Salvation Army Homes
Safe homes. Transforming lives.

Rent Setting Policy

1. Introduction

1.1 This Policy describes the methodologies for changing rents annually and for setting new rents. Salvation Army Homes operates several rent regimes where rents are set in accordance with the differing principles and criteria. Rent setting is generally constrained by statute, regulation, funding agreements, benefit entitlement and overall affordability. The policy applies to all Salvation Army Homes' services including General Needs, Older People Services and Supported Housing, whether let on a tenancy or licence.

1.2 This policy sets out the principles and criteria that will be used to set rents in all Salvation Army Homes' rented residential accommodation from September 2026. This is with a view to ensuring that:

1.2.1 Salvation Army Homes is compliant with the up-to-date regulatory framework for rents and charges as set by the Regulator of Social Housing (the RSH).

1.2.2 Salvation Army Homes' operational staff are provided with clear guidance on the principles that they should be following in relation to rent setting.

1.2.3 Salvation Army Homes provides clear and transparent explanations of the basis upon which rents are set for its customers, potential customers and stakeholders (although Salvation Army Homes will produce a separate simplified version of this Policy for customers as well).

1.3 The policy will be regularly reviewed to ensure that it remains fully compliant and accurate.

1.4 The policy should be read in conjunction with the Rent Setting Procedure.

1.5 The objectives of the Policy are to enable Salvation Army Homes to achieve all of the following:

1.5.1 Meet its statutory, regulatory and contractual obligations

1.5.2 Provide accountability to its customers and other stakeholders

1.5.3 Act at all times in line with its social purposes

1.5.4 Maximise its financial viability

2. Scope

2.1 The Policy sets out how Salvation Army Homes determines the rent it charges for residential lettings in a range of different circumstances. It does not cover charges made in the following circumstances:

2.1.1 The letting of premises on a commercial basis for purposes other than residential.

2.1.2 The letting of premises within registered care homes or registered nursing homes.

2.1.3 Shared ownership properties.

2.2 The rent is more accurately described as the Gross Rent, and this is the term that will subsequently be used to describe the full charge made to tenants for the accommodation and associated services provided.

2.3 The gross rent may consist of two elements. These are what is described alternatively as the core rent or net rent and service charges. Broadly speaking however, the core rent is a charge for the actual accommodation itself i.e. related to the fabric of the building, whereas the service charges are an additional charge related to additional services provided as a condition of the tenancy or licence to occupy. This is important because in some circumstances the two elements are set independently of each other and in some circumstances they are not. Where relevant therefore, the terms “core rent” and “service charge” will be used in this Policy to refer to the separate elements of the gross rent.

2.4 The services for which Salvation Army Homes sets a service charge are set out in the tenancy or licence agreement for each individual letting. These may include charges for:

2.4.1 Caretaking

2.4.2 Warden or concierge services

2.4.3 Grounds maintenance and gardening

2.4.4 Window cleaning

2.4.5 Communal heating and water supplies

2.4.6 Door entry maintenance

2.4.7 Lift maintenance

2.4.8 Communal TV aerial systems

2.4.9 Management fee

This is not intended as an exhaustive list.

2.5 Service Charges in rented Salvation Army Homes accommodation are always “fixed” service charges as opposed to “variable” service charges (except in the instance of shared ownership properties). This means that they are set annually based on estimated costs and if actual expenditure during the year turns out to be less than that estimated there is no obligation on Salvation Army Homes to refund the difference to the tenants. Equally, however, if actual costs turn out to be higher than was originally estimated, there is no opportunity for Salvation Army Homes to recoup this from the tenants by levying additional charges.

2.6 For the avoidance of doubt references to Service Charges in this Policy encompass those charges that are eligible for Housing Benefit / Universal Credit as well as those that are not. These latter charges are sometimes referred to as “Ineligible Charges” or “Personal Charges”. This assumes that this is a charge based on the provision of a service set out as an obligation in the tenancy or licence agreement. Charges for services that are offered to residents outside the scope of the tenancy or licence are not covered by this Policy.

2.7 Salvation Army Homes lets accommodation under several different forms of agreement. This policy is intended to cover all these different letting arrangements, including Secure Tenancies, Assured Non-Shorthold Tenancies, Fixed Term Tenancies, Protected Licences and Excluded Licences. For this policy the terms ‘rent’ and ‘gross rent’ are used for charges applied in both Licences and Tenancies (although strictly speaking licensees do not pay a “rent” which is a particular feature of a tenancy). More information on the different agreements used in Salvation Army Homes is available in the Occupancy Agreement Policy. Any subsequent reference to “tenants” or “tenancies” should be assumed to apply to “licences” and “licensees” as well.

