

## Rent Setting Policy

December 2023

<b>Lead Manager</b>	Strategic Lead Rent and Income Services
<b>Date of Final Draft and Version Number</b>	November 2023
<b>Review Date</b>	November 2026
<b>Officer Responsible for Review</b>	Strategic Lead Rent and Income Services

## Policy Review History

<b>Version number</b>	<b>Changes to Document</b>	<b>Changes Authorised By</b>	<b>Date Approved</b>
1	New policy	RT/ST	1.12.15
2	Annual Policy Review	RT/ST	Dec 2016
3	<p>Interim Policy Review-Following Group Consolidation</p> <ul style="list-style-type: none"> <li>• Replacement of any reference to Group replaced with Thirteen</li> <li>• Section 2 Reference material updated to reflect legislation change and different Acts that include sections relevant to this policy</li> <li>• Section 3 Definitions slight wording changes giving greater clarity of definition</li> </ul> <p>Section 4 updated against various points to reflect legislation changes following rent convergence and new legislation on 1% rent reductions for social and affordable rents from April 2016-April 2019 inclusive</p>	RT/ST	19.09.17
4	<p>Initially due for review December 2018.</p> <ul style="list-style-type: none"> <li>• This review was light touch allowing for the outcome of wider consultation on the new Rent Standard with the regulator. The results of the consultation are due to be completed by July 2019. The outcome of the consultation will be published shortly after. This policy will be reviewed and updated in September 2019 when the regulator has issued new guidance following consultation on the new rent standard.</li> <li>• 4.1.1 Updated to reflect the new provision for the charging of social rents from April 2020</li> <li>• Lead Manager - Job titles changed to reflect organisational change.</li> <li>• Responsibility - Job titles changed to reflect organisational change</li> </ul>	RT	03.12.2018

	<ul style="list-style-type: none"> <li>Policy reviewed and updated to take account of new regulatory requirements following the implementation of the revised Rent Standard.</li> <li>Several wording changes to take account of new legislation and reflect the changes to how rents will be set and reviewed for the period from April 2020 to up to and including the April 2004 rent reviews.</li> <li>Additional information referring to the re-introduction of the use of the "Rent Tolerance" when setting new rents on social rented re-lets.</li> </ul> <p>For ease of reference to areas updated as a result of legislation, key changes are highlighted in Yellow.</p>	RT	January 2020
5	<ul style="list-style-type: none"> <li>Dates amended to reflect current and future review dates.</li> <li>Job title amendments to reflect current roles related to lines of responsibility</li> <li>4.1.4 Wording added to clarify that rent tolerances are only applicable to social formula rents.</li> <li>4.2.4 sentence added to confirm that sitting affordable tenants may see their rents increase above 80% of the market rent while in situ.</li> </ul> <p>4.41 sentence added to confirm that although there is a 3% cap on the limit for the initial setting of Shared Ownership rents, providers are recommended to use 2.75% of the unsold equity when setting the initial rent.</p>	RT	January 2022
6	Amended-updated job titles. Head of Finance (Income) changed to Strategic Lead Rent and Income Services.	RT	Oct 2022
7	Amendment to shared ownership, added point 4.4.2 rents on resale, and 4.4.3 rents after staircasing.	CG	Nov 2023

## 1 POLICY STATEMENT

- 1.1 Thirteen aims to set and maintain rents at levels which are affordable to existing and potential new customers, comply with relevant legislation and regulatory requirements and provide opportunities for the business to grow and remain viable.
- 1.2 This policy applies to all stock, tenure and rent types across Thirteen.
- 1.3 The approach used to rent setting and review is dependent on the tenancy type as well as on any specific conditions within the individual tenancy agreement and/or lease.

## 2 REFERENCE MATERIAL

- 2.1 Thirteen operates in line with Homes England (HE) Regulator of Social Housing Rent Standard Regulatory Guidance, under its delegated powers from the Secretary for Communities and Local Government. Reference material includes relevant sections of Acts listed below.
  - Housing Act 1985
  - Local Government and Housing Act 1989
  - Housing and Regeneration Act 2008
  - Localism Act 2011
  - Secondary legislation made under the above Acts.
  - Welfare Reform and Work Act 2016
  - Regulator of Social Housing Rent Standard

## 3 DEFINITIONS

- **Tenant** – Any Tenant or Leaseholder of a Thirteen property including commercial or retail units.
- **Outsourced Stock** – Properties in outlying areas, where full housing management services are contracted out to other housing organisations and delivered on behalf of Thirteen.
- **Managing Agents** – Organisations which manage properties on behalf of Thirteen or deliver specialist services using Thirteen owned residential accommodation.

