

# HOMESDALE (WOODFORD BAPTIST HOMES) LTD

## RENT POLICY & PLAN

### 1. Summary

The objective of this policy is to have a method for setting affordable rents which is relatively simple, is able to achieve governmental targets and which aims to keep fair rents and assured rent at similar levels.

### 2. The Rent Policy

2.1 Homesdale aims to charge rents that cover costs while being affordable for tenants. The rent policy aims to draw a balance between these two requirements in a way which attempts to be fair to its tenants while also meeting governmental targets for rent increases.

2.2 The management Committee of Homesdale wants to secure as far as possible the long term investment of the Associations' stock and the rent policy is one means of trying to ensure that there are sufficient funds to maintain the stock to a high standard.

2.3 Some of the Association tenants are secure tenants paying fair rents. These are set by the Rent Service and the levels of registered fair rents are outside the control of the Association. The remainder are assured tenants paying a rent which is theoretically directly under the control of the Association. The Rent Policy does not distinguish between these two types of tenancy in its intention, but there are minor differences in the application of this policy.

2.4 With effect from April 2002, the Government has introduced a method of setting rents which is based on local average incomes and property values. The Association is obliged to follow the guidance that this new system gives except in very limited circumstances which do not apply to Homesdale.

2.5 From September 1<sup>st</sup> each year the rents will be increased according to the rent plan. The Rent Plan will define rents for individual properties from September 1<sup>st</sup> each year for the next ten years. The new (net) rent will be applied as follows.

New tenancies and secure tenancies will be charged the increased rent applicable from the first Monday in September each year; the rent of a new tenancy will be applied from the date of letting, while secure rents will be increased on the first Monday in September following the most recent Rent Registration by the Rent Service.

Assured tenancies will be increased with effect from the first Monday in September (but see section 4.5)

Revisions to rents should be agreed by the 30<sup>th</sup> June each year. New tenancies after this date will be at this revised level (even though existing tenancies will not be revised until September). All tenants should be given a months notice of changes in rents.

2.6 Service charges are set independently of rents and are calculated to cover costs. Homesdale's service charges are 'fixed', that is they are set annually to cover costs and any over or under charge is not passed onto the tenants. When applying for re-registrations of fair rents, the service charge level applied for should anticipate future increases in service charges.

All service charges are increased or decreased with effect from the first Monday in September each year. This means that all tenants have increases of rent and service charge at the same time in the year.

Revisions to service charges should be agreed by the 30<sup>th</sup> June each year. New tenancies after this date will be at this revised level (even though existing tenancies will not be revised until September). All tenants should be given a months notice of changes in service charges.

Service charges are subject to Housing Corporation control; at the time of writing, the average service charge should not increase by more than RPI + ½ %. However where increases in costs exceed the Housing Corporation guideline the Management Committee may agree to apply charges which exceed the guideline.

2.7 Request for re registration of fair rents result in rents set for the following two years. Rents to be applied for will take account of anticipated increases over that period. Rents applied for will be at the Rent Plan level for 12 months after the effective date of registration, including an estimate for inflation. This means, for example, that an application in February 2002 for an increase due after September 2002 will be at the level anticipated in September 2003. The Housing Officer will agree an estimate for the rate of inflation with the Treasurer for this purpose

2.8 Fair rents charged will be the lower of the current registered fair rent and the calculation of rent using the rent plan for the year in question.

### **3 The Rent Plan**

3.1 The Rent Plan uses the formula provided by the Government for the calculation of 'Target Rents' under an initiative known as 'Rent Restructuring'.

3.2 The Rent Plan provides a formula to change rents from their levels at 1<sup>st</sup> April 2002 to the 'Target Rent' level over a ten year period taking inflation into account.

3.3 The Government allows Associations flexibility in the plus or minus 5% of the target rent, and the rate at which change is achieved up to £2.00 per week over RPI + ½%.

3.4 Homesdale's target rents will be set at the calculated target rents, not any other point within the plus or minus 5% band.

3.5 The rate of increase of rents will be at an average needed to get from the 2001 level to the calculated target rent.

3.6 Homesdale is a viable organisation and the income and expenditure account for sheltered housing produces surpluses. Rents calculated under the Rent Plan will increase income and therefore the plan supports the continuing viability of the Association.

3.7 The Rent Plan relies on external property valuations on all of the Associations stock using the Open Market Existing Use Value (comparative method) basis. The valuations were carried out by Drivers Jonas in February 2002 and adjusted to January 1999 as required by the formula for rent restructuring.

3.8 Homesdale does not have any loans so the effect on loan covenants do not have to be considered.

#### **4 Exceptions**

4.1 In the event that a rent calculated by this policy is lower than the existing rent, the rent will remain at its existing level until the level of Homesdale' target rent 'catches up'.

4.2 There are two situations where an independent body might judge a rent higher than the rent the Association has calculated its needs according to the rent policy.

Firstly a Rent Officer might register a fair rent which is higher. Secondly an appeal to the rent assessment committee might result in a rent which is higher.

In both situations the Association will charge the level of rent as described in 2.8

4.3 Where the Rent Officer or rent assessment committee sets a lower rent than the Rent Plan rent, Homesdale has to abide by such a decision.

4.4 Increase in assured rents are generally restricted by legislation in that they cannot be increase before the first anniversary of a tenancy, not more frequently than annually. This means that a new assured tenant will not have their first increase in rent until the second August of the tenancy.

4.5 Assured rent cannot be increased before the anniversary of the date of the tenancy. There is a legal technicality which means that for weekly tenancies, the first Monday in two consecutive Septembers are just less than a year apart. Until this matter is resolved from a legal perspective, or the tenancy agreement amended to rectify the matter, annual rent increases will be in the first Monday after a year after the last increases; effectively this will put back the date of the rent increases a week each year.

4.6 The annual review of the service charges aims to ensure that income meets expenditure, including brought forward surpluses and deficits. In general the Association will aim to keep the average increases of the service charge within the Housing Corporation targets; however the principle of income meeting expenditure will override this where necessary.

4.7 Where anomalies occur, rents for existing tenancies will not be reduced to achieve conformity

Where it has been identified that a rent has remained lower than comparable properties on the same estate for no obvious reason, it should be increased to bring it in line with other similar properties, subject to the maximum of RPI plus ½% plus £2.00 per week each year.

Signed .....

Printed .....

Date .....

Review Date .....

November 2008  
Version 2