Scope of policy

This policy establishes how Soha sets rents, as well as when and how they may change. It does not include intermediate or market rents.

Aim

Soha aims to set rents consistently, fairly and in line with the expectations of our Regulator. We are a social housing provider and aim to have rents that are affordable. This is balanced with our need to run a financially viable organisation.

Policy Statement

Soha will meet the requirements of the Regulator of Social Housing Rent Standard and any accompanying guidance. We will do this consistently and fairly, having regard to the most appropriate use of a property.

Implementation

1. Social and affordable rents:
    a. Rents for new properties will be set using the formulas set out in the RSH Rent Standard and Guidance. Procedures for setting rents are Board approved and attached to this policy. They make use of the 5% tolerance allowed by the RSH;
    b. Social rents will not exceed the formula rent caps set out by the RSH;
    c. Affordable rents are re-set, based on a new valuation, each time the accommodation is re-let.
    d. We will not normally set rents which exceed the relevant Local Housing Allowance cap. If we do so, this must be approved by SLT.
    e. Rents will increase or decrease annually according to the current guidance from the RSH.
2. Shared ownership:
    a. Rents will be calculated based on a rental percentage of between 2.25% - 3.00% and the amount of unsold equity. The rental percentage is normally set at the planning stage by the local authority.
    b. Rents will increase annually as set out in individual lease agreements.
3. Soha will communicate with tenants about annual rent changes in a clear and accessible way.

Resident Involvement

Residents are not directly involved in rent setting as it follows regulatory requirements. Soha welcomes resident involvement on issues of affordability.

The annual rent change will be discussed at the Members' Form and outcomes of this will be taken into account by the Board when approving the annual rent change.

Appeals

N/A

Responsibility

The Director of Finance and Resources has responsibility for the successful implementation of this policy.

Monitoring and review

External checks, such as Internal Audit, will provide assurance of adherence to the policy and procedures.

Context

RSH Rents Standard
RSH Rent Standard Guidance
SP12 Service Charges Policy

App A: Soha social rents: rent setting procedure
App B: Soha affordable rents: rent setting procedure

Members' Forum Approved	12 September 2024	Board Approved	26 September 2024
EIA Completed	30 August 2024	Review Due Date	By September 2028
DPIA Checklist Completed	30 August 2024		

App A: Soha social rents: rent setting procedure

Setting Social Rents (new properties only)

Social Rents are set using a calculation based on:
County Earnings
National Earnings
National Average Rent
January 1999 property valuation
National Average Valuation
Number of bedrooms

The January 1999 valuation is obtained by the Rent Accounting Manager and is carried out when finance provide the development team the rent at the scheme appraisal stage.
The valuation is obtained from a duly qualified surveyor in accordance with the RICS red book methodology as per the Rent Standard, using the following instructions:

INSTRUCTION TO PROVIDE A VALUATION

*Can you please provide written confirmation of a **current value** and the re-based **January 1999** valuation for the following:-*

Address 1
Address 2 etc

Can you ensure that the current value and the re-based 1999 valuation is arrived at by using the following methodology:

Existing Use Value (EUV) as defined in the RICS Appraisal and Valuation Manual

Existing Use Value (EUV) — an opinion of the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- *a willing seller*
- *that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale*
- *that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation*
- *that no account is taken of any additional bid by a prospective purchaser with a special interest*
- *that both parties to the transaction had acted knowledgeably, prudently and without compulsion*
- *the property can be used for the foreseeable future only for the existing use*
- *that vacant possession is provided on completion of the sale of all parts of the property occupied by the business*

The valuations should be in accordance with the RICS Appraisal and Valuation Manual and may be desk based.

The valuation will need to be re-based to January 1999 by reference to an appropriate house price index, reference to the data available from the Land Registry website.

The following New Property Form is completed by the Development Manager and double checked by the Rent Accounting Manager, who also populates the current existing use valuation and the January 1999 valuation.

The Rent Accounting Manager will ensure that written confirmation of the current RICS red book valuation and the January 1999 valuation is attached to the form and is consistent with the amounted entered.

