Teacher's Housing Association

Rent Setting Policy

Date Reviewed:	December 2025
Date of Next Review:	December 2026
Responsible Board/Committee:	Board
Lead:	Director of Finance

1. Policy Statement

1.1 Teachers' Housing Association (THA) is committed to charging rents that offer value for money and are affordable for existing and prospective customers. When setting and varying rents, we aim to provide a fair rental offer for customers, whilst maintaining the viability of the organisation.

1.2 Where applicable, we will ensure rents are set in line with the formula developed by Government for the social housing sector and approved by the Regulator of Social Housing within the Rent Standard of the Regulatory Framework.

2. Introduction

2.1 This policy outlines the approach to be taken by THA to rent setting in residential units. It covers all of THA stock including units exempt from the Rent Standard.

2.2 Effective and compliant rent setting will assist in maximising rental efficiency for THA, give clarity to residents and other stakeholders on their rent costs and balance this with its objectives of providing effective and excellent quality services.

2.3 THA as a Registered provider must meet the Regulatory Standards including the Rent Standard 2020 together with any subsequent revisions. Compliance with this policy will ensure compliance with the both the Rent Standard and THA's legal obligations.

2.4 Government are currently consulting on making changes to the Rent Standard and one of the proposals under consideration is to re-introduce the concept of rent convergence i.e. for those properties where the rent falls below the formula rent level, to allow annual increases to be higher than CPI plus 1%. This change could generate significant additional income for Registered Providers and the intention is to strengthen their financial plans and release capacity for more housing development. Should this be put into effect, THA would apply this change to THA rents.

3. Scope

3.1 This policy applies to rent charges setting for all properties owned, leased and managed by THA. It covers new lettings, relets and rent increases for each type of property.

3.2 It also applies to any properties where a use and occupation charge is applicable, e.g., the guest room at our sheltered housing schemes.

3.3 Service charge setting for all units is covered in the Service Charge Policy.

4. Aims and Objectives

4.1 THA's Rent Setting Policy aims to:

a) Meet our legislative and regulatory requirements together with the adoption of nationwide good practice.

4.2 Meet our commitments to the terms and conditions of our tenancy agreements, leases and licences in relation to rent setting.

4.3 Provide transparency and accountability to our residents and other stakeholders.

4.4 Act in line with our social and charitable purpose.

5. Legal And Regulatory Requirements

5.1 THA operates within the Regulatory Framework for Registered Providers (RP). The Rent Standard contains the Regulator of Social Housings expectations on setting rent and rent increases.

5.2 The Rent Standard was revised in 2020 and requires rents to be set in line with the Government's Policy Statement on Rents for Social Housing published by the Department for Levelling Up, Housing and Communities (DLUHC), formerly the Ministry for Communities and Local Government in February 2019 (the Policy Statement).

5.3 In addition to the regulatory requirements THA must also meet the statutory legislative provisions in relation to rent setting.

5.4 Following the 2025 Autumn Statement, the government announced that social housing rent increase can be increased by up to 4.8% with effect from 1 April 2026. This is because the CPI at the end of September 2025 was 3.8% and an additional 1% can be applied in accordance with the Rent Standard.

5.5 The sections below consider compliance with the Rent Standard and other legislation for each of the THA property types.

6. Responsibilities

6.1 The Board has the responsibility for establishing a rent setting policy that underpins the continuing financial viability of the Association whilst also complying with all relevant legal and regulatory requirements.

6.2 The Board will approve this policy annually or at earlier intervals if there are significant changes in the regulatory or legal framework.

6.3 The Board will approve the annual rent review, as part of the budget approval process and, in so doing, will also consider if it is appropriate for the permitted flexibility to be applied.

6.4 The Director of Finance is responsible for ensuring that the policy is implemented on a day-to-day basis by all involved teams.

6.5 The Director of Operations is responsible for:

6.5.1 providing accurate information to residents that explains how their rent and service charges are set and how they are changed, and

6.5.2 notifying residents of the revised rent that will be payable at least one month prior to the implementation date.

7. Social Rent - General Needs

Applicability

7.1 Applies to all THA stock unless the stock meets the criteria for another type of stock.

Initial Rent Setting

7.2 Social formula rents for general needs housing rents will be set based on the formula rent calculation (see Appendix 1 - Social Formula Rent Calculation). In calculating the formula rent, the value of the property should be based on an existing use value, assuming vacant possession and continual residential use.

7.3 The Rent Standard allows some rent flexibility provided there is a rationale for doing so which takes the local market context and affordability into account. The Board has considered the permitted flexibility of **5%** for general needs (10% for supported housing) and consider there is a clear rationale for doing so taking into account local circumstances and affordability. The flexibility will be applied subject to the rent not exceeding the rent cap.

7.4 Service charges will be charged in addition to the rent.

Rent increase

7.5 Registered providers may not increase rents by more than CPI+1% in any year (the CPI used is the September of the previous year). This limit is a ceiling and THA can apply a lower increase, freeze or reduce rents if it wishes to do so.

