

## **PROPERTY TENURE CHANGE POLICY**

## **1. Purpose**

- 1.1 This policy explains how we will decide to let a home at either a discounted rent or market rent and the factors that will be taken into account as part of our decision making.

## **2. References**

- 2.1 This policy has been drafted in line with our vision and values, relevant legislation and best practice.

## **3. Responsibilities**

- 3.1 The Head of Commercial is responsible for ensuring that this policy is kept up to date and consistent with any new Twenty11 strategies. It will be reviewed every three years or following a change in legislation or regulatory requirements, to ensure that it remains fit for purpose.
- 3.2 The Head of Commercial is responsible for ensuring that this policy is adhered to through the implementation of the related procedure and auditable documentation.
- 3.3 The Head of Commercial will also ensure that all decisions made in relation to this policy will be reported on a regular basis to Twenty11's Chief Executive.

## **4. Legal & Regulatory Framework**

- 4.1 Twenty11 is a Community Benefit Society which is registered in England with the Financial Conduct Authority. Twenty11 is an unregistered provider of housing but regulated by the Charities Commission.
- 4.2 Our Group Governance Regulations advise that authority to approve tenure change is set out in this policy.
- 4.3 This policy confirms that any member of the Red Kite Group Executive Management Team has delegated authority to approve the change in tenure of a property.

## **5. Definitions**

- 5.1 Tenure is a term used to describe different categories of housing type such as ownership, social rented, discounted rented and market rented.
- 5.2 Tenure change is a process when a home moves from one tenure to another. For the purposes of this policy it describes the change in rental tenure from a sub-market (discounted) rental home to a market rent home. The type of tenancy agreement for Twenty11 varies depending on what rent is charged for the home from the outset. Tenure change to leasehold or shared ownership is not covered by this policy.
- 5.3 Market rent is the amount of rent that can be expected for the use of a home, in comparison with similar privately rented properties in the same area. Market rent is the point of comparison for determining the discounted value of a charitable rent.
- 5.4 80% market rent is 80% of the amount of rent that can be expected for the use of a home, in comparison with similar privately rented properties in the same area. It is the advertised rent for all Twenty11 homes, except those advertised for market rent as explained in paragraph 6.3.
- 5.5 Discounted rent is a rent level that is between 50% and 80% of market rent in the local area for the type of home. Eligibility for a discounted rent from the advertised

rent will be determined by personal circumstances in accordance with the Twenty11 Rent Setting Policy.

## **6. Key Principles**

- 6.1 As an unregulated subsidiary company of Red Kite, Twenty11 is able to adopt a flexible approach to providing homes to the local community. This flexibility will enhance the Group's ability to further its charitable objects.
- 6.2 We will advertise most homes for rent at 80% of the market rent, which will be determined following a rental appraisal. The actual rent paid by the tenant will be the level calculated in accordance with the Twenty11 Rent Setting Policy.
- 6.3 On occasion we will advertise a home at market rent even if it has been let at a sub-market rental level before either by Red Kite or Twenty11. This will be the exception rather than the norm and will be considered in the circumstances detailed below in section 7.
- 6.4 Our overall aim is to have as many homes as possible used for sub-market rent purposes. When a decision is made to revert to market rent, this will not be a permanent change, and the suitability and need for specific tenures will be reviewed at each tenancy renewal cycle. Market rent will therefore usually be a short to medium term option.

