



Monitoring information

Policy/Procedure/Strategy:

Rent Setting Policy

Version:

V2

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Job Title:

Head of Finance

Approval route:

Board

Rent Setting Policy



Introduction:

Rents for properties are reviewed and set annually as part of the annual budget process.

This policy covers the following groups of customers:

- Tenants
- Leaseholders
- Shared Owners
- Garage Licensees

The rents will be changed in the first week of April, including in the April following the grant of the tenancy. For regulated rents, the increase or decrease will be in line with Government and Regulatory Standards.

The paper published in February 2019 by the Ministry of Housing, Communities and Local Government, a policy statement on rents for social housing, which set out the government's policy on rents for social housing from April 2020 and for the 4 years following – until the end of March 2025. In April 2024, this was extended by one year to the end of March 2026.

The rent standard, issued in April 2020 by the Regulator of Social Housing (RSH) allows for an increase of social and affordable rent by CPI plus 1%.

As part of the Spending Review on 11 June 2025, the government confirmed that social landlords will be permitted to increase social and affordable housing rents by CPI+1%, every year for 10 years, from April 2026.

The rent standard will be updated following the Autumn Statement later this year, once the social rent convergence consultation process has been completed.

Scope of the Policy:

This policy covers rent setting for all customers of Teign Housing to March 2029.

Teign Housing will comply with any Government and Regulatory Standards around rent setting; including the Rent Standard issued by the RSH in April 2020 or subsequent guidance.

Policy Statement:

1. Social Rent (General needs and Sheltered) – Rent Increases

Overview

Social rents must conform to the rent formulas that are set out in the Rent Guidance (Rent Standard April 2020 or subsequent guidance) from the RSH allowing for a 10% tolerance for sheltered and supported housing and 5% for general needs, but not exceeding the maximum rent levels or 'rent caps'.

The rent cap is the upper limit which associations can charge for a property irrespective of its formula rent, so if the formula exceeds the capped rent, then the capped rent is charged.

The rent cap varies by number of bedrooms, but not by location or value of property.

Formula rents increased by CPI plus 1% per annum from April 2020 to March 2026. As announced in the June 2025 Spending Review, this will be continued from April 2026 for a period of 10 years.

Teign Housing will have regard when setting social rents to the relevant Local Housing Allowance (LHA) for the Broad Rental Market Area in which the property is located. The social rent plus service charges will not exceed the LHA.

The outcome of the government's consultation on rent convergence is expected as part of the Autumn Statement in November 2025. Teign Housing will look to take advantage of any rent convergence permitted as part of the announcement.

Social Rent - Re-lets

Social rents are also capped, known as 'capped rent'. Sometimes the formula rent can be higher than the rent cap or vice versa. The formula rent should always be used unless it is higher than the capped rent in which case the capped rent should be applied.

Housing staff will obtain social rent information from our housing management system.

Social Rent increases – Assured Tenancies

The term 'Assured Tenancies' includes Assured Shorthold Tenancies.

Rent increases for monthly tenancies takes effect on 1st April and for weekly tenancies the first Monday in April. Customers must be given appropriate notice as stipulated in their tenancy agreement.

Rent increases are carried out in accordance with Section 13 of the Housing Act 1988 and the appropriate statutory notice will be used for the purpose.

The first rent increases a customer will get will be in the April following the start of their tenancy, unless individual tenancy agreements specify otherwise. Customers are entitled to one calendar months' notice of an increase in rent. If the tenancy starts on or after the date notices of increase are served (usually at the end of February), the customer will be notified at the time of sign up of the new rent which will apply from the following first Monday in April.

Social Rent Annual Increases to end March 2029.

Rents will increase by CPI plus 1% to end March 2029.

Exceptions from social rent requirements include:

- property let at affordable rent levels
- intermediate rent
- specialised supported housing fitting certain criteria (as per RSH rent guidance)
- shared ownership and low-cost home ownership
- key worker accommodation
- market rent
- Haldon pitch rents

2. Affordable Rent – Rent Increases

Overview

The process for setting and increasing affordable rents shall be the same for all affordable rented homes.

