

**Committee Name and Date of Committee Meeting**

Delegated Officer Decision – 02 March 2023

**Report Title**

Affordable Rent values for letting to new Council tenants in 2023/24

**Is this a Key Decision and has it been included on the Forward Plan?**

No

**Strategic Director Approving Submission of the Report**

Ian Spicer, Strategic Director of Adult Care, Housing and Public Health

**Report Author(s)**

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**Ward(s) Affected**

Borough-Wide

**Report Summary**

Government Legislation dictates that Affordable rents must be re-assessed every time that an Affordable rent property is re-let to a new tenant to ensure that the Affordable rent remains no higher than 80% of the market rent for a similar property in that location.

To meet this requirement a desktop exercise is undertaken prior to April and September each year to review whether the current Affordable rent value charged to existing tenants for each property remains within 80% of the market rent for similar properties in the Borough.

The exercise completed in February 2023 has concluded that based on market rent average values on Hometrack for Rotherham the affordable rents for 2023/24 to be charged to existing tenants are within 80% of market rent values and will be used as the re-let value for these properties.

**Recommendations**

1. That the affordable rent values to be used for re-let to new tenants in 2023/24 are the individual affordable rents for 2023/24 for existing tenants.

**List of Appendices Included**

Appendix 1 Record of Officer Executive Decision

**Background Papers**

Rent Standard April 2023 – Regulator of Social Housing

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

None

**Council Approval Required**

Not applicable

**Exempt from the Press and Public**

No

## **Affordable Rent values for letting to new Council tenants in 2023/24**

### **1. Background**

- 1.1 Government Legislation dictates that affordable rents must be re-assessed every time that an affordable rent property is re-let to a new tenant to ensure that the affordable rent remains no higher than 80% of the market rent for a similar property in that location.
- 1.2 At the Council meeting on 22 January 2020 it was agreed that this would be achieved by undertaking an assessment of all affordable rent properties bi-annually, rather than having individual valuations each time the property became vacant. Agenda item 12, Recommendation 4:

*“That all Affordable Rent properties be revalued in October and March each year to provide a valid rent value for when Affordable Rent properties are relet.”*

- 1.2 To meet this requirement a desktop exercise is undertaken in March and October each year to review whether the current affordable rent value charged to existing tenants for each property remains within 80% of the market rent for similar properties in the Borough.

### **2. Key Issues**

- 2.1 Affordable rents in Rotherham are increased annually by following Government policy. The resulting rents calculated for the following year are reviewed via a desktop exercise to confirm whether they remain within 80% of market rents in Rotherham for relative property types. The exercise has always concluded that this is the case. The individual affordable rent values charged to existing tenants have thus always been used as the re-let value (target rent) for letting to new tenants of Council affordable rent properties.
- 2.2 The Government policy on affordable rents state that “An affordable rent should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged.”
- 2.3 The affordable rents for 2023/24 at a 7% increase from 2022/23 rent values for all affordable rent properties are higher than the formula rent for 2023/24 for those individual properties which have been increased by 11.1% per government policy.
- 2.4 A desktop exercise completed in February 2023 has concluded that based on market rent average values on Hometrack for Rotherham the actual current affordable rents for 2023/24 are within 80% of market rent values. Therefore, the affordable rents calculated for 2023/24 are the values to be used for re-lets to new tenants.
- 2.5 A review of the methodology for assessing the affordable rent values for re-lets to new tenants is underway. This is to ensure that the Council continues

to adhere to Government policy but is also taking account of the local context on rent values to be charged in the most effective and accurate way.

### **3. Options considered and recommended proposal**

- 3.1 The market rents in Rotherham have increased by between 7.9% and 13.1% over the past 12-month period reviewed. The affordable rents for 2023/24 have been increased by 7% from 2022/23 values per the cap imposed by central Government. The values for 2023/24 remain within the 80% market value of rents in Rotherham.

<b>Private Rented Sector (average rent per week)</b>			
	<b>Current (Jan-23)</b>	<b>Jan-22</b>	<b>% increase</b>
1 bed	£109	£101	7.9%
2 bed	£138	£122	13.1%
3 bed	£167	£150	11.3%
4 bed	£253	£230	10.0%

- 3.2 Although there have been different increases based on bedroom numbers it is recommended that the rents for 2023/24 which have been increased by 7% vs 2022/23 values are used to provide parity and fairness to tenants.
- 3.3 The Government policy statement on affordable rents indicates that providers should have regard to the local market context, including the relevant Local Housing Allowance for the area in which the properties is located when setting affordable rents. The desktop exercise has concluded that using the affordable rents charged to existing tenants in 2023/24 are within 80% of local market rents for Rotherham.
- 3.4 Consideration was given to increasing the affordable rents by 11.1% per the Government policy on the increase on formula rents for social tenants in 2023/24. This would have resulted in some affordable rents at re-let to new tenants being higher than 80% of market rent. This option was not recommended for that reason.

