



## 2023-24 Rent Policy

# 2023-24 Rent Policy

## 1. Background and summary

- 1.1 Irwell Valley Homes' (IVH) Rent Policy is based upon the Regulator of Social Housing's (RSH) Rent Standard, which took effect from 1<sup>st</sup> April 2020, this reflected the Rent Policy Statement issued by the government in February 2019.
- 1.2 In light of exceptional circumstances, the government has since adjusted this policy in order to protect social housing tenants from very large nominal-terms rent increases that would otherwise have been permitted in 2023-24 due to higher-than-expected levels of inflation.
- 1.3 For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, the CPI+ 1% limit on annual rent increases is replaced by a 7% 'ceiling'. This means that, in that year, IVH may increase rents by up to 7%. This restriction applies to both social rent and affordable rent homes, with the exception of supported housing.
- 1.4 However, it does not affect the calculation of the maximum initial rent when properties are first let or subsequently re-let. In particular, the restriction does not apply to the calculation of formula rent or the rent caps that apply to social rent properties; these continue to increase by CPI+ 1% and CPI +1.5% respectively
- 1.5 Included within IVH's Rent Policy but not covered by the Rent Standard, are the following types of accommodation:
  - Intermediate Market Rent (IMR);
  - Rent to Buy;
  - Market rent;
  - Shared ownership low cost rental accommodation;
  - Leased tenancies.

## 2. Policy Aim:

- 2.1 IVH's Rent Policy helps enable us to achieve our mission of ensuring people live well in their homes and communities. Our Corporate, Plan Living Well, Living Better, which this policy supports sets out our medium-term strategic direction, through the following priorities:
  - Providing safe and good quality homes and services
  - Making a difference in the communities we serve
  - Providing more affordable homes
  - Supporting colleagues to enjoy work, learn and grow
- 2.2 The Rent Policy ensures transparency and consistency with regards to rent setting for similar properties and tenures, and ensures adherence to regulatory standards, as well as tenancy and lease agreements for individual properties.
- 2.3 The Policy also takes account of affordability considerations. The level of CPI will continue to be monitored and forecast for future years to assess the affordability of future rent increases.
- 2.4

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- 2.5 Previously, the Policy has allowed for flexibility to apply discretion in setting lower rent levels, according to specific circumstances. The Governments December 2022 Policy Statement has enforced all providers to implement that flexibility by introducing a rent cap of 7% to social and affordable rent properties. This decision has been reviewed in the context of the wider Financial Plan and financial viability.

### 3. Background Information - 2020 Limit for existing customers

- 3.1 The RSH Rent Standard April 2020, introduced a term called the “2020 Limit” which determined the baseline of rental income for existing properties for which the 2020/21 increase and subsequent increases were to be applied. The 2020 Limit was found by:
- a. Determining the “Average Weekly Rent” for the customer’s accommodation in the fourth relevant year specified in section 23(6) of the Welfare Reform and Work Act 2016; and
  - b. Increasing that amount by CPI + 1%;
  - c. In this paragraph “Average Weekly Rent” means:
    - a. the average weekly rent payable by the customer of that accommodation in respect of the fourth year; or
    - b. In a case where the weekly rent changes because the accommodation is re-let after the start of the fourth year, the weekly rent payable by the customer in respect of the most recent period for which rent was payable at that changed rate provided that that change complies with the requirements of the of the social housing provisions 13 of the Welfare Reform and Work Act 2016 Act and any Regulations made under those provisions.
- 3.2 The formula for calculating the 2020 Limit applies to both social rent and Affordable Rent housing.

### 4. Social Rent (excluding affordable rent) (\*5,999 GN Units, Supported. 719 units) \*SDR 2022 Data

- 4.1 New customers (including re-lets)
- 4.2 The maximum weekly rent for a customer who is granted a tenancy of the accommodation for the first time is Formula Rent (also known as target rent). Formula Rents are exclusive of any service charges.
- 4.3 The Formula Rent of accommodation is found in accordance with the method set out appendix one, taken from the Rent Policy Statement. The rent set may include an upwards tolerance, “Rent Flexibility”, of
- a) If the accommodation is supported housing, 10% of formula rent; or
  - b) If the accommodation is not supported housing, 5% of formula rent.

