

# Rent Policy

## 1. Policy Scope

The Bernicia Rent Policy was based upon RSH's 2015 Rent Standard and reflected revisions introduced in 2016 following the implementation of the Welfare Reform and Work Act 2016 and the merger with Four Housing. The Act required registered social housing providers to reduce the rent payable by a tenant by 1% annually for four years from April 2016.

In February 2019 the Ministry of Housing, Communities and Local Government (MHCLG) issued a Policy Statement which set out the government's policy on rents for social housing from 1 April 2020 onwards. The new policy permits annual rent increases of up to CPI+1% on both social and affordable properties from 2020 for a period of at least 5 years.

MHCLG's policy statement was used to inform the Regulators 2020 Rent Standard. The rent standard was updated in February 2023 to provide for a rent cap on general needs dwellings. In the year April 2023 to March 2024, increases on rents were capped at 7% for existing tenants. In addition, for the same year, Board approved a rent increase, capped at 7% for existing tenants in Housing for Older People properties, and approved the voluntary cap for shared ownership as presented by the NHF.

During 2025/26 there was a consultation on the Rent Standard from 1<sup>st</sup> April 2026 along with a mechanism for rent convergence. The Government announced that a 10- year rent settlement of CPI +1% would be effective from 1<sup>st</sup> April 2026. On 28<sup>th</sup> January the Government made an announcement on rent convergence, with a convergence mechanism being introduced for rents set from 1<sup>st</sup> April 2027, where an extra £1 per week can be added to the rent increase capped to formula rent, and from 1<sup>st</sup> April 2028, where an extra £2 per week can be added to the rent increase capped to formula rent, until formula rent is reached. The new Rent Direction, Policy Statement and Rent Standard have subsequently been published. The Rent Direction, Policy Statement and Rent Standard are effective from 1<sup>st</sup> April 2026, and the Rent Policy Statement states that the policy will be in place for at least 10 years. Unless stated otherwise, any reference to rent within this document does not include service charges or water rates and only refers to the Formula Rent previously referred to as Target Rent.

Rent setting will be in line with all relevant regulation and legislation including but not limited to:

- Housing Act 1977
- Housing Act 1988
- Housing Act 1996
- Housing Act 2004
- Housing and Regeneration Act 2008
- Welfare Reform and Work Act 2016
- MHCLG Policy Statement on Rents for Social Housing 2019
- RSH Rent Standard
- Homes England (HE) National Affordable Housing Programme

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## 2. Policy Standards

### Standard 1: 2020 Limit

In the year following the end of the Social Rent reduction period, the maximum weekly rent for an existing tenant is the “2020 limit”.

The 2020 limit is the average weekly rent for the tenant’s accommodation in the fourth relevant year specified in section 23(6) of the WRWA 2016 increased by CPI+1%.

The 2020 limit applied to both social and affordable rent housing and was only with regards to rents set and charged during 2020/21.

### Standard 2: Rent Regimes

The different rent regimes which underpin this Rent Policy are:

#### Social (Formula) Rent

**Setting** - Assured social rents are subject to the Regulator of Social Housing (RSH) Rent Standard. As set out in MHCLG’s Policy Statement on Rents for Social Housing 2019 and RSH 2020 Rent Standard, the formula used to calculate a weekly Social (Formula) Rent uses data from January 1999:

- 70% of the national average rent
- Multiplied by relative county earnings
- Multiplied by bedroom weighting

Plus

- 30% of the national average rent
- Multiplied by the relative property value

These values have been defined by the Regulator in the Rent Standard (and previous rent restructuring guidance) and have been used as the base in our rent calculations. Each year, from 1999 to March 2016, the sector rent was increased by the relevant inflation index + 1% in accordance with the Rent Standard. From April 2016, the sector rent was reduced by 1% with the exception of properties that were covered by a full or partial exemption from the social rent requirements of the WRWA 2016. In these cases, increases of CPI+1% were applied in each of the allowable years.

The rent set may include an upwards tolerance “Rent Flexibility”:

- If the accommodation is supported housing, including temporary social housing up to 10% of formula rent; or
- If the accommodation is not supported housing, where support is not provided, up to 5% of formula rent.

