

Three Oaks Homes

RENT SETTING POLICY STATEMENT



Title	Rent Setting Policy
Author	Policy Task Group
Date approved	Approved by Shadow Board 1 October 2007
Review Date	1 October 2008

Three Oaks Homes

SECTION 1 – INTRODUCTION		Cross Reference/ Notes
1.1	<p>The Government's rent re-structuring framework was introduced in April 2002 and is based on :-</p> <ul style="list-style-type: none"> • Social rents remaining affordable and well below those in the private sector; • Social rents being fairer and less confusing for tenants; • A close link between rents and the qualities which tenants value in properties; and • Unjustifiable differences between the rents set by local authorities and Registered Social Landlord (RSL) being removed (known as convergence). 	
1.2	<p>The Government undertook a review of the rent re-structuring process in the summer of 2004 and recommended:-</p> <ul style="list-style-type: none"> • to change the formula in respect of larger properties (e.g. four bedroom and above) • to use the same formula for calculating both local authority and Registered Social Landlords rent re-structuring • to ensure that where individual local authority rents are currently too high in relation to rent re-structuring, they reduce to the formula rent by 2011/12 at the latest by abolishing the present reduction limitation criteria. 	
1.3	<p>This rent setting policy must/will follow these requirements and recommendations.</p>	
SECTION 2 – TARGET RENT		Cross Reference/ Notes

Three Oaks Homes

	SECTION 2 – TARGET RENT	Cross Reference/ Notes
2.1	Rents will be increased annually in line with the rent restructuring guidelines issued by the Housing Corporation as a result of the Government rent convergence requirements. This is known as reaching the 'target rent'.	
2.2	<p>The aim of a 'target rent' is:</p> <ul style="list-style-type: none"> • to reflect the property's value and the average income of people living in the same county area; • for tenants to pay the same target rent for the size of their property as other tenants living in a similar sized property in the same local authority area, 	
2.3	Target rents are calculated using a formula that has been set by Government. All housing associations and local authorities use the same formula. However, this formula changes annually. The current formula is attached as Appendix One to this Policy document.	
2.4	To protect existing tenants from high increases, the Government has stipulated that no rent will rise by more than RPI plus 0.5% plus £2.00 a week in any single year.	
2.5	In order to reach the target rent, the restructuring factor will be the difference between the current rent and the restructured target rent, divided by the number of years remaining in the implementation period (see 2.6 below). This factor will be capped at a maximum of £2 as detailed in 2.4 above.	
2.6	The implementation period refers to the ten year period from 1 April 2002 to 31 March 2012 set by the Government, by which time rents across the social housing sector will have converged.	

	SECTION 3 – RENT INCREASES FOR EXISTING TENANTS	Cross Reference/ Notes

Three Oaks Homes

3.1	Rents will be increased from the first Monday in April of each year.	Service Charge Policy
3.2	Notification of the rent increase will be sent to tenants at least a calendar month in advance.	
3.3	Where relevant, the increase notice will also advise tenants of the service charge payable.	
3.4	Tenants have the right to appeal to a Rent Assessment Committee about the proposed new rent and the details of this right will be set out in the rent increase notification.	

	SECTION 4 – RENTS FOR RE-LETS, NEW LETS, NEW AFFORDABLE HOUSING DEVELOPMENTS AND SHARED OWNERSHIP PROPERTIES	Cross Reference/ Notes
4.1	The rent to be charged on properties falling into this category should be calculated by using the rent setting model and following the government's re-structuring guidelines. The rent set will be the target rent.	
4.2	This means that on some estates, a new tenant's rent may be higher than that of their neighbour as the new tenant will start their tenancy at the target rent level, whilst the existing tenant will be working towards the target rent through a process of annual rent increases.	Tenancy Agreement
4.3	Details of the rent to be paid at commencement of the tenancy will be set out in the tenancy agreement, or in the case of shared ownership properties the lease agreement. This document will also give details of the rent increase process.	

	SECTION 5 – MONITORING AND REVIEW	Cross Reference/ Notes
5.1	This policy will be reviewed annually to ensure that it complies with relevant, up-to-date legislation and continues to promote good practice.	
5.2	As part of this review, the policy will be passed to Board of Management for approval.	

Three Oaks Homes

Appendix 1

CALCULATION OF RESTRUCTURED RENT FOR FINANCIAL YEAR 2007/8

The restructured rent will be calculated as detailed in section a to c, where the base rent for 2007/8 is:

Base Rent - £68.42

a. Earning related element -

Base Rent X 70% X County Earnings Index X Bedroom Weighting

County Earnings Index:

Leicestershire 0.96

Bedroom Weighting:

Bed-sit	0.80
1 Bedroom	0.90
2 Bedroom	1.00
3 Bedroom	1.10
4 Bedroom	1.20
5 Bedroom	1.30
6 Bedroom	1.40

b. Valuation element –

Base Rent X 30% X Property Value (at January 1999) / £49,750

c. Discretionary adjustment –

The discretionary adjustment will not be applied to TOH properties.