

Rent Setting

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Document Owner: Assistant Director of Housing

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This Policy will be applied in a way that will not discriminate on the grounds of the race, gender, marital status, disability, sexual orientation, religion or belief, pregnancy or maternity status, gender reassignment, or age of the employee concerned. It applies to all staff.

Version number	Amendment	Amended by	Date
2.0	Entire procedure reviewed in light of Welfare Reform & Work Act, to reflect which tenancies get a rent increase or decrease.	Annette Morrison	4 th May 2016
2.1	Minor spelling changes and grammar amendments.	Annette Morrison	25 th May 2016
2.2	Added water rates must be charged separately for Intermediate & Affordable rents.	Annette Morrison	18 th July 2016
2.3	Clarified that LHA caps should be applied to Affordable rents and changed order of wording in 3.1.2 & removed one of exceptions which referred to 75% rent levels.	Annette Morrison	27 th September 2016
2.4.	Minor amendments to reflect change in approach to Affordable Rents.	Annette Morrison	29 th Nov 2016
2.5	Amended reference to Int rents being set as per rent rise formula.	Annette Morrison	27 th February 2017
2.6	Amended to include reference to Outward, following Internal auditors' recommendations & also where Int Rent exceptions apply.	Annette Morrison	22 nd March 2017
2.7	Added reference to new tenancy type of (Starter) Assured (Street Property – Fixed Service Charge).	Annette Morrison	26 th March 2018
2.8	Following meeting with Director of Housing, adjusted how we set Int rents using Savills as rents were fluctuating too much.	Annette Morrison	11 th October 2018
2.9	Added 3.83 re converted units to Outward from GN.	Annette Morrison	4 th June 2019
2.10/3.0	Various changes in light of New Rent Standard two new London Rent types and general review.	Bill Henderson	January 2020
3.1	Noted exceptions following discussions with Asst Director for Housing & reviewed secure rent rise section.	Annette Morrison	October 2020
3.2	Added reference to form to be used for rent checking & reviewed in light of Devonshires training course – no changes required.	Annette Morrison	January 2021
3.3	Added rent implications for Barnsbury during and post redevelopment.	Annette Morrison	October 2021
4.0	Following discussion with Devonshires updated.	Annette Morrison	December 2021

4.1	Rent increase information around Rosalina scheme corrected.	Annette Morrison	Jan 2022
4.2	Included exception to rent rises as laid down in Rent Standard 2023 and Board decision.	Annette Morrison	Feb 2023
4.3.	Amended rents section around Barnsbury rents	Annette Morrison	March 2023
5.0	Reviewed as part of 3 yearly review process – updated job titles, referred to role of Decants, removed reference to exception to 5-7 Hornsey & added in role of external auditors.	Annette Morrison	April 2025

1. Purpose of the procedure

To provide staff guidelines on Trust's Rent Setting policy and procedure to enable staff to process rent increases promptly and set rents for new tenancies efficiently and within the appropriate legal guidelines.

2. Standards

- Rent setting is to be in line with the law. This includes:
- All secure rents to be increased annually unless they are close to or at the registered rent level (but need not be on the tenancy start date anniversary) as long as do not exceed the registered rent.
- Intermediate rents to be increased annually and when a new rent (not a rent increase) is set should not exceed 80% of the market rent.
- All new tenancies rent to be set in accordance with this policy.

Rents should be in line with the Rent Standard www.gov.uk/government/publications/rent-standard. Under the provision of the Welfare Reform and Work Act most rents were decreased annually between 2016 and 2019.

This was the policy agreed by the Board for 2-23 only.

In light of the cost-of-living crisis, the government issued a revised Rent Standard for 2023 which confirmed the following:

- A 7% ceiling on the annual increase of rent for low-cost rental accommodation (for both social and affordable rented housing) in rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024.
- The 7% ceiling does not apply to the calculation of formula rent or the rent cap that applies when social rent properties are first let or relet; these continue to increase by Consumer Price Index (CPI) plus 1 percentage point and CPI plus 1.5 percentage points, respectively.

