

Rent Policy

Title	CDS Rent Policy
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Approver	Board of Management
Applies to	All CDS social housing and garages

1 Introduction

- 1.1 The aim of this policy is to provide a framework for how CDS sets and reviews rents for different tenures in line with our statutory, regulatory and contractual obligations.
- 1.2 This policy outlines the approach taken by CDS to rent setting in residential units. It covers all of CDS' stock.
- 1.3 Effective rent setting will assist in maximising rental income for CDS, minimise residents' housing costs and enable CDS to achieve its objectives of providing effective and excellent quality services.
- 1.4 CDS, as a Registered Provider, must meet the Regulatory Standards including the Rent Standard 2020. Compliance with this policy will ensure compliance with the both the Rent Standard and its legal obligations.

2 Objectives

- 2.1 CDS aims to charge rents that ensure our ongoing viability whilst being affordable for residents. The rent policy aims to draw a balance between these two requirements in a way which attempts to be fair to our residents while also meeting any regulatory and legislative requirements. Therefore, our objectives are to:
 - Set rents that are genuinely affordable to those on low incomes
 - Ensure rental income enables us to meet our obligations as a social landlord, including investing in our homes
 - Ensure we treat residents fairly and that our approach to rent setting is open and transparent
 - Comply with the Regulatory Code and legislation
- 2.2 The Board of CDS want to secure, as far as possible, the long-term investment in the Association's stock. The rent policy is one means of ensuring that there are sufficient funds to operate the business, maintain the stock to a high standard, ensure homes are safe and, deliver new homes for local people.



- 2.3 In setting our rents, we will comply with the Regulator of Social Housing's Rent Standard 2020, MHCLG's Policy Statement February 2019 and any legislative and regulatory requirements.
- 2.4 The annual rent increase is a decision made by the Board. The Board will consider the local market context as well as the levels of Housing Benefit or Universal Credit that are available to claimant households who may occupy their properties in reaching their decision.

3 Our Stock

3.1 CDS stock includes:

- Social formula rent
- Secure tenancies
- London Affordable Rent
- London Living Rent
- Shared Ownership

Each of these stock types are considered separately in the sections below.

4 Social rent

Applicability

- 4.1 Applies to all low-cost accommodation that is not let as affordable rent, London Affordable Rent, shared ownership, London Living Rent and secure rent.

New let

- 4.2 All new lets of social formula rent units will be at formula rent plus the permitted flexibility of 5%.
- 4.3 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:
- 30% of a property's rent should be based on relative property values compared to the national average.
 - 70% of a property's rent should be based on relative local earnings compared to the national average
 - A bedroom factor should be applied so that smaller properties have lower rents.

4.4 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

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

- Update to 2019/20 by the published factors. These factors are different for general needs and supported housing.
- Adjust from 2020-26. The formula rent must be adjusted annually by CPI (at September of the previous year) +1% for each year except for 2023 when the increase was capped at 7%.

4.6 The government's policy recognises that Registered Providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants. As a result, the policy contains flexibility for Registered Providers to set rents at up to 5% above formula rent. CDS policy is to apply this flexibility in setting all new rents.

4.8 In order to ensure affordability, rents are not permitted to exceed the rent cap. The cap is a maximum rent that can be charged and depends on the size of the property ignoring where it is located. If the formula rent exceeds the rent cap, then the rent cap will be charged.

4.9 The majority of our tenancy agreements are monthly so in order to convert the weekly formula rent to months multiply by 52.18 and divide by 12.

Rent increase

4.10 The Board approve a rent increase each year, the maximum that can be applied under the Rent Standard is CPI+1%. This is applied on the 1 April every year.

4.11 If the current rent charged exceeds formula rent plus the flexibility the rent increase is restricted to CPI only. When the formula rent plus flexibility, reaches the rent charged, then CPI+1% increases can be applied.

4.6 All residents will be notified in writing of their new rent which includes at least one month's notice prior to the new rent taking effect.

Relet rents

4.7 All relets will be at formula rent plus flexibility.

- 4.8 If the previous rent exceeded the formula rent plus flexibility it will be reduced to this level at relet. If it was less, then it will be increased at relet.
- 4.9 The rents of properties previously let as social rented may not be converted to:
- Affordable rent except where this has been agreed by Homes England, the Greater London Authority or the Secretary of State.
 - Market rent (unless it is a rent for social tenants with higher incomes).
 - Intermediate rent.
- 4.10 In circumstances where the value of a property might have changed as a result of structural alterations (for example adding an extra room or an extension) a revised valuation may be obtained to determine a formula rent. This would not apply to major repairs work.

