

# Ham Close Website/FAQ Page/Resident FAQ/Indicative Rent FAQ INDICATIVE RENT FAQs

RHP tenants and members of the wider Ham Close Stakeholder Reference Group raised the following questions at a meeting held on 21 June 2017. The answers below have been provided by RHP and have been [UPDATED](#) 1<sup>st</sup> March 2021..

## **1. How is the indicative rent calculated? Is my service charge included?**

The indicative rents will be calculated based on the relative value of the property, relative local income levels, and the size of the property. This formula was introduced by Government in 2001, and has been used since that date to calculate rents. They are based on the value of the property in 1999, and the resulting rent is the "formula rent" (it has also been called target rent). At the same time (2001), a rent cap was introduced – this sets the maximum rent for each bedroom size, and whatever the rent is calculated by applying the formula above, the rent cap is the maximum that can be charged by a social landlord. The rent cap has increased each year, and remains the maximum that can be charged.

Service charges are not included in the indicative rent.

## **2. What are the reasons behind the increase in rent? What is the formula used?**

The increase in rent is primarily a result of the relative increase in the 1999 value of the new homes compared with the existing. The rent formula used is fixed by government policy, as is the increase applied each year. RHP can only charge rents in accordance with these policies. From 2001 to 2014, rents have been increased by the [Retail Price Index](#) (RPI) plus 0.5% plus a maximum of £2 where the rent was below formula level. In 2015, the policy changed and rents were increased by [Consumer Price Index](#) (CPI) plus 1%. In the summer budget 2015, rents were reduced by 1% a year for four years starting from April 2016. In October 2017, government announced that social housing rents would rise at the CPI plus 1% between 2020 to 2025.

## **3. What assurances can you give that rents won't dramatically increase each year and that it will be kept in line with inflation or the relevant government policy?**

RHP can and will only set rents on the basis of government policy; at present they will only increase up to September's CPI + 1%, for example rents only increased up to 1.5% in 2021/2022. There is a maximum rent for each property size and this means that a social landlord cannot increase rents to whatever they like.

## **4. Will I be able to afford the new rent?**

RHP has conducted some rent modelling and whilst this is not finalised we are looking at ways of minimising the increases and will be able to give more information on this once further calculations have been completed. We have had some preliminary modelling completed on the likely reduction on fuel bills as a result of the new builds' substantially improved energy efficiency and this shows that fuel bills may reduce by between 47% (1 bed flat) and 61% (3 bed flat). This will help off-set some of the potential rent increase.

## **5. Why were rent caps given to some tenants in 2002? Will this affect anyone on Ham Close?**

In 2001 formula rent and rent caps were introduced by Government. The reason for the delay in applying these to Ham Close residents is not clear. The current rent caps per week are set out below, and these are the maximum rents RHP can charge in 2021/22.

Studio	148.88
1 Bed	148.88
2 Bed	157.62
3Bed	166.38
4Bed	175.12
5 Bed	183.89
6 or More	192.64

## **6. What evidence can you provide from other regeneration schemes to show residents have not been pushed out and can afford the new rent?**

RHP have found no data that shows that residents have not remained due to affordability if they are on the same rent formula. RHP are looking at ways of minimising increases and will be able to give more information once further calculations have been completed. RHP will work with our existing residents on a case by case basis and do all we can to assist residents in meeting their rent payments.

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