New form inserted:

Project Name: ______________________ **Date:** __________ **Development Manager :** ______________________

Scheme Information - Development Manager								Actual Rents - RAM						Verification - RAM				Postal Addresses - Development Manager					RAM	
Tenure	Plot No.	Unit Type	Bedspace	Area m2	Service Charge Expected Y/N	Property Inspected by Dev Manager Y/N	IMS /Board Approved Rent (52wk)	RICS Existing Use Value	RICS January 1999 Value	Social Actual Rent Monthly	Service Charge (Monthly)	SO / Market Rent (Monthly)	Affordable Rent (80% of MR)	AR Actual Rent Weekly / Monthly	LHA Rent Cap Weekly / Monthly	Rent set at LHA Cap (Y/N)	Average Rent for Similar Soha Properties (Monthly)	Door No.	Road	Town	Post code	Estimated Handover	QL Reference No.	Management Area

Rebuild Cost passed to Finance > £1m: ______________________
(block of flats only)

Blocks

ocal Authority: ______________________ **N. Housing Officer:** ______________

Arrears Officer: ______________

Contractor: ______________________ **Area:** __________ **Access Group:** __________ **Repairs Area:** __________

Sub Area: __________ **Local Connection:** __________ **Techn Officer:** __________ **SO rent %** __________

Target Rent Cap:

Target rents can not exceed the Rent Cap above.
All social rents should not exceed the LHA rate for the area, the <u>only</u> exceptions are Sheltered and Extra Care lets.

Director of Property & Development: ______________________ **Director of Finance:** ______________________

Date: ______________________ **Date:** ______________________

Checked by Development Manager: ______________________ **Rent Accounting Manager:** ______________________ **Lettings Manager:** ______________________

Date: ______________________ **Date:** ______________________ **Date:** ______________________

Gas Compliance Supervisor ______________________ **Head of Finance &Treasury:** ______________________

Date: ______________________ **Date:** ______________________

Calculating the Social Rent

- Using the following template:
  Setting Social Rents Template.xlsm

The Variables*		
County earnings	£323.80	Oxon
National earnings	£316.40	
National average rent	£54.62	
National average value	£49,750.00	
Bedroom factor	1.10	3 Bed
January 1999 valuation	£87,200.00	Nationwide
Gen Needs / Shelt & Ex Ca	General Needs	

*Complete all yellow highlighted boxes

The Formula								
County Earnings / National earnings	£323.80 / £316.40	1.02	70% of National Average Ren	£38.23	Bedroom factor	1.10	=	£43.04
Jan 1999 Prp Val / National average valu	£87,200.00 / £49,750.00	1.75	30% of National Average Ren	£16.39			=	£28.72
					Base Year Rent			£71.76

Index	Effective Year	RPI/CPI	RPI plus 0.5% or CPI plus 1.0%	Target Rent for the year	Target Rent + 5%	Rent Cap (52 week)	
	1999/2000 (Base Year)			£71.76	£75.34		
	2000/01	2.1%		£73.27	£76.92		
	2001/02	4.3%		£76.42	£80.23		
September 2001	2002/03	1.7%	2.2%	£78.10	£82.00		
September 2002	2003/04	1.7%	2.2%	£79.82	£83.80		
September 2003	2004/05	2.8%	3.3%	£82.45	£86.57		
September 2004	2005/06	3.1%	3.6%	£85.42	£89.68		
September 2005	2006/07	2.7%	3.2%	£88.15	£92.55		
September 2006	2007/08	3.5%	4.1%	£91.77	£96.35		
September 2007	2008/09	3.9%	4.4%	£95.81	£100.59		
September 2008	2009/10	5.0%	5.5%	£101.08	£106.12	£127.16	
September 2009	2010/11	-1.4%	-0.9%	£100.17	£105.16	£126.65	
September 2010	2011/12	4.6%	5.1%	£105.27	£110.53	£133.74	
September 2011	2012/13	5.6%	6.1%	£111.70	£117.27	£142.57	
September 2012	2013/14	2.6%	3.1%	£115.16	£120.91	£147.70	
September 2013	2014/15	3.2%	3.7%	£119.42	£125.38	£153.90	
September 2014	2015/16	1.2%	2.2%	£122.05	£128.14	£158.06	
September 2015	2016/17	n/a	-1.0%	£120.83	£126.86	£158.06	
September 2016	2017/18	n/a	-1.0%	£119.62	£125.59	£158.06	
September 2017	2018/19	n/a	-1.0%	£118.42	£124.33	£158.06	
September 2018	2019/20	n/a	-1.0%	£117.24	£123.09	£158.06	
September 2019	2020/21	2.3%	2.7%	£120.40	£126.41	£163.12	
September 2020	2021/22	2.3%	1.5%	£122.21	£128.31	£166.38	
September 2021	2022/23	3.1%	4.1%	£127.22	£133.57	£174.04	
September 2022	2023/24	10.1%	11.1%	£141.34	£148.39	£194.22	
September 2023	2024/25	6.7%	7.7%	£152.23	£159.82	£210.15	£692.55 pcm
September 2024	2025/26	2.5%	3.5%	£157.55	£165.42	£210.15	£716.82 pcm

