

# Rent Setting Policy

Directorate: Finance

Issue Date: January 2024

Review Date: January 2025

Version: 5

## 1. Introduction

- 1.1. This policy outlines how Salix Homes sets its social and affordable rents, how we work out any changes to our rents and how we notify our customers of these changes. It provides the framework for setting rents and guidance on how Salix Homes complies with the statutory and regulatory requirements on the setting of Social and Affordable Rents, including the Rent Standard.
- 1.2. It seeks to contribute to our vision “Helping our communities Live, Grow and Thrive Together” by ensuring that rents are set in line with statutory obligations and that customers are clearly advised of any changes to rents.
- 1.3. Private Sector Lettings (PSL) and managed services rental arrangements are managed within the separate PSL policies and procedures.

## 2. Policy Statement

- 2.1. Salix Homes is committed to the following objectives on how rent is set:
  - To provide good quality, safe rented accommodation;
  - To meet our statutory, regulatory, and contractual obligations in setting rents;
  - To ensure that all customers are clearly advised what their rent will be at the start of their tenancy; and
  - That any changes to rent levels are clearly communicated to customers ensuring that proper notice is provided in line with statutory, regulatory, and contractual obligations.

## 3. Social Rent Setting & Background

- 3.1. The Government has powers granted as defined by Section 69 of the Housing and Regeneration Act 2008 to issue directions to the Regulator of Social Housing (RSH) to set out the rent regime for registered housing associations. Salix Homes, like other Registered Providers (RPs), are subject to the Government’s policy on rent, which is set out in the Rent Standard.
- 3.2. This Rent Standard does not apply to the following categories of property, as defined in Chapter 5 of the Rent Policy Statement:

- Shared ownership low-cost rental accommodation
  - Intermediate rent accommodation
  - Specialised supported housing
  - Relevant local authority accommodation
  - Student accommodation
  - PFI social housing
  - Temporary social housing
  - Care homes
- 3.3. In addition, the Rent Standard does not apply to property let to a High-Income Social Tenant (HIST\*), for the period where that property is let to that customer. Where a tenancy of a HIST ends, or where the customer no longer fits the definition of “High Income Social Tenant” as set out in the Rent Policy Statement, this Rent Standard then applies to that tenancy, and/or to future lettings of that property.
- 3.4. We note Salix Homes relets are aligned to Salford’s City Councils’ income thresholds in assessing housing need. Therefore, HIST would not apply to relet. Current customers’ household incomes are not assessed at present.
- 3.5. The Secretary of State makes the following Direction in exercise of the powers conferred by section 197 of the Housing and Regeneration Act 2008(a).
- 3.6. In October 2017, the Government announced its intention to set a long-term rent deal for both local authority landlords and housing associations. This would permit annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 percentage point from 2020, for a period of at least five years.
- 3.7. The policy recognised the need for a stable financial environment to support the delivery of new homes and to enable registered providers to plan ahead.
- 3.8. The policy came into effect from 1 April 2020. It did not override landlords’ statutory obligation to complete the four-year social rent reduction as required by the Welfare Reform and Work Act 2016. Where a landlord has had not completed the social rent reduction by 31 March 2020 (because its rent year begins after 1 April), it was required to complete the reduction before the applying the new policy. Salix Homes complied with the rent reduction and applied this policy from the 1 April 2020.
- 3.9. In light of exceptional circumstances in September 2022, the Government adjusted this policy in order to protect social housing tenants from large nominal-terms rent increases that would otherwise have been permitted in 2023/24 due to higher-than-expected levels of inflation.
- 3.10. This policy was set out within the 2023 Rent Standard and applied to rent periods that began in the 12 months from 1 April 2023 to 31 March 2024 in relation to low-

cost rental accommodation. The 2023 Rent Standard sat alongside the 2020 Rent Standard.

