L&Q Rent Setting Policy

1 Purpose

1.1 Our purpose is to provide homes and neighbourhoods everyone can be proud of. This policy sets out how we set and change rents and charges for our properties to ensure they are fair, affordable, and comply with all legal and regulatory requirements.

1.2 This policy aims to:

- Explain how the organisation is guided in rent setting and rent changes
- Encourage fair and consistent practice
- Ensure compliance with relevant legal and regulatory requirements
- Ensure reasons behind decisions are transparent to tenants and stakeholders

1.3 Rents for social rented and affordable housing are underpinned by legislation and regulated by the Regulator of Social Housing. Where we have flexibility to set and increase rents, we will do so considering evidence of affordability, local market conditions, average local earnings and how rents and the welfare benefit system interact.

1.4 The annual rent change is approved by Group Board each year.

1.5 Our rental income will be used to meet our planned investment in our homes and ensure that standards, such as our relet standards, are of high quality and are achieved. We do not make a profit from this.

2 Scope

2.1 This policy covers how we set and change:

- social rented housing (general needs and supported and sheltered housing);
- affordable rents;
- intermediate market rent housing (including Rent to Buy);
- unsold equity of shared ownership units;
- commercial rents;
- parking bays and garages;
- ground rent.

2.2 Information regarding service charges is not covered in this policy, and can instead be found in our Service Charge and Sinking Funds Policy.

3 Legislation and Regulation

3.1 Relevant legislation and regulation includes but may not be limited to:

- The Housing Act 1985 – sets out provisions for secure tenancies
- The Housing Act 1988 (as amended 1996) – sets out provisions for assured tenancies and rent increases
- The Leasehold Reform (Ground Rent) Act 2022 – prohibits ground rent on new leases from 30 June 2022
- Regulator of Social Housing Rent Standard 2023 (as amended) – sets out requirements for social housing rents
- Regulator of Social Housing Rent Standard 2020 (for supported housing) (as amended) – continues to apply to supported housing
- Homes England Capital Funding Guide – sets requirements for grant-funded homes outside London
- GLA Capital Funding Guide – sets requirements for grant-funded homes in London
- Shared Ownership and Affordable Homes Programme 2021-2026 – sets out requirements for affordable homes
- London Social and Affordable Homes Programme 2026-2036

3.2 We will set intermediate market rents using Royal Institution of Chartered Surveyors (RICS) approved methodology.

4 Definitions

4.1 Formula rent – the rent calculated using the government formula based on property values, local earnings and bedroom numbers. For most properties we may charge up to 5% above formula rent; for supported and sheltered housing up to 10% above.

4.2 Social rent – our most affordable rent type, calculated using the government formula. Regulated by the Regulator of Social Housing.

4.3 Fair rent – a rent level set by the Rent Officer Service (Valuation Office Agency) for certain secure tenancies created before 15 January 1989.

4.4 Affordable rent – rent set at up to 80% of local market rent, and no higher than Local Housing Allowance rates. Used primarily for homes built with government funding after 2011. We refer to our affordable rent levels as ‘Policy rent’.

4.5 Intermediate Market Rent (IMR) – rent set at 80% of local market rent, providing a more affordable private rented option for residents who do not qualify for social housing.

4.6 London Living Rent – a sub-market rent product set by the Greater London Authority, based on ward-level household incomes, to help residents save to buy their home.

4.7 CPI (Consumer Prices Index) – the official measure of inflation used to calculate the permitted annual rent increase. The relevant CPI figure is that published for the previous September.

4.8 Local Housing Allowance (LHA) – the maximum housing benefit payable for private rented accommodation in a given area. Affordable rents must not exceed LHA rates (with the exception of parts of the North West of England).

4.9 Rent cap – the maximum weekly rent that can be charged for a social or supported housing property, set by the Regulator of Social Housing. Rent caps increase annually by September CPI plus 1.5 percentage points.

4.10 Retail Prices Index (RPI) – a traditional UK measure of inflation that includes some housing-related costs, such as mortgage interest payments and council tax.

