

Market Rent Policy

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Policy Owner:	Head of Commercial	Policy reviewer:	Engagement Lead
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1. Purpose

Twenty11 is a landlord that provides affordable homes at sub market rents based on personal affordability and also investment homes that are let at market rent as part of a sustainable yield model. This policy applies to those homes where market rent is charged and clarifies the detail relating to these, including in terms of allocations, type of tenancy agreement, rent, deposits, lettable standard and management.

2. Definitions

- 2.1 **Market rent** is the amount of rent that can be expected for the use of a property, in comparison with similar private rented properties in the same area. It considers factors such as the number of bedrooms, amenities, condition and location of the home. This rent product is only used for a limited number of Twenty11 homes.
- 2.2 **Discounted rent** is sub-market rent that we set in accordance with our Rent Setting Policy and is between 50% and 70% of market rent in the local area for the type of home. Twenty11 homes that are offered at a discounted rent are allocated according to housing need, with a rent level that takes account of the household's income and can flex according to personal affordability.
- 2.3 **Investment Portfolio** refers to Twenty11 homes that are specifically designated to be let at market rent. This is not a static portfolio, and from time to time Twenty11 may decide to move homes that were previously classified as market rental homes to discounted rental homes, in order to ensure that Twenty11 continues to meet its charitable objectives.
- 2.4 An **Assured Shorthold Tenancy (AST)** is the tenancy type offered by Twenty11. The two types of ASTs that we use are either:
- A **periodic tenancy**, which rolls on from week to week or month to month (depending on the time period for the rent);
 - A **fixed term tenancy**, which is a type of AST that has the duration defined from the beginning. Twenty11 fixed term tenancies have durations between 12 months and five years. There are two types of fixed term tenancy that Twenty11 uses: either a discounted rent one or an Association for Registered Lettings Agents (ARLA) approved version that is specifically for market rent homes.
- 2.5 **ARLA** is a professional membership and regulatory body for letting agents and letting agencies in the UK and promotes high standards in the private rented sector.
- 2.6 **Discounted Rent Tenancy Agreement** is an assured shorthold tenancy agreement that is unique to Twenty11 and includes innovative elements such as having a rent that can flex according to the household's income, the Tenancy Sustainment Licence and the Realising Potential approach. Further details are in our Tenancy Policy.
- 2.7 A **Deposit** is the amount of money paid by the tenant to the landlord or their agent as security against the performance of the tenant's tenancy obligations, the

discharge of any liabilities, any damage to the Premises and/or non-payment of rent.

3. Responsibilities and monitoring

- 3.1 The Head of Commercial is responsible for ensuring that this policy is kept up to date and is consistent with other Twenty11 policies.
- 3.2 This policy will be reviewed every two years, or following a change in legislation, case law, regulatory requirements or because of a result of learning or good practice.

4. Legal & Regulatory Framework

- 4.1 Twenty11 is registered as a Community Benefit Society regulated by the Financial Conduct Authority under the Co-operatives and Community Benefit Societies Act 2014. Twenty11 is not subject to the Regulatory Framework for social housing.
- 4.2 All Twenty11 tenancies will be managed in accordance with the provisions of relevant legislation, this includes but is not limited to the Housing Act 1988, the Landlord and Tenant Acts, Data Protection legislation and related guidance.

5. Policy Statement

- 5.1 Twenty11 is a wholly owned subsidiary of Red Kite with the same charitable purpose. It provides homes at a variety of rentals to suit people's individual circumstances and to meet local housing need.
- 5.2 To meet our objectives and social ethos, our aim is to have as many homes as possible let at a discounted rent, thus meeting the definition of a charitable home (i.e. less than 70% market rental). However, there are some circumstances when we will let homes at market rent levels.
- 5.3 Market rent will be based on the Board agreed development programme alongside a yield balance that maintains the return required in the business plan. In practice it is likely that this would be around circa 10% of homes within Twenty11, although at times this may vary to enable the yield model and development cashflow to operate as agreed by the Board. Uppermost in determining the number of market rent homes available in Twenty11 will be the protection of our status as a charitable venture providing affordable homes for the community.

6. Policy Details

- 6.1 A small proportion of Twenty11 homes will be let at market rent level. Some of these homes will be part of our investment portfolio due to their particular suitability for this type of rent level, for example to offset the costs of new development or to meet our yield model.
- 6.2 Other homes will have been originally advertised for those in housing need at a discounted rent, but the tenant will be charged market rent due to their household's financial circumstances. This could be at the start of the customer's first tenancy, during the course of their tenancy, or when their initial Twenty11 tenancy is renewed.

