

# **Rent Setting Policy for Council-Provided Social Housing**

## **1. Overview/Policy Statement**

- 1.1. This policy outlines the approach of Vale of White Horse District Council (the council) to managing rent setting in the properties the council provides as housing accommodation.
- 1.2. Rent is the primary source of revenue used to cover the costs of managing, maintaining, and upgrading our existing homes and enabling development of new homes. It is also the main source of funds for repayment of capital used to acquire social housing, and by ensuring that the service is financially stable, it enables the council to maintain safe, secure, and legal properties, whilst also considering additional property acquisition strategies.
- 1.3. This policy primarily relates to council-owned homes, including housing and flats, but excludes hostels. This policy also relates to housing that the council does not own, but leases from a third party and then provides to eligible tenants.
- 1.4. Much of this policy relates to the council's social housing, which is subject to specific regulation additional to general tenancy and related law. Social housing properties are ones which qualify as 'low-cost rental' accommodation as defined by Section 69 of the [Housing and Regeneration Act 2008](#).
- 1.5. Accommodation is low-cost rental accommodation under the Act if:
  - 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.

## **2. Objectives**

- 2.1. This policy explains how the council will calculate and charge rent and service charges for its low-cost rental accommodation and certain other types of property for which it is the landlord, and the factors involved with this decision.
- 2.2. The purpose of this policy is to:
  - Ensure that the council adheres to Government legislation and regulation when setting rents and service charges.

- Provide a clear and consistent framework for setting and reviewing the rents and service charges.
- Provide as much financial certainty as possible for tenants and the council.
- Ensure sufficient income available to maintain existing housing stock and to enable the construction or acquisition of new homes.

### 3. Scope

3.1. This policy applies to all:

- Low-cost rental residential accommodation
- Service charges for low-cost rental residential accommodation.
- Other residential accommodation which is not low-cost rental accommodation

3.2. It does not cover:

- Ground rents and service charges for leasehold residential accommodation
- Shared ownership accommodation
- Pitches fees for council-owned mobile home parks
- Garages
- Shops and commercial premises

### 4. Roles and Responsibilities for Delivery

4.1. The Head of Housing and Environment is responsible for ensuring compliant implementation of this policy (including ensuring the policy is in line with guidance issued by the [Regulator for Social Housing](#) (the Regulator) and the Ministry of Housing, Communities and Local Government). This includes ensuring each council sets and maintains records of its rents, and that compliance is monitored, ensuring this work is part of testing for the internal audit programme.

### 5. Legislation

5.1. The relevant legislation is listed below:

- [Housing Act 1985](#)
- [Housing Act 1996](#)
- [Landlord and Tenant Act 1985](#)
- [Local Government and Housing Act 1989](#)
- [Housing and Regeneration Act 2008](#)
- [Direction on the Rent Standard 2019](#)
- [Policy Statement on Rents for Social Housing issued by the Secretary of State as updated on 14 December 2022](#)
- [Rent Standard 2020 – issued by the Regulator of Social Housing, and to take effect from 1 April 2020](#)

- 5.2. The Government published a new draft Direction to the Regulator, and draft Policy Statement on rents for social housing on 30 October 2024, which are not yet in effect or in their final form, but which will necessitate a review of this Policy once finalised and the new Rent Standard is published by the Regulator. It is expected that the new Rent Standard and any related guidance or policy will be in effect from April 2026.

## **6. Relevant Policy and Procedure**

- 6.1. The relevant policy and procedures are listed below:

- Housing Allocations policy
- Housing Arrears Policy
- The Housing Delivery Strategy

## **7. Policy and Procedure**

### **Social housing**

- 7.1. The council operates within the Rent Standard, and any future standards as issued by the Regulator under the Housing and Regeneration Act 2008, and relevant Directions from the Secretary of State for Housing, Communities and Local Government.
- 7.2. From April 2020, the Government department with responsibility for housing (now MHCLG) directed the Regulator to publish a new Rent Standard for England. This required Registered Providers of social housing to set rents from 1 April 2020 in accordance with the Government's Policy Statement on Rents for Social Housing (the Policy Statement).
- 7.3. This Policy outlines how the council sets rents and service charges in the housing the council provides as a social landlord, in line with the Rent Standard and Policy Statement.
- 7.4. In line with the Rent Standard, there are four different types of rent that the council can charge. These are:
- Social Rent (aka Formula Rent)
  - Fair Rent
  - Affordable Rent
  - Exempt
- 7.5. At any time, the council may be holding housing with none, some or all of these different types of rents. Having a complete policy that covers all types gives the council the flexibility to provide such properties without the need to change this policy.

