



Core Business

Rent Setting 2009-2010

Scope:	This policy applies to Circle 33 Housing Trust, Mole Valley Housing Association, Old Ford Housing Association, Roddons Housing Association, Russet Homes, South Anglia Housing, Wherry Housing Association.
Effective Date:	February 2009
Review Date:	January 2010
Signed Off :	Strategy Board, 2 nd December 2008
Author:	Simon Hargrave, Revenue Manager
Policy Owned by:	Robert Black, Group Director of Services
KLOE:	n/a
QAF (Supported Housing):	n/a
Statute:	Housing Act 1985 Housing Act 1988
Regulatory Code:	3.1 HC Circular 04/08: Rents, Rent Differentials and Service Charges for Housing Associations

Rent Setting 2009-2010

1 Scope

1.1 The rent setting policy covers:

- Circle 33 Housing Trust
- Mole Valley Housing Association
- Old Ford Housing Association
- Roddons Housing Association
- Russet Homes
- South Anglia Housing
- Wherry Housing Association

1.2 It applies to both general needs and supported housing.

1.3 The rent setting policy is used for:

- setting rents for relets to be let to standard assured tenants
- setting rents for new units to be let to standard assured tenants
- calculating the increase to apply for from the Rent Officer for fair rent registrations
- calculating the rent to apply for from the Rent Officer for fair rent registrations on new units to be let to secure tenants (transfers)

2 Policy Statement

2.1 Circle Anglia will comply with the government and former Housing Corporation's guidance on rent setting. In April 2002 the Government implemented a standard formula for rent setting across housing associations and local authorities. The process of reaching the new rents over a 10 year period is known as "rent convergence" or rent restructuring. Housing Associations have some discretion over whether to implement full rent convergence, depending on their financial circumstances. Circle Anglia will move towards full implementation over the 10 year period from 2002 for general needs and from 2003 for supported housing.

2.2 Each year the Group Board and group partner boards agree the rent increase that will apply from April, in order to meet the requirements of the rent convergence regime.

3 Policy

Tenancy types

- 3.1 Following the introduction of the 1988 Housing Act, all new lettings are "Assured Tenancies" with rents set by Circle Anglia, according to government and former Housing Corporation guidelines. Fair rents for secure tenants are fixed by independent Rent Officers.

Rent setting for assured tenants

- 3.2 Assured rents are subject to rent convergence. Each property has a target rent set, according a standard formula. During the 10 year period from April 2002 (2003 for supported housing) the actual rent charged for each property will move towards the target rent by increasing, decreasing or being frozen at its existing level until it converges with the target or cap. Under the former Housing Corporation's *Rent influencing Regime: implementing the rent restructuring framework* it is acceptable for associations to increase their rents to a level 5% higher or lower than the target rent (10% higher or lower for Supported Housing). An extract from the guidelines is quoted below:

- At the end of year 10, rents on individual properties normally to be within a band between 5% higher and 5% lower than the target rent; and
- The 5% flexibility above or below individual target rents will apply throughout the implementation period.

- 3.3 Rent charges are subject to a limited annual increase or decrease and target rents are capped to ensure continued affordability to tenants in high property value areas.

Calculating the target rent

- 3.4 Each individual property has a "target rent" set. The target rent is calculated using a formula which takes into account the value of the property (as at January 1999), the size of the property and the average manual worker's earnings in the area the property is in.
- 3.5 The weekly target rent is:
- 70% of the average rent for the Housing Association sector
 - multiplied by relative county earnings
 - multiplied by bedroom weight

plus

30% of the average rent for the Housing Association sector
multiplied by relative property value

- 3.6 These values have been defined by the former Housing Corporation and have been used in our target rent calculations.
- 3.7 The target rent is increased each year by the guideline limit, which is RPI + 0.5%.

Rent caps

- 3.8 Target rents are capped to minimise the impact of high property values on affordability for tenants.
- 3.9 The rent caps increase by RPI + 1% in April each year.

Moving towards the target rent

- 3.10 Each property has a maximum rental increase of RPI + 0.5% + £2 per week until the target rent or target rent plus or minus 5% is reached depending on the agreements within each RP.
- 3.11 Each year the Board of each RP within the group agrees the rental increases that will apply for the following financial year, depending on the budget and other considerations, within the framework of rent restructuring and any restrictions contained within previous stock transfer agreements
- 3.12 At the time of the last policy review the following group RPs agreed to move rents towards target rent plus 5% during the 10 year convergence period:
- Circle 33
 - Roddons
 - South Anglia
 - Wherry
- 3.13 The remaining RPs listed below are converging towards target rent only in accordance with their respective transfer agreements and promises to tenants:
- Mole Valley
 - Old Ford
 - Russet Homes

Rent setting for existing assured tenants

- 3.14 From April 2003 all rent increases are calculated with reference to individual properties' target rents and rent caps, and each rent will move towards its target over a 10 year period. Each year each rent will either increase, decrease or be frozen, according to the policy decisions made by the governing bodies on how to achieve target rents.

