

Zen Housing Limited: Shared Ownership Rent Setting Policy

Version:	2.0
Author:	Zen Housing
Policy Owner:	Board
Date adopted:	November 2024
Date of next review:	November 2025
Approved by:	Board

Shared Ownership Rent Setting Policy

1 Introduction

- 1.1 This policy sets out Zen Housing Limited’s (“**Zen**”) approach to rents for shared owners. Shared owners are leaseholders who own part of their property and pay rent on the share of the property that they do not own.
- 1.2 This policy includes information on how rents are set and reviewed, and our approach to rent arrears and income management.
- 1.3 Zen is also aware of its grant and s106 obligations with respect to rent setting, which are binding on Zen. Zen is bound by the terms of the shared ownership lease.
- 1.4 The appointed Property Managers of Zen will be required to accept the obligation to comply with this policy and the Board will thereafter be responsible for monitoring the compliance of these managing agents with this policy.

2 Purpose

- 2.1 For all our shared ownership properties, the purpose of this policy is to:
 - 2.1.1. Ensure that Zen is transparent in its approach to setting rents.
 - 2.1.2. Ensure that Zen meets its legal and regulatory obligations with regard to setting rent.
 - 2.1.3. Set out our approach to collecting rent.
 - 2.1.4. Set out how we will manage any rent arrears.

3 **Scope**

- 3.1 This policy applies to all shared ownership residents, and shared ownership properties owned by Zen.
- 3.2 It does not apply to properties where the shared owner has staircased to 100% ownership.
- 3.3 All staff, the Managing Agents and Property Managers are expected to comply with this policy when working with shared owners.

4 **Equality and diversity**

- 4.1 Zen is committed to making sure all services are accessible to all our residents. The Property Managers acting on our behalf are required to ensure they are communicating appropriately with our customers, and they have the relevant information.
- 4.2 This policy will be applied in a way which makes sure we treat all customers with fairness and respect. We recognise our duty to advance equality of opportunity and prevent discrimination or victimisation on the grounds of age, sex, sexual orientation, disability, race, religion or belief, gender re-assignment, pregnancy and maternity, marriage and civil partnership and any other protected characteristics defined within the [Equality Act 2010](#).
- 4.3 On request we will provide translations of all our documents, policies and procedures in various languages and formats including braille and large print.

5 **Commitment**

- 5.1 Zen will adhere to all relevant legislation, regulatory requirements and best practice when setting and collecting rents.
- 5.2 Zen will communicate clearly with shared owners in relation to:
- How their rent is set
 - The amount of rent that is due
 - Any changes to their rent
- 5.3 Zen will take into account best practice published by the Regulator of Social Housing, National Housing Federation, and the Council of Mortgage Lenders.

6 **Approach**

- 6.1 Rent for shared ownership properties is due on the share of the property retained by Zen.

6.2 **Initial Rent Setting**

- 6.2.1 The initial rent for a shared ownership property will be set by Zen, based on the value, and share of the property retained by Zen and will be set at the point of purchase of the shared ownership property.

- 6.2.2 Rent for shared ownership properties will be set at the level specified in the property's shared ownership lease, and in line with the requirements of any s106 covenants on the property.
- 6.2.3 Rent will be set as a percentage of the value of the share in the property retained by Zen. As currently required by Homes England, the annual specified rent will be set at no more than 3% of the value of the retained share. Consideration will be given with respect to affordability in certain locations. Our shared ownership rents are usually set at 2.75% of the unsold equity or any other amount as determined by affordability requirements.
- 6.2.4 All prospective shared owners will be made aware of the level of rent that will be due on their properties upon purchase and this will be set out in their leases. Details of rent and any other lease charges will be set out in Key Information Documents provided to prospective purchasers.

6.3 **Rent Review**

- 6.3.1 Rents will be reviewed annually in line with the lease.
- 6.3.2 As of 12th October 2023, the Capital Funding Guide (CFG) has been updated. Despite these changes, the procedure for rent reviews on leases agreed upon before this date will continue as established. Typically, the Retail Price Index (RPI) of the preceding September serves as a reference for these reviews, aligning with the common review period in April.
- 6.3.3 Some older leases may have terms that link to inflation indices at alternative times of the year or adhere to the limitations of the Fair Rent regulations. The specific method for each rent review will be clearly detailed within the notice issued in accordance with the lease terms.
- 6.3.4 For schemes awaiting planning approval, the newly introduced rent review clause will apply. Although the review date will continue to be in April as before, the indexation method for rent adjustments has changed. Instead of using the Retail Price Index (RPI) with an additional 0.5% uplift, the Consumer Price Index (CPI) plus 1% will now be used to calculate rent revisions.
- 6.3.5 Shared owners will be notified promptly and clearly of their new rent before the Rent Review Date. It is the responsibility of shared owners to pay the correct rent that is due on their property.

6.4 **Staircasing**

- 6.4.1 Shared owners are able to purchase additional shares in their home, as set out in Zen's Staircasing Policy and in the lease. When a shared owner purchases additional shares in their home the proportion of rent they pay will be reduced to reflect this change. Zen will notify shared owners of the new rent due upon their purchase of an additional share.

6.5 **Rent Payment**

6.5.1 It is the responsibility of shared owners to make sure that their rent is paid when it falls due. Zen will make the responsibilities of rent payment clear to shared owners throughout the purchase process.

6.5.2 Information about how to pay rent will be provided clearly to all shared owners upon purchase of their home. All shared owners will be asked to make payments by direct debit. Where it is not possible for a shared owner to pay by direct debit Zen will also offer payment by standing order.

6.6 **Income Management**

6.6.1 As set out in our Income Management Policy Zen will take a firm but fair approach to rent arrears. When managing rent arrears for shared owners we will work in line with the joint guidance for shared ownership issued by Homes England, UK Finance, and the National Housing Federation.

6.6.2 Where rent arrears accrue, we will seek to work with shared owners to address the issues of rent arrears and put in place plans to address the arrears.

6.6.3 The Property Managers acting on our behalf will notify shared owners of any arrears accrued on their account and identify organisations that can offer them financial advice to resolve their arrears.

6.6.4 We will work to recover all rent due to us through all reasonable means, including the use of court orders.

6.7 **Appeals**

6.7.1 If a shared owner considers that the rent has been set at or the outcome of a rent review is not in line with this policy, they have a right to appeal in writing to Zen. We will review any appeal and notify the shared owner of our decision within 21 days.

6.7.2 Where Zen and the shared owner are not able to reach agreement on the rent within three months of the change in rent shall be referred to an independent expert as set out in the shared ownership lease.

7 **Service charges**

7.1 Where service charges are applied to Shared Ownership properties, the approach will be set out in the shared owner's lease.

8 **Monitoring and Compliance**

8.1 The Zen Board has overall responsibility for rent setting. An annual report will be provided to the Board, outlining the rents of the shared ownership portfolio, and the outcome of the rent review process.

8.2 Rent setting and review calculations will be validated by internal audit at least once every three years.

9 **Review**

9.1 **This policy will be reviewed annually.**