

Rent Setting and Review Policy



Policy Reference:

HM004

Approved by:

Board

Date approved:

28/11/2018

1. Scope and objectives

- 1.1. The purpose of this policy is to set out bpha's approach to rent setting and how and when bpha will review rents across a range of products – including formula rents, affordable rents, shared ownership rents and intermediate rents.
- 1.2. In setting and reviewing rents bpha will follow government policy and regulatory guidance (where applicable) and will seek to achieve income which will sustain the viability of the organisation as well as achieve rents which are below prevailing market rent levels (excluding garages and any products to be designed to be let at market levels).
- 1.3. This policy excludes charges that are not rent, including service charges and equity loan charges. This policy also excludes any properties let to third parties on commercial lease terms which will be reviewed in accordance with the provisions of each individual lease.

2. Policy Statement

2.1. Responsibilities

The rent policy and the rent review process are the responsibility of the **Rent & Service Charge Manager** who is responsible for reviewing and updating this policy annually.

The setting of initial rents on the development of new properties is the responsibility of the **Head of Development**.

The **Head of Finance** is responsible for ensuring that there is a process to calculate and verify reviewed rent levels.

The **Head of IT** is responsible for ensuring that there is a process in place for uploading the revised rents on the bpha IT systems.

The **Executive Leadership Team** is responsible for oversight of the rent setting and review process.

The **Board** is responsible for approving this policy and approving the approach to rent review on an annual basis.

3. Rent Type or Products

There are five main rent products or categories of property to which this policy applies:

3.1. Formula rents (also known as target or social rents)

Formula rents (also known as target or social rents) are calculated using a formula set by the government which takes account of local earnings, property valuation and size. Service charges are calculated separately and are added onto the formula rent.

Each formula rented property will have a 'target' rent which is the maximum amount that can be charged.

Formula rent properties are subject to the HCA Rent Standard.

3.2. Affordable rents

Affordable Rent can be set at no more than 80% of market rent levels. This rent is a gross rent and includes any service charges. bpha no longer converts properties formerly let at a Formula Rent to an Affordable Rent but will develop new properties to be let at an Affordable Rent.

Affordable rent properties are subject to the HCA Rent Standard.

bpha cap affordable rent at the Local Housing Allowance (the maximum amount paid by Housing Benefit, or the Housing Element of Universal Credit for a property).

3.3. Intermediate rents (also known as Near Market Rent)

Intermediate rents can be set at no more than 80% of the current market rent. The total amount charged is inclusive of any service charge.

Specific exemption from the HCA Rent Standard is given for all intermediate rent properties.

3.4. Shared Ownership rents

Shared Ownership rents are exempt from the requirements of the HCA rent standard but where grant funding has been given for a scheme, bpha must comply with the requirements of the Capital Funding Guide and rents will be set in accordance with the provisions of the lease.

3.5. Garage Rents

Garage Rents are charged at market rates. Where garages are let to non-bpha residents or are not let in connection with a tenancy, the letting is classed as a supply of parking facilities and is standard rated for VAT.

For existing residents, our garages cost: £6 – £15 per week.

For non-bpha residents, our garages cost: £12 – £20 per week.

4. Rent Setting and Review

Unless otherwise agreed by bpha Board, rent will be set and reviewed as set out below:

4.1. Formula Rent Setting:

Rent will be set at the point a property has been developed or at the point a property is relet in accordance with the published Government Formula as set out in the HCA's Rent Standard Guidance and the provisions set out in the Welfare Reform and Work Act 2016.

Review:

For the four years from April 2016 all Formula rented general needs properties have had their rent reduced by 1% per annum in accordance with the Welfare Reform and Work Act 2016.

For Supported Housing (including sheltered and extra care retirement housing) this 1% reduction took effect from April 2017.

4.2. Affordable Rent Setting:

Affordable Rents will be set at the point of a property being newly developed or at the point a property is re-let.

Rents are set by undertaking an independent market valuation by a RICS registered valuer and then reduced by 20% as Affordable rents cannot be set at more than 80% of the full market valuation in accordance with the HCA's Rent Standard.

bpha will have regard to the Local Housing Allowance (LHA) and will normally cap rent at the LHA, so that rent will be set at the lower of 80% of the market rent and the LHA. The bpha Board retains a discretion to decide a lower percentage figure or to determine not to cap at the LHA on a particular scheme.

The rent is inclusive of any service charge.

Review:

Rent on Affordable Rent properties will be reviewed by decreasing the rent by 1% in accordance with the Welfare Reform and Work Act 2016.

bpha will have regard to the Local Housing Allowance (LHA) and will normally cap rent at the LHA, so that rent will be set at the lower of 80% of the market rent and the LHA. The bpha Board retains a discretion to decide a lower percentage figure or to determine not to cap at the LHA on a particular scheme.

