



PRIMA
GROUP

Rent Policy

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Rent Policy

1 Aim of the Policy

Being able to provide homes that are affordable is one of the key objectives of being a provider of social housing. Prima Group aims to set and maintain rents at levels which:

- Are affordable to current and new customers;
- Enable us to deliver services that meet customer expectations;
- That complies with the relevant regulatory requirements; and
- Provides opportunities for the organisation to grow and remain viable.

Over the years several rent regimes have been in place that have set out a variety of different rules for charging rent and services charges depending on the tenancy type, affordability requirements, funding agreements and regulations in place at the time. This can make the rent setting and service charge process more complex across all our properties, this policy aims to provide clarity on how we set and vary rents and service charges, setting out the controls in place to ensure they operate effectively.

2 Policy Statement

Rent income accounts for most of our revenue, it is essential that there is a robust policy and process in place to ensure they are set and reviewed correctly, to maintain trust of stakeholders and to comply with our legal and regulatory requirements.

This policy applies to all stock, tenure and rent types across Prima Group. This covers general needs, sheltered, supported, shared ownership, licenses and market rents. In addition, non-residential properties such as garages and commercial premises are also covered. .

The approach used to set and review rents is dependent on the tenancy type linked to the rent and funding regime in place at the time the property was first let, as well as on any specific conditions within the individual tenancy agreement and/or lease. Rents vary between tenancy type, property size, value and location based on a set formula. It is Board's responsibility to agree the annual rent plan.

Prima will aim to keep the cost of service charges as low as possible whilst providing a high quality of service, collecting these in a timely manner.

Prima Group operates in line with the following legislation and regulation:

- [Rent Standard](#)
- [Rent Standard Policy Guidance](#)
- Rent Act 1977
- Housing Act 1985; and 1988
- Local Government and Housing Act 1989

- Housing and Regeneration Act 2008
- Localism Act 2011
- Housing and Planning Act 2016
- Welfare Reform and Work Act 2016
- Social Housing Rents (Exceptions & Miscellaneous Provisions) Regulations 2016
- General Social Housing Rents Permitted Review Day Consent 2016

3 Background

In 2015, the Government announced the suspension of the ten-year formula for calculating social rents (Target Rent). It was replaced with a 1% annual rent cut for 4 years commencing 1 April 2016.

From April 2020, a new Rent Standard came into effect, including a new formula for setting rents. Full details of the formula used can be found in the Rent Standard, the basis for the calculation of formula rents is:

- 30% of a property's rent is based on relative property values.
- 70% of a property's rent is based on relative local earnings.
- A bedroom factor is applied so that, other things being equal, smaller properties have lower rents.

The current standard allows social rents to increase, subject to the 2020 limit by a maximum of CPI+1%, or if the tenant's rent exceeds the rent flexibility level, CPI in any year. The Government has said that it is intended that this formula will apply for a minimum of 5 years.

Service charges, which are dealt with in a separate policy, continue to be governed by tenancy agreement and leases and relevant common law and statute, including the Landlord and Tenant Act

4 Prima Rent Setting and Variation

Rents will be reviewed periodically in line with the tenancy agreement, these will typically be increased to account for inflation, operating costs and to meet our Business Plan objectives. They will also take account of:

Local Housing Allowance

The Valuation Office Agency Rent Officers determines Local Housing Allowance (LHA) rates used to calculate housing benefit for tenants. LHA rates are based on private market rents being paid by tenants in the broad rental market area (BRMA).

Rent Caps

Local authorities are expected to apply rent caps in determining formula rents. The rent

caps can apply as a maximum ceiling on the formula rent and depends on the size of the property (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 should be used instead.

Each year, usually in February, Prima Board consider and approve the future years rent reviews. All recommendations remain subject to legislation and regulatory guidance and must fully comply with the Rent Standard and any limits imposed by the Government.

In general, we implement variations to rents at the same time each year, on the second Monday in May. We will give written notice of any rent variation in accordance with the terms of the tenancy agreement and will notify the Housing Benefit Office and Department of Work and Pensions as appropriate. For weekly tenancies, the notice period is usually four weeks and for monthly tenancies, one month, all taking effect on the first day of a period of the tenancy.

Rents charged to existing tenants will not normally be varied more than once in any financial year. The exceptions may include property conversions or remodelling or where a tenancy comes to an end and is replaced by a new tenancy.