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If applying this flexibility, providers must ensure that there is a clear rationale for doing so which takes into account local circumstance and affordability.

Bernicia will carry out an affordability assessment at the beginning of each rent setting round (October/November). This assessment will take into account average earnings (as published by the Office of National Statistics) adjusted for income tax and national insurance contributions at Local Authority level in determining affordability.

The results of the assessment will be considered by the Executive Director of Communities and will inform the rent levels set for the forthcoming period. The results will also be presented to Board along with the rent plan for approval.

## **Increases –**

Formula rents are also subject to rent caps each year to ensure continued affordability to tenants in high property value areas. The rent cap is the upper limit which associations can charge for a property irrespective of its formula rent, so if the formula exceeds the capped rent, then the capped rent is charged. The rent cap varies by number of bedrooms, but not by location or value of property. The rent caps are published each year by the Regulator.

Within Bernicia, the agreed practice when a property is relet is to relet at the formula + flexibility subject to the results of the affordability assessment. For rent increases applied in the period 1 April 2026 to 31 March 2027, and subject to the rent cap requirement, the weekly rent of an existing tenant of social rent housing may only be increased by up to CPI +1% in any one year, unless the following condition applies:

- If the weekly rent when increased by CPI +1% exceeds the rent flexibility level for the year in which the rent increase will apply, weekly rent may only be increased by up to CPI.

For rent increases applied in the period 1 April 2027 to 31 March 2028, and subject to the rent cap requirement, the weekly rent of an existing tenant of social housing rent housing may only be increased by up to CPI +1% in any year, unless one of the following conditions applies:

- If the weekly rent when increased by CPI +1% exceeds the rent flexibility level for the year in which the rent increase will apply, weekly rent may only be increased by up to CPI.
- If the weekly rent when increased by CPI +1% is below formula rent for the year in which the rent increase will apply, weekly rent may only be increased by CPI +1% plus £1. However, if the weekly rent when increased by CPI +1% plus £1 exceeds formula rent for the year in which the rent increase will apply, weekly rent may only be increased by CPI +1% plus the relevant amount that brings it up to the level of formula rent in the year in which the rent increase will apply.

For rent increases applied from 1 April 2028, and subject to the rent cap requirement, the weekly rent of an existing tenant of social housing may only be increased by up to CPI +1% in any year, unless one of the following conditions applies:

- If the weekly rent when increased by CPI +1% exceeds the rent flexibility level for the year in which the rent increase will apply, weekly rent may only be increased by up to CPI.
- If the weekly rent when increased by CPI +1% is below formula rent for the year in which the rent increase will apply, weekly rent may only be increased by CPI +1% plus £2. However, if the weekly rent when increased by CPI +1% plus £2 exceeds formula rent for the year in which the rent increase will apply, weekly rent may only be increased by CPI +1% plus the relevant amount that brings it up to the level of formula rent in the year in which the rent increase will apply.

## **Affordable Rent**

To support an RP's development programme, some Assured tenancies can be let on affordable rent terms. These rents are set at a level which is no more than 80% of the estimated market rent for the accommodation (including all relevant service charges) based on a valuation in accordance with a method recognized by the Royal Institute of Chartered Surveyors (RICS) as required by the Rent Standard.

Bernicia has a number of affordable rent tenancies that are subject to this regime. Upon handover from the developer or on relet, a valuation and calculation is required to determine the rent to be charged. The formula rent is deemed to be the 'floor' i.e., the rent charged should not drop below this level. A member of the Executive team is required to approve any relet rent.

The affordable rent for each property will be re-evaluated (also known as rebased) each time the property becomes vacant using a RICS approved method. The option to convert the property on re-let from an affordable rent property to a social rent property shall also be considered at this point for properties that had previously been converted from formula rent. It is important to note that properties developed as Affordable units as part of a Homes England Development Programme will remain affordable units even when the Formula rent 'floor' is applied.

The total Affordable Rent amount will include any housing benefit eligible service charges within it. Non-housing benefit eligible service charges will be charged in addition. Where Bernicia collects Water Charges on behalf of the Water Authority, that charge will be in addition to the Affordable Rent.

**Increases** - All tenancies which are charged an Affordable Rent and are included under the provisions of the Welfare Reform and Work Act 2016 will have their Affordable Rent increased by a maximum of CPI+1% each year.

