



Rent Setting Policy - 2023/2024

Our Mission

We co-design and deliver services that offer innovative social care solutions and support people to thrive.

Our Values

We are **caring** and **compassionate**.

We are **inclusive** and **trusted**.

We focus on **excellence** and **innovation**.

We work in **partnership** and are **one team**.

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Look Ahead
CARE, SUPPORT AND HOUSING

1. Introduction

- 1.1 Look Ahead is a provider of social housing and regulated by the Regulator of Social Housing ('RSH'). Most of the properties that we own are supported housing and fall within the social rent regulation scheme. The net rent (excluding any service charges or other charges) is set according to the government's Rent Standard and Guidance [2023](#) for 'general needs' properties and [2022 for supported housing](#).
- 1.2 The policy sets out our approach to setting social housing rents, and rates within our commercial portfolio which sits outside of the RSH regulation framework.

1. Aims

- 1.1 The policy aims to:
- Comply with current guidance and legislation
 - Set rents at a level that are affordable and justifiable; and
 - Maintains the stability and viability of our Business Plan
 - Treat our customers fairly and consistently in our approach to setting rents
 - Ensure that our tenants understand how their initial rent is set as well how increase are applied

2. Scope

- 3.1 The policy covers rent setting arrangements for properties owned by us, including the following categories - regardless of tenancy type:
- supported housing managed directly by us
 - supported housing managed by our approved agents
 - specialised supported housing.
 - Intermediate rented properties
 - Market Rent
 - Commercial and office spaces
 - Temporary accommodation
- 3.2 We own several private care businesses which are subsidiaries of Look Ahead and sit outside of the RSH regulatory framework. The subsidiary boards are responsible for developing their own rent setting policies and, as such, properties within the subsidiaries fall outside of this policy.
- 3.3 We own and run a small number of care homes which are not subject to the rent regulation regime. The charges in care homes include the cost of care and support as well as accommodation costs and services. The costs are, usually, met by grant funding and care packages from Health and Local Authority Commissioners. The charges for these services fall outside the scope of this policy.
- 3.4 We own freehold properties that are leased to other organisations. The lease holders are responsible for having and applying appropriate rent setting policies.

4 Rent Setting

Rent Standard

- 4.1 Since 2001, rents for properties let at “social rent” have been set based on a formula set by government. This creates a “formula rent” for each property, which is calculated based on the relevant value of the property, relative local income levels and the size of the property.
- 4.2 From April 2016, the Welfare Reform and Work Act 2016 required social landlords to reduce rents by 1% each year for four years. This was designed to help welfare spending get on a more sustainable footing and reduce costs for tenants.
- 4.3 From 2020, registered providers were permitted to set initial rents on properties to be let at social housing at a level that is no higher than the formula rent:
- 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.

Weekly formula rent is equal to:

70% of the national average rent
Multiplied by the relative earnings
Multiplied by the bedroom weighting.

Plus

30% of the national average rent
Multiplied by the relative property value

- 4.4 All the elements of the formula are published by the Office of National Statistics (ONS), with the only variable element being the estimated Existing Use Value of the property in January 1999.
- 4.5 The formula used for the majority of our supported housing is based on:
- the valuation at Existing Use Value of the home in 1999 compared to a national average of £49,750 (30% weighting)
 - regional average earnings compared to the national average. In London this equates to a factor of 12% above the national average (70% weighting).
 - a factor for the number of bedrooms with a graduated scale of up to 6 bedrooms
- 4.6 The resulting ‘target’ rents are capped for each bed size and the caps have been annually updated. The details of which are set out in the Rent Standard 2020. Rent restructuring meant that all social rents, whatever their starting point, were intended to move towards the target rent over a 10-year period. For supported housing the starting point was 2003.
- 4.7 A variant for the method of valuation is allowed for some supported housing schemes where a standard valuation method did not produce a valuation which

properly reflected the cost of the building, including all of its shared areas. The inputs to this model are the square meterage, the relevant former Housing Corporation regional cost variants for build costs per square meter and the provision of wheelchair standard and lift facilities together with a factor for the kitchen, heating, and bathroom system.

