

Rent Setting Policy

Scope of Policy

This policy sets out the approach taken by Platform Housing Group (the Group) to rent setting and the review arrangements for all properties held within the Group.

Applicability

The policy applies to all members of the Group. It relates primarily to the setting and review of social and affordable rents. There are separate arrangements specific to lease obligations for shared ownership homes, other leasehold properties, empty homes contracts and business to business leases. In such cases the relevant lease or contract should be referred to. This policy only covers residential property and does not cover parking spaces, garages, locking posts or any commercial rent setting.

1. Policy Statement

- 1.1 Methods used to set and review rents vary depending upon the type of tenancy and any specific agreements associated with the provision of the property. Rents are set annually by the Board and will comply with statutory and regulatory requirements.
- 1.2 The Group is committed to ensuring that customers receive a high level of service across the Group, regardless of where they live. The Group is also committed to working within guidelines and regulations published by Homes England, and with regard to best practice and guidance from organisations such as the National Housing Federation (NHF).
- 1.3 This policy outlines the principles for how new rents are calculated and how re-let rents of affordable rent properties are calculated.

2. Context

- 2.1 This policy covers rent setting and rent review arrangements for residential property within the Group and ensures that the Group complies with the requirements of the following:
 - Housing Act 1988
 - Welfare Reform and Work Act 2016
 - Homes England – Regulatory Framework for Social Housing in England 2015 as amended (including the Rent Standard)
 - Homes England Capital Funding Guide
 - [Rent Standard 2020](#)
- 2.2 All social rents are set in line with the Homes England Rent Standard Guidance found [here](#). This is a formula based calculation and previous guidance was issued in 2015. A new Rent Standard is in place from 1 April 2020.
- 2.3 The 2011-15 HCA Programme Framework introduced affordable rents to help fund the supply of new housing. Following this, the majority of the Group's new build properties have been let at Affordable Rent. There were also a large number of existing properties converted from social rent to affordable rent on re-let until 1st April 2018.

3. Aims and Objectives

3.1 The aim of this policy is to:

- ensure that rent levels are sufficient to meet the Group's financial obligations;
- ensure that rent levels are sufficient to provide a good level of service to customers;
- enable homes to be maintained to the agreed corporate standard of repair;
- ensure that rents are sufficient to cover the cost of improving and modernising properties to acceptable standards in the future;
- enable new homes to be built;
- maintain rental income at a level which contributes to the long-term financial stability of the Group;
- ensure that the Group complies with legislative and regulatory requirements in terms of rent setting; and
- ensure that rent levels remain affordable to our residents.

4. Social Rents

4.1 Much of the existing stock within the Group is let at a social rent (also known as target rent). In addition, some new build properties are also let at a social rent.

4.2 Social rents within the Group are calculated by the Finance Team and are presented as a monthly figure. For new build properties, this requires property details and a 1999 valuation figure to be sent to Finance to input into the formula.

NOTE: Some historic rents will remain at a weekly rate until properties are re-let. To calculate these as monthly rents, the multiplier is based on a 52.18 week year.

4.3 Social rents must be held against all rental properties – including those let on affordable rent. All affordable rent properties require a record of the current social rent for comparison purposes when setting new affordable rents to ensure no loss of income to the Group. Where a new affordable rent would be lower than the current social rent figure, a 'floor rent' constituting the social rent figure will be used.

4.4 To ensure affordability, social rents (other than Homes England defined 'Sheltered Housing' or 'Supported Housing') must not be any higher than the Local Housing Allowance (LHA) level for that area (excluding those service charges that are ineligible for Housing Benefit and/or Universal Credit).

4.5 Social rents will be produced for the start of each financial year by the Finance Team. These social rents are used in calculating all re-let rents for both social and affordable rent tenancies. For properties to be let on a social rent, the rents provided take into account any LHA caps on the gross rent (including any eligible service charges). For existing social rent properties, the Lettings Team need to take the net social rent provided by Finance and the service charges (provided by the Rent Team) for advertising. Even where capped at LHA rates, the Lettings Team will add on any ineligible service charges for advertising and re-let purposes.

4.6 The information provided to the Lettings Team will exclude all existing affordable rent properties and will refer colleagues to the Development Programme and Performance Team for rental information. The Development Programme and Performance Team will be provided

with social rent information for all properties in the Group – including the existing affordable rent properties – for use in calculating the correct rent at re-let. This will ensure any affordable rent set in the Group is no lower than a target rent would otherwise have been.

