

# Rent Setting and Service Charge Policy 2025/27

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Stevenage Borough Council

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## 1. Purpose

- 1.1 This policy outlines the principles and approach by which Stevenage Borough Council (SBC) will set rent levels and service charges for residential properties.
- 1.2 It ensures compliance with government legislation while supporting the financial viability of SBC's Housing Revenue Account (HRA) and the delivery of affordable, well-maintained homes.
- 1.3 SBC will provide tenants and leaseholders with clear information which explains how rents and service charges are set and, if applicable, what changes have been included.
- 1.4 This policy is to replace the current Rent Setting and Service Charge Policy that was agreed and implemented from the 1st April 2020, for a period of five years.

## 2. Scope

- 2.1 This policy applies to:
  - All secure and introductory tenants of SBC
  - Leaseholders (for service charge purposes)
  - New tenancies and re-lets
  - Shared ownership properties (where applicable)
  - HRA properties used for Temporary Accommodation

Garage rents and Housing Related Support Charges are excluded unless otherwise stated.

- 2.2 The purpose of this policy is to ensure that SBC:
  - Adheres to government legislation when setting rents.
  - Ensure rents remain affordable to tenants while supporting long-term financial viability.
  - For rent-setting practices to be in line with national Rent Standard guidance.
  - Enable transparency and fairness in rent and service charge calculations.
  - Support new housing development, improvements, and environmental upgrades.
  - Provide clear and timely tenant communication and statutory notice.
  - Promote equality, accessibility, and value for money.
- 2.3 This policy will be owned and managed by the Income Service and the Finance Service.

### **3. Legal Framework**

3.1 This policy sets out how Stevenage Borough Council will comply with the requirements of the following:

- Welfare Reform and Work Act 2016
- Policy Statement on Rents for Social Housing (2020)
- Rent Standard Guidance 2020 (RSH)
- Housing Act 1985, Section 24
- Local Government and Housing Act 1989, Section 76
- Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016
- Equality Act 2010
- Data Protection Act 2018

### **4. Equalities**

4.1 Under the Equality Act 2010 SBC has a legal duty to fulfil the requirements of the Public Sector Equality Duty (PSED). Through this duty and in the application of this policy, SBC will carry out its functions in a way that:

- a. Removes discrimination, harassment, victimisation, and any other conduct that is unlawful under the Equality Act 2010
- b. Promotes equal opportunities between people who have a protected characteristic(s) and those who don't
- c. Encourages good relations between people who have a protected characteristic(s) and those who don't

4.2 Further information on SBC's fulfilment of the Equality Act 2010 is set out in the Equality, Diversity, and Inclusion (EDI) Policy (2022) and Reasonable Adjustment Policy (2024).

### **5. Data Protection**

5.1 SBC regards respect for the privacy of individuals and the lawful and careful treatment of personal information as very important to delivery of services.

5.2 SBC will ensure that it treats personal information lawfully and proportionately as set out in the General Data Protection Regulation (GDPR) and Data Protection Act 2018. For further information on SBC's approach to handling information please see Data Protection Act ([stevenage.gov.uk](http://stevenage.gov.uk))

### **6. Policy**

#### **Background**

6.1 The government introduced new rent setting measures under the Welfare Reform and Work Act 2016, for social housing landlords to reduce the rent payable by tenants by

1% each year starting April 2016 and ending in April 2019. This superseded the government's previous 10-year rent increase policy implemented in April 2015.

- 6.2 The Regulator of Social Housing set a new Rent Standard for registered providers of social housing with effect from 1 April 2020. It is accompanied by a policy statement which sets out the government's policy on rents for social housing from 1 April 2020 onwards.
- 6.3 A new Rent Standard was introduced for 2020/21, advising rent charges can increase by up to CPI (as of September the previous year) plus 1%, for a period of at least five years. Due to high inflation in September 2022 the increase for 23/24 was capped at 7% from 11.1%.
- 6.4 As per the June 2025 Spending Review, a ten-year rent settlement was announced with annual increases capped at CPI plus 1% continuing from April 2026.
- 6.5 Annual increases in rent charges are approved as part of the budget setting process with final approval by Full Council each year.
- 6.6 Future annual rent changes will be in line with the Rent Standard or other relevant legislation at the time when the process of setting future rent charges starts.

