

# Rent Setting

## Document Control:

Policy Reference:	GF09
Version Number:	03
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Verified By:	Toni Nye
Date of Last Review:	Apr 2024
Date of Next Review:	Apr 2025

## Revision History:

Version Number	Version Date	Nature of Change	Date Approved
01	Nov 2019	Implementation.	Nov 2019
02	Dec 2021	Review and New Service Development Strategy.	Dec 2021
03	Apr 2024	Policy Review in line with Legislation	Apr 2024

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## 1. **Policy Statement**

- 1.1. This policy applies to the rent setting of the below housing services:
  - 1.1.1. General Needs Housing
  - 1.1.2. Supported Housing
  - 1.1.3. Specialist Supported Housing
- 1.2. This policy does not apply to:
  - 1.2.1. Housing let under Affordable Rent
  - 1.2.2. Rented element of Shared Ownership Housing

## 2. **Responsibilities**

- 2.1. Keystage Housing’s Board will monitor compliance with this policy and approve rent levels for annual increases or amendments, ensuring at all times that we continue to meet legislative compliance and identify and monitor any associated risks to income with particular reference to : Setting rents for social housing - An addendum to the Regulator of Social Housing’s 2019 Sector risk profile (published by the Regulator in March 2020).

## 3. **Policy Aim**

- 3.1. At Keystage Housing we do whatever it takes to get people into housing that lasts; with an aim to end the revolving door of homelessness. There are many barriers to housing that we aim to remove and our supported housing, along with our individually tailored support, has proven to help service users navigate their way out of homelessness for the long-term.
- 3.2. In order to help our customers access settled, permanent move-on accommodation that is affordable to them, Keystage Housing works in partnership with Registered Providers of Social Housing, including the local authority to support appropriate access to high-quality long-term homes that people can be proud to live in.
- 3.3. This policy reflects Keystage’s intention to set rents for any new and existing tenants based on Social Rent Principles and the methodology described in the Rent Standard 2020 and accompanying Government Rent Policy Statement, which sets out the government’s policy on rents for social housing from 1 April 2020 onwards (unless it is of a type listed as lone of the exceptions).

## 4. **Overview**

- 4.1. Social Housing is defined in the Housing and Regeneration Act 2008 as accommodation made available at below market rate to people not well served by traditional commercial housing routes. It includes low-cost rental and low cost home-ownership.
- 4.2. Keystage Housing will be the landlord of low-cost rental accommodation.

- 4.3. At Keystage Housing, eligibility is determined dependent on the accommodation available, alongside eligibilities set by the local authority and commissioners in the instances of the below:
  - 4.3.1. Housing provided under nomination of the local authority
  - 4.3.2. Specialist Supported Housing
  - 4.3.3. Supported Housing
- 4.4. This policy aims to ensure that Keystage Housing complies with the Rent Standard 2020 when setting rents for new and existing properties.
- 4.5. The Rent Standard is one of three economic standards that the Regulator of Social Housing expects registered providers to comply with. It sets the requirements around how registered providers set and increase rents for all their social housing stock in line with government policy as set out in their Rent Policy Statement.
- 4.6. The required outcome of the Rent Standard 2020 is that:
  - 4.6.1. Registered Providers must set rents from 1 April 2020 in accordance with the Government's Policy Statement on Rents for Social Housing 2018 (The Rent Policy Statement).
- 4.7. This policy sets out Keystage Housing's approach to setting rents for its general needs and supported housing stock. It is to ensure that Keystage Housing complies in full with all the requirements and expectations set out in the Rent Standard 2020, and additionally complies with all the requirements and expectations of the Rent Policy Statement on the setting, increase and decrease of rents.
- 4.8. Appendix 1 sets out the Specific Expectations of the Rent Standard. This policy statement explains that Social Rent principles apply to setting and increasing rents for all low-cost rental accommodation to which Affordable Rent Rules (for Homes England funded projects); rules for tenants with high incomes and the exceptions listed in Chapter 5 of the Rent Policy Statement do not apply.
- 4.9. Social Rents are exclusive of service charges. This policy outlines how the rent element of the total charge made to residents is calculated and increased. Some residents will also be charged a service charge for services they receive, and other charges may also be included in the total charge e.g. water and heating. We have set out how service charges are calculated in the Service Charge Policy.
- 4.10. The term 'supported housing' means low-cost rental accommodation provided by a registered provider that:
  - 4.10.1. (a) is made available only in conjunction with the supply of support;
  - 4.10.2. (b) is made available exclusively to households including a person who has been identified as needing that support; and
  - 4.10.3. (c) falls into one or both of the following categories:
    - 4.10.3.1. accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently; and
    - 4.10.3.2. accommodation that has been designated as being available only to individuals within an identified group with specific support needs.
- 4.11. Some of this accommodation may also meet the definition of Specialised Supported Housing (SSH), which is exempt from the requirements of the Rent Standard (although must be below a comparable market rate to be considered to be Social Housing).
- 4.12. SSH is defined as those properties which were developed in partnership with local authorities or the health service and which satisfy all the following criteria:



