

The Accent logo is displayed in white on a dark blue background. It features a stylized 'A' icon followed by the word 'Accent' in a sans-serif font. A large, bright red abstract shape is positioned in the upper right corner of the page.

Accent

Rent Setting Policy

Accent Housing: Rent Setting Policy 270224 v4.3

ACCENTGROUP.ORG

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Purpose: This policy sets out Accent’s approach to the setting and reviewing of all rents for both new and existing properties. This methodology complies with the relevant regulatory guidance (e.g., Rent Standard Guidance) and contractual requirements such as tenancy agreements, leases and development agreements. This will ensure that rent charged is calculated on a consistent basis in line with relevant requirements.

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1. Introduction

Accent Housing provides homes across a range of tenures including (but not limited to) social, affordable, fair, intermediate, market and shared ownership.

This policy sets out our approach to rent setting to ensure it is compliant with the relevant legislative and regulatory requirements. The policy also sets out how decisions will be made on the setting of rents which are not covered by the Regulator of Social Housing's (RSH) Rent Standard.

Rent types covered by the RSH Rent Standard:

- Social Rent
- Affordable Rent
- Fair Rent

Rent types not covered by the RSH Rent Standard:

- Intermediate Rent
- Market Rent
- Homeownership Rents – Shared Owners and Leasehold for Older Persons
- Business Rent
- Garage Rents
- Mortgage Rescue Rents

2. Policy Aims

The aims of this policy are to ensure:

- Rents are set in compliance with the required outcomes and specific expectations of the RSH's Rent Standard and other relevant legislative requirements.
- Tenancy agreement / Shared Owner lease stipulations are adhered to.
- Tenants and homeowners are clear on the rent review process and how Accent sets and reviews their rents.
- Rents are set and maintained at levels which are affordable to existing and potential new customers.

3. Policy Statement

This policy applies to all of Accent stock, tenure and rent types.

This Policy will be reviewed and updated every three years or more frequently when significant changes are required, for example to reflect any changes whether regulatory, legislative, or internal requirements. This will ensure any changes will be reflected in advance of setting the rents for the following financial year. The Board of Accent will delegate implementation of their rent setting decision to the Executive Management Team.

Accent will notify customers by post of any change in the rent at least 4 weeks in advance providing information about how the rent has been set and is payable. Exceptions to this may occur if there are specific timescales stipulated within a tenant/homeowner agreement or lease.

Accent has a number of garages, changes to garage rent will be confirmed in writing at least one week in advance. This notice period is in accordance with contractual provisions.

Most rents are charged weekly over a 52/53 week rent year, however Accent also a number of customers with fortnightly, monthly, bi-annual, quarterly and annual charging frequencies.

4. Social Rents

Social Rented properties are low-cost accommodation where the setting and management of rents is governed by the RSH's Rent Standard which sets limits on the rents charged.

Rents for Social Rented tenancies have historically been set using a government standard formula to achieve a 'formula' rent. The calculation of formula rent is outlined in the Government's Policy Statement on Rents for Social Housing (Rent Policy Statement). Further information regarding the calculation of Formula Rents can be found in [Appendix 1](#).

Social Rents are calculated exclusive of service charges.

Accent's Social Rents include an upwards tolerance (rent flexibility) of 5% for general needs accommodation and 10% for supported housing above the Formula rent. If applying this flexibility to new rents, we will ensure these is a clear rationale approved by the Board which considered local circumstances and affordability.

Social Rents will not be set at a level exceeding the Rent Cap as defined in the Rent Policy Statement.

4.1 Social Rent for New Accommodation

For properties where a new Social Rent needs to be set, it is permitted within the Rent Policy Statement to use the 1999 valuations of similar properties in the same area as a basis for the formula rent calculation. If no similar properties are identified, Accent will obtain a valuation in accordance with a method recognised by the Royal Institute of Chartered Surveyors and as required by the Rent Policy Statement.

Rents will not be set at a level higher than the calculated formula rent using the method outlined within the Rent Policy Statement.

