

Rent Setting & Other Property Charges Policy

Linked strategies	Finance Strategy Growth Strategy
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Date approved by (State by whom and when)	25 February 2021 – Board approved
Policy level	1
Agreed by Union (If applicable)	N/a
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Policy Owner	Executive Director (with responsibility for Finance and Treasury)



1 Policy Statement

- 1.1 This policy defines how Greatwell Homes will set rents, apply rent adjustments across its housing stock and set non-rent charges. In setting rents and applying adjustments we shall comply with the relevant Housing Act, the Regulator's Rent Standard 2020 and associated regulations.

2 Scope

- 2.1 This policy will cover the general needs, Independent Living, Market Rent, Shared Ownership, RentPlus and garages. It will also cover non-rent charges like Water, Heating, Support etc.

3 Definitions

- 3.1 **Formula Rent** – A weekly rent set in accordance with the formula set out in the Government's Policy Statement on Rents for Social Housing 2018 where 30% of the rent is based on relative property values (as at January 1999), 70% based on relative local earnings (as at January 1999) with a bedroom factor applied. The capital values used to calculate the formula rents set by Greatwell Homes were supplied at transfer by the Borough Council of Wellingborough (BCW). The Regulator's rent standard provides for a +/- 5% tolerance (flexibility level) in individual rents (this is increased to +/- 10% for supported housing) but subject to maximum published Local Housing Allowance (LHA) rates. LHA rates are normally published once a year however, the Head of Finance & Treasury will be responsible for checking if there are amendments.
- 3.2 **Affordable Rent** – A rent that is no more than 80% of the market rent for an equivalent property for that size and location (inclusive of any service charge). The market rent to be set in accordance with a RICS recognised methodology.
- 3.3 **Market Rent** - A rent determined by a qualified surveyor in accordance with a RICS recognised methodology.
- 3.4 **RentPlus** – Determined by the RentPlus agreement where an initial rent is Affordable Intermediate (or Affordable Rent where a Short Form Agreement is in Place) and will be equal to 80% of the local market rent for a property or to the Local Housing Allowance, whichever is the lower). The market rent for a property will be determined in accordance with a RICS recognised method. RentPlus rent charges increase by CPI + 1% on the anniversary of the lease date. The rents are



rebased after a 5-year period.

3.5 **Regulator of Social Housing (the Regulator) Rent Standard** – Regulatory framework which details the requirements for Registered Providers when setting their rents. The current guidance can be found here: <https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020>

3.6 **Garage Rents** – A rent that is determined by local market conditions, demand and location.

3.7 **Social Housing Rents** - The Rent Standard 2020 sets out how Registered Providers should adjust their rent in order to meet the requirements of the Regulator.

4 **Policy Principles**

4.1 This policy will ensure that Greatwell Homes operates within the legal and regulatory frameworks when setting rents and adjusting rent charges for our properties. Greatwell Homes will seek to increase rental income within the legislative guidelines whilst ensuring that rents are affordable to our customers. Greatwell Homes will communicate our rents and how they have been set in a clear manner to our customers. We shall operate within the terms of our customers tenancy agreements/leases.

5 **Policy**

5.1 The rents for most Greatwell Homes customers shall be reviewed on an annual basis. For most customers the effective date for any change in rent will be on the first Monday in April. The change to rent for that customers tenancy will apply for the next year.

5.2 The annual rent changes to be applied to rents will be approved by the Greatwell Homes Board prior to notification to customers. Notification to customers will be sent in line with tenancy agreements.

5.3 **General Needs**

5.3.1 General Needs rents for existing customers can increase by up to CPI+1% for 2020 to 2025, in line with government policy. Rents on new lettings for all general needs properties will be set at either formula rent plus 5% or affordable rent, but not exceeding the Local Housing Allowance (LHA) rate. Applying the LHA rate as



a cap restricts the rent that is charged resulting in lower rental income that would otherwise be received, but this ensures our properties remain affordable to our customers.

5.3.2 The number of existing properties which are re-let at an Affordable rent (but capped at LHA rate) will be converted where this is explicitly linked to a funding agreement with Homes England (or any successor body). All rent relets are approved by a representative in Housing and Finance.

5.3.3 Affordable Rents will be set for all new rented developments with the following exceptions:

- Where properties built under section 106 provisions are specifically designated as social rent, or
- Where the affordable rent is higher than the LHA rate, rents will be capped at the LHA rate, thereby ensuring affordability for the customer.
- Where Homes England grant funding has been secured to enable rents to be set at a social rent.

5.3.4 All affordable rents will be revalued on relet using a RICS approved valuation.

5.3.5 The annual rent adjustment will be in line with the Regulator's Rent Standard, legislation and regulatory requirements with any permitted variation being agreed by the Board.

