

## Rent Setting Policy

Date Issued: 01/05/2025	Version: 2
Owner: Customer Experience	Next Scheduled Review: 01/05/2028

### 1. Policy Statement

- 1.1 Flint Housing is committed to developing and providing high quality, new build housing for those who cannot afford it on the private market.
- 1.2 When setting rents Flint Housing will, where relevant, comply with the Regulatory Framework for Social Housing in England, any statutory requirements for social housing, the terms of planning consents for its properties, and the requirements of Homes England Capital Funding Guides.

### 2. Current Regulatory Framework

- 2.1 The Rent Standard 2020 (the **Rent Standard**) requires Registered Providers (RPs) to charge rents for social housing in accordance with the Government's Policy Statement on Rents for Social Housing (the **Policy Statement**) dated February 2019. This specifically prescribes how Social Rent and Affordable Rents are set and reviewed. The Rent Standard 2023 applied between 1 April 2023 to 31 March 2024 and was introduced to cap rent increases for Social Rent and Affordable Rent at 7% due to exceptionally high inflation.
- 2.2 The Rent Standard and Policy Statement include exceptions to the Rent Standard. This means that if the definition of the exempt classification of social housing is met, the rent levels are not regulated (save that they must be below market rent in accordance with s.69 of the Housing and Regeneration Act 2008). Flint Housing does not currently have any exempt forms of social housing.

### 3. Scope

- 3.1 This policy sets out Flint Housing's approach to the setting and review of social housing rents. Flint Housing charges Social Rent and Affordable Rent for all of their social housing units at the time this policy has been drafted so only these classifications will be addressed in detail.
- 3.2 The rent setting policy is used for:
  - Setting rents for new properties to be let to Social Rent and Affordable Rent tenants
  - Setting rents for existing properties to be let to Social Rent and Affordable Rent tenants
  - Annual rent increases/decreases.
- 3.3 Some tenancies will be subject to service charges, which are covered by a separate Service Charge Policy.

### 4. Social Rent

#### 4.1 Setting a Social Rent

- 4.1.1 Social Rents are calculated according to a government-prescribed formula ("Formula Rent") which considers property value, number of bedrooms, and average earnings in the locality. All guidance on setting Formula Rent is provided in Chapter 2 and Appendix A of the Policy Statement.
-

*The social rent formula is:*  
*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*

- 4.1.2 To set a Formula Rent, a property valuation as at January 1999 prices must be obtained and this must be in accordance with a method recognised by the Royal Institution of Chartered Surveyors (**RICS**). Sections 2.22 to 2.28 of the Policy Statement give full guidance on valuations for the purposes of calculating a Formula Rent.
- 4.1.3 Once a valuation has been determined for a property, this must not be changed unless major works that materially affect the value of the property have been undertaken. This does not include normal stock management works such as repairs, maintenance and updating works.
- 4.1.4 Appendix A of the Policy Statement provides other information required to calculate a Formula Rent, including up rating data from 2000.
- 4.2 Rent Flexibility**
- 4.2.1 Flint Housing is permitted to set Social Rents at 5% above Formula Rent (10% for supported housing). Flint Housing chooses to apply flexibility due to the cost of provision of housing in the areas we operate.
- 4.3 Rent Caps**
- 4.3.1 Social Rents must never exceed the Rent Cap for the property concerned.
- 4.3.2 The Rent Caps for 2023-24 are detailed in Appendix A of the Policy Statement, and thereafter increase by CPI + 1.5%.
- 4.4 Rent Increases**
- 4.4.1 Rent increases for Social Rent tenants may be increase by a maximum of Consumer Price Index (**CPI**) plus 1%. CPI is to be taken from the September before the increase.
- 4.4.2 Rent increases will usually take effect on the first Monday in April.
- 4.5 Conversion of Social Rent Properties**
- 4.5.1 Social Rent properties may not be converted to any other form of social housing, and rents must continue to be set in accordance with the above principles upon re-let to a new tenant.
- 5. Affordable Rent**
- 5.1 Permission to let at Affordable Rent**
- 5.1.1 Affordable Rents can only be charged where the RP has a housing supply delivery agreement with Homes England or the Greater London Authority (**GLA**) to let the properties as such.
- 5.2 Setting an Affordable Rent**
- 5.2.1 Affordable Rents must be no higher than 80% of the prevailing local market rent for comparable properties at the time they are set. This is inclusive of service charges.
- 5.2.2 When setting Affordable Rents, the terms of any agreements with Homes England, the GLA or s.106 planning agreements must also be adhered to.
-

- 5.2.3 The Affordable Rent must never fall below Formula Rent, with the latter being the floor. As such, if the Affordable Rent is determined to be less than Formula Rent, the rent must be set at Formula Rent plus flexibility plus service charges. This then creates your Affordable Rent figure.
- 5.2.4 When re-letting an Affordable Rent property, the rent must be re-based as detailed in paragraph 5.2.1 above. Note that if a new tenancy is being granted to an existing tenant, the rent will still need to be re-based, but any increase is limited to CPI +1%. Rents will not be re-set when a starter tenancy is converted to a fixed term tenancy.

