

Rent Setting Policy

This policy covers how rents are set when newly built or acquired and at subsequent re-let, and the mechanisms for review.

1. Policy Statement

In setting and reviewing rents Yorkshire Housing (YH) will always comply with Government legislation and applicable regulatory requirements laid down by Homes England and the Regulator of Social Housing (RSH).

This policy ensures that:

- Social and Affordable rents are set and maintained in line with regulatory requirements, at levels which are affordable to tenants and provide sufficient revenue to enable YH to maintain homes, deliver effective services to our customers, and to continue to support a development programme that helps to meet housing need in Yorkshire.
- Intermediate rents are set and maintained at levels at or below 80% of market rents as defined in the capital funding guide and related documents. Intermediate rents are not subject to the same regulatory requirements as social and affordable rents.
- Market rents are set and maintained at levels that are in line with other market rental properties within the local area that both attract customers and deliver target returns for YH.
- Shared Ownership rents are set and maintained in accordance with specific development funding requirements, any specific local authority requirements as stipulated in the s106 planning agreement (where applicable), and the lease.

The policy covers how rents are set when homes are newly built or acquired by YH, how rents are set when homes are re-let, and how rents are reviewed.

2. Definitions

The RSH Rent Standard - one of three economic standards that the Regulator of Social Housing expects registered providers, such as YH, to comply with. It sets the requirements around how YH set and increase rents for all their social housing stock in line with government policy.

The Statistical Data Return (SDR) is an annual census of property information conducted by the Regulator of Social Housing that YH must complete.

S106 agreement - an agreement made as part of the planning permission for new housing which may specify things such as the maximum rent.

3. The Policy

Social Rents

Social Rents, in the main, apply to properties developed or acquired prior to 2010 and to any new-build properties designated as Social Rent homes.

Social Rents are set at first let using a government formula which is based on the property value and local earnings, both relative to the national average. Bedroom weightings are applied so that, other things being equal, smaller properties have lower rents. A rent flexibility allowance of 5% is added (this is 10% for Supported Housing). Rents may be set lower if there is a known affordability issue.

'Rent caps' apply as a maximum ceiling on the formula rent value, and depend on the size of the property (the number of bedrooms it contains).

Once a property is let, Social Rents are reviewed annually in accordance with the RSH Rent Standard and government formula. YHL Board is responsible for agreeing the level of increase (decrease) to be applied subject to this formula and to discussion and input from the Homes and Places Committee and Customer Voice and Review Committee.

Current guidance (April 2020) allows Social Rents to be increased by a maximum of CPI (as at the previous September) plus 1%. Rents cannot be increased beyond the 'Rent Cap' level for the size of property concerned.

Social Rents do not include Service Charges, these are added as a separate charge.

Affordable Rents

Affordable Rents apply to specific grant funded properties developed or acquired after 2010. They also apply to some properties where approval was granted in 2010/11 to convert properties from Social Rent to Affordable Rent.

Affordable Rents are set at first let and re-let in accordance with the RSH Rent Standard at a level that is below or equal to 80% of the local Market Rent. Rent is inclusive of all services provided (there are no additional service charges).

Affordable Rents are reviewed annually in accordance with the RSH Rent Standard and government formula. YHL Board is responsible for agreeing the level of increase (decrease) to be applied subject to this formula and to discussion and input from the Homes and Places Committee and Customer Voice and Review Committee.

Current guidance (April 2020) allows gross Affordable Rents to be increased by a maximum of CPI (as at the previous September) plus 1%.

When a property is re-let, the Affordable Rent is reviewed and reset if required at a level below or at 80% of the Market Rent at that time.

Where an Affordable Rent is lower than the potential formula (Social) rent for the property, YH will apply the formula rent which would be exclusive of service charges.

For new build homes we will have regard to the local market context, including the relevant Local Housing Allowance (LHA) for the Broad Rental Market Area in which the property is located when setting affordable rents.

Fair Rents

Fair rents only apply to secure tenancies that were issued prior to January 1989. Fair rents are set and reviewed by the Government Valuation Office Agency's Rent Officer. Fair Rents are reviewed every two years.

Fair Rents may have a separate charge where services are provided, this is known as a service charge.

The maximum weekly rent is the **lower** of the fair rent set by the Government Valuation Office Agency's Rent Officer and formula rent (subject to both the rent caps and the rent flexibility level). The rent will not increase by more than CPI +1 in any one year.

Non - Social Housing

YH manages a group of homes that are not defined as social housing. The requirements of the RSH Rent Standard do not apply to these homes.

Some are properties which are developed or acquired by YH to allow income to be used to cross-subsidise and support the social purpose and aims of YH. These are:

- Market Rent
- Market Sale

Others are properties that are let at rents above social rent but below market rent, these properties are intended to meet the needs of a particular group of people and are let using an Intermediate Rent, they include:

- Intermediate Rent
- Mortgage Rescue (scheme now closed)
- Rent to Buy

Market Rents are set at levels that are in line with other market rental properties within the local area that both attract customers and deliver target returns for YH.