orange figures are estimates

No of Bedrooms	Bedroom weights	County	Earnings
0 Bedsit	0.80	Beds	343.70
1 Bed	0.90	Berks	345.40
2 Bed	1.00	Bucks	328.30
3 Bed	1.10	Gloucs	308.00
4 Bed	1.20	Northant	328.50
5 Bed	1.30	Oxon	323.80
6 Bed or more	1.40	Wilts	313.90

Property Type	
General Needs	Rent decrease for 4 years from 2016/17
Sheltered	Rent decrease for 3 years from 2017/18
Extra Care	
Supported	

- Ensure the spreadsheet extends to include the current year and the actual September CPI for that year has been entered.

- Input the Local Authority area, number of bedrooms and the January 1999 valuation for the new property in the yellow boxes.

- The Social Rent is calculated using the RSH rent setting formula and the rent figure appears in the Target Rent +5% box. Enter this amount on the New Property Form in the Social Actual Rent column.

- Check that the new Social Rent is not higher than the Capped Rent figure. The rent we charge cannot exceed the Capped Rent.
  We obtain the LHA and Target rent caps from the government website, which are set annually by the RSH.

- A copy of the form will be saved.

- The new property form is checked by the Head of Finance to ensure that the numbers entered are correct and to confirm that the rents have been set according to the Rent Standard. The form is then given back to the Development Manager for checking.It is also signed off by the Director of Property & Development and the Director of Finance & Resources who carry out a high-level review.

App B: Soha affordable rents: rent setting

procedure **Setting Affordable Rents**

Affordable rent is calculated as no greater than 80% of the open market rent of a property. The open market valuation should be obtained by a duly qualified local estate agent or surveyor in accordance with the RICS red-book methodology, the most common of which being the comparable method.

We maintain a list of approved local agents.

Each time an Affordable rent property is re-let we will recalculate the rent using the method above.

The rent will be checked to ensure it does not exceed the LHA Rent cap.

Where properties are unable to be let at 80% of open market rent the Head of Housing will obtain authorisation from the Directors Group. The request will recommend a proposed rent level to be charged and provide the rationale for the proposed level of charge.

A ReLet form is completed and is signed by both the Rent Accounting Manager, the Head of Finance and the Lettings Manager.

soha

AFFRNT Relet Calculation

Current Soha Rent				New Valuation		NEW RENT		Verification -RAM			
Current Soha Rent	Date First let	Rent @ First let	Service Charge	New SO / Market Rent	Affordable Rent (80% of MR)	New AR Actual Rent	New AR Actual Rent	LHA Rent Cap	LHA Rent Cap	LHA rent Cap Exceeded?	Average Rent for Similar Soha Properties
Monthly		Monthly		Monthly	Monthly	Monthly	weekly	Monthly	weekly		Monthly
938.64	01/08/2016	796	0	1400	1120	1120	258.46	1121.90	258.90	No	961.09

Valuation Obtained from:	Thomas Merrifield
Date of Valuation:	27/08/2024
Broad Rental Market Area:	Oxford
Local Authority:	VOWH

Property details								RAM	
Door No.	Road	Town	Post code	Date Built	Property type	sq m^2	QL Property Reference	Mgmt Area
26	Harding Way	Marcham, Abingdon	OX13 6FJ	18/07/2016	2bed SOH	81	MRHARWD0260	AFFRNT

All social rents should not exceed the LHA rate for the area, the only exceptions are Sheltered and Extra Care lets.

Rent Accounting Manager:	DocuSigned by: Simon Drew C6DAFB63F8A2415...
Date:	27-Aug-2024
Head / Director of Finance:	Signed by: [signature] 361AA7CEC282433...
Date:	29-Aug-2024
Lettings Manager	DocuSigned by: Emma Morrell 6E17E683D66D4EB...
Date:	29-Aug-2024