



Rent setting policy

Applicable to:

- All Brighter Places, previous Solon, and previous United Communities customers
- Previous Solon customers only
- Previous UC customers only

- All Brighter Places, previous Solon, and previous UC colleagues
- Previous Solon colleagues only
- Previous UC colleagues only

Date adopted by Brighter Places: May 2022

Date of previous full review: Sep 2018 (United Communities), Dec 2017 (Solon)

Author/Policy owner: Finance Director

1. Introduction

Brighter Places is committed to being an inclusive, responsive, adaptable and financially-resilient provider of high-quality, affordable homes.

Setting rents at a level which represents value for money, and determining them in a fair and transparent way, is critical to our offering to customers.

In setting and reviewing rents, we aim to balance affordability for our customers with the financial viability of Brighter Places.

2. Scope

This policy applies to rent across all tenures of housing operated by Brighter Places. This includes:

- Social rent
- Affordable rent
- Shared ownership
- Fair rent
- Intermediate rent
- Market rent
- Commercial rent
- Other types of rent

Service charges are determined in accordance with the service charge policy.

3. Policy

Brighter Places will comply with the Regulator of Social Housing (RSH) Rent Standard and any other relevant legislation and guidance when setting and reviewing its rents.

3.1 Social rent

Social rents include general needs, supported housing and housing for older people.

3.1.1 Setting social rents

Social rents are set with reference to the 'target' or 'formula' rent.

Formula rents are calculated by following the regulatory guidance. The current formula takes into account local property values and earnings relative to the national average, plus the number of bedrooms.

Social rents are capped and Brighter Places will not increase them above the rent caps issued annually by the RSH.

The policy is that all new social-rented lettings, including relets, will be set to achieve formula rent. All social rents will be within the allowance in the guidance, that rents may be charged at 5% higher or lower than formula levels.

Brighter Places currently uses the full uplift when setting rents for new social-rented lettings and relets. This will be kept under review as we seek to balance affordability for customers with the financial viability of Brighter Places.

Brighter Places will usually relet social-rented lettings on the same type of rent.

If for any reason we identify that a social rent exceeds the formula plus permitted allowance, we will take action to return the rent to the required level.

3.1.2 Annual changes to social rent

We will increase social rents annually up to the maximum specified in the latest version of the RSH rent standard.

3.2 Affordable rent

3.2.1 Background

As part of a consortium, Brighter Places has a grant agreement with Homes England to deliver new homes through the Affordable Housing Programme (2021-26) and is therefore able to develop new homes to let at affordable rents. Although properties let at affordable rents meet the definition of social housing, they do not need to comply with the formula rent provisions applicable to properties let at social rent.

3.2.2 Setting affordable rents

Affordable rents are set at up to 80% of the market rent for a specific property. For new builds, conversions, and on the relet of an affordable rent property, Brighter Places will obtain a market rent valuation from an independent chartered surveyor (undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) methodology) and set the rent at up to 80% of the reported market level.

Brighter Places may not always obtain a new market rent valuation for every relet. Where a market rent valuation has been obtained for a similar property in the same area within the last 12 months and there has not been a significant market movement in the intervening period, Brighter Places can use the existing market rent valuation to set the rent on a different property.

If for any reason the affordable rent is lower than the formula rent, the formula rent will be used as the minimum rent.

The affordable rent, as determined from the market rent, is expressed inclusive of any service charge. No additional charges for communal costs can be applied where a property is let at affordable rent.

Brighter Places will have regard to the local market context and in particular the Local Housing Allowance when setting affordable rents. Affordable rents will be capped at the level of the Local Housing Allowance (the LHA cap).

Brighter Places will usually relet affordable-rented lettings on the same type of rent.

3.2.3 Annual increase – affordable rents

Affordable rents will be increased or decreased in line with prescribed government formula.

3.3 Shared ownership

3.3.1 Rent setting

Shared ownership rents are specified within the lease for each property, and are usually charged per calendar month. Unless otherwise required (for example, by the requirements of Section 106 agreements), Brighter Places will set shared ownership rents between 2% and 2.75% of the value of the retained equity following first tranche sale.

Brighter Places will have regard to affordability in setting shared ownership rents. The percentage of unsold equity to be charged as rent may be varied subject to scheme viability considerations.

3.3.2 Annual increases

Shared ownership rents will usually be increased on the first Monday in April by the preceding September retail prices index + 0.5%, unless the lease states otherwise. If the retail prices index is negative, the maximum increase is 0.5%.

3.4 Fair rents

Fair rents are subject to fair-rent protection. These are usually tenancies that started before 15 January 1989.

Fair rents are reviewed every two years after four weeks' notice has been served on the tenant. When properties have had improvements, an application for re-registration of rent will be made to the Valuation Office Agency (VOA) as soon as works are complete, even if this is earlier than the second anniversary of the registered rent.

Brighter Places will review its fair rents in line with the prescribed government guidance and ensure that they do not exceed the formula rent for the equivalent property.

On relet, fair-rent lettings will usually become social-rent lettings.

3.5 Intermediate rents

Brighter Places may let properties at intermediate or market rent where planning and funding conditions do not restrict this.

Brighter Places will set intermediate rent at 80% of market or at the LHA cap, whichever is the lower.

3.6 Market rents

Brighter Places may choose to construct properties for market rent. Where it does so, market rents will be set with reference to a RICS valuation and increased by consumer prices index +1% each year.

3.7 Commercial rents

Where Brighter Places charges rent for commercial property (offices, garages which are not let in conjunction with a dwelling etc), this rent may be subject to VAT at the standard rate.

Rent on commercial properties shall be governed by a lease agreement and will confirm any increases to be applied to the rent.

3.8 Other types of rent

Other types of rent include temporary social housing and “exempt” rents.

For any other type of rent, Brighter Places will set and review rents in line with the relevant legislation, regulatory guidelines and any contractual agreements.

This includes properties where Brighter Places is the landlord of a property, but it is managed by an agent who is responsible for applying the rents.

4. Roles and responsibilities

The Finance Director is responsible for ensuring that rents are charged and increased in line with this policy.

Each year, the Finance team will calculate the annual rent changes. The Exec Team will review rent changes in accordance with this policy on an annual basis. Confirmation of rent changes will be provided to the Board in the annual budget-setting approval paper.

The Development Team will calculate rents on new properties.

5. Communicating with residents

Ahead of any Board decision on the annual rent uplift, we will present financial modelling on potential options available to the business to the resident engagement panel and we will seek their views on proposed rent increases. These views will be shared with Board at their decision making meeting.

Notice of rent increases will be issued to residents with one month's notice.

If any resident feels that the rent for their property has not been set in accordance with this policy or other applicable guidelines and would like to make a complaint, this will be dealt with through the Customer Feedback policy.

6. Review and approval

This policy will be reviewed every 3 years. It may be updated before then if there are changes to the law or to regulation.