



Rent Setting Policy

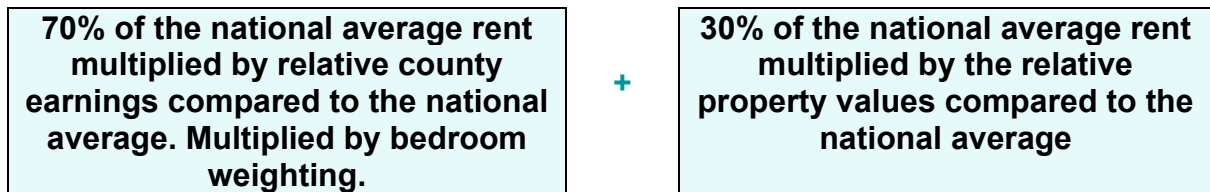
1.0 Introduction

- 1.1. This Policy details how Southern Housing sets new rents and reviews rents annually, in line with statutory and regulatory requirements.
- 1.2. This Policy is used for setting rents and annual rent reviews for the following tenures:
 - Social rent
 - Affordable rent
 - London Affordable Rent
 - London Living Rent
 - Settled Homes (SHI) rents
 - Intermediate Market Rent
 - Market rent
 - Shared ownership and
 - Units managed for others.
- 1.3. As part of the total rent, residents must pay other charges, such as service charges or water rates. This policy does not cover these charges; they're detailed in the tenancy agreement, rent charge review notices, and on rent statements. They are available on request.
- 1.4. The Board is responsible for approving this Policy and ensuring the governance is in place to comply with the relevant laws and guidance.
- 1.5. The Board approves changes to rents, including any decisions to apply a cap, and will annually approve the rent proposal for the following year. We may increase or decrease the rent and will give residents at least one month's notice in writing, with the exception of market rent properties where a minimum of two month's notice in writing will be provided. The notice will specify the new rent and the date it starts. We will share our annual proposal with the Residents' Strategy Group.
- 1.6. The terms 'we', 'our' and 'us' mean Southern Housing. Where we refer to the relevant Consumer Price Index (CPI), we'll base this on the CPI from the September of the preceding year, unless otherwise stated.

2.0 Social rents

- 2.1 Social rents apply to general needs properties, housing for older people, and supported housing.

2.2 We calculate new social rents (known as Formula Rent) as follows:



2.3 [Appendix one](#) gives an example of how social rent is calculated.

2.4 Formula rent is subject to a cap. Rents must not rise above the rent cap level for the size of the property concerned. If a unit is above the rent cap it can only be increased by CPI each year until it reaches the correct levels.

2.5 From April 2026 the maximum annual increase for an existing tenant is CPI +1% up to the rent cap. If a unit is above the rent flexibility it can only be increased by CPI each year until it reaches the correct levels.

2.6 From April 2027, the maximum annual increase for an existing tenant is CPI +1% plus £1 up to the formula rent. Once formula rent is reached, the maximum increase is CPI +1%. Where a unit is above the rent flexibility level, rents can only be increased by CPI each year until they return to the permitted level.

2.7 We have flexibility to set rents, when reletting properties, at up to 5% above formula rent (10% for supported housing). If applying this flexibility, we must have clear rationale for doing so which takes into account local circumstances and affordability.

2.8 There are some additional flexibilities within the Rent Standard in respect of supported housing:

- a) A flexibility of up to 10% can be applied to the formula rent for supported housing.
- b) Depreciated Replacement Cost (DRC) can be used to determine the 1999 value of the property used to calculate the formula rent.
- c) The adjustment factor to increase the formula rent from 1999/20 to 2020/21 is different to general needs.
- d) The rent standard doesn't apply to specialist supported housing or care homes. Specialist supported housing provides housing with support or specified services to enable residents to live, or to adjust to living, independently within the community.

2.9 The rents of properties previously let as social rented may not be converted to:

- a) Affordable rent, except where this has been agreed by the Homesand Communities Agency, the Greater London Authority, or the Secretary of State
- b) Market rent (unless it is a rent for social tenant with higher incomes)
- c) Intermediate rent.