New tenants taking a tenancy two months before the annual rent variation date will be informed of the current rent and service charges plus the details of the new rent and service charge from the rent variation date, at the point of sign up.

When social rented properties become available for re-letting, Prima will set the new rent using the formula rent. This takes into account historic flexibilities given as the rent standard changed where Prima adopted the flexibility of setting rents at a plus 5% rent tolerance for general needs properties and formula rent plus 10% for supported housing properties.

The Finance Manager in consultation with the Group Head of Housing and Commercial Manager will have the discretion under delegated authority to set a rent below the formula rent tolerance levels, in circumstances where it is felt appropriate to exercise this discretion. Examples where this discretion may be applied include areas of low demand and affordability factors.

5 Principles

5.1 Application of Rent Formula

Prima Group will review the rent setting methodologies used and may take the following into account:

- Affordability based on financial vulnerability indicators of our tenant base
- Affordability based on average wage levels
- Lettability of properties/schemes
- Comparable rents charged by other registered providers;

- Impact of “sheltered rents”
- Local housing market
- Levels of housing cost related benefits that households can claim.

The following checks will be applied to any future rent formula(s):

- Is it legally compliant?
- Does it discriminate against households with any protected characteristics?
- Is the rent determined by the property type, size and location (legal) as opposed to the resident (illegal)
- Is it affordable for those we want to be able to house?
- Does it support our Corporate Plan objectives?
- Does it look sensible - i.e. a 1 bed is not more expensive than a 2 bed in the same area?
- Are we sufficiently limiting our exposure to future welfare changes?
- Can it be easily understood by tenants and other stakeholders
- Is it operationally simple to implement?

5.2 Initial Rent Setting

Rents are set at the start of each tenancy dependent on the type of tenancy, scheme type (e.g. general needs or market rent) and the rent type advertised (e.g. affordable rent). Rents may be increased annually thereafter but will not be converted whilst a tenancy is in place unless the property has been converted (e.g. 2 bed to 3 bedroom) in agreement with the tenant. The approach to setting initial rents for social properties is so they are no higher than formula rent plus the allowed flexibility, as set out in the Rent Standard.

Rents may be rebased or restricted when the property is re-let to another tenant or licensee, or the agreement renewed for the property with the same tenant or licence.

5.3 New build developments and new acquisitions

Rents for new developments will be set in accordance with the relevant funding and development arrangements. These may be Social Rent, Affordable Rent, Intermediate Market Rent, Part Rent/Part Ownership or any combination of these. Prima monitor changing legislative requirements and ensure that we comply with current arrangements, so these should be no higher than formula rents plus the allowed flexibility.

The rent type in place when the property is first let will remain in place upon re-let unless the property is formally re-designated.

5.4 Social Rent

For over 90% of our properties we charge Social Rent, these are used for the ‘lifetime’ assured tenancies, starter tenancies and for those probationary and fixed-term tenancies not let at Affordable Rent.

Social housing rents are based on Formula Rent (formerly called Target Rent) and are regulated by the Rent Standard. They are set exclusive of service charges at the start of each tenancy according to a Government prescribed formula that considers property value, number of bedroom and average earnings in the locality. The formula is increased or reduced annually by the Government to reflect inflation or the rent reduction. Rents are recorded and tracked annually to give assurance that rents are set correctly.

5.5 Property Conversions

Where existing properties are re-modelled and the number of bedrooms is changed the formula rent will be re-calculated on completion of the conversion work and any subsequent re-let will be at the new formula rent.

Any conversions between rent types will be done in line with the Rent Standard and Rent Policy Statement.

5.6 Affordable Rent

Currently these rents apply to only 55 properties at:

- Rudland Mews.
- Cameron Road.
- Wheatfield Close.
- Chestnut Court (via Homes England investment upon re-let).

Affordable Rents are regulated by the Rent Standard and are set at 80% of market rate inclusive of service charges. These are used on new build properties and on former social rented properties that were converted to Affordable Rents as part of a Homes England authorised conversion program on tenancy turnover

The market rate will vary dependent on property type and location, but it cannot exceed 80% of the equivalent market rate for the property. Affordability of properties in the local area will be considered when assessing the viability of any new developments. As part of the funding agreement with Homes England for the remodelling of Chestnut Court, it was allowed for us to maintain formula rent for the scheme due to the low market rent levels in the locality.

