

# Rent and Service Charge Setting Policy

Directorate: Finance

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## 1. Introduction

- 1.1. Salix Homes owns and manages a variety of properties, including dwellings (the majority of which are let at social rent levels) and non-dwellings such as shops and garages.
- 1.2. This policy sets out how Salix Homes sets, reviews, and manages rents and service charges for tenants and leaseholders, including how charges are calculated, approved, and communicated.
- 1.3. The policy ensures compliance with all statutory, regulatory, and contractual requirements, including the Regulator of Social Housing (RSH) Rent Standard and the Landlord and Tenant Acts.
- 1.4. This is a combination of two previously separate policies; Rent Setting and Service Charge Setting.

## 2. Policy Statement

- 2.1. Salix Homes is committed to:
  - Providing good quality, safe rented accommodation;
  - Meeting statutory, regulatory, and contractual obligations in rent and service charge setting;
  - Ensuring customers only pay for services they receive;
  - Delivering value for money;
  - Clearly advising customers of rent and service charge levels at the start of their tenancy or lease; and
  - Clearly communicating any changes, with proper notice.

## 3. Definitions

- 3.1. **High-Income Social Tenant (HIST):**

A social tenant household with an annual income of £60,000 or more, where market rent may be charged in accordance with Government policy.

## 3.2. **Rent Convergence:**

The process, permitted by the Rent Standard and Government Direction, by which social rents are increased gradually over time to move towards the formula rent for a property.

## 3.3. **Formula Rent:**

Since 2001, rents for properties let at 'social rent' (which constitute a majority of rented social housing properties) have been set based on a formula set by government.

# 4. Rent Setting

4.1. Rents are set in accordance with Government policy and the Rent Standard.

4.2. Rent increases require Board approval and normally take effect from the first Monday in April for weekly social rents and the 1st of April for all other customers.

4.3. All customers will receive at least 1 month's notice of any rent changes.

4.4. Social rents are usually charged over **52 weeks**, with some legacy tenancies charged annually over **48 weeks with four non-chargeable weeks** (generally two at the end of December and two at the end of March each financial year). Where possible, for all other customers charges will be on a monthly basis.

4.5. As weekly rents are charged on a Monday there are some financial years which will have 53 rent weeks. These occur usually every 5 or 6 years. On these occasions relevant rents will be charged on a 53 (or 49 for customers with non-chargeable weeks) week basis. Monthly rents are not affected by years with 53 rent weeks.

4.6. The Finance Team prepares an annual rent review report setting out methodology, inflation assumptions, and financial impacts.

# 5. Social Rents

5.1. Social rents are set in accordance with Guidance on Rents for Social Housing (May 2014) and the Rent Standard.

5.2. The Government requires registered providers to charge similar rents for similar properties. Each social rent property has a **formula rent**, calculated to reflect:

- 30% relative property values;
- 70% relative local earnings; and
- A bedroom weighting to ensure fairness by size.

- 5.3. Social rent levels are subject to the **Rent Standard rent cap** and are let at formula rent plus any tolerances or “flexibility” where applicable.
- 5.4. As set out in paragraphs 2.13 to 2.14 of the Rent Policy Statement the application of a 5% additional tolerance above formula rent for new social rental lets is permissible. For supported properties (such as sheltered housing) the permissible tolerance or “Rent Flexibility” is 10% above formula rent.
- 5.5. Current guidance for annual rent increases is capped at CPI (consumer prices index) + 1% per annum, [until 2036](#), based on CPI for the previous September.

## 6. Rent Convergence

- 6.1. Rent Convergence is an additional rent increase mechanism that the Government has stated will be introduced but as of 20 January 2026 there has been no announcement on the effective implementation date or maximum amount that could be applied in any one year.
- 6.2. When rent convergence is allowed within the Rent Standard, registered providers may increase social rents by an amount that allows rents to move gradually towards the formula rent for individual properties. This process is referred to as rent convergence.
- 6.3. Where permitted for current tenancies, Salix Homes may apply rent convergence where the current rent is below the formula rent for that property.
- 6.4. Tenancies with rents that are at or above formula rent will not be subject to convergence.
- 6.5. Rent convergence does not apply to affordable rent, shared ownership, intermediate rent, market rent, or other excluded tenures.
- 6.6. When rent convergence is permitted:
  - Social rents may be increased up to the maximum annual rent increase permitted by the Rent Standard, which may include an element to allow movement towards formula rent;
  - Any convergence increase will be applied gradually over time to support affordability and ensure compliance; and
  - For clarity current customers will be capped at formula rent (with no tolerance) however at relet Salix would continue to exercise the option to apply tolerance or flexibility on social rents as set out in section 5.4.

6.7. Customers affected by rent convergence will be clearly informed through the annual rent notification process, explaining that any increase reflects movement towards the formula rent in accordance with the Rent Standard.

## 7. Affordable Rent

7.1. Affordable rents may be charged at up to 80% of market rent, with valuations undertaken using **RICS-compliant methodology**.

7.2. Affordable rents are reviewed at each new letting and reviewed regularly.

7.3. For affordable rent properties, service charges may be included within the overall rent where permitted.

## 8. Rent Standard Scope

8.1. The Rent Standard does not apply to:

- Shared ownership low-cost rental accommodation
- Intermediate rent accommodation
- Specialised supported housing
- Relevant local authority accommodation
- Student accommodation
- PFI social housing
- Temporary social housing
- Care homes

## 9. Shared Ownership

9.1. Shared ownership rents are set in accordance with the lease and are charged monthly.

9.2. Rents are set at up to 2.75% of retained equity value.

9.3. Annual increases are based on RPI (Retail Price Index) + 0.5%. The RPI used is the latest month available before increases are communicated to leaseholders. If the Retail Price index is negative, the maximum increase is 0.5%.

