

Policy name:	
Rent Policy	
Section:	Housing & Finance
Exec responsible:	Director of Housing, Finance Director
Review by:	Director of Housing, Finance Director
Tenant review:	No – to be completed in 2026/27 regarding rent convergence implementation in April 2027.
Authority to amend:	Board
Frequency of review:	Every three years
Last review:	January 2026
Next review:	January 2029
Responsibility for delivery:	Housing & Finance team
Strategy:	Business Plan & Customer & Communities
Risk Register	Risk 1- ineffective oversight Risk 2 – legal and regulatory requirements Risk 3 – external operating environment Risk 4 – stakeholder support Risk 12 – income from rent and sales
Health & safety:	No specific implications
Equality & diversity:	No specific implications
Associated costs and value for money:	We will monitor tenant satisfaction that rent provides VFM and this will be benchmarked annually.
Associated documents:	<ul style="list-style-type: none"> • MHCLG Policy Statement on rents for social housing(updated 14 December 2022) • Rent Standard 2026 • Direction on the Rent Standard 2023 • Limit on annual rent increases 2025-26 – from April 2025 • Draft Rent Direction on the Rent Standard 2025 • Draft Policy Statement on rents for social housing • Fair Rent Registration Procedure

VERSION CONTROL			
Version number:	Sections amended:	Date of update:	Approved by:
1.0	First issue in new template	August 2013	GH
2.0	General updates incl. ref to Welfare Reform & Works Bill 2015	December 2015	Board
3.0	Full review	May 2019	Board
3.1	General updates	January 2023	Board
4.0	Full Review	February 2026	Board

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1. AIMS

- 1.1. This policy outlines how we set and review rents. We aim to do this in a way which allows us to ensure our financial viability and to deliver quality homes and services to new and existing tenants. This will be balanced with fairness and affordability for our tenants and compliance with the law and regulatory framework.

2. LEGAL AND REGULATORY FRAMEWORK

- 2.1. This policy is based on guidance issued by the Ministry of Housing, Communities & Local Government (MHCLG) 'Policy statement on rents for social housing' December 2022 and the Secretary of State's direction to the Regulator of Social Housing (RSH) on the Rent Standard 2023. The Rent Standard is a standard for Registered Providers (RPs) requiring us to comply with specific rules about our rent levels set under section 194(2A) of the Housing and Regeneration Act 2008. The government rent policy does not apply to Shared ownership or intermediate rent accommodation.
- 2.2. The Government published a new Rent Standard in February 2026, this sets out the implementation of rent convergence at £1 per week from April 2027 and increasing to £2 per week from April 2028.

3. DEFINITIONS

3.1. Social rented housing

- 3.1.1 Since 2001 social rents have been set based on a government formula which uses national average rent, relative county earnings, number of bedrooms and property value. This is known as formula rent and once calculated is subject to annual adjustments based on the rent uplifts since 2001 and the subsequent four reductions from 2016. Flexibilities allow us to charge at up to 5% above formula rent to take account of local circumstances and affordability and Cornerstone has chosen to adopt this flexibility.

3.2. Fair Rents

3.2.1 Tenants with secure tenancies, which were offered up to 1989, benefit from 'fair rent' protection. This means maximum rent levels are set by the Valuation Office Agency (VOA), see section 9. These tenants must not be charged more than the lower of the 'fair rent' sent by the rent officer and formula rent (subject to rent caps and rent flexibility levels).

3.3. Affordable rented housing

3.3.1 This is housing that is subject to a Homes England housing supply delivery agreement, or an agreement between a local authority and the Secretary of State, which allows homes to be let at affordable rent. The rent, including service charges, must not exceed 80% of the gross market value.

3.4. Intermediate rented housing

3.4.1 This is low-cost rental accommodation which satisfies one of the following criteria

- a) built or acquired by the RP without public assistance, having never previously been let at social rent, provided on an assured shorthold tenancy or licence in agreement to a person not nominated by the local authority (or nominated in agreement with the local authority).
- b) Funded wholly or in part by public assistance as part of an intermediate rent enabling programme.
- c) Key worker housing.

3.4.2 The rent, excluding service charges, must not exceed 80% of the gross market value.

3.5. Affordable intermediate rents

3.5.1 This is used for Rent plus rent-to-buy properties, we lease the properties from Rent plus and charge the sub-tenants rent at 80% of gross market rent excluding service charges. There is separate Rent Policy for Rent plus properties.

