



RENT SETTING POLICY AND PROCEDURE

Policy

1. Introduction

1.1 Westfield Housing Association (the Association) is committed to providing quality homes and services in the communities in which we operate. To achieve these aims we set rents that offer value for money and are affordable to existing and prospective customers, whilst ensuring we remain viable and can achieve our Business Plan commitments.

1.2. This policy complies with:

- The Regulator of Social Housing's Standards, particularly the Rent Standard 2023 (see Appendix 1) and the Policy Statement on Rents for Social Housing 2022 (Appendix 2).
- The Homes England Agency Capital Funding Guide 2016 (as last updated on 27th November 2020).
- The Social Housing Rents (Exemptions and Miscellaneous Provisions) Regulations 2016.

Other relevant legislation includes, but is not limited to the

- Rent Act 1977.
- Housing Act 1988 (as amended).
- Housing and Planning Act 2016.
- Welfare Reform & Work Act 2016.

1.3. This Policy also covers the provisions the Association has for setting rents that are outside of the regulatory framework's Rent Standard e.g. intermediate rents.

1.4 Access and Communication

- 1.4.1. The Association is committed to ensuring that our services are accessible to everyone. We will seek alternative methods of access and service delivery where barriers, perceived or real may exist, that may make it difficult for people to work for us and use our services.

1.5 Equality, Diversity and Human Rights

- 1.5.1. We are committed to ensuring no person or group of persons will be treated less favourably than another person or group of persons and will carry out our duty with the positive regard for the following core strands of equality; Age, Disability, Gender, Race, Gender-Reassignment, Sexual Orientation and Religion and/or Belief, Civil Partnership and Marriage, Pregnancy and Maternity.
- 1.5.2. We recognise that some people experience disadvantage due to their socio-economic circumstances, employment status, class, appearance, responsibility for dependents, unrelated criminal activities, being HIV positive or with AIDS, or any other matter which causes a person to be treated with injustice.
- 1.5.3. We will also ensure that all services and actions are delivered within the context of current Human Rights legislation. Staff and others with whom we work, will adhere to the central principles of the Human Rights (1998).

2. Statement of Intent

- 2.1 The Association will set and vary rents which are intended to be affordable to tenants whilst maintaining sufficient income to ensure viability and meet Business Plan commitments including operating costs, investment/improvement programmes and loan repayment requirements of lenders. Rent setting will comply with legal and regulatory requirements.
- 2.2 The desired outcomes are:
 - Legal and regulatory: Policy and practice will be within the law and will meet all regulatory requirements including the Regulator of Social Housing's Rent Standard and accompanying guidance.
 - Contractual compliance: All rent setting and varying will be consistent with the relevant clauses in the applicable tenancy agreements or leases, as well as complying with any obligations arising from stock transfer.
 - Affordability: Social Rents and Affordable Rents (including any eligible service charges) will be set at levels which:

- Are below market levels.
- Take account of the operation of the benefit system by ensuring that benefits will cover eligible housing costs for the majority of households entitled to state support. The rent set will not normally exceed the local housing allowance rate for the property.
- Offer value for money and are broadly comparable to other housing providers local to our area of operation.

Fair rents are set by the Rent officer. However, the Association can decide to defer or implement a fair rent increase in stages in consideration of affordability and the factors set out above.

- Viability: Rents will be set and varied to ensure the rental income stream is sufficient to achieve financial viability and allow delivery of strategic objectives. This includes ensuring that new developments and initiatives such as shared ownership and intermediate rent schemes generate sufficient income to maintain their viability.
- Compliance with funding requirements: For intermediate rent schemes and any shared ownership initiatives rents will be set in accordance with the funding rules.

- 2.3. The Association will communicate openly with tenants on rent setting. This will include informing tenants of how the rent has been set in the annual rent notification letter and via information on the website. Any notices increasing the rent will be prepared and served in accordance with the relevant tenancy agreement and in accordance with section 13 of the Housing Act 1988 where applicable.

3. Policy Details

- 3.1 The Rent Setting Policy and the rental structure this produces will be approved by the Association's Board.

3.2 Rent types

The Association currently administers four discrete rent types:

- Social Rents
- Affordable Rents
- Intermediate rents
- Fair rents

Rents are also charged for garages and garage plots

3.3 Social Rents

3.3.1 Social Rents are rents charged by Registered Providers for social housing, which means "low cost rental accommodation" in accordance with the statutory definition set out in the Housing and Regeneration Act 2008. In effect, this is the majority of homes let to tenants after 15th January 1989. Within the Association Social Rents are charged on weekly assured non- shorthold tenancy agreements.

3.3.2 The Association will set the initial rent on properties to be let at a social rent at a level that is no higher than formula rent plus 5% (the maximum permitted upwards tolerance/ Rent Flexibility). Formula rents are exclusive of any service charges.

Formula rent is based on:

- 30% of a property's rent is based on relative property values compared to the national average
- 70% of a property's rent is based on relative local earnings compared to the national average.
- Application of a bedroom factor so that, other things being equal, smaller properties have lower rents

In determining property valuations, the Association will use existing use values and other requirements as detailed in the latest guidance issued by the Ministry of Housing, Communities and Local Government including valuations made at January 1999 prices and in line with a method recognised by the Royal Institution of Chartered Surveyor's (RICS).

3.3.3. Normally the initial rent will be set at 5% above formula rent, as permitted, subject to being assessed as affordable as detailed in section 2.2 above, and not exceeding the rent cap as set by the Regulator each year for different sizes of property.

3.3.4. As from 1st April 2020, increases on social rents are capped at CPI (taken at September of the previous year) plus 1%. This limit is a ceiling and a lower increase may be applied, or a freeze, if for example affordability is a concern.

The cap is currently in place for a five-year period i.e. up to and including April 2024. If the cap is changed in this period, the

association will set rents in accordance with the revised guidance issued by the government.

This limit applies even if the existing rent is below formula rent, or if previously a lower, or no, annual increase has been applied. Where the social rent for a property exceeds the rent flexibility level (5% above formula rent) then the following applies:

- The rent increase will be capped at CPI (rather than CPI + 1%) each year, until the rent is brought within the rent flexibility level; and
- If re-let, the rent will not exceed formula rent (plus the flexibility level).

3.4 Affordable Rents

3.4.1 Affordable rents are higher sub-market rents which developing Registered Providers can charge to subsidise the provision of new homes for rent. Permission to set affordable rents is pursuant to a housing supply delivery agreement that permits letting at an affordable rent.

3.4.2 The Association will set affordable rents where a Development Framework Agreement with Home's England, permits this. With the required permission affordable rents can be set on new properties and on re-lets. Rents set will have regard to the conditions and frameworks set out in the Frameworks for the government's affordable homes programme.

3.4.3 An affordable rent is set at up to 80% of gross market rent, inclusive of any service charge that is applicable. Gross market rent means the rent (inclusive of any applicable service charge) for which the accommodation might reasonably be expected to be let in the private rented sector. Property size, type, location and service provision are taken into account when determining gross market rent.

3.4.4 Other factors considered when setting an affordable rent include:

- The local housing allowance for the Broad Rental Market Area. The rent set will not normally exceed the local housing allowance rate for the property.
- The affordable rent shall be no lower than the potential formula rent for the property (subject to Rent Flexibility i.e. 5% upper tolerance). The formula rent constitutes a floor for the rent to be charged.

- The rent will not exceed the rent cap set by the regulator each year.
 - The affordability of the rent assessed as detailed in 2.2 above.
- 3.4.5 Where a service charge is applicable the charge will be calculated as per the Service Charge Policy and the net rent set as the difference between the service charge and the 80% gross market rent. If the net rent so determined is less than the formula rent plus 5%, then the property will be treated as 'social rent' and the social rent set plus any applicable service charge.
- 3.4.6 Gross market rents are determined using an independent chartered surveyor. Rents are provided by the surveyor and re-assessed every 12 months and used during the period to set affordable rents. This method is in accordance with the methods recognised by the Royal Institution of Chartered Surveyors (RICS) and applies when a property is first let as an affordable rent or is relet.
- 3.4.7 Affordable rents will be reviewed annually in April of each year. As from April 1st, 2020, rent increases will be no more than CPI + 1%, based on the previous September's published CPI figure. This level of increase is a ceiling and a lower increase, or freeze, may be applied if affordability is considered an issue.
- 3.4.8 Once a property is let as affordable rent it will continue to have affordable rent charged on relet.
- 3.4.9 Affordable rent housing must not be converted (including when re-letting) to:
- Intermediate rent; or
 - Market rent (other than in circumstances set out in the Ministry of Housing Communities and Local Government policy statement on rents for social housing (February 2019)).

