

# Rent Setting Policy

Originator:	Policy and Strategy Team
OVH Board Approval Date:	September 2020
Review date:	September 2021

1	Introduction
1.1	One Vision Housing (OVH) is committed to providing quality homes and housing management services in the communities in which it operates. To achieve these aims OVH sets rents in line with the government guidelines whilst ensuring it remains viable and can achieve its business plan commitments.
1.2	<p>This Policy sets out the mechanisms by which OVH 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, adopted by the Regulator for Social Housing (RSH) as outlined below:</p> <ul style="list-style-type: none"> <li>Registered providers must set rents from 1 April 2020 in accordance with the Government’s Policy Statement on Rents for Social Housing 2018 (hereafter Rent Policy Statement) which can be found on the Ministry of Housing, Communities and Local Government (MHCLG) website:  <a href="https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020">https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020</a></li> </ul>
1.3	This Policy also covers the provisions OVH has for setting rents that are outside of the regulatory framework’s Rent Standard where the Capital funding Guide will apply i.e. intermediate rents, including Rent to Buy, Shared Ownership rents and OVH properties acquired through a buy-back scheme. The Policy also covers properties let at Market Rent.
1.4	<b>Access and Communication</b>
1.4.1	OVH is committed to ensuring that its services are accessible to everyone. OVH will seek alternative methods of access and service delivery where barriers, perceived or real may exist, that may make it difficult for people to work for OVH or use its services.
1.5	<b>Equality, Diversity and Human Rights</b>
1.5.1	OVH is committed to ensuring that no person or group of persons will be treated less favourably than another person or group of persons and will carry out its duty with positive regard for the following core strands of equality; Age, Disability, Gender, Race, Gender Identity / Gender Expression, Sexual Orientation and Religion and/or Belief, Civil Partnership and Marriage, Pregnancy and Maternity.

<p>1.5.2</p> <p>1.5.3</p> <p>1.5.4</p>	<p>OVH also recognises that some people experience disadvantage due to their socio economic circumstances, employment status, class, appearance, responsibility for dependants, unrelated criminal activities, being HIV positive or with AIDS, or any other matter which causes a person to be treated with injustice.</p> <p>OVH will also ensure that all services and actions are delivered within the context of current Human Rights legislation. OVH will endeavour to ensure its staff and others with whom it chooses to work with, will adhere to the central principles of the Human Rights Act (1998).</p> <p>This Policy should be read in conjunction with:</p> <ul style="list-style-type: none"> <li>• OVH Rent Repayment and Arrears Recovery Policy</li> <li>• OVH Market Rent Policy</li> <li>• OVH Rent to Buy Policy</li> <li>• OVH Service Charge Policy</li> <li>• OVH Tenancy Policy</li> <li>• OVH Tenancy Transfer and Mutual Exchange and Succession Policy</li> <li>• OVH Affordable Rent Policy</li> </ul>
<p><b>2</b></p>	<p><b>Statement of Intent</b></p>
<p>2.1</p> <p>2.2</p> <p>2.3</p> <p>2.4</p> <p>2.5</p> <p>2.6</p> <p>2.7</p>	<p>In setting rents, OVH will secure rental income to meet its business plan commitments including; operating costs, investment / improvement programmes (subject to performance, wider economic factors and tenant consultation) and meet the loan repayment requirements of its lenders.</p> <p>Where applicable, OVH will ensure rents are set in line with formulae developed by Government for the social housing sector and approved by housing regulator, the Regulator for Social Housing (RSH), within the Rent Standard of the Regulatory Framework.</p> <p>OVH will also set rents in accordance with the most up-to-date guidance produced by the Ministry of Housing, Communities and Local Government (Capital Funding Guide) where this applies to properties let through one of the Homes England Affordable Homes programmes.</p> <p>OVH will inform its tenants of how the rent has been set in the annual rent notification letter and via information available on its website.</p> <p>OVH's Board will review and approve any changes to rent setting on an annual basis. All decisions made by the Board are recorded and available to interested parties on request (subject to any confidential or commercially sensitive information being removed).</p> <p>OVH will set rents in line with the government requirements to ensure they are broadly comparable with other housing providers local to its areas of operation and are affordable to existing and potential customers.</p> <p>OVH reserves the right to set different rent periods in different local authorities, in the area of its operations e.g. over a 48 or 52 rent week period.</p>

