



MHA GROUP

Rent Setting Policy V3

Date Effective: November 2025

Version	Date Approved	Author	Summary of changes
V1	January 2021	Kyle Burgess	New Policy
V2	November 2022	Gwyndaf Tobias	Renting Homes Act changes
V2	November 2023	Gwyndaf Tobias	Policy Annual review completed. No changes made (Nov 2023)
V2	November 2024	Gwyndaf Tobias	No changes made
V3	November 2025	Julie Stone	Updates to reflect the Welsh Government Rent & Service Charge Standard 2026 - 2036
Department: Resources			
Next review: November 2026			

Please contact the Corporate Services Team on 01495 761104 or corporate@monmouthshirehousing.co.uk if you require this document in Welsh or any other language, PDF, large print, braille or in an audio format

Contents

Item Number	Title	Page number
1	Policy Statement	3
2	Welsh Government Policy Context	4
3	Living Rent Application and Rent Type	4
4	Living Rent	5
5	Calculating Living Rent	5
6	Varying Rent by Property Size & Type	6
7	Community Differentials	6
8	Application of Policy	6
9	Convergence to Living Rent for Existing Tenants	7
10	Treatment of In-Year Lets	7
11	New Build Homes	8
12	Adaptation or Improvement	8
13	Flexibility	8
14	Payment of Rent	8
15	Non-Living Rent Properties	9

Rent Setting Policy

1. Policy Statement

Monmouthshire Housing Association's (MHA) rent setting policy aims to provide a methodology for calculating rents which are sufficient to ensure MHA can continually maximise its contribution to its communities, whilst ensuring that rents always remain fair, transparent and affordable for tenants.

MHA's social rents are calculated based on the principles of the Living Rent methodology put forward by the Joseph Rowntree Foundation (JRF). The methodology has been applied in a way that ensures MHA's rent setting process reflects the differences in income levels and affordability across the areas in which we operate. The methodology also takes account of, and is compliant with, the ¹Rent and Service Charge Standard 2026 to 2036 released by Welsh Government.

The Living Rent methodology was released by the JRF and National Housing Federation in 2015 as a method to link rent calculations with localised affordability metrics. The methodology was designed to ensure there is a clear link between social rent setting and localised low-income data. Details of how MHA has applied this methodology is in section 4 of this document.

The Living Rent methodology will not be utilised to set rental income for properties categorised as commercial rent, market rent, intermediate rent, ground and garage rent, or those properties leased to partner agencies. The policy for these rents is set out in section 15 below.

The objectives of MHA's rent setting policy are to:

- provide a method of calculating rent which is consistent, transparent and affordable,
- outline how rents will be varied annually,
- ensure that MHA sets rents at a level which maximises its present contribution to the community, and is sufficient to provide quality homes and services into the future,
- ensure compliance with policy and regulation, and
- ensure that the integrity of MHA's long-term business plan is retained.

The setting of service charges and personal charges are not within the scope of this policy.

This policy has been informed by tenant consultation and an Equality Impact Assessment.

¹ <https://www.gov.wales/sites/default/files/publications/2025-10/rent-and-service-charge-standard-2026-2036.docx>

2. Welsh Government Policy Context

From 2021 the Welsh Government has required Registered Social Landlords (RSLs) to determine a local rent setting approach that focuses on affordability. Therefore, MHA has adopted the Living Rent model.

Periodically, the Welsh Government provides a rent settlement which caps the average annual rent increase across any RSL's entire social housing stock. This is expressed as CPI plus a percentage. The latest settlement is a ten-year agreement, effective from April 2026 which sets out the following rules, providing that rents continue to align to affordability objectives set by Welsh Government.

- CPI +1.0% max overall increase if Sep CPI is between 0%–3%
- CPI +0.5% max overall increase if Sep CPI is between 3%–5%
- If CPI exceeds 5%, Welsh Ministers will set the uplift for the following year only

RSLs can also add up to £2.55 per week to individual rents, providing the overall increase across all stock remains within the above limits. In practice, this additional factor is used to enable restructuring of rents to move towards convergence with rent policy goals.

New-build properties and acquisitions let mid-year may be treated outside the rent envelope.

MHA will continue to comply with Welsh Government policy at all times.

3. Living Rent Application and Rent Type

There are various rent types currently in operation across MHA's stock, which are the result of successive changes to legislation, legacy rent setting anomalies from pre-transfer to MHA, conditions of funding for new developments and stock classification.

For the majority of MHA homes, this policy will, over a period of time, align all of the previous rent types for general needs, older people's and sheltered tenancies under a single Living Rent model. The Living Rent methodology aims to provide affordable levels of rent across MHA's areas of operation, taking into consideration changes in income levels and location.

