



Title	Rent Setting Policy
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1 Introduction

- 1.1 For registered social providers rent setting is determined by the Rent Standard issued by the Regulator of Social Housing, which in turn refers to the Rent Policy Statement issued by Ministry of Housing, Communities and Local Government (MHCLG). This policy is based on the latest versions of these documents as follows:
- Policy statement on rents for social housing – issued by MHCLG December 2022.
 - Direction on the Rent Standard 2023 – Regulator of Social Housing.
- 1.2 The purpose of this policy is to detail the way in which emh homes will apply the requirements of the regulatory framework.

2 Background and Scope

- 2.1 The rents charged within emh homes are not standardised. They reflect the rent standard in operation at the time the property was developed as well as the origins of the property and whether it was acquired through development or through merger with a former large-scale voluntary transfer.
- 2.2 The aim of this policy is to introduce a consistent approach to rent setting on newly developed properties, as well as relets on existing properties, regardless of the origins of the property.
- 2.3 The rent to be charged is dependent on the tenancy. The nature of the tenancy is generally established when a property is developed or acquired. However, there are instances where this has changed. This includes the conversion of social tenancies to affordable tenancies, agreed as part of the funding package for the Shared Ownership Affordable Housing Programme 2011-15, although there may be other examples. As a result, there may be legitimate differences between the rents charged on similar properties on a scheme
- 2.4 Regardless of tenancy type rents can only be increased once per year.
- 2.5 The policy applies to all properties owned by emh homes, including those managed by third parties.

SECTION A - SOCIAL RENT

3 Scope of Social Rent

3.1 Social rent will be charged on all properties except for those listed below:

- Affordable Tenancies
- Shared Ownership
- Registered Care Homes
- Specialised supported housing
- Leasehold Schemes for the Elderly
- Temporary Social Housing
- Commercial Properties
- Intermediate Rents

3.2 For clarification, the social rent will apply to introductory, secure and assured tenancies.

3.3 Properties managed by other agencies are also included. For Care and Support properties the social rent will form the core rent and cannot be increased. Any reasonable additional costs will be included in the service charge.

4 Calculation of Social Rent

4.1 The social rent will be set using a formula rent which can also be known as target rent. The formula is based on the property value, local earnings and the number of bedrooms. Full details of the formula are attached in Appendix 1.

4.2 In calculating the formula rent a valuation of the property is required. An individual valuation, as at January 1999, will be obtained, from a RICS approved valuer, for all newly developed properties and used to calculate the initial rent on the property.

4.3 For a small number of supported housing properties it may not be possible to obtain a meaningful market valuation. For these properties a valuation based on Depreciated Replacement Cost may be used.

4.4 In accordance with the regulatory framework a rent flexibility adjustment can be applied to the formula rent, as follows:

- | | |
|----------------------------|-----|
| • General Needs Housing | 5% |
| • Housing for Older People | 10% |
| • Supported Housing | 10% |

4.5 Use of the rent flexibility adjustment is an important consideration taking into account affordability issues for tenants as well as the need to

increase investment in existing properties and maximise the provision of new properties. The Board have decided the full discretionary adjustment will be added to all social rents.

- 4.6 This combined rent figure is known internally as the target rent and this terminology will be used in all instances for the remainder of the policy.
- 4.7 For clarification the target rent will be applied to all new tenancies whether the relet of an exiting property or the first let of a new property.
- 4.8 There are several tenancies that were formerly Three Valley Housing tenancies where a 48-week rent year is required. The weekly rent for these tenancies must be adjusted so the annual rent charge is the same as a 52-week tenancy. The number of these will gradually reduce as the tenancies terminate and are relet on new tenancy agreements.
- 4.9 The rent calculated through the target rent must also be lower than the rent cap detailed in the Rent Standard. The rent caps for 2025-26 are detailed in Appendix 2. The rent cap will increase at the rate of CPI (at September in the previous year) plus 1.5% per annum under current government guidelines. Therefore, once the rent on a new tenancy is set it will not exceed the rent cap.
- 4.10 This policy sets the maximum rent to be charged on social housing tenancies. There may be occasions where a lower rent can be charged where for example:
- The local authority requires compliance with the local housing allowance. This is only an option where the local authority qualifies for funding to develop new social housing.
 - Where the properties are deemed to be in low demand. The Executive Leadership Team are required to approve the charging of a lower rent.
- 4.11 Any service charges are in addition to the social rent. The calculation of the service charge is detailed in a separate policy and is outside the scope of this policy.

