

Rent Policy



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1. Background

- 1.1 In 2002, the Government introduced a single method of setting rents (the 'Rent Influencing Regime'), based on the same rent 'formula' known as Target Rents. This meant that the rent for all housing association and local authority properties should reflect the relative property value and the relative average income of people living in the same county. In 2011, the Government introduced 'affordable rent' permitting rents inclusive of service charges to be set at up to 80% of market rent where homes are delivered under a housing supply delivery agreement between us and Homes England.
- 1.2 This policy covers rent setting for all of our housing stock, except shared ownership, which has a separate policy and is excluded from the Regulator for Social Housing Rent Standard. We must set rents and service charges in accordance with the Government's Policy Statement on Rents for Social Housing (last updated 28th January 2026); and with the Rent Standard 2026.
- 1.3 The Rent Standard of 2020 – 2025 was replaced by a new Rent Standard from April 2026. The Rent Standard from 2026 continues to permit social housing rents to increase by the Consumer Prices Index (CPI) for September of the preceding year, plus 1%. Any mention of CPI in this policy refers to the same value i.e. preceding September. For rent increases from April 2027 rents will be permitted to increase by an additional £1 per week until they reach the Formula Rent; and by £2 per week from April 2028.
- 1.4 We are committed to ensuring that the rent levels charged for all homes provide value for money by delivering good quality services with high levels of customer satisfaction. We are also conscious of the need to balance the affordability of rents with its ability to provide critical services for residents and to invest in new and existing homes.

2. Social Rent - our approach to calculating Formula Rents

2.1 Social Rent Flexibility

The majority of our rented homes (87%) have Social Rents. Target Rents first introduced in 2002 are now known as Formula Rents, which place an upper limit on the Social Rent (excluding service charges) that can be set for the initial rent on a home when it is let. We use the flexibility contained in the Rent Standard 2026 to set rents at up to 5% above the Formula Rent (10% for homes defined as supported housing in the government's Rent Policy Statement¹). When a home with a social rent is re-let, the rent will be set at the 105% or 110% formula level using the permitted flexibility. As required by the Rent Standard, our rationale for using this flexibility is:

- The cost of future capital works/component replacements are increasing significantly. The flexibility will allow us to incrementally increase the resources we are able to commit to deliver our Asset Management Strategy as informed by the updated Stock Condition Survey and particularly to contribute towards our obligations to reduce the carbon emissions from our homes as well as continuing to develop new homes and provide a range of other community support services.

- Using the flexibility will have no impact on existing tenancies and our social rents will continue to be significantly lower than Local Housing Allowance levels and to be fully eligible for Housing Benefit / Universal Credit. Affordable rents are not affected.

2.2 **Valuations of properties for general needs housing**

The valuation of a property as of January 1999 is used in the calculation of a formula rent. Valuations will be in accordance with a method recognised by the Royal Institution of Chartered Surveyors (RICS). Properties were valued by a professional valuer based on January 1999 vacant possession values and continued residential use. This is known as Existing Use Value (EUV). Valuations are based on archetype properties and common value areas. Our policy is to use valuations in the **medium to high** range.

Professional valuers claim to be accurate to within 10%. If a customer wishes to complain about the valuation and consequent rent that their property has been given, we would only agree to amend these figures if a valuer can demonstrate that a particular valuation is incorrect by more than 10%.

2.3 **Valuations of properties for sheltered extra care schemes and supported housing**

For these categories of housing two alternative valuation methods are used. For simple supported housing (i.e. a property similar to a general needs home), we have used the same valuation method as general needs housing i.e. Existing Use Value (EUV). We have used the alternative method Depreciated Replacement Cost (DRC) for valuing its purpose built/adapted or specialist supported housing. The DRC method calculates the cost of rebuilding the building, then increases this value if the building is wheelchair accessible and/or has new lifts, then decreases this value if the building is unmodernised. This gives a modified rebuild cost, to which the value of the land is added. The methodology requires only two figures – the size of the building (for the rebuild costs) and the size of the land (for the value of the land).

2.4 **Annual reviews of Formula Rents**

Once calculated, the Formula Rent for each home is adjusted annually by CPI+1%. The Formula Rent is subject to a rent cap which sets a maximum ceiling on the social rent, the amounts of which have been published by the Department for Levelling Up, Housing and Communities and is increased each year by CPI+1.5%. We will check each year that no Formula Rent exceeds this rent cap.

3. **Our approach to setting Affordable Rents**

3.1 We set the initial rent for Affordable rents (including service charges) at the Local Housing Allowance (LHA) level or 80% of gross market rent, whichever is lowest (subject to the exceptions set out in para 5.0 below for some newbuild schemes). Although our tenancies are not subject to the LHA for housing benefit or Universal Credit claims, this policy complies with the Rent Standard requirement to have regard to the local market context, including the relevant LHA. Although it is extremely

unlikely that an Affordable Rent will be lower than the Social Rent for a given property, in such a situation we would charge the Social Rent figure.

