

MUNICIPAL YEAR 2013/2014 REPORT NO. 115

MEETING TITLE AND DATE:

Cabinet
13th November 2013

REPORT OF:

Director of Health, Housing
and Adult Social Care

Agenda Part: 1

Item: 9

**Subject: Housing Revenue Account (HRA)
Tenancy Policy and HRA Rent Setting
Policy**

Wards: All Wards

Cabinet Member consulted:
Cllr Oykenner

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1. EXECUTIVE SUMMARY

- 1.1 This report presents a HRA Tenancy Policy and a HRA Rent Setting Policy for the Council.
- 1.2 The Tenancy Policy attached at Appendix A has been prepared in response to the Council's Tenancy Strategy, and developed in conjunction with the work currently being undertaken by Enfield Homes to update the Tenancy Agreement.
- 1.3 The Rent Setting Policy attached at Appendix B clarifies the direction that the Council will take in setting its HRA rents.
- 1.4 It should be noted that any changes to current policy proposed in these documents will not affect current HRA tenants.

2. RECOMMENDATIONS

- 2.1 That Cabinet agrees the attached HRA Tenancy Policy and the attached HRA Rent Setting Policy.
- 2.2 That Cabinet notes the proposal to review both policies on an annual basis.

3. BACKGROUND

Enfield's Tenancy Strategy

- 3.1 The Council published a Tenancy Strategy in January 2013 as required under the Localism Act 2011. This document provides a framework within which the Council and other Registered Providers are expected to operate their Tenancy Policies.
- 3.2 The Tenancy Strategy specifically requires Registered Providers “who have not written their Tenancy Policy to have regard to Enfield's Tenancy Strategy as required by the Localism Act 2011 and to confirm in writing ...this has been done by 14 January 2014”. The Council therefore needs to have published its Tenancy Policy by that date at the latest.
- 3.3 A strong theme running through the Tenancy Strategy is that “longer term tenancies are the best approach for addressing housing need and building strong neighbourhoods”.

Enfield's HRA Tenancy Policy

- 3.4 Enfield's HRA Tenancy Policy therefore states that tenancies will continue to be offered on the same basis as at present:
- all current Council tenants with a secure tenancy will remain secure tenants for as long as they remain Council tenants. This will only change if a tenant opts for a different type of tenancy - a dwelling offered by a Registered Social Landlord on a fixed term basis, for example
 - all new Enfield tenants will be introductory tenants unless they were already a secure tenant of a local authority or an assured tenant of a registered provider at a previous property. Introductory tenancies last for a 12 month trial period after which they automatically become secure tenancies if the tenant does not break any of the tenancy conditions during this time
- 3.5 The Council does not currently propose to offer fixed term tenancies to its HRA tenants.
- 3.6 The Tenancy Policy proposes no changes to current policy and practice.

- 3.7 The Council's Housing Board considered the draft Tenancy Policy at its meeting of 16th September 2013, and was broadly in agreement with the proposals. However, the question was raised as to whether the use of fixed term tenancies should be considered. The use of fixed term tenancies would conflict with Enfield's own Tenancy Strategy, would lead to more churn in the stock and therefore not fulfil the aim of creating strong and sustainable communities, and would lead to greater costs associated with higher void rates and higher management costs.
- 3.8 Enfield Homes Board was in agreement with the proposals, as was the Customer Senate.