3.5 Intermediate Rents

- 3.5.1 Intermediate rents are normally charged at rents above those charged for social rent properties, but below market rent. Typically, the Association will set intermediate rents at 80% of gross market rent, including any applicable service charge. Intermediate rents are not covered by the rent standard although expectations apply regarding affordability and levels of increase.

3.5.2 Intermediate rent accommodation must satisfy one of the following:

- (a) The accommodation
 - (i) Was built or acquired without public assistance.
 - (ii) Is provided as an assured shorthold tenancy (other than an assured shorthold tenancy that is expressed to be a probationary or starter tenancy, or licence, either:
 - To a tenant who is not a person nominated by a local housing authority under section 159(2)(c) of the Housing Act 1996; or
 - To a tenant nominated by a local authority under section 159 (2)(c) where any conditions set by the local authority regarding the circumstances in which the registered provider may grant a tenancy of intermediate rent accommodation are satisfied in respect of that accommodation;
 - (iii) Has not previously been let on a social rent basis, and
 - (iv) Is not affordable rent housing.
- (b) The accommodation is low cost rental accommodation which was funded wholly or in part by public assistance under a programme identified by the Regulator as an intermediate rent accommodation enabling programme and any conditions under that programme regarding the circumstances in which the accommodation may be let as intermediate rent accommodation are met.
- (c) The accommodation is key worker housing

3.5.3 Rents for properties let as intermediate rent will normally not increase by more than CPI (at September of the previous year) plus 1%. In determining any increase the normal affordability considerations will be made as per 2.2 above.

3.6 Fair Rents

3.6.1 The Association has a small number of Regulated Tenancies or 'Fair Rents'. Fair Rents are charged in most housing association rented accommodation let before 15th January 1989 and tenancies granted after that date to existing secure tenants (of the same landlord).

- 3.6.2 Fair rents for Regulated Tenancies are set by the independent Rent Officer Service every 2 years on the anniversary of the tenancy. For Regulated Tenancies, the Association will:
- Carry out a comparison with social rents for similar properties in the same area and will not set rents on fair rent properties higher than the relevant social rent rate.
 - A tenant who enjoys 'fair rent' protection must not be charged more than the lower of:
 - (a) The 'fair rent' set by the Rent Officer; and
 - (b) Formula rent (subject to the rent cap and rent flexibility level)
- 3.6.3 As per social rent and affordable rent properties, fair rents will not increase by more than CPI + 1% in any year. The relevant CPI rate to be applied is taken as the rate for the September previous to the fair rent registration. This limit applies even if a tenant's rent is below the formula rent level and the maximum fair rent is increased by more than that amount.
- 3.6.4 The Association can decide to defer or implement a fair rent increase in stages on account of affordability factors detailed in 2.2 above.
- 3.6.5 Upon re-let of a property where a tenant previously enjoyed a fair rent, social rent or, if applicable, affordable rent will be charged.

3.7 Garages and garage plots

- 3.7.1 The rents for garages and garage plots are set based on typical market charges for garages and plots in the area.
- 3.7.2 Rents for garages and garage plots are reviewed on the same cycle as other rents. Garage rents are increased on the first Monday in April each year. Garage plot rents are increased on the anniversary of the let date following the annual review. Currently a minimum increase of CPI + 1% will be applied, although a greater increase may be applied.

Procedure

4. Annual Rent Reviews

- 4.1 The Association reviews rents annually, applying only one review within any 52 week period. The Business Support Officer is the lead officer for the review, working principally with the Income Management Officer and the Finance Officer. The Business Support Officer will oversee the process detailed in 4.2., discussing any issues/concerns with the Operations Manager.

4.2 Reviews start in October each year working to the following steps:

- The Business Support Officer formally triggers a review in October emailing relevant staff including a request to the Finance Officer for confirmation of rent increase % to be applied and to start the review of service charges.
- The Finance Officer confirms the September CPI figure as published by the Government Office for National Statistics and emails confirmation of the figure to be applied (currently CPI +1%), to the Business Support Officer and Income Management Officer (end of October).
- The Finance Officer carries out a review of service charges. Charges are reviewed in liaison with the Income Management Officer and Housing Services Officer's. Queries on charges for any particular service charge item are referred to the Operation's Manager and CEO for a decision. A spreadsheet is prepared by the Finance Officer detailing the changes to be applied and forwarded to the Business Support Officer and Income Management Officer. Changes are shown for the total service charge at each applicable property and for each individual service charge item. The review will start in October and be completed by mid- November.

Where a new charge is identified, or a charge needs to be removed, the Finance Officer will liaise with the Income Management Officer and the Housing Services Officer's to co-ordinate the necessary tenant consultation process. This process should be completed by the end of November. The Finance Officer will assume addition or removal of a charge as proposed on the spreadsheet. A decision on the final change will be made following completion of the consultation process (subject to final Board approval).

- On receipt of the new service charge details the Business Support Officer and Income Management Officer will prepare rent increase details for input of future rent and service changes to the SDM system, in line with policy requirements.
 - Social Rents: Net rent increased by CPI + 1%. Service charges by amount detailed on service charge spreadsheet.
 - Affordable Rents: Gross rent increased by CPI + 1%. Service charge changes made as per service charge spreadsheet and net rent adjusted to achieve gross rent increase of CPI + 1%.
 - Intermediate Rents: As per affordable rents.
 - Fair Rents: These are not reviewed as part of the annual review process and are only revised via the re-registration process for these rents.

- Garage and garage plot rents: Rent increased by CPI + 1%

New rents are rounded down to the nearest penny.

- The Business Support Officer inputs future changes to SDM with an effective date for new rents of the first Monday in April, and generates a Rent Review Report detailing the charges at each property, split by rent type (i.e. Social, Affordable and Intermediate). The report also details garage and garage plot charges.

Following generation of the Rent Review Report/spreadsheet the Business Support Officer will reconcile the report with the Housing Management System and make any required corrections.

The new rents are entered to SDM and the Rent Review Report generated by early December.

The report shows the % increase applied to the gross affordable and intermediate rents, to the net social rent and to garage and garage plot rents. The Rent Review Report is circulated to the Income Management Officer, Finance Officer, Operations Manager and CEO and a meeting arranged by the Business Support Manager to check and discuss the rent changes. Prior to the meeting the Income Management Officer will confirm relevant local housing allowance rates and the regulatory rent cap applicable from the following April (by mid-December).

- The meeting to review the future rent charges confirms that the charges shown are in line with policy and considers affordability and any remaining service charge issues. The Income Management Officer, in liaison with the Housing Service's Officers, will review affordability prior to the meeting (in line with the considerations detailed in this policy) and advise the meeting as appropriate. The meeting will take place before the end of December.
- Following the meeting any agreed adjustments to the charges shown on the Rent Review Report will be made on the SDM system by the Business Support officer. The Business Support Officer will circulate a final Rent Review Report to the Finance Officer, the Income Management Officer, the Housing Service's Officers, the Operation's Manager and the CEO, detailing all rent changes.
- The CEO will prepare and submit a report to Board (January/February) detailing the proposed changes and the overall impact on rental income and confirming that the changes comply with this policy and the requirements of the rent standard. Details of any significant service charge changes e.g., additions or removals and any consultation results will be included in the report. Board approval will be requested (by end

of January).

- Following the Board meeting the CEO will email all relevant staff to confirm the Board's decision.
- The Business Support Officer will make any necessary amendments to the new rents entered to SDM following the Board decision, and by the end of January
- The new rents to be applied from April will be notified to the Housing Benefit Department, as applicable. The Income Management Officer, with the Business Support Officer, will prepare the necessary report for Housing Benefit, detailing all relevant charges, and provided in the format agreed with the Housing Benefit Department. The Income Management Officer is responsible for dealing with subsequent queries from Housing Benefit and providing any further information requested. The report to Housing Benefit will be provided by early February.
- The Income Management Officer will liaise with the Department of Works and Pensions (Universal Credit) in early February to discuss any specific arrangements regarding the notification of rent changes for tenants in receipt of the universal credit housing element. Any agreed arrangements will be implemented by the Income Management Officer.
- The Business Support Officer and the Income Management Officer will prepare Rent review notification letters for tenants during February. Rent review letters will be sent for all rent types excluding garage plots. The effective date for garage plot increases is the anniversary of the plot letting date. The Income Management Officer is responsible for generating and sending these letters at the appropriate dates i.e., at least 4 weeks prior to the let date anniversary.

The letters will give at least 4-weeks' notice of the new Rent and must therefore be sent out at least 4 weeks and 3 working days prior to the first Monday in April. The letters will be sent with the required Section 13 Housing Act 1988 rent increase notice (in the prescribed form).

The Rent review letter will:

- Detail the rent type.
- Detail the existing charge and the new charge, including a breakdown of the full charge with any applicable service charge itemised (existing and new charge).
- Explain how the new charge has been calculated.

