Group Rent Setting & Review Policy

Contents

1. Document Overview

Purpose	The purpose of this Group Policy is to set out the approach of Thrive Homes and Thrive Places to rent setting and how and when we will review rents, intermediate rents, shared ownership rents, market rents and Rent to HomeBuy.
Audience	Colleagues and Customers
Data Classification	For internal use only
Review Cycle	12 months
Next Review	March 2025

2. Document Version History

Version	Date	Author	Reviewer	Changes & Additions
V1.0	01/05/21	AJ	Board	
V1.1	01/02/22	JR	Board	
V1.2	01/05/22	JR	Board	Market rent changes agreed
V1.3	11/12/23	JR	Board	Intermediate rent – LHA changes, 53 week rent charge
V1.4	21/03/24	JR/OO	Board	Application of RENT DISCOUNT CODE to Intermediate rent
V1.5	Mar 25			Market Rent changes agreed Feb 25

3. Introduction

Thrive is committed to providing affordable places to live, which will be balanced with collecting sufficient income to sustain the viability of the organisation and provide an effective landlord service. In setting and reviewing rents Thrive will set rents in a fair and transparent manner and follow government policy and regulatory guidance.

4. Scope and objectives

The purpose of this Group policy is to set out the approach of Thrive Homes and Thrive Places to rent setting and how and when we will review rents across a range of products including formula rents, affordable rents, intermediate rents, shared ownership rents, market rents and Rent to HomeBuy.

5. Definitions of Rent Type or Product

There are four main rent products or categories of property to which this policy applies:

5.1. Social Rent (also known as Formula Rent)

Social rents (also known as formula rents) are calculated using a formula set by the government which takes account of the relative value of local income levels, the size of the property and its value as of 1999. Where no 1999 value is recorded, one will be obtained prior to relet. Service charges are calculated separately and are added onto the social rent.

Prior to 2015, formula rents were called "target" rents. They are calculated in exactly the same way.

Each social rented property will have a formula rent which is the maximum amount that can be charged. The aim of the approach is to ensure that similar rents are charged for similar social rent properties. From April 2020 formula rents will increase by CPI + 1% each year.

Social rent properties are subject to the Rent Standard set by the Regulator of Social Housing. The Rent Standard 2020 applies from April 2020. It is supplemented by guidance contained in the Policy Statement on Rents for Social Housing (Feb 2019) ('the Policy Statement').

5.2. Affordable rents

Affordable Rent can be set at no more that 80% of market rent levels. This rent is a gross rent and includes any service charges.

Affordable Rent properties are also subject to the Rent Standard.

Thrive cap affordable rents at the Local Housing Allowance (the maximum amount paid by Housing Benefit, or the Housing Element of Universal Credit for a property) for the relevant local authority area where the property is situated.

5.3. Fair Rents

If a tenancy started before 15 January 1989, this is likely to be a regulated or secure tenancy. To qualify to apply to a rent officer to register a fair rent, a tenant must have a regulated or secure tenancy. A landlord or a tenant can apply to have a fair rent registered.

5.4. Intermediate rent

Intermediate rents can be set at no more than 80% of the current market rent. This rent is a gross rent and includes service charges (excluding personal service charges).

Intermediate Rent properties are exempt from the Rent Standard but where provided with grant, may be subject to grant conditions in the Capital Funding Guide relating to rent setting and rent increases.

5.5. Shared Ownership rents

Shared Ownership rents are exempt from the Rent Standard but where grant funding has been given for a scheme, Thrive must comply with the requirements of the Capital Funding Guide and rents will be set in accordance with the provisions of the lease.

5.6. Market rent

Gross market rent' means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector.

Market rent is exempt from the Rent Standard.

6. 53 Week rent years

Every 4 years rent will be payable over 53 weeks rather than 52 weeks. Thrive has discretion on whether or not to charge for this additional weeks rent.

7. Rent Setting and Review from April 2020 onwards

From April 2016, the Welfare Reform and Work Act 2016 required social landlords to reduce their rents by 1% each year for four years ('the social rent reduction'). In October 2017, the government announced its intention to set a long-term rent deal for local authority landlords and housing associations to permit annual rent increases on both social and affordable rent properties of up to CPI plus 1 percentage point from 2020 for at least a period of 5 years. This commitment is now contained in the Rent Standard 2020 and the Policy Statement which both apply from April 2020.

Where Thrive has completed the social rent reduction by March 2020 the rent will be set and reviewed as set out below.

7.1. Rents for social tenants with high incomes (High income social tenants or 'HIST')

The Rent Standard 2020 permits registered providers to charge market rents where households have an income of at least £60,000 per year. Thrive does not currently adopt this policy but may reconsider in the future. Where this is the case, a policy will be written and any additional capacity generated will be used to fund new affordable housing where possible.

7.2. Rent Caps

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. Thrive Homes will not allow rents to rise above the rent cap level for the size of the property concerned.

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.

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 up to the rent cap level.

