

CROYDON CHURCHES HOUSING ASSOCIATION

RENT SETTING POLICY

Policy Name / No.	Rent Setting Policy and Procedure
Lead Officer	Director of Finance and Resources (DoFR)
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1. Introduction

This policy sets out our approach to rent setting and rent increases and decreases for all properties.

The policy sets out how we will calculate and charge rents for each tenure type provided. Service charge setting for all units is covered in the Service Charge Policy. The recovery of rents and service charges are covered in the Income Recovery Policy.

The policy is reviewed regularly to reflect any changes to regulation, legislation and organisation requirement during the annual budget setting process.

Effective and compliant rent setting will assist in maximising rental efficiency for ccha, give clarity to residents and other stakeholders on their rent costs and, balance this with its objectives of providing effective and excellent quality services.

ccha as a Registered provider must meet the Regulatory Standards including the Rent Standard 2020 together with any subsequent revisions. The Rent Standard requires Registered Providers to comply with the Rent Policy Statement set by the Ministry of Housing, Communities and Local Government issued in December 2022.

2. Scope

This policy applies to rent charge setting for all properties owned, leased and managed by ccha. It covers new lettings, relets and rent increases for each type of property.

3. Purpose

The purpose of this policy is to:

- Meet our legislative and regulatory requirements together with the adoption of nationwide good practice.
- Meet our commitments to the terms and conditions of our tenancy agreements, leases and, licenses in relation to rent setting.
- Provide transparency and accountability to our residents and other stakeholders.
- Act in line with our social and charitable purpose.
- Deal with errors in rent setting quickly and efficiently and in line with regulation.

- f. Understand and mitigate the impact of rent setting in relation to our financial viability.

4. Definitions

- Social rent – Low cost rents that are set by the Government formula rent and are significantly lower than similar privately rented properties
- Affordable rent - Affordable rent is a social rent product that is set at up to 80% of market rent (including service charges). These homes are defined as 'low cost' rental accommodation and so are also class as 'social housing'.
- London Affordable Rent – London Affordable Rent is a type of low-cost rental housing introduced for the 2016-23 London Affordable Homes Programme, with rents set by the GLA. It is not expected to play any role in the 2021-26 Programme for new homes.
- London Living Rent - A new type of affordable housing for middle-income Londoners. These homes will have lower rents, so that savings on rent can go towards a deposit on a home.
- Fair Rent – These are lower than market rents. Fair rent is set by a rent officer and is a registered rent. The valuation office agent will issue the registered rental, and rents should not be raised higher than this amount.
- Formula rent – Introduced in 2013, this is the government policy for rent controls previously referred to as target rent which uses the national average rent in April 2000 as the starting point.
- LHA – Local Housing Allowance
- CPI – Consumer Price Index
- RPI – Retail Price Index
- RICS – Royal Institute of Chartered Surveyors

5. Performance and Compliance

The Board will approve the annual rent increase. The Board will consider the local market context when deciding whether to implement a rent increase and the level of that increase, as well as the levels of Housing Benefit or Universal Credit that are available to claimant households who might occupy their properties.

The Board will also consider if it is appropriate for the permitted flexibility to be applied. This is 5% for general needs and 10% for supported housing. This enables the Board to take into account local factors and concerns in consultation with tenants. When applying this flexibility, providers should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability. ccha does not apply this flexibility.

The Board will approve this policy annually or after any change in the regulatory or legal framework.

6. Structure of the Policy

The following section outlines the basis of charging rent for different tenure types.

7. Social Formula Rent

Applicability

Applies to all ccha stock including supported and older persons unless the stock meets the criteria for another type of stock.

Initial Rent Setting

Social formula rents for general needs will be set based on the formula rent calculation (see **Appendix 1 Social Formula Rent Calculation**). In calculating the formula rent, the value of the property should be based on an existing use value, assuming vacant possession and continual residential use.

The Rent Standard allows some rent flexibility provided there is a rationale for doing so which takes the local market context and affordability into account. There is a flexibility of 5% for general needs (10% for supported housing) to the formula rent. It is ccha policy not to apply this flexibility.

Service charges will be charged in addition to the rent.

Rent Increase

Registered Providers may not increase rents by more than CPI+1% in any year (the CPI used is the September of the previous year).

If the current rent exceeds the formula rent plus the flexibility the increase is restricted to CPI only.

In determining the level of the rent increase, if any, the Board of ccha will consider the local market context, especially the levels of Housing Benefit or Universal Credit that are available to claimant households who might occupy their properties.

Relet Rents

General needs social rent properties will be relet at formula rent plus the 5% flexibility.

