



RENT SETTING POLICY

**Effective from:
27 June 2025**

APPLICATION OF THIS POLICY

The effective management and review of rents is essential for delivering excellent housing services and protecting the best interests of residents.

The Policy applies to all legal entities within the Group. Any references to "staff" or "employees" shall include: employees, temporary staff, zero hours staff, trustees, committee members, volunteers and contractors.

INTRODUCTION TO THE RENT SETTING POLICY

1. This document explains how the Charity sets rents for residential properties that are let to individuals. The overall aim of the Policy is to set rents that are appropriate for our social housing and affordable rent tenants (i.e. rents that are lower than market rent).
2. The Charity's ability to set rent levels is constrained in various ways by regulatory standards and requirements, planning approvals, funding schemes terms and the terms of loan agreements. Different approaches to rent setting can apply depending upon when someone originally became a tenant, the form of tenancy that applies, and in some cases, the terms of the planning or grant that originally funded the Charity's purchase of the property. Where properties have been acquired by the Charity through purchase or merger, the rental position will often be reflective of earlier landlord decisions.
3. This Policy is reviewed in line with the corporate policy framework and updated as appropriate to reflect changes adopted by the Charity's Trustee Board, as well as changes in legal and regulatory requirements.
4. The Rent Setting landscape has evolved over the last 25 years, and this informs the position in which we find ourselves today:
 - ▶ Since 2001/2 rents for social housing properties have been set at 'Social Rent' levels. In that year, the Government introduced 'Formula (or Target) Rents' that were aimed at creating a consistent rent level for any property and which took account of property values and local earnings relative to national earnings. A 'bedroom weighting' factor was applied to try to ensure rents better reflected the perceived value of properties. Annual rent increase limits were introduced which allowed for increases linked to the prior September Retail Price Index (RPI) plus 0.5%.
 - ▶ In 2015 this was replaced with a maximum annual increase of the prior September Consumer Price Index (CPI) plus 1%.
 - ▶ In April 2016, the Welfare Reform and Work Act superseded the Rent Standard for a 4-year period whereby providers were required to reduce social housing rents by 1% until 2019-20.
 - ▶ From 2019 The Greater London Authority prescribed a new form of Social Rent called London Affordable Rent (LAR). This is the same as Social Rent but set at the Cap level. Service charges are on top of that. LAR rents are on the GLA website.
 - ▶ In 2020-21 a new five-year Rent Standard was issued and annual rent increases of CPI + 1% resumed. In December 2022, the Government published the "Direction on the Rent Standard 2023 (publishing.service.gov.uk)" which stated that in 2023-

*24 “registered providers may increase rents by up to 7%. This restriction applied to both social rent and affordable rent homes, **with the exception of supported housing**”, who were allowed to increase rents by CPI+1%.*

5. From April 2024, the 2023 Rent Standard was no longer applicable, and the 2020 Rent Standard applies again in full.
6. The Government has given registered providers some discretion over rent set for individual properties, to take account of local factors. This provision permits registered providers to set rents at up to 10% above the formula rent for supported housing and 5% for general needs. Registered providers must have a clear rationale for applying tolerances based on local circumstances and affordability.
7. The definition of supported housing used in this policy is that used by the Ministry for Housing, Communities and Local Government, which states that “the term ‘supported housing’ applies to purpose designed or designated supported housing.” These are defined as follows:

Low-cost rental accommodation provided by a Registered Provider that –

- a. is made available only in conjunction with the supply of support.*
- b. is made available exclusively to households including a person who has been identified as needing that support; and*
- c. falls into one or both of the following categories:*
 - i. accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently; and*
 - ii. accommodation that has been designated as being available only to individuals within an identified group with specific support needs.*

For the purposes of this definition, ‘support’ includes:

- i. sheltered accommodation
- ii. extra care housing
- iii. domestic violence refuges
- iv. hostels for the homeless
- v. support for people with drug or alcohol problems
- vi. support for people with mental health problems
- vii. support for people with learning disabilities
- viii. support for people with disabilities
- ix. support for offenders and people at risk of offending
- x. support for young people leaving care
- xi. support for teenage parents
- xii. support for refugees

The Charity also has a small number of General Needs and Affordable Rent properties.

