



## **SHARED OWNERSHIP RENT SETTING POLICY**

The reason for this policy is to provide guidance on how Tonic Housing Association (Tonic) sets shared ownership rents. This will encompass:

- Setting the rent for new properties to be let to shared owners
- Setting the rent for staircasing events and resales
- Annual rent increases/decreases.

### **Policy objectives**

Tonic's objective is to set rents which are affordable for residents, supporting them to meet rent payments whilst also meeting social care and other housing charges together with household expenses. It is important to Tonic to minimise financial hardship for residents; therefore, rents need to be set at a level which are affordable when related to local markets, whilst also enabling Tonic to remain viable.

Tonic will give consideration when setting rents to the combined cost of rent, service charge and care costs to its residents.

### **Mandatory obligations**

In determining rents, Tonic will ensure it complies with rent requirements which may be set out in relevant s106 agreements it has entered into in addition to the following legal requirements and/or mandatory guidance:

- Housing and Regeneration Act 2008
- Regulatory Framework for Social Housing in England (April 2015)
- MHCLG Policy Statement on rents for social housing
- Regulator of Social Housing (RSH) Rent Standard 2020 (or equivalent) (the "Rent Standard")

### **Setting rents**

Where properties are offered as Shared Ownership by Tonic a leaseholder may purchase an equity share of between 25% and 75% of the full market value of the property. Tonic will charge a rent based on the unsold equity.

Rents on the unsold equity will be calculated in accordance with the relevant s106 agreement and the Greater London Affordable Housing Capital Funding Guide, with the s106 agreement taking priority:

- where the s106 agreement does not specify, rent will usually be set at 2.75% of the unsold equity at the initial point of sale.
- where an assessment of affordability for a scheme indicates that the total rent, service charge, care and other housing costs would be unaffordable for a typical resident we may set a rent at a lower level.

The market value for the property will be set by an Independent Valuer registered with the Royal Institute of Chartered Surveyors. Market value will be a comparison of similar homes for older people in the locality or, if none exist locally, such values will be calculated in accordance with applicable guidance. The valuation will be dated within three months of the reservation fee payment date as required by the GLA Capital Funding Guide.

### **Annual Rent Adjustments**

Rent charged on unsold equity will usually be increased by RPI +0.5% each year. If RPI is nil or negative the rent increase will be 0.5%. Annual increases will be made on 1 April and will be calculated using RPI from the previous September.

All inflation calculations will be subject to any relevant clauses in S106 agreements and, where appropriate, with relevance to the performance of wider market rents where appropriate.

### **Service charges**

Tonic will collect service charges from its residents, and will pay these to the service provider where such an arrangement is in place. Shared ownership service charges are variable. When annual accounts are produced, any credit on services are paid to the shared owner's account, while any debit in charges would mean that the shared owners are issued with an invoice for the outstanding amounts. The process for adjustment to actual expenditure is detailed in the shared ownership lease.

Residents will be advised in writing with statutory consultation periods taking place before increases are made.

### **Impact of staircasing or resale on rent setting**

When there is a staircasing event, the rent charged to the shared owner will reduce depending on the increased percentage share purchased. This will be determined by reviewing the current rent charged against the change in ownership percentage.

If a property is resold, the rent charged to the new shared ownership will remain at the same amount as charged to the previous owner, unless there is a pending annual rent adjustment or the new shared owner wishing to staircase.

The maximum a resident may staircase to is 75% of the full market value of the property. Which reflects the GLA's capital funding requirements for older people's shared ownership schemes.

Where a resident has staircased to ownership of 75% of the full market value of the property then Tonic will not charge that resident a rent, though service and other charges will still apply.

### **Consideration of Annual Rent Adjustments**

The Board of Tonic will carefully consider the proposed annual adjustments of rents across its portfolio annually in advance of rents being adjusted from the 1st April following the Board's approval being granted.

### **Leases**

The leases issued to Tonic's residents will be in accordance with model shared ownership leases published by MHCLG under its Affordable Housing Capital Guidance as modified to apply to schemes for older persons.

### **Notification to Residents**

Shared owners will receive written notification of an annual rent increase no less than one calendar month before the increase is applied. Notification will include the new rent to be charged, the date from which it is payable, the calculation method, and the date of the next review.

### **Appeals**

Any shared owner who feels that their rent has not been set in accordance with the policy or their lease can appeal to the Board.

Signed 20th March 2023



## **BANKHOUSE SHARED OWNERSHIP RENT SETTING**

This document explains how Tonic Housing Association Limited (Tonic) has set its shared ownership rents for the Bankhouse apartments, in accordance with its rent setting policy.

Tonic has given consideration in setting the rents at Bankhouse to the combined cost of rent, service charges and (optional) care costs to its residents. Tonic has also given consideration to the mutual aim of achieving consistency of approach to rent setting and charges between One Housing residents and Tonic residents at the Bankhouse scheme.

### **Setting the rent for new properties at Bankhouse to be let to shared owners**

- Rent will be set at 2.75% of the unsold equity at the initial point of sale, up to the maximum of purchasable equity of 75%. This means that no rent will be charged on the retained 25% equity.
- Where 75% equity is purchased at initial sale no rent will be chargeable, though service and other charges will still apply.
- Rents will be charged on a 52 week basis.
- The market value for the property will be set by an Independent Valuer registered with the Royal Institute of Chartered Surveyors and dated within three months of the reservation fee payment date as required by the GLA Capital Funding Guide.

### **Setting the rent for staircasing events and resales**

- The maximum a resident may staircase to is 75% of the full market value of the property (GLA's capital funding requirements for older people's shared ownership schemes).

- When there is a staircasing event, the rent will be adjusted to reflect the percentage share purchased.
- If a property is resold, the rent charged to the new shared owner will remain at the same amount as charged to the previous owner, unless there is a pending annual rent adjustment or the new shared owner wishes to staircase.

#### **Annual rent increases/decreases.**

- Rent charged on unsold equity will be increased by RPI +0.5% each year.
- If RPI is nil or negative the rent increase will be 0.5%.
- Annual increases will be made on 1 April and will be calculated using RPI from the previous September.

#### **Notification to Residents**

- Shared owners will receive written notification of an annual rent increase no less than one calendar month before the increase is applied.
- Notification will include the new rent to be charged, the date from which it is payable, the calculation method, and the date of the next review.