If a property was previously let at more than formula rent plus flexibility, then at relet the rent must be reduced to formula rent plus flexibility. If a property was previously let at less than formula rent plus flexibility at relet the rent can be increased to formula rent plus flexibility. However, if a property was previously let at cap as the formula rent plus flexibility exceeded the cap, the relet rent should be recalculated as the rent cap is increasing faster than the formula rent.

In determining formula rents the property is not permitted to be revalued unless there have been structural alterations such as adding an extra room or an extension.

8. Fair Rents

Applicability

Fair rents can only be applied for units with Secure Tenants. These are generally tenancies issued prior to 1989 or local authority stock transfers. These units have additional protection in that the rent charged must not exceed the Registered Rent.

Initial Rent Setting

No new secure tenancies can legally be issued so initial rents are not required.

Rent Increase

The maximum rent charge is the registered rent set by the Rent Officer Service. The rent is registered every two years if an application is made. Where the registered rent is lower than the formula rent plus rent flexibility or the capped rent, the registered rent is applied. Where it exceeds them, the lowest of the two must be applied.

The rent will be increased by a maximum of CPI + 1%, in line with the Board annual approval, but cannot exceed the lower of the registered rent, formula rent or the rent cap. The rent can increase every year.

Relet Rents

When a fair tenancy ends, the property is relet as a social rented home and formula rent applies. If the incoming tenant is entitled to a secure tenancy, then a rent is registered and the rent is capped at the lower of the formula rent, registered rent or rent cap.

9. Affordable Rents

Affordable rents were introduced in the Government's Affordable Rent Programme 2011/15. Registered Providers can charge up to 80% of market rents. The principle behind the policy was that housing associations would use the additional income generated to offset the impact of the lower grant rates. Affordable rent accommodation must meet the definition below to have affordable rents charged on it (Rent Policy Statement (3.3)):

- a. Provided by a Registered Provider pursuant to a housing supply delivery agreement between that Provider and Homes England or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent.
- b. Provided by a 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

Affordable housing must not be converted to market rent or intermediate rent.

Rent Setting

The rent for affordable rent housing is inclusive of service charge and must not exceed 80% of the gross market rent. Gross market rent is the rent inclusive of service charges that the rent might reasonably be expected to be let in the private rented sector. It takes into account property size, location, type, and service provision.

Property rents are not subject to the Local Housing Allowance (LHA). However, ccha has agreed to cap rents at the LHA.

In setting rents ccha will comply with any agreements with Homes England, the Greater London Authority, Secretary of State or the relevant Local Authority.

An affordable rent should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged.

ccha will use a valuation method recognised by the Royal Institution of Chartered Surveyors, in line with the Rent Standard, to set rents. Initial valuations will always be by this method however, subsequent valuations, may use comparable data if this is available.

Rent Increase

The rent increase of CPI+1% applies to the rent inclusive of service charges.

Relet Rents

When the property is relet to a new tenant or relet to an existing tenant the rent must be reset based on a new valuation to ensure that the rent is no more than 80% of the market rent. Where a property is relet to an existing tenant (property and tenant remain the same) as a result of the tenancy ending, for example a fixed term 5-year tenancy, then the increase is limited to CPI+1% If, however, there is a new tenancy as a result of a probationary tenancy ending the rent must not be reset.

The requirement to cap rents at the LHA and any agreements with Homes England, the Greater London Authority, Secretary of State or the relevant Local Authority apply on relet as well as initial letting.

10. London Affordable Rent

Applicability

In 2016 the Greater London Authority (GLA) introduced a new product called London Affordable Rent. This rent can only be charged on properties developed under this grant funding regime.

New Lets

This tenure does not play a role in the 21-26 programme and therefore new lets are not applicable here.

The table below sets out the rents for 2022/23. The rates post 22/23 have not been published but the guidance on the GLA web site refers to increasing the benchmarks in line with the social housing rent setting guidance. The limits will therefore be increased by 7% in 2023/24, 7.7% in 2024/25 and 2.7% in 2025/26.

Bedroom Size	22/23 Benchmark weekly rents (exc Service charges)	24/25	25/26
Bedsit and one bedroom	£168.34	£193.99	£199.23
Two bedrooms	£178.23	£205.39	£210.94
Three Bedrooms	£188.13	£216.80	£222.65
Four bedrooms	£198.03	£228.21	£234.37
Five bedrooms	£207.93	£239.62	£246.09
Six or more bedrooms	£217.82	£251.02	£257.80

London Affordable Rent calculations are compared to the formula rent for each property. In exceptional circumstances, where the calculation of an affordable rent is lower than the formula rent, the formula rent will be charged.

Rent Increase

We will apply an increase of up to CPI+1% each year to the rent plus service charge.

Relet Rents

Relet rents are set at the published levels.