4.11 RICS (Royal Institution of Chartered Surveyors) – the professional body whose standards and methodologies are used for property valuation and rent assessment.

4.12 Statutory, voluntary or non-statutory lease extensions – ways in which a lease term can be extended, either using a legal right set out in legislation (statutory) or by agreement between the landlord and leaseholder outside the statutory process (voluntary or non-statutory).

5 How we set rents

5.1 The following sections explain how we set rents when a property is first let, and when it is re-let after becoming empty. For how we change rents each year, see Section 15

6 Social rented housing (general needs)

6.1 Social rents are regulated by the Regulator of Social Housing and based on a government formula that takes into account average earnings, relative property values and property size. These are known as Formula rents. Our methodology for calculating Formula rents is set out in Section 16.1.

New builds

6.2 For new build social lets, we will set the rent at 5% over the Formula rent for the property.

Relets

6.3 When existing homes come up for relet, we will set rents at Formula plus 5%. Where the existing rent is already above Formula plus 5%, we will reduce the relet rent to Formula plus 5%.

Rent Convergence

6.4 Convergence is the process of gradually adjusting social rents, so they move towards the government's formula rent for each property. We compare the current rent for a home with its formula rent:

- Where the current rent is below the formula rent, an additional increase will be applied alongside the annual social rent change to help the rent move closer over time.
- From April 2027, an additional £1 per week above CPI + 1% will be added, followed by £2 per week above CPI + 1% each year thereafter, until the formula rent is reached.

6.5 Where the current rent is at or above the formula rent, no convergence will be applied, and the rent will only increase in line with the annual social rent change (Consumer Prices Index (CPI) + 1%).

6.6 All convergence increases will be applied gradually and within the maximum rent limits set by the Regulator of Social Housing, to ensure rent increases remain affordable for residents.

7 Fair Rent

7.1 Residents who held a secure tenancy before 15 January 1989 pay a social rent but also have maximum 'fair rent', which is set by the Valuation Office Agency (VOA).

7.2 We will only apply to have a new fair rent registered where the current charge is nearing the fair rent amount re-registration date by the VOA. Registered fair rents are usually much higher than what we are actually charging so we only apply for a higher rent to be registered if we feel the new proposed rent from the next April may exceed the current registered fair rent.

7.3 A new estimated service charge will be calculated each year and charged from April, because the fair rent limit applies to the gross amount payable for the home. This means any change to the service charge element must be taken into account to ensure the new gross rent does not exceed the current registered fair rent.

7.4 We will increase the rent in line with the annual social rent change. If the VOA sets a lower rent than the resident is currently being charged, we will reduce it to the registered figure.

8 Affordable Rent

8.1 To ensure genuine affordability, we set affordable rent homes primarily in line with local earnings. We will also ensure rents are no higher than 80% of local market rents and no higher than Local Housing Allowance (LHA) rates, with the exception of the North West of England where rents will continue to be monitored against the LHA.

8.2 We calculate affordable rents using the methodology set out in Section 16.2. An active rent schedule is held centrally, setting out the affordable rent values for properties in each area where we operate. The rent schedule is uprated annually and rebased in line with average incomes every three years.

New builds

8.3 New build affordable rent homes are set using our rent schedule at the time of first let, in accordance with the methodology in Section 16.2. For properties under the London Affordable Rent programme, the initial rent is set in line with the published GLA benchmarks.

Relets

8.4 At relet, new rents will be set in relation to the previous rent rather than being rebased against the current rent schedule. This ensures rental income remains broadly consistent with the assumptions used when the scheme was approved and funded, including the original development forecast for income over time.

9 Supported and sheltered housing

9.1 For new build supported and sheltered housing let at a social rent, we will set the rent at 10% over the Formula rent for the property.

9.2 For new build domestic abuse and charity refuge units and alms-houses, the Formula rent is calculated by continuing to uprate the 2000–01 rent level by inflation plus 1% a year - from 2016/17 to 2019/20. (Please see table in Section 16 under “Formula rent uplifts – Domestic violence and charity refuges and alms-houses”).

