

Rent Setting and Review Policy

1.0 Policy statement

- 1.1 We understand that with the continuing cost of living challenges it is important that our customers have access to housing which provides an affordable alternative to the open market.
- 1.2 The rents we receive fund investment into our homes, including repairs and maintenance, and some other services we provide to our residents, as well as the building of new homes.
- 1.3 This policy explains how we set the rents we charge on our rented homes (including Social Rent, Affordable Rent, Intermediate Rent, Rent to Buy and Fair Rent) and how we review them over time.
- 1.4 It also explains how we set rents for other properties (including Shared Ownership Rent, Ground Rent for some Leaseholders, specialised supported housing rent, and rent for our commercial properties).
- 1.5 The setting and review of service charges, which are calculated and payable separately in some instances, is detailed in a separate policy.

2.0 Policy scope and objectives

- 2.1 This policy outlines Stonewater's approach to setting and reviewing rents and applies to Stonewater owned homes and housing managed under contract on behalf of other organisations (unless alternative arrangements apply to managed homes).
- 2.2 This includes general family and sheltered rented accommodation, supported housing, shared ownership and other leasehold/freehold homes.
- 2.3 The rents we set and how we apply changes each year are often controlled by law or regulation in many cases. Customer consultation has therefore not been undertaken on policy content. We will engage with customers at the operational application of the policy, namely at rent review and annual service charge reconciliations, ensuring there are opportunities for customer involvement and influence.
- 2.4 This policy takes account of the regulatory requirements arising from the Policy Statement on Rents for Social Housing updated in December 2022, and the Regulator of Social Housing's Rent Standard 2023.

3.0 Regulatory and Legal Considerations

- 3.1 This policy takes into account the following legislation:
 - Rent Act 1977
 - Housing Act 1985
 - Landlord and Tenant Act 1985
 - Housing Act 1988

- Rent Influencing Regime Guidance 2001
- Framework Delivery Agreements since 2011 Welfare Reform & Work Act 2016 (WR&WA 2016) and the Social Housing Rents (Exemptions and Miscellaneous Provisions) Regulations 2016 as amended
- Affordable Housing Capital Funding Guide – Greater London Authority
- Capital Funding Guide – Homes England
- Leasehold Reform (Ground Rent) Act 2022
- Policy Statement on Rents for Social Housing updated in December 2022, (Rent Standard 2023)
- Rent Standard April 2020 – Regulator of Social Housing

4.0 Policy details

- 4.1 The approach to rent setting and review is dependent on a number of factors including the tenancy or lease terms, particulars within an individual agreement, the purpose of the property, the funding by which the property was developed, local housing markets and Local Housing Allowance values.
- 4.2 Stonewater will ensure that rents are set:
- in a transparent, fair and consistent way
 - to comply with regulatory, legal, and contractual requirements (including lease or tenancy specific terms)
 - to ensure and sustain Stonewater's financial viability, maintaining effective demand for homes and the provision of high quality housing management and repairs
 - based on the appropriate Government Rent calculation formula and in line with any agreement made as part of the funding to build the home
 - in an affordable way, providing customers with access to low cost housing for those that need it most.
- 4.3 Where a home is occupied via a licence for example within our specialist supported housing homes, the charges for occupation are referred to as fees rather than rent.
- 4.4 Stonewater may also seek to recover a 'Damages Charge' from those who occupy homes as trespassers which is the equivalent of the opportunity cost of the loss of rent.
- 4.5 Stonewater may set the rent for all other 'Commercial' rent units, including garages, in line with market conditions and demand on an individual basis.
- 4.6 We will provide clear information including a breakdown of all rent and service charges due by residents at the start of their tenancy or lease, including how much they pay and how their rent and service charge may be reviewed. We will provide customers with details of how their rent has been calculated at the start of their tenancy upon request.

- 4.7 We will review the rents for our occupied homes in line with our lease and tenancy agreements, in most cases annually, based on statutory and regulatory requirements as applicable.
- 4.8 When a home is re-let to a new customer, we will recalculate the rent according to the relevant rent setting requirements, in line with our policy objectives.

The details of the setting of each rent type are set out below:

4.9 Social Rent

Setting the rent for new customers

Social rents are calculated using the formula as set out in the Policy statement on rents for social housing, specified by the Rent Standard and are based on a combination of property values, local earnings and property size.