5 Fair rents

Applicability

- 5.1 A number of tenancies which commenced prior to 15 January 1989, and meet certain criteria are secure tenancies. These secure tenancies have rents that are assessed every two years by a local independent Rent Officer, who sets a maximum rent level, called a fair rent, which we cannot exceed. Applications will be made for secure rents to be assessed by the Rent Officer Service every two years.

New lets

- 5.2 No new secure tenancies can legally be issued thus, initial rents are not required.

Rent increase

- 5.3 The maximum rent increase is CPI+1% as for social rent tenants, but secure tenants have additional protection that restricts their rent increases. The rent may not exceed the fair rent level set by the Rent Officer.
- 5.4 A tenant who enjoys fair rent protection must not be charged more than the lower of:
- The fair rent set by the Rent Officer; and
 - The formula rent (subject to the rent caps and the rent flexibility level).
- 5.5 As with other social rent properties, we may not increase any tenant's fair rent by more than CPI + 1 % in any year (even if a tenant's rent is below the formula rent level and the maximum fair rent is increased by more than that amount).

Relet Rents

- 5.6 Upon relet, a social rent should be charged unless the property is let to another secure tenant.

6 London Affordable Rent

Applicability

- 6.1 A London Affordable Rent is a type of affordable rent. It can only be charged on properties that were developed under this tenure.

New lets

- 6.2 The initial rent is set based on benchmarks published by the Mayor of London. Service charges can be added to them.

Rent increases

- 6.3 These are an affordable rent and thus, the Board approved increase is applied to the rent plus service charges.

Relet rents

- 6.4 At relet rents are reset at the published levels for that year. These benchmarks increase at CPI+1% each year. Service charges can be added to them.

7 Affordable rent

Applicability

- 7.1 An affordable rent can only be charged if a property is developed under this tenure or permission exists to charge affordable rent. The 2 shared London Living Rent units have been redefined by the GLA as affordable rent homes and are included under this tenure.

New lets

- 7.2 The initial rent is set at up to 80% of market rent. CDS will also comply with the terms of any agreements with Homes England, the Greater London Authority or, the Secretary of State. Providers must also have regard to the conditions and policies as set out in the Frameworks for the government's affordable homes programmes, where they are letting properties on affordable rent terms within these programmes. The rent set is inclusive of service charges.
- 7.3 Valuations for the initial rent setting must be made in accordance with a method recognised by the Royal Institution of Chartered Surveyors. This requirement is intended to help ensure that a consistent and transparent approach for the valuation of market rents. CDS will also consider the local market context including the relevant Local Housing Allowance when setting these rents.

Rent increases

- 7.4 A maximum increase of CPI+1% can be applied. Regard must also be made to the maximum permitted increase in the tenancy agreement which currently restricts the maximum increase to CPI only.
- 7.5 CDS will ensure that the rent does not exceed 80% of market rent after the rent increase is applied each year.

Relet rents

- 7.6 On relet these will be relet at up to 80% of market rent. A full valuation is not required if CDS has adequate comparables to assess market rent.

8 Shared Ownership

Applicability

- 8.1 Shared ownership is accommodation that is both low-cost rental accommodation and low-cost home ownership accommodation.
- 8.2 Applies to all units developed as shared ownership

Initial Let

- 8.3 New lets generally have rent set at 2.75% of the unsold equity. However, we take the following into account in assessing the initial rent:
- The relevant affordability guidance which is based on the Capital Funding Guide and Homes England Sustainability calculator.
 - Any Local Authority requirements such as salary caps.
 - The relevant Affordable Housing Programme.
- 8.4 In assessing initial rents any agreements with the Greater London Authority, Homes England or, the Local Authority would take precedence over the 2.75%.

Rent increase

- 8.5 There is a contractual rent increase clause in the shared ownership lease agreement which should be implemented.
- 8.6 In October 2023, the Government changed the basis of shared ownership leases to CPI +1%. Older leases are likely to be based on RPI plus a factor.

Resale of shared ownership units

- 8.7 The shared owner generally sells the unit subject to the clauses in the tenancy agreement and thus the current rent would continue.

9 Garages

- 9.1 The Board will approve the rents for garages and their increase. Garages will be relet at comparable commercial garage rental rates for the area.

10 Customers right of appeal

- 10.1 Any complaint about this policy, our application of it or, any dispute over rent calculations will be dealt with via the CDS Complaints Policy.

Equality and diversity

- 11.1 CDS will ensure this policy is applied fairly and consistently and will not directly or indirectly discriminate against any person or group in line with equality laws and principles.
- 11.2 We will act sensitively toward the diverse needs of individuals and communities and will take positive action or make reasonable adjustments, where appropriate (i.e. where a resident has a disability).

