Rent & Service Charge Setting Policy

Version Number	2
Date Applies From	01/04/2026
Policy Owner	Executive Director of Finance
Next Review Date	December 2026
Strategy link	• Customer focused and equitable services • Safe, well maintained, sustainable and affordable homes • Making the most of our resources

Key connected legislation/regulation:

- 2020 Rent Standard
- Housing Act 2018 (as issued by the Regulator of Social Housing)
- Service charge regulations under the Landlord and Tenant Act 1985
- Rent Standard Self-Assessment

Annual Checks

Policy owners should ensure that an annual check of hyperlinks, roles, and names is undertaken. These checks are in addition to formal review process. Please see Policy and Procedure framework guidance for further details.

If you need this information in an alternative language please call

0161 605 7260

For other formats please call

0300 123 5522

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Introduction

This policy establishes a transparent and consistent framework for setting and reviewing rents and service charges for all properties owned by ForHousing to ensure compliance with relevant legislation, regulatory requirements, and best practice, whilst balancing affordability for tenants and the financial sustainability of the organisation.

This policy explains how rents and services charges are reviewed, calculated and communicated to tenants and applies to all rented properties owned by ForHousing Ltd. and all associated service charges, where applicable.

This policy excludes accommodation not covered by the Rent Standard (see Appendix 1 for details of the agreements in place).

Policy

Principles

The principles underpinning ForHousing's approach to Rent and Service Charge setting are:

- ForHousing Strategy: setting rents and service charges at appropriate levels enables ForHousing to maintain financially sustainable plans, address financial challenges effectively, and provide the capacity needed to achieve the goals outlined in the strategy.
- Affordability: ForHousing is committed to ensuring rents and service charges are fair, affordable and aligned with the financial capacity of tenants.
- Transparency: the calculation of rents and service charges will be clear and accessible to all tenants. Tenants will receive annual notifications detailing the charges and any adjustments.
- Compliance: all charges will comply with Government regulations, including the Rent Standard and other relevant legal frameworks.
- Financial Sustainability: rents and service charges will support the ForHousing's ability to maintain, repair, and improve properties and services.
- Financial Viability: setting rents and service charges at appropriate levels supports the operating surplus and interest cover, which are key indicators of viability and Value for Money.

Rent Setting Background

Rent setting and rent reviews must be in line with the Government's Direction and the Department for Levelling up, Housing and Communities (DLUHC) Policy Statement on Rent Setting and with the Regulator of Social Housing's (RSH) Rent Standard.

The Government's rent policy applies to annual changes in Social Rent and Affordable Rent levels.

Since April 2020, Registered Providers have been permitted to increase rents by up to

Consumer Price Index[1] (CPI) +1% per annum. This policy was temporarily suspended in 2023-24 and replaced by a 7% limit on annual rent increases in that year only.

In the June 2025 Spending Review, the Government confirmed a 10-year social rent settlement running from April 2026 to March 2036. Under this agreement, social rents can continue to increase by a maximum of CPI+1% each year.

The September 2025 CPI announcement means that for rent periods that begin in the 12 months from 1st April 2026 to 31st March 2027, the rent increase will reflect CPI of 3.8% plus 1%, i.e. 4.8% in total.

Service Charge Background

In March 2024, a project was initiated to review service charges across ForHousing stock to understand the true costs charged, whilst providing Value for Money (VfM) for tenants and leaseholders. The new framework will offer a consistent, fair and equitable service for all who are eligible to pay service charges.

The 2026/27 approach from April 2026 is as follows:

- Variable service charges - use the prior year actual figures + CPI 3.8% +1% + the deficit. This will result in a reduction in the deficit as compared to the prior year approach of using the estimated figures.
- Fixed service charges - use the prior year estimate + CPI 3.8% +1%. There is no option to use the prior year actual figures as service charges are not broken down into components. Management recommends keeping these charges 'as is' until the service charge review and consultation with customers have been completed.
- Service charge increases will be capped at £10 per week per customer.

Rent Setting Framework

Annually, ForHousing will calculate the rent change based on the latest Government and regulatory guidance and prepare a report for the ForHousing Board setting out:

- The methodology used to set the rents including the rates of inflation applied;
- The financial and non-financial implications of applying the proposed rent increase; and
- Confirmation that all rent increases comply with the Rent Standard.

General needs social rents, affordable rents and supported housing including eligible service charges will be capped at the Local Housing Allowance (LHA) rate, to ensure rents will not exceed Housing Benefit levels. The only exceptions being:

Scheme	Justification
Extra Care	Due to the level of service charges required for this type of accommodation.
Radclyffe Park	Decision was taken not to cap the affordable rents at LHA as part of the development scheme appraisal.
Supported Housing (other agency)	Due to the level of eligible service charges required within these schemes.

[1] Consumer Price Index (CPI) figure used will be the rate published for the September preceding the adjustment.

Rent Setting Calculations

Social Rents

All new general needs and supported tenancies created by ForHousing will automatically be set at Formula Rent levels and then follow the ForHousing annual rent review.