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## Fair Rents (Registered Rents)

Fair rent may apply to tenancies that started before 15 January 1989. A fair rent is registered with the Valuation Office Agency. Once it is registered, this is the maximum amount that any landlord can charge until the rent is reviewed or cancelled. Tenants with fair rents will have signed a secure tenancy agreement.

The valuation office sets a fair rent and when deciding the amount to register as a fair rent, the rent officer will consider:

- The property age, character, location and condition
- Quantity and quality of any furniture provided.

The rent officer will ignore.

- any disrepair that may have been caused by the tenant to the property
- unnecessary improvements made
- any personal circumstances

The date of increase varies according to the date of registration which can be at any point in the year. Once received, the fair rent assessment is reviewed by Bernicia's Rent & Service Charge Accountant.

The maximum weekly rent is the **lower** of the fair rent set by the Rent Officer and formula rent (subject to both rent flexibility and rent caps).

Registered providers may not increase the rent of a tenant with fair rent protection by more than CPI+1% in any year (even if the tenant's rent is below the formula rent level and the fair rent assessment is increased by more than that amount). If the rent charged exceeds the rent flexibility level the maximum increase is CPI in any year.

When a fair rent tenancy comes to an end the new tenancy will revert to social (formula) rent and shall be let at formula + flexibility subject to the results of the affordability assessment and in-line with Bernicia's approach outlined above.

## LCHO - Shared Ownership Rents

Initial rent is set as a percentage of the unsold equity in the property. The initial rent must not therefore exceed 3% of the capital value of the unsold equity. The RSH encourage Housing Associations to set rents that average no more than 2.75% of the value of the unsold equity at the point of initial sale. Bernicia has adopted this but may adopt other arrangements if there was a need to increase affordability at point of sale. This would need to be approved as part of the initial scheme appraisal.

The rent is then applied as a monthly charge by multiplying the unsold capital value by 2.75% and dividing this by 12 months.

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If further shares in the property are purchased, the rent should be reduced using the same calculation based on the remaining unsold equity.

For Shared Ownership for Older People, the maximum staircase ceiling is 75% and at that point rent cannot be charged.

**Increases** – LCHO products are excluded from the Rent Standard. Shared ownership rents will be reviewed annually with reference to the agreed review date held within the lease and reviewed under the rent review clause in the individual lease, with the exception of those with cumulative rent increase calculations. For those with this type of lease, a phased return to the terms of the lease, regarding increase, will be taken. Board will be advised annually of the approach taken. In accordance with the voluntary rent cap for 2023/24, rents were increased by no more than 7%. From October 2023 the Shared Ownership model lease for Standard Shared Ownership homes funded through Homes England's Affordable Homes Programme (AHP) 2021-26 has been in place. This restricts rent increases to a maximum of CPI + 1.0%, with a floor for rent increases being 0%. This means that rents cannot be increased if CPI is minus 1% or lower. Bernicia has adopted the model lease for all new shared ownership homes developed.

## **LCHO - Rent to Buy/Rent to Homebuy/Intermediate Rent**

The purpose of these schemes is to provide opportunities for home ownership. Homes are made available to rent with a shorthold tenancy at a reduced rate of 80% of local market rents. The rent is set through the same formula as an Affordable Rent property. This provides the prospective owner the opportunity to save as the rent is 80% of the overall market rent. During the tenancy period the tenant should make application to purchase the property on Shared Ownership terms.

If the Rent to Homebuy tenant is unable to purchase during the term of the tenancy, the property is marketed for shared ownership sale, rather than another period of Rent to Homebuy. If the property is unsold an application can be made to the RSH to convert the property to social rented. If accepted, then Formula rent should be used to let the property.

If the Rent to Buy tenant is unable to purchase during the term of the tenancy, the property can be converted to social rented. Formula rent should be used to let the property.

**Increases** – Rent to Buy, Rent to Homebuy and Intermediate Rent products are exempt from the Rent Standard rules regarding increases.

The weekly rent of any existing tenant may not be increased by more than:

- CPI+1% in any year; or
- If the tenant's rent exceeds the rent flexibility level, CPI in any year.

