



# **LONDON BOROUGH OF ENFIELD**

## **HOUSING REVENUE ACCOUNT (HRA) RENT SETTING POLICY**

**October 2015**

## 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, and property held in the Council's companies (for example, Housing Gateway Ltd and Enfield Innovations Ltd).

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 Council's rent setting policy will operate in line with the following principles:

- With effect from April 2016, the Council will set its Housing Revenue Account rents in compliance with the government's proposed Welfare Reform and Work Bill 2015.
- Service charges will continue to be based on the estimated cost of the services for the year in question, and will only be payable by those customers who are in receipt of the services.
- Where the Council builds or acquires new or additional properties, then consideration will be given to letting these properties 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 Housing Revenue Account tenants who are affected by regeneration projects and who choose to move to a newly built or acquired Council home are likely to experience some rent increase as a result of their move, even where Social Rent levels 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.

## **The Government's Summer Budget 2015 and the Welfare Reform and Work Bill 2015**

The Government announced in July 2015 that:

*“rents for social housing will be reduced by 1% a year for four years, and tenants on higher incomes (over £40,000 in London and over £30,000 outside London) will be required to pay market rate, or near market rate, rents”*

The requirement to reduce social housing rents by 1% per year with effect from 2016/17 for a four year period has now been included in the Welfare Reform and Work Bill 2015. When the Act comes into force, it will be a legislative requirement, so the Council has no option but to comply.

The requirement for tenants on higher incomes to pay higher rents is not included within the Act, and the Council is yet to be informed as to how the Government intends to implement this policy.

## **Social Rent**

Where the Council decides that it will let newly built or acquired properties at Social Rent levels, the rent will be calculated using a national formula based system. 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

## Affordable Rent Policy

The Council is 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”.

In addition, where the Council builds new homes or acquires additional homes, consideration may be given to letting these properties also at affordable rent levels, even where they will be occupied by existing Housing Revenue Account tenants. This will avoid neighbours on a new development experiencing differential rent levels.

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, 80% of market rent for one bed units, 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 2015/16 are as follows:

<b><u>Council Homes – 2015/16 Rents</u></b>	
<b>Property Type</b>	<b>Average Weekly Rent</b>
Bedsit	82.80
1 bed flat	88.80
1 bed house	100.60
2 bed flat	98.30
2 bed house	112.10
3 bed flat	109.20
3 bed house	123.60
4 bed flat	114.50
4 bed house	131.20
5 bed house	140.70
6 bed house	163.00
<b>Average</b>	<b>102.75</b>

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

Current average market rents per week in Enfield (as at December 2014) are as follows:

<b>Category</b>	<b>Market Rent 2015</b>
	<b>£</b>
1 bedroom	215.00
2 bedroom	295.00
3 bedroom	360.00
4 bedroom+	480.00

## 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:

Service Type	Weekly Charge 2015/16 £
Grounds Maintenance	£1.25
Concierge	£10.61
CCTV	£1.37
Caretaking - Resident	£5.18
Caretaking – Non-Resident	£3.19
Caretaking - Sheltered	From £1.45 to £3.18
Cleaning - Sheltered	From £1.79 to £2.56
Communal Electricity	From £0.15 to £3.00

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. This same principle will apply in the event of any new services being introduced.

## 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 by the tenant, 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.