

SETTING RENTS FOR CHURCH RETIREMENT HOUSING

MARCH 2023

This guide explains the Board's approach to setting and reviewing rents within our retirement properties.

 THE CHURCH
OF ENGLAND

PENSIONS BOARD



Introduction

The Church of England Pensions Board provides help with housing for retiring and retired clergy (and their spouses/partners), particularly supporting those who have lived in housing provided with their Church role for much of their ministry.

Around 1 in 6 clergy retiring from active ministry seek our help in exploring their different housing options for retirement, including opportunities to rent a Church Retirement property.

This guide explains our general approach to setting rents for the properties let and managed by the Board. It also addresses questions about the 2023 rent increases.

Guiding principles

Our approach to setting rents is designed to ensure that:

- Our rents for new tenants are set at below market rates.
- Our rents reflect the size, location and type of property.
- We meet any statutory and contractual obligations in setting the rent and any service charges.
- We advise our tenants clearly at the start of their tenancy as to what their rent is, and that we give them proper notice of any changes to their rent, in line with our legal obligations.

The 'starting' rent

Usually, our properties are let with the initial rent set based on a 'target rent'.

Target Rents were introduced by the Government in 2002, as a way of standardising rents across social housing providers. While not a registered social landlord, the Board introduced target rents for all its rental properties in 2015 following consultation with Church stakeholders.

Target rents are based on a formula, designed in such a way so as to ensure that the rent a tenant pays is below the level they would typically pay 'on the open market', for a similar property in the area.

How does the formula work?

The target rent formula brings together:

- A property's **location** and how much people earn locally – so that rent is set at an affordable level.
- A property's **size** i.e. 'does it have 1, 2 or 3 bedrooms?' with the logic being the bigger the property, the more you pay.
- The **value** of the property compared with an average home in the UK – again, the more expensive a property is, the more rent a tenant would pay.
- The **typical national rent** values for social housing, as a benchmark to make sure the starting rent is not too high.

These figures naturally change from time to time. Therefore, to ensure consistency across our portfolio, we use a 'point in time' snapshot of house prices and local earnings at the start of the century and make an allowance for subsequent price growth.

Are there any exceptions to the above?

We have a few properties within Wales, for which we can't easily calculate a target rent. Therefore, when we let one of these to an eligible retired clergy household, the rent is calculated based on 60% of the local market rate.

From time to time, we also let some properties commercially on a local market rate (e.g. when a property has been reserved by a clergy household, but there are still several years to go until retirement).

There are also still some households who are gradually moving (or 'converging') towards a 'target rent' from our old pre-2015 rent model.

Where can a prospective tenant find details of their target rent?

All properties available to let to retired clergy are advertised through our regular property bulletin. The target rent for each property is displayed alongside other information (e.g. photos, floor maps, EPC ratings, Council tax bandings), to help prospective tenants make the best choice for their retirement.

Reviewing rent

We review rents annually, with planned increases taking effect on 1 April of each year.

How are increases calculated?

We usually increase rents each April based on September inflation as measured by the






Retail Price Index (RPI) in the previous year. September RPI is also the reference point for increases to clergy pensions. Historically, rent increases have largely kept in step with increases to pensions.

When are tenants notified?

Following a decision by the Board of Trustees, we write to all tenants by the end of February with the details of any increases planned from the 1 April.

What rent covers

All rent payments go towards covering the costs of the retirement housing service, including the costs of:

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|  | Borrowing from banks and investors to help buy new retirement homes for our portfolio. The cost of borrowing is roughly equivalent to 75% of total rental income. |
|  | Day-to-day repairs to our homes and safety/compliance activity. |
|  | Major refurbishments to our homes – which we usually do just ahead of a resident moving in. |
|  | The team who run the service, including specialist help e.g. accountants, IT, HR, procurement etc. |
|  | The fees for surveyors, lawyers etc. who help with property purchases or planned work. |

The service does not run at a profit, and in fact relies on significant financial support from the wider Church.

Frequently Asked Questions on the 2023 Rent Increase

What's different for 1 April 2023?

After careful consideration the Board has adapted its approach this year, given the ongoing challenges of the cost of living crisis and period of high inflation.

Rather than apply September 2022 RPI (12.6%) to rents, from 1 April 2023, a 10.1% increase will apply. This keeps the increase in rents in line with the increase in clergy pensions from 1 April, which is also 10.1%.

What help is available with the planned increase?

Any resident who is concerned about the rent increase or other costs of living challenges is encouraged to contact the housing team.

We might be able to help in a number of ways, depending on individual circumstances. For instance, we can support residents to apply for any financial help they might be entitled to or support with applications for a charitable grant. This might include the Board's own charitable grant scheme which provides a monthly income top up for those on low incomes.

To get in touch, please contact:
incomeandvenue@churchofengland.org

Why didn't the Board follow the directive from Government that all registered social housing providers should only increase rents by 7% from 1 April 2023? The Board is a charity rather than a registered social housing provider. That means we do not have access to the same investment grants/funding streams that social housing providers benefit from. We are also not subject to the same regulatory regime, and in fact for regulatory purposes are classed as a private landlord.

While we adopted the concept of 'target rents' from social housing, as a tried and tested method for calculating rents for lower income households, our approach to rent increases has always differed to that adopted by registered providers. Social landlords have usually increased rents each year in line with inflation (CPI) +1% (with exceptions as directed by Government). In contrast, our policy has always been to refer to RPI. This means that very rarely, if ever, has our increase in rent been in sync with that of a registered social landlord. It has been more important for us to consider how any planned increase in our rents compare to clergy pension increases.

What support is available to those who retired early, and who might have lower household income as a result?

We recognise that it can be more difficult for anyone who retired early/before state pension age, particularly due to ill-health, to meet rising costs. These households can also face challenges in accessing the state support to which they are entitled (and which differs on a case by case basis). We encourage any resident who is concerned about their situation to contact us for a conversation about their circumstances and any support we can offer.

Contact details

For more information, or to discuss any aspect of this guide, please contact:



The Church of England Pensions Board
PO Box 2026
Pershore
WR10 9BW



020 7898 1824



incomeandvenue@churchofengland.org