

Rent Setting Policy

Scope of Policy

This policy sets out the approach taken by Platform Housing Group (the Group) to rent setting and rent review arrangements for all residential tenancies and leases where a rent is charged. It also applies to any properties where a use and occupation charge is applicable.

This policy does not apply to commercial leases and agreements, garages, parking spaces and/or locking posts.

Applicability

The policy applies to all members of the Group.

1. Policy Statement

- 1.1 The rents the Group charges will have regard to the property type, size (including any material change to the property as a result of Disabled Facilities Grant or any other appropriate adaption to the property) and location along with the different funding arrangements and the type of occupation agreement that is being offered.
- 1.2 The Group will review the rents it sets on annual basis and will generally enact any changes to rent charges on 1 January, 1 April or 1 May depending on the individual agreement. The Group has a number of properties where rent changes will take place at other times in the year in line with individual agreements.
- 1.3 The Group will inform all customers in writing of any changes to their rent, giving a minimum of 1 month's notice (where applicable) before the changes come into effect and outlining how the rent has been calculated. This does not apply to those occupying a property on a use and occupation basis, where a 1 week's notice period applies.

Where a tenant has the right to a Section 13 Notice in accordance with the Housing Act 1988 and as outlined in their assured tenancy agreement, the Group will use the prescribed form to inform the tenant of any change to their rent.

- 1.4 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 levels and reviews are agreed annually by the Board and will comply with statutory and regulatory requirements.
- 1.5 Rent charged may be reviewed outside of the annual rent review process if there has been a material change to the property type or size such as an extension.

- 1.6 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).

- 1.7 This policy outlines the principles for how new rents are calculated and how rent reviews will be applied to all residential tenancies and leases where a rent is charged.

2. Context

- 2.1 This policy covers rent setting and rent review arrangements for residential property within the Group and ensures compliance with the requirements of the following:

- Housing Act 1988
 - Section 13 of the Housing Act 1988 requires landlords to provide relevant assured tenants with a Section 13 Notice/form in relation to rent increases.
- The Rent Acts (Maximum Fair Rent) Order 1999
 - The Rent Acts (Maximum Fair Rent) Order 1999 limits fair rent increases by linking the increase to a Retail Price Index (RPI) formula. The Order came into force on 1 February 1999 and applies to applications for registration made on or after that date.
 - Under the Order, rent officers still determine fair rents in accordance with section 70 of The Rent Act 1977. However, they must also calculate what is known as the “maximum fair rent” according to a formula linked to RPI.
- Regulator of Social Housing’s Rent Standard – April 2020 and associated guidance
- The Rent Standard forms part of the regulatory framework for social housing in England
 - The Rent Standard sets the requirements around how registered providers set and increase rents for all their social housing stock in line with the Policy Statement on rents for social housing issued by the Ministry of Housing, Communities and Local Government (renamed as Department for Levelling Up, Housing and Communities from September 2021). Full details of all the requirements can be found in the Rent Standard.
- Ministry of Housing, Communities and Local Government’s (also known as Department for Levelling Up, Housing and Communities from September 2021 to July 2024) - Policy Statement on Rents for Social Housing
 - The Policy Statement sets out the government’s policy on rents for social housing from 1 April 2020 onwards and replaces the Guidance on Rents for social housing issued in May 2014.

- Homes England's Capital Funding Guide for the relevant year
 - Each Capital Funding Guide sets out the procedures and conditions which must be followed by providers progressing schemes for rent, including affordable rent and social rent through one of Homes England's affordable homes programmes.

2.2 The 2011-15 Homes and Communities Agency (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 at re-let until 1 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 as well as being affordable for customers.
- 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.

4. Social Rents

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

4.2 Social rents within the Group are presented as a monthly figure and are calculated based on the Rent Standard. The Rent Standard uses the location, local average earnings, number of bedrooms and a January 1999 valuation as a basis of the calculation. The 1999 valuation will not be reviewed at re-let unless major works, meeting the requirements as detailed in the Policy Statement, have been carried out that materially affect the value of the property.

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 Re-let social rents must be calculated for all social rent properties and all affordable rent properties. 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.

4.4 The Rent Standard sets out the formula for calculating social rents. If applicable, in addition to social rent, a property may have eligible service charges (as accepted by Housing Benefit and/or Universal Credit), ineligible service charges and personal

charges. Any service charges (eligible and ineligible) and personal charges will be added on top of the social rent to make up the gross rent.

