

### 1. Purpose and scope

This policy outlines Papworth Trust's approach to setting rents across its homes to ensure the correct balance between ensuring its financial requirements and legal responsibilities are met whilst also enabling the Trust to ensure its homes remain affordable and deliver value for money for tenants.

This policy explains how Papworth Trust sets rents for residential property only; it does not cover commercial or other property and facilities.

### 2. Aims

This policy aims to:

- Provide information on how the Trust sets its rent across different types of housing and tenure
- Provide assurance in how the Trust complies with current regulatory requirements and best practice in relation to rent setting and the Rent Standard.

### 3. Rent types and definitions

This policy applies to the following types of rent:

- **Fair rent**

Fair rent applies to where secure tenancies began prior to 1989. The maximum fair rent level is set by the Valuations Office Agency (VOA) rent officers. Fair rents are lower than Social or Affordable Rent

As the Trust no longer issues secure tenancies, no new fair rents will be levied by and are being phased out as tenancies terminate.

- **Social rent**

Social rent applies to the majority of Papworth Trust homes. It is a sub-market rent calculated using formula rent. In accordance with the Rent Standard, a formula rent will be established for each property, using the following formula:

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

Property values are assessed against the national average, using a January 1999 valuation date. The government has provided the bedroom factor and the data necessary to calculate formula rents. The formula rent is then adjusted by the guideline annual limit change from 1999 to provide a social rent for the relevant year.

We will not necessarily carry out valuations for every unit and will use a combination of actual valuations and transpose these to similar property types and/or locations. Where actual valuations are obtained, Royal Institute of Chartered Surveyors approved Existing Use valuations will generally be utilised in the formula rent calculations. As enabled by the rent standard Depreciated Replacement Cost valuations will be used where this offers more accurate valuation of a property.

- **Affordable rent**

Affordable rent is a higher level of sub-market rent that can be charged on new and existing homes to help fund the provision of new homes for rent. These are set at up to 80% of market rents (inclusive of service charges). The percentage of each home will be set to a maximum of 80%, with specific consideration given to, local market conditions and affordability, level of adaptation, development costs or stipulations and any other criteria relevant at the time of rent setting.

- **Market rent**

The maximum rent level that can be under local (non-social) market conditions.

The rent policy explains how each rent will be used across different Trust housing types/categories:

- A. General needs homes
- B. Independent Living homes
- C. Supported Living homes
- D. Shared Ownership homes

#### 4. Legal and Regulatory Considerations

Papworth Trust is constrained by regulatory requirements that apply to the level of rents which it can charge. Different approaches to rent setting can apply dependent on when someone originally became a tenant, tenancy type and in some cases the terms of a grant that may have originally funded the purchase and/or development of a home.

Rent policy is reviewed periodically and updated as appropriate to reflect changes in policy adopted by the Trust, as well as changes in legal and regulatory requirements.

While the following pages in this document describe the detailed policy for each type of Housing, rents for new tenants are set in accordance to the Rent Standard published by the Regulator of Social Housing (RSH).

## 5. Rent Flexibility

The Rent Standard allows an upward tolerance on individual formula rents of 5% on general needs and 10% on supported housing. This is the limit of the rent flexibility level.

The Trust will apply this flexibility in full and formula rents will be 5% higher for general needs and 10% higher for sheltered and supported housing.

## 6. Service and other Charges

In some cases, the Trust levies service or other additional charges separate to net rent being charged. These charges are principally to cover the cost of providing additional services not covered under rent.

A separate policy covers the management of service and other related charges.

## 7. Rent by Housing Type

### **A) General needs homes**

This applies to all homes defined as general needs. In cases general needs homes have no specific disabled adaptation and facilities installed by Papworth Trust.

New lettings will be at a Social Rent level (including an additional 5% permitted).

