



# RENT SETTING POLICY

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## **1.0 Scope**

This policy outlines how the Council will calculate rent for the housing stock that it owns and manages within the Housing Revenue Account.

How rent will be collected is outlined in the Income Collection Policy; how service charges are calculated is outlined in the Leasehold Management Policy and information about garage rents is set out in the Garage Management Policy.

## **2.0 Purpose**

The purpose of this policy is to ensure the rents will be set in accordance with the relevant statutory and regulatory obligations.

The policy will set a clear framework for the setting and reviewing of rent levels for each property.

## **3.0 Aims and Objectives**

The policy will ensure:

- Rents are set at a level which ensures that the Council can meet its obligations to customers, including maintaining the stock at a high standard of repair
- Rent increases are applied consistently and fairly
- The Housing Revenue Account does not fall into a deficit position.
- Council tenants are protected from excess rent increases

## **4.0 Regulatory Code and Legal Framework**

- Housing Act 1985, Sections 24, 102 and 103
- Local Government and Housing Act 1989, Section 76
- Ministry of Housing, Communities and Local Government Rent Policy Statement
- Regulator of Social Housing Rent Setting Guidance
- Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016
- Welfare Reform and Work Act 2016

## **5.0 Policy Outline**

### **5.1 Calculation of rent**

The Council will charge social rent for all properties, unless the charging of Affordable Rent is required as a condition of grant funding.

Rents will be set according to the formula set out in the in both the Ministry of Housing, Communities and Local Government Rent Policy Statement and Regulator of Social Housing Rent Standard which has consideration for the location, size and value of a property in conjunction with the local earnings. This is called the Formula Rent.

The basis for calculation of formula rent is:

- 30% of a property's rent should be based on relative property values
- 70% of a property's rent should be based on relative local earnings
- A bedroom factor should be applied so that, other things being equal, smaller properties have lower rents

Formula rent (social rent) will be used to set rents for all new tenancies. Where there is a large differential between the previous rent charged and the new rent level the increase will be limited to 10%. This will retain the social rent principle but also protect the Council's income.

## **5.2 Rent free weeks**

Rents will be calculated over 52 weeks and collected over 48 weeks. There are four non-debit weeks per year, two at Christmas and two at the end of March. Tenants will be advised of the dates of the forthcoming rent free weeks each year.

Rent free weeks provide tenants with a clear rent account the opportunity to pay no rent during rent free weeks. Rent free weeks do not apply to tenants in arrears or who have a court order which requires rent to be paid every week.

Where there are 53 Mondays in the financial year, the rent will be calculated over 53 weeks and collected over 49 weeks.

## **5.3 Rent increases**

This policy seeks to strike a balance between the need to keep rents affordable whilst providing sufficient funds to support the Council's need to maintain its housing stock and provide a high standard of customer service. The Council is aware that many tenants have low incomes and aims to provide housing that remains affordable.

Rent will be increase annually in April by CPI + 1%. The CPI as at the September prior to the April of implementation will be used. This is to allow time for the new rents to be calculated and to obtain committee approval.

A report will be presented to Housing Performance Group for comment in November. The report for approval will be presented to Finance and Resources Committee in December to be recommended to Council for approval.

Tenants will be given four weeks notice in writing in accordance with the tenancy agreement. The Council is under no obligation to consult with tenants to vary the rent

amount. The Council's decisions on rent levels are only challengeable by way of judicial review.

## 5.4 New build properties

Formula rents (social rents) will be charged new build properties wherever possible and all property acquisitions

If the Council is in receipt of grant from Homes England to develop new Council housing for rent, **or where the Council has registered the new properties with Homes England as affordable rented homes**, it is a requirement of the grant, **or agreement with Homes England**, that Affordable Rents are used.

Affordable Rent is set at 80% of market rent. It is typically higher than social rent. The intention behind the introduction of Affordable Rent is to enable Council's to generate additional capacity for investment in new affordable housing. **Affordable rents should not exceed the Local Housing Allowance.**

## 5.5 Shared Ownership

The Council does not currently own any shared ownership properties, but may in the future. Shared Owners pay both a mortgage on the part they own and rent on the part owned by the Council.

The Rent Standard does not apply to Shared Ownership properties. **If the Council develops this type of properties in the future the yearly rent charged will be based on 2.75% of the value of the unsold equity at the point of initial sale, plus service charges (as per Homes England's requirements).**

## 6.0 Related Policies, Procedures and Guidelines

This policy should be read in conjunction with the:

- Financial Inclusion Policy
- Rent Collection Policy
- Tenancy Agreement

## 7.0 Review

This policy will be reviewed every three years or sooner if there is a change in regulation and legislation

## 8.0 Document History and Approval

| Date     | Version | Committee Name    |
|----------|---------|-------------------|
| 18/11/20 | 2       | Housing Committee |