

Rent Setting Policy	
<b>Document Owner:</b> Chief Finance Officer	<b>Document No:</b> FN-PL-002
<b>Date Approved:</b> February 2023	<b>Review Date:</b> February 2024

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## 1.0 Introduction

- 1.1 Our purpose is to help our customer and communities thrive, to achieve this we focus on providing services that our customers value, homes they want, places they are proud of by people who care.
- 1.2 To ensure that we can provide great services, maintain existing properties and develop quality homes we need to generate revenue to invest in our business. Our main source of revenue is our rental income.
- 1.3 The scope of this policy is applicable to all of our rent setting and annual review processes and should be used in conjunction with our development and finance procedures. This policy will be reviewed annually to ensure compliance with all standards associated with rent setting and increases.

## 2.0 Policy objectives

- 2.1 The objectives of this rent setting policy are to ensure that:
  - Rents are set in line with the regulatory, statutory and legislative guidance provided by the government, the scope of this policy includes all stock and tenure types. The following standards are used and referenced in this policy document:
    - **Homes England, Capital Funding Guide** : applicable to our new development properties: [Capital Funding Guide - 4. Housing for Rent - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/capital-funding-guide-4-housing-for-rent-guidance)
    - **Government UK 'Shared ownership homes, buying and paying rent' guidance.** <https://www.gov.uk/shared-ownership-scheme> and DLUHC rent policy.

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- Department for Levelling Up, Housing and Communities (DLUHC) ‘policy statement on rents for social housing’: [Policy statement on rents for social housing - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/social-housing-rent-revision)
- The Regulator for Social Housing (RSH) ‘Rent Standard’ [Rent Standard - April 2020 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/social-housing-rent-revision)
- we apply annual changes to rents within the required timescales and that the process is compliant with the DLUHC and RSH rent standards and guidance referenced above.
- we communicate with customers in a clear and consistent manner within the timelines specified by the policy.
- we are fully compliant with the relevant policies and regulative requirements for rent setting on our new build properties.
- we provide Beyond Housing colleagues with the guidance they need to confidently calculate compliant rents.
- we manage the review, audit and approval of rent setting policies and procedures, as defined in our governance framework and that this policy is always compliant to/with current standards.

2.2 The Beyond Housing Board approve all rent increases. In reaching their decision, the Board will ensure that the annual rent increase/decrease considers our customers views, the local market context, our business plans, as well as the levels of housing benefit or Universal Credit that are available to claimant households who may occupy Beyond Housing properties.

### 3.0 Definitions

This section of the policy provides a high-level description of the terms and definitions used within its content to apply the relevant regulatory and legislative guidance to the rent setting process undertaken by colleagues at Beyond Housing.

3.1 **Exemptions** : categories of properties that are identified as exempt from the RSH rent standards and associated policies.

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- 3.2 **Social rent (formula rent):** a low-cost rent calculated in accordance with **the formula for calculating social rents set out in the DLUHC rent standard**, chapter 2, excluding any applicable service charges.
- 3.3 **Affordable rent:** a low-cost rent calculated at 80% of the gross market rent including service charges, an affordable rent should not be lower than the formula rent for a given property. The intention of affordable homes is to provide the flexibility to enable properties to be let at a higher rent than a social rent, to generate additional capacity for investment in new affordable housing, as set out in the DLUHC rent standard, chapter 3.
- 3.4 **Intermediate rent :** a form of rent that can only be applied to investment programmes specified by Homes England and / or the Regulator for Social Housing. Examples include key worker homes and supported schemes.
- 3.5 **Shared ownership rents:** a rent that is charged on properties that are classified as shared ownership. The rent is calculated utilising the percentage of the unsold equity of the property in line with legislation and/or RSH guidance. More information on this can be located using the appropriate links in section 2 of this policy, and referring to the separate shared ownership rent policy on MPad.
- 3.6 **Leasehold rent and buy rent:** these rents are applicable in properties with a lease charge (similar to a social rent).
- 3.7 **Market rent:** accommodation let at the amount of market rent that can be expected for the use of a property, in comparison with similar properties in the same area. Household income must be at least £60,000.
- 3.8 **Fair rent:** A fair rent is tenancy starting before January 1989 (regulated or secure) that can make an application to have a fair rent protection registered and must not be charged more than the lower of fair rent and formula rent.
- 3.9 **Rent to Buy:** offers properties if you are eligible at a discount normally 20% below market rent. Your initial tenancy agreement will be for up to 2 years mans you pay a reduced rent allowing you to save for the deposit. After that, if you need more time to save for a deposit, your landlord may agree to extend your tenancy. The rent you pay is 80% of gross market rent set through a RICS valuation.