3.6. Shared ownership

3.6.1 Properties where a percentage of equity value is retained. Rent is determined by agreement with the local authority (S106), this is usually a percentage of the equity increased annually by RPI plus 0.5% or CPI plus 1% for new style leases.

4. RENT SETTING

4.1. The table at Appendix 1 is a summary of how we will deal with rent at initial setting, re-let and at annual review.

- 4.2. When setting rents for newly acquired rented properties our policy is to aspire to social rents except in the following circumstances:
- Where it makes a scheme financially unviable and will negatively impact our ability to deliver new homes.
 - A funding agreement specifies another form of rent should be charged, such as affordable or intermediate rent.
 - A local authority agreement specifies another form of rent should be charged, such as affordable or intermediate rent.
- 4.3. We aim to set social rents according to formula rent plus 5% (as defined in the MHCLG Rent Policy for social housing). We are using this rent flexibility level to maximise income which is used to manage and improve homes. We may not use formula rent plus 5% where funding or local restrictions such as S106 agreements apply.
- 4.4. Where we use affordable rent, it will not exceed 80% of gross market rent and will be no lower than the potential formula rent. Our use of affordable rents will be compliant with any funding or local authority agreements. In particular some section 106 agreements cap rents to the Local Housing Allowance. Valuations for initial rent setting will be in accordance with a Royal Institution of Chartered Surveyors (RICS) recognised method.
- 4.5. The Board will approve the rent setting for the following financial year by the end of January.
- 4.6. In agreeing the rents for the forthcoming financial year, the Board may consider setting increases below the allowed limits set by the government and will take into consideration:
- Affordability for tenants in the current economic environment alongside the availability of the tenant support fund
 - The impact on the 30-year business plan and our financial viability
 - Impact on our ability to deliver our investment plans in both existing and new homes; and
 - Any reputational risks

5. RE-LETS

- 5.1. Existing social rent properties will be re-let at formula rent plus 5%. If the existing rent exceeds formula rent plus 5% the rent at re-let will be lowered to formula rent plus 5%.
- 5.2. Existing affordable rent properties will be revalued at re-let to ensure that they do not exceed 80% gross market rent including service charges. At re-let we

may use comparable affordable rent properties or desktop reviews instead of a full valuation.

- 5.3. The requirements of the section 106 agreement must be considered, in particular some agreements cap the rent at Local Housing Allowance rates.
- 5.4. Where social rent properties are re-let to the same tenant at renewal of a fixed term tenancy the rent will remain the same.
- 5.5. Where affordable rent properties are re-let to the same tenant at renewal of a fixed term tenancy the rent will be re-set, using a valuation or comparable affordable rent properties or desktop reviews instead of a full valuation. The new rent will be the lower of the current rent or 80% of market rent.
- 5.6. When we re-let a property where a tenant previously had protected 'fair rent', we will charge social rent or affordable rent to the new tenant.
- 5.7. Some properties will have their rent converted to affordable rent at re-let (see Section 6).
- 5.8. Properties that have recently undergone major structural alterations (such as adding an extra room or extension) may be re-valued prior to re-letting with the new tenant being charged the new formula rent plus 5%. We will not increase the rents for existing tenants under these circumstances, beyond the normal annual review.
- 5.9. Where shared ownership properties are sold, the new tenant will be charged the same rent as the previous tenant until the annual rent review. This applies where we have applied a cap to the annual increase in previous years.

6. ANNUAL RENT REVIEWS

- 6.1. Under the current Rent Policy, social, affordable and intermediate rents will increase by CPI (September the previous year) plus 1%. This figure has been agreed based on our commitment to investing in maintaining and improving our current homes, our wish to deliver more new homes, and to deliver high quality services to new and existing tenants. The figure will be reviewed annually and reported to the Board.
- 6.2. As part of the government's 10 year rent settlement for social housing it has consulted on rent convergence, and the new Rent Standard 2026 permits an increase in the weekly rent by £1 from April 2027 and £2 from April 2028 for those tenants who are paying a social rent which is below formula rent. This is in addition to the CPI plus 1%. The Board has agreed we will increase those rents in accordance with the maximum permitted in the Rent Standard 2026, however further resident engagement on this will take place before the proposed implementation in April 2027.
- 6.3. The Board will also comply with any rent caps imposed by the government. For shared ownership rents, the Board will be mindful of any agreements between

the National Housing Federation and the government with regard to rent caps for social and affordable rents.

