RENT POLICY

EG/Board Approval:	February 20026	**Responsible Board:**	Ocean Housing Ltd
Next Review:	February 2027	**Responsible Executive:**	Deputy Chief Executive

1.0 Introduction

1.1 For accommodation which is subject to them, this Policy is prepared to meet the required outcomes and specific expectations of the Rent Standard 2020 (as updated in March 2024) and associated directions and guidance, the Government's Policy Statement on Rents for Social Housing (most recently updated in December 2022) and the Limit on Annual Rent Increases 2025/26, published in December 2024. Other relevant legislation includes the Housing Act 1988, the Landlord and Tenant Act 1985 and the Housing and Regeneration Act 2008.

1.2 In addition to properties which are subject to the Regulator of Social Housing's regulatory standards, this policy also applies to shared ownership accommodation and rented garages.

1.3 All charges will be applied in accordance with the relevant tenancy, lease and occupancy agreements.

2.0 Rent Calculation for Residential Properties

2.1 All Ocean Housing social rented dwellings, i.e. Ocean Housing's residential dwellings other than those that are under shared ownership leases or let on affordable/ intermediate rent terms, shall have calculated a formula rent at the tenancy outset. This will be in accordance with a formula set out in regulatory guidance and use the maximum tolerance available, 5% for general needs and 10% for housing for older persons provided that there is a clear rationale for doing so which takes into account business need, local circumstances and affordability. These will be known as social rented dwellings. At all times the formula rent shall not exceed the stated Rent Cap applicable.

2.2 Any social rent tenancies for which a fair rent is registered must not be charged more than the lower of:

- the 'fair rent' set by a rent officer; and
- formula rent (subject to the rent caps set out in the Policy Statement and the rent flexibility level).

Fair rent tenancy rents must not increase by more than Consumer Price Index (CPI) (as at September of the previous year) plus 1 percentage point 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). The 7% ceiling does not apply to supported housing accommodation.

2.3 Affordable rents are calculated on the basis of being up to 80% of the market rental value including service charges. Ocean Housing's affordable rents are based upon independent RICS based valuation advice and comprehensively address local market and specific property rental conditions.

Ocean will generally use the maximum permissible percentage to set affordable rents, i.e. at 80% of the comparable local market rent. Affordable rents will not however be set at 80% of the local market rent where (for example):

- rent setting is restricted by an external agreement to the relevant Local Housing Allowance, and this Local Housing Allowance is lower than 80% of market].
- setting rents at 80% is considered inappropriate in the local market context, (including consideration of the relevant Local Housing Allowance for the Broad Rental Market Area) so that a lower rent is required.
- 80% would be lower than the potential formula rent for the property (and in these cases, the formula rent shall constitute a floor for the rent to be charged).

2.4 Affordable rents will be stated in tenancy agreements as gross rents, i.e. inclusive of service costs.

2.5 Affordable rented properties must be either (1) dwellings built through Homes England funding or (2) historic conversions of existing residential properties to this rent type, or (3) dwellings provided by an registered provider pursuant to an agreement between a local authority and the Secretary of State (and the accommodation is permitted by that agreement to be let at an affordable rent).

2.6 In all cases, where there is a funding or other agreement allowing dwellings to be charged at an affordable rent, the charges will be set in accordance with that agreement's terms (and any other relevant associated requirements, for example as set out in funding frameworks etc).

2.7 Intermediate rents will be calculated on the same basis as affordable rents, i.e. at 80% of the market, and will be managed on the same basis as affordable rented homes in regard to rent levels and rent reviews, albeit the tenure is not covered by the Regulatory Standard.

3.0 Annual Rent Review for Residential Properties

3.1 Annual rent increases are to be applied in accordance with Rent Standard requirements. The Rent Standard permits an annual rent increase of up to CPI plus 1%.

3.2 Ocean Housing will generally increase its rented dwellings' rents annually by the maximum permitted in the Rent Standard, CPI plus 1% based on the CPI of September of the previous year. This increase may be subject to a further adjustment in line with the regulatory requirement to converge to formula rent plus tolerance, where applicable, for all social rents, or where a consideration of local market context and the levels of Housing Benefit or Universal Credit being claimed by residents recommends a lower increase. As the Policy is proposing the maximum increase permissible the justification of such shall be transparently reported to Ocean Housing Board as part of the decision-making process.

4.0 Rent Convergence - Existing Social Housing Tenancies

4.1 In the Rent Standard, there is an expectation that actual social rents and formula rents are aligned, through a convergence plan over a period of time if necessary, however it is recognised that convergence may take some housing associations longer than others. Convergence of existing tenants' rents upwards is prohibited per the Standard, only downward convergence from actual to formula rents is permitted.

