Policy Owner	Zoe Field	Business Area	Finance
Document Type	Key Policy		

Rent Policy

1.0 Aim / Purpose of the Policy

1.1 This policy sets out the relevant background, and provides detail on how Coastline's rents are set and reviewed, with detail provided for each tenure or product type.

1.2 In determining rents levels for affordable homes Coastline will have regard to the ability of those on low incomes to afford the accommodation.

1.3 Coastline seeks to maximise income generated from property rentals so that these receipts can be used in furtherance of our Charitable objectives.

1.4 The document also sets corporate policy requirements regarding rent payments by customers. This section of the policy is relatively brief as this area is primarily of concern for operational procedures.

1.5 The setting of initial rents on newly developed properties is also an important point to note. The policy provides the wider framework with a specific section on the setting of rents for new homes.

2.0 Background / Introduction

2.1 Coastline Housing is a Registered Provider (RP) of social housing and is regulated by the Regulator of Social Housing (RSH). The regulatory framework includes a Rent Standard which is referenced and included as a hyperlink within this policy.

2.2 This policy applies only to rents i.e. the charge for the provision of the dwelling, together with all other families/amenities within the curtilage. A separate policy covers service charges, which are set on an annual basis by the Executive Team. Tenants are expected to make their own arrangements for payment of services and, council tax and any other property based charges, where applicable.

2.3 This Policy will be reviewed annually, or more frequently as required by changes in the legal, regulatory and funding environment.

3.0 Legislation, Statutory Regulatory duties & references

3.1 Unless required otherwise by the specifics of tenancies or leases, rents for properties will be increased annually from the first day in April and generally on the first Monday in April for weekly tenancies. The specific details for each tenure type are set out in this policy.

3.2 The RSH's revised regulatory framework effective from 1 April 2015 includes a specific Rent Standard. The Rent Standard is one of the three economic standards (as opposed to the four consumer standards) and as such is actively regulated by the RSH (note that it is expected that the RSH will soon begin to actively regulate consumer standards as well).

3.3 The Rent Standard, April 2023 last revision, sits alongside the April 2020 Rent Standard and includes an overarching **'required outcome'** that providers must *"…set rents from 1 April 2020 in accordance with the Government's Policy Statement on Rents for Social Housing 2019 (hereafter Rent Policy Statement) which can be found on the Ministry of Housing, Communities and Local Government (MHCLG) website.". The latest version of the Government Policy on Social Housing was published December 2022 and can be found at: https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020/policy-statement-on-rents-for-social-housing*

3.4 The other key expectation is that Boards consider local affordability when setting and considering increases for rent and service charges. The headline limits for increases are provided as an upper limit for changes to rents and service charges. This expectation was a key change in the April 2020 revision of the Rent Standard.

3.5 The 'required outcome' is augmented by a number of 'specific expectations', which are summarised below:

- RPs shall ensure they meet the 'key requirements' of the Rent Standard Guidance.
- RPs shall set rents to conform with the rent formula set out in the rent influencing regime guidance and the alternative rules for Affordable Rent homes
- RPs have flexibility in that The Rent Standard does not apply to properties where the household income was £60,000 or more in the tax year which ended in the financial year preceding the financial year in which the Rent Standard will not apply
- Where complying with the rent standard would cause an RP to be unable to meet other standards, particularly the financial viability standard, the regulator may allow extensions to the rent standard
- RPs shall provide clear information to tenants that explains how rent and service charges are set and how they are changed.

3.6 The further Rent Standard Guidance provides details of types of property that are exempt from the rent standard:

- Shared ownership low cost rental
- Intermediate rent accommodation
- Specialised supported housing
- Relevant local authority accommodation
- Student accommodation
- PFI social housing
- Temporary social housing
- Care Homes

3.7 Legal advice received from Trowers & Hamlins solicitors during 2016 (Appendix B) was used to ensure that rents were correctly treated during the period of rent reductions (2016-2020) and remains relevant in understanding which legislation and regulations apply to which types of housing that Coastline provides.

