

RENT SETTING POLICY

1.0 Introduction

In order to make rent levels more consistent in Social Housing in April 2002 the Government decided to end the variety of methods of rent setting used by Registered Social Landlords (RSLs). This was done under a new 'rent convergence' system. Landlords are now required to use a single method of rent setting using a formula known as 'Target Rents.' This system continues to apply to both Local Authority, Arms length Management Company and Housing Association (Registered Providers) owned properties. The formula takes account of property valuation and the average income of people living in the same area.

The rent convergence aims to:

- Make the rents charged fairer and easy to understand
- Make the rent reflective of the type of property it's size and location
- Keep property rent consistent within a set location
- Keep renting affordable in the public sector

Landlords have until 2011/12 for general needs properties and 2012/13 for supported housing to achieve convergence. The Group's plan to achieve convergence anticipates that, with certain exceptions (set out on Appendix A of this report) that all of the properties will be within the allowable 5% variation on rent convergence by the required dates.

2.0 Increase of Rent in the coming years

In order to achieve convergence but to minimise the impact upon tenants the regulations stipulate that the annual rent increase should be no more than inflation plus ½% plus or minus £2.00 every year until 2011/2012 for general needs properties and 2012/13 for supported housing. To achieve this, the rent setting policy is based upon a formula set by the Government which uses as its baseline the 1999 value of the property and the average income in the West Midlands in 1999. For instance, the higher the value of the property the higher the rent will be and visa versa. What will be charged on the property is dependent on the charge now compared with the 'new formula rent.'

For example:

$2\%(\text{inflation}) + \frac{1}{2}\% + £2.00$ of £61.25 = an annual increase of £3.53 per week

In addition, from the government issues annually upper limits (caps) on all rent increases. These are set out below:

Bedroom Size	Rent cap 2009/10	Rent Cap 2008/09	Rent Cap 2007/08	Rent Cap 2006/07
Bedsit and One bedroom	£113.78	£107.34	£102.33	£97.83
Two bedroom	£120.46	£113.64	£108.33	£103.57
Three bedroom	£127.16	£119.96	£114.36	£109.33
Four bedroom	£133.85	£126.27	£120.37	£115.08
Five bedroom	£140.53	£132.58	£126.39	£120.83
Six or more bedrooms	£147.23	£138.90	£132.41	£126.59

These upper limits are increased each year in line with inflation plus 1%. --

3.0 Inflation/Deflation

The rate of inflation or deflation applying in September each year will normally be used in the formula for the annual rent review. However, the Board of Management can, at their discretion, elect to use a lower rate of inflation/deflation if they feel that this is in the interests of the Group and tenants subject to this being within the overall boundaries set by the rent convergence plan.

4.0 Housing Benefits/Service Charges

The convergence of rent does not affect Housing Benefit which will continue to cover the due rent providing that this is within the 'local housing allowances' used by local authorities. Rent convergence does not have any direct impact on the service charges for communal cleaning, gardening and window cleaning as these charges are based on the actual cost of the service provided plus a small management overhead. However, the Group's intention is to keep any increases in housing benefit eligible service charges to no more than the Tenant Services Authority guidance limit (i.e. RPI + ½ %).

5.0 Secure Tenure

The interests of secure tenants are protected during this process whilst enabling their rents to move towards convergence by local Rent Assessment Committee whose role is to ensure that the rent set is reasonable. To achieve this no secure rent will increase or decrease more than the rate of inflation plus ½% plus £2 per week with each of the two years covered by the rent setting. However, in the event of the Rent Assessment Committee granting an increase in excess of the guidelines we will increase the rent in line with the rules set out for assured tenants in each of the two years of the rent setting period to maximise the Group's income.

6.0 Rent Increase Notification

All tenants are notified of their rent increases during February of every year. The rent increase comes into effect on 1st of April or the first Monday there after.

All tenants are provided with a formal rent increase notification letter informing them of their weekly increase for the coming year. It is the tenant's responsibility to make the necessary arrangements/amendments to their weekly payment to reflect any increase.

7.0 Leaseholder service charge

Leaseholders are not affected by rent convergence. All leaseholders will continue to be advised annually, in line with the requirements of their leases, of any changes to the service charges that result from communal management, heating, lighting and general upkeep and repairs.

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