



# TAI CANOLBARTH CYMRU MID-WALES HOUSING

Yn barod **amdani** **Equal** to the challenge

## Rent Setting Policy

<b>Strategic Aim:</b>	To ensure the Association has a fair and understandable mechanism for setting rents that are affordable for its tenants.
<b>Date of Issue:</b>	January 2017
<b>Next Review Date:</b>	January 2018
<b>Departments Affected:</b>	All Departments
<b>Previous reviews:</b>	January 2016 January 2014 January 2013 January 2012 25th January 2011 8th December 2010 Previous policy dated 1st March 2005.
<b>Approved By/Date:</b>	Board of Management January 2017
<b>Lead Officer:</b>	Charles Brotherton, Director of Finance
<b>Statutory Compliance:</b>	Welsh Government Delivery Outcomes: We manage our homes effectively We can demonstrate that our rents are affordable to households on low incomes take account the costs of managing and maintaining our houses and enable us to service borrowings. WG new policy for social housing.
<b>Strategic Risk Factor</b>	WG may exclude the Association from bidding for grant if rents are not set in accordance with rent guidance issued by WG.

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# **1. RENT SETTING POLICY**

## **1.1 Introduction**

The Welsh Government (WG) requires Welsh Associations to set rents in accordance with its guidelines. In 2013, WG introduced new guidelines entitled New Policy for Social Housing Rents.

The intention of this guidance remains as stated in circular RSL 04110 – ‘Guarantee for Housing Association Residents’ – which is to ensure rents are as low as possible whilst ensuring associations remain financially sound and providing a good standard of service to tenants.

The policy approach is to ensure compliance with the WG requirements whilst maximising income.

## **1.2 Policy Statement**

To ensure the Association has a fair and understandable mechanism for setting rents and ensure that they are affordable for its tenants.

In setting rents, Mid-Wales Housing Association will ensure:

- The rents are determined in accordance with the “benchmark rent” framework previously established by WG.
- That the rents of individual properties are fair and equitable in comparison with other properties within the benchmark framework.
- No premium is charged for sheltered or supported housing, unless this can be justified based upon the cost of providing the property.
- That rents reflect the energy efficiency of the properties as indicated by the SAP rating.
- That the rent levels and income is maximised within the benchmark rent framework.
- That the total income receivable for the Association is sufficient to meet:
  - all loan interest and loan repayment payments,
  - all planned component replacement maintenance costs,
  - all day-to-day management and maintenance costs.
- Rents outside the benchmark frameworks, the Intermediate and Private rents, are set at:
  - a supplement over benchmark; and
  - and linked to the Private Market Rent for similar properties.
- Rents are increased:
  - in accordance with WG guidelines; or
  - in accordance with leases; or
  - in line with market rents, as advised by independent valuer.

## **2. Specific Rent Categories**

### **2.1 Social Housing (“Benchmark”) Rents (covering General Needs, Sheltered and Supported properties)**

The rents for these properties will be set in accordance with the WG rent framework for social housing rents.

The benchmark rents for Powys and Ceredigion are at the same level and therefore the same level of rent is charged for any property type across the Association’s operating area.

The Association has a few properties in Shropshire. These are all regarded as exceptions, with rents charged at Intermediate Rent levels.

The WG previously published six rent benchmarks and the Association created a table of rents based around these benchmarks. The Association continues to maintain a table of benchmark rents.

### **2.2 Fair (Secure) Rents**

The Association has a number of properties which are occupied by tenants who were granted tenancies prior to 15<sup>th</sup> January 1989. These secure tenancies are defined by section 35 and 38(4) of the Housing Act 1988. The rents for these tenancies have their “Fair Rent” determined by the Rent Office Service.

The Rent Officer Service reviews the fair rents every two years on an individual basis.

Where a fair rent tenant transfers to a new property, the benchmark rent for that property will apply until that new property has been registered as a fair rent, then that fair rent will apply.

If, during the period between the start of the transferred tenancy and the registration of the fair rent there is a difference, the Association will either credit or charge the tenant accordingly.

### **2.3 Intermediate rents**

The coalition Government has promoted a new, affordable tenancy which will have rents set at 80% of private market rents; this was essentially the ‘intermediate’ rent level. The Welsh Government published its final guidance in setting rents for intermediate rent in March 2011; this guidance was called ‘Rent First’.

In setting intermediate rents the Association will ensure:

- Rents are set in accordance with the Rent First framework; and
- Rents to be limited to Local Housing Allowance (LHA).

The Association will increase rents on these properties in line with any Government restrictions. If no restrictions apply, the Association will apply the percentage increase published by the WG for Social Housing (benchmark) rents.

## **2.4 Private Rent**

The Association has a number of private rent properties that have been developed without grant. These private rent properties will have their rents at the appropriate market rent. The assessment of the market rent will be undertaken by a suitably qualified independent person (e.g. estate agent). The market rent will take account of the size, location and features of the property. Therefore, the rent increase could be very different from that outlined under the Welsh Government rent guidelines and regulations.