4. Living Rent

MHA's rent policy will utilise the principles and methodology set out in the Living Rent model but will tailor the assumptions to meet our individual local context.

Living Rent methodology establishes a link between rents and tenants' ability to afford them. This is to ensure that the social rented sector is genuinely affordable for tenants who are employed on a low income.

The methodology was designed on the basis that it's unaffordable for tenants on a low income to spend more than a third of their income on household costs, and that maintaining a link between rent setting and affordability is imperative for social rents.

The model has been adapted to ensure that it is relevant for the context of affordability in MHA's areas of operation and to ensure that it is fair and affordable for MHA's tenants.

The context in Monmouthshire, which makes up the large majority of our areas of operation, is unique in that it is one of the wealthiest counties in Wales, meaning that national earnings and rental prices are inflated, and can hide and intensify the poverty experienced by the lowest earners in the county and those reliant on benefits. This phenomenon can also drive up the Living Rent levels in the areas in which MHA operates, and it is for this reason that MHA breaks its own model down into a number of Middle Super Output Areas (MSOAs) – see Community Differentials section below – so that rates are as local and relevant as possible. For those looking for employment within Monmouthshire, job opportunities and accessibility issues can further worsen the experience of deprivation and poverty.

There are also significant variations in the levels of affluence across the county, and this context must also be considered when setting a localised affordable rent.

By adapting the robust methodology of the Living Rent model alongside MHA's unique understanding of poverty and deprivation in Monmouthshire, MHA draws confidence that it is offering high quality housing, at a rental level that is affordable to those that rely on social housing within the county.

5. Calculating Living Rent

The starting point for Living Rent is to set a rent for a single person who lives in a 1-bedroom property. The Office of National Statistics releases an Annual Survey of Hours & Earnings (ASHE) every October, which provides an estimate of income levels across Monmouthshire and the rest of the UK. This data can be segmented at a borough level, across a number of different categories.

The methodology uses the estimated lower-quartile (25th percentile) gross weekly income from the sample of all employee jobs in Monmouthshire. This is then put through a salary calculator to obtain the net pay figure.

Based on the affordability criteria, 28% of the net pay becomes the target chargeable rent, excluding service charges, for standard single-person accommodation.

MHA has introduced additional factors that it believes should be included in the calculation of rent affordability. These currently include:

- Property Type – we apply flexed rental levels to reflect the differing demands for certain property types such as a flat vs. a house.

6. Varying Rent by Property Size & Type

For larger properties the OECD modified equivalence scale is used to adjust the income data. This takes into consideration the typical family compositions that are allocated particular property sizes and types.

See **Appendix A** for the equivalence values which have been allocated to the different property types.

7. Community Differentials

Variations in average income across communities become evident when MHA's operating area is divided into 15 Middle Super Output Areas (MSOAs), covering all of Monmouthshire as well as parts of Torfaen and Newport. The Living Rent model reflects these variations by adjusting the rent across communities, in line with variances in lower quartile incomes.

This methodology ensures that Living Rents are reflective of, and affordable within, the local communities in which the properties sit.

Adjustments will also apply in certain areas in response to changes in local supply and competition from the Private Rented Sector.

8. Application of Policy

Living Rent levels will be reviewed periodically. To comply with the Welsh Government statutory notification periods, rent calculations will be finalised by January each year and take effect the following April. The Renting Homes Wales Act states that contract-holder rents will increase in April each year.

Tenants will be notified in writing of changes to their weekly rent at least two months prior to the changes taking effect.

The increase or decrease will be influenced by the average change of lower quartile income levels for Monmouthshire in the previous years, using the annual ASHE survey results as the data source.

By modelling varying approaches to fully utilise the rent cap available to MHA under legislation, this policy seeks to protect MHA's financial viability, whilst flexing the rent allocations to maintain affordability for tenants. However, in a situation where wage levels decrease year on year, and subject to a financial viability assessment, MHA may choose, at its discretion, to freeze rents, introduce a smaller annual increase or may need to continue to increase by levels set by Welsh Government Policy (CPI + 1.0%/0.5%).

MHA will continue to monitor affordability for tenants as part of its annual rent review process. Area differentials and weightings are also reviewed.

9. Convergence to Living Rent for Existing Tenants

In order to transition to the Living Rents model as soon as possible, whilst also maintaining compliance with the Welsh Government rent standard, the implementation of Living Rents will run on a convergence basis where possible.

Where the Living Rent is higher than an existing tenant's rent, there will be an increase in the rent each year that will be determined by the Welsh Government's rent standard. Increases of up to £2.55 per week over CPI +1.0%/0.5% will be applied in cases where the rents are furthest from the Living Rent.