2.8	OVH will inform all new and existing tenants of the potential impacts of any welfare reform measures, including those already introduced and any scheduled, on their income and rent payment liabilities.
<b>3</b>	<b>Policy</b>
3.1	The Rent Setting Policy and the rental structure this produces will be approved by the OVH's Board.
3.2	OVH 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. OVH will inform all customers in writing of any changes to their rent, giving a minimum of 1 calendar months' notice before the changes come into effect, outlining how the rent has been calculated.
3.3	<p>OVH is committed to meeting the requirements of ensuring a fair method of calculating social rents based on:</p> <ul style="list-style-type: none"> <li>• The condition and location of properties</li> <li>• Local earnings (to take account of affordability) and,</li> <li>• Property size and valuations</li> </ul>
3.4	<p>In line with the RSH's regulatory standard, OVH will exempt the following categories from social rent and the Rent Standard:</p> <ul style="list-style-type: none"> <li>• Affordable Rent (Properties let at maximum of 80% of market rent)</li> <li>• Shared ownership and low cost ownership</li> <li>• Intermediate rent including Rent to Buy and properties acquired through a buy-back scheme</li> <li>• Fair rents</li> <li>• Market Rents</li> <li>• Commercial Rents</li> </ul>
3.5	<p>In line with the 'Direction on the Rent Standard 2019' issued by the Ministry of Housing, Communities and Local Government (MHCLG) to the Regulator of Social Housing (RSH), from the first Monday in April 2020 (and subsequently thereafter on the first Monday in April each year until a new Direction is issued), OVH will increase rents for its Social Rent properties by:</p> <ul style="list-style-type: none"> <li>• Consumer Price Index - CPI (as at September the previous year) plus 1% point</li> </ul>
3.5.1	When calculating rent increases the average rent for the final year of the 1% rent reduction period i.e. 2019/20 will be used as a baseline figure, unless the property has been re-let during this period in which case the average weekly rent from the time of re-letting will be used.
3.5.2	From 2020 onwards, OVH Social Rents will be increased every subsequent year on the first Monday in April as outlined in 3.5 and 3.5.1 above, for a period of at least five years, unless otherwise instructed by a change in government policy and subsequent direction on the Rent Standard.
3.5.3	The formula rent increases will apply to OVH general needs and independent living tenancies and will not exceed the Rent Cap that imposes upper rent limits that can be applied to a

property based on its size (number of bedrooms), where the Rent Cap is subject to annual uplift of CPI plus 1.5%.

3.5.4 OVH will set rents for any new Social Rent Property it develops or acquires using the 'Formula Rent' – as determined by MHCLG, using the following calculation:

- 70% of national average rent, multiplied by relative County earnings, multiplied by the bedroom weight, plus 30% of national average rent, multiplied by the relative property value (where the 'national average' is taken from a base year of 1999 and uplifts for each subsequent year are applied)

### 3.6 **Rent Flexibility**

3.6.1 In line with the MHCLG Policy Statement OVH reserve the right to increase rents above Formula Rent levels by an additional 5% on general needs properties and an additional 10% on independent living properties to take into account local circumstances and any additional costs of investment.

3.6.2 Decisions to apply discretionary rent increases for the rent period covered by this Policy have been subject to Board approval.

3.6.3 Where OVH tenants intend to move between general needs and independent living properties or vice versa they will be informed beforehand of any changes in rent that will apply.

### 3.7 **Market Rents**

3.7.1 OVH will usually review market rents and associated service charges on an annual basis and will inform tenants of any changes in the rent in writing, providing at least 28 days' notice. OVH does, however, reserve the right to review and change market rents more frequently and will give those affected 28 days' notice of any changes.

3.7.2 OVH will calculate market rents based on a residential lettings estimate for a property of the appropriate size, condition and area. Valuations will be independently assessed in accordance with the Royal Institution of Chartered Surveyors criteria (as recommended by the MHCLG).

