

# Rent Setting Policy

DESIGN HEADER TO INCLUDE POLICY NAME AND DATE RANGE

## INFORMATION

<b>Policy Name</b>	<b>Rent Setting Policy</b>
<b>Effective Date(s)</b>	January 2025
<b>Approved By</b>	Group Board
<b>Approval Date</b>	29 <sup>th</sup> May 2025
<b>Policy Owner/Dept</b>	Head of Finance (Reporting and Controls)
<b>Policy Author</b>	Head of Finance (Reporting and Controls)
<b>Version Number</b>	3.0

Your Housing Group Strategic Priorities			
Safe	<input type="checkbox"/>	Viability	<input checked="" type="checkbox"/>
Landlord	<input checked="" type="checkbox"/>	Growth	<input type="checkbox"/>
People	<input type="checkbox"/>	Technology	<input type="checkbox"/>

<b>Relevant National Standards or Regulation</b>	Please State if the Policy aligns to any of the Regulators Standards: <ul style="list-style-type: none"> <li>• Governance and Financial Viability Standard</li> <li>• Rent Standard</li> </ul>
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<b>Relevant Legislation</b>	<b>This policy operates within the context of Regulatory and Legal frameworks as follows:</b> <ul style="list-style-type: none"> <li>• The Regulator of Social Housing Regulatory Framework, specifically the Rent Standard – April 2020 (published November 2021)</li> <li>• The Direction on the Rent Standard 2019</li> <li>• Department for Levelling Up Housing &amp; Communities (formerly The Ministry of Housing, Communities &amp; Local Government's) Policy Statement on rents for social housing – published February 2019</li> <li>• Housing and Regeneration Act 2008</li> <li>• Welfare Reform and Works Act 2016</li> <li>• General Data Protection Regulation and Data Protection Act 2018</li> <li>• Homes England Capital Funding Guide</li> <li>• Lease and Tenancy Agreements</li> <li>• Management Agreements</li> </ul>
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## **1. Purpose of the Policy**

The aim of this policy is to set the approach to setting rent levels that are fair, transparent, consistent and compliant with Government legislation and regulatory requirements.

The objectives of this rent setting policy are:

- To review and set rent levels for each property annually and ensure that all tenants are given the relevant notice in writing of the new rent for their property. Rents will be set in accordance with the relevant statutory, regulatory and contractual obligations.
- To ensure that all residents are made aware of the rent payment due to Your Housing Group in respect of their property. To ensure that tenants are advised of the availability of housing benefit/universal credit and are given support to claim these where applicable.
- To ensure rents are set at a level which ensures that Your Housing Group meets its priorities. Rents are the main source of income that enable Your Housing Group to maintain and improve existing homes and invest in the construction of new dwellings.

The Charge Setting Team (part of the Finance Team) will adopt a collaborative approach with teams across YHG as required (including but not limited to Housing, Development and Assets) to strike the appropriate balance of tenancy sustainability and income maximisation.

This document is supported by a procedural document which deals with the practical aspect of setting rents and which, itself, must always be read in conjunction with this policy document to ensure it is delivered in context.

## **2. Scope of the Policy**

This policy applies to the customers as detailed below:

- Social Housing Tenants (in general needs and supported housing properties) – covered by the Rent Standard and the Policy Statement on Rents for Social Housing (the Policy Statement):
  - Social Rent (including Fair Rents – Secure Tenants)
  - Affordable Rent
  - Rents for social tenants with high income

- Other social housing tenants – not covered by the Rent Standard and Policy Statement:
  - Shared Ownership (Low Cost Home Ownership)
  - Intermediate Rent (including Rent to Buy & Mortgage Rescue)
  - Specialised Supported Housing
  - PFI Social Housing
  - Temporary Social Housing
  - Care Home
- Non-social housing tenants
  - Market Rent (including Student Accommodation and NHS Keyworker)
  - Leaseholders (ex Right to Buy & 100% Staircased Shared Owners)<sup>1</sup>
  - Leaseholders (Commercial Units)
  - Garages

This Policy does not cover service charges, except in the context of setting of Affordable Rents where the rent is inclusive of the service charge. Service Charges are subject to a separate policy.

