



# Ongo Homes

## Rent and Service Charge Setting Policy

### January 2017

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<b>Agreed by :</b>	OH Board
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## **1. Our policy is...**

- 1.1 To set rents and charges at a level that complies with current guidance, is affordable, and maintains the stability and viability of the Ongo Homes (OH) Business Plan.
- 1.2 To follow Government, Homes and Communities Agency (HCA) and Royal Institute of Chartered Surveyors methods and guidelines in our approach to setting rents, charges and service charges.
- 1.3 To treat customers fairly and consistently in our approach to rent setting.
- 1.4 If during the period this policy is in place a need to charge a rent that is not covered, the EMT or appropriate Board will be asked to approve this as a separate issue until the policy is reviewed again, when such a change will be incorporated into it.

## **2. It applies to...**

- 2.1 This policy applies to:
  - ✓ All OH residential properties let to tenants on assured and assured short hold tenancies;
  - ✓ All OH-owned garages let to tenants, leaseholders and non-tenants.
- 2.2 It does not apply to commercial properties or leaseholders.

## **3. Because we want to...**

- 3.1 Define the way that OH sets and calculates rents & service charges.

## **4. We will...**

### **4.1 Social Rents**

- 4.1.1 The OH Board will agree the rents to be charged each year and any changes will normally be applied with effect from the first Monday in April of each year.

4.1.2 We will set rents in accordance with the relevant legislation and/or HCA Rent Standard Guidance in force at the time and we will take account of the desire to keep rents affordable whilst maintaining the stability of the OH Business Plan. Notwithstanding sections 4.1.3 and 4.1.4 below, when calculating rents, the Board will consider and review rent levels across the wider geographical Yorkshire and Lincolnshire area and other such indicators of 'rent poverty' to ensure the objective in section 1.1 is achieved.

4.1.3 Existing Rents will conform with the requirements set out by the Government, which stipulates a decrease in rents applicable as at 8 July 2015 of 1% for four years (excluding specialist housing support).

## **4.2 Affordable Rents**

4.2.1 We will set rents in accordance with the relevant legislation and/or HCA Rent Standard Guidance in force at the time.

4.2.2 Rents will be set at **up to** 80% of market rent, not going above the Local Housing Allowance (LHA) rate, for an equivalent property of that size and location. This ceiling of 80% is inclusive of service charges.

4.2.3 Existing Affordable Rent Properties are currently let at 80% of market rent. Upon void, these properties will revert to a rent equivalent to the current LHA, not going above 80% of market rent.

4.2.4 Valuations for rent setting will be undertaken in accordance with a Royal Institute of Chartered Surveyors (RICS) recognised method and will follow any guidance issued by the HCA on valuation for Affordable Rent tenancies.

4.2.5 Affordable Rent tenancies will be subject to a decrease in rents of 1% for the next 3 years.

4.2.6 During the first year after the tenancy start date we may vary the rent once only by giving the tenant one months notice in writing. This will ensure that all annual rent changes are brought in line and change in April of each year.

4.2.7 We may convert a proportion of our general needs stock to Affordable Rent as they become empty. Properties in sheltered and specialist housing schemes will not be subject to conversion to Affordable Rents.

4.2.8 We will have the discretion to convert Affordable Rent properties (not ring fenced for Affordable Rent) back to a social rent where a tenant in a property which is charged social rent is decanted by Ongo Homes as part of a redevelopment or major works scheme into an Affordable Rent Property.

### **4.3 Intermediate Rents**

4.3.1 We will set intermediate rents in accordance with a RICS recognised method in line with all relevant legislation, regulation and guidance in place at the time.

4.3.2 Intermediate Rents will be set between Social Rent and Market Rent level, not normally going above the LHA.

4.3.3 Intermediate rents will be agreed and formally approved by the appropriate Board.

### **4.4 Market Rents**

4.4.1 Market Rents will be set as part of the Development Scheme Appraisal using a RICS approved framework.

4.4.2 When setting Market Rents, we will take into account the current rent levels for the area and type of property and the demand for rental of similar properties in the area.

4.4.3 An annual rent review will take place on all Market Rents in time for any changes to take effect from the anniversary of the tenancy start date in line with individual Tenancy Agreements.

4.4.4 The Executive Management Team will agree and approve all Market Rents. The EMT will also agree any exceptional cases where there is an evidenced need to flex a rent to address certain individual circumstances.

#### **4.5 Shared Ownership Rents**

4.5.1 Rent for shared ownership homes is paid at a percentage of the unsold equity of the property in line with legislation and/or HCA guidance.

4.5.2 The rent for shared ownership homes will be reviewed periodically at the time set out within the lease agreement. Typically, this will be every year.

