

**Tower Hamlets Community Housing**

**Rent Setting Policy**

# Rent Setting Policy

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## 1. Policy summary

THCH is committed to the provision of social and affordable housing at rents which are affordable to our customers. Against this background the aim of this policy is to provide a framework which ensures that rents are set at a level that:

- Are affordable for people in low paid work
- Protects THCHs financial viability
- Ensures sustained and effective demand for our homes
- Complies with the requirements of our regulator - the Homes and Communities Agency (HCA)
- Complies with other legislation applicable to housing providers

This policy sets out THCH's approach to rent setting, review and variations. It covers all tenures operated by THCH.

THCH will set rents in accordance with the terms stated in the agreements and leases signed by our residents and customers.

This policy does not apply to service charges which are calculated separately in accordance with our service charge policy. In addition charges related to water rates, and heating charges are also outside of this policy.

## 2. Policy objectives

The objective of the policy is to ensure all rents for THCH are set in line with regulatory and legal requirements.

## 3. Background

From 2015/16, social and affordable rents have been aligned to increase against the Consumer Price Index (CPI) + 1% instead of RPI + 0.5%.

Registered Providers are required to charge rents in accordance with the objectives and framework set out by the Government.

The Rent Standard 2015 and Rent Standard Guidance contained within The Regulatory Framework for Social Housing in England from May 2014 consolidated all of the previous guidance issued by the regulator in relation to rent setting.

The Government introduced a four year rent policy via the Welfare Reform and Work Act 2016 that took effect in April 2016. This stipulated that all rents covered by the HCA Rent Standard should reduce by 1% each year until 2020.

## 4. Scope of the policy

The rent setting policy covers all tenure types including those listed below and will be used for new lettings and relets:

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Social Rent  
Affordable Rent  
Non-Secure Tenancies  
Shared Ownership  
Commercial properties  
Garages, Parking Spaces and Sheds

## 5. Legal and regulatory framework

- The Regulatory Framework for Social Housing in England from May 2014: Rent Standard
- The Homes and Communities Agency (HCA) Rent Standard and Guidance
- Housing Act 1985
- Housing Act 1988
- Housing & Regeneration Act 2008
- Rent Act 1977
- Rent Acts (Maximum Fair Rent) Order 1999
- The Welfare Reform and Work Act 2016
- The Social Housing Rents ( Exceptions and Miscellaneous Provisions) Regulations 2016

## 6. Responsibilities

The rent setting process and application of this policy will be managed and monitored by the Head of Finance .The Head of Finance will oversee the communication of revised rents to relevant residents and customers in accordance with legal requirements in a clear and concise manner.

The Lettings Officer will be responsible for ensuring the correct rent is applied to new build and re-let properties at letting stage.

The Leasehold Finance Officer will be responsible for ensuring that they check the shared ownership and commercial rents and ensure that the annual rent increase is applied according to the lease. They will be responsible for issuing the annual rent variation.

The Rent Finance Officer will be responsible for ensuring that they check social rents, non secure tenancies, parking spaces, garages and sheds, affordable rents and ensure that the annual rent adjustment is applied according to the relevant agreement, legislation and the Rent Standard requirements.

## 7. Operation of the policy

Each year the Director of Resources will propose to the Board the rental charges that will apply for the following financial year, within the framework of this policy and the Rent Standard.

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The rent variation will be applied annually on a Monday of the week in which the anniversary occurs except when the anniversary occurs in the last week of the month prior to the rent variation.

The rent variations fall due in April, July, September, October and January. The period from one rent variation until the next will be the “rent period”. One month’s calendar notice will be given to THCH tenants prior to a rent variation. One week’s notice will be given for car park spaces, garages and sheds.

In the case of tenancies which have been created after the beginning of the last rent period, the initial rent charged will be the rent estimated for the next rent period and no rent variation will be applied until the next rent period has come to an end.

There are some years where there are 53 Mondays in a financial year. Where this occurs, the rents will be calculated over a 52 week period. THCH does not operate any rent free weeks.

## 8. Current Methods for Calculating Rent

From 1 April 2016 in line with the rent reduction, rents for social rent and affordable rent tenancies will be reduced annually by 1% until 2020.

