



Rent Policy

Date Authorised: 5 February 2019

Review Date: 2020

Introduction

Rental income is our primary source of revenue funding. Rent levels and the way in which rents can be increased are the subject of considerable statutory and regulatory requirements and best practice. This policy sets out the principles that underpin our approach to rent setting.

Policy

Our principal aim will be to:

Maximise rental income receivable whilst ensuring compliance with all relevant statutory and regulatory requirements applicable to each different tenancy and/or property type.

Timing of Rent increases/reviews

All rents will be reviewed annually at the start of the financial year, except where a differing approach is required in accordance with the terms of the tenancy agreement (see policy exceptions below).

At least 4 weeks' notice will be given of the new rents residents will be paying from the start of the next financial year, and provide clear explanatory guidance to help residents understand the process.

In accordance with current legislation, the rent on an individual tenancy cannot be increased within less than 12 months from the previous increase.

Social rented properties

Rents to be set in compliance with government restructuring regime including the requirement to reduce social rents (or “formula rents”) by 1% per annum from April 2016 to April 2019/20. This will be reviewed either at the end of the period or when government policy changes.

We will apply the rent decrease of 1% each April until 1st April 2019. From 1st April 2020 it is proposed to increase at CPI + 1%. In addition we will utilise the discretionary additional 5% for general needs housing and 10% for sheltered housing over formula rent.

Thereafter a proposal has been made, as per the Policy statement on rents for social housing published by the MHCLG in September 2018, that rents will be increased at a rate of CPI (as at 30 September of the previous year) plus 1%.

Note: Formula rent is calculated using a specific formula which takes account of the 1999 valuation of the property and the level of deprivation in the region where the property is based. It is increased/decreased from that point to present day values in accordance with government regulation year by year.

Affordable rented properties

Calculated rents for new affordable rent properties will be based on a commercial valuation, financial viability and/or negotiations with the relevant local authority. Based on this we will charge rent on new builds at (up to) the governments affordable rent level of 80% of market rent.

The rent set for affordable rented properties includes service charges.

Where nominations are requested an affordability test may be carried out by us and the nominating Local Authority prior to nomination in order to make the applicant aware of the impact of the proposed rent on that household’s budget. An applicant will be asked to check their income details against an Affordability Calculator which demonstrates the effect if household members are in or out of work.

Rents for general Needs ‘Affordable rent’ housing is set in compliance with the Welfare Reform & Work Act 2016, which includes the requirement to reduce rents by 1% per annum from April 2016 to April 2019.

Thereafter, the MHCLG’s Policy statement on rents for social housing proposes to increase rents at a rate of CPI (as at 30 September of the previous year) plus 1%. Any increase will not be able to exceed 80% of market rent (inclusive of service charge).

Affordable Rent conversions

Affordable Rents will be charged on all new General Needs tenancies for homes developed by Rosebery and will be applicable to homes developed with grant. Properties developed without grant will be subject to affordability and local housing allowance.

The rent set for affordable rent conversions is inclusive of service charges.

Whilst Rosebery remains part of the AHP development agreement it will convert a proportion of General Needs housing re-lets to Affordable Rents, targeting the majority of conversions on two bedroom properties without service charges.

The proportion is to be agreed with Homes England in accordance with our AHP development agreement.

Rent for properties under the Affordable Rent scheme will be set at as close to 80% of market rent as practicable given local restrictions, agreements and affordability.

In the event of a declining local market where Market Rents fall Affordable rents will be rebased and could be lower than those previously charged.

Once a property has been converted to Affordable rent, all new tenancies, including transfers of existing tenancies, will be offered at an affordable rent.

Transfer applicants will be given the opportunity to decide if they want to include properties which have been converted to Affordable Rent in their preferences for transfer.

Tenants of affordable rent properties have the same right to exchange as other tenants. The exchange would happen via a Deed of Assignment where each tenant takes on the others tenancy type and terms, including liability for affordable rent.