- 4.5 The Rent Standard permits housing associations to use “rent flexibility” to have discretion over the rent set and allows up to 5% to be added to the formula rent when a social rent property is relet. Rent flexibility is limited to a maximum of 5% for social rent housing and 10% for supported housing. The level of Rent Flexibility applied can be reviewed annually as part of the rent review for existing properties and at first let for new build properties considering local circumstances and affordability.
- 4.6 Social rents will not be set at a level exceeding the Formula Rent Cap as defined in the Policy Statement on Rents for Social Housing.

5. Affordable Rents

- 5.1 The Group charges affordable rents on new build properties and on social rented properties that were converted to affordable rents as part of a Homes England authorised conversion programme.
- 5.2 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 will always be:
- Based on a recent Royal Institution of Chartered Surveyors (RICS) valuation for the property which will be retained for audit purposes (The Group defines recent as within no more than six months of the relet date).
 - No more than 80% of the market rent.
 - Higher than the re-let social rent for that property. This may mean that the gross affordable rent figure may be equal to the gross social rent figure if the ‘floor rent’ has been used.
- 5.3 Rent will be considered with reference to local market conditions, including the Local Housing Allowance level (LHA) unless it is defined as extra care, sheltered or supported but will not be capped at or below LHA as default. Rent will be capped at or below the LHA if this is required under a Section 106 agreement with the local authority as long this is not below the formula rent of the property as this remains the ‘floor rent’.
- 5.4 Where a property has previously been converted to an affordable rent tenure, or is a designated affordable rent property, it cannot revert or be converted to be a social rent property without appropriate internal and external approvals.
- 5.5 From April 2020, affordable rent reviews for tenants in situ are subject to the same rent provisions that cap annual increases to September CPI + 1%, which means a sitting tenant may see their rents increase above 80% of the current market value whilst in situ and under the same tenancy agreement.

- 5.6 From April 2020, if a Fixed Term Affordable Rent tenancy has been issued, the rent will need to be rebased and reviewed at the end of the fixed term. The rent cannot be increased by more than September CPI + 1% in total in any given year. The annual rent rise will usually match September CPI + 1% so the reviewed rent will remain the same unless the RICS valuation means that the rent should be reduced. Rents are not reviewed when a property moves from a starter tenancy to a lifetime tenancy.
- 5.7 At schemes where Personal Charges are payable these are charged in addition to the Affordable Rent and will be detailed separately in the tenancy agreement.

6. Intermediate Rents

- 6.1 The Group charges Intermediate Rents on a small number of properties. These are set at 80% of the market value (inclusive of service charges) and are given as a monthly amount. Intermediate Rents are:
- Based on an RICS valuation methodology for the property.
 - No more than 80% of the market rent.
 - Higher than the re-let social rent + any service charges for that property. This may mean that the gross intermediate rent figure may be equal to the gross social rent figure if the 'floor rent' has been used.
- 6.2 Intermediate rents are not subject to the Rent Standard or the Capital Funding Guide.
- 6.3 Intermediate rents will be increased annually by September CPI + 1%. The Group will consider any temporary Government variance to social and affordable rent increases when setting the rent increase on intermediate rent properties and at its discretion may apply an increase that is lower than September CPI + 1%.

7. Secure Rents/Fair Rents

- 7.1 Secure tenants have a right to a fair rent.
- 7.2 Some assured tenants with preserved rights have the right to a fair rent. This will be detailed in the individual tenancy agreement.
- 7.3 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 office.

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.

- 7.4 A tenant who has 'fair rent' protection must be charged the lower of the fair rent set by the valuations office and the formula rent (subject to the rent caps and rent

flexibility level). The rent will be increased annually by September CPI + 1% and must be capped at the lower of the fair rent and formula rent.

- 7.5 Where a fair rent tenancy ends and the property is relet the new rent will be calculated as a Social Rent or affordable rent (where applicable).

8. Specialist Housing

- 8.1 The majority of specialist 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 up to 80% of the market value of the rent (inclusive of eligible service charges), based on a valuation from a RICS valuer. LHA caps are not applied to specialist housing properties. Specialist housing is the umbrella term used by the Group which covers supported housing, retirement living and retirement villages.

9. Rent to Buy

- 9.1 The Group has a small number of properties on a rent to buy basis. These properties are let at 80% of the market rent including service charges. These rents are not capped by LHA. This rent is payable for a pre-defined and limited period with the expectation that properties are purchased outright.
- 9.2 Properties that are not purchased at the end of this period will be converted in accordance with the Rent to Buy Policy.
- 9.3 Rent to buy rents are calculated by the Programme team (Affordable Rents). If the property is vacated during the pre-defined rental period, then the rent will not be re-based before being let to a new customer.