4.5.3 The rent will be increased in line with any proportionate increase in the Retail Prices Index plus an amount, typically between 0.5% and 2%. Note that the rent is only reviewed on an “upwards only” basis and will not go down when reviewed. This will be detailed in the terms of the lease.

#### **4.6 Garage Rents**

4.6.1 Garage rents will be charged at a flat rate for 48 weeks of the year (VAT will be applied where applicable).

4.6.2 Garage rent increases will normally be subject to an annual increase in April of CPI + 1%. CPI will be taken as at September of the previous year. However, the Board reserves the right to vary this depending on the current levels of demand.

#### **4.7 Collection Periods and Non Collection Weeks**

4.7.1 Social, Affordable and garage rents will normally be charged on 48 weeks of each year with four non collection weeks.

4.7.2 Persons in arrears of rent or other payments will be expected to make payments on non-collection weeks.

4.7.3 All other rents will be charged on 52 weeks of each year and payment expected one week in advance.

#### **4.8 How Service Charges Will Be Calculated**

4.8.1 Where tenancies have been signed for after April 2013 and services are provided to a property or group of properties that are not provided generally to all tenants/leaseholders, then separate charges will be made.

4.8.2 Wherever possible, charges will be made on a site by site basis and will be calculated to recover the costs of providing the service. Our general approach is that only the tenants who benefit from a service will be expected to contribute to the costs of paying for the service.

4.8.3 Charges will normally be amended once each year in April based on the costs of providing the services in the previous year. Charges may be amended at other times in the year if there is a significant change in either the service provided or the costs of providing the service. In exceptional circumstances increases may be phased in for a period agreed by the EMT.

4.8.4 Where services have been provided but have not previously been charged for, then charges will be calculated as outlined above but only applied upon signing of a new tenancy agreement.

### **5. Making sure we do what we say...**

5.1 The Board and Chief Executive are responsible for ensuring that this policy is implemented.

5.2 The Director of Resources, Head of Finance and Financial Planning Manager are responsible for preparing rent and service charge calculations and ensuring that these comply with the requirements of this policy.

5.3 Reports will be prepared for the Board and/or EMT with recommendations for annual changes to rents and service charges and these reports will be checked against the requirements of this policy.

## **6. Other things to bear in mind...**

6.1 We will meet our obligations under any relevant legislation and regulation in the way we set our rents including the Welfare Reform and Work Act 2016 and the HCAs Rent Standard Guidance.

6.2 This policy also links to our:

- ✓ Financial Regulations;
- ✓ Income Collection Policy;
- ✓ Homeownership Policy;
- ✓ Shared Ownership Policy
- ✓ Leasehold Service Charge Arrears Policy;
- ✓ Section 20 Policy and Procedure.

## **7. We'll look at this again...**

7.1 In a year's time unless there are any changes in regulation and/or legislation, or deficiencies are found that necessitate an earlier review.

7.2 Rents and charges will be considered as detailed in Appendix 1 by the OH Board and/or EMT as part of the annual review and charge setting process.

## **8. Jargon Buster**

<b>Reference</b>	<b>Explanation</b>
Affordable Rent	Affordable Rent is the rent level that we can now charge to new build properties and to a portion of empty properties per year when they are re-let. These tenancies are let at a rent rate which is up to 80% of the market rent in the locality. These tenancies will be advertised through the CBL scheme and clearly marketed as such.

Assured tenancy	Introduced by the Housing Act 1988, it is a form of tenancy that grants a degree of security to the tenant. An assured tenant cannot be evicted without a reason.
Assured short-hold tenancy	It is a form of assured tenancy with limited security of tenure which was introduced by the Housing Act 1988 with important changes made by the Housing Act 1996. This type of tenancy is used for Starter Tenancies and Fixed Term tenancies.
Benchmarking	Benchmarking is the process of comparing one's business processes and performance metrics to industry bests and/or best practices from other industries. Dimensions typically measured are quality, time, and cost. Improvements from learning mean doing things better, faster, and cheaper.
Homes and Communities Agency (HCA)	Our regulator.
Consumer Price Index (CPI)	The official consumer price index in Britain. It reflects the movement of prices in a range of goods and services used regularly, such as food, heating, household goods, bus fares and petrol. But the CPI leaves the costs of your home out of the calculation – so rises in mortgage payments, rents, and council tax, don't get reflected in it. The RPI does take account of those costs and therefore gives a bigger figure for inflation than the CPI.
Intermediate Rent	Intermediate Rent is the rent level applied to a property acquired by the association without HCA funding. Rents are set between social and market rent level but not usually above the Local Housing Allowance
Market Rent	Market Rent is the rent that any landlord/lettings agency can charge based on the type, location and desirability of a property through market demand.
Non collection or “rent free” weeks	The four weeks that OH does not make a charge (the charges for these weeks are spread out across the other weeks in the year).
Key Performance Indicators	A performance indicator or key performance indicator (KPI) is a measure of performance. Such measures are commonly used to help an organisation define and evaluate how successful it is, typically in terms of making progress towards its long-term organisational goals
OH Business Plan	The financial plan that contains all the income & expenditure for OH, calculated over 30 years.
Rent Convergence	The bringing together of social landlord rents (see rent restructuring and target rents, below).



