



Rent Policy

Pivotal Housing Association

1 Policy Statement

- 1.1 We aim to provide high quality housing, predominantly supported at this time, with rent levels that are fair, cover the cost of services provided whilst allowing us to invest in our homes.

2 Scope

- 2.1 This policy applies to all homes owned by Pivotal Housing Association (**PHA**). This sets out our approach to the setting of rent and service charges. It aims to make sure that we comply with all relevant law, the requirements of the Regulator of Social Housing (the **Regulator**) and our occupancy agreements.
- 2.2 This policy does not cover any non-social housing stock.

3 Policy Objectives

- 3.1 The objectives of this policy are:
- to provide social housing for those in need of supported housing who are not able to secure housing in the open market;
 - to explain how we set rents for new customers and how we carry out rent reviews;
 - to ensure rents are set in accordance with legal and regulatory obligations; and
 - to set rents at levels that ensure PHA has sufficient funds to deliver its obligations including the maintenance of homes and communities and work towards the development of new homes.

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4 Relevant Documents and Legislation

4.1 Rent Standards 2020 and 2023

4.2 Policy statement on rents for social housing (as amended from time to time) (**Policy Statement**)

4.3 Housing and Regeneration Act 2008 (**HRA 2008**)

5 Roles and Responsibilities

5.1 **Director of Finance** is responsible for:

5.1.1 ensuring that there is an up-to-date policy setting out PHAs approach to rent setting which complies fully with all legal and regulatory requirements.

5.1.2 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.

6 Relevant Definitions

Registered Provider (RP)	A social housing provider registered with the Regulator of Social Housing.
Social rent	Rent set by reference to the formula included in Appendix A of the Policy Statement. This is referred to as Formula Rent and is usually the lowest value social housing rent.
Affordable rent (AR)	Rent set at a maximum of 80% of local market rent (including service charges). To let at AR, an agreement pursuant to clause 3.10 of the Rent Standard is required.
Intermediate Rent (IMR)	IMR is exempt from the Rent Standard save that to let at IMR the definition provided at 5.4 of the Policy Statement must be adhered to. Rent for IMR can be set at any level below market rent and is exclusive of service charges.
RICS	Royal Institution of Chartered Surveyors
CPI	Consumer Price Index
Service charges	A service charge is a charge levied in respect of services provided to the wider property rather than to an individual. It is a charge to cover expenses associated with managing and maintaining shared and amenity areas and is not related to charges which are personal to an individual tenant.

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Personal charges	A personal charge relates to costs associated with services, care or support specifically for an individual resident. For example, personal utility costs, personal support or care costs.
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7 External regulation

- 7.1 The Regulator of Social Housing (the **Regulator**) 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, Rents Standard 2023 (for implementation between 1 April 2023 to 31 March 2024) and the associated guidance in the Policy statement on rents for social housing (updated December 2022).
- 7.3 This Policy is written in the context of implementing the Rent Standard 2020, the additional Rent Standard 2023 and the Policy Statement.

8 Background to PHA's rent setting

- 8.1 PHA provides housing for people with varying levels of support needs. We provide support services to our residents and allocation is determined with reference to the level/type of support provided at each particular scheme.
- 8.2 We lease our properties for use as social housing and rent and service charges are recovered by virtue of housing benefit from relevant local authorities.
- 8.3 PHA classifies its existing housing as Intermediate Rent (**IMR**) which is excluded from the Rent Standard. PHA's longer term business plan is to acquire further housing to be let at Social Rent or Affordable Rent. With this in mind, both tenures are detailed below, and reference impending rent regulation where appropriate.

9 Intermediate Rent

- 9.1 IMR is an unregulated form of social housing insofar as the Regulator does not prescribe how rents are set or increased. However, PHA adheres to:

9.1.1 s69 Housing and Regeneration Act 2008 (**HRA 2008**)

- rent below market rent and
- let according to rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market,

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9.1.2 the non-grant funded definition of IMR as detailed at 5.5 of the Policy Statement. The entire IMR definition as provided is detailed in Schedule 1 to this policy.

