

In 2000, the Government decided to change the way social housing rents are set and, as a result, all registered social landlords had to introduce a new rent setting system from April 2002.

### **Who will be affected?**

All our residents are affected by the new system, but there are some differences depending on the type of tenancy.

### ***Assured and assured shorthold tenants, including tenants with 'starter' tenancies***

Since 31 March 2002, we have had to set 'target rents' using the new formula drawn up by the Government. For RSL's like Southern Housing Group Limited and James Butcher Housing Association Limited the Government wants the rent changes implemented by 2012, whereas as an LSVT like South Wight Housing Association has until 2017 to implement them. This system means that no-one gets a big rent increase all at once.

The normal rent increase for inflation will be limited to a figure stated by the Housing Corporation, currently RPI plus 0.5%. Then an extra adjustment is made to bring the rent nearer to the target rent. Any increase needed to bring rent up to the new target level will be not more than an extra £2pw in any one year. Any decrease needed will be split by the number of years to bring the rent down to the target rent by the implementation date.

### ***Secure tenants***

Secure tenant's rent will still be set by the rent officer every two years, but we expect fair rents to move towards target rents over time.

### ***Stock transfer tenants***

If a property was transferred to the Group under a stock transfer scheme, the rent guarantees we agreed with the tenant at the time will be honoured. But once the rent guarantee period is over, the Government expects us to apply the new rules to their rent.

### ***Tenants in homes we manage***

If we manage a tenancy, but the tenant pays their rent to another landlord, they will carry on setting the rent, but using the new rules.

### **What Choices Can We Make?**

As already explained, there is not much room for manoeuvre.

### ***The 5% rule***

The Housing Corporation says we can set our new target rent (that is, the rent we must work towards charging the tenant) to plus or minus 5% of the figure we get using the formula. So, if the target rent for a particular property were £75pw, we can set the target rent anywhere between £71.25 and £78.75. We could use this to increase or decrease rents in a particular area, or we could increase the difference between homes of different sizes, for example. Southern Housing Group Limited currently bases its rents on 100% of the initial figure, but South Wight and James Butcher both use up to 105% of the initial figure.

### ***Phasing the changes so rents reach their targets***

For current rents that are below the target rent, providing we don't increase our rents by more than  $rpi + \frac{1}{2}\% + £2pw$ , we can choose how we phase in the changes.

For current rents that are above the target rent, we must where possible apply reductions so that they reach the target rent by the implementation date.

### ***Secure rents***

These rents will continue to be set by the rent officer under the fair rent system, also known as registered rents.

We will calculate what we believe the new fair rent should be, and seek the rent officers agreement. Our figures will be based upon the same formula we apply to assured rents, that is, RPI plus 0.5%, plus or minus £2 per week up to the target rent, but in this case we calculate the increase for 2 years

# Rent Setting

## Resident Summary

because the rent officer sets the maximum figure for 2 years at a time.

If the rent officer sets a fair rent above the figure that we have asked for then we will limit the increase to amount we have requested.

If the rent officer sets a figure lower than we have set then we must only charge up to the lower figure.

We may stagger any increase in rent approved by the rent officer over 2 years, and will only apply a maximum of RPI+0.5% + £2.00 in any one year.

### **Homes we relet**

Although we are entitled to set the new rent for a home straight to the target level when we re-let it, we think this would produce disproportionate rents on the same scheme. Some tenants might be paying much more for their home than their neighbours do. The Group has decided set the charge for re-lets so that new residents do not pay any less than any existing resident in a similar property on the scheme unless that rent would be more than £5pw above the average for that scheme.

### **New homes**

The Group now start all first lets on new developments at the full target rent unless there are other conditions which prevent this.

### **Transfers**

We have the same system for transfers as for relets. For a secure tenant, where there is already a secure rent registered on the property we will re-register it.

### **Improvements**

If a property has been improved, it makes sense that the tenant should pay more rent for it. It also helps us meet our improvement costs. However, we now have to look at whether the property is also worth more. Because improvements don't always add much to the value of a property, we do not revalue individual homes that have been improved — for example, where we have put in central heating. But if we have made large-scale improvements to an estate, we would carry out a revaluation of the whole scheme when we were finished. We would then work out a new target rent, which would override any improvement increases we had brought in earlier.

### **Service charges**

Service charges aren't covered by the new rules, so we will carry on using variable service charges.

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