



Rent setting policy

1. Purpose and scope

- 1.1** To set fair and affordable rents for customers which in total yield sufficient rental income to remain financially viable, maintain and improve our assets, deliver value for money customer services, develop new homes, support residents and develop communities.
- 1.2** Selwood Housing must comply with all the requirements and expectations set out in the current Rent Standard and the Rent Policy Statement. The requirements for rent include application of a guideline limit on rent increases and caps on social rent levels.
- 1.3** This policy applies to all properties owned and managed by Selwood Housing and sets out the framework for setting rents on all properties. Social Rent and Affordable Rent are in-scope for the Rent Standard while other income streams follow their own rules. This policy does not cover the setting of service charges which has its own policy document.
- 1.4** Selwood Housing maintains a rent plan which sets out the plans for implementing rent changes.

Responsibilities

Who	What
Board of Directors	Agree the annual increase and any changes to this policy
Executive Team	Ensure awareness of this policy, best practice and regulatory requirements
Chief financial officer	Review and approve the annual rent calculations. Present to the board any proposed changes to this policy
Group head of finance	Maintains the rent model and evidence, coordinates annual rent review, ensures calculation, tolerances and caps are applied in accordance with this policy
Neighbourhoods team manager	Ensure any tenancy/lease agreement contents regarding charges to rent and service charges reflects this policy
Development team	Provides accurate property, valuation and tenure data needed for rent calculations



Rent setting policy

2. Underpinning principles

2.1 Rents shall be reviewed annually and set in accordance with the Regulator of Social Housing's Rent Standard and the terms of any tenancy or lease.

2.2 Selwood Housing shall provide clear information to customers explaining how rent is set, how it has changed, and how the change relates to the CPI (or RPI where applicable) benchmark to which rents are linked.

2.3 Selwood Housing shall provide clear information to staff through the housing management system and the relet spreadsheet on the applicable rent for all properties.

2.4 Rents shall be accounted for in an open, transparent and fair manner.

3. Policy details

3.1 Selwood Housing will set and review all rents in accordance with the Regulator of Social Housing's Rent Standard and accompanying guidance including the annual guideline limit on rent increases, caps on social rent levels and any government exceptional measures.

3.2 For the purposes of this policy, "rent" means the rent charged under a tenancy or lease. Service charges are separate from rent and shall be set in accordance with Selwood Housing's Service Charge Policy. Where a tenure requires a "gross rent" (for example, Affordable Rent), gross rent means the combined charge of rent plus any eligible service charges, calculated in accordance with the applicable programme rules and the tenancy or lease.



Rent setting policy

3.3 At the start of a new tenancy or lease (including relets and transfers), rent shall be set by reference to the applicable tenure rules and any scheme-specific requirements. For Social Rent and Affordable Rent homes, rent shall be set in accordance with the Rent Standard and the Rent Policy Statement, including any limits on initial rents, caps and permitted tolerances. Tenure-specific rules and methodology are set out in Annex A. The basis for formula rent calculations is set out in Annex B.

3.4 Weekly rents shall be reviewed annually with effect from the first Monday in April, monthly rents will be with effect from 1 April, unless a tenancy or lease provides otherwise. For homes within the Rent Standard, any change to an existing customer's weekly rent must not exceed the annual guideline limit set out in the current Rent Policy Statement (normally CPI as at September of the previous year plus 1%). Where the Rent Policy Statement includes additional conditions (including where the rent flexibility level would otherwise be exceeded or where convergence uplifts are permitted to move rents towards formula rent), those conditions shall be applied in full as set out in Annex A.

3.5 Where applicable, Selwood Housing shall apply caps on rent levels and any permitted tolerances in accordance with the Rent Policy Statement. Where a scheme-specific agreement (for example, with a local authority or a funder) sets a lower maximum rent, or imposes additional restrictions on rent setting or increases, Selwood Housing shall comply with those requirements.

3.6 When setting rents and applying annual rent changes, Selwood Housing shall have regard to customer affordability, including local income levels and benefit limitations, and shall act in a fair and transparent manner. Equality and vulnerability factors shall be considered where relevant to communication and support, and customers shall be signposted to advice and support where appropriate. The board shall have final authority to agree rent changes. Affordability considerations do not permit non-compliance with the Rent Standard where it applies.

3.7 Selwood Housing shall maintain a rent plan and supporting evidence including rent plan outputs, checks and approvals to demonstrate compliance with this policy and the Rent Standard. The Board of Directors shall approve the annual rent increase and any changes to this policy. Roles and responsibilities for rent setting and annual review are set out in the Responsibilities section of this document.



