

Rent Setting

Version: 3.2

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See also:

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This Policy will be applied in a way that will not discriminate on the grounds of the race, gender, marital status, disability, sexual orientation, religion or belief, pregnancy or maternity status, gender reassignment, or age of the employee concerned. It applies to all staff.

Version number	Amendment	Amended by	Date
2.0	Entire procedure reviewed in light of Welfare Reform & Work Act, to reflect which tenancies get a rent increase or decrease.	Annette Morrison	4 th May 2016
2.1	Minor spelling changes and grammar amendments.	Annette Morrison	25 th May 2016
2.2	Added water rates must be charged separately for Intermediate & Affordable rents	Annette Morrison	18 th July 2016
2.3	Clarified that LHA caps should be applied to Affordable rents and changed order of wording in 3.1.2 & removed one of exceptions which referred to 75% rent levels	Annette Morrison	27 th September 2016
2.4.	Minor amendments to reflect change in approach to Affordable Rents	Annette Morrison	29 th Nov 2016
2.5	Amended reference to Int rents being set as per rent rise formula	Annette Morrison	27 th February 2017
2.6	Amended to include reference to Outward, following Internal auditors' recommendations & also where Int Rent exceptions apply.	Annette Morrison	22 nd March 2017
2.7	Added reference to new tenancy type of (Starter) Assured (Street Property – Fixed Service Charge)	Annette Morrison	26 th March 2018
2.8	Following meeting with Director of Housing, adjusted how we set Int rents using Savills as rents were fluctuating too much	Annette Morrison	11 th October 2018
2.9	Added 3.83 re converted units to Outward from GN	Annette Morrison	4 th June 2019
2.10/3.0	Various changes in light of New Rent Standard two new London Rent types and general review	Bill Henderson	January 2020
3.1	Noted exceptions following discussions with Assistant Director for Housing & reviewed secure rent rise section	Annette Morrison	October 2020
3.2	Added reference to form to be used for rent checking & reviewed in light of Devonshires training course – no changes required	Annette Morrison	January 2021

1. Purpose of the procedure

To provide staff guidelines on Trust's Rent Setting policy and procedure to enable staff to process rent increases promptly, and set rents for new tenancies efficiently and within the appropriate legal guidelines.

2. Standards

Rent setting is to be in line with the law. This includes -

- All Secure rents to be increased annually (but need not be on the tenancy start date anniversary) as long as do not exceed the registered rent.
- Intermediate Rents to be increased annually.
- All new tenancies rent to be set in accordance with policy.

Under the provision of the Welfare Reform and Work Act most rents were decreased annually between 2016 and 2019

3. Policy

Rents should be set in accordance with the Law and Rent Standard 2020.

3.1. Social Rent

Where a social rent property is let to a new tenant, this will be for re-lets and new lets, the rent should be set at the formula rent, taking into account LHA levels, when comparing against the LHA level, service charges should be included in the total rent. The rent should be set at the level for whichever is lower.

There is a rent formula: 70% of the rent will be calculated based on the relative earnings of the local region compared to the national average as per the Government's statistics, this part of the rent will also be weighted to take into account the number of bedrooms in each property. 30% of the rent will be calculated based on the relative value of each property compared to the national average. A "Cap" is applied.

Newlon has developed a Rent Plan, which demonstrates how these rents are calculated.

Each year the Assistant Director will circulate a table of rents including the caps to be used to calculate that year's rents which will take effect from April which will inform Lettings what rent they should re-let properties on. The Lettings Team are responsible for ensuring that all re-lets are compliant with the rent regime.

From 2019 The Greater London Authority has prescribed a new form of Social Rent called London Affordable Rent. This is the same as Social Rent but set at the Cap level. Service charges are on top of that. LAR rents will also be circulated annually.

3.2. Affordable Rent

Where an affordable rent property is let to a new tenant, (re-lets and new lets, this will only apply to properties that have been previously let as Affordable Rent or Business Development have set the initial rent at an Affordable level for new properties) including conversions of social rent properties, the rent can be set as per the table below % of the market in the usual way. Rents should be set taking into account LHA levels, the rent should be set at the level for whichever is lower.

The Lettings Officer will be responsible for ensuring that they check the rent type the property was previously let on and ensure that this is followed into the next tenancy.

1 beds	80% of Market Rent
2 beds	70% of Market Rent

3 beds	60% of Market Rent
4+ beds	50% of Market Rent

Water Rates/Charges and personal charges should be charged for separately and are not included as part of the overall rent.

3.3. Exceptions

- Where the property is subject to an existing legally binding Rent Guarantee (no such property Guarantees are currently known).
- Where the percentage of Market Rent is less than Social Rent plus service charge.
- Where a Local Authority makes a representation about a specific property.

Exceptions (with the exception of the LHA restriction) will be authorised by the Newlon Housing Director or Assistant Director and documented

3.4. New Developments

Where Business Development have set a rent committed to in a bid, that rent should be used. In cases where this has not already been set, the Assured Re-Let method should be used. These rents should be in line with other similar properties in the Borough. New development rents will include a 5% uplift in the initial rent; 10% for Supported Housing. New Rents will normally be set using '99 Values.

