

Rent policy and rent plan 2024

Housing Management policy 2

Keniston Housing Association

1 Summary

- 1.1 The objective of the policy is to have a clear method for setting rents which maintains the Association's viability, is able to achieve government targets, complies with regulation and which maintains charges at levels that are affordable to our residents.

2 The Rent Policy

- 2.1 Keniston Housing Association 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 tenants while also meeting government targets.
- 2.2 The Board of Keniston wants to secure, as far as possible, the long-term investment in the Association's stock and the rent policy is one means of trying to ensure that there are sufficient funds to operate the business and maintain the stock to a high standard.
- 2.3 The Regulator for Social Housing's guidance on setting rents since the early 2000s has been for increases in rents to be linked to inflation, although rents reduced by 1% each year for the four-year period from 2016 to 2020. From April 2020 the government committed to a reversion back to allowing rent increases of CPI plus 1%, for 'at least five years', though as a result of the high inflation restricted the increase in most rent for existing tenants for 2023/24 to 7%. For 2024/25 the cap has returned to CPI plus 1% which based on September 2023 CPI of 6.7% allows for an increase of up to 7.7%
- 2.4 The Association has two types of tenancy – Secure and Assured. Starter tenancies are a form of assured tenancy. Secure tenants pay Fair Rents which are registered by the Rent Officer Service (part of the Valuation Office Agency); these registered rents define maximum amounts which can be charged. The Association has no control over the level of registered Fair Rents and they may conflict with the level of rent calculated through this policy. Assured tenants pay a rent which is theoretically directly under the control of the Association, although it is subject to the guidance issued by the Regulator for Social Housing (see 2.3 & 2.4). The rent policy does not distinguish between these two types of tenancy in its intention, but there are minor differences in the application of the policy.
- 2.5 Other than in relation to the Association's Bickley estate, the rent review date for Assured tenants is the first Monday in August each year. Secure tenants' rents are re-registered throughout the year on the second anniversary of the previous registration, but following the implementation of the 1% rent reduction, are now increased, or decreased as of the first Monday in August in line with the Assured tenants. The Bickley site has a rent review date of the first Monday in September.

3 The Rent Plan

- 3.1 The Rent Plan determines levels of rents applicable from 1 April to 31 March each year for existing and new tenants. Changes are restricted by regulatory guidance.

For each property in the rent plan for each year there is:

Current rent – net of service and support charges

Formula rent – the amount calculated each year using the government's Rent Restructuring

formula without any of the flexibilities allowed. The current rules allow a tolerance of up to 10% of the formula rent for supported housing and 5% for general needs.

- 3.2 Where a change in rent is due for an existing tenant – the change will be an increase of 7.7% against the current rent.
- 3.3 Where there is a change of tenancy, including internal transfers, the new incoming tenant will pay the formula rent plus 5% (the allowable tolerance) and for sheltered tenants to pay the formula rent plus 10% (the allowable tolerance).
- 3.4 On the first Monday in August, all secure and assured tenants will have their rents increased as described above with the exception of the Bickley properties which will have their rents increased on the first Monday in September.
- 3.5 To calculate formula rents, the Rent Plan uses the formula provided by the Government in the “Rent Restructuring” framework.
- 3.6 The Rent Plan is intended to support the continuing viability of the Association as demonstrated through the long-term financial plan.
- 3.7 The Rent Plan must not compromise any loan covenants.
- 3.8 The calculation of formula rents relies on external property valuations on all of the Association’s stock using the Open Market Existing Use Value (comparative method) basis and are adjusted to January 1999, in accordance with guidance. Where the guidance on rent restructuring permits, further valuations may be carried out where, for example, major repairs or substantial refurbishments have taken place.
- 3.9 Properties developed with funding from the 2011-15 Affordable Housing Programme have “affordable rents”. Keniston has one development (Byers Court/ Silver Court) funded from this programme together with one property at Nethewode Court where we received grant for the purchase of the leasehold. Rents for these properties are calculated and increased in the same way as assured rents above except that changes in rent include service charges.
- 3.10 In November 2016 the Mayor of London issued funding guidance for the Affordable Homes Programme 2016-23. This introduced London Affordable Rents (LAR) for rented schemes supported by GLA grant. Rent levels are set pan London by bedroom size, linked to social rent caps rather than a percentage of market rent level, and are exclusive of service charges. Keniston has four properties let under this rent regime, comprising purchased leasehold properties and refurbishment of a property in the Hayles/ Elliott’s portfolio.
- 3.11 In 2020, the Mayor of London issued funding guidance for the Affordable Homes Programme 2021-26 which primarily allocates funding for three affordable housing products: Social Rent, London Living Rent and Shared Ownership. Keniston is seeking funding under this programme for its proposed Darrick Wood infill development project.
- 3.12 Keniston will consider affordability in relation to any Affordable Rent tenancies let at above Social Rent levels. Where, for instance as a result of lower local market rent levels and/ or high service charges, applying the full allowable rent plus the service charge would lead to a total weekly charge at or above 80% of market levels, we will reduce the rent to ensure that it is

affordable. Each case will be looked at on its merits, but a general approach is to set the rent at a level that allows the development to minimise any negative Net Present Value whilst maintaining affordability. This approach has been applied to two properties to date.