Rent Poverty	The percentage of net weekly pay spent on rent. Tenants are deemed to be in fuel poverty if the percentage of net weekly pay spent on rent exceeds 30% of this total.
Service charges	The monies paid by tenants and leaseholders to cover the landlords' costs in providing specific services to their property such as maintenance of the building structure, the cleaning, lighting and upkeep of common areas and any specific staff, such as concierge or support staff.
Shared Ownership Rent	Shared Ownership Rent is the amount payable for the share of the property (or unsold equity) that still belongs to the Housing Association.
Social Rent	The rent of a property which has been let under the Government's 1999 Rent Restructuring Regime at a Target Rent or a Phased Rent.
Target Rents	Is the notional rent set for each social property (based on a combination of size, amenities & average earnings for the region) that allows rent restructuring to happen
Value Added Tax (VAT)	VAT is a tax you pay on most goods and services. You pay 20% VAT most of the time but less on essential items such as energy bills (5%) and food and children's clothing (Zero rated). Some things are exempt from VAT – e.g. postage stamps.

**The types of Rent & how we will apply them**

Type of Rent	Where does it apply?	How will it be calculated?	When & how will it be reviewed?	Who will approve it?
<b>Social Rent</b>	<ul style="list-style-type: none"> <li>To all our Social Housing Stock</li> </ul>	<p>In line with relevant legislation and/or HCA Rent Standard Guidance.</p>	<ul style="list-style-type: none"> <li>Existing rents will be reviewed on an annual basis in line with relevant legislation and/or HCA Rent Standard Guidance.</li> <li>Subject to a decrease in rents of 1% up to the year 2020.</li> </ul>	<p>Ongo Homes Board</p>
<b>Affordable Rent</b>	<ul style="list-style-type: none"> <li>Grant-funded new build properties;</li> <li>Identified relets in high value and/or high demand areas</li> <li>Four &amp; five bedroom properties</li> </ul>	<ul style="list-style-type: none"> <li>In line with relevant legislation and/or HCA Rent Standard Guidance.</li> <li>Set at <b>up to</b> 80% of market rent, not going above the LHA rate.</li> <li>Valuations will be done in accordance with a RICS recognised method and will follow HCA guidance issued on valuation for Affordable Rent tenancies.</li> </ul>	<ul style="list-style-type: none"> <li>Existing rents will be reviewed on an annual basis in line with relevant legislation and/or HCA Rent Standard Guidance.</li> <li>Subject to a decrease in rents of 1% up to the year 2020.</li> <li>Whenever an affordable rent tenancy is issued for a property, we will reassess the rent to ensure it remains no more than 80% of the relevant market rent and not above the LHA rate.</li> </ul>	<p>Ongo Homes Board</p>
<b>Intermediate Rent</b>	<ul style="list-style-type: none"> <li>Identified new properties to the business</li> </ul>	<ul style="list-style-type: none"> <li>The rent will be set in accordance with RICS guidance.</li> <li>Intermediate rent will be set between Social and Market Rents.</li> <li>This will not normally be set above</li> </ul>	<ul style="list-style-type: none"> <li>Annual review.</li> </ul>	<p>EMT</p>

## APPENDIX 1 – Rent Types Table

		LHA rate.		
<b>Market Rent</b>	<ul style="list-style-type: none"> <li>Identified properties at the appraisal stage</li> </ul>	<ul style="list-style-type: none"> <li>Set as part of the Development Scheme Appraisal using a RICS approved Framework.</li> </ul>	<ul style="list-style-type: none"> <li>Rents will be reviewed in line with the tenancy agreement, in preparation for the anniversary of the start date of the tenancy.</li> </ul>	EMT
<b>Shared Ownership Rent</b>	<ul style="list-style-type: none"> <li>New builds identified at planning stage as shared ownership properties</li> </ul>	<ul style="list-style-type: none"> <li>Rent will be charged on the unsold equity at a % recommended by HCA Guidance.</li> </ul>	<ul style="list-style-type: none"> <li>The rent paid to the Housing Association on the share not owned by the tenant will be reviewed periodically, usually every year, and will be increased in line with any proportionate increase in the Retail Prices Index plus an amount, typically between 0.5% and 2%. Note that the rent is only reviewed on an “upwards only” basis and will not go down when reviewed. This will be detailed in the terms of the lease.</li> </ul>	EMT