5 Annual Rent Variation

- 5.1 The annual variation in rent is determined in the Policy Statement issued by MHCLG. For the five years commencing in April 2020 the maximum rent increase, to be applied from the first Monday in April, will be the Consumer Price Index (CPI) plus 1%. The rate of CPI is set by reference to the rate for September in the previous year. The formula rent will change by a similar amount.
- 5.2 On an annual basis the Board will decide whether the maximum increase should be applied, considering affordability for tenants and the resources required to deliver the objectives in the Business Plan.

5.4 For secure tenancies a modified approach is required. The legislative requirement for secure tenancies takes precedence over the social rent regime:

- A fair rent will be requested from the Rent Officer every two years. If the current fair rent is lower than formula rent, we will apply for a fair rent set at current rent plus CPI plus 1%, up to a maximum of the formula rent. If the current rent is higher than formula rent, we will apply for a new rent set at formula rent.
- The rent to be charged will be the lower of the fair rent set by the rent officer and the formula rent.
- In the intermediate years the rent increase to be applied will be CPI plus 1% up to a maximum of formula rent or fair rent, whichever is lower.

5.5 There are no circumstances where the annual increase in any rent can exceed CPI plus 1%.

5.6 The only exception to the annual rent variation of CPI plus 1% will be in the form of government directive such as a rent cap or rent reduction. This direction will then be adhered to following Board approval.

5.7 In the event of a rent cap for current tenants the target rent will continue to increase by CPI plus 1% unless otherwise stated in the regulations.

6 Relets

6.1 The rent to be charged on relet will be the formula rent including the relevant rent flexibility adjustment (target rent). For clarification the rent charged to the previous tenant will not be a consideration.

6.2 During times of a rent increase cap the relet rent could be significantly higher than that of the outgoing tenant.

6.3 Properties relet between January and March each year will be subject to a rent addendum in addition to the tenancy agreement.

6.4 This addendum details the rent to be charged for the following financial year (April) and allows for a rent increase to be applied. This can be seen in Appendix 3.

SECTION B – AFFORDABLE RENTS

7 Scope of Affordable Rent

- 7.1 Affordable rent housing means accommodation that is:
- Funded through a delivery agreement with Homes England that permits the properties to be let at an affordable rent.
 - Properties converted from social rent under a funding agreement with Homes England.
 - Properties delivered through the planning gain system under a section 106 agreement where the local authority permits lettings to be on an affordable rent.

8 Calculation of Affordable Rent

- 8.1 The affordable rent will be set at 80% of the market rent. The market rent must consider property size and location and will be set by an independent RICS approved valuer.
- 8.2 The option of charging a rent lower than 80% of the market rent is permissible. However, as with social rents, the Board have decided to apply the full 80% rent charge.
- 8.3 Unlike social rent, the affordable rent will be inclusive of service charges.
- 8.4 The social rent will effectively be the floor for the affordable rent. This will be considered on the first let of a scheme and any subsequent relets.
- 8.5 Should an affordable rent be lower than a social rent plus service charges approval will be sought from the Executive Leadership Team to amend the tenure of the property.

9 Annual Rent Variation

- 9.1 The annual variation in rent is determined in the Policy Statement issued by MHCLG. For the five years commencing in April 2020 the maximum rent increase, to be applied from the first Monday in April, will be CPI plus 1%. The rate of CPI is set by reference to the rate for September in the previous year.
- 9.2 Any increase in the service charge must be accommodated within the overall CPI plus 1% increase, that applies to the total charge on the tenancy.
- 9.3 The only exception to the annual rent variation of CPI plus 1% will be in the form of government directive such as a rent cap or rent reduction. This direction will then be adhered to following Board approval.

