

Rent Policy

# Rent Policy

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## 1 Policy information

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Contributors	Head of Finance Management Accountant - Rent and Service charges
Responsible Director	Director of Finance
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## 2 Policy Statement

This policy sets out our approach to the setting of rents. It aims to make sure that we comply with current legislation, the requirements of our regulators, recognised best practice and our tenancy agreements and leases.

South Liverpool Homes (SLH) aim to keep rents affordable to tenants on low incomes whilst providing high quality homes and services. SLH need to cover the costs of such provision, whilst prudently providing stock reinvestment to ensure that homes are maintained to a decent standard. The policy aims to make sure that a consistent approach to rent is adopted by SLH to all residents, regardless of tenure.

## 3 Policy aims

The aims of this policy are to ensure that:

- Rents are affordable and are within the reach of tenants on low incomes
- Rents are set that comply with the required outcomes and specific expectations of the Rent Standard set by the Regulator of Social Housing (RSH)
- SLH's business plan continues to demonstrate the organisations viability
- Tenants are clear on the rent review process and how rents are set

SLH set service charges for properties that are maintained by the association in line with our Service Charge Policy.

## 4 Rent Policy

The following section outlines the principle basis of charging rent for different tenure types within the SLH property portfolio.

### 4.1 Social Rents

Social rented properties are low cost accommodation where the setting and management of rents is governed by the RSH's Rent Standard April 2023 which sets limits on the rents charged.

SLH's social rents are based on a formula rent. Formula rents are exclusive of any service charges. The calculation of formula rent is based on a combination of property values (as at January 1999), local earnings and bedroom weighting and is set out in the Policy Statement on Rents for Social Housing 2022. Further information regarding the calculation of formula rents can be found in appendix A. SLH's social rents include an upwards tolerance (rent flexibility) of 5% for accommodation that is not supported housing. SLH has historically included the 5% rent flexibility because of local market condition. SLH policy is to continue to include the 5% rent flexibility whilst average rents are more than 5% below national averages.

Supported housing means low cost rental accommodation provided by a registered provider that:

- (a) is made available only in conjunction with the supply of support;
- (b) is made available exclusively to households including a person who has been identified as needing that support;
- (c) falls into one or both of the following categories:
  - i. accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently; and
  - ii. accommodation that has been designated as being available only to individuals within an identified group with specific support needs

Social rented properties with supported housing include an upwards tolerance of 10%.

Social rents will not be set at a level exceeding the Rent Cap as defined in the Rent Policy Statement.

Rents will be reviewed on an annual basis and this will normally take effect on the first Monday in April. Weekly rents will not be increased by more than CPI + 1% in any one year. The Consumer Prices Index (CPI) to be used for all rent increases will be September's CPI which is published in October.

Notice of the increase will be given in accordance with the Housing Act 1988 Section 13(2), as amended by the Regulatory Reform (Assured Periodic Tenancies) (Rent Increases) Order, using Form 4, where appropriate.

For properties where a new social rents needs to be set, given the geographical concentration of SLH's properties, it is deemed reasonable to rely on valuations of similar properties in the area as a basis for the formula rent calculation. If no similar properties are identified, SLH will obtain a valuation in accordance with a method recognised by the Royal Institute of Chartered Surveyors.

## **4.2 Affordable Rents**

Through the Homes England Affordable Homes Programme, SLH is committed to developing high quality homes at rents set in compliance with guidance for rent setting at Affordable Rents. Affordable rents will only be charged in relation to Homes England grant funded homes; SLH's conversion programme of existing social rented home to affordable homes has been completed.

These rents are set at a level which is no more than 80% of the estimated market rent for the accommodation (including all service charges) based on a valuation in accordance with a method recognised by the Royal Institute of Chartered Surveyors.

On first letting, the valuation is obtained at the time a bid for funding is made and will not be older than three months. A valid valuation (including the valuers statement that the original valuation remains valid) must also be in place at site acquisition, start on site and when the initial tenancy is granted.

If the scheme crosses over financial years, the Assets & Development Team will submit a material change request to Homes England to ensure a rent is charged

appropriately and is in line with grant requirements.

Affordable Rents will be reviewed annually in April of each year. Rent increases will be no more than CPI +1%, based on the previous September's published CPI figure.

Affordable homes that require re-letting will require a valid valuation, as defined in the Allocations & Tenure policy.

### **4.3 Secure Tenancies**

The rents for Secure tenancies are determined by an external Rent Officer from the Valuation Office Agency. Fair rents can be re-registered every two years by the Valuation Office Agency, or sooner if there are major changes to a property eg repairs, improvements or rebuilding works. Landlords can apply for registrations of rent after 21 months.

If a Rent Officer sets a fair rent below the formula rent, this lower rent will prevail. If the Rent Officer sets a fair rent above the formula rent, we increase the rent to the formula rent level, providing the customer with one months' written notice of any increase. Rents will normally be increased on an annual basis in April. Rents will not be increased by more than CPI + 1% in any one year (even if a tenants rent is below the formula rent level and the maximum fair rent is increased by more than that amount).

