

# Rent Setting Policy

## 1 Purpose

This policy sets out Metropolitan Thames Valley Housing's (MTVH) approach to Rent Setting. MTVH sets new rents and annual rent changes in line with the Rent Standard 2020 and in compliance with legal obligations under lease agreements. Rent increases (or decreases) are applied in April of each year unless an alternative date is specified in the legal agreement. Only one rent increase is applied in any 12-month period.

## 2 Scope

The policy and accompanying procedures apply to:

- MTVH Group Companies
- Properties managed or owned by MTVH where MTVH has rent setting responsibility
- Residential properties
- Garages

This policy **does not** apply to:

- Commercial units such as shops, offices, community spaces, guest rooms and other commercial activities.

### Our Commitment

MTVH will:

- Set and review the rent levels for our rental properties in accordance with relevant legislation and regulation
- Maximise rental collection in accordance with the principles of each tenure
- Ensure that rent levels at sign up and annual increases are transparent to customers, and they are clear on their obligations at commencement of their tenancy or lease

## 3 Our Approach

### 3.1 Social Rent Setting – General Principles

Each social rented property will have a MTVH maximum rent. This is detailed annually as 'Target Rent' against each property in our tenancy and rent system.

MTVH rents are calculated in accordance with the prescribed formula set out in the Rent Standard 2020, and MHCLG's policy statement on rents for social housing (Feb 2019).

The basis for the calculation of MTVH maximum rent is the formula rent rate plus any flexibility level, subject to the relevant national rent cap:

- The first stage in calculating social rent is to determine the formula rent for 2000-01, using the formula:  $FR = (£38.23 \times RCE \times BW) + (£16.39 \times RPV)$ .
- Relative county earnings (*RCE*) is determined by dividing the figure for the County stated in the Policy Statement by the national average £316.40.

- Bedroom weighting (*BW*) relates the number of bedrooms to a weighting shown in the Schedule to the Regulations.
- Relative Property Value (*RPV*) is determined by dividing the 1999 Existing Use Valuation by the national average £49,750.
- The formula rent for 2000-01 is then updated to 2015-16 by multiplying by 1.6657484.
- The social and assumed rent rates for 2015-16 are then adjusted annually as follows:
- For exempt temporary homeless places and women's refuges, increased in line with the Rent Standard
- For other supported and older persons housing, increased by 0.9% in 2016, then reduced by 1% each April from 2017 to 2019.
- For General Needs housing, reduced by 1% annually each April from 2016 to 2019.
- From April 2020, all formula rents adjusted annually by September CPI + 1%. All rents rounded down.
- MTVH maximum social rent for General Needs properties will be 5% above formula rent, and for supported housing 10% above, taking into account local circumstances and affordability. (In the Rent Standard, this maximum social rent is referred to as the 'Formula Rent')
- Each MTVH maximum social rent is capped in accordance with the Policy statement, which lists the caps for 2019-20. The rent caps increase each April by September CPI + 1.5%.
- In line with the prescribed formula in the Regulations, valuations, re-based to January 1999, on the basis of Existing Use Valuation (Vacant Possession), have been used to calculate formula rents.
- Customers with a Secure Tenancy who have the protection of "Fair Rents" legislation, will continue to have rents set which comply with the Rent Act 1977. Fair rents will be set at the lower level of that set by the VOA Rent Officer Service or rent set by the formula applied. Any increases to existing fair rents will comply with the Rent Standard.

### 3.2 Rent Setting Table

Rents are set and reviewed as shown in the Rent Setting Table in **Appendix 1** of this policy.

### 3.3 Amendments to Rents

Where the rent-setting basis is changed, due to a change of tenure or correction to the property record, the revised target rent is calculated by the L&SC Team and authorised by the Regional Head of Housing.

Affordable Rents must be re-based on re-let.

Intermediate and Market Rents may be reviewed prior to tenancy commencement to ensure the rent is re-based on current market conditions.

Key Worker, NHS and student housing is exempt from the Rent Standard (and also exempt from the 1% rent reduction). Rents must continue to be increased in accordance with the contracts with the respective NHS Trusts or colleges.

Working PFI properties are also exempt from the Rent Standard and rents must continue to be increased within the terms of the PFI contract.

Shared owner rents are increased every April, except within 3 months of the initial sale. MTVH may increase in accordance with the lease but may decide to cap some increases at a lower level. In 2023, the cap will be 7%.

### 3.4 Right of Appeal

Customers have the right to appeal against a rent increase if they consider that the correct procedures for increasing their rent have not been followed, please see our **Complaints Policy**.

Metropolitan customers (excluding licensees) whose tenancy began one year or more before the increase date, can appeal to the First-tier Tribunal (Property Chamber) against a rent increase. The appeal must be submitted in writing on a form, from the Residential Property Tribunal Service’s regional branch before the increase date.

TVH customers have no right to appeal, as their rent increase is based on their tenancy contract.

If the total charge does not increase, there is no right of appeal against an increase to part of the charge (e.g., ineligible service charge).

MTVH is not aware of any legal process to appeal outside of the processes outlined above, so any customer wishing to appeal by other means must seek independent legal advice.

### 3.5 Auditing of Rent Setting Process

All new rented properties have either target or Affordable rents set prior to tenancy commencement.

Rent increases and decreases are calculated by a Specialist Rent Analyst and the results are checked.

The Rent Setting process is periodically audited by an external auditor to ensure compliance with the regulatory framework and this policy.

## 4 Background legislation and regulation

- Housing Act 1988 (periodic tenancies)
- Rent Act 1977 (legacy secure tenancies)
- Rent Standard 2020

Properties built in London under the 2015-18 development programme will be governed by the GLA Housing Prospectus as well as the Rent Standard. Those built under the 2016/22 programme come under Homes for Londoners.

Shared Ownership rents are initially set in compliance with guidelines from the RSH and reviewed annually (unless otherwise stated) in accordance with the terms of the lease.

## 5 Our commitment to Equality, Diversity, and Inclusion

In implementing this policy, we will not discriminate against any colleague, customer, or stakeholder on the grounds of their sex, sexual orientation, gender reassignment status, ethnic origin, age, religious belief, disability, marital status, and pregnancy/maternity.

An Equality Impact Assessment has been completed for this policy and is retained by the Policy Team.

## 6 Key Policy Information

Policy Owner	Customer Services Directorate
Author	Assistant Director of Home Ownership and Service Charge
Approved by	Customer Services SLT
Effective from	December 2023



Approach to review	This Policy & associated Procedures will be reviewed as required by the owner for changes in legislation, regulation, and operational need. Any amendments will be appropriately consulted on and signed off before being clearly communicated to customers and colleagues. The Policy will be reviewed every year or in line with legislative or regulatory changes.
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