Rent Caps

Rent caps, as defined within the Government's Rent Policy Statement, apply as a maximum ceiling on the Formula Rent. Therefore, where the Formula Rent would be calculated as higher than the rent cap for a particular property size, the rent cap will be applied.

Rent Flexibility

The Rent Standard recognises that Registered Providers should have some discretion over the rent set for individual properties, to take account of local factors and influences. As a result, the Policy allows flexibility for Registered Providers to set rents up to 5% above Formula Rent or 10% for supported housing. However, in applying this flexibility, there should be a clear and robust rationale for doing this. Initial rents will be set at Formula Rent plus the applicable flexibility—either 5% or 10%.

Affordable Rents

Affordable Rents will be set in line with the Government guidance at 80% of the Market Rent (inclusive of Service Charges) and then follow the ForHousing annual Rent Review. An Affordable Rent should be no lower than the potential Formula Rent and should be applied where possible to tenancies with no Service Charges. If 80% of the Market Rent is higher than the Local Housing Allowance, then the affordable rent will be capped at the Local Housing Allowance level. To ensure that Affordable Rents remain at no more than 80% of the gross market rent (inclusive of Service Charges), the rents will be rebased, subject to a property valuation when a new affordable rent tenancy is issued.

Fair Rents

In the case of tenancies subject to Fair Rent protection, the maximum weekly rent is the lower of the Fair Rent set by the Rent Officer, and the Formula Rent. Although the Rent Officer sets the rent protection every two years, ForHousing can apply annual rent increases limited to CPI plus 1%, as long as the Rent Charge remains below the Fair Rent set by the Rent Office. If these properties become vacant and are relet, then they will no longer be classed as secure and will revert to the formula rent in line with other social housing rents.

High Income Tenants

Tenants on high income will not be charged a Market Rent due to the lack of availability of income levels within each household or a mechanism for compelling tenants to share this information. There is a risk that any policy to charge a higher rent for tenants with higher incomes would be unequally applied. The potential additional revenue from such a policy is likely to be offset by additional administration costs.

Major Works

Rents will not be increased for individual tenants following the physical completion of major works to their homes. However, ForHousing will still be subject to Government guidelines relating to Formula Rents, which state that any increase in the capital value of a property as a

result of any major works has to be considered when setting the rent. This means that if the capital value of the property increases significantly due to major works, then the Government's formula rent for the property can be increased to reflect this.

Service Charge Framework

Service charges are fees paid by tenants for specific services and communal facilities provided by ForHousing that aren't covered by rent, such as grounds maintenance, communal cleaning and lighting and security services.

The following principles will be applied:

- Service charges will be reviewed annually to reflect the actual cost of delivering services.
- Adjustments will align with actual costs plus CPI + 1% + any deficit for variable charges, unless otherwise agreed in lease or tenancy agreements.
- Adjustments will align with prior year estimates plus CPI + 1% for fixed charges, unless otherwise agreed in lease or tenancy agreements. Surpluses in service charges will be carried forward to reduce charges in subsequent years.
- Deficits will be recovered in future charges, with reasonable notice given to tenants.
- Service charge increase will be limited to a £10 per week increase until the service charge project has been concluded.

Management and Administrative Costs

- Applies to all costs incurred in managing and administering services provided to homes.
- A management fee is applied to rented service charge accounts is 15% of cost, excluding:
    - Depreciation.
    - Catering provision at extra care schemes (charged separately).
- This fee covers:
    - Contract management.
    - Financial administration (billing, reconciliation).
    - Resident communication and compliance activities.
- The percentage may be reviewed periodically to ensure alignment with industry benchmarks and actual cost recovery.

New Developments

- Service charges will be calculated at the construction stage in collaboration with the Development Team.
- The initial estimation will be based on:
    - Known services (e.g. cleaning, grounds maintenance).
    - Tendered costs obtained during procurement.
- Apportionment Method:
    - An equal share among residents who benefit from the services.
    - Where lease terms specify a different method (e.g. by floor area), those terms will apply.
- These estimates will form the basis of the first-year service charge budget and will be reviewed annually once actual costs are known.

A sinking fund will be established for all new developments where appropriate to cover the cost of future components such as lifts, access door entry system, fire alarms. The estimated cost

of these components where applicable will be collected over the expected life of the component. A periodic assessment will be undertaken to review the funds against stock condition surveys and adjust where necessary to ensure sufficient monies are being collected.

Rent and Service Charge Collection

Rents and service charges will be calculated over 52 weeks and collected over the number of weeks as determined by the tenancy or lease agreement. Where there are 53 Mondays in the financial year, the charges will then be calculated over 53 weeks and collected over the relevant weeks. Tenants will be advised each year which weeks will be non-collection weeks where applicable. The charges are due on the Monday of each week and should be paid within the week.

Property Conversions

- Social rent properties may not be converted to:
  - Affordable rent (other than in the circumstances set out in chapter 2 of the Rent Policy Statement);
  - Market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement); or
  - Intermediate rent.

- Affordable rent housing must not be converted (including on re-let) to:
  - Market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement); or
  - Intermediate rent.