### **Social rent setting**

- 7.6. Where accommodation is not Affordable (as defined by the Rent Standard), or exempt, or otherwise outside of social housing regulation, all properties will be

social rent. This includes properties held under arrangements with Ministry of Defence in relation to the Afghan Relocations and Assistance Policy, and the Local Authority Housing Fund.

- 7.7. Social rents are calculated using the formula as set out in the Policy Statement and are based on a combination of property values, local earnings, and property size (Formula Rent). Social rents are charged exclusive of service charges.
- 7.8. New social rents cannot be set at a level that exceeds the applicable rent cap levels, which are set and published in the Policy Statement, and adjusted by the consumer price index (CPI) +1% annually.
- 7.9. The council will aim to set Formula Rent levels at or below the relevant Local Housing Allowance (LHA) rate for the property/area (or at the Formula Rent or applicable rent cap level, whichever is the lower).
- 7.10. The Rent Standard allows providers the flexibility of setting rents to a maximum of 5% above Formula Rent. The council does not currently utilise this flexibility.

### **Social rent increases**

- 7.11. The council will review rents on an annual basis, and tenants will be informed in writing of any changes to their rent and how it has been calculated.
- 7.12. Tenants be given a minimum of four weeks' written notice prior to any changes taking effect, except where the rent is to be reduced, or where the increase is set out as a contractual term in the tenancy agreement.
- 7.13. Under the Rent Standard, registered providers can currently increase social rents by up to the preceding September's CPI + 1% each year. Where any rent is currently above the rent cap level, the increase will be by CPI (September) only.
- 7.14. The potential annual increases will be reviewed once the September CPI figure is published to determine the implications of such rises and therefore what level of increases will be proposed for implementation in the following April rent review. The council will consider the local market context and benefit levels when setting and reviewing rents. This is to ensure the balance between affordability and business viability is maintained. Additional considerations will include:
- Where a tenant's rent is below the Formula Rent level, then the council will generally look to move increases to a cost recovery basis, but subject always to the regulatory increase annual cap of CPI plus 1%.
  - If the September CPI figure is considered to be unusually high, the council can make a decision about capping the increase CPI figure to a lower amount. The council can consider whether to apply this cap to: (1) all tenants' rent charges, or (2) only where a tenant's rent is at (not below) Formula Rent level, or (3) in any another way that has taken account of

(for example), financial resilience, commitment to the anti-poverty initiative, and affordability.

7.15. Any capping of rents will be included as part of the annual budget setting report determined by full Council.

### **Fair rent setting**

7.16. The council does not provide housing which is considered as 'fair rent' under the Rent Standard.

### **Affordable rent setting**

7.17. Affordable rents fall within the definition of social housing but are not calculated in the same way as social rents and can only be charged in circumstances which are specified in the Rent Standard and Policy Statement.

7.18. Where the council provides housing that meets the criteria of affordable rent housing, as defined under paragraphs 3.10 to 3.14 of the [Rent Standard](#), affordable rents will be set as follows:

- Using market rent valuations in accordance with a Royal Institution of Chartered Surveyors (RICS) recognised method, as stipulated by the Regulator.
- At the time of letting, the maximum rent inclusive of service charge for a new tenant under a new tenancy is 80% of the market rent valuation for an equivalent property of that size and location OR the applicable Formula Rent (whichever is the higher).
- The council may choose to cap inclusive rent levels at a level less than 80% of market rent, for example where: the affordable rent is calculated to be above the applicable LHA rate, (in which case, rents may be capped at the LHA rate).

7.19. Properties that are developed with grant funding, and negotiations with Homes England, require alternative rent setting caps to be maintained.

7.20. Should an existing affordable rent tenant be granted a new tenancy agreement of their existing home, the new rent under that new tenancy may not be set higher than CPI +1% above the previous tenancy's final rent. As such, the new rent may only be re-based to 80% of the current market value of the property, where the resulting rent would be no more than the rent that would have been calculated had the original tenancy been subject to a CPI+1% increase.

### **Affordable rent increases**

7.21. Should the council manage any affordable rent housing, rents will be reviewed on an annual basis, and tenants will be informed in writing of any changes to their rent (inclusive of service costs) and how it has been calculated.

- 7.22. Tenants be given a minimum of four weeks' written notice prior to any changes taking effect, except where the rent is to be reduced, or where the increase is set out as a contractual term in the tenancy agreement. The council will comply with the Rent Standard and Policy Statement and will therefore only increase affordable rents by up to the preceding September's CPI + 1% each year (although lower increases may be decided upon after consideration).