4.0 Social Rent Properties

4.1 The Rent Standard Guidance states that "the formula for setting Social Rents should enable RPs to set rents at a level that allows them to meet their obligations to their tenants, maintain their stock and to continue to function as financially viable organisations, including meeting their commitments to lenders".

4.2 Details of the basis of the calculation of formula or target rent is included within the RSH Rent Standard Guidance.

4.3 Only customers on Social Rent tenancies (whether in general needs or sheltered accommodation) are affected by target rents. In particular it should be noted that:

- supported housing properties (e.g. the properties used by the Homeless Service for crisis accommodation and temporary supported housing) are classified as ‘Exempt Accommodation’, so the target rent rules do not apply, and
- properties that have been let as affordable rent are also subject to separate rules, with rents being set at 80% of market rent as set out in Section 5 below
- properties with customers where household income is in excess of the higher income threshold for social tenancies may be charged rents above target rent levels.

4.4 Note that Coastline Housing makes use of the flexibility given in the Regulatory Framework to charge rents that are 5% above the target rent for general needs accommodation, and 10% above the target rent for supported housing.

4.5 Where the rent for a property exceeds the formula or Target rent level increases are based on the following from the Statement of Rent Policy in Social Housing:

a) rents must not increase by more than CPI (rather than CPI + 1 percentage point) each year, until the rent is brought within the rent flexibility level; and
b) rents must be set that do not exceed formula rent (plus the rent flexibility level) when the property is re-let.

5.0 Affordable Rent and Rent to Buy Properties

5.1 Affordable Rents came into being in 2011 as part of the Affordable Homes Programme Framework. This type of rent can only be used by providers in specific circumstances associated with new homes delivery agreements.

5.2 For the purposes of this Policy ‘Intermediate Rent’ properties funded by Cornwall Council are treated in the same way as Affordable Rent. They are called Intermediate Rent rather than Affordable Rent as they are not funded by the Homes England, and only tenancies created as part of delivery agreements can be called Affordable Rent. The move-on properties at Chi Vesta are intermediate rent properties as they have been funded by Cornwall Council under CCFP2 but include a higher than usual service charge which has been agreed with the Local Authority.

5.3 Rent to Buy properties follow the same rent setting and increasing rules as affordable rent properties with the major differences being in relation to assumed tenancy period and the expectation for Rent to Buy properties that customers will purchase the property or a share of the property as soon as they have saved sufficient from the discounted market rent to generate a suitable deposit.

5.4 Rents for Affordable Rent and Rent to Buy properties are set at 80% of market rent, inclusive of service charges. It is possible to charge separately for rents and service charges, providing that the total charge is less than 80% of market rent, but Coastline, in line with the majority of housing associations, do not adopt this approach.

5.5 The market rent must be established in accordance with a Royal Institution of Chartered Surveyors (RICS) recognised method and must be dated within six months of the date of initial letting.

5.6 It is possible that 80% of the market rent for a property could be higher than the 30th Percentile Level of the Broad Market Rental Area (BMRA) that is normally equivalent to the Local Housing Allowance (LHA) level. The LHA limit provides a cap for the amount of housing costs that will be covered by housing benefit or Universal Credit for private rental landlords. Setting rents in excess of the LHA or the 30th Percentile of the BMRA is permitted but overall costs of housing occupation will be considered to ensure that tenancies are sustainable.

5.7 In addition to the annual review, Affordable Rents are reviewed as follows:

- On each occasion that an Affordable Rent tenancy is issued for a property - whether it is let to a new tenant or an existing tenancy is re-issued, providers are required to reset the rent based on a new valuation, to ensure that it remains at no more than 80% of the relevant market rent.
- This requirement overrides the CPI + 1.0% limit.
- However, where the accommodation is re-let to the same tenant as consequence of a probationary tenancy coming to an end, the provider is not required to re-set the rent.

It should be noted that following Board approval to move from fixed term tenancies to lifetime assured tenancies for the majority of affordable rent homes there is no rebasing as they are converted, unless they are converted at the end of a fixed term period.

