Rent Setting Policy

1. Introduction:

This policy will apply to the following businesses:

Legal & General Affordable Homes Limited
Legal & General Affordable Homes (AR) LLP
Legal & General Affordable Homes (Capital) Limited
Legal & General Affordable Homes (Development 3) Limited
Legal & General Affordable Homes (Investment 1) Limited
Legal & General Affordable Homes (Investment 2) Limited
Legal & General Affordable Homes (Investment 3) Limited

2. Purpose

This policy explains how we set and review rents for our homes. It aims to provide a clear and consistent approach to rent setting, ensuring rents are fair, transparent and compliant with relevant legislation, regulatory requirements and funding conditions. This includes:

- Setting rents for new properties before they are first let
- Setting rents when an existing property is re-let
- Setting rents for new shared ownership homes before they are sold
- Reviewing rents following shared ownership staircasing or resale transactions
- Annual rent reviews for all tenures

3. Policy Aims

We aim to set rents at a level that is affordable and represents good value for money. We want to help you manage your rent payments while still being able to meet your other household costs.

We will always consider affordability, local market conditions and relevant regulatory requirements when setting rents. Our aim is to keep rents fair and sustainable, reducing financial hardship wherever possible while ensuring we can continue to invest in our homes and provide high-quality services to our customers.

4. Glossary of Terms

We understand that the approach to rent setting can use technical terms and we want to make sure you understand what these mean:

Section 106 agreement (S106): A s106 agreement is a planning agreement between a local authority and a developer which may include specific requirements about affordable housing and rent levels.

Nomination Agreement: A nomination agreement is an agreement with a Local Authority that sets out how homes will be allocated to potential applicants on their waiting list.

Homes England Capital Funding Guide (CFG): Homes England (who are the UK government's housing and regeneration agency) issue guidance on delivering affordable housing with grant funding, including requirements for rent levels.

Consumer Prices Index (CPI): measures how much the cost of everyday goods and services changes over time and is the UK Government's main measure of inflation.

Retail Price Index (RPI): is an older measure of inflation that is calculated differently and is usually slightly higher than CPI.

Initial Sale Value: Means the total selling price of a home when the Shared Owner first bought a share under the Shared Ownership scheme.

Lease terms and clauses: Refers to the sections in your tenancy agreement when you rented or the lease agreement when you bought your home and sets out the rules that you and others agree to when you sign. Clauses are the provisions which set out particular sections, for example increasing rent.

Royal Institution of Chartered Surveyors (RICS) Valuation Standards (Red Book): the recognised professional standards used by independent valuers when assessing the value of a home.

Formula Rent: is the government-set method of calculating the target social rent for a home based on local property values, local wages and the size of the property. It is designed to make social rents broadly comparable and fair.

Unsold Equity: is the element of your shared ownership home that you do not own. For example, if your home has a value of £200,000 and you own a 25% share, you own £50,000 and the unsold equity would be £150,000.

Staircasing: This is when you, as a shared owner, purchase an additional share of your home. For example, if your home has a value of £200,000 and you own 25% and purchase an additional 25% then you will own 50% and own £100,000 of value and the unsold equity is £100,000.

5. Legal Framework

When we set the rent for your home, we will comply with any applicable Section 106 (s106) agreement and nomination agreements.

We will also ensure that our approach to setting rents complies with all relevant legislation, regulatory standards and government guidance, including:

- Regulator of Social Housing (RSH) Rent Standard 2026 (or any future replacement)
- Ministry of Housing, Communities & Local Government (MHCLG) Policy Statement on rents for social housing (or any future replacement)
- Housing and Regeneration Act 2008
- Rent Act 1977
- Homes England Capital Funding Guide (CFG)

6. Service Charges

Some tenancies are subject to a service charge to cover the cost of providing and maintaining shared services, facilities or communal areas. Depending on the type of tenancy or tenure you hold, this charge may either be included within your overall rent or charged separately.

The way your service charge is applied will be clearly explained before your tenancy begins and set out within your tenancy agreement.

When setting rents and assessing affordability, we will consider the total housing cost to the customer, including both rent and any applicable service charges.

Further information on how service charges are calculated, reviewed and applied can be found in our Service Charge Policy.

7. Rent Setting for New Lets and Relets

The rent we charge will depend on the type of home you rent or buy. Different affordable housing products are subject to different rules and requirements. We will always set rents in line with relevant legislation, regulatory requirements, funding conditions and any applicable s106 agreement.