Enfield's HRA Rent Setting Policy

- 3.9 The HRA Rent Setting Policy states that:
- all current tenants of HRA properties will continue to be charged rents in line with National Social Rent Policy as long as they remain in a HRA tenancy. This would only change if a tenant opted for a different type of tenancy - a dwelling offered by a Registered Social Landlord at a higher rent level, for example
 - the majority of future tenants will be charged rents in line with National Social Rent Policy
- 3.10 It should be noted that National Social Rent Policy currently allows an annual uplift of Retail Prices Index (RPI) + 0.5% + "convergence", and that this is the assumption that has been fed into the Business Plan.
- 3.11 The Government has recently announced that, with effect from April 2015, this formula will change to Consumer Prices Index (CPI) + 1% and that "convergence" will no longer be added.
- 3.12 Whilst it is difficult to predict how the two national indices will compare, it is estimated that the change from RPI + 0.5% to CPI + 1% will be broadly neutral. The loss of "convergence", however, will be a cost to the council. If all properties were to converge, the council would receive an additional £435k in rental income per annum.
- 3.13 Options to mitigate this loss are currently being explored. However, the Government has the ability to restrict rent increases via the Housing Benefit system (75% of Enfield's HRA tenants currently receive full or partial benefits). In addition, if a Council were to implement rent increases which varied from National Social Rent Policy, it would need to be sure that its new policy was fair, transparent and affordable to Social Housing tenants.

- 3.14 It is proposed that the only circumstances in which Enfield will vary from applying National Social Rent Policy will be where there is an opportunity to provide **additional** housing in the HRA at affordable rent levels. For example, Enfield has recently been successful in securing Greater London Authority (GLA) funding to provide additional affordable units alongside its current regeneration projects. The funding is provided on the understanding that these units, where rented, are let at affordable rent levels. Enfield has also signed the Government's Right to Buy "one for one replacement" agreement. Again, this levers in additional funds to the HRA on the understanding that the new units are let at affordable rent levels.
- 3.15 The Council can determine what it means by affordable rent levels and it is intended that rents will be set at a level that local people can afford, ie not necessarily as high as 80% of market rent.
- 3.16 This policy will allow the Council to provide more housing and assist with Business Plan viability.
- 3.17 The Council's Housing Board considered the draft Rent Setting Policy at its meeting of 16th September 2013, and was in agreement with the proposals. Enfield Homes Board and the Customer Senate were also in agreement.

Review Period

- 3.18 It is proposed to review these two policies annually at present. This is not only because national housing policy continues to change at a pace, but also because the Council, its partners and the wider private housing market are still new to operating a HRA business under the self-financing regime. Issues and opportunities are regularly emerging as estate renewal schemes develop and investment proposals are presented. The Council wishes to explore any new or alternative ways of providing housing in the Borough in order to alleviate the demand pressures where possible, and this may require amending or expanding either one or both of these policies.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council is required by its own Tenancy Strategy, and by law, to publish a Tenancy Policy. It is also good practice to publish a Rent Setting Policy.
- 4.2 Enfield has a number of options to flex these documents and that is why it has consulted on the proposals to be contained within them. The direction proposed is considered to be the best approach for the Council.

- 4.3 The use of fixed term tenancies has been discounted at this stage because it would conflict with Enfield's Tenancy Strategy, would lead to more churn in the stock and therefore not fulfil the aim of creating strong and sustainable communities, and would lead to greater costs associated with higher void rates and higher management costs.
- 4.4 National Social Rent Policy will continue to be followed for the majority of HRA tenants because this is the best way to ensure that rent setting is fair, transparent and affordable.

5. REASONS FOR RECOMMENDATIONS

- 5.1 To propose that the HRA Tenancy Policy and Rent Setting Policy are agreed.
- 5.2 To note that the two policies will be reviewed annually so that they remain current and reflect the Council's ambitions around maximising the delivery of affordable housing.

6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

6.1 Financial Implications

- 6.1.1 The 3.9% average rent increase in 2013/14 and the rents figures in the 30 years HRA Business Plan are based on National Social Rent Policy. This is RPI plus 0.5% plus an uplift that will allow for convergence of rents. This guidance remains for 2014/15.
- 6.1.2 As part of the 2013 Spending Round the Government announced that the guidance would change and from 2015/16 social rents should rise by CPI plus 1% each year and that "convergence" should cease.
- 6.1.3 The loss of "convergence" (i.e. the ability to move rents to the target rent level based on the formula calculation) reduces the council's rental income. If all rents converged then the Council would receive an additional £435k per annum in rental income. It is expected that rents on 1,664 properties will not have converged by the end of 2014/15 and, whilst some may be some way from convergence, of these, 1,016 would have converged by the end of 2017/18 giving the council an additional £346k rental income from that year onwards.