4.2 Social Rent – Rent Increases

Rents will be reviewed on an annual basis. For the majority of Accent Social Rents, this will normally take effect on the first Monday in April. However, Accent also has a number of Social Rent customers with an "in year" review date.

Rents increases will be set in accordance with the RSH Rent Standard and will be no more than CPI + 1% in any one year. The Consumer Prices Index (CPI) to be used for all rent increases will be the previous September's CPI.

Notice of the increase will be given in accordance with Section 13 of the Housing Act, using Form 4, where appropriate.

4.3 Social Rent – Re-lets

Social Rent tenancies will be relet in accordance with the Rent Standard and Rent Policy Statement. New tenancies will be let at the maximum formula rent, even if the previous rent was under this level.

For any new Social Rented tenancies commencing from the 3rd Monday in February of that year, the rent will be set at the new rent charge for the following financial year. These tenants will not have a rent review the following April that their Tenancy commenced. This will ensure that we meet legislative requirements of not increasing a customer's rent more than once in a 12-month period, and that we are able to give one month's notice when we do increase the rent.

5. Affordable Rents

Affordable Rents are set at a level which is no more than 80% of the gross market rent valuation for the accommodation including service charges, based on a valuation obtained in accordance with a method recognised by the Royal Institute of Chartered Surveyors.

Any personal service charges applicable, will be made in addition to any Affordable Rent which include costs relating to gas, heating, hot water, power, provided to an individual dwelling for the residents' personal use only.

Accent has both:

- Grant funded Affordable Rent – homes developed with social housing grant provided through Affordable Rent programmes and Homes England
- Section 106 developments Affordable Rent – where Accent has not received grant funding but is permitted to charge Affordable Rents in line with the RSH Rent Standard and Capital Funding Guidance published by Homes England

5.1 Affordable Rent for New Accommodation

To set the initial rent for a new Affordable Rent tenancy, a RICS valuation is obtained to progress the scheme through Accent's internal approval stage. The valuation will be updated as the scheme progresses and should be valid at the point of entry in contract, grant claim and completion. Rents will then be calculated at up to 80% of the gross market rent valuation as outlined above.

5.2 Affordable Rent – Rent Increases

The majority of Affordable Rents will be reviewed annually in April of each year. A very small number of Affordable Rents have in year review dates.

Rent increases will be set in accordance with the RSH Rent Standard be no more than CPI +1%, based on the previous September's published CPI figure.

5.3 Affordable Rent: Re-lets

Affordable Rent homes that require re-letting will require a recent updated RICS gross market rent valuation. Recent for Accent is defined as within 3 months.

All valuations obtained will be saved for future rent audit purposes.

6. Fair Rent (Registered for Secure Tenancies)

A tenant who enjoys 'fair rent' protections is charged the lower of:

- a) The fair rent set by the Valuation Office Agency (VOA); and
- b) Formula rent (subject to the rent caps and the rent flexibility level)

6.1 Fair Rents – Rent Increases

Fair rents are re-registered every two years by the Valuation Office Agency if the fair rent is lower than the formula rent.

Accent will not increase the rent of a tenant with Fair Rent protection by more than CPI + 1% in any year (even if the tenant's rent is below the formula rent level and the maximum Fair Rent is increased by more than that amount).

6.2 Fair Rent: Appeals

A tenant can challenge the proposed increase by asking the VOA to decide whether the new rent is fair. The VOA will then pass this to the First Tier Tribunal (Property Chamber). Rents determined during this process will be the maximum rent that can be charged, subject to the rent exceeding formula rent.

Accent may appeal against a registered rent if the rent is set more than 10% below the rent applied for. Other considerations would be taken into account before appeal is considered, such as local LHA rates, market rents in the locality etc.

6.3 Fair Rents: Re-lets

Where a Fair Rent tenancy ends and the property is relet, the new rent will be calculated as a Social Rent.

