

Rent Setting Policy 2024 / 2025

April 2024

Owner: Financial Planning and Treasury Manager

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V11.0	Annual update	15/05/24	Ongo Homes Board	May 2025
V10.0	Full review	17/05/2023	Group Common Board	May 2024
V9.0	Annual update	29 th March 2022	Group Common Board	March 2023
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V6.0	In-year update	05/01/2017	OH Board	December 2017
V5.0	Annual review	05/12/2016	Community Voice	December 2017
V4.0	Annual review	09/12/2015	Ongo Homes Board	December 2016
V3.0	Annual review	11/12/2014	NLH Board	December 2015
V2.0	Annual review	11/12/2013	NLH Board	December 2014
V1.0	New Policy	05/12/2012	NLH Board	December 2013

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1. Our policy is...

- 1.1 To set rents at a level that:
 - complies with current guidance and legislation;
 - is affordable and justifiable; and
 - maintains the stability and viability of the Ongo Homes' (OH) Business Plan.
- 1.2 To follow Government, the Regulator, RICS, Homes England and National Housing Federation methods and guidelines in our approach to setting rents.
- 1.3 To treat customers fairly and consistently in our approach to rent and ensure that OH tenants understand how their initial rent is set as well as the methodologies applied when calculating an increase.
- 1.4 If during the period this policy is in place a need arises to charge a rent that is not covered, the ELT or appropriate Board will be asked to approve this as a separate issue until the policy is reviewed again, when such a change will be incorporated into it.

2. It applies to...

- 2.1 This policy applies to:
 - ✓ All OH tenancies that fall inside the scope of the Rent Standard (including our Social Rent and Affordable Rent properties);
 - ✓ Rent to Buy and Shared Ownership properties;
 - ✓ All OH-owned garages let to tenants, leaseholders and non-tenants.
- 2.2 It does not apply to OH tenancies that fall outside the scope of the Rent Standard (such as Specialist Supported Housing or temporary social housing), commercial properties or Leaseholds.

3. Because we want to...

- 3.1 Define the way that OH sets and calculates rents.

4. The rent setting methods we will apply...

4.1 Social Rent

- 4.1.1 Social Rent is the rent which Ongo charges for many of its General Needs and Supported Housing properties. Your tenancy agreement will state if your home is a Social Rent property.
- 4.1.2 For the 2024 /2025 financial year, OH will increase existing social rents and affordable rents (including all supported housing - Myos House, Chesleigh House and homeless service properties) by the ceiling of 7.7% imposed by the Government in the latest policy statement from the 2023 / 2024 weekly rate.
- 4.1.3 OH will set initial Social Rents (i.e. where a Social Rent property has become void and is to be re-let) in accordance with Formula Rent (which will increase by CPI+1%). In addition, the Board have agreed that the flexibility levels to increase social rents for general needs to 5% above the basic formula rent (10% for supported housing) when a property becomes void continues to be applicable.

- 4.1.4 This enables the continuation of quality services, investment in existing homes, a strong development programme and energy efficiency requirements in line with OH's Corporate Plan.
- 4.1.5 The Board will agree the rents to be charged for Social Rents properties each year and any changes will normally be applied with effect from the first Monday in April of each year.

4.2 Affordable Rents

- 4.2.1 Affordable Rent is the rent which OH charges for the majority of new build properties and a small portion of its existing properties. Affordable Rent is inclusive of Service Charges (as are the markers against which it is calculated).
- 4.2.2 OH will set initial weekly Affordable Rents (or where an Affordable Rent property becomes void and is to be re-let) in accordance with the Rent Standard. The Rent Standard states that Affordable Rents are to be set at 80% of Gross Market Rent or Formula Rent (plus tolerance), whichever is the greater. Valuations for Affordable Rent setting will be undertaken in accordance with a RICS recognised method and / or the Rent Standard. Where the proposed Affordable Rent is lower than Formula Rent (prior to the application of the Rent Flexibility Level) OH may choose to charge Formula Rent with any relevant service charge being charged in addition to this.
- 4.2.3 During the first year of an Affordable Rent tenancy OH may vary the rent once only by giving the tenant one month's notice in writing. OH will subsequently increase Affordable Rents by the lower of the Permitted Increase or a recalculation of the rent at 80% of Gross Market Rent.
- 4.2.4 The Board will agree the rents to be charged for Affordable Rents properties each year and any changes will normally be applied with effect from the first Monday in April of each year.
- 4.2.5 OH will review each continuing Affordable Rent tenancy in the fifth anniversary year of the tenancy (and then prior to every subsequent fifth anniversary of the tenancy) to ensure that the rent charged going forward is no more than 80% of Gross Market Rent.
- 4.2.6 OH may does not apply the Rent Flexibility Level to Affordable Rents.