4.2 Ocean Housing still has a number of tenancies requiring downward convergence. Downward convergence of rents for existing social tenants shall be pursued in accordance with the indicated preferred route within the Rent Standard. Where current tenants actual rent historically exceeds the property's formula rent plus tolerance, annual rent increases of CPI only are to be applied until full convergence is achieved to formula rent, which will be increasing at CPI plus 1%.

5.0 Service Charges for Residential & Commercial Properties

5.1 Service charge increases will be applied in accordance with the Service Charge Policy, and the relevant occupancy agreement terms and conditions.

5.2 For social rented tenancies, the service charge (if any) shall be in addition to the rent, and where the property is let as an affordable or intermediate rent, the service cost element is included in the 80% rent charged to tenants.

5.3 Management fee increases will be applied in accordance with the Home Ownership Policy and the relevant occupancy agreement terms and conditions.

6.0 Garage and Parking Space Rents

6.1 Garage and parking space rent levels may be set to maximise what the market can sustain in each location. If the garage/parking space tenant does not rent a property from Ocean, VAT will be applied at the prevailing rate. Any Ocean tenant with more than one garage shall only receive VAT exemption on one unit. Rents will be reviewed on an annual basis and any increase levied in accordance with the terms of the garage/parking space licence.

7.0 Shared Ownership

7.1 Shared Ownership schemes allow the purchaser to buy an initial share in a property and over time 'staircase' up to full ownership, unless precluded through planning restrictions.

7.2 The initial rent on a shared ownership dwelling will normally be set at 2.5% of the value of the unacquired share. In certain cases, this may be increased to 2.75%, subject to scheme viability and the requirements of Section 106 agreements or Homes England guidance.

7.3 In all circumstances, the initial rent will not exceed 3% of the capital value of the unsold equity at the point of initial sale.

7.4 The date and calculation of annual increases will be dependent on that prescribed in the lease of each shared owner.

8.0 Payment Terms

8.1 Rents and service charges due in respect of rented dwellings are payable in advance of each period in accordance with the tenancy agreement.

8.2 For most Ocean Housing tenancy agreements charged on social rent, affordable rent and intermediate rent, there shall be 48 collection weeks in each financial year, except in a year with 53 Mondays, when 49 collection weeks are permissible, dependent upon tenancy agreement terms. Tenancies which do not include collection free weeks in their terms and conditions will have their rent collected over 52 (or 53, as appropriate) weeks.

8.3 Garage and parking space tenants are charged their licence fee monthly in advance. Payment are to be made by direct debit.

8.4 Shared owners shall pay their rent monthly, by direct debit, in advance.

8.5 New tenants will be required to pay at least the first period's rent in advance prior to commencing the tenancy, exceptions are permitted upon authorisation of the Head of Customer Experience & Neighbourhood Services with the reason documented. In a similar manner, the Head of Customer Experience & Neighbourhood Services has authority to waive the terms of 8.3 and 8.4 if considered in Ocean’s best interest; the decision and reasoning must be documented.

9.0 Payment Methods

9.1 A wide range of payment methods are available for the payment of rent and other charges:

a) Payments at any Post Office or PayPoint outlet
b) Standing Order
c) Direct Debit
d) Payment via the internet
e) Payment via Ocean or Allpay App
f) Payment by credit or debit card
g) By following a link embedded in a text or email taking the recipient to Allpay
h) By recurring debit card payment

9.2 Ocean will pay all rent transaction charges.

9.3 In line with the Money Laundering Regulations (2017), the company’s Money Laundering Policy and Financial Regulations, receipt of cash by Ocean employees is not permitted. Where a tenant needs to pay by cash they can do so at a bank, post office or Paypoint outlet, each of which will issue a receipt they can use to evidence the payment if required.

10.0 Responsibilities

10.1 The Board is responsible for ensuring that the Rent Policy complies with the Rent Standard and relevant legislation and by virtue of that will be responsible for the annual review of rent calculations. They shall ensure an annual review of Policy and undertake all reasonable measures to ensure that regulatory compliance is adhered to within the rents control framework.

10.2 The Executive Director Housing & Communities is responsible for ensuring that tenants are correctly notified of their new charges in accordance with the requirements of their occupancy agreement and relevant legislation. They too are responsible for the collection of charges in accordance with the Income Recovery Policy.

11.0 Equality, Diversity & Inclusion Statement

11.1 Ocean will apply this Rent Policy consistently and fairly and will not discriminate against any person on grounds of their race, colour, ethnic or national origins, religion, sexual orientation, disability, sex, age, gender reassignment or any other matter that may cause a person to be treated with injustice.

11.2 Ocean's Income Management Team, including its Financial Inclusion Advisors, are able to give tailored advice and signposting to any Ocean household who may need assistance in budget management, maximising their income or seeking financial support from other organisations.

12.0 Related Policies

The following policies are related to the Rent Policy and should be read in conjunction with it:

- Income Recovery Policy
- Service Charge Policy
- Shared Ownership Policy
- Home Ownership Policy