7.6 If the current rent exceeds the formula rent plus flexibility the increase is restricted to CPI only.

7.7 In determining the level of the rent increase, if any, the Board will consider the local market context, especially the levels of Housing Benefit or Universal Credit that are available to claimant households who might occupy their properties.

Relet Rents

7.8 General needs social rent properties will be relet at formula rent plus the 5% flexibility.

7.9 If a property was previously let at more than formula rent plus flexibility, then at relet the rent must be reduced to formula rent plus flexibility. If a property was previously let at less than formula rent plus flexibility at relet the rent can be increased to formula rent plus flexibility. However, if a property was previously let at cap as the formula rent plus flexibility exceeded the cap, the relet rent should be recalculated as the rent cap is increasing faster than the formula rent.

7.10 In determining formula rents the property is not permitted to be revalued unless there have been structural alterations such as adding an extra room or an extension.

8. Social Rent – Supported Housing

Applicability

8.1 Supported housing is defined as low-cost rental accommodation that:

a) is made available only in conjunction with the supply of support.
b) is made available exclusively to households including a person who has been identified as needing that 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 enable residents with support needs to live independently; and
   (ii) accommodation that has been designated as being available only to individuals within an identified group with specific support needs.

8.2 For the purposes of this definition the following are included:

9. sheltered accommodation
10. extra care housing
11. domestic violence refuges
12. hostels for the homeless
13. support for people with drug or alcohol problems
14. support for people with mental health problems
15. support for people with learning disabilities
16. support for people with disabilities

17. support for offenders and people at risk of offending
18. support for young people leaving care
19. support for teenage parents
20. support for refugees

Initial Rent Setting

20.1 Initial rents are set as for sheltered housing however **10%** permitted flexibility will be applied to the formula rent.

20.2 In calculating a formula rent the value of the property is based on an existing use value. However, where it is not appropriate to value supported housing properties on this basis, registered providers can use a Depreciated Replacement Cost (DRC) method of valuation. DRC is intended to provide a better indication of the particular qualities and characteristics of supported housing properties and the costs that may be involved in providing them.

Rent increase

20.3 Supported housing follows the same rules as for general needs.

Relet Rents

20.4 The same rules apply as for general needs except the flexibility applied is 10%.

21. Fair Rents (Secure tenancies)

Applicability

21.1 Fair rents can only be applied to units with secure tenants, or assured tenants with preserved rights. These are generally tenancies issued prior to 1989 or local authority stock transfers. These units have additional protection in that the rent charged must not exceed the Registered Rent. THA has c.30 properties that are subject to the Fair Rent controls and we are currently in the process of re-registering the rents, aiming to have this completed by the end of the Calendar year.

Initial Rent Setting

21.2 No new secure tenancies can legally be issued so initial rents are not required.

Rent increase

21.3 The maximum rent charge is the registered rent set by the Rent Officer Service. The rent is registered every two years if an application is made. Where the registered rent is lower than the formula rent plus rent flexibility or the capped rent, the registered rent is applied. Where it exceeds them, the lowest of the two must be applied, but subject to the increase being no more than CPI+1%.

21.4 The rent will increase by CPI + 1%, but cannot exceed the lower of the registered rent, formula rent plus flexibility or the rent cap. The rent can increase every year.

Relet Rents

21.5 When a fair tenancy ends the unit is relet as a social rented unit and formula rent applies. If the incoming tenant is entitled to a secure tenancy, then a rent is registered and the rent is capped at the lower of the formula rent, registered rent or rent cap.

Rent increase

21.6 Rents will be reviewed in accordance with the provisions within the individual lease agreement.

22. Intermediate Rent

Applicability

22.1 THA has a number of units (c. 30) that are designated as intermediate rent properties. The Rent Standard has an exemption for intermediate rent properties as defined below.

22.2 Intermediate rent is low-cost rental accommodation which satisfies any of the three conditions a, b, or c below:

22.3 The accommodation:

22.3.1 was built or acquired by the private Registered Provider without public assistance.

22.4 is provided on an assured shorthold tenancy (other than an assured shorthold tenancy that is expressed to be a probationary or starter tenancy) or licence, either:

22.5 to a tenant who is not a person nominated by a local housing authority under section 159(2)(c) of the Housing Act 1996, or

22.6 to a tenant nominated by a local housing authority under section 159(2)(c) where any conditions set by the local housing authority regarding the circumstances in which the registered provider may grant a tenancy of intermediate rent accommodation are satisfied in respect of that accommodation,

22.7 has not previously been let on a social rent basis, and

22.8 is not affordable rent housing.

22.9 The accommodation is low-cost rental accommodation, which was funded wholly or in part by public assistance, under a programme identified by the Regulator as an intermediate rent accommodation enabling programme, and any conditions under that programme regarding the circumstances in which the accommodation may be let, as intermediate rent accommodation are satisfied.