4.3 Rent to Buy Rents

- 4.3.1 OH will set initial Rent to Buy Rents using a RICS recognised method and in accordance with all relevant legislation, regulations and guidance in place at the time but the amount payable should not exceed 80% of Market Rent.
- 4.3.2 OH will increase Rent to Buy rents each year on the anniversary date of the fixed term tenancy. Rent to Buy rents will be increased by CPI +1% provided that the amount payable does not exceed 80% of Market Rent, in which case, rents will be

reset to 80% of Market Rent. For the purpose of rent setting CPI will be taken as of September of the previous year.

- 4.3.3 OH will review each continuing Rent to Buy tenancy on each and every anniversary of the tenancy to ensure that the rent charged remains no more than 80% of Market Rent.

4.4 Shared Ownership Rents

- 4.4.1 OH will set initial Shared Ownership Rents as a percentage of the share in the property owned by OH (the Unsold Equity). The percentage of the unsold equity will be set in line with legislation and/or Regulator and / or Homes England guidance.
- 4.4.2 Shared Ownership Rents will be reviewed periodically at the time set out within the lease agreement.
- 4.4.3 OH will increase Shared Ownership Unsold Equity rents by the terms specified in each lease and in conjunction with the CFG (Capital Funding Guide). Note that if the rent is reviewed it will be reviewed on an “upwards only” basis and will not go down. This will be detailed in the terms of the lease.

4.5 Garage Rents

- 4.5.1 OH will set initial Garage Rents dependent on current demand levels.
- 4.5.2 The Board will approve Garage Rent increases dependent on current levels of demand. If an increase is agreed, this will be effective from the April of the new financial year.
- 4.5.3 For the 2024 / 2025 financial year, garage rents will increase by 7.7% (cpi+1%).

4.6 Collection Periods and Non-Chargeable Weeks

- 4.6.1 All rent will be collected in accordance with OH’s Income Collection Policy.
- 4.6.2 Most years annual rent for Social Rent, Affordable Rent and garage rent tenancies will be calculated based on 48 chargeable weeks per year (in years where there are 53 Mondays rent will be calculated based on 49 chargeable weeks).
- 4.6.3 For some Social Rent, Affordable Rent and all garage tenants rent will be payable on 48 weeks per year and with four Non-Chargeable Weeks (in years where there are 53 Mondays in the year, rent will be payable on 49 weeks with four Non-Chargeable Weeks).
- 4.6.4 Some Social Rent and Affordable Rent tenants will be required to make 52/53 payments each year. These tenants will, however, only be required to pay the equivalent of 48/49 weeks of rent, with payments spread across the entire year (i.e. 48/49 weeks of rent would be converted into 52/53 payments). Your tenancy agreement will set out whether you will be entitled to Non-Chargeable Weeks.

- 4.6.5 Social Rent and Affordable Rent tenants are expected to maintain their tenancies in accordance with their tenancy agreements at all times. In accordance with OH's Income Collection Policy, a Social Rent or Affordable Rent tenant (entitled to a Non-Chargeable Week) whose rent account is in arrears immediately prior to a Non-Chargeable Week may be required to make a payment in a Non-Chargeable Week.
- 4.6.6 Rent to Buy and Shared Ownership Rents will be charged based on 52 weeks of each year and payment expected one week in advance.