7. Allocations

- 7.1 Whereas our discounted homes are generally (but not always) allocated to customers based on their housing need, our investment portfolio homes will be allocated on a first come first served basis to customers who demonstrate they can afford to pay the deposit and the required rent for the term of the tenancy agreement. As with tenants for our discounted homes, these customers must not meet the exclusion criteria set out in our Allocations Policy. These investment portfolio homes will be advertised in a similar way to market rent opportunities from other private landlords. The type of Tenancy Agreement used will be the ARLA approved model (see section 8 below).
- 7.2 The homes that are allocated according to housing need will normally be advertised through Bucks Home Choice. Our Allocations Policy has further details.

8. Tenancy Agreements

- 8.1 Customers who are allocated homes that are in our investment portfolio will be given a tenancy agreement that is a model one approved by the Association of Residential Letting Agents (ARLA) and is suitable for market rent homes.
- 8.2 For the other homes that are allocated according to housing need, there are different arrangements. If the customer qualifies for market rent and it is their first tenancy agreement with Twenty11, they will also sign up to the ARLA approved model agreement.
- 8.3 However, if the customer has an existing discounted rent tenancy agreement with us, the type of tenancy and rent level will be re-assessed at the appropriate period. This would normally be at the end of their tenancy term when the household's circumstances will be fully assessed including their financial position, the suitability of the existing property and whether other housing options may be available or more suitable for them. In most cases, if they are still eligible for our accommodation but their income level means they now qualify for a higher rent, the next tenancy granted to them will be the ARLA approved one.
- 8.4 The main differences between the ARLA approved agreement and the one used for discounted rent tenancies are:
- The rent charged will always be full market rent;
 - We can ask for a deposit, and we would provide protection for such deposits;
 - Tenants will not be offered our Realising Potential approach, which is only applicable for tenants in Twenty11 homes that are let at discounted rents;
 - The Tenancy Sustainment Licence will not apply;
 - The tenancy runs from month to month rather than weekly (which is normal for private rented tenancies);
 - There is an annual upward only rent review with a maximum increase of 7.5%;
 - There is the ability to charge interest on unpaid rent. This contractual term

would only be used in exceptional circumstances and with the authority of the Chief Executive.

8.5 Our ARLA approved tenancies will usually be for an initial fixed term of 12 months, but this can be varied with the authority of the Head of Commercial. If the tenant successfully completes the first year, longer terms will be considered for up to five years.

9. Assessment of rent

9.1 We will assess the rental value for Twenty11 properties in accordance with our Rent Setting policy. We will research the market and look at comparable properties via a variety of private property websites, considering the data of properties within a limited radius that have been let, or offered to the market for let, within a reasonable date range to ensure the rental levels are relevant.

9.2 All such valuations will be recorded for reference and audit purposes.

10. Lettable Standard

10.1 The homes in our Investment Portfolio may be let at a different standard than our other homes, to reflect competition and the standards in the private rented market. Our Lettable Standard has further details.

11. Deposit

11.1 We will normally charge a deposit for tenants who rent investment portfolio homes. This will be equivalent to 4 weeks rent and must be paid before the start of the tenancy. At the discretion of the Head of Commercial, if there are exceptional circumstances, we may consider other options such as a 'deposit free solution' whereby an insurance policy covers this instead.

11.2 For those homes that are allocated according to housing need and have ARLA approved tenancies, we will not charge a deposit. This reflects the variation in the Lettable Standard and the circumstances of the letting. A month's rent in advance is required.

11.3 Tenants who have discounted rent tenancies will not be charged a deposit.

12. Management

Pennvale, one of Red Kite's commercial companies, will act as our agent and will manage all our homes that are let on the ARLA approved tenancies.

13. Ending a market rent tenancy

13.1 In some circumstances, we may end or not renew a market rent tenancy. This may be for a variety of reasons including when the following occurs:

- A breach of tenancy conditions;
- Reversion or conversion to an affordable product;
- We wish to use the home for another purpose (such as sale or development);
- The home needs extensive works;

- The home is no longer suitable for the tenant and/or a member of their household. An example of this may include under-occupation or over-crowding (with reference to the bedroom size criteria as set out in our Allocations Policy) or the provision of adaptations/accessible amenities that are no longer required;
- We have concerns about the affordability of the property and/or the sustainability of the tenancy.

13.2 There is no right of appeal for tenants who do not agree with our decision.

14. References

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

15. Related Documents

15.1 This policy links to other policies, processes and strategies that we have in place. These include the following:

- Allocations Policy
- Rent Setting Policy
- Tenure Change Policy
- Lettable Standard