### **4. Consultation on proposal**

- 4.1 The Assistant Director of Housing and the Cabinet Member for Housing have been consulted and support this recommendation.

### **5. Timetable and Accountability for Implementing this Decision**

- 5.1 The affordable rent values for re-let to new tenants will be uploaded to the “Target rent” section of NEC (the Housing rent income management system) by 31 March 2023. The system will utilise this value for re-lets to new tenants.

## **6. Financial and Procurement Advice and Implications**

- 6.1 There are no significant financial implications resulting from this decision. The Council has 223 Affordable rent properties. The decision will not impact on the Affordable rent value for existing tenants. It will impact new tenants when the property is re-let.
- 6.2 The affordable rent values for re-lets to new tenants are assumed to be the same as for existing tenants within the calculations for HRA income budgets for 2023/24 and in the HRA Business Plan model.
- 6.3 There are no direct procurement implications associated with the recommendations detailed in this report.

## **7. Legal Advice and Implications**

- 7.1 The rent standard was initially introduced on 1<sup>st</sup> April 2020. The Rent Standard is one of three economic standards that registered providers of Social Housing are expected to comply with, the 2023 Rent Standard sits alongside the 2020 Rent Standard and it sets requirements around the increase of rents in line with the Government Policy on rents for Social Housing.
- 7.3 The Government’s Policy Statement on Rents and the Rent Standard make it clear that the rent for affordable housing must not exceed 80% of gross market rent, this is inclusive of any service charges. Gross market rent is defined as the rent for which the accommodation might reasonable be expected to be let in the private sector, factors that must also be taken into account when considering gross market rent include the property size and location.
- 7.4 It is a requirement that when affordable housing is let to a new tenant the rent must be re-set based on a new valuation to ensure that the new rent is no more than 80% of the relevant market rent. If the property is re-let to the same tenant i.e. if a probationary tenancy is coming to an end, then the rent must not be re-set.
- 7.5 Where affordable rent housing is being re-let to an existing tenant the rent must not be increased by more than CPI + 1 percentage point. When re-setting rent for the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024 there is a cap of 7%.
- 7.6 This decision ensures that the Council is complying with the legal requirements set in respect of rent increases for Affordable Housing. The Council must comply in full with all the requirements and expectations set

out in the Rent Standard and the Government's Rent Policy Statement on the setting, increase and decrease of rents and service charges. A failure to do so will leave the Council open to legal challenge from the Regulator and also tenants.

## **8. Human Resources Advice and Implications**

8.1 There are no HR implications arising from this report

## **9. Implications for Children and Young People and Vulnerable Adults**

9.1 None for the Council

## **10. Equalities and Human Rights Advice and Implications**

10.1 The Local Authority is aware of its duties under the Equality Act 2010 to promote equality, diversity, cohesion and integration. An initial equalities screening was carried out to assess the impact of the proposals within the report to increase Housing Rents and services charges for 2023/24 and an Equality Impact Assessment put in place. This will ensure the Council continues to promote positive impact and reduce or remove any negative impact as a result of the proposed increase in charges.

## **11. Implications for CO<sub>2</sub> Emissions and Climate Change**

11.1 This proposal has no additional impact on emissions.

## **12. Implications for Partners**

12.1 This proposal has no implications for Partners.

## **13. Risks and Mitigation**

13.1 Risk

The affordable rent values for re-let to new tenants need to be agreed and input into the NEC (the Housing rent income management system) by 31 March 2023 to enable the system to utilise the value for re-letting properties.

13.2 Mitigation

The system will be updated to the actual affordable rent values by the deadline so that re-lets to new tenants can continue. The system will be amended should an alternative decision be reached.

### **Accountable Officer(s)**

Ian Spicer, Strategic Director of Adult Care, Housing and Public Health

Approvals obtained on behalf of:

	<b>Name</b>	<b>Date</b>
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	Click here to enter a date.
Assistant Director of Legal Services (Monitoring Officer)	Phillip Horsfield	09/03/23
Assistant Director of Human Resources (if appropriate)		
Head of Human Resources (if appropriate)		09/03/23
The Strategic Director with responsibility for this report	Ian Spicer, Strategic Director of Adult Care, Housing and Public Health	Click here to enter a date.
Consultation undertaken with the relevant Cabinet Member	Cabinet Member for Housing - Councillor Brookes	10/03/23

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