- 6.1.2 The Rent Rebate Subsidy Limitation relates to Housing Benefit and represents the charge to the HRA where the average rent charged to tenants is determined as exceeding the Government's limit rent for the Council. Charging rents above the Government limit rents will lead to Rent Rebate Subsidy Limitation. The Council will only be entitled to Housing Benefit subsidy on rent up to the limit rent and will have to fund the cost of additional rebates above the limit rent itself. At the moment council rents are below the limit rent.
- 6.1.3 The next update of the HRA Business Plan will take into account the proposed new guidance and the potential reduction in resources available over the life of the plan.
- 6.1.4 Rent increases are currently reviewed on an annual basis as part of the budget and rent setting process and to ensure a balanced Housing Revenue Account Business Plan. It is proposed that this will continue.
- 6.1.4 The rents assumed for the estate renewal schemes within the current business plan are based on national social rent policy using estimated new build valuations.
- 6.1.5 In order to achieve viability on some of the estate renewal schemes and also to increase the resources within the HRA, charging rents of up to 80% on affordable units should be given consideration.

6.2 Legal Implications

- 6.2.1 The recommendations in the report are in line with current legislation and the Government's agenda. Tenancy policies were introduced by the Localism Act 2012 and all social landlords (registered providers) are required to publish one. The policy should be clear and accessible and outline the approach to tenancy management, including methods of sustaining tenancies and preventing unnecessary evictions and tackling housing fraud.
- 6.2.2 Government policy guides how rents should be set by local authorities and registered social landlords. The main objectives of the policy are that rents should remain affordable in the long term; they should be fairer and less confusing for tenants and there should be a closer link between rents and the quality of the properties. Under the principles of the self-financing introduced to replace the HRA subsidy system, local authorities are free to set their rent levels. However, they are still required to calculate rent subject to a government rent formula. Any rent policy introduced by the local authority will need to reflect the government's policy.

6.3 Property Implications

- 6.3.1 Introductory tenancies do not have the Right to Buy, but as most will convert within a year to secure tenancies, then there will be no change to the amount of stock that will be lost though Right to Buy.
- 6.3.2 Retaining investor partner status and other approvals which allow the Council to develop its own new affordable housing is likely to result in the best use of residential development land on existing estates.

7. KEY RISKS

- 7.1 The Council could lose its Investment Partner status with the GLA and compromise its ability to obtain Government funding if it does not charge affordable rent on some of its HRA properties. It could also compromise Business Plan viability in the short to medium term, meaning that it either provides less units or spends less on the management and maintenance of its stock.

8. IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

The policies are designed to provide security of tenure and to ensure that the residents of Enfield can afford to live in the Borough.

8.2 Growth and Sustainability

The Council has ambitions to keep its HRA stock numbers at current levels throughout the life of its Business Plan and to improve the condition of its assets. Charging slightly higher, affordable rents on some units and leveraging in additional funding will assist in achieving these ambitions.

8.3 Strong Communities

Longer term, secure tenancies and rents set at a level that local people can afford will contribute greatly to building stronger communities.

9. EQUALITIES IMPACT IMPLICATIONS

The policies are designed to be fair and transparent and will assist those least able to afford to secure accommodation in Enfield.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

Levering in additional resources will improve performance across the Council's own housing portfolio by increasing the number of units provided and improving the quality of the housing provided.

11. PUBLIC HEALTH IMPLICATIONS

The residents of Enfield will have increased access to better housing and environments. This directly links to improved public health and wellbeing.

Background Papers

None