3.5. General Needs Rent Increases

- 3.5.1. Procedures for increasing rents for Assured Tenancies must comply fully with sections 13 and 14 of the Housing Act 1988 and/or the tenancy. This means that rent increases must not take place before the anniversary of the previous increase or the start of the tenancy (the 'annuality' rule); and must be notified to tenants in a prescribed form at least one calendar month before the increase takes effect. (This is available on the Intranet) The term 'rent' on the Section 13 Notice refers to rent and fixed term service charges. Variable service charges should not be included in this total, but referred to in an accompanying letter.
- 3.5.2. The accompanying letter should clarify the issue of service charges by stating 'In accordance with Section 13 of the Housing Act 1988, we enclose a notice informing you formally of the proposed increase. Please note that the information overleaf does not include any service charges that you may already pay and this is included in the TOTAL CHARGE above'.

3.5.3. Exceptions

Schedule 13 of the Housing Act does not apply to Fixed Term Tenancies or Assured Shorthold Tenancies so appropriate wording needs to reflect this. FTTs will still get the same increase (CPI+1%) annually.

3.5.4. Assured Rent Rises

As of April 2015 and confirmed by the 2020 Rent Standard Guidance they are limited by Consumer Price Index (CPI), plus 1%.

The Assistant Director is responsible for formulating a spreadsheet extracting data from Orchard for those properties getting a rent rise (taking into account the 'annuality' rule), applying the Rent Increase formula, taking into account caps & targets.

If they are already above the rent cap then the rents should be frozen. These rent caps will increase each year by CPI +1.5%. Where target rents have not been reached, the following formula will be applied to ensure that no rent increase goes above this level.

The /Director of Housing (and in his absence the Head of Quality) is responsible for checking a sample to ensure that the formula has been correctly applied.

3.5.5. London Affordable Rent

Rents are increased at CPI+1% in the same way as Assured Rents

3.5.6. Exceptions – Some s106 stipulate how rents will be set and increased.

Rosalina (Goodman's Fields) Affordable Rents - these will need to increase in line with London Affordable Rents, the latest rents are available on the GLA website.

https://www.london.gov.uk/sites/default/files/ad_132_affordable_and_genuinely_affordable_rents.pdf

Thomas Rd – this is what the nominations agreement states -

The rents inclusive of Service Charges for first lettings of any Affordable Rented Housing Unit shall be subject to an annual rent increase of CPI + 1% (calculated from the date of this Agreement and based on the annual CPI rate published for the preceding September) on top of the amounts set out in the table below PROVIDED THAT the Owner shall obtain the written agreement of the Council as to the revised weekly rents and the Council shall act reasonably when agreeing the revised weekly rents with reference to its annual revised Affordable Rent levels assessed as affordable for local residents on average incomes.

The rents inclusive of Service Charges for any subsequent lettings or tenancy renewals of any Affordable Rented Housing Unit (which for the avoidance of doubt shall not include tenancies which are continuing after a probationary period) shall not exceed annual rent increase of CPI + 1%.

<u>SCHEDULE OF ACCOMMODATION AT GOODMAN'S FIELDS (Rosalina)</u>			
Number of Units	Beds	Tenure	Weekly AR Rent (inc Service Charge) on first letting.
			Social Rent plus service charges on first letting
37	1bed	Affordable Rented Housing	£253
29	2bed	Affordable Rented Housing	£276

3.5.7. Treatment of Service Charge

Service charges are included in Market Rents and hence Intermediate and Affordable Rents but are charged on top of Social Rents. They are excluded from the Rent Increase

Water Rates (where collected by Newlon) and Personal Charges will be charged on top of the % of Market Rent assessment.

3.5.8. Fixed Service Charges

Where a Fixed Service Charge has been charged (this will be for new lettings from March 2018 in flats for street properties). The Head of Service Charges will be responsible for reviewing this charge for the April increase. The Assistant Director is responsible for ensuring that residents are notified of any changes.

Each year the Head of Service Charges will set the new fixed service charge to be charged which will be in line with the service charge increase that year, this be based on September CPI+1%. Lettings will be responsible for checking this and applying the new level for all subsequent lettings.

3.6. Fixed Term Tenancies

The initial rent set/increase regime will be determined by the rent type and the relevant policy should be followed for this, so where Affordable or Social Rent the guidance above should be followed. Where the rent is Intermediate then the guidance below should be used.

Water Rates/Charges and Personal Charges should be charged for separately and are not included as part of the overall rent.

3.6.1. Rent Rises for Fixed Term Tenancies

This will follow the same principles, however it must be noted that the terms under which the rent can be increased are within the Tenancy Agreement rather than S13 & 14 as in other General needs rent rises.

3.7. Shared Ownership Schemes

The initial rent is set by Business Development as part of scheme feasibility. Annual rent increases are then applied by the Income Team in accordance with leases. (these vary).

3.8. Secure Rents

3.8.1. Rent Increases

From April 2015 and confirmed by the 2020 Rent Standard Guidance the CPI formula will apply. The secure or fair rents will be increased every year by CPI + 1% as long as they do not exceed the registered rent including service charge.

