



AGENDA ITEM 6

Title: Rent Increase 2022/23	Date of Meeting: 6 th December 2021
Author: James Walder & Adam Clark	Email: james.walder@northstarhg.co.uk
Job Title: Executive Director of Finance and Business Support; Executive Director of Customers	
Strategic Heading: Strategy	Status: Decision
Purpose: To recommend the rent increase for the 2022/23 financial year and also provide Board with information and analysis of the rent charges across North Star.	
Recommendation: Board approve the rent increase of CPI+1% (4.1%) for the 2022/23 financial year.	

1. Background

The focus of this paper is the rent increase for 2022/23 and the impact on tenants of the proposed increase.

There is also a range of information around rents levels and tenure types to provide Board some context to the proposed rent increase.

The data shared in this paper is as at 30th September 2021 unless stated otherwise. There is some data on supported housing but the majority of the information presented relates to the general needs properties across the Association and excludes service charges.

The main sections in this report are:

Context – this section provides some background to rent setting and service charges

North Star Financial impact – this section focuses on the financial impact of rent increases and the financial context for rent increases

Customer Affordability – a comparison of the rent level and average net earnings in each local authority area

Customer Context – this provides information about Universal Credit, Housing Benefit and regional economic conditions

2. Context

Rents for social housing have become an increasingly complex with rent setting included in the 2021 Sector Risk Profile and the RSH also publishing a specific addendum on rent setting in 2019 (ADD LINK).

Up until 1988 all rents were set by a rent officer – these are called secured rents. Post 15 January 1989 a new assured rent was introduced and then on 11 July 2011 a new affordable rent was created. More information about how the rents are calculated for each tenure type is included in Appendix 1.

All registered providers are required to set rents in line with the government's Policy Statement on Rents for Social Housing.

After a four year period (2016-2019) of rent decreases of -1%, a new rent settlement agreement was agreed by the Government with a CPI+1% increase for the five years from 2020/21. The extra 1% was awarded with the specific intention of supporting the development of new units. We are now in the third year of rent increases. The September CPI used in the rent increases for 2020/21 and 2021/22 were 1.7% and 0.5% respectively. With the September 2021 CPI at 3.1% this means that the average CPI over the last three years has been 1.76% and therefore a maximum permitted rent increase of 2.76%.

The majority of the information presented in this paper covers general needs rent levels and does not include service charges. There are 615 general needs tenants who pay a service charge. The average service charge in 2021/22 is £5.63 per week and there is a separate process to set the annual service charge for these customers. The most common services provided to general needs customers are grounds maintenance, fire alarm servicing, window cleaning and communal utility costs.

The policy statement for rents on social housing, issued in February 2019 states:

“Service charges are not governed by the same factors as rent. However, registered providers should endeavour to keep increases for service charges within the limit on rent changes, of CPI + 1 percentage point, to help keep charges affordable”.

More detail on service charges is included in Appendix 1.

The CPI for September 2021 was 3.1% and therefore the maximum increase that North Star can apply from 3rd April 2022 is 4.1%. This increase applies to general needs and supported housing properties. This is the maximum increase we can apply, we are not obliged to apply it, if we so choose.

3. North Star – financial impact

There are a number of reasons for applying the maximum rent increase:

- Our April 2021 business plan assumes that rent increases will apply for the next three years and had forecast that CPI would be 1.75% for the 2022/23 rent increase and therefore an increase of 2.75%. Whilst the impact of not applying the full increase in the first year of the plan isn't significant the table below shows how this compounds over the 30 years of the business plan:

Year	Cumulative Income Reduction (increase of 0% v 2.75%)
1	£311k
5	£1,342k
30	£13,622k

A change of 1% in the rent level has an impact of £175k (1 Year), £750k (5 years) and £7.8m (30 years). This shortfall will never be recovered unless there is a change in the approach to rent setting by the Government.

- Rent increases are a key part of allowing North Star to continue investing in existing stock, developing new units and supporting communities. The [Surplus for Purpose](#) document, approved by Board in 2019, sets out why it is important for North Star to generate surpluses and rent increases are a key element of this.

- The four years of rent decreases have impacted the operating margin of North Star and our peers. The operating margin has reduced placing more pressure on loan covenants and the prioritisation of spend.
- We have significant competing financial priorities going forward; decarbonisation and increased health and safety requirements of existing stock, building new homes to tackle the housing crisis and possible increased investment in communities post pandemic.
- Our rents are relatively low, compared to the national average, so the average increase is also relatively low. We have a very high concentration of stock in very low value areas. Our average rent level is £90.42 and so a rent increase of 4.1% equates to £3.70 per week or £192.40 over a full year.

