

Group Rent Setting Policy

Policy Owner	Edward Mellor	New policy or review	Review
Equality analysis required	No	Date of equality analysis	n/a
Review cycle	Annually	Next policy review date	August 2020
Policy approved by	Group Board	Date approved	12/02/2020
Adopted by Arcon	Yes	Date adopted	24/03/2020

1. Introduction

- 1.1 Our overall aim is to create homes and neighbourhoods, which we can all be proud of whilst delivering an efficient and well run business.
- 1.2 To achieve these aims BH sets rents that offer value for money and are reasonable and affordable to existing and prospective customers, whilst ensuring it remains viable and can achieve its business plan commitments.
- 1.3 This Policy sets out the mechanisms by which BH calculates rents on an annual basis, in line with the prescribed government rent setting formula (where this applies), so that it is transparent and easily understood and ensures compliance with the outcomes of the Regulatory Framework for Social Housing in England, introduced by the Homes and Communities Agency (HCA) and adopted by the Regulator, as outlined below:
Registered providers shall charge rents in accordance with the government's direction and the Rent Standard Guidance (Guidance on rents for social housing as per guidance issued by the Department for Communities and Local Government) in May 2014.

2. Purpose

- 2.1 To set out our approach to rent setting which complies with regulatory standards and legislation and ensures the business remains viable

3. Scope

- 3.1 This policy applies to all the properties owned and managed by the registered providers Bolton at Home & Arcon (Bolton at Home Group (BHG)). This Policy also covers the provisions BHG has for setting rents that are outside of the Rent Standard e.g. shared ownership rents.

The policy does not cover properties managed by our subsidiaries, R-haus or Arcon Developments Limited.

4. Statement of Intent

- 4.1 In setting rents, BHG will ensure it maximises income, secures rental income to meet business plan commitments and remains viable, including meeting the loan repayment requirements of its lenders.
- 4.2 Where applicable, BHG will ensure rents are set in line with formulae developed by Government for the social housing sector and approved by housing regulator, within the Rent Standard. BHG will also set rents in accordance with the most up-to-date guidance produced by the Ministry of Housing, Communities and Local Government (MHCLG).
- 4.3 BHG will inform its tenants of how the rent has been set via information available on its website.

5. Policy

- 5.1 BH's Board approves the Rent Setting Policy and the rental structure this produces.
- 5.2 BHG will review the rents it sets on an annual basis and will enact any changes to rent charges on the first Monday in April each year. BHG will inform all customers in writing of any changes to their rent, giving a minimum of 1 calendar month notice before the changes come into effect, outlining how the new rent is calculated.

5.3 Social Rents

- 5.3.1 BHG is committed to meeting the requirements of ensuring a fair method of calculating social rents based on:
- Local earnings (to take account of affordability) and,
 - Property size and valuations
- 5.3.2 In line with the HCA's regulatory standard, BHG will exempt the following categories from the Rent Standard:
- Shared ownership and low cost ownership
- 5.3.2 In line with changes announced in the Summer Budget 2015 and the Welfare Reform and Work Act 2016, formula rents were reduced by 1% per annum from April 2016 until March 2020. This applied to all BHG general needs social housing and affordable housing properties from April 2016 and to supported housing (Independent Living) from 1st April 2017. The rent reduction did not apply to exempt properties (as set out in the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016). These properties included extra care schemes, network homes, properties owned by Bolton at Home but managed by BACKUP and other properties with high support provided.

5.3.3 BHG used the reference date for setting social (general needs and supported housing) and affordable rents as being the 8th July 2015 with the 'first relevant year' (for the purposes of 1% rent reduction) beginning 1st April 2016 until 31st March 2017.

5.3.4 Where a social rent property was re-let to a new tenant (during the 1% rent reduction period), the rent was set at the higher of either (a) formula rent (as reduced by 1% each year), or (b) the rent as of 8th July 2015 (as reduced by 1% each year).

5.4 Flexibility in rents

5.4.1 In line with the HCA's Rent Standard, BH are allowed to set formula rents for general needs properties at up to 5% above that worked out by following the formula for setting social rents. In 2015, the board approved the use of this flexibility on a limited basis (See Appendix 1), taking account of market rents in the locality. These higher formula rents are applied upon a property re-letting.

5.5 Affordable Rents

5.5.1 On all new build Affordable Rent properties BHG reserves the right to set rent levels over 48 and 52 weeks (depending on locality and local authority area).

5.5.2 Where BHG develop new build properties for Affordable Rent and on completion of schemes, under the development agreement with Homes England, BHG reserves the right to set initial rents at up to 80% of the gross market rents (known as Affordable Rents) taking into account property size, location and characteristics of the property. BHG will use an approved methodology for determination of market rents, currently this being the use of the Savills Automated Valuation Model.