4.3. Intermediate Rent Setting:

Intermediate rent properties are not social rented products and as such they sit outside of the HCA's Rent Standard. Rents are linked to market rates.

Rent will be set at the point of new development of a property or on the re-let of a property. The rent will be set following an independent property valuation from a RICS registered valuer and will be set at a maximum of 80% of the current market rent. The bpha Board retains a discretion to determine a lower figure on a specific scheme.

The rent is inclusive of any service charge.

Review:

Rent will be reviewed annually by instructing a chartered surveyor to advise on updated market rent values and by reducing the full market valuation by 20%, inclusive of any service charge. The bpha Board retains discretion to determine a lower figure on a specific scheme.

The rent is inclusive of any service charge.

4.4. Shared Ownership Rent Setting:

In line with the recommendation in the Capital Funding Guide, all new shared ownership leases, irrespective of grant funding, are granted by bpha at an initial rent level set at 2.75% of the value of the unsold equity at the point of initial sale.

The bpha Board retains a discretion to determine a different percentage on the grant of a shared ownership lease for a particular scheme. In exercising its discretion, the Board will have regard to the provisions of the Capital Funding Guide for grant funded properties, affordability for shared owners and the financial viability to the association in the design of the scheme.

Review:

Rent reviews in new shared ownership leases are set at RPI + 0.5% in line with the Capital Funding Guide. Rent will be reviewed in line with the provisions of an individual's shared ownership lease which may be higher or lower than the current rate for new leases. The bpha Board retains a discretion to determine a lower level of rent increase than set out in an individual lease on annual rent review but should consider taking legal advice on the impact of determining a lower level of increase on the provisions of the shared ownership lease.

4.5. Garage Rents

Garage rents will normally be charged at market rates

5. Rent Review Periods

5.1. Weekly tenancies – (including Formula, Affordable)

Except for garage rents (see below) bpha will review the rent no more than once every 52 weeks, usually in April (but we may choose a different month). bpha will review the rent payable on the first Monday in April following the start of any tenancy.

The rent review will usually be applied from the first Monday in April for all tenants. New tenants will be advised of the rent review when they sign their tenancy so they are aware of next rent reviews.

A minimum notice period of one month is required for notifying all customers of the changes to their rent and service charges. As the reviewed rents and charges are due with effect from April, bpha will begin informing customers about their reviewed rent and service charges by the end of February.

Tenants who wish to appeal against a rent review must do so within 28 days of the new rent being charged. If the new rent has been charged for a period of 28 days, no appeal against this can be accepted.

bpha will follow the principles of section 13 of the Housing Act 1988 as amended by the Regulatory Reform (Assured Periodic Tenancies) (Rent Increases) Order 2003. Where the tenancy states section 13 does not apply, we will not serve section 13 notices to tenants when they are notified of a rent review.

bpha will review the rents of new tenants on the first Monday of April even if this is less than 52 weeks since the start of their tenancy. This is to keep these rents in line with other tenancies, and provisions are contained within the tenancy agreement to allow this.

5.2. Monthly tenancies – (including formula, affordable, intermediate rent products)

Monthly tenancies will be reviewed on the 1st of April each year.

A minimum notice period of one month is required for notifying all customers of the changes to their rent and service charges. As the reviewed rents and charges are due with effect from April, bpha will begin informing customers about their reviewed rent and service charges by the end of February.

5.3. Garage tenancies

Garage tenancies may be reviewed at any time during the year and only require one week's notice, there is no limit on the frequency of rent reviews for garages.

5.4. Shared Ownership Leases

Rent in shared ownership leases will be reviewed in line with the provisions of the lease. Normally this will mean that rent is increased annually.

5.5. Properties managed by third parties

bpha owns several properties which are managed by third parties on bpha's behalf. Rent review for bpha tenants will be in line with this policy but will be administered by the third-party manager.

6. Regulatory and legal considerations

- 6.1. Housing Act 1985, Housing Act 1988 (as amended by the Regulatory Reform (Assured Periodic Tenancies) (Rent Increases) Order 2003)
- 6.2. The Regulatory Framework for Social Housing in England from April 2015
- 6.3. DCLG – Guidance on rents for social Housing May 2014
- 6.4. The Welfare Reform and Work Act 2016
- 6.5. The Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016

7. Monitoring, reviews and evaluation

- 7.1. This policy will be kept up to date and amended accordingly to reflect any changes in legislation, standards and guidelines.
- 7.2. The policy update is scheduled for a one-year period and will also be reviewed as legislative changes are put in place.

8. Associated Documents and Procedures

- 8.1. Feedback policy and procedure
- 8.2. Service Charge policy

Status	Version 4
Responsible	Rent & Service Charge Manager
Equality impact issues	None
Next review date	28/11/2019