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- 3.10 **Garage rents:** rents for garages, garage plots and access ways, these rents are charged in accordance with the license agreements in place.
- 3.11 **Service charges:** charges for services provided by the landlord, most commonly applicable to communal areas and in blocks, examples include cleaning and grounds maintenance. Service charges are reviewed annually in line with the rent increase schedule as defined in the finance and service charge process and procedures. Service charges are used to inform valuations where appropriate. The Landlord & Tenancy Act 1985 controls the level of service charges and the National Housing Federation (NHF) service charges guide for housing associations is used as a reference document when service charge setting is being considered. A service charge procedure and booklet is on Mpad.
- 3.12 **Reach & Respond:** (Independent Living Services (ILS) delivers a range of services through Reach & Respond. If the technology is included in the design specification for the property, the basic service charge which is akin to a warden service will be included in the rent calculation.

If a customer does not have the service designed into their property and purchases the Reach & Respond service, this will be treated as a personal service charge.

1. 3.13 **Surveyor RICS valuations:** valuations requested for initial rent setting (e.g., affordable rent) and re-let valuation standards as defined by the Royal Institution of Chartered Surveyors (RICS). The RICS 'red book' methodology ensures providers adopt a consistent and transparent approach to the valuation of market rents.
2. 3.14 **Rent increases and caps** – applicable rents are increased annually in line with the DLUHC policy statement on rents for social housing.

## 4.0 Responsibilities

- 4.1 The Beyond Housing Board approve the annual rent increase/decrease and rent policy as defined in section 2 of this document. The board gain assurance of the responsibilities of the executive in section 7.
- 4.2 The Chief Finance Officer (CFO), in consultation with the Senior Leadership Team (SLT), is responsible for reviewing the proposed rent increases/decreases, and for submitting a report to board for approval.

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- 4.3 The CFO is accountable for ensuring that the rents and service charges are set in accordance with relevant legislation and government policy in consultation with the relevant directors.
- 4.4 The Head of Finance is responsible for the oversight and facilitation of actions relating to the application of rent and service charge increases/ decreases to customer accounts and communicating effectively with customers, to ensure that they are informed of the process associated with the annual rent increase.
- 4.5 The Chief Operations Officer (COO) is responsible for providing the information associated with the provision of independent living services to the finance team.
- 4.6 The Income Manager who reports to the Director of Customer Service, is responsible for providing local authorities with the reviewed rent/service charge changes (provided by finance).
- 4.7 The Asset Services Manager, who reports to the Director of Asset Management is responsible for ensuring that service charges are reviewed, in line with this policy and service charge procedures, and that these comply with government policy and legislation.
- 4.8 The Director of Development is responsible for ensuring that rents on new development properties are set using the Homes England (HE) and RSH rent standards, ensuring that HE systems are updated, and finance are provided with the new rent for approval.
- 4.9 The Director of Governance and Assurance team is responsible for providing the break-down of insurance charges to the finance team and arranging insurance notification letters are issued to customers.
- 4.10 The Director of Information Communication Technology is responsible for system related year-end procedures that support the application of the rent uplifts and maintenance of the housing management systems that host all rent related data.
- 4.11 Colleagues who are responsible for managing the rent setting processes are accountable for ensuring that this policy and related procedures are applied in an operational context.

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## 5.0 Sustainability

- 5.1 Rents provide the income for the business annual budgets and longer-term business plan. These provide the required funding for the business strategy and investment needs of our properties, customers and assets.

