



Please ask for Rachel Appleyard
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The Chair and Members of Cabinet

6 January 2020

Dear Councillor,

Please attend a meeting of the CABINET to be held on TUESDAY, 14 JANUARY 2020 at 10.30 am in Committee Room 1, Town Hall, Rose Hill, Chesterfield, the agenda for which is set out below.

AGENDA

Part 1(Public Information)

1. Declarations of Members' and Officers' Interests relating to items on the Agenda
2. Apologies for Absence
3. Minutes (Pages 3 - 10)

To approve as a correct record the Minutes of the Cabinet meeting held on 17 December, 2019.

4. Forward Plan

Please follow the link below to view the latest Forward Plan.

[Forward Plan](#)

5. Delegation Report (Pages 11 - 12)

Items Recommended to Cabinet via Cabinet Members

Deputy Leader

6. Collection Fund Revised Estimates 2019/20 (Pages 13 - 18)

Cabinet Member for Housing

7. Annual Housing Revenue Account (HRA) rent and service charge setting review (Pages 19 - 62)

Yours sincerely,

A handwritten signature in black ink, appearing to be 'S. Smith', written in a cursive style.

Local Government and Regulatory Law Manager and Monitoring Officer

CABINET

Tuesday, 17th December, 2019

Present:-

Councillor P Gilby (Chair)

Councillors Serjeant
Blank
T Gilby
Ludlow

Councillors Holmes
J Innes
Mannion-Brunt
Sarvent

*Matters dealt with under the Delegation Scheme

76 **DECLARATIONS OF MEMBERS' AND OFFICERS' INTERESTS
RELATING TO ITEMS ON THE AGENDA**

No declarations of interest were received.

77 **APOLOGIES FOR ABSENCE**

No apologies for absence were received.

78 **MINUTES**

RESOLVED –

That the minutes of the meeting of Cabinet held on 3 December, 2019 be approved as a correct record and signed by the Chair.

79 **FORWARD PLAN**

The Forward Plan for the four month period 1 January to 30 April, 2020 was reported for information.

***RESOLVED –**

That the Forward Plan be noted.

80 **MINUTES OF THE SHEFFIELD CITY REGION MAYORAL COMBINED**

AUTHORITY BOARD

Minutes of the meeting of the Sheffield City Region Mayoral Combined Authority Board held on 18 November, 2019 were reported for information.

***RESOLVED –**

That the Minutes be noted.

81 INDEPENDENT REMUNERATION PANEL ON MEMBERS' ALLOWANCES

The Senior Democratic and Scrutiny Officer presented a report detailing the recommendations of the Independent Remuneration Panel (IR Panel) following its recent review of the Members' Allowances Scheme. The Council appointed the IR Panel earlier in the year to consider Members' allowances as a statutory requirement of the Local Government Act 2000. The IR Panel last carried out a comprehensive review in 2015.

The IR Panel's report recommended increases to the Basic Allowance along with the Special Responsibility Allowances (SRAs) for the Chair of Planning, Appeals and Regulatory and Standards and Audit Committees, and the Vice Chairs of Planning and Appeals and Regulatory Committee. The Panel's report also recommended the introduction (or re-introduction) of two SRAs: Chair of Licensing Committee and Deputy Leader of the main opposition group. In addition, the Panel recommended that the SRA for the Vice Chairs of Scrutiny Committees be reduced. The overall cost of implementing the Panel's recommendations amounted to an additional £8,472, a year compared to the current scheme, which reduced to £3,718 whilst the Chair of Appeals and Regulatory Committee was also the Chair of the Licensing Committee.

The decision on whether the Panel's recommendations be accepted in full, in part or rejected would be taken by Full Council at its meeting on 18 December, 2019.

***RESOLVED –**

That it be recommended to Full Council that:

1. They consider the report of the Independent Remuneration Panel and determine whether or not to approve some or all of the Panel's recommendations.
2. The IR Panel's report be published in the press and on the Council website, as set out at paragraph 6 of the officer's report.
3. A supplementary estimate to meet the additional costs outlined in paragraph 5.1 of the officer's report be approved.
4. They express both their appreciation and thanks to the members of the IR Panel for the thorough and efficient way in which they carried out the review.
5. The basic allowance, special responsibility allowances and Mayoral Allowance be updated annually in line with the annual percentage pay increase given to Chesterfield Borough Council employees as agreed for each financial year by the National Joint Council for Local Government Staff until 31 March, 2023 unless the Council has before then sought a further recommendation from its IR Panel on their application in this scheme.

REASON FOR DECISIONS

To enable the Council's Members' Allowances Scheme to be reviewed as required by the Local Government Act 2000 and The Local Authorities (Members' Allowances) (England) Regulations 2003.

82 GENERAL FUND REVENUE BUDGET SUMMARY

The Acting Chief Finance Officer submitted a report to update members on the development of the General Fund Revenue Budget Summary for 2020/21 and future years.

The latest revised budget for 2019/20 showed a projected surplus of £75k. The report attributed this to increased rental income from the Town Hall and savings with regards to the review of the Insurance Fund, trading accounts and staffing efficiencies.

The report provided an update on the Medium Term Financial Forecast. The latest projected deficit for 2020/21 was £242k, increasing to £876k by 2024/25. The future forecasts were dependant on core trading income

streams remaining consistent including income from car parks, leisure, business rents and income from the theatres.

The Acting Chief Finance Officer advised that, in advance of the final budget for 2019/20 being agreed by full Council on 26 February, 2020, work would be undertaken between Cabinet Members and the Corporate Management Team to continue to identify further savings and income generation proposals.

***RESOLVED –**

1. That the updated budget projections for 2019/20 and future years, as detailed in appendix A of the officer's report, be noted.
2. That work to refine the draft estimates and to identify further budget saving proposals be continued.
3. That the proposed use of the Markham Vale Enterprise Zone business rates rebate, as outlined in paragraphs 5.5 and 5.6 of the officer's report, be approved.

REASON FOR DECISIONS

To keep Members informed on the development of the budget proposals for 2020/21 and to provide an update on the medium term financial forecasts.

83

SHELTERED HOUSING INVESTMENT UPDATE

The Asset Management and Programmed Works Manager submitted a report to seek approval for the internal and external refurbishment of Leander Court as part of the approved works at Mallard Court and Pullman Close, Staveley. The report also sought approval to temporarily close and refurbish Aston Court, Staveley as part of the planned community projects in Staveley.

The report advised that Leander Court was currently general needs provision however it would be incorporated into the Mallard Court project to provide an expanded sheltered housing complex. Demand for flats and bedsits at these schemes had generally been low and the Council had identified a need to maintain the supply of affordable, modern and attractive accommodation to provide housing for the ageing population.

Once refurbished, Aston Court would be offered as general needs provision.

Investment in the proposed schemes would be included in the new Housing Capital Programme for 2020/21 to 2024/25 that would be presented to Cabinet in February 2020.

***RESOLVED –**

1. That the refurbishment project at Leander Court, in conjunction with the previously approved works at Mallard Court and Pullman Close, Staveley, be completed at an estimated cost of £3.9 million.
2. That the temporary closure and refurbishment of Aston Court, Staveley, be approved at an estimated cost of £3.2 million.
3. That lettings at Mallard and Leander Courts be ceased to enable a suitable decant strategy to be undertaken using accommodation at Aston Court.

REASON FOR DECISIONS

To meet the Council's priority 'to improve the quality of life for local people' and objective five 'to increase the supply and quality of housing in Chesterfield Borough to meet current and future needs.'

84 EXCLUSION OF THE PUBLIC

RESOLVED –

That under Regulation 21(1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000, the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972.

85 AWARD OF CONTRACT TO COLLECT AND DISPOSE OF DOMESTIC WASTE FROM MAY 2020

The Interim Assistant Director – Commercial Services submitted a report to update members on the actions taken to procure a supplier for the

future delivery of the Council's waste collection contract. The report proposed that the contract be awarded to Veolia following an open tender process and sought approval for a revised five-year revenue budget for the provision of the contract and capital expenditure for the purchase of a new vehicle fleet.

The new contract would be for a period of five years, with the option to extend for a further two years, and would include the provision of the following waste collection services:

- Collection of Domestic Residual Waste and Healthcare Waste
- Collection of Domestic Organic Waste
- Collection of Commercial Waste
- Collection of Bulky Waste Items including fridges, freezers and other electrical items
- Delivery, repair and replacement of all domestic waste receptacles

The collection of market waste and recycling, and market grounds cleaning services, would be brought in-house from 1 May, 2020, enabling improvements to be made to service delivery and provide value for money.