5.8 In addition to the annual review, Rent to Buy Rents are reviewed as follows:

- at the end of the initial period of the tenancy, on the anniversary of the tenancy, the rent is rebased at 80% of market rent (this overrides the restrictions on annual increases/decreases);
- when the property is re-let, it is rebased at 80% of market rent.

6.0 Exempt Rent Properties

6.1 Specialist Supported Housing is exempt from Social Rent requirements entirely. The definition for Supported Housing is contained within the Ministry for Housing and Local Government (MHCLG) document titled “Policy Statement of Rents in Social Housing”:

In that policy statement, the term ‘supported housing’ means low cost rental accommodation provided by a registered provider that:

- is made available only in conjunction with the supply of support;
- is made available exclusively to households including a person who has been identified as needing that support; and
- falls into one or both of the following categories
  - accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently; and
  - accommodation that has been designated as being available only to individuals within an identified group with specific support needs.

For the purposes of this definition, ‘support’ includes:

- sheltered accommodation
- extra care housing
- domestic violence refuges
- hostels for the homeless
- support for people with drug or alcohol problems
- support for people with mental health problems
- support for people with learning disabilities

- support for people with disabilities
- support for offenders and people at risk of offending
- support for young people leaving care
- support for teenage parents
- support for refugees

6.2 Rents for Exempt Accommodation are set at a level required to make the provision of the accommodation financially viable, rather than being set by a standard formula or comparison to market rents. This results in rents that are higher than for similar 'non-exempt' accommodation due to the need to provide intensive housing management

6.3 Where the rent is being set for a new 'exempt' property, it must be approved by the Executive Team and agreed with the Rent Officer at Cornwall Council. Where an existing 'non-exempt' property is reclassified as 'exempt' this must be approved by the Board.

6.4 The rent for new tenancies is set at the same rent as the outgoing tenant.

6.5 Rent for tenancies in exempt accommodation will be reviewed annually in April (at the beginning of the first available charge period on or after the 1 April) according to regulatory guideline limits (although the accommodation is exempt from these regulatory limits).

7.0 Shared Ownership Properties

7.1 Shared Ownership and other forms of low cost home ownership are exempt from the regulatory social rent requirements and are not specifically covered by the Rent Standard in the Regulatory Framework.

7.2 Rents for Shared Ownership properties are calculated as a percentage (%) charge on the value of the equity of the property that is not sold and is retained by Coastline. This is agreed with the purchaser as part of the sales process and included in the lease for the property.

7.3 The provisions for the review of Shared Ownership rents is set out in the lease. It is Coastline's standard policy (and Homes England reconfirmed as part of their Model Shared Ownership Lease, from 21 September 2021) that leases will provide for an annual review of rents in April of RPI plus 0.5%, based on the RPI from the previous September.

7.4 Where a Shared Owner purchases an additional share of their property ('staircases'), the rent shall be reduced to reflect the lower proportion of the property retained by the landlord. For example if a Shared Owner went from 40% ownership to 80% ownership, the rent would be reduced by two thirds.

8.0 Non-regulated Rents

8.1 Coastline Housing has a small number of properties that are not covered by the RSH's regulatory framework. These include garages, market rent properties and leasehold shops. Rents for garages are dealt with by a separate Garage Management Policy.

8.2 Rents for Non-Regulated properties will be set by the Executive Team on a market basis.

8.3 Rents for Non-Regulated properties will be reviewed by the Executive Team as and when required, but normally in April each year. The main driver in reviewing rents will be to ensure that the rents charged are reflective of the current market conditions and maximise income receipts.

9.0 Initial Rent Setting for newly developed or acquired properties

9.1 This section is intended to support the guidance in the Development Manual and ensure that compliance with the rent standard in the period between January and April each year. New build handovers may require special terms in tenancy agreements as there is insufficient time to serve any notice to increase the rent to be charged from 1 April in any year.