10. Mutual Exchanges

- 10.1 If any affordable rent property is rented under a fixed term tenancy and is part of a mutual exchange the exchange will be carried out by a surrender and regrant and the rent will need to be re-based by the Programme Team (Affordable Rents) in line with the affordable rent provisions at Section 5.
- 10.2 If any affordable rent property is rented under a lifetime tenancy and is part of a mutual exchange the exchange will be carried out via an assignment with no re-base of the rent.

11. Market Rent

- 11.1 The Group has a number of properties that are let at a market rent.
- 11.2 Market rents are not subject to the Rent Standard or the Capital Funding Guide.

- 11.3 Market rents are set based upon a desktop valuation of comparable market rents for the property using RICS methodology where possible.
- 11.4 Market rents will be increased using the method stated in the individual rent agreement.

12. Shared Ownership Rent

- 12.1 The setting of shared ownership rents is covered in the Capital Funding Guide and the individual shared ownership leases.

Where rent is charged on the unsold share of the property at the point of initial sale, the initial rent will not exceed 3.0% (or whatever value current legislation prescribes) of the unsold equity for any individual scheme, but it can be less. In this respect 'initial sale' refers to the first sale of a new shared ownership home and does not refer to future resales to a new shared owner.

Providers are encouraged to set rents that average no more than 2.75% of the value of the unsold equity at the point of initial sale across their portfolio of new shared ownership homes. In line with this guidance, the Group will endeavour to set total rents that average no more than 2.75% of the value of the unsold equity at the point of initial sale.

- 12.2 Shared ownership rents are adjusted in accordance with the terms of the lease.
- 12.3 The Group may consider other economic factors when increasing rents and may choose to increase rents at a rate that is lower than defined in the lease agreement. Any deviation in the rate of increase from the terms of the lease must be approved by the Board and subject to legal advice where appropriate.
- 12.4 If a shared owner decides to purchase an additional percentage share of the property, then the amount of rent to be paid on the unsold equity needs to be re-calculated accordingly. This calculation is carried out in line with the lease and Shared Ownership Staircasing Policy.

13. Annual Rent Reviews

- 13.1 From April 2020, social and affordable rents can be increased by a maximum of the CPI from September of the previous year + 1% each year unless Government policy changes either temporarily or permanently. If the rent was set within the LHA when the property was first let, no further reference to the LHA will be made when applying annual increases.
- 13.2 The UK Government may choose to temporarily vary the maximum rent increase allowed for social and affordable rents. Rent will be increased in line with Government guidance in place at the time.

- 13.3 For affordable rent tenancies the rent, inclusive of service charges, may not be increased by more than September CPI + 1% in any year.
- 13.4 The rental element of shared ownership properties can be increased and the increase that can be applied is detailed in each individual lease agreement.

The Group will endeavour to give one month's notice of any increase. The Group will consider any temporary government variance to social and affordable rent increases against shared ownership properties and may, at its discretion and where the lease allows, apply an increase that is lower than the rate stated in the lease agreement.

- 13.5 Annual rent increases for rent to buy properties are not subject to the Social Housing Regulatory Rent Standard but the Group reviews these rents annually on the same basis as those applied to social rent properties and in line with the provisions in the rent to buy tenancy agreements
- 13.6 All properties are subject to the annual rent increase. Where a property is let in the February and March prior to the increase in April, and a rent increase letter cannot be sent, the rent, service charges and any personal charges for the period from the tenancy start date to 31 March will be provided along with the new charges from 1 April.

14. Appeals

- 14.1 Where Section 13 notice is issued as part of the rent review notice, this provides details of any right to appeal.
- 14.2 The right of appeal is not available where a Section 13 notice is not required. In these circumstances the Group's Complaints, Comments and Compliments Policy should be followed.

15. Equality and Diversity

- 15.1 We are committed to fairness and equality for all regardless of 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.

16. Complaints

- 16.1 We aim to meet the needs of our 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 our Complaints, Comments and Compliments Policy.

17. Monitoring and Review

17.1 The next policy review is scheduled for July 2028 and then every 3 years thereafter.

A policy review may be undertaken outside of these timescales if there are legislative changes that require it.