## **3. Rent increases**

The rent increase will follow the WG proposals:

- The inflation indices to be used for uplifting rents each year will be based on CPI at the previous September;
- A real increase percentage of 1.5% will be applied to the inflation indices;
- Plus £2, to achieve the target rent band; and
- The only exception would be to this rule where CPI falls outside a range of between 0% and 4%. If CPI falls below 0%, or is above 4%, the Minister for Housing and Regeneration will be able to make a decision on the level or rent increases to be applied in that year only. Use of this exceptional circumstance is considered appropriate in order to protect the interests of tenants and/or social landlords from significant movements in CPI.

## **4. Energy Efficiency (SAP) discount or supplement**

The Welsh Government Rent Policy published in 2013 provides for the rent calculation to include a 'quality' element. In the absence of any agreed quality mark, this quality element is assessed by using the SAP rating.

Under the WHQS (Welsh Housing Quality Standards), a SAP rating of 65 is required. The Welsh Government Rent Policy allows for an adjustment for SAP ratings, reducing the rent for properties with a SAP rating under 65, and increasing it for those properties with a SAP rating over 65.

Therefore, where appropriate, the following adjustment is applied for properties with a SAP rating that is not 65:

- (i) 0.5% reduction for each SAP point below 65;
- (ii) 0.3% addition for each SAP point above 65.

The reduction will normally be applied to properties where due to physical constraints, the SAP level cannot be increased. Similarly, the addition will normally

only be applied where the SAP rating is above 80, and therefore the energy costs of the home much lower than the 'average' property.

## **5. Shared Ownership rents**

Shared ownership tenants are those that have purchased a percentage of the property with a personal mortgage. They are charged rent on the remaining equity of the property value in accordance with individual lease agreements and scheme approval.

The annual rate of increase in the rent on these tenancies will be in accordance with the individual lease agreement:

- Unified Assured tenancies from the WG benchmark increase; or
- Secured tenancies from the Fair Rent Officer, reviewed annually in October; or
- Leases as linked to RPI (Retail Price Index).

The formula for setting the shared ownership rents is:

- Percentage of the property remaining (e.g. 50%).
- Intermediate rent for the property (e.g. £400/month).
- Shared ownership rent = £400 \* 50% = £200.

If stair-casing of the property is less than 100%, the rental level is altered using the same formula shown above in 3.3.3 but applied to the new outstanding equity.

### **Key Performance Areas:**

- A. The Director of Customer Services in conjunction with the team leaders, establishes appropriate procedures and training requirements relating to rent charges.
- B. The Association will consult with Tenants, Leaseholders and Shared owners on Rent increases.
- C. The Finance Team Leader will calculate the levels of Assured rent for General needs and Supported Housing annually, with reference to the WG benchmark increases.
- D. The Finance Team Leader will instruct a local estate agent or District Valuer biennially to obtain information on private market rents to enable "Intermediate" rents to be calculated.
- E. The Housing Manager will instruct the Fair Rent Officer to review Fair and Secured rental properties.
- F. The Housing team will provide annual fair and secured rent figures for the annual Budget.

<b>Equality Impact Assessment</b>	<i>How does/will this policy ensure needs are met fairly, particularly with regard to race, gender, disability etc.?</i>	The policy aims to ensure a consistent approach to setting rents, thereby avoiding potential for being discriminatory. The aligning of the 'general need', sheltered and supported housing properties is to ensure this fairness of treatment of tenants.
	<i>Is it felt that this policy might affect different groups adversely. If so, what is the justification for this and is it legally permissible?</i>	No groups or individuals are expected to be adversely affected. However, the reduction of rents for sheltered flats and freezing of rents for bungalows are more likely to benefit older tenants. However, historically, these tenants have on average been charged a higher rent on average than younger tenants living in similar sized properties.
	<i>Have any representative groups in the locality been asked for their opinion and if so, what was the outcome?</i>	Initial proposals were presented to TaRF on 13 January 2017, and will be further explained at the TaRF meeting on 3rd February 2017.
<b>Tenant Engagement</b>	<i>How does/will this policy ensure the needs of tenants are met?</i>	The object of this policy is to ensure rents are set in a consistent way. In addition the potential impact of Welfare Benefit Reform has been considered when recommending the rent increases; hence the freezing of some property rents.
	<i>How is it felt this policy will impact on the rights and obligations of tenants?</i>	It is not envisaged that this policy affect tenants' rights and obligations.
	<i>Have tenants been consulted and were the outcomes of that consultation taken into account when considering the introduction of this policy?</i>	The policy is broadly unchanged. The basis of setting 'exception' rents is being changed and now linked to SAP; a factor that is specifically part of the Welsh Government Rent Policy. The concept of having a rent adjustment to reflect energy efficiency (SAP) was consulted upon with TaRF during 2016. This was agreed to in principle.