12 Monitoring and compliance

- 12.1 Each year, the CDS Board of Management maintains oversight of rents and approves rent changes.
- 12.2 Rent setting and review calculations are validated by a Finance Director to ensure the formula has been correctly applied to a sample of accounts and to also ensure that the service charge is being pulled through correctly to the rent notices.
- 12.3 An independent audit review of the annual rent setting, including new lets, annual increase and relets, may be carried out from time to time. This should provide additional assurance to the Board of Management in relation to compliance with the prevailing Rent Standard.
- 12.4 The Board will review the Rent Policy every three years or when circumstances change.
- 12.5 Rents will be reported to the Regulator of Social Housing through the annual regulatory Statistical Data Return submission.

13 Regulation and Legislation

- 13.1 This policy takes into account the following legislation:
- The Rent Standard (Regulator of Social Housing)
 - Housing Act 1985 (Secure tenancies)
 - Housing Act 1988 (Assured tenancies)
 - The Housing and Regeneration Act 2008



14 Associated Policies and Procedures

14.1 The following procedures are associated with this policy:

- Allocation sign up / lettings procedure.
- Garage Management procedure.

14.2 This policy is supported by:

- Service Charge Policy
- Allocations Policy

Version control

Date	Amendment	Version control
January 2018	<i>Reformatted and added specific rent increase amount in section 2.1.2.for shared owners where their lease does notify percentage.</i>	v.1.0
November 2021	<i>Updated format to include Sections 5-8, added 2.5 and 2.6</i>	v.2.0
November 2024	<i>Updated and reviewed.</i>	v.3.0
August 2025	<i>Re-written to reflect new property classifications and each type split into applicability, new let, annual increase and relet</i>	v. 4.0

Appendix 1 Definitions

Rent Definitions	
Term	Explanation
Affordable Rent	<p>Affordable rent accommodation is defined in the rent policy statement (3.3) as accommodation that is:</p> <ul style="list-style-type: none"> a) Provided by a registered provider pursuant to a housing supply delivery agreement between that provider and Homes England or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent; b) Provided by a registered provider pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an affordable rent.
Fair rent or registered rent	A landlord or a tenant of a regulated or secure tenancy can make an application to have a fair rent registered. Fair rents are registered by the Valuations Office Rent Officers every two years.
Flexibility	The February 2019 policy statement on rents for social housing from the Ministry of Housing and Local Government contains flexibility for registered providers to set rents at up to 5% above formula rent (10% for supported housing) in consultation with tenants. There should be a clear rationale for doing so can be demonstrated, taking into account local circumstances and affordability.
Formula rent	The formula rent is based on size, property value and location. Registered providers under the Rent Standard 2020 may set the initial rent on properties to be let at social rent at a level that is no higher than the formula rent, subject to the rent flexibility level.
Local Housing Allowance	<p>The Valuation Office Agency Rent Officers determines Local Housing Allowance (LHA) rates used to calculate housing benefit for tenants renting from private landlords.</p> <p>LHA rates are based on private market rents being paid by tenants in the broad rental market area (BRMA). This is the area within which a person might reasonably be expected to live.</p>

	LDA do not apply to Registered providers, but rates are often used by RP to determine affordability.
London Affordable Rent	In 2016 the Greater London Authority (GLA) introduced a new product called London Affordable Rent. This is an affordable rent product, but the rents are set at a maximum level published each year.
Low Cost Rental accommodation	<p>The Rent Standard 2020 applies to ‘low-cost rental’ accommodation, as defined by section 69 of the Housing and Regeneration Act 2008.</p> <ul style="list-style-type: none"> a) It is made available for rent, b) The rent is below the market rate, and c) The accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.
Secure rent	The rent charged on a secure tenancy.
Secure tenancy	A tenancy that started before 15 January 1989 is likely to be a secure tenancy.
Supported Housing	<p>Supported housing is defined as low cost rental accommodation that meets all of these criteria:</p> <ul style="list-style-type: none"> a) Is made available only in conjunction with the supply of support (see 2.3). b) Is made available exclusively to households including a person who has been identified as needing that support. c) Falls into one or both of the following categories: <ul style="list-style-type: none"> i) Accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently. ii) Accommodation that has been designated as being available only to individuals within an identified group with specific support needs. <p>The Rent Standard defines support as including:</p> <ul style="list-style-type: none"> 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 problems

	<ul style="list-style-type: none"> 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 refugees.
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