5.5.3 Where the Affordable Rent is above the Local Housing Allowance (LHA) rate, BHG may use the maximum LHA rate as the rent floor. However, where local market conditions demonstrate demand, BHG reserves the right to set rents above the LHA rate.

5.5.4 According to the terms of funding arrangements agreed with the HCA, BHG has pursued the conversion of general needs housing to affordable rents upon re-letting. Permission to carry this out expired in March 2018 although properties which have been re-let at affordable rents will continue to retain an affordable rent upon future relets.

5.6 Shared Ownership

5.6.1 BHG will set initial rents for shared ownership properties that average no more than 2.75% of the value of the unsold equity (and will not exceed 3% of the capital value of the unsold equity at the point of sale).

- 5.6.2 Subsequent annual rent increases will be limited to the Retail Price Index (RPI) figure (published in September) plus 0.5%. If the RPI is nil or negative the maximum rent increases will be limited to 0.5%.

5.7 Intermediate rents - lease Management

- 5.7.1 Bolton at Home also has a number of lease management properties that it leases from private landlords. Rents on these properties will be charged at intermediate rents and are set having regards to the level of Local Housing Allowance. This includes those provided under government programmes (mortgage rescue) and those provided without public capital subsidy (lease management)

5.8 Fair rents

- 5.8.1 Arcon has a number of secure tenants on fair rents. The rent for a secure tenancy is determined on a two year cycle by the Rent Officer and applies to all tenancies in existence prior to January 1989.
- 5.8.2 When making an assessment the Rent Officer will take into account the size, condition and location of the property but not the personal circumstances of the tenant or the demand for property in the area. The Rent Officer may and will, if requested, hold a consultation between him/herself and the tenant at which the BHG can be represented. The tenant has the right to object to the rent registered but the objection must be made within 28 days of the registration. When a new rent has been fixed four weeks' notice in writing by the BHG is required before the new rent becomes payable.
- 5.8.3 BHG's policy is to apply to the Rent Officer for an increase in rent not to exceed the increase in the retail price index for the previous 2 years, i.e. indexed to inflation. BHG will, however, follow the Rent Officer's determination in all instances unless this would entail a rent in excess of the BHG's assured rent plus service charge for the same property or would entail an increase in rent in excess of £5.00 per week. In these instances BHG will only charge the lower of a rent equal to BHG's assured rent plus service charge or the existing rent plus £5.00 per week.
- 5.8.4 However if regulatory guidance and associated legislation indicates other methods of rent adjustment, including decreases, these will be applied.

6. Implementation

- 6.1 The BHG Board have the ultimate responsibility for setting rents and BHG Executive Management Team has responsibility for reviewing the operational effectiveness of this Policy on annual basis.
- 6.2 The Director of Finance has operational responsibility for the associated activities that underpin this Policy including:
- Annual rent calculation and notification
 - Calculation of rents upon re-letting

7. Performance

- 7.1 The pattern of rents and changes in the pattern are monitored by the housing regulator annually through information collected in the Statistical Data Return. Any failings in this area or performance on rent collection which affects the viability of BHG may be subject to regulatory control measures.
- 7.2 Performance on setting rents and sending appropriate notification will be reported to the BHG Board and will also be subject of scrutiny by internal and external audit services.

8. Review

- 8.1 The BHG Rent Setting Policy will be reviewed every three years (from the date of BHG Board approval) or more frequently if required by the introduction of new legislation or regulation that impacts on BHG's obligations in regard to rent setting, changes to BHG business practices or in the light of management system audits.

9. Legislation

- 9.1 This policy links to the following legislation which provides details of the 4 year rent cut and permitted exceptions
- Welfare Reform and Work Act 2016
 - Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016

10. Responsibility

- 10.1 The Director of Finance will ensure this policy is successful, with staff having individual and collective responsibility to implement the policy.

11. Monitoring, Review and Evaluation

- 11.1 Performance information on rent setting will be provided by the Director of Finance to the Board on an annual basis along with proposals for the annual rent increase

Appendix 1 – Use of rent flexibility

It is proposed to increase target rents in the following areas / property types (H=House, F=Flat, B=Bungalow).

NB the increases below are to target rents.

Area & type	Change (%)
Chorley Old Road H	5%
Farnworth East B	5%
Farnworth East F	2%
Farnworth East H	5%
Farnworth West B	5%
Farnworth West H	5%
Great Lever H	5%
Higher Deane F	2%
Higher Deane H	5%
Horwich B	5%
Horwich H	5%
Kearsley & Little Lever F	5%
Kearsley & Little Lever H	5%
Lower Deane F	5%
Lower Deane H	1%
Westhoughton B	1%
Westhoughton F	5%
Westhoughton H	5%

H- Houses

B – Bungalows

F - Flats