

## MUNICIPAL YEAR 2016/2017 REPORT NO. 100

### MEETING TITLE AND DATE:

**Cabinet**  
**19<sup>th</sup> October 2016**

### REPORT OF:

Director of Regeneration  
and Environment

**Agenda - Part: 1**

**Item: 11**

**Subject: Housing Revenue Account (HRA)  
Affordable Rent Levels to Apply to New  
Homes**

**Key Decision: KD4341**

**Wards: All Wards**

### **Cabinet Members consulted:**

Cllr Oykenner

Contact officer and telephone number:

Helen Waring 0208 379 4058

Email: [Helen.waring@enfield.gov.uk](mailto:Helen.waring@enfield.gov.uk)

### **1. EXECUTIVE SUMMARY**

- 1.1 In November 2015, Cabinet agreed the HRA Rent Setting Policy, which clarified the direction that the Council will take in setting its HRA rents with effect from 1<sup>st</sup> April 2016 (KD4126).
- 1.2 The Rent Setting Policy included the following paragraph:

“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.”
- 1.3 This report sets out the proposed affordable rent levels to apply to newly built and newly acquired HRA properties for the 2016/17 year. In future years, these will be reviewed as part of the HRA annual rent-setting process, alongside existing properties which will continue to be let at social rent levels.

## **2. RECOMMENDATIONS**

- 2.1 That HRA affordable rents will be set by reference to Local Housing Allowance (LHA) rates applying to Enfield.
- 2.2 That, in order to ensure local affordability, HRA affordable rents will be set by reference to median income in Enfield.
- 2.3 That the affordable rent levels set out in paragraph 3.7, which are inclusive of service charges, will apply to newly built and newly acquired HRA properties for the 2016/17 year.
- 2.4 That Cabinet notes that HRA affordable rents will only apply to newly built or newly acquired properties – current properties, or new properties where the Council has already undertaken to offer properties at social rent levels (for example, those let to decanted tenants on the Alma and New Avenue schemes), will continue to be let at social rent levels.
- 2.5 That HRA affordable rents will be subject to an annual review to ensure consistency and continuing affordability.

## **3. BACKGROUND**

- 3.1 Enfield's HRA Rent Setting Policy, published in November 2015, indicated that the Council intended to let some of its newly built or newly acquired properties at a rental level set higher than social rent levels with effect from the 2016/17 year.
- 3.2 There were four reasons for doing this:
  - as an investment partner, the Council receives grant income from the Greater London Authority (GLA) and with this comes the requirement that the grant funded properties will be let at "affordable" rent levels
  - the Council participates in the Government's "Right to Buy One for One Replacement Scheme", and with this comes the expectation that the properties funded through this scheme will be let at "affordable" rent levels
  - the Welfare Reform and Work Act 2015 requires the Council to reduce rents by 1% per annum for four years with effect from 2016/17. This has placed significant pressure on the HRA 30-Year Business Plan, and the setting of higher rents for some properties will help alleviate that pressure

- the Council has embarked on an ambitious regeneration programme which will provide significant numbers of new properties in the Borough, and setting higher rent levels for these properties better reflects their improved quality and value over older stock
- 3.3 The Council is now at the point where a small number of new properties will become available in the 2016/17 year.
- 3.4 The Government definition of “affordable rent” is described as up to 80% of market rent. However, Enfield Council has always been clear that it intends to set rents that are affordable for people in Enfield, and that therefore its “affordable” rents were likely to lie somewhere between social rent and 80% of market rent. Affordability would be determined by reference to average earnings in the Borough.
- 3.5 Furthermore, having considered how rent-setting will work in practice, it is recommended that it will be easier and clearer to set these rents by reference to LHA rates as opposed to market rents. Market rents are subject to constant change at present, and there are big differences in market rents across the Borough.
- 3.6 According to the London Datastore, the median household income for Enfield was £33,110 in 2012/13. Assuming an increase of 2% year on year since then, the median income would be £35,839 in 2016/17. Based on setting rents at one third of median income, this would make a weekly rent of £229 affordable.
- 3.7 It is therefore proposed that the following weekly rent levels should apply for the 2016/17 year:

Beds	LHA Rate	% of LHA Rate	Amount
1	£200	80	£160
2	£255	76	£194
3	£315	67	£211
4	£389	58	£226

