



## Rent Setting Policy 2025-27

<b>Policy Name:</b>	<b>Rent Setting Policy</b>
<b>Status:</b>	<b>Approved</b>
<b>Approved by:</b>	WCHG Board
<b>Drafted by:</b>	Stephen Jackson - Head of Income
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<b>Customer consultation:</b>	<b>CXC Committee</b>
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## Glossary of Terms.

Term	Definition
<b>Social Rent</b>	Properties let to tenants based on housing need, in accordance with WCHG allocation policy and relevant local authority's allocations policies. The rent is set at formula rent.
<b>Affordable Rent</b>	Properties let to tenants based on housing need, often with associated grant funding from Homes England or another statutory authority. The rent is set at a level below or equal to 80% of the local market rent
<b>Shared Ownership</b>	Properties developed for Low-Cost Home Ownership (LCHO), where WCHG retains an ownership share in the property. The rent is calculated based on the value of the share owned by WCHG.
<b>Rent to Buy</b>	Properties let at a rent lower than the market rent with the intention of the resident progressing to purchasing the home after an agreed timescale, normally 5 years.
<b>Market Rent</b>	Properties developed or acquired with the intention of letting at market rents, without associated Homes England grant funding. These properties are managed through WCHG's Garden City Homes brand.
<b>Formula Rent</b>	This is how rent for 'Social Rent' is calculated based on property values (at January 1999), local earnings, and bedroom weightings, as defined in the MHCLG Policy Statement.
<b>Consumer Price Index (CPI)</b>	A measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Used to determine annual rent increases.
<b>New Build</b>	A property that is new and has never previous been let to a tenant.
<b>Relet</b>	Term used to describe the process of creating a new tenancy after the previous one has finished.
<b>Rent Increase</b>	Each tenancy has a mechanism by which rent is increased annually using a prescribed formula

## **1.0 Introduction**

This policy outlines Wythenshawe Community Housing Group's (WCHG) approach in relation to rent setting. The policy will cover the following tenure types: social, affordable, market rent, rent to buy and shared ownership.

The policy sets out the obligations and responsibilities with regard to rent setting, the mechanisms in place for calculation and the framework of communication with customers in respect of these charges.

The rent setting policy covers WCHG's current rental types; however, prevented from doing so by regulation or legislation, WCHG reserves the right to implement any other type of rental property and associated rent setting policy.

Where WCHG is the managing agent for a property, this policy does not apply and local arrangements will be in place.

## **2.0 Legislation & regulation**

The Group will set its rents in accordance with:

- Ministry of Housing, Communities and Local Government (MHCLG) Policy Statement on Rent for Social Housing (the MHCLG Policy Statement) – February 2019
- The Government's Policy Statement on Rents for Social Housing 2019, and the Regulator of Social Housing's Rent Standard 2020 (updated on 14/12/2022)
- Landlord and Tenant Acts 1985 & 87 (as amended)
- Housing Act 1988;
- Housing Act 1996;
- Housing Act 2004;
- The Welfare Reform and Work Act 2016.

## **3.0 Guidance**

### **3.1 Social Rent**

#### **Definition:**

Social rent properties are the majority of the properties owned and rented by WCHG to its tenants and customers. These properties are let to tenants based on housing need and in accordance with the WCHG allocation policy and relevant Local authority's allocations policies. The WCHG Properties will have either been transferred from MCC to the Registered Provider (WCHG) or developed or acquired for this purpose, possibly with grant funding from Homes England or another statutory body. Properties will not have any specialist support provision provided as part of the tenancy.

### **Rent setting: New Build Homes:**

Rents for new properties will be set at formula rent. The formula for calculating rents is defined in the MHCLG Policy Statement, and references property values (at January 1999), local earnings and bedroom weightings. Property value will be derived through formal valuation. The specific calculation of formula rent is noted in Appendix 1

The formula rent is exclusive of any service charges.

The MHCLG Policy Statement allows for rent flexibility to be applied to formula rents. This allows Registered Providers (RP's) to set rents at up to 5% above the formula rent for general needs properties and 10% above formula rent for supported properties if there is a clear rationale for doing so. For new build general needs properties WCHG will apply the 5% rent tolerance for general needs properties and 10% for supported accommodation as a reflection of the higher quality property and also the improved thermal efficiency of the property.

### **Re-let of empty homes:**

On each occasion that a social rented property is re-let, the rent will be reviewed and the property re-let at the formula rent. The formula rent for each property is maintained on our housing management system and is increased each year in line with MHCLG policy.

