Rent Setting Policy

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MONITORING, APPROVAL AND REVIEW	
Lead Officer / Author	Natalie Taylor, Finance Business Partner – Revenue & Service Charges
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1 Policy Purpose

1.1 This Policy outlines First Choice Homes Oldham (FCHO) approach in relation to rent setting and rent reviews for tenants of social and affordable rented housing and the setting of rents for forms of home ownership. It will ensure that rents are fair, transparent, consistent and compliant with Government Policy.

1.2 This Policy should be reviewed alongside the Service Charge Setting Policy.

2 Objectives

2.1 The objectives of this Rent Setting Policy are:

- FCHO will set its rents in compliance with statutory guidance or the Regulator for Social Housing's (RSH) Rent Standard.
- To ensure that rents are fair and affordable and that all tenants are advised clearly at the start of their tenancy, what their rent is.
- To enable investment in the maintenance and improvement of existing homes, the provision of new homes and the providing good services to tenants.
- To ensure that rents are set to safeguard the financial viability of FCHO.

3 Methods for Calculating Rent

3.1 From 1 April 2020, rents for existing properties on social and affordable rents tenures could be increased by up to Consumer Price Index (CPI) (based on September's CPI of the previous year) plus 1%, for a period of at least six years, until March 2026. This was extended as part of the June 2025 spending review when the government announced that there will be a 10 year rent settlement from 1 April 2026 until March 2036 in which rents will be permitted to continue to increase by CPI plus 1% per annum.

3.2 On Government instruction, an exception was made for the year 1 April 2023 to 31 March 2024 when the formula, of CPI plus 1% which advised an increase of 11.1%, was replaced with a 7% ceiling. During that year, registered providers were only allowed to increase rents by up to 7%. This restriction applied to both Social Rent and Affordable Rent homes, with the exception of supported housing.

3.3 The rent flexibility included in the 2020 Direction on the Rent Standard allows providers some discretion over the rent set for individual properties, to take in account of local factors and concerns.

3.4 Following consideration, and to ensure that FCHO can commit to the investment necessary to provide safe, decent, warm homes as well as continuing to deliver effective services to all customers, FCHO Board in November 2025 approved the application of the below flexibility when setting Social Rents:

- +5% for general needs relets and new build properties

3.5 From the 1st February 2026 FCHO will apply rent flexibility and set all new social rent tenancies at +5% above the calculated formula rent.

3.6 This will only affect new customers, as it will be applied only on re-let. These customers will still be paying a highly competitive rent in the local rental market. The planned change will not affect any other FCHO tenants.

3.7 FCHO will retain discretion in the application of this increase where appropriate e.g. it will not be applied to current customers downsizing.

4 Methods for Calculating Affordable Rents

4.1 Affordable Rents will be charged on all new build properties built under the Affordable Rents Programme and on “Conversion” properties.

4.2 “Conversion properties” are where existing housing stock has been transferred from a “social rent” to an “affordable rent” and the additional rental income is used to support the development of new social housing.

4.3 Affordable rents will be calculated in accordance with the Regulator of Social Housing’s (RSH) Rent Standard and Guidance, which states that Affordable Rents will be 80% of Market Rent, inclusive of any service charges. From 1 April 2020 each Affordable Rent will be increased up to CPI plus 1%, based on the previous September CPI, with the exception of year commencing April 2023 where increases were capped at 7%.

4.4 When affordable rent properties become available for re-let, the rent will be rebased to establish the current Market Rent, and a new affordable rent tenancy will be issued for the property (at 80% of Market Rent). This will be inclusive of all service charges.

5 Methods for Calculating Shared Ownership and Rent to Buy Rents

5.1 A Shared Ownership home assists lower income households and first-time buyers to purchase a property. For Shared Ownership homes, the initial equity purchased, and any subsequent purchase of tranches are subject to the Shared Ownership Policy.

5.2 Where FCHO has developed new properties for Shared Ownership, the annual rent at initial sale will be 2.75% of the value of the unsold equity at the property.

5.3 Annual rent increases for existing Shared Owners, or Shared Ownership schemes where grant funding has already been agreed prior to 12 October 2023, are to be limited to the Retail Price Index (RPI) plus 0.5%, using the RPI figure for a specified month which is published annually. For the year commencing 3 April 2023 increases were capped at 7% in line with the governments November 2022 Budget statement.

5.4 UK Government issued new guidance, to take effect from 12 October 2023, that all new Shared Ownership Schemes would now be linked to CPI + 1%.

5.5 Annual rent for Rent to Buy properties will increase by up to CPI plus 1%, with the exception of year commencing 3 April 2023, which was capped at 7%.

5.6 The Rent to Buy and Shared Ownership Policies details the approach for the ongoing management of Shared Ownership and Rent to Buy products developed by FCHO.

6 Roles and Responsibility

6.1 The Executive Director of Corporate Services is responsible for the effective implementation of this Policy.

6.2 It is the responsibility of the Board to take appropriate decisions in relation to rent setting in accordance with recommendations and relevant regulatory or legislative requirements from the Executive Director of Corporate Services and the Chief Executive.

6.3 Reports will be prepared for the Board with recommendations for annual changes to rents based on FCHO's Rent Charge Setting Policy, closely aligned with the Service Charge Setting Policy.

7 Monitoring and Review

7.1 FCHO will set rents in line with the Government's rent restructuring regime.

7.2 This Policy will be reviewed annually, unless legislation or sector developments require an earlier review. This will ensure that the Policy continues to represent best practice and the objectives of FCHO.

8 Legislative or other Guidelines

- Landlord and Tennant Act 1985 and 87 (as amended)
- Housing Act 1988
- Housing Act 1996
- Housing Act 2004
- The Welfare Reform and Work Act 2016
- Ministry of Housing, Communities and Local Government Policy Statement on rents for social housing 2019
- Regulator of Social Housing Rent Standard 2020 and the extension of the rent increase parameters to March 2036

9 Equality and Diversity

9.1 This Policy is intended to provide a fair approach to setting of Rents, ensuring that no customer experiences discrimination. This is irrespective of gender, age, race, sexuality, disability, religion, marital status/civil partnerships, pregnancy/maternity and economic status, and in line with the nine protected characteristics part of legislation under Equality Act 2010.

9.2 A key element of the Equality standards involves carrying out an Equality Impact Assessment on FCHO policies, ensuring that they do not have an adverse impact or promote any form of discrimination to particular groups or associated protected characteristics. An Equality Impact Assessment has been carried out on this Rent Setting Policy and is reviewed annually.

9.3 FCHO is committed to providing clear and easily understandable information. Support will be provided to customers who have difficulty reading or understanding this Rent Setting Policy.