The rent for newly let properties will be set in accordance with this policy, legislation and the Rent Standard.

The welfare Reform and Work Act 2016 introduces rules around the levels of rents that can be charged by registered providers of social housing during the period from 2016 to 2017, to 2017 to 2021. For the period that the rent under a tenancy of a registered provider’s social housing is to be governed by the Act, the rent for that tenancy is not covered by the Rent Standard.

### **Affordable Rents**

In 2011, the Government launched the Affordable Homes programme. This allows new build properties to be let at a rent defined as ‘up to 80% of market rents’ reflecting the property size and location. The programme enables housing providers to convert a number of existing properties when they become empty to Affordable Rent on the basis that the additional rental income will support the future development of new homes.

Affordable Rents will be set at the lower of:

- 80% of the market rent as determined through a RICS approved methodology;  
or
- The Local Housing Allowance

Affordable rents are inclusive of service charges and the 1% decrease each year will be applied to the gross rent payable (rent plus service charge)

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When a property has been let at an Affordable Rent, all subsequent relets will be on this basis. The rent will be rebased on each occasion that a new affordable rent tenancy is issued for that property, to ensure that rent remains no more than 80% of the relevant market rent and ensure that the rents take account of adjustments in market rent levels.

Affordable Rents will be calculated according to the Royal Institution of Chartered Surveyors (RICS) approved methodology. THCH will use an interactive Automated Valuation Model (AVM) provided by Right move and fronted by Savills in assessing affordable rents.

## **Shared Ownership Rents**

Shared ownership rents are set by reference to the equity value retained by THCH and in accordance with the conditions of the lease for the individual property. The rents are aimed at covering the cost of finance and do not include any element for housing management.

Shared Ownership rents are adjusted in April in accordance with the lease agreement and mostly adjusted by RPI + 0.5%. The RPI is set at September preceding the April review.

- Rents for Durward Street Shared Ownership units are set at 3.5% of retained equity.
- Rents for all other Shared Ownership units are set at 3.0% of retained equity.
- Rents for new shared ownership properties will be determined on a scheme by scheme basis as part of the development approval process and will be set down in the relevant lease.

## **Non-Secure Tenancies**

THCH makes available a small number of properties to the Homeless Persons Unit at the London Borough of Tower Hamlets for short term temporary accommodation. Non secure rents can be increased with effect from the beginning of the tenancy by written notice and the level of increase will be in accordance with our agreement with the Borough. The rent for these properties is based on 25% of the target rent. The target rent is set using the formula introduced by the Government in 2002 as part of their rent restructuring policy. Service charges and the premium of 25% are added to the target rent for that period.

## **Commercial properties**

Commercial rents are set in accordance with the terms contained within the lease. THCH will review the rents with the assistance of a RICS Surveyor and in accordance with current market rates applicable to each location and the terms of each lease.

## **Parking Spaces, Garages and Sheds**

Parking spaces, garages and sheds are separate from the commercial property portfolio. The rents are not subject to any restrictions on the level of increase.

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However, current rents will receive an annual uplift using RPI in September plus 0.5%.

Any parking spaces, garages and sheds available for non residential tenants are subject to VAT. THCH will seek to apply a rate that is commercial whilst in keeping with other providers and the market place within the Borough.

Proposed charges will be presented for approval to the Board before the beginning of each financial year.

## 9. Rent Appeals

Assured tenants, under Section 13 of the Housing Act 1988, have the right of appeal to the First Tier Tribunal if they feel the proposed rent is too high. The First Tier Tribunal will determine the maximum rent to be paid and their decision is binding on both sides.

Any tenant who is considering appealing will be told to seek independent advice from a Law Centre or Citizens Advice Bureau.

## 10. High income social tenants

The HCA Rent Standard Guidance introduced in 2015 allows providers to implement different policies for social housing tenants whose income is above a specific threshold and charge a higher market rent.

Under its discretion available through legislative provisions THCH will not charge higher market rents to households in social rent properties who are in receipt of income in excess of a threshold defined by legislation.

<b>Policy owner:</b>	Director of Resource
<b>Prepared by:</b>	
<b>Date policy approved:</b>	
<b>Approved by:</b>	
<b>Effective date:</b>	
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