For re-lets or extensions at the end of a shorthold tenancy period, the rent should be recalculated using the agreed Affordable Rent methodology.

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## Market Rent properties

Rents are fixed by reference to the local market. They are reviewed and adjusted on an annual basis on the anniversary of the tenancy.

## Standard 3: Supported Housing

The definition of supported housing used by the RSH is:

‘The term supported housing applies to purpose designed or designated supported housing’.

Purpose designed means:

‘the building has been purpose designed or remodelled to enable the client to adjust to or continue to live independently, and this required specific design features’.

Designated supported housing is:

‘A building or buildings with no special design facilities and features that are designated for a specific client group with support services in place to enable them to adjust to or remain independent’.

There are two classifications of supported housing rents. Some supported housing rents are exempt from the RSH rent standard and some are not exempt.

## Exempt

Some rents are exempt from the Rent Standard and the RSH has issued guidance indicating where any exemption may be applied. From time to time directives will be received from government outlining specific conditions that may apply over and above the existing standard. Therefore, each year any government guidance should be reviewed to understand its impact on the setting and review of supported housing rents. If no additional guidance is received, then the Rent Standard guidance will be used.

The following property classifications and properties meeting all of the criteria set out within each category are exempt from the standard:

- Specialised supported housing
- Temporary social housing
- Care homes

## Specialised Supported Housing

Specialised supported housing means housing:

- which is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who required specialised

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services or support in order to enable them to live, or to adjust to living, independently within the community;

- which offers a high level of support equal to that provided in a care home or for clients whom the only acceptable alternative would be a care home;
- 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) and for which the rent charged or to be charge complies with the aforementioned agreement or arrangement; and
- 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 at mortgage against a property).

## Temporary Social Housing

For the purpose of this policy 'temporary social housing' means the provision of low-cost rental accommodation to a person who is classified as homeless under the Housing Act 1996 where the following conditions are met:

- a) an assured shorthold tenancy agreement or licence is in place.
- b) There is a nominations agreement with a local authority for housing statutory homeless,
- c) the local authority retains the responsibility for finding permanent homes, and
- d) the registered provider:
  - holds the social housing on a lease or licence with a term of between 2 and 30 years, or
  - holds the social housing on a lease with a term of 30 years or more or holds the freehold title to the social housing and acquired the social housing without public assistance.

Exempt services will be reviewed against the above criteria annually in November against the criteria by the Head of Strategic Finance, with supporting evidence to support the assessment being provided by the Head of Care and Support. Any services not continuing to fit the rules for exemption will be re-categorised as non-exempt, and the non-exempt supported housing rent increase formulae applied.

Advice must also be sought when exempting property; if all necessary criteria are satisfied then the property is exempt.

New properties and existing properties would need to be similarly reviewed against this standard annually.

## Setting

Exempt services, i.e. those service provisions that meet all of the criteria above: will have rents set in conjunction with the commissioning body and using the Association's internal standard calculation:

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Social rent + up to 10% flexibility + management charge

## **Increases**

Rents are reviewed in April each year. The increase will be calculated in line with:

- The Rent Standard Guideline Limit (currently CPI at September of the previous year + 1%), or
- CPI at September of the previous year only (for non-exempt properties where rents exceed flexibility levels), or
- Applying the rent review terms of the scheme as agreed by the commissioning body.

## **Standard 4: Commercial Rents**

Commercial rents will be set based on the standard RICS methodology. Commercial rents will be reviewed periodically in line with the terms of the lease and adjusted using updated commercial valuation where required. They are reassessed following the termination of each lease.

## **Standard 5: Garage Rents**

Garage rents are agreed by the Board of each Registered Provider and are not subject to any restriction on the level of increase. However, subject to board agreement otherwise, rents will be increased in line with the guideline limit of September CPI + 1% each year.

Garages rented by non-tenants are subject to VAT.

## **Standard 6: Customer Focus**

Rents will be communicated to our customers in accordance with legal requirements and as clearly as possible. Information will be provided at the time of letting with who to contact in case of queries, what to do if tenants experience difficulties paying their rent and the role of the Residential Property Tribunal. Information will also be provided on our website.

## **Standard 7: Risk**

Acting unlawfully or in breach of the RSH regulatory framework.