5. Making sure we do what we say...

- 5.1 The Board and Chief Executive are responsible for ensuring that this policy is implemented.
- 5.2 The Director of Resources and Commercial Services, Head of Finance and the Financial Planning and Treasury Manager are responsible for preparing rent calculations and ensuring that these comply with the requirements of this policy.
- 5.3 Reports will be prepared for the Board and/or ELT with recommendations for annual changes to rents and these reports will be checked against the requirements of this policy.
- 5.4 Community Voice, our recognised tenant panel, will be consulted on the review of this policy each year as part of the rent setting approval process.

6. Other things to bear in mind...

- 6.1 We will meet our obligations under any relevant legislation and regulation in the way we set our rents including the Welfare Reform and Work Act 2016, the Rent Standard Guidance (2020 and 2023) and Homes England's Capital Funding Guide.
- 6.2 This policy also links to our:
- ✓ Delegations Framework
 - ✓ Income Collection Policy
 - ✓ Lettings Policy
 - ✓ Homeownership Policy
 - ✓ Shared Ownership Policy
 - ✓ Rent to Buy Policy
 - ✓ Rent Setting Procedure

7. We'll look at this again...

- 7.1 In a years' time unless there are any changes in government policy, regulation and/or legislation, or deficiencies are found that necessitate an earlier review.

8. What we mean...

Reference	Explanation
Affordable Rent	Affordable Rent is defined in the Rent Standard as the amount which Ongo can charge for accommodation that is provided pursuant to a housing supply delivery agreement between Ongo and Homes England and the accommodation is permitted by that agreement to be let at an affordable rent.
Board	Ongo Homes' Board.
CPI	The Consumer Price Index is the official consumer price index in Britain. It reflects the movement of prices in a range of goods and services used regularly, such as food, heating, household goods, bus fares and petrol. But the CPI leaves the costs of your home out of the calculation – so rises in mortgage payments, rents, and council tax, don't get reflected in it..
ELT	Ongo Homes' Executive Leadership Team.
Formula Rent	<p>Formula Rent is the methodology applied when setting Social Rent and (in some cases Affordable Rent). The use of Formula Rent ensures that similar rents are charged for similar properties across all social landlords and ensures that the objective in section 1.1 is achieved. Currently, the following factors are considered:</p> <ul style="list-style-type: none"> • the valuation of a property at a set point in the past • the condition and location of a property • local earnings • the number of bedrooms in a property. <p>Formula Rent is sometimes referred to a target rent. Further details about how Formula Rent works can be found in the Rent Standard.</p>
Rent Flexibility Levels	OH has some discretion over the rent set for individual properties. This enables OH to take into account of local factors and concerns. As such, OH may uplift the rent calculated using Formula Rent by 5% for Social Rent and 10% for Supported Housing.
Homes England	The Government's housing and regeneration agency working with partners to build housing and regenerate communities across the country. Many of our new developments are funded by Homes England housing and regeneration projects.
General Needs	A General Needs property is one made available (to those who qualify by way of OH's allocation policy) which is not purpose built, adapted or managed for a particular client group. It is the base definition of social housing that cannot be allocated to a higher rent and/or restricted availability category.
Gross Market Rent	means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector. Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.
Leasehold	For the purpose of this policy a leasehold shall mean any property subject to a registrable lease between OH and the tenant (but not Shared Ownership).