Formula Rent is subject to the rent cap within appendix one.

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- 4.4 The housing management system, QLH, holds all Formula Rents for each property, which are increased by CPI+ 1% at each rent review date as part of the rent review process. The rent cap of 7% for 2023/24 does not apply to formula rent.
- 4.5 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.
- 4.6 The rent caps for 2023-24 are set out in Appendix. From 2024-25 onwards, the rent caps will increase by CPI (at September of the previous year) + 1.5 percentage points annually.
- 4.7 When a property becomes void, the lettings teams will allocate the Formula Rent to that property at re-let, subject to the rent cap.
- 4.8 Re-lets conducted within the 28-day notice period of the rent review date must continue to be re-let at the current Formula Rent. However, at the time of completing the tenancy agreement with the customer, we will agree with them in writing that the new increased rent will apply from the agreed rent review date.
- 5 Existing customers
- 5.6 IVH must not increase rents for properties let on social rent terms by more than CPI + 1% each year. For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling. In that period, IVH may not increase rents by more than 7%. 'Existing tenant' in this context means an existing tenant of the specific property concerned.
- 5.7 The 7% ceiling does not apply to supported/independent living housing accommodation. IVH will assess the impact of the CPI+1% increase on affordability for customers, taking into account all external factors. Where affordability issues are a concern, the Rents Team will continue to provide support to vulnerable customers to assist them in managing their rent (and service charge) payments.
- 5.8 As mentioned within section 2.5, in exceptional circumstances, the Policy allows for flexibility to apply discretion in setting lower rent levels, according to specific circumstances. IVH have considered this for independent living bedsit properties and concluded the 2023/24 rent review will also be capped at 7%. This has been concluded within the draft financial plan.
- 4.8 New Build – Development Programme
- 4.9 At the appraisal stage of a development, the Development Team will request an estimate rent charge from the Financial Reporting Manager using the Formula Rent calculation.
- 4.10 At completion of the scheme, a formal January 1999 valuation is to be requested via an external valuer by the Development Team and included within the overall scheme costs. This valuation is then included within the Formula Rent calculator to determine the correct rent to charge to customers.

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- 4.11 New build scheme January 1999 valuations can be used as beacon valuation moving forward, therefore if a similar scheme with the same bed sizes is developed within a similar area, the requirement of an external valuation can be omitted in such cases.
- 4.12 All new build schemes will have an April rent review date in line with standard practice across the sector.

### 6 Affordable Rent (215 units) \*SDR 2022 Data

- 5.1 Affordable Rent may only be charged where the property in question is:
- a) Subject to a housing supply delivery agreement with Homes England and the accommodation is permitted by that agreement to be let at an Affordable Rent; or
  - b) Subject to an agreement with the relevant local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an Affordable Rent; or
  - c) A local authority, and the Secretary of State or Homes England has agreed that it is appropriate for the accommodation to be let at an Affordable Rent.
- 5.2 In addition to the above, Affordable Rent may be charged where the property has been acquired by IVH and was Affordable Rent housing when it was acquired.
- 5.3 Where Affordable Rent is being charged, the maximum rent inclusive of service charge for a new customer under a new tenancy is 80% of the market rent for the accommodation.
- 5.4 Existing customers - IVH must not increase rents for properties let on affordable rent terms by more than CPI + 1 percentage point each year. For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling. In that period, IVH may not increase rents by more than 7%.
- 5.5 Re-lets – when a tenancy of affordable rent housing is let to a new tenant (or re-let to an existing tenant), IVH must re-set the rent based on a new valuation, to ensure that the new rent is no more than 80% of the relevant market rent. However, if the accommodation is re-let to the same tenant as a consequence of a probationary tenancy coming to an end, the rent must not be re-set.
- 5.6 Re-let (New tenant) - a minimum of three market rent valuations are to be obtained by the lettings team on a comparison website which compares market prices from Rightmove, Zoopla and other sites. This identifies similar properties in the area in recent months and is to be used by the lettings teams to obtain a reasonable market rate to be used for IVH properties. This rate is then multiplied by 80% to establish the Affordable Rent, inclusive of service charges. This is to be certified by the Rent & Service Charge Finance Business Partner (FBP).
- 5.7 Where a registered provider is re-setting the rent as a result of re-letting affordable rent housing to an existing tenant, IVH may not increase the rent by more than CPI + 1%. When re-setting a rent between 1 April 2023 and 31 March 2024, this limit is subject to a 7% ceiling. In that period, IVH may not increase the rent by more than 7%. 'Existing tenant'

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in this context means an existing tenant of the specific property concerned.