17.2 Approved documents are valid for use after their approval date and remain in force beyond any expiry of their review date until an updated is available.

17.3 The policy will be monitored by the Customer Experience team who will receive, record and monitor queries and complaints. The Development, Operational and Finance teams will also monitor areas relevant to them and internal audits will be undertaken at a rate recommended by the Governance team.

18. Associated Documents

18.1 List of documents - associated policies, procedures and publications:

- Tenancy Management Policy
- Tenancy Management Procedure
- Rent to Buy Policy
- Leasehold and Shared Ownership Management Policy
- Shared Ownership Staircasing Policy
- Service Charge Policy
- Complaints, Comments and Compliments Policy
- Regulator of Social Housing - Rent Standard

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Glossary

Term	Definition
Affordable Rent	Tenancies which are subject to rent controls that require a rent of no more than 80% of the local market rent (including service charge)
Convert	For rent setting in affordable housing this has a specific meaning and refers to the conversion of individual properties in social rented existing stock to the affordable rent tenure at the time a property was re-let between 1 October 2011 and 31 March 2018
Eligible Service Charge	Service charges that are eligible to be covered by Housing Benefit or Universal Credit
Existing tenant (Affordable Rent)	Means the existing tenant of a specific property
Feasibility	In this context refers to the calculation carried out to ensure that a proposed development scheme is financially viable
Fixed Term Tenancy	In former Waterloo Housing Group non-probationary affordable rent tenancies were issued for a fixed term of 5 years, this was later changed to 10 years and since January 2020 customers are given lifetime tenancies. When a fixed term tenancy comes to an end the rent is reviewed (aka re-based) against the current market rent
Formula Rent	The amount of rent calculated using the formula included the Rent Standard, previously known as Target Rent
Gross rent	All the elements that go to make up the housing charges for a property so net rent, eligible service charges and ineligible service charges
Ineligible Service Charge	Service charges that are NOT eligible to be covered by Housing Benefit or Universal Credit, meaning the customer will have to pay these charges themselves out of their own income
LHA	Local Housing Allowance – this is the maximum Housing Benefit that will be awarded to a customer as part of their benefit claim based on size (as defined by the number of bedrooms) and location (as defined by BRMA)

Market rent	The full amount of rent that would be charged for a property on the open market
Mutual Exchange	Social housing residents who meet certain conditions are allowed to swap their property with another social housing resident – they can swap with someone anywhere in the UK who also meets the conditions
Net rent	The amount of rent left after all other charges have been taken off the gross rent
Periodic Tenancy	A rolling tenancy with no fixed end date, they usually roll on from month to month or week to week
Rent Cap	This is the maximum formula rent we can charge for a property based on the number of bedrooms. Where the formula rent is higher than the cap this is the most we can charge
Rent flexibility	The Rent Standard allows Registered Providers (RPs) to use some discretion over the rents it sets to take account of local factors and concerns. RPs have to show there is a clear rationale for doing this which takes account of local circumstances and affordability
Rent to Buy	Government scheme which allows customers to rent a new build home for up to 5 years at a subsidised rent of up to 80% of the market rent with an option to purchase the property at the end of the 5-year period
Retirement Living	The Group's terminology for "Sheltered Housing"
Retirement Village	The Group's terminology for "Extra Care Sheltered Housing"
Secure Rent/Fair Rent	Secure rent or fair rent tenancies. They can also be called protected and regulated tenancies. These are tenancies that were issued before 15/01/1989 and these tenants have stronger rights than other private/social housing tenants. The rents are limited to a fair rent which is calculated by the VOA and can only be increased every 2 years
Shared Ownership	Process where a purchaser can buy a share of a property and pay rent on the remaining share of the property
Social Rent	Tenancies where guideline target rents are set through the national rent regime
Specialist Housing	Umbrella term used by the Group for all housing which has an element of support included. It covers

	Supported housing, Retirement Living and Retirement Villages
Staircasing	Process where the owner of a shared ownership property can purchase further shares of the property
Supported Housing	The Group's terminology for housing provided which includes support for younger people or people with a learning disability
Floor Rent (applies to Affordable Rent only)	Affordable Rent should be no lower than the potential formula rent for the property, in cases where the rent would be lower than this the formula rent constitutes a "floor" for the rent to be charged
BRMA	Broad Rental Market Area – England has been split into areas by the Valuations Office Agency, the areas have roughly comparable private rented market conditions
VOA	Valuation Office Agency provides valuations and property advice to support taxation and benefits to central and local government