

RENT POLICY 2026/27

Rent Policy 2026/27

Responsible Officer	Group Director Strategy, Insight and External Affairs
This policy is applicable to	Karbon Group
Policy version	8
Date this version implemented	1 April 2026
Date of next review	Q4 2026

Policy Statement

This Rent Policy explains how Karbon Homes Group sets and updates the rents charged for different types of homes, ensuring fairness, transparency and compliance with national regulations. It reflects the Government's Rent Standard 2020 and updates for 2026/27, including the confirmed rent convergence allowance of £0 for this year.

Risk the policy is designed to control

- 2. Financial Viability - Risk that the Group fails to remain financially viable.
- 6. Governance & Compliance - Failure to comply with statutory and regulatory requirements and failure in the arrangements for managing the organisation at the highest level.

Key performance measures

There are no Key Performance Indicators.

Definitions

Rent Standard – the standard for the setting of rents published by the Regulator of Social Housing in response to the Government's Policy Statement on Rents for Social Housing 2018.

Social rent – the rent charged for tenancies subject to Formula Rent, the prescribed method for calculating rents established through the Rent Restructuring Framework in 2001.

Fair rent – the rent charged for customers with a regulated or secure tenancy.

Affordable rent – a social rent tenure introduced in 2010 where tenancies are offered at rents of up to 80% of market rent levels within the local area.

Market rent – the amount of rent that can be expected for the use of a property, in comparison with similar properties in the same area.

Rent convergence – the alignment of social rents that are below the formula rent level by applying rent increases over and above the inflationary increase set out in the Rent Standard.

Abbreviations

CPI: Consumer Price Index

Policy Detail

1.0 Purpose of policy

- 1.1. This policy sets out how the Group will set rents for our customers and the circumstances in which those rents may change.
- 1.2. It sets out how we apply the Rent Standard 2020 and comply with the legislation and regulation that governs how Housing Associations charge rents to their customers.
- 1.3. It also sets out how rents will be set for those properties that are not regulated by the Rent Standard 2020, such as those for which Intermediate Rent and Market Rent is charged, and for those homes that are Shared Ownership.

2.0 Objectives

- 2.1 The Group is committed to providing as many good quality homes as we can. The rent that we charge must reflect the tenure of the property, the affordability of homes in the local area and the need to invest in new homes and existing properties.

3.0 Existing homes to which the Rent Standard 2020 applies

- 3.1 The rent that can be charged for most of our properties must meet the 'Rent Standard 2020' established by the Regulator of Social Housing.
- 3.2 This regulates the rents that can be charged for properties and sets maximum increases for rents for many types of tenancy which we will apply from rent periods beginning on or after 1 April each year as follows. This is CPI plus 1% based on September's inflation rate. In 2025, the inflation rate was 3.8%.

Affordable Rent

- 3.3 Rents for properties with an Affordable Rent will increase by 4.8% inclusive of any rise in service charges. This means that if service charges increase by more than 4.8% the overall increase in Affordable Rent will be capped.

Social Rent

- 3.4 Rents for properties with a Social Rent will increase by 4.8% excluding any increase in service charges. This increase will be subject to a ceiling of Formula Rent, or:
 - 3.4.1 105% of Formula Rent for general needs housing. Formula Rent is a method for calculating and comparing social rents and is based on the 1999 value of properties.
 - 3.4.2 110% of Formula Rent for supported housing.
- 3.5 Application of Rent Flexibility in the former Byker Community Trust operating area will be subject to review and approval by Group Board at first application.
- 3.6 Where an existing Social Rent is below Formula rent (i.e. below 100% of the Formula Rent, rather than the relevant ceiling) an additional rent increase will apply so that these rents converge to their Formula Rent. This rent convergence mechanism has been confirmed by the UK Government and the Group will apply rent convergence at the level permitted by the Government. For 2026/27 this will be £0 per week. Where an existing Social Rent is above the relevant Formula rent ceiling, as detailed in 3.4.1 and 3.4.2, the rent will increase by 3.8% (CPI only) or be aligned to the relevant Formula rent ceiling.

Fair Rents for Secure Tenancies

- 3.7 A small number of Karbon Homes customers have a Secure Tenancy where the rent is subject to fair rent protection. For these homes, the maximum weekly rent is the lower of the fair rent set by the Valuation Office Agency Rent Officer, and formula rent, which is subject to both the rent caps and the rent flexibility level. Should a re-calculation of the fair rent be requested any annual increase will be limited to 4.8% even if the Valuation Office Agency fair rent is higher.

4.0 Existing homes to which the Rent Standard 2020 does not apply

- 4.1 Some homes, and some customers, are not regulated by the Rent Standard 2020 and rents for these properties will be set as follows.

Market Rent & Student Housing

- 4.2 Rents for properties that are let on a Market Rent tenancy will increase in line with the tenancy agreement. We will consult local market appraisal systems to ensure that the rent level for our Market Rent homes is consistent with the local private sector market rent.

Shared Ownership

- 4.3 Rent increases for Shared Ownership homes is determined in the lease agreed between the customer and us.

