

Rent Strategy 2019-2021

We have set out our vision of “more homes, brighter futures” with a purpose to “maximise opportunities to make more housing available and affordable to everyone”. Key to achieving this is setting an appropriate rent strategy that balances the need for us to maximise our income to be able to invest in building more homes, invest in our existing homes and offer excellent services to our customers.

We are committed to ensuring that all our customers can sustain their tenancies and interact with their local community. This strategy outlines our approach to rents over the next 2 years.

Rents are our main source of income and help us to generate a surplus that is reinvested into building new homes, improving existing homes and supporting our customers and the communities where they live. To maximise this opportunity, we will:

- ensure that rents are charged at correct levels, reviewed in accordance with appropriate guidelines and collected in line with our policies
- set rents on new developments in line with legislation and regulatory guidance to meet our stated ambitions of providing properties at both Affordable Rent and Social Rent levels
- ensure that we charge and collect service charge expenditure as appropriate.

This strategy supports our ambitions to:

- Create a stronger organisation with a customer focussed ethos.
- Maintain our financial strength to meet our business plan assumptions.
- Deliver affordable housing to meet local needs.

Our rent setting principles

There are two government rent setting regimes referred to as Formula Rent (previously known as Target Rent) and Affordable Rent for the calculation of social housing rents. The calculation of these rents is detailed in legislation and Rent Standard 2020 published by the Regulator for Social Housing. We will always ensure that our rents are set in accordance with this.

The Welfare Reform and Work Act 2016 implemented an absolute 1% annual reduction to all social housing rents until April 2020. Following this, government confirmed in October 2017, that rent setting will revert to the calculations defined in the regulatory Rent Standard that allows for a maximum annual increase of no more than the Consumer Price Index (CPI) plus 1%. No additional increases are allowed to tenants rent during a year. We will therefore adjust rents annually in April in accordance with these requirements.

Rent for shared ownership property is determined under the Affordable Housing Capital Funding Guide published by Homes England. Rents are calculated in accordance with the applicable guide at the time of construction of a property and then varied in accordance with the conditions set out in the individual lease between VIVID and our residents.

Rent for market rented, intermediate rented and residential leasing property are all calculated with reference to the local market private rents.

We'll adopt principles which mirror the assumptions in our Business Plan and for existing tenancies we will review our rents every year and maximise our rental income by:

- reviewing Formula (Target) rents in line with the government legislation and regulatory guidance – 1% reduction until April 2020, reverting to, up to CPI plus 1% – assured, assured short-hold, fixed term;
- reviewing Affordable Rents in line with the government legislation and regulatory guidance – 1% reduction until April 2020, reverting to, up to CPI plus 1%; in addition, the affordable rent will be re-based at the end of any fixed term or at any change in tenancy at up to 80% of the market rent in the local area or at the Local Housing Allowance (LHA) rates whatever is the lower;
- reviewing secure registered rents to the target rent level or the registered rent level – whichever is the lower;
- reviewing supported rents in line with the government legislation and regulatory guidance – 1% reduction until April 2020, reverting to, up to CPI + 1%
- reviewing residential leasing rents in conjunction with the lease arrangements and the market rate
- reviewing shared ownership products within the lease agreements – shared ownership products are not covered under the governments' rent policy;
- reviewing income on commercial properties following advice from specialist commercial agents to determine what the market rates are – maximising income if the market will allow – thus avoiding long vacant periods;
- reviewing intermediate market rental products so they track 80% market levels but allowing a discretion of plus or minus 10% at letting or review which will be approved by the Operations Director, Head of Operations, Finance Director or Head of Finance;
- reviewing market rental products so they track market levels but allowing a discretion of plus or minus 10% at letting or review which will be approved by the Operations Director, Head of Operations, Finance Director or Head of Finance;
- reviewing service charge costs to recover actual costs;
- reviewing garage rents annually – these rents will be driven by demand and condition of the garages.

Re-letting properties

- Social rented properties based on Formula (target) rent levels will from April 2020 be re-let at the calculated formula rent as defined in the Rent Standard 2020 published by the Regulator for Social Housing.
- Affordable Rent properties will be rebased at each new tenancy, including at the expiry of a fixed term tenancy and will be set at a level equivalent to LHA rates or 80% of local market rents, as calculated under RICS valuation guidelines, whichever is the lower.

New build and acquisitions:

- Social rented properties will be let at formula (target) rent levels with additional service charges as appropriate.

- Affordable rent levels will be set at LHA rates or 80% of local market rents as calculated under RICS valuation guidelines, whichever is the lower. This is inclusive of any communal service charges. It's acknowledged that rents will be higher in some local authority areas due to the determinate market levels and differing LHA rates. Discretion can be used to reduce rent levels where considered to be appropriate. This discretion will be considered by the Project Approval Committee as part of the project appraisal.
- Market rented products will be modelled on market values. However, these products which are free from any planning restrictions can have rents set to suit our future customers. This will be considered as part of the scheme appraisal for new developments.

Vulnerable customers

We aim to support all our customers to sustain their tenancies. Affordability checks are undertaken at lettings stage to ensure that customers are offered the right homes to suit their income levels. We offer a range of support services to help customers which include:

- Money advice and benefits assessment
- Help to get back into work or training;
- Hardship support initiatives;
- Intensive tenancy support services.
- Access to and support to use on-line services

Links to other policies

This strategy should be read in conjunction with the following:

- Financial Inclusion and Tenancy Sustainment Policy
- Customer Investment Strategy
- Development strategy
- Rent & Service Charge policy
- Income management policy
- Lettings policy
- Tenancy Policy

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