger tenants less than 25 years old are issued a 2 year tenancy in most circumstances as is set out in the Council's Tenancy Strategy, and will receive a further 2 year tenancy if there is a further extension and they are still under 25. Rents for 2 year flexible tenancies will be set at 50% of average market rents regardless of whether it is a first or second tenancy.

Non-secure tenants- existing non-secure tenants on the Council's regeneration estates will be treated in the same way as existing secure tenants for the purposes of this policy. New non-secure tenants will be charged affordable rents at 50% of average private sector rents.

Once an affordable rent has been set for a new tenant, it will increase at CPI+1% each year.

In all of the above scenarios, rents will be capped at Local Housing Allowance levels where this would otherwise be exceeded.

2. REASONS FOR RECOMMENDATIONS

- 2.1 This approach is being recommended as it will generate additional income to help fund the building of new council homes, whilst also providing a rents policy that continues to provide existing tenants with the benefit of target rents significantly below the level of affordable rents. The proposed policy is expected to raise an additional £18.3 million by 2020 which will fund an additional 129 new homes, which is in line with the Council's Housing Strategy to build 500 homes by 2020.
- 2.2 Table 3 below shows the average target rents for each type of council home and average affordable rents at 50% and 65% of average market rents respectively:

Beds	1	2	3	4+
Council April 2015	£90	£103	£117	£133
Target Rents	£90	£108	£127	£143
Housing Association	£117	£127	£143	£155-171
Private Sector	£237	£307	£402	£762
Affordable @50% of Private Sector	£119	£154	£201	£381
Affordable @65% of Private Sector	£154	£200	£261	£495

Table 3 – Average and Affordable Rents in Barnet.

- 2.3 Households who approach the Council as homeless face a variety of outcomes, ranging from a private sector tenancy with a market rent, a housing association property with an affordable rent of up to 80% of private sector rents, or a council tenancy with a social rent which on average is only 30% of market rents. Adopting affordable rents for new council tenancies provides a more equitable approach for new people being rehoused by the council.
- 2.4 The use of 50% and 65% market rents for new flexible and lifetime tenancies aligns with the Council's Tenancy Strategy which recognises the need to provide additional support at a time of crisis. If a flexible tenancy is renewed after the initial five year period, the rent will be increased to a 65% market rent.
- 2.5 The aim of national rent policy for existing council tenants has been to move towards target or formula rents, and the proposed approach in the Council's draft rents policy will see existing council tenants in Barnet continuing to enjoy lower target rents, with an average one off increase of 7% from April 2016.
- 2.6 Limiting affordable rents to Local Housing Allowance levels will ensure that council rents will be fully eligible for housing benefit assessments, with the exception of some households affected by the benefit cap.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The Council's draft Housing Strategy that was approved for consultation by the Housing Committee in October 2014 proposed that rents of 80% of average market or Local Housing Allowance should be charged for new council homes and new council tenants, and adopted over a period of time for existing tenants.
- 3.2 Consultation responses highlighted a degree of concern about the impact of this approach, particularly about the potential disincentive for lower paid working households to seek higher paid work, and the proposals have been revised as set out in 1.10 above.
- 3.3 The Council also considered following the Government's guidelines on rent setting for social housing, which would see existing rents increase by CPI+1% each year, whilst new tenants would be charged the target rent and newly built homes would be charged affordable rents of up to 80% of local market rents.
- 3.4 The Council is not obliged to follow the Government's guidelines and as this approach would not generate additional income for the delivery of more affordable homes it is not recommended.

4. POST DECISION IMPLEMENTATION

- 4.1 Consultation of the proposed rents policy will be undertaken as set out 5.6 below. Following this a further draft of the policy will be reported to Housing Committee on 19 October 2015.
- 4.2 Research of private sector rent levels for different type of property, i.e. House, Flat, Bedsit, Bungalow, will be undertaken to help refine the proposed methodology for setting formula rents as set out in Appendix 1 of the draft policy.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.2 The Council's wider objectives are set out in the Corporate Plan and seek ensure that Barnet is a place:

- Of opportunity, where people can further their quality of life.
- Where responsibility is shared, fairly.
- Where people are helped to help themselves, recognising that prevention is better than cure.
- Where services are delivered efficiently to get value for money for the taxpayer.

The Council's proposed approach to rent setting reflects these objectives by seeking to provide more affordable home as a platform for helping people to help themselves, and to help prevent homelessness. In addition, this policy seeks to provide a clearer and fairer approach to rent setting.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The rent policy proposals have been modelled with the Housing Revenue Account model and it is estimated that over the five year period commencing April 2016 net additional revenue of £18m will be raised which, combined with retained Right-to-Buy receipts, will enable the Council to build an additional 129 new affordable homes which along with the borrowing in the HRA will enable 500 homes to be built by 2020.. These figures are set out in table 4 below:

	Gross additional income	HB Subsidy loss	Net Benefit	% HB subsidy loss
Over 3 years:	£12.721m	£2.295m	£10.426m	18%
Over 5 years:	£26.503m	£8.117m	£18.386m	31%
Over 10 years:	£78.565m	£38.126m	£40.439m	49%

Table 4 - Net cumulative cash benefits from moving to New Rent Policy

5.2.2 Some of the additional income raised will be lost as the rents policy will mean that the average council rent will exceed the limit rent which determines the amount of subsidy the Council can claim from the Government to cover the cost of Housing Benefit paid to council tenants.