Where the Living Rent rate is lower than an existing tenant's rent there may be a lower increase or a rent freeze until the time when the Living Rent is higher.

Once a tenancy has converged with the Living Rent their annual increases will be determined by changes to the Living Rent figures and Welsh Government policy.

Rent increases and freezes will continue to be reviewed on an annual basis and approved by the MHA Board.

10. Treatment of In-Year Lets

When a property is re-let within the same financial year, the rent for the new property can be reduced, frozen, or increased by up to £2.55 per week, provided MHA's overall rental income increase remains within the permitted envelope of CPI +1.0%/0.5%. This flexibility applies to transfers, void re-lets, and similar in-year changes.

However, re-lets must not lead to a position where a landlord breaches

the overall rent envelope for the year. **In practice this is likely to mean that in most cases, a new tenant's rent will remain at the same level as the outgoing tenant's rent.**

New-build properties let for the first time mid-year, and acquisitions, are treated outside the rent envelope.

11. New Build Homes

All new build social housing schemes will be let at MHA's Local rent, subject to viability constraints.

12. Adaptation or Improvement

Improvements and alterations carried out during a financial year which attract a rent increase may result in the rent being increased when the work is completed. This change will take effect the following April at the start of the next full rent year. This process will not apply to disabled adaptations.

13. Flexibility

There are a number of circumstances where flexibility will be required to adjust the parameters within the rent model. This could be in relation to a property type or for an area level and the decision to make any changes deemed necessary is devolved to the Senior Management team.

If any changes to the underlying metrics, or the methodology, cast doubt on the organisation's financial health, the methodology above will only be amended with Board approval.

Hyper localised flexibility will also be permitted at a street or a block level if there are any substantial fluctuations in localised KPI problems e.g. an increase in 'difficult to let' properties, mass localised redundancies, changing market supply or demand or similar changes that could significantly impact MHA's ability to let the property using its standard Living Rent methodology. Responsibility to apply this flexibility will be devolved to the Senior Management Team.

14. Payment of Rent

Tenants will be able to make payments through one of numerous methods. For further detail on payment methods please refer to the Income Management Policy.

15. Non-Living Rent Properties

MHA undertakes periodic market benchmarking exercises to ensure that it applies market rate rents to its non-social housing stock. The various categories considered are listed below:

Intermediate rents

MHA owns intermediate rent properties which, whilst still a social product, are priced at a rental value between the full Living Rented properties and the market rented properties. Rents for current and newly acquired intermediate rented properties will be set at 80% of market rent valuations inclusive of service charges.

The timing of the annual review and notification will mirror that of MHA's Living Rent timelines set out above.

Refer to MHA's Intermediate & Market Rent Policy & Procedure, and Intermediate Housing Framework for Monmouthshire for further information.

Market, Leased Partner Properties and Commercial Rents

MHA owns residential accommodation and commercial premises which are let at market rates. These properties are owned by MHA to create a market rated return which can be reinvested back into MHA's key social activities. These rental streams are not regulated by the Welsh Government.

The rent for these properties is set at market rates and reviewed periodically using external market benchmarking data. The terms and timings of reviews will be clearly set out in the properties' lease terms.

Refer to MHA's Intermediate & Market Rent Policy & Procedure for further information.

Garage and Carport Rents

MHA will not charge a rental value for garages or carports that would exceed the average market rents for the local area. Where there is no comparative market rent information available in the local area, the closest similar benchmark will be used.

Garage and carport rents may be increased every year, with one month's written notice provided beforehand. All rental increases are approved by MHA's Board.

Refer to MHA's Garage and Carport Policy for further information.

Appendix A – Property type equivalence factors prior to area adjustment

Property type factors

Property Type	Bedrooms	Type Code	Bedroom Code	Look-up Code	Equivalence Factor	Living Rent by band
BEDS	Bedsit	S	0	S0	0.90	106.68
BUNG	One Bed	B	1	B1	1.10	130.39
BUNG	Two Bed	B	2	B2	1.30	154.09
BUNG	Three Bed	B	3	B3	1.55	183.72
BUNG	Four Bed	B	4	B4	1.70	201.50
FLAT	One Bed	F	1	F1	1.00	118.53
FLAT	Two Bed	F	2	F2	1.20	142.24
FLAT	Three Bed	F	3	F3	1.45	171.87
FLAT	Four Bed	F	4	F4	1.60	189.65
HOUS	One Bed	H	1	H1	1.10	130.39
HOUS	Two Bed	H	2	H2	1.30	154.09
HOUS	Three Bed	H	3	H3	1.55	183.72
HOUS	Four Bed	H	4	H4	1.70	201.50
HOUS	Five Bed	H	5	H5	1.90	225.21
HOUS	Six +	H	6	H6	2.00	237.06
MAIS	Two Bed	M	2	M2	1.25	148.16
MAIS	Three Bed	M	3	M3	1.50	177.80
PHSE	Three Bed	P	3	P3	1.55	183.72
PHSE	Four Bed	P	4	P4	1.70	201.50
MEWS	One Bed	F	1	F1	1.00	118.53
ROOM	Bedsit	S	1	S1	0.90	106.68
APAR	One Bed	A	1	A1	1.00	118.53