The report would be considered by Full Council on 18 December, 2019.

Councillor Holmes requested that his abstention be recorded in the minutes.

***RESOLVED –**

1. That the decisions taken to close the open tender process for the procurement of Waste Collection Services and implement Regulation 32 of the Public Contract Regulations (PCR) 2015 to enable direct negotiations with a single supplier to secure the best value for money outcome for the future provision of Waste Collection Services across the borough be noted.
2. That it be noted that the revenue costs associated with the award of the contract and other elements of service delivery will lead to a different five-year budget profile for the provision of Waste Collection Services than the budget profile that is currently approved by Council.

3. That it be recommended to Full Council that the revised five-year revenue budget profile for the provision of Waste Collection Services from 2020/21, as set out in section 8 of the officer's report, be approved.
4. That a five-year contract be awarded to Veolia with the options to extend the contract for a further two years and then, if desired, a further seven years, to provide the following Waste Collection Services from 1 May, 2020:
 - Collection of Domestic Residual Waste and Healthcare Waste
 - Collection of Domestic Organic Waste
 - Collection of Commercial Waste
 - Collection of Bulky Waste items including fridges, freezers and other electrical items
 - Delivery, repair and replacement of all domestic waste receptacles
5. That the proposals for the direct in-house delivery of the market waste and recycling collection and market grounds cleaning services from 1 May, 2020, as set out in paragraph 3.6 of the officer's report, be approved.
6. That the range of service improvements that the new contract delivers, specifically with regards to sustainability and digital technology, be noted.
7. That it be recommended to Full Council that the capital expenditure for the purchase of a new vehicle fleet for the future delivery of Waste Collection Services, as set out in paragraphs 3.10 and 7.3 of the officer's report, be approved, and that this item of additional expenditure be added to the Council's Capital Programme for 2019/2020.
8. That the work being done to identify the most cost-effective method of procuring the vehicles that complies with current procurement legislation and delivers value for money be noted.
9. That delegated authority be granted to the Executive Director, in consultation with the Cabinet Member for Health and Wellbeing, to finalise the procurement arrangements for the new vehicles.

REASON FOR DECISIONS

To agree the arrangements for the future provision of Waste Collection Services prior to the expiration of the current contract to ensure continuity of service.

CABINET MEETING

14 January 2020

DELEGATION REPORT

DECISIONS TAKEN BY LEAD MEMBERS

Cabinet Member for Governance

Decision Record No.	Subject	Delegation Reference	Date of Decision
17/19/20	Amendment to Representatives on Outside Bodies, Joint Committees, Other Bodies and Charities	C000L	28 November 2019
<p>Decision</p> <p>That the amended schedule of appointments of representatives on outside bodies, attached at Appendix A to the report, be confirmed.</p>			
<p>Reason for Decision</p> <p>To confirm the amended schedule of appointment of representatives to outside bodies for 2019/20.</p>			

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For Publication

COLLECTION FUND REVISED ESTIMATES 2019/20

Meeting:	Cabinet
Date:	14 th January 2020
Cabinet portfolio:	Deputy Leader of the Council
Report by:	Acting Chief Finance Officer

For publication

1.0 Purpose of report

- 1.1 To agree the revised estimate of the surplus or deficit on the Collection Fund for 2019/20 so that it can be shared amongst the major precepting authorities in 2020/21.

2.0 Recommendations

- 2.1 That the estimated surplus on the Council Tax of £940,939 be agreed and allocated to the major precepting authorities as detailed in Appendix A.

3.0 Background

- 3.1 The Local Government Finance Act 1992 requires Billing Authorities to calculate the estimated surplus or deficit on the Council Tax elements of the Collection Fund each year.

3.2 The Act prescribes that the estimated surplus or deficit should be allocated to the major precepting authorities in proportion to their precepts and that the major preceptors should then take it into account when calculating their Council Taxes for the following financial year.

4.0 **Considerations**

4.1 Council Tax Transactions

4.1.1 The estimate of Council Tax income for the year 2019/20 is £52.6m.

4.1.2 The accumulated bad debt provision has been estimated at £1,418,000.

4.1.3 In setting the Council Tax for 2019/20 it was originally estimated that there would be a deficit from the previous year of £27,135 to allocate. However, at the end of 2018/19 there was surplus of £898,131 due to a reduction in the bad debts provision. The difference of £925,266 will be allocated in 2020/21.

4.1.4 The precepts on the fund in 2019/20 total £52m.

4.1.5 The net result of the above items is to produce an estimated surplus of £940,939 on the Fund at 31st March 2020. Appendix A shows how the surplus is to be shared between the major precepting authorities in 2020/21. The majority (73.66%) goes to the County Council. The Borough Council receives 10.04% of the surplus i.e. £94,470.

5.0 **Legal and data protection implications**

5.1 The Local Government Finance Act 1992 requires Billing Authorities to calculate the estimated surplus or deficit on the Council Tax elements of the Collection Fund each year.

6.0 **Alternative options**

6.1 None.

7.0 **Recommendations**

7.1 That the estimated surplus on the Council Tax of £940,939 be agreed and allocated to the major precepting authorities as detailed in Appendix A.

8.0 **Reasons for recommendations**

8.1 To fulfil a statutory requirement and to feed into the budget setting process for 2020/21.

Decision information

Key decision number	906
Wards affected	All
Links to Council Plan priorities	To become financially self-sufficient.

Document information

Report author	Contact number/email
Richard Staniforth	01246 345456 richard.staniforth@chesterfield.gov.uk
Appendices to the report	
Appendix A	Revised Collection Fund Estimates 2019/20

REVISED COLLECTION FUND ESTIMATES 2019/20

	Council Tax £	
Surplus/(deficit) b/fwd		898,131
<u>Income:</u>		
Gross Debit	52,600,000	
Reduction/(increase) in bad debt provision	(498,656)	52,101,344
		52,999,475
<u>Expenditure:</u>		
Parishes	(447,510)	
Chesterfield BC	(4,779,144)	
Derbyshire CC	(38,344,148)	
Derbyshire Fire & Rescue	(2,209,245)	
Police & Crime Commissioner for Derbyshire	(6,278,489)	(52,058,536)
Estimated Surplus/(Deficit)		940,939
<u>Share of Surplus / (Deficit):</u>	%	£
Chesterfield BC	10.04	94,470
Derbyshire CC	73.66	693,096
Derbyshire Fire & Rescue	4.24	39,896
Police & Crime Commissioner for Derbyshire	12.06	113,477
Total Surplus/(Deficit)	100%	940,939

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For publication

Annual Housing Revenue Account rent and service charge setting review (H000)

Meeting:	Cabinet
Date:	14 th January 2019
Cabinet portfolio:	Cabinet Member for Housing
Report by:	Assistant Director – Housing

For publication

1.0 Purpose of report

- 1.1 To advise Members that from 1st April 2020 Homes England, the Regulator of Social Housing, has set a new Rent Standard which applies to all registered providers of social housing (including local authorities).
- 1.2 To advise Members of the Government's Policy Statement on rents for social housing from 1st April 2020 onwards.
- 1.3 To seek Cabinet approval to set rent and service charge levels for 2020/21.

2.0 Recommendations

It is recommended that:

- 2.1 For 2020/21 individual social rents be set based on the current national social rent policy, giving a rent increase of 2.7% with effect from 6th April 2020.
- 2.2 For 2020/21 and onwards, where a social rent property is re-let to a new or transferring tenant the rent level be increased to the target rent for that property.
- 2.3 For 2020/21 individual affordable rents be set based on the current national social rent policy giving a cash rent increase of 2.7% with effect from 6th April 2020.
- 2.4 For 2020/21 and onwards, where an affordable rent property is re-let to a new or transferring tenant the rent level be set by reference to 80% of the market rent (including service charges where applicable) for a similar property at the time of letting or the formula rent for the property, whichever is the greater.
- 2.5 The true costs of delivering services should be passed onto tenants. Therefore, service charges should be increased to ensure services break even. It is recommended that the service charges are increased as set out in **Appendix A** 'Housing Revenue Account Service Charges 2020/21'.

3.0 Report details

- 3.1 The council is required to keep a separate account for its activities as a landlord. This is called the Housing Revenue Account (HRA). The HRA is governed by the Local Government and Housing Act 1989 and by determinations made under this Act by Ministry of

Housing Communities and Local Government.