## **7. Policy Statement**

- 7.1 The change from social rent in Red Kite to any other form of rent in Twenty11 will be made in line with the Twenty11 business plan as approved by Board. No further approval is therefore required to advertise Twenty11 homes at either a market or a discounted rent level.
- 7.2 On occasion we may advertise a home at an elected percentage of market rent without any further discount being available where it forms part of the cash flow projections for a new development scheme.
- 7.3 In addition, if a property has a negative Net Present Value (NPV) at a rent level of 80% market rent or less, but a positive NPV at a market rent level, we may let the property at market rent level. This will enable the Red Kite Group to retain ownership of a home we would otherwise need to sell because our costs would be greater than our income. The property will have undergone an asset appraisal in line with the Red Kite property transfer to Twenty11 policy to determine the best future use of the asset within the Red Kite Group.
- 7.4 In order to make the best use of our assets and to support the balance of our yield model and activities of Twenty11, we may decide to let some homes at market rent. The additional yield will help us to realise our charitable purpose by investing in communities. The factors we will consider when making a decision to let at market rent are property location, the local rental market, yield potential and the promotion of inclusive growth. For example, if a home is in a rural location with limited access to public transport, it can make it more difficult for tenants to access employment opportunities. Tenants on limited incomes may find that living in these areas brings isolation. We will consider letting these homes at a market rent to customers with higher disposable income where a rural location is not a barrier to accessing employment.
- 7.5 If a property is considered to have features which make it most suitable to being let at market rent, approval must be obtained from the Head of Commercial before being

advertised. The Head of Commercial will consult the Assistant Director – Finance to ensure that all decisions are taken within the agreed parameters of the business yield model. All decisions will be mindful of our aim to have an overall balanced tenure model and will also take account of our charitable objectives.

## **8. Related Policies and Strategies**

8.1 This policy directly supports, and is supported by, other policies, procedures and strategies that we have in place. These include:

- Group Asset Management Strategy
- Group Development Strategy
- Group High Value Assets Strategy
- Group Governance Regulations
- Twenty11 Rent Setting Policy
- Twenty11 Allocations Policy
- Twenty11 Market Rent Policy
- Red Kite Transfer to Twenty11 Policy

Staff roles listed in the **Competency Standards section** must be acquainted with contents of this document and have had documented instructions and training on its use. Authority to amend can only be undertaken by the **Process owner** with the relevant **Delegated approvals**.

For information on interpretations and instructions staff should contact the **Subject Matter expert** or **Process owner** and under no circumstances should any deviation be permitted without prior approval as above.

Document Controls			
<b>Version:</b>	2	<b>Effective date:</b>	December 2020
<b>Subject Matter expert drafter:</b>	Head of Commercial	<b>Process owner:</b>	Head of Commercial
<b>Related Pod</b>	Commercial	<b>Related Policy</b>	Twenty11 Rent Setting Policy Twenty11 Allocations Policy Twenty11 Market Rent Policy Red Kite Transfer to Twenty11 Policy
<b>Review period</b>	3 years	<b>Next review due by:</b>	Sept 2023
Delegated approvals			
<i>The 3 lines of defence have been checked within the framework and are valid</i>			<input checked="" type="checkbox"/>
<b>Approved by AD</b>	N/A	<b>Approved Date:</b>	N/A
<b>Approved by EMT</b>	N/A	<b>Approved Date:</b>	N/A
<b>Approved by Board/ Committee/RRT</b>	Twenty11 Board	<b>Approved Date:</b>	December2020
Competency Standards			
<b>Roles using this document</b>	Head of Commercial	<b>Mandatory training frequency</b>	n/a
<b>Associated legislation</b>	n/a	<b>Vocational training frequency</b>	n/a
<b>Consumer Standards</b>	n/a	<b>Other</b>	n/a

Lines of Defence	
Lines of Defence	Evidence
<b>Lines of defence 1</b>	<ol style="list-style-type: none"> <li>1. Policy approved by Twenty11 Board, with relevant cover sheet.</li> <li>2. All appropriate staff and Board briefed and trained on the policy, forming part of inductions for new staff.</li> <li>3. Reporting process for breaches of the policy to the Twenty11 Project Team.</li> </ol>
<b>Lines of defence 2</b>	<ol style="list-style-type: none"> <li>4. Any breach of the policy reported to Company Secretary and Twenty11 Board</li> </ol>

**Lines of  
defence 3**

5. Audit programme – audits will identify any housekeeping or recommended actions relating to non-compliance with all policies.
6. Quarterly report to the Audit and Risk Committee.