Other factors for the Board to consider are:

A number of North Star costs are rising in 2021/22 and are forecast to continue to rise in 2022/23. This includes materials for development and maintenance and a more detailed paper will be shared at the December 2021 meeting showing that some costs are rising by significantly more than inflation. This will put pressure on the North Star finances in 2022/23.

The latest Bank of England forecasts predict that CPI will continue to rise during 2022 and will peak at around 5% before reducing in 2023. This means that the costs pressures could continue to impact North Star in the next two to three financial years. There is also a lot of uncertainty over the level that costs will return to after the period of high inflation.

We will be creating an investment fund of £200k in the 2022/23 budget. This represents the additional income we could get as a result of the higher CPI (e.g. the difference between a rent increase of 2.75% assumed in the business plan and a rent increase of 4.1% as per the September CPI data). We are currently working with staff on how this money could be spent with the intention of supporting our customers and communities. We will provide more information to Board about this fund as part of the 2022/23 budget paper in March 2022.

Through discussions with peers and webinars all other registered providers are proposing to increase their rents by CPI+1% (4.1%) in 2022/23. A number are also creating hardship or investments funds to support customers in 2022/23.

In conclusion, factors to consider in relation to the rent increase

- Not applying the full increase results in a permanent loss of income
- There are a number of priorities for North Star – health and safety compliance, decarbonisation, development of new units and investment in communities. All of these need to be funded.
- There will be significant cost inflation in a number of areas in at least the next two financial years
- The additional income from the higher level of CPI will be used to support customers and communities

4. Customer Affordability

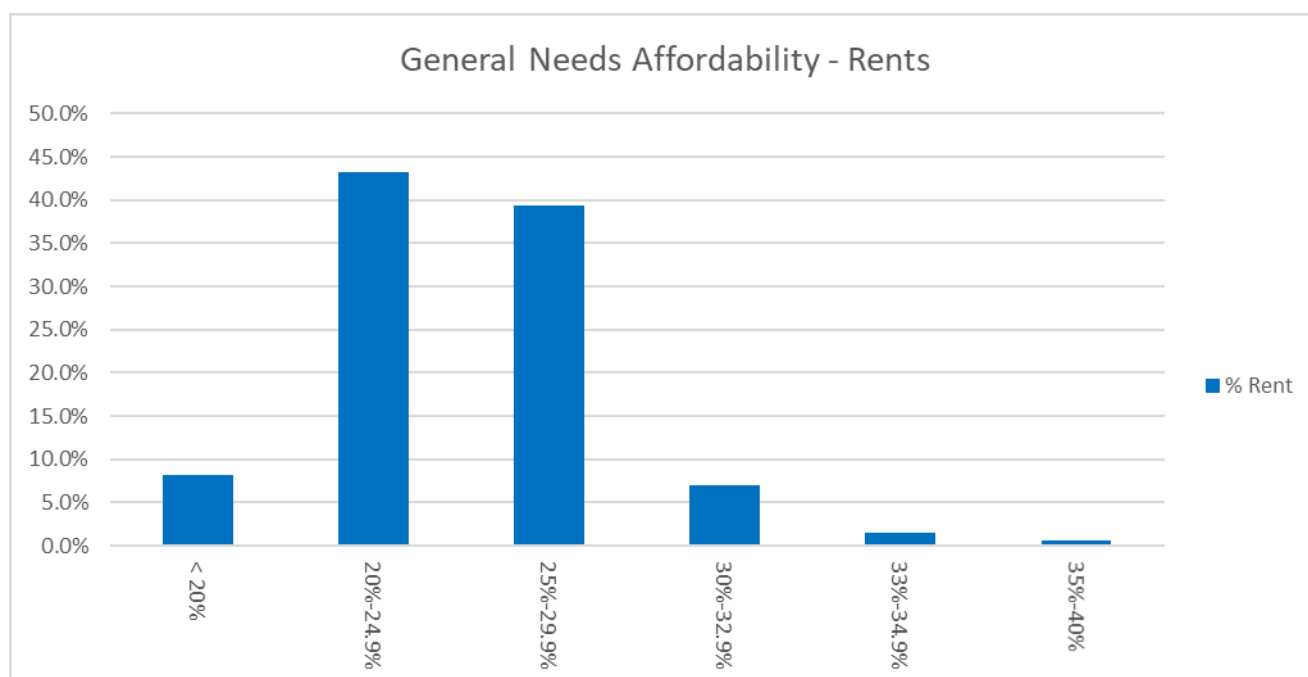
A key consideration for Board is the affordability of rents. We don't hold detailed economic data about our tenants so have used data from the Office of National Statistics on average earnings. As with a number of organisations in the sector we have adopted the approach to affordability set out in the [Good Economy White Paper](#) (page 30). This approach compares the rent level to the average net local earnings. As per the report 'Affordable rent are typically defined as costing no more than 35% of a household's net income.'

