



St George Housing

# RENT SETTING POLICY

## August 2023

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## Rent Setting Policy

### 1. INTRODUCTION

- 1.1 This document outlines SGH's approach to determining rents for residential properties leased to individuals. Our primary objective is to establish affordable rents for our social housing, intermediate rent tenants, and shared owners. As such, we strive to keep rents significantly below market rates, except for investment properties, where market rents apply.
- 1.2 SGH must comply with a variety of regulatory requirements, planning approvals, and borrowing agreements that limit the rents that can be charged. The method used to establish rent varies based on the date a tenant first moved in, the type of tenancy agreement, and, in certain situations, the conditions of the planning or grant that funded SGH's property purchase.

### 2. POLICY STATEMENT

- 2.1 SGH is committed to providing accommodation to meet the needs of a variety of individuals. We believe that everyone deserves a place they can call home and our rents are set with the aim of being affordable to a range of different needs.

### 3. LEGAL FRAMEWORK

- 3.1 The legal framework that underpins this policy include:
- The Rent Standard 2022
  - The Government Policy on Rents Dec 22
  - The Landlord and Tenants Act 1985
  - The Welfare Reform and Work Act 2016
  - The Housing and Planning Act 2016
  - Equality Act 2010
  - Consumer Rights Act 2015
- 3.2 This policy complies with Regulator of Social Housing (RSH) Rent Standard.

### 4. SCOPE AND OBJECTIVES

- 4.1 This policy applies to all residents that hold a tenancy, with SGH. Our rent policy applies to the following type of tenancy.
- Assured Social Housing Tenancies (generally applies to SGH properties acquired after January 1989 but before 30 November 2011).
  - Assured Shorthold (fixed Term) Tenancies.

- 4.2 The objective of this policy is to provide guidance to residents and other key stakeholders on SGH's approach to rents setting.
- 4.3 While the following pages in this document describe the detailed policy for each type of tenure, rents for new tenants are generally set with reference to two Rent Setting Systems set out in UK law, the Formula Rent system (also known as the Social Rent system) and the Affordable Rent system. These systems are described in Appendix 1 and Appendix 2 respectively.
- 4.4 Formula rents for Assured tenancies are calculated by reference to an estimate of the 1999 value of the property being rented, relative local earnings and property size. The basis of this calculation is set out in the 2020 Rent Standard and the accompanying guidance in the Policy Statement on rents for social housing (Dec 2022). Formula Rents were previously known as "Target Rents" and are calculated in the same way.

## 5. SERVICE CHARGES

- 5.1 Rent for our social rent properties is exclusive of service charges. However, we currently only have two general need properties and do not charge any service charges.

## 6. ASSURED TENANCIES

### Section A – Rents for Properties let on Assured Tenancies

- 6.1 Tenants who are renting social housing properties from SGH under Assured Tenancies, generally those issued after 1989.

#### Rents on New Lettings

- 6.2 Where properties are let on Assured tenancies to people who are not existing SGH tenants, the starting rent for their new home will be the Formula Rent for their property (including an optional 5% permitted under the 2023 Rent Standard - see Appendix 1). There are two exceptions to this; (a) if the Formula Rent is higher than the Government Rent Cap for the property (see Appendix 1), in which case the Government Rent Cap will be charged.

#### Rents on Transfers

- 6.3 Existing SGH general needs assured tenants requesting a transfer will enter into a new Assured Tenancy for their new home with a starting rent of the Formula Rent for their new property (see Appendix 1), except if this is higher than the Government Rent Cap for the property (see Appendix 1) when the Cap will apply. Existing SGH tenants who are required to move by SGH for example due to a redevelopment will be charged their existing assured rent adjusted for any change in the number of bedrooms. Tenants moving to a smaller property will be charged a rent no more than 95% of the previous rent.

### Annual Rent Charges

- 6.4 From 1 April 2023, the rent on a property let on an Assured Tenancy will rise by inflation+1% (one per cent).
- 6.5 However, the rent increase must not take rent above the rent cap. From April 2023 any increase in rent will be further capped, where the existing rent is already above Formula Rent plus the relevant tolerance (5% for general needs).

### Rate of Inflation used to determine any increase:

- 6.6 The increase in the Consumer Price Index (CPI) in the September of the preceding financial year. For increases in the year to 31 March 2023, the inflation rate to be used is 10.10% i.e. the increase in the CPI in September 2022. However, increases from 1 April 2023 will be capped at 7% in accordance with Government policy on rents to assist with the cost of living crisis.