The allowed rent tolerance noted above will be applied at plus 5% of the formula rent on all re-lets going forwards. This decision has been made as WCHG social rents are less than 50% of market rent and even with the 5% tolerance, our rents provide good value for money and affordable rents to our customers.

Some social rent properties at relet will have a service charge applied alongside the net rent which creates the gross rental charge - See the service charge policy for more details.

### **Annual April rent Increases:**

In 2020 the Government introduced the new 'Rent Standard' that allows for an annual rent increase of up to Consumer Price Index (CPI) plus 1% from April 2020 for a period of at least five years. The CPI is September's CPI of the previous year and is published by the Office of National Statistics. Proposed rent increases will be submitted to WCHG Board on an annual basis for approval.

Please note as WCHG have a contractual rent clause, should a new tenant start a tenancy in the 2024/25 their first rent increase will be in April 2025.

### **3.2 Affordable Rent**

#### **Definition:**

Similar to social rent properties, these WCHG properties are let to tenants based on housing need and in accordance with the WCHG allocation policy and relevant Local authority's allocations policies. These properties may be:

Newly developed/acquired properties, often with associated grant funding from Homes England or another statutory authority.

Properties previously held as social rent, converted to Affordable Rent as part of a development agreement with Homes England (once converted, properties remain as Affordable Rent in perpetuity).

**The affordable rent is inclusive of any service charges.**

#### **Rent Setting – New Properties:**

Affordable rents are set at a level that is below or equal to 80% of the local market rent. Affordable rents are inclusive of any service charge that is applicable. WCHG will instruct an independent qualified RICS (Royal Institute of Chartered Surveyors) surveyor to carry out a full valuation of the property to establish the full market rent achievable.

Management will assess the affordability of each property having regard to the local market context (including Local Housing Allowance) and, unless there are indicators to the contrary, the affordable rent will be set at 80%.

In all cases, the affordable rent will be no lower than the formula rent calculated for the property as defined within the MHCLG Policy Statement. In exceptional cases where the affordable rent would be lower than the formula rent, the formula rent (plus 5% tolerance) will be deemed as the affordable rent and charged; for the avoidance of doubt, in such circumstances the property will remain designated as an affordable rent property.

#### **Rent Setting- re-lets of empty homes:**

On each occasion that a new affordable rent tenancy is issued to a tenant for a property, WCHG will reset the rent based on a new valuation, using a RICS approved method for obtaining the relevant market rent (currently Savills's online valuation tool), to re-let at 80% of the market rent.

As per the rent setting for new properties, in the unlikely event affordable rent is below formula rent, it will be set at formula rent plus tolerance.

#### **Annual April Rent Increases:**

In 2020 the Government introduced the new 'Rent Standard' that allows for an annual rent increase of up to Consumer Price Index (CPI) plus 1% from April 2020 for a period of at least five years. The CPI is September's CPI of the previous year and is published by the Office of National Statistics.

Please note as WCHG have a contractual rent clause, should a new tenant start a tenancy in the 2024/25 their first rent increase will be in April 2025.

### **3.3 Rent to Buy**

#### **Definition:**

Rent to Buy properties fall outside of the MHCLG Rent Policy Statement and RSH Rent Standard and are let at a rent lower than the market rent. Rent to Buy / Rent to Purchase homes, are initially let with the intention of the resident progressing to purchasing that home after an agreed timescale, normally 5 years.

#### **Rent Setting- New properties:**

Rents for new Rent to Buy properties will be set through the Garden City Homes Team and the Development Team, ensuring scheme viability is maintained. WCHG will instruct a RICS independent surveyor to carry out a market rent valuation for the property.

The rent will be set at 80% of the market rent, so that the tenant saves the differential towards a deposit to buy their first home.

#### **Rent Setting- Re-lets:**

Rents for re-let rent to buy properties will be set by the Garden City Homes Team, WCHG will reset the rent based on a new valuation, using a RIC's approved method for obtaining the relevant market rent (Either a RICs valuation in the last 6 months of the Savills's online valuation tool), to re-let at 80% of the market rent.

#### **Re-let to Existing Tenants:**

For existing Rent to Buy Properties tenancies, the following rent assessment will take place.

Where a tenant opts to renew with a fixed term tenancy, the tenant will be informed 2 months prior to the end of their existing fixed term tenancy of the new proposed rent, which will be set as outlined above.

There will be no more than one rent increase taking place during a 12-month tenancy.

#### **Annual April Rent Increase:**

Rent to buy properties will be subject to an annual rent review. The rents will increase annually from 1<sup>st</sup> of April. The rent increase will be CPI (September) plus 1%, following approval by WCHG's Board.