The threshold of 35% is being used by a number of peers, including several in the North East, to assess the affordability of rents. There is also guidance in the Affordable Housing Commission that sets the affordability threshold at 40%. The report can be viewed on [Report](#) and page 25 sets out their approach to affordability. However, we have chosen to use the lower threshold of 35% in this report.

The table below uses the Office of National Statistics earning data which is recorded at local authority level. This

Local Authority	Average Gross Weekly Earnings	Average Net Weekly Earnings
Darlington	487	406
Hartlepool	487	407
Middlesbrough	421	357
Redcar and Cleveland	439	367
Stockton-on-Tees	469	392
County Durham	469	392
South Tyneside	461	385
Sunderland	433	362
Hambleton	444	371
Richmondshire	377	315
Ryedale	451	377

The chart below shows the % rent over the average net earnings.



There are a total of 19 properties, within our general needs stock, that are above the 35% threshold for rent and this can be broken down into:

Assured Rent (3)

These are three properties in Middlesbrough that marginally exceed the 35% threshold. This is due to a combination of the low average earnings in this area – Middlesbrough has the second lowest of the areas we work in – and the high number of bedrooms in these three properties – two have 5 bedrooms and one has three bedrooms. One factor in the calculation of a target rent is the number of bedrooms in a property – more details are available in the [rent setting background](#) document.

Affordable Rent (16)

As noted in rent setting background document, rents for these properties are set 80% of the local market rent and therefore have been set in line with the affordable rent guidance which we have to charge as part of the affordable rent programme. 15 of these properties have 3 beds and one has 4 beds. 7 are in Newton Aycliffe (Durham), 6 are in Scotton (Richmondshire), 2 are in Thirsk (Hambleton) and 1 is in Stockton (Stockton-on-Tees).

Some other affordability considerations are:

- The combined impact of rents and service charges – 651 general needs customer pay a service charge as well as rent. Analysis in Appendix 1 shows the affordability when rents and service charges are combined and for general needs properties the inclusion of services charges has a minimal impact. The inclusion of service charges does not change the number of properties above the 35% threshold.
- Some organisations also use the Local Housing Allowance (LHA) as a guide for affordability – the comparison in Appendix 2 combines rents and service charges. Local housing allowance (LHA) rates are used to work out how much universal credit or housing benefit you get if you rent from a private landlord. It is set by government and is not expected to be increased in 2022/23.
- Customer satisfaction with rent offering value for money was 96% in our most recent survey.

In conclusion there is only a small percentage of general needs properties fall outside the 35% affordability threshold.

5. Customer Context

We do not collect detailed socio-economic data relating to our customers so use local authority, Office of National Statistics and other external sources of data in our analysis. As at 1 November 2021, 65% of North Star customers are in receipt of Housing Benefit (HB) or Universal Credit (UC). 1,086 North Star customers are in receipt of UC and 1,073 receive HB. In response to the COVID pandemic UC standard allowances were temporarily raised £20 per week. This ceased from October 2021 and allowances returned to [pre-pandemic rates](#).

Since 2011 Consumer Prices Index (CPI) has been the Governments preferred measure used to uprate benefits. Between 2015 and 2020 benefit levels were frozen as part of the Welfare Reform and Work Act 2016. In April 2021 most working age benefits including UC and HB were raised by 0.5% in line with CPI.

At the time of writing the Department for Work and Pensions has not confirmed its benefit 'uprating' for 2022/23. A CPI increase is anticipated which largely mitigates a rent increase for benefit dependent households, although any customers under occupying their home will

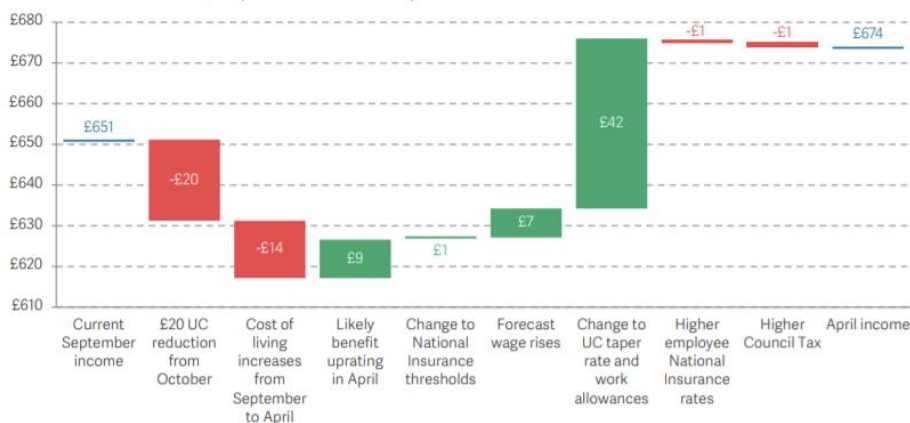
continue to encounter a 14% reduction for one spare room and a 25% reduction for two or more spare rooms.