9.3 Housing for vulnerable and older people often includes a range of services, which can mean service charges are high. As a result, affordable rent (which includes service charges within the overall rent) will not usually be an appropriate product for supported housing. Where we do build or take on new supported schemes at an affordable rent, rents will be set by comparing against similar types and models of provision. Where there are insufficient local comparables, we’ll identify comparables from other areas, and extrapolate our best view of the applicable market rent, setting the initial rent at up to 80% of that level.

9.4 Where a scheme is of non-standard design (for example a room in a shared property) that cannot be valued by the existing use valuation method, a depreciated replacement cost approach may be used instead.

Relets

9.5 For existing supported and sheltered properties, rents will be set at Formula plus 10% at relet. Where the existing rent is above Formula plus 10%, we will reduce the relet rent to Formula plus 10%.

9.6 Where a supported or sheltered property let at an affordable rent becomes void, rent at relet will be set in accordance with the supported housing new build methodology above.

10 Intermediate Market Rent

10.1 We set Intermediate Market Rent (IMR) using a Royal Institution of Chartered Surveyors (RICS) approved methodology. We first establish a market rent by comparing similar properties within half a mile of the postcode, using sources such as Rightmove, Zoopla and Hometrack. We then apply a 20% deduction, or an alternative deduction where this is set out in a specific funding agreement e.g. S106 agreement, to arrive at the IMR.

Relets

10.2 Empty IMR properties are re-advertised and a new rent secured following the same methodology as above.

Rent changes

10.3 IMR units are usually let on 12-month fixed-term agreements. Three months before the end of each fixed term, we will revisit the market and offer a new rent, agreed in negotiation with the tenant and fixed for a further 12 months. Where properties are on periodic tenancies or 36-month fixed terms, rent will be changed in accordance with the tenancy agreement. For new tenancies, the agreement advises that rent will be reviewed annually in line with 80% of market values.

11 London Living Rent and Rent to Buy

11.1 Where we are funded to deliver homes under the London Living Rent programme, rents will be set in accordance with ward-specific London Living Rent levels published annually by the Greater London Authority.

11.2 Where London Living Rent homes are relet (where it is not viable to sell), they will revert to the applicable London Living Rent level for that ward.

12 Shared ownership

New builds

12.1 Rent on the unsold equity of new build shared ownership homes is set using the Homes England Affordability Calculator, at a level that is affordable for a purchaser with a typical household income and in line with monthly payment to income ratios required by current funding guidance. Rents are capped at the level set in the Capital Funding Guide for grant-funded schemes.

Rent increases

12.2 Shared ownership rents are normally increased in accordance with the lease, effective from the date specified in the lease, generally 1 April. Any exception, such as a voluntary rent cap agreed with the Government, will be approved by the Board.

13 Other Charges

Commercial rent

13.1 Rents for new build commercial properties are based on an independent RICS valuation at development stage. All commercial rents are individually negotiated between us and the prospective tenant at first let and at relet.

Parking bays and garages

13.2 Initial garage and parking bay rents are set with reference to demand and location. These are let under licence agreements rather than tenancy agreements. Annual rent increases are as set out in Section 15.5.

Ground rent

13.3 Ground rent is payable under a long lease for the use of the ground on which a building stands. Since 30 June 2022, new leases carry zero ground rent in accordance with the Leasehold Reform (Ground Rent) Act 2022.

13.4 For statutory, voluntary or non-statutory lease extensions, we will charge a peppercorn (zero) ground rent for the remainder of the lease period. The exception is where L&Q is not the freeholder and holds a superior lease that commits us to paying ground rent to the freeholder. In those cases, when extending a lease under the voluntary or non-standard route, we will continue to pass on this cost to the lessee as a ground rent, up to the expiry of the original lease term and to the maximum of what L&Q is being charged from the freeholder. The Act prevents us from charging ground rent beyond the original expiry date even if our own head lease liability continues.