- 4.12.1. (a) the scheme offers a high level of support for clients, for whom the only acceptable alternative public or voluntary sector options are care homes; and
- 4.12.2. (b) no, or negligible, public subsidy has been received, whether in the form of grant or free land; and
- 4.12.3. (c) the scheme has been commissioned in line with local health, social services or Supporting People strategies and priorities.

## **5. Purpose Of Keystage Housing's Rent Setting Policy**

- 5.1. To ensure Keystage Housing complies in full with all the requirements and applicable specific expectations set out in the Rent Standard and additionally comply with all the requirements and expectations of the Rent Policy Statement on the setting, increase and decrease of rents and service charges.

## **6. Our Commitments**

- 6.1. We will be transparent around the way in which we set and review rents and services charges to our tenants and any associated partners.
- 6.2. We will communicate clearly and transparently with our tenants in relation to the setting and reviewing of rents and service charges and any changes will be compliant with the relevant legislation.
- 6.3. We will ensure that we comply with statutory requirements, regulations and guidance issued by Government departments including the Regulator of Social Housing.
- 6.4. We will ensure we comply with the rent setting formula as provided by the Government to calculate the Social Rent Rate for each property
- 6.5. We will ensure that we will accurately calculate the new charges and apply those in a timely fashion for all tenancy and rent types including service charges and that accurate performance and monitoring tools are applied to measure the collection of the rents set.

## **7. Social Rent Principles**

- 7.1. Where accommodation is not affordable rent housing, 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.
- 7.2. The Rent Policy Statement sets out the formula for calculating any social rent based on the estimated value of the property as at 1999 (on Existing Use Principles), using a number variables including location and numbers of bedrooms.
- 7.3. The Welfare Reform and Work Act 2016 introduced an annual rent reduction of 1% per annum for each of 4 years during the period from 2016/17 to 2019/20 in general needs accommodation; with supported housing exempt from the reduction for the first year that impact on calculations for setting rent in new and existing properties (the 2020 Limit).



- 7.4. These tables should be considered as an update to the tables found at paragraphs 7-11 on page 21–22 of the Policy Statement.
- 7.5. The formula rent of accommodation is found in accordance with the method set out in paragraphs 2.4 to 2.6 of the Rent Policy Statement.
- 7.6. The rent set may include an upwards tolerance – “Rent Flexibility” – of:
  - 7.6.1. if the accommodation is supported housing, 10% of formula rent to take account of the higher costs associated with providing supported housing; or
  - 7.6.2. if the accommodation is not supported housing, 5% of formula rent to take account of local factors.
- 7.7. It is Keystage Housing’s policy to apply this flexibility.
- 7.8. As set out in paragraph 2.8 and 2.9 of the Rent Policy Statement, formula rent is subject to the rent cap. The rent cap is determined in accordance with paragraphs 11 and 12 of Appendix A to the Rent Policy Statement.
- 7.9. The weekly rent of any existing tenant may not be increased by more than:
  - 7.9.1. CPI +1% in any year; or
  - 7.9.2. if the tenant’s rent exceeds the rent flexibility level, CPI in any year.

## **8. The Rent Setting Process**

- 8.1. The arrangements for setting rents are set out below. There are three key elements:
  - 8.1.1. (a) Rents on new developments
  - 8.1.2. (b) Rents on re-lets
  - 8.1.3. (c) Rent reviews
  - 8.1.4. (d) Rents on new developments
- 8.2. Core rents for all future properties will be initially set based on Social Rent Principles outlined above, unless one of the exceptions applies to the type of accommodation we intend to provide, to ensure the housing meets the definition of social housing; those rents are below market rate and conform to rent setting rules.
- 8.3. Where properties are acquired on the basis of a short or long-term lease for sub-letting to people in need of social housing, we will ensure that is on terms that enable us to ensure social rents can be charged; those rents will be below market rate and that nothing in the arrangement will cause the rent to cease to be below market rate.
- 8.4. Keystage Housing will observe the key principles of transparency, accountability, probity, independence and professionalism in procuring valuations for social rent calculations and for determining market-rate rent levels. Such valuations will be undertaken by an appropriately qualified professional in accordance RICS-approved methodology, and include methodologies, comparators, and definitions used in the determination.
- 8.5. If we provide SSH, where the Rent Standard does not apply, we will set and agree rents and service charges with commissioners and benefit teams that recover only the full costs of providing; maintaining and managing the accommodation and that represent good value for money. The core rent will be at or below market rate for the property type and services provided according to individual need.
- 8.6. The rental agreement will clearly show the totals for rent, service charge and any utility payments as appropriate.
- 8.7. Rents on relets:
  - 8.7.1. Rents are not changed at re-let unless the void occurs in the specified period prior to the annual review date (see Rent Review section below), or the rent is not in line with the normal charge for the accommodation.

