

# Islington Community Housing Co-op

## RENT SETTING POLICY

### Agreed GM of 21.2.96

A joint meeting of ICHC Management Committee and Finance Sub-Committee of 31.01.96 approved recommendations put to them by the Rent Setting Working Group, which had met over the preceding 3 months with the brief to review rent setting policy and practice. This approval was subsequently confirmed at the General Meeting of 21.02.96 and put into effect 03.04.96.

Details of the recommendations are to be found in the report of the Working party (dated 22.01.96) and in the minutes of the meetings of 31.01.96 and 21.02.96 (above). They concern (i) major repairs provision and (ii) inconsistencies in the policy. My purpose here is to provide guidelines for implementing the updated policy as it concerns (ii), from 03.04.96 until the next policy review.

#### Background

In principle, our policy (i) allots points to each property according to the amenities provided, and (ii) declares a 'pence per point' rate sufficient to cover costs. Thus policy rent = points x pence per point, (i) is fixed from the outset, varying only if improvements are made, and (ii) is recalculated each year, as annual costs vary.

In practice, (i) the policy applies to ICHC-owned properties only: rents on C33- and LBI-owned properties are set by those bodies, (ii) on ICHC-owned properties inconsistencies have arisen between (a) fair- and non fair-rented tenancies and (b) old and new-HAG funded developments.

#### Updated Policy

The inconsistencies arose out of restrictions on cross-subsidising rents. Because (i) we no longer have to charge the full fair rent (but cannot charge more) and (ii) changes in the statutory provision for major repairs, the restrictions can now be relaxed.

This means that (with one proviso) we can apply the rent policy consistently to all ICHC-owned properties. The proviso is that we would have to reconsider if economic rents on any future developments came out much higher than policy rents.

#### Updated Points

The points for each property (as at 03.04.96) are set out in the attached spreadsheet / for each of the eighteen categories of points (see Appendix). With the following exceptions, they remain unchanged unless / until the amenities of the property are improved.

The exceptions are the new HAG funded properties 10 Cromartie Road (12 flats) and 71 Hartham Road (4 flats). These flats were originally allocated an extra 20 points each, under the category 'new scheme', to cover the higher costs of this funding system. This contravenes the policy since it is not amenity-related and, now that cross-subsidising is possible, the 20 points will be reduced to zero over the next 5 years.

Hence, the points on these properties should be progressively reduced each financial year, on the first Monday of April:

	95/96	96/97	97/98	98/99	99/00	00/01
10 Cromartie (flat 1)	175	171	167	163	159	153
10 Cromartie (flat 2)	134	130	126	122	118	114
10 Cromartie (flat 3)	151	147	143	139	135	131
10 Cromartie (flat 4)	151	147	143	139	135	131
10 Cromartie (flat 5)	134	130	126	122	118	114
10 Cromartie (flat 6)	151	147	143	139	135	131
10 Cromartie (flat 7)	134	130	126	122	118	114
10 Cromartie (flat 8)	134	130	126	122	118	114
10 Cromartie (flat 9)	151	147	143	139	135	131
10 Cromartie (flat 10)	134	130	126	122	118	114
10 Cromartie (flat 11)	134	130	126	122	118	114
10 Cromartie (flat 12)	134	130	126	122	118	114
71 Hartham (flat 1)	127	123	119	115	111	107
71 Hartham (flat 2)	122	118	114	110	106	102
71 Hartham (flat 3)	122	118	114	110	106	102
71 Hartham (flat 4)	139	135	131	127	123	119

#### Updated Rents

Towards the end of each financial year we declare the new 'pence per point', to meet our costs for the coming year. Of recent years, this has risen by the retail price index, but this is a guideline only. Rents charged for the coming year, as from the first Monday of April, are the maximum of:

- (i) the new policy rent calculated as described above, and
- (ii) for fair-rented tenancies, the registered fair rent

Registered fair rents have been rising faster than inflation and it is expected that, as from April 1997, most if not all rents will be policy rents. The aim is that our rent setting policy should apply to all ICHC-owned properties.

This principle applies from April 96 but modified in practice, since existing fair rents cannot be increased until re-registered. Transitional arrangements for 96/97 are set out in Keith Burke's report (attached) entitled 'ICHC Fair Rent Registrations 1996' Fair rents have still to be re-registered every two years (a Housing Corporation requirement, protecting tenants from higher than fair rent increases). As a rule of thumb, we should apply for existing fair rents increased by two times inflation.

## APPENDIX to ICHC Rent Setting Policy Update (as from 03.04.96)

### The Points and their Categories

<b>Original Categories</b>	<b>Key</b>	<b>Points</b>
Basic (flat / house)	B1	65
BedroomSB	LB	17
Small / utility room / space	SB	5
New build	NB	5
Insulation	IN	5
Self-contained kitchen	SK	2
Own entrance	OE	5
Central heating	CH	10
Full gas fire	FF	5
Two other amenities	OA	2
Access to garden	AG	3
Access to yard	AY	2
Sole use of garden / yard	SU	2
Bed-sitting room	BS	7
<b>Additional Categories</b>		
Basic (bedspace)	B2	45
New scheme	NS	20 reducing to 0
Roof garden	RG	3
Service charge	SC	6

All of these categories refer to amenities except 'new scheme' which will be phased out over the next five years (see update).