- 4.8 The valuation is reset following major home improvements, eg a package improvement to a void. This revaluation is worked back to the equivalent 1999 valuation (using a published nationwide index of house prices) and the rent model recalculates the rent. This new rent is applied to the new, income tenant.
- 4.9 The government gave registered providers some discretion over rent set for individual properties, to take account of local factors and tenant consultation. This provision permits registered providers to set rents at up to 10% above the formula rent for supported housing and 5% for general needs. Registered providers must have a clear rationale for applying tolerances based on local circumstances and affordability. Look Ahead have applied the 10% tolerance for supported housing from the start.

5. Annual Rent Changes

- 5.1 The social rent regime also sets out how rents are allowed to change each year. All rents governed by the Rent Standard are restricted by the “guideline limit”.
- 5.2 In 2023/24 the guideline limits for ‘general needs’ housing is CPI + 1%, capped at 5% of formula rent,

In 2023/24 the guideline limits for “Supported Housing” is and CPI + 1% capped at 11% of formula rent.
- 5.3 The annual rent setting for our supported housing properties (with the exception of hostel properties) take place in July every year.

6. Re-lets

- 6.1 Where properties are let on Assured Shorthold tenancies to people who are not existing Look Ahead tenants, the starting rent for the property will be the formula rent, unless this is higher than the government rent cap for new properties, in which case the Government Rent Cap will be charged.
- 6.2 Where a tenancy commences within 12 months of the rent increase, the new tenant will sign an understanding that the rent will increase in less than 12 months in the first year of their tenancy.
- 6.3 Where there is an existing registered fair rent on the property the rent will be capped. Before a new tenancy is granted the old registration should be reviewed, and if the Head of Housing or designated officer feels that the rent is now set to low, an immediate application must be made to the Rent Officer to register a new fair rent.

7. Transfers Secure Tenancies

- 7.1 Tenants who are renting general needs social housing properties from Look Ahead under “secure” tenancies, which were generally issued before 1989, can only transfer their secure tenancy when they move another Look Ahead property.
- 7.2 When the move is required by Look Ahead, for example due to redevelopment, the new rent to be charged is the existing secure rent, adjusted for changes in the number of bedrooms.
- 7.3 When a secure tenant requests a transfer or it is for housing management reasons, a new rent will be charged at the formula rent for the property which will not be than the relevant Government Rent Cap or the fair rent registered by the Rent Officer at the Valuation Office Agency. Tenants moving to a smaller property will be charged a rent no more than 95% of the previous rent.
- 7.4 Rents on a property let on a “secure” tenancy will rise by inflation CPI+1.

8. Rents Outside of the Rent Regulation Regime

Intermediate Market Rents

- 8.1 We have a small portfolio of Intermediate Market Rental properties. The rents are set at 80% of market rent levels which is determined using a RICS recognised methodology, as required by the Regulator of Social Housing’s Tenancy Standard. The RICS valuation determines the baseline rent for the property, however rent levels are set higher if market research suggests higher figures could be achieved.
- 8.2 We will obtain current market estimations for similar properties in the area by consulting with local estate agents. We will consider several factors when comparing properties, such as postcode, the condition of the property, the number of bedrooms and communal facilities to determine market value.
- 8.3 We review Intermediate Rent levels in April each year, but not within the first year of the tenancy. Any increases will be limited to CPI +1%.
- 8.4 We will ensure any increase applied to the rent does not exceed 80% of the local market rent value.
- 8.5 For properties in London acquired after December 2011, rents will be charged to new tenants will be set at levels advised by the Mayor of London for London Living Rents. In other cases, levels will be stipulated by a section 106 agreement or 80% of the open market rent but linked to household incomes within the London plan caps of income for immediate housing.

Market rents

- 8.6 Properties that sit within LARCH are market rent properties. Initial rents are set using the open market rent for the property based on advice from local letting agents.

8.7 The market rent for the property will be assessed by a local letting agent and the rent increase will be based on their advice.

Specialised Supported Housing

8.8 Schemes consisting of specialised supported housing which qualifies under the rent standard as being exempt from the rent regulation regime.

8.9 The exemption from social rent requirements of specialised housing is usually limited to those properties developed in partnership with local authorities or the health service and which satisfy all of the following criteria:

- the scheme offers a high level of support for customers 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 to receive SHG)

8.10 The Business Development team should work with commissioners early in the process to determine whether a potential service meets the specialist housing criteria.

8.11 The Business Development team should work with the commissioner to identify the housing costs of the service and that the proposed cost is reasonable compared to similar types of supported housing.