8.7.2. The rent and service charge must be reconfirmed to the Finance Team and Revenues Team by prior to the offer of a tenancy and clearly explained – in writing to the prospective tenant during the referral process as well as on signing the tenancy agreement.

#### 8.8. Rent reviews:

8.8.1. Rents will be reviewed annually in accordance with regulatory requirements. Formula (Social) rents will be amended in accordance with the 2020 guidance with a maximum annual increase of CPI + 1% or any subsequent government or regulatory requirements.

8.8.2. The annual review of rents will be conducted by (the Finance Team), and discussed at the first Finance Committee of the calendar year as part of the wider budget-setting programme. The board will be asked to approve any amendments to rents and service charges (also see Service Charges Policy).

8.8.3. Tenants will be given a minimum of one calendar months' notice in writing of changes to their charge and the rent review will be usually applied from the first Monday in April.

8.8.4. The review process will incorporate service charges (see below). It will take into account any improvements or enhancements proposed (e.g. in the annual tenant satisfaction survey), alongside any opportunities for savings (e.g. due to new technology or efficiencies).

8.8.5. Letters and other communications setting out the basis on which any increases or other changes are proposed will be issued by the end of February each year, to allow one full month for consultation or clarification as required.

8.8.6. Letters will include a full breakdown of the gross charge, including charges for individual service charge items; an explanation of the new charge calculation; any actions required by the tenant and full contact details in the event of queries. They must be sent in a format appropriate to the tenant or the person responsible for their financial affairs, and explained verbally if required.

## 9. Service Charges

9.1. 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 that includes the administration of tenancies from start to finish.

9.2. In the case of social rent properties, providers are expected to identify service charges separately from the rent charge.

9.3. 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.

9.4. Service charges are subject to separate legal requirements and are limited to covering the cost of providing the services. This charge for services not covered by the rent is split between communal and individual charges.

9.5. 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.

9.6. 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 + 1 percentage point, to help keep charges affordable.

- 9.7. Where new or extended services are introduced, and an additional charge may need to be made, registered providers should consult with tenants.
- 9.8. As a community interest company providing social and specialist housing and Registered Provider, current housing benefit rules mean that we can recover the full costs of providing the necessary services under 'exempt accommodation rules' where we also provide residents with 'more than minimal' care, support or supervision or where it is provided on our behalf – and the residents require such.
- 9.9. Charges for personal support costs are dealt with separately as they relate to services to individuals rather than being linked to the individual home.
- 9.10. Increases in service charges will normally be considered and consulted on as part of the wider rent consultation, at least one month before the start of the new financial year. (See Service Charge Policy)

## **10. Timing Of Rent Reviews And Increases**

- 10.1. Rents will be reviewed annually in accordance with regulatory requirements. Formula (Social) rents will be amended in accordance with the 2020 guidance with a maximum annual increase of CPI + 1% or any subsequent government or regulatory requirements.
- 10.2. The annual review of rents will be done as part of the budget setting process and the board will be asked to approve any amendments to rents and service charges (also see Service Charges Policy).
- 10.3. Tenants will be given a minimum of one calendar months' notice in writing of changes to their charge and the rent review will be usually applied from the first Monday in April.

## **11. Communication**

- 11.1. Keystage Housing will be open and transparent in which we set rent and service charges to our tenants. We will inform our tenants of how the rent has been set and information will be made widely available through various communication channels.
- 11.2. We will inform tenants of any changes to their rents at least 4 weeks prior to any new charge being applied and to assist our tenants, we will advise Housing Benefits if applicable of any changes. Information will be written or conveyed to tenants in language and manner which is appropriate to them. The review letter will include:
  - 11.2.1. (a) Details of the new charge, including a breakdown of the full charge;
  - 11.2.2. (b) An explanation as to how the new charge has been calculated;
  - 11.2.3. (c) Details any changes to payment of the new charge;
  - 11.2.4. (d) Clear contact details.

