

WICKHAM COMMUNITY LAND TRUST

Rent Standard Policy

Approved: Sep 2014

Last reviewed: Feb 2020

Next review: Feb 2024

Available on WCLT website

Aims

WCLT received grant for **eight intermediate homes** from the Homes and Communities Agency [HCA] under the **National Affordable Homes Programme 2008-2011**. As a Private non-profit Registered Provider WCLT will set intermediate rents with a view to achieving as far as possible conformity with the objectives and framework set out by the HCA in their Regulatory Framework for Social Housing and its Rent Standard Guidance (current April 2015). In both setting and reviewing rents WCLT will also bear in mind both its Tenant Standard Policy and its Mission, as set out therein, and its Code of Governance and Financial Viability.

Background

While the HCA's Rent Standard Guidance of April 2015 provides, on the grounds of intermediate rent, an exemption¹ from its Standard, WCLT recognises that there remains an expectation on WCLT to be consistent with the key principle of the HCA's Framework and to ensure that rents remain affordable in the long term, to protect tenants from excessive rent increases and to limit increases to the Guidance Limits where possible².

WCLT is aware of its obligation to satisfy the Regulator's Economic Standards, of which the Rent Standard is one³.

1. Rental Properties (Houghton Gardens)

These properties are let initially on a one year probationary tenancy with the option to extend this into a five year fixed term tenancy if, that is, neither party invokes the break clause towards the end of the probationary year.

Rent Setting and Review

- 1.1 As a private registered provider WCLT shall set rents with a view to achieving as far as possible that rent for accommodation is set at a level which is no more than 80% of estimated market rent for the accommodation.
- 1.2 Initial rent setting to be based on a valuation in accordance with a method recognised by the Royal Institution of Chartered Surveyors. The maximum level of rent to be assessed on the basis of property size and location and take into account the individual characteristics of the property and generally to be expressed inclusive of service charges. Valuation should not involve significant costs for WCLT.

¹ HCA Rent Standard Guidance April 2015 paras 3.18 & 3.19

² HCA Rent Standard Guidance April 2015 para 3.20

³ HCA Regulating the Standards, July 2016

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- 1.3 In order to provide protection and certainty for tenants, providers and funders, rent for accommodation will increase each year by an amount which is no more than CPI + 1%, the Guideline Limit as published by the HCA. See note ‡ below.
- 1.4 WCLT will confirm the new Guideline Limit each year.
- 1.5 The relevant rate of price index to be applied for the year beginning 1st April will be taken as the rate applicable for the previous September.
- 1.6 WCLT notes that the Guideline Figure is a ceiling, not a target. A lower figure can be applied where circumstances justify doing so: the WCLT Board will use its discretion at each review.
- 1.7 WCLT will provide clear information to tenants that explains how their rent and any service and estate charges are set, how the rent is changed, and including reference to the CPI benchmark to which that change is linked.
- 1.8 Variation in rent will involve giving the tenant(s) one month's notice in writing.
- 1.9 Rent shall not be increased within 52 weeks of the previous increase. (See also New Tenancy/Renewed Tenancy below)

1.10 **Rent Review**

With WCLT's target rent being 80% of the relevant market rent, rent will be reviewed based on a new valuation each time the accommodation is:

- i) Let to a new tenant, or
- ii) Re-let to the same tenant, e.g. for a further fixed term
- iii) Please note ii) above does not apply where a probationary tenancy comes to an end and the tenant remains for the fixed term period.

- 1.11 For incoming tenants, during the first year after the grant of their new tenancy WCLT may vary the rent once only by giving one calendar month's notice. This will enable WCLT to introduce rent increases at the same time as for all tenants.
- 1.12 WCLT does not undertake to carry out a full valuation on every occasion that a home is re-let. At such times WCLT will have access to adequate comparables to inform the rent-setting process through conducting a desktop review of recent transactions in the area and/or through the advice of their managing agent.
- 1.13 WCLT will use its discretion in each case, seeking a balance between the requirements of its Tenancy and Value for Money Standards and its Viability Statement as well as the aims expressed in this policy.

‡ **Note:** The Guideline Limit remains in effect until such time that Government's Direction to the HCA changes and consequent changes are made to the Regulatory Framework.

2. **Shared Ownership Rent (Houghton Gardens)**

The leases in place for the shared ownership properties in Houghton Gardens are the HCA's Shared Ownership Lease, Protected Areas, restricted to 80% stair casing.

WCLT will charge rent on that proportion of the Equity which remains unacquired by the Leaseholder.

Figures for both the Gross Rent (for 100% of the equity) and Specified Rent (for the unacquired portion) are set out in the Particulars of each Lease Agreement.



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- 2.1 Rent Review date will be determined by the Particulars of the Shared Ownership Lease. For Houghton Gardens' leases this is 30 April.
- 2.2 Rent Review will be upwards only, as per Schedule 5 in the Shared Ownership Leases for Houghton Gardens.

2.3 WCLT will abide by Schedule 5 of these Leases regarding Rent Review:

- a) The reviewed Gross Rent is to be the greater of:
- i) The Gross Rent under this Lease immediately preceding the Relevant Review date x 1.005; and
 - ii) $\frac{B}{A}$ (The Gross Rent under this Lease immediately preceding the Relevant Review Date x $\frac{B}{A}$) x 1.005

'A' means the monthly figure shown in the Index published for the Relevant Month in the year immediately preceding Relevant Review Date or (if none) in the year of the date of the Commencement Date)

'B' means the month figure shown in the edition of the Index for Relevant Month in the year of the Relevant Review Date.

'Relevant Month' means the calendar month which is two calendar months before the Relevant Review Date.

Note: in the leases for Houghton Gardens the Relevant Review Date is 30 April, making the Relevant Month February of the same year.

- 2.4 WCLT will provide the leaseholder(s) with written notification, setting out the reviewed rent and the rent rate then payable as per the form set out in Appendix 2 of the Lease.
- 2.5 Should the leaseholder(s) acquire further equity in the property the services of a Valuer will be involved in establishing the Market Value of the Premises and the rent payable will be adjusted according to the Unacquired Percentage of the Gross Rent (as set out in Schedule 6 of the Lease on Staircasing).



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