For Affordable Rent setting the ceiling will always be capped at 80% of the market valuation inclusive of service charges. If 80% of Market Rent after deduction of service charges is less than the equivalent Formula Rent for the property, then the Formula Rent will be applied.

Affordable Rent reviews for existing tenants are subject to the same regulatory guidance applied to Social Rents. We are able to increase them in line with the tenancy agreement but subject to the limits set out in the Rent Standard (CPI+1%). These rents cannot be

rebased during the tenancy.

The gross rent will be increased in line with the amount Board agreed. Any service charges are included within the gross rent.

When a new tenancy is created, the rent will be rebased to reflect the current market value, we will use an existing market valuation that is less than 6 months old for a comparable property type in the area where available. We will assess local market rents using a valuation based in accordance with an approved RICS method where such a valuation is not available.

The total affordable rent amount will include any Housing Benefit or Universal Credit eligible service charges. Any additional non-Housing Benefit or Universal Credit eligible charges (e.g. Amenity Charges/Personal Support Charges) will be charged separately in addition.

5.7 Market Rent

Market Rents are set according to the individual characteristics of the property, reflecting the size, quality and the location. They reflect the rent charged in the private rented sector for a similar property and are inclusive of service charges. Market Rents are unregulated and do not constitute social housing.

Valuations will be assessed using a RICS (Royal Institute of Chartered Surveyors) recognised method. We may commission a professional valuation from an independent valuer or use a desktop valuation where sufficient data is held to appraise the market value by reference to recent lets in the private sector. We will use desktop valuations wherever possible due to cost, speed and efficiency.

Market Rents will rise during the tenancy in accordance with the terms set out in the tenancy agreement. Increases will be based upon independent advice on open market rent levels. When the fixed term of a market rent Assured Shorthold Tenancy (AST) expires, Prima will either let it run on as a periodic AST or re-let (to the same tenant) for a further fixed term. If the latter, the rent can be re-based.

5.8 Fair Rents (Secure Tenancies)

Fair Rents apply to secure tenancies commenced before 15 January 1989. Fair Rents are registered with Valuation Office every two years, except for where major improvement work is completed on a property, in which case we will re-apply for a fair rent registration immediately. The registered rent is the maximum that can be charged and rent can only be increased up to this level in line with the agreed CPI+1% increase each year. If the Rent Officer sets a fair rent below the formula rent whichever is the lower amount is the rent that will apply. If the Rent Officer sets a fair rent above the formula rent, we will increase the rent to the formula rent level, such increase to be no more than CPI+1% at the time

the next increase takes place.

Tenants subject to a fair rent are also afforded, some additional protection in addition to that already afforded them by the Rent Officer Service. The rent continues to be registered for assessment every two years, however regardless of what the rent officer proposes for the new rent the rent cannot be increased beyond the level of that paid by a social tenant in a similar property (the formula rent). If for any reason the registered rent is already higher than the social rent then the fair rent should be reduced by a maximum of 1% from the effective date of the new rent registration. This should either reduce or remove any differential between the social and the fair rent.

Secure tenants who transfer to properties within the Group will remain secure tenants entitled to pay a fair rent, except where the tenant chooses to transfer to a property that is only available on Affordable Rent or is subject to a specialist need property that does not allow the right to buy. In this case, they will pay either the Social or Affordable Rent as appropriate for the duration of their tenancy at that property. We will apply for a fair rent registration on a property that is newly occupied by a secure tenant. We will charge the target rent for a property that has not been registered with the Fair Rent Officer within the last ten years until the Fair Rent has been determined by the Fair Rent Officer.

5.9 Shared Ownership Rents

Shared Ownership Rents will be set in accordance with the individual lease, in most circumstances the initial rent will be calculated based on an annual figure equal to 2.75% of the unsold share at the time of purchase. The purchase price will be determined using a RICS recognised methodology as required by the Regulators Tenancy Standard.

Rents will be reviewed annually under the terms of the original lease.

Any future acquisitions of shared ownership properties will be subject to the terms of the lease agreement Prima Group inherits. These rents are not subject to reductions under the Welfare Reform and Work Act 2016.

5.10 Garages, Parking Spaces and Garage Sites

Garage rents will be reviewed annually. Prima Group will endeavour to ensure the rent remains affordable, whilst ensuring they remain commercially viable and increases may be applied where significant investment has taken place.

5.11 Student Accommodation Rents

Prima Group also manages student accommodation at Monument Buildings. These charges are not Homes England regulated and are reviewed annually using market trends as a competitive guide.

