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MAGNA HOUSING

RENT SETTING POLICY

1. INTRODUCTION

- 1.1 This policy complies with the Rent Standard (part of the regulatory framework for social housing in England) and the Government's policy statement on rents for social housing.
- 1.2 Properties excluded from the Rent Standard, such as market rented accommodation and shared ownership properties, are also covered by this policy. The policy does not cover commercial leases.
- 1.3 Where the tenancy agreement for an individual property prescribes a method of setting and/or reviewing rent which is not in accordance with the Rent Standard, the rent will be set and/or reviewed in accordance with the terms of the tenancy agreement.
- 1.4 Service charges are covered by our separate Service Charge Policy.
- 1.5 We will charge Affordable Rents on homes subject to a housing supply and delivery agreement with Homes England and built or acquired under our 2017-2021 development plan but at the equivalent social rent level, or as near to it as possible.

2. SOCIAL RENTS

- 2.1 In accordance with the Rent Standard, the underlying principles of our policy are:

¹ The Board has decided to retain control over all aspects of this policy, save for factual updating

- 2.1.1. Rents reflect the size (specifically, the number of bedrooms), condition and location of properties and local earnings
 - 2.1.2. A 'formula rent' is to be calculated for each property according to a formula using the factors above.
- 2.2 Rents on individual properties will normally be within a band of 5% higher or lower than the formula rent. For sheltered and supported housing the band is 10% higher or lower than the formula rent. More information about this is set out in paragraph 3.3 below.

3. APPLICATION OF FORMULA RENTS

3.1 Property Valuation

- 3.1.1. An essential feature of our rent setting policy is that local property values are assessed against the national average, using a January 1999 valuation date.

3.2 Rent Calculation

- 3.2.1. In accordance with the Rent Standard, a formula rent will be established for each property, using the following formula:
 - 3.2.1.1 30% of the property's rent is to be based on relative property values
 - 3.2.1.2 70% of the property's rent is to be based on relative local earnings
 - 3.2.1.3 A bedroom factor is applied so that, other things being equal, smaller properties have lower rents.
- 3.2.2. The government has provided the bedroom factor and the data necessary to calculate formula rents.
- 3.2.3. Rent is due weekly in advance on Monday of each week, except for most tenants there are four Mondays in each financial year on which no rent is charged (commonly known as "rent free weeks"). The rent policy assumes weekly rent. Accordingly, where rent is not payable every Monday, we will multiply the weekly rent by the number of Mondays in the financial year (52 or 53) and then divide this by the number of chargeable Mondays in the same period (48 or 49). From April 2020 new tenants, and those existing tenants who have converted from weekly tenancies, have monthly tenancies and rent is due monthly in advance.

3.3 Rent Setting Flexibility

- 3.3.1 The Rent Standard allows an upward tolerance on individual formula rents of 5% on general needs and 10% on sheltered and supported housing. This is the limit of the rent flexibility level.
- 3.3.2 We will apply this flexibility in full on the majority of our properties and our formula rents will be 5% higher for general needs and 10% higher for sheltered and supported housing than the level established under the prescribed calculation where local conditions allow.
- 3.3.3 We will not apply the full flexibility on the following rents:
 - 3.3.3.1 We will apply 5% flexibility (instead of 10%) on sheltered housing properties where we provide a low level warden service; and
 - 3.3.3.2 We will apply 0% flexibility on bedsits in general needs, sheltered and supported housing.

3.4 Annual Rent Review

- 3.4.1 Rent levels will be reviewed annually. Formula rents will change by no more than CPI plus 1% per annum:-
- 3.4.2 The formula rent will be changed from the first applicable rent week in the new financial year.

3.5 Formula Rent Caps

- 3.5.1 There are maximum limits for rents payable, set by the government. From April 2021 these limits are:

3.5.1.1	6 or more bedrooms	£192.64 per week
3.5.1.2	5 bedrooms	£183.89 per week
3.5.1.3	4 bedrooms	£175.12 per week
3.5.1.4	3 bedrooms	£166.38 per week
3.5.1.5	2 bedrooms	£157.62 per week
3.5.1.6	1 bedroom and bedsit	£148.88 per week
- 3.5.2 These limits will change each year at the rate of CPI plus 1.5%.

3.6 Rent Variations for Improvements

- 3.6.1 If a major improvement such as an extension which results in one or more additional bedrooms is undertaken to a dwelling and funded by Magna, then the property will be revalued to establish a new formula rent.
- 3.6.2 If a major improvement is undertaken and funded by a tenant, or by another body on behalf of the tenant, then no adjustment will be made to the formula rent until the property becomes void.

3.7 Rent Levels on Re-let and New Build Properties

- 3.7.1 General needs, sheltered and supported properties will be re-let at the formula rent rate, subject to the rent flexibility level and the rent cap.
- 3.7.2 The initial rent on a new-build property will be set at a level that is no higher than formula rent, subject to the rent flexibility level and the rent cap.
- 3.7.3 Rents on properties subject to Affordable Rent terms will be set in accordance with paragraphs 5.1.6 and 5.1.7 of this policy.

4. NOTIFICATION TO RESIDENTS

- 4.1 We will provide information to residents that explains how their rent and any service charges are set and how they are changed.
- 4.2 Each year we will publish information on how our average rents compare with other housing associations operating within the local authority area.
- 4.3 We will also notify tenants of the revised rent that will be payable at least one month prior to the implementation date.

5. PROPERTIES EXEMPT FROM FORMULA RENT AND/OR THE RENT STANDARD

- 5.1 For properties and other assets not subject to formula rent and/or the Rent Standard, the following changes will apply from the first applicable rent period each year. For the purpose of calculation the CPI for September will be used:

- 5.1.1 Market rented properties: the rents will be changed to a level that the local market will support, subject to any contractual obligations.
- 5.1.2 Garages: the fees will be changed to a level that the local market will support, subject to any contractual obligations.
- 5.1.3 Shared ownership dwellings: rents will be set and changed in accordance with the lease.
- 5.1.4 Intermediate and other sub market rented properties: rents will initially be set at up to 80% of local market rents and will thereafter be changed by CPI + 1%, unless market conditions indicate that higher or lower rents may be appropriate. All intermediate and other sub market rents will be reviewed and calculated afresh every three years or more frequently if circumstances dictate this.
- 5.1.5 Temporary Social Housing: rents will be set at formula rent or at some other level in agreement with the relevant local authority, and will be changed by CPI + 1%.
- 5.1.6 Affordable Rent (AR): rents will be set at up to 80% of gross market rent for an equivalent property of that size and location. The minimum rent for an AR tenancy will be equivalent to the social rent level and we will charge this, or as near to it as we can, wherever possible. The ceiling of 80% is inclusive of service charges (where applicable). Valuations for initial rent setting will be in accordance with a Royal Institution of Chartered Surveyors (RICS) recognised method. We will take into account local market circumstances, lettings criteria and scheme approval criteria.
- 5.1.7 The maximum annual rent increase will be CPI + 1%. On each occasion that an AR tenancy is issued to a new tenant, we will rebase the rent to ensure it remains no more than 80% of the relevant market rent.