22.10 The accommodation is key worker housing.

Initial Rent Setting

22.11 These properties are low-cost rental accommodation and as such the rent must be less than the market rent. THA has set a maximum limit of 80% of the market rent.

Rent increase

22.12 Rents will be increased by CPI + 1% to ensure that these units remain affordable.

22.13 THA will do an annual desktop review to ensure that the units remain below market rent

Relet Rents

10.6 The initial rent setting rules are followed.

23. Other Rents

Applicability

23.1 THA has a number of other properties that this policy covers. These are not governed by the Rent Standard. These include:

23.1.1 Garages

23.1.2 Guest rooms at sheltered housing schemes

Initial Rent Setting

23.2 Rents are set by reference to local market values and/or in accordance with the individual lease agreements. Guest rooms are let on a use and occupation basis.

Rent increase

23.3 Rents will be reviewed in accordance with the provisions within individual lease agreements.

Relet Rents

23.4 Rent will be set by reference to local market values and/or in accordance with the individual lease agreements.

24. Equality and Diversity

24.1 This policy will be implemented in accordance with equality legislation and our Equality Statement, ensuring that we will not discriminate against any resident on grounds of their protected characteristics. We will address any special communication requirements in order to ensure all our customers have equal access to the information they need to meet their obligations.

25. Data Protection

25.1 This policy will be operated in accordance with the principles of the Data Protection Act] 2018 and UK GDPR and our Data Protection Policy. Documents relating to rent setting will be retained and disposed of in line with our Data Retention Guidelines.

26. Training

26.1 We will ensure that the staff involved in setting rents have the specialist skills and knowledge. Staff will receive induction, vocational training and refreshers during their employment with THA.

27. Statutory and Regulatory Framework.

27.1 This policy will be delivered in accordance with all relevant legislation, regulation and relevant guidance, which includes:

a) Data Protection Act 2018 and UK GDPR
b) Equality Act 2010
c) Housing Act 1985, 1988 and 2004
d) Rent Act 1977
e) Latest Mayor's Housing Covenant (Relevant Authority).
f) Regulator of Social Housing Rent Standard 2020
g) Policy Statement on Rents for Social Housing MHCLG - latest update (Note: policy statement for 2026 has been published in draft)
h) The Capital Funding Guide
i) Landlord and Tenant Act 1985 and 1987
j) Housing and Regeneration Act 2008

APPENDIX 1 - CALCULATION OF SOCIAL RENTS

1. The requirements for setting initial rent are included in the rent policy statement. Initial rents are set at formula rent, based on the following calculation:
   a. 30% of a property's rent should be based on relative property values compared to the national average.
   b. 70% of a property's rent should be based on relative local earnings compared to the national average
   c. A bedroom factor should be applied so that smaller properties have lower rents.

2. This can be expressed as a formula:

Weekly formula rent is equal to 70% of the national average rents Multiplied by relative county earnings Multiplied by a bedroom factor Plus 30% of average sector rent Multiplied by relative property value

3. The weekly formula rent calculates a rent for 1999/2000 and then this is adjusted for each year using the following two step process:

   a. Uprate to 2019/20 by the published factors. These factors are different for general needs and supported housing.

   b. Adjust from 2020-22. The formula rent must be adjusted annually by CPI (in September of the previous year) +1% for each year.

4. This formula calculates a rent. For social rented properties the service charges are an additional charge. This contrasts with affordable rent where service charges are included within the gross rent.

5. The basic formula rents for general needs and supported housing are the same however flexibilities can be applied to them depending on the type of stock.

Flexibility

6. The Policy Statement gives some discretion on setting rents to take into account local factors and concerns. It permits rents to be set at up to 10% above formula rent for supported housing.

7. Supported housing is defined as:
   a) is made available only in conjunction with the supply of support.
   b) is made available exclusively to households including a person who has been identified as needing that support; and
   c) falls into one or both of the following categories either has been designed to support tenants to live independently or has been designated for a group with specific support needs.

8. For the purposes of this definition support includes:

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 problem,
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 refugee.

9. The rent caps act as a maximum ceiling on the formula rent, and depends on the size of the property, based on 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. Registered providers must not allow rents to rise above the relevant rent cap.

10. The rent caps for 2025/26 are set out below (see Appendix 10B) and increase at CPI+1.5%. If a property is subject to the rent cap the annual maximum rise is still governed by the CPI+1% limit on rent changes.

	Table 1 Social Rent Cap	
No of Bedrooms	Rent Cap 25/26 £	Rent Cap 24/25 £
1 and bedsits	194.06	188.24
2	205.46	199.09
3	216.87	210.15
4	228.27	221.19
5	239.69	232.26
6 or more	251.10	243.31

11. However, where a property whose rent has been subject to the rent cap comes up for re-let and the formula rent remains above the rent cap, the new rent may be set at up to the rent cap level. The rent caps will have been increasing by CPI + 1.5%, rather than at CPI + 1 %, the rent increase.