Affordable rents will be set based on a percentage of gross market rent inclusive of service charges up to a maximum of 80% market rent. Teign Housing will obtain a valuation of gross market rent for initial rent setting in accordance with a Royal Institution of Chartered Surveyors recognised method.

Teign Housing will have regard when setting affordable rents to the local market context, including the relevant Local Housing Allowance (LHA) for the Broad Rental Market Area in which the property is located. The rent will not exceed the LHA.

In cases where an affordable rent would otherwise be lower than the formula rent for a property, the formula rent will constitute a 'floor' for the rent to be charged. When this approach is taken, we are required to document our decisions together with supporting evidence for audit purposes.

Affordable Rent Re-Lets

On each occasion an affordable rent tenancy is issued for a property, including when the fixed term tenancy is due for reviewal, a new valuation is required. The rents of new tenants will be set based on this valuation at up to 80% of the market rent which will be the maximum affordable rent chargeable inclusive of service charges. This 'rebased' rent will override any rent level set previously for this property.

The rent charged where a tenant remains in the same property may not be increased by more than CPI plus 1% in any one year, regardless of the results of the valuation. The rent however, as a result of the valuation may be reduced. It is not necessary to re-set the rent when the property is being re-let to the same customer after a probationary tenancy coming to an end.

Housing staff will obtain re-based affordable rent information from the finance team.

Affordable Rent Annual Increases to end March 2029

Rent for these homes will increase by CPI plus 1% until the end of March 2029. Any service charges are included within the total affordable rent calculation; therefore, the total rent charged, inclusive of service charges must not exceed the permitted increase of CPI plus 1%.

Rent increases for monthly tenancies take effect on 1 April and for weekly tenancies the first Monday in April. The customer must be given appropriate notice as stipulated in their tenancy.

3. Shared Ownership

Shared Ownership rents are not subject to the Rent Standard. Rent setting for shared ownership properties is specified in the leases and will reflect any changes to equity shares.

Transfer properties:

Transfer shared ownership units increase by CPI plus 1%, the increase takes effect according to the individual leases. Properties built since transfer and before 12th October 2023:

Properties built since transfer, and up to 13th October 2023 increase by RPI plus 0.5%, with the increase taking effect according to individual leases.

New build properties

Some properties built since 12th October 2023, will be subject to an increase of CPI plus 1%, and some subject to RPI plus 0.5%, with the increase taking effect according to individual leases. This will be dependant on the Section 106 agreement. All properties with planning permission granted after this date will be subject to a CPI plus 1% increase.

4. Market Rent

The Rent Standard does not apply to market rent properties. Teign Housing aims to achieve market rents across the portfolio. To achieve this, Teign Housing carries out market research using estate agents, valuers and the internet to establish market rents/trends in an area. For existing residents, rents will be increased annually from April subject to the terms in the tenancy.

5. Garages

The Rent Standard does not apply to garages. The Teign Housing aims to achieve a market rent for garages or an annual increase of at least CPI plus 1%.

6. Commercial Property

The Rent Standard does not apply to commercial property rent setting. Rents will be increased in accordance with lease terms and based on an independent valuation.

7. Haldon Pitch Rents

The Rent Standard does not apply to the Haldon Pitch Rent setting. Any proposed rental increases for existing tenants must be accepted by the tenants on an individual pitch basis, otherwise current rents continue to be charged. Teign Housing aims to increase rents wherever possible from the beginning of April by using the most recently published CPI figure prior to issuing notice to tenants.

Approval of annual rent changes

- The Board are responsible for approving changes in rent as part of the annual rent setting process

Links to

- Governance - Teign Housing is required to comply with all relevant legislation.

Monitoring and Performance Standards:

- The Policy will be reviewed when legislation for the rent setting is changed.

Related Documents:

- Welfare Reform and Work Act 2016
- RSH Rent Standard – April 2020.
- RSH Rent Standard Guidance – April 2020.