



HONEYCOMB  
GROUP

## **Rent Setting Policy**



## Rent Setting Policy

Who's this for?	Honeycomb Group (Concrete, Glow, Staffs Housing)
Version control	Draft V.1.1 To be implemented December 2024
Consultation with stakeholders	Executive Team
Equality impact assessment if applicable & date	November 2024
Data Protection Assessment (by DPO) & date	Governance and Data Protection Business Partner November 2024
Date created	November 2024
Last revised/updated	Last revised November 2020 Updated November 2024
Review required	3 years from approval date (or annual)
Owner (Executive Lead)	Executive Director Finance
<i>Reviewed by Executive Team</i>	<i>20 November 2024</i>
<i>Approved by Board</i>	<i>21 November 2024</i>

### Document Revision History

Version	Date	Description of Change	Author
1.0	13/11/24	Original draft – Board approved	GVEB
1.1	07/02/25	Minor amendment re CPI+1% limits – used for customer consultation	GVEB

### 1. Introduction and purpose

This policy applies Honeycomb Group tenancies:

- Within the scope of the Regulator of Social Housing's Rent Standard<sup>1</sup>: 'Social Housing' including Social Rents, Affordable Rents and Fair Rent tenancies.
- Low-Cost Home Ownership (LCHO)/ Shared Ownership properties.

<sup>1</sup> [Regulator of Social Housing Rent Standard 2020](#)

- All HG owned garages let to tenants, leaseholders and non-tenants.

It does not apply to HG tenancies that fall outside the scope of the Rent Standard such as: Specialist Supported Housing, temporary social housing, intermediate rent, market rent, commercial properties or lease charges.

Throughout the policy the term 'HG' will be used, meaning either Honeycomb Group Limited (Staffs Housing) or Honeycomb Charitable Services (Glow, Concrete) unless otherwise stated.

The purpose of the policy is to explain clearly how rents will be set and reviewed.

## **1.1 Links to other Policies and Procedures**

### ***Income Collection and Recovery Policy***

## **2. Policy aims and objectives**

The aim of the policy is to set rents in accordance with legal, regulatory and best practice requirements, whilst maintaining financial viability for HG and consider the affordability of our rents to customers.

The objectives of the policy are:

1. To adhere to the requirements of the Rent Standard, the latest government Policy Statement on Rents for Social Housing and all other relevant law and regulations.
2. To ensure fair and consistent treatment of customers in an open and transparent way that supports our approach to rent setting, and to sustainable tenancies.
3. To maximise income to improve and maintain financial resilience and viability so we can continue to invest in our customers' homes and improve services.

## **3. Rent Setting Principles and Reviews – Low-cost rental accommodation**

Since 1 April 2020 Registered Providers (RPs) must set rents for low-cost rental accommodation according to the Rent Standard of the Regulator of Social Housing.

The Rent Standard sets various limits or maximum rents and also, with reference to the government policy, sets limits on how rents can be increased.

The Board will agree the rents to be charged each year.

### **3.1 Social Rents**

The maximum weekly Social Rent for a tenant who is granted a tenancy of the accommodation for the first time is 'formula rent'. Formula rents are exclusive of any service charges.

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 smaller properties have lower rents than larger properties (assuming the properties are the same in other ways).

The local earnings and property values are taken from data collected in 1999 that is set out in the governments rent policy. The 1999 rent level is then increased in line with the government formula to adjust for inflation between 1999 and the year the rent is being set.

#### Permitted Flexibility

Housing Providers like Honeycomb are allowed flexibility to charge rents above Formula Rents. This is an additional +10% on Supported Housing formula rents and +5% on General Needs formula rents.

For new tenancies, provided the rent is affordable and sustainable for the tenant, Honeycomb will set rents at the formula rent plus the maximum permitted flexibility to support our objective 'Thriving Business' so we can build and maintain financial strength and resilience for the benefit of all our customers.

In addition to the flexibility, Honeycomb also apply a 'margin of error' of 10p per week when assessing compliance with the Rent Standard and will adjust for this variance in the following year.

#### Rent cap

Social Housing rents are also subject to a maximum rent cap, set out in the Rent Standard and related government policy. The 2023/24 year rent caps, which will be increased each year by CPI+1.5% are set out below:

Number of Bedrooms	Rent cap 2023/24
1 and bedsits	£173.79
2	£184.00
3	£194.22
4	£204.43
5	£214.66
6 or more	£224.87

From 2024-25, rent caps will continue to increase by CPI (at September of the previous year) + 1.5 percentage points, each year.

#### The 2020 Limit

Between 2016 and 2020, social rents were decreased by 1% each year for four years. After this period, when the new government rent policy was set, an additional restriction, 'The 2020 Limit' was included in policy to guide any rents that were higher than the formula rent towards the formula rent level over a period of time.

'The 2020 Limit' states that rents that are higher than formula rent (plus flexibility) may only have a maximum increase of CPI only (based on the CPI in September in the previous year), rather than CPI+1%. As the formula rent continues to increase by CPI+1%, over the years rents that are higher than formula.

#### Rent increases since 2020

After the initial rent is set, only one rent increase per year is allowed.

As a registered provider, Honeycomb can increase rents on Social Housing by no more than CPI (at September in the previous rent year) plus 1%. RPs are free to apply a lower increase, freeze or reduce rents. This limit must be applied even when a rent is below the formula rent for a property.

The latest 'Limit on annual rent increases' guidance must be checked on the Housing Regulator's website <https://www.gov.uk/government/collections/rent-standard-and-guidance>.