Universal credit is a complicated allowance and there are a range of adjustments that can affect how much a customer receives. In the budget Government increased the UC 'work allowance' from £293 to £335 and reduced the UC 'taper rate'. This effectively raises the amount households with children and disabilities can earn before their benefit entitlement is reduced. These changes were introduced on 24th November 2021. The changes do not benefit single households and couples without children who do not receive a 'work allowance'. Neither do the changes effect households unable to work or who are seeking work.

The measures will positively impact income for working households with children sufficiently to offset the £20 reduction in UC, as illustrated below in modelling by the Resolution Foundation (figure 13). This modelling includes a range of factors likely to impact household income up to April 2022. Slide 14 from the report illustrates the impact for a single parent working part time.

FIGURE 13: For families in work, the changes to the UC taper rate and work allowances are welcome improvements to their incomes

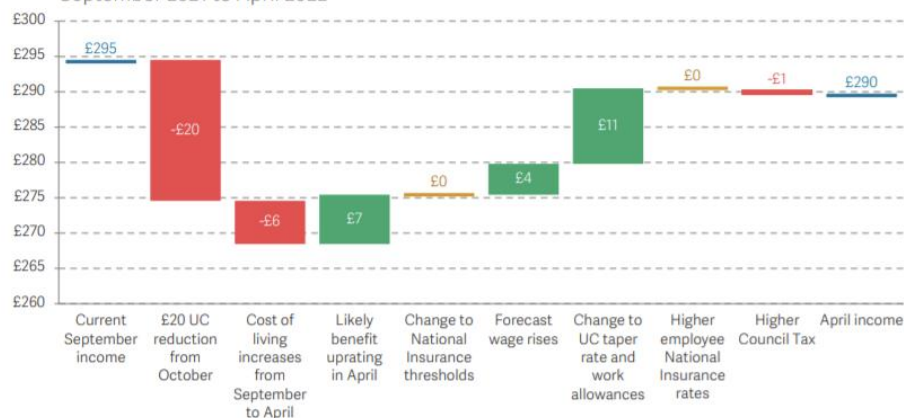
Changes in household income per week for a couple working full-time at the 25th wage percentile and part-time (20 hours) on the NLW with two children with housing costs of £160 a week: UK, September 2021 to April 2022



NOTES: Cost of living increase calculated as effect of OBR inflation forecast on income purchasing power. Earnings increase calculated as OBR earnings forecast and National Living Wage rise. SOURCE: RF case study model.

FIGURE 14: For lower-income families, the UC cut still dominates any other income effects over the winter

Changes in household income per week for a single adult with one child, working part-time (20 hours) at the National Living Wage with housing costs of £140 a week: UK, September 2021 to April 2022



NOTES: Cost of living increase calculated as effect of OBR inflation forecast on income purchasing power. Earnings increase calculated as OBR earnings forecast and National Living Wage rise. SOURCE: RF case study model.

In the autumn budget Government announced an above inflation increase (6.6%) to the National Living Wage to £9.50 an hour, this will take effect from April 2022. The National Living Wage is the Government minimum for people aged over 23 and is set as a percentage of median earnings. In addition the current and projected wage growth are both in excess of 4% which will benefit those customers in work.

Regional Context

The North East has the highest rate of low income and deprivation. The Tees Valley is the second most deprived Local Enterprise Partnership area in England with all five districts in the 15% most deprived local authorities nationally, with employment deprivation featuring highly.

The Tees Valley [economic assessment](#) identifies average housing rents account for a smaller percentage of 'take home pay' in the Tees Valley at 25%, behind the North East 26% and the rest of England 38%. However, full time median wages in the Tees Valley are lower on average, £28k compared to £32k nationally.

Government labour market statistics for period July 2020 to June 2021 show 24% of people in the North East region to be economically inactive, above national average at 21.8%. The table below highlights the level of economic inactivity in the primary local authority areas in which North Star operate.

	Number	%
Middlesbrough	26,000	29.9
Redcar and Cleveland	22,900	28.6
Hartlepool	15,400	27.2
County Durham	76,200	23.7
Stockton-on-Tees	25,600	21.5
Darlington	12,700	19.9
North East	395,300	24.3
UK	8.9m	21.8

Middlesbrough and Hartlepool continue to feature in the top ten most deprived local authority areas in the English indices of multiple deprivation. At 42%, Middlesbrough has the highest child poverty rate in the North East, before housing costs are applied.