7. Excepted Categories From The Rent Standard

7.1 Shared Ownership

The rent on a Shared Ownership property is determined by the terms of the shared ownership lease and any requirements outlined within Homes England Capital Funding Guide.

The rent is initially set as a % of the value of the unsold equity in the property at the lease start date. This % will not exceed 3.0% (usually 2.75%). The purchase price for a property will be determined using a RICS recognised methodology.

Shared Owners may be able to staircase (purchase an additional share of the property). The rent following the stair-casing is re-set based on a % of the value of the unsold equity in the property.

The rent will be reviewed in accordance with the rent increase mechanism stated in the individual lease and Capital Funding Guide.

For Shared Ownership properties built with SOAHP 2016 to 2021 and AHP 2021 to 2026 funding the leases require declaration of the calculation used to establish the new rent payable. Please refer to [Appendix 2](#) for worked example.

For any new Shared Ownership sales from the 1st February, the rent will not be increased in the following financial year.

7.2 Leasehold for Older Persons

Rents against Leasehold for Older Persons are rare as the unsold equity is not usually available for purchase.

However, Accent do have a small number of Leasehold for Older Person leases with unsold equity available for purchase.

As with Shared Ownership, the rental charge is initially as a % of the value of the unsold equity in the property at the lease start date.

The rent will be reviewed in accordance with the rent increase mechanism stated in the individual lease.

7.3 Intermediate Rent/Rent to Buy

Intermediate Rent is an excepted category from the Rent Standard. Rent to Buy is a form of Intermediate Rent linked to Homes England grant and terms set out in the Capital Funding Guide.

The Policy Statement on Rents for Social Housing states that Intermediate Rent is:

In this policy statement, 'intermediate rent accommodation' means low-cost rental accommodation which satisfies either (a), (b) or (c) below:

(a) The accommodation:

i. was built or acquired by the private registered provider without public assistance;

ii. is provided on an assured shorthold tenancy (other than an assured shorthold tenancy that is expressed to be a probationary or starter tenancy) or licence, either:

**to a tenant who is not a person nominated by a local housing authority under section 159(2)(c) of the Housing Act 1996, or*

**to a tenant nominated by a local housing authority under section 159(2)(c) where any conditions set by the local housing authority regarding the circumstances in which the registered provider may grant a tenancy of intermediate rent accommodation are satisfied in respect of that accommodation,*

iii. has not previously been let on a social rent basis, and

iv. is not affordable rent housing.

(b) The accommodation is low-cost rental accommodation which was funded wholly or in part by public assistance under a programme identified by the Regulator as an intermediate rent accommodation enabling programme and any conditions under that programme regarding the circumstances in which the accommodation may be let as intermediate rent accommodation are satisfied.

(c) The accommodation is key worker housing.

Rents are offered at a value above social rent but below market rent levels. They must not exceed 80% of the current market rent (inclusive of service charges).

Any personal service charges applicable, will be made in addition to any Intermediate Rent which include costs relating to gas, heating, hot water, power, provided to an individual dwelling for the residents' personal use only.

The rent will be reviewed in accordance with the rent increase mechanism stated in the individual tenancy agreement, but no increase will exceed CPI plus 1% in line with the Capital Homes Funding Guide.

Intermediate Rent / Rent to Buy properties that require re-letting will require a recent updated RICS gross market rent valuation. Recent for Accent is defined as within 3 months.

All valuations obtained will be saved for future rent audit purposes.

7.4 Market Rent

Initial Rents are set at the full current market rent as provided by a RICS valuation.

Market Rents are inclusive of Service Charges.

Any personal service charges applicable, will be made in addition to any Market Rent which include costs relating to as, heating, hot water, power, provided to an individual dwelling for the residents' personal use only.

The rent will be reviewed in accordance with the rent increase mechanism stated in the individual tenancy agreement.

Market Rent properties that require re-letting will require a recent updated RICS gross market rent valuation. Recent for Accent is defined as within 3 months.

All valuations obtained will be saved for future rent audit purposes.

