

9 December 2015

Environment & Housing Management Committee

Rent Policy (Affordable Homes)

Report of: *Helen Gregory, Interim Head of Housing Services*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 Brentwood Borough Council does not currently have a formal rent policy which outlines both social and affordable rent setting and variation mechanisms.
- 1.2 The attached draft Rents Policy November 2015 outlines a viable rent setting and variation mechanism for both social and affordable rent properties.
- 1.3 To allow for continued capital receipt funded acquisitions and procurement and investment in future home building an economically viable rent setting policy is required.
- 1.4 The rent on each affordable rent property (acquisitions and new-builds) is due to be set according to a graduated mechanism.

2. Recommendation(s)

- 2.1 That the Committee formally approve and recommend to the Policy, Finance and Resource Committee the appended Rent Policy (AH).**

3. Introduction and Background

- 3.1 The Council has stated its commitment in its Housing Strategy to provide more homes that people can afford. There is an identified need for different types of housing provision within the Borough.
- 3.2 The Government standard for 'Affordable Rents' allows for prospective affordable rents to be set at a value of up to 80% of gross local market rent. We have completed desktop research to ascertain how other Local authorities/registered providers have set their affordable rents; they range from 65% to 80% of market rent value. It is proposed that the rent setting mechanism operates at a graduated level for the reasons outlined below.

- 3.3 The additional income generated from charging affordable rents will be invested in the acquisition and/or building of affordable homes.
- 3.4 Social rent will continue to be charged on all existing Council stock currently subject to social rents. The mechanism for variations to social rents will continue to be applied as per Government policy, which currently requires a 1% reduction per annum for the next four years.

4. Issue, Options and Analysis of Options

- 4.1 The advantages of setting the rent at an Affordable Rent are that it enables the Council to maximise revenue for alternate housing provision whilst ensuring that tenants are offered an economically viable alternative to the over-subscribed Housing Register.
- 4.2 To justify the capital cost of acquisitions, to retain future economic viability and to enable potential cross-subsidisation of future projects the adoption of a coherent formal Rent Policy is required.
- 4.3 Government rules on affordable rent setting allows for affordable rents to be set up to 80% of local market rent. If all affordable rents were set at this level then rents would be substantially higher than the Local Housing Allowance ('LHA'), the rate of Housing Benefit set for private renting. The impact of this on households would be such that those on low-incomes would not be able financially to access these properties.
- 4.4 Consequently it is proposed that Affordable Rents will be set at a relevant fixed percentage which relates to the amount of bedrooms within the property. The fixed percentages are graduated at 5% increments to allow for transparency and in line with current LHA rates (within 0.5% or lower than relevant LHA rate).
- 4.5 The full methodology and implementation guidance is as per the appended draft Rents Policy.

5. Reasons for Recommendation

- 5.1 The proposed policy will allow the Council to:
- 5.2 Maximise potential revenue of acquisitions funded through capital receipts, given that 'Right to Buy' acquisitions are an economy of diminishing returns.
- 5.3 Realise an agenda for new build and acquisitions which would otherwise be economically untenable.
- 5.4 Increase affordable housing supply within the Borough.
- 5.5 Broaden the housing range for residents.

- 5.6 Expand housing options for homeless households
- 5.7 Implement the Welfare Reform agenda (which Brentwood Council is committed to, particularly within existing written policy)
- 5.8 Encourage aspirational households to remain in/enter work whilst not being economically prevented from obtaining larger accommodation.
- 5.9 Enable the current provision of social rents to continue as a form of cross-subsidisation within the Housing Revenue Account.
- 5.10 Support families into accommodation which will be affordable where the needs are not met by existing stock.
- 5.11 Structure the Council's approach to housing, in particular as relevant to the Local Development Plan.

6. Consultation

- 6.1 Resident consultation was undertaken on Monday 9th November 2015.

7. References to Corporate Plan

- 7.1 Improving service delivery and enhancing housing options will meet the Council's commitment to service improvements and will also enhance the efficiency of the service.

8. Implications

Financial Implications

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- 8.1 An affordable rent will ensure the Council receives an appropriate return on its investment and balances the housing needs of residents.

Legal Implications

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- 8.1 None.

Other Implications (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 8.2 None.

9. Background Papers (include their location and identify whether any are exempt or protected by copyright)

9.1 None.

10. Appendices to this report

Appendix A - Draft Rents Policy November 2015.

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