Reference	Explanation
Market Rent	RICS defined Market Rent as: <i>the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor (landlord) and willing lessee (tenant) on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion is the rent that any landlord/lettings agency can charge based on the type, location and desirability of a property through market demand.</i>
Non-Chargeable Weeks	The four weeks that OH does not make a rent charge to Social Rent and Affordable Rent tenants. Non-chargeable weeks tend to be in August (one week), December (two weeks) and March (one week)
OH Business Plan	The financial plan that contains all the income & expenditure for OH, forecast over 30 years.
Policy Statement	The Policy Statement on Rents for Social Housing at any given time (which at the time of adopting this policy is that dated December 2022).
Regulator	The Regulator of Social Housing.
Rent Standard	The Rent Standard at any given time (which at the time of adopting this policy is that dated April 2023).
Rent Cap	The maximum which can be charged using the Formula Rent methodology dependent on the size of the property (the number of bedrooms it contains) as described in the Policy Statement.
RICS	The Royal Institute of Chartered Surveyors.
RPI	The Retail Prices Index is a measure of inflation published monthly by the Office for National Statistics. It measures the change in the cost of a representative sample of retail goods and services.
Service Charges	The monies paid by tenants and leaseholders to cover the landlords' costs in providing specific services to their property such as maintenance of the building structure, the cleaning, lighting and upkeep of common areas and any specific staff, such as concierge or support staff.
Shared Ownership Rent	Shared Ownership Rent is the amount payable for the share of the property (or unsold equity) that still belongs to the Housing Association.
Social Rent	The Rent Statement defines a Social Rent property as "one which is not an Affordable Rent property". More generally, Social Rent is that which is calculated using the Formula Rent methodology.
Supported Housing	For the purpose of this policy Supported Housing shall have the same meaning given to it in the Policy Statement.
Specialist Supported Housing	For the purpose of this policy Specialist Supported Housing shall have the same meaning given to it in the Policy Statement.
Permitted Increase	The permitted increase shall be that stated within the Rent Standard. At the time of adopting this policy the Rent Standard provides for a maximum annual rent increase of CPI + 1% from 1st April 2020 for a period of 5 years subject to: (a) any government cap on rent increases; and

Reference	Explanation
	(b) the Rent Cap (if applicable).
Value Added Tax (VAT)	VAT is a tax you pay on most goods and services. You pay 20% VAT most of the time but less on essential items such as energy bills (5%) and food and children's clothing (Zero rated). Some things are exempt from VAT – e.g. postage stamps.

The types of rent & how we will apply them

Type of Rent	Where does it apply?	How will it be calculated?	When & how will it be reviewed?	Who will approve it?
Social Rent	<ul style="list-style-type: none"> To most of our Social Housing Stock 	In line with the Rent Standard and/or relevant legislation	<ul style="list-style-type: none"> All Social Rents are re-assessed when a property becomes void and will be re-let at Social Rent plus the full Rent Flexibility Level. Existing rents will be reviewed on an annual basis in line with the Rent Standard and/or relevant legislation. 	Group Common Board
Affordable Rent	<ul style="list-style-type: none"> Grant-funded new build properties Identified re-lets in high value and/or high demand areas Four & five bedroom properties 	In line with the Rent Standard and/or relevant legislation	<ul style="list-style-type: none"> Initial Affordable rents will be set at 80% of market rent or formula rent, whichever is the greater Services charges are included in the rent. Existing rents will be reviewed on an annual basis in line with relevant legislation and/or the Rent Standard. Whenever an affordable rent tenancy is issued for a property, we will reassess the rent to ensure it remains no more than 80% of the relevant market rent every five years 	Group Common Board
Rent to Buy Rent	<ul style="list-style-type: none"> Identified new properties to the business 	<ul style="list-style-type: none"> The rent will be set in accordance with RICS guidance. The rent will be set in accordance with RICS guidance 	<ul style="list-style-type: none"> Annual review on the anniversary date of the fixed term tenancy Increases will be CPI + 1% but will not exceed 80% of market rent 	ELT

APPENDIX 1 – Rent Types Table

Type of Rent	Where does it apply?	How will it be calculated?	When & how will it be reviewed?	Who will approve it?
Shared Ownership Rent	<ul style="list-style-type: none"> New builds identified at planning stage as shared ownership properties 	<ul style="list-style-type: none"> Rent will be charged on the unsold equity at a % recommended by the Regulator 	<ul style="list-style-type: none"> Reviewed periodically, usually every year Usually increased in line with any proportionate increase in the Retail Prices Index plus an amount (typically between 0.5% and 2%) Rent is reviewed on an “upwards only” basis and will not go down when reviewed. This will be detailed in the terms of the lease 	ELT