2.10 In circumstances where the value of a property might have changed as a result of structural alterations (for example adding an extra room or an extension) we may ask an independent valuer to revalue the property to calculate the formula rent. This would not apply to major repairs.

3.0 Affordable rent

3.1 As part of the government's Affordable Rent Programme, we offer affordable rent properties to eligible residents at up to a maximum of 80% of market rent, inclusive of service charges at the initial let.

3.2 We base rents for new lets on up to 80% of the market rent, at the point of letting the property. We'll charge no higher than:

- The Local Housing Allowance (LHA) amount at the time of letting **or**
- Amounts included in any agreements with local authorities such as Section 106 agreements, or development programmes that restrict rent levels.

3.3 From April 2020, we can apply an increase of CPI + 1% to the gross rent in line with the latest government guidelines. Personal service charges¹ aren't included in the calculation.

3.4 When we relet a property, we'll base the rent on the new market rent valuation. Rent must not be reset if an existing resident is being offered a new tenancy agreement; we can apply a maximum increase of CPI+1% if the resident has not already had an annual increase.

3.5 When letting, we'll consider future service charges and its impact on the income we'll generate. If the estimated affordable rental income is likely to be reduced to an uneconomical level, we'll consider if it's practical to offer at an affordable rent. We'll treat properties as social rent where the affordable rent level implies a gross rent below social rent in the area. If treated as social rent, it won't include service charges.

¹ Personal water charges sit outside of the normal service charges as they need to be charged as per the bill rather than estimated. This also applies for some heating charges provided by third party management companies.

4.0 London Affordable Rent

- 4.1 London Affordable Rent is lower than the national affordable rent and is based on target rent levels.
- 4.2 The Greater London Authority (GLA) sets London Affordable Rents according to the number of bedrooms, excluding service charges. We increase the gross rent annually by CPI+1%.
- 4.3 Relet rents are set at the levels published by the GLA. These increase at CPI +1% each year. We may add service charges, but this is subject to the rent plus service charge being less than 80% of the market rent, including service charges.

5.0 London Living Rents (LLRs)

- 5.1 London Living Rent is a rental product that links rents to local incomes. The GLA publishes maximum rents by number of bedrooms for new LLR homes (inclusive of service charges) in every ward in London. They update these annually. This is the maximum rent we can set for an LLR property. Rents can be set lower.
- 5.2 We'll increase rents for existing tenants annually by CPI only. Relets will revert to the applicable LLR level as detailed in 5.1.

6.0 Fair rents

- 6.1 Landlords or tenants of a regulated or secure tenancy that started before 15 Jan 1989 could apply to have a fair rent registered. The fair rent may be lower than market rent value.
- 6.2 Fair rent registrations can be applied for every two years, or sooner if there are major changes to a property. The registered rent is the maximum a landlord can lawfully charge and is inclusive of service charges.
- 6.3 We'll apply for secure rents to be assessed by the Rent Officer Service when the registered rent is likely to exceed a comparable social rent within the next twelve months. This is subject to the legal restrictions on the earliest date by which a new application for a rent registration can be made.
- 6.4 From April 2026, where the current rent is below Formula Rent, we'll increase rent by up to CPI +1% as long as the rent element doesn't exceed the Formula Rent and the total charge doesn't exceed the fair rent. A tenant who enjoys fair rent protection must not be charged more than the lower of:
 - a) The fair rent set by the Rent Officer; and
 - b) The formula rent (subject to the rent caps and the rent flexibility level).
- 6.5 From April 2026, where the current rent is below Formula Rent, we'll increase rent by up to CPI +1% + £1 as long as the rent element doesn't exceed the Formula

Rent and the total charge doesn't exceed the fair rent. A tenant who has fair rent protection must not be charged more than the lower of:

- a) The fair rent set by the Rent Officer; and
- b) The formula rent (subject to the rent caps and the rent flexibility level).

6.6 A secure tenant may move with their existing fair rent protection. On relet, we'll charge a social or affordable rent (where applicable) unless it's let to another secure tenant.