11. London Living Rents

Applicability

London Living Rent is an intermediate affordable housing product with locally specified rents. When funded through the Affordable Homes Programme 2021/26 programme London Living Rent is a rent to buy product. The GLA has published benchmark London Living Rents for each neighbourhood in the capital.

Eligibility for London Living Rent dwellings is restricted to households that:

- At the time of letting and/or at the time of purchasing the London Living Rent dwellings pay a rent for the dwelling they occupy;
- At the time of first letting the London Living Rent dwellings have a maximum household income of £67,000;
- At the time of letting and/or at the time of purchasing the London Living Rent dwellings do not own any other residential property; and
- Are not currently able to purchase a dwelling (including through shared ownership) in the local area.

Initial Rent Setting

The Mayor has published maximum monthly London Living Rent levels for each ward and vary with the number of bedrooms. These are based on a third of local median household income. These rents include service charges. In addition the rents must

be less than 80% of market rent and are capped at £1,563 including service charges. ccha will charge rents at this maximum published level subject to the caps.

Rent Increase

The rent will increase by a maximum of CPI based on the rate of the previous September.

Relet Rents

RP are expected to actively support London Living Rent tenants into home ownership within 10 years. In most cases, tenants should be offered the right to buy their current home on shared ownership terms at any time during the tenancy. If the tenant has not taken up that right within ten years, ccha would be expected to sell it to another eligible purchaser on a shared ownership basis.

On relet the property rent should be set with reference to the applicable London Living Rent.

12. Managing Agent

This applies to property where another Registered Provider is the landlord and ccha is the managing agent.

Initial Rent Setting

The property owner is a Registered Provider (RP) and is the tenant's landlord with responsibility for setting the rents. ccha will charge the rent as notified by the landlord.

Rent Increase

The RP will also advise ccha of the rent increase. ccha will check the reasonableness of the rent increase.

Relet Rents

The relet rent is also set by the Landlord and ccha will confirm with the landlord the relet rent at the time the rent increase is prepared.

13. Shared Ownership

Applicability

Shared ownership is accommodation that is both low-cost rental accommodation and low-cost home ownership accommodation.

Rent Setting

Initial rents on the unsold equity of London Shared Ownership properties can be no more than 2.75 % of the value of the unsold equity at the point of initial sale. A lower level than 2.75% may be set to ensure affordability.

Rent Increases

The rent will be reviewed in accordance with the rent increase mechanism stated in the individual lease. However, as a social housing provider ccha recognises the impact the rent increase will have on our shared ownership residents with inflation and cost of living being as high as it is currently. Our Board therefore agreed to apply a 'rent forgiveness' for existing residents in 2023/24 which increased rents to 7% in line with social rents. The Board have agreed to claim 0.4% of this 'rent forgiveness' in 2024/25, 2.8% in 2025/26 and the remaining 2.3% in 2026/27, on top of RPI +0.5% stated in individual leases. (Shared owners who purchased properties after the 2023/24 7% increase are not affected by the 'rent forgiveness'. Their rents will therefore increase by RPI +0.5% as stated in their individual leases.)

Relets

It would be unusual for ccha to relet a shared ownership property unless circumstances were to arise such that it owned 100% of the equity in the property. In this case it could follow the procedure in initial rent setting.

14. Market Rent, and Commercial

Applicability

This applies to market rent homes and commercial leases.

Rent Setting

Commercial rent levels will be set according to a red book valuation determined by a RICS valuation report from an appointed independent surveyor. We will always embark in commercial negotiations using the red book valuation as the industry benchmark to determine current market value.

Rent Increases

Commercial leases containing agreed regular rent reviews will be assessed according to a red book valuation determined by a RICS valuation report from an appointed independent surveyor. The rent will be reviewed as per the agreed rent review frequency dates in the agreed occupational agreements.

Individual leases will confirm the basis of the new rent and its review requisites (RPI increase, open market review or agreed increases).

Unless stated in the lease, we will reserve the right to demand rent and interest payable on late reviews as per the agreed rent review memorandum between landlord and tenant.

Relets

Relets will be negotiated as for an initial rent setting.

15. Supported Leases

Applicability

This applies to supported housing homes that are leased to charities or not for profit organisations

Rent Setting

Leased rent levels will be set internally to ensure that all costs are recovered including but not exclusive to depreciation, major repairs, and voids. This will also be compared to a red book valuation determined by a RICS valuation report from an appointed independent surveyor. We will always embark in commercial negotiations using the red book valuation as the industry benchmark to determine current market value, with the internal calculations being value for money for a not for profit organisation.

Rent Increases

The rent will be reviewed as per the agreed rent review frequency dates in the agreed occupational agreements.

Individual leases will confirm the basis of the new rent and its review requisites (CPI increase, open market review or agreed increases).

