
From:
Sent: 17 November 2016 16:27
To: [REDACTED]
Cc: [REDACTED]@tfl.gov.uk
Subject: RE: Shadow Board Requests for Financial Information [TH-THL.FID285191]

It was good to speak with you yesterday - further to our conversation (and your email below) we set out a summary of the matters which in our view should be considered.

- 1 As we discussed, while the rent caps set out in the Rent Standard are mandatory for private registered providers, local authorities have traditionally only been required to have regard to the rent limits set out in the Guidance on Rents for Social Housing (**Guidance**) published by DCLG in May 2014. Up to recently, the Council retained discretion when setting rents on re-lets although exceeding the levels in the Guidance (even if within LHA rates) would still be non-compliant with Government policy.
- 2 The Welfare and Work Reform Act 2016 (the **Act**) introduces a requirement on both private registered providers and local authorities to, unless the property falls within the permitted exceptions (e.g. specialised supported housing or temporary social housing), reduce social rents by one per cent per year for four years (from April 2016) and to comply with restrictions on levels of rent. Under the Act, upon a re-let of an existing social rent property, the local authority must set the new rent at a level which is the higher of the:
 - 2.1 "assumed rent rate" – a rent set by reference to the rate that the previous tenant was paying on 8 July of the 'relevant year'; or
 - 2.2 "social rent rate" – this must be calculated by reference to the formula rent
and to subsequently reduce such rents by one per cent in each relevant year.
- 3 The formula rent / rent cap for 2015/2016 is set out in Schedule 1 of the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016/390. The Act therefore has the effect of potentially making the formula rent/rent cap mandatory on local authorities with respect to re-lets (at least until 2019/20).
- 4 Therefore, as previously noted, we agree with [REDACTED] that re-letting social rented properties at 90% of LHA would risk conflicting with the provisions of the Act (if, as is likely, the LHA level exceeds the rent cap).
- 5 The provisions of the Act apply for four years beginning with 1 April 2016 – there is no indication (so far) that these will extend beyond 2019/20 but the position is unclear.
- 6 The Council may be best placed to comment on the mechanics of housing benefit subsidy but as you will be aware, any increase beyond the annually published "limit rent" for the Council's area could result in a shortfall which, if this cannot be recovered from the relevant tenant, would be a financial risk on the Council.
- 7 Much more broadly, in coming to any decision on the level of rent applicable to re-lets of social housing, the Council would of course wish to consider how this might be perceived by tenants, particularly if there were to be a stock transfer when resident engagement is critical.

I hope the above is helpful but please do revert to us if you have any follow-up questions.

Kind regards