2.8 Accommodation provided by Salvation Army Homes is subject to a range of different rent regimes. These include:

- Fair Rents
- Social Rents
- Specialised Supported Housing Rents
- Temporary Social Housing Rents
- Affordable Rents
- Intermediate Rents
- London Living Rents
- London Affordable Rents

2.9 The description of these different rent regimes is set out in Section 4.4. The implications of all these different rent regimes for rent setting and the circumstances in which they apply are explained within this Policy in Sections 4.10 to 4.12.

3. Principles

3.1 **Core Rent** -The core rent is the element of the charge that is made to tenants and licensees for the use of the property itself rather than any additional services provided. Under the social rent regime as set out in the Rent Standard 2026 and the Policy Statement on rents for social housing, the term “rent” is in fact referring to the core rent.

3.2 **Gross Rent** - The gross rent is the total charge made to the tenant or licensee, inclusive of the core rent and any service charges.

3.3 **Formula Rent** - The formula rent is the calculated level of the core rent under the social rent regime. A formula is applied to each individual letting, which takes account of the historic value of the property, the property size and the historic relative earnings level of the area. This calculates a reasonable rent at 1999/2000 prices. A series of annual uplifts are then applied to this to bring this up to date – these have been specified by the government and are set out in the Policy Statement on rents for social housing.

3.4 **Target Rent** - The formula rent was previously referred to as the target rent. Originally the purpose of the social rent regime was to bring social rents in line with each other, and there was an additional element to the calculation which allowed individual rents to be varied upwards or downwards towards the target rent. This “convergence” policy was dropped, but otherwise the process for calculating formula rent is the same as it was for target rents. From 1 April 2027 the convergence will apply again. Rents can increase by CPI+1% + £1 per week.

3.5 **Tolerance Level** - The tolerance level is a percentage uplift that may be applied to the calculated formula rent. The tolerance is 5% for general needs and 10% for supported housing. The tolerance for general needs was prohibited under the Welfare Reform & Work Act for the duration of rent reduction but is reinstated from April 2020 under the Rent Standard 2026. Registered Providers must have a clear rationale for the use of the tolerances based on local factors and affordability.

3.6 **Rent Cap** - The rent cap applies to formula rents to prevent them rising above certain levels which are set nationally by property size and are revised annually. Social Rents (core rent) cannot be set at a level higher than the relevant rent cap. From April 2027 the rent caps will increase by CPI + 1% annually.

3.7 **Fair Rent** - Fair Rents are rents payable by secure tenants. No new secure tenancies can be created since January 1989 except where an existing secure tenant transfers from one Salvation Army Homes property to another. The fair rent is determined by a rent officer at the Valuation Office Agency (VOA), taking into account the age, character, locality and state of repair of the dwelling and comparable rents in the area. Service charges may be included in the fair rent (fixed charges) or separately (variable) as stated on the rent register maintained by the VOA.

3.8 **Social Rent** - Social Rents are core rents (exclusive of service charges) charged in social housing. It is based on the Formula Rent for the property (see definition above).

3.9 **Specialised Supported Housing –** is defined within The Policy Statement on rents for social housing as supported housing which meets the following criteria:

> *“(a) is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support in order to enable them to live, or to adjust to living, independently within the community;*

(b) which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the only acceptable alternative would be a care home;
(c) which is provided by a private registered provider under an agreement or arrangement with a local authority or a health service (within the meaning of the National Health Service Act 2006);
(d) for which the rent charged, or to be charged, complies with the agreement or arrangement mentioned in paragraph (c); and
(e) in respect of which at least one of the following conditions is satisfied:
i. there was no, or negligible, public assistance, or
ii.there was public assistance by means of a loan (secured by means of a charge or a mortgage against a property)."

3.10 **Temporary Social Housing** – is defined within the Policy Statement on rents for social housing as social housing accommodation that:

"…is made available to a person who is homeless (within the meaning of the Housing Act 1996) either:
(a) by a private registered provider under a licence where:
i. a local authority has nominated that person as a tenant of the accommodation on a temporary basis,
ii. that local authority owes a duty under Part 7 of the Housing Act 1996 to that person, and
iii. the registered provider—
- *holds the social housing on a lease or a licence which has a term of more than two years and fewer than 30 years, or*
- *holds the social housing on a lease with a term of 30 years or greater, or holds the freehold title to the social housing, and acquired the social housing without public assistance;…"*

3.11 **Affordable Rent** - Affordable Rents were introduced by the Government in 2011, subject to the Registered Provider agreeing a Framework Delivery Agreement or Short Form Agreement with Homes England or the Greater London Authority. An Affordable Rent is set at up to 80% of the market rent (i.e. the average rent for local private lettings) inclusive of any service charges. The landlord has the responsibility to establish what the market rent for the property is.