Communication and Consultation

Notification of Changes

- Tenants will receive written notification of rent and service charge adjustments at least 28 days prior to implementation.
- Service Charge statements will be sent in September of each year, detailing the under/over recovery of charges.
- Tenants will receive a rent statement detailing all charges and payments for the prior year in April each year.

Tenant Engagement

- Regular opportunities will be provided for tenants to give feedback on services and associated costs.
- The Service Charge Project has a draft consultation plan to manage communications with tenants and leaseholders. The communications approach is designed to ensure tenants, leaseholders, colleagues and key stakeholders are informed of the changes to service charges and consultation methods. It is vital that clear information is given to all parties and as much information as is possible is communicated at each stage of the consultation process.

Appeals and Complaints

- Tenants may appeal or raise complaints about rents or service charges through

ForHousing's complaints process.
- In regard to Fair Rent applications, tenants may appeal to the Valuation Office.

Tenant Support

To assist tenants in paying their rent, all tenants will have access to information and advice on their rights to claim housing benefit/universal credit and any other welfare benefits. A range of rental payment methods will also be made available to tenants to enable timely rental payments to be made. ForHousing ensures that all correspondence between the organisation and tenants in relation to rent is always in plain English and easily understandable. As part of our commitment to Knowing our Tenants and Equity, Diversity and Inclusion (EDI), letters are sent out in the tenants preferred communication style.

Equity, Diversity, and Inclusion

We value diversity and work to create an inclusive environment for our customers and colleagues, where everyone has access to the same opportunities. We welcome our responsibility to comply with equalities legislation and regulatory requirements that relate to equity, diversity and inclusion and aim to do more. Through our activities we aim to remove systemic barriers to equal opportunities and eliminate all forms of discrimination, harassment, and victimisation within our organisation.

We are committed to providing excellent customer services, which are fair, equitable and inclusive. As such, we will endeavour to understand and make any reasonable adjustments required for customers in line with ForHousing's Reasonable Adjustment Statement and the Equality Act 2010. Any reasonable adjustment provided will be recorded and kept under active review.

Implementation and Communication

The Finance team will ensure this policy is delivered effectively. The outcome of any changes to legislation will be reviewed and incorporated in an appropriate timeframe and updates provided to the ForHousing Board.

The ForHousing Board is responsible for the approval of the rent and service charge levels.

Monitoring, Recording, Reporting

ForHousing will monitor compliance with this policy and ensure all rent and service charge adjustments are fair, reasonable, and consistent. The policy will be reviewed annually or sooner if required by legislative changes.

Related Documents

- 2020 Rent Standard
- Housing Act 2018 (as issued by the Regulator of Social Housing)
- Service charge regulations under the Landlord and Tenant Act 1985

- Rent Standard Self-Assessment
- Section 2.2.4 of the Transparency, Influence and Accountability (TIA) standards
- Leasehold Reform Act
- Rent & Service Charge Income Collection Policy
- Fixed Assets Policy

Co-production

Example policies have been reviewed from other Registered Providers, and there is significant guidance available through the 2020 Rent Standard published by the Regulator of Social Housing and the Landlord and Tenant Act 1985 (Service Charge legislation) that has been considered in the preparation of this policy. Advice received during Internal Audits and from external consultants has also been considered.

Approval & Review History

The approval route for the Rent and Service Charge Setting Policy is EMT – ForHousing Board.

Date	Version	Approved by	Detail
12/12/24	1	FH Board	• New policy template. • Policy expanded to include service charges. • Update to show the latest CPI rate of 1.7%
07/10/25	1.1	Exec Director of Finance	• Application of rent flexibilities on new developments, following Board approval. • CWaC 20 year leases – noted as an exclusion to the Rent Standard – appendix 1.
11/12/25	2	(EMT 26/11/25) FH Board	• Update to show the latest CPI rate of 3.8% • Removal of CWaC properties following end of contract • Application of rent flexibilities on all properties, following EMT approval. (Board decision due Dec 2025)

Appendix 1

Accommodation not covered by the Rent Standard

Shared Ownership

- Rent review changes will be in line with the individual lease agreements and collected monthly from 1st April each year.

Temporary Social Housing

- This relates to housing for the homeless. Rents will be reviewed in accordance with the contractual arrangements with the Local Authority.

Intermediate Housing

- Intermediate rent properties as defined in the Government's Rent Policy Statement will be reviewed as part of the annual process, and any changes will be subject to Board approval.

Market Rent Properties

- Rent reviews are carried out on the anniversary of the tenancy, based on reports provided by a RICS valuer.

Leaseholders

- Ground rents are payable based on the terms of the specific lease and will be reviewed annually.

Garages

- Garage rents are increased annually at the same level applied to social housing stock.
- VAT is charged where applicable to anyone renting a garage who is not a tenant of ForHousing.
- VAT is charged to a ForHousing tenant who has a second garage, not linked to their tenancy.

Commercial Shops

- Rents are payable based on the specific leases attached to each commercial property and are reviewed at set periods in line with the lease or when a lease is renewed.