

Policy Template



Title:	Rent Setting Policy
Originator:	Communities Director
Approval Body and Date Approved:	Magenta Living Board, September 2025
Date for Review:	February 2028

1. Introduction

1.1 The aim of the Rent Setting Policy is to provide a set of principles to guide the setting and variation of rents (in residential properties) which meet legal, regulatory and best practice requirements.

2. Statement of Intent

2.1 The Policy aims to balance Magenta Living's regulatory duty to maintain financial viability by maximising rental income, with the need to ensure that our rents remain affordable to tenants across different income groups, including those on low pay and/or receiving benefits.

2.2 It also recognises that principles of legality, regulatory compliance, financial viability and fairness will apply to other rent regimes including:

- The rent element of shared ownership properties
- Intermediate rents (including Rent to Buy)
- Market rent

2.3 The Policy applies to all Magenta Living's residential rents and in particular:

- Fair rents
- Social rents including properties subject to special arrangements associated with stock transfers, mergers etc.
- Rents applying to supported housing, including Specialist Supported Housing
- Affordable rents

2.4 The Policy does not cover:

- Rents on non-residential properties
- Garages
- Service charges

3. Policy

3.1 Magenta Living will set and vary rents at levels which are intended to be affordable to typical tenants in the target customer group, whilst maintaining sufficient income to ensure viability and deliver its charitable objectives.

3.2 Rent setting will comply with legal and regulatory requirements.

3.3 The desired outcomes are:

- Legal and regulatory - Both Policy and Practice will be within the law and will meet all regulatory requirements including the Regulator of Social Housing's Rent Standard and the Policy Statement on Rents for Social Housing issued by the Ministry of Housing, Communities and Local Government.
- Contractual compliance - The setting and variation of rents must be consistent with the relevant clauses in the applicable tenancy agreements or leases, as well as any obligations arising from stock transfer and merger agreements.
- Affordability - Social Rents and Affordable Rents must be set at levels which:
 - are below market levels,
 - as far as possible ensure low-income households do not have to spend a disproportionate amount of their income meeting their housing costs, whilst minimising dependence on benefits. Appropriate mechanisms for achieving this affordability outcome will be set out in an accompanying Rent Framework document.
 - take account of the operation of the benefit system by ensuring rents are such that benefits will cover eligible housing costs, for the majority of households entitled to state support. However, for some customers Government welfare policies such as the overall Benefit Cap, may restrict benefit entitlement to levels below the rent charged. For the avoidance of doubt, the affordability outcomes described above do not apply to market rented, intermediate rented and shared ownership homes.
- Viability - Rents will be set and varied to ensure the rental income stream is sufficient to support Magenta Living's financial viability and allow the delivery of its charitable objectives. This includes ensuring that initiatives such as shared ownership and market rent schemes generate sufficient income to maintain their viability.
- Compliance with funding requirements - For shared ownership, mortgage rescue and intermediate schemes, rents will be set in accordance with any funding rules which in turn will ensure the scheme is viable.
- Information and Engagement - The Policy and Principles of rent setting and variation will be the subject of consultation with customers. Whilst the scope for consultation around rent setting can be limited by regulation, we are committed to communicating with customers in a timely manner to ensure they are provided with adequate information around rent setting and increases.
- Consistency - Wherever possible, rent setting and rent variation will be consistent across Magenta Living whilst retaining the capacity to reflect:
 - legal and regulatory differences

- specific contractual agreements (including those in relation to stock transfers and mergers)
- variations in our stock and tenure type, and the local housing market.
- Tenancy Sustainment - Magenta Living will work with and support its customers to pay their rent, using preventative interventions to ensure that financial hardship and the accrual of rent arrears and sundry debt are minimised. Further information can be found in our Income Collection Policy.
- Regeneration - Magenta Living will ensure that where existing customers are affected by our regeneration plans, which would result in the direct replacement of their home as part of the scheme, their rent 'type' (such as fair, social or affordable) will remain the same, although the actual rent paid in their new home may be different depending on the size and amenities of the property.

4. Implementation

- 4.1 This Policy sets out the mechanisms by which Magenta Living calculates rents on an annual basis, in line with the prescribed Government rent setting formula (where this applies), so that it is transparent and easily understood and ensures compliance with the outcomes of the Regulatory Framework for Social Housing in England, adopted by the Regulator for Social Housing (RSH) as outlined below:
- 4.2 Registered providers must set rents from 1 April 2020 in accordance with the Government's Policy Statement on Rents for Social Housing 2022 (hereafter Rent Policy Statement) which can be found on the Ministry of Housing, Communities and Local Government:
[Policy statement on rents for social housing - GOV.UK](#)
- 4.3 Each individual property has a formula rent. The formula rent is calculated using a formula that considers the value of the property (as of January 1999), the size of the property and the average manual worker's earnings in the local area. In assessing the value of the property, we will use a standard RICS valuation method.
- 30% of a property's rent should be based upon relative property values compared to the national average.
 - 70% of a property's rent should be based on relative local earnings compared to the national average.
 - A bedroom factor should be applied so that, other things being equal, smaller properties have lower rents.
- 4.4 Formula rents will be set each year in accordance with Government guidance and will include the permitted additional tolerance of plus 5% for general needs units and plus 10% for supported units.
- 4.5 Formula rents are capped by the number of bedrooms, and these are uplifted each year to minimise the impact of high property values on affordability for tenants. Once reached, the target rent is increased or decreased each year by the guideline limit.

