

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 an LA increases its average weekly rent above a limit set in England by the Secretary of State and in Wales by the Welsh Assembly Government (WAG), 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 (through the rents of tenants not in receipt of rebates).

1201-1209

Data collection

1210 The responsibility for data collection and calculations necessary to implement rent rebate subsidy limitation in Wales will remain with the Welsh Assembly Government (WAG). In England the process to collect base data to inform limit rents has changed slightly. Previously, base data was collected from the Housing Revenue Account Subsidy forms. Following the move to self-financing, local authorities are no longer required to complete the administrative subsidy claim or Base Data Return forms. The data required to calculate limit rents is now collected in the Local Authority Housing Statistics return, which captures the latest data on stock composition and value. DCLG applies a number of assumptions to this data that reflect rent restructuring policy, to calculate limit rents.

1211 For 2013/14 limit rents, there was an overlap in the data collected, as the stock position at the start of the 2011/12 financial year was reported in the last collection of the Housing Revenue Account Subsidy forms, and at the end of the financial year on the 2011/12 Local Authority Housing Statistics return. This allowed DCLG to compare the data captured by these two collections. To calculate limit rents for 2013/14, data was taken from the Local Authority Housing Statistics return in almost all cases, principally because this data was provided more recently. However, where a local authority did not complete the stock and/or property valuation sections of the Local Authority Housing Statistics return, or where the data provided in their return resulted in a change in the limit rent from 2012/13 to 2013/14 that was significantly different from the typical change in limit rent over this period, the data recorded in the Housing Revenue Account Subsidy return was used.

1212 DCLG will collect information from its Local Authority Housing Statistics returns to enable monitoring of average rent levels.

1213-1226

1213 In Wales, limit rents are not currently pre-set, but are calculated using data collected on the Subsidy claim forms throughout the year. Data is also collected through alternative returns to inform the limit rent calculation. WAG will collect the required data from Welsh LAs and advise DWP of the various amounts necessary for any limitation calculations.

1214-1219

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 Local Authority Housing Statistics return of the relevant year (Section A, questions 2 to 4).

Average weekly rent calculation

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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

An 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.

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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 (2010/2481) 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 0.749 (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 0.749 (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 0.749 (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)

1261-1269

Rent rebate subsidy limitation calculations for LAs in Wales

- 1270 An LA in Wales will be liable to a subsidy deduction when $O + P$ is less than Q , when
- O is the amount specified in column 1 of *Appendix F*
 - P is the guideline rent increase specified in column 2 in *Appendix F*
 - Q is the average weekly rent for a dwelling for the LA for the relevant year

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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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1280-1299

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 the relevant year)

- 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

1281-1289

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 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 2010 No 2481).

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Derogations

- 1300 Ministers are prepared to consider granting full or partial exemption from rent rebate subsidy limitation for the relevant year when an LA can demonstrate that, due to exceptional and unforeseeable circumstances outside its control, they needed to set the aggregate of its average weekly rent for the relevant year and for LAs in England only (those service charges deemed to have been separated out from rent), in the amending Subsidy Order (SI 2010 No 2481) 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 CLG/WAG in the first instance but final decisions will be made by DWP Ministers based upon advice from CLG/WAG and DWP which will place the application in the full subsidy and policy context.

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Queries

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