

# Group Rent Setting Policy

## **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 and Arcon set 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 and Arcon 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 must set rents from 1 April 2020 in accordance with the Government's Policy Statement on Rents for Social Housing 2018***

## **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, specialist supported housing and intermediate rents.  
The policy does not cover properties managed by our commercial 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**

- 5.1.1 The Rent Setting Policy and the rental structure this produces will be approved by BH's Board.
- 5.1.2 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 has been calculated.
- 5.1.3 **Social Rents**  
BHG is committed to meeting the requirements of ensuring a fair method of calculating social rents based on the formula detailed in the Rent Standard taking account of:
- Local earnings (to take account of affordability) and,
  - Property size and valuations
- 5.1.4 Formula rents will be limited by the rent caps updated annually by Government
- 5.1.5 Annual increases from April 2020 are limited to a maximum of CPI+1%
- 5.1.6 **Flexibility in rents**  
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.
- 5.1.7 **Affordable Rents**  
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).

- 5.1.8 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.
- 5.1.9 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.
- 5.1.10 According to the terms of funding arrangements agreed with the HCA, BHG has pursued the conversion of general needs housing to affordable rents upon reletting. Permission to carry this out expired in March 2018 although properties which have been relet at affordable rents will continue to retain an affordable rent upon future relets.
- 5.1.11 Annual increases from April 2020 are limited to a maximum of CPI+1%
- 5.1.12 Where properties are on an affordable rent, the level of market rent and hence affordable rent are reassessed when properties become empty.
- 5.1.12 **Shared Ownership**  
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).
- 5.1.13 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%.
- 5.1.14 Shared ownership rents are charged on a 'per calendar month' basis and therefore annual increases will take effect from 1<sup>st</sup> April each year
- 5.1.15 **Intermediate rents - lease Management**  
Bolton at Home also has a number of lease management properties. This includes those provided under government programmes (mortgage rescue) and those provided without public capital subsidy (lease management). Rents on these properties will be charged at intermediate rents and are set having regards to the level of Local Housing Allowance.
- 5.1.16 Annual increases from April 2020 will be limited to a maximum of CPI+1%
- 5.1.17 **Fair rents**  
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.

- 5.1.18 In the case of tenancies subject to fair rent protection, the maximum weekly rent is the lower of the fair rent set by the Rent Officer, and formula rent (subject to both the rent caps and the rent flexibility level)
- 5.1.19 Registered providers may not increase the rent of a tenant with fair rent protection by more than CPI +1% in any year
- 5.1.20 However if regulatory guidance and associated legislation indicates other methods of rent adjustment, including decreases, these will be applied.

## **5.2 Implementation**

- 5.2.1 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.
- 5.2.2 The Executive Director of Finance has operational responsibility for the associated activities that underpin this Policy including:
- Annual rent calculation and notification
  - Calculation of rents upon reletting

## **5.3 Performance**

- 5.3.1 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.
- 5.3.2 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.

## **5.4 Review**

- 5.4.1 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.

## **6. Legislation**

- 6.1 This policy links to the following legislation which provides of the regime from 2015 to 2019 and the new 5 year settlement from April 2020
- Government's Policy Statement on Rents for Social Housing 2018

## **7. Responsibility**

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

## **8. Monitoring, Review and Evaluation**

- 8.1 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

<b>Date approved</b>	Arcon Board 16/03/21 Group Board 25/03/21
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## 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