

Section 9: Rent rebate subsidy limitation

Introduction

1200 Rent rebate subsidy limitation applies to LAs in England and Wales. Rent rebate subsidy limitation was introduced to give LAs an incentive to control expenditure and the level of rent increase. When a LA increases its average weekly rent above a limit set in England by the Ministry of Housing, Communities and Local Government's (MHCLG's) Secretary of State and in Wales by the Welsh Government (WG), it will only receive subsidy on rebates up to the limit and will have to fund the cost of additional rebates above the limit rent itself.

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Data collection

1210 In England the data required to calculate limit rents is collected in the LA Housing Statistics return, which captures the latest data on stock composition and value. Additionally, the number of units with rent exceptions is collected in the Rent Exceptions for Calculating Limit Rent annual return. MHCLG applies a number of assumptions to this data that reflect rent policy, to calculate limit rents.

1211 Where a LA did not complete the stock and/or property valuation sections of the LA Housing Statistics return, or where the data provided in their return resulted in a change in the limit rent from the previous year that was significantly different from the typical change in limit rent over the same period, the previous year's stock and/or valuation was used to calculate the limit rent.

1212 MHCLG will collect information from its LA Housing Statistics returns to enable monitoring of average rent levels.

1213 In Wales, the responsibility for collecting base data and calculations necessary to implement rent rebate subsidy limitation also changed in April 2015. The rent information used to be based on the Guideline Rent system which was an integral part of the Housing Revenue Account Subsidy (HRAS) system. The based data used within rent rebate subsidy limitation was formerly collected by the Welsh Government directly from the eleven stock retaining LAs HRAS claim forms.

1214 In April 2015, Welsh LAs exited the HRAS system, became self-financing and at the same time implemented the new Welsh Government Policy for Social Housing Rents. This meant LAs were no longer required to submit HRAS claim forms to the Welsh Government each year.

1215 Consequently, new arrangements were introduced to enable the DWP to collect the base data directly from LAs in Wales from April

2015. Changes were also introduced to the rent rebate subsidy limitation arrangements to facilitate the move from the former Guideline Rent system to the new Policy for Social Housing Rents.

1216 DWP revised the Statement of LA claimed entitlement to Housing Benefit Subsidy (form MPF720C) to ensure the appropriate data is collected directly from LAs for the calculation of rent rebate subsidy limitation.

1217 The Limit Rent is now calculated by the Welsh Government each year using key outputs from the Policy for Social Housing Rents. The Welsh Government advises DWP of the Limit Rents each year.

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Rent rebate subsidy limitation calculations for LAs in England

1220 LAs need to make a comparison between the subsidy limitation rent and the weekly limit rents to establish whether they will be liable for a deduction. The weekly limit rents for the relevant year are contained in *Appendix E*. The subsidy limitation rent calculation together with the deduction from subsidy calculation is described in the following paragraphs.

Subsidy limitation rent calculation

1221 For English LAs the subsidy limitation rent for the relevant year is equal to “Q” when Q is the average weekly rent for a dwelling for the relevant year.

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Average weekly rent (Q)

1225 ‘Rent’, in relation to a dwelling, means the total of the payments in respect of the dwelling specified in regulation 12(1)(a) of the Housing Benefit Regulations, other than a payment specified in regulation 12(1)(e), ie payments of, or by way of, service charges, payment of which is a condition on which the right to occupy the dwelling depends.

Definition of a ‘dwelling’

1226 The definition of a ‘dwelling’ for the purpose of the claim is as set out in the guidance notes for the LA Housing Statistics return of the relevant year (Section A, questions 2 to 4).

Average weekly rent calculation

- 1227 The average weekly rent the relevant year is calculated by
- a) dividing the total rent charged for all dwellings in the HRA for the relevant year by
 - b) the total numbers of weeks for which rent was charged for all dwellings in the HRA in the relevant year *

Example

A LA has two HRA dwellings.
 Rent is charged for 52 weeks (including 2 rent free weeks) on property 1 and for 46 weeks (no rent free weeks) on property 2.
 Add the 52 weeks and 46 weeks = 98 weeks.
 Dividing the total rent charged (for example £10,000) by 98 weeks = an average weekly rent of £102.04.

* Note: Rent free weeks should be included when calculating the number of weeks for which rent is charged. For example an LA may charge rent for 50 weeks but allow two rent free weeks. For the purpose of this calculation the two rent free weeks should be included when calculating the number of weeks for which rent was charged so instead of using 50 weeks, 52 weeks should be used.

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Amount of deduction from subsidy

Note: Void dwellings are not included in the calculation. A 'void dwelling' means a dwelling that is unoccupied.

- 1260 The amount of the deduction referred to in article 20A (2) to the Income-related Benefits (Subsidy to Authorities) Order (1998/562) as amended by the Income-related Benefits (Subsidy to Authorities) Amendment Order (2018/985) should be calculated as follows

Step 1

Divide the amount of rebates paid in the relevant year in respect of HRA dwellings, by the income for the relevant year from rent (including rent remitted by rebate) in respect of such dwellings.