- Detail any expectations e.g., to pay the new charge, including any necessary payments off arrears, notify other agencies as required e.g. the DWP, Housing Benefit.
- Give clear contact details.
- Letters will be generated from the SDM system and checked prior to sending by the Income Management Officer and Business Support Officer.
- Properties relet from the first Monday in February each year, and up to and including the final Monday in March, will be let at the new rent i.e., to be charged from the first Monday in April. No increase to the Rent will be applied in April.

4.3 Fair Rent reviews

- The Income Management Officer has operational responsibility for fair rent reviews ensuring that these are undertaken on time and in line with other policy requirements.
- The details of fair rent re-registrations are held on the Fair Rents spreadsheet monitored monthly by the Income Management Officer. The spreadsheet details the last fair rent registered and the effective date, and the due date for the next fair rent re-registration application (three months prior to the effective date for the new registered rent).
- The Income Management Officer will identify re-registration applications due from the spreadsheet each month and progress the application to the Rent Officer 10-12 weeks prior to the effective date for the new Rent. The new Rent requested will be in line with this policy with the aim of moving the rent towards the formula rent (+5%) if this exceeds the current rent. The new rent sought will be limited as follows:
 - The social rent rate for the property will be determined (formula rent +5%) and will be an upper limit for any increase requested and set.
 - The maximum increase applied for, and set will be equivalent to CPI +1% in any year. This will apply even if a tenant's rent is below formula rent and/or the registered rent exceeds a CPI + 1% increase.

At re-registration CPI + 1% may be applied to the Rent for each year i.e. year one and year two, but if the new Rent is registered as requested the increase must be phased over the two year period i.e. CPI + 1% in year 1 and the full amount in year 2. The CPI figure used will be the most recently confirmed figure. The increase requested and applied must not exceed the formula rent + 5%.

- Any applicable service charges will be reviewed in discussion with the Finance Officer. The review will be based upon achieving full coverage of the relevant service costs, including a 15% administration fee. Where the charge, or elements of the charge are common with other tenancy's, the charge calculation will be on the same basis.
- The Income Management Officer will complete the Calculation of Fair Rent Charge sheet showing how the proposed rent (and any service charge) has been calculated. The completed sheet will be filed electronically against the relevant property address and a paper copy held on the Rent Registration file.
- The Income Management Officer will apply for a new rent to be registered using the required form (Form RR1). The form will be completed in full and submitted to the Rent Officer at least 10 weeks prior to the new registration due date. A copy of the completed form will be held electronically against the relevant property address, and a paper copy held on the Rent Registration file
- Following a re-registration application, the Rent Officer will inform the tenant of the application and the new Rent applied for. The tenant has the right to respond to the application, including requesting that a lower Rent is registered.
- The Rent Officer will set a registered rent and will also provide the date that the rent increase can take effect, the *Effective Date*. Where the registered rent increase exceeds CPI + 1% the new rent will be phased (see below).

Following receipt of the Rent Officer's decision the Income Management Officer will:

- Determine that the Rent registered is acceptable i.e., matches the amount proposed or is not set at a level considered too low. If concerns at the amount registered, the matter should be discussed with the Operations Manager and a decision made on whether to appeal the decision (both the Association and the tenant have the right to appeal the Rent Officer decision within 28 days). If a decision is made to appeal then the appropriate process must be followed and all relevant documentation held electronically and on the Rent Registration File. Any appeal is heard by the Rent Assessment Panel.
- If the rent registered is above the limits for any increase set in this policy (i.e., the social rent rate/formula rent), the higher rent will not be applied and the rent set at the appropriate level i.e., the rent originally proposed. The maximum weekly rent that can be charged is

the lower of the fair rent sent by the Rent Officer and formula rent (subject to both the rent caps and the rent flexibility levels)

- When the rent set is determined/agreed the Income Management Officer will input the new Rent, including any service charge, to SDM. If the rent has been registered at a level greater than CPI + 1% on the existing rent, the increase will be phased with a maximum increase of CPI+ 1% applied in the first year. The Rent Registration spreadsheet will be updated to show the phased increase and the further increase required in year two. The increase applied in year 2 will not exceed CPI + 1% over and above the rent applied in year 1, even if this rent is below the registered rent. If a further CPI + 1% increase in year 2 would take the rent above either the registered rent or the formula rent + 5% the increase is capped at the lower of these two figures.
- The Income Management Officer will prepare and send the prescribed form and the standard notification letter to the tenant. The letter will give 4-weeks' notice of the new rent (the date that the rent is effective from must be on or after the effective date), detailing the new Rent, any variation from the Rent registered and any phasing including the amount of any further increase in year two, and the effective date (the effective date must be as per the Rent Officer notification). The letter will confirm the tenants right to appeal.
- Where a fair rent increase is being phased a second letter will be sent to the tenant giving 4-weeks' notice of the increase in year two. The need to send the letter and to revise the rent on SDM will be identified from the Rent Registration spreadsheet.

5. Rents on relets

- 5.1 The Income Management Officer has operational responsibility for ensuring that rents on properties being relet are set correctly on the SDM system. The new Rent is set at the point of adding a new tenant to a property as part of the SDM update procedure. The Officer reference's an annual Rent Spreadsheet (G:Corporate information/finance/rents) that details all relet rents, and sets the appropriate rent. Housing Services Officers are responsible for ensuring that Rent details are recorded correctly on tenancy agreements and in offer and start of tenancy communications to the new tenant.
- 5.2 Following the annual review of rents and the input of the future rents to SDM the Business Support Officer will update the yearly Rent Spreadsheet at the start of each January. The sheet details all new rent charges, including any service charges, applicable from the first Monday in April, but also to be used from the first week of February for any properties relet in the period from

the first Monday in February to the last Monday in March. The sheet will include:

- The social rent to be charged in the event of a fair rent tenancy ending.
- The new social rent to be applied if the existing rent is less than formula rent + 5%. The new rent will be shown at formula rent +5% subject to the new rent not exceeding the rent cap or local housing allowance and meeting other affordability criteria.

The sheet will be circulated to the Housing Services Officer's, the Income Management Officer and the Operations Manager and filed in the Rents folder on SDM.

- 5.3 The Rents spreadsheet will be updated in January each year following the 12 monthly re-valuation of market rents for affordable and intermediate rents. The sheet will show all new rents to be charged including revised social rents and will be used for any relets from the first Monday in February

The Business Support Officer will commission the re-valuation of market rents and on receipt of the new values determine the 80% market rent figure to be used for each applicable property over the next 12 months in the event of a relet. The Business Support Officer will update the affordable and intermediate rent values on the Rent spreadsheet and circulate to the relevant staff. They will also replace the previous sheet with the new sheet in the Rents Folder.

- 5.4 The process for re-setting rents on properties at each relet is as follows:

- On receipt of notice ending a tenancy the patch Housing Services Officer will confirm the new tenancy type to be granted. Currently in all cases this will be the same type as the existing tenancy, except where a 'Regulated' fair rent tenancy is ending. In this instance a social rent will be set, the amount to be as detailed on the Rents spreadsheet (see Fair Rents below).
- On confirming the new Rent, the Income Management Officer will make any necessary changes to the Rent details on SDM so that the charge matches that shown on the Rents spreadsheet.
- On identifying a new tenant, the offer of tenancy letter will include details of the new Rent including any applicable service charge (and a breakdown of this charge).
- On acceptance of a tenancy offer the start of tenancy date will be agreed and the applicable date of the new Rent set on SDM.

- The Housing Services Officer will create a new tenancy agreement which will detail the Rent and any applicable service charges. The start of tenancy letter accompanying the tenancy agreement will also show the full Rent details. Prior to issuing the agreement and letter the Officer will obtain 'sign off' from the Operation's Manager. The manager will ensure that the rent has been set correctly i.e., that the Rent on the tenancy agreement matches the Rent on SDM, that this in turn is aligned to the figures shown on the Rents spreadsheet, and that the rent set complies with this policy and all relevant requirements. The Operation's Manager will sign the start of tenancy checklist confirming a satisfactory check.

5.5 Fair Rents

- 5.5.1 When Regulated Tenancies become available for relet, they will be converted to social rents, except where an eligible succession occurs (where a tenancy is passed to a family member, subject to certain qualification criteria). The patch Housing Services Officer will consider and determine any succession request, in line with the Association's Succession Policy.
- 5.5.2 Where a tenant with a fair rent transfers to another of the Association's properties they retain the right to have a Regulated Tenancy and a fair rent set. In this circumstance the patch Housing Services Officer will initially set the rent on the new property at the equivalent figure to the fair rent charged on the tenant's previous property capped at the formula rent on the new property. The Officer will follow the general process for fixing the rent detailed in 5.4 above.
- 5.5.3 The Housing Services Officer will liaise with the Income Management Officer who will complete an application for a new fair rent to be registered for the new property, in line with this policy and the processes detailed for fair rent applications. The Income Management Officer will notify the new rent set to the tenant, giving 4-weeks' notice and will update SDM with the new Rent. The Officer will notify the patch Housing Services Officer of the new Rent and the effective date.

