

<b>Rent Setting Policy</b>	
<b>Approved by Board</b>	<b>Issue number 14</b>
<b>Approved date</b> February 2026	<b>Review date</b> February 2027
	<b>Responsible Officer</b> Head of Business Support
<b>Previous Version 13</b>	<b>Executive Sponsor:</b> Executive Director of Corporate Services

## 1.0 Introduction

- 1.1 This policy is the overarching policy for the setting of rents for all Hightown's properties where a rent is charged. This policy sets out the way that rents are set, and the approach to increases and decreases for different categories of tenure.
- 1.2 There are high levels of demand and need for affordable housing in Hightown's areas of operation. Hightown's rental income enables Hightown to deliver high standards of management and maintenance to its existing homes and customers and to build more affordable homes for people in housing need.
- 1.3 Hightown as a registered provider must meet the Regulatory Standards including the Rent Standard 2020 together with any subsequent revisions. The Rent Standard required registered providers to comply with the Rent Policy Statement set by the Ministry of Housing, Communities and Local Government issues in December 2022.

## 2.0 Main Principles

- 2.1 Hightown's charitable purpose is to provide affordable housing, at sub-market rents, for those who cannot afford to buy or rent on the open market and to provide excellent services to its customers.
- 2.2 Within the restrictions set by Government regulation and/or any planning or contractual conditions, Hightown's policy is to maximise its rental income so as to:
  - Maintain its properties to a high standard
  - Ensuring financial resilience and that Hightown can meet its financial obligations
  - Recruit and retain staff to run the Association and
  - Provide as many new affordable homes as possible.

- 2.3 However, Hightown recognises that Affordable Rent levels may lead to some households spending a high proportion of their income on rent. Therefore, Hightown will always seek to provide homes at Social Rents where higher grant rates or planning requirements make it viable.
- 2.4 It is understood that, due to low incomes, many of Hightown's customers will need to seek assistance through the prevailing welfare benefits system to assist with payment of rent.
- 2.5 The term rent in the context of this policy does not include service charges (except where homes are let at an Affordable or Intermediate Rent) or other charges additional to rent, such as water charges or support charges.

### **3.0 Definitions**

- Social Rent – low-cost rents that are set by the Government formula rent and are significantly lower than similar privately rented properties
- Affordable Rent – affordable rent is a social rent product that is set at up to 80% of market rent (including service charges). These homes are defined as 'low cost' rental accommodation and are therefore also classed as 'social housing'.
- Fair Rent – These are lower than market rents. Fair rent is set by a rent officer and is a registered rent. The valuation office agent will issue the registered rental, and rents should not be raised higher than this amount.
- Intermediate Rent & Rent to Buy – these are sub-market rents of up to 80% of market rent
- Formula Rent – introduced in 2013, this is the government policy for rent controls, and is based on size, property value and location.
- Rent cap – caps apply as a maximum ceiling on the formula rent and depend on the size of the property.
- LHA – Local Housing Allowance
- CPI – Consumer Price Index
- RPI – Retail Price Index
- RICS – Royal Institute of Chartered Surveyors

### **4.0 Setting of Rents**

The following section outlines the basis of setting and charging of rents for different tenure types.

#### **4.1 Social Rent & Rent Setting Flexibility**

- 4.1.1 Social Rents are calculated using a 'formula' set by the Government and in accordance with the Rent Standard. Social Rents in Hightown's area of operations are typically around 40% - 60% of market rent but are not linked to the market rent. Social rent properties may also have a separate service charge.
- 4.1.2 Registered Providers are permitted to set the rent at 5% above the 'formula' rent, 10% for supported housing, (known as Rent Setting Flexibility), where there is a clear rationale which takes into account local circumstances and affordability. Hightown has considered local circumstances alongside Local Housing Allowance and the private rentals sector and on this basis will continue to apply the flexibility. The income will continue to fund investment in existing properties and building more affordable homes. In addition, all Social Rents are subject to rent 'caps', published by the Regulator of Social Housing each year, based on number of bedrooms.

4.1.3 Social Rent increases will be reviewed, and approved by the Board, annually in line with the Regulator's Rent Standard and associated guidance.

4.1.4 Service charges will be charged in addition to the rent, where applicable.

4.1.5 Registered providers may not increase rents by more than CPI+1% in any year (the CPI used is the September of the previous year).

4.1.6 Hightown will not convert properties previously let at Social Rents to Affordable Rents on re-letting unless required to do so for grant or planning permission. Any such conversions will follow guidance within the Rent Standard.

## **4.2 Fair Rent**

4.2.1 Fair Rents were the default rents for housing association properties let before 15 January 1989 and are set by the local Rent Officer, an officer of the Valuation Office Agency. Hightown has a very small number of tenancies which still benefit from 'Fair Rents' protection. The rent is registered every two years if an application is made.

4.2.2 Where the registered rent is lower than the formula rent plus rent flexibility or the capped rent, the registered rent is applied. Where it exceeds them, the lowest of the two must be applied.

4.2.3. Any change in the rent will be subject to the permitted review mechanism for Social Rents, but cannot exceed the registered rent, formula rent or the rent cap.

## **4.3 Affordable Rent**

4.3.1 Affordable Rents were introduced by the Government in 2011 due to the reduction in grant for building new homes. Affordable Rents are set at up to 80% of the market rent for the accommodation, inclusive of service charges, based on a valuation carried out in accordance with a method recognised by RICS surveyor.

4.3.2 Hightown will set Affordable Rents at 80% of the market rent unless the relevant planning permission or grant conditions stipulate a lower rate.