In the months running up to April 2022 high inflation and energy bills are anticipated to impact customers. The Retail Price Index (RPI) inflation is at 4.9% and is forecast to remain over 4% for 2022. Council tax is expected to rise by 5% across many local authorities alongside increased national insurance contributions from April 2022.

The most recently published [data](#) on households in fuel poverty, prior to gas price increases (below), shows Tees Valley local authorities largely above with the national average. Nationally, the region has the third highest proportion of fuel poor households behind West Midlands and Yorkshire. Middlesbrough, Durham and Hartlepool are all above the regional average.

	Number of households in fuel poverty ¹	Proportion of households fuel poor (%)
Middlesbrough	9,966	16.5
County Durham	36,620	15.5
Hartlepool	6,292	14.8
Redcar and Cleveland	9,066	14.4
Darlington	6,881	14.0
Stockton-on-Tees	10,829	13.0
NORTH EAST	176,869	14.8
ENGLAND	3,175,979	13.4

North Star's welfare benefit and housing teams continue to place significant focus on providing support and advice to customers, signposting to specialist debt services where appropriate. Operating in small, focused patches enables the staff to build strong relationships and identify quickly customers who are struggling with rent payments and debts.

In conclusion, increasing rents will most impact customers paying their own rent on low salaries. 65% of customers receive payment of some UC or HB which will mitigate CPI increases to rents, subject to Governments uprating review. For working households changes to UC allowances, taper rates and increased National Living Wage will help offset increases in cost of living and tackle in work poverty. This does not benefit those out of work or seeking work who will feel the impact of rising costs of living.

General Needs Average Rents 2021/22

The average rent for a general needs property is £90.43. There are a wide range of rents within each property type which reflect the diverse geography of the stock, the age of units and also the rent policy at the time of their development or letting. The table below demonstrates which shows the highest and lowest rent for a house or bungalow along with the location:

Flat

	Lowest Rent	Highest Rent
1 Bed (286 units)	£59.00 (Darlington)*	£97.19 (Hartlepool)
2 Bed (193 units)	£72.42 (Middlesbrough)*	£106.25 (Middlesbrough)

House/Bungalow

	Lowest Rent	Highest Rent
1 Bed (190 units)	£63.70 (Durham)	£95.35 (Hartlepool)
2 Bed (1429 units)	£57.00 (Stockton)*	£128.78 (Darlington)**
3 Bed (938 units)	£76.09 (Middlesbrough)*	£135.62 (Hambleton)**

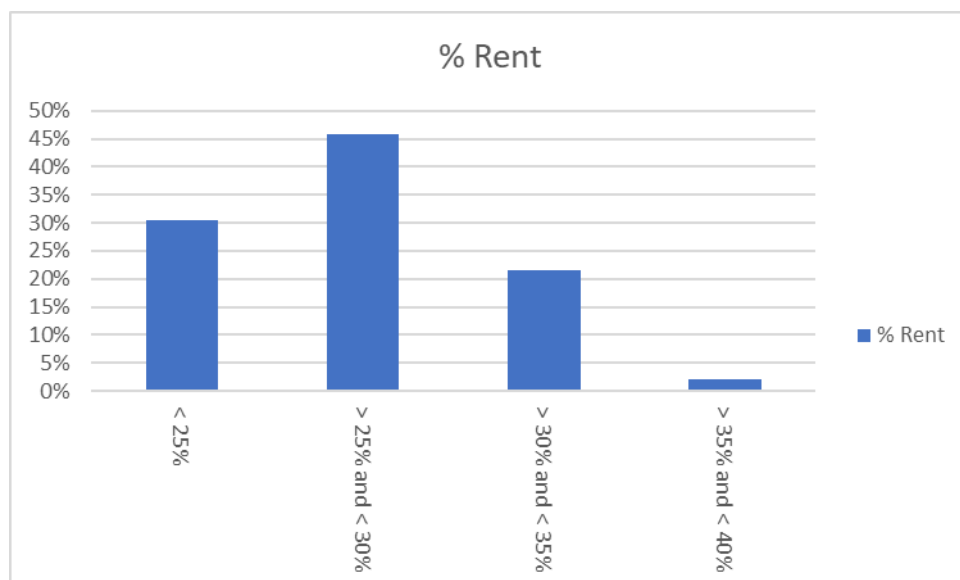
* Secured rent ** Affordable rent

The history of new rent setting policies has led to a situation where similar properties on the same street can have very different rent levels. An example is the 3 bed house properties on Orwell Street in Middlesbrough:

Tenure	Average Rent
Secure	£78.93 (4 units)
Assured	£91.88 (12 units)
Affordable	£94.14 (2 units)

Supported Housing Average Rents 2021/22

Due to the bespoke nature of supported housing it is difficult to provide any meaningful context to the rent levels that are charged. There is a national systemic issue with how supported housing is funded. The average rent for supported housing is £101.59. The calculation of the target rent for a supported housing unit includes the permitted uplift of 10% (for context the target rents for assured units includes the permitted uplift of 5%). The chart below shows the affordability of rents for supported housing units:



Out of the 457 units there are 9 properties (2%) that exceed the 35% affordability threshold for rent. 8 of these are 2 bed flats at Rosedale, Middlesbrough, where the rent is 35% of the average net earnings and there is also a 3 bed property in Sunderland that is 37% of the average net earnings. The majority of our supported housing tenants are in receipt of housing benefit.