## 6.0 Rent setting

Beyond Housing set rents in accordance with the relevant DLUHC (policy statement on rents for Social Housing updated December 2022) noting the Regulator Social Housing (RSH) Rent Standard Guidance, taking account of affordability whilst maintaining the stability of the business plan.

This section of the policy provides a high-level overview of how rents are set at Beyond Housing to ensure compliance with the standards above.

### 6.1 Obtaining RICS valuations

RICS valuations must be obtained on affordable properties to enable rents to be set at both first let and in re-let situations. For properties that have social rents a valuation will be required at first let only.

- 6.1.1 The valuer will be instructed by development or finance teams to provide a RICS valuation and be provided with details of the estimated or confirmed service charges that are applicable to the property being valued. Service charges will be inclusive of Reach and Respond basic services where required and where equipment has been installed as part of the design of the building.
- 6.1.2 Valuations should only be requested from valuers on the approved provider list, this list is available on request from the finance team. All valuations received should include the January 1999 social rent value for the property, market rent and the service charges inclusive of Reach and Respond basic services if required.
- 6.1.3 If there are no service charges available to inform the valuer during the valuation, then a comparable service value must be located using a similar property archetype from the surrounding area by the valuer.

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6.1.4 All valuations received must be recorded on the Beyond Housing valuations database by the responsible colleague from either development or finance and stored in an accessible location for future reference.

6.1.5 If a property has not been let within 3 months of the last valuation, then a new valuation must be requested to inform the rent setting process.

6.1.6 Valuations are not required as part of the annual rent uplift process.

## 6.2 New development properties: First lets

6.2.1 The rent for new development properties (shared ownership, affordable, social etc) will be set by the development team following applicable Government policy and approved by the Head of Finance.

6.2.2 The first let rent will also take account Homes England (HE) capital funding guidelines and the DLUHC and RSH rent setting standards.

6.2.3 For social rented properties, the rent amount will be determined using the government's formula for calculating rents, i.e. the "formula rent" applicable to the property categorisation and tenure type. Affordable rents will be calculated as set out below.

## 6.3 Social rents

6.3.1 Social rents are set at first let and re-let in line with government guidance and using the appropriate formula for setting social rents (formula rent calculation), as set out in the DHLUC chapter 2 and RSH rent standards.

6.3.2 Service charges will be excluded from the valuation and associated rent calculations and charged separately.

## 6.4 Affordable rents

6.4.1 Beyond Housing charges affordable rents on new build properties and existing ex-social rented properties that were converted to affordable rents as part of the Homes England authorised tenancy conversion scheme.

6.4.2 Affordable rents are set in line with the DLUHC policy statement on social rents for social housing (on initial let and re-let) using 80% of the gross market rent valuation inclusive

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of service charges where applicable. All rents require a RICS valuation on first let and relet as stated in section 6.1.

6.4.3 The objective of affordable rents is to enable registered providers to charge more than the social rent in some circumstances, to generate revenue to reinvest in the development of new homes. Where the affordable rent calculation is lower than the formula rent for a property, the formula rent will be charged.

6.4.4 The total affordable rent amount will include eligible service charges including reach and respond for designated properties which include hard wired facilities. Service charges that sit outside of the inclusion criteria for housing benefits for example supported services or enhanced reach and respond services will be charged separately and categorised as personal charges and will not be included in the affordable rent calculation.

6.4.5 Rent increases will be managed in line with the re-let and annual uplift processes as defined in section 6.9 of this policy.

## 6.5 Intermediate rents

6.5.1 Properties where intermediate rents can be applied are managed in line with Homes England's capital funding guidelines, the RSH rent standards and / or as stipulated in a funding and or local authority contract / agreement.

## 6.6 Shared ownership properties (see separate policy on MPad)

6.6.1 Rents for shared ownership properties are set at a percentage of the unsold equity at the point of the initial sale.

6.6.2 The initial annual rent must not exceed 3% of the unsold equity at the point of initial sale, although it can be less. The individual lease agreements set the rents and increases that would apply.

6.6.3 A RICS valuation should be obtained to determine the rent on the lease at first let. For staircasing an updated valuation is required to determine the current market value and the cost of purchasing the additional equity is then based on the updated valuation.