## **12. Information And Data Protection**

- 12.1. All information provided to Keystage Housing will be managed as per our GDPR policy; though we may share information with partner local authorities; other registered landlords and the Regulator of Social Housing where there is an agreed Information Sharing Agreement, a legal basis under the Data Protection Act 2018. Information



is used only in accordance with the Data Protection Act 2018. More information can be found at <https://www.gov.uk/data-protection>.

### **13. Legal And Regulatory Framework**

- 13.1. Housing Act 1988
- 13.2. Housing Act 1996
- 13.3. Housing and Regeneration Act 2008
- 13.4. Welfare Reform and Work Act 2016
- 13.5. Rent Standard 2020 and associated guidance
- 13.6. Rent Policy Statement
- 13.7. Setting rents for social housing - An addendum to the Regulator of Social Housing's 2019 Sector risk profile.

### **14. Appendix 1 - Rent Standard**

#### 14.1. Specific expectations:

- 14.1.1. Registered providers must comply in full with all the requirements and expectations set out in this 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.

#### 14.2. 2020 limit:

- 14.2.1. In the year following the end of the social rent reduction period the maximum weekly rent for an existing tenant is the 2020 limit. "2020 limit" means the amount that is found by:

- 14.2.1.1. (a) determining the average weekly rent for the tenant's accommodation in the fourth relevant year specified in section 23(6) of the Welfare Reform and Work Act 2016; and

- 14.2.1.2. (b) increasing that amount by CPI + 1%;

- 14.2.1.3. (c) in this paragraph "average weekly rent" means:

- 14.2.1.3.1. (i) in a case where the weekly rent changes because the accommodation is re-let after the start of the fourth year, the weekly rent payable by that tenant for that accommodation in respect of the most recent period for which rent was payable at that changed rate provided that that change complies with the requirements of the of the social housing provisions of the Welfare Reform and Work Act 2016 Act and any Regulations made under those provisions; or

- 14.2.1.3.2. (ii) in any other case, the average weekly rent payable by the tenant of that accommodation in respect of the fourth year.

14.3. This formula for calculating the 2020 limit applies to both Social Rent and affordable rent housing.

#### 14.4. Social rent:

14.4.1. 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.

14.4.2. The formula rent of accommodation is found in accordance with the method set out in paragraphs 2.4 to 2.6 of the Rent Policy Statement. The rent set may include an upwards tolerance – "Rent Flexibility" – of:



14.4.2.1. (a) if the accommodation is supported housing, 10% of formula rent; or

14.4.2.2. (b) if the accommodation is not supported housing, 5% of formula rent.

14.4.3. As set out in paragraph 2.8 and 2.9 of the Rent Policy Statement, formula rent is subject to the rent cap. The rent cap is determined in accordance with paragraphs 11 and 12 of Appendix A to the Rent Policy Statement.

14.4.4. Subject to the 2020 limit (see above), the weekly rent of any existing tenant may not be increased by more than:

14.4.4.1. CPI +1% in any year; or

14.4.4.2. if the tenant's rent exceeds the rent flexibility level, CPI in any year.

#### 14.5. Fair rent:

14.5.1. 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).

14.5.2. Registered providers may not increase the rent of a tenant with fair rent protection by more than CPI +1% in any year (even if the tenant's rent is below the formula rent level and the maximum fair rent is increased by more than that amount).

#### 14.6. Affordable rent housing:

14.6.1. Affordable rent may only be charged where the property in question is provided by a:

14.6.1.1. (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; or

14.6.1.2. (b) 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

14.6.1.3. (c) 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.

14.6.2. 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.

14.6.3. 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 rent for the tenant's accommodation, subject to below.

14.6.4. 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 3.3-3.6 above and would be exclusive of service charges.

14.6.5. 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 3.2 above. '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.

#### 14.7. Moving between types of rent:

14.7.1. 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 below).

14.7.2. 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. Social rent properties may not be converted to:

14.7.2.1. (a) Affordable Rent (other than in the circumstances set out in chapter 2 of the Rent Policy Statement);

14.7.2.2. (b) market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement); or

14.7.2.3. (c) intermediate rent.

14.7.3. Affordable Rent housing must not be converted (including on re-let) to:

14.7.3.1. (a) market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement); or

14.7.3.2. (b) intermediate rent.

14.8. Local authority information requirements:

14.8.1. 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.

## 15. **Monitoring and Review**

15.1. The Senior Leadership Team and Board of Directors will be responsible for general monitoring of these guidelines.

15.2. Significant and/or repeated breaches of this policy will lead to disciplinary action, up to and including dismissal.

## 16. **Related Policies**

GF10- Service Charges

GF21 - Specified Exempt Accommodation

GF22- Lease Management - external Landlords