10 Relets

- 10.1 Whenever a new tenancy is issued the Affordable Rent will be re-set based on a new valuation. The relet rent must consider the same factors used when setting the initial rent. For clarification the conversion of an introductory tenancy into a full tenancy is not classed as a relet for rent setting purposes.
- 10.2 During times of fluctuation in market rents the relet rent could differ considerably to that of the outgoing tenant.

11 Rent Conversions

- 11.1 In order to support development programme, there may be a requirement to convert a set number of social rents into affordable rents. The scale and scope of these conversions will be determined by Homes England and approved by the Board.
- 11.2 The rent to be charged on each conversion will be calculated in the same way as other relets.
- 11.3 For clarification if the Affordable Rent is lower than the Social Rent plus service charges then there is no conversion and the Social Rent continues to be charged.

SECTION C – OTHER RENTS

12 Low Cost Home Ownership

- 12.1 Low cost home ownership has been delivered through a variety of different funding programmes. The level of rent to be charged will be based on the proportion of unsold equity in the property. The applicable rate will be determined by the funding programme under which the property was acquired.
- 12.2 The annual rent increase is detailed in the lease on the property but will typically be based on either CPI or RPI for a specific month. There have been several standard leases, reflecting different funding regimes and the lease must be checked when calculating the rent increase.
- 12.3 The only exception to the lease for the annual rent variation will be in the form of government directive such as a rent cap or rent reduction. This direction will then be adhered to following Board approval.

13 Commercial Properties

- 13.1 Rents on commercial properties will be determined by the lease. In preparing the lease professional guidance must be obtained to ensure a competitive rent is being obtained.

14 Registered Care Homes

- 14.1 There are a small number of registered care homes, managed by external agencies. The accommodation charges on these properties will be agreed with the managing agent at the outset of the scheme.

15 Leasehold Schemes for the Elderly

- 15.1 Service charges only are applied to Leasehold Schemes for the Elderly schemes, therefore these properties fall outside the scope of this policy.

16 Temporary Social Housing

- 16.1 The Group has a small number of Temporary Social Housing properties. Whilst these do not have to be treated in the same way as social tenancies, to simplify administration, the rent charged will be the formula rent plus the relevant rent flexibility adjustment.

17 Specialised Supported Housing

- 17.1 Specialised supported housing must comply with set criteria. Independent advice must be obtained to confirm properties fall within this definition. The rent regime on these properties will be determined with the funding authority and approved by the Board after seeking third party assurance.

18 Intermediate Rent

- 18.1 Properties acquired through the Mortgage Rescue Scheme, or other such schemes, funded by Homes England, are let at an intermediate rent. The intermediate rent must be calculated in the same way as an affordable rent at 80% of market rent.
- 18.2 There may also be occasions where, in agreement with Homes England, unsold low-cost home ownership properties can be let for a short period until market conditions improve. An intermediate rent should also be charged on these tenancies unless otherwise agreed with Homes England.

19 Garages, Garage Plots and Parking Bays

- 19.1 Rents are increased annually as part of the rent variation process and follow the social rent increase to be applied from the first Monday in April.
- 19.2 Where the occupier is not a tenant VAT is chargeable on the rent.

20 Acquired Stock

- 20.1 Properties acquired from other providers will be subject to rent review on relet to ensure compliance with the current regime.
- 20.2 In calculating the formula rent an individual valuation, as at January 1999, will be obtained, from a RICS approved valuer, for all newly acquired properties.
- 20.3 Consideration will then be given to the appropriate rental charge in conjunction with the Executive Leadership Team.

SECTION D – RENT CONTROLS AND ASSURANCE

21 Controls on rent setting

- 21.1 Setting and controlling rents is a complex issue. It is essential we have adequate controls in place to ensure the correct rent is being charged and to provide assurance to the Board.
- 21.2 Strategic responsibility for rent setting and the rent policy rests with the Executive Director – Finance. Other members of ELT must ensure appropriate procedures are in place, for their area of operations, to ensure compliance with the rent policy. Assurance must be provided to the Executive Director – Finance to demonstrate compliance.
- 21.3 The Executive Director – Care & Support and Executive Director Housing, will also provide assurance for properties managed by third parties.
- 21.4 The Board must also be given assurance the correct rents are being charged. The controls and assurance to be provided included the following:
- On monthly basis an exceptions report will be produced for all new lettings. Spot checks will be performed to ensure the policy is being applied in the correct way.
 - On an annual basis, the rent charged on all social rent and secure tenancies will be checked against the formula rent, to ensure compliance and no tenancy rents are higher than formula rent.
 - Quarterly continuous assurance checks on rents will be completed by the Internal Auditors and reported to the Audit Committee.
 - A full internal audit of rent setting will be undertaken in every three-year internal audit programme.