- 3.13 In the event that a leasehold property is purchased, where the lease is with Keniston and the leaseholder remains in occupation as an assured tenant, the rent charged will be at 80% of market rent unless grant monies have been received. To date there have not been any qualifying tenancies.

4 Details and exceptions

- 4.1 Applications for re-registrations of fair rents result in rents set for the following two years. Where a re-registration of fair rent is applied for, account will be taken of this timing. Applications for re-registration of fair rents will be at the formula rent in the Rent Plan level for 12 months after the effective date of the registration. This means, for example, that an application in June 2022 for an increase due after September 2022 would be at the formula rent level applicable in September 2023.

- 4.2 Upon receipt of the re-registration of fair rent, the increase will be at the maximum increase in rent (as in 3.1 above) until the lower of the formula rent or the registered fair rent is reached.

- 4.3 In both cases, there may be a second increase (known as “second phased increase”) a year after the first increase if the lower of the formula rent for that year or the current registered fair rent has not been reached.

- 4.4 There are two situations where an independent body might assess a rent to be higher or lower than the rent the Association has calculated according to this rent policy.

- Firstly, a Rent Officer might register a fair rent which is higher or lower.
- Secondly, an appeal to the Rent Assessment Committee might result in a rent which is higher or lower.

If the rent is higher, the Association will charge the formula rent. Where the Rent Officer or Rent Assessment Committee sets a fair rent lower than the Rent Plan rent, Keniston will abide by such decisions.

- 4.5 Keniston is able under the regulatory Rent Standard to charge higher rents to tenants on higher incomes – over £60K p.a. This is commonly known as ‘Pay to Stay’. Implementation is discretionary on each organisation. Due to a range of practical and moral considerations, Keniston has adopted the position of not implementing this provision.

- 4.6 It should be noted that flats 37 to 40 Silver Court and all the flats in Byers Court are to be limited to formula rent levels in perpetuity (a condition of the funding from Islington Council).

- 4.7 Keniston no longer has residential caretaking staff so no provisions are needed for rent setting.

5 Service charges

- 5.1 Service charges are set independently of rents and are calculated to cover the costs of eligible items and to deliver value for money to residents. With the exception of the Bickley properties, service charges are “variable” so that deficits and surpluses are carried forward in the accounts each year. There is currently a mixture of “fixed” and “variable” service charges at Bickley. Where possible we will convert all new tenancies at Bickley to “variable” service charges in line with our other properties.
- 5.2 Items of capital expenditure will be spread over the useful life of the item and the annual charge will be applied to the service charge. In the event that an item is fully depreciated, a sinking fund can be set up to offset the cost of the future replacement. Where there are leaseholders at a scheme where there is a sinking fund, they will also contribute to the sinking fund and the money they have contributed towards it must be accounted for individually.
- 5.3 Changes to service charges, excluding the Bickley site (see below) are as follows:
- All tenancies have service charge increases or decreases with effect from the first Monday in August each year.
 - Service charges to leaseholders are set in line with legislation and the lease terms.
 - Revisions to service charges are agreed at least a month in advance of the date the charge is due to change, i.e. by 30 June each year. New tenancies after this date will be at this revised level (even though service charges for existing tenancies will not be revised until August).
 - Increases in service charges are subject to regulatory guidance. The service charge will be set for full recovery of the costs.
 - Service charges in properties funded through the 2011-15 Affordable Housing Programme are included in the rent.
- 5.4 Where Keniston acquires existing social housing from other associations, there may be a legacy of different approaches to service charges, including the review cycle and whether charges are fixed or variable. Within the constraints of any inherited tenancy conditions, Keniston will seek to align the approach for all properties, to that set out above.
- 5.5 With regards to the Bickley site, changes to service charges are as follows:
- Southwood Close, Whites Meadow and Meadow Cottage have service charge increases or decreases with effect from the first Monday in September each year.
 - Revisions to service charges are agreed at least a month in advance of the date the charge is due to change. New tenancies after these dates will be at the revised level.
 - Increases in service charges are subject to regulatory guidance. The service charge will be set for full recovery of the costs.

6 Support charges

- 6.1 Support charges are for the support service which is provided at sheltered housing schemes. This is typically provided by the Sheltered Scheme Manager and includes the warden call alarm system.
- 6.2 Where there remains an ongoing need for support, for those costs that cannot be recovered through housing benefit, Keniston’s approach is to make a direct charge to those receiving it. Charges were initially subsidised from other income in order to help manage the transition

without unduly impacting on each individual's ability to pay. This subsidy has now been withdrawn.

7 Other matters

- 7.1 The Management Team and Board will monitor the levels of Keniston's rents under the application of regulation.
- 7.2 In the event that properties are leased to third parties, e.g. to Social Services departments or other voluntary organisations, the formula rent plus 10% will be charged, where practical, subject to any constraints imposed by leases or management agreements. Consideration will be given to leasing empty schemes, such as Robert Whyte House, to guardianship organisations in order to help control vacant property costs and to provide additional security for the scheme whilst vacant.
- 7.3 Charges for car parking spaces and garages are to be reviewed annually by the Operations Director and the Chief Executive taking account of local market conditions. Such increases are not constrained by regulatory body guidelines.
- 7.4 **Foxley Hall garages**
Existing tenants have the rental of the garage included within their tenancy. New tenancies show an additional charge levied for the garage.

This policy was adopted by the Board at a meeting on 21 March 2024.