### **B) Independent Living homes**

This applies to properties where an element of additional support or facilities are provided to the occupant(s). This includes, but is not limited to, where a tenant has:

- Funded care and/or support (either by Papworth Trust or another agency)
- Additional facilities or equipment in the home supplied by the Trust to enable more independent living
- a requirement for additional housing related support over and above general tenancy management

Independent living homes will generally be let at social rent level (including an additional 5% permitted) unless it has been developed as part of the

Homes England affordable homes programme and has been specifically set at an Affordable Rent level.

Transfers to supported or adapted housing will generally be at same level as for a new letting as above. Exclusions may include, but are not limited to:

- Permanent decants
- Under-occupiers transferring within Papworth Trust homes

### **C) Supported Living homes**

This applies to properties where specialist support is provided to the occupant(s), generally contracted through a commissioning body and is a contractual requirement as part of living in the home which is explicitly stated within the tenancy agreement.

Supported living homes will generally be let at social rent level (including an optional 10% permitted under the Rent Standard)

Specialised supported housing is a sub-category of supported living accommodation that meets the following criteria:

- The scheme offers a high level of support for clients, for whom the only acceptable alternative public or voluntary sector options are care homes, and
- No, or negligible, public subsidy has been received, whether in the form of grant or free land, and
- The scheme has been commissioned in line with local health, social services or Supporting People strategies and priorities, (but which are not of sufficiently high priority as to receive Social Housing Grant)

Rents for specialised supported housing are exempt from the Rent Standard and will be set at an appropriate level to ensure the long-term viability of the accommodation. Consideration will be given to:

- Specific agreements with funders or commissioners
- The nature of the accommodation
- General affordability and the levels of housing related benefits which individuals may be able to claim toward their home, including local housing allowance.

Although specialised supported housing is exempt from the Rent Standard, Papworth Trust will have consideration to the Rent Standard and the any published RSH rent settlement documents.

### **D) Shared Ownership**

Shared ownership refers to homes where a person has purchased a share in the property from Papworth Trust and are leasing any remaining equity.

The initial rent being charged is set out in the shared ownership lease entered into at the time of the purchase. This is normally set as a percentage of the

value of retained share of the property calculated on an open market basis with vacant possession.

Details of annual rent changes are set out in the specific shared ownership lease.

## 8. Annual Rent Changes

Rent changes will be reviewed and agreed by the Board of Trustees annually.

This will be done in line with the rent standard and any relevant information published by the RSH.

Formula rents will increase by no more than CPI (September rate in the preceding year) plus 1% per annum and will apply to all rents.

## 9. Rent Variations for Improvements

If a major improvement funded by the Trust, such as an extension, which results in one or more additional bedrooms being created in a property then the property will be recalculated to establish a new rent.

If a major improvement is undertaken and funded by a tenant, or by another body on behalf of the tenant, then no adjustment will be made to the rent until the property becomes empty.

## 10. Monitoring and review

This policy will be reviewed at least every 3 years by the policy owner or sooner if required.

## 11. Further information

Policies, Procedures, Forms and Guidance
<ul style="list-style-type: none"><li>• None</li></ul>
External web links
<ul style="list-style-type: none"><li>• <a href="http://www.gov.uk">Rent Standard and guidance - GOV.UK (www.gov.uk)</a></li></ul>

## 12. Document Control

Owner	Business Manager – Housing Management
Consulted	Property Group and Tenant Scrutiny Panel
Approver	Senior Business Manager -Property
Date	February 2024
Next review date	January 2027
Ratified by	Finance Audit and Risk Committee January 2024, Board February 2024

**If you have any feedback or want to suggest corrections to this policy, please contact the policy owner.**

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## 13. Version tracker

Version number	Date	Approved by	Comments/Reason for issue
1.0	October 2017	Senior Business Manager - Property	New policy
2.0	September 2020	Senior Business Manager - Property	Standard review and revision
3.0	September 2023	Senior Business Manager - Property	Standard policy review
4.0	February 2024	Senior Business Manager - Property	Review following legal advice