- 3.2 Under the HRA self-financing regime we are required to ensure that our HRA Business Plan is financially viable, delivers reasonable standards for tenants and maintains at least the minimum Decent Homes Standard.
- 3.3 Future investment in the Housing Service and the housing stock is largely funded through income from the properties and is therefore directly influenced by decisions on rent levels, additional borrowing or the use of cash reserves.
- 3.4 Social rents are set according to the Government's national social rent policy and the Welfare Reform and Work Act 2016. In accordance with this legislation rents for council tenants have reduced by 1% per annum each year from April 2016. The final reduction was in April 2019.
- 3.5 In addition, where a property is re-let during the financial year (and where it is not already at target rent), the new tenant's rent level can continue to be increased to the target rent for that property.

Rent setting for 2020/21

- 3.6 Local Authority housing rents (social and affordable) from 1st April 2020 must be set in accordance with the Rent Standard.
- 3.7 A social rent is calculated by a formula based on local earnings (70%), property values (30%) and then adjusted to account for the number of bedrooms in a property.
- 3.8 Affordable rented homes are properties delivered through the Affordable Homes Programme 2011-15 and let by local authorities or private registered providers of social housing to households who are eligible for social rented housing.

Affordable rent is subject to rent controls that require a rent of up to 80% of the local market rent (including service charges). Chesterfield Borough Council lets six properties at an affordable rent.

- 3.9 As the period of rent reductions required under the Welfare Reform and Work Act 2016 will have elapsed at 31 March 2020, the Government consulted on and announced its revised social rent policy for the period 2020-2025 on 4th October 2019.
- 3.10 The Government has reverted back to the previous formula that was used prior to the Welfare Reform and Work Act 2016 of allowing rent increases to be set at up to the consumer price index (CPI) + 1.0% from April 2020 for the next five years. When taking inflation into account the effect of reducing rents by 1% per annum for four years has led to rents being an estimated 12% lower than anticipated under the previous formula.
- 3.11 This new policy, attached at **Appendix B**, which will come into effect from 1st April 2020 recognises the need for a stable financial environment to support the delivery of new homes and to enable local authority housing providers to plan ahead.
- 3.12 For the first time, the Government has also directed the Regulator of Social Housing (“the Regulator”) to apply its Rent Standard to all registered providers, including local authorities. This instruction is attached as **Appendix C**. The reason for this being that the previous arrangements for limiting the welfare costs associated with local authority rents, the Rent Rebate Subsidy Limitation Scheme, will no longer operate alongside Universal Credit. As a result, all social landlords will be required to submit annual rent data to the Regulator.
- 3.13 Therefore, it is recommended that for 2020/21 (and in the following four years) all Chesterfield Borough Council rents (social and affordable) will increase by CPI plus 1%. This is a real increase

of 2.7% in 2020/21 based on CPI in September 2019 of 1.7%.

- 3.14 There are currently three properties in the housing stock where the rent charged has historically been above the target rent. The target rents for these properties will increase by 2.7% in April 2020 which is above the current rent for 2019/20 for each property. The maximum increase allowed for the actual rent is 2.7%, but it is recommended that for 2020/21, the actual rent for these properties be limited to a maximum of the target rent for that property in 2020/21.
- 3.15 Based on the current housing stock at 30 November 2019 of 8,992 homes, the projected overall average rent will be £78.10 which is an average increase of £2.05 on a 52-week basis. The average social rent (8,986 properties) will be £78.08 per week (£2.04 increase) and the average affordable rent (six properties) will be £96.79 per week (£2.54 increase).

The smallest rise will be £0.41 per week and the largest £3.30 per week.

The average social formula rent for 2020/21 will be £80.92 per week based on 52 weeks, being an increase of £2.13 per week based on current social rented stock.

Service charges

- 3.16 A detailed consideration of increases to heating charges, garage rents, garage site rents, garden assistance scheme, water charges, community room charges and warden services are set out in **Appendix A**.

Rent, fees and charges summary

3.17 The table below shows the annual impact of the recommended rent increase and fee and charge increases set out in Appendix 1 on the 2020/21-year end balance:

Description	Additional income in 2020/21 (£)
Heating Service charge	2,860
Garage rents	29,400
Garage sites	1,340
Water charges	130
Garden assistance scheme	90
Community room hire	0
Communal staircase cleaning	6,790
Sheltered scheme support charge	2,870
Careline response and support	38,025
Rent increase	943,500
Total of proposed increases	1,025,005

4.0 **Financial Implications**

4.1 The financial implications are an intrinsic element of this report

5.0 **Legal and data protection implications**

5.1 The rent calculations adhere to the Government social rent policy set out for the period 2020 to 2025.

6.0 **Risk Management**

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood

Increased rent means rents more unaffordable	M	M	All rents are below the local housing allowance levels. Arvato operate a wide range of activities to maximise the Councils rent collection including offering direct debits that automatically adjust to collect the increased rents	M	L
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7.0 Equalities Impact Assessment

7.1 In setting the National Social Rent Policy, an Equalities Impact Assessment has been carried out nationally. The impact on tenants with protected characteristics has been considered when setting fees and charges and where possible these have been minimised to mitigate any negative impact.

8.0 Recommendations

It is recommended that:

8.1 For 2020/21 individual social rents be set based on the current national social rent policy, giving a rent increase of 2.7% with effect from 6th April 2020.

- 8.2 For 2020/21 and onwards, where a social rent property is re-let to a new or transferring tenant the rent level be increased to the target rent for that property.
- 8.3 For 2020/21 individual affordable rents be set based on the current national social rent policy giving a cash rent increase of 2.7% with effect from 6th April 2020.
- 8.4 For 2020/21 and onwards, where an affordable rent property is re-let to a new or transferring tenant the rent level be set by reference to 80% of the market rent (including service charges where applicable) for a similar property at the time of letting or the formula rent for the property, whichever is the greater.
- 8.5 The true costs of delivering services should be passed onto tenants. Therefore, service charges should be increased to ensure services break even. It is recommended that the service charges are increased as set out in **Appendix A** 'Housing Revenue Account Service Charges 2020/21'.
- 9.0 **Reasons for recommendations**
- 9.1 To enable the council to set the level of council house rents in accordance with Government guidelines and the Rent Standard.
- 9.2 To enable the council to set service charges for 2020/21 and ensuring the cost of delivering services continues to break even.
- 9.3 To contribute to the council's corporate priority 'to improve the quality of life for local people'

Decision information

Key decision number	914
Wards affected	All
Links to Council Plan priorities	To improve quality of life for local people and too provide value for money services

Document information

Report author	Contact number/email
James Crouch	345150 james.crouch@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	
Appendices to the report	
Appendix A	Service charge increases
Appendix B	Government rent Policy Statement
Appendix C	Instruction to regulator

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Appendix A: Housing Revenue Account Service Charges 2020/21

1.0 District and group heating

- 1.1 Tenants linked to a group heating scheme (sheltered housing schemes) pay for heat through a service charge. Service charges paid with the rent apply to all tenants linked to a group heating scheme. Value added tax is not payable on service charges
- 1.2 Heating charges are not eligible for Housing Benefit or the housing element of Universal Credit
- 1.3 It is proposed that in order for the group heating schemes to continue to breakeven in 2020/21 the charges are increased by 3% as detailed in the table below:

	Current charge (per week)	Revised charge (per week)	Increase in 2020/21
1 bedroom	£17.60	£18.13	53p increase
2 bedroom	£18.10	£18.64	54p increase
3 bedroom	£18.60.	£19.16	56p increase

2.0 Garage rents and garage sites

- 2.1 Income streams from both garage rents and garage site leases currently cover expenditure. The sites around the garages have had significant capital expenditure in recent years and further work is planned. Increases in charges of 7% to reflect the cost of ongoing improvements are recommended as follows:

	Current charge	Revised charge	Increase in 2020/21
Garage rents	£7.20 per week	£7.70 per week	50 pence per week
Garage site – shale surface	£53.30 per annum	£57.00 per annum	£3.70 per annum

Garage site – asphalt	£67.00 per annum	£71.70 per annum	£4.70 per annum
Garage site – other	£73.40 per annum	£78.50 per annum	£5.10 per annum

2.2 Garage rents are not eligible for Housing Benefit or the housing element of Universal Credit.

3.0 Water charges

3.1 Water charges are now only payable on sheltered schemes. In order to maintain a breakeven position it is proposed to increase charges by 2% (the estimated inflationary increase on water rates for 2020/21). This give an average increase from £3.49 per week to **£3.56** per week.