- 4.6 The guidance allows for a number of specific exemptions, such as Shared Ownership properties, student and key worker accommodation. A full list of exclusions is contained within the guidance – ‘Rent Influencing Regime, Implementing Rent Restructuring’.
- 4.7 Rent is charged over 52 weeks, and our rent changes are effective from the first Monday in April, each year. Tenants will be given at least 28 days notification in writing of the change in rent levels. The notification will include how we have changed the rent and any service charges.
- 4.8 Where a property is let to a new tenant, within the 28-day notification period, the rent shall be charged at the increased rent value for the forthcoming rental year. In these circumstances a deed of variation will be signed by the tenant.
- 4.9 We may in the future also look to introduce market rent and intermediate rent. This Policy would then be adapted to cover those forms of rent.

Social Rents

- 4.10 With Board approval, Magenta Living Social Rents will increase every subsequent year, on the first Monday in April.
- 4.11 The guideline rent increases will apply to Magenta Living’s general needs properties.
- 4.12 Supported and sheltered tenancies will not exceed the Rent Cap that imposes upper rent limits that can be applied to a property, based on its size (number of bedrooms), where the Rent Cap is subject to an annual uplift of CPI plus 1.0%.
- 4.13 Where an existing social rent is higher than the rent flexibility level, it should be increased by CPI only, as per the Rent Standard. The pre-adjustment rent is compared to the rent flexibility level for the same year when determining whether a CPI only increase is required.
- 4.14 Occasion may arise where Magenta Living will not re-let social rent properties at formula rent.
- 4.15 Should a property be subject to a mutual exchange, the incoming tenant shall take responsibility for the existing rent terms of the tenancy, associated with that property.
- 4.16 In the event that a tenancy has been terminated and the tenant or occupant remains in the property, the existing rent terms of the tenancy shall apply. For example, in the case of a Mesne Profit account.

Affordable Rents

- 4.17 In 2011, the Government via our Regulator introduced affordable rents. These are typically, higher than social rents with the intention being that this flexibility would enable the generation of additional capacity for investment in new affordable housing.
- 4.18 Magenta Living can let properties on an affordable rent basis as we have a Framework.
- 4.19 Delivery Agreement in place with the Homes England, under the Government's affordable homes programme. This, in conjunction with the Rent Standard Guidance, sets out the regulations that govern the setting of affordable rent levels.
- 4.20 Rent for the property (inclusive of service charges, where applicable) will be set at a level which is no more than 80% of the estimated market rent for the accommodation.
- 4.21 The estimated market rent (inclusive of service charges where applicable) for the property will be based upon a valuation methodology recognised by the Royal Institution of Chartered Surveyors (RICS).
- 4.22 An affordable rent will not be lower than the potential formula rent for the property.
- 4.23 Annual increases on Affordable Rent properties are limited to CPI + 1% as outlined In the Rent Standard.
- 4.24 The rent for the property will be re-set, based on a new valuation, each time the property is let to a new tenant. Where affordability or letting issue arise, affordable rents may be set at levels below 80% subject to approval by the Chief Operating Officer and Communities Director.

Shared Ownership

- 4.25 Magenta Living will set initial rents for shared ownership properties that average no more than 2.75% of the value of unsold equity (and will not exceed 3% of the capital value of the unsold equity, at the point of sale).
- 4.26 Subsequent annual rent increases will be referenced to the Retail Price Index (RPI) Figure, as detailed within the specific lease for each individual property. If the RPI is nil or negative the maximum rent increases will be limited to 0.5%.

Fair Rents

- 4.27 Magenta Living manages a small number of Regulated Tenancies (former YHG properties) on "Fair Rents", which began before the 15th of January 1989, provided they had no change in tenancy conditions. The tenancies are protected as long as the tenant lives in the property.

- 4.28 If there have been no major changes to the property, the re-registration will be subject to Maximum Fair Rent legislation.
- 4.29 Fair Rents will be adjusted in line with the Rent Standard requirement of the maximum weekly rent as the lower of the fair rent set by the Rent Officer, and formula rent (subject to both the rent caps and the rent flexibility level) and not increasing the rent of a tenant with fair rent protection by more than CPI + 1% in any year
- 4.30 The Maximum Fair Rent calculation is based on the existing registered rent multiplied by a figure (based on the change to the Retail Price Index from the last registration to the current registration) plus 5%, then rounded up to the next 50 pence.
- 4.31 When Regulated Tenancies become available for re-letting, they will be converted to social rents, except where an eligible succession occurs (where a tenancy is passed to family member, subject to certain qualification criteria), in which case the Regulated Tenancy will continue. Fair rents for Regulated Tenancies are set by the Rent Valuation Officer every two years on the anniversary of the tenancy. For Regulated Tenancies, Magenta Living will:
- Look to phase in any large rent increases for 'fair rent' properties over a period of two years to prevent financial hardship for the tenants concerned
 - Carry out a comparative of social rents for similar sized properties in the same area and will not set rents higher for fair rent properties than the relevant social rate rent
 - Review fair rents on an annual basis in accordance with calculation for Formula Rent as outlined above