Intermediate Rent

- 4.4 Intermediate Rent properties must be either:
- a. Sub-market accommodation that:
 - Was provided without public assistance.
 - Has not previously been let at a Social or Affordable Rent.
 - Is let on an Assured Shorthold Tenancy or licence to someone who was not nominated by an LA, or alternatively is let to someone who was nominated by an LA specifically to access intermediate rented housing.
 - b. Provided with the benefit of public assistance under a funding programme specifically intended to support provision of intermediate rented accommodation.
 - c. Keyworker housing
- 4.5 Rents for properties with an Intermediate Rent will increase by 4.8% each year inclusive of service charges. Intermediate Rents will be set at a level in keeping with any funding or planning obligations that apply.

5.0 Setting rents for new homes

- 5.1 Where we build or buy new homes, we will apply a consistent approach to setting the initial rent to be charged.

Affordable Rent

- 5.2 New properties with an Affordable Rent charge, let for this first time, will have their rent set at the lower of:

- Up to 80% of the Gross Market Rent established through a local market appraisal system, or should insufficient comparators be available, by an alternative method recognised by the Royal Institution of Chartered Surveyors (RICS); or
- the level established in any Section 106 agreement that applies.

Social Rent

- 5.3 New properties with a Social Rent charge, let for the first time will have their rent set at Formula Rent plus the relevant Rent Flexibility level as established by a method recognised by the Royal Institution of Chartered Surveyors (RICS) or at the level established in any Section 106 agreement that applies, whichever is lower.

Market Rent

- 5.4 New properties let at Market Rent will have rent set at 100% of the Market Rent established through a local market appraisal system, or should insufficient comparators be available, by an alternative method recognised by the Royal Institution of Chartered Surveyors (RICS).

6.0 Setting rents for properties that are not homes

- 6.1 We lease a number of properties to customer that are not homes. This rent policy will apply to those properties as follows.

Garages

- 6.2 The rent charged for garages will increase by CPI as at September 2025 plus 1% exclusive of VAT where applicable. From April 2025 that will mean an increase of 4.8%.

Commercial

- 6.3 The rent charged for commercial properties is determined by their lease.

7.0 Resetting rents at the start of a new tenancy

- 7.1 We will reset the rent chargeable for our homes each time they are re-let as follows, subject to a minimum period of six months since the last time the rent was reset:

Affordable Rent

- 7.2 The rent for a property with an Affordable Rent charge will be reset at up to 80% of the gross Market Rent; or at the level established in any Section 106 agreement that applies (whichever is lower) in accordance with section 5.2 of this Policy.
- 7.3 Where an Affordable Rent is lower than Formula Rent for a property then rent will be set as at 7.4 below and be exclusive of service charges. Where a property is re-let to an existing tenant any increase will be capped at 4.8%.

Social Rent

- 7.4 The rent for a property with a Social Rent charge will be set at relet to the Formula Rent as detailed at section 3.4 of this Policy.

Market Rent

- 7.5 Homes let on a Market Rent tenancy will be reset at 100% of the Market Rent established through a local market appraisal system, or should insufficient comparators be available, by an alternative method recognised by the Royal Institution of Chartered Surveyors (RICS).

8.0 Revaluation

- 8.1 When a new valuation is required in order to establish the correct Formula Rent, Affordable Rent or Market Rent, we will follow the guidelines set out in the MHCLG 'Policy Statement on Rents for Social Housing' published in 2019.

9.0 Affordability

- 9.1 We are committed to ensuring our homes are affordable and that they meet the needs of the people and communities in which we operate.
- 9.2 We will monitor annually the rent charged for our properties and produce a report for the Group Board and our Residents' Committee that details how our homes compare to the following measures of affordability:
- Local Housing Allowance
 - 80% of Market Rent threshold
 - 30% of 30th percentile of local earnings
- 9.3 This will inform how we will set our rents in the future and may see some homes' rent reduced, frozen or increased at a slower rate than we are permitted to do.

10.0 Monitoring and Review

- 10.1 Group Director Strategy, Insight & External Affairs is responsible for the monitoring and review of this policy.
- 10.2 This policy is reviewed annually. We base this review on analysis of our Business Plan, the annual CPI figure for September and also an assessment of affordability for customers. The annual review takes place in November/December each year. This is shared with our Group Board and subsidiary Boards, with sign off by Group Board in its January meeting. We consult with our Residents' Committee on the proposal in advance of sharing formally with the Board in January. January sign off allows sufficient time for rent communications to be issued to customers.
- 10.3 This policy will be reviewed annually; review will be brought forward if there are changes in regulation, legislation or best practices.

11.0 Equality and Diversity

- 11.1 This policy is applied in line with our Inclusion and Belonging Policy. This includes the legal requirements of the Equality Act 2010, Workers Protection Act 2023 and the Public Sector Equality Duty.
- 11.2 At the Karbon Group we aim to eliminate discrimination, promote equality of opportunity, foster good relations and define the nine protected characteristics of age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation.

11.3 If you would like this or any other policies in a different language or format please contact inclusion@karbonhomes.co.uk.

12.0 Data Protection and Privacy

12.1 We have a clear policy on data protection and sharing data with other partners/third parties under the requirements of the UK General Data Protection Regulation, the Data Protection Act 2018 and other associated legislation. This is clearly set out in the Data Protection Policy for the Karbon Group which, along with its associated procedures, must be followed throughout the operation of this policy.