3.12 **Intermediate Rent** - Intermediate Rent (or 'IMR' for short) is a term applied to certain social housing that falls outside of the Social Rent or Affordable Rent regimes (for example keyworker accommodation or a grant-funded product such as London Living Rent). An intermediate rent will normally be set at up to 80% of market rent. IMR may be acquired or built with or without grant. Rents for grant-funded IMR will be determined by the grant conditions. Non-grant funded IMR rents are determined by the RP. Social Rent and Affordable Rent units cannot be converted to intermediate rent.

3.13 **London Living Rents (LLR)** – LLR is a type of intermediate rent for middle-income Londoners. The rent levels are derived from average local incomes and ward-level house prices using a multi-stage process, set out in the GLA website. Rents for LLR homes vary according to their number of bedrooms. Using the two-bedroom rents for each ward as a benchmark, the rent for a 1-bedroom home is 10% lower, for a 3-bedroom home 10% higher and for a 4-bedroom home 20% higher. As a final affordability safeguard, the rent for any individual unit must be at least 20% below its assessed market rent.

3.14 **London Affordable Rents** - This is a type of Affordable Rent for Londoners on low incomes. Government rules require that, nationally, Affordable Rent homes cannot be let at more than 80 per cent of market rents, inclusive of service charges. In the London areas, the Mayor does not consider 80 per cent of market rents to be genuinely affordable and therefore, expects most homes let for London Affordable Rent to be substantially below this level. Benchmark rents for London Affordable Rents are set out by the GLA. The benchmarks reflect the formula rent cap figures for social rents uprated by CPI for September 2016 plus one per cent. These benchmarks will be uprated each April by the increase in CPI (for the previous September) plus one per cent and updated benchmarks will be published by the GLA on an annual basis. For legal and regulatory purposes, the GLA views London Affordable Rent as Affordable Rent. Rents will have to be set in accordance with the Rent Standard 2026 in the same way as Affordable Rent subject to the Mayor's benchmark rents. The landlord of these homes must be registered with the Regulator of Social Housing. The Affordable Homes Programme for 2021-26 does not include London Affordable Rents and instead the GLA provide guidance for Social Rent and London Living Rent

3.15 **Rent Standard 2026** – the Rent Standard issued by the Regulator of Social Housing ('RSH') on 2 February 2026 which will apply to social housing rents from April 2026.

3.16 **Policy Statement on rents for social housing (Feb 2026)** – guidance issued alongside the Rent Standard 2026 which supplements and amplifies the Standard itself. The Rent Standard 2026 and the Policy Statement together constitute the regulation which is intended to apply to social housing rents until 2036.

4. Policy Statement

4.1 Responsibility for Setting the Rent

4.1.1 Salvation Army Homes has responsibility for setting the gross rent in the following circumstances:

- Where Salvation Army Homes owns the property and **has not** entered into a lease with another Registered Provider
- Where Salvation Army Homes does not own the property but has entered into a lease with the owner of the property

4.1.2 Salvation Army Homes does **not** have responsibility for setting the core rent in the following circumstances:

- Where Salvation Army Homes owns the property and **has** entered into a lease with another Registered Provider.
- Where Salvation Army Homes does not own the property and has **not** entered into a lease with the owner of the property, but is instead acting as the managing agent for the owner.

4.1.3 Salvation Army Homes has responsibility for setting the Service Charge where:

- The property is owned and managed by Salvation Army Homes.
- The property is not owned but is managed by Salvation Army Homes (unless this is contradicted by the terms of any management agreement).
- Salvation Army Homes may also have responsibility for setting part of the service charge where it owns a property which is managed by someone else.

4.2 **Reviewing the Rent**

4.2.1 Salvation Army Homes reviews all gross rents annually, with the revised rents taking effect from the first Monday in April (for weekly tenancies) or the 1st April (for monthly tenancies).

4.2.2 Salvation Army Homes reviews all gross rents when a tenant leaves, assuming the property is going to continue to be made available for letting.