In December 2022 the Newlon Board agreed a 7% rent increase cap across all tenures including STIR and Shared Ownership, including HOLD properties for 2023 rent increases (April and October). All Supported Housing schemes were exempt from the rent increase cap.

All rent & serviced charge increase letters should be stored on SharePoint.

3. General needs rent

3.1. Social rent setting

Where a social rent property is let to a new tenant, this will be for re-lets and new lets, the rent should set at the formula rent, which is based on 99' values and will be held in CX as 'formula rent'. We must take into account Local Housing Allowance (LHA) levels. When comparing against the LHA level, service charges should be included in the total rent and the rent should be set below LHA levels. (See lha-direct.voa.gov.uk/search.aspx for guidance). This is likely to only be relevant for Affordable Rents.

There is a rent formula: 70% of the rent will be calculated based on the relative earnings of the local region compared to the national average as per the Government's statistics, this part of the rent will also be weighted to take into account the number of bedrooms in each property. 30% of the rent will be calculated based on the relative value of each property compared to the national average. A "Cap" is applied. This 'Capped Rent' is held in CX.

Each year the Assistant Director will arrange for the upload of the new rents into CX to be used for all re-lets taking effect from April of that year in the 'Social Relet Value field. This is the rent levels that should be used when signing up new Social Rent tenancies, this does not include service charges, these should be obtained from the Service Charge team. According to the Rent Standard this should be increased by CPI (September CPI of the year before) plus 1%. Caps are increased by (September) CPI plus 1.5%. The table includes the 5%

permitted uplift and the cap figures. The Homes & Lettings and Decants Team are responsible for ensuring that all re-lets are compliant with these rents.

From 2019 The Greater London Authority has prescribed a new form of Social Rent called London Affordable Rent (LAR). This is the same as Social Rent but set at the Cap level. Service charges are on top of that. LAR rents are on the following website: <https://www.london.gov.uk/what-we-do/housing-and-land/homes-londoners-affordable-homes-programmes/homes-londoners-affordable-homes-programme-2016-2023>.

When any new tenancies are set up under this rent regime, they should be called Assured – London Affordable.

3.2. Assured affordable rent setting

Where an affordable rent property is let to a new tenant, (re-lets and new lets, this will only apply to properties that have been previously let as Affordable Rent or Business Development have set the initial rent at an Affordable level for new properties) including conversions of social rent properties, the rent can be set as per the table below using the % of the market in the usual way. Rents should be set taking into account LHA levels, the rent should be set at the level for whichever is lower. (See <https://lha-direct.voa.gov.uk/search.aspx> for guidance).

The Homes & Lettings Officer will be responsible for ensuring that they check the rent type the property was previously let on and ensure that this is followed into the next tenancy. Unless directed by Senior Homes & Lettings Team Leader or Head of Neighbourhoods & STIR.

1 beds	80% of Market Rent
2 beds	70% of Market Rent
3 beds	60% of Market Rent
4+ beds	50% of Market Rent

Water Rates/Charges and personal charges should be charged for separately and are not included as part of the overall rent.

3.3. Exceptions

- Where the property is subject to an existing legally binding Rent Guarantee (no such property guarantees are currently known).
- Where the percentage of Market Rent is less than Social Rent plus service charge. This can be done by checking the social rents table.
- Where a Local Authority makes a representation about a specific property.
- Exceptions agreed in Tower Hamlets in 2021 are that rather than let at Affordable rent levels (other than those agreed at initial letting, where rent was set by TH such as Rosalina) any designated Affordable Rent property would be advertised at Tower Hamlets Living Rent (THLR) level. These will be properties converted to Affordable Rents at the permissible time.
- Where a property has been let on an Affordable or London Affordable rent and is now to be used by a Permanent Decant, the rent will be set as a Secure/Assured depending on their previous tenancy.
- Where a resident has been decanted and they are moving on a like for like basis then the rent level should remain the same, if moving to a larger property then the rent will be set in accordance with the Rent setting policy.

