



**BRENTWOOD
BOROUGH COUNCIL**

Rent Policy – November 2015

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Introduction

1. The Council has identified in its Housing Strategy ⁽¹⁾ the need for more homes that people can afford. The Brentwood Strategic Housing Market Assessment ⁽²⁾ evidences a need for different types of housing provision within the Borough suitable to residents with varying needs. The Council is committed to offering the greatest choice possible in the provision of housing in the Borough. However, the ability to enable and offer choice has to be carefully balanced against economic challenges to ensure the most effective use of Council resources for current and future generations.
2. The Council recognises the benefit of providing homes at a lower rent to households on low incomes, but will seek to take a more targeted approach that takes into account other key housing policies, including our Allocation Policy ⁽³⁾ and Tenancy Strategy ⁽⁴⁾.
3. The Council's Tenancy Strategy sets out a framework for registered providers of affordable housing (RPs) to follow concerning the management of their existing housing in the Borough and the development of new housing. This draft rents policy outlines the approach that the Council will take in setting rents relevant to its own properties, and those in future which are subject to joint funding and collaborative working and ownership.
4. The Rents Policy will also guide the policies of the emerging Local Plan in the provision of new affordable housing.
5. The Council will keep its Rents Policy under regular review ⁽⁵⁾. Before implementing any major changes to the Policy the Council will ensure all key stakeholders have a reasonable opportunity to comment on the proposals.

(1) Brentwood Borough Council (2013) *Housing Strategy* [Online] Available from: <http://www.brentwood.gov.uk/pdf/21112013120952u.pdf> [Accessed 23/10/2015].

(2) Brentwood Borough Council (2013) *Strategic Housing Market Assessment* [Online] Available from: <http://www.brentwood.gov.uk/pdf/18082014110455u.pdf> [Accessed 23/10/2015].

(3) Brentwood Borough Council (2014) *Allocations Policy* [Online] Available from: http://www.brentwood.gov.uk/pdf/allocations_policy.pdf [Accessed 23/10/2015].

(4) Brentwood Borough Council (2013) *Tenancy Strategy* [Online] Available from: <http://www.brentwood.gov.uk/pdf/21052013113046u.pdf> [Accessed 23/10/2015].

(5) The final Policy will be available for inspection on the Council's website and copies will be available free of charge from the Town Hall during normal working hours.

Local Priorities

6. The Council's wider objectives are set out in the Corporate Plan (1) and state that the Council will:
 - Broaden the range of housing in the borough to meet the needs of our population now and in the future.
 - Manage our housing differently to recognise council housing as a valuable and limited resource for those in greatest need.
 - Ensure council tenants are socially responsible and good neighbours.
 - Actively implement the Welfare Reform agenda which seeks to ensure that people in receipt of benefits are not better off than those in work.
 - Provide effective representation of local people's views and needs for improved and accessible health services.
7. The Council's approach to rent setting reflects these objectives by seeking to provide more affordable homes to enable residents to help themselves, and to prevent homelessness. In addition, this policy seeks to provide a transparent and clear approach to rent setting.
8. The Council's Housing Strategy has identified the following objectives:
 - To assess and plan for current and future housing needs of the local population;
 - To make the best use of existing housing stock;
 - To plan and facilitate new supply;
 - To plan and commission housing support services which link homes to support and other services that people need to live in them; and
 - To have working partnerships that secure effective housing and neighbourhood management.
9. This Rents Policy will contribute to these objectives by increasing the money available to invest in the building and procurement of additional homes, including supported housing for vulnerable people. This policy will also underpin capital receipt funded acquisitions (e.g. purchase of additional homes from 'Right to Buy' receipts).