Rents are set in line with the Rent Standard but many supported housing units also have higher levels of service charges due to the range and nature of the additional services that are provided. The average weekly service charge in 2021/22 for a supported housing unit is £77.85.

As with general needs service charges there is a consultation process carried out with tenants and we also engage with the relevant local authority over the services provided and the costs.

6. Assurance on Rents

The Regulator is understandably finding Housing Associations making errors when operating in this complex rent policy setting as it easy to get it wrong. Some of these errors though are

significant and relate to increases, which has resulted in regulatory downgrades. We have had an Internal Audit of our rent setting in September 2019 but realise we need to do more given the Regulatory context and have worked through a published self assessment from the consultants Campbell Tickell.

Campbell Tickell consultants have created ten key questions that focus on providing assurance to management and Board on rents and rent setting. The completed document is available in Appendix 3 and provides assurance to Board on the rent setting process and compliance with the Rent Standard.

7. Rent Setting Policy

A rents and service charge setting policy was approved by the EDFBS in 2020 and this takes account of the 2020 Rent Standard and the 2020 rent setting guidance. There are some properties that are exempt from the Rent Standard and we have flexibility of rent increases in relation to these.

Exemptions

A full schedule of these properties is set out below. North Star's policy is to increase these rents by the September CPI or the terms of the relevant lease or other documentation.

Category	Average Rent 2022/23	Units
Shared Ownership	£44.13	9
Intermediate Rent	£134.55	12
Almshouses (JPC and MIWT)	£96.96	6
Community Land Trust	£105.15	3
Schemes developed without public subsidy	£378.26	8
Private Sector Lease	£251.43	7
TOTAL excluding garages		95
Garages	£4.74	118
TOTAL including garages		213

8. Recommendation

Board to approve the rent increase of CPI+1% (4.1%) for all general needs and supported housing properties from 3rd April 2022.

9. Strategic Risk

[SRR6- Not meeting regulatory expectations](#)