## 7. ASSURED SHORTHOLD (FIXED TERM) TENANCIES

### Section B – Rents for Assured Shorthold (Fixed Term) Tenancies

- 7.1 SGH generally issues Assured Shorthold (Fixed Term) Tenancies for the following categories of rentals:
- Starter tenancies and for new general needs tenants – rent increases for these types of lettings are covered in sections A above.

## 8. APPENDIX 1 FORMULA RENT

- 8.1 Since 2001, rents for properties let at 'social rent' (which constitute a majority of rented social housing properties) have been set based on a formula set by government. This creates a 'formula rent' for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties.
- 8.2 Government policy had previously limited maximum annual changes in social rent and affordable rent levels. From April 2016, the Welfare Reform and Work Act 2016 had required social landlords to reduce their rents by 1% each year for four years (the 'social rent reduction'). This was designed to help put welfare spending on a more sustainable footing, to ensure that the social housing sector plays its part in helping to reduce the deficit and to reduce costs for tenants paying all or part of their rent. The social rent reduction was subject to a number of exceptions. Most of these exceptions apply for all four years of the reduction, although some only applied for the first year.

8.3 From April 2020, registered providers may set the initial rent on properties to be let at social rent at a level that is no higher than formula rent.

The basis for the calculation of formula rents is:

- 30% of a property's rent is based on relative property values.
- 70% of a property's rent is based on relative local earnings.
- a bedroom factor is applied so that, other things being equal, smaller properties have lower rents.

**Weekly formula rent is equal to:**

70% of the national average rent  
Multiplied by relative county earnings  
Multiplied by the bedroom weight

Plus

30% of the national average rent  
Multiplied by relative property value

8.4 All of the elements of the formula are published by the Office of National Statistics and the Policy Statement on Rent for Social Housing (Dec 2022). The only variable element being the estimated Existing Use Value of the property in January 1999.

8.5 The government's 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. As a result, the policy contains flexibility for registered providers to set rents at up to 10% above formula rent for supported housing and 5% for general needs.

8.6 Registered providers must have a clear rationale for applying the tolerances based on local circumstances and affordability.

8.7 The rent caps apply as a maximum ceiling on the formula rent and depend on the size of the property (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.

	Initial rent caps in 2002/03	Rent caps 2023/24
Studios / 1 bed flats	£85.00 per week	£173.79 per week
2 bedrooms	£90.00 per week	£184.00 per week
3 bedrooms	£95.00 per week	£194.22 per week
4 bedrooms	£100.00 per week	£204.43 per week
5 bedrooms (from 06/07)	N/A	£214.66 per week

6 bedrooms or more	N/A	£224.87 per week
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8.8 Registered providers must not allow rents to rise above the rent cap level for the size of property concerned.

## 9. APPENDIX 2-EXAMPLE RENT INCREASE

9.1 Example rent increase calculations (excluding service charges)

9.2 Example for an assured tenant in a one-bedroom flat with a rent (excluding service charges) in 2022/23 of £100.00 per week and a Rent Cap for 2023/24 of £173.79, the rent increase in 2023/24 would be £11.10 per week calculated as follows:

Inflation (at Sept 2022)	10.10%	£10.10
+ 1.0%		<u>£1.00</u>
Total		<u>£11.10</u>

9.3 However, the actual applied increase would be £7.00 as the Government have introduced a cap of 7% on social rent increases from 1 April 2023.

## 10. EQUALITY IMPACT ASSESSMENT

10.1 In writing this policy we have carried out assessment to ensure that we are considering, equality, diversity and inclusion. Our assessments did not indicate that any group had been adversely impacted by our approach to rent setting.

10.2 We have also carried out a privacy impact assessment as information regarding applicants is sensitive. However, responsible information sharing plays a key role in the letting of our homes. We follow information sharing protocols with local authorities and our partners where they are in place.

10.3 To request copies of these assessments, please contact [info@stgeorgehousing.co.uk](mailto:info@stgeorgehousing.co.uk)

## 11. RELATED INTERNAL POLICIES

- 11.1 Tenancy Management Policy
- 11.2 Allocations and Lettings Policy
- 11.3 GDPR Policy
- 11.4 Complaints Policy

## 12. CONSULTATION

- 12.1 This policy will be reviewed in consultation with residents, staff other key stakeholders.

## 13. REVIEW AND APPROVAL

- 13.1 This policy will be reviewed at least annually or as required to take into account changes in legislation.

**Responsible officer:** Operations Manager

**Policy Author:** Chief Executive

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**Date the next review is due:** August 2024