3.2 Water charges are not eligible for Housing Benefit or the housing element of Universal Credit.

4.0 Garden assistance scheme

4.1 The current Garden Assistance Scheme contract was awarded to Spirepride in April 2018. In order to comply with the Equality Act 2010 the service is provided free to disabled people.

4.2 The cost of providing the service to any eligible disabled service users will be met from the HRA working balance. Any other service users will be charged as per the table below. The contract price is set to increase by 2.81% in April 2020 and it is proposed to pass this increase onto all paying clients.

	Current charge (per week)	Revised charge (per week)	Increase in 2020/21
Grass Cut	£3.54	£3.64	10 pence
Hedge Cut	£0.69	£0.71	2 pence

Grass and hedge cut	£4.23	£4.35	12 pence
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4.3 Garden Assistance Scheme charges are not eligible for Housing Benefit or the housing element of Universal Credit

5.0 Community rooms

5.1 Housing Services currently manage five community rooms at various locations across the borough. Usage currently varies between the venues, with income not meeting the costs associated with the maintenance and management of these facilities.

5.2 Charges for the hire of community rooms are in accordance with the table below. Bookings are offered at a fixed price for the usage of the room per slot:

- 9.00a.m to 1.00p.m
- 1.00p.m to 5.00p.m
- 5.00p.m to 9.00p.m

5.3 As usage remains low and works are ongoing to upgrade the rooms it is not proposed to increase prices in 2020/21. The charges will therefore remain as set out in the table below:

Type of group	Comments	Charge per slot
Tenant and resident group	Groups which work on behalf of members of the community	Nil charge
Councillor surgery	Surgeries run by Chesterfield BC for Derbyshire County Council Members	Nil charge
Activities for the benefit of vulnerable people and for which funding is not available	For example preparation and distribution of food hampers to vulnerable people	Nil charge

Activities for the benefit of local people	Activities where a charge can be made for the activity	£8.00
Charitable organisations	Those with a charitable status and registration number	£8.00
Support groups	Groups which support vulnerable or disadvantaged people and which are non-profit making	£8.00
Other non-commercial groups	Including statutory organisations who use the premises e.g. use as Polling Stations or parties	£12.00
Commercial organisations	Other organisations	£20.00

6.0 Communal staircase cleaning

- 6.1 The contract for cleaning communal staircases is carried out by in house Building Cleaning. The inflation on this contract is based on the increase in the real living wage which is 3.33% from April 2020.
- 6.2 In order that the service continue to recovers its costs it is proposed to increase the weekly charge to tenants by 3.33% from 1st April 2020. The weekly charge will increase from £2.05 to **£2.12** per week.
- 6.3 Communal staircase cleaning charges are eligible for Housing Benefit and the housing element of Universal Credit.

7.0 Tenant home content insurance premium tax

- 7.1 There has been no further increase in Insurance Premium Tax since June 2017 when it was set at 12%. It is proposed to leave this charge unchanged for 2020/21 in order that the service continues to recovers its costs.

- 7.2 The tax is recovered weekly from tenants as part of their home contents insurance premium, the amount charged will depend on their individual level of home contents cover.
- 7.2 Home content insurance premium tax is not eligible for Housing benefit or the housing element of Universal Credit.

8.0 Sheltered scheme service charge

- 8.1 In order to maintain a breakeven position it is proposed to increase charges by 3.2% from £12.60 to **£13.00** per week. The charge applies to all sheltered housing schemes and will continue to be reviewed annually.

9.0 Careline response and support services charge

- 9.1 Careline response and support services for older and vulnerable people are currently provided to funded and non-funded customers. For those eligible for funding, there are two separate contracts with Derbyshire County Council (DCC) – floating visiting support and Careline. In addition, tenants and residents who cannot access funding from DCC can pay for the service.
- 9.2 The contract with DCC for the Careline monitoring service is running until 31st March 2021 and Chesterfield Borough will continue to receive **£2.58** per week for each client eligible for this funding.
- 9.3 The contract with DCC for providing an Independent Living Service in the Chesterfield Borough, Amber Valley Borough and North East Derbyshire District is running until 31st October 2021 and CBC will receive £552,000 per year to provide this service.
- 9.4 Chesterfield Borough Council will also continue to receive £34.00 for every response to lift a non-injured faller connected to the Careline service.
- 9.5 Sheltered scheme (Careline and response service) – for self-funded customers living in a sheltered scheme, it is proposed that the current weekly charge for Careline response and support service is increased by 5.0% from £8.00 to **£8.40** per week.

- 9.4 Support service – for self-funded customers it is proposed that the current weekly charge for the support service is increased by 5.1% from £2.75 to **£2.89** per week.
- 9.5 Careline response – for self-funded customers it is proposed that the current weekly charge for the Careline response service is increased by 8.3% from £6.00 to **£6.50** per week.
- 9.6 Chesterfield Borough Council monitors a number of alarms in Derbyshire Dales. The service is a monitor only service (no response or falls recovery is provided for these customers). It is proposed that the current weekly charge for this monitoring service be increased by 9.0% from £3.67 per week to **£4.00** per week.
- 9.7 A number of agreements are also in place between the council and housing associations to monitor alarms. It is proposed that the current weekly charge for housing association customers be increased by 14.3% from £1.75 to **£2.00** per week.



Ministry of Housing,
Communities &
Local Government

Policy statement on rents for social housing



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Contents

Chapter 1: Introduction	4
Chapter 2: Social Rent	6
Chapter 3: Affordable Rent	12
Chapter 4: Rents for social tenants with high incomes	15
Chapter 5: Types of accommodation not covered by this policy statement	16
Appendix A: Information for calculating formula rents	20
Appendix B: Example calculation of a formula rent	24

Chapter 1: Introduction

Purpose

- 1.1 This document sets out the government's policy on rents for social housing from 1 April 2020 onwards.
- 1.2 We have directed the Regulator of Social Housing ('the Regulator') to have regard to this policy statement when setting its rent standard for registered providers of social housing ('registered providers'). The term 'registered providers' includes both private registered providers of social housing (mainly housing associations) and local authorities that are registered with the Regulator.
- 1.3 Subject to the exceptions set out in chapter 5, the policy set out in this document applies to 'low cost rental' accommodation, as defined by section 69 of the Housing and Regeneration Act 2008. It does not apply to 'low cost home ownership' accommodation, as defined by section 70 of that Act.
- 1.4 This document replaces the Guidance on Rents for Social Housing issued in May 2014.

Rent policy background

- 1.5 Since 2001, rents for properties let at '**social rent**' (which constitute a majority of rented social housing properties) have been set based on a formula set by government. This creates a 'formula rent' for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties.
- 1.6 In 2011, the government introduced '**affordable rent**' which permits rents (inclusive of service charges) to be set at up to 80% of market rent (inclusive of service charges). The introduction of affordable rent made it possible to build more homes for every pound of government investment, allowing more people in housing need to have access to a good quality home at a sub-market rent. Landlords can only let new properties at affordable rent where certain conditions apply. Within the terms of the government's affordable homes programmes, existing vacant properties can be converted from social rent to affordable rent in certain circumstances.
- 1.7 From April 2015, the government made it possible for social landlords to charge a full market rent where a social tenant household has an annual income of at least £60,000. This was designed to allow landlords to make better use of their social housing, rather than requiring them to provide sub-market rent properties to households with relatively high incomes.
- 1.8 Government policy has also limited maximum annual changes in social rent and affordable rent levels. From April 2016, the Welfare Reform and Work Act 2016 has required social landlords to reduce their rents by 1% each year for four years (the 'social rent reduction'). This is designed to help put welfare spending on a more

sustainable footing, to ensure that the social housing sector plays its part in helping to reduce the deficit and to reduce costs for tenants paying all or part of their rent. The social rent reduction is subject to a number of exceptions. Most of these exceptions apply for all four years of the reduction, although some only applied for the first year.

Key changes to rent policy from April 2020 onwards

Limit on annual rent increases

- 1.9 In October 2017, the government announced its intention to set a long term rent deal for both local authority landlords and housing associations. This would permit annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 percentage point from 2020, for a period of at least five years ('the new policy').
- 1.10 The new policy recognises the need for a stable financial environment to support the delivery of new homes and to enable registered providers to plan ahead. The government is now looking to the social housing sector to make the best possible use of its resources to help provide the homes that this country needs.
- 1.11 The new policy will come into effect from 1 April 2020. It will not override landlords' statutory obligation to complete the four year social rent reduction as required by the Welfare Reform and Work Act 2016. Where a landlord has not completed the social rent reduction by 31 March 2020 (because its rent year begins after 1 April), it must complete the reduction before applying the new policy.