### **Rent Flexibility**

6.7 The government's Policy Statement on Rents for Social Housing recognises that local authorities may need flexibility in rent setting to respond to local financial and housing pressures. As such, Councils may apply discretionary uplifts:

- Up to 5% above formula rent for general needs housing
- Up to 10% above formula rent for supported housing

SBC's Rent Flexibility Statement provides the framework for such discretion. (See Appendix 1).

### **New Tenants**

- 6.8 Rents on all new lettings for general needs properties will be set at either formula rent plus 5% or affordable rent.
- 6.9 Rents on all new lettings of Independent Living Accommodation will be set at formula rent plus 10% or affordable rent.
- 6.10 If a mutual exchange takes place, the rent on the new tenancy will remain unchanged. This may be less than formula rent.

### **Exceptions and Special Tenures**

- 6.11 Where properties fall outside the Rent Standard (e.g. shared ownership and current tenanted HRA temporary accommodation), rents will typically increase by CPI + 1%, unless statutory regulation or valid business reasons dictate otherwise.

- 6.12 Where Affordable Rent tenures are applied, rents will be set in line with Schedule 2 of the Welfare Reform and Work Act 2016 and related guidance.
- 6.13 Rents for new SBC-owned Temporary Accommodation (TA) are set with regard to relevant government rules on housing benefit (HB) subsidy and what would be considered to be a “reasonable” rent to charge.
- 6.14 The charge to a household for their use and occupation of TA is in accordance with the maximum HB payable as detailed in the subsidy rules for TA. For SBC-owned properties, rents are set at what SBC determines is a “reasonable” rent for the accommodation that is being provided. This will be determined on a scheme-by-scheme basis with reference to current market rental values.

### **Adaptations**

- 6.15 Where a tenant is in situ and an adaptation or extension has resulted in the property being either increased or reduced in size (for example an additional bedroom), a new 1999 valuation will be requested due to the change, we will then set the new rent charge in accordance with the formula rent guidelines, with the appropriate rent increase or decrease being applied.

### **New homes**

- 6.16 Rents for new social housing, whether through the purchasing of properties or new developments, will be set at either affordable rent or at formula rent plus rent flexibility.

### **Rent charge periods**

- 6.17 Annual rent changes take place on the first Monday of April.
- 6.18 Rent is charged weekly every Monday, except in instances where a new tenancy starts on a different weekday, this is referred to as ‘any day start.’
- 6.19 Where a tenancy starts on ‘any day’ other than a Monday, the first weeks’ rent is calculated pro-rata for the initial number of days within the first week of a new tenancy (any day start). The weekly rent charge period will revert to every Monday thereafter.
- 6.20 SBC will issue a rent change letter to all tenants giving at least 28 days’ notice of the new rent charge taking effect. If 28 days’ notice is not given, the new rent will not be able to be charged.

### **Service Charges**

- 6.21 Any service charges will be set annually and aim to recover the costs incurred in providing the services. SBC will consult with tenants and leaseholders regarding the setting of service charges, including what services are provided and why charges are incurred.
- 6.22 Service charges are collected in addition to rent to recover the costs incurred in providing services to a property or estate. Service charges are set with the intention of covering costs, not delivering surplus. This is in addition to the rent, which is payable,

directly, or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management.