3.7.3 OVH reserves the right to reduce market rents for vacant properties subject to demand and local market analysis. Any decisions to reduce market rents will be approved by the OVH Executive Management Team.

### 3.8 **Affordable Rents**

3.8.1 OVH will let Affordable Rent properties for a minimum fixed-term period of 5 years renewable or on long term periodic assured tenancies (according to any conditions of grant that are stipulated by Homes England). When Affordable Rent Properties are available for rent, OVH will make it known to prospective tenants the term and type of tenancy that will be offered.

3.8.2 On all new build Affordable Rent properties OVH reserve the right to set rent levels over 48 and 52 weeks (depending on locality and local authority area).

3.8.3 OVH will let Affordable Rent properties (for a minimum of fixed-term period of 5 years renewable). Where OVH develop new build properties for Affordable Rent and on completion

of schemes, RICs Red Book Valuations to confirm the market rent will be obtained. OVH will set initial rents at 80% of the gross market rents, taking into account property size, location and characteristics of the property.

- 3.8.4 Where the Affordable Rent is below the Local Housing Allowance (LHA) rate, OVH will use the maximum LHA rate as the rent floor. However, where local market conditions demonstrate demand, OVH reserves the right to set rents above the LHA rate.
- 3.8.5 Affordable rents will also be no lower than could be charged on a similar social rented property using the 'Formula Rent' calculation outlined in 3.5.4 above.
- 3.8.6 Annual Affordable Rent increases will be a maximum of CPI plus 1% point as outlined in 3.5 and the same conditions outlined in 3.5.1 will apply.
- 3.8.7 Where an Affordable Rent tenancy is to be re-let, OVH will get a new valuation unless valuation on similar properties is less than 12 months old, to assess the Market Rent valuation. The revised affordable rent will be charged at up to 80% of the market rent.
- 3.8.8 According to the terms of funding arrangements agreed with the RSH, OVH may pursue the option to convert social rented properties on re-let to affordable rents in areas of its operations not covered by stock transfer agreement with Sefton Metropolitan Borough Council.

### 3.9 **Intermediate Rents**

- 3.9.1 OVH also have a number of properties that it has acquired through a buy-back scheme. Rents on these properties and Rent to Buy properties will be charged at the intermediate rate (80% of market rent).
- 3.9.2 When the fixed term tenancies end for the buy-back properties or when they become void, OVH will take a decision in line with its business objectives and local circumstances on the type of rent that will be charged in these properties i.e. social, affordable or market rents and will inform the tenants accordingly (where a tenant is in situ).
- 3.9.3 For all Rent to Buy Properties, OVH will set initial rents (and at first let) at 80% of market value following an independent assessment by a Royal Institution of Chartered Surveyors (RICS) registered valuer (and for the period a valid valuation exists).
- 3.9.4 Rent to Buy properties will be subject to an annual increase applicable from the first Monday in April each year and tenants will be given one calendar month's written notice of this increase. The maximum increase will be Consumer Price Index figure (calculated the previous September) plus 1%.
- 3.9.5 The annual increase will only apply to tenanted properties and where it is possible to give the one month notice period. Where it is not possible to give the one month notice or the property is unoccupied at this time, the annual increase will be implemented the following April.

### 3.10 **Shared Ownership**

- 3.10.1 OVH 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).