4.2.3 If at any point additional services are required for tenants, a consultation with tenants will take place for a minimum of 28 days. If there are no objections, the service will be implemented, and the service charges will be amended accordingly. Outside of the rent setting process, service charges will only be amended if a new service is added. If the charge is insufficient to cover actual costs, this will be borne by Salvation Army Homes until the next rent setting cycle.

4.2.4 Salvation Army Homes' policy is to recoup all its property-related costs through the gross rent, where it is able to do so and still be compliant with all legal, regulatory and contractual obligations. This includes making the case to local authority HB departments that all Salvation Army Homes' supported housing meets the criteria for exempt accommodation status.

4.3 **General Needs and Supported Housing**

4.3.1 All lettings are defined by Salvation Army Homes as either "General Needs or "Supported Housing"

4.3.2 <u>Supported Housing</u>

4.3.2.1 Salvation Army Homes bases this categorisation on the definition of "Supported Housing" as contained in the Policy Statement on rents for social housing, which is as follows:

'*low cost rental housing provided by a registered provider which:*
a) is made available only in conjunction with the supply of support, and
b) is made available exclusively to residents who have been identified as needing support, and
c) falls into one or both of the following categories:
i. accommodation that has been designed, structurally altered or refurbished in order to allow residents to live independently,

ii. accommodation that has been designated as being available only to individuals within an identified group with specific support needs.'

4.3.2.2. In this context "support" is taken to mean any of the following:

- sheltered housing
- extra care housing
- domestic violence refuges
- hostels for the homeless
- support for people with drug or alcohol problems
- support for people with mental health problems
- support for people with learning disabilities
- support for people with disabilities
- support for offenders and people at risk of offending
- support for young people leaving care
- support for teenage parents
- support for refugees

4.3.2.3 The category "Supported Housing" includes "sheltered housing" or "housing for older people". Case-law states that sheltered accommodation is distinguishable from "ordinary" accommodation because it will incorporate particular features which are not normally found in "ordinary" accommodation and are designed to meet the needs of occupiers who are vulnerable in some way, often by reason of age, or by reason of disability. In practice, Salvation Army Homes defines its sheltered housing/housing for older people as supported housing only where that accommodation is let with access to support which as a minimum meets the following criteria:

- the capacity for all tenants to call for assistance as an integral part of the service offer; and
- the capacity and intention to respond to calls when necessary, by Salvation Army Homes staff or those acting under contract to Salvation Army Homes; and
- selection criteria for the accommodation that includes an assessment as to whether the applicant needs this service.

4.3.3 <u>General Needs Housing</u>

4.3.3.1. General Needs Housing means housing for families, couples and single people, without any additional support provided as a condition of the tenancy. The accommodation is normally provided in self-contained bungalow, house, flat or maisonette form. Singles may however be housed in shared accommodation, and this will still be classified as General Needs if no additional support is provided as a condition of the tenancy.

4.3.3.2. Tenants in General Needs Housing may receive additional support independently of the offer of accommodation, which is not provided automatically or as a condition of the tenancy.

4.4 Applicable Rent Regimes

4.4.1 Fair Rents

4.4.1.1 Fair Rents are only set in relation to Secure Tenancies. The only Salvation Army Homes tenants subject to the Fair Rent regime are those who first became Salvation Army Homes Secure Tenants before January 1989 and have continuously held a Secure Tenancy from January 1989 onwards. This includes someone with a Secure Tenancy issued before January 1989 where they have subsequently moved to another Salvation Army Homes social tenancy and continued with a Secure Tenancy.

4.4.1.2 Fair Rents only apply to Salvation Army Homes General Needs lettings. Salvation Army Homes has no supported housing secure tenants.

4.4.1.3 Fair Rents are based on valuations made by Rent Officers at the Valuation Office Agency and are usually based on the Gross Rents i.e. inclusive of core rent and service charge (this will be confirmed on the rent register).

4.4.2 Social Rents

4.4.2.1 Social Rents were the norm for all social lettings made between January 1989 and October 2010 (when the option of Affordable Rents was introduced).

4.4.2.2 All Salvation Army Homes lettings in Supported Housing are subject to the Social Rent regime, unless the exceptions set out in 4.5 or 4.6 apply. General Needs lettings will be subject to Social Rents unless they have been let at an Affordable Rent.