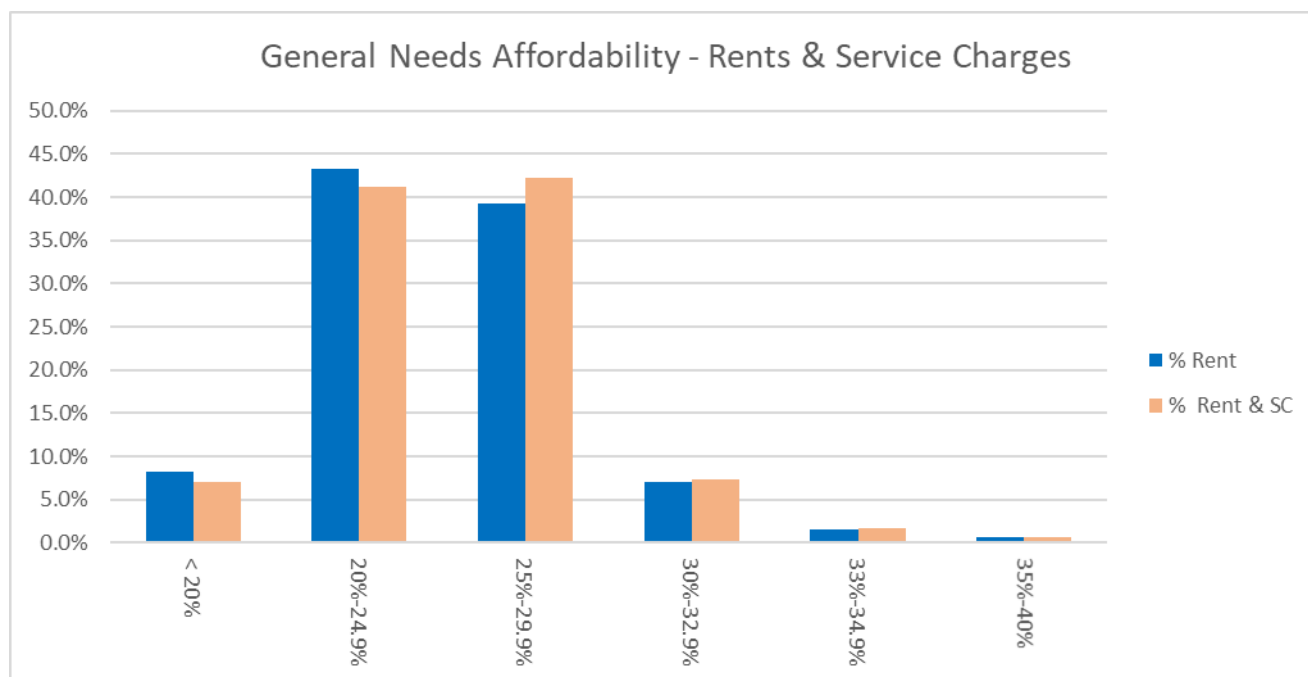
Risk Appetite

Legal and regulatory compliance – Very Low

Service charges

A number of the contracts we have relating to service charges have fixed prices and for those contracts that allow an annual price increase we will be working with all contractors to minimise any cost increases for 2022/23.

The process for setting service charges for 2022/23 will include consultation with customers. The table below shows the impact on the affordability calculations when service charges are included:



There is no change to the number of properties that exceed the 35% threshold.

Appendix 2

Comparisons to LHA Rates

Local Housing Allowance (LHA) - is the amounts of Housing Benefit or Universal Credit a household is entitled to when renting from a private landlord. The LHA rate is based on rents being paid in a defined local area. LHA rates are fixed at the 30th percentile point for rents in each size category in a local area. The LHA rates offer perspective on the affordability of our homes.

LHA rates include rent and eligible service charges therefore the comparison to the LHA rate includes service charges in the North Star average rent figures. This data only relates to general needs properties.

LHA Area	2022/23	Shared Accom.	1 Bed	2 Bed	3 Bed	4+ Bed
Teesside	Av rent	-	£87.37	£95.24	£102.61	£111.85
	LHA rate	£65.00	£86.30	£99.65	£115.00	£155.34
Darlington	Av rent	-	£78.39	£99.47	£105.84	£122.49
	LHA rate	£66.50	£76.15	£92.05	£113.92	£151.89
Teesdale Darlington -	Av rent	-	£76.26	£91.91	£102.53	£108.80
	LHA rate	£66.50	£76.15	£92.05	£113.92	£151.89
Teesdale Durham -	Av rent	-	£70.50	£84.82	£91.20	£95.55
	LHA rate	£65.00	£74.79	£87.45	£103.56	£140.38
Richmond/Hambleton	Av rent	-	£101.94	£107.93	£119.57	-
	LHA rate	£75.00	£92.05	£115.07	£136.93	£172.60
Tyneside	Av rent	-	-	£102.66	£108.70	-
	LHA rate	£70.19	£97.81	£109.32	£126.58	£182.96
Ryedale	Av rent	-	-	£110.40	£129.56	-
	LHA rate	£65.50	£86.30	£111.62	£128.88	£149.59

Although average rent levels are all below the LHA there are some properties where the gross rent charge (rent and service charges) exceeds the LHA.

Properties above LHA

Amount over LHA		Build Year			
		Pre 1999	2000 – 2009	2010 – 2021	Grand Total
	<£2	64	30	48	142
	£2 - £5	141	29	80	250
	£5 - £10	92	24	126	242
	>£10	34	38	173	245
	Grand Total	331	52	427	879

There are 879 properties where the rent and service charges are higher than the LHA rate for the property size.

The above table shows that almost half of the properties exceeding the LHA are recent developments where the affordable rent level has been set in relation to market rents (49%).

For older properties with rent not established in this way, service charges account for 41% of our pre 1999 properties exceeding the LHA shown above. An example is a 1 bed flat in Grange Road, Middlesbrough with a rent of £81.61 (LHA average: £86.30) but the gross rent including service charge is £94.15.

Campbell Tickell Rent Standard Checklist

- 1. Does the Board have clear oversight of the rent setting process? Is rent setting on the risk map, what are the controls, and how are they operating? How does the Board get assurance that your rents comply with the Rent Standard?**

Rent setting is part of the Operational Risk Register and there are a range of controls and assurance documented against this risk.

Board can gain assurance that rents comply with the Rent Standard from a number of areas: staff knowledge, well established and clearly set out process, updated rent setting policy, internal audit in September 2019 plus the answers to the questions set out below.

- 2. Have you mapped every property to the rent rules? Has the organisation reviewed the arrangements for agency-managed houses and how the Rent Standard applies? Each property should be mapped to the rent rules so that there is clarity on setting the rents, increases and re-let rents.**

Yes - all properties are mapped to the rent rules and this also shows the change in rent each year. Each property is assigned, where relevant, a rent charge, social, affordable, secure and a service charge.