The rent level will take the location, size and characteristics of the home into account and be inclusive of all services provided.

In some cases, additional charges will be made for utilities, such as water usage, and for extra optional amenities such as car parking. Any additional charges will be set out on the Tenancy Agreement.

Initial rent setting for Intermediate Rents, including Rent to Buy Tenancies, will be set at a level not exceeding 80% of the current market rent.

Intermediate Rents for Tenancies linked to the Mortgage Rescue scheme will be set and reviewed in accordance with the financial appraisal and investment assumptions for the specific property and in accordance with YH's Scheme of Delegation (Note – the Mortgage Rescue scheme is now closed).

Subject to the above, the aim is for Intermediate Rents to be at 80% of Market Rent for the area (and for none to exceed this level).

Some tenancies will be provided with furniture and/or white goods, and/or window coverings and/or floor coverings. Rents will be set to reflect the level of furniture provided (i.e. compared to market rents with a similar level of furnishing included).

Rents levels will be reviewed in accordance with the terms set out in the individual Tenancy Agreement.

Fixed term tenancies will be reviewed at the end of the fixed term and then annually if that tenancy becomes a periodic tenancy.

For five-year tenancies, the rents will be reviewed annually in accordance with the terms set out in the Tenancy Agreement and then at the end of the fixed term.

Where a five-year tenancy becomes a periodic tenancy, the rent will continue to be reviewed annually.

Rent levels will also be reviewed when properties become vacant and the new rent level will apply when a property is re-let.

Shared Ownership

Shared Ownership is a part-buy part-rent initiative offering a first step on the housing ladder for those unable to purchase outright. The Shared Owner purchases a share of the equity in the property, usually with a mortgage, and pays a rent to YH in respect of the unowned equity. Shared Owners can increase the equity they own in the property through 'staircasing', and in most cases are able to staircase to 100% ownership.

Gross Rents are set as an agreed percentage of property value and are set at the time the property is developed or acquired in accordance with investment criteria.

The Net Rent payable is then determined based on the unowned percentage of the property. For example, where the Shared Owner owns 60%, then the rent is set at 40% of the Gross Rent. Rent will be set at no more than 2.75% of the unsold equity.

Where the property is a flat or apartment in a block, or on an estate with communal / shared areas a service charge will be due in addition to the rent.

Rent levels will be reviewed in accordance with the terms set out in the Shared Ownership lease, which is usually in line with the annual increase in the Retail Price Index plus 0.5%.

The lease will specify:

- Review Month – the date on which the rent can be reviewed each year
- Relevant Month – the month from which the Retail Price Index is taken to calculate any uplift.

Resales and Staircasing

Rent levels will remain the same if the same share of the property is sold to another shared owner.

Rent levels will be adjusted when a shared owner staircases. This can be at any point after the initial purchase of the property and sometimes occurs during a re-sale process.

After staircasing the rent is reduced to take account of the higher percentage of equity that is owned by the shared owner.

Mutual Exchanges and Transfers

Properties that are assigned due to a customer exercising the Right to Mutually Exchange their home will not be subject to any increase under this policy.

Properties that are re-let to existing customers wishing to transfer to another home will be subject to the increases allowable under this policy.

4. Diversity and Inclusion Implications

Making sure that our policies are inclusive and ensure fair treatment for all is really important to us.

This policy aims to ensure a consistent approach to setting rents, regardless of race, ethnic origin, nationality, gender, disability, religion, marital status, maternity, sexuality or sexual orientation, or age.

A range of tenancy types and rent levels are made available by YH in order to meet the housing needs of differing groups.

If you think we've got this wrong, please contact the policy owner.

5. Reporting and Monitoring

This policy will be reviewed regularly to reflect current legislation and good practice.

The following reporting and monitoring will apply to this policy:

- Rent setting will be subject to internal audit.
- Homes and Places Committee will provide advice to YHL Board on the customer impacts of any proposed rent increase.
- When completing the annual Statistical Data Return (SDR) YH will ensure compliance with the RSH Rent Standard, which is then reported to YH Board.
- The Regulator of Social Housing compliance audit tests our rent setting processes.

Date approved	25 th January 2023
Approved by	YH Board
Recommended / scrutinised by	This refers to the group that has scrutinised the Policy during its draft stage(s).
Summary of changes	Updated conditions for reviewing secure fair rents Updated treatment of new and relet rents for Social Rent properties
Frequency of review	Full review January 2023. Annual reviews to be carried out each January to ensure continued compliance with RSH Rent Standard and Homes England Capital Funding Guide.
Next review date	January 2024
Lead officer	Director of Finance
Associated policies or guidelines	Social Tenure Rent Collection Policy Tenancy Policy Access to Homes Policy Rent to Buy Policy Service Charges Policy Shared Ownership Policy (in development) Scheme of Delegation
Associated procedure	Insert the name of any Procedures which are associated with this Policy.