Exceptions (with the exception of the LHA restriction) will be authorised by the Newlon Housing Director or Assistant Director and documented.

3.4. New developments

Where Business Development have set a rent committed to in a bid, that rent should be used. In cases where this has not already been set, the Assured Re-Let method (Social Rent formula Rents) should be used. These rents should be in line with other similar properties in

the Borough. New development rents will include a 5% uplift in the initial rent: 10% for Supported Housing. New Rents will normally be set using '99 values.

3.5. General needs rent increases

3.5.1. Procedures for increasing rents for Assured Tenancies must comply fully with sections 13 and 14 of the Housing Act 1988 and/or the tenancy. This means that rent increases must not take place before the anniversary of the previous increase or the start of the tenancy (the 'annuality' rule) and must be notified to tenants in a prescribed form at least one calendar month before the increase takes effect. (This is available on the intranet.) The term 'rent' on the Section 13 Notice refers to rent and fixed service charges. Variable service charges should not be included in this total but referred to in an accompanying letter.

3.5.2. The accompanying letter should clarify the issue of service charges by stating 'In accordance with Section 13 of the Housing Act 1988, we enclose a notice informing you formally of the proposed increase. Please note that the information overleaf does not include any service charges that you may already pay, and this is included in the **total charge** above'.

3.5.3. Exceptions

Schedule 13 of the Housing Act does not apply to Fixed Term Tenancies or Assured Shorthold Tenancies so appropriate wording needs to reflect this. ASTs/FTTs will still get the same increase (CPI+1%) annually.

3.5.4. Assured rent rises (both social and affordable rents)

As of April 2015, and confirmed by the 2020 Rent Standard Guidance they are limited by Consumer Price Index (CPI), plus 1%.

The Assistant Director is responsible for formulating a spreadsheet extracting data from CX for those properties getting a rent rise (taking into account the 'annuality' rule), applying the Rent Increase formula, taking into account caps & targets.

For Social Rents - If the rent is below the rent cap, and the increase would bring the rent to above the rent cap, the rent should be increased to the level of the rent cap, even though this would result in a rent increase of less than CPI Plus 1%. If they are already above the rent cap, then the rents should be frozen. If the rent is above the formula but below the cap apply a CPI only rent increase. These rent caps will increase each year by CPI +1.5%. Where target rents have not been reached, the formula will be applied to ensure that no rent increase goes above this level.

The external auditors will carry out an audit to check that the rent increases are in line with this policy in April and October.

For Affordable Rents – these are not subject to the cap limits or have to be lower than formula rents.

3.5.5. London Affordable Rent

Rents are increased at CPI+1% in the same way as Assured Rents, these rents are not subject to the rent cap.

Rosalina/Marula/Bridle Mews (Goodman's Fields) Affordable Rents

At initial letting these were set by TH at the following levels

Schedule of accommodation at Goodmans fields (Rosalina)

Number of Units Beds Tenure Weekly Affordable Rent (inc Service Charge) on first letting in June 2019.

37 1bed Affordable Rented Housing £253

29 2bed Affordable Rented Housing £276

Any subsequent re-letting should be at the equivalent of these rents, plus any subsequent rent increases that have been applied.

3.5.6. Treatment of service charge

Service charges are included in Market Rents and hence Intermediate and Affordable Rents, but they are charged on top of Social Rents. The Service Charges are excluded from the Rent Increase but are reviewed in line with the Service Charge Policy.

Water Rates (where collected by Newlon) and Personal Charges will be charged on top of the % of Market Rent assessment as will any other personal charge.

3.5.7. Fixed service charges

Where a Fixed Service Charge has been charged (this will be for new lettings from March 2018 in flats for street properties), the Head of Service Charges will be responsible for reviewing this charge for the April increase and notifying residents of any changes and lettings of the new levels.

Each year the Head of Service Charges will review the new fixed service charge to be charged which will be in line with the service charge increase that year, this will be based on September CPI+1%. Homes & Lettings will be responsible for checking this and applying the new level for all subsequent lettings.

