

# Rent Setting Policy

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## Rent Setting Policy

### Purpose

The rent setting policy is used for:

- Setting rents for new properties to be let to tenants
- Setting rents for existing properties to be let to tenants
- Setting rents for new properties to be let to shared owners
- Setting rents for staircasing events and resales
- Annual rent increases/decreases.

Where required, Legal and General Affordable Homes (LGAH) will comply with the Regulatory Framework for Social Housing in England (April 2015), including Annex A (the Rent Standard Guidance) and the requirements of the Welfare Reform and Work Act 2016, when determining its rents.

Some tenancies will be subject to service charges, which are covered by a separate service charge policy.

### Affordable Rent accommodation

The rent standard requires that Registered Providers (RPs) shall charge rents in accordance with the objectives and framework set out in the Government's direction to the Regulator of May 2014. In addition the Welfare Reform and Work Act 2016 prescribes how annual in-tenancy changes in rents and rent setting for re-lets and new properties should be managed for the period to March 2020.

### Rent setting for new properties

Affordable Rents can only be charged where a delivery agreement for new supply of social housing has been agreed under a new supply agreement between an RP and the Homes England (a Short Form agreement).

Affordable Rents will be calculated in accordance with the methodology determined by government which can be paraphrased as follows:

- Rents, inclusive of service charges, will be no higher than 80% of the prevailing local market rent for comparable properties at the time they are set
- Rent setting should take account of local conditions, including local housing allowance rates
- Rents are re-set when a property is re-let to a new or existing tenant on the same basis as above
- Valuation methods used will be in accordance with a method recognised by the Royal Institution of Chartered Surveyors

### Rent setting following re-letting

When a property is re-let to a new tenant or to the existing tenant on renewal of a fixed term tenancy the rent will be re-set using the permitted methodology. Rents will not be re-set when a starter tenancy is converted to a fixed term tenancy.

### **Annual rent increases**

In line with the Welfare Reform and Work Act 2016, rents on all LGAH rented properties will reduce by 1% each year until 2020. Following this, annual increases will be set by the Board within the parameters set by the regulatory framework and tenancy agreements.

LGAH does not intend to implement the High Income Social Housing rents policy as introduced by the Housing and Planning Act 2016.

### **Tenancies**

Starter tenancies will be offered to all new tenants. This will be a 12 month Assured Shorthold Tenancy which will be reviewed to determine if the tenancy has been satisfactorily maintained. If a further tenancy is offered, then this will be for a fixed term of five years, in line with the Allocations Policy.

### **Shared ownership accommodation**

This policy is aligned with requirements for shared ownership rents set out in the Homes England Capital Funding Guide.

### **Rent setting for new properties**

Where properties are offered as Shared Ownership by LHAG a leaseholder may purchase an equity share of between 25% and 75% of the full market value of the property. LGAH will charge a rent for the unsold equity.

Rents on the unsold equity will be calculated in accordance with the relevant s106 agreement or the Homes England Capital Funding Guide, with the s106 agreement taking priority:

- Where the s106 agreement does not specify, rent will usually be set at 2.75% of the unsold equity at the initial point of sale
- Where an assessment of affordability for a scheme indicates that the total rent, service charge and mortgage costs would be unaffordable for a typical resident we may set a rent at a lower level

The market value for the property will be set by an Independent Valuer registered with the Royal Institute of Chartered Surveyors

### **Rent setting following staircasing or resale**

When there is a staircasing event or a property is resold the rent will be reset for the month following the transaction (staircasing) or commencement of the lease (resale) by undertaking a new valuation using the same methodology.

### **Annual rent increases**

Rent charged on unsold equity will usually be increased by RPI +0.5% each year. If RPI is nil or negative the rent increase will be 0.5%.

Annual increases will be made on 1 April and will be calculated using RPI from the previous September.

Rent increases to be applied to all LGAH properties will be reviewed and confirmed annually by the Board.

The Board of LGAH may decide to increase rents by less than RPI +0.5% or reduce rents if it considers this appropriate.

Shared owners will receive written notification of an annual rent increase no less than one calendar month before the increase is applied. Notification will include the new rent to be charged, the date from which it is payable, the calculation method, and the date of the next review.

### **Leases**

All shared owners will be issued with a standard shared ownership lease with an initial term of 125 years. A lease will be issued whether the leaseholder has purchased a flat or a house. Where a shared owner's lease states an approach to rents that is different from this policy, the lease takes precedence.

### **Service charges**

Costs relating to upkeep of buildings and services in communal areas will be apportioned to individual properties and recovered from the leaseholders by way of service charges.

Where service charges are applied to shared ownership properties, the approach will be set out in the shared owner's lease.

Information on the costs which form the service charge will be provided in writing to shared owners annually.

### **Additional charges**

Total charges for Shared Ownership properties may also include additional sums for management fees, building insurance, sinking funds, etc. The requirements around these will be specified in individual leases.

### **Appeals**

Any tenant or shared owner who feels that their rent has not been set in accordance with the policy or their lease can appeal using the complaints procedure.

### **Policy review**

The board will review this policy annually. The board of LGAH will consider and take into account the housing policies of Local Council (e.g. the Tenancy Policy) when reviewing the policy.

Accountable Director	Shaun Holdcroft
Approval Date	July 2018
Review Date	July 2019