4.4.2.3 The basis for setting the core rents is set out in the Rent Standard 2026. Service Charges are not subject to the constraints of the Rent Standard 2026 and the Core Rent and Service Charges are therefore, set separately. Service Charges are intended to reflect local costs and are principally regulated by the Landlord and Tenant Act 1985 but are also constrained, for the purposes of recovery of housing benefit, by Local Authority Housing Benefit departments or the DWP (where Universal Credit has replaced Housing Benefit).

4.4.2.4 The core rent under the Social Rent regime is based on the calculation of a Formula Rent (which was previously referred to as a Target Rent). The method of calculation of the Formula Rent is set out in the Rent Standard 2026 and is also explained in a step by step way in the Rent Setting Procedure. The principle is that the formula calculates what the rent should have been in 2000 and then a specified set of “uplift” factors are applied to this figure to bring the Formula Rent level up to the current date (for some years the "uplift" is in fact a reduction).

4.5 Specialised Supported Housing

4.5.1 Specialised Supported Housing is defined within the Policy Statement on rents for social housing as supported housing which meets the following criteria:

(a) is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support in order to enable them to live, or to adjust to living, independently within the community;
(b) which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the only acceptable alternative would be a care home;
(c) which is provided by a private registered provider under an agreement or arrangement with a local authority or a health service (within the meaning of the National Health Service Act 2006);
(d) for which the rent charged, or to be charged, complies with the agreement or arrangement mentioned in paragraph (c); and
(e) in respect of which at least one of the following conditions is satisfied:
i. there was no, or negligible, public assistance, or
ii. there was public assistance by means of a loan (secured by means of a charge or a mortgage against a property).

4.5.2 Housing which meets this definition is exempt from the Rent Standard 2026, and therefore, rents are set according to their own regime as agreed with the relevant local authority or health service.

4.5.3 This is by definition a sub-set of Supported Housing and so is not applicable to General Needs Lettings. At the moment, Salvation Army Homes does not have any accommodation that meets this definition, but it is possible that it will in the future. A judgement that any Salvation Army Homes accommodation does meet this criterion must be validated by EMT and would normally require written confirmation from the appropriate local commissioning agency for the scheme.

4.6 Temporary Social Housing

4.6.1 Temporary Social Housing is defined in the Policy Statement on rents for social housing as accommodation that:

"…is made available to a person who is homeless (within the meaning of the Housing Act 1996) either:
(a) by a private registered provider under a licence where:
i. a local authority has nominated that person as a tenant of the accommodation on a temporary basis,
ii. that local authority owes a duty under Part 7 of the Housing Act 1996 to that person, and
iii. the registered provider—
- *holds the social housing on a lease or a licence which has a term of more than two years and fewer than 30 years, or*

- *holds the social housing on a lease with a term of 30 years or greater, or*
holds the freehold title to the social housing, and acquired the social housing without public assistance;…"

4.6.2 Temporary Social Housing may be classified as Supported Housing or General Needs, depending on the local arrangements with the relevant local housing authority (ies). A judgement that any Salvation Army Homes accommodation does meet this criterion must be validated by EMT and would normally require written confirmation from the appropriate local housing authority.

4.6.3 Temporary Social Housing Rents will normally be agreed as Gross Rents, but will be subject in most cases to local negotiation with Service Commissioners and the relevant local authority HB department, and this is likely to involve the break-down of the gross rent into its separate components in order to get approval.

4.7 **Affordable Rents**

4.7.1 Affordable Rent was established by the Government from October 2010, which allowed tenancies to be offered at a rent level of up to 80% of the market rate (inclusive of service charges) for the specific property offered. It has become the usual rent regime for all new grant-funded developments for RPs from that date. RPs with a Framework Delivery Agreement in place with Homes England or the Greater London Authority (GLA) can also convert social rent tenancies to affordable rent tenancies on re-letting, but only up to an agreed maximum number. These are referred to as rent conversions.

4.7.2 Lettings in new developments can be on the Affordable Rent regime whether they are categorised as Supported Housing or General Needs.

4.8 **Intermediate Rents / London Living Rents**

4.8.1 Intermediate Rent is a term which covers the rent regime in a number of specific initiatives that fall outside the mainstream rent regimes. Intermediate rents will normally be set at a level that is at up to 80% of market rent (like Affordable Rents).

4.8.2 At the time of writing this Policy, the only form of Intermediate Rents that Salvation Army Homes charges is under the terms of the London Living Rents initiative. London Living Rent homes are for middle-income households who currently rent in the London area but want to build up savings to buy a home.