(1) Brentwood Borough Council (2013) *Corporate Plan 2013-16* [Online] Available from: <http://www.brentwood.gov.uk/pdf/14052013141657u.pdf> [Accessed 23/10/2015]

National and Regional Context

10. The current national rent policy for rented homes distinguishes between rents for new affordable homes and those of existing properties and with different approaches for housing association and council tenants.
11. New homes built by housing associations receive a level of subsidy which means that affordable rents of up to 80% of average private sector rents should be charged to cover the difference between the building costs and the amount of grant received.
12. Formerly for Council homes the Government recommended that rents were increased by CPI + 1% each year, and prior to that there was a national policy of convergence between council and housing association rents. Councils and housing associations were expected to let their homes at formula or target rents determined by the convergence policy as they became empty.
13. Since June 2015 in relation to council homes, the Government has required that social and affordable rents are decreased by 1% per annum until 2019/20. If Council's build or procure new homes using money received from Right to Buy sales, these should be charged at affordable rents up to 80% of market rents as per DCLG *Guidance on Rents for Social Housing* ⁽¹⁾. The immediate value of social rent revenue to the Housing Revenue Account ('HRA') is therefore currently diminishing in real terms without the financial support of affordable rents.
14. The Council has identified that an affordable rent set at 80% of local market rent as per Government guidelines may be economically untenable for many residents, given Brentwood's geographical and economic positioning, as identified within the SHMA. The Council is therefore adopting a graduated mechanism within this Rents Policy as per the methodology outlined below.
15. This draft Rents Policy aims to ensure a more consistent approach is taken to rent setting for households which aligns with our Housing Strategy and recognises the local need within the Borough for differing levels of housing provision. It is also intended to provide for greater financial stability to allow for consistent and effective housing provision both now and in the future.

(1) DCLG (2014) *Guidance on Rents for Social Housing* [Online] Available from: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/313355/14-05-07_Guidance_on_Rents_for_Social_Housing_Final_.pdf [Accessed on 23/10/2015]

Current Position

16. As illustrated in Table 1 below, Council rents are currently significantly below those charged within the private sector.

Table 1: Average Housing Costs by Bedroom Need (weekly rents)

Beds		1	2	3	4
Council	£	81.21	92.53	110.73	135.12
Private Sector (VOA loc	£	167.80	219.69	286.85	468.00

17. There is a marked disparity between social rents and the private sector average. The Council recognises that some residents are unable to maintain rent payments set by the market and need a wider set of options.

18. There is scope therefore for taking an approach which will raise additional revenue for building and purchasing new homes, which would not otherwise be viable given current demands on the HRA and wider financial retrenchment.

Policy for Brentwood Council Social and Affordable Rents:

19. The Council has developed this policy taking into account national and regional policies described in section 3 above, as well as its own local policies including the Corporate Plan, Housing Strategy, Tenancy Strategy and Allocations Policy. Key principles that underpin the Council's Rents Policy are as follows:
- Any new properties that the Council builds should be subject to affordable rents in line with national and regional rent policy, subject to individually negotiated exemptions (e.g. Sheltered Housing properties/schemes).
 - Tenants housed in newly acquired properties from the effective date onwards will be charged an affordable rent. The Council considers that this approach is fairer as many housing association properties are already let at affordable rents and the Tenancy Strategy already supports this.
 - Tenants in existing Council properties currently charged social rents will continue to be so charged.
 - The mechanism for variations to social rents will continue to be applied as per Government policy and direction. Variations to affordable rents will mirror that utilised for social rents. Any future affordable rent increases will mirror social rent increases or will be in line with the Consumer Price Index (CPI) + 1% whichever is lower.
 - Affordable rents charged by the Council will be set at a percentage of local market rent which does not exceed current Local Housing Allowance levels (within a 0.5% margin).
 - The additional income raised will be invested in the acquisition and/or building of new affordable homes.
20. The above principles will be applied as follows:
21. **New Homes:** All newly built or acquired Council homes, other than previously agreed exempted properties, will be let at an affordable rent as per the formula outlined at page 8 below (methodology for affordable rent setting).
22. **New Tenants:** Currently new tenants granted a tenancy within existing social stock will be granted a flexible tenancy with a social rent. If after future stakeholder review new tenancies are let at an affordable rent in the future they will be set as per the formula outlined at page 8 below (methodology for affordable rent setting).
23. **Existing Tenants:** The Council recognises that existing tenants would be significantly impacted by increasing rents to affordable levels in line with national and regional policy on rents for affordable homes. In view of this, the Council will continue to set rents for existing tenants with social rents as per the existing formula. Future rent

increases/decreases for existing tenants with social rents will continue to be set in line with Government policy.