### **3. Definitions**

Appendix 1 details the definitions used throughout this policy for reference.

### **4. Consultation**

Consultation has taken place as part of the development of this Policy with the Risk and Compliance Group, Customer Connect Panel and Group Board. Consultation has also taken place externally with legal consultants on the technical aspects of the policy.

### **5. Background and Context**

- Since 2001, rents for properties let at ‘Social Rent’ (which constitutes a majority of YHG rented social housing properties) have been based on the formula set by the Government (hence ‘social rent’ is sometimes known as ‘formula rent’).
- In 2011, the Government introduced ‘affordable rent’ which permitted rents (inclusive of service charges) to be set at up to 80% of market rent (inclusive of service charges).
- 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 (known as rents for High Income Social Tenants or ‘HIST’).

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<sup>1</sup> Ground Rents for these Leaseholders are dealt with in a separate policy

- From April 2016, the Welfare Reform and Work Act 2016 required social landlords to reduce their social rents and affordable rents by 1% each year for four years.
- 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 a maximum annual rent increase on both social rent and affordable rent properties of CPI plus 1% from April 2020, for a period of at least five years. CPI means the general index of consumer prices (for all items) and this shall be the annual change in the CPI figure for September of the preceding financial year.
- From April 2020, rent setting and rent reviews were required to be in line with the Regulator of Social Housing's (RSH) Rent Standard and the Policy Statement on Rents for Social Housing issued by the Ministry for Housing, Communities and Local Government (MHCLG). This new regulatory framework for social housing rents recognised the need for a stable financial environment to support the delivery of new homes and to enable registered providers to plan.
- In November 2022 the Chancellor of the Exchequer announced that social housing rents had been capped at 7% in 2023-24. (Under current rules, rents could have risen by up to 11.1%). There is an exemption from the rent cap for supported housing.
- YHG applied “rent forgiveness” to shared ownership rents for FY 2023-24, whereby rents were set at the level allowed in the lease but a reduction agreed by Board was applied for affordability at the discretion of YHG. This same reduction was applied for FY 2024-25 however for 2025-26 YHG discontinued rent forgiveness.

## 6. Policy Detail

### **Social Housing Tenants (in general needs and supported housing properties) – covered by the Rent Statement and the Policy Statement**

- Social rents for general needs and supported tenancies created by Your Housing Group will automatically be set at formula rent levels in line with regulatory requirements, and then follow the annual guideline limit set by the Rent Standard. This approach will ensure that similar rents are charged for similar social rent properties.
- Rents will not be increased for individual tenants following the completion of major works to their homes. However, Your Housing Group will still be subject to Government guidelines relating to formula rents, which state that any increase in the capital value of a property as a result of any major works has to be taken into account when setting the rent on any re-letting of a property. This means that if the capital value of the property increases significantly due to major works, then the Government's formula rent for the property can be increased following re-let to reflect this.