5.2.3 It is likely that additional resources will be needed by Barnet Homes for rent collection and support to take account of potential difficulties in collecting higher rents from council tenants. The need for these resources will be assessed before the proposed final version of the rents policy is reported back to the Housing Committee in October 2015.

5.2.4 The higher level of rental income received as a result of the proposed rents policy will help to ensure that retained Right-to-Buy receipts can be fully utilised by the Council to provide more affordable homes. Modelling shows that if the Council did not adopt the policy then there is a risk that £3.8m of retained Right- to-Buy Receipts would remain unspent and would have to be returned to the Government plus interest of 4%.

5.3 Legal and Constitutional References

5.3.1 The Localism Act 2011 introduced self-financing (or self-funding) for council housing. The national subsidy system has been abolished and a new funding regime introduced giving local authorities more autonomy to set Council rents.

5.3.2 Section 24 of the Housing Act 1985 gives a local housing authority the power to set rents, making “such reasonable charges as they may determine for the tenancy or occupation of their houses’ subject to certain considerations and to review the rents from time to time and adjust them as circumstances require.

5.3.2 Under Section 102 of the Housing Act 1985 the Council is obliged to serve a statutory notice of variation on council tenants if it wishes to change the rent charged (or other terms of the tenancy). This will be done at the appropriate time subject to the decision of this committee.

5.3.2 The Council’s Constitution (Responsibly for Functions, Annex A) sets out the responsibilities of the Housing Committee which includes “to work with Barnet Homes, RSLs and social housing providers to ensure the optimum provision of housing and associated facilities for those who require social housing” as well as considering housing strategy and policies .

5.4 Risk Management

5.4.1 There is a risk that higher rents will result in an increase in rent arrears and bad debts. This will be mitigated by reviewing the level of resources needed by Barnet Homes for rent collection and support and advice services for tenants.

5.4.2 There is a risk that the Council will be challenged for adopting a rent policy that does not follow the Government’s guidance on rents for social housing. However, the guidance assumes that the majority of council rents are already at target rent whilst our analysis shows that this is not the case in Barnet. The Council will continue to consult with the Government and Greater London Authority prior to finalising the policy.

5.5 Equalities and Diversity

5.5.1 Pursuant to Section 149 of the Equality Act 2010 (“the Act”), the Council has a duty to have ‘due regard’ to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act, advancing equality of opportunity between persons with a protected characteristic and those without and foster good relations between persons with protected characteristics and those without.

5.5.2 The protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation.

5.5.3 A full equalities impact assessment has been completed. This assessment will be revised following the outcome of the consultation. So far the assessment has identified that the draft rents policy will have an overall positive impact on all sections of Barnet’s community, This is because there is a high demand for

affordable housing in the borough and providing more home will enable the Council to allocate homes to more households in housing need.

5.5.2 Given the fact that older people over the age of 60 claiming no housing benefit, Black tenants claiming no housing benefit and lone parent families have been identified as groups that may be adversely affected by increased rents the following actions will be required to ensure that tenancy sustainment for these groups is maximised including.:

- Barnet Homes will review the Successful Tenancies Strategy and Flexible Tenancies Toolkit to ensure that tenants at risk are identified early on.
- Additional targeted support for working age tenants to access training and employment to reduce reliance on housing benefit.
- Review strategy for rent collection and rent arrears recovery.

5.5.3 It is proposed that rents for existing tenants, who signed up expecting their rent to be set according to the government guidance on rents for social housing are increased to the target rent level. For nearly half of the existing tenants this will mean that their rent will increase by less than £5 per week. The policy proposes that the rent increase is capped at £10 per week to ensure that existing tenants are not unfairly affected and can manage their tenancy effectively. With £10 capped rises continuing until the target rent is reached.

5.6 Consultation and Engagement

5.6.1 The Council will undertake a 10 week public consultation on the draft rents policy. This will include a Citizen's Panel postal survey, online survey on the engage space website and a meeting with tenants and leaseholders on the Barnet Homes Performance and Advisory Group. The feedback on the consultation and any changes that are required to the draft policy will be reported back to the Housing Committee in October 2015.

6. BACKGROUND PAPERS

6.1 Relevant previous decisions are listed in the table below.

Item	Decision	Link
Policy and Resources Committee, 17 February 2015 on recommendation of Housing Committee. 2 February 2015	Approved rent increase of Consumer Prices Index (CPI) plus 1% for council dwellings as set out in paragraph 1.5 and to recommend for adoption from April 2015	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=7865&Ver=4 http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&MId=7937&Ver=4
Cabinet, 25 February 2014-	Approved proposed increases in council	http://barnet.moderngov.co.uk/documents/s13295/Budget%20report%2

Business Planning 2014/15- 2015/16	dwelling rents and service charges, and the proposed increase in council garage rents, all effective from 1 April 2014	0Feb%20Cab%20v5.pdf
Cabinet Resources Committee, 25 February 2013	Approved proposed increases in council dwelling rents and service charges, and the proposed increase in council garage rents, all effective from 1 April 2013	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=151&MId=6758&Ver=4
Cabinet, 25 February 2013 – Business Planning 2013/14 – 2015/16	Approved the Business Planning document for the Council’s business plan 2014/15 including the Housing Revenue Account (HRA) Business Plan.	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=120&MId=6751&Ver=4
Cabinet Resources Committee, 24 June 2013	Approved a programme for Barnet Homes to build 41 new affordable dwellings on behalf of the Council.	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=151&MId=7457&Ver=4