9.2 Social Rent properties should be let at the prevailing target rent (including 5% tolerance) with details of the new rent from 1 April included within the tenancy agreements issued after the 1 February.

9.3 Affordable Rent, Rent to Buy and Intermediate Rent properties let after the 1 February will not get an increase in rent until April in the following year, whereas those properties let prior to the 1 February will get an increase letter to show the new rent from 1 April.

9.4 Shared Ownership property rents are detailed in the initial lease documentation and any sales after the 1 February should include the new rent from the 1 April.

10.0 Payment of Rents

10.1 Rent for all but the shared ownership and non-regulated properties covered by this policy are payable in advance on either a monthly or weekly basis with no rent holidays (i.e., rent is charged every week or month of the year, which for weekly tenancies leads to a 52-week basis in most years with a 53-week year periodically).

10.2 Rents for Shared Ownership and Non-Regulated properties are charged in accordance with the lease, which is generally on a monthly basis.

10.3 Homeless Crisis Centre rents are charged per night reflecting the nature of the accommodation and its use.

10.4 Coastline seeks to make as wide a range of payment options as is practical available to customers to reduce the risk of rent not being paid when due. This is balanced by the need to ensure that the income collection process is as efficient and cost effective as possible.

10.5 Housing Benefit and the housing element of Universal Credit, subject to individual tenant's agreements, will be credited direct to the customer's rent account.

10.6 As non-payment of rent and support charges can lead to legal action and ultimately possession, partial payments will be apportioned as follows:

To cover rent first; with anything remaining going towards

- Rent arrears; followed by
- Support Charge; (if applicable) followed by
- Service Charges / Service Charge Arrears; followed by
- Rechargeable Repair Debts

11.0 Reporting To Board and Areas Reserved for Board Approval

11.1 The Board will receive an overview of Coastline's property portfolio every year as part of the budget process. This will set out the number of properties in each tenure category, current average rents, and sufficient information about relevant factors (e.g., inflation) to allow the Board to approve the rent increases for Coastline's properties for the following year. Note that:

- As set out in Section 7 the Executive Team has delegated authority to set the rents for Non-Regulated tenancies outside of this process as required; and

- As set out in Section 5 Affordable/Intermediate Rent tenancies are subject to a five-year review to benchmark the rents at 80% of market rents, which will often fall outside the annual rent increase process.

11.2 The Board are also required to approve any changes to rents resulting from adjustments to a Social Rent property 1999 EUV valuation (see Section 3), or a reclassification of a property as 'Exempt Accommodation' (see Section 5).

11.3 To ensure compliance with the Rent Standard and the requirements outlined in 4.8 Coastline will review its position in relation to target rents annually at the same time as the Board considers its outline budgetary position for the financial year ahead.

11.4 In addition to the reporting internally to the Board, we will publish information in relation to our rent levels at least annually as part of maintaining an open and transparent approach to rent setting and to ensure that the value of our affordable housing offer is understood by stakeholders.

11.5 Coastline will determine through consultation with customers how best to communicate this information to customers.

12.0 Cross reference / working in partnership / inks to other Policies

12.1 There are a number of regulatory documents that must be referred to in relation to this policy:

Hyperlinks to Regulatory Documents

- Rent Standard April 2023 (publishing.service.gov.uk)
- Rent Standard April 2020
- Rent_Standard_Guidance_2015.pdf
- Direction_to_the_regulator.pdf
- Policy Statement on Rents for Social Housing

12.2 Coastline has a number of other strategies and policies that are related to the rent policy and these are:

- Housing, Communities and Customer Experience Strategy
- Income Strategy (now part of above)
- Homes and Communities Strategy (now part of above)
- Lettings Policy
- Tenancy Policy
- Income Management Policy

13.0 Appendices

13.1 Appendix A: RSH Rent Standard Requirements Q and A
Appendix B: Advice from Trowers re Rent Standard and Welfare and Reform Act

Appendix A

Homes & Communities Agency

Frequently Asked Questions
Rent Standard Requirements
August 2014

The Social Housing Regulator

The Regulator has compiled the following question and answers to provide clarity on the regulatory requirements in relation to a range of recent queries to the regulator. This Q&A document will be kept under review to capture further requests for clarification received and which may have a wide relevance to providers.

