



Notes from the HQN Rent Compliance Forum – April 2022

More than 60 members of HQN's Rent Compliance Hub attended the first forum meeting in April. Here are the notes from the issues discussed in each breakout session.

Breakout 1 – Strategy & Regulation [Chair: Emma Turay, Assistant Director of Rents & Service Charges, Notting Hill Genesis]

1. The 2022/23 increase for CPI+1% equates to 4.1%, the highest increase since 2012/13. What approach did your organisation take and what considerations were made at a Board level?

- Most applied 4.1% increase
- One local authority applied 3.1% increase on their affordable rents
- What considerations are providers taking in view of projected September CPI of c.9%.

2. In the RSH sector risk profile/standard published last autumn, the regulator noted that organisations should endeavour to keep service charge increases at CPI+1%. What preparation or work has been done around this?

- Budget generally based on cost so not tenable to cap these
- One provider took the view to look at stock condition and cap rent/ service charges where property condition means that tenants would have high utility costs.

3. What approach have you taken to manage and monitor the compliance of rents subject to a section 106 contractual arrangement which have additional rent setting stipulations?

- Not many providers have done this. Difficult to get hold of all contracts
- Local authorities, in general, have not carried out checks but known risk of compliance
- Reference to system flags and s106 directory population for rent setting purposes and KPIs.

4. What governance is in place around signing off policies and rent increase formulas. Are solicitors consulted on this?

- Policies are signed off at policy review group, but solicitors consulted (but not widely). The annual strategy paper to Board is signed off first and the content incorporated into a policy update

- Most boards signed off at policy board
- Annual paper on forthcoming year rent setting/ increases signed off at board or governance level by most, depending upon the size of the organisation.

5. Do you carry out internal/ external audits and what is covered on rent setting/ increases – what do the auditors check?

- External audit carried out by one provider every two years.

Breakout 2 – Compliance with the Standard [Chair: Salina Karim, Rents Compliance Manager, Notting Hill Genesis

1. Data is really important to ensure rents compliance. What approach and how do you ensure that the following issues do not arise:

a) Poor and inconsistent data in the housing management system

- Most carry out several data checks & data cleaning exercises throughout the year
- Some ensure that properties are coded with different rent types, so the correct rent increase will be applied
- Rents officer does weekly rent checks against the housing management system similar to the Rents App used by NHG but via a spreadsheet. Also do data validation checks monthly using truth tables within excel which throws out mismatch rent types, etc.

b) Missing 1999 valuations/formula rents – still using spreadsheets to calculate formula rents.

- Different platforms were mentioned as being used to calculate 1999 property value, some mentioned – local valuer, internal surveyor, Nationwide, Rightmove/Savills or look at similar properties
- One provider used a local valuer to carry out a one-off calculation for all missing 1999, this was costly, but they now have the valuations. If the number of beds is changed it goes to the valuer.

c) Categorisation of differing rent types and formulas – specifically, outdated information on specialist and temporary accommodation exemptions, and having no flag in the system to identify these.

- No comment on this

2. What methods are landlords commonly using for the calculation of an affordable rent figure prior to letting of a vacant property? Has anyone had it confirmed that their chosen method is a 'RICS recognised methodology'?

- Different platforms were mentioned such as Rightmove/Savills, Hometrack, DTP, local agent or district agent valuer. Local agent can cost from £90 to £120 for each valuation, Rightmove/Savills charges approx. £20 per valuation, Hometrack charges £1 to £2.

3. What is the length of time valuations are re-used for properties of the same size and postal area?

- Most Market Rent Valuations are checked/calculated using RICs approved platform at the time of the property being re-let and are used within two months.
- Some providers said within valuation are used within six months and where the valuation was done by an agent it was used within 12 months.

4. Do any landlords regularly audit their social rent charges (i.e., checking that rents are where they should be against formula rent), how often they do this and what tolerances have they applied around the formula rent to allow for rounding up?

- NHG uses Rents APP to calculate Formula rents

5. Where applicable, how are local authorities notified of rent changes, what format does this take and what deadlines are required?

- Most put together on a spreadsheet either using own template or template provided by the local authority
- One provider has their own report for HB which is sent to them, they also have three LAs that receive a 3p file. Due to having 155 LAs they cannot send individual reports to them
- Another provided has around 65 local authorities and sends spreadsheet to all.

6. Affordable rents – is the breakdown of service charges provided? What about variable service charges? Any issues with housing benefit/ universal credit?

- Some providers show the service charge separately on the Tenancy Agreement and Rent Review letters.
- Most show the rent inclusive of the service charges on the TA and letters. In some cases, they were not but recently merged it all together.
- One provider changed at the time of re-let and showed only the rents on the TA
- UC is very particular and will be interested in seeing the service charges if shown separately.

7. Do tenancy agreements stipulate rent types? Have you faced any tribunal challenges around this?

- Different views here – some do not distinguish on the TA and uses a standard tenancy agreement.
- Other providers have lots of different TAs but face issues with tying back to housing policy and there may be conflict between them.
- It was also mentioned that there is something in the law that states that there should be a different TA for Affordable Rent tenancy.