Rent setting for new assured tenants

- 3.15 Assured tenants' rents cannot increase within the first year of tenancy. The first increase takes effect in the second April of their tenancy. Therefore, in order to offset the shortfall in rental income to Circle Anglia, the rent charged from the commencement of tenancy is the predicted target rent that would take effect from the second April of the tenancy. The rent is then maintained at target rent thereafter or target rent plus 5% depending on the RP. Rent charges shown on Orchard are calculated to take this into account and show the rent that should be charged the next time the property is re-let.

Rent setting for new developments

- 3.16 New developments should be let at target rents from their first letting (subject to rent caps). Development will use target rent (or rent cap if this is lower) figures in bid and grant calculations. Tenants living in new developments will therefore be charged target rents from the commencement of their tenancies.

Appeals

- 3.17 Any tenant who feels that their rent has not been set in accordance with the policy can appeal using the complaints procedure.
- 3.18 It is not possible to appeal about the criteria which have been adopted, but general concerns may be raised with tenant representatives on the Housing Committee.
- 3.19 Under the Housing Act 1988, tenants have the right of appeal to a Rent Assessment Committee if they feel the proposed rent is too high. The Committee is required to assess a market rent, so any tenant who is considering appealing should seek independent advice about this first from a Law Centre or Citizen's Advice Bureau.

Rent setting for secure tenants

- 3.20 Tenancies which began before 15 January 1989 remain "Secure" with fair rents which continue to be set by the Rent Officer Service. Circle Anglia

applies to the Rent Officer Service for re-registration of fair rents every two years. Increases are phased in over two years.

Fair rent applications

- 3.21 As Circle Anglia seeks to treat all tenants similarly, the rent charged to a secure tenant will not exceed the rent that would be charged to an assured tenant in that property, set according to this policy. Secure rents are registered every two years. Secure rent increases are subject to the same annual increase restriction as assured tenants of RPI + 0.5% plus £2 per week.
- 3.22 The actual secure rent charged will always be the lowest of the following three options:
- the registered rent
 - existing secure rent plus the maximum permitted annual increase (RPI + 0.5% plus £2 per week)
 - the assured target rent for that property two years hence
- 3.23 The rent applied for when carrying out the registration must be the assured restructured rent that would be charged two years hence. In year 1 we would only actually charge year 1's assured rent, but by registering at year 2's assured rent, this allows us to charge this sum in year 2. This overcomes the problem of secure rents lagging a year behind assured rents.

Appeals against fair rent registrations

- 3.24 Tenants have a right to appeal to the Rent Officer against the fair rent registered. This must be done within 28 days of the re-registration. Tenants who are considering appealing should be advised to seek independent advice from a Citizens Advice Bureau or Law Centre.
- 3.25 We will appeal against registered rents which are set less than 10% below the rent applied for.

Phasing in the increases

- 3.26 Increases are phased in over two years.
- 3.27 The increase in the first year will be half the increase granted by the Rent Officer Service or the assured rent equivalent at the time of the first increase, whichever is less.

- 3.28 The second increase will be to the full registered rent, or the assured rent equivalent at the time of the second increase, whichever is less.
- 3.29 If the assured rent equivalent is less than the rent currently being charged, the rent will not change.

Transfers

- 3.30 Secure tenants who transfer within individual RPs' own stock will remain secure tenants with a fair rent.

Secure tenant transfers to property with no fair rent

- 3.31 The incoming secure tenant will bring with him/her the right to a fair rent. In this situation calculate the rent as if it were an assured rent. The tenant should be charged this rent but advised it is a provisional sum until a fair rent is determined by the Rent Officer Service. If the Rent Officer Service sets a higher rent, the assured rent level will continue to apply. If a lower rent is set, this new rent will apply and the tenant should be given a rent credit backdated to their tenancy commencement date.

Secure tenant transfers to property with registered fair rent

- 3.32 Charge the most recent fair rent for the unit the tenant is transferring into. This may be some years old, depending on when the property was last occupied by a secure tenant. If the rent was last registered more than two years ago apply to register the rent at the assured level as soon as the tenancy commences (as detailed above). Remember that the rent cannot increase by more than RPI + 0.5% + £2 per week each year.