## 4 POLICY CONTENTS

### 4.1 Social Rent Setting & Background

- 4.1.1 Following announcements made in the Government's 2015 Autumn Statement the ten-year formula for calculating social rents was suspended and replaced with a 1% annual rent cut for 4 years commencing 1 April 2016.
- 4.1.2 There was a further announcement in 2018 confirming that a new provision for increasing social rents will come into place from April 2020. The regulator also introduced an amended regulatory policy framework following a consultation process that took place in the first half of 2019.
- 4.1.3 In addition to the regulatory guidance on how rents should be increased, the policy contains flexibility for registered providers to set new rents at up to 5% above the formula rent for general needs properties and 10% above formula rent for supported properties.
- 4.1.4 The formula for the setting of social rents is included in the rent standards regulatory guidance. Thirteen is required to ensure that this formula is used as per the regulators

instructions when setting rents for our social rented tenants. The formula uses several indices and calculations that include the 1999 valuation of the property, average earning of those in work in the geographical location and a weighting dependent on the number of bedrooms.

- 4.1.5 Each year, generally in November/December a report is presented to the Thirteen Board to request Board approval of our recommendations in relation to the future years rent reviews. No increases are actioned without prior approval from the Board. All recommendations remain subject to regulatory guidance and must fully comply with the rent standard.
- 4.1.6 When social formula rented properties become available for re-letting Thirteen will set the new rent using the formula rent plus 5% rent tolerance for general needs properties and formula rent plus 10% for supported housing properties.
- 4.1.7 The Head of Finance (Income Services) in consultation with the Head of Housing Services (General Needs) or Head of Care & Support (Supported) will have the discretion under delegated authority to set a rent below the formula rent tolerance levels, in circumstances where it is felt appropriate to exercise this discretion. Examples where this discretion may be applied include areas of low demand and affordability factors. Any exception agreed will be reported to Leadership Team.

## 4.2 Affordable Rent Setting

- 4.2.1 Thirteen charges Affordable Rents on new build properties and on ex social rented properties that were converted to Affordable rents as part of a Homes' England authorized conversion program on tenancy turnover. These properties are often let on fixed term periodic tenancies but could also include properties let on a life-time tenancy.
- 4.2.2 Thirteen will set Affordable Rents (on initial let and on re-letting of these properties) using 80% of market rent valuations inclusive of service charges. Valuations are rebased on re-letting using market comparable values or existing valuations that are less than 3 months old. Formal valuations are provided in accordance with a Royal Institution of Chartered Surveyors (RICS) approved method as stipulated by Homes England.
- 4.2.3 For Affordable rent setting there are no provisions for the use of rent tolerances, consequently the ceiling will always be capped at 80% of the market valuation inclusive of services.
- 4.2.4 Affordable Rent reviews for existing tenants in situ are subject to the same regulatory guidance applied to Social Rent reviews.
- 4.2.5 Affordable rent reviews for tenants in situ will be subject to the same rent provision that complies with the government's current rent standard.
- 4.2.6 From April 2020 the revised Rent Standard also provides additional protection for Affordable rented tenants on fixed term periodic tenancies.
- 4.2.7 The total affordable rent amount will include any housing benefit / universal credit eligible service charges. Any additional non-housing benefit or universal credit eligible charges (e.g. Amenity Charges/Personal Support Charges) will be charged separately in addition.

#### **4.3 Fair Rent Setting**

- 4.3.1 Fair Rents apply to secure tenancies entered into agreements before 15 January 1989. Fair Rents are registered with Valuation Office Agency Incorporation Rent Officer Functions (VOAIFO) every two years.
- 4.3.2 In the case of Fair Rent Shared owners, rent reviews are also carried out every two years.
- 4.3.3 As a result of the Governments 2015 Autumn Statement, tenants subject to a fair rent are also afforded, some additional protection in addition to that already afforded them by the Rent Officer Service. The rent continues to be registered for assessment every two years, however regardless of what the rent officer proposes for the new rent the rent cannot be increased beyond the level of that paid by a social tenant in a similar property. If for any reason the registered rent is already higher than the social rent, then the fair rent should be reduced by a maximum of 1% from the effective date of the new rent registration. This should either reduce or remove any differential between the social and the fair rent.
- 4.3.4 Secure tenants who transfer to properties within the Group will remain secure tenants entitled to pay a fair rent, except where the tenant chooses to transfer to a property that is only available on Affordable Rent or is subject to a specialist need categorization that does not allow the right to buy. In this case, they will pay either the Social or Affordable Rent as appropriate for the duration of their tenancy at that property.

#### **4.4 Shared Ownership Rent Setting**

- 4.4.1 Shared Ownership Rents will be set in accordance with the individual lease, in most circumstances the initial rent will be calculated based on an annual figure capped at no more than 3% of the unsold equity. Providers are encouraged to use the figure of 2.75% for initial rent setting purposes. Thirteen have opted to use the 2.75% figure as a maximum cap. Rents will be reviewed annually under the terms of the original lease.
- 4.4.2 Rents on resale will be set at the same level as the previous shared owner if the resale is based on the same ownership %
- 4.4.3 Additional % purchase known as staircasing - the amount of rent paid on additional % purchase is based on the landlords % share, if the customer buys an additional share % the rent will reduce based on the landlords % reduction owned.

