

1 Purpose

- 1.1 This policy is to state how Cromwood Housing Group (CHG) intends to remain within the law and regulation in respect to rent setting and review.

2 Policy Statement

- 2.1 This policy sets out the CHG approach to the setting and review of social housing rents. CHG charges Affordable Rent for all their social housing units at the time this policy has been drafted so this classification will be addressed in detail.
- 2.2 CHG aims to offer good quality, affordable housing to those in need in the London and Manchester area by predominantly taking nominations from Local Authorities.

3 Scope

- 3.1 This policy applies to all homes owned and / or managed where rents are set by CHG. At present, CHG offers Affordable Rent for its social housing, so this policy is limited to the regulation for this classification only. If other classifications of social housing are acquired within the portfolio, this policy will be updated.
- 3.2 This policy does not cover CHG non-social housing stock.

4 Policy Objectives

- 4.1 The objectives of this policy are:
 - 4.1.1 Act in accordance with CHG's constitution by the provision of social housing for those not able to secure housing in the open market.
 - 4.1.2 To explain how we set rents for new tenancies and how we carry out rent reviews.
 - 4.1.3 To ensure rents are set in accordance with legal and regulatory obligations; and
 - 4.1.4 To set rents at levels that ensure CHG has sufficient funds to deliver its obligations including the maintenance of homes and communities and the development of new homes.

5 Relevant Documents

- 5.1 Rent Standards 2020 and 2024
- 5.2 Policy statement on rents for social housing (as amended from time to time) (Policy Statement)
- 5.3 Homes for Londoners, Affordable Homes Programme 2016-21 Funding Guidance (Funding Guidance 2016-21)
- 5.4 Homes for Londoners. Affordable Homes Programme 2021-2026 Funding Guidance (Funding Guidance 2021-2026)

6 Relevant Definitions

- 6.1 **Registered Provider (RP):** A social housing provider registered with the Regulator of Social Housing.

- 6.2 **Social rent/ Formula rent:** Rents typically lower than similar privately rented properties.
- 6.3 **Target Rent:** was introduced to reduce inconsistencies in how rents are set between housing associations and local authorities. Where rents were lower, they were able to increase annually towards the Target Rent. In 2013 the Target Rent became the Formula Rent; the current formula for setting rents is included in Appendix A of the Policy Statement.
- 6.4 **Affordable rent (AR):** A rent charge introduced in 2011 which allows RPs to charge up to 80% of local market rent (including service charges, where applicable) for new build and a limited number of converted existing homes. It was introduced to generate financial capacity to build new homes following a reduction in capital grant supply subsidy.
- 6.5 **London Affordable Rent (LAR):** LAR is a form of AR and sits within the AR framework. However, it varies in that the rent is set in accordance with benchmarks set by the Greater London Authority (GLA). The benchmarks are uplifted every year.
- 6.6 **RICS:** Royal Institution of Chartered Surveyors
- 6.7 **CPI:** Consumer Price Index
- 6.8 **RPI:** Retail Price Index

7 External regulation

- 7.1 The Regulator of Social Housing (RSH) provides regulatory guidance that RPs must comply with in respect to the setting and review of social housing rents.
- 7.2 Since April 2020 rents for social housing tenants of RPs have been governed by the Rent Standard 2020 and the associated guidance in the Policy Statement (Feb 2019). This Policy is written in the context of implementing the Rent Standard 2020, the additional Rent Standard 2024 and the Policy Statement.

8 Affordable Rent

- 8.1 AR is a regulated form of social housing. To let at AR CHG must comply with the following:
 - 8.1.1 Have agreement with Homes England or the GLA to let at AR.
 - 8.1.2 Set rents at 80% of market rent inclusive of service charges (the AR figure).
 - 8.1.3 All CHG's social housing stock sits within this AR framework and rent levels must never exceed 80% of market rent inclusive of service charges. This includes the LAR units; the AR figure is the ceiling.

9 London Affordable Rent

- 9.1 LAR is a form of AR and sits within the AR framework. However, it varies from AR in that the rent is set in accordance with benchmarks set by the GLA, and not by reference to market rent, as is the case with AR (80% of market rent inclusive of service charges) plus service charges.