- Rent caps apply as a maximum ceiling on the formula rent. Therefore, where the formula rent would be higher than the rent cap for a particular size of property, the rent cap will be applied. The rent caps are set by the RSH each year and increase by CPI + 1.5% annually.
- The Rent Standard and Policy Statement recognise that registered providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns. As a result, there is flexibility for registered providers to set general needs social rents up to 5% above formula rent (10% for supported housing). This will be applied across all YHG's social rent properties subject to an annual assessment of affordability as part annual rent review.
- Affordable rents will be set in line with the Rent Standard and Policy Statement at no more than 80% of the market rent (inclusive of service charges) and will then follow the Rent Standard annual guideline limit. An affordable rent should be no lower than the potential formula rent for a property - the formula rent therefore constitutes a floor for the affordable rent to be charged. Valuations for affordable rents are compared to the formula rent to ensure the rent charged exceeds this. To ensure that affordable rents remain at no more than 80% of the gross market rent (inclusive of service charges), the rents will be rebased on each occasion, subject to a property valuation, when a new affordable rent tenancy is issued.
- Local Housing Allowance (LHA) rates will be considered as part of the annual rent review however it is not proposed as a general rule to cap rents at this level unless this is as part of a Development Scheme appraisal approved by Board. If there is an issue on a particular property or scheme impacting on the ability to let then this may be considered but would require sign off from the Director of Finance and the Director of Housing.
- Fair Rents (secure tenancies) – these rents are capped at the lower of the social (formula) rent or the fair rent registered by the Valuation Office Agency (Rent Officer) whichever is the lower. A request to change the fair rent on these properties must be made via the Valuations Office Agency and can only be made once every 2 years. If these properties become vacant and are relet, then they will no longer be classed as secure or fair rent units and will revert to the standard formula rent in line with other social housing rents (or affordable rent if the property had been previously let as affordable rent).
- YHG does not operate a policy for charging High Income Social Tenants market rents (as permitted by the Rent Standard – see above). Tenants on high incomes will not be charged a market rent due to the lack of availability of information about income levels within each household or a mechanism for compelling tenants to share this information. There is a risk that any policy to charge a higher rent for tenants with higher incomes would be unequally applied. The potential additional revenue from such a policy is likely to be offset by additional administration costs. This policy will be kept under review.
- Annually, the Finance Department (Charge Team) will calculate the rent change for the coming financial year based on the Rent Standard and Policy Statement and

any additional government and regulatory guidance, and prepare a report for the Your Housing Group Board setting out the:

- Methodology used to set the rent increases for different property types including the rates of inflation applied; and
- Financial and non-financial implications of applying the proposed rent increase
- The Finance Team review relet rents across tenures on a monthly basis based on exception reporting. This is reviewed by the Rent and Service Charge manager. The Finance Team may review this frequency and amend if required.

### **Other Social Housing Tenants – not covered by the Rent Standard and Policy Statement**

- Shared ownership (LCHO) – rent will be set at the recommended level included within the Capital Funding Guide. For ‘resale’ homes, the starting rent will be based at the same level as the previous shared owner was paying, unless the rent is subject to review and the assignee (new owner) will be notified of the revised rent as part of the resale process. Annual uplifts will be determined by the individual lease agreements, but this may be capped as part of the annual review process.
- Intermediate Rent (IMR) (e.g. Rent to Buy) – for grant-funded IMR the rent will be set in accordance with the Capital Funding Guide, usually at 80% of the market value inclusive of service charges, following an open market valuation report. The maximum annual rent increase will be as detailed in the Capital Funding Guide or in line with any subsequent Regulatory Guidance.
- Intermediate Rent (Mortgage Rescue) – this scheme is no longer available. On any void, an appraisal is to be completed for consideration as to whether the property should be sold or relet on a social rent basis. Thereafter, rent increases will follow the Rent Standard.
- Specialised Supported Housing - rent charged complies with the agreement or arrangement with a local authority or health service (within the meaning of the National Health Service Act 2006). Uplifts will follow the agreements in place and will be considered as part of the annual rent review.
- PFI Agreements – rent setting and any changes to rents will be in line with the individual PFI agreements.
- Temporary Social Housing – rents set based on the formula plus tolerance. Uplifts will follow the Rent Standard.
- Care Homes - rents applied will be set out in the annual rent review for approval by Board. Relets will be at the rent prevailing.

### **Market Rent / Non-social housing tenants**

Rents are generally set based on open market value taking into account the desirability of the premises on the open market. Some of these units are within Retirement Living Schemes where there is a limited client base and the commercial businesses would make little profit, therefore in some circumstances no rent or a lower rent is charged. Garage

rents are increased annually by CPI for both YHG tenants and non-tenants. Non-tenant garage rents are subject to VAT.