24. **Subsequent Re-lets:** Any property subject to affordable rent will continue to be so when being re-let. The rent will be re-calculated at the relevant percentage of local market rate at the point of re-letting.
25. **Local Housing Allowance (LHA):** LHA determines how much rent will be taken into account when Housing Benefit is calculated (see Appendices 1 and 2). The housing element of Universal Credit will replace LHA, and will subsequently become the new benchmark criterion.

Methodology for Setting Affordable Rents

26. Affordable rents will be set by determining the relevant fixed percentage, as per table 3 below. This percentage relates to the amount of bedrooms within the property. Once this has been determined the rent amount will be that percentage of local market rent.
27. The fixed percentages are graduated at 5% increments. The relevant fixed percentage will be the one which brings the rent charge within 0.5% or lower than the current lowest LHA rate within the Borough for the relevant bedroom need. The LHA rates used will be the current ones as at the effective date of this policy.
28. Table 3 outlines current average housing costs by bedroom need. The formula for setting affordable rents will be:
- One bedroom properties will be let at an affordable rent being 75% of local market rent ('LMR').
 - Two bedroom properties will be let at an affordable rent being 70% of LMR.
 - Three bedroom properties will be let at an affordable rent being 65% of LMR.
 - Four bedroom properties will be let at an affordable rent being 50% of LMR.
 - Affordable rents for properties above four bedroom need will be set on an individually assessed basis.
29. When Universal Credit fully replaces the LHA in the Borough the formula at paragraph 26 will be reviewed to ensure it is still proportionate.

Table 3: Average Housing Costs by Bedroom Need

Beds		1	2	3	4
Council Social Rent (1)	£	81.21	92.53	110.73	135.12
Private Sector (LMR) (2)	£	167.80	219.69	286.85	468.00
Affordable Rent @ 50% of LMR	£	83.90	109.85	143.43	234.00
Affordable Rent @ 55% of LMR	£	92.29	120.83	157.77	257.40
Affordable Rent @ 60% of LMR	£	100.68	131.81	172.11	280.80
Affordable Rent @ 65% of LMR	£	109.07	142.80	186.45	304.20
Affordable Rent @ 70% of LMR	£	117.46	153.78	200.80	327.60
Affordable Rent @ 75% of LMR	£	125.85	164.77	215.14	351.00
Affordable Rent @ 80% of LMR	£	134.24	175.75	229.48	374.40
LHA Average	£	135.77	167.54	203.53	272.76
Lowest LHA	£	128.19	151.50	185.29	231.92

(1) BBC 2015/16 Social Rents

(2) Valuation Office Agency figures

Implementation

30. This policy will be implemented as soon as reasonably practicable after referral to Tenant Talkback and subject to approval by the Council's Environment and Housing Management Committee, which will consider the final draft on the 9th December 2015.
31. The effective operational date of this policy is [...].

Worked Examples – Using Table 3

32. Example 1: 2 Bedroom Flat let on a flexible tenancy in Brentwood

- Step 1: Valuation Office Agency average local market rent = **£219.69**
Step 2: Consider the relevant bedroom need = **2 bed**
Step 3: Identify the relevant percentage = **70%**
Step 4: Calculate the affordable rent by applying the step 3 percentage to the step 1 rent amount.

Therefore net weekly rent = £153.78

33. Example 2: 4 Bedroom House let on a flexible tenancy in Brentwood

- Step 1: Valuation Office Agency average local market rent = **£468.00**
Step 2: Consider the relevant bedroom need = **4 bed**
Step 3: Identify the relevant percentage = **50%**
Step 4: Calculate the affordable rent by applying the step 3 percentage to the step 1 rent amount.