- 6.23 The overall aim of the policy is to ensure that service charges are set based on the projected costs of the services provided, and that the method of calculation is transparent and can be easily understood.
- 6.24 SBC recognises that increased service charges based on actual costs could cause financial hardship for some tenants. Furthermore, in future years factors such as high inflation could result in cost-based service charge increases being unaffordable for some tenants. Through its annual budget and rent setting process, SBC may decide to place a maximum limit on the service charge increase in a particular year, based on an assessment of the affordability of the charge.
- 6.25 SBC will aim to ensure its tenants are not disadvantaged by the effect on services charges and will show transparency in all its service charge accounting.
- 6.26 Other charges that payers of service charges may also be liable for:
- management fees: these are charged in line with the provisions made for such charges in the relevant tenancy agreement or lease.
  - administrative fees: these cover Council's costs associated with managing properties, administering service charge and rent accounts, income collection and providing customer services where these are not covered by rent.
- 6.27 In general, service charges will be reviewed annually, and tenants will be given at least one month's notice prior to the implementation of any changes to service charges. These changes will usually become effective on the first Monday of April in any given year.

Housing Related Support Charges are not included in the scope of this policy.

- 6.28 For leaseholders we will comply with the terms of Section 153 of the Commonhold and Leasehold Reform Act 2002, providing clear and transparent information to leaseholders regarding service charges and management fees.

### Definitions

- 6.29 **Formula Rent** - A weekly rent set in accordance with the formula set out in the Government's Policy Statement on Rents for Social Housing 2018 where 30% of the rent is based on relative property values (as at January 1999), 70% based on relative local earnings (as at January 1999) with a bedroom factor applied. The capital values are used to calculate the formula rents set by SBC. The Regulator's rent standard provides for a 5% tolerance (flexibility level) in individual rents (this is increased to 10% for supported housing) but subject to maximum published Local Housing Allowance (LHA) rates. LHA rates are normally published once a year however; the Head of Housing Operations will be responsible for checking if there are amendments.
- 6.30 **Affordable Rent** – A rent that is no more than 80% of the market rent for an equivalent property for that size and location (inclusive of any service charge).

SBC is committed to ensuring that social housing remains genuinely affordable for all residents. While rents for Council-owned homes are set in accordance with the national

Rent Standard and may exceed Local Housing Allowance (LHA) rates in some cases, we will ensure that rent levels are fair, transparent, and sustainable.

Where rents exceed LHA rates, SBC will:

- Assess the impact on tenants who rely on Housing Benefit or Universal Credit
- Provide targeted support and advice to mitigate the risk of rent arrears
- Work with partners to ensure discretionary housing payments (DHP) are accessible to those in need
- Regularly review rent levels to ensure they reflect local incomes and housing need.

Our aim is to strike a balance between maintaining high-quality housing services and protecting tenants from financial hardship. We will continue to advocate for adequate welfare support to ensure no tenant is left unable to afford their home.

- 6.31 **HRA Housing Revenue Account** – a ring-fenced account that records income and expenditure related to SBC’s housing stock.
- 6.32 **CPI Consumer Price Index** – a measure of inflation used by the government, which is applied when calculating annual rent increases.
- 6.33 **Rent Standard** - National guidance set by the Regulator of Social Housing (RSH) that sets rules on how rents should be calculated by social landlords.
- 6.34 **Flexible Rent** - A rent level that can be set up to 5% (general needs) or 10% (supported housing) above formula rent, used to respond to local financial needs.
- 6.35 **Temporary Accommodation (TA)** - Housing provided by SBC on a short-term basis, usually for those who are homeless or awaiting permanent housing.
- 6.36 **Service Charges** - additional costs paid by tenants or leaseholders for specific services provided to a property or estate, such as cleaning, lighting, or grounds maintenance.
- 6.37 **Management Fees** - Charges covering the cost of managing housing services, typically applied to leaseholders.
- 6.38 **Administrative Fees** - Costs incurred by SBC in managing service charge accounts and providing customer services.
- 6.39 **Any Day Start** - A tenancy that begins on a day other than Monday; rent is initially calculated on a pro-rata basis.
- 6.40 **Void** - A property that is empty and not currently tenanted, often in preparation for a new tenancy.
- 6.41 **Mutual Exchange** - When two tenants agree to swap their homes with the approval of SBC or housing provider.