4.8.3 Each version of grant-funded Intermediate Rents will come with its own rules for how the rent level is determined.

4.9 **Deciding which Rent Regime applies**

4.9.1 In most circumstances the rent regime that applies to an individual letting is a given. See **Appendix 1** for a Flow Chart.

4.9.2 All Secure Tenancies are subject to the Fair Rent Regime.

4.9.3 Salvation Army Homes has decided that all Supported Housing lettings are subject to the Social Rent regime, unless the criteria for Specialised Supported Housing or Temporary Social Housing applies.

4.9.4 All supported housing funded under the affordable housing programme should be let at Affordable Rents.

4.9.5 All new capital funded General Needs accommodation since October 2010 will normally be let under the Affordable Rent regime (unless it is specifically part of an Intermediate Rent or Social Rent initiative).

4.9.6 All first lettings for affordable housing have their Affordable Rent determined by a valuation carried out by Asset Management on completion.

4.9.7 All General Needs lettings initially let before October 2010 are Social Rent Lettings unless they have been *converted* to Affordable. Part of the 2011-2015 Affordable Homes Bid meant that the required funding to pay for the affordable loan would need to be generated by charging above social rent and converting suitable properties from Social Rent Tenancies to an Affordable Rent Tenancy. As at 31 March 2018 this target has been achieved and therefore, <u>no new</u> conversions from Social to Affordable must take place after 18th July 2018 as per the directive from EMT. Properties that had been converted under these provisions will remain subject to the Affordable Rent regime.

4.10 **Setting the Rent Level for new properties**

4.10.1 <u>Supported Housing</u>

4.10.1.1 Where the new letting is to be set according to the Social Rent regime the core rent will be based on the Formula Rent, unless the calculated formula rent exceeds the nationally-set and annually revised Rent Cap. This is defined in the Rent Standard 2026 and the Policy Statement on rents for social housing, and the guidelines for the calculation of formula rents is also set out there and in Salvation Army Homes' Rent Setting Procedure. In order to complete this calculation, the property valuation (as of January 1999) has to be obtained. Salvation Army Homes's policy is to request this from Savills. From April 2020 formula rents will increase by CPI + 1% annually. The Rent Caps will increase annually by CPI + 1.5%.

4.10.1.2 Salvation Army Homes will under normal circumstances add the maximum 10% tolerance level to the Formula Rent for Supported Housing. In deciding to apply the 10% tolerance to all its Supported Housing Salvation Army Homes has taken into account local factors and circumstances and affordability.

4.10.1.3 The Formula Rent calculation includes all annual adjustments as required historically by government guidance since 2000/2001, including taking into account the four years of the annual 1% rent reduction between 2016 and 2020 and any special dispensations provided during that period to, for example, supported housing (exempt from rent reduction in the first year) or domestic violence refuges (exempt from rent reduction from 2017).

4.10.1.4 Where the criteria for Specialised Supported Housing or Temporary (Supported) Social Housing are met, Salvation Army Homes's policy is to calculate the core rent level based on estimated costs at property-wide or scheme-wide level (as defined in the Rent Setting Procedure).

4.10.1.5 Service Charges are calculated on the basis of future contractual costs and on estimated costs based on historic financial information where contractual information is not available. As set out in the Policy Statement on rents for social housing, the Regulator of Social Housing expects RPs to set service charges which are reasonable and transparent and to endeavour to keep any increases in charges to within the guideline limit of CPI + 1%.

4.10.2 <u>General Needs Housing</u>

4.10.2.1 If an existing Secure Tenant is transferring to the property because they are required to vacate their existing tenancy, then an application should be made to the Valuation Office Agency for a fair rent registration. The Fair Rent registered is the maximum that can be charged. If the Fair Rent (core rent) is in fact higher than the Social Rent for the property would be (excluding service charge), then Salvation Army Homes must charge the Social Rent.

4.10.2.2 Where the rent for the new letting is to be set according to the Social Rent regime, the core rent will be based on the Formula Rent, unless the calculated Formula Rent exceeds the nationally-set and annually revised Rent Cap. The rent caps are set out in the Policy Statement on rents for social housing and guidelines for the calculation of Formula Rents are also set out there. In order to complete this calculation, the property valuation (as of January 1999) has to be obtained. Salvation Army Homes' policy is to request this from Savills. The calculations here will be similar to those for Supported Housing but there will be differences in terms of the percentage increase applied to the original formula rent since 2000/2001 and the tolerance level allowed on top of the calculated formula rent. The tolerance level for General Needs is 5%. Salvation Army Homes will under normal circumstances add the maximum 5% tolerance level to the Formula Rent for General Needs. In deciding to apply the 5% tolerance to all its General Needs Housing Salvation Army Homes has taken into account local factors and circumstances and affordability.