Where a market valuation is required to calculate a rent, we will use a valuation carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (Red Book) to ensure a consistent and transparent approach. Our approach to different tenures is detailed below:

7.1 **Social Rent** - these homes are let at rents calculated using a government-approved method known as Formula Rent. This considers factors such as the relative value of the property, relative local income levels and the size of the home. The aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties.

We may apply the permitted rent flexibility, which allows rents to be set up to 5% above the Formula Rent calculation. Any decision to do so will have a clear rationale and consider affordability and local circumstances.

7.2 **Affordable Rent** - these homes are typically let at rents of up to 80% of market rent, inclusive of any service charges, subject to any restrictions imposed by legislation, regulation, funding requirements or s106 agreements. When setting Affordable Rent levels, we will consider:

- Average market rent
- Property size and location
- Average income levels in the area
- The impact of the benefit cap
- Any restrictions on rent setting or market assessments imposed by the relevant Local Authority
- Local Housing Allowance levels
- S106 provisions

Affordable Rent can never be lower than the Formula Rent. If the Affordable Rent calculation produces a lower figure, the Formula Rent must be charged instead.

Each time the property is re-let, the rent will be reassessed. It can be set at up to 80% of the market rent, unless a Section 106 agreement says a different maximum amount applies.

7.3 **London Affordable Rent** - is a type of housing introduced by the Greater London Authority (GLA) to provide lower-cost homes for households on low incomes.

Rents are set based on figures published by the GLA, with different rent levels depending on the size of the property. We will set rents in line with the GLA's current requirements and published rent levels.

7.4 **London Living Rent** - is an intermediate affordable housing product introduced as part of the Mayor of London's 'Homes for Londoners' initiative with rents based on one third of average local household incomes. The GLA publishes maximum monthly rents by number of bedrooms for new London Living Rent homes (inclusive of service charges) in every ward in London, and updates these figures each September. We will set rents for London Living Rent in line with the rent levels published by the GLA.

7.5 **Intermediate Rent** - this type of affordable housing is not covered by the Regulator for Social Housing's Rent Standard. Rents are set at no more than 80% of market rent. The rules for setting and increasing rents can vary between developments, so we will always make sure rent is set in line with the requirements that apply to the property.

7.6 **Shared Ownership** - this product allows you to purchase a share of your home while paying rent on the part that remains in our ownership. Where we offer Shared Ownership homes, you may purchase an initial equity share of between 10% and 75% of the full market value of the property.

We will charge a rent based on the unsold equity. The rent charged will be calculated in accordance with any applicable s106 agreement or the Capital Funding Guide with the s106 agreement taking precedence where relevant.

Unless otherwise specified, rent on the unsold share will usually be based on 2.75% of the value of the unsold equity and will not exceed 3.0% at the initial sale.

Where affordability assessments indicate that housing costs would be unaffordable for a typical purchaser, we may set the rent at a lower level. Any reduced rent is determined as part of a scheme-wide affordability assessment and can vary between property types. The rent is established before properties are released for sale and will not be amended in response to requests from individual purchasers or leaseholders, and will not be varied to accommodate individual circumstances.

The market value of the property will be determined by an independent RICS-qualified valuer.

7.7 **Fair Rent** - applies to protected or regulated tenancies or leases. The rent is assessed and registered by the Valuation Office Agency under the Rent Act 1977.

8. Annual Rent Adjustments

We review rents annually to ensure they remain in line with relevant legislation, regulatory requirements, lease provisions, funding conditions and any applicable s106 agreements. The way your rent is reviewed will depend on the type of home you rent or own.

8.1 **Social Rent -** we will increase rents by up to Consumer Price Index (CPI) plus 1% every April, in line with the Rent Standard (or any legislative/regulatory changes which supersede this guidance), with the required notice being given in accordance with your tenancy agreement.

The RSH Rent Standard 2026 introduced an additional consideration for existing social rent tenancies where the current rent is below the Formula Rent. This is known as rent convergence.

Where permitted by legislation, regulation and the RSH Rent Standard, we will adjust the rent level of your home during the annual rent review if your social rent is below Formula Rent. This means that your rent may increase by more than CPI + 1% each year, where permitted, until it reaches the applicable Formula Rent level. If this is the case, you will be notified in your annual review letter.

8.2 **Affordable Rent -** we will increase rents by up to CPI plus 1% every April, in line with the RSH Rent Standard (or any legislative/regulatory changes which supersede this guidance). We will make sure we keep you informed in line with the requirements of your tenancy agreement clauses.