Social rents are charged exclusive of service charges. For all new customers, service charges are calculated on a 'fixed' rate and reviewed annually.

The Rent Standard allows flexibility in setting rents to a maximum of 10% above the formula rent in the case of Supported housing and our Retirement Living homes (housing for older people). This also applies to our supported properties with a managing agent where Stonewater is the Landlord. We will consider whether to use the maximum 10% flexibility for new schemes and up to 10% for existing schemes, balancing the need to maximise our income with the ongoing demand and affordability of our schemes.

The Rent Standard also allows providers the flexibility of setting rents to a maximum of 5% above formula rent. We will consider whether to implement the flexibility in the range of 0%-5% dependent on this comparison.

In both instances, we will ensure we consider affordability in the local market and will take into account relevant local factors and concerns including the results of resident consultation.

Flexibility will not be applied where the formula rent (including service charges) would exceed 80% of market rents, or the applicable Local Housing Allowance rate.

Where a decision is made to apply the flexibility, we will ensure that a clear rationale for doing so is recorded, which takes into account local circumstances and affordability.

All formula rents are subject to the Government's rent cap which sets out the maximum amount that can be charged according to the number of bedrooms a property has and is adjusted annually. We will compare the formula rent against the rent cap amount. If the formula rent is higher than the rent cap, the new rent will be set at the new rent cap level.

We may limit rents to formula rent or reduce rents below formula rent in exceptional circumstances where it is deemed appropriate to do so and subject to our internal approval process.

4.10 Affordable Rent

Setting the rent for new customers

Affordable Rents are used where there is a delivery agreement with Homes England (or potentially a combined authority or other Local Authority where there is a devolution agreement or equivalent with the Secretary of State that provides the authority with the power to enable the use of affordable rents) for a new supply of social housing. The terms of the delivery agreement made with Homes England for these properties should be adhered to when rent setting.

Stonewater will set Affordable Rents (initially and on re-letting) using 80% of the Market Rent but retain flexibility under this policy to charge lower rents. We may decide to charge less than 80% of the Market Rent depending on local market conditions, affordability (including the Local Housing Allowance), or the local authority housing tenancy strategy. Adherence to rent setting requirements as set out in S106 agreements will be maintained.

The determination of Market Rent is based on a market valuation methodology and valuations in accordance with a Royal Institution of Chartered Surveyors (RICS) recognised method as stipulated by the RSH.

Affordable Rent is inclusive of all service charges.

Where the Social Rent level for that property would be higher than the Affordable rent the Social Rent level (plus flexibility where used) will be applied.

4.11 Registered (Fair) Rent

Setting the rent for new customers

Fair Rent is the name given to the regulated rent which applies to Secure Tenancies entered into agreement before 15th January 1989. We no longer grant new Secure Tenancies. We will not therefore set Fair Rent on new homes or re-lets. Instead for new homes, we will set rents at Social Rent or Affordable Rent.

Details of the review of each rent type is set out below:

4.13 Social Rent & Affordable Rent

Rent changes for current customers

Stonewater reviews rents on an annual basis and customers will be informed in writing of any changes to their rent and how it has been calculated.

Rents will not be increased by more than the Consumer Price Index (CPI) (in September of the previous year) plus 1%, in any given year. For rent periods that began in the 12 months from 3 April 2023 to 31 March 2024, this meant that rents would not increase by more than 7.7%.

Where any rent is currently above formula rent/rent cap level the increase will be CPI (in September of the previous year) only as per Rent Standard requirements.

The potential annual increase (CPI +1%) will be reviewed each October by Stonewater's Board, in order to determine what level of increases will be implemented in the following April rent review. We will consider the local market context, affordability and the levels of Housing Benefit or Universal Credit available to claimant households when deciding whether to implement a rent increase, and the level of that increase. We may apply a lower increase or freeze the current rent or in exceptional circumstances we may reduce rents where it is deemed appropriate to do so. This is to ensure the balance between affordability and business viability is maintained.

In the first year of the tenancy, a contractual rent review will be applied to General Needs and Retirement Living tenancies and licences on the first Monday in the April following the start date, where the tenancy agreement allows. In subsequent years, the rent will only be increased at least 52 weeks after the first increase.