## 10. IMR (Intermediate Market Rent) / RtB (Rent to Buy)

10.1. Properties let under the IMR/RtB are like affordable rents where charges are up to 80% of market rent and are charged to customers monthly.

10.2. While customers' household incomes are not assessed at present for social housing lettings for RtB and IMR products the affordability is considered.

## 11. Commercial / Non-Social

11.1. Commercial or non-social properties are not within the scope of the Governments' "Rent Standard".

11.2. Non-dwellings such as shops and garages have charges and increases set in accordance with leases and based on market rents.

11.3. Non-social dwellings such as PSL (Private Sector Leasing) are generally let in accordance with LHA (local housing allowance) levels.

## 12. Service Charge Setting

12.1. Rents are generally taken to include all charges associated with the occupation of a property, such as maintenance and general housing management services. Service charges usually reflect additional services which may not be provided to every customer, or which may relate to communal facilities rather than being particular to the occupation of a specific dwelling.

12.2. Service charges are **variable**, transparent, and reflect the actual or estimated cost of providing services.

12.3. Customers only pay for services they receive, and charges aim to recover costs without generating profit.

12.4. Service charges may include caretaking, cleaning, communal electricity, grounds maintenance, heating, insurance, repairs (leaseholders), and management costs.

12.5. Charges are estimated annually and reconciled within **six months** of year-end, with over- or under-recoveries adjusted in the following financial year

## 13. Notification and consultation

13.1. Customers receive annual rent and service charge notifications and detailed breakdowns on request.

13.2. The Customer Committee and Board are consulted on proposed rent and service charge communications.

13.3. Salix Homes will comply with Section 20 consultation requirements for qualifying works and long-term agreements.

13.4. Current requirements for Salix Homes are if it intends to enter into a **qualifying long-term agreement** (a contract for a fixed term of more than 12 months where any one tenant must contribute more than £100) or **carry out qualifying works** (where the cost of the works will exceed £250 for any one tenant). Details of the consultation process are set out in the Leaseholder Major Works Policy.

## 14. Customer Support and Complaints

14.1. Customers may challenge rent or service charges through the relevant legal channels or via the Salix Complaints Policy.

14.2. Customers are supported with welfare benefit advice and flexible payment options.

## 15. Monitoring

15.1. This policy is reviewed annually.

15.2. Monitoring includes collection performance, financial impact measured by Performance Indicators, and management accounts which are reported to SLT and Board periodically. External audit also provides an avenue for additional assurance relating to annual rent increase compliance.

## 16. Roles / Responsibility

- **Board:** Approves rent and service charge increases
- **Executive Director of Finance & Growth:** Overall accountability
- **Director of Finance:** Policy ownership and compliance
- **Executive Director of Customer & Landlord Services:** Service delivery performance
- **Finance Manager (Rents and Service Charges):** Calculation of rents and charges

## 17. Legal / Regulatory Links

17.1. Rent setting is governed by the Housing and Regeneration Act 2008, Government Directions, and the Rent Standard. Of specific reference is the Rent policy statement (updated December 2022)

<https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020/policy-statement-on-rents-for-social-housing>

Draft policy statement on rents for social housing;

<https://assets.publishing.service.gov.uk/media/6720f32310b0d582ee8c47f8/Annex B - Draft policy statement on rents for social housing.pdf>

17.2. This policy also reflects the Governance and Financial Viability Standard and the Value for Money Standard.

- Housing Act 1985 – social rent framework.
- Housing Act 1988 – assured tenancies.
- Localism Act 2011 – affordable rent regime.
- Welfare Reform Act 2012 – benefit interactions.
- Landlord and Tenant Act 1985 – service charge reasonableness and consultation.
- Equality Act 2010 – non-discrimination and reasonable adjustments.
- Data Protection Act 2018 / UK GDPR – personal and financial data.

## 18. Equality, Diversity and Inclusion

18.1. Salix Homes is committed to promoting and embedding a culture of equality, diversity and inclusion (EDI) within our workplaces and the communities we serve.

- Equality is about ensuring that every individual has an opportunity to make the most of their lives and talents;
- Diversity is recognising difference and responding positively to those differences; and
- Inclusion is about creating an environment where our services and employment opportunities are accessible to all.

18.2. We are committed to meeting our obligations and duties under the Equality Act 2010 and to promoting equal opportunities both in the provision of services and in our employment practices. We will consider all the protected characteristics of the Act which are:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Race
- Religion or belief
- Sex
- Sexual orientation
- Pregnancy and maternity

18.3. We also recognise that Socio-economic background is an area where inequalities exist and commit to addressing this disadvantage and inequality in our communities where able to do so.

18.4. We are also mindful of our duties under the Public Sector Equality Duty, which is to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

18.5. Where reasonable to do so, Salix Homes will make any reasonable adjustment to ensure compliance with the Act.

## 19. Related Documents

- Financial Regulations
- Financial Business Plan
- Tenancy Agreements/Leases
- Leaseholder Policy
- Leaseholder Major Works Policy
- Income Management Policy
- Complaints Policy
- PSL Policy
- Rent to Buy Policy
- Shared Ownership policy