5.6 Garages and garage plots

- 5.6.1 On receipt of a notice to end a garage or garage plot tenancy the Housing Services Officer will liaise with the Income Management Officer to set a new rent. The Income Management Officer will identify rents for similar garages/plots in the area and set the new rent at the market rate so determined. Details of the market rate assessment will be recorded as a diary note. The Income Management Officer will set the new rent on SDM and notify the patch Housing

Services Officer. The Housing Services Officer will follow the process for setting up the new tenancy as detailed in 5.4 above.

6. Rents on new properties

6.1 The rents for any new properties will be initially determined at the feasibility stage for a new development. The Development Officer and Finance team will set the rent in line with all relevant agreements and requirements e.g. development agreements, section 106 agreements, rent standard guidance etc. As per the rent standard and this policy the following will apply:

- Affordable and Intermediate rents set at 80% of the gross market rent determined, including any applicable service charges. Gross market rent will be determined by a current market valuation in line with RICS methodology.
- Social rents set at formula rent plus 5%.
- The formula rent will be the floor for any rent set.
- Service charges will be set based on known or anticipated costs with the aim of achieving a break- even position. Charges include a 15% administration fee.

The Rent initially set will be used as the basis for the assessment of scheme viability using the Association's agreed Development Scheme Appraisal model.

6.2 No rent set will exceed the regulatory cap amount or the appropriate local housing allowance figure. The Development Officer will liaise with the Income Management Officer and Housing Services Officers in the initial rent setting process. Affordability will be a particular consideration. This will be appraised in line with the criteria detailed in this policy and will be based on the gross Rent i.e., including any applicable service charges. If a Rent is assessed as too high/not affordable, then a lower Rent may be fixed subject to the scheme remaining viable. The overall principle is to protect the collectable rental income and maintain scheme viability whilst keeping rents affordable to tenants.

6.3 Four months prior to handover the Development Officer and Finance team will check the initial Rent set and revise accordingly based on current market valuations (affordable or intermediate rents), and current formula rent. This re-assessment will be carried out in consultation with the Income Management Officer and Housing Services Officer's. Any significant variations from the initial Rent will be discussed with the Operation's Manager and CEO for a decision.

Following agreement of the final Rent, details including service charge amounts will be confirmed in an email from the Development Officer to the Income Management Officer, Housing Service's Officer's, Business Support Officer and the Operation's Manager. Housing Service's Officer's use the Rent so communicated in discussions with prospective tenants.

- 6.4 Following confirmation of the Rent to be charged the new property details are input to the SDM system by the Business Support Officer in liaison with the Income Management Officer, including the Rent and any service charges. The Business Support Officer will email the Housing Service's Officer's and Operation's Manager to confirm completion of the input.

The Business Support Officer will update the Rent spreadsheet, adding the new properties.

- 6.5 The Rent details for each new property will be confirmed to prospective tenants by the Housing Service's Officer's at offer of tenancy and viewing. On acceptance of a tenancy offer the Housing Services Officer will create a new tenancy agreement which will detail the Rent and any applicable service charges. The tenancy agreement must be appropriate to the rent type set. The start of tenancy letter accompanying the tenancy agreement will also show the full Rent details.

Prior to issuing the agreement and letter the Officer will obtain 'sign off' from the Operation's Manager. The manager will ensure that the Rent has been set correctly i.e. that the Rent on the tenancy agreement matches the Rent on SDM and that this in turn is aligned to the Rent used in the final scheme appraisal. The Manager will also check that the Rent spreadsheet has been updated with the new property details. The Operation's Manager will sign the start of tenancy checklist confirming a satisfactory check.

To be completed by Corporate Services Officer

Document Control

Business Owner (name & job title)	Duncan Tilbe, CEO
Policy Author (name & job title)	Duncan Tilbe, CEO
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29 th November 2022	2.0	Duncan Tilbe	Minor updates.
30th November 2023	3.0	Duncan Tilbe	Minor updates



Regulator of
Social Housing

Rent Standard

April 2023



OFFICIAL

1. Required outcome

- 1.1 This 2023 Rent Standard has been set in response to the Direction on the Rent Standard 2023 (the Direction). The regulator has had regard to the Government's Policy Statement on Rents for Social Housing 2022 (hereafter Rent Policy Statement)¹ in setting this 2023 Rent Standard.
- 1.2 This 2023 Rent Standard applies to rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024 in relation to low cost rental accommodation.
- 1.3 This Rent Standard sits alongside the Rent Standard – April 2020 (hereafter 2020 Rent Standard) which continues to apply to supported housing as set out in para 2.3 below.
- 1.4 Registered providers² must set rents in accordance with the Rent Policy Statement.

2. Exclusions from this 2023 Rent Standard

- 2.1 This 2023 Rent Standard applies, subject to the exceptions in 2.2-2.6 below, to 'low cost rental' accommodation, as defined by section 69 of the Housing and Regeneration Act 2008. All other terms used in this Rent Standard are defined within the Rent Policy Statement.
- 2.2 This 2023 Rent Standard does not apply to the following categories of property, as defined in chapter 5 of the Rent Policy Statement:
 - Shared ownership low cost rental accommodation
 - Intermediate rent accommodation
 - Specialised supported housing
 - Relevant local authority accommodation
 - Student accommodation
 - Private Finance Initiative social housing
 - Temporary social housing
 - Care homes.

¹ The Policy Statement on Rents for Social Housing was updated in December 2022.

<https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020/policy-statement-on-rents-for-social-housing>

² This Rent Standard applies to both private registered providers and local authority registered providers.

2023 Rent Standard

- 2.3 This 2023 Rent Standard does not apply to any type of supported housing (as defined in paragraphs 2.39 and 2.40 of the Rent Policy Statement). The setting of rent for supported housing must continue to comply in full with all the requirements and expectations set out in the 2020 Rent Standard.
- 2.4 This 2023 Rent Standard does not apply to property let to a high income social tenant for the period of time where that property is let to that tenant. Where a tenancy of a high income social tenant ends, or where the tenant no longer fits the definition of "high income social tenant" as set out in the Rent Policy Statement, this 2023 Rent Standard then applies to that tenancy, and/or to future lettings of that property (subject to any exclusions from this 2023 Rent Standard).
- 2.5 Where the application of this 2023 Rent Standard would jeopardise the financial viability of a private registered provider, the regulator may agree, on request from that provider, an exemption to specific requirements of this Rent Standard for a period of time³.
- 2.6 In a situation (such as an insolvency) where there is a mortgagee in possession or receiver in place, or where the registered provider's stock is sold to a non-registered landlord following intervention by the regulator, neither the mortgagee in possession, nor the receiver, nor the landlord to whom the stock is sold will be bound by this 2023 Rent Standard. Where a Housing Administration Order applies to a registered provider, this 2023 Rent Standard will continue to apply to that provider unless an exemption has been granted by the regulator to that provider.

³ Further guidance on providers requesting an exemption can be found at <https://www.gov.uk/government/publications/rent-standard/making-a-formal-application-for-an-exemption-to-the-rent-standard-from-1-april-2020>. Arrangements for local authorities are outlined in "Local Authority Guidance for formal applications to disapply government rent policy".

3. Specific expectations

- 3.1 Registered providers must comply in full with all the requirements and expectations set out in this 2023 Rent Standard. They must additionally comply with all the requirements and expectations of the Rent Policy Statement on the setting, increase and decrease of rents and service charges.

Social rent

- 3.2 Where accommodation is not affordable rent housing (see 3.8 – 3.9 below), the maximum weekly rent for a tenant who is granted a tenancy of the accommodation for the first time is formula rent. Formula rents are exclusive of any service charges.
- 3.3 The formula rent of accommodation is found in accordance with the method set out in paragraphs 2.2 to 2.7 of the Rent Policy Statement. The rent set may include an upwards tolerance – “Rent Flexibility” – of 5% of formula rent (on the basis the accommodation is not supported housing).
- 3.4 As set out in paragraphs 2.8 and 2.9 of the Rent Policy Statement, formula rent is subject to the rent cap. The rent cap for 2023-24 is determined in accordance with paragraph 11 of Appendix A to the Rent Policy Statement.
- 3.5 For a rent period that begins in the 12 months from 1 April 2023 to 31 March 2024 the weekly rent of any existing tenant may not be increased by more than:
- $CPI^4 + 1\%$ in any year; or
 - if the tenant's rent exceeds the rent flexibility level, CPI in any year,
- subject to such weekly rents not increasing by more than 7% in any year.