Rent-to-Buy

- 4.32 Rent-to-Buy tenancies carry an option to purchase shares, in that property. A commitment to purchase shares is expected within the initial five-year period, from the date of handover.
- 4.33 Initially therefore, these properties are let with an Intermediate rent – this (like affordable rent) is 80% of market rent value.
- 4.34 An intermediate rent will apply for up to five years, and although Rent-to-Buy properties fall outside of the Rent Standard, annual rent increases will be consistent with both social and affordable rents.
- 4.35 The status of the tenant will change when they purchase a share of that property, within the initial five-year period. At this point, they will become a shared owner and rent increases will then be governed by their respective lease (see Sections 4.25 and 4.26 Shared Ownership).
- 4.36 If after five years a share of the property hasn't been acquired by the tenant, then a review of the intermediate rent-based tenancy will be invoked.

Investment Properties (Bamboo)

- 4.37 Bamboo lets properties on a commercial basis. These properties are owned Magenta Living and have been leased to Bamboo.
- 4.38 As a Board approved policy, Bamboo are directed to achieve rental incomes on those properties, at a minimum of the equivalent weekly social rent (if let by Magenta Living) plus £40.
- 4.39 Increases in rent (and service charges) will become effective from the first Monday in April. Tenants will be given at least 28 days written notice of the change in rent levels.
- 4.40 Where there are in year relets or handovers, then then those tenants will also be subject to the 28-day notice of the change in rent levels.
- 4.41 Magenta Living will have a procedure to allow a tenant to appeal against their rent and service charge assessments.

5. Consultation

- 5.1 This Policy has been shared with Strategic Partners and Leadership Board and their comments taken on board to shape this Policy.
- 5.2 Magenta Living will consult with all tenants using existing consultation mechanisms in accordance with statutory guidelines when rent changes occur.
- 5.3 Magenta Living will make this Policy available on request to all tenants, applicants for accommodation, local authorities and the general public.
- 5.4 Magenta Living will provide information on the rent levels charged on its various properties from the implementation of this policy.

6. Equality Analysis (EA)

- 6.1 We believe all people should be treated with dignity and respect regardless of their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including, nationality, ethnic or national origins), religion, belief or non-belief, sex, or sexuality or by association with someone with any of these characteristics or perception of having any of these characteristics.
- 6.2 The EA was undertaken on 13th August 2025 by Rachel Bennett (Communities Director) and Carla MacQueen (Rent and Service Charge Manager) and was rated as Green. (See the full EA document for further details)

7. Monitoring Performance

- 7.1 Magenta Living has produced a rent plan that demonstrates how current rents compare to the formula rent and the rent flexibility level.

7.2 Rent levels for all our properties will be recorded within our NROSH and Statistical Data Return (SDR). This ensures our regulator is aware of rents and can monitor progress against other providers.

7.3 We will report to our customers how we have met our obligations under Homes England National standards within our Annual Report.

8. Scheme of Delegation

8.1 The responsible authority for approving this policy is Magenta Living Board and was approved on 17 September 2025.

8.2 The Responsible Director for formulating this policy and ensuring its effective implementation is the Communities Director.

8.3 The Responsible Officer for reviewing and monitoring the implementation and performance against this policy is the Rent and Service Charge Manager.

8.4 The Responsible Team for setting initial rent of New Build developments is the Development Team.

8.5 The Responsible Officer for overseeing the setting and implementation of social rent, affordable rent and fair rent is the Rent and Service Charge Manager.

9. Policy Review

9.1 The policy will be reviewed every three years or earlier if deemed necessary though the performance monitoring process.

10. Amendment Log

Date of revision:	Record of amendments:	Reason for revision:
9.9.14	Calculation of rent uplift changed from RPI + ½% ± £2 to CPI ± 1%	Legislation change
9.9.14	Addition of affordable rents	Legislation change
27.1.17	Addition of legislative background	Legislation change
27.1.17	Addition of basis of rent setting	Legislation change
20.1.21	Addition of legislative background	Legislation change
20.1.21	Addition of basis of rent setting	Legislation change
24.2.24	Addition of legislative background	Legislation change
24.2.24	Addition of basis of rent setting	Legislation change
20.08.25	Change of policy owner	Department responsibility change

20.08.25	Separation of the Rent Policy from the Service Charge Policy Updated wording to reflect the Regulatory regime. Enhancements to policy following Internal Audit.	Regulatory change and internal audit recommendations.
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