### **Communicating with Tenants and Leaseholders**

All customers (Tenants & Leaseholders) will receive notification of any rent changes in line with the terms of their lease or tenancy and any statutory requirements specific to their agreement e.g. for assured periodic tenants, one calendar month for a monthly charge or where section 13 of the Housing Act 1988 applies (whether the tenancy is weekly or monthly); or where the tenancy contains a contractual rent review clause, the period will normally be 28 days' notice for a weekly charge. For secure tenants, the period is normally 28 days but dictated by the tenancy agreement; for fixed term assured shorthold tenants, the period is determined by the tenancy, usually 28 days. In practice in order to ensure compliance one month's notice is normally given.

Where rents are reducing we will usually apply the same timescales even though rents can usually be reduced on shorter notice.

Garage tenants will receive a notice in line with their individual agreement, usually a minimum of one week's notice prior to any increase.

### **Support to Tenants and Leaseholders**

Your Housing Group promotes a positive payment culture which expects all customers to maintain a clear rent and service charge account irrespective of whether they have benefit entitlements as a payment method.

Whilst we adopt an approach of early intervention to reduce the likelihood of arrears accruing, Your Housing Group recognises that from time to time a customer's circumstances may change unexpectedly. In these instances, we will attempt to work with the customer and all appropriate support functions to reach a positive outcome.

### **Payment Methods**

Your Housing Group's preferred payment option for customers is direct debit and all customers will be encouraged to pay by this method. Other payment methods such as standing order, debit/credit card or payment card will be considered if it is not possible for the customer to pay the charges due by direct debit. Rent and service charge must be paid in advance as per the tenancy agreement or in accordance with any other occupancy agreement e.g. lease.

Your Housing Group does not encourage customers to use methods of payment that may lead to greater debt but, while respecting that this is the customer's right of choice.

### **Record Keeping**

It is essential that all information pertaining to the tenancy and payment history of the resident (including history and record of charges raised) is accurately recorded and maintained primarily within the Groups housing system. This is to ensure that the Group's income is maximised and correctly accounted for and reported on. The methods and procedures of record keeping that will be followed are contained within the Charge Setting Procedures.

## **7. Responsibilities under this Policy**

The Board will have approval responsibility for the Rent Setting Policy.

The Board will receive regular updates on the implementation of the Rent Setting Policy and its impact upon the Business Plan so that they can have assurance that it is operating effectively in practice. The Audit & Risk Committee will also monitor this assurance.

The Chief Financial Officer will have overall responsibility for this Policy.

The Head of Finance (Reporting and Controls) will be responsible for the review and update of this policy within agreed timescales.

The Rents and Service Charge Manager will be responsible for overseeing the timely implementation of this policy and the maximisation of income recovery.

## **8. Risk Management**

YHG Business Plan reflects that Income Collection is a key landlord responsibility. YHG will seek to mitigate business risk by increasing income streams where it can by maximising income recovery, whilst paying due regard to our obligations to our customers as a provider of affordable social housing.

Internal and external factors on rent reviews could impact the loan covenants on YHG finances. The business will work closely with Treasury to ensure the financial impacts of rent reviews on the financial viability of YHG are monitored in a timely manner.

## **9. Data Protection, Record Storage and Retention**

This document is stored in the YHG's intranet for internal customers

YHG recognises that confidentiality is important to customers and will treat all information relevant to each customer in the strictest confidence, as will all contractors, under the Data Protection Act 2018, including the UK-GDPR provisions.

Staff recognise that information must be recorded in writing and may be requested for disclosure in court.

Information sharing agreements will be put in place where necessary in order to facilitate the lawful sharing of information with third parties.

## **10. Equality and Diversity**

This Policy will be applied in a way which ensures equality of treatment for all customers without discrimination, or victimisation on account of any protected characteristic as defined within the Equality Act 2010. In drafting this policy YHG has had regard to its public sector equality duties under s149 of the Equality Act 2010, namely the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited under the Act;
- advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The policy pays regard to diversities around enabling access to and delivery of any services.

An Equality Impact Assessment (EIA) has been undertaken on this policy and copies of the EIA are available upon request.