Q1. Are we able to offer social housing dwellings currently let at social rent levels to market rent levels as part of a considered asset management strategy? Does it make any difference if there is any grant in the property?

A1. All properties let at social rent levels (whether or not the property was funded with grant) are subject to the Rent Standard. Further, the Standard does not permit rent levels to be changed ('conversions') on re-let to market rent. Whilst the Standard permits a change to Affordable Rent levels in certain restricted circumstances, there is no such flexibility to charge market rent levels.
If providers wish to diversify the use of their properties currently subject to the Rent Standard they may wish to consider disposal of the properties to a non-registered group member. The Regulator can consider applications for consent to dispose of void properties (through sale or lease) to a non-registered body. However, it will need to be assured in considering the application that the provider has assessed in full the risks associated with such activity and assured itself that any recourse to the social housing in the provider is minimised. The Regulator's expectation is that any such disposals will be at best consideration.

Q2. Can we change the rent charged of a property currently let at social rent levels to an intermediate level on re-let as part of a strategy to increase the range of tenures available within an area?

A2. Neither the Rent Standard and associated Rent Standard Guidance nor the Regulator's consents regime permit the conversion of properties let at social rent levels to an intermediate level on re-let. Conversion of social rent to Affordable Rent is permitted under the Rent Standard and Guidance in certain restricted circumstances – particularly under the terms of an agreed Framework Delivery Agreement between a provider and investment agency.
Q3. What is the status of our Affordable Rent properties delivered under a Framework Delivery Agreement (FDA) in the 2011-15 Affordable Rent Programme if we will have no FDA in place after the 2011- 2015 programme?

A3. Affordable housing delivered under a FDA in the 2011-15 Affordable Homes Programme can continue to be let under Affordable Rent terms whether the provider has a (new) FDA in place or not.

Q4. We believe that the requirements of the Rent Standard currently out for consultation will, if reflected in our financial plans from 2015 impact detrimentally on our financial position and affect our ability to remain viable.

A4. The Regulator has recently issued guidance to providers on what to do if they believe their viability is threatened should they implement the changes to rent set out in the proposed Rent Standard. That guidance is issued in recognition of the fact that providers need to plan ahead and agree business plans with their funders in advance of any new Standard being in place. The guidance can be found in Regulating the Standards.

Appendix B

Dated 7 June 2016

Coastline Housing Ltd

Rent reduction advice

Trowers & Hamlins LLP

The Senate

Southernhay Gardens

Exeter

EX1 1UG

t +44 (0)1392 612 350

f +44 (0)1392 612 601

www.trowers.com

Coastline Housing Limited

Rent reduction advice

Following the coming in to force of the Welfare Reform and Work Act 2016 and the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 we have re-considered your table of stock types with a view to updating our advice on the implications of the Act and Regulations with specific reference to rent reductions and any available exemptions and exclusions. We append the original table (with our initial advice) for ease of reference.

We have not seen a copy of your tenancy agreements but have assumed that the usual rent variation date is in April each year.

General Needs – Target Rent

For tenancies which were in existence on 8 July 2015 and which are on-going, rents should reduce by 1% for the year beginning April 2016. This applies whether the property is at formula rent or not.

For a re-let of a dwelling that was social housing (even if void) on 8 July 2015 and continued to be social housing, you can let it at the higher of the "social rent rate" or the "assumed rent rate" "Social rent rate" is the formula rent as at 8 July 2015 reduced by 1%. The "assumed rent rate" is the rent payable by the actual tenant on 8 July 2015 reduced by 1% or if it was void, the rent at which you would have let it, reduced by 1%

For a tenancy of new social housing, i.e., it was not social housing on 8 July 2015, then the maximum amount of rent payable is the social rent rate which as set out above is formula rent on 8 July 2015 minus 1%.