7.5 Business Rent

All of our commercial properties are charged a full market rent and managed by a third-party managing agent.

Any increase will be applied in line with the lease agreement.

7.6 Garage Rents

Accent will not charge any rent for garages that would exceed the average market rents for a local area. A local area is defined by the local authority area.

Where there is no market rent information available in the local area, the benchmark will look to a similar area.

If not let to an Accent Resident, garage rents are subject to VAT at the standard rate.

Rents are increased annually based on September RPI.

On re-let the rent charge is set at the asset rent which has been pre-set at that property. If required, the rent can be set to reflect local market conditions.

7.7 Mortgage Rescue Rents

The Government funded Mortgage Rescue Scheme was withdrawn on 13 January 2017.

Accent policy for Mortgage Rescue properties was to set initial rents based on 80% market rent at the point of purchase.

Increases as in line with individual Mortgage Rescue tenancy agreements.

Upon re-let the property is converted to a Social or Affordable rented unit.

8. Board Approval

Each year, a report is presented to the Board to request Board approval of Management recommendations in relation to the following years rent reviews. Factors taken into consideration when submitting our recommendations may include:

- Changes/updates to the Rent Standard (may include optional and compulsory rulings)
- Changes to Benefit allowances
- The current Economic Climate i.e., Cost of Living Crisis

- Projected Service Charges increases/decreases
- Large increases/decreases to CPI/RPI

All recommendations remain subject to regulatory guidance and Government Legislation. For rented tenancies all recommendations will fully comply with the rent standard and for Shared Ownership Tenancies all recommendations will fully comply with specific lease stipulation.

When reviewing the recommendations, the Board will consider the impact on our customers and affordability, the long-term business plan, investment in new and existing homes both short and long term, investment in people/IT and other regulatory needs.

No increases are actioned without prior approval from the Board.

The Board may agree to apply a lower rent increase if it feels increasing in line with September CPI plus 1% could cause excess financial hardship. Decisions to do this will consider the long-term business plan, investment in new and existing homes both short and long term, investment in people/IT and other regulatory needs. A decision to charge lower rates than allowable as per the Rent Standard would be subject to legal advice and would not be actioned without approval from the Board.

9. Data Quality and Assurance

Accent Housing recognises the importance of a robust approach to rent setting and the importance the Regulator of Social Housing places on rent setting due to its potential detrimental impact on our business plan and viability, sector reputation and importantly, the financial status of our customers.

For new developments, the initial rents calculated for Social and Affordable Rents are calculate by the Development Team with reference to this policy and taking into account affordability, funding criteria and any scheme specific agreements. These are checked and verified by the Rent Team.

The Customer Income Manger and Rents Team are responsible for carrying out all processes relating to rent setting and rent review. This includes ensuring controls are in place to ensure all rents are not set outside of the rent policy and/or tenancy / lease stipulations.

Internal and External Rent audit is carried to provide assurance to the Board that Accent Rents have been calculated, reviewed and recorded in line with all regulatory guidance.

10. Equity, Diversity and Inclusion

Accent is committed to applying its equal opportunities policy through its policies and will always set policies regarding the protected characteristics of the Equality Act to ensure that all customers and colleagues are treated with dignity and respect.

11. Exceptions

There may be certain circumstances under which the terms of this policy may be reconsidered. Colleagues should be mindful of customer vulnerabilities and their specific needs. Extenuating circumstances will be assessed on a case-by-case basis and exceptions may be applied that require empathy and flexibility, to ensure that customers are treated fairly, compassionately and with respect.