#### **4.5 Intermediate Rents and Rent to Homebuy**

- 4.5.1 For intermediate rents and Rent to Homebuy properties, rents will be set at a percentage of the open market rent as determined by the tenancy agreement or lease and reviewed in accordance with this agreement.

#### **4.6 Mortgage Rescue Properties**

- 4.6.1 Rents on Mortgage Rescue schemes (put in place for a minimum of 3 years) will be adjusted annually by RPI+0.5% each April unless the terms of the tenancy state otherwise.

#### **4.7 Garages, Parking Spaces and Garage Sites**

- 4.7.1 Thirteen will not charge any rent for garages that would exceed the average market rents for a local area. A local area is defined by the local authority area. Where there is no market rent information available in the local area, the benchmark will look to a similar area.
- 4.7.2 Thirteen will set rents by benchmarking local rents periodically to ensure rents are not falling below the average rents for the area. Transitional rents will be established between the benchmarking processes.

4.7.3 Where market rents reduce, rent for Thirteen's garages, parking spaces and garage sites should also be reduced to reflect the market trend to ensure they remain commercially competitive. In areas of high demand, or where there has been significant investment, discretion will be used, when reducing or increasing rents.

4.7.4 Garage rents are subject to VAT at the standard rate.

4.7.5 The following types of parking facilities are standard rated supplies:

- A letting or license of a garage, designated parking bay or space let to a thirteen tenant.
- The letting of a garage is standard rated even if it is not used for storing a vehicle.
- A right to park vehicles (including trailers) in, for example, a car park or commercial garage.

4.7.6 The letting of garages or parking spaces in conjunction with the letting of dwellings for permanent residential use is exempt provided:

- The garage or parking space is reasonably near to the dwellings; and
- The tenant takes up the lease of the dwellings and the lease of the garage from the same landlord.

#### **4.8 Market Rents and Commercial Properties**

4.8.1 Thirteen owns a relatively small amount of residential accommodation let at full market rents and some commercial premises let at market rates. Thirteen also owns some student property and manages student accommodation on behalf of others. These charges are not Homes England regulated and are reviewed annually using market trends as a competitive guide. The terms of the review of commercial rents will be clearly set out in the lease.

#### **4.9 Appeals**

4.9.1 Most residential tenants have the right to appeal to the First Tier Tribunal Property Chamber, Residential Property (formerly Rent Assessment Committee) against the fair rent registered. Some tenants have their rent reviewed by way of provision within the tenancy agreement. Tenants who are affected by this will not be able to appeal against the rent increase. Customers who are unsure about which category applies to them can clarify this with the Rent Setting & Service Income Team. When appealing to a tribunal, it should be noted that the tribunal has the power to confirm, reduce or increase the rent.

4.9.2 Thirteen will appeal against registered rents if the rent is set more than 10% below the rent applied.

4.9.3 Where a tenant has their rent increased or decreased under a tenancy provision, appeals will not be allowed. If a tenant feels that their rent has not been set in accordance with this policy, they can raise a formal complaint using the Thirteen complaints procedure.

#### **4.10 Rent Decreases / Increases**

4.10.1 Where rents increase or decrease, this will in most circumstances take place on the first Monday in April in the case of weekly tenancies and the first of the month in the case of monthly tenancies. If a tenancy starts on or after the date notices of increase are served (usually at the end of February), the tenant will be notified at sign up of the new rent which will apply from the first Monday in April. Most service charges will also be on an April to March cycle. Notice of change are usually given at the same time as any changes in rent. There are exceptions to this in terms of service charge accounting periods for some variable service charges notifications and statements in these circumstances will be issued in accordance with the statutory guidance and legislation.

4.10.2 Where rents are increased, at least one month's notice of the increase will be given. The

notification of increase will meet statutory legal requirements in both format and content.

4.10.3 Where garage rents are changed, tenants will receive a letter that gives at least one week's notice of the change. The notice period will be in accordance with any contractual provision.

## 5 GOVERNANCE INFORMATION

<b>Equality and Diversity</b>	Equality and Diversity issues have been considered in the development of this policy. The policy has been drafted up with the commitment of ensuring all our customers and staff are treated with dignity and respect. The policy has been developed with an inclusive approach. Detailed content is available in the Equality Assessment.
<b>Customer Involvement and Consultation</b>	A dedicated group including customers and leaseholders, and teams within the Group was consulted when this policy was produced.
<b>Environmental Sustainability</b>	There are no environmental or sustainability issues as a result of this policy.
<b>Monitoring and Review</b>	<p>The policy will be reviewed every three years or sooner in the event of legislation or government strategy and policy changing radically, to ensure it continues to be fit for purpose.</p> <p>Rent setting commitments and objectives are present in the Income and Debt Recovery Policy, which is evaluated annually.</p>
<b>Responsibility</b>	<p>The Finance Director has responsibility for the overall implementation of the policy.</p> <p>The Strategic Lead Rent and Income Services has responsibility for operational delivery of the policy and associated procedures and will ensure that the Policy remains fit for purpose and reflects changes in the internal and external environment.</p>