- 6.42 **Leaseholder** - A person who owns the right to live in a property for a fixed number of years
- 6.43 **Shared Ownership** - A housing scheme where a resident owns part of the property and pays rent on the remaining share.

## 7 Consultation

- 7.1 SBC will give details of its rent policy in its tenancy agreement and on SBC's website. The tenancy agreement also states how and when the rent may be increased.
- 7.2 Stevenage Borough Council will consult with tenants and leaseholders on this policy using existing consultation mechanisms, to ensure a commitment to the Transparency, Influence and Accountability Standard in offering tenants opportunities to influence and scrutinise their landlord's strategies, policies, and services.
- 7.3 This Policy will be consulted on with the Portfolio Holder for Housing as well as members of the Executive Housing Working Group before being approved at Cabinet.

## 8 Monitoring and Review

- 8.1 This policy will be reviewed by the relevant Head of Service or Service Manager every 2 years or earlier if there is a change in legislation. Where more than 10% of the policy content is changed, the Strategic Director and appropriate Portfolio Holder will be required to decide if the policy needs to be formally reconsidered by the Cabinet or appropriate decision-making body.
- 8.2 Where there is a request for the content of the policy to be reviewed in response to a complaint, the relevant Business Unit's Assistant Director will be notified. If the Assistant Director agrees that a review of policy is required, this will be discussed with the appropriate Portfolio Holder. The Head of Service or Service Manager will be responsible for implementing a subsequent policy review.

## 9 References and Resources

- 9.1 Rent Standard and Guidance
- 9.2 The Direction on the Rent Standard 2025

## 10 Abbreviations and Definitions

EDI	Equality, Diversity, and Inclusion
GDPR	General Data Protection Regulation
PSED	Public Sector Equality Duty
SBC	Stevenage Borough Council

## 11 Appendices

Appendix A – Stevenage Borough Council Rent Flexibility Statement

Appendix B – Rent Setting and Service Charge Policy Equality Impact Assessment

## 12 Version History

Date	Outlined Amendments	Author

## Appendix A

### Stevenage Borough Council Rent Flexibility Statement

With the adoption of the revised Rent Setting and Service Charge Policy 2025-2027, SBC proposes to introduce rent flexibility on all newly let properties, which means that rents can be set up to 5% above formula rent on all general needs properties and up to 10% above formula rent for our independent living schemes. This does not affect the rent charged to current tenants unless they wish to transfer using the Choice Based Letting scheme.

As an example, if the formula rent is £86.03, 5% of this is £4.30 so we would charge £90.33 per week on a 50-week basis. All rents will be advertised with the properties when they are ready for bidding on.

The reason for introducing rent flexibility is because SBC currently has many competing demands that need to be covered in the HRA Business Plan, including the need to ensure all properties are maintained to a high standard, new requirements set in legislation such as Aawabs Law, the Building Safety Act 2022 and Fire Safety (England) regulations are adhered to, alongside ensuring that the Council's commitment to ensure all HRA stock can achieve Energy Performance Certificate (EPC) rating of Band C by 2030. There is also a consultation on a new Decent Homes Standard and Minimum Energy Efficiency Standard, the requirements of which are still unknown.

In addition to this, the Council has also made the commitment to invest in our current stock as well as building a number of new homes for social and affordable rent over the coming years.

With the changes to right to buy legislation we may see a high reduction in sales which in turn lead to a reduction of sale receipts that can be invested in house building or acquisitions. By introducing rent flexibility, this will support these aims.

It is evident from the commitments above that there is significant investment required to both maintain, improve, and increase our stock and to deliver services to ensure compliance with regulatory requirements.

Accordingly, providing the level of investment required going forward is going to be a major challenge, which will require significant innovation and hard decisions. To summarise, achieving what is required and both maintaining and further improving the quality of the HRA stock will not be possible without applying rent flexibility.

Rent flexibility was set out within the Housing Revenue Account (HRA) Medium Term Financial Strategy 2024/25-2028/29 and approved by Cabinet in November 2024, subject to consultation with tenants.