Customers will be given a minimum of one month's notice prior to any changes taking effect, except where the rent is to be reduced or where the increase is set out as a contractual term in the tenancy agreement.

Customers who take up tenancy in an Affordable rent home on or after 1st February in any given year will not have their rent reviewed until April of the following year as their rent has been set at 80% of the current market value at the point of the tenancy commencement and therefore any increase will likely exceed this cap.

4.14 Registered (Fair) Rent

Rent changes for current customers

We will apply for the Rent Officer (part of the Valuation Office) to review the rent every two years. A registered Fair Rent will be set and acts as a maximum charge for the property where there is a Secure tenancy in place.

The maximum weekly rent will be the lower of the Fair Rent set by the Rent Officer, and Formula rent (subject to both the rent caps and any applicable rent flexibility level).

Service charges are included in the application for the Registered rent if services are provided.

Any annual increase in the rent will be capped at the lowest of CPI plus 1%, the Registered Rent or the Formula Rent. For example, where the Registered Rent (inclusive of service or other charges) is lower than the rent level (and relevant service and other charges) after applying the annual increase assessed in accordance with the process set out above at paragraph 4.13 for Social and Affordable Rents, then (subject to appeal) the rent will be set at the Registered Rent level.

Where possible under the tenancy agreement terms and the Rent Officer registration, increases will be made each year even though the Registered Rent will only be revised every other year.

4.15 Non-Regulated Rents

Stonewater offers a number of homes where the rents are not regulated by the Regulator for Social Housing. Instead, they are subject to different arrangements which are set out below.

4.16 Intermediate Rent

Setting the rent for new customers

These rents are not subject to the Rent Standard.

Stonewater will set Intermediate Rents (initially and on re-letting) using 80% of the Market Rent but retain flexibility under this policy to charge lower rents. We may decide to charge less than 80% of the Market Rent depending on local market conditions, affordability (including the Local Housing Allowance), or the local authority housing tenancy strategy.

The determination of Market Rent is based on a market valuation methodology and valuations in accordance with a Royal Institution of Chartered Surveyors (RICS) recognised method as stipulated by the RSH.

Intermediate Rent is set excluding any service charges which may be added where services are provided.

Rent changes for current customers

Stonewater reviews rents on an annual basis and customers will be informed in writing of any changes to their rent and how it has been calculated.

Rents will not be increased by more than the Consumer Price Index (CPI) (in September of the previous year) plus 1%, in any given year.

In the first year of the tenancy, a contractual rent review will be applied to Intermediate rent tenancies on the first Monday in the April following the start date, where the tenancy agreement allows. In subsequent years, the rent will only be increased at least 52 weeks after the first increase.

Customers who take up tenancy in an Intermediate rent home on or after 1st February in any given year will not have their rent reviewed until April of the following year as their rent has been set at 80% of the current market value at the point of the tenancy commencement and therefore any increase will likely exceed this cap.

Any improvement to the property made by Stonewater during the tenancy which we consider to be more than a basic improvement will be taken into account when increasing the rent.

4.17 Rent to Buy

Setting the rent for new customers

Stonewater offers a number of homes under the Rent to Buy scheme, designed to assist those customers currently residing in the Private Rented Sector to assess a discounted rental product to give them affordability and scope to buy a home in the future.

These rents are not subject to the Rent Standard

Stonewater will set the rent for our Rent to Buy homes (initially and on re-letting) using 80% of the Market Rent but retain flexibility under this policy to charge lower rents. We may decide to charge less than 80% of the Market Rent depending on local market conditions, affordability (including the Local Housing Allowance), or the local authority housing tenancy strategy.

The determination of Market Rent is based on a market valuation methodology and valuations in accordance with a Royal Institution of Chartered Surveyors (RICS) recognised method as stipulated by the RSH.

Rent to Buy rents are set inclusive of all service charges.

Rent changes for current customers

A contractual rent review will be applied to Rent to Buy tenancies on the first Monday in the April following the start date and customers will be informed in writing of any changes to their rent and how it has been calculated.

Rents will not be increased by more than the Consumer Price Index (CPI) (in September of the previous year) plus 1%, in any given year.

Customers who take up tenancy in a Rent to Buy home on or after 1st February in any given year will not have their rent reviewed until April of the following year as their rent has been set at 80% of the current market value at the point of the tenancy commencement and therefore any increase will likely exceed this cap.