Agency rents are advised in a letter to the agency each year. The rents are calculated in line with the North Star rents. The letter advises the maximum rent they can apply and what they should increase their current rent by if it is below this figure.

- 3. Have you documented the reasons why properties are exempt from the Rent Standard? For example, in order to be specialist supported housing and outside the scope of the Rent Standard, the unit now needs to meet five main conditions. This has changed - under the 2015 guidance there were only three criteria.**

Yes - the exemptions are also highlighted in the Board report and also set out in the rent setting policy. The properties that are exempt are listed in the mapping document referred to in Question 2.

We have eight specialist support housing units - these are identified in the main Board report in the exempt properties section.

- 4. Do you keep up to date with the latest Government policy and has it been implemented correctly? Do staff have the requisite skills and knowledge to implement the policy? Does more than one person understand it?**

Yes - all rent standard guidance is reviewed by key staff. Although there is a clear lead and internal expert on rents there are also other Finance and Housing staff with knowledge and experience of rent setting and the regulatory requirements.

- 5. Is there a clear lead on rent setting, someone who is answerable to the board on efficacy and compliance? Are there approved up-to-date policies and procedures?**

Rent setting can involve at least two departments and it can sometimes fall into the gap between the finance and housing management teams.

EDFBS is the business lead and the operational lead is the Senior Finance Manager. The rent setting process also involves the housing team, with the Head of Housing leading on this. Any properties where specific involvement is required from Housing, such as garage rents or Private Sector Lease rents, are recorded in the mapping summary as referenced in Question 2. We also obtain confirmation from third parties, such as Thirteen and Five Lamps, where they are responsible for setting the rent.

The Rents and Service Charge Setting policy was updated in February 2020. A link to this policy has been provided in the main Board paper and we are in the process of having this document reviewed by David Tolsen Partnership (this will be completed in early 2022).

Each February, the Finance team provide the Housing team with details of the rent increases, exemptions and timings for rent changes.

6. What checks are there on applying the rent increase? If you use the three lines of defence, when did you last review controls? When did internal audit or an independent consultant last review the rent setting processes or the rents themselves?

A detailed review of rents is carried out as part of the budget setting process. This review is done by the Head of Finance and the Management Accountant using a template that shows the current year rent, the new rent levels and the percentage change.

An internal audit on rent setting was done in September 2019 and provided substantial assurance. The internal audit work checked a large sample of rents and a copy of this report is available on

We also changed our process for the completion of the Statistical Data Return (SDR) which collates data at local authority level. Our SDR workings analyse data at property level and this allows staff to investigate any changes to the rents that are not in line with the annual rent increase for each year.

7. How accurate is your underlying data on rents, tenancy, property type, size and historic valuations? The accuracy of rents can only be as good as the underlying data.

We have good quality data on our properties that is used in the rent calculation. The target rent is generated in the system from a 1999 property value and bedroom size.

New properties are let at affordable rent - the development team use a RICS red book valuation in this calculation and this process also includes a 1999 valuation that can be used to calculate a target rent.

Tenancies are checked every quarter to ensure that the correct tenure type (and therefore rent) has been input into the Housing system. For example, starter tenancies are updated to assured tenancies after 12 months.

There is a formal process if there are any changes to the property sizes (e.g. number of bedrooms) with Housing submitting a change request to the Finance team.

- 8. Are formula rents accurately calculated and recorded? Following the rent reduction years, formula rents will once again become the foundation for setting social rents, so they must be accurate.**

Yes – formula rent calculations are in line with the guidance.

- 9. When did the Board last consider the flexibilities within the Rent Standard? Or does your organisation automatically apply the maximum flexibility? For example, rents can be set at up to 5% above formula rents (10% for supported housing). However, providers should ensure there is a clear rationale for doing so, taking into account local circumstances and affordability.**

We automatically apply the 5% uplift for formula rents and 10% uplift on supported housing.

North Star have a defined [Surplus for Purpose](#) which sets out the importance of generating a surplus that can be invested back in new services and properties. Maximising our rents is a key part of the finances of North Star and ensures we can continue to develop new units and deliver a range of other strategic objectives.

The Board paper in December 2021 for the rent increase in 2022/23 includes a range of information on the affordability of rents and the challenges faced by our customers.

- 10. Is all your data on rents consistent over time? Can you explain differences in average rents between different regulatory returns and changes from last year?**

Yes - the December 2019 Board paper provided a rents proof in total for Board showing how the rent decrease of -1% had reduced rents over the previous four years.

The review of the SDR also focuses on ensuring that the average rent changes by LA and property type are in line with the annual rent increase or decrease.