The rent setting levels are all subject to the Rent Cap and the 2020 Limit on each individual rent.

#### Rent increases 2023/24

For rent periods that began in the 12 months from 1 April 2023 to 31 March 2024, the CPI plus 1 percentage point limit on annual rent increases was replaced by a 7% 'ceiling'. This was to prevent very high inflation being passed on to tenants.

This meant that, in that year, registered providers could only increase rents by up to 7%. This restriction applied to both social rent and affordable rent homes, except for supported housing.

The restriction to 7% did not apply to formula rents or the rent caps, which continued to increase by CPI+1% (11.1%) and CPI+1.5% respectively.

In this year, Honeycomb applied the 7% limit to most rent increases, including for supported housing, where it was not a government requirement.

#### Rent increase date alignment at Honeycomb

The Rent Standard and government policy is written with reference to Rent Periods – where 2023/24 for example means 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024. Most housing providers apply their rent increases at the beginning of April, taking the first opportunity to apply the permitted, inflation-linked increases.

Unlike most housing providers, Honeycomb applies most general needs and housing for older people rent increases in December each year or January – 9 or 10 months later than the rest of the sector.

To start to move more of Honeycomb's rent increase dates to April, Honeycomb will set an annual rent increase at 1<sup>st</sup> April for all new tenancies agreed from 1<sup>st</sup> January 2025 onwards.

### **3.2 Fair Rents**

Secure tenancy rents known as Fair Rents (applied to social rent tenancies created before 15 January 1989) are set by Valuation Office Agency Rent Officers every two years and Honeycomb will apply for rent reviews in accordance with the social rent policy.

The Rent Standard and government policy states Fair Rents must not be higher than

- (a) the 'fair rent' set by the rent officer and
- (b) Formula rent (subject to the rent caps and the rent flexibility level).

As with other Social Rents, Fair Rents will not be varied by more than the equivalent to the increase in CPI in September of the previous year + 1%.

### **3.3 Affordable Rents**

Affordable Rents are charged on properties where the landlord made an agreement with the government agency that provided grants to build new homes (Homes England and previously the HCA) to build more new homes by setting rents at 80% of the Market Rent. Affordable Rents can be set at up to 80% of Market Rent initially and for each new tenancy, using an appropriate valuation method. Affordable Rents must include the cost of services so no separate service charges will be made.

As with Social Rents, Affordable Rents will not be varied by more than the equivalent to the increase in CPI in September of the previous year + 1%. The 7% rent increase limit also applied to General Needs properties in 2023/24.

### **3.4 Intermediate Rents**

Intermediate rents are any rents below market rents that are neither social rents nor affordable rents, they are usually based on 80% market rents. Intermediate Rents are reviewed in accordance with the terms of the tenancy agreements.

### **3.5 Supported Housing**

HG manages a range of supported housing schemes and the method of calculating the rent is based on the type of scheme and the landlord. For supported housing owned by HG (managed either directly or by agents acting on its behalf) the rents are social rents and will be set in accordance with regulatory guidance applying the flexibility of 10% above formula rents as a maximum.

## **4. Non-Social Housing Rents**

Rents for properties which are not classified as social housing e.g. market rent schemes will be set with reference to the private rental market. They will be reviewed to ensure that costs are covered, and an appropriate surplus is generated throughout the lifetime of the scheme.

### **4.1 Shared Ownership**

HG will set initial Shared Ownership Rents as a percentage of the share in the property owned by HG (the Unsold Equity). The percentage of the unsold equity will be set in line with legislation and/or Regulator and /or Homes England guidance.

Shared ownership (Low Cost Home Ownership) rents, will be increased at the time and according to the maximum rates set out in the individual leases.

### **4.2 Garages**

Most garages are let independently of residential tenancies on licence agreements. Charges for these are reviewed annually and charges will be based on factors such as the condition of the garage, the local market and management costs. Garage rents charged outside of tenancy agreements are subject to VAT on top of the Rent charge.

## 5. Service Charges

Service charges are not within the scope of this policy but, in summary, Honeycomb sets Service Charges in line with actual costs by estimating costs or basing charges on the actual costs of the previous year and adjusting the charges once real costs are known.

Honeycomb aims to keep service charge increases under CPI+1% each year, but sometimes an increase higher than CPI+1% may be necessary due to:

1. A small increase on a low service charge
2. A new service being added or an increase in the service level,
3. There is an unusual increase in market costs.

Service Charges are charged in addition to Social Rents, but the formula for Affordable Rents at a maximum of 80% of Market Rent includes Service Charges.

Further information regarding HG's approach is included in the ***Income Collection and Recovery Policy***.

## 6. Performance monitoring & compliance

Income generated from rent collection and tenancy arrears are monitored with HG's current performance reporting process reported to the Board.

As a Registered Provider (RP), HG is required to comply with the Regulator's Social Housing's Rent Standard current government policy (Policy Statement on Rents for Social Housing). It outlines the requirements for how RP's set and increase their rents for social housing stock in line with government policy.

Honeycomb conducts a self-assessment against the Rent Standard each year.

## Equality, Diversity and Inclusion

The Rent Setting Policy reflects and adheres to current regulatory requirements for the application and setting of rents for its customers. The ***Income Collection and Recovery Policy*** outlines its approach to ensure that no individual or groups are discriminated against.

## 7. Data Protection

All personal data process, stored, shared and when responding to the rights of data subjects will be carried out in accordance with current data protection legislation (UK GDPR and the Data Protection Act 2018).

## 8. Review Date

This policy shall be reviewed every three years, and a review may be required earlier if there is a legislative or regulatory requirement or significant change.