On request YHG will provide translations of all its documents, policies and procedures in various languages and formats including computer disc, braille, large print and tape.

## **11. Communication**

This Policy is available internally to all staff on the Youngle.

This Policy will be available to all customers on the YHG website

## **12. Learning and Development**

YHG will ensure that employees with charge setting responsibility are appropriately trained in calculating rents in line with this policy. Charge team members are assigned rent standard training in Helix, and are expected to complete this every 2 years. In addition to training, it is expected that all staff involved in the rent setting process are to have an understanding of the regulatory standards and legislation that apply to this policy.

## **13. Performance Management of this Policy**

YHG will maintain a suite of exceptions reporting and a dashboard for management assurance will be available to ensure compliance with the Rent Standard and Policy Statement.

YHG will provide assurance on the exceptions reporting and other relevant rent and relet information to the Risk and Compliance Group.

#### **14. Review of this Policy**

YHG will review the Rent Setting Policy every two years, or sooner if required by statutory, regulatory, best practice, emerging developments, or circumstances arising from reviews of other Group-wide policies.

The Head of Finance (Reporting and Controls) has the responsibility for updating the Policy.

## Appendix 1 – Definitions (Glossary of Terms)

	Definitions
CPI - Consumer Price Index	Consumer price inflation is the rate at which the prices of goods and services bought by households rise or fall. It is estimated by using price indices.
RPI - Retail Price Index	The Retail Price Index (RPI) is an older measurement of inflation that is still published because it is used to calculate cost of living and wage escalation; however, it is not considered an official inflation rate by the government.
Formula Rent	Social Rent is low cost rental social housing that is made available at rent levels based on a formula set by the government, which calculates a 'formula rent' for each property using property values and local earnings. Formula rents are exclusive of any service charges. An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties. Properties to be let at a social rent basis should be no higher than formula rent, subject to the rent flexibility - the formula for the calculation is set out in the Policy Statement on Rents for Social Housing (February 2019). Formula rent is subject to the Rent Cap.
Rent Cap	The rent cap is the maximum ceiling on formula rent dependent on the size of the property (number of bedrooms). Rent charged must not go above the rent cap level for the size of property. The rent caps for 2019/20 are set out in the Policy Statement on Rents for Social Housing 2019. The rent caps increase by CPI (September of the previous year) plus 1.5% however the annual change for a tenant in a "rent capped property" will still be governed by the CPI plus 1% limit on rent changes.
Rent Flexibility Level (Tolerances)	The governments 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. The policy contains flexibility to set rents above formula rent - up to 5% for general needs properties and 10% for supported housing. There should be a clear rationale for applying this flexibility taking into account local circumstances and affordability.
Fair (Secure) Rents	If a tenancy started before 15 January 1989, this is likely to be a regulated or secure tenancy. A landlord or a tenant of a regulated or secure tenancy can make an application to have a fair rent registered. A fair rent may be lower than the market rent. Fair rents are registered by Valuation Office Agency (VOA) rent officers. Tenants may apply for registrations of rent every two years, or sooner if there are major changes to a property e.g. repairs, improvements or rebuilding works. Landlords can apply for registrations of rent after 21 months. A tenant who has 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 rent caps and the rent flexibility level). On re-let social (formula) rent or affordable rent (where applicable) should be charged.
Supported Housing	Low cost rental accommodation provided by a registered provider that; is made only in conjunction with the supply of support, is made exclusively to households including a person who has been identified as needing that support and 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; ii) accommodation that has been designated as being available only to individuals within an identified group with specific support needs. The definition of "support" includes; sheltered accommodation, extra care, 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 and support for refugees.
Affordable Rents	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. Although properties let by registered providers are not subject to the Local Housing Allowance (LHA) this should be considered for local market context when setting an Affordable Rent. An Affordable Rent should be no lower than the potential