### **3.4 Market Rents**

#### **Definition:**

Market Rent properties are those which have been developed and/or acquired with the specific intention of letting at market rents. They have no associated Homes England grant funding. Letting is via the open market, with the only eligibility criteria being the ability to afford to pay the rent.

Market rent properties owned by WCHG are held as investment properties, and do not form part of the WCHG social housing portfolio. These properties are managed through WCHG's Garden City Homes brand.

WCHG invest in a portfolio of market rent properties which are assets held in the normal course of commercial trading activity.

The MHCLG Policy Statement and RSH Rent Standard do not apply to this type of accommodation.

#### **Rent Setting- Newly built or acquired:**

Rents for new market rent properties will be set through the Garden City Homes Team and the Development Team, ensuring scheme viability is maintained. All market rented properties are inclusive of any service charge that is applicable.

Market rents are fixed by reference to the local market. For new properties, a market valuation will be undertaken to ascertain an appropriate rent.

#### **Rent Setting- Re-lets:**

Rents for re-let market rent properties will be set by the Garden City Homes Team, using current market data, to provide current market condition certainty on values.

The process will include market research to identify current market trends and values and existing customer demands.

#### **Re-let to Existing Tenants:**

Where a tenant opts to renew with a fixed term tenancy, the tenant will be informed 2 months prior to the end of their existing fixed term tenancy of the new proposed rent, which will be set as outlined above.

#### **Annual rent increases:**

Market Rented properties will be subject to an annual rent review. The rents will increase annually from 1<sup>st</sup> of December. The rent increase will be between CPI (September) plus 1% and the market rent valuation increase following approval by WCHG's Board.

There will be no more than one rent increase taking place during a 12-month tenancy.

### **3.5 Shared Ownership**

#### **Definition:**

This Section covers properties developed for Low-Cost Home Ownership (LCHO), where WCHG retains an ownership share in the property. This section includes:

- Non-supported properties developed for Shared Ownership, where less than 100% equity has been purchased by the occupier
- Extra Care properties developed for Shared Ownership, where less than 75% equity has been purchased by the occupier

The MHCLG Policy Statement and the Government's Rent Standard do not apply to this category.

#### **Rent Setting - New Sales:**

Shared Ownership rent is calculated based on the value of the share owned by WCHG. As per the Government guidance this is currently set at 2.75% of the value of the remaining share. See Appendix 2 for a worked example.

Under the revised shared ownership model, purchasers can increase their percentage share annually, this can be as low as an additional 1%. If an existing occupant purchases a further equity share in the property, the rent is adjusted using the same calculation methodology as at first sale but reflecting the lower % of unsold equity.

#### **Rent Setting – Sell on:**

As properties in this category are part-owned by the occupant, there is no reletting. If the occupant opts to sell their equity share in the property on the open market, and this is not acquired by WCHG, rents for the new occupant remain as initially defined at point of first sale.

#### **Annual April Rent Increase:**

There are variations of the shared ownership lease used by WCHG. Each version will specify the rent increase allowed annually under the lease agreement. However, in general, the increases allowed are set out below:

#### **If the property was purchased before 12 October 2023:**

The most rent can increase by is the percentage increase in the retail prices index (RPI) for the last 12 months plus 0.5%. This means that if the RPI increase for the 12 months is 0% or negative, the most the rent can go up by is 0.5%.

#### **If the property was purchased after 12 October 2023:**

We will check the terms of the lease as it will be either:

- the retail prices index (RPI) plus up to 0.5%
- the consumer prices index (CPI) plus 1%

If the rent increases in line with the CPI, the most the rent can go up by is the percentage increase in CPI for the last 12 months plus 1%. If the CPI increase for the 12 months is -1% or below, rent can be held at 0%.

## 6.0 Roles and Responsibilities:

The following table sets out roles and responsibilities for the implementation of this policy:

Compliance Area	Team Responsible
Instruction of independent surveyor for 1999 valuation of new build social rent properties	Development
Instruction of independent surveyor for a market rent valuation for market rent, rent to buy and affordable new build/buy back properties	Development
Setting of new shared ownership rent stock	Garden City Homes
Rent review for all WCHG stock – including updating formula rent and notifying tenants following board decision	Rent & Service Charge team & Rents Team
Market rent valuation for affordable properties on relet	Rent and Service Charge Team
Valuation for market rent on re-let	Garden City Homes
Valuation of rent to buy on re-let	Garden City Homes

## 6.1 Complaints

Tenants who are unhappy with their rent are able to make a complaint via WCHG's Complaints policy. Complaints can be made via the following methods:

On the Complaints, Feedback and Praise form  
By email: [complaints&praise@wchg.org.uk](mailto:complaints&praise@wchg.org.uk)  
By telephone: 0800 633 5500 or 0300 111 0000  
Write to us: Customer Services Manager, 8 Poundswick Lane, M22 9TA  
Visit us: Wythenshawe House, 8 Poundswick Lane. M22 9TA (within office hours)

Once a tenant has made a complaint, we have a clear two stage process which sets out the expected timescales for acknowledgement, investigation and response times.