- 3.8 It should be noted that these rent levels will not necessarily apply to all newly built or newly acquired properties in the HRA. The Council will consider the levels of rent to apply to each new scheme or acquisition. For example, it has already been agreed that new properties let to current tenants on both the Alma and New Avenue schemes will remain at social rent levels.
- 3.9 In future years (from 2017/18 onwards), HRA affordable rent levels will be reviewed and set along with all other HRA rents and charges as part of the annual rent-setting exercise.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 The Council could continue to set its HRA rents at social rent levels. However, it has received GLA funding and participates in the Government's Right to Buy One for One Replacement Scheme on the understanding that properties funded through these two income streams will be let at affordable rent levels. In addition, the Welfare Reform and Work Act 2015 requires that social rents will reduce by 1% per annum over the four years commencing 2016/17. This has put pressure on the 30-Year HRA Business Plan – setting affordable rents will contribute to alleviating that pressure and create more flexibility to fulfil aspirations to manage, improve and renew stock to a higher standard.
- 4.2 The Council could set HRA affordable rents by reference to market rent levels. However, these vary across the Borough and are subject to constant change in the current financial climate. This would make rent-setting both difficult to administer and confusing for tenants.
- 4.3 The Council could set higher rent levels. However, it has agreed to “ensure that any homes let at affordable rent levels remain affordable for people in Enfield”.

#### **5. REASONS FOR RECOMMENDATIONS**

- 5.1 The proposed methodology for calculating and reviewing HRA affordable rents will ensure transparency and affordability.
- 5.2 Annual review by reference to LHA rates and median income will ensure that rent levels remain affordable for local people.
- 5.3 The rent levels proposed in this report have been tested for affordability.

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

##### **6.1 Financial Implications**

- 6.1.1 Rent increases (or decreases) are currently reviewed on an annual basis as part of the budget and rent setting process and are considered in the context of the HRA 30-Year Business Plan. It is a requirement that the Business Plan remains in balance.
- 6.1.2 In the current Business Plan, it is assumed that some rents will be set at higher levels than the average Social Rent of £101.78 plus service charges. This not only improves the viability of the overall plan, but also helps make individual schemes viable, allowing the number of affordable units delivered to be increased.

- 6.1.3 It should be noted that, to comply with the Welfare Reform and Work Act, any new rents set in 2016/17 will be required to reduce by 1% per annum for each of the following three years, new rents set in 2017/18 will need to be reduced for the following two years, etc.

## **6.2 Legal Implications**

- 6.2.1 The recommendations in the report are in line with current legislation and the Government's agenda. In implementing this policy which is a National Policy, locally the Council still has a general duty not to discriminate and to have regard to its equality duties under the Equality Act 2010.
- 6.2.2 As this is a National Policy the government's impact assessment of affordable rent was published in June 2011 and says that although some households are not likely to realise the same degree of benefits from the scheme as would have been the case with a social rented property (since rents will be higher), the policy will bring advantages to these households by increasing supply. It also says the absence of this policy could limit supply to these households, which would mean them remaining in the private rented sector, where rents are higher and there is less security of tenure.
- 6.2.3 Government policy guides how rents should be set by local authorities and registered social landlords and is applicable here. 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.

## **6.3 Property Implications**

- 6.3.1 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 Any change to the level of rental income assumed in the Council's HRA 30-Year Business Plan has the biggest impact on its viability, both in the short to medium term, and in the longer term. As described above, the 1% reduction in rental income per annum over the four year period created a significant shortfall in the Business Plan, and the setting of higher rents for newly built or newly acquired properties will help to redress the balance.
- 7.2 The Council will reduce its ability to provide new homes, could lose its Investment Partner status with the GLA and could compromise its ability to obtain Government funding if it does not charge higher rents on some of its HRA properties.

## **8. IMPACT ON COUNCIL PRIORITIES**

### **8.1 Fairness for All**

Setting higher rents on newly built or newly acquired HRA properties will reflect the enhanced quality and value of those properties and assist towards maximising the number of affordable properties that can be provided in the future.

### **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 rents on some units and leveraging in additional funding will assist in achieving these ambitions.

### **8.3 Strong Communities**

Rents set at a level that local people can afford will contribute greatly to building stronger communities.

## **9. EQUALITIES IMPACT IMPLICATIONS**

The proposals in this report are designed to be fair and transparent. The methodology proposed to calculate HRA affordable rents will maximise affordability, allowing Enfield residents to secure accommodation in Enfield.

## **10. PERFORMANCE MANAGEMENT IMPLICATIONS**

The setting of higher rents for newly built or newly acquired HRA properties will improve the viability of the 30-Year HRA Business Plan, thus enhancing the performance of the business into the future.

## **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