13.5 For existing L&Q leases, the ground rent will not be increased on the relevant review date and will remain at its current level for the whole lease period. For underleases subject to a headlease, ground rent will be set in accordance with the superior lease terms.

14 Conditions and Exceptions

Rent caps

14.1 When setting rents, all new builds, relets and annual increases will be checked against and must not exceed the applicable rent cap level set by the Regulator of Social Housing.

Specific funding criteria

14.2 Where Greater London Authority or Homes England funding criteria, or local authority planning agreements, require rents to be set below the levels in this policy, those conditions will take precedence, unless the Board and Funding Board authorise an alternative. Where the suggested rent is higher than the social rent rate, the social rent rate will apply. Where homes are built to specific funding conditions not covered by this policy, they will be dealt with on a scheme-by-scheme basis and reported to the L&Q Development & Sales Board.

Temporary rehousing (decants)

14.3 Where you are temporarily rehoused because of major works to your home, your rent will continue to be charged at your principal home rate.

Complaints and appeals

14.4 If you are an assured or fair rent tenant and your tenancy agreement refers to Section 13(1b) of the Housing Act 1988, you have the right to appeal to the First Tier Tribunal, who will determine the maximum rent to be paid. Their decision is binding on both sides.

14.5 For any other questions or concerns about your rent, please contact us. Details of how to make a complaint are set out in our Complaints Policy.

15 Rent Increases

15.1 Rents are increased on the first Monday in April. We do this for:

- Social rented housing (general needs) tenants
- Affordable rent tenants
- Supported and sheltered housing tenants

15.2 The annual percentage increase for social rented and affordable rent housing is agreed each year by Group Board and is in line with the Government's policy statement on rents for social housing. The Board considers evidence of affordability for tenants, local market conditions, average local earnings and how rents interact with the welfare benefit system.

Social rented housing (general needs) – annual increase

15.3 From April 2020 onwards, rents for social general needs properties will increase by the previous September's CPI rate plus 1%, subject to any Government rent cap. Where a rent is already above Formula plus 5%, it will only increase by September's CPI rate.

Affordable Rent – annual increase

15.4 Each April, affordable rent properties will be increased by up to the previous September's CPI rate plus 1%, capped at 80% of local market rents.

Supported and sheltered housing – annual increase

15.5 Annual increases will be agreed by Group Board as set out in Section 15.3. Increases will be up to a maximum of September CPI plus 1%. Where a rent is already above Formula plus 10%, it will only increase by September's CPI rate.

Fair rent – annual increase

15.6 The rent for secure residents is increased as per section 15.1 but also, the new gross rent will be capped at the fair rent registered by the Valuation Office Agency (VOA). A new service charge will be estimated for the coming year, and this new charge will apply from April, as long as the new gross rent doesn't exceed the registered rent.

Parking bays and garages – annual increase

15.7 Garage and parking bay charges will increase by September CPI plus 1% from the beginning of April each year.

16 Rent Calculation

16.1 In addition to the explanations below, we also have an appendix which gives examples of how rent is calculated and sets out our exact process for rent calculations at each step.

Formula Rent – how rents are calculated

16.2 Formula rents are calculated using the following approach. The weekly Formula rent is equal to:

- 70% of the national average rent, multiplied by relative county earnings and the bedroom weight; plus
- 30% of the national average rent, multiplied by the relative property value.

16.3 National average rent means the national (England) average rent in April 2000. Relative county earnings means the average manual earnings for the county divided by national average manual earnings, both at 1999 levels. Relative property value means the individual property's value divided by the national average property value at January 1999 prices. The applicable figures and bedroom weights are published in the Government's policy statement on rents for social housing.

16.4 The 2000–01 Formula rent is uprated each year. From 2020–21, Formula rents increase by CPI plus 1 percentage point each year.