8. The Charity’s rent setting policy is defined by the type of tenure held, as follows:

- a. Assured Social Housing Tenancies (generally applies to properties acquired by the Charity after January 1989 but before 30 November 2011);
 - b. Affordable Social Housing Tenancies (generally those who became Charity tenants under the Affordable rent system after 30 November 2011);
 - c. Assured Shorthold Tenancies and Licenses (including excluded licences), generally for:
 - i. Hostel accommodation
 - ii. Supported street properties
 - d. Assured Starter Tenancies & Assured Tenancies, generally for:
 - i. Supported Living
 - ii. General Needs properties
 - e. Assured Shorthold Tenancies or Licenses for another Registered Providers' Supported Housing residents where the Charity is acting as managing agents.
9. For the purposes of this Policy, the term 'Rent' refers to the net or core rent charged to tenants and licensees in accordance with their tenancy or licence. It does not include 'Service Charges' which are levied to residents for services provided outside of those covered by the net rent. These services will vary depending on the area or property type and on the services required.
10. "Affordable Rents" were introduced by the government in 2011. Affordable rents tenancies are properties in which the rent set is inclusive of any service charges (but NOT personal or ineligible charges) and cannot exceed 80% of market rent. Properties let by registered providers are not subject to the Local Housing Allowance. Nevertheless, providers should have regard to the local market context, including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located, when setting affordable rents. The market rent rate is based on the Royal Institution of Chartered Surveyors' valuation method.
11. Affordable Rent terms can only be used in relation to accommodation where there is a housing supply delivery agreement entered into between a registered provider and the Regulator of Social Housing or the Greater London Authority (GLA).
- Where the Charity has developed housing under such a programme, then it will apply Affordable Rents.
12. Specialised supported housing is exempt from social rent requirements. The exemption is usually limited to those properties developed in partnership with local authorities or the health service and which satisfy all the following criteria:
- a. The scheme offers a high level of support for clients, for whom the only acceptable alternative public or voluntary sector options are care homes, and
 - b. No, or negligible, public subsidy has been received, whether in the form of grant or free land, and

- c. The scheme has been commissioned in line with local health, social services strategies and priorities.
- 13. From April 2015, the government made it possible for social landlords to charge a full market rent where a social tenant household has an annual income of at least £60,000. This was designed to allow landlords to make better use of their social housing, rather than requiring them to provide sub-market rent properties to households with relatively high incomes.
- 14. The Charity wants to provide quality accommodation that allows its residents to thrive. It will ensure that rents meet the requirements of the Value for Money Standard.

POLICY STATEMENT

- 15. The Charity is committed to setting rents that comply with relevant guidance, including the Policy Statement on Rents for Social Housing and the Rent Standard, to help achieve organisational commitments to tenants, meet commitments to lenders, ensure financial viability and achieve value for money.
- 16. Compliance with the Rent Standard is included in the Annual Compliance Report that goes to the Board for review.
- 17. The Charity will:
 - a. Ensure that tenants are properly informed on changes to rents;
 - b. Ensure that tenants are properly consulted on changes to service charges;
 - c. Ensure that rent and service charge setting is approached in a transparent and open fashion; and
 - d. Ensure that rent setting processes are efficient and effective.

MANAGED PROPERTIES

- 18. Where the Charity manages properties for another landlord, under a Management Agreement arrangement, the Rent Setting Policies and Procedures of the Landlord will be applied to the rent setting for those properties.
- 19. The setting of fixed local service charges for managed properties will be as per the Management Agreement with the Landlord of the property.

SERVICE CHARGES

- 20. For many residents, the Charity levies service charges in addition to the rent being charged. These service charges are principally to cover the cost of providing services that are delivered to some residents (but not all), depending on the terms of their tenancy or license agreement.