Fair rent

- 3.6 In the case of tenancies subject to fair rent protection, the maximum weekly rent is the lower of the fair rent set by the Rent Officer and formula rent (subject to both the rent caps and the rent flexibility level).
- 3.7 Registered providers may not increase the rent of a tenant with fair rent protection by more than $CPI + 1\%$ in any year, subject to weekly rents not increasing by more than 7% in any year for a rent period that begins in the 12 months from 1 April 2023 to 31 March 2024 (even if the tenant's rent is below the formula rent level and the maximum fair rent is increased by more than that amount).

⁴ CPI, where mentioned, is the Consumer Price Index rate published by the Office for National Statistics for September of the preceding financial year.

Affordable rent housing

- 3.8 Affordable rent may only be charged where the property in question is provided by:
- a. a registered provider pursuant to a housing supply delivery agreement between that provider and Homes England⁵ or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent; or
 - b. a registered provider pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an affordable rent; or
 - c. a local authority, and the Secretary of State, Homes England or the Greater London Authority has agreed that it is appropriate for the accommodation to be let at an affordable rent.
- 3.9 In addition to the above, affordable rent may be charged where the property has been acquired by a registered provider and was affordable rent housing when it was acquired.
- 3.10 Where affordable rent is being charged, the maximum rent inclusive of service charge for a new tenant under a new tenancy is 80% of the market rent⁶ for the tenant's accommodation, subject to 3.11 and 3.12 below.
- 3.11 If the formula rent is higher than 80% of the weekly market rent (inclusive of service charges) for the tenant's accommodation, the maximum weekly rent is formula rent which is to be set as in paragraphs 3.2-3.5 above and would be exclusive of service charges.
- 3.12 The rent of an existing affordable rent tenant (including where they have a new tenancy) may not be increased by more than CPI + 1% in any year, subject to such weekly rents not increasing by more than 7% in any year for a rent period that begins in the 12 months from 1 April 2023 to 31 March 2024. 'Existing tenant' in this context means an existing tenant of the specific property concerned. For the avoidance of doubt, the revised rent on re-letting to an existing tenant 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 subject to a maximum increase of 7%.

⁵ Previously known as the Homes and Communities Agency.

⁶ Market rent means, in relation to accommodation, an estimate of its market rent inclusive of all service charges at the time the tenancy is granted that is based on a valuation in accordance with a method recognised by the Royal Institution of Chartered Surveyors.

Moving between types of rent

- 3.13 Where a tenancy subject to fair rent protection ends and the property is re-let, that new letting should be at Social Rent (or affordable rent where applicable and permitted, see 3.15a below).
- 3.14 On re-letting of a property previously occupied by a high income social tenant, the new letting should be at Social Rent (or affordable rent where applicable and permitted, see 3.16a below).
- 3.15 Social rent properties may not be converted to:
 - a. affordable rent (other than in the circumstances set out in chapter 2 of the Rent Policy Statement)
 - b. market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement) or
 - c. intermediate rent.
- 3.16 Affordable rent housing must not be converted (including on re-let) to:
 - a. market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement) or
 - b. intermediate rent.

Local authority information requirements

- 3.17 Local authority registered providers shall communicate with the regulator in an accurate and timely manner. This includes all data and information required by the regulator in respect of compliance with this Standard. Where material issues that relate to non-compliance or potential non-compliance with the Rent Standard are identified by local authorities, they are expected to communicate these to the regulator promptly.



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or write to:

Regulator of Social Housing
Level 2
7-8 Wellington Place
Leeds LS1 4AP

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Policy paper

Policy statement on rents for social housing

Updated 14 December 2022

Applies to England

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Chapter 1: Introduction

Purpose

1.1 This document sets out the government's policy on rents for social housing from 1 April 2020 onwards.

1.2 We have directed the Regulator of Social Housing ('the Regulator') to have regard to this policy statement when setting its rent standard for registered providers of social housing ('registered providers'). The term 'registered providers' includes both private registered providers of social housing (mainly housing associations) and local authorities that are registered with the Regulator.

1.3 Subject to the exceptions set out in chapter 5, the policy set out in this document applies to 'low cost rental' accommodation, as defined by section 69 of the Housing and Regeneration Act 2008. It does not apply to 'low cost home ownership' accommodation, as defined by section 70 of that Act.

1.4 This document replaces the Rent Policy Statement issued in February 2019.

Rent policy background

1.5 Since 2001, rents for properties let at 'social rent' (which constitute a majority of rented social housing properties) have been set based on a formula set by government. This creates a 'formula rent' for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties.

1.6 In 2011, the government introduced 'affordable rent' which permits rents (inclusive of service charges) to be set at up to 80% of market rent (inclusive of service charges). The introduction of affordable rent made it possible to build more homes for every pound of government investment, allowing more people in housing need to have access to a good quality home at a sub-market rent. Landlords can only let new properties at affordable rent where certain conditions apply. Within the terms of the government's affordable homes programmes, existing vacant properties can be converted from social rent to affordable rent in certain circumstances.

1.7 From April 2015, the government made it possible for social landlords to charge a full market rent where a social tenant household has an annual income of at least £60,000. This was designed to allow landlords to make better use of their social housing, rather than requiring them to provide sub-market rent properties to households with relatively high incomes.

1.8 Government policy has also limited maximum annual changes in social rent and affordable rent levels. From April 2016, the Welfare Reform and Work Act 2016 required social landlords to reduce their rents by 1% each year for four years (the 'social rent reduction'). This was designed to help put welfare spending on a more sustainable footing, to ensure that the social housing sector plays its part in helping to reduce the deficit and to reduce costs for tenants paying all or part of their rent. The social rent reduction was subject to a number of exceptions. Most of these exceptions applied for all four years of the reduction, although some only applied for the first year.

Key changes to rent policy from April 2020 onwards

Limit on annual rent increases

1.9 In October 2017, the government announced its intention to set a long term rent deal for both local authority landlords and housing associations. This would permit annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 percentage point from 2020, for a period of at least five years.

1.10 This policy recognised the need for a stable financial environment to support the delivery of new homes and to enable registered providers to plan ahead. The government is looking to the social housing sector to make the best possible use of its resources to help provide the homes that this country needs.

1.11 This policy came into effect from 1 April 2020. It did not override landlords' statutory obligation to complete the four year social rent reduction as required by the Welfare Reform and Work Act 2016. Where a landlord had not completed the social rent reduction by 31 March 2020 (because its rent year begins after 1 April), it was required to complete the reduction before the applying the policy.

1.12 In light of exceptional circumstances, the government has since adjusted this policy in order to protect social housing tenants from very large nominal-terms rent increases that would otherwise have been permitted in 2023-24 due to higher than expected levels of inflation. For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, the CPI plus 1 percentage point limit on annual rent increases is replaced by a 7% 'ceiling'. This means that, in that year, registered providers may increase rents by up to 7%. This restriction applies to both social rent and affordable rent homes, with the exception of

supported housing as defined at 2.39 and 2.40. However, it does not affect the calculation of the maximum initial rent when properties are first let or subsequently re-let. In particular, the restriction does not apply to the calculation of formula rent or the rent caps that apply to social rent properties; these continue to increase by CPI plus 1 percentage point and CPI plus 1.5 percentage points respectively.

1.13 The CPI plus 1 percentage point limit on annual rent increases does not require registered providers to reduce rents in nominal terms should CPI fall below minus 1%.

Application of the rent standard to local authority registered providers

1.14 The government has directed the Regulator to apply its rent standard to all registered providers – i.e. to both local authority registered providers and private registered providers (the vast majority of which are housing associations).

1.15 The government directed the Regulator to apply its rent standard to local authority registered providers from 2020 onwards because the previous arrangements for limiting the welfare costs associated with local authority rents (the Rent Rebate Subsidy Limitation scheme) will not operate alongside Universal Credit.

Chapter 2: Social rent

Overview

2.1 This chapter applies to accommodation let at a social rent. This means all low cost rental accommodation to which chapters 3, 4 and 5 of this document do not apply.

Formula rent

2.2 Registered providers may set the initial rent on properties to be let at social rent at a level that is no higher than formula rent, subject to the rent flexibility level (see paragraphs 2.13-2.14 below).

2.3 The basis for the calculation of formula rents is:

Weekly formula rent is equal to:

70% of the national average rent
Multiplied by relative county earnings
Multiplied by the bedroom weight

Plus

30% of the national average rent
Multiplied by relative property value

National average rent means the national (England) average rent in April 2000.

Relative county earnings means the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels. Appendix A contains details of the earnings data to be used.

Relative property value means an individual property's value divided by the national (England) average property value, as at January 1999 prices.