7.3. Social Rent Setting (re-lets and new-lets):

Any re-lets or new lets made before April 2020 are governed by the rules contained in the Welfare Reform and Work Act 2016 and associated Regulations.

From April 2020, rent will be set at the point a property has been developed or at the point a property is re-let in accordance with the Rent Standard 2020 and Policy Statement. This means setting rents at formula rent.

In line with the Policy Statement, the Association has considered local factors, circumstances, and affordability in deciding whether to apply the 5% flexibility. The Association has concluded that, given local earnings and the level of private sector rents in our area of operation, the use of the flexibility is justified, and any issues of affordability mitigated by ensuring that rents are not allowed to exceed the lower of the Local Housing Allowance or the rent caps.

Social Rent Review:

Rents will increase by CPI (in September of the previous year) + 1 percentage point each year from 2020-21 onwards subject to the following:

(a) We must not allow the rent to rise above the rent cap; and
(b) Where the existing rent is already above formula plus the flexibility (5% for general needs; 10% for supported housing) any increase is capped at CPI only.
(c) Any government imposed additional restrictions.

7.4. Affordable Rent Setting:

Affordable Rents will be set at the point of a property being newly developed or re-set at the point an affordable rent property is re-let.

Rents are set by undertaking a RICS recognised valuation method then reduced by 20% as affordable rents cannot be set at more than 80% of the full market valuation in accordance with the Rent Standard 2020 and the Policy Statement.

Thrive will have regard to the Local Housing Allowance (LHA) and will cap affordable rents at the LHA, so that rent will be set at the lower of 80% of the market rent and the LHA. Thrive retains a discretion to decide a lower percentage figure or to determine not to cap at the LHA on a particular scheme.

The affordable rent is inclusive of any service charge.

Rents will increase be CPI (in September of the previous year) + 1 percentage point each year from 2020-21 onwards. Rents will be capped at LHA where this increase would take the rent charged above it.

7.5. Fair Rent Setting:

Only existing secure tenants who were let the property before 15th January 1989 have a fair rent so there should be no new re-lets with a fair rent.

Fair Rent Review:

Fair rents are registered by Valuation Office Agency (VOA) rent officers. Tenants may apply for registrations of rent every two years, or sooner if there are major changes to a property e.g., repairs, improvements, or rebuilding works.

Landlords can apply for registrations of rent after 21 months. Thrive will apply for registration every two years. In line with the standard, in the case of tenancies subject to fair rent protection, the maximum weekly rent is the lower of the fair rent set by the Rent Officer and formula rent (subject to both the rent caps and the rent flexibility level).

Thrive may not increase the rent of a tenant with fair rent protection by more than CPI +1% in any year (even if the tenant's rent is below the formula rent level and the maximum fair rent is increased by more than that amount).

7.6. Intermediate Rent Setting:

Intermediate rent properties are not social rent or affordable rent products and as such they sit outside the Rent Standard and the Policy Statement. Rents are linked to market rates.

Rent will be set at the point of new development of a property or on the re-let of a property. The rent will be set following a property valuation by a RICS recognised method and will be set at a maximum of 80% of the current market rent. Thrive retains a discretion to determine a lower figure on a specific scheme.

Intermediate Rent Review:

Rents will increase in line with tenancy agreements or be increased at CPI (in September of the previous year) + 1 percentage point each year from 2020-21 onwards unless the amended rent is above 80% of market rent. Operationally the RENT DISCOUNT CODE would be applied where 80% of market rent exceeds LHA to bring the rent to the LHA rate (specific to Ovaltine Drive due to a historic s106 agreement). *This rent is a gross rent and includes any service charges, but excludes personal service charges.*

7.7. Shared Ownership Rent Setting:

In line with the Capital Funding Guide, all new shared ownership leases, irrespective of grant funding, are granted by Thrive at an initial rent level set at 2.75% of the value of the unsold equity at the point of initial sale.

Thrive retains a discretion to determine a different percentage of up to 3% on the grant of a shared ownership lease for a particular scheme having regard to:

- the provisions of the Capital Funding Guide for non-grant funded properties
- affordability for shared owners and
- the financial viability to the association in the design of the scheme.

Shared Ownership Rent Review:

Rent reviews in new shared ownership leases are currently set at RPI + 0.5% in line with the Capital Funding Guide. Rent will be reviewed in line with the provisions of an individual's shared ownership lease which may be higher or lower than the current rate of increase for newer leases. Thrive retains a discretion to determine a lower level of rent increase than set out in an individual lease on annual rent review but should consider taking legal advice on the impact of determining a lower level of increase on the provisions of the shared ownership lease.

7.8. Market Rent Setting

For all lets on new schemes: rent will be set based on a current valuation of the market rent as they are linked to market rents. Any variation from this rent figure will be applied in line with our procedures. Any deduction greater than 10% of the market value must be approved by a Thrive Places Director. Rent free periods may be considered at the discretion of the Manager at the commencement of the tenancy and will be for no more than 2 weeks.