Address	Points	Current registered	New rent
110A Alexander	97		38.97
110B Alexander	119		47.82
10B Evershot	131		52.64
32A Shaftesbury	95		38.18
The Triangle			
4/1 Cromartie	109		43.80
5/1 Cromartie	127		51.04
8/1 Cromartie	107		43.00
10/1 Cromartie	107		43.00
11/1 Cromartie	126		50.63
15/1 Cromartie	107		43.00
18/1 Cromartie	107		43.00
19/1 Cromartie	107		43.00
20/1 Cromartie	107		43.00

NOTES

1 – The points on this property have increased by 5 due to the replacement of gas fires (5 points) with central heating (10 points).

General

The current rents charged for all of the above should be the same as the rents specified in the CURRENT REGISTERED column. Until the new registrations come through we cannot charge any rent above this amount.

The amounts specified in the NEW RENT column have been worked out according to the Co-op's Rent Setting Policy (ie Points x Pence Per Point (currently 40.19p) = Rent Charged). These policy rents are the rents which should be charged once we have received the new registrations from the Rent Officer Service and after four weeks' written notice to the tenants.

In calculating the above, it has been assumed that the new registered rents will be somewhat higher than the Co-op's own policy rents, we will have to charge the registered rent instead. To put the point in another way, the rents charged for these and for all other fair rent properties should be for the lower of policy rents or registered rents.

Assuming that we receive the new registrations within the next couple of weeks, and after notification to the tenants concerned, the rents for the above properties will increase sometime in August. Further increases (calculated in accordance with the Points x Pence Per Point formula) will then be due on 1<sup>st</sup> April 1997, and again on 1<sup>st</sup> April 1998. Such increases must not exceed the maximum rent level determined by

the Rent Officer Service.

Three other properties have been registered as fair rent for the first time this year. This came about because three existing Co-op tenants who were entitled to retain their fair rent status were transferred to properties which had not previously been registered.

The properties concerned are: 71B Hartham Road, 71C Hartham Road and 1/10 Cromartie Road. 71 Hartham Road and 10 Cromartie Road are both new HAG funded properties.

The rents for these properties have already been set for this year under the Co-op's Rent Setting Policy (ie Points X Pence Per Point), taking into account a reduction of 4 points under the new rent pooling arrangements for new HAG funded properties. The current rents charged for the above will not be affected unless the new registrations are lower than those determined under the policy, in which case the registered rent will be applied.

It should be noted that the points allocated under the category of New Scheme (NS) on both of the Co-op's new HAG funded properties (71 Hartham and 10 Cromartie), are to be reduced by 4 points on the 1<sup>st</sup> April each year until the year 2000.

#### Summary

The rents for all ICHC owned properties are worked out under the Rent Setting Policy in accordance with the Points X Pence Per Point formula.

The number of points are calculated according to the number of rooms and type of facilities for each property. Under normal circumstances the points will only change from year to year if the facilities change (however, please refer to note above on new HAG funded properties). A new Pence Per Point is determined each year when the Co-op sets its annual budget.

Rents are increased on the 1<sup>st</sup> April / 1<sup>st</sup> Monday in April each year.

In the case of fair rent properties, rents charged are for the lower of policy rents or registered rents, as we cannot charge more than the rents determined by the Rent Officer Service.

For all its fair rent properties the Co-op applies once every 2 years for a new registered rent. In calculating the new rent to be applied for the following formula is used:

Current Policy or Registered Rent (whichever is the higher) plus an additional amount equivalent to the percentage rent increases implemented by the Co-op over the previous 2 years. Percentage increases over the last 2 years were 3% in 1995 and 3.8% in 1996 = 6.8% total.

## **RENT SETTING INCREASES FOR 1997/98 AN AMENDMENT TO THE 1996 SETTING POLICY**

In setting rents there are two major considerations, that

- a) the rents should be affordable to members, and
- b) the properties should be well maintained/improved within the constraint, that ICHC remains financially viable.

In recent years we have succeeded in limiting rent increases to inflation, in particular the retail price index (currently 2.5%). A further 0.6% increase each year for the next five, for rent pooling, was agreed last year.

In 1997/98, we can expect a substantial increase in the costs of major repairs not qualifying for grants: 45064 at the latest count plus costs of subsidence less insurance claims.

We can expect further such costs in future, when our Stock Investment Strategy is set up, but these costs are unusually high, containing as they do an element of backlog. In short, we expect to control them better in the future.

Anticipating such problems, we set up an additional provision for major repairs in 1995, over and above the requirements of the Housing Corporation. Including the contribution from the 1997/98 budget, this amounts to some £60000.

In addition, we enjoyed an increase in general reserves in 1995 of 150000, of which 110000 was a windfall 'prior year adjustment'

The MC of 05.02.97 and the GM of the 19th February 1997 agreed the recommendation from FSC, for the 1997/98 Annual Rent Increase on ICHC owned properties. (As from April 1997.)

Rent will be increased by 3.1%

Members are warned that similar low increases may not be possible in the future.