

Policy

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Introduction

This policy covers the rent influencing regime that commenced on 1st April 2002 and specified a ten-year implementation period. The restructuring of rents should therefore be broadly complete by 31st March 2012. This means that rent levels should not exceed five percent above the target rent levels, subject to the maximum rent caps.

The Trust still has some rents that are below target levels and has permission from the regulator to continue to implement the regime until rents have reached the levels planned.

These rents are referred to as 'social rents'. Social rented housing is rented housing owned and managed by local authorities and housing associations, for which guideline target rents are determined through the national rent regime.

Aims / Objectives

In December 2000 the Government published its guide to rent reforms in the social housing sector. The proposals stated that future target rent levels would be determined by a formula based on regional earnings, national earnings, property values and the number of bedrooms in individual properties.

The aim is to apply the convergence of rents through a rent restructuring process by to the 'target rent'. The rent increases in the housing association sector are restricted to the retail price index (RPI) plus 0.5% plus £2.00 per week based on a 52 week collection period.

The Trust operates on a 48 week charging period which means that the annual uplift that can be charged is RPI plus 0.5% plus £2.17 per week. In addition rental levels that are either 5% below or 5% above the target rent are deemed to have met convergence.

Scope

This policy covers the method for calculating the rents that are set annually on each of the Trusts homes and the charges that customers receive as a result of living in those homes.

This policy also covers the method for calculating the rents that are set on garages.

This policy does not cover the rents that are charged on shops and other commercial services that are delivered by the Trust.

This policy does not cover the Trusts approach to income collection.

This policy does not cover market rents or affordable rents. The Trust is developing a separate policy for affordable rents.

Policy Statement

The Trust's is committed to setting its annual rents for customers

- According to the Government and the Housing Regulators rent restructuring policies and guidance.
- At a level that ensures that the Trust meets its obligations to customer, maintains and invests in its homes, and continues to function as a financially viable organisation
- In line with the rent convergence plan to ensure that the Trust meets, as fast as possible, the Government's target date for convergence.

Rental charges on properties

Rents will be charged for 48 weeks of each 52 week financial year or for 49 weeks of each 53 week financial year.

Rent is payable on the Monday of each week it is due and should be paid within the week it is due.

The non rent debit weeks will usually be: two at Christmas, one at Easter and one at the end of March. The non rent debit weeks will be notified to customers each year.

Rents will be charged in accordance with the government's rent restructuring regime which aims for rent convergence by 2011/12 and any future ongoing guidelines set by the regulator. There has been no indication that the rent influencing regime will be discontinued at the present time. The principles of the regime will continue to be applied post the original convergence date in 2012.

Government guidelines relating to target rents state that any increase in the value of a property because of improvements has to be taken into account. This means that if the value of a Trust property increases significantly because of improvement work carried out, then the Government's target rent for that property can be increased to reflect this.

Annual rental increases will be based on the RPI for September each year (which is published in October) plus 0.5% plus a maximum of £2.17 based on a 48 weekly charging periods per year.

Rents will be charged at no more than the target rent plus 5%.

Rental increase or decreases will be applied from the first rental charge period of each financial year which will usually be the first Monday in April.

Rental increases or decreases will be approved by the Board.

Customers will be notified in writing of such increases within the 28 day statutory notice period.

Any properties that are re-let to new or existing customers on a social rent basis will be charged at no more than the target rent plus 5%. This includes any existing customers who move properties as a result of mutual exchanges or management moves.

Any properties that are re-let on an affordable rent basis must be done so in accordance with the Affordable Rent Policy.

The Trust continues to honour the existing arrangements for 'Bridge Rents' to those customers who qualify to receive them. Bridge Rents are charged to a small number of customers in Runcorn who originally re-housed by Halton Borough Council at the time of the construction of the Runcorn-Widnes bridge. These customers retain a personal entitlement to have their rents fixed at a certain level.

Garage rents

Garage rents will be charged over 48 or 49 weekly periods on the same basis as the rents for properties.

Garage rents will be increased in accordance with property rents from the first rental charge period of each financial year which will usually be the first Monday in April by a maximum of the RPI in the previous September plus 0.5%.

Garages let to Trust customers will be exempt from VAT.

Garages let to anyone who is not a Trust customer will have VAT at the standard rate added to the garage rent.

Responsibility

The Executive Director of Business Services is responsible for the effective implementation of this policy.

The Executive Director of Business Services is also responsible for ensuring that all appropriate staff are aware of and are trained in this policy and associated procedures.

It is the responsibility of the Board to take the appropriate decisions in relation to rent setting in accordance with recommendations from the Executive Director of Business Services and the Chief Executive.

