HRA Rent Setting Policy

# Introduction

* 1. This policy outlines how Medway Council (the council) will calculate, consult and charge rent for our Housing Revenue Account (HRA) owned stock that we have responsibility to manage and maintain and the factors involved with this decision.

# Purpose

* 1. The purpose of this policy is to:
     1. ensure that the HRA adheres to government legislation when setting rent;
     2. ensure that the HRA does not fall into a deficit position;
     3. help the council to plan for future investment;
     4. protect tenants from excessive increases in rents;
     5. help ensure sub-market rents are being provided only to those in housing need and those who do not have the financial means to access other tenures.

# Background

* 1. In October 2017, the Government announced in the Housing White Paper ‘Fixing our Broken Housing Market’, that social housing landlords are permitted to increase social and affordable rent by Consumer Price Index (CPI) plus 1% each year from April 2020 for a period of 5 years. From April 2025, it will be the fourth year of rent increase.

# Scope

* 1. This policy is intended for all HRA residential properties that the council owns and has responsibility to maintain and manage.
  2. This policy does not include the setting of service charges that contribute to the overall rental charge of a property; service charges are calculated separately.

# Legislation and Guidance

* 1. Housing and Regeneration Act 2008 (a) Section 197
  2. Direction on the Rent Standard 2019
  3. Policy Statement on Rents for Social Housing issued by the Secretary of State on 26 February 2019
  4. Housing White Paper ‘Fixing our Broken Housing Market’ 2017
  5. Welfare Reform and Work Act 2016 (b)
  6. HCA Rent Standard Guidance 2015
  7. Housing Act 1985 Section 24
  8. Local Government and Housing Act 1989
  9. Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016

# Policy

## Calculation of social rent

* 1. Under social rent policy (excluding households that meet the criteria for fairer rent) rents will be set based on a formula that has consideration of:
     + The condition and location of a property – reflected in its value;
     + Local earnings;
     + Property size (specifically, the number of bedrooms in a property).
  2. The basis for the calculation of formula rents is:
     + 30 percent of a property’s rent should be based on relative property values;
     + 70 percent of a property’s rent should be based on relative local earnings; and
     + A bedroom factor should be applied so that, other things being equal, smaller properties have lower rents.
  3. Relative property value means an individual property’s value divided by the national (England) average property value, as at January 1999 prices.
  4. Where a property has a purpose built bedroom on the ground floor, the size of the property in terms of its numbers of bedrooms will be counted as such. Properties identified with “pods” will be charged for only bedrooms on the upper floors of properties from 1st April 2012 and pods, regardless of their usage, will be disregarded for rent charging purposes.
  5. In accordance with the 2017 Housing White Paper, from April 2020 the council are permitted to increase rent by Consumer Price Index (CPI) plus 1% each year for a period of 5 years.
  6. The council has some properties with a rent charge below that of formula rent. When any of these properties becomes void in 2025/26 the proposed rent will be recalculated the formula rent level.

## Rents for social housing tenants with high incomes (HIST)

* 1. Where a household has a taxable earned income of £60,000 or over (consistent with child benefit cap and eligibility for shared ownership housing schemes), the council will charge a fairer rent.
  2. The “household” means the tenants named on the tenancy agreement and any tenant’s spouse, civil partner or partner residing in the rental accommodation.
  3. Where there are more than two incomes that include the tenant, or tenant’s civil partner or spouse, only the two highest taxable income earnings will count towards the £60,000 threshold.
  4. The income from the previous tax year should be used to calculate the rent for the following year.
  5. The council will request that tenants declare information if their incomes exceed this limit in accordance with the terms of their tenancy agreement.
  6. Fairer rent will be charged at 80% of the market rental price.
  7. The council will use its discretion to revert the rental charge to social housing rent, if a household is charged fairer rent and is suffering from financial hardship.
  8. Where a high-income social tenant’s tenancy comes to an end, and they vacate the property, we will re-let the property in line with the previous social housing rent.

## Affordable rent

* 1. The introduction of Affordable rent commenced during the 2020/21 year for some new build units.
  2. The MHCLG Rent Setting policy states that the rent for affordable rent housing (inclusive of service charges) must not exceed 80% of gross market value.
  3. When an affordable rent property becomes void and relet to a new tenant, it will be based on the new market rent valuation to ensure new rent is no more than 80% of the market rent at that time.
  4. ‘Gross market rent’ means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector. Property size, location type and service provision must be taken into account.
  5. Affordable rents will be capped at the Local Housing Allowance (LHA) and will not be lower than formula rents.
  6. Social landlords are permitted to increase affordable rents by Consumer Price Index (CPI) plus 1% each year from April 2020 for a period of 5 years.

## Garages

* 1. Since April 2020 a standard rent has been charged for all garages, regardless of tenure.
  2. Any changes to charges will be agreed through the annual budget setting process

## Consultation

* 1. The council will consult with residents on the budget that includes information on changes to rental charges on an annual basis.
  2. The council will vary rent annually by giving tenants at least 28 days’ notice.

## Rent Charge period

* 1. Rents are charged based on a weekly basis.

# Role, responsibilities and authority

* 1. It is the decision for Full Council to set the yearly change to rental charges as this forms part of the council’s budget and policy framework.
  2. The Head of Tenant Services has responsibility for ensuring that all associated processes are followed.

# Monitoring, review and evaluation

* 1. Performance of rental income collected is monitored and reported on a monthly basis.
  2. Elements within the policy have been considered within the 2025/26 HRA budget setting Diversity Impact Assessment.
  3. Landlord Services will review this policy on an annual basis.

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