4.10.2.3 Any Service Charges for Social Rent lettings are calculated on the basis of future contractual costs and on estimated costs based on historic financial information where contractual information is not available (see also 4.10.1.5 above in relation to the Regulator's expectations).

4.10.2.4 Where the rent for the new letting is to be set under the Affordable Rent regime, the setting of the Gross Rent comes first. This will be based on the Market Rent (inclusive of service charge) for a directly comparable property in the private sector let on an assured shorthold tenancy. Salvation Army Homes will use the ‘Right Move’ website as the basis for the calculation of the Market Rent and the details are set out in the Rent Setting Procedure. The Gross Rent will then be based on 80% of the calculated Market Rent, unless the following criteria applies:

- The calculated Gross Rent is less than the Formula Rent for the property, in which case the Formula Rent must be used with the relevant service charge added on top.

4.10.2.5 Any Service Charges within the Gross Rent are calculated on the basis of future contractual costs and on estimated costs based on historic financial information where contractual information is not available, and the balance of the Gross Rent figure will be designated as the core rent for the property.

4.10.2.6 Where the criteria for Temporary Social Housing is met, Salvation Army Homes’ policy is to calculate the core rent level based on estimated costs at property-wide or scheme-wide level (as defined in the Rent Setting Procedure).

4.10.2.7 Guideline gross rents for London Living Rent properties are provided by the Mayor’s Office. These are provided on a neighbourhood and property size basis and are generally set at 66% of the median market rent.

4.11 Setting the Rent Level for Re-Lets

4.11.1 Supported Housing

4.11.1.1 Where the property is re-let on the standard Social Rent regime (including to an existing tenant on a tenancy renewal) the new core rent figure will be calculated in line with the guidelines set out in Paragraphs 4.10.1.1 to 4.10.1.3. If the formula rent exceeds the rent cap, the rent cap must be applied.

4.11.1.2 Service Charges should not alter unless the new tenancy agreement allows for the provision of additional (or less) services to be provided. If this is the case these should be re-calculated based on costs.

4.11.1.3 New lettings in relation to Specialised Supported Housing and Temporary Social Housing should not be changed within the rent-year even when tenancies change.

4.11.2 General Needs Housing (and Intermediate Rents)

4.11.2.1 Where the property is re-let on the standard Social Rent regime the new formula core rent figure will be calculated in line with the guidelines set out in Para 4.10.2.2. If the formula rent exceeds the rent cap, the rent cap must be applied.

4.11.2.2 In relation to Affordable Rents, the gross rent can be the same as the previous letting unless the market-testing of rent levels for this or directly comparable properties was last done more than 6 months ago. Salvation Army Homes' policy is to re-assess the market valuation of affordable rent properties every 6 months.

4.11.2.3 Where an Affordable Rent property is re-let to the same tenant (e.g. on a fixed term tenancy renewal) Salvation Army Homes may re-base the rent to 80% of market rent but subject to a cap of the existing rent plus CPI + 1%.

4.11.2.4 Service Charges should not alter unless the new tenancy agreement allows for the provision of additional (or less) services to be provided. If this is the case these should be re-calculated based on costs, and in the case of Affordable Rents the balance of the Gross Rent should be designated as the Core Rent.

4.11.2.5 Intermediate rents (London Living Rents) should be set on re-let in line with the same guidelines set out in 4.10.2.4

4.11.2.6 Any fair rents should be re-submitted to the Valuation Office Agency for a fair rent registration every 2 years. This can be applied for 3 months in advance of the previous registration expiring. The decision received from the Rent Officer should then be compared to what the Social Rent for the equivalent property would have been and it is the lower of the two that should be charged on any re-let.

4.12 **Annual Rent Review**

4.12.1 In Social Rent properties, the first rent review under the Rent Standard 2026 will take place in April 2026 by taking the existing rent paid by the tenant and applying CPI + 1%. In 2027-28 rent increases are permitted to CPI + 1% + £1 per week if the existing rent is below Formula Rent plus the relevant tolerance (5% for general needs; 10% for supported housing). From April 2028 the increase is permitted at September CPI + % plus £2 per week if rent levels are below Formula Rent.

4.12.2 Service Charges in Social Rent properties will be re-calculated based on future contractual costs and on estimated costs based on historic financial information where contractual information is not available (see also 4.10.1.5 above in relation to the Regulator's expectations).