12. Statutory and Legislative Framework

- [2020 Rent Standard \(accessible version\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/432222/2020-rent-standard-accessible-version.pdf)
- [Policy statement on rents for social housing - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/432222/2020-rent-standard-accessible-version.pdf)
- [Housing and Regeneration Act 2008 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2008/152)
- [Capital Funding Guide - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/432222/2020-rent-standard-accessible-version.pdf)
- [Housing Act 2004 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2004/31)
- [Landlord and Tenant Act 1985 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/1985/70)
- [The Social Housing Rents \(Exceptions and Miscellaneous Provisions\) Regulations 2016 \(legislation.gov.uk\)](https://www.legislation.gov.uk/uksi/2016/1000)

Appendix 1: Formula Rent & Rent Caps

[Policy statement on rents for social housing - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

Registered providers may set the initial rent on properties to be let at social rent at a level that is no higher than formula rent, subject to the rent flexibility level.

The basis for the calculation of formula rents is:

Weekly formula rent is equal to:

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

National average rent means the national (England) average rent in April 2000.

Relative county earnings means the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels.

Relative property value means an individual property's value divided by the national (England) average property value, as at January 1999 prices.

Formula rents will increase by CPI (at September of the previous year) + 1 percentage point each year from 2024-25 onwards.

Formula rent is subject to a rent cap.

The rent caps apply as a maximum ceiling on the formula rent and depend on the size of the property (the number of bedrooms it contains). Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap must be used instead.

The rent caps will increase by CPI (at September of the previous year) + 1.5 percentage points annually.

Appendix 2: Shared Ownership Rent Calculation as per the Lease

Worked Example Notice

The next Rent Review Date under your shared ownership lease of the Premises is [1st April 2021]. The rent which you currently pay is [£110.00] per month.

The rent which you must pay on and after [1st April 2021] is [£111.80] per month.

The new figure of [£111.80] per month is calculated as follows:

- 1 RPI Index for [September 2019] was [291.0] (this was the Index on which the rent review in [April 2020] was based).
- 2 The Gross Rent fixed at the rent review in April 2020 was [£200.00] per month;
- 3 RPI Index for [September 2020] is [294.3] (this is the Index on which this rent review in [April 2021] is being based);
- 4 The reviewed Gross Rent as at [1st April 2021] is therefore [£202.27] per month being: $£200 \times ((294.3/291.0) + 0.005)$

But because your share of the Premises is currently [45%] and our share is [55%], the rent which you must actually pay is only [55%] of [£203.27], which is the sum of [£111.80] per month.

Appendix 3 – Glossary of Terms

Affordable Rent – The 'affordable rent' model was introduced by the Homes and Communities Agency (now Homes England) to facilitate and accelerate the delivery of new homes. Rent is set up to 80% of market value, inclusive of service charge. Affordable Rent properties are not subject to formula rent.

Business Rent – Commercial rent governed by a lease or agreement.

Commercial – A tenure type applied to business, office, or commercial accommodation.

CPI – This is the Consumer Price Index, which is the official measure of inflation of consumer prices. The rent standard refers to the previous September CPI to be used for inflationary increase.

Fair (also known as Secure) Rent – Tenancies that started before 15 January 1989 are likely to be a regulated or secure tenancy and charged a secure rent. These are also known as Fair Rents, they fixed and registered rent set by the Valuation Office Agency.

Garage Rent – Rent charged on garages to tenants / non tenants. (Note VAT is chargeable on non-tenant agreements and second / subsequent garages of tenants)

Homeowner – A leaseholder, freeholder, or shared owner.

Leasehold – Homeowner that holds the lease on the flat.

Market Rent – Rent which is set at local area market level i.e., 100% of comparable rates (inclusive of service charge). Market Rent is not subject to the Rent Standard.

Rent to Home Buy – An intermediate rent is charged with an option to purchase all / a share in the property at the end of the tenancy agreement. Terms are subject to Capital Funding Guide requirements where grant is provided by Homes England.

RPI First calculated in June 1947, the RPI was the principal measure of inflation in the U.K. and replaced the previous Cost of Living Index. The Retail Price Index (RPI) was replaced by the Consumer Prices Index (CPI) as the primary measure of inflation in 2003 to set the inflation target for the Bank of England's Monetary Policy Committee

Shared Ownership: the resident buys a stake (usually between 10% - 75%) in the property and pays rent on the remaining share.