Tenants subject to this charge will be signed up on an Assured Tenancy with Fixed Service Charge (street property). It is not applicable to tenancies for a whole house which are street properties.

3.6. 5 year - fixed term tenancies (general needs)

The initial rent set/increase regime will be determined by the rent type and the relevant policy should be followed for this, so where Affordable or Social Rent the guidance above should be followed.

Water Rates/Charges and Personal Charges should be charged for separately and are not included as part of the overall rent.

3.6.1. Rent rises for 5-year fixed term tenancies

This will follow the same principles; however, it must be noted that the terms under which the rent can be increased are within the Tenancy Agreement rather than S13 & 14 proscribed form as in other General needs rent rises.

3.7. Secure rents (see guidance in Tenancy & Lettings policy as to when a secure tenancy should be re-issued). If a Newlon Secure tenant is moving, they will be given a new Secure tenancy.

3.7.1. Rent Setting for re-let

Where a Secure tenant is being issued with a new Secure Tenancy, the Homes & Lettings Officer (H&LO) (or Decants/BEST team where they have done the sign up) will need to be set as a Secure - Social Rent using the Type of tenancy field in Dynamics and then H&LO would then notify Income via email to get the rent registered at the VOA.

3.7.2. Rent increases

From April 2015 and confirmed by the 2020 Rent Standard Guidance the CPI formula will apply. The secure or fair rents will be increased every year by CPI + 1% as long as they do not exceed the registered rent including service charge or the formula rent whichever is the lower.

The rent registration (Secure Rents) process is as follows:

- 21 months after the last registration an application is made to the Rent Officer, using a Rent Service RR1 form and the rent set by the Assistant Director.
- When the Rent Officer replies, a new rent is registered. The rent registration is to ensure the registered rent is always higher than the rent we charge. Rent registration will not trigger a change in rent, this will be done annually in October.

- The last rent registration date and registered rent amount is entered on CX. The actual rent charged should be updated on CX in October and is not part of the registration process.

Where the Rent Officer recommends a higher rent than the one Newlon has set, Newlon will keep to the rent that has been calculated by Newlon.

3.8. Intermediate Rent

This applies to self-contained and shared accommodation.

- 3.8.1.** Intermediate Rents are set at a level of 70% of Market Rent as at the date of handover. Market Rents will be researched and approved by the Homes & Lettings Officers at the time of letting and then reduced to 70% of market to create an Intermediate Rent.

Any Intermediate Rent tenant signed up prior to 1st February will be subject to a rent increase in April, those signed up after this date, will not be subject to a rent increase in April. Unless an exception is agreed by the Assistant Director for housing (Income and Investigations).

- 3.8.2.** For re-lets the Homes & Lettings Team is responsible for ensuring that the rent is set in accordance with the following principles:
- A valuation can be used for six months for properties with similar characteristics.
 - When carrying out the valuation using Savills or similar rent setting process the four most recent rents should be used.
 - The date of the original valuation using Savills should be recorded against subsequent rents so that rents are always set on a market comparable no more than six months old.
 - Where a valuation on a FTT renewal calculates the rent at lower than the existing rent, the rent should be set at no more than 80% of current market rent valuation.

3.8.3. IR increase

Intermediate Rents are reviewed periodically and increased at CPI+1% or an amount set in the tenancy agreement. The rent increase is not limited by the cap figure. Responsibility is with the Assistant Director for Housing.

- 3.8.4.** The Royal Free Nomination Agreement determines the rate of increase (this will be approximately January RPI plus 0.5% - but see formula in agreement). The increase is applied from April each year. The Assistant Director is responsible for coordinating this.

- 3.8.5.** Water Rates/Charges and Personal Charges should be charged for separately and are not included as part of the overall rent.

3.9. London Living Rent (LLR)

This is a new type of rent/tenancy for homes aimed at people to eventually buy. GLA Levels are set at Development Stage by the GLA/LA and the tenancy agreement terms are prescribed. Rises are at CPI only. As of 2025 Newlon had no LLR.

