

Zen Housing Limited: Rent Setting Policy

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1 Introduction

- 1.1 Zen Housing Limited (Zen), provides social housing in the form of low-cost rental accommodation. This policy sets out how Zen will comply with the Regulatory Framework for Social Housing including the new Rent Standard introduced in April 2023 when setting rents, the Government's Policy Statement on Rents for Social Housing 2022, as well as meeting the legislative requirements set out in the Housing and Regeneration Act 2008.
- 1.2 This policy also ensures that rents are set in a fair way, which residents can understand.

2 Scope

- 2.1 The purpose of this policy is to outline the approach which Zen will take to setting rents.
- 2.2 This policy applies to all low-cost rental accommodation provided by Zen, including:
 - Affordable Rent
 - Social Rent
 - Intermediate Rent

3 Aims

- 3.1 This policy will enable Zen to:

- 3.1.1 Set rents in a fair and transparent manner;
- 3.1.2 Meet applicable s106 obligations relating to rent levels and;
- 3.1.3 Comply with the Regulator of Social Housing's requirements.

4 Definitions

- 4.1 Social Housing: As defined in the Housing and Regeneration Act 2008.
- 4.2 Social Rent: Sometimes referred to 'Formula Rent', rent levels set in accordance with the rent setting formula prescribed by the RSH.
- 4.3 Affordable Rent Housing: Rented housing offered to eligible households not exceeding 80% of the market rate (including service charge), on the basis of agreement with Homes England or the Greater London Authority (GLA).
- 4.4 London Affordable Rent Housing: Rented housing offered to eligible households on a time-limited tenancy at rents not exceeding the relevant maximum benchmark rents published by the GLA annually (excluding service charge).
- 4.5 Intermediate Rented Housing: shall have the meaning as set out in The Ministry of Housing, Communities and Local Government's Policy statement on rents for social housing published in February 2019.
- 4.6 Gross Rent: The combination of the net rent and the service charge.
- 4.7 Net or Core Rent: The rent level excluding any service charge element.

5 Rent Setting

5.1 Approach to rent calculation

- 5.2 All rents will be set in line with legal and regulatory requirements, and the requirements set out in any Section 106 agreements. In setting rents, we will ensure compliance with the requirements of the Housing and Regeneration Act 2008 and the Rent Standard as applicable.
- 5.3 Rents are charged on a weekly basis for 52 weeks, with the rent due on the Monday of each week.
- 5.4 Our approach to rent-setting for individual tenures is set out below.

5.5 Affordable Rent

- 5.6 Rents for Affordable Rent properties will be set at no more than 80% of market rate. For many Affordable Rent properties, s106 agreements further limit the amount of rent that can be charged to the lower of 80% of the market rate or the local housing allowance rate. To set rents Zen will first establish the market rental rate using the 'similar market transactions' valuation methodology.

5.7 This will be supported by a rental valuation completed by a RICS qualified surveyor on a representative sample of homes in the area. Once the market rental rate for these properties has been established, Zen will calculate 80% of this rental rate, and then consider any other applicable s106 restrictions that may lower the rent. The rent will be set at 80% of the market rental rate or the local housing allowance, subject to the s106 agreement or driven by the area's affordability

5.8 **Social Rent**

5.9 Social Rent levels will be calculated using a rent setting model spreadsheet following the prescribed RSH formula including a record the input assumptions. The formula requires valuation of the property as at 1999. This will be calculated based on a current open market sale valuation using an RICS valuation methodology, adjusted back to 1999 using an recognised industry house price indices as approved by the Board.

5.10 **Intermediate Rent**

5.11 Intermediate Rent levels will be calculated as 80% of the market rate (determined via the methodology above).

5.12 **Rent Review**

5.13 The rent for properties will be reviewed annually on 1st April each year.

5.14 At rent review, an increase of no more than CPI + 1% will be applied to Social Rent and Affordable Rent tenures. The CPI to be applied for the new year is taken as the rate applicable for the previous September.

For Intermediate Rents, a new market rent rate will be determined, and any uplift or reduction applied as is appropriate. We will not increase intermediate rents by more than CPI + 5% per year.

5.15 **Reletting**

5.16 When properties are re-let, Social Rent levels will be set in accordance with the latest RSH prescribed formula.

5.17 When an Affordable Rent property is relet (except due to a conversion of a probationary tenancy to a full tenancy), the rent will be recalculated as set out in the rent setting section above.

5.18 **Service Charges**

5.19 All Social Rents and Intermediate Rents are exclusive of service charges. Please refer to Zen's Service Charge Policy for our service charge setting methodology.

5.20 All Affordable Rents are inclusive of service charges and no additional charges will be levied.

6 **Overall approach to rent reviews**

6.1 The level of all rent increases or decreases to be applied will be agreed by the board annually for the financial year ahead, taking into account relevant factors, such as regulatory requirements, market conditions, housing affordability, and our business plan.

6.2 Tenants will be given a minimum of 4 weeks-notice of any change to their rent.

7 **Appeals**

7.1 If our residents do not believe that their rent has been set in accordance with this policy, they can appeal as set out in our Complaints Policy.

8 **Background Documents**

8.1 This policy should be read in conjunction with the legal and regulatory documents listed below:

8.1.1 The Regulator of Social Housing's Regulatory Standards

8.1.2 The Rent Standard April 2023

8.1.3 Housing and Regeneration Act 2008

8.1.4 Department for Levelling Up, Housing and Communities: *Policy statement on rents for social housing* published December 2022.

8.2 and the following strategies and policies:

8.2.1 Complaints Policy

8.2.2 Allocations and Lettings Policy

8.2.3 Service Charge Policy

9 **Monitoring and Compliance**

9.1 Rents will be subject to compliance checks and internal audit at least once every two years to provide assurance that they are being set and reviewed in line with this policy.

10 **Policy Review**

10.1 This policy will be reviewed at least every 2 years or more frequently as required.