5. Affordable Rents

5.1 Affordable rents are set at up to 80% of the market rent (inclusive of service charges) and are given as a monthly amount. An affordable rent on a new build property will always be:

- based on an RICS desktop valuation of the property;
- no more than 80% of the market rent;
- at or below the Local Housing Allowance level (LHA) unless it is defined as sheltered/supported housing; and
- higher than the chargeable social rent + any service charges for that property. In some cases, the gross affordable rent figure may be equal to the gross social rent figure if the 'floor rent' has been used.

5.2 Where a property has previously been converted to affordable rent, or is designated affordable rent, it cannot revert to social rent.

5.3 All new build affordable rents are set by Project Managers, working with the Development Programme and Performance Team. These are made available to the Lettings Team 8 weeks before handover.

5.4 All affordable rent re-let rents are set by the Development Programme and Performance Team following notification of termination/eviction sent on from the Lettings Team. These rents are calculated on a property-by-property basis to ensure any valuation information is valid for the time of letting. New rents to charge are input directly into the diary on Open Housing for use by the Lettings Team, including an expiry date.

6. Secure Rents

6.1 If a tenancy started before 15 January 1989, this is likely to be a regulated or secure tenancy. Fair rents are registered by Valuation Office Agency (VOA) rent officers. Customers may apply for registrations of rent every two years, or sooner if there are major changes to a property e.g. repairs, improvements or rebuilding works. Landlords can apply for registrations of rent after 21 months. If there have been no major changes to the property, the re-registration will be subject to Maximum Fair Rent legislation.

7. Sheltered/Extra Care/Supported Housing

7.1 The majority of sheltered/extra care/supported housing within the Group is let at a social rent and the setting of these rents is as outlined above. Where schemes are let on an affordable rent, this will be set at 80% of the market value – with a RICS valuer giving a valuation taking account of the service charges applicable to the property. No LHA caps are applied to sheltered/extra care/supported properties.

8. Rent to Buy

- 8.1 The Group has a small number of properties on a Rent to Buy basis. These properties are let on an affordable rent (calculated as above) with the equivalent rental service charge element applied. This rent is payable for a pre-defined and limited period with the expectation that properties are purchased on the terms of Shared Ownership. Rent to Buy rents are calculated by the Home Ownership Team. Annual rental increases on these properties are restricted to a maximum of CPI+1%.

9. Shared Ownership Rental Element

- 9.1 The setting of shared ownership rents are covered in the Capital Funding Guide and the individual shared ownership leases. Initial rent setting is based on 2.65%/2.75% of unsold equity.

10. Rent Increases

- 10.1 From April 2020, social and affordable rents can be increased by up to CPI+1% each year. The new Rent Standard also includes a 2020 limit which must be applied in the first year following the previous rent reduction.
- 10.2 For social rent properties, the maximum rent to charge is the formula rent. The new Rent Standard also allows for rent flexibility with an upward tolerance of 10% of formula rent on supported housing and 5% of formula rent on general needs stock.
- 10.3 The rent of an existing affordable rent customer (including where they have a new tenancy) may not be increased by more than CPI+1% in any year. 'Existing customer' in this context means an existing customer of the specific property concerned. The new Rent Standard states that the revised rent on re-letting to an existing customer may only be re-based to 80% of current market value where the resulting rent would be no more than the rent arrived at by a CPI+1% increase.
- 10.4 The rental element of shared ownership properties can be increased by applying for rent reviews. The maximum that can be applied for is RPI+0.5%. Any increases are applied on 1st April and notice is given a month in advance.
- 10.5 The Group will seek to limit service charge increases as much as possible (ideally no more than CPI+1%) and will ensure that, where service charges are payable, customers will be given a clear breakdown of what services are covered by the charge.

11. Equality and Diversity

- 11.1 We are committed to fairness and equality for all regardless of their colour, race, ethnicity, nationality, gender, sexual orientation, marital status, disability, age, religion or belief, family circumstances or offending history, as referred to in our relevant Group policies. Our aim is to ensure that our policies and procedures do not create an unfair disadvantage for anyone, either directly or indirectly.
- 11.2 Impact assessments have been undertaken in respect of this policy and which identified no negative impacts on any person/group with a protected characteristic as a result of this policy.

- 11.3 The Group aims to meet the needs of its customers by providing an excellent service. However, it is acknowledged that occasionally things go wrong and customers may wish to complain. Should the need arise to make a complaint, please refer to the Group's Complaints, Comments and Compliments Policy.

12. Monitoring and Review

- 12.1 The next policy review is scheduled for March 2022 and then every two years thereafter.

13. Associated Documents/Policies

- 7.1 List of documents/associated policies/publications:

- Rent Setting Procedure
- Tenancy Management Policy
- Tenancy Management Procedure

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