	formula rent for the property. In cases where 80% of the weekly market rent (inclusive of service charges) is lower than the 'formula rent', the formula rent (exclusive of service charges) constitutes a floor for the rent to be charged.
Gross Market Rent (for Affordable Rent)	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 the gross market value. Valuations for initial rent setting must be made in accordance with a method recognised by the Royal Institution of Chartered Surveyors (RICS).
Local Housing Allowance	The Valuation Office Agency Rent Officers determines Local Housing Allowance (LHA) rates used to calculate housing benefit for tenants renting from private landlords. LHA rates are based on private market rents being paid by tenants in the broad rental market area (BRMA). This is the area within which a person might reasonably be expected to live.
Eligible Service Charges	Service charges are an amount that tenants pay to cover the cost of providing communal or shared services to a building and, if applicable, the surrounding estate. An eligible service charge is a charge that can be claimed from Housing Benefit or the housing element of Universal Credit.
Rents for Social Tenants with High Incomes (HIST)	The government does not expect registered providers to adhere to its social rent and affordable rent policy requirements in relation to tenants with high incomes. There is an expectation that any additional capacity from this will be used to fund new affordable housing where possible.
Shared Ownership	Shared ownership low cost rental accommodation is both low cost rental accommodation and low cost home ownership accommodation. A share between 10% and 75% of the home's full market value is purchased and then rent is paid on the remaining owned by the landlord. The rent limit is 3% of the value of the share the landlord owns, most landlords charge 2.75%.
Low Cost Rental	Definition from the Housing Act 2008 - Accommodation is low cost rental accommodation if; a) it is made available for rent, b) the rent is below the market rent, and c) the accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.
Intermediate Rent	Low cost rental accommodation which satisfies the criteria set out in the Policy Statement on Rents for Social Housing 2019. It is a new supply of housing which intends to provide an additional rental choice for lower income households, providing secure, affordable, good quality, well-managed homes at below market rents.
Rent to Buy (Intermediate Rent)	Rent to Buy is a government designed scheme that allows working households to rent a home at 20% below the open market rent (Intermediate rent).
Specialist Supported Housing	Supported Housing as per the definition above that satisfies additional criteria set out in the Policy Statement on rents for Social housing 2019.
Temporary Social Housing	Low cost rental accommodation made available to a person who is homeless (within the meaning of the Housing Act 1996) subject to the criteria set out in the Policy Statement on Rents for Social Housing 2019.
Extra Care Accommodation	Extra care housing (also known as sheltered housing/assisted living/supported living) offers individuals more independence than living in a care home because they can reside in a self-contained flat while getting meals provided. People using this service can also receive personal care, where required.
Care Home	An establishment that is a care home for the purposes of the Care Standards Act 2000. For the purposes of the Act - is a care home if it provides accommodation, together with nursing or personal care, for any of the following persons; (a) persons who are or have been ill, (b) persons who have or have had a mental disorder; (c) persons who are disabled or infirm, (d) persons who are or have been dependent on alcohol or drugs. Residential care homes provide 24-hour personal care and support for people who need help with daily tasks, such as washing, dressing or eating, but do not need nursing care.
Mortgage Rescue	The government scheme is no longer available. There were previously two options for mortgage rescue; Equity Loan (Shared Equity) or Mortgage to Rent. Equity Loan is where an interest only loan is made available secured on the property. Mortgage to rent is where the

	property is purchased by the association and the seller then becomes a tenant paying rent which will be less than market value.
Private Finance Initiative (PFI)	A private finance initiative (PFI) is a way of financing public sector projects through the private sector. PFIs alleviate the government and taxpayers of the immediate burden of coming up with the capital for these projects.

### Related Documents

Document Type	Name
Connected Policies and Procedures	<b>Annual Rent Setting Board Report</b>  <b>Rent Setting Procedure</b>  <b>Income Collection Policy</b>
Forms and Letters	<b>Statutory Letter for Rent Increase</b>
Leaflets/Publicity Material	
Training Materials Available	<b>Rent Standard (2024) Training - Helix</b>
Intranet/ Website Page	<b>Rent Setting Policy</b>