Year	Inflation	Additional	Total
2001-02	3.3%	1.0%	4.3%
2002-03	1.7%	0.5%	2.2%
2003-04	1.7%	0.5%	2.2%
2004-05	2.8%	0.5%	3.3%
2005-06	3.1%	0.5%	3.6%
2006-07	2.7%	0.5%	3.2%
2007-08	3.6%	0.5%	4.1%
2008-09	3.9%	0.5%	4.4%
2009-10	5.0%	0.5%	5.5%
2010-11	-1.4%	0.5%	-0.9%
2011-12	4.6%	0.5%	5.1%
2012-13	5.6%	0.5%	6.1%
2013-14	2.6%	0.5%	3.1%
2014-15	3.2%	0.5%	3.7%
2015-16	1.2%	1%	2.2%
2016-17	N/A	N/A	-1.0%
2017-18	N/A	N/A	-1.0%
2018-19	N/A	N/A	-1.0%
2019-20	N/A	N/A	-1.0%
2020-21	1.7%	1%	2.7%
2021-22	0.5%	1%	1.5%
2022-23	3.1%	1%	4.1%
2023-24	10.1%	1%	11.1%
2024-25	6.7%	1%	7.7%
2025-26	1.7%	1%	2.7%
2026-27	3.8%	1%	4.8%

Note: the years showing -1.0% reflect the Government's four-year social rent reduction policy, under which most social housing rents were reduced by 1% a year from 2016/17 to 2019/20 rather than increased by the usual inflation-based formula.

Formula rent uplifts – Supported Housing (deviation from 2016/17)

16.5 For supported housing, the annual uprating from 2001-02 will deviate from general needs from 2016/17:

Year	Inflation	Additional	Total
2016-17	-0.1%	1.0%	0.9%
2017-18	N/A	N/A	-1.0%
2018-19	N/A	N/A	-1.0%
2019-20	N/A	N/A	-1.0%
2020-21	1.7%	1%	2.7%
2021-22	0.5%	1%	1.5%
2022-23	3.1%	1%	4.1%
2023-24	10.1%	1%	11.1%
2024-25	6.7%	1%	7.7%
2025-26	1.7%	1%	2.7%
2026-27	3.8%	1%	4.8%

Note: where the table shows -1.0%, this reflects the Government’s four-year social rent reduction policy, under which most social housing rents were reduced by 1% a year from 2016/17 to 2019/20 instead of following the usual inflation-based uplift.

Formula rent uplifts – Domestic violence and charity refuges and alms-houses

16.6 For domestic violence and charity refuges and alms-houses, the exemption will continue, and the formula rent figure will be uprated from 2000-01 to include inflation plus 1%.

Year	Inflation	Additional	Total
2016-17	-0.1%	1.0%	0.9%
2017-18	1.0%	1.0%	2.0%
2018-19	3.0%	1.0%	4.0%
2019-20	2.4%	1.0%	3.4%
2020-21	1.7%	1%	2.7%
2021-22	0.5%	1%	1.5%
2022-23	3.1%	1%	4.1%
2023-24	10.1%	1%	11.1%
2024-25	6.7%	1%	7.7%
2025-26	1.7%	1%	2.7%
2026-27	3.8%	1%	4.8%

Note: where a year shows a negative or reduced uplift, this reflects the applicable national rent policy for that period, including the Government’s requirement for a 1% annual reduction in most social housing rents from 2016/17 to 2019/20.

Affordable Rent – how rents are calculated

16.7 We calculate affordable rents using the following five-step methodology:

- Step 1 – Identify the median income for the local authority area, using the ONS Annual Survey of Hours and Earnings (ASHE), based on gross annual full-time earnings by place of residence.
- Step 2 – Calculate the net household income for two working adults each earning half the median income.
- Step 3 – Take 35% of that figure as the affordable rent amount.
- Step 4 – Modify for property size and geography. Rents are calculated for a 2-bedroom home and then adjusted for other bedroom sizes in line with private market price differences. A geographic modifier of up to +/−10% reflects the ward's market rent relative to the wider district.
- Step 5 – Check against floors and ceilings. A rent may not fall below the higher of: Formula rent plus service charges, or 40% of market rent. A rent must not exceed: the LHA rate, 80% of market rent, or (in London) the London Living Rent cap.