Rent setting policy

3.8 The annual rent setting process includes data validation to confirm property and customer details as well as checks for caps, tolerances, guideline limits and any convergence uplift rules. A reconciliation is carried out between the housing management system and the rent plan

3.9 Selwood Housing shall provide customers with clear information on how rent is set and how any change has been calculated. Where an increase or decrease applies, Selwood Housing shall issue written notice in accordance with the tenancy or lease (normally at least four weeks' notice), confirming the new rent and the date it becomes payable. Accessible formats and reasonable adjustments shall be made to any communication. Customers may query their rent by contacting Selwood Housing.

4. Signposting

The current Rent Standard and current Rent Policy Statement (as amended from time to time)

Rent Standard

Registered providers must comply with all the requirements and expectations set out in the Rent Standard and the Rent Policy Statement.

Policy statement on rents for social housing

This document sets out the government's policy on rents for social housing from 1 April 2026 onwards. The policy is to remain in effect for at least 10 years. This policy provides the stability that providers need to borrow and invest in new and existing homes, while ensuring appropriate protection for customers.

Annex A – Initial and subsequent rents by tenancy type

Annex B – Basis for the calculation of formula rents

Annex C – Glossary of terms



Rent setting policy

Annex A

Tenancy type

Social rent

- The initial rent on a property to be let at social rent, subject to the rent cap requirement, will be formula rent with an upwards tolerance of:
 - If the accommodation is supported housing, up to 10% of formula rent: or
 - If the accommodation is not supported housing, up to 5% of formula rent

unless this is further restricted by a scheme specific agreement with a local authority.

- Our justification for using the flexibility is that the extra income enables us to ensure existing properties are maintained to the relevant standard and we can continue developing new homes for people in housing need, which is Selwood Housing's core charitable purpose. Our rents are demonstrably lower than those of other housing associations in the same area and are affordable when compared with the local housing allowance. This will be reviewed annually before the annual rent increase is approved by board.

Changes to rents and rent convergence

Between 1 April 2026 and 31 March 2027

- Registered providers may only increase actual weekly rents by up to CPI (as at September of the previous year) plus 1 percentage point in any year starting between 1 April 2026 and 31 March 2027, unless:
 - If the weekly rent when increased by CPI +1% exceeds the rent flexibility level, weekly rent may only be increased by up to CPI

Between 1 April 2027 and 31 March 2028

- Registered providers may only increase actual weekly rents by up to CPI (as at September of the previous year) plus 1% in any year starting between 1 April 2027 and 31 March 2028, unless
 - If the weekly rent when increased by CPI +1% exceeds the rent flexibility level, weekly rent may only be increased by up to CPI
 - If the weekly rent when increased by CPI + 1% is below formula rent, weekly rent can be increased by **up to** an additional £1 per week to bring it to the level of formula rent



Rent setting policy

From 1 April 2028

- Registered providers may only increase actual weekly rents by up to CPI (as at September of the previous year) plus 1% in any year from 1 April 2028, unless
 - If the weekly rent when increased by CPI + 1% exceeds the rent flexibility level, weekly rent may only be increased by up to CPI
 - If the weekly rent when increased by CPI + 1% is below formula rent, weekly rent can be increased by **up to** an additional £2 per week to bring it to the level of formula rent

Registered providers are not required to reduce rents should CPI fall below 0%. In this circumstance, registered providers may not increase rents but they are not obliged to reduce them (i.e. there is a floor of 0%)

Formula rent

- The basis for the calculation of formula rent is:
 - 30% of a property's rent is based on relative property values
 - 70% of a property's rent is based on local earnings
 - A bedroom factor is applied so that, other things being equal, smaller properties have lower rents

Annex B expresses the basis for the calculation of formula rents as a formula and includes notes on the individual elements.

- Formula rents will increase by CPI + 1% each year from 2020-21 onwards. CPI is taken as at September in the previous year.
- All social rent properties that become void will be let at formula rent plus any applicable tolerance if previously agreed by the board
- All newly developed properties specifically built for social rent will be let at formula rent plus any applicable tolerance if previously agreed by the board.
- Existing customers will remain on their current rent in their existing property (subject to annual rent reviews) but if they move the rent in the new property will be set at the formula rent level plus any applicable tolerance if previously agreed by the board.
- Selwood Housing may re-value the property where major works have been carried out that materially affect the value of the property



Rent setting policy

Shared Ownership properties

- Initial rents on shared ownership properties will be set by applying an agreed rental percentage, in the main 2.75%, to the outstanding equity (eg: retained by Selwood Housing) of the property purchased.
- Thereafter the maximum annual change in rent will either be RPI + 0.5% or CPI + 1% as per the applicable lease agreement. Inflation figures are taken as of September in the previous year
- If a shared owner purchases a further share in the property which is less than 100% of the value of the property, the level of rent will be recalculated using the above formula.
- Selwood Housing will give the customer at least 4 weeks written notice of any increase or decrease to the rent. The new rent will become payable on the date set out in the notice.