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- 9.2 CHG has agreement with the GLA that they may charge the benchmark rent plus 5% for three of its schemes - RSAP 1, RSAP 2 and DA.
- 9.3 Service charges (reasonable and applicable to the property in question) are to be added on top of the benchmark rent. However, as LAR sits within the AR framework, at the time of letting, the benchmark rent plus service charges must not exceed 80% of market rent (inclusive of service charges).

10 Setting LAR rents

- 10.1 The following calculations/comparisons should be followed:
- 10.1.1 Benchmark rent [+ 5% for RSAP 1, RSAP 2 and DA] + service charges.
 - 10.1.2 Obtain comparable AR figure; and
 - 10.1.3 If LAR exceeds the AR figure, the rent will need to be reduced to the AR figure.
- 10.2 The benchmarks are set by the GLA. Below is the link to the Funding Guidance 2016-2023 which sets out the benchmarks from 2017/18 to 2022/23.
- 10.3 <https://www.london.gov.uk/programmes-strategies/housing-and-land/homes-londoners-affordable-homes-programmes/homes-londoners-affordable-homes-programme-2016-2023>.
- 10.4 The benchmarks are uplifted by CPI + 1% each year. CPI is taken from the September prior to increase.

11 Valuations to determine AR figure

- 11.1 Comparable market rents can be determined by way of a qualified surveyor or desktop valuation (paragraph 3.11 of the Policy Statement).
- 11.2 Valuations should be used for no more than 3 months given the fluctuation of rent levels. Evidence of valuations should be retained to evidence the rebasing of rents and compliance with the Policy Statement.

12 New Lettings for AR and LAR

- 12.1 When re-letting an AR property to a new tenant, the rent must be rebased to the current AR figure as per the Policy Statement.
- 12.2 When letting an LAR property to a new tenant, the process set out at 9.4 above will need to be followed again given that LAR sits within the AR.
- 12.3 Where CHG is re-letting to the same tenant at the same property, the above process will need to be undertaken but the rent cannot increase by more than 7% for 2023/24 and CPI + 1% outside of this (paragraph 3.16 of the Policy Statement).

13 Rent reviews/increases for LAR and AR

- 13.1 Chapter 3 of the Policy Statement dictates permitted rent increases for AR and therefore, LAR. This is the chapter which sets out the regulatory framework for AR.

- 13.2 Paragraph 3.13 of the Policy Statement determines that AR/LAR can be increased by CPI + 1% (based on September of the year before) save for the period of 1 April 2023 and 31 March 2024 when the rents can be increased by a maximum of 7%.
- 13.3 The increase applied to the rent, whether AR/LAR, should be applied to the total sum due from the tenant, i.e. rent and service charges.
- 13.4 For the avoidance of doubt, increases do not have to have references to the benchmark levels or AR figure at the point of rent increase. Benchmarks and AR figures are what need to be adhered to at letting or re-letting only.
- 13.5 The end of a probation period does not trigger an increase or rebasing of the rent.

14 Roles and Responsibilities

- 14.1 Strategic Director is responsible for ensuring that there is an up-to-date policy setting out CHGs approach to rent setting which complies fully with all legal and regulatory requirements.
- 14.2 Rent and Assets Manager is responsible for delivery of the policy, accurate rent figures at letting, re-letting and increases, and ensuring there is adequate operational guidance for staff responsible for setting rent levels.
- 14.3 Housing Management teams are responsible for ensuring they are familiar with the policy so they can identify any charges which are not in line with the provisions set out.

15 Performance, Monitoring and Evaluation

- 15.1 The owner of this policy is responsible for bringing together representatives from Finance, IT, Development, Housing Management at least six-monthly to review compliance with this policy.
- 15.2 To ensure compliance with regulatory requirements and this policy, CHG will undertake regular sample checks in relation to rent setting and rent increases, to ensure that the correct methodologies have been applied.
- 15.3 The [Board/Audit Committee] will receive a report at least annually to confirm how assurance has been obtained in relation to compliance and rent setting will form part of CHG's programme of internal audit reviews.
- 15.4 The policy will be reviewed tri-annually and more regularly when required to reflect changes in legislation or regulatory requirements.