21. **Fixed Service Charges**

- a. Under the fixed service charge system, an estimate is made of the cost of providing the services being delivered to a housing block and this cost is then split between the individual properties in the block.
- b. Where an element of the service charge changes significantly during the year, the service charge may be reviewed bi-annually. Any proposed service charge increases will take effect where: (a) the Charity is entitled to increase them and (b) the occupancy agreement permits it.
- c. The Fixed Service Charge system is used for setting service charges for social rented tenants, where applicable.

22. **Variable Service Charges**

- a. The Charity does not have any properties with variable Service Charges.

RENT CHANGES

Section A – Rents for Properties let on Assured Tenancies

23. Applies to: Tenants who are renting social housing properties, either general needs or supported (but also may include Older People's Housing) from the Charity under Assured Tenancies, generally those issued after 1989 (except for those identified as Affordable Rent – see Section B).

24. **Rents on New Lettings:**

Where properties are let on Assured tenancies to people who are not existing Charity tenants, the starting rent for their new home will be the Formula Rent for their property (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, and (b) if the property is let on the Affordable Rent basis, in which case the rent will be set on the basis explained in Section B.

25. **Rents on Transfers:**

Existing Charity general needs assured tenants requesting a transfer (except those identified as Affordable Rent – see Section B) 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 either (a) the Government Rent Cap for the property (see Appendix 1), when the Cap will apply, or (b) the Affordable Rent (see section B), when the Affordable Rent will apply.

26. **Annual rent changes:**

The rent charged to existing Assured tenants will increase by CPI+1%, except where the current rent is higher than the formula rent where the increase will only be CPI. This change does not apply to any service charge being collected which will vary in line with the costs of providing the relevant services.

27. **Rate of Inflation used to determine any rent increase:**

Assured rent increases are based on the previous September CPI + 1%.

28. Service Charges:

An estimate of the cost of providing services will be added to the rent where the tenancy agreement provides for this. Such service charges are made using the Fixed Service Charge method.

Section B – Rents for Properties let under the Affordable Rents System

29. Applies to: Affordable Rent terms can only be used in relation to accommodation where there is a housing supply delivery agreement entered into between a registered provider and the Greater London Authority (GLA).

30. Rents on New Lettings:

Affordable rents were introduced by the government in 2011. Affordable rents (including service charges) can be set at up to 80% of the open market rent. Properties let by registered providers are not subject to the Local Housing Allowance. Nevertheless, providers should have regard to the local market context, including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located, when setting affordable rents. Valuations are rebased every January in accordance with a Royal Institution of Chartered Surveyors (RICS) approved method. If the formula rent is higher than 80% of the weekly market rent (inclusive of service charges) for the tenant's accommodation, the maximum weekly rent is formula rent plus services charges.

Registered providers may not always need to undertake a full valuation on each occasion that a property is let on affordable rent terms. In areas where affordable rent is widely used, providers might have a rolling schedule of tenancies coming up for re-issue or re-let. Where that is the case, providers might have adequate comparables readily to hand, and if so there might be no need for a full valuation. In these circumstances, providers may decide to re-set rents using a desktop review of recent transactions.

31. Rents on Transfers:

The rents shown above for new lettings under the Affordable Rent system also apply to existing Charity tenants who transfer into properties developed with grant from the Homes England or GLA, awarded after 2011 or any other of the Charity's property that has been designated for Affordable Rent (broadly those covered by an agreement with the Homes England or GLA and completed after June 2012).

32. Annual rent changes:

Affordable Rents for existing tenants will be increased by CPI plus 1% of the whole rent charge (including the service charge).

33. Rate of Inflation used to determine any increase:

Affordable rent increases are based on the previous September CPI plus 1%.

34. Service Charges

In the agreement, all service charges can be separately identified from the core rent for the property. Service charges eligible for Housing Benefit or Universal Credit claims are generally included in the rents charged set out above, and no ineligible charges are made for communal services being provided, such as landlords' lighting. Housing Benefit or

Universal Credit ineligible personal services charges may be levied for additional services to be provided for the use of an individual resident, such as (but not limited to) catering or personal heating and lighting.