- 5.8 New build – on completion a market rent valuation is to be obtained from an external valuer, the affordable rent will be 80% of the valuation received. This is to be certified by the Rent & Service Charge FBP. New build schemes will have an April rent review date.
- 5.9 Previously, sections 5.4 and 5.5 were subject to a maximum cap of the Local Housing Allowance (LHA). This was an internal limitation not included within the RSH Rent Guidance and based on benchmarking data provided to Board in December on IVH rents compared to LHA, this limitation has been removed.
- 5.10 Re-lets conducted within the 28-day notice period of the rent review date must continue to be re-let at the current Affordable Rent. However, at the time of completing the tenancy agreement with the customer we will agree with them in writing that the new increased rent will apply from the agreed rent review date.

### 5 Secure Rent Tenancies (Fair Rents) (Approx. 230 units)

- 6.1 Tenancies created before 15th January 1989 will be Secure Rent tenancies (known as Fair Rents). In the case of tenancies subject to Fair Rent protection, the maximum weekly rent is the lower of the Fair Rent set by the Valuation Office Agency (VOA) Rent Officer, and Formula Rent (subject to both the rent caps and the rent flexibility level).
- 6.2 As with other social rent properties, IVH may not increase any tenant's rent by more than CPI (as at September of the previous year) + 1 % in any year (even if a tenant's rent is below the formula rent level and the maximum fair rent is increased by more than that amount).
- 6.3 For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling. In that period, IVH may not increase rents by more than 7%.
- 6.4 Where a tenancy subject to Fair Rent protection ends and the property is re-let, the new letting should be at Social Rent (or Affordable Rent where applicable and permitted within the Rent Policy Statement). If an existing tenant IVH may not increase the rent by more than CPI + 1%. When re-setting a rent between 1 April 2023 and 31 March 2024, this limit is subject to a 7% ceiling

### 6 Intermediate Market Rent, Rent to Buy and Market Rented Properties (Approx. 200 units)

- 7.1 Intermediate Market Rent, Rent to Buy and Market Rented properties do not fall under the Rent Standard and are therefore exempt from the 2020 Limit, CPI+1% maximum increase and the 7% 2023/24 rent cap.
- 7.2 For Intermediate Market Rented properties the rent is set at a level which is no more than 80% of the estimated market rent for the accommodation (inclusive of service charges). Rent reviews will be carried out annually in September to be implemented on the 1st April by way of an in-house valuation, directed by the Leasehold Team. The 80% calculation is checked by the Rent & Service Charge FBP.

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- 7.3 Rent to buy properties are let at an Intermediate Rent (see section 7.2 above) for a minimum of five years during which it is expected that tenants will save for the deposit to purchase their home. After the initial five-year letting period, the Head of Communities will access the following options, in the best interest of IVH and the communities we serve:
- continue offering the property as Rent to Buy
  - sell the home on an outright basis with the tenant being given the right of first refusal; or
  - retain and convert the home as rented housing on either an affordable or market rent basis
- 7.4 Market Rented properties will be set based on current Market Rent for the accommodation (inclusive of service charges). Rent reviews will be carried out annually in September to be implemented on the 1<sup>st</sup> April by way of an in-house valuation and any increases applied.
- 7.5 Rent levels for new let properties will be set based on a new valuation.
- 7.6 The in-house valuation is based on a comparison website (OpenRent) which compares multiple market prices. This identifies similar properties in the area in recent months and provides a reasonable rate to be used for IVH properties which is approved by the Leasehold Manager and checked by the Rent & Service Charge FBP.