2.5 The amounts to use for the national average rent, national average manual earnings and the national average property value are set out in Appendix A. Bedroom weights are also set out in Appendix A.

2.6 Putting the relevant information into the above formula will give the formula rent for 2000-01 for the property. The 2000-01 formula rent must then be up rated, for each year, using the relevant uplift set out in the tables in Appendix A. Formula rents will increase by CPI (at September of the previous year) + 1 percentage point each year from 2024-25 onwards.

2.7 Formula rent is subject to a rent cap – see paragraphs 2.8-2.12 below.

Rent caps

2.8 The rent caps apply as a maximum ceiling on the formula rent, and depend on the size of the property (the number of bedrooms it contains). Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap must be used instead.

2.9 Registered providers must not allow rents to rise above the rent cap level for the size of property concerned.

2.10 The rent caps for 2023-24 are set out in Appendix A. From 2024-25 onwards, the rent caps will increase by CPI (at September of the previous year) + 1.5 percentage points annually.

2.11 While the rent caps will increase annually by CPI + 1.5 percentage points, the annual change in rent for the tenant in a 'rent capped' property must still be governed by the CPI + 1 percentage point limit on rent changes (and for rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, by the 7% ceiling on annual rent increases – with the exception of supported housing accommodation).

2.12 However, where a property whose rent has been subject to the rent cap comes up for re-let (and formula rent remains above the rent cap), the new rent may be set at up to the rent cap level – which will have been increasing by CPI + 1.5 percentage points, rather than CPI + 1 percentage point.

Rent flexibility level

2.13 The government's policy recognises that registered providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants.

2.14 As a result, the policy contains flexibility for registered providers to set rents at up to 5% above formula rent (10% for supported housing – as defined in paragraphs 2.39-2.40 below). If applying this flexibility, providers should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability.

Changes to rents

2.15 From 1 April 2020, registered providers may not increase rents by more than CPI (as at September of the previous year) + 1 percentage point in any year. For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling. In that year, registered providers may not increase rents by more than 7%. The 7% ceiling does not apply to supported housing accommodation.

2.16 Providers will be free to apply a lower increase, or to freeze or reduce rents, if they wish to do so. Providers should consider the local market context when deciding whether to implement a rent increase and the level of that increase, as well as the levels of Housing Benefit or Universal Credit that are available to claimant households who might occupy their properties.

2.17 Registered providers must adhere to these limits on rent increases even if a tenant's rent is below formula rent, or if they have previously applied a lower – or no – annual increase. Where this is the case, the provider may only move

the rent up to formula rent when the property is re-let following vacancy (subject to the rent cap).

2.18 Where the rent for a property exceeds the rent flexibility level, the provider:

(a) must not increase the rent by more than CPI as at September of the previous year (rather than CPI + 1 percentage point) each year, until the rent is brought within the rent flexibility level. For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling. In that year, registered providers may not increase rents by more than 7%. The 7% ceiling does not apply to supported housing accommodation; and

(b) must set a rent that does not exceed formula rent (plus the rent flexibility level) when the property is re-let.

Special arrangements for the first year

2.19 In the year following the final year of the social rent reduction period, registered providers are required to calculate the maximum rent increase for existing tenants – for both social rent and affordable rent properties – using the “2020 limit”. The purpose of the 2020 limit is to manage the transition from the social rent reduction (which is based on the rent payable in respect of a particular year) to the new Rent Standard (which, like previous rent standards, regulates weekly rent).

2.20 The 2020 limit requires registered providers to use as a baseline the average weekly rent payable by a tenant for accommodation in respect of the fourth and final year of the social rent reduction. It makes an exception where the weekly rent changes because the accommodation is re-let during the final year; in those circumstances, providers are required to calculate the average weekly rent based on the period since the property was last re-let.

2.21 As the 2020 limit is based on the rent payable in respect of the final year (or part thereof, where the exception described above applies) of the social rent reduction, any rent free periods should be disregarded in the calculation of the average weekly rent. So for example, if a registered provider charges weekly rent 48 times a year, it should calculate the average using 48 as the denominator. Registered providers must not change their rent charging arrangements (e.g. the number of times they charge weekly rent) in order to circumvent the requirement that rents should increase by no more than CPI+1% each year.

Property valuations

2.22 To ensure consistency, a common approach must be followed to the valuation of properties for rent purposes as far as possible. Valuations must be

in accordance with a method recognised by the Royal Institution of Chartered Surveyors (RICS). RICS sets out its principles for valuations in 'Royal Institution of Chartered Surveyors Valuation – Professional Standards' (known as the Red Book). This is available free to their members and can be purchased online or as a hard copy.

2.23 In calculating the formula rent, the value of the property should be based on an existing use value, assuming vacant possession and continual residential use. However, where it is not appropriate to value supported housing properties on this basis, registered providers can use a Depreciated Replacement Cost (DRC) method of valuation. Existing use values must be produced by the comparative method and not by a discounted cash flow method.

2.24 Existing use value is not the same as 'existing use value – social housing', which is typically used for resource accounting purposes, and makes a downward adjustment to the existing use value to reflect the lower value of properties when used for social housing.

2.25 As set out above, the valuation must be made at January 1999 prices.

2.26 A downward adjustment to open market valuations – to reflect factors such as sub-market rents – must not be made for social rent purposes.

2.27 Registered providers are not expected to carry out an individual valuation for each property, although they will need to attribute a value to each social rent property in order to calculate its formula rent. Rather than carrying out individual valuations, registered providers may decide to rely on more generic valuations for particular types and sizes of properties in different locations.

2.28 As the price base is constant, the valuation of a property for social rent purposes should generally remain the same over time. However, a registered provider may re-value where it has carried out major works that materially affect the value of the property. This is only likely to arise in exceptional circumstances, as 'major works' do not include normal stock management activity such as repairs, maintenance or updating of properties (for example, fitting new kitchens or bathrooms). Major structural alterations (such as adding an extra room or extension) would be an example of 'major works' for the purposes of this paragraph.

Fair rents

2.29 The principles set out above are subject to 'fair rent' requirements.

2.30 A tenant who enjoys 'fair rent' protection must not be charged more than the lower of:

- (a) The 'fair rent' set by the rent officer; and
- (b) Formula rent (subject to the rent caps and the rent flexibility level).

2.31 As with other social rent properties, private registered providers may not increase any tenant's rent by more than CPI (as at September of the previous year) + 1 percentage point in any year (even if a tenant's rent is below the formula rent level and the maximum fair rent is increased by more than that amount). For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling. In that year, registered providers may not increase rents by more than 7%. The 7% ceiling does not apply to supported housing accommodation.

2.32 Upon re-let of a property where a tenant previously enjoyed a fair rent, social rent or affordable rent (where applicable) should be charged.

Conversion of social rent properties

2.33 The rents of properties previously let at social rent must continue to be set in accordance with the principles set out in this chapter on re-let. This also applies to properties previously let at social rent where a higher rent is being charged to tenants with high incomes (see chapter 4).

2.34 In particular, social rent properties may not be converted to:

- (a) affordable rent, except where this has been agreed by Homes England, the Greater London Authority or the Secretary of State (under the terms set out in the definition of affordable rent housing in paragraph 3.3 below);
- (b) market rent (other than in the circumstances set out in chapter 4); or
- (c) intermediate rent.

Service charges

2.35 In addition to their rent, tenants may also pay service charges. Rents are generally taken to include all charges associated with the occupation of a property, such as maintenance and general housing management services. Service charges usually reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than being particular to the occupation of a dwelling. Service charges are subject to separate legal requirements and are limited to covering the cost of providing the services.

2.36 Registered providers are expected to set reasonable and transparent service charges which reflect the service being provided to tenants. Tenants should be supplied with clear information on how service charges are set. In the case of social rent properties, providers are expected to identify service charges separately from the rent charge.

2.37 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 (as at September in the previous year) + 1 percentage point (or 7% in 2023-24), to help keep charges affordable.

2.38 Where new or extended services are introduced, and an additional charge may need to be made, registered providers should consult with tenants.

Definition of supported housing

2.39 In this policy statement, the term '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; and
- (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.

2.40 For the purposes of this definition, 'support' includes:

- sheltered accommodation
- extra care housing
- domestic violence refuges
- hostels for the homeless
- support for people with drug or alcohol problems
- support for people with mental health problems
- support for people with learning disabilities
- support for people with disabilities
- support for offenders and people at risk of offending
- support for young people leaving care

- support for teenage parents
- support for refugees

Chapter 3: Affordable rent

Overview

3.1 Affordable rent housing is exempt from the social rent requirements outlined in chapter 2 of this policy statement.

3.2 Affordable rents are typically higher than social rents. The intention behind this flexibility is to enable properties let on this basis to generate additional capacity for investment in new affordable housing.