Annual rent increases for assured and secure tenants

- 3.33 Assured rents increase on the first Monday in April except those set out in the table below:

Tenant type	Rent increase date
Ex-UWHA tenants C33	Second Monday in April
Old Ford tenants excluding Parkside and Mardyke	Second Monday in April
Holly Street Partnership C33	Fourth Monday in April
Wherry tenancies before 2001 and some South Anglia tenancies before 2001	Third Monday in May

- 3.34 The first rent increase a tenant will get will be in the second April of their tenancy. Tenants are entitled to one calendar month's notice. Most service charges are also on an April to April cycle and notice of any changes is given at the same time.
- 3.35 Rent increase notifications for assured tenants follow a prescribed format under Section 13 of the Housing Act 1988.
- 3.36 Secure rents increase every year on the anniversary of rent registration. Secure tenants are also entitled to one calendar month's notice.
- 3.37 All annual rent increases are subject to a maximum of RPI + 0.5% + £2 per week. The RPI figure is set at the September preceding the April increase and is notified to associations by the Tenant Services Authority (TSA).

Credits

- 3.38 Where a tenant's domestic electricity supply provides electricity for communal lighting, security lights or door entry phone, they are entitled to rent credits which result in weekly rent reductions.
- 3.39 The credits are as follows:
- Communal lighting 58p per bulb per week
 - Security lighting 29p per week
 - Door entry 29p per week
- 3.40 Rent Finance should be notified of any properties where these credits should apply and they will set up the credit on the rent system. Housing Benefit payments should be made for the full rent, so that the tenant receives the benefit of the lighting credit.

Garage rents

- 3.41 Garage rents are agreed by the Board of each RP and are not subject to any restriction on the level of increase.

VAT on Garage rents

- 3.42 Garage rents are subject to VAT at the standard rate
- 3.43 The following types of parking facilities are standard rated supplies:
- A letting or licence of a garage or designated parking bay or space. The letting of a garage is standard rated even if it is not used for storing a vehicle;

- A right to park vehicles (including trailers) in, for example, a car park or commercial garage.

3.44 The letting of garages or parking spaces in conjunction with the letting of dwellings for permanent residential use is exempt provided: -

- The garage or parking space is reasonably near to the dwellings; and
- The tenant takes up both the lease of the dwellings and the lease of the garage from the same landlord.

4 Service Standards

4.1 Tenants receive a rent increase letter that gives at least one month's notice of the increase.

4.2 The rent increase letter meets statutory requirements on format and content.

5 Equality and Diversity

5.1 It is essential to recognise that customers of all races, ages, religions, gender, sexual orientation, literacy levels and disability should be treated equally and fairly.

5.2 All customers will have access to this document upon request or from our website www.circleanglia.org/customers

5.3 This document and accompanying leaflet can be translated or provided in alternative formats (e.g. Braille, large print, audio) upon request.

5.4 Equality and Diversity training is mandatory for all staff.

6 Publicising the Policy

6.1 Circle Anglia publicises its policy and procedures on Rent Setting to residents and staff in a number of ways:

- Resident's Handbooks
- Leaflets
- Resident's Newsletter
- Resident's Website

Glossary

Term	Definition
DIYSO	Do It Yourself Shared Ownership Enables applicants to purchase a percentage share of a property on the open market
RPI	Retail Price Index UK index, compiled by the Office for National Statistics, to reflect the cost of living at any particular time
UDC	User Defined Criteria Used when information cannot be entered into an existing field on Orchard

Related Documents

Document	Link
Connected Policies:	
Forms and Letters:	
Leaflets:	How your rent is set 09/10
Other:	

Version history

There have also been other versions before 2007

Version no.	1	Date effective:	April 2007
Full / partial review?	n/a		
Brief summary of changes:	n/a		
Staff consultation (teams):	n/a		
Resident consultation:	n/a		
Signed off by:	Group Board December 2006		
Author:	Caroline Thompson, Head of Policy and Planning Jason Christensen, Policy Officer		

Version no.	2	Date effective:	April 2008
Full / partial review?	Partial		
Brief summary of changes:	Updated to show rent caps and rent increases for 2008-09		
Staff consultation (teams):	n/a		
Resident consultation:	n/a		
Signed off by:	The Boards of each RSL		
Author:	Simon Hargrave, Revenue Manager		

Version no.	3	Date effective:	April 2009
Full / partial review?	Full		
Brief summary of changes:	Review of Target rent convergence process and addition of Mole Valley, Roddons and Russet Homes to the policy		
Staff consultation (teams):	n/a		
Resident consultation:	n/a		
Signed off by:	Strategy Board, 2 nd December 2008		
Author:	Simon Hargrave, Revenue Manager		