16.8 Policy Rent represents the maximum rent we will charge for an affordable rent home. Lower rents may be set where appropriate (for example, for studios or one-bedroom homes). All properties of four bedrooms or more are capped at the four-bedroom Policy Rent level. For London Affordable Rent programme properties, the initial rent is set in line with GLA-published benchmarks, updated annually by September CPI plus 1%.

16.9 The rent schedule is updated annually by inflating the income benchmark by the national increase in wages, updating all market data used in the modifiers, and recalculating. It is rebased fully in line with average incomes every three years.

Supported housing – rents for rooms

16.10 For non-self-contained supported housing (for example, a room in a shared property), rent is calculated using a depreciated replacement cost method. The calculation takes into account:

- square metreage of the property – to calculate the assumed build cost;
- total land area occupied (including grounds and gardens);
- local authority area and relative local earnings;
- number of units, whether self-contained or shared.

16.11 The resulting figure is adjusted for: adaptations; lifts; central heating; and the age of baths and kitchens (more or less than 10 years old).

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Bedsit and	£144.26	£150.03	£155.13	£159.32	£161.71	£168.34	£187.02
Two	£152.73	£158.84	£164.24	£168.67	£171.20	£178.22	£198.01
Three	£161.22	£167.67	£173.37	£178.05	£180.72	£188.13	£209.01
Four	£169.70	£176.49	£182.49	£187.42	£190.23	£198.03	£220.01
Five	£178.18	£185.31	£191.61	£196.78	£199.74	£207.92	£231.00
Six or	£186.66	£194.13	£200.73	£206.15	£209.24	£217.82	£242.00

Rent caps

16.12 Formula rent caps apply to all social and supported housing properties. Caps increase by September CPI plus 1.5 percentage points each year. When setting new build rents, relet rents and annual increases, we will always check against and not exceed the applicable rent cap.

17 Monitoring and Controls

17.1 Group Board to approve the annual rent setting paper.

17.2 Head of Rent & Service Charge to ensure that the rents applied for social and supported housing are in accordance with the Rent Standard and shared ownership rents comply with the lease terms.

17.3 Senior Rent Setting Specialist to ensure that correct rents are set within the Arena system. Make relevant application to the Rent Officer Service for secure rents.

17.4 PRS and Commercial Director to ensure that Private Rent and Intermediate Rent products are set in accordance with the policy.

18 Equality, Diversity and Inclusion

18.1 An Equality Impact Assessment has been completed as part of the development and review of this policy. We consider the impact of our rent setting approach on different groups of residents, including those with protected characteristics under the Equality Act 2010.

18.2 We collect and monitor equality data to ensure our approach remains fair. Where reasonable adjustments are appropriate, for example in how we communicate rent changes to residents with disabilities or communication needs, these will be considered on an individual basis.

19 Communication

19.1 This policy has been developed in consultation with residents and will be made available on our website. Accessible format versions are available on request.

19.2 We will write to you in advance of any rent change, explaining the new amount and the reason for the increase, in line with your tenancy agreement.

19.3 Any questions or complaints about this policy should be directed to our customer services team. For details of how to make a complaint, please refer to our Complaints Policy.

20 Policy controls sheet

Date of approval: 07/05/2026

Approved by: Customer Group

Effective date: 07/05/2026

Next Review date: 07/05/2029

Policy owned by: Head of Rent & Service Charges

Associated documents: Rent Setting Standard Operating Procedures, Complaints Policy

Main change	Key points
April 2026 – Policy review and template update	• Rent convergence incorporated in line with legislative and regulatory requirements • Policy rewritten using new L&Q policy template and style • Improved readability and accessibility for residents • Structure reorganised to improve clarity and navigation • No changes to core rent-setting methodology or policy position
Reviewed by: Patrick Mills-Munday	
Approved by: Customer Group	