The Board of the Trust will receive reports which will consider whether procedures are being correctly followed by employees

Service Standards

Customers will be informed of any increase or decrease to their rent, service charge or garage payments in accordance with the statutory 28 day notice period that is required.

Rents, service charges and garage payments will only be increased or decreased once in any calendar year which will usually be the first Monday in April.

Customers are asked if their rent offers good value for money as part of STATUS. This is reported as part of the Trust's Balanced Scorecard within the customer perspective.

Performance Measures / Monitoring

The Trust's progress towards rent convergence will continue to be monitored through the detailed calculations in the social rent plan. The social rent plan is used to calculate the target rent for each property based upon the property value, local and national earnings and the number of bedrooms within the property. Annual rental uplifts are then calculated based upon the current rental data that is stored within the Housing management system and the rent model. Any anomalies or variances are investigated.

Annual and five yearly valuations are commissioned from the Trust's Valuers which considers the impact of the rents that are being charged on properties and market valuations.

The social rents that are calculated in the rent planning process are used to update the Trust's 30 year business plan. Sensitivities and scenarios are tested as part of the business planning process.

The Trust will monitor the effectiveness and implementation of this policy to ensure that statutory requirements are adhered to.

This policy will be reviewed every three years to ensure that it continues to take account of Business Plan considerations, legislative changes and Regulatory requirements.

Any relevant legislative or regulatory changes that take place in the meantime will invoke a review of this policy.

Consultation arrangements

Customers are not consulted on the methodology and decisions to increase social rents each year. The process is set through government regulation.

Customers are nominated to approve the wording in the annual rental increase letter to ensure that it is in plain language

Benchmark Analysis

The Trust will continue to benchmark against levels of rents levied by other comparative housing associations in the area and provide this information to its customers and the Board.

Information is available through Benchmarking Groups and online regulatory facilities such as the RSR data from organisations

Regulatory and/or Legal Compliance

The second required outcome contained in the Tenancy standard of the TSA's Regulatory Framework which came into force in April 2010 relates to rents. This states that:

“Registered providers shall charge rents in accordance with the objectives and framework set out in the Government's Direction to the TSA of November 2009.”

The specific expectations of this part of the Tenancy standard go on to say that:

2.2 Subject to paragraph 2.3, registered providers shall set rents with a view to achieving the following as far as possible:

2.2.1 Rents conform with the pattern produced by the rent formula set out in rent influencing regime guidance²³ ('target rents') with a five per cent tolerance in individual rents (ten per cent for supported and sheltered housing) ('rent flexibility level') but subject to the maximum rent levels specified in that guidance ('rent caps').

2.2.2 Weekly rent for accommodation increases each year by an amount which is no more than RPI²⁴ + 0.5% + £2 until it reaches the upper limit of the rent flexibility level or the rent cap, whichever is lower.

2.2.3 Weekly rent for accommodation that has reached or is above the upper limit of the rent flexibility increases each year by an amount that is no more than the increase to the target rents.

2.2.4 Rent caps increase annually by RPI + one per cent.

2.2.5 Target rents increase annually by RPI + 0.5%.

2.3 Where the application of the Rents Standard would cause registered providers to be unable to meet other standards, particularly in respect of financial viability including the risk that a reduction in overall rental income causes them to risk failing to meet existing commitments such as banking or other lending covenants, the TSA may allow extensions to the period over which the requirements of the Rents Standard are met.

2.4 Registered providers shall provide clear information to tenants that explains how their rent and any service charge is set, and how it is changed, including reference to the RPI benchmark to which annual changes to rents should be linked (except where rents are controlled under different legislation).

The Trust will always look to ensure that the implementation of this policy meets the above regulatory requirements.

KLOEs affected

As the Audit Commission's housing inspection framework ceased with effect from April 2011, a full assessment against each of the KLOE's has not been undertaken. However the policy outcomes will feed into the Trust's ongoing update of its self assessment documents as well as the input to our Service Improvement Framework.

The key areas covered by this policy include:

- Access and Customer Care
- Diversity
- Value for Money
- Housing Regeneration and Neighbourhood Renewal
- Stock Investment

Diversity Considerations

An Equality Impact Assessment was carried out on this policy in December 2010. It concluded that the policy is not directly or indirectly discriminatory and there are no additional measures that can be adopted which would further enhance the equality of opportunity in the context of this policy

Links to Strategies, Procedures and Associated Documents

Finance Strategy
Rent Collection & Payment Policy
Rent Arrears Recovery Policy
Write-off of Bad Debts & Credits Policy
Affordable Rents Policy
Service Charges Policy

Business Impact

This policy is directly linked to the Trust's Business Plan and the way in which its rents are set.