3.10.2	Subsequent annual rent increases will be limited to the Retail Price Index (RPI) figure (published in February) plus 0.5%. If the RPI is nil or negative the maximum rent increases will be limited to 0.5%.
3.11	<b>Fair Rents</b>
3.11.1	OVH manages a number of Regulated Tenancies on 'Fair Rents', which began before the 15th January 1989 provided they had no change in tenancy conditions. The tenancies are protected as long as the tenant lives in the property.
3.11.2	When Regulated Tenancies become available for re-letting they will be converted to social rents, except where an eligible succession occurs (where a tenancy is passed to family member, subject to certain qualification criteria – See OVH Tenancy Transfer Policy for details), in which case the Regulated Tenancy will continue.
3.11.3	<p>Fair rents for Regulated Tenancies are set by the Rent Valuation Officer every two years on the anniversary of the tenancy. For Regulated Tenancies, OVH will:</p> <ul style="list-style-type: none"> <li>• Look to phase in any large rent increases for 'fair rent' properties over a period of two years to prevent financial hardship for the tenants concerned</li> <li>• Carry out a comparative of social rents for similar sized properties in the same area and will not set rents higher for fair rent properties than the relevant social rate rent</li> <li>• Review fair rents on an annual basis in accordance with calculation for Formula Rent as outlined in 3.5 above</li> </ul>
<b>4</b>	<b>Implementation</b>
4.1	The OVH Board have the ultimate responsibility for approving rents and OVH Executive Management Team has responsibility for reviewing the operational effectiveness of this Policy on annual basis.
4.2	<p>The Operations Director – Housing Services has operational responsibility for the associated activities that underpin this Policy including:</p> <ul style="list-style-type: none"> <li>• Annual rent calculation and notification</li> </ul>
<b>5</b>	<b>Performance</b>
5.1	The performance of OVH in setting rents annually and providing the appropriate notification to tenants of any changes to rent will be assessed by the RSH. Any failings in this area or performance on rent collection which affects the viability of OVH may be subject to regulatory control measures.
5.2	Performance on setting rents and sending appropriate notification will be reported to the OVH Board and will also be subject of scrutiny by internal and external audit services.

<b>6</b>		<b>Consultation</b>
6.1	All OVH staff have been consulted on the development of this Policy. Due to Covid-19 restrictions (in force at the time of Policy review / approval) it has not been possible to consult the OVH The Tenants Policy Review Group (TPRG) on this version of the Policy. When permissible or alternative consultation arrangements are put in place, the Policy will be submitted to the Group as an information item.	
6.2	The Policy also had an external legal review in September 2016.	
<b>7</b>		<b>Review</b>
7.1	The OVH Rent Setting Policy will be reviewed every twelve months (from the date of OVH Board approval). The review process will ensure its continuing suitability, adequacy and effectiveness or as required by the introduction of new legislation or regulation that impacts on OVH's obligations in regard to rent setting, changes to OVH business practices or in the light of management system audits.	
<b>8</b>		<b>Equality Impact Assessment</b>
8.1	Was a full Equality Impact Assessment (EIA) required?	No
8.2	When was EIA conducted and by who?	An Equality Impact Assessment Relevance Test was undertaken by the Sovini Policy and Strategy Manager and the Sovini Finance Manager on 13-08-19 and is still valid for this version of the Policy
8.3	Results of EIA	The Relevance Test revealed the risks associated with operation of the Policy largely impact on business viability, legal requirements and regulatory compliance. Operation of the Policy is not thought to have any differential or adverse impacts on individuals or groups with protected characteristics.
<b>9</b>		<b>Scheme of Delegation</b>
9.1	Responsible committee for approving and monitoring implementation of the policy and any amendments to it	OVH Board
9.2	Responsible officer for formulating policy and reporting to committee on its effective implementation	Operations Director Housing Services
9.3	Responsible officer for formulating, reviewing and monitoring implementation of procedures	Operations Director Housing Services

Date of revision:	Reason for revision:	Consultation record:	Record of amendments:
17 September 2018	In line with the Review Schedule	See Section 6	<ul style="list-style-type: none"> <li>• Change at 3.9.4 – Where the Affordable Rent tenancy becomes void, OVH will obtain a new valuation on the property to assess the Market Rent valuation</li> </ul>
9 Sept. 2019	In line with the Review Schedule	See Section 6	<ul style="list-style-type: none"> <li>• The Policy has been updated throughout to reflect the end of the social housing rent reduction period in 2020 and the 2019 Direction on the Rent Standard</li> </ul>
14-09-20	In line with the Review Schedule	See Section 6	<ul style="list-style-type: none"> <li>• Revised wording at 1.2</li> <li>• Inclusion of OVH Affordable Rent Policy at 1.5.4</li> <li>• Revised wording at 3.5</li> <li>• Revised wording to include option for periodic tenancies at 3.8.1 in line with Capital Funding Guide</li> <li>• Updated consultation details at 6.1</li> </ul>