Intermediate rent

Rents for properties rented on an intermediate basis are calculated at 80% of market rent. Rents will be reviewed annually and adjusted to remain in line with market rates.

Shared Ownership

Rents for Shared Ownership properties are increased on an annual basis in line with the lease.

Initial rents on new build Shared Ownership Properties are determined by the relevant development agreement – usually 2.75% of the market value of the property.

Garages

Rents for garage properties are reviewed each year based on the current market rate.

Commercial Lets

Rents for Commercial property are increased in accordance with individual contractual agreements.

Policy exceptions

For a minority of our properties, rents are not charged in accordance with the standard policy described above. These properties, and the reasons for the exception, are as follows:

- **Hard to let**

In exceptional cases, properties may be classified as “hard to let” and the rent adjusted down to reflect the lack of demand and to reduce the void loss. Any such instances would be considered under VFM principles as to the best course of action. Issues that may impact on the ability to relet properties are also covered in linked policies (ASB and Void Letting e.g. agree with nominating Local Authority a local letting plan to ensure cohesive community). Ultimately, however, the principal of maximizing rental income receivable still applies.

- **Improvements**

When major refurbishments or improvements are carried out to existing properties, we may ask an independent valuer to value the properties before and after the works. If the difference in value is significant, we may change the tenure of the property.

- **Temporary Accommodation**

Rents for Temporary Accommodation are increased in accordance with individual contractual agreements.

Summary Schedule of Rentals by Property Type

Tenure	Category	Rent Setting	Rent Increase/decrease
Social Rent	Existing tenant	Annual rent increase/d applicable only	-1% in April 2019. Proposed CPI + 1% from 1 st April 2020
	Relet	Formula rent plus 5%/10% tol	-1% in April 2019. Proposed CPI + 1% from 1 st April 2020
	New let	Formula rent plus 5%/10% tol	-1% in April 2019. Proposed CPI + 1% from 1 st April 2020
Affordable Rent		Up to 80% of market rent subject to affordability	-1% in April 2019. Proposed CPI + 1% from 1 st April 2020
Supported Rent			-1% in April 2019. Proposed CPI + 1% from 1 st April 2020
Shared Ownership	Existing tenant	Per lease	Per lease
	New let	Usually 2.75% of residual capital value	Per lease
Intermediate Rent		80% of market rent	Reviewed annually in line with 80% of market rent
Temporary Accommodation		Per individual agreements	Per agreement with Local Authority
Commercial Lets		Market rate	Per individual agreements
Garages	Tenant	Market rate	Market rate
	Non-tenant	Market rate	Market rate

Responsibilities

The Board is responsible for determining the overall rent policy and for agreeing the basis of the annual rent increase.

The Director of Corporate Resources and Director of Development and New Business are responsible for confirming appropriate processes and procedures are in place to ensure that the agreed rent strategy is implemented and monitored appropriately. They will also govern the timetable for the annual rent increases.

Linked Policies

Void Management Policy
 Tenure Policy
 Allocation Policy
 Value for Money Policy
 Affordable Rent Policy

Legislation, regulation and guidance

Landlord and Tenant Act 1985, 1987
Rent Act 1965 and 1977
Housing Finance Act 1972
Housing Act 1974, 1980, 1985, 1988, 1996 and 2004
Housing and Building Control Act 1984
Housing Association Act 1985
Housing and Planning Act 1986
Housing Benefit (general) Regulation 1987 (as amended)
The Rent Acts (Maximum Fair Rent) Order 1999
The Assured Tenancies and Agricultural Occupancies (Forms) [amendment]
{England} Regulations 2003
Welfare Reform and Work Act 2016
Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016
Homes and Communities Agency Rent Standard
Housing and Planning Act 2016
Policy statement on rents for social housing

Equality and Diversity

Rosebery Housing recognises the needs of a diverse population and always acts within scope of its own Single Equalities Policy, the Human Rights Act 1998, and Equalities Act 2010. Rosebery Housing works closely with its partners to ensure it has a clear understanding of its resident community and regularly updates customer profiles.