### **5.3 Valuations**

- 5.3.1 Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector. Valuations for initial rent setting must be in accordance with a method recognised by RICS.
- 5.3.2 RPs 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, RPs might have a rolling schedule of tenancies coming up for re-issue or re-let. Where that is the case, RPs might have adequate comparables readily to hand, and if so there might be no need for a full valuation. In these circumstances, RPs may decide to re-set rents using a desktop review of recent transactions.

### **5.4 Rent Increases**

- 5.4.1 Rent increases for Social Rent tenants may be increase by a maximum of CPI plus 1%. CPI is to be taken from the September before the increase.
- 5.4.2 Rent increases will usually take effect on the first Monday in April.

### **5.5 Conversion of Affordable Rent Properties**

- 5.5.1 Affordable Rent properties may not be converted to market rent or Intermediate Rent.

## **6. Shared Ownership**

- 6.1 Where properties are offered as Shared Ownership by Flint Housing a leaseholder may purchase an equity share of between 25% and 75% of the full market value of the property under the previous Shared Ownership Model and between 10% and 75% under the New Shared Ownership Model.
- 6.2 Shared Ownership homes will be sold to households whose income is below £80,000 (£90,000 in London), who are otherwise unable to purchase a home, and who will have no other ongoing interest in a residential property.
- 6.3 Flint Housing will charge a rent for the unsold equity. Rents on the unsold equity will be calculated in accordance with the relevant s106 agreement or the Homes England Capital Funding Guide, with the s106 agreement taking priority:
- Where the s106 agreement does not specify, rent will usually be set at 2.75%, and up to 3.00%, of the unsold equity at the initial point of sale
  - Where an assessment of affordability for a scheme indicates that the total rent, service charge and mortgage costs would be unaffordable for a typical resident we may set a rent at a lower level.
- 6.4 The market value for the property will be set by an Independent Valuer registered with the Royal Institute of Chartered Surveyors.
- 6.5 When there is a staircasing event or a property is resold the rent will be reset for the month following the transaction (staircasing) or commencement of the lease (resale) by undertaking a new valuation using the same methodology.
- 6.6 Rent charged on unsold equity will usually be increased by RPI +0.5% each year. If RPI is nil or negative the rent increase will be 0.5%. Annual increases will be made on 1 April and will be calculated using RPI from the previous September.
-

- 6.7 Rent increases to be applied to all Flint Housing shared ownership properties will be reviewed and confirmed annually by the Board of Flint Housing. The Board of Flint Housing may decide to increase rents by less than RPI +0.5% or reduce rents if it considers this appropriate.
- 6.8 Shared owners will receive written notification of an annual rent increase no less than one calendar month before the increase is applied. Notification will include the new rent to be charged, the date from which it is payable, the calculation method, and the date of the next review.
- 6.9 All shared owners will be issued with a standard shared ownership lease with an initial term of 125 years or up to 999 years if the New Shared Ownership Model applies to the properties. A lease will be issued whether the leaseholder has purchased a flat or a house. Where a shared owner's lease states an approach to rents that is different from this policy, the lease takes precedence.
- 6.10 Costs relating to upkeep of buildings and services in communal areas will be apportioned to individual properties and recovered from the leaseholders by way of service charges.
- 6.11 Where service charges are applied to shared ownership properties, the approach will be set out in the shared owner's lease. Information on the costs which form the service charge will be provided in writing to shared owners annually.
- 6.12 Total charges for Shared Ownership properties may also include additional sums for management fees, building insurance, sinking funds, etc. The requirements around these will be specified in individual leases.

## **7. Appeals**

- 7.1 Any tenant who feels that their rent has not been set in accordance with the policy can appeal using the complaints procedure.

## **8. Review**

- 8.1 This policy will be reviewed every three years. The board of Flint Housing will consider and take into account the housing policies of local authorities in its areas of operation (e.g. tenancy policies) and, where relevant, Homes England, the GLA, combined authorities and regional mayors when updating the policy.
-