

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).

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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 existing processes to collect base data to inform limit rents will continue. To calculate limit rents, the Department for Communities and Local Government (DCLG) used the latest information taken from the base data forms, together with assumptions as to rent levels if an LA was following the policy of rent restructuring.

1211 DCLG will collect information on its Housing Revenue Account (HRA) subsidy claim forms to enable monitoring of average rent levels.

1212 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.

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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

$Q + (P \times R)$ when

- Q is the average weekly rent for a dwelling for the relevant year
- P is the average weekly unpooled service charges for the relevant year
- R is the annual factor, which for the relevant year is 0.1

1222-1224

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 *paragraph 2.1* of the *Housing Revenue Subsidy Determination* of the relevant year.

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

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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Average weekly unpooled service charges (P)

- 1230 'Service charge', in relation to a dwelling, means a payment in respect of the dwelling specified in regulation 12(1)(e) of the Housing Benefit Regulations which is eligible for HB at the time it is paid.
- 1231 Further guidance on the definition of a service charge is available in *HB/CTB Guidance Manual, A4, Eligible rent, Service charges*.

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Queries

1240 If you have any queries concerning the definition of a service charge only, please contact

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Calculation of the average weekly unpooled service charges

Note: Void dwellings are not included in the calculation. A 'void dwelling' means a dwelling that is unoccupied and therefore does not attract service charges or rent.

1250 The average weekly unpooled service charges are calculated as follows

Step 1

Find the average weekly service charge for a dwelling for the relevant year by dividing the total service charges imposed (charged) in respect of all dwellings in the HRA in the relevant year by the total number of weeks for which rent was charged on all dwellings in the HRA*.

*The total number of weeks for which rent was charged is the same number of weeks that would have been calculated as per *paragraph 1227*. A service charge in relation to a dwelling means a payment which is eligible for housing benefit at the time it is paid.

Example

- a) Divide the total service charges imposed in respect of all HRA dwellings in the relevant year by
- b) the total number of weeks for which rent was charged

So if the total service charges imposed in respect of all HRA dwellings is £500 and the total number of weeks for which rent was charged on all dwellings in the HRA is 98 weeks, then the total service charges of £500 divided by 98 weeks produces an average weekly service charge of £5.10.

(1250) Step 2

Find the average weekly service charge for a dwelling for 2001/02 by

- i. dividing the total service charges imposed (charged) in 2001/02 on all HRA dwellings that are both in the HRA in 2001/02 and the relevant year by
- ii. the total number of weeks for which rent was charged for all HRA dwellings in the relevant year. As per Step 1, the total number of weeks for which rent was charged is the same number of weeks which would have been calculated as per paragraph 1227

Step 3

Multiply the result of Step 2 by the RPI figure which, for the period beginning with the year 2001/02 and ending with the relevant year, is 1.2551.

Step 4

Find the average weekly service charge for new services* for a dwelling for the relevant year by

- i. dividing the total charges for new services 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. As per Step 1, the total number of weeks for which rent was charged is the same number of weeks which would have been calculated, see *paragraph 1227*

* New services are defined as follows

- a) a service provided in the relevant year that was not provided in 2001/02
- b) an extension to a service, where the service provided is provided in the relevant year to a greater extent than in 2001/02, or
- c) a service provided in the relevant year for which a charge is imposed, which is a service which was previously provided without a charge because it was funded by a specific grant or subsidy (other than HRA subsidy). The relevant aspect is the extent to which the service is greater than was provided previously

Step 5

If the result of Step 1 exceeds the sum of the results of Step 3 and Step 4, deduct the sum of those results from the result of Step 1.

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1251-1269

1251 If the result of Step 1 does not exceed the sum of results of Steps 3 and 4, the average weekly unpooled service charges are nil.

1252-1259

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 (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 and service charges (including rent and charges remitted by rebate) in respect of such dwellings.

Step 2

If the result of Step 1 does not exceed 0.761 (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
- 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 0.761 (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 0.761 (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 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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