



# **LONDON BOROUGH OF ENFIELD**

## **HOUSING REVENUE ACCOUNT (COUNCIL HOMES) RENT SETTING POLICY**

**1<sup>st</sup> December 2013**

## Introduction

The purpose of this policy is to explain how the London Borough of Enfield (the Council) will set rent levels and service charges for its Housing Revenue Account properties (Council Homes).

## Scope

The policy applies to Council Homes either already accounted for within the Council's Housing Revenue Account or to be added to it in the future.

The policy excludes ground rent, and rent levels, leases and other charges applying to other Housing Revenue Account property, for example, garages and shops. It also excludes General Fund property such as Temporary Accommodation.

A separate policy document will be developed to cover shared ownership and shared equity products, which will be offered by the Council in the future.

## Policy Statement

The London Borough of Enfield's rent setting policy will operate in line with the following principles:

- The Council will continue to set its rents for all of its current tenants and the majority of its future tenants in accordance with the Government's National Social Rent Policy.
- Service charges will continue to be based on the estimated cost of the services for the year in question, and only payable by those customers who are in receipt of the services.
- The only exception to the above policy will be that, if the Council is able to build or acquire **additional** properties for occupation by future tenants, then these properties may be let at a higher rent level ("affordable rent"). The Council will, however, ensure that any homes let at affordable rent levels within its stock remain affordable for people in Enfield. Affordable rents will be inclusive of service charges.
- It should be noted that current Housing Revenue Account tenants who are affected by regeneration projects and who choose to move to a newly built or acquired Council home may experience some rent increase as a result of their move, even though National Social Rent Policy will continue to apply. This is because new homes are likely to have a higher market value than existing homes.
- Rents and service charges will be set at a level which ensures that the Council meets its obligations to tenants, maintains stock and continues to function as a financially viable housing provider.

- Rent and service charge increases will apply from the first Monday in April each year. Consultation will take place prior to any rent increase and tenants will be given 28 days' notice before a rent or service charge increase applies.

## **National Social Rent Policy**

The Government decided in 2003/04 that all Local Authority and Registered Social Landlord rents should be calculated using a national formula based system. Since 2003/04, Enfield Council rents have been calculated using this National Social Rent policy. The formula is based on:

- the market value of the property,
- average earnings for London manual workers
- the national average council rent
- the number of bedrooms in the property.

The move to formula rents from the actual rents being charged at the time ("rent convergence") would have meant significant increases or decreases for some tenants if introduced immediately. In recognition of this, the Government decided that the move to the new formula rents would be phased in over a number of years, and that no rent should increase by more than £2 per week plus inflation plus 0.5% in any one year. In Enfield, this would mean that actual rents should converge with formula rents by the end of 2015/16. After that, the policy proposed annual increases of inflation (Retail Prices Index) plus 0.5%.

Where properties become void, the rent charged to the incoming tenant will be the formula rent for that property.

The Council's 30-Year Housing Revenue Account Business Plan, published in September 2012, assumes that this policy is implemented for the next thirty years.

In July 2013, the Government announced an amendment to National Social Rent Policy, namely that, with effect from April 2015, "rent convergence" will no longer apply and that annual increases will be based on inflation (Consumer Prices Index) plus 1.0%.

It is the Council's intention to adopt this approach with effect from the 2015/16 year.

## Affordable Rent Policy

The Council has recently become an Investment Partner of the Greater London Authority, and, as such, is entitled to bid for funds to support its house building programme. In addition, the Council has signed an agreement with the Government to participate in its “Right to Buy One for One Replacement” Programme. The Government and the Greater London Authority both expect Councils that sign up to these schemes to deliver **additional** affordable housing which will be let on the basis of charging “affordable rent”. Affordable rent is described as a rent level (including service charges) set at up to 80% of local market rent levels.

The Council has carried out some work to test what level of rent local people can really afford by reference to average earnings of Enfield residents. Evidence showed that larger units at rent levels of 80% of market rent will be unaffordable to most families.

The research indicated that, for residents earning the median borough income, 78% of market rent for two bed units, 60% of market rent for three bed units and 49% of market rent for four+ bed units would be affordable. The Council intends to review this evidence on an annual basis and provide updated information linked to changes to median income and market rents. The information will also be updated at the point where affordable rents are required to be set on its Housing Revenue Account schemes so that rents are set at a level affordable for local people.

## Current Rent Levels

Housing Revenue Account average rents per week for 2013/14 are as follows:

<b>Council Homes – 2013/14 Rents</b>	
<b>Property Type</b>	<b>Average Weekly Rent</b>
Bedsit	77.35
1 bed flat	83.01
1 bed house	92.98
2 bed flat	92.34
2 bed house	104.57
3 bed flat	102.82
3 bed house	114.89
4 bed flat	107.58
4 bed house	125.30
5 bed house	131.54
6 bed house	153.88
<b>Average</b>	<b>95.99</b>

The Council does not currently have any affordable rented properties within its stock.

Current average market rents per week in Enfield (as at September 2013) are as follows:

<b>Category</b>	<b>Market Rent 2013</b>
	<b>£</b>
1 bedroom	195.00
2 bedroom	260.00
3 bedroom	320.00
4 bedroom+	425.00

## **Service Charges**

Where affordable rent is set, this will be inclusive of service charges. For the rest of the stock, the Council will continue to charge service charges to tenants and leaseholders on the basis of full cost recovery.

Current weekly service charges for Housing Revenue Account tenants are as follows:

<b>Service Type</b>	<b>Weekly Charge 2013/14</b>
	<b>£</b>
Grounds Maintenance	£1.20
Concierge	£10.61
CCTV	£1.25
Caretaking - Resident	£4.71
Caretaking – Non-Resident	£2.90

In addition, some tenants are charged for communal heating facilities. The costs of these vary according to the type of fuel used, the type of system installed and the level of consumption.

Service charges are based on the estimated cost of the service for the year in question, and are only payable by those customers who are in receipt of the service.

## **Rechargeable Works**

In addition to rent and service charges, tenants will be invoiced for the cost of any items or works which are not the responsibility of the Council and for general damage to and misuse of the property, such as broken glass due to damage, replacement of lost keys or fobs and reinstatement of unauthorised alterations.

## **Value for Money**

The Council will ensure that all services paid for through tenants' rents and service charges are subject to constant review and efficiency targets with the aim of continuing to provide accommodation that local people can afford whilst ensuring continued viability of the Council's 30-Year Housing Revenue Account Business Plan.

## **Review Period**

This policy will be reviewed on an annual basis or whenever a significant change occurs, whichever is the sooner.