Therefore net weekly rent = £234.00

Appendices

Appendix 1: Local Housing Allowance (LHA) 2015/2016: By BRMA (Broad Rental Market Areas): There are currently four different LHA rates within the Borough of Brentwood, based on the BRMA in which the rental property is located.

No of Bedrooms		Harlow and Stortford	SW Essex	Chelmsford	Outer NE London	Average
Shared room	£	68.08	63.50	69.08	75.15	68.95
1 bedroom	£	133.32	128.19	126.00	155.57	135.77
2 bedrooms	£	164.79	161.26	151.50	192.62	167.54
3 bedrooms	£	198.11	188.33	185.29	242.40	203.53
4 bedrooms	£	279.69	266.65	231.92	312.77	272.76

Appendix 2: BRMAs across the Borough of Brentwood (Illustrative use only)



Exact information pertaining to current LHA rates and applicability should be sought from the Government's Valuation Office Agency ('VOA').

Glossary

Affordable Housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market.

Affordable Rent Housing: is let by Local Authorities or private Registered Providers of social housing to households who are eligible for social and affordable rented accommodation. Affordable rent is subject to rent controls that require a rent of no more than 80% of the average local market rent (including service charges where applicable).

Flexible Tenancy: a form of secure tenancy which lasts for a fixed-term period of 2 to 5 years. The tenancy may be extended for a further term. Also known as 'fixed-term tenancies'. Given that most flexible tenancies also have an introductory first year these tenancies actually last for 3 to 6 years.

Housing Revenue Account (HRA): This is the Council's landlord account, which shows all of the Local Authority's income and expenditure arising from its role as the owner of housing. The account is 'ring fenced'; that is, no transfer can be made between the HRA and the 'General Fund'.

Homes & Communities Agency (HCA): The Government appointed organisation with the responsibility for funding new affordable housing and regulating providers of affordable housing.

Lifetime Tenancy: a form of secure tenancy which lasts for the life of the tenant. Includes a tenancy agreement which sets out certain rights, including the right to buy.

Local Housing Allowance (LHA): LHA contains the maximum current rates of entitlement to Housing Benefit for people on benefit or low incomes. LHA is based on the number of rooms allowed for the household, based on their household composition.

Registered Social Landlord (RSL): A social housing organisation that is registered with the HCA and is often referred to as a housing association.

Registered Provider (RP): An RP is a landlord providing social and/or affordable housing which is registered with the Homes & Communities Agency, within the meaning of section 180 of the Housing and Regeneration Act 2008. The majority of RPs are Housing Associations or Local Authorities.

Rent policy: sets out how rents on council homes are determined

Service charges: Specific additional charges, typically for tenants and leaseholders in flat blocks, to cover additional charges incurred by the landlord. These might include cleaning of communal areas, or, in the case of leaseholders, repairs to communal areas or equipment.

Secure Tenancies: Tenancies originally introduced by the Housing Act 1980, which conferred security of tenure for life upon all existing and new local authority tenants. Housing

association tenants whose tenancies were granted before 15 January 1989 (generally through stock transfer from local authorities) may also remain secure tenants.

Social Rented Housing: is owned by Local Authorities and RPs (as defined by section 80 of the Housing and Regeneration Act 2008) for which target rents are determined.

Strategic Market Housing Assessment (SHMA): A Strategic Housing Market Assessment is a collection of data (both primary and / or secondary) detailing all aspects influencing housing markets in a particular area.

The Council: Brentwood Borough Council.

Target Rent: rent set by formula which takes into account the value of the property and number of bedrooms. Following the June 2015 Budget rents for tenants in social housing are to decrease by 1 per cent per annum from 2016/17 to 2019/20. The previous increase mechanism was set per annum at CPI (Consumer Price Index) inflation plus 1%.