- 3.2 We obtain consent from Homes England via a Housing Supply Delivery Agreement to charge an affordable rent. We will monitor market rent levels to ensure that the gross rent charged each time a new tenancy is issued remains at no more than 80% of gross market rent (i.e. inclusive of service charges) and where necessary rebase such rents when relet to 80% of market rent (or lower where it is the Local Authority's policy which will have been included in the development scheme appraisal). As it is not government policy to cap welfare costs to the LHA rate for registered providers it will not be necessary to reduce actual rents for existing tenancies should the LHA rent be reduced, or if the rate of LHA does not keep pace with annual rent increases of CPI+1%. Similarly, if the 80% market rent is re-assessed at a level below the rent being charged to existing tenants, it is not necessary to reduce the rent until the same home is re-let.

4. Annual rent reviews

- 4.1 We will comply with the Regulator for Social Housing's Limit on annual rent increases and increase actual rents for both Social Rents and gross Affordable Rents each April by no more than CPI+1% annually.
- 4.2 **Social rents** (excluding service charges) for existing tenancies will change by CPI+1%, so long as this remains below the 105% or 110% Formula Rent for the home. Where the existing rent exceeds the (105% or 110%) flexibility level, the rent will only increase each year by CPI rather than CPI+1% until the rent is brought back into line with the flexibility level or until it is relet, in which case it will be set at the 105% or 110% flexibility level. In 2025-26, most of our rents remain below the Formula Rent. From April 2027 CHS will implement the ability under the revised Rent Standard to add a further £1 per week (rising to £2 per week from April 2028) until the actual rent reaches the Formula Rent value. The CHS Board will annually review the affordability for tenants of applying the maximum allowable increase on tenants in advance of setting the annual budget.
- 4.3 **Affordable rent** (including service charges) - annual increases will be limited to CPI+1%. While the Rent Standard requires the gross rent for new tenants to be limited to 80% of market rent, we aim to ensure that the gross rent (including service charges) does not persistently exceed 80% of the market rent for any existing tenancy, while recognising that market rents and service charges may fluctuate from one year to the next. We instruct valuers to assess the current market rent for each property at the time it is to be relet to ensure new tenancies do not exceed 80% market rents. Such reviews are carried out by external valuers using a method recognised by the Royal Institution of Chartered Surveyors. The gross rent at the start of the tenancy will be set no higher than the 80% of market rent or the LHA rate, whichever is lower. This 'cap' figure is recorded as a nominal charge on the housing management system, and a database is kept for annual comparison to support any decision to cap the gross rent at 80% of market rent rather than the LHA rate.

4.4 It is likely that in some years the revised gross rent for existing tenants, having been increased will exceed the LHA or 80% market rent – either due to the LHA not keeping pace with CPI+1% or reductions in market rent values. Conversely, the LHA/80% market rate in one year may increase by more than CPI+1%. We must cap these gross rents at 80% of market rent for re-lets in any case; however, it will also monitor the impact of such discrepancies compared with LHA rates annually for existing tenancies. Financial constraints may prevent consideration of a freeze or reduction in the basic rent, however, where possible, we will restrict the rate of increase to below CPI+1% for those homes where the discrepancy becomes significant (usually a variance of more than 5% above the LHA level). Any adjustment would only be made each April in the normal rent review cycle.

4.5 The following table summarises the different approaches to be taken depending on the rent type:

	Social Rents (net rent only)	Affordable Rents
First let or relet general needs	105% Formula Rent	Gross rent set at lowest of LHA level or 80% market rent or a lower % of market rent where it is the local authority's policy
Relet sheltered, extra care and supported housing	110% Formula Rent	N/A
Existing Tenancy – annual review	Change by CPI+1% annually (CPI only where current rent exceeds flexibility level)	Change gross rent by CPI+1% annually. Review gross rents annually to identify where new gross rent exceeds 80% market rent or LHA, consider how to address where variance exceeds 5%

4.6 Where a new tenancy begins in late February / March such that the usual one month's notice of an increase cannot be given, the new tenant will be asked to sign a letter to agree to the new rent from the first Monday in April.

5. Rent setting for new general needs housing schemes

Where possible, we aim to develop some new units at Social Rent levels to replace social rented units lost e.g. through asset disposal. However, this will usually not be possible due to market factors and competition for new development sites. Typically, therefore, we will charge rents (including service charges) at the Local Housing Allowance or 80% of market

rent (whichever is lower), in order to ensure a scheme's long-term viability. Where a local authority policy is to set Affordable rents lower than 80% of market rent (typically 60% or 70%) for new schemes we will adopt the lower amount as a cap (subject to any capping due to the Local Housing Allowance).

6. Rent setting for properties that have been improved

Standard planned maintenance works, such as kitchen and bathroom upgrading, will not result in a revaluation given the general nature of the valuation process. However, very major works, such as the complete remodelling or substantial renovation of a scheme or individual property, would give rise to new Formula Rents. We will revalue properties and revise Formula Rents when improvements are carried out which lead to an average estimated increase in property value of £7,500 or more.