CALCULATION OF RESTRUCTURED RENT FOR FINANCIAL YEAR 2025-26

The restructured rent will be calculated as detailed in section a to c, where the base rent for 2025-26

Base Rent - £116.54

a. Earnings related element -

Base Rent X 70% X County Earnings Index X Bedroom Weighting

County Earnings Index*:

Derbyshire	1.01
Leicestershire	0.96
Lincolnshire	0.91
Northamptonshire	1.04
Staffordshire	0.94
Nottinghamshire	0.94
Warwickshire	1.03

Bedroom Weighting:

Bed-sit	0.80
1 Bedroom	0.90
2 Bedroom	1.00
3 Bedroom	1.10
4 Bedroom	1.20
5 Bedroom	1.30
6 Bedroom or more	1.40

b. Valuation element –

Base Rent X 30% X Property Value (at January 1999) / £49,750

c. Discretionary adjustment –

Rent to be charged will be the total of calculation in section a and b plus the following discretionary adjustments, where applicable:

General Needs	5%
Housing for Older People	10%
Supported Housing	10%

*The full list of county earnings is detailed in the Policy Statement from MHCLG

Appendix 2

RENT CAPS – PER WEEK

Number of Bedrooms	Rent Cap 2025-26
1 and bedsits	194.06
2	205.46
3	216.87
4	228.27
5	239.69
6 or more	251.10

From 2024-25, rent caps will continue to increase by CPI (at September of the previous year) + 1.5 percentage points, each year.

ADDENDUM TO TENANCY AGREEMENT

TENANCY AGREEMENT ADDENDUM FIRST YEAR'S RENT REVIEW (AGREED IN ADVANCE)

Tenant(s):- «name1» «name2»

Property address: «maddr1», «maddr2», «maddr3», «maddr4», «mzip» ("the Property")

1. This Addendum forms part of the tenancy agreement for the Property between emh homes and the Tenant(s) ("the Tenancy Agreement").
2. Notwithstanding the contents of the standard terms and conditions of the Tenancy Agreement whereby emh homes normally gives at least one month's advance notice of any changes in rent, service charges and/or other charges, emh homes and the Tenant(s) hereby **agree** that from 3rd **April 2023** the applicable amounts shall be as follows:-

New rent	£ «chgval1»
Service Charge (see the attached schedule for more details)	£ «chgval2»
Supporting People charge (if appropriate)	£ «chgval3»
New weekly total	£ «grossnew»

3. These revised amounts have been agreed between emh homes and the Tenant(s) in respect of the initial April rent and service charge review only, because either emh homes has already served notice of review in respect of this property, or it is not possible for at least one month's written notice to be given in time.
4. From April 2024, the normal standard terms and conditions of the Tenancy Agreement will govern any changes to rent, service charges and/or other charges.

Notes for Tenant(s)

If you currently receive Housing Benefit or Universal Credit, you should personally notify the Housing Benefit Section of your Local Council or Department for Work & Pensions about this change without delay to ensure they amend the amount of benefit paid to you. For those not currently receiving Housing Benefit or Universal Credit, this new rent may mean that you are now eligible. Enquiries should be made to the Local Council or Department of Work & Pensions or to the Housing Officer who deals with your area. More details on how to pay your rent are included in the enclosed leaflet along with details about this notice.

Please note, should you receive some form of support in connection with your tenancy, for example a warden or community alarm system, then payment needs to be made for these. You may be entitled to help to pay for these from the Local Authority/Housing Benefit. If you have not applied for this help, or are not entitled to it, then you will be responsible for paying this charge. Please contact your housing team or the Local Authority for more information.

If you would like further information, please contact your local Housing Officer on 0300 123 6000.