Application of the rent standard to local authority registered providers

- 1.12 For the first time, the government has directed the Regulator to apply its rent standard to *all* registered providers – i.e. to both local authority registered providers and private registered providers (the vast majority of which are housing associations).
- 1.13 The government intends that the rent standard should apply to local authority registered providers from 2020 onwards because the previous arrangements for limiting the welfare costs associated with local authority rents (the Rent Rebate Subsidy Limitation scheme) will not operate alongside Universal Credit.

Chapter 2: Social Rent

Overview

2.1 This chapter applies to accommodation let at a social rent. This means all low cost rental accommodation to which chapters 3, 4 and 5 of this document do not apply.

Formula Rent

2.2 Registered providers may set the initial rent on properties to be let at social rent at a level that is no higher than formula rent, subject to the rent flexibility level (see paragraphs 2.13-2.14 below).

2.3 The basis for the calculation of formula rents is:

- 30% of a property's rent is based on relative property values
- 70% of a property's rent is based on relative local earnings
- a bedroom factor is applied so that, other things being equal, smaller properties have lower rents

2.4 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
Multiplied by relative county earnings
Multiplied by the bedroom weight
Plus
30% of the national average rent
Multiplied by relative property value

National average rent means the national (England) average rent in April 2000.

Relative county earnings means the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels. Appendix A contains details of the earnings data to be used.

Relative property value means an individual property's value divided by the national (England) average property value, as at January 1999 prices.

2.5 The amounts to use for the national average rent, national average manual earnings and the national average property value are set out in Appendix A. Bedroom weights are also set out in Appendix A.

2.6 Putting the relevant information into the above formula will give the formula rent for 2000-01 for the property. The 2000-01 formula rent must then be up rated, for each

year, using the relevant uplift set out in the table in Appendix A. Formula rents will increase by CPI + 1 percentage point each year from 2020-21 onwards.

2.7 Formula rent is subject to a rent cap – see paragraphs 2.8-2.12 below.

Rent Caps

2.8 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.

2.9 Registered providers must not allow rents to rise above the rent cap level for the size of property concerned.

2.10 The rent caps for 2019-20 are set out in Appendix A. From 2020-21 onwards, the rent caps will increase by CPI (at September of the previous year) + 1.5 percentage points annually.

2.11 While the rent caps will increase annually by CPI + 1.5 percentage points, the annual change in rent for the tenant in a 'rent capped' property must still be governed by the CPI + 1 percentage point limit on rent changes.

2.12 However, 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, rather than CPI + 1 percentage point.

Rent Flexibility Level

2.13 The government's policy recognises that registered providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants.

2.14 As a result, the policy contains flexibility for registered providers to set rents at up to 5% above formula rent (10% for supported housing – as defined in paragraphs 2.38-2.39 below). If applying this flexibility, providers should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability.

Changes to Rents

2.15 From 1 April 2020, registered providers may not increase rents by more than CPI (at September of the previous year) + 1 percentage point in any year. This limit is a ceiling and providers will be free to apply a lower increase, or to freeze or reduce rents, if they wish to do so. Providers should consider the local market context when deciding whether to implement a rent increase and the level of that increase, as well as the levels of Housing Benefit or Universal Credit that are available to claimant households who might occupy their properties.

- 2.16 Registered providers must adhere to this limit on rent increases even if a tenant's rent is below formula rent, or if they have previously applied a lower – or no – annual increase. Where this is the case, the provider may only move the rent up to formula rent when the property is re-let following vacancy (subject to the rent cap).
- 2.17 Where the rent for a property exceeds the rent flexibility level, the provider:
- (a) must not increase the rent by more than CPI (rather than CPI + 1 percentage point) each year, until the rent is brought within the rent flexibility level; and
 - (b) must set a rent that does not exceed formula rent (plus the rent flexibility level) when the property is re-let.

Special arrangements for the first year

- 2.18 In the year following the final year of the social rent reduction period, registered providers are required to calculate the maximum rent increase for existing tenants – for both social rent and affordable rent properties – using the “2020 limit”. The purpose of the 2020 limit is to manage the transition from the social rent reduction (which is based on the rent payable in respect of a particular year) to the new Rent Standard (which, like previous rent standards, regulates weekly rent).
- 2.19 The 2020 limit requires registered providers to use as a baseline the average weekly rent payable by a tenant for accommodation in respect of the fourth and final year of the social rent reduction. It makes an exception where the weekly rent changes because the accommodation is re-let during the final year; in those circumstances, providers are required to calculate the average weekly rent based on the period since the property was last re-let.
- 2.20 As the 2020 limit is based on the rent payable in respect of the final year (or part thereof, where the exception described above applies) of the social rent reduction, any rent free periods should be disregarded in the calculation of the average weekly rent. So for example, if a registered provider charges weekly rent 48 times a year, it should calculate the average using 48 as the denominator. Registered providers must not change their rent charging arrangements (e.g. the number of times they charge weekly rent) in order to circumvent the requirement that rents should increase by no more than CPI+1% each year.

Property Valuations

- 2.21 To ensure consistency, a common approach must be followed to the valuation of properties for rent purposes as far as possible. Valuations must be in accordance with a method recognised by the Royal Institution of Chartered Surveyors (RICS). RICS sets out its principles for valuations in ‘Royal Institution of Chartered Surveyors Valuation – Professional Standards’ (known as the Red Book). This is available free to their members and can be purchased online or as a hard copy.
- 2.22 In calculating the formula rent, the value of the property should be based on an existing use value, assuming vacant possession and continual residential use. However, where it is not appropriate to value supported housing properties on this

basis, registered providers can use a Depreciated Replacement Cost (DRC) method of valuation. Existing use values must be produced by the comparative method and not by a discounted cash flow method.

- 2.23 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.
- 2.24 As set out above, the valuation must be made at January 1999 prices.
- 2.25 A downward adjustment to open market valuations – to reflect factors such as sub-market rents – must not be made for social rent purposes.
- 2.26 Registered providers are not expected to carry out an individual valuation for each property, although they will need to attribute a value to each social rent property in order to calculate its formula rent. Rather than carrying out individual valuations, registered providers may decide to rely on more generic valuations for particular types and sizes of properties in different locations.
- 2.27 As the price base is constant, the valuation of a property for social rent purposes should generally remain the same over time. However, a registered provider may re-value where it has carried out major works that materially affect the value of the property. This is only likely to arise in exceptional circumstances, as 'major works' do not include normal stock management activity such as repairs, maintenance or updating of properties (for example, fitting new kitchens or bathrooms). Major structural alterations (such as adding an extra room or extension) would be an example of 'major works' for the purposes of this paragraph.

Fair rents

- 2.28 The principles set out above are subject to 'fair rent' requirements.
- 2.29 A tenant who enjoys 'fair rent' protection must not be charged more than the lower of:
 - (a) The 'fair rent' set by the rent officer; and
 - (b) Formula rent (subject to the rent caps and the rent flexibility level).
- 2.30 As with other social rent properties, private registered providers may not increase any tenant's rent by more than CPI + 1 percentage point in any year (even if a tenant's rent is below the formula rent level and the maximum fair rent is increased by more than that amount).
- 2.31 Upon re-let of a property where a tenant previously enjoyed a fair rent, social rent or affordable rent (where applicable) should be charged.

Conversion of Social Rent Properties

- 2.32 The rents of properties previously let at social rent must continue to be set in accordance with the principles set out in this chapter on re-let. This also applies to properties previously let at social rent where a higher rent is being charged to tenants with high incomes (see chapter 4).
- 2.33 In particular, social rent properties may not be converted to:
- (a) affordable rent, except where this has been agreed by Homes England, the Greater London Authority or the Secretary of State (under the terms set out in the definition of affordable rent housing in paragraph 3.3 below);
 - (b) market rent (other than in the circumstances set out in chapter 4); or
 - (c) intermediate rent.

Service Charges

- 2.34 In addition to their rent, tenants may 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 usually 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.
- 2.35 Registered providers are expected to set reasonable and transparent service charges which reflect the service being provided to tenants. Tenants should be supplied with clear information on how service charges are set. In the case of social rent properties, providers are expected to identify service charges separately from the rent charge.
- 2.36 Service charges are not governed by the same factors as rent. However, registered providers should endeavour to keep increases for service charges within the limit on rent changes, of CPI + 1 percentage point, to help keep charges affordable.
- 2.37 Where new or extended services are introduced, and an additional charge may need to be made, registered providers should consult with tenants.