### 7 Shared Ownership (190 units) \*SDR 2022 Data

- 8.1 Shared Ownership properties do not fall under the Rent Standard and are therefore exempt from the 2020 Limit and CPI+1% maximum increase. Shared Ownership leases are assured tenancies and as a result are not subject to rent control under the Rent Act 1977.
- 8.2 The setting of rents for Shared Ownership is a matter for IVH to agree with the leaseholder at the point at which the lease is granted. However, for grant funded schemes, IVH must comply with the relevant requirements set out in the Capital Funding Guide, which sets a maximum rent level and maximum rate of rent increase. This stipulates that the initial rent must not exceed 3% of the capital value of the unsold equity at the point of initial sale, but it can be less. Providers are encouraged to set rents that average no more than 2.75% of the value of the unsold equity at the point of initial sale which is the process IVH follow.
- 8.3 IVH will annually increase Shared Ownership rent levels by the level as stated in each individual lease agreement. For all new Shared Ownership rents, this will be limited to the Retail Price Index (RPI) plus 0.5% as per the Capital Funding Guide, using the RPI figure for a specified month which is published annually. For some existing Shared Ownership leases, the annual rent increase is higher, with a limit up to the Retail Price Index (RPI) plus 2%.
- 8.4 Where the RPI figure for the specified month is nil or negative, Homes England requires any rent increase to be limited to a maximum of 0.5%. This excludes properties where their individual lease states an increase of RPI plus 2% as per section 8.4.

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- 8.5 All new build schemes will have an April rent review date.
- 8.6 For the purpose of the 2023/24 rent review, IVH will cap the rent increase on shared ownership properties to 7%, following the proposal provided to the Government by the National Housing Federation. Legal advice will be sought where relevant to ensure IVH mitigate any risk relating to the potential breach of any lease conditions with the shared owner and any conditions stipulated by IVH funders.
- 8.7 The 7% cap will be applied to the current rent of each shared ownership property.
- 8.7 Sections 8.1 to 8.5 will resume effectiveness for the 2024/25 rent review.

### 8 Leased Tenancies

- 9.1 For all other rents outside the scope of the Rent Standard (unless specified within this Policy), IVH will increase the rent in line with the tenancy/lease agreements. Where this is unspecified, we will use the previous September's published CPI figure plus 1%.

### 9 Rent Review Date

- 10.1 All rent reviews for tenancies that are subject to the Rent Standard will take place on the Rent Review Date which for most social housing properties will be the Monday at the start of week 27 in the financial year, which will predominately fall in last week of September/first week of October each year, with the exception of the majority of secure rents who have an April increase.
- 10.2 As detailed in the relevant sections above, all new build schemes will be subject to an April rent review date.
- 10.3 All rent reviews for tenancies not covered by the Rent Standard will take place every 52 weeks, in accordance with the relevant tenancy/lease agreement. In most cases, the rent review date is April.
- 10.4 All customers will receive a minimum period of 28 days' notice before the rent review date.
- 10.5 IVH have tenancies on 50 weeks and 48-week tenancies. Those tenancies on a 50-week tenancy agreement do not pay rent on week 1 and 39. Those on a 48-week tenancy do not pay rent on weeks 1, 2, 39 and 40.
- 10.6 This does not change on a 53-week year. IVH collect the rent over the remaining week to give the same annual total as would be the case if spread equally over 52/53 weeks.

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## 10 Responsibility

11.1 The Executive Director of Finance, Governance & Investment has overall responsibility for the effective implementation of this Policy. Specific areas of responsibility are set out below:

- The Asset Management Team are responsible for ensuring the standing data on properties in relation to bedroom size in the housing management is correct based upon stock condition surveys.
- The Head of Independent & Community Living will ensure that supported properties are properly classified in the housing management system, which will determine the eligibility of properties for Rent Flexibility.
- The Communities Team will apply the relevant target rent within QLH to all re-let properties. The Communities Team are responsible for notifying the Rent & Service Charge FBP of any queries in relation to target rents at the time of re-let, if relevant.
- The Development Team will provide the relevant information to the Rent & Service Charge FBP to enable them to calculate a formula rent for new social rented properties for appraisal purposes as well as providing an external January 1999 valuation at the date of completion. The Development Team are also responsible for providing the Rent & Service Charge FBP with an external valuation of any affordable new build properties to enable the calculation of the relevant affordable rent to be applied.
- The Leasehold Team will provide external valuations for IMR and Market Rented properties to enable the Rent & Service Charge FBP to certify the rent charged.
- The Rent & Service Charge FBP will certify the rent charges per tenure type in line with this policy.
- Roles and responsibilities outlined in tabular format below.