The rent registration (Secure Rents) process is as follows:

- 21 months after the last registration an application is made to the Rent Officer, using a Rent Service RR1 form and the rent set by the Assistant Director.
- When the Rent Officer replies, after visiting or consulting the tenant, a new rent is registered. The rent registration is to ensure the registered rent is always higher than the rent we charge. Rent registration will not trigger a change in rent, this will be done annually in October.
- The last rent registration date and registered rent amount is entered on Orchard or Cx. The actual rent charged should be updated on Orchard or Cx in October and is not part of the registration process.

Where the Rent Officer recommends a higher rent than the one Newlon has set. Newlon will keep to the rent that has been calculated by Newlon.

3.8.2. Re-lets

Where a Secure tenant is being issued with a new Secure Tenancy, the Lettings Officer is responsible for checking with the Assistant Director in order to set the new rent. The rent will need to be set in accordance with the following –

3.9. Intermediate Rent

This applies to self-contained and shared accommodation

3.9.1 Intermediate Rents are set at a level of 70% of Market Rent as at the date of handover. Market Rents will be researched and approved by the Head of Quality at the time of letting. They will then be reduced to 70% of market to create an Intermediate Rent. Any Intermediate Rent tenant signed up prior to 1st February will be subject to a rent increase in April, those signed up after this date, will not be subject to a rent increase in April.

3.9.2. For re-lets the Lettings Team is responsible for ensuring that the rent is set in accordance with the following principles –

- A valuation can be used for 3 months for properties with similar characteristics;
- When carrying out the valuation using Savills or similar rent setting process the 4 most recent rents should be used;
- The date of the original valuation using Savills should be recorded against subsequent rents so that rents are always set on a market comparable no more than 3 months old.
- Where there are 2 properties with similar characteristics but differing original rents then the original rent will be kept where the new rent level is lower.

Intermediate Rents are reviewed periodically and increased at CPI+1% or an amount set in the tenancy agreement. Responsibility is with the Assistant Director.

- 3.9.3. The Royal Free Nomination Agreement determines the rate of increase (January RPI plus ½% - but see formula in agreement). The increase is applied from April each year. The Assistant Director is responsible for coordinating this.
- 3.9.4. Water Rates/Charges and Personal Charges should be charged for separately and are not included as part of the overall rent.
- 3.9.5 London Living Rent (LLR) is a new type of rent/tenancy for homes for people aiming to eventually buy. GLA. Levels are set at Development Stage by the GLA/LA and the tenancy agreement terms are prescribed. Rises are at CPI only. As at 2020 Newlon had no LLR and no plans to develop any.

3.9.6. Exceptions to Intermediate Rent Setting –

Where there are Int Rent properties where there are no comparable properties on the market then the Head of Quality & Assistant Director of Housing will make a decision on future rent setting.

5-7 Hornsey St – an exception has been agreed in the rent setting for new lets from October 2020 in light of low demand. This has been agreed by the the Head of Quality & Assistant Director of Housing.

3.10. OUTWARD/SUPPORTED RENTS-

- 3.10.1. Rent Increase – Outward are responsible for applying the rent increase or decrease as informed by legislation or guidance from the regulator, currently the Homes and Community Agency. Outward (Housing Operations Manager) should ask Newlon for ratification of the proposed change. The Assistant Director shall audit the actual rent increases proposed by Outward, which Outward will make available at least one week before the postal deadline for the increase.
- 3.10.2. Rent Setting – For New-Lets this will be set by Business Development. For Re-lets, the Assistant Director will devise a spreadsheet for Outward's rents, which Outward will follow.
- 3.10.3. Where Outward take over the management of a property previously managed as General Needs the rent will be set at 110/105ths of the equivalent GN rent derived from the table of rents used for rent setting per Borough. This is based on exiting GN properties having their rents set at above 5% target as permitted by regulations. Some GN properties developed post 2015 may have rents set at 100% of target, not 105%.”
- 3.10.4. Rents for other managing agents will be set by the Quality Officer.

4. Housing Benefit

The Assistant Director is responsible for arranging the printing and distribution of the rent increase letters, will send spreadsheet to HB offices and send letters where requested and one copy to be sent to the tenant, and coordinating the filing on File Stream of these.

5. Service Charges

- 5.1. When Shared Owners and Intermediate Rents rents are increased in April at the same time as service charges the Service Charge Team will coordinate the distribution of notifications to residents.

- 5.5. The Service Charge Team should not carry out any service charge reviews for the 4 week period of the (October) rent increase, as this can lead to errors on Orchard occurring, as well as confusing information being sent to Housing Benefit/UC and the tenant.
- 5.6. Where the rent and service charge are combined to make one charge, the Lettings team are responsible for ensuring that the rent covers the cost of a service charge, plus a rent, allowing an appropriate margin for Newlon for re-lets and the Housing Projects Manager is responsible for this task for new lets.

6.0 Recording Rent Increase Checks

- 6.1. Where rent increases are checked the pro-forma should be used either in PDF form if rent rises are carried out using CX or a front worksheet if calculated using excel to document what changes were made as a result of the checks and size of sample checked.