## 6.7 Support housing and extra care



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6.7.1 Rents in supported properties are set using the governments formula for calculating affordable rents. Exemptions from the rent standards are clearly defined in paragraph 2 of the RSH document referenced at section 2 of this policy. Beyond Housing properties categorised as supported housing and/ or that have extra care services are exempt from the DLUHC and RSH rent standards.

Beyond Housing do not have any properties that meet the criteria to be categorised as specialised supported services.

6.7.2 For this type of property the market rent comparable (including building related service charges) will be based on similar levels and types of service provision available in that area.

6.7.3 Service charges relating to individual care packages will be charged by the provider of the care service. Beyond Housing do not provide care and support services outside of their responsibility as a landlord.

6.7.4 Designated properties, for example older persons schemes, with mandatory Reach and Respond services included in the design are not categorised as supported living by Beyond Housing. For rent setting purposes these properties are classified as general needs stock, the basic reach and respond service will be categorised as a mandatory service charge and included in the rent calculation.

## 6.8 Relet rents

6.8.1 DLUHC and RSH rent standards and guidelines will be used to set rents at re-let, when reviewing a rent for a property that is to be re-let, the finance team will request a RICS valuation in advance of determining the re-let rent. Social rent properties are excluded for these properties a valuation is only required at first let.

6.8.2 Social rent properties must 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.
- b) Market rent (unless it is a rent for social tenant with higher incomes).
- c) Intermediate rent.

6.8.3 Affordable Rent properties must not be converted (including on re-let) to:

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

## 6.9 Annual Rent Increases

- 6.9.1 The DLUHC policy states applicable rents are increased annually in line with the DLUHC policy statement on rents for social housing, for grant funded properties the regulatory funding requirements will also be reviewed
- 6.9.2 THE DLUHC guidance on CPI and rent increase ceilings will be considered when deciding the rent increase for the applicable year.
- 6.9.3 After progressing through the rent increase approval process including Audit & Risk Committee, a paper is submitted to Beyond Housing board recommending how the recommended CPI rates and the ceiling should be applied to the relevant rents. The board will be asked to approve the recommended rent uplifts for the year ahead.
- 6.9.4 Customers will receive a rent change notification letter at least one 28days before the date on which the rents are due to change. This is usually the first Monday in April. The letter will contain concise information advising of the rent and service charge increase and the next steps.
- 6.9.5 The customer letter will meet statutory legal requirements in both format and content and will also include details of any changes to service or garage charge increases, collection methodology (Allpay, direct debits etc) where applicable.
- 6.9.6 If a tenancy starts on or after the rent change notifications have been sent to customers then the new customer will be notified at sign up of the new rent which will apply from the first Monday in April.

## 7.0 Monitoring, risk management and consultation

- 7.1 Monitoring activities will include:
  - Ensuring that this policy is implemented in accordance with the company's Standing Orders and Financial Regulations

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- Monitoring the effects of the policy on customers and Beyond Housing's financial viability
- The rent and service charges policy are reviewed and updated if required annually or when there are changes to the standards listed at section 2 of this document by the board
- Rent and lease charge setting is subject to internal audit reviews
- There is a separate leaseholder and service charge management policy in place
- Ensuring all charges to rents and service charges are carried out within statutory or contractual notice periods.

- 7.2 Customers and leaseholders will be notified of changes in charges as appropriate and in line with best practice, the tenancy agreement and applicable legislation.
- 7.3 Annually when rent increases are approved by board consultation takes place with customers on proposed rent increases.
- 7.4 Customers have the right to complain, and we have an obligation to review and manage any rent related complaints within the parameters of our complaints policy. If a customer wants to make a complaint about a rent, they can do so by contacting us through our website.

## 8.0 Review

- 8.1 The Beyond Housing Board will monitor the rent setting process on an annual basis and formally review annually or sooner if changes to legislation, regulatory requirements or other exceptional circumstances occur.

Approval and revision Criteria	Information
Document written by:	Chief finance officer
Document approved by:	Board
Version No.	4

Version no.	Revision date	Reason for revision
4	February 2023	Annual review