Step 2

If the result of Step 1 does not exceed 0.756 (the rebate proportion in England for the relevant year)

- i. divide the weekly limit rent for a dwelling for the relevant year as specified in *Appendix E* by the subsidy limitation rent, see *paragraph 1221*
- ii. subtract the result of i from the number 1, and

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- iii. multiply the amount of the subsidy (apart from any deduction to be calculated under Schedule 4A) by the result of ii

If the result of Step 1 exceeds 0.756 (the rebate proportion in England for the relevant year)

- i. multiply the amount by which subsidy limitation rent exceeds the weekly limit, for a dwelling for the relevant year as specified in *Appendix E* by 0.756 (the rebate proportion in England for the relevant year)
- ii. multiply the subsidy limitation rent by the result of Step 1
- iii. divide the result of i by the result of ii, and
- iv. multiply the amount of the subsidy (apart from any deduction to be calculated under Schedule 4A)

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Rent rebate subsidy limitation calculations for LAs in Wales

1270 A LA in Wales will be liable to a subsidy deduction when $O + P$ is less than Q , when:

O for 2018/19 is the amount specified in column 1 of Appendix F which is the total of “ O ” for 2017/18 and “ P ” for 2018/19

P for 2018/19 is the amount specified in column 2 of Appendix F

Q is the average weekly rent for a dwelling for the LA for the relevant year (section 1275 below)

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Calculation of Q

1275 The average weekly rent for a dwelling for the LA for the relevant year is calculated by

- i. dividing the total rent charged for all dwellings in the HRA in the relevant year by
- ii. the total number of weeks for which rent was charged for all dwellings in the HRA in the relevant year *

Note: Void dwellings are excluded from the calculation. A ‘void dwelling’ means a dwelling that is unoccupied.

Example

An LA has three HRA dwellings.

Rent is charged for 52 weeks on property 1, 46 weeks on property 2 and 48 weeks on property 3.

Add the 52 weeks, 46 weeks and 48 weeks.

This produces 146 weeks.

Dividing the total rent charged for the relevant year for example £10,000 by 146 weeks produces an average weekly rent of £68.49.

* Please note rent free weeks should be included when calculating the number of weeks for which rent is charged. For example, an LA may charge rent for 50 weeks but allow two rent free weeks. For the purposes of calculating the average weekly rent the two rent free weeks should be included in the calculation. So instead of using 50 weeks, 52 should be used.

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Amount of deduction

1280 The amount of the deduction from subsidy referred to in article 20A(2) should be calculated as follows

Step 1

Divide the amount of rebates granted in the relevant year in respect of dwellings in the HRA by the income for the relevant year from rent (including rent remitted by way of rebate) in respect of such dwellings

Step 2

If the result of Step 1 does not exceed 0.66 (the rebate proportion in Wales for 2018/19. This may change annually depending on the proportion of HRA expenditure compared to rental income)

- i. deduct (O + P) from Q
- ii. divide the result of i by Q
- iii. multiply the amount of the subsidy (apart from any deduction to be calculated under Schedule 4A) by the result of ii

If the result of Step 1 exceeds 0.66 (the rebate proportion in Wales for the relevant year)

- i. deduct (O + P) from Q
- ii. divide the result of i by Q
- iii. divide the rebate proportion for Wales, ie 0.66 by the result of Step 1
- iv. multiply the result of ii by the result of iii
- v. multiply the amount of the subsidy (apart from any deduction to be calculated under Schedule 4A) by the result of iv

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Legislation

1290 A deduction will be made where the subsidy limitation rent for the relevant year is above the weekly rent limit specified in Part 3 (England) and Part 5 (Wales) of Schedule 4A to the Income-related Benefits (Subsidy to Authorities) Order 1998 (1998/562) as amended by the Income-related Benefits (Subsidy to Authorities) Amendment Order (SI 2018 No 985).

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Derogations

- 1300 DWP Ministers are prepared to consider granting full or partial exemption from rent rebate subsidy limitation for the relevant year. Where a LA can demonstrate that, due to exceptional and unforeseeable circumstances outside of its control that they needed to set for the relevant year, the aggregate of its average weekly rent (and for LAs in England only (those service charges deemed to have been separated out from rent), in the amending Subsidy Order (SI 2018 No 985)) above the level at which rent rebate subsidy limitation applies, and it would face significant, or complex financial difficulties, in the relevant year in its HRA without a derogation.
- 1301 Applications should be submitted to MHCLG or Welsh Government in the first instance. Final decisions will be made by DWP Ministers based upon advice from MHCLG/WG and DWP, which will place the application in the full subsidy and policy context.

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Queries

- 1330 If you have any queries concerning the content of this section, contact

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