Intermediate properties

- The initial monthly occupation charge or net rent for the property at the start of the tenancy will be based on 80% of the rent that would be paid in the open market for that property.
- The open market rent for the property will be provided by an independent valuer.
- Thereafter the net rent will be reviewed once a year and normally on the 1 April. The net rent will change by CPI + 1% as per the tenancy agreement. CPI is taken as at September in the previous year.
- The customer must pay a deposit equal to one month's rent in advance of taking possession of the property. The deposit will be held in an authorised tenancy deposit scheme operated by the DPS (Deposit Protection Service) or such other authorised scheme as Selwood Housing may choose from time to time. Selwood Housing will within 14 days provide the required information about the scheme to the customer.
- On becoming void an intermediate property net rent will be calculated using the same methodology as above.
- Selwood Housing will give the customer at least 4 weeks written notice of any increase or decrease to the rent. The new rent will become payable on the date set out in the notice.



Rent setting policy

Rent to home buy properties

- The initial monthly occupation charge or net rent for the property at the start of the tenancy will be based on 80% of the rent that would be paid in the open market for that property.
- The open market rent for the property will be provided by an independent valuer.
- Thereafter the net rent will be reviewed once a year and normally on the 1 April. The net rent will change by CPI + 1%. CPI is taken as at September in the previous year.
- The customer must pay a deposit equal to one month's rent in advance of taking possession of the property. The deposit will be held in an authorised tenancy deposit scheme operated by the DPS (Deposit Protection Service) or such other authorised scheme as Selwood Housing may choose from time to time. Selwood Housing will within 14 days provide the required information about the scheme to the customer.
- On becoming void the net rent will be calculated using the same methodology as above.
- Selwood Housing will give the customer at least 4 weeks written notice of any increase or decrease to the rent. The new rent will become payable on the date set out in the notice.
- If after the initial rental period, a customer decides to proceed with the purchase of a share of less than 100% of the value of the property they will be issued a lease agreement on the same basis as shared owners detailed above.

Mortgage rescue properties

- The initial weekly occupation charge or net rent for the property at the start of the tenancy will be based on 80% of the rent that would be paid in the open market for that property.
- The open market rent for the property will be provided by an independent valuer.
- Thereafter the net rent will be reviewed once a year and normally on the 1 April. The net rent will change by CPI + 1%. CPI is taken as at September in the previous year.



Rent setting policy

- On becoming void the net rent will be calculated using the same methodology as above.
- Selwood Housing will give the customer at least 4 weeks written notice of any increase or decrease to the rent. The new rent will become payable on the date set out in the notice.

Affordable rents

- Affordable rents are allowed to be set by organisations who are party to the Affordable Homes Programme managed by the Regulator. The rents are set on 80% of gross (including service charges) market rent. The gross market rent is determined by a Royal Institute of Chartered Surveyor (RICS) recognised valuation method. At the start of a new tenancy the rent is set by reference to the gross market rent.
- Thereafter the gross rent will be reviewed once a year and normally on the 1 April. The gross rent will change by CPI + 1%. CPI is taken as at September in the previous year.
- On becoming void the gross rent will be calculated using the same methodology as above.
- A full valuation may not always need to be undertaken if there are adequate comparables readily to hand that are less than 3 months old. In these circumstances we can decide to re-set rents using a desktop review of recent transactions

Shop rents

- Shop rents are managed by the external commercial property managers employed by Selwood, currently this is Chase Buchannan
- The initial rent is set by the managing agents having regard to the size and use of the property and comparable rents for similar commercial premises locally. It is a market rent.
- Under the terms of the lease by which the shops are held rent is reviewed every three years. This process is again managed by our commercial managing agents on the same basis as the original rent setting. The new rent has to be agreed between the customer and Selwood and if a new rent cannot be agreed there are provisions in the lease for this to be referred to arbitration.

Garage rents



Rent setting policy

- The rents on garages are set on an annual basis by the Board based on an assessment of affordability and income maximisation. Factors taken into account are economic climate, customer demand, condition of the garage and level of investment required. This may result in different prices according to location and demand. Garages let to private customers are subject to VAT.