If you have already used the 5% tolerance in previous years then the 5% tolerance is already built in – however if you have not previously built this in, when calculating formula rents for re-lets and new lets the 5% flex will not be permitted.

General Needs – Affordable Rent

For tenancies which existed before 8 July 2015 the rent reduction applies to the whole rent inclusive of any service charges (although you should not be charging a separate service charge anyway). The rent for the first relevant year will be 1% less than the rent at 8 July 2015.

For a new or re-let property where the tenancy began between 8 July 2015 and 1 April 2016 the maximum rental for the first relevant year is 80% of market rent. Market rent is the market rent for that social housing when the tenancy began and so you can keep it at the same initial rent until April 2017.

For a new or re-let property after April 2016, the maximum rent for the first year is 80% of market rent at the time the property is let.

Cornwall Council funded properties

We understand that these are let at 80% of market rent but do not fall within description of Affordable Rent properties which would be caught by the rent reduction. We are aware that you have had some discussion with Doug as to whether these may be classed as Intermediate Rent properties and so fall outside of the rent reduction requirements.

The definition of what is classed as Intermediate Rent for the purposes of the rent reduction provisions is set out in the 2016 Regulations. Either the accommodation must be low cost rental accommodation funded wholly or in part under an intermediate rent accommodation enabling programme or be built or acquired without public assistance and not previously have been let on a social rent basis. You mentioned that these properties were funded by Cornwall Council and so we have also separately reviewed the specific agreement/ terms on which these properties were provided to you.

Having now looked at this our advice is that the agreement does not fall within the definition of Intermediate Rent. In short if these properties were funded through this agreement they will not be exempted from the rent reduction.

Sheltered Housing (within complexes) [described in your notes as Supported Housing designed for Older People – not just sheltered]

The one year exemption for supported housing is available provided that (1) the accommodation is made available exclusively to residents who have been identified as needing support (2) the accommodation must have been "designed structurally altered or refurbished to enable residents to live independently" and/or be "designated as being available only to individuals within an identified group with specific support needs". In addition the accommodation must be available only in conjunction with the supply of support.

The definition of "support" included within the Regs includes sheltered accommodation and also extra care housing. It is not an exhaustive list so it may be possible for other types of support to be included but it does mean that any self-contained properties merely designated for older people where there is no "support" provision would fall outside of the exemption. You may find that some but not all of your properties under this section of the table can be excluded from the reduction.

Sheltered Housing (bungalows and flats) [described in your table as properties potentially with some adaptations and possible lettings constraints]

As noted above "sheltered accommodation" is included within the definition of "support" but note also that the accommodation must be available exclusively to residents who have been identified as needing support.

Miners Court – Extra Care Scheme

"Extra care" is included within the definition of support. We would expect the 1 year exemption to apply to these properties provided the other elements of the "supported housing" definition are present.

Homelessness Accommodation

Temporary social housing defined as "low cost rental accommodation made available to a person who is homeless, within the meaning of the Housing Act 1996" is excluded from the rent reduction.

Almshouse owned properties

Almshouse accommodation falls within the categories within the one year exemption.

Shared ownership

These properties are exempt and the lease will specify the terms of any rent variation.

Market Rent

These properties are exempt.

Social Housing Leased to others

You have confirmed that these properties are leased to Cornwall Council, who subsequently let the properties to others. Due to the structuring of this arrangement, there is no direct relationship between Coastline Housing Limited and the occupants.

We have assumed that these properties are leased to the Council, and that other than premiums for the leases, and any other ground rent and/ or service charges, there are no payments of rent by the Council to Coastline Housing Limited. Further, that Coastline Housing Limited has no involvement in respect of the management of these properties, and accordingly has no responsibility in respect of rent charged to the social tenant. If these assumptions are not correct please let us know as it may alter the advice provided.

Given the nature of the agreement with the Council in respect of these properties, they will be exempt from the rent reduction provision.

Trowers & Hamlins LLP

7 June 2016