Definition of supported housing

- 2.38 In this policy statement, the term 'supported housing' means low cost rental accommodation provided by a registered provider that:
- (a) is made available only in conjunction with the supply of support;
 - (b) is made available exclusively to households including a person who has been identified as needing that support; and

- (c) falls into one or both of the following categories—
- (i) accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently; and
 - (ii) accommodation that has been designated as being available only to individuals within an identified group with specific support needs.

2.39 For the purposes of this definition, 'support' includes:

- sheltered accommodation
- extra care housing
- domestic violence refuges
- hostels for the homeless
- support for people with drug or alcohol problems
- support for people with mental health problems
- support for people with learning disabilities
- support for people with disabilities
- support for offenders and people at risk of offending
- support for young people leaving care
- support for teenage parents
- support for refugees

Chapter 3: Affordable Rent

Overview

- 3.1 Affordable rent housing is exempt from the social rent requirements outlined in chapter 2 of this policy statement.
- 3.2 Affordable rents are typically higher than social rents. The intention behind this flexibility is to enable properties let on this basis to generate additional capacity for investment in new affordable housing.

What is Affordable Rent Housing?

- 3.3 Affordable rent housing means accommodation that is:
 - (a) provided by a registered provider pursuant to a housing supply delivery agreement between that provider and the Homes and Communities Agency (now known as Homes England) or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent;
 - (b) provided by a registered provider pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an affordable rent; or
 - (c) provided by a local authority and the Secretary of State, Homes England or the Greater London Authority has agreed that it is appropriate for the accommodation to be let at an affordable rent.

Rent Setting

- 3.4 The rent for affordable rent housing (inclusive of service charges) must not exceed 80% of gross market rent.
- 3.5 '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. Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.
- 3.6 When setting rents, registered providers must also ensure that they comply with the terms of any agreements with Homes England, the Greater London Authority or the Secretary of State. Providers must also have regard to the conditions and policies set out in the Frameworks for the government's affordable homes programmes, where they are letting properties on affordable rent terms within these programmes.
- 3.7 Properties let by registered providers are not subject to the Local Housing Allowance. Nevertheless, providers should have regard to the local market context,

including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located, when setting affordable rents.

- 3.8 An affordable rent should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged.

Property Valuations

- 3.9 Valuations for initial rent setting must be made in accordance with a method recognised by the Royal Institution of Chartered Surveyors. This requirement is intended to help ensure that registered providers adopt a consistent and transparent approach to the valuation of market rents.
- 3.10 The Royal Institution of Chartered Surveyors sets out its principles for valuations in 'Royal Institution of Chartered Surveyors Valuation – Professional Standards' (known as the Red Book). This is available free to their members and can be purchased online or as a hard copy.
- 3.11 Registered providers may not always need to undertake a full valuation on each occasion that a property is let on affordable rent terms. In areas where affordable rent is widely used, providers might have a rolling schedule of tenancies coming up for re-issue or re-let. Where that is the case, providers might have adequate comparables readily to hand, and if so there might be no need for a full valuation. In these circumstances, providers may decide to re-set rents using a desktop review of recent transactions.
- 3.12 Housing for vulnerable and older people often includes a range of services to support the particular needs of the client group. When setting an affordable rent level for housing for vulnerable and older people, the gross market rent comparables should be based on similar types and models of service provision, ideally within the local area. Where there are insufficient comparables for similar types of provision in the local area, valuers should be asked to identify comparables from other areas and extrapolate their best estimate of what the gross market rent would be.

Changes to Rents

- 3.13 Registered providers must not increase rents for properties let on affordable rent terms by more than CPI + 1 percentage point each year. CPI must be taken as at September of the previous year. Paragraphs 2.18-2.20 above set out the special arrangements which apply in the first year after the end of the social rent reduction period.
- 3.14 This limit is a ceiling and providers will be free to apply a lower increase, or to freeze or reduce rents, if they wish to do so. Providers should consider the local market context when deciding whether to implement a rent increase and the level of that increase, as well as the levels of Housing Benefit or Universal Credit that are available to claimant households who might occupy their properties.

Re-setting Affordable Rent

- 3.15 When a tenancy¹ of affordable rent housing is let to a new tenant (or re-let to an existing tenant), registered providers must re-set the rent based on a new valuation, to ensure that the new rent is no more than 80% of the relevant market rent. However, if the accommodation is re-let to the same tenant as a consequence of a probationary tenancy coming to an end, the rent must not be re-set.
- 3.16 Where a registered provider is re-setting the rent as a result of re-letting affordable rent housing to an existing tenant, the provider may not increase the rent by more than CPI + 1 percentage point. 'Existing tenant' in this context means an existing tenant of the specific property concerned.

Conversion of Affordable Rent Properties

- 3.17 Affordable rent housing must not be converted (including when they are re-let) to:
- (a) market rent (other than in the circumstances set out in chapter 4); or
 - (b) intermediate rent.

¹ References in this policy statement to tenancies and tenants should be read as also referring to licences and licencees (as applicable).

Chapter 4: Rents for social tenants with high incomes

Overview

- 4.1 The government does not expect registered providers to adhere to its social rent and affordable rent policy requirements in relation to social tenants with high incomes.

Applicability

- 4.2 The requirements in chapters 2 and 3 do not apply to properties let to households with an income of at least £60,000 per year.
- 4.3 In this context, by household, we mean tenants named on the tenancy agreement, and any named tenant's spouse, civil partner or partner where they reside in the rental accommodation. By income, we mean taxable income in the tax year ending in the financial year prior to the financial (i.e. rent) year in question.
- 4.4 To give an example, the income received in the 2018-19 tax year would guide the rent payable in the 2020-21 rent setting year, where a household was above the threshold. Here, 2018-19 is the tax year ending (on 5 April 2019) in the financial year (2019-20) prior to the financial (i.e. rent) year in question (2020-21).
- 4.5 Where a household is subject to a sudden and ongoing loss of income, having declared that they are above the threshold, we would expect registered providers to reconsider the rent that household is being charged, and vary it if appropriate.
- 4.6 Where a high income social tenant's tenancy comes to an end, and they vacate the property, we would usually expect the property to be let to a household in housing need at a rent determined in accordance with chapters 2 or 3 (as applicable) of this policy statement.
- 4.7 Further information on income in scope can be found at: www.hmrc.gov.uk/incometax/taxable-income.htm.
- 4.8 Where there are more than two incomes within the household, as defined, only the two highest incomes should be taken into account.
- 4.9 We expect registered providers to use additional capacity generated to fund new affordable housing, where possible.

Chapter 5: Types of accommodation not covered by this policy statement

Overview

5.1 This policy statement does not apply to certain categories of low cost rental accommodation. These excepted categories are:

- 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

5.2 These categories are defined in more detail below.

Shared ownership low cost rental accommodation

5.3 In this policy statement, 'shared ownership low cost rental accommodation' means accommodation which is both low cost rental accommodation and low cost home ownership accommodation.

Intermediate rent accommodation

5.4 In this policy statement, 'intermediate rent accommodation' means low cost rental accommodation which satisfies either (a), (b) or (c) below:

(a) The accommodation:

- i. was built or acquired by the private registered provider without public assistance;
- ii. is provided on an assured shorthold tenancy (other than an assured shorthold tenancy that is expressed to be a probationary or starter tenancy) or licence, either—
 - to a tenant who is not a person nominated by a local housing authority under section 159(2)(c) of the Housing Act 1996, or
 - to a tenant nominated by a local housing authority under section 159(2)(c) where any conditions set by the local housing authority regarding the circumstances in which the registered provider may grant a tenancy of intermediate rent accommodation are satisfied in respect of that accommodation,
- iii. has not previously been let on a social rent basis, and

iv. is not affordable rent housing.

(b) The accommodation is low cost rental accommodation which was funded wholly or in part by public assistance under a programme identified by the Regulator as an intermediate rent accommodation enabling programme and any conditions under that programme regarding the circumstances in which the accommodation may be let as intermediate rent accommodation are satisfied.

(c) The accommodation is key worker housing.

