

## **RENT SETTING POLICY 2015**

### **1. Purpose**

The purpose of this policy is to give guidance on how rents are calculated for Black Country Housing Group (BCHG) properties, and that the process complies with regulation and legislation.

As a 'Social Business investing in people and communities' we aim to provide affordable accommodation, which is an important investment in the people and communities we serve.

Rent setting is based on a relationship of trust, so our approach is to embed our core values in the following way:

- **Integrity** – to set rents in line with regulation and legislation
- **Positivity** - staff proactive in explaining rent charges
- **Respect**– meeting the diverse needs of residents in how we communicate rent setting
- **Quality** – keep our communication and explanation clear and simple

### **2. Scope**

This policy applies to supported and general needs tenancies and covers social, affordable, shared ownership and secure fair rents across our tenures.

### **3. Related Policy / Procedure and other Documents**

Letting Policy

Affordable Homes Programme Procedure

Rent Adjustment Procedure

Rent Standard

### **4. Policy**

Our policy objectives are twofold:

1. To have a consistent and easy method in calculating rents
2. To set affordable rents

This policy also covers how we will set rents on new properties and relets.

### **Background**

Since April 2002 we have increased rents using the Government standard formulae September Retail Price Index (RPI) plus 0.5% and an optional £2.00 extra. The idea was to bring social rents into line with +/- 5% on general needs and +/- 10% in supported housing in a process known as rent convergence. This was extended beyond the initial 10 year period and comes to an end in March 2015.

BCHG has fully implemented this and for the purpose of this policy these rents are known as 'social rent'.

In 2011 Affordable Fixed Term Tenancies was introduced as part of the Affordable Housing Programme. This allowed for affordable rents to be set at 80% of the local market rent on new or relet properties, and this is guided by Royal Institution of Chartered Surveyors (RICS). For further detail see [Affordable Homes Programme Procedure](#).

The Government in the 2013 announced that from 2015-16 social rents will rise by CPI plus 1 per cent each year for 10 years. This was subsequently changed, and a 1% rent reduction will be applied from April 2016 based on the rent charge as at 8 July 2015 and continues to March 2020.

The only properties exempt from a reduction are shared ownership and any specialised supported accommodation which are defined as ;

- Offering ‘a high level of support’ for residents, receive no or negligible public subsidy, and have been commissioned in line with local health, social services or Supporting People strategies
- ‘Specified accommodation’ includes most housing where care, support or supervision is provided to the person living there. It is a new definition of supported housing that was established by the government specifically to protect vulnerable residents from the benefit cap and Universal Credit
- ‘Supported housing’ is defined as accommodation for specific groups with support services in place to enable them to adjust to independent living or to enable them to live independently

This Policy will now explain our approach in setting rent on each tenancy type on the background of the current changes. There are three different types of tenancies we currently operate, Assured, Secure and Affordable Fixed Term Tenancies.

#### **4.1 Assured Rents**

Assured rents are set by guidance issued by the regulator. Our rents are reviewed on the 1<sup>st</sup> Monday of April each year. We will from April 2016 in line with the Government’s announced rent reduction, decrease rents by 1 percentage point annually on the rent charge that applied as at 8 July 2015 until March 2020. We will give 28 days notification to our residents in line with the tenancy agreement.

#### **4.2 Secure Rents**

Tenancies that began before 15<sup>th</sup> January 1989 remain ‘secure’ with a ‘fair rent’ set by an independent Rent Officer of the Valuation Office Agency every two years. The Rent Officer will determine a maximum rent that can be charged and will take regard of the property age, character locality, and local rents.

Rents are usually increased on the anniversary of the last rent increase. We will apply a rent decrease by 1% percentage point annually on the rent charge that applied as at 8 July 2015 from April 2016 until March 2020

Where a secure tenant is transferred internally to another property, we will set the rent at the social rent as was historically being charged as of 8<sup>th</sup> July 2015 and apply for a fair rent to be

registered. If after registration the rent is less, we will adjust the rent charge accordingly. If the amount is higher, we will leave the rent charge at the social rent.