35. **London Affordable Rent**

London Affordable Rent (LAR) means either:

- a. a weekly rent which does not exceed the Benchmark Rent Level (exclusive of service charges); or
- b. an Affordable Rent, for an equivalent property of the relevant size and number of bedrooms, such rent to be assessed and set in accordance with the applicable requirements of the Affordable Housing Capital Funding Guide, Legislation, the Rent Standard and any other relevant guidance issued by the Regulator (as any of the same may be amended, replaced or updated from time to time).

The rent charged on a LAR property is set by using a published benchmark level. Benchmark rents are lower than 80% of local market level. Where a service charge is payable, this is on top of the benchmarked rent.

The GLA recognises that in setting the level of the London Affordable Rent, it may not be possible for a landlord to identify a comparable market rent for an equivalent property of the relevant size, type and location in its Broad Market Rental Area. In such a case the landlord will submit to GLA a comparable market rent based on Equivalent Properties in alternative comparator areas (the Alternative Market Rent). In these circumstances, the GLA will request the landlord to engage a valuer to identify a comparable market rent from areas outside the Broad Market Rental Area and determine the market rent that will be applicable to the relevant dwellings in the Broad Market Rental Area. In these circumstances, the landlord should set the level of the LAR by reference to the Comparable Market Rent. These circumstances apply to YMCA SPG.

Initial Rent is set in accordance with the GLA published benchmark room rates. Annual Rent will increase by CPI +1.0%. The annual uplift (which only applies to existing residents) will depend on whether they are supported or not supported. In January, every year, LARs will be re-assessed for new lets at the same time as other affordable rents.

Section C - Rents for Assured Shorthold Tenancies and Licenses

36. Applies to: Charity issued Licences or Assured Shorthold Tenancies for hostel accommodation and supported housing properties.

37. **Rents on New Lettings:**

Where properties are let on Assured Shorthold Tenancies or Licenses to people who are not existing Charity tenants, the starting rent for their new home will be the Formula Rent for their property (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, and (b) if the property is let on the Affordable Rent basis, in which case the rent will be set on the basis explained in Section B. Once the rent for the new year has been agreed and existing residents have been notified, Residents moving in from early March will be charged the new rent from the date they move in.

38. Rents on Transfers:

Existing Charity assured tenants requesting a transfer (except those identified as Affordable Rent – see Section B) will enter into a new Assured Shorthold Tenancy or License 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 either (a) the Government Rent Cap for the property (see Appendix 1), when the Cap will apply, or (b) the Affordable Rent (see section B), when the Affordable Rent will apply. Once the rent for the new year has been agreed and existing residents have been notified, Residents moving in from early March will be charged the new rent from the date they move in.

39. Annual Rent Increases:

The rent charged to existing Assured Shorthold tenancies and Licenses will increase by CPI plus 1% each April, except where the current rent is higher than the formula rent where the increase will only be CPI. This change does not apply to any service charge being collected which will vary in line with the costs of providing the relevant services.

Rent increases are applied on the first Monday in April.

40. Rate of Inflation used to determine any increase:

Assured Shorthold and Licenses rents can increase by the previous September CPI plus 1%.

41. Service Charges:

An estimate of the cost of providing services will be added to the rent where the tenancy agreement provides for this. Such service charges are made using the Fixed Service Charge method.



RENT SETTING POLICY

RESPONSIBILITIES CHART

Responsibilities Chart	Board	Chief Executive	Executive Team	Financial Controller	Finance Team	Head of Housing, Care and Support	Rent & Tenancy Admin Team
Responsibilities							
Overall Responsibility	✓						
Review of Rent Setting Policy	✓	✓	✓	✓		✓	
Rent and Service Charge Review - Coordination				✓		✓	
Rent and Service Charge Review - Calculating rents and service charges					✓		✓
Rent and Service Charge Review - Propose new charges				✓		✓	
Rent and Service Charge Review - Decision and agreement on new charges set	✓	✓	✓				
Inputting of new rents and service charges to Pyramid							✓
Provision of rents information/details to tenants and Local Authorities							✓