For all lets on existing schemes: rent will be set based on an assessment of comparable market rents and set to achieve the best financial outcome. Any reduction in rent where the “loss” of income will be more than the cost of a projected void over at 2 year period should be agreed with the Executive Director of Operations *and* reported to the next Thrive Places Board.

Market Rent Review:

Under the 'Tenants Fees Act 2019' the rent agreed at the commencement of the tenancy will remain the same throughout its duration.

8. Rent Review Periods

8.1. Weekly tenancies - (including Social, Affordable and Intermediate)

Rent will be reviewed no more than once every 52 weeks, usually in April (but we may choose a different month). Thrive will review the rent payable on the first Monday in April following the start of any tenancy, providing the tenancy agreement allows.

The rent review will usually be applied from the first Monday in April for all tenants.

A minimum notice period of one month is required for notifying all customers of the changes to their rent and service charges. As the reviewed rents and charges are due with effect from April, Thrive will begin informing customers about their reviewed rent and service charges by the end of February.

Tenants who wish to appeal against a rent review must appeal to the Tribunal before the notice takes effect (i.e., within the one-month notice period).

Where section 13 applies to the tenancy agreement, Thrive will follow the principles of section 13 of the Housing Act 1988 as amended by the Regulatory Reform (Assured Periodic Tenancies) (Rent Increases) Order 2003. Where the tenancy states that section 13 does not apply to any rent review, we will not serve section 13 notices to tenants when they are notified of a rent review.

Thrive will review the rents of new tenants on the first Monday of April even if this is less than 52 weeks since the start of their tenancy. This is to keep these rents in line with other tenancies, and provisions are contained within the tenancy agreement to allow this.

8.2. Monthly tenancies - (including Social, Affordable, Fair Rent, Intermediate)

Monthly tenancies will be reviewed on the 1st of April each year.

A minimum notice period of one month is required for notifying all customers of the changes to their rent and service charges. As the reviewed rents and charges are due with effect from April customers will be informed about their reviewed rent and service charges by the end of February.

Where section 13 applies to the tenancy agreement, Thrive will follow the principles of section 13 of the Housing Act 1988 as amended by the Regulatory Reform (Assured Periodic Tenancies) (Rent Increases) Order 2003. Where the tenancy states that section 13 does not apply to any rent review, we will not serve section 13 notices to tenants when they are notified of a rent review.

Thrive will review the rents of new tenants in April even if this is less than 52 weeks since the start of their tenancy. This is to keep these rents in line with other tenancies, and provisions are contained within the tenancy agreement to allow this.

8.3. Shared Ownership Leases

Rent in shared ownership leases will be reviewed in line with the provisions of the lease. Normally this will mean that rent is increased annually.

8.4. Market Rent

Under the Tenants Fees Act 2019' the rent agreed at the commencement of the tenancy will remain the same throughout its duration. Prior to re-let, rents will be reset with an assessment of current market rates as set out in 7.8.

Rent Reviews: The rent will be reviewed on the anniversary of the commencement of the tenancy and upon each subsequent anniversary in line with the change in the Retail price Index (RPI) for the previous 12 months. Thrive retains a discretion to determine a different percentage where the increased rent would be inconsistent with prevailing market rates however, the best financial outcome should be achieved. Any reduction in rent where the “loss” of income will be more than the cost of a projected void over a 2 year period should be agreed with the Executive Director of Operations *and* reported to the next Thrive Places Board.

8.5. Properties managed on behalf of others

Where Thrive manages property on behalf of others and is responsible for rent setting and review, the rent will be set and reviewed in line with the tenancy and management agreement.

9. Regulatory and Legal Considerations

Housing Act 1985
Section 13 Housing Act 1988 (as amended by the Regulatory Reform (Assured Periodic Tenancies) (Rent Increases) Order 2003)
Rent Standard 2020
Policy statement on rents for social housing (Feb 2019)
Welfare Reform and Work Act 2016

Landlord and Tenant Act 1985
Landlord and Tenant Act 1987
Tenant Fees Act 2019

10. Other Related Policies and Guidance

This policy links to other polices Thrive has in place, including but not limited to:

- Service Charge Policy
- Empty Homes and Lettings Policy
- Tenure Policy

As a business we try hard to keep all these related policies aligned with each other. If you do spot any inconsistency, please do contact the Author at your earliest opportunity and make your concerns known. Your support to keep information clear and consistent will always be welcomed.

11. Policy Approval

As this policy is a core component of how Thrive manages its business the document will be evaluated by the Executive Management Team and Board as part of any review.

12. Support and Further Guidance

This policy has been drafted with input from colleagues across Thrive. If you have any concerns on how to interpret or follow its requirements, it's your responsibility to make your concerns known to the A.D. Portfolio Strategy.

Each Thrive team member has a responsibility to work in a way that's consistent with the expectations set out in the documents and its implied intent. Should you witness or become aware of anyone consciously or unconsciously not following this policy you must alert your line manager or member of the leadership team as soon as is reasonably practical.