### **Exempt social housing (temporary accommodation) rent setting**

- 7.23. Temporary Accommodation properties are exempt from the Rent Standard requirements and so are primarily governed by the terms of the relevant tenancy agreement.
- 7.24. Where the council provides accommodation, which is not social housing, charges will be set at either Full Cost Recovery for the provision of the accommodation including rent and all applicable service and support costs and charges (which may be above market level), or at a level no higher than the applicable LHA rate, whichever is the lower.

### **Exempt social housing (temporary accommodation) rent increases**

- 7.25. Rents are reviewed on an annual basis, and tenants will be informed in writing of any changes to their rent, and how any change has been calculated.
- 7.26. Tenants be given a minimum of four weeks' written notice prior to any changes taking effect, except where the rent is to be reduced, or where the increase is set out as a contractual term in the tenancy agreement.
- 7.27. Where rents were initially set at tenancy commencement at the applicable LHA rate, any annual increase will be applied in line with any increase in those rates. In years where no increase is made to the applicable LHA rate, rent increases will be based upon CPI+1% (with the CPI figure being taken from the September prior to the relevant increase). Unless such an increase would take the rent above the applicable LHA rate, at which point the rent increase (and future increases) will be capped at the LHA rate.
- 7.28. If the rents were initially set at tenancy commencement on a Full Cost Recovery basis or any other figure below the applicable LHA rent, any annual increase will be based upon CPI+1% (with the CPI figure being taken from the September prior to the relevant increase) until and unless such an increase would take the rent above the applicable LHA rate, at which point the rent increase (and future increases) will be capped at the LHA rate.
- 7.29. The potential annual increases will be reviewed each October in order to determine what level of increases will be implemented in the following rent review.

### **Service charges**

- 7.30. Service charges (where service costs are charged separately to the rent) may include costs for block insurance for hostels, grounds maintenance, communal cleaning and block lighting for communal areas. Residents' occupancy agreements set out any services and service charges applicable to their accommodation.
- 7.31. Social rent service charges are excluded from Formula Rent and include costs for grounds maintenance and block lighting for communal areas. Residents' occupancy agreements set out any services and service charges applicable to their accommodation.
- 7.32. While service charges are not regulated in the Rent Standard and Policy Statement, the Policy is that the council keeps service charge increases to within CPI + 1% (with the CPI figure being taken from the September prior to the relevant increase).
- 7.33. Each year in October, the council will review service costs and base the next year's charge on a reasonable estimate of the cost of providing services. This means that at each annual review, the service charges are set at a 'fixed' amount rather than being 'variable'.

### **Moving between types of rent**

- 7.34. Social rent properties will 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)
  - Intermediate rent
- 7.35. 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)
  - Intermediate rent

### **Rent variation: timing, roles, responsibilities, and authority**

- 7.36. The yearly change to rental and service charges are part of the annual Budget Setting process, which is a decision for full Council.
- 7.37. The Head of Housing and Environment has delegated authority to agree all rents and service charges that must be calculated or changed during the financial year outside the annual budget-setting timetable in accordance with this policy.

### **Monitoring, review and evaluation**

- 7.38. This Rent Setting Policy impacts of this policy on rents will be reviewed each year and be included as part of the annual Budget report to full Council. The policy will also be modified as necessary such as to accord with any future

council policy change, new legislation, regulation or changes to the legislative and regulatory framework or significant change to the benefits system.

## **Equality and Diversity**

7.39. We will apply our rent setting policy consistently and fairly and will not discriminate against any person on grounds of their race, colour, ethnic or national origins, religion, sexual orientation, disability, sex, age, gender reassignment or any other matter that may cause a person to be treated with injustice.

## **8. Employment Contractual Status**

8.1. This policy does not form part of the contract of employment for the Vale of White Horse District Council.

## **9. Communication and Contact Information**

9.1. For further information about this policy, please contact the Housing team via email: [email\\_tenants@southandvale.gov.uk](mailto:email_tenants@southandvale.gov.uk) or telephone 01235 422422 .

## **10. Alternative Formats**

10.1. Please do not hesitate to contact a member of the Housing team if you would like this policy in an alternative format, via email [tenants@southandvale.gov.uk](mailto:tenants@southandvale.gov.uk) or telephone 01235 422422.

## **11. Definitions**

11.1. Definitions are as follows:

- The Regulator: The Regulator of Social Housing
- CPI: consumer price index
- LHA: local housing allowance
- RICS: Royal Institution of Chartered Surveyors

## **12. Change Record**

<b>Change Record</b>	
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