4.2.3 Affordable Rents will be reviewed annually in line with the Regulator's Rent Standard and associated guidance. Affordable Rent homes are revalued when the property is to be re-let to a new tenant, and the new tenancy will be let at 80% of the market rent at the time of relet.

## **5.0 Properties exempt from the Rent Standard:**

For properties and other assets not subject to the Rent Standard the following will apply. For the purpose of the calculation, the CPI or RPI for the preceding September will be used.

### **5.1 Shared Ownership Rents**

5.1.1 Shared Ownership rents are set at an annual rate that is a percentage of the

unsold equity of the home. Hightown will set rents at 3.5% of the unsold equity unless a condition of grant or planning requires a lower percentage. This is set out in the lease. The lease also contains provision for an annual increase in rent; Hightown's policy is to increase rents in line with that set within individual leases, but limit this to a maximum of RPI + 1%. From 12 October 2023 any new Homes England model shared ownership lease includes a Rent Review Schedule that enables the 'specified rent' to be increased by a maximum of CPI plus 1% annually. It is expected that for any new planning permissions granted on or after this date, the Section 106 planning obligations must reflect this new Rent Review Schedule, limiting annual rent increases to CPI plus 1%.

## **5.2 Rent to Buy and Intermediate Rent**

- 5.2.1 Rent to Buy and Intermediate Rent homes are designed to assist with the transition from renting into home ownership. The sub-market rent allows the tenants an opportunity to save for a deposit over time to purchase their first home.
- 5.2.2 Rents are set at up to 80% of the market rent for the accommodation, inclusive of service charges, based on a valuation carried out in accordance with a method recognised by RICS surveyor.
- 5.2.3 Intermediate Rents are excluded from the Rent Standard. Rent reviews for Rent to Rent to Buy are covered by Homes England's Capital Funding Guide. Rents are assessed each year, and at re-let, to ensure that they are still at 80% of market rent; if a rent has fallen below, the rent is increased by the maximum allowed CPI +1% - but remain within 80% of market rent. If a rent has increased above 80% of market rent, no increase will be applied.
- 5.2.4 Hightown has a small number of Intermediate Rent and Key Worker homes that were built under previous development programmes. These are let at 80% of market rent and are excluded from the Rent Standard. For the purposes of rent setting Hightown will treat these homes as Rent to Buy.
- 5.2.5 If, in the judgement of the appropriate departmental Director or the Chief Executive, a property has a high turnover or is hard to let and a reduced rental may improve the letability, a reduction of up to 10% of the rent may be applied. This must be recorded in a signed rent determination.

## **5.3 Market Rented and Commercial Properties**

- 5.3.1 A very small number of Hightown's homes have been let at market rents. These rents are set through local market comparisons and are reviewed annually. These properties are excluded from the Rent Standard. Increases to Market Rent will be limited to RPI +1%. Hightown will only provide market rent properties where there is a strategic reason to do so, and market rents will be moved to lower rents where practical. Market rents will only be charged with the approval of the Board.
- 5.3.2 The terms of the review of Commercial Property Rents are clearly set out in the lease for each property. VAT may be payable where Hightown or the previous landowner has elected to tax the site. A register is maintained in Finance.

## **5.4 Garages & Parking Spaces**

5.4.1 The licence fees will be charged to at a local market rate, reviewed annually, subject to any contractual arrangements.

5.4.2 In accordance with HMRC rules on VAT, tenants of rented homes, shared owners or leaseholders pay no VAT on the first, or only, garage they rent where it is in reasonable proximity to their tenanted property. Non-Hightown tenants, adult occupants of tenanted properties (who are not the tenant) or tenants who rent more than one garage, will be charged VAT on all garage rentals.

## **6.0 Specialised Supported Housing and Temporary Social Housing**

6.1 Rents in Hightown's supported housing schemes, including temporary social housing will generally be either Social Rents or Affordable Rents, and rents will be set and increased as set out in 4.1 - 4.3 above.

6.2 There are, however, some supported housing schemes, or temporary social housing, where the Regulator of Social Housing's Rent Standard does not apply. In these cases, the rent charged will be at a level that supports the viability of the scheme agreed in conjunction, as applicable, with the local authority and/or commissioners. Units within these categories must meet the definitions as outlined within the Policy statement on rents for social housing.

6.3 Rents will be reviewed annually, in line with the review mechanism for Social Rents, and increased by CPI plus 1% or as otherwise stated in the agreement.

## **7.0 Legal/Regulatory Background**

- Housing Act 1985, 1988 and 2004
- Housing and Regeneration Act 2008
- Rent Act 1977
- Landlord & Tenant Act 1985 and 1987
- Policy Statement on Rents for Social Housing 2020
- Regulator of Social Housing's Rent Standard

## **8.0 Other Considerations**

Hightown Housing Association has robust procedures and checks in place to ensure rents are settled correctly. Where an error is identified, Hightown aims to resolve these quickly and efficiently, minimising the impact on customers. Hightown will investigate the cause of any overcharge and how controls can be improved to prevent the incident from recurring. Any rent over-charged will be repaid accordingly.

## **9.0 Roles and Responsibilities/Authority**

The Executive Director of Corporate Services has responsibility for the overall implementation of this policy.

The Executive Director of Housing and Executive Director of C&SH have authority to

approve variations in rent on a case-by-case basis set out in point 4.0. All such variations shall be recorded in writing.

The Head of Business Support has responsibility for operational delivery and adherence to this policy and associated procedures.