Specialised supported housing

5.5 In this policy statement, 'specialised supported housing' means supported housing (as defined in chapter 2):

(a) which is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support in order to enable them to live, or to adjust to living, independently within the community;

(b) which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the only acceptable alternative would be a care home;

(c) which is provided by a private registered provider under an agreement or arrangement with a local authority or a health service (within the meaning of the National Health Service Act 2006);

(d) for which the rent charged, or to be charged, complies with the agreement or arrangement mentioned in paragraph (c); and

(e) in respect of which at least one of the following conditions is satisfied:

i. there was no, or negligible, public assistance, or

ii. there was public assistance by means of a loan (secured by means of a charge or a mortgage against a property).

Relevant local authority accommodation

5.6 Accommodation is 'relevant local authority accommodation' if it is accommodation provided by a local authority and the Secretary of State has agreed that it would be inappropriate to apply this rent policy to the accommodation because this would cause the authority unavoidable and serious financial difficulty.

5.7 The process for authorities to secure the Secretary of State's agreement will be set out in due course.

Student accommodation

5.8 In this policy statement, 'student accommodation' means low cost rental accommodation provided by a registered provider pursuant to an agreement which grants a right of occupation in a building or dwelling that is used wholly or mainly for the accommodation of persons who are in full-time education at a university, college, school or other educational establishment.

PFI social housing

5.9 In this policy statement, 'PFI social housing' means low cost rental accommodation which satisfies either (a) or (b) below:

(a) Accommodation built, provided or refurbished under a private finance initiative scheme contract where:

- i. one of parties ('the public sector party') to the contract is a local authority;
- ii. the consideration received by the public sector party includes—
 - the building, provision or refurbishment of the social housing for the purposes of, or in connection with, the discharge of its functions in relation to social housing, and
 - the provision of services for the purposes of, or in connection with, the discharge of those functions; and
- iii. the contract contains a statement that it is entered into under the private finance initiative.

(b) Accommodation built, provided or refurbished under a private finance initiative scheme contract where:

- i. the public sector party to the contract is not a local authority;
- ii. the consideration received by the public sector party includes—
 - the building, provision or refurbishment of the social housing for the purposes of, or in connection with, the provision of housing to persons working for the public sector party, and
 - the provision of services for the purposes of, or in connection with, the provision of housing to those persons; and
- iii. the contract contains a statement that it is entered into under the private finance initiative.

Temporary social housing

5.10 In this policy statement, 'temporary social housing' means low cost rental accommodation made available to a person who is homeless (within the meaning of the Housing Act 1996) either:

(a) by a private registered provider under an assured shorthold tenancy agreement or a licence where:

- i. a local authority has nominated that person as a tenant of the accommodation on a temporary basis,
- ii. that local authority owes a duty under Part 7 of the Housing Act 1996 to that person, and
- iii. the registered provider—
 - holds the social housing on a lease or a licence which has a term of more than two years and fewer than 30 years, or
 - holds the social housing on a lease with a term of 30 years or greater, or holds the freehold title to the social housing, and acquired the social housing without public assistance; or

(b) by a local authority under a licence where:

- i. that local authority owes a duty under Part 7 of the Housing act 1996 to that person,
- ii. the accommodation provided is accommodation to which the account held pursuant to section 74(1) of the Local Government and Housing Act 1989 (duty to keep Housing Revenue Account) does not relate, and
- iii. the local authority holds the social housing on a lease or a licence which has a term of more than two years and fewer than 30 years.

Care homes

5.11 In this policy statement, 'care home' means an establishment that is a care home for the purposes of the Care Standards Act 2000.

Appendix A: Information for calculating formula rents

1. This appendix provides the information, apart from property-specific details, that is needed to calculate formula rents.

Rents

2. The national average rent that must be used, for April 2000, is £54.62.

Property Values

3. The national average property value to be used, for January 1999, is £49,750.

Earnings

4. County earnings data to be used is in the following table:

County	Earnings £ / week	County	Earnings £ / week	County	Earnings £ / week
Avon	321.20	Greater London	354.10	Nottinghamshire	298.00
Bedfordshire	343.70	Greater Manchester	307.30	Oxfordshire	323.80
Berkshire	345.40	Hampshire	328.70	Shropshire	295.40
Buckinghamshire	328.30	Hereford & Worcs.	289.60	Somerset	299.70
Cambridgeshire	330.10	Hertfordshire	343.70	South Yorkshire	299.10
Cheshire	322.00	Humberside	318.40	Staffordshire	296.20
Cleveland	338.40	Isle of Wight	288.50	Suffolk	304.30
Cornwall	255.50	Kent	316.40	Surrey	333.20
Cumbria	323.70	Lancashire	302.70	Tyne and Wear	307.90
Derbyshire	321.10	Leicestershire	303.10	Warwickshire	326.10
Devon	278.00	Lincolnshire	286.70	West Midlands	320.60
Dorset	293.90	Merseyside	324.90	West Sussex	332.50
Durham	289.70	Norfolk	302.50	West Yorkshire	302.70
East Sussex	281.50	North Yorkshire	299.60	Wiltshire	313.90
Essex	325.90	Northamptonshire	328.50		
Gloucestershire	308.00	Northumberland	276.10	England average	316.40

5. These figures are derived from the New Earning Survey (produced by the Office for National Statistics) and represent the average gross weekly earnings of full-time manual workers over the 1997 to 1999 period, uprated to 1999 prices. Pre-1996 counties are used, because of the problems of small sample sizes for what were (at the time) some of the new counties, especially unitary authorities.

Bedroom Weights

6. The following bedroom weights must be used (specifically, applied to the earnings term in 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

Annual Adjustment of Formula Rents

7. Once a formula rent for 2000-01 has been calculated, it must be adjusted for each year using the following two-step process.

Step 1: Uprate to 2019-20

8. Subject to the exceptions explained in paragraph 9 below, the following table must be used to adjust the 2000-01 formula rent to 2019-20 levels:

Year	Inflation	Additional	Total
2001-02	3.3%	1.0%	4.3%
2002-03	1.7%	0.5%	2.2%
2003-04	1.7%	0.5%	2.2%
2004-05	2.8%	0.5%	3.3%
2005-06	3.1%	0.5%	3.6%
2006-07	2.7%	0.5%	3.2%
2007-08	3.6%	0.5%	4.1%
2008-09	3.9%	0.5%	4.4%
2009-10	5.0%	0.5%	5.5%
2010-11	-1.4%	0.5%	-0.9%
2011-12	4.6%	0.5%	5.1%
2012-13	5.6%	0.5%	6.1%
2013-14	2.6%	0.5%	3.1%
2014-15	3.2%	0.5%	3.7%
2015-16	1.2%	1%	2.2%
2016-17	N/A	N/A	-1.0%
2017-18	N/A	N/A	-1.0%
2018-19	N/A	N/A	-1.0%
2019-20	N/A	N/A	-1.0%

9. Different figures will apply for the period from 2016-17 to 2019-20 where the type of property concerned was covered by a full or partial exception from the social rent requirements of the Welfare Reform and Work Act 2016:

- a) The following figures will apply for the period from 2016-17 to 2019-20 in the case of **supported housing**² (except domestic violence refuge accommodation, as this is covered in (b) below):

Year	Inflation	Additional	Total
2016-17	-0.1%	1.0%	0.9%
2017-18	N/A	N/A	-1.0%
2018-19	N/A	N/A	-1.0%
2019-20	N/A	N/A	-1.0%

- b) The following figures will apply for the period from 2016-17 to 2019-20 in the case of **domestic violence refuge accommodation; almshouse accommodation; accommodation provided by a co-operative housing association or a fully mutual housing association; and accommodation provided by a community land trust**³:

Year	Inflation	Additional	Total
2016-17	-0.1%	1.0%	0.9%
2017-18	1.0%	1.0%	2.0%
2018-19	3.0%	1.0%	4.0%
2019-20	2.4%	1.0%	3.4%

Step 2: Adjust from 2020-21 onwards

10. For 2020-21 onwards, the formula rent must be adjusted annually by CPI (at September of the previous year) + 1 percentage point. This applies regardless of any exceptions that operated under the social rent reduction.