- 6.4. No tenant will have their rent increased by more than CPI plus 1% in a year, unless they are subject to rent convergence, including those who have had a renewal of a fixed term tenancy at a re-valued rent.
- 6.5. The Finance Director will oversee the preparation of a schedule of revised rents for any given annual review, and the Director of Housing will ensure that tenants are notified of their revised rents using the appropriate notices within the required time, usually at least one month prior to the revised rent coming into effect.

7. SERVICE CHARGES

- 7.1. We have separate policy on service charges, which are reviewed every one to two years depending on the terms of the individual tenancy agreements.

8. FAIR RENT REGISTRATION

- 8.1. Fair rent registration affects those tenants who have a secure tenancy, which was granted prior to 15th January 1989, the numbers of which are reducing over time.
- 8.2. Each secure tenancy will have a fair rent registered by the VOA, who will assess and register the rent for these properties. We cannot re-register the fair rents (and the service charge if it is fixed) more frequently than 20 months from the date of the last registration.
- 8.3. By law the rent charged on a property with fair rent protection cannot exceed the rent registered by the VOA. However, either party has the Right to Appeal against the Rent Officers' decision to the Rent Assessment Committee. They will then decide what they feel is a fair rent and the VOA registration may be confirmed, reduced or even increased. Our decision to appeal will be on a case-by-case basis when comparing the fair rent with that of other similar properties, taking account of size, type and location. See associated Fair Rent Procedure for further details.

9. MONITORING AND REVIEW

- 9.1. This policy will be reviewed every three years but will be updated sooner where there is a change in relevant legislation or regulation that should be applied, including the Rent Standard.

APPENDIX 1 – SUMMARY OF RENT TYPES AND CHANGES

Rent type	Circumstance	Rent charge	Service charge	LHA cap to be applied	Reference
SOCIAL	New tenant	Formula rent plus 5% (rent flexibility)	Additional	No	Welfare & Reform Act 2016. Sch 2 Part 1 Section 1 Paras (3) to (5).
	Newly acquired property	Formula rent plus 5% (rent flexibility)			December 2022 Policy Statement para 2.2 and 2.14. Rent Standard 2026.
	Re-let (end of Fixed term tenancy)	Continue previous rent, with no re-base.			Assignment (no change).
	Existing tenant annual rent review	CPI+1% Not to exceed formula rent or rent caps For those not meeting formula rent level + £1 per week from April 2027 and + £2 per week from April 2028.			<u>Rent Standard 2026</u> <u>Policy statement on social housing rents</u>
AFFORDABLE	New tenant	80% of current MV rent (revalued).	Included	Usually dependant on the S106 agreement	December 2022 Policy Statement para 3.15 does not prevent change to social rent to increase rental
	Newly acquired property	80% of current MV rent (revalued).			Per Individual Development Scheme / relevant grant programme

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Rent type	Circumstance	Rent charge	Service charge	LHA cap to be applied	Reference
	Re-let (end of Fixed term tenancy)	80% of current MV rent (revalued) or continue with previous rent if valued higher.			December 2022 Policy Statement para 3.15 & 3.16
	Existing tenant annual rent review	CPI+1% Not to exceed formula rent or rent caps			Rent Standard 2026
INTERMEDIATE	New tenant	80% of current MV rent. (Cornerstone decision to mirror social rent increases / decreases)	Additional	Usually dependent on the S106 agreement	Defined in December 2022 Rent Standard
	Newly acquired property	80% of current MV rent. (Cornerstone decision to mirror social rent increases / decreases)			
	Re-let (end of FTT)	Continue previous rent, with no re-base.			
	Existing tenant annual rent review	CPI+1% Not to exceed formula rent or rent caps			Rent Standard 2026
RENTPLUS (intermediate affordable)	New tenant	80% of current MV rent	Included	Usually, dependant on the S106 agreement	RentPlus lease
	Newly acquired property	80% of current MV rent with CPI +1% rent increases			

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Rent type	Circumstance	Rent charge	Service charge	LHA cap to be applied	Reference
	Existing tenant annual rent review	CPI+1% Not to exceed formula rent or rent caps			
SHARED OWNERSHIP	New tenant	Maintain previous rent	Additional	No	Exempted from rent cuts (Welfare Reform Act 2016)
	Newly acquired property	Determined in agreement with local authority (S106), usually % of equity increased by RPI + 0.5% formula or CPI + 0.5% formula.			
	Existing tenant annual rent review	RPI + 0.5% old style lease CPI+1% new style lease			