#### **4.3 Affordable Rents**

Affordable rents will be set on new and re let tenancies, as part of the affordable housing program. Our Affordable rents apply to our five years fixed term tenancy. Rents are set at 80% of the local market rent on the start of the tenancy and this is guided by RICS. Rent will be reduced by 1 percentage point annually until March 2020.

Where a 5 year fixed term tenancy is up for review within the rent reduction period April 2016 to March 2020, we will set a new rent charge on the grant of a new tenancy that is the same as the rent charged on 8<sup>th</sup> July 2015 (the rent baseline).

#### **4.4 Mortgage Rescue**

Since 2010 a number of properties were bought under the Mortgage Rescue Scheme and a fixed term Assured Shorthold Tenancy was granted for 3 years. An 'intermediate rent' was applied, similar to an affordable rent, the only difference been the resident had the option to buy back the property. This is in accordance with the Scheme. If the resident did not buy the property back after 3 years a further tenancy would be offered. However the advice on the type of tenancy has changed over time, so we have two different forms of tenancies since our participation in this scheme in 2010, and the rent setting on these is explained below:

##### **Between 1<sup>st</sup> March 2010 to 1<sup>st</sup> January 2013**

During this period 30 mortgage rescue properties were bought, and after satisfactory completion of the 3 year term the tenancy was converted to an Assured Tenancy. The weekly rent charge remained at an intermediate rent but subject to an annual rent review on the first Monday of April – see 4.1.

##### **From 1<sup>st</sup> January 2013 onwards**

Upon satisfactory completion of the 3 year term of the tenancy, tenancies will convert to an 'Affordable five year Fixed Term Tenancy'. The rent will be set in accordance to 4.3 'affordable rent'.

For clarification, Mortgage rescue properties are also subject to the rent reduction from April 2016 until 2020/21.

#### **4.5 Shared Ownership Rents**

Rent setting for all shared ownership properties is specified in their lease and since 1989 has been based on RPI increases, some specify November RPI. However, there may be variations depending on when the lease was granted. For example, some very old shared ownership leases (pre-dating 1989) provide for a joint application to the Rent Officer to determine a rent.

Shared ownership is exempt from the rent reduction and therefore rents will be reviewed and increased in line with the lease.

## 5. Supported Housing

Existing sheltered and assisted living schemes are subject to the assured and secure rent setting.

## 6. New developments

New developments that are part of the affordable housing program will have an affordable rent set.

Outside this program we will determine the rent charge based on the scheme viability, i.e. using social rent.

These rents will be subject to a 1 percentage point reduction that applies annually from the 1<sup>st</sup> Monday in April within the specified period (April 2016 – 2020/21).

## 7. Relets

All relet rents will be set at the previous rent of the same tenure type as of 18<sup>th</sup> July 2015 (rent baseline).

## 8. Pay to Stay

From 2017-18, tenants on incomes above £30,000 will be charged market/near market rent. We will be guided on local market rents by RICS. As this is based on an income threshold, we will approach this on the assumption tenants meet this threshold unless they can demonstrate otherwise. We will apply pay to stay on a case by case basis.

## 9. Communicating with residents

Residents will receive four weeks notice of a rent review. The rent review letter will meet statutory requirements on format and content.

## 10. Complaints and appeals

Any fixed term or assured tenant on either affordable or social rent who feels that their rent has not been set in accordance with this policy can appeal using the [Complaints](#) procedure.

Under section 13 of the Housing Act 1988, tenants have the right of appeal to a Rent Assessment Committee if they feel the proposed rent for an assured tenancy is too high. This right does not apply to fixed term tenancies.

Secure tenants have a right to appeal to the First Tier Tribunal Property Chamber, Residential Property (formerly Rent Assessment Committee) against the fair rent registered. This must be done within 28 days of the re-registration.

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