## 6.2 Complaints about rent increases

Tenants who are unhappy with the new rent and (where applicable) service charges will need to follow the guidance as set out in 'Form 4' guidance notes. This sets out that they must:

- Advise WCHG that do not agree with the proposed rent.
- Before the rent increase takes effect: see the form *Application referring a notice proposing a new rent under an Assured Periodic Tenancy or*

*Agricultural Occupancy to a Tribunal (form 6).* This is available from the tribunal or a legal stationer.

- The Tribunal will then decide what the maximum rent for the property should be.

## **7.0 Monitoring Policy effectiveness**

The Group will monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness.

Increased income from the application of formula rent and rent tolerance on relet will be reported to GLT and WCHG Board annually as part of the budget process.

This policy will be reviewed on a biannual basis.

## **8.0 Equality and Diversity**

WCHG will ensure that the Rent & Service Charge Policy and procedure is accessible to all customers. WCHG recognises that customers of all races, ages, religions, gender, sexual orientation, literacy levels and disability should be treated equally and fairly. We will make every reasonable effort to ensure that no-one is discriminated against directly or indirectly on the basis of any protected characteristic as defined by the Equality Act 2010. We recognise that some protected groups may be disproportionately impacted and will take additional steps in the application of this policy and make reasonable adjustments to ensure compliance with the Act.

If you require this policy in a different format, translated, large print, easy read, braille, or an audio copy, contact us by phone on: 0300 111 0000 or: 0800 633 5500 or by email: [inclusionanddiversity@wchg.org.uk](mailto:inclusionanddiversity@wchg.org.uk) ***A screening document for this policy has been completed and reviewed by the Equality Impact Assessment (EIA) Panel. Following this review, a full EIA was not found to necessary.***

## **9.0 Associated Policies & Procedures:**

- Service Charge Policy
- WCHG's Financial Regulations & Standing Orders;
- Current Tenant Income Recovery Policy;
- Corporate Debt Recovery Policy;
- Former Tenants Arrears Policy;
- Leasehold Service Charges Policy;
- Complaints Policy;
- Inclusive Services Policy (draft)

## Appendix 1- Detailed calculation of social rent

The rent should reflect the condition and location of the property; the property size; and local earnings.

A **Formula Rent** is calculated for each property to consider the above factors. The basis for the calculation of the formula rent is that:

- 30% of the property's rent is based on the property values relative to the national average (using the January 1999 property valuations).
- 70% of the property's rent is based on local earnings relative to the national average.
- One of 5-bedroom weightings is applied so that, other things being equal, smaller properties have lower rents.

This can be expressed as a formula in which the formula rent for a property is calculated as:

**Weekly formula rent is equal to:**

*70% of the national average rent for the Housing Association sector  
multiplied by the relative county earnings  
multiplied by bedroom weight*

*Plus*

*30% of the average rent for the Housing Association sector  
multiplied by relative property value.*

## Appendix 2- Shared ownership rent calculation

An example of how the rent is calculated is set out below, based on a 40% purchase:

Total Value of the Home	£200,000
Value of percentage purchased (40%)	£80,000
Value of percentage owned by WCHG (60%)	£120,000
Rent for the first year (2.75% of remaining share)	£3,300
Monthly Rent	£275.00

Where a S/O increases their equity in the property the rent will be recalculated as follows:

When a shared owner staircases the rent is adjusted like this: -

First take the current rent and “gross” it up to 100%.

So, if the shared owner currently owns 40% share, take the current rent that they are being charged at the time they staircase, divide by 60 (the unowned equity) and multiply by 100.

That gives you the current Gross Rent.

If they have staircased to own 50%, you then take the current Gross Rent and multiply it by the unowned share - 50%.

Similarly, if they have staircased to own 60%, you take the current Gross Rent and multiply it by the unowned share - 40%

Example:

If the 40% share meant a rent of £300

$\text{£300}/60 = \text{£5.00}$

$\text{£5.00} * 100 = \text{£500}$

Increased by 10% = 50%

50% of £500 = £250 - so this would be the new rent