Compliance with IMR Definition

- 9.2 PHA let these units of housing pursuant to licences or assured shorthold tenancies¹ to residents who are not nominated pursuant to s159(2)(c) of the Housing Act 1996 by a local authority, or if they are, any conditions set by the local authority are complied with.
- 9.3 Referrals are received by local authorities, NHS Trust and local housing charities and trusts.
- 9.4 There is no public assistance in the housing, and they have never been let at Social Rent or Affordable Rent.
- 9.5 When allocating housing, Pivotal has a checklist breaking down the definition and this is completed for each new letting and stored on file for assurance of compliance with the IMR definition.

Rent Setting

- 9.6 Rent for IMR units is set by reference to the comparable market rent for a unit of housing with the same services. The rent is then set at between 85 to 95 percent of the market rent. A range is included to allow for agile rent setting.
- 9.7 The total charge will be split out into:
- Core rent
 - Eligible service charges
 - Ineligible service charges
- 9.8 Personal, support/care charges (unrelated to housing provision) are charged separately and are not to be factored into the permissible core rent and service charges.

Rent Increases

- 9.9 The level of increase to be applied is to be proposed by the Director of Finance and considered by the Board for their formal approval.
- 9.10 Rent increases will be implemented by reference to the terms of the tenancy/licence agreement.
- 9.11 **The rent must never exceed market rent.**

¹ The tenure requirements in the current definition of IMR will be removed as of April 2026 pursuant to the updated Policy Statement.

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Re-letting IMR Properties

- 9.12 The rent must be re-set in accordance with 9.6-9.7 above when a property is re-let to a new resident.

10 Social Rent

- 10.1 From April 2020, the initial rent on properties to be let at social rent must not be set at a level higher than the formula rent (plus rent flexibility). For formula rent calculation, see Appendix 1 of the Policy Statement.

- 10.2 Formula rent must be calculated using the following approach:

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

Rent Caps

- 10.3 Rent Caps apply as a maximum ceiling on the formula rent and depend on the number of bedrooms a property contains (see Appendix A, paragraph 11 of the Policy Statement).
- 10.4 If the formula rent would be higher than the Rent Cap for a particular size of property, the Rent Cap must be used instead.
- 10.5 The rent caps are published each Autumn by the Regulator for the following year and are increased at CPI + 1.5%.

Rent Flexibility Level

- 10.6 At the point any housing at Social Rent is in contemplation, the Board will review the decision to apply rent flexibility permitted on top of formula rent; this being 5% for general needs housing and 10% for supported housing (subject to the Rent Cap detailed above), and the necessary consultation will be undertaken.

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Rent Increases

- 10.7 Rents for existing Social Rent tenants are permitted to increase by CPI (from the previous September) plus 1% in each year.
- 10.8 Where a Social Rent tenants rent is above formula rent plus flexibility (but below the Rent Cap) the rent may be increased by CPI only until the rent is brought with the rent flexibility level.

Property Valuations

- 10.9 To determine the formula rent for a property, a valuation from 1999 must be obtained and then uprated to the relevant year on an ongoing basis. This valuation will then be used for the lifetime of the property in accordance with the Rent Standard.
- 10.10 New 1999 valuations must not be obtained unless major works, such as the addition of an addition room or an extension, are undertaken.
- 10.11 Paragraphs 2.22 to 2.28 of the Policy Statement provide full guidance on obtaining property valuations and must be adhered to.

Re-letting Social Rent Properties

- 10.12 Whenever a Social Rent property is re-let to a new tenant, the rent must be let at formula rent plus flexibility.
- 10.13 If a property has been subject to the Rent Cap, and the formula rent remains above the Rent Cap, the new rent may be set at the Rent Cap level.

Conversion of Social Rent Properties

- 10.14 Properties which are let at Social Rent must not be converted to any other rent classification and must be re-let at formula rent plus flexibility for as long as it remains in the social housing sector.

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