7.0 Intermediate Market Rent (IMR)

7.1 When we grant a tenancy on a new Intermediate Market Rent (IMR), the rent is set at up to 80% of the current gross market rent valuation, based on the property type and location, inclusive of service charges. We'll increase rents by either RPI +0.5% or CPI +1% depending on the tenancy agreement.

8.0 Market rent

8.1 When a new tenancy is granted for a market rent property, the rent will be set at the current gross market rent valuation, based on the property type and location, inclusive of service charges. From 2027, all rents will be subject to an annual rent review. At each review, the rent will be revalued in line with the prevailing market rent for the property. The rent will then be amended to reflect this updated valuation. A minimum of two months notice in writing will be provided including a Section 13 notice issued in accordance with the relevant legislation..

9.0 Void rent

9.1 Void rent should continue at the last let rent unless this is below the formula rent, in which case it may be increased to the formula rent for a new letting.

10.0 Shared ownership

10.1 We'll comply with the [Homes England Capital Funding Guide](#) and [GLA Capital Funding Guide](#) when setting initial rents on unsold equity at the point of initial sale. 'Initial sale' refers to the first sale of a new shared ownership home and does not refer to future resales to a new shared owner.

10.2 The relevant annual increase rate for the rental element of a shared ownership property will be determined by the terms of the lease for the property.

10.3 No increase is made in April for new completions after 30 September of the preceding year.

11.0 Managing agents

- 11.1 Where we manage properties on behalf of others, or where we've employed managing agents to manage our homes (e.g. Co-ops), we'll set rents in line with the management agreement or lease. Where the management agreement or lease is silent on rent setting, we'll apply the rules set out in this Policy, according to the tenure.

12.0 Commercial rents

12.1 Shops and offices

The internal or external commercial managing agent:

- Initiates the rent review in line with the lease
- Market tests the rent
- Negotiates with the tenant.

We then approve the final rent.

12.2 Keyworker, student, and hostel accommodation

We maximise rents in accordance with the lease/rental agreement. We carry out market rent assessments/benchmarking exercises periodically as required by the rental agreements.

For assured shorthold tenancies in hostels, we follow the social housing rent regime.

For keyworker accommodation we increase the rent from 1 April each year.

For student and hostel accommodation we increase the rent in September in line with the academic year.

13.0 What we've done to ensure this Policy is fair

- 13.1 We've carried out an Equality Impact Assessment to consider the positive and negative impacts this Policy may have on people with protected characteristics under the [Equality Act 2010](#).
- 13.2 We recognise some residents may need adjustments due to a language barrier, disability, cultural need, or vulnerability. In these circumstances, in line with our [Reasonable Adjustments & Vulnerable Needs Policy](#), we'll work with residents to ensure we consider their specific needs, on a case-by-case basis, provided it doesn't compromise health and safety to individuals or homes. This includes working in partnership with other agencies to ensure we manage and mitigate any known risks of safety and wellbeing.

13.3 We aspire to embed diversity and inclusion within the culture of our business activities.

14.0 Appeals

14.1 For general concerns about the level of their rent, secure and open market tenants have the right to appeal against any rent increases by asking for the change to be referred to the local First-tier Tribunal (Property Chamber). They will determine a fair rent for secure tenancies, and an open market rent. For different types of tenancy, we'll discuss these concerns with the tenant, and where appropriate will refer these concerns to a property tribunal.

15.0 Review

15.1 We will review this Policy to address legislative, regulatory, best practice, or operational issues.

Policy controls

Version 1.3 – effective 1 May 2026

Appendix 1

This example of setting a social rent is based on a 3-bedroom house in East Sussex.

Average sector rent* for England for 2020 is £89.76. 70% of this is £62.83

Local Average Earnings are £281.50, national average is £316.40

So £281.50 divided by £316.40 = 0.89

Bedroom weighting** (3 beds) is 1.10

So $62.83 \times 0.89 \times 1.10 = £61.49$

Add to this

Average sector rent for the area for 2020 is £89.76. 30% of this is £26.93

Relative property value of £86,670, national average is £49,750

So £86,670 divided by £49,750 = 1.742

So $26.93 \times 1.742 = £46.91$

Add these two together gives the target rent

$£61.49 + £46.91 = £108.40$

Notes:

* The 'average sector rent' is the national average rent for the Housing Association sector. Values were set in April 2000 and increased by inflation each year.