5.3.6 Subject to the Rent Standard limit, the weekly rent of any existing customer may not be increased by more than: CPI +1% in any year; or if the customer's rent exceeds the rent flexibility level, CPI in any year.

5.4 **Independent Living**

5.4.1 Currently, Independent Living rents can increase by up to CPI+1% for 2020 to 2025, in line with government policy.

5.4.2 Rents for relets of Independent Living properties will be set at formula rent plus 10%. Any new properties which have received Homes England grant funding will have rents set in accordance with the approved bid and associated funding



conditions. The tenure and associated rents for new build properties will also be subject to the provision of any planning requirements including section 106 agreements.

- 5.4.3 Support Charges and Service Charges will be set in line with Board Policy.
- 5.4.4 The annual rent adjustment will be in line with the Regulator's Rent Standard, legislation, the regulators requirements with any permitted variation being agreed by the Board.
- 5.4.5 Subject to the Rent Standard limit, the weekly rent of any existing customer may not be increased by more than: CPI +1% in any year; or if the customer's rent exceeds the rent flexibility level, CPI in any year.

The Rent Standard does not apply to the categorises of properties described below.

The next points outline how we apply rent adjustments to these categorises.

5.5 Shared Ownership

- 5.5.1 Initial rents (1st tranche sale, re-sale and staircasing) will not exceed the organisation's Development Parameters, currently 2.75% of unsold equity.
- 5.5.2 Annual rent adjustments will be applied in line with the lease agreement.

5.6 Market Rent

- 5.6.1 Market Rent property rents will be set against the local market after taking advice from a RICS qualified surveyor.
- 5.6.2 Rents will be adjusted annually in line with the tenancy agreement.
- 5.6.3 Both first lets and relets will be revalued on using a RICS approved valuation.

5.7 Rentplus

- 5.7.1 Initial rents will be set based on the RentPlus rent policy and will not exceed the LHA rate.
- 5.7.2 Annual rent adjustments will be in line with the RentPlus policy (normally CPI+1%). Rent charges will be rebased after a period of 5 years.

5.8 Garages

- 5.8.1 Garages are let on a rent determined by the Executive Management Team (EMT),



as delegated by the Governance and Delegation Framework (GDF06e (4)). The annual rent adjustment is considered by EMT with any change applied in April of each year. Garage rents are grouped into premium and standard rents and any adjustments are dependent on a range of factors including demand, location, and condition.

5.8.2 Garages which are let to persons who are not customers living in a Greatwell Homes property will be subject to VAT at the standard rate. Greatwell Homes customers are entitled to rent two garages without VAT charges, with any additional garage rented subject to VAT charges.

5.9 Non-Rent Charges

5.9.1 The following charges are not rent charges but are charges that are applied to our customers:

- Water
- Heating
- Support
- Third Party Estate Charges
- Ground Rent
- Insurance

5.9.2 Water and Heating charges only apply to some Independent Living customers. They are calculated by apportioning the total cost of the utility bills by communal and personal usage based on the square meterage.

5.9.3 Support charges are applied if someone has regular support from a member of the Independent Living team. The charges are reviewed annually and are based on staff time costs.

5.9.4 Third Party estate charges are normally applied to new developments (typical section 106 schemes) when handovers are completed. These are applied to cover the cost of the estate maintenance arrangements that has been agreed by the developer and the local authority as part of the planning obligations. Greatwell Homes are invoiced annually for these charges, the weekly/monthly charges are applied to customers to recoup these fees + an 15% admin charge.

5.9.5 Ground rent is applied to Leaseholders at a cost of £10.00 per year. This amount forms part of their leaseholder agreement and cannot be altered annually. This forms part of the annual invoice sent to Leaseholders which also includes their annual Service Charge and insurance charge contributions.

5.9.6 Insurance charges are calculated annually retrospectively by using the annual



premium payment and proportioning it across all properties owned. Shared Ownership and Leaseholder customers are then charged back for their share of the overall premium cost.

6 Implications for Customers

- 6.1 Our customers are implicated by the adjustment to Rent and non-rental charges. Greatwell Homes ensures fairness by following the Regulatory Rent Standard 2020. This also ensures affordability for customers.

7 Responsibilities

- 7.1 The Executive Director (with responsibility for Finance and Treasury) will have overall responsibility for the delivery of this policy.
- 7.2 The day-to-day delivery of this policy will be the joint responsibility of the Housing and Finance Service Areas.

8 Review

- 8.1 This policy will be reviewed every three years or in line with changes in legislation or regulatory guidance, whichever is the sooner, updates or recommendations for changes will be presented to the Board.

Associated Policies	Associated Procedures
Income Management Policy	Income Management Procedure
Tenancy Changes Policy	Tenancy Changes Procedure
Garage Policy	Annual Rents and Service Charges Procedure
Service Charge policy	In Year Rents and Service Charges Procedure