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Table one – Roles & responsibilities

| Responsibilities   | Board | Leadership Team | Review Manager                           | Specific Team                               |
|--|-------|-----------------|--|---|
| Overall Responsibility including compliance with Rent Standard   | ✓     | ✓               |  |   |
| Ensuring the standing data on properties in relation to bedroom size in the housing management is correct based upon stock condition surveys |       | ✓               | Head of Asset Management                 | Assets Team                                 |
| Ensure that supported properties are properly classified in the housing management system  |       | ✓               | Head of Independent and Community Living | Independent and community Living Team       |
| Setting of rents on re-lets  |       | ✓               | Rent & Service Charge FBP                | Communities Team                            |
| Setting rents for new developments   |       | ✓               | Rent & Service Charge FBP                | Development Team                            |
| Input of new rents onto housing management system  |       | ✓               | Rent & Service Charge FBP                | Finance/IT Team                             |
| External valuations for IMR and Market Rented properties   |       | ✓               | Rent & Service Charge FBP                | Leasehold Team                              |
| Review and approval of rent setting policy   | ✓     | ✓               | Head of Finance, Risk & Assurance        | Finance Team                                |
| Annual Rent Review   |       | ✓               | Rent & Service Charge FBP                | Finance/Leasehold Team/<br>Development Team |

## 11 Performance Indicators/Targets/Standards:

- 12.1 The Rent Policy is reviewed on an annual basis or more often in the event of material changes to the policy.
- 12.2 Changes in rent levels are reflected in the annual budget and are proposed annually to Board as part of the approval of the Financial Plan assumptions.

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## 12 Equality and Diversity Implications:

- 13.1 Irwell Valley Homes is committed to treating people with honesty, dignity, respect, and trust. This applies to colleagues, customers potential customers, contractors, and Board Members. At IVH:
- Equality is about ensuring that every individual has an opportunity to make the most of their lives and talents.
  - Diversity is recognising difference and responding positively to those differences.
  - Inclusion is about creating an environment where our services and employment opportunities are accessible to all.
- 13.2 IVH will be mindful of the Equality Act 2010 in all its actions and will consider all the protected characteristics of the Act which are: Race, Sex, Gender Reassignment, Disability, Sexual Orientation, Religion or Belief, Age, Marriage/Civil Partnership and Pregnancy and Maternity explicitly. Further to the protected characteristics, IVH will be mindful of socio-economic disadvantage and will do everything in its power to minimise this and other forms of disadvantage.

## 13 Cross Reference Documents

14.1 Documents or sources of information that relate to this subject are: -

Rent Standard:

- Regulator of Social Housing – Decision Statement on Rent Standard April 2020 (new Rent Standard included at annexe two)  
([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/847359/Decision\\_Statement\\_Consultation\\_on\\_the\\_Rent\\_Standard\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/847359/Decision_Statement_Consultation_on_the_Rent_Standard_FINAL.pdf))
- Policy Statement on Social Rents December 2022 - [Policy statement on rents for social housing - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/social-housing)

Publications on Fair Rents:

- The role of the rent officer & rent assessment committee. Understanding you registered rent – published by the Rent Service. ([www.voa.gov.uk](http://www.voa.gov.uk))

Publications on IMR Rents: Homes England capital funding guide:  
<https://www.gov.uk/guidance/capital-funding-guide>

Consumer price Index and Retail Price Index sources:<https://www.ons.gov.uk>

Office of National Statistics – Average Salary information per local authority.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworking/hours/datasets/placeofresidencebylocalauthorityashetable8>

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## Appendix one – Calculation of Formula Rent

The basis for the calculation of formula rent for 2000-01 is:

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

This can be expressed as a formula, in which the Formula Rent for a property is calculated using the following approach:

Weekly Formula Rent =

70% of the national average rent x relative county earnings x bedroom weight

Plus 30% of the national average rent x relative property Value

### Definitions

National average rent means the national (England) average rent in April 2000 = £54.62

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 = £307.30

Relative property value means an individual property's value divided by the national (England) average property value (£49,750), as at January 1999 prices.