** Bed weightings were reviewed in 2004. Bedroom weighting can be found in the guidance produced by DCLG in May 2014.

Appendix 2

Rent Definitions	
Term	Explanation
Affordable Rent	<p>Affordable rent accommodation is defined in the rent policy statement (3.3) as accommodation that is:</p> <ul style="list-style-type: none"> a) Provided by a registered provider (RP) pursuant to a housing supply delivery agreement between that provider and the Homes and Communities Agency or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent. b) Provided by a RP pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an affordable rent.
Depreciated Replacement cost	<p>In some cases, the Existing Use Value (EUV) basis, considering the specialist adaptations, would not take due regard of the particular qualities and characteristics of supported housing. The Board can, after taking professional advice, agree to value the property using DRC. The DRC method of valuation broadly corresponds to the cost of replacing the building, taking account of the fact that generally it would not be brand new. This approach is only used for the purposes of setting the initial formula rent. The basis of the valuation should not be retrospectively changed.</p>
Fair rent or registered rent	<p>A landlord or a tenant of a regulated or secure tenancy can make an application to have a fair rent registered. Fair rents are registered by the Valuations Office Rent Officers every two years.</p>
Flexibility	<p>The February 2026 policy statement on rents for social housing from the Ministry of Housing and Local Government contains flexibility for RPs to set rents at up to 5% above formula rent (10% for supported housing) provided that a clear rationale for doing so can be demonstrated, taking into account local circumstances and affordability.</p>
Formula rent	<p>The formula rent is based on size, property value and location.</p>

Rent Definitions	
Term	Explanation
	RPs under the Rent Standard 2026 may set the initial rent on properties to be let at social rent at a level that is no higher than the formula rent, subject to the rent flexibility level and the rent cap.
Low Cost Rental accommodation	The Rent Standard 2026 applies to 'low-cost rental' accommodation, as defined by section 69 of the Housing and Regeneration Act 2008. a) It is made available for rent, b) The rent is below the market rate, and c) The accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.
Rent Cap	The rent caps apply as a maximum ceiling on the formula rent and depend on the size of the property (the number of bedrooms it contains). Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap must be used instead. RPs must not allow rents to rise above the rent cap level for the size of property concerned. While the rent caps will increase annually by CPI + 1.5 percentage points, the annual change in rent for the tenant in a 'rent capped' property must still be governed by the CPI + 1 percentage point limit on rent changes. However, where a property whose rent has been subject to the rent cap comes up for re-let (and formula rent remains above the rent cap), the new rent may be set at up to the rent cap level – which will have been increasing by CPI + 1.5 percentage points, rather than CPI + 1 percentage point.
S106 agreement	An agreement between a Local authority and a developer including the planning obligations.
Secure rent	The rent charged on a secure tenancy.
Secure tenancy	A tenancy that started before 15 January 1989 is likely to be a secure tenancy.
Supported Housing	Supported housing is defined as low-cost rental accommodation that meets all of the following criteria:

Rent Definitions	
Term	Explanation
	<p>a) Is made available only in conjunction with the supply of support (see 2.3).</p> <p>b) Is made available exclusively to households including a person who has been identified as needing that support.</p> <p>c) Falls into one or both of the following categories:</p> <ul style="list-style-type: none"> i) accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently. ii) accommodation that has been designated as being available only to individuals within an identified group with specific support needs. <p>The Rent Standard defines support as including:</p> <ul style="list-style-type: none"> a) Sheltered accommodation b) Extra care housing c) Domestic violence refuges d) Hostels for the homeless e) Support for people with drug or alcohol problems f) Support for people with mental health problems g) Support for people with learning disabilities h) Support for people with disabilities i) Support for offenders and people at risk of offending j) Support for young people leaving care k) Support for teenage parents l) Support for refugees. <p>Some supported housing units on Isle of Wight are let at up to 140% of formula rent and above LHA in agreement with the local authority. These units are exempt from the Rent Standard.</p>