8.12 The Business Development team should have the rent levels, business case and support from the commissioner and local rents officer approved by Look Aheads Risk Panel and CFO, before communicating and charging tenant rents.

9. Communication

9.1 Rent setting letters must be sent out to all tenants one month before the new rent starts. Customers can inform us of any revisions needed by post, email, or telephone.

9.2 Assured tenants may be subject to Section 13 of the Housing Act 1988, depending on the terms of the rent increase provisions in their tenancy agreement. If Section 13 applies, any increase in rent must be operated by using the prescribed form. Under Section 13 there can be no increase in rent within 52 weeks of the last increase or the start date of the tenancy. This does not apply to rent decreases.

9.3 Where a tenancy commences within 12 months of the rent increase, the new tenant will sign an understanding that the rent will increase in less than 12 months in the first year of the tenancy.

9.4 The rent setting policy should be accessible to tenants.

10. Commercial Properties and Offices

- 10.1 Commercial properties and office space rent levels are set according to a red book valuation determined by a RICS valuation report from an appointed, independent surveyor. We will always embark in commercial negotiations using the red book valuation as the industry benchmark to determine current market value.
- 10.2 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.
- 10.3 Individual leases will confirm the basis of the new rent and its review requisites (RPI increase, open market review or agreed increases).
- 12.4 Unless stated in the lease, we reserve the right to demand rent and interest payable on late reviews as per the agreed rent review memorandum between landlord and tenant.

11. Governance

- 11.1 The Chief Finance Officer (CFO) is responsible for ensuring that Look Aheads social rents are compliant with the rent standard, and relevant treatments are applied by property and tenure.
- 11.2 Look Ahead Board should approve Look Ahead rents policy and annual rent increases.
- 11.3 Approvals must be obtained before rents are communicated to customers.
- 11.4 The CFO is responsible for reviewing the rent policy annually and updating as appropriate to reflect changes in legal and regulatory requirements, as well as policy adopted by Look Ahead's Board.
- 11.5 The CFO supported by the Director of Governance report should report any rent overcharges, and discrepancies against the rent setting standing to the RSH and take immediate steps to reimburse tenants.

Supporting Procedures, Documents and Guidance

[Calculating Formula Rents](#)

Copies of these documents can be supplied on request

Record Keeping

We will comply with our Retention & Disposal Schedule which can be found by clicking [Here](#) or visiting our website at www.lookahead.org.uk

Inclusion and Diversity

An Equality Impact Assessment relating to this policy is attached at Appendix X.

Policy Sign Off and Ownership

Document Name	123.00_Rent-Setting
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Equality Impact Assessment	N/A
Who was consulted?	Landlord Services Finance Director Business Intelligence SLT
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Author	Executive Director Customer & Quality
Owner (if different)	Finance Director
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Compliance Measures	
Related Policies/Procedures	Service Charge Policy
Relevant Legislation and Regulatory Requirements	Regulator of Social Housing Rent Standard (April 2020) Policy Statement on Rents for Social Housing (Feb 2019) Landlord and Tenant Act 1985, 1987. Rent Act 1965 and 1977. Housing Finance Act 1972. Housing Act 1974, 1980, 1985, 1988, 1996 and 2004. Housing and Building Control Act 1984. Housing Association Act 1985. Housing and Planning Act 1986. Housing Benefit (general) Regulation 1987 (as amended). The Rent Acts (Maximum Fair Rent) Order 1999. The Assured Tenancies and Agricultural Occupancies (Forms) [amendment] {England} Regulations 2003. The Housing & Regeneration Act 2008. Welfare Reform and Work Act 2016 Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 Housing and Planning Act 2016

Version History			
Version	Date	Description of Changes	Author
4	November 2023	<p>Updated government rent guidance for 2023/24</p> <p>Updated scope to include reference to subsidiaries and care homes</p> <p>Included best practice customer communication of rent increases and the rent policy</p> <p>Guidance on rent increases – fair rent, secure tenancy transfers, market rents. and temporary accommodation</p> <p>The procedure to agree and approve “specialist supported housing” exempt from the rent standard for new properties or properties with a significant change of use and capital re-model</p> <p>Clarity on the role of the Board and CFO in the governance and approval of rents</p> <p>Discrepancies/ overcharges – regulatory requirement to report to the RSH</p>	Nicole Njie