Any improvement to the property made by Stonewater during the tenancy which we consider to be more than a basic improvement will be taken into account when increasing the rent.

4.18 Market Rent & Commercial Properties

Setting the rent for new customers

Private rented property, garages, parking spaces, scooter stores and covered parking bay rents, fall under Stonewater's commercial portfolio and are therefore not governed by the Rent Standard.

We will set the rent to maximise income.

At the point of 1st let and re-let, valuations will be assessed using a Royal Institute of Chartered Surveyors (RICS) recognised method taking into account the local market.

Market Rent homes are typically set at the mid-point of any range of valuations, though we reserve the right to charge lower where market conditions vary.

For our Commercial Units we may choose to charge a lower rent in specific circumstances where there are social benefits to be achieved, for instance where the lessee is a registered charity and there is a community benefit to their occupation of the premises. We will apply VAT at the relevant rate if appropriate.

We will use desktop valuations wherever possible due to cost, speed, and efficiency.

Rents for Market Rent, garages, parking spaces, scooter stores and covered parking bay rents are inclusive of any service charges.

Service Charges may be charged in addition to Commercial Unit rents.

Rent changes for current customers

We will review rent levels every year or in line with the rent review clauses in the tenancy agreement or lease.

4.19 Shared Ownership

Setting the rent for new customers

Shared Ownership Rents will be set in accordance with the individual lease, based on the initial open market valuation.

Where new shared ownership homes have been funded by Homes England, we will set shared ownership rents in line with any requirements of those funding agreements.

We will set rents at no more than 2.75% of the value of the equity we hold at the point of sale, unless otherwise set out in the terms of the lease associated with the funding programme used to build the home.

We will take into account Homes England guidelines when setting the rent on shared ownership homes which are not funded by them and give consideration to any local authority policy that might be in place for homes in the relevant location.

Rent changes for current customers

We will increase rents according to the terms set out in the lease.

Staircasing

We will adjust the rent when additional shares in the home are bought by the homeowner, or when existing shares are sold. We will set the new rent as detailed in the lease.

4.20 Specialist Supported Housing and Temporary Social Housing

Setting the rent for new customers

Specialised supported housing, even where considered to be social rented housing, is exempt from the regulatory Rent Standard requirements and so are primarily governed by the terms of the relevant tenancy agreement plus any arrangements with the relevant health authority, local authority or other commissioning service.

Properties within the definition of Specialised Supported Housing and Temporary social housing in the Rent Policy, will generally have rent set at a level suitable for the property and the services provided, and at a level which is sustainable having regard to the costs of the accommodation and the benefit levels available.

Rent changes for current customers

We will increase rents as set out in the tenancy. In the majority of cases this will be annually in April of each year and by no more than CPI+1% from the previous September.

4.22 Ground Rent

We will continue to charge ground rent as set out in individual leases. However, we will not charge ground rent for new leasehold properties sold after 30 June 2022.

4.23 Other Arrangements

Rents following transfer to a Stonewater home

If a Stonewater tenant moves to a different Stonewater property, we will charge them the rent that applies to the property they have transferred to. This may be different to the rent for the home they have moved from.

Where a family is being moved as a result of being identified as at risk of severe overcrowding and the move is to an Affordable rent home, reserves the right to cap the rent charged to ensure the move is affordable and the tenancy sustainable, subject to any funding agreements in place.

Where a tenant takes part in a mutual exchange into a Stonewater property, they will be charged the same type of rent (i.e., Fair Rent, Social Rent, or Affordable Rent) and the same amount as the tenant who has vacated the property.

Rents following major refurbishment, demolition or re-build

When a property benefits from major works which materially affect the value of the property e.g. adding an extra room or an extension, including as a result of adaptations, we will normally recalculate the rent that we charge at the point of completion of the works. This is so the rent reflects any significant increase in the value of the property. Customers will be advised of an indicative rent prior to the work commencing and we will support them in any application to increase financial support they have in place.

Where a tenant is required to move out of their home on a permanent basis due to demolition, redevelopment of the land, or sale to a non-social housing provider, we will endeavour to support them with a move to a home with the same type of rent (i.e. Fair Rent, Social Rent or Affordable Rent) as their previous tenancy. However, the tenant will not necessarily be charged exactly the same amount of rent as before as this will depend on the precise calculation for the property they move to.