3.11. The current direction is compliant with the 2020 Rent Standard.

## 4. Rent Setting

- 4.1. Salix Homes rents from 1 April 2024 are set in accordance with the Government's Policy Statement on Rents for Social Housing 2018 (hereafter referred to as the Rent Policy Statement) which can be found on the Department of Levelling Up, Housing and Communities (DLUHC) website, [Policy statement on rents for social housing - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/policy-statement-on-rents-for-social-housing), formerly known as Ministry of Housing, Communities and Local Government (MHCLG) and the 2020 Rent Standard.
- 4.2. There are two main models that we will use to set our rents. These are described below as social rents and affordable rents. Rent charged weekly is normally charged over 52 weeks a year although collected over a 48 week period. We will advise customers each year of the weeks for which rent is not applied.
- 4.3. Annually, the Finance Team will calculate the rent increases based on the latest Government guidance and prepare a report setting out the:
  - Methodology used to set the rents including the rates of inflation applied; and
  - Financial and non-financial implications of applying the proposed rent increase.
- 4.4. Each year, a report is presented to the Board of Salix Homes to request approval of our recommendations in relation to the future years rent reviews. No increases are actioned without prior approval from the Board. All recommendations remain subject to regulatory guidance and must fully comply with the 2020 Rent Standard.
- 4.5. Typically, rent increases are effective from the first Monday in April.
- 4.6. We will ensure that rent increases are communicated to our customers. We will ensure that at least 28 days' notice is given for weekly tenancies. The notification will include how we have changed the rent and how the rent increase has been calculated.

## 5. Social Rents

- 5.1. In line with Government policy, Salix Homes intend that its social rents will conform to the rent formula set out in the publication "Guidance on Rents for Social Housing" - published in May 2014.

- 5.2. The Government requires that councils and RPs like Salix Homes must charge similar rents for similar properties. This is called the ‘formula rent’ and every social rent home in the country has one. These formula rents are set in accordance with Government policy. This means rents are fairer, reflecting more closely the size, location of property and local earnings. If homes are let to new customers, they will usually be let at the ‘formula rent’ level for that property.
- 5.3. Our rent increases from April 2024 will be based on the existing rents which have been set using the rent setting formula which has been prescribed by Government. As such, they comply with the requirement to ensure that:
  - 30 percent of a property’s rent based on relative property values.
  - 70 percent of a property’s rent based on relative local earnings; and
  - a bedroom factor is in place, ensuring that smaller properties have lower rents.
- 5.4. Formula rent is subject to a rent cap and in accordance with the Direction on the 2020 Rent Standard.

## 6. Formula Rent Tolerances

- 6.1. In November 2021, the Board of Salix Homes approved the application of a 5% tolerance to new social rental lets from April 2022 as documented in the Rent Standard. “The formula rent of accommodation” is found in accordance with the method set out in paragraphs 2.4 to 2.6 of the Rent Policy Statement within the [Rent Standard - April 2020 - GOV.UK \(www.gov.uk\)](#) .The rent set may include an upwards tolerance – “Rent Flexibility” – if the accommodation is not supported housing, 5% of formula rent.”
- 6.2. Salix Homes will also apply a tolerance of 10% for supported housing as permitted by the Rent Policy Statement.
- 6.3. This policy reflects current directions from the RSH. Any changes to the regulations will mean that we will need to comply with the changes, and we will amend our policy accordingly.

## 7. Affordable rents

- 7.1. In 2011, the Government via the Regulator introduced “Affordable rents”. These rents are usually higher than social rents, being up to 80% of the market rent value. RPs are permitted to charge affordable rents as part of an agreement with Homes England to fund additional new building via the Affordable Homes Programme.
- 7.2. Affordable rents will be calculated according to a RICS (Royal Institute of Chartered Surveyors) methodology, as per guidance from the Regulator. This will involve us adopting a consistent and transparent approach to the valuation of market rents, by using comparisons with similar properties available to rent in local areas.

- 7.3. On each occasion that a new Affordable Rent tenancy is issued for a property, Salix Homes will reset the rent based on a new valuation, using a reasonable method for obtaining the relevant market rent, to ensure that it remains at no more than 80% of the relevant market rent.
- 7.4. These rents will be reviewed on a regular basis to ensure that the rents take account of adjustments in market rent levels.

## 8. Shared Ownership

- 8.1. Shared ownership rents are specified within the lease for each property and are usually charged per calendar month. Unless otherwise required (for example, by the requirements of Section 106 agreements), Salix Homes will set shared ownership rents at a maximum of 2.75% of the value of the retained equity following first tranche sale.
- 8.2. Salix Homes will have regard to affordability in setting shared ownership rents. The percentage of unsold equity to be charged as rent may be varied subject to scheme viability considerations.
- 8.3. Shared ownership rents will usually be increased on the first Monday in April using the preceding September Retail Prices Index + 0.5% unless the lease states otherwise. If the Retail Price index is negative, the maximum increase is 0.5%.

