



Rent Policy

Prepared By

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RENT POLICY

INTRODUCTION

Pickering and Ferens Homes (PFH) is committed to the provision of social housing at rents which are affordable to our residents. Against this background the aim of this policy is to provide a framework which ensures that rents are set at a level that:

- is affordable for our residents within local and national market and policy contexts
- defines the type of housing product offered;
- maintains PFH's financial viability;
- delivers an economic return to PFH sufficient to sustain the delivery of quality housing and maintenance services;
- ensures sustained and effective demand for our homes;
- complies with the requirements of our regulator, i.e.: the Regulator of Social Housing (RSH);
- complies with other legislation and guidance applicable to Registered Providers and Almshouses.

The Government has powers granted by the Housing and Regeneration Act 2008 to issue directions to the Regulator to set out the rent regime for Registered Providers. This policy meets the requirements of our Regulator, the Regulator of Social Housing (RSH) as set out in its National Standards and in particular the "Direction on the Rent Standard 2020" and the Government's Policy Statement on rents for Social Housing.

RENT SETTING

Historically, PFH's rent policy ensured that the organisation met the rent convergence criteria by the target date of March 2012 (Extended to March 2013 for supported housing stock).

Up until April 2014 rent increases were based on RPI plus ½%, with additional increases of up to £2 per week to bring rents up to target levels.

For supported housing stock the RSH guidance allowed rents to lie in the range +/- 10% of target rents. PFH adopted the policy of converging all rents to +10% of target rents.

Target Rent calculations are based on:

70% of the average rent for the Housing Association's sector multiplied by relative county earnings compared to the national average multiplied by bedroom weighting*

Plus

30% of the average rent for the Housing Association's sector multiplied by the relative property values compared to the national average

*Bedroom weighting can be found in Guidance on Rents for Social Housing produced by the respective Government department in May 2014.

Here is an example of how a target rent is calculated:

Based on a 2 bedroomed bungalow on Broadway Drive (Using the original 1999 values)

Average sector rent for the area is £53.50. 70% of this is £37.45
Local Average Earnings are £318.40, national average is £316.40
So £318.40 divided by £316.40 = 1.0063
Bedroom weighting (2 beds) is 1.00
So £37.45 x 1.0063 x 1.00 = **£37.68**

Add to this

Average sector rent for the area is £53.50. 30% of this is £16.05
Relative property value of £35,000, national average is £49,750
So £35,000 divided by £49,750 = 0.7035
So £16.05 x 0.7035 = **£11.29**

Add these two together gives the target rent
£37.68 + £11.29 = £48.97

The policy to converge to +10% increases this target rent to £53.87. Inflation is then applied each year as directed by regulatory guidance

Rents are capped at the target rent using the above formula and are subject to any subsequent inflationary and regulatory changes.

From April 2015, the above policy ended and rent increases were solely based on CPI plus 1%. During July 2015 the Government announced that with effect from April 2016 all registered providers will be required to reduce their rents by 1% each year for the 4 years to 2020. The Welfare Reform and Work Act 2016 (social rent reduction) subsequently confirmed that Registered Providers that are also registered Almshouses are exempt from the 1% reduction for the first year only.

The Act states that: *[Almshouses] are exempted from the rent reduction requirements during the provider's first relevant year, but alternative provision applies restricting any rent increases to CPI + 1% (i.e. 0.9% for 2016-17)*. PFH increased all rents by 0.9% for the year 2016-2017.

The Government made a further announcement on 15 September 2016 which included further information on the application of rent reductions in the supported housing sector. In summary, the exemption for Almshouses was extended over the remaining three years of the rent reduction policy. PFH's policy for 2017-18 and 2018-19 was to freeze rent charges for all properties at 2016-17 levels, and for 2019-20 an increase of 2.4% (i.e. CPI) was applied.

In February 2019 the Government set out a new policy statement for rents on social housing effective from 1 April 2020. They announced that following the 4-year rent reduction period social housing rent increases will be limited to the Consumer Price Index (CPI) plus 1% for five years from 2020. PFH's policy for 2020-21 and 2021-22 was to increase all rents by 2.7% and 1.5% respectively.

Key points to note are:

- From 1 April 2020 annual rent increases are permitted up to CPI plus 1% for at least 5 years. Providers are also free to choose to apply a lower increase or to freeze or reduce rents.

February 2022

- The initial rent on a new property is to be no higher than the formula rent, subject to the rent flexibility level (i.e. + up to 10% for supported housing)
- Rent Caps apply as a maximum ceiling on the formula rent and will depend on the size of the property and number of bedrooms.
- Registered providers must not allow rents to rise above the rent cap for the size of property concerned - the rent caps will increase by CPI + 1.5% annually.
- The limit on rent increases set out in the government's policy must be adhered to even where a tenant's rent is below formula rent.
- Property valuations must be set at January 1999 prices and are to be carried out using a RICS recognised method.

Rent Charges (Maintenance Contributions) 2022-23

Our corporate plan includes long-term proposals for investment in our existing properties (e.g. replacement of doors, windows, bathrooms, kitchens, and scheme environmental works) and improvements in the delivery of our services. For 2017-18 and 2018-19 we froze all rents at 2016-17 levels; for 2019-20 we increased them by CPI only (i.e. 2.4%); for 2020-21 and 2021-22 we increased them by CPI + 1% (i.e. 2.7% and 1.5% respectively). Over the last 5 years we have had to absorb increases in costs imposed by our contractors and suppliers.

In line with our corporate plan and government guidelines we propose to increase rent charges by 4.1% (i.e. CPI at September 2021 +1%).

New lettings

New lets for "social rent" properties are calculated according to the formula as set out in the regulations. Formerly, these were referred to as "target rents" (see above). Supported housing properties can be let at a 10% variance to the formula level. The formula rent is calculated in line with the guidance set out in the government's Policy Statement on rents for social housing (Feb 2019). Affordable rents are calculated as 80% of the market rented value and are used as a benchmark against our social rent levels when agreeing new rents with the regulator.

Service charges

Registered providers are expected to set reasonable and transparent service charges which reflect the service being provided to residents. Residents should be supplied with clear information on how service charges are set. In the case of social rent properties, providers are expected to identify service charges separately from the rent charge.

Service charges are not governed by the same factors as rent. However, registered providers should endeavour to keep increases for service charges within the limit on rent changes, of CPI + 1 percentage point, to help keep charges affordable.

Where new or extended services are introduced, and an additional charge may need to be made, PFH will consult with its residents.

PFH has a separate policy for Service Charges.

ROLES, RESPONSIBILITY AND AUTHORITY

The effective implementation of this policy is the responsibility of the Director of Business Services.

POLICY MANAGEMENT

General requirements:

February 2022

- Effective systems, procedures and processes will be in place for rent setting.
- PFH will self-assess compliance against regulated rent standards.
- A process and project plan will be in place to ensure rent increases are effectively planned and implemented.
- Legal advice will be taken to ensure compliance with legal, regulatory and contractual responsibilities.

Implementation, monitoring and reviewing

Rent levels for all properties will be recorded within our Statistical Data Return (SDR). This ensures the regulator is aware of the rents that the organisation is charging.

This policy will be reviewed every year. This is to ensure that it continues to represent best practice and is aligned to regulatory guidelines and PFH's objectives.