If however, the tenant chooses to move to a property which attracts a higher rent type for example Affordable & Intermediate rent, they will be charged the correct rent type and amount for that home.

Rent setting following reclassification of the number of bedrooms in a property

We will recalculate the rent as stated in the relevant rent setting paragraphs above. The resultant rent may be lower than the rent the tenant is currently paying, in which case, they will be charged the lower rent.

Rents charged following transfer of homes from another landlord

We will charge tenants the same rent type and the same amount they were being charged by their previous landlord immediately before the transfer took place. So, tenants previously paying a Social Rent will continue to do so and tenants previously paying an Affordable Rent will continue to do so.

As part of Stonewater's due diligence, we will carry out audit checks on the rents set for homes we are due to acquire to ensure these meet the required regulations.

Homes managed by others on our behalf, where we remain the Landlord

We set the rent for these homes. We will calculate and review the rent as set out above. We will inform the managing agent of how much rent is charged and should be collected.

Homes managed by us on behalf of another Landlord

We do not set the rent for these homes. The owning landlord will tell us how much rent is charged and should be collected. This arrangement will be set out in our management agreement.

4.24 Appeals & Complaints

Fair Rents

In the case of Fair Rent Registrations, we will make an appeal to the Rent Officer in the following circumstances:

- where the total rent registered is more than £5 per week below the amount we have applied for

- where the registered service charge budget difference is 10% less than that applied for we will review whether to appeal. This is based on whether the deduction erodes our recovery of service charge provision costs.

Tenants paying a Fair Rent can also dispute a rent through the First-tier Tribunal (Property Chamber). Tenants have 28 days from the date they receive their rent increase letter to write to the Rent Officer disputing the rent.

The Rent Officer will then record this and pass the appeal to the First-tier Tribunal (Property Chamber). There will be a hearing to decide what the new rent should be and both Stonewater and the tenant may attend. The Tribunal may decide to charge a higher, lower or the same rent and both the tenant and Stonewater will be bound by their decision

Social, Affordable, Intermediate, Market and Rent to Buy Rents

Tenants with an assured periodic tenancy or an assured shorthold periodic tenancy without a contractual rent increase clause can refer a proposed rent increase to the First-Tier Tribunal (Property Chamber) if they dispute the proposed rent. Tenants have to apply to the Tribunal before the proposed rent takes effect. The Tribunal will then determine the rent that the property might reasonably be expected to be let on the open market under an assured tenancy.

The tenant and Stonewater will be bound by the level of rent determined, and this will apply from the rent review date. The determined rent may be higher than the original rent proposed.

Tenants paying a Social Rent, Affordable Rent or Intermediate Rent are unlikely to receive a successful determination as they are set below the Market Rent.

Stonewater will not impose any rent level set higher than the original rent proposed. If the Tribunal sets a rent above the rent assessed in accordance with this policy the policy rent will continue to be applied. If the Tribunal sets a lower rent that will be applied.

Tenants with an assured periodic tenancy or an assured shorthold periodic tenancy which has a contractual rent increase clause have no right to challenge the proposed rent in the First-tier Tribunal. A tenant can give notice to end their tenancy, prior to the new rent coming into effect, if they do not want to pay the new rent notified to them in the rent notice.

Complaints

Complaints from customers made about the Stonewater rent setting service will be dealt with in line with our Complaints Policy.

Customers may complain to the Housing Ombudsman Service who have the authority to deal with some, but not all complaints regarding rents. We will signpost residents to the appropriate governing body if the matter is outside of their jurisdiction.

- 5.1 Compliance with this policy and the relevant Rent legislation and regulations will be monitored by the Chief Officers Group.
- 5.2 All rents set will be audited annually by an external audit provider to afford assurance of Stonewater's compliance.
- 5.3 Stonewater will monitor the impact on income of the use of rent flexibilities, and any areas where the above policy leads to Stonewater charging less than would otherwise be possible under the Rent Standard, to inform our further decisions.

6 Equality, diversity and inclusion

We will apply our rent setting policy consistently and fairly and will not discriminate against any person on grounds of their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation or any other matter that may cause a person to be treated with injustice.

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