What is affordable rent housing?

3.3 Affordable rent housing means accommodation that is:

- (a) provided by a registered provider pursuant to a housing supply delivery agreement between that provider and the Homes and Communities Agency (now known as Homes England) or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent;
- (b) provided by a registered provider pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an affordable rent; or
- (c) provided by a local authority and the Secretary of State, Homes England or the Greater London Authority has agreed that it is appropriate for the accommodation to be let at an affordable rent.

Rent setting

3.4 The rent for affordable rent housing (inclusive of service charges) must not exceed 80% of gross market rent.

3.5 'Gross market rent' means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector. Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.

3.6 When setting rents, registered providers must also ensure that they comply with the terms of any agreements with Homes England, the Greater London Authority or the Secretary of State. Providers must also have regard to the conditions and policies set out in the Frameworks for the government's affordable homes programmes, where they are letting properties on affordable rent terms within these programmes.

3.7 Properties let by registered providers are not subject to the Local Housing Allowance. Nevertheless, providers should have regard to the local market context, including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located, when setting affordable rents.

3.8 An affordable rent should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged.

Property valuations

3.9 Valuations for initial rent setting must be made in accordance with a method recognised by the Royal Institution of Chartered Surveyors. This requirement is intended to help ensure that registered providers adopt a consistent and transparent approach to the valuation of market rents.

3.10 The Royal Institution of Chartered Surveyors sets out its principles for valuations in 'Royal Institution of Chartered Surveyors Valuation – Professional Standards' (known as the Red Book). This is available free to their members and can be purchased online or as a hard copy.

3.11 Registered providers may not always need to undertake a full valuation on each occasion that a property is let on affordable rent terms. In areas where affordable rent is widely used, providers might have a rolling schedule of tenancies coming up for re-issue or re-let. Where that is the case, providers might have adequate comparables readily to hand, and if so there might be no need for a full valuation. In these circumstances, providers may decide to re-set rents using a desktop review of recent transactions.

3.12 Housing for vulnerable and older people often includes a range of services to support the particular needs of the client group. When setting an affordable rent level for housing for vulnerable and older people, the gross market rent comparables should be based on similar types and models of service provision,

ideally within the local area. Where there are insufficient comparables for similar types of provision in the local area, valuers should be asked to identify comparables from other areas and extrapolate their best estimate of what the gross market rent would be.

Changes to rents

3.13 Registered providers must not increase rents for properties let on affordable rent terms by more than CPI + 1 percentage point each year. For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling. In that year, registered providers may not increase rents by more than 7%. The 7% ceiling does not apply to supported housing accommodation. CPI must be taken as at September of the previous year. Paragraphs 2.19-2.21 above set out the special arrangements which apply in the first year after the end of the social rent reduction period.

3.14 Providers will be free to apply a lower increase, or to freeze or reduce rents, if they wish to do so. Providers should consider the local market context when deciding whether to implement a rent increase and the level of that increase, as well as the levels of Housing Benefit or Universal Credit that are available to claimant households who might occupy their properties.

Re-setting affordable rent

3.15 When a tenancy^{[footnote 1](#)} of affordable rent housing is let to a new tenant (or re-let to an existing tenant), registered providers must re-set the rent based on a new valuation, to ensure that the new rent is no more than 80% of the relevant market rent. However, if the accommodation is re-let to the same tenant as a consequence of a probationary tenancy coming to an end, the rent must not be re-set.

3.16 Where a registered provider is re-setting the rent as a result of re-letting affordable rent housing to an existing tenant, the provider may not increase the rent by more than CPI + 1 percentage point. When re-setting a rent between 1 April 2023 and 31 March 2024, this limit is subject to a 7% ceiling. In that year, registered providers may not increase the rent by more than 7%. The 7% ceiling does not apply to supported housing accommodation. 'Existing tenant' in this context means an existing tenant of the specific property concerned.

Conversion of affordable rent properties

3.17 Affordable rent housing must not be converted (including when they are re-let) to:

- (a) market rent (other than in the circumstances set out in chapter 4); or
- (b) intermediate rent.

Chapter 4: Rents for social tenants with high incomes

Overview

4.1 The government does not expect registered providers to adhere to its social rent and affordable rent policy requirements in relation to social tenants with high incomes.

Applicability

4.2 The requirements in chapters 2 and 3 do not apply to properties let to households with an income of at least £60,000 per year.

4.3 In this context, by household, we mean tenants named on the tenancy agreement, and any named tenant's spouse, civil partner or partner where they reside in the rental accommodation. By income, we mean taxable income in the tax year ending in the financial year prior to the financial (i.e. rent) year in question.

4.4 To give an example, the income received in the 2018-19 tax year would guide the rent payable in the 2020-21 rent setting year, where a household was above the threshold. Here, 2018-19 is the tax year ending (on 5 April 2019) in the financial year (2019-20) prior to the financial (i.e. rent) year in question (2020-21).

4.5 Where a household is subject to a sudden and ongoing loss of income, having declared that they are above the threshold, we would expect registered providers to reconsider the rent that household is being charged, and vary it if appropriate.

4.6 Where a high income social tenant's tenancy comes to an end, and they vacate the property, we would usually expect the property to be let to a household in housing need at a rent determined in accordance with chapters 2 or 3 (as applicable) of this policy statement.

4.7 See further information on [income in scope \(https://www.gov.uk/income-tax\)](https://www.gov.uk/income-tax).

4.8 Where there are more than two incomes within the household, as defined, only the two highest incomes should be taken into account.

4.9 We expect registered providers to use additional capacity generated to fund new affordable housing, where possible.

Chapter 5: Types of accommodation not covered by this policy statement

Overview

5.1 This policy statement does not apply to certain categories of low cost rental accommodation. These excepted categories are:

- shared ownership low cost rental accommodation
- intermediate rent accommodation
- specialised supported housing
- relevant local authority accommodation
- student accommodation
- PFI social housing
- temporary social housing
- care homes

5.2 These categories are defined in more detail below.

Shared ownership low cost rental accommodation

5.3 In this policy statement, 'shared ownership low cost rental accommodation' means accommodation which is both low cost rental accommodation and low cost home ownership accommodation.

Intermediate rent accommodation

5.4 In this policy statement, 'intermediate rent accommodation' means low cost rental accommodation which satisfies either (a), (b) or (c) below:

(a) The accommodation:

i. was built or acquired by the private registered provider without public assistance;

ii. is provided on an assured shorthold tenancy (other than an assured shorthold tenancy that is expressed to be a probationary or starter tenancy) or licence, either:

- to a tenant who is not a person nominated by a local housing authority under section 159(2)(c) of the Housing Act 1996, or
- to a tenant nominated by a local housing authority under section 159(2)(c) where any conditions set by the local housing authority regarding the circumstances in which the registered provider may grant a tenancy of intermediate rent accommodation are satisfied in respect of that accommodation,

iii. has not previously been let on a social rent basis, and

iv. is not affordable rent housing.

(b) The accommodation is low cost rental accommodation which was funded wholly or in part by public assistance under a programme identified by the Regulator as an intermediate rent accommodation enabling programme and any conditions under that programme regarding the circumstances in which the accommodation may be let as intermediate rent accommodation are satisfied.

(c) The accommodation is key worker housing.

Specialised supported housing

5.5 In this policy statement, 'specialised supported housing' means supported housing (as defined in chapter 2):

(a) which is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support in order to enable them to live, or to adjust to living, independently within the community;

(b) which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the

only acceptable alternative would be a care home;

(c) which is provided by a private registered provider under an agreement or arrangement with a local authority or a health service (within the meaning of the National Health Service Act 2006);

(d) for which the rent charged, or to be charged, complies with the agreement or arrangement mentioned in paragraph (c); and

(e) in respect of which at least one of the following conditions is satisfied:

i. there was no, or negligible, public assistance, or

ii. there was public assistance by means of a loan (secured by means of a charge or a mortgage against a property).

Relevant local authority accommodation

5.6 Accommodation is 'relevant local authority accommodation' if it is accommodation provided by a local authority and the Secretary of State has agreed that it would be inappropriate to apply this rent policy to the accommodation because this would cause the authority unavoidable and serious financial difficulty.

5.7 The process for authorities to secure the Secretary of State's agreement will be set out in due course.

Student accommodation

5.8 In this policy statement, 'student accommodation' means low cost rental accommodation provided by a registered provider pursuant to an agreement which grants a right of occupation in a building or dwelling that is used wholly or mainly for the accommodation of persons who are in full-time education at a university, college, school or other educational establishment.