Annex B

The basis for the calculation of formula rents expressed as a formula

Weekly formula rent is equal to:

70% of the national average rent
Multiplied by relative county earnings
Multiplied by the bedroom weight
Plus
30% of the national average rent
Multiplied by relative property value

National average rent means the national (England) average rent in April 2000.

Relative county earnings mean the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels.

Relative property value means an individual property's value divided by the national (England) average property value, as at January 1999 prices.

The amounts to use for the national average rent, national average manual earnings, national average property value and the bedroom weightings are published by the Ministry of Housing, Communities & Local Government. (MHCLG)

Putting the relevant information into the above formula will give the formula rent for 2000-01 for the property. The 2000-01 formula rent must be then up rated, for each year, using the relevant uplift (published by the MHCLG)

Property valuations

The January 1999 valuation of a property must be in accordance with a method recognised by the Royal Institution of Chartered Surveyors



Rent setting policy

(RICS.) The value should be based on an existing use value, assuming vacant possession and continual residential use.

Each social rent property requires a value to be attributed to it to calculate a formula rent. However, Selwood Housing is not expected to carry out individual valuations and can rely on more generic valuations for particular types and sizes of properties in different locations.

Generally, the valuation of a property for social rent purposes will remain the same, however, Selwood Housing may re-value the property where major works have been carried out that materially affect the value of the property.

Major works do not include normal stock management activity such as repairs, maintenance or updating of properties (eg fitting of new kitchens or bathrooms.) Major structural alterations such as adding an extra room or extension would be an example of major works.



Rent setting policy

Annex C

Glossary of terms

Regulator	The Regulator of Social Housing (previously The Homes and Communities Agency (HCA)) is the regulator for social housing providers
Guideline limit on rent increases	The guideline limit on annual social housing rent increases is set by central government
Caps on social rent levels	The caps on social rent levels are set by central government and sets out the maximum rent applicable to properties by bedroom size.
Service charges	Money paid in addition to rents towards certain day to day running costs of the scheme or property. Service charges are limited to covering the cost of providing the service.
Government formula	Used to calculate a formula rent for each property. Based on relative property value, relative local earnings & number of bedrooms.
Formula Rent	Rent derived for each property using the government formula (see above)
Rent Convergence	A mechanism introduced by the government which allows social rent properties that are below formula rent (excluding any permitted flexibility) to increase by an additional fixed amount each year, over and above the standard annual rent increase limit, until rents move closer to or reach formula rent.



Rent setting policy

Tolerance/Rent flexibility	The permitted upward variation from a property's formula rent when setting the rent—typically up to 5% above formula rent for general needs housing, or up to 10% for supported housing (subject to the relevant rent standard/policy).
Rent standard	Sets out how registered providers shall charge rents in accordance with the objectives and framework set out in the Government's direction to the regulator. The Rent Standard applies to low cost rental accommodation (social and affordable rent)
Tenancy agreement	A contract between a landlord and a customer specifying the terms and conditions of their rental agreement.
CPI (Consumer Price Index)	A measure of consumer inflation which uses an index number and tracks price changes in a representative basket of goods and services.
Relet spreadsheet	A record of the rent calculated for each individual property. Referred to by the lettings team when a void property is ready to be let.
Void property	Empty home after customer has vacated the property and terminated the tenancy.
Rent Plan	Plan produced by the Group head of finance demonstrating compliance with the rent standard
Shared ownership properties	A percentage of the home is sold (usually between 25 and 75%). Selwood Housing retain the unsold part of the house and charge a rent on this, usually between 2.5% and 3% of the unsold value. Shared ownership is known under different names for example newbuy and first buy.
Intermediate properties	Homes funded by the regulator let at a rent below market rent and targeted at people in employment seeking to save to buy a home.



Rent setting policy

Rent to home buy properties	Government scheme that allowed people who met certain criteria to rent a home at a below market rent with the right to purchase a share of the home within the first 5 years. This scheme has been closed so there are no new government funded RTHB schemes. It still operates for anyone currently in one.
Mortgage rescue properties	A government scheme funded by the regulator to help people who can no longer pay their mortgage to stay in their home and reduce the impact of homelessness in terms of the personal impact and cost. Where the household meets certain criteria, the regulator will part fund the purchase of the home by a housing association. The home is then let to the household at 80% of market rent.
Affordable rents	The rent for affordable rent housing (inclusive of service charges) must not exceed 80% of gross market rent (the rent a home might be reasonably expected to be let at in the private market).
Shop rent	A market rent set by our managing agents having regard to the size and use of the property and comparable rents for similar commercial premises locally.
Garage rent	Weekly rent set taking into account economic climate, customer demand, condition of the garage and level of investment required