Effective date: 27 June 2025
 Approved: 27 June 2025
 Next review: Trustee Board 27 June 2026



RENT SETTING POLICY

ANNUAL RENT REVIEW TIMELINE

	Month	Lead(s)
Service charge contract agreements reviewed/retendered and prices for next rent year confirmed.	October	Director of Property & Places
Service charge costs gathered and considered. Variations investigated. Costs confirmed	October/early November	Director of Property & Places and Financial Controller
Residents consulted as appropriate on any proposed changes to service charges i.e. removal of a charge, introduction of a new charge.	October/early November	Director of Property & Places and Head of Housing, Care and Support
New service charges determined	December	Financial Controller and Director of Property & Places
New rent charges determined	December	Financial Controller and Head of Housing, Care and Support
Relevant Board committee review of Rent Setting Policy, as per Corporate Policy Framework	By January	Board, Chief Executive and Executive Team

RENT SETTING POLICY

	Month	Lead(s)
Board sign-off for new rents and service charges	January	Board, Chief Executive and Executive Team
Accounts prepared for new rents and service charges	January	Financial Controller
Letters sent to residents and LA's informing them of new rents and service charges	End of February	Rent and Tenancy Admin Senior Business Partner
PERIODIC REVIEW IN THE EVENT OF SIGNIFICANT COST INCREASES		
Review of budgeted service charge, decision to review and update	Sept	Chief Executive and Executive Team
Letters sent to residents and LA's informing them of new rents and service charges	By beginning Oct	Rent and Tenancy Admin Senior Business Partner

In addition, there is a three-line review to ensure compliance with the rent standard and for assurance purposes:

- a. 1st line – Rent and Tenancy Team review
- b. 2nd line – Finance department review
- c. 3rd line – Internal audit review – annual until Substantial assurance is reached

APPENDIX ONE

Extract from the MHCLG Policy statement on rents for social housing

1 Formula Rent

- 1.1 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, subject to the rent flexibility level (see paragraphs 2.13-2.14 below).
- 1.2 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
- 1.3 This can be expressed as a formula, in which the formula rent for a property is calculated using the following approach:

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

National average rent means the national (England) average rent in April 2000.

Relative county earnings means the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels.

Relative property value means an individual property's value divided by the national (England) average property value, as at January 1999 prices.

- 1.4 The amounts to use for the national average rent, national average manual earnings and the national average property value are set out in the standard. Bedroom weights are also set out in the standard.

- 1.5 Putting the relevant information into the above formula will give the formula rent for 2000-01 for the property. The 2000-01 formula rent must then be up rated, for each year, using the relevant uplift. Formula rents will increase by CPI + 1 percentage point each year from 2020-21 onwards.
- 1.6 Formula rent is subject to a rent cap, which is updated annually by the Regulator of Social Housing. Rents must not exceed the rent cap.

2 Rent Caps

- 2.1 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.
- 2.2 Registered providers must not allow rents to rise above the rent cap level for the size of property concerned.
- 2.3 From 2020-21 onwards, the rent caps will increase by CPI (at September of the previous year) + 1.5 percentage points annually.
- 2.4 While the rent caps will increase annually by CPI + 1.5 percentage points, the annual change in rent for the tenant in a 'rent capped' property must still be governed by the CPI + 1 percentage point limit on rent changes.
- 2.5 However, where a property whose rent has been subject to the rent cap comes up for re-let (and formula rent remains above the rent cap), the new rent may be set at up to the rent cap level – which will have been increasing by CPI + 1.5 percentage points, rather than CPI + 1 percentage point.

3 Rent Flexibility Level

- 3.1 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.
- 3.2 As a result, the policy contains flexibility for registered providers to set rents at up to 5% above formula rent for general needs (10% for supported housing – as defined above). If applying this flexibility, providers should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability. The Charity has chosen to apply the maximum flexibility for both general needs and supported housing.