3.10. Exceptions to Intermediate Rent Setting

Where there are Int Rent properties where there are no comparable properties on the market then the Head of Neighbourhoods & STIR & Assistant Director of Housing will make a decision on future rent setting.

3.11. Shared Ownership schemes

The initial rent is set by Business Development as part of scheme feasibility. Annual rent increases are then applied by the Income Team in accordance with leases (these vary).

3.12. Outward/Agency rents

3.12.1. Outward Rent Increase

Outward are responsible for applying the rent increase or decrease as informed by legislation or guidance from the regulator, currently the Regulator of Social Housing. Outward (Housing Operations Manager) should ask Newlon for ratification of the proposed change. The external auditors will audit the actual rent increases proposed by Outward, which Outward will make available at least four weeks before the postal deadline for the increase.

3.12.2. Rent Setting

For New-Lets this will be set by Business Development. For Re-lets, this is the responsibility of Outward to devise a spreadsheet for Outward's rents, which Outward will follow.

3.12.3. Where Outward take over the management of a property previously managed as General Needs (GN) the rent will be set as the Social Formula rent, divided by 105, multiplied by 110. This is based on existing GN properties having their rents set at above 5% target as permitted by regulations. Some GN properties developed post 2015 may have rents set at 100% of target, not 105%.

3.12.4. Rents for other Managing agents – Hestia will be responsible for setting their own rents, the Housing Projects Manager will be responsible for ensuring that any costs incurred by Newlon that need to be service charged by them are communicated in adequate time to be included in their service charges.

3.12.5. For Bangla the initial rents, rent increase & service charges will be communicated to them by the Housing Projects Manager in time to allow Bangla to provide adequate notice to their residents of any changes.

4. Housing benefit/universal credit

The Assistant Director is responsible for arranging the printing and distribution of the rent increase letters to the residents. The Income & Service Charge teams are responsible for sending spreadsheets to HB departments. The resident is responsible for notifying Universal Credit (UC) of any rent increases.

5. Service Charges

5.1. When Intermediate Rents and Shared Ownership rents are increased in April at the same time as service charges, the Service Charge Team will coordinate the distribution of notifications to residents.

5.2. The Service Charge Team should not carry out any service charge reviews for the four-week period of the (October) rent increase, as this can lead to errors on CX occurring, as well as confusing information being sent to Housing Benefit/UC and the tenant.

5.3. Where the rent and service charge are combined to make one charge, the Finance team are responsible for ensuring that the rent covers the cost of a service charge, plus a rent, allowing an appropriate margin for Newlon for re-lets and new-lets.

6.0 Barnsbury Estate transformation (BEST) – implications for rents

6.1 In accordance with the Offer document and agreement of BEST Board, the following rents are to be charged in the following circumstances:

- Existing 'New' Barnsbury Tenants who held a tenancy at the time of the ballot/offer document (19th March 2021) will be offered a new property at the equivalent of the existing rents and set as if they were lets on the undeveloped Barnsbury Estate.
(*New Barnsbury refers to Adrian, Aldrick, Amory, Blackmore, Charlotte Terrace, Crispe, Ewen, Jocelin, Kenwick, Mavor, Messiter, Molton, Redmond, Ritson, Thorpe, Thurston & Venn Houses).
- Existing 'Old' Barnsbury tenants – will stay at the same rent level or equivalent level if moving to a larger property, whether this is to a newly developed property or elsewhere on the Barnsbury estate.
- Residents who were not a tenant at the time of the ballot/offer document will be set a rent based on new Islington rents (not Barnsbury rents) when they move into a property, whether that be on Old or New Barnsbury.
- Those residents on Affordable Rents who are offered a newly developed property will have their rent based on Newlon Islington rents (not Barnsbury rents) once they move into the new properties. Those on Affordable rents living in Old Barnsbury will remain as such unless they move to a new property within New Barnsbury.
- For any residents moving during the course of the redevelopment to another property within the estate (not through a decant) will be charged a rent on an equivalent level to their previous rent, taking into account any change in bedroom size.