7. Rent setting for Fair Rent properties

Residents who benefit from Rent Act protection retain this under the Rent Standard (35 remaining tenancies at February 2025).

Where a property is occupied by a secure tenant, we apply to the Valuation Office Agency (VOA) every two years for a Fair Rent. The rent applied for will follow the same rules as for Assured tenancies. If the VOA sets a Fair Rent below the figure applied for, this lower rent will prevail. If the VOA sets a Fair Rent above the figure applied for then we charge the lower figure in line with Assured Tenancies, to ensure that our Fair Rents never exceed social rents for Assured Tenancies.

8. Formula Rents for supported housing (including sheltered and extra care housing)

We set Formula Rents for supported housing with the maximum discretion of 10% above the Formula Rent generated by the Government's method. As for general needs housing, where there is a change of resident, we will set the new rent in accordance with the 110% Formula Rent at the time. We ensure that any charges for additional services are identified separately from rent and reflected in variable service charges with annual reviews to meet actual costs. We also provide accommodation for Looked After Children, which is treated as a care home under the Care Standards Act, although not registered; and exempt from the Rent Standard.

9. Our approach to setting rents in Agency Managed supported housing properties

- 9.1 Where a property is agency managed and unregistered under the Care Standards Act 2000², the rent paid by the residents to the managing agent will comply with the Rent Standard using Formula Rents and a maximum increase of CPI+1%. We calculate these annually and inform the managing agent in February each year of the correct charges to apply no sooner than 1st April. The agent is required to charge this rent, which must be closely monitored as it is our responsibility to ensure the Rent Standard is met.

- 9.2 Where the property is agency managed and registered under the Care Standards Act 2000 it is exempt from the RSH Rent Standard.³ The agent covers its housing management costs and voids out of the income it receives as care home fees. This rent we charge is recorded in the management agreement and is inflated annually by CPI+1%. The management agreement details when we inform the agent of the new rent. We review the rent once a year and it is varied on 1st April. If the rent ceases to adequately cover our required return, we agree a new rent with the agent to cover our costs.
- 9.3 Where a property is leased to a non-registered provider the Rent Standard does not apply. However, the lease fee is increased annually by CPI+1% and we monitor the charitable objectives of the provider to ensure that they are within the scope of our vision and mission⁴. Where a property is leased to a registered provider the Rent Standard applies and we monitor its application⁵.

10. Intermediate rents for designated keyworkers

- 10.1 We own the long lease of two properties designated by a Nomination Agreement with South Cambridgeshire District Council as being let to keyworkers at an intermediate rent. These rents are exempt from the RSH Rent Standard requirements for social rents, however in accordance with the nomination agreement will be set each year 15% below market rents for similar properties in the same area. Each year we review local market rents to ensure compliance with this agreement in advance of notifying the tenants of their new charge. We will seek to increase these rents by the same percentage as other general needs tenancies unless it would exceed the 85% of the market rent to do so.

11. Service charges

- 11.1 We endeavour to ensure service charges represent Value for Money for customers. Service charges are clearly defined for each property and are restricted to the costs of providing services including administration costs. We have a separate Service Charge Policy. We will endeavour to limit any increases in service charges to CPI+1%, although it is acknowledged that it can be difficult to control some costs which are based on variable factors (e.g. equipment breakdowns, utilities, management companies) and may vary up or down between accounting years. Some contracts result in costs that are fixed for more than one year (e.g. utilities, landscape maintenance) and which may then increase by more than CPI+1% once re-procured. However, we aim to use procurement processes and customer involvement to optimise value for money for customers. Each year we will review the rate of change in overall service charges for every customer, and the causes of any change exceeding CPI+1% in order to prioritise the sites or services that need more work to provide value for money for customers.

12. Non-social housing

- 12.1 From time to time we may let homes as non-social tenancies once a home becomes vacant, in order to make good temporary use of stock where it is earmarked for disposal

for asset management or other reasons. In such cases, we will seek to charge the prevailing market rent (or social rent if required to comply with the Rent Standard because of previously being categorised as social rent homes), to maximise the available income for the period of the non-social letting. The use of shorthold tenancies will become unavailable after the Renters Rights Act 2025 is enacted for the social housing sector (subject to consultation by the Social Housing Regulator). We will review the detail of the grounds for possession in the Act in assessing whether a periodic tenancy for such a non-social letting would be proportionate.

13. Garage rents

- 13.1 We let a small number of garages, which may be let either to our tenants or the general public. The rents are based on equivalent garage rents in the private or local authority sector and increase by at least CPI+1% each year. Market rents for garages will be periodically reviewed to ensure our rents are in line with the wider market. Where the garage is let to someone who is not one of our tenants, VAT is also charged at the standard rate, and this is added to the weekly garage charge.

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