## 9. Rent Collection

- 9.1. Rents charged weekly will be calculated over 52 weeks and normally collected over 48 weeks. There are four non-debit weeks. Where there are 53 Mondays in the financial year, the rent will then be calculated over 53 weeks and collected over 49 weeks.
- 9.2. The rent payable is due on the Monday of each week and should be paid within the week that the rent is due.

## 10. Customer Involvement and Support

- 10.1. Ahead of any communications on the annual rent uplift, we will present proposed communications to the Customer Committee to seek their views on proposed rent increase letters.
- 10.2. If any customer feels that the rent for their property has not been set in accordance with this policy or other applicable guidelines and would like to make a complaint, this will be dealt with through the Complaints Policy.
- 10.3. To assist our customers in paying their rent, all customers will have access to information and advice on their rights to claim housing benefit and any other welfare

benefits. A range of rental payment methods will also be made available to customers to enable timely rental payments to be made.

## 11. Monitoring

11.1. The Director of Finance will keep this policy & procedure under review and will update annually.

## 12. Roles / Responsibility

12.1. It is the responsibility of the Executive Director of Resources to ensure that this policy is adhered to at all times.

12.2. The Director of Finance is responsible for ensuring that this policy and rent increases are applied in line with the Rent Standard and that all customers are informed of rent increases in line with expectations.

## 13. Legal / Regulatory Links

13.1. This policy complies with statutory requirements and rules and guidance issued by the Government and regulatory bodies. Those relevant to this policy are:

- Guidance on Rents for Social Housing published in May 2014 – most recently updated Feb 2019.
- Rent Standard 2020: Guidance published by the Department for Levelling Up, Housing and Communities, Regulator of Social Housing, and Ministry of Housing, Communities & Local Government
- Rent Standard 2023: Guidance published by the Department for Levelling Up, Housing and Communities, Regulator of Social Housing, and Ministry of Housing, Communities & Local Government
- Welfare Reform and Work Act 2016
- Government Rent Consultation 2023-24.
- Housing Act 1988
- Housing Act 1985
- Building Safety Act 2022
- Regulator of Social Housing Rent Standard

13.2. This policy also reflects the requirements of the Governance and Financial Viability Standard.

## 14. Equality, Diversity and Inclusion

14.1. Salix Homes is committed to promoting and embedding a culture of equality, diversity and inclusion (EDI) within our workplaces and the communities we serve.

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Author: Campbell McCulloch  
Owner: Director of Finance  
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Original Issue Date: November 2017  
Current Issue Date: January 2024  
Revision Date: January 2025  
Approval Status: Approved  
Approved By: Board

- Equality is about ensuring that every individual has an opportunity to make the most of their lives and talents;
- Diversity is recognising difference and responding positively to those differences;
- Inclusion is about creating an environment where our services and employment opportunities are accessible to all.

14.2. We are committed to meeting our obligations and duties under the Equality Act 2010 and to promoting equal opportunities both in the provision of services and in our employment practices. We will consider all the protected characteristics of the Act which are:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Race
- Religion or belief
- Sex
- Sexual orientation
- Pregnancy and maternity

14.3. We also recognise that socio-economic background is an area where inequalities exist and commit to addressing this disadvantage and inequality in our communities where able to do so.

14.4. We are also mindful of our duties under the Public Sector Equality Duty, which is to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

14.5. Where reasonable to do so, Salix Homes will make any reasonable adjustment to ensure compliance with the Act.

## 15. Related Documents

15.1 The following documents should be read in conjunction with this policy:

- Service Charge Setting Policy
- Financial Regulations
- Transfer Offer Document

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- Tenancy Agreement
- Income Management Policy
- Complaints Policy
- PSL Policy

## 16. Definitions

Terminology	Definition
HIST*	From April 2015, the Government made it possible for social landlords to charge a full market rent where a social tenant household has an annual income of at least £60,000. This was designed to allow landlords to make better use of their social housing, rather than requiring them to provide sub-market rent properties to households with relatively high incomes.