5.12 Commercial Rents

Commercial property rent levels will normally be initially set according to a red book valuation determined by a RICS valuation report from an appointed independent surveyor. Prima Group will always enter into commercial negotiations professional valuations as the industry benchmark to assist in determining current market rents. Final rent setting will take account of the valuations, broader market circumstances, the nature and business of the individual tenants and commercial negotiation.

The terms of the review of commercial rents will be clearly set out in the lease.

Commercial leases containing agreed regular rent reviews will be assessed according to a red book valuation determined by a RICS valuation report from an appointed independent surveyor. The rent will be reviewed as per the agreed rent review frequency dates in the agreed occupational agreements.

Individual leases will confirm the basis of the new rent and its review requisites (RPI increase, open market review or agreed increases). Unless stated in the lease, Prima Group will reserve the right to demand rent and interest payable on late reviews as per the agreed rent review memorandum between landlord and tenant.

5.13 Adjustments and Appeals

Most residential tenants have the right to appeal to the First Tier Tribunal Property Chamber, Residential Property (formerly Rent Assessment Committee) against the Fair Rent registered. When appealing to a tribunal, it should be noted that the tribunal has the power to confirm, reduce or increase the rent. Prima Group will appeal against registered rents if the rent is set more than 10% below the rent applied.

Where a tenant has their rent increased or decreased under a tenancy provision appeals will not be allowed. If a tenant feels that their rent has not been set in accordance with this policy, they can raise a formal complaint using the complaints procedure.

Where an error in rent calculation is identified, we will adjust the rent and calculate the difference using the date that we became aware of the error. An adjustment could result in either credit or debit on a customer's account. Errors in rent calculation include occasions where we identify that the incorrect number of rooms has been used to calculate the rent. Any errors in the application of Fair Rents are limited to 2 years in line with the Fair Rent Act.

5.14 High Income Tenants and Pay to Stay Scheme

The Regulator of Social Housing (RSH) Rent Standard allows providers to apply a different rent setting policy for high-income social tenant households. We will currently not apply a different rent setting policy to high income social tenant households. Prima Group has not

implemented the Pay to Stay scheme.

5.15 Service Charges

In certain circumstances depending on the tenancy and property Service Charges may be payable. The Landlord and Tenant Act 1985 defines a service charge as ‘an amount payable by a relevant tenant of a dwelling as part of or in addition to rent. This is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord’s cost of management; and the whole or part of which varies or may vary according to the relevant costs.’ In summary, the law says that:

- Landlords should accurately identify the costs of managing services provided to tenants and leaseholders.
- The reasonable costs of managing services should be passed on to tenants and leaseholders.
- Clear explanations of management costs should be made available to tenants and leaseholders.

Prima maintains a separate Service Charge policy that sets out in detail our approach to calculating those charges.

5.16 Damages for Trespass

Where a person is left in occupation of a property after the termination of the tenancy, damage for trespass will be applied for each week of occupation. This will be set at the formula rent for the property and adjusted in line with changes in the rent for the default tenure for that property.

6 Making sure we do what we say

Prima Group will monitor compliance with rent setting obligations and report to the Executive Team on an annual basis. Reviews and checks by suitably qualified staff will be carried out, taking consideration of segregation of duties.

Prima Group will monitor that service charges are providing value for money and recovering the costs of providing the services. Where services are not meeting the standard expected we will manage this through the contract in place with the service provider.

A report will be submitted to Board annually to review the rents charged. It is the Board’s responsibility for agreeing the annual rent plan.

Rent setting will be subject to internal audit and is included in the self-assessment process we complete annually against the Rent Standard as part of our regulatory requirements.

7 Prima policies and procedures

This policy must be read together with:

- Prima Group's Corporate Plan.
- Tenancy Policy.
- Service Charge Policy.

8 Consultation

This policy was reviewed by David Tolson Partnership Limited (DTP) in February 2021 as part of a review of rent setting.

9 Equality Impact Assessment

Prima welcomes feedback on this policy and the way it operates. We are interested to know of any possible or actual adverse impact that this policy may have on any groups in respect of gender or marital status, race, disability, sexual orientation, religion or belief, age or other characteristics.

The policy has been screened to determine equality relevance for the following equality groups: gender or marital status, race, disability, maternity or pregnancy, sex, sexual orientation, religion or belief, age or other characteristics.

10 Document Control Data

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