Rent Caps

11. Formula rent caps for 2019-20 are as outlined in the following table:

² As defined by the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 (as amended)

³ As defined by the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 (as amended)

Number of bedrooms	Rent cap
1 and bedsits	£141.43
2	£149.74
3	£158.06
4	£166.37
5	£174.69
6 or more	£183.00

12. From 2020-21, rent caps will increase by CPI (at September of the previous year) + 1.5 percentage points, each year.

Appendix B: Example calculation of a formula rent

1. Consider a three-bed property in Leicestershire, for which the capital value is estimated to be £55,000 in January 1999.
2. The information needed to calculate the formula rent is in Appendix A. From this information:

Average rent at April 2000	£54.62
Average earnings in Leicestershire	£303.10
National average earnings	£316.40
Bedroom weight	1.10
National average property value in January 1999	£49,750

3. Putting these figures into the formula:

70% of the average rent	$70\% \times £54.62$	£38.23
Multiplied by relative county earnings	$\times £303.10 / £316.40$	£36.62
Multiplied by bedroom weight	$\times 1.10$	£40.29 subtotal
30% of the average rent	$30\% \times £54.62$	£16.39
Multiplied by relative property value	$\times £55,000 / £49,750$	£18.12 subtotal
Adding together the sub-totals	£40.29 + £18.12	£58.41 total

4. In this example, the initial formula rent for 2000-01 is £58.41 – provided this amount is not higher than the rent cap for the size of property. If it is higher, then the formula rent must be replaced by the rent cap amount.
5. Otherwise, the formula rent for future years is then calculated by uprating this amount using the figures outlined for each year in Appendix A.

The Direction on the Rent Standard 2019

The Secretary of State makes the following Direction in exercise of the powers conferred by section 197 of the Housing and Regeneration Act 2008(a).

In accordance with section 197(4) and (5) of that Act, before making this Direction the Secretary of State consulted the Regulator of Social Housing, the Greater London Authority, the Charity Commission and bodies appearing to the Secretary of State to represent the interests of local housing authorities, tenants of social housing and registered providers.

Citation, commencement and application

- 1.—(1) This Direction may be cited as the Direction on the Rent Standard 2019.
- (2) This Direction comes into force on the day after the day on which it is made.
- (3) This Direction applies to the regulator in relation to the rents of registered providers of social housing.

Interpretation

- 2.—(1) In this Direction—
 - “the 2016 Act” means the Welfare Reform and Work Act 2016(b).
 - “the 2020 limit” means the amount calculated in accordance with paragraph 3;
 - “affordable rent housing” has the same meaning as in paragraph 3.3 of the Rent Policy Statement;
 - “CPI” means the general index of consumer prices (for all items) published by the Office for National Statistics or, if that index is not published for any month, any substituted index or index figures published by that Office; and where this Direction refers to CPI, this shall be the figure for CPI for September of the preceding financial year;
 - “existing tenant” means any tenant other than a tenant who is granted a tenancy of the accommodation for the first time;
 - “financial year” means a year beginning on 1 April;
 - “registered provider” means a registered provider of social housing;
 - “regulator” means the regulator of social housing;
 - “Rent Policy Statement” means the Policy Statement on Rents for Social Housing issued by the Secretary of State on 26 February 2019;
 - “rent restriction period” has the same meaning as in section 31(10) of the 2016 Act;
 - “rent standard” means a standard for registered providers requiring them to comply with specified rules about their levels of rent set under section 194(2A) of the Housing and Regeneration Act 2008;
 - “supported housing” has the meaning in paragraphs 2.38 and 2.39 of the Rent Policy Statement.

(a) 2008 c. 17.
(b) 2016 c. 7

(2) Any expression which is used, but not defined, in this Direction has the same meaning as in the Housing and Regeneration Act 2008.

Calculation of the 2020 limit

3. The 2020 limit is calculated by—
- (a) determining the average weekly rent for the tenant’s accommodation in the fourth of the relevant years specified in section 23(6) the 2016 Act, and
 - (b) increasing that amount by CPI + 1%,
 - (c) in this paragraph, “average weekly rent” means—
 - (i) in a case where the weekly rent changes because the accommodation is re-let after the start of the fourth year, the weekly rent payable by that tenant for that accommodation in respect of the most recent period for which rent was payable at that changed rate provided that that change complies with the requirements of the social housing provisions of the 2016 Act and any Regulations made under those provisions; or
 - (ii) in any other case, the average weekly rent payable by the tenant of that accommodation in respect of the fourth year,
 - (d) for the purposes of sub-paragraph (c), “social housing rent provisions” has the meaning in section 33 of the 2016 Act.

Formula rent

- 4.—(1) The formula rent of accommodation is to be calculated in accordance with the method set out in paragraphs 2.4 to 2.6 of the Rent Policy Statement with upwards tolerance of—
- (a) if the accommodation is supported housing, 10% of formula rent; or
 - (b) if the accommodation is not supported housing, 5% of formula rent.
- (2) But as set out in paragraphs 2.8 and 2.9 of the Rent Policy Statement formula rent is subject to the rent cap.
- (3) The rent cap is determined in accordance with paragraphs 11 and 12 of Appendix A to the Rent Policy Statement.

Direction to set a rent standard

- 5.—(1) The regulator must set a rent standard that applies from 1 April 2020 in relation to low cost rental accommodation that is not—
- (a) let to a high income social tenant; or
 - (b) accommodation to which the Rent Policy Statement does not apply^(a).
- (2) The rent standard must require registered providers to comply with the rules about their levels of rent set out in paragraphs 7 and 8 of this Direction.
- (3) The regulator must have regard to the Rent Policy Statement when setting the rent standard.
- (4) In this paragraph—
- “high income social tenant” means the tenant of a household that had a total household income of £60,000 or more in the relevant tax year, where—
- (a) “total household income” means, in relation to accommodation—
 - (i) if there is one resident, the income of that resident;
 - (ii) if there are two residents, the sum of the residents’ incomes; and

(a) See Chapter 5 of the Rent Policy Statement.

- (iii) if there are more than two residents, the sum of the two highest incomes of the residents;
- (b) “resident” means—
 - (i) any person who is the tenant or a joint tenant; and
 - (ii) any person who resides at the accommodation and is the spouse, civil partner or partner of the tenant or of a joint tenant;
- (c) “income” has the same meaning as “total income” as described in section 23 of the Income Tax Act 2007^(a);
- (d) “partner” means a person who is not married to, or a civil partner of, the tenant or joint tenant who lives with the tenant or joint tenant in the accommodation as if they were married or in a civil partnership; and
- (e) “relevant tax year” means the tax year ending on the 5th April which falls in the financial year prior to the financial year in which the rent is reviewed.

Exemptions from the rent standard

6. The regulator may in relation to a private registered provider grant an exemption from or vary a requirement of the rent standard if the regulator considers that complying with the requirement would jeopardise the financial viability of the provider.

Social rent housing

7.—(1) This paragraph applies in relation to the rent of accommodation that is not affordable rent housing.

(2) The maximum weekly rent for a tenant who is granted a tenancy of the accommodation for the first time is formula rent.

(3) Subject to sub-paragraph (4), the weekly rent of an existing tenant may not be increased by more than—

- (a) CPI + 1% in any year; or
- (b) if the tenant’s rent exceeds the rent flexibility level, CPI in any year.

(4) In the year following the end of the rent restriction period the maximum weekly rent for an existing tenant is the 2020 limit.

(5) In this paragraph—

“rent flexibility level” means—

- (a) 105% of formula rent; or
- (b) if the accommodation is supported housing, 110% of formula rent.

Affordable rent housing

8.—(1) This paragraph applies in relation to the rent of affordable rent housing.

(2) The maximum gross rent for a tenant under a new tenancy is 80% of the market rent for the tenant’s accommodation, subject to sub-paragraphs (3) and (4).

(3) If the formula rent is higher than 80% of the weekly market rent for the tenant’s accommodation, the maximum weekly rent (exclusive of service charges) is formula rent.

(4) The rent of an existing tenant may not be increased by more than CPI + 1% in any year, subject to sub-paragraph (5).

(5) In the year following the end of the rent restriction period the maximum weekly rent for an existing tenant is the 2020 limit.

(a) 2007 c. 3.

(6) In this paragraph—

“gross rent” means the rent inclusive of all service charges;

“market rent” means, in relation to accommodation, an estimate of its market rent inclusive of all service charges at the time the tenancy is granted that is based on a valuation in accordance with a method recognised by the Royal Institution of Chartered Surveyors;

“tenant under a new tenancy” means a tenant who is—

- (a) granted a tenancy of the accommodation for the first time; or
- (b) granted a new tenancy of the accommodation, unless the tenancy follows on from a probationary tenancy.

Revocation and transitional provision

9. The Direction on the Rent Standard 2014—

- (a) is to have no effect in relation to rents from 1 April 2020; and
- (b) is revoked on 1 April 2020.

Signed by authority of the Secretary of State for Housing, Communities and Local Government

A handwritten signature in black ink, appearing to read 'Kit Malthouse', is centered on the page.

Kit Malthouse MP

Date: 25.02.2019