4.12.3 Annual increases for Affordable Rents are subject to the same guideline limit of CPI + 1% as for Social Rents, but the rent caps and the CPI-only cap are not relevant to Affordable Rents.

4.12.4 Any rents designated as Specialised Supported Housing or Temporary Social Housing will be recalculated from scratch each year, based on costs, but subject to local negotiation and existing arrangements with the Commissioning Body.

4.12.5 Intermediate (London Living) rents should be revised on the basis of guidelines provided by the Mayor's Office.

4.12.6 Annual rent increases for fair rent (secure) tenants are capped at the lower of the existing core rent plus CPI + 1% and the registered fair rent (core rent). The service charge element is charged on top subject to the cap of the overall fair rent (gross rent).

4.13 **Non-Compliance with the Rent Standard**

4.13.1 Salvation Army Homes will be compliant with the Rent Standard 2026 and the Policy Statement on rents for social housing and any other rent guidance issued by the Regulator of Social Housing. There are two ways in which non-compliance can be detected:

- Internally: Non-Compliance or Suspected Non-Compliance can be detected by staff, or
- Externally: Where the Regulator identifies data anomalies in the statistical Data Return (SDR).

4.13.2 In the event of an incident of material non-compliance coming to our attention, we will immediately inform the Regulator and take proper account of the interest and reasonable expectations of key stakeholders including the L.A, residents, lenders, and the Regulator. Salvation Army Homes will undertake the following:

- We will notify the Regulator of Social Housing of any incidents of non-compliance.
- We will inform key stakeholders which will include the relevant local authority, housing benefit department and commissioners.
- We will take steps to implement a compliant rent as appropriate in line with our policy and any action agreed with the Regulator.

4.13.3 In situations where the non-compliance has resulted in over-charging rent, we will seek to reimburse those that have been immediately affected, this will include current residents and the relevant housing benefit authorities.

4.14 **Monitoring and Reporting**

4.14.1 We will monitor our compliance against the Rent Standard 2026 and the Policy Statement on rents for social housing by using internal audit to offer management assurance and actions to improve.

4.14.2 The outcome of the internal audit and assurance will be reported to Audit and Risk Committee.

5. Data Protection and Equity Impact

In developing this policy, we have carried out assessments to ensure that we have considered:

- Equity, Diversity and Inclusion
- Privacy and Data Protection

To request a copy of these full assessments, please contact the Business Assurance Team at business.assurance@salvationarmyhomes.org.uk.

6. Further information

If you have any questions regarding this policy, please contact your line manager or the Business Assurance Team at business.assurance@salvationarmyhomes.org.uk, who will direct your query to the relevant Policy owner.

Legislative and Regulatory Framework

The following legislation, regulatory standards and documents can be relied upon to supplement this policy.

Legal Framework	Regulatory Standard	Other documents – (Internal Documents)
Rent Act 1977	Rent Standard 2026	Allocations Policy
Rent Acts (Maximum Fair Rent Order) 1999	Policy Statement on rents for social housing (Feb 2026)	Occupancy Agreement Policy
Housing Act 1985	Social Housing Rents (Exemptions and Miscellaneous Provisions) Regulations 2016	Service Charge Policy and Procedure
Housing Act 1988	Social Housing Rents (Exemptions and Miscellaneous Provisions) Regulations 2016	Rent Setting Procedure
Housing and Regeneration Act 2008	Social Housing Rents (Exceptions and Miscellaneous Provisions) (Amendment) Regulations 2017	
Housing and Planning Act 2016		
Welfare Reform and Work Act 2016		
Social Housing Rents (Exemptions and Miscellaneous Provisions) Regulations 2016		

Document History Log

Lead Reviewer	Date			Version	Approval	
	Created	Revised	Expiry		By	Date
EDoF &ICT		Sept 2026 incorporates Rent Standard 2026	Sept 2029	2.0	Board	25 September 2026

Equality Impact Assessment Summary			
Protected characteristics	**Impact** (Positive, negative, neutral)	**Protected characteristic**	**Impact** (Positive, negative, neutral)
Age	Neutral	Disability	Neutral
Sex	Neutral	Race	Neutral
Religion or Belief	Neutral	Sexual Orientation	Neutral
Gender Reassignment	Neutral	Pregnancy / Maternity	Neutral
Marriage / civil partnership	Neutral		

Appendix 1 Rent Setting Flowchart