Loss of income as a result of incorrect application of rent setting and or review methodology.

Income generated from Affordable Rents (new build and conversions) or other social rents that is less than business plan assumptions may adversely affect Bernicia's ability to deliver new homes targets including those agreed with the RSH.

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Level of rent qualifying for housing benefit or the Housing element of Universal Credit falling below the rents charged by Bernicia. This could have a detrimental impact on the level of rent recovered and a fall in the demand for our housing.

## **Standard 8: Value for Money**

Effective rent setting will assist in maximising rental income for the Group to support our purpose of providing new affordable homes and a fair deal for existing residents.

## **Standard 9: Training and Awareness**

Bernicia will ensure that all those involved in rent setting either directly or indirectly are provided with appropriate training in the application of this and the relevant supporting documents. All training and awareness raising activities will be logged.

## 3. Definitions

<b>Word/Phrase</b>	<b>Definition</b>
<b>Consumer Price Index (CPI)</b>	An inflationary indicator that measures the change in the cost of a fixed basket of products and services, including electricity, food, and transportation. The CPI is published monthly and is often referred to as the cost-of-living index.
<b>Retail Price Index (RPI)</b>	This is the UK's monthly index that demonstrates the movement of retail prices. It effectively shows the cost of living as it tracks the prices of UK consumer goods and services.
<b>Assured Tenancy</b>	introduced by the Housing Act 1988 it is a tenancy offered on a periodic basis which can only be brought to an end using grounds set out in law.
<b>Assured Shorthold Tenancy</b>	introduced by the Housing Act 1988, amended by the Housing Act 1996. It can be a periodic tenancy which gives the landlord a right to terminate without grounds after a period of 6 months, or it can be granted for a fixed term e.g., for 5 years when the tenancy will automatically come to an end.
<b>Secure Tenancy</b>	Relevant statute is the Housing Act 1985 as amended by the Housing Acts 1988 and 1996. To gain possession of the property the landlord must prove one or more statutory grounds and obtain a Court Order
<b>Starter Tenancy</b>	A form of Assured Shorthold periodic tenancy offered to tenants new to social housing. If the terms of the tenancy agreement are kept an assured shorthold fixed term tenancy will usually be granted following a review of the tenancy at after 12 – 18 months.
<b>Market Rent</b>	rents which are based on an open market rental valuation.
<b>Local Housing Allowance (LHA)</b>	used by local authorities to assess the amount of housing benefit private rented sector tenants are eligible for. LHAs are capped by property size and are set at the 30th percentile of rents in the broad rental market area.
<b>LCHO (Low-Cost Home Ownership)</b>	products designed to provide affordable home ownership opportunities including rent to buy and shared ownership.
<b>Shared ownership</b>	where a purchaser buys a share in a property and pays rent on the share they don't own. Typically, the purchaser will obtain a mortgage. Over time, the purchaser can buy greater shares until they own the property outright
<b>Affordable Homes Development Programme</b>	the arrangement for delivery of new homes during overseen by Homes England

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## 4. Change Control

Version Number	Effective Date	Amendment made by	Version approved by	Description of changes
V9.0	January 2026	Executive Director, Finance	Group Board February 2026	Scheduled review, addition of text in Standard 2 regarding rent increases for the period 1 April 2026 to 31 March 2027.

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**Version Number: V9.0**

**Effective From: January 2026**

**Applicable To:**

This policy and its procedures apply to all members and colleagues of Bernicia Group, including Board Members, Trustees, Independent Committee Members, Directors, Involved Tenants, and colleagues whether full-time, part-time, fixed-term, casual employees, and volunteers of Bernicia, and subsidiaries of the group.

**Associated Documents:**

The following resources support the Rent Setting policy and Bernicia colleagues to deliver rent reviews in compliance with all statutory and regulatory requirements. These can be found in the policy folder on the intranet:

- Rent Affordability Policy
- Allocations Policy
- Service Charge Policy
- Rent Recovery Policy

**Equality, Diversity & Inclusion:** Please contact the Governance team if you require a copy of the ED&I assessment.

**Approved By:** Group Board February 2026

**Policy Author:** Executive Director, Finance

**Policy Owner:** Chief Executive

**Next Review:** January 2027

**Reference Number:** POL-0113

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