- Re-lets General Needs (if required) - IVH 1999 Values are held within QLH, based on beacon valuation conducted in 2002. The beacon valuation is to be used within the Formula Rent calculation for general needs properties.
- Re-lets Supported properties (if required) - beacon valuation are also within QLH, however if the supported facilities are amended within the void property, the DRC calculation, held by the Rent & Service Charge FBP is used to recalculate an updated 1999 value.

Bedroom weights are:

| Number of Bedroom | Bedroom Weight |
|-------------------|----------------|
| 0 (i.e. bedsit)   | 0.80           |
| 1                 | 0.90           |
| 2                 | 1.00           |
| 3                 | 1.10           |
| 4                 | 1.20           |
| 5                 | 1.30           |
| 6 or more         | 1.40           |

Putting the relevant information into the above formula will generate the Formula Rent for 2000-01 for the property. The 2000-01 formula rent must then be up rated, for each year using the two-step process below:

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### Step 1:

| Year    | Total – Social | Year    | Total - Supported |
|---------|----------------|---------|-------------------|
| 2001-02 | 4.3%           | 2001-02 | 4.3%              |
| 2002-03 | 2.2%           | 2002-03 | 2.2%              |
| 2003-04 | 2.2%           | 2003-04 | 2.2%              |
| 2004-05 | 3.3%           | 2004-05 | 3.3%              |
| 2005-06 | 3.6%           | 2005-06 | 3.6%              |
| 2006-07 | 3.2%           | 2006-07 | 3.2%              |
| 2007-08 | 4.1%           | 2007-08 | 4.1%              |
| 2008-09 | 4.4%           | 2008-09 | 4.4%              |
| 2009-10 | 5.5%           | 2009-10 | 5.5%              |
| 2010-11 | -0.9%          | 2010-11 | -0.9%             |
| 2011-12 | 5.1%           | 2011-12 | 5.1%              |
| 2012-13 | 6.1%           | 2012-13 | 6.1%              |
| 2013-14 | 3.1%           | 2013-14 | 3.1%              |
| 2014-15 | 3.7%           | 2014-15 | 3.7%              |
| 2015-16 | 2.2%           | 2015-16 | 2.2%              |
| 2016-17 | -1.0%          | 2016-17 | 0.9%              |
| 2017-18 | -1.0%          | 2017-18 | -1.0%             |
| 2018-19 | -1.0%          | 2018-19 | -1.0%             |
| 2019-20 | -1.0%          | 2019-20 | -1.0%             |
| 2020-21 | 2.7%           | 2020-21 | 1.7%              |
| 2021-22 | 1.5%           | 2021-22 | 1.5%              |
| 2022-23 | 4.1%           | 2022-23 | 4.1%              |
| 2023-24 | 7.0%           | 2023-24 | 11.10%            |

### Step 2:

The formula rent must be adjusted annually by CPI (at September of the previous year) + 1%. This applies regardless of any exceptions that operated under the social rent reduction or rent cap of 7%.

Rent Caps - Formula rent caps for 2023-24 are as outlined in the following table:

| Number of Bedroom | Bedroom Weight |
|-------------------|----------------|
| 1 and bedsits     | £173.79        |
| 2                 | £184.00        |
| 3                 | £194.22        |
| 4                 | £204.43        |
| 5                 | £214.66        |
| 6 or more         | £224.87        |

The rent caps will increase annually by CPI + 1.5%, the annual change in rent for the customer in a 'rent capped' property must still be governed by the CPI + 1% limit on rent changes. However, where a property whose rent has been subject to the rent cap comes up for re-let (and Formula Rent remains above the rent cap), the new rent may be set at up to the rent cap level – which will have been increasing by CPI + 1.5%, rather than CPI + 1%.

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