Appendix B – Area differentials

Household income by middle layer super output area (MSOA), financial year ending March 2020* (£)

MSOA	Count at 13/10/25	Gross annual income (£)	Net annual income (£)	ASHE adjusted incomes Oct-25 Gross annual earnings (£)	Net annual earnings (£)	Approximate location or postal town	Living Rent area adjustment factors
Monmouthshire 001	165	40,900	34,500	24,468	20,880	NE of Abergavenny	1.00
Monmouthshire 002	871	36,100	30,100	21,597	18,217	Abergavenny	0.95
Monmouthshire 003	281	42,300	35,200	25,306	21,304	SW of Abergavenny	1.00
Monmouthshire 004	570	38,600	32,700	23,092	19,791	Monmouth	0.98
Monmouthshire 005	201	44,600	38,800	26,682	23,483	Raglan	1.04
Monmouthshire 006	195	46,100	38,400	27,579	23,241	Usk	1.03
Monmouthshire 007	107	52,000	42,400	31,109	25,662	West of Wye Valley	1.07
Monmouthshire 008	456	38,700	29,000	23,152	17,552	Chepstow	0.94
Monmouthshire 009	169	47,000	39,400	28,117	23,846	Caerwent	1.04
Monmouthshire 010	654	37,200	28,200	22,255	17,067	Caldicot	0.93
Monmouthshire 011	162	47,300	36,000	28,297	21,788	Magor, Rogiet & Undy	1.01
Average				25,605	21,166		
Newport 001	0	44,500	35,800	28,475	24,432		1.05
Newport 002	0	39,700	30,300	25,403	20,678		0.99
Newport 003	2	33,800	25,300	21,628	17,266		0.93
Newport 004	2	47,900	38,800	30,650	26,479		1.08
Newport 005	0	37,200	27,800	23,804	18,972		0.96
Newport 006	0	37,000	26,900	23,676	18,358		0.95
Newport 007	0	40,800	29,200	26,107	19,928		0.98
Newport 008	0	37,100	29,000	23,740	19,791		0.98
Newport 009	2	49,300	38,800	31,546	26,479		1.08
Newport 010	0	30,600	25,800	19,580	17,607		0.94
Newport 011	0	38,100	27,400	24,379	18,699		0.96
Newport 012	0	49,600	39,100	31,738	26,684		1.08
Newport 013	1	37,700	28,600	24,123	19,518	Newport	0.97
Newport 014	0	36,300	27,800	23,228	18,972	Cwmbran	0.96
Newport 015	2	36,900	28,600	23,612	19,518		0.97
Newport 016	0	44,500	36,200	28,475	24,705		1.05
Newport 017	0	35,600	28,000	22,780	19,109		0.97
Newport 018	0	35,100	27,900	22,460	19,041	Cwmbran	0.97
Newport 019	2	37,100	28,700	23,740	19,587	Cwmbran	0.97
Newport 020	0	51,500	40,300	32,954	27,503		1.09
Average				25,605	21,166		
Torfaen 001	0	33,800	28,100	23,390	20,332		0.99
Torfaen 002	0	34,200	28,000	23,667	20,259		0.99
Torfaen 003	0	33,000	26,000	22,837	18,812		0.96
Torfaen 004	0	34,300	28,000	23,736	20,259		0.99
Torfaen 005	0	40,800	32,700	28,234	23,660		1.04
Torfaen 006	6	39,100	29,200	27,058	21,127		1.00
Torfaen 007	5	35,600	27,200	24,636	19,680		0.98
Torfaen 008	0	37,500	28,800	25,951	20,838		0.99
Torfaen 009	0	33,800	26,700	23,390	19,319		0.97
Torfaen 010	2	33,000	26,100	22,837	18,884		0.96
Torfaen 011	0	39,800	30,600	27,542	22,140		1.02
Torfaen 012	0	41,300	32,900	28,580	23,805		1.04
Torfaen 013	3	44,800	36,000	31,003	26,048		1.07
Average				25,605	21,166		

* Latest available information

Source: www.ons.gov.uk