8.3 **London Affordable Rent** - we will increase rents by up to CPI plus 1% every April, in line with the Rent Standard (or any legislative/regulatory changes which supersede this guidance). We will make sure we keep you informed in line with the requirements of your tenancy agreement clauses.

8.4 **London Living Rent** - rents will increase in line with the Homes for Londoners guidance. This means that rents will increase by up to CPI.

8.5 **Intermediate Rent -** this type of housing sits outside the Rent Standard. We will generally seek to increase rents by rates equivalent to the RSH Rent Standard every April in line with the approach applied to Social Rent, Affordable Rent and London Affordable Rent tenures. Our Board may approve an alternative increase where it considers this appropriate.

8.6 **Shared Ownership** - we will increase the rent charged on the share of your home that you do not own in line with the rent review clause in your lease agreement. This will usually be based on either:

- Retail Price Index (RPI) + 0.5% or
- Consumer Price Index (CPI) + 1%.

If RPI or CPI is zero or negative the rent will be reviewed in accordance with the terms of your lease. Most annual increases take effect on 1 April and are calculated using RPI or CPI specified in your lease.

8.7 **Acquired Homes** - some homes acquired from other landlords or developers may be subject to lease or contractual arrangements with different rent review provisions. In these cases, we will calculate any rent increase in accordance with the terms that apply to your home.

8.8 **Fair Rent** - where a tenancy is subject to Fair Rent legislation, any review will be carried out in accordance with the Rent Act 1977 and any subsequent amendments. We will ensure that the rent charged does not exceed the Fair Rent registered by the Valuation Office Agency (VOA). Where appropriate, we may apply for a new Fair Rent registration before any change is made.

In all cases, rent increases will remain subject to any applicable Section 106 requirements, lease provisions, funding conditions and, where relevant, market rent restrictions.

9. Rent setting following Staircasing or Resale

When you staircase, your rent will be reduced to reflect your increased ownership share. We will calculate your revised rent by reviewing your current rent and the change in the percentage share you own.

Where a shared ownership home is purchased through resale, the rent payable will remain the same as that charged to the previous shared owner unless an annual rent review is due or further staircasing takes place.

10. Consideration of Annual Rent Adjustments

Each year, the Board of the relevant L&G Registered Provider (your landlord) will carefully consider any proposed changes to your rent before approving adjustments that take effect from 1 April.

If your rent review takes place outside of the standard 1 April review cycle, our Board may delegate approval of your annual rent adjustment to our Director of Customer, Property & Platform to ensure there are no delays to the process.

11. Tenancies and Leases

We issue your tenancy or lease in line with our Tenancy Policy. Sometimes your tenancy agreement or shared ownership lease will set out a different approach to setting your rent. Where this happens, we will always use the terms of your tenancy agreement or lease.

12. Notification to Customers

We will aim to provide you with written notification of any annual rent increase before it takes effect and in accordance with your lease or tenancy agreement. However, for some Shared Ownership leases, the timing and method of notification are governed by the terms of the lease, which may mean that notice is issued close to, or shortly after, the effective date of the increase.

Your notification will include:

- Your new rent amount

- The date the new rent takes effect
- How the increase has been calculated
- Who to contact if you have any questions.

13. Appeals and Complaints

If you believe your rent has not been set or reviewed in accordance with this policy, your tenancy agreement or your lease, you can raise your concerns through our Complaints Policy.

We will investigate your concerns and respond in line with our complaints process.

14. Equality and Diversity

We are committed to treating all customers fairly and with respect. When setting and reviewing rents, we will have regard to our Equality, Diversity and Inclusion commitments and ensure that this policy is applied fairly, consistently and in accordance with relevant equality legislation.

We will consider the potential impact of our decisions on customers with different needs and circumstances and make reasonable adjustments where appropriate.

15. Related Documents (which can be accessed from the L&G website)

Document	Link
Connected policies and procedures:	• Affordability Policy • Tenancy Policy • Service Charge Policy - Rented • Service Charge Policy – Shared Ownership • Shared Ownership Charges Policy • Complaints Policy • Equality and Diversity Policy

Accountable Director	Director of Customer, Property and Platform
Original Approval Date	January 2023
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Next Review Date	September 2028 (or more frequently subject to any changes in regulatory, legislative and/or areas of best practice where a review is required sooner than the planned review date)