PFI social housing

5.9 In this policy statement, 'PFI social housing' means low cost rental accommodation which satisfies either (a) or (b) below:

(a) Accommodation built, provided or refurbished under a private finance initiative scheme contract where:

- i. one of parties ('the public sector party') to the contract is a local authority;
- ii. the consideration received by the public sector party includes:
 - the building, provision or refurbishment of the social housing for the purposes of, or in connection with, the discharge of its functions in relation to social housing, and
 - the provision of services for the purposes of, or in connection with, the discharge of those functions; and
- iii. the contract contains a statement that it is entered into under the private finance initiative.

(b) Accommodation built, provided or refurbished under a private finance initiative scheme contract where:

- i. the public sector party to the contract is not a local authority;
- ii. the consideration received by the public sector party includes:
 - the building, provision or refurbishment of the social housing for the purposes of, or in connection with, the provision of housing to persons working for the public sector party, and
 - the provision of services for the purposes of, or in connection with, the provision of housing to those persons; and
- iii. the contract contains a statement that it is entered into under the private finance initiative.

Temporary social housing

5.10 In this policy statement, 'temporary social housing' means low cost rental accommodation made available to a person who is homeless (within the meaning of the Housing Act 1996) either:

(a) by a private registered provider under an assured shorthold tenancy agreement or a licence where:

- i. a local authority has nominated that person as a tenant of the accommodation on a temporary basis,
- ii. that local authority owes a duty under Part 7 of the Housing Act 1996 to that person, and

iii. the registered provider:

- holds the social housing on a lease or a licence which has a term of more than two years and fewer than 30 years, or
- holds the social housing on a lease with a term of 30 years or greater, or holds the freehold title to the social housing, and acquired the social housing without public assistance; or

(b) by a local authority under a licence where:

- i. that local authority owes a duty under Part 7 of the Housing act 1996 to that person,
- ii. the accommodation provided is accommodation to which the account held pursuant to section 74(1) of the Local Government and Housing Act 1989 (duty to keep Housing Revenue Account) does not relate, and
- iii. the local authority holds the social housing on a lease or a licence which has a term of more than two years and fewer than 30 years.

Care homes

5.11 In this policy statement, 'care home' means an establishment that is a care home for the purposes of the Care Standards Act 2000.

Appendix A: Information for calculating formula rents

1. This appendix provides the information, apart from property-specific details, that is needed to calculate formula rents.

Rents

2. The national average rent that must be used, for April 2000, is £54.62.

Property Values

3. The national average property value to be used, for January 1999, is £49,750.

Earnings

4. County earnings data to be used is in the following table:

County	Earnings £ / week
Avon	321.2
Bedfordshire	343.7
Berkshire	345.4
Buckinghamshire	328.3
Cambridgeshire	330.1
Cheshire	322
Cleveland	338.4
Cornwall	255.5
Cumbria	323.7
Derbyshire	321.1
Devon	278
Dorset	293.9
Durham	289.7
East Sussex	281.5
Essex	325.9
Gloucestershire	308
Greater London	354.1
Greater Manchester	307.3

County	Earnings £ / week
Hampshire	328.7
Hereford & Worcs.	289.6
Hertfordshire	343.7
Humberside	318.4
Isle of Wight	288.5
Kent	316.4
Lancashire	302.7
Leicestershire	303.1
Lincolnshire	286.7
Merseyside	324.9
Norfolk	302.5
North Yorkshire	299.6
Northamptonshire	328.5
Northumberland	276.1
Nottinghamshire	298
Oxfordshire	323.8
Shropshire	295.4
Somerset	299.7
South Yorkshire	299.1
Staffordshire	296.2
Suffolk	304.3
Surrey	333.2
Tyne and Wear	307.9

County	Earnings £ / week
Warwickshire	326.1
West Midlands	320.6
West Sussex	332.5
West Yorkshire	302.7
Wiltshire	313.9
England average	316.4

5. These figures are derived from the New Earning Survey (produced by the Office for National Statistics) and represent the average gross weekly earnings of full-time manual workers over the 1997 to 1999 period, uprated to 1999 prices. Pre-1996 counties are used, because of the problems of small sample sizes for what were (at the time) some of the new counties, especially unitary authorities.

Bedroom weights

6. The following bedroom weights must be used (specifically, applied to the earnings term in the formula):

Number of bedrooms	Bedroom weight
0 (i.e. bedsits)	0.8
1	0.9
2	1
3	1.1
4	1.2
5	1.3
6 or more	1.4

Annual adjustment of formula rents

7. Once a formula rent for 2000-01 has been calculated, it must be adjusted for each year using the following two-step process.

Step 1: Uprate to 2023-24

8. Subject to the exceptions explained in paragraph 9 below, the following table must be used to adjust the 2000-01 formula rent to 2023-24 levels:

Year	Inflation	Additional	Total
2001-02	3.30%	1.00%	4.30%
2002-03	1.70%	0.50%	2.20%
2003-04	1.70%	0.50%	2.20%
2004-05	2.80%	0.50%	3.30%
2005-06	3.10%	0.50%	3.60%
2006-07	2.70%	0.50%	3.20%
2007-08	3.60%	0.50%	4.10%
2008-09	3.90%	0.50%	4.40%
2009-10	5.00%	0.50%	5.50%
2010-11	-1.40%	0.50%	-0.90%
2011-12	4.60%	0.50%	5.10%
2012-13	5.60%	0.50%	6.10%
2013-14	2.60%	0.50%	3.10%
2014-15	3.20%	0.50%	3.70%
2015-16	1.20%	1%	2.20%
2016-17	N/A	N/A	-1.00%
2017-18	N/A	N/A	-1.00%
2018-19	N/A	N/A	-1.00%

Year	Inflation	Additional	Total
2019-20	N/A	N/A	-1.00%
2020-21	1.70%	1.00%	2.70%
2021-22	0.50%	1.00%	1.50%
2022-23	3.10%	1.00%	4.10%
2023-24	10.10%	1.00%	11.10%

9. Different figures will apply for the period from 2016-17 to 2019-20 where the type of property concerned was covered by a full or partial exception from the social rent requirements of the Welfare Reform and Work Act 2016:

a) The following figures will apply for the period from 2016-17 to 2019-20 in the case of supported housing^{[\[footnote 2\]](#)} (except domestic violence refuge accommodation, as this is covered in (b) below):

Year	Inflation	Additional	Total
2016-17	-0.10%	1.00%	0.90%
2017-18	N/A	N/A	-1.00%
2018-19	N/A	N/A	-1.00%
2019-20	N/A	N/A	-1.00%

b) The following figures will apply for the period from 2016-17 to 2019-20 in the case of domestic violence refuge accommodation; almshouse accommodation; accommodation provided by a co-operative housing association or a fully mutual housing association; and accommodation provided by a community land trust^{[\[footnote 3\]](#)}:

Year	Inflation	Additional	Total
2016-17	-0.10%	1.00%	0.90%
2017-18	1.00%	1.00%	2.00%
2018-19	3.00%	1.00%	4.00%

Year	Inflation	Additional	Total
2019-20	2.40%	1.00%	3.40%

Step 2: Adjust from 2024-25 onwards

10. For 2024-25 onwards, the formula rent must be adjusted annually by CPI (at September of the previous year) + 1 percentage point. This applies regardless of any exceptions that operated under the social rent reduction.

Rent caps

11. Formula rent caps for 2023-24 are as outlined in the following table:

Number of bedrooms	Rent cap
1 and bedsits	£173.79
2	£184.00
3	£194.22
4	£204.43
5	£214.66
6 or more	£224.87

12. From 2024-25, rent caps will continue to increase by CPI (at September of the previous year) + 1.5 percentage points, each year.

Appendix B: Example calculation of a formula rent

- 1. Consider a 3-bed property in Leicestershire, for which the capital value is estimated to be £55,000 in January 1999.
- 2. The information needed to calculate the formula rent is in Appendix A. From this information:

Average rent at April 2000	£54.62
Average earnings in Leicestershire	£303.10
National average earnings	£316.40
Bedroom weight	1.1
National average property value in January 1999	£49,750

3. Putting these figures into the formula:

70% of the average rent	$70\% \times £54.62$	£38.23
Multiplied by relative county earnings	$\times £303.10 / £316.40$	£36.62
Multiplied by bedroom weight	$\times 1.10$	£40.29 subtotal
30% of the average rent	$30\% \times £54.62$	£16.39
Multiplied by relative property value	$\times £55,000 / £49,750$	£18.12 subtotal
Adding together the sub-totals	£40.29 + £18.12	£58.41 total

4. In this example, the initial formula rent for 2000-01 is £58.41. The formula rent for future years is then calculated by uprating this amount using the figures outlined for each year in Appendix A. Formula rent is subject to a rent cap – see paragraphs 2.8-2.12.

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1. References in this policy statement to tenancies and tenants should be read as also referring to licences and licencees (as applicable).
 2. As defined by the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 (as amended)
 3. As defined by the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 (as amended)

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