### **4.4 Shared Ownership**

The rent on a shared ownership property is determined by the terms of the shared ownership lease. The rent is initially set as a % of the value of the unsold equity in the property at the lease start date. This % will not normally exceed 2.75%. The purchase price for a property will be determined using a RICS recognised methodology.

The rent will be reviewed in accordance with the rent increase mechanism stated in the individual lease.

All shared ownership rent from April 2015 will be increased in January or April each year, in accordance with the lease, by the greater of:

- 0.5% or
- RPI/ previous years' RPI (12 month rate) + 0.5% (based on the month identified in the lease)

The lease includes the RPI index, on which the rent review should be based on. Shared ownership rent increases for properties acquired from any other future acquisitions will be subject to the terms of the lease agreements SLH inherits.

Shared Ownership rents are excluded from the Rent Standard 2023.

### **4.5 Rent to Buy**

Rent to buy will be reviewed annually in April of each year. Rent increases will be no more than CPI +1%, based on the previous September's published CPI figure. Rent

will be based on 80% of market rent, inclusive of service charges.

## 4.6 Relets

[Social Rent Relet Procedure.pdf](#)

[Affordable Rent Setting Workflow.pdf](#)

Social rent relets between 1<sup>st</sup> April 2024 and 31<sup>st</sup> March 2025 will be subject to the normal CPI +1% rent increase.

Rent to Buy relets require a new valuation, unless there is one on file within three months. Rents are set at a level which is no more than 80% of the estimated market rent for the accommodation (including all service charges) based on a valuation in accordance with a method recognised by the Royal Institute of Chartered Surveyors.

If a property is relet after the rent increase data has been uploaded then a rent addendum is required to advise the tenant of the new rent.

## 4.7 Transfers

Where a secure tenant transfers into one of SLH's other properties check whether there is a registered rent currently on that property (<https://www.gov.uk/check-register-rents>). This provides information on any fair rents set from 2004 onwards. If there is a registered rent then that rent has to be charged (no matter how old it is) and, if it is out of date an immediate application for a new registered rent should be made. If there is no current registered rent on the property, then the assured re-let rent should be charged and an application made to the Valuation Office Agency for a new registered rent.

When tenants transfer between properties the rent charge is exchanged. Left in occupation tenancies are new tenancies therefore the rent can be re-set to the current target rent or affordable rent.

## 4.8 Variation of type of rent

If there is any instance where movement between types of rent is necessary sections 3.13 to 3.16 of the Rent Standard 2023 outline the process and approach required.

## 5 Customer Standards & Performance Monitoring

Rent adjustments will be reviewed and made as necessary. Customers will be advised in writing of any upward rent adjustments at least 28 days before the adjustment is to take effect.

Rents will be compared on an annual basis to the rents of similar properties of other registered providers within or close to the neighbourhoods in which we serve. These are considered on an annual basis by the Board.

## 6 Equality Impact Analysis

SLH is committed to applying its equal opportunities policy through its policies and will always set policies with regard to the protected characteristics of the Equality Act.

## **6.1 Policy Assessment**

In order to achieve its corporate objectives, SLH place high importance on the effective management of risk. A risk management system has been adopted which looks at all the risks facing the business including strategic and operational risks and those involving resources, legal and financial risks.

SLH is committed to being proactive in managing risk rather than reactive. The adoption of this policy will ensure that we maintain acceptable standards and support our customers through affordable rent setting.

The Director of Finance is responsible for ensuring compliance with this policy, the Rent Standard and Guidance of the RSH.

## **6.2 Customer & stakeholder influence**

SLH will work with its established tenants group to discuss rent adjustments ensuring their views are taken into account particularly in how the rent adjustments are communicated to all tenants.

## 7 Statutory and Legislative Framework

- Housing and Regeneration Act 2008
- The Direction of the Rent Standard 2019
- Housing Act 1988
- Housing Act 1996
- Rent Standard 2023 and Guidance of the RSH
- Equality Act 2010
- Landlord and Tenant Act 1985
- Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016

## 8 Links to other policies

- Allocations & Tenure Policy
- Asset Management Policy
- Empty Homes Policy
- Income Management Policy
- Repairs & Maintenance Policy
- Right to Buy Policy
- Service Charge Policy
- Customer Feedback Policy

## Appendix A – Formula Rents

Formula rents are set in accordance with the requirements of the Regulator of Social Housing's Rent Standard

Formula rents are based upon a national average social rent, adjusted to reflect local circumstances for SLH:

30% of the rent is based on the property value relative to national average social housing property values and  
70% of the rent is based on average local earnings relative to national average earnings and weighted according to the number of bedrooms.

The calculation of Formula rents is as follows:

$$(30\% * (a/b) + 70\% (c * (d/e)) * f$$

Where:

- a) is the value of the property at January 1999
- b) is the average value of all properties owned by Registered Social Landlords (RSLs) at January 1999
- c) is a weighting based on the number of bedrooms in the property
- d) is the local wages of full-time manual workers
- e) is the national wages of full-time manual workers
- f) is the average rent of all RSL properties