Unless stated in the lease, we will reserve the right to demand rent and interest payable on late reviews as per the agreed rent review memorandum between landlord and tenant.

16. Errors in Rent Setting

ccha aims to resolve any errors in setting rents quickly and efficiently minimising the impact on residents.

ccha will:

- a. Rectify the rent by reducing the rent to the correct level.
- b. Remediating the rent by refunding any overpayment to either the resident or the government depending on how the rent was paid.

For each instance ccha will investigate the cause of the overcharge and how controls can be improved to prevent the incident recurring.

17. Equality and Diversity

This policy will be implemented in accordance with equality legislation and our Equality Statement, ensuring that we will not discriminate against any resident on grounds of their protected characteristics. We will address any special communication requirements in order to ensure all our customers have equal access to the information they need to meet their obligations.

18. Data Protection

This policy will be operated in accordance with the principles of the Data Protection Act [2018] and UK GDPR and our Data Protection Policy. Documents relating to rent setting will be retained and disposed of in line with our Data Retention Guidelines.

19. Training

We will ensure that the staff involved in setting or recovering rents have the specialist skills and knowledge. Staff and where necessary our agents, will receive induction, vocational training and, refreshers during their employment with ccha.

20. Statutory and Regulatory Framework

This policy will be delivered in accordance with all relevant legislation, regulation and relevant guidance which include:

- Data Protection Act 2018 and UK GDPR
- Equality Act 2010
- Housing Act 1985, 1988 and 2004
- Rent Act 1977
- Latest Mayor's Housing Covenant (Relevant Authority).
- Regulator of Social Housing Rent Standard 2020
- Policy Statement on Rents for Social Housing issued by the Department for Levelling Up, Housing and Communities in December 2022
- The Capital Funding Guide
- Landlord and Tenant Act 1985 and 1987
- Housing and Regeneration Act 2008

APPENDIX 1 - CALCULATION OF SOCIAL RENTS

- 1.1 The requirements for setting initial rent are included in the rent policy statement. Initial rents are set at formula rent, based on the following calculation:
- 30% of a property's rent should be based on relative property values compared to the national average.
 - 70% of a property's rent should be based on relative local earnings compared to the national average.
 - A bedroom factor should be applied so that smaller properties have lower rents.

- 1.2 This can be expressed as a formula

Weekly formula rent is equal to

- 70% of the national average rents
- Multiplied by relative county earnings
- Multiplied by a bedroom factor

Plus

- 30% of average sector rent
- Multiplied by relative property value

- 1.3 The weekly formula rent calculates a rent for 1999/2000 and then this is adjusted for each year using the following two step process:
- Uprate to 2019/20 by the published factors. These factors are different for general needs and supported housing.
 - Adjust from 2020-22. The formula rent must be adjusted annually by CPI (in September of the previous year) +1% for each year.
- 1.4 This formula calculates a rent. For social rented properties the service charges are an additional charge. This contrasts with affordable rent where service charges are included within the gross rent.
- 1.5 The basic formula rents for general needs and supported housing are the same however flexibilities can be applied to them depending on the type of stock.

Flexibility

- 1.6 The Policy Statement gives some discretion on setting rents to take into account local factors and concerns. It permits rents to be set at up to 10% above formula rent for supported housing.
- 1.7 Supported housing is defined as:
- is made available only in conjunction with the supply of support.
 - is made available exclusively to households including a person who has been identified as needing that support; and
 - falls into one or both of the following categories either has been designed to support tenants to live independently or has been designated for a group with specific support needs.
- 1.8 For the purposes of this definition support includes:
- Sheltered accommodation,

- Extra care housing,
- Domestic violence refuges,
- Hostels for the homeless,
- Support for people with drug or alcohol problems,
- Support for people with mental health problem,
- 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,
- Support for refugee.

1.9 The rent caps act as a maximum ceiling on the formula rent, and depends on the size of the property, based on the number of bedrooms it contains. Where the formula rent would be higher than the rent cap, for a particular size of property, the rent cap must be used instead. Registered providers must not allow rents to rise above the relevant rent cap.

1.10 The rent caps for 2024/25 are set out below. If a property is subject to the rent cap the annual maximum rise is still governed by the CPI+1% limit on rent changes.

Bedroom Size	25/26
Bedsit and one bedroom	£194.06
Two bedrooms	£205.46
Three Bedrooms	£216.87
Four bedrooms	£228.27
Five bedrooms	£239.69
Six or more bedrooms	£251.10

1.11 However, where a property whose rent has been subject to the rent cap comes up for re-let and the formula rent remains above the rent cap, the new rent may be set at up to the rent cap level. The rent caps will have been increasing by CPI + 1.5%, rather than at CPI + 1 % the rent increase.