



RENT SETTING POLICY

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1.0 Scope

This policy outlines how the Council will calculate rent for the housing stock that it owns and manages within the Housing Revenue Account.

How rent will be collected is outlined in the Rent Collection Policy; how Leasehold service charges are calculated is outlined in the Leasehold Management Policy and information about garage rents is set out in the Garage Management Policy.

2.0 Purpose

The purpose of this policy is to ensure the rents will be set in accordance with the relevant statutory and regulatory obligations.

The policy will set a clear framework for the setting and reviewing of rent levels for each property.

3.0 Aims and Objectives

The policy will ensure:

- Rents are set at a level which ensures that the Council can meet its obligations to customers, including maintaining the stock at a high standard of repair
- Rent increases are applied consistently and fairly
- The Housing Revenue Account does not fall into a deficit position.
- Council tenants are protected from excess rent increases

4.0 Regulatory Code and Legal Framework

- Housing Act 1985, Sections 24, 102 and 103
- Local Government and Housing Act 1989, Section 76
- Regulator of Social Housing Rent Setting Guidance
- Welfare Reform and Work Act 2016

5.0 Policy Outline

5.1 Calculation of rent

The Council will charge social rent for all properties, unless the charging of Affordable Rent is required to attract grant funding or to make a new build scheme viable.

Rents will be set according to the formula set out in the in both the Ministry of Housing, Communities and Local Government Rent Policy Statement and Regulator of Social Housing Rent Standard which has consideration for the location, size and value of a property in conjunction with the local earnings. This is called the Formula Rent.

The basis for calculation of formula rent is:

- 30% of a property's rent should be based on relative property values
- 70% of a property's rent should be based on relative local earnings
- A bedroom factor should be applied so that, other things being equal, smaller properties have lower rents

Formula rent (social rent) will be used to set rents for all new tenancies. Where there is a large differential between the previous rent charged and the new rent level the increase will be limited to 10%. This will retain the social rent principle but also protect the Council's income.

5.2 Service Charges

Broxtowe Borough Council operate fixed service charges for General Needs and Independent Living properties.

These charges are not based on the actual cost of the service provided but are a contribution towards the costs incurred. The Council will ensure that service charges are applied to tenants benefiting from the communal services provided.

A service charge will also be applied to new build properties where the development is subject to a management charge for maintenance of communal areas by the developer or their management company.

Service charges will be increased annually in line with government guidance provided regarding rent increases.

5.3 Rent free weeks

Rents will be calculated over 52 weeks and collected over 48 weeks. There are four non-debit weeks per year, two at the end of December and two at the end of March. Tenants will be advised of the dates of the forthcoming rent free weeks each year.

Rent free weeks provide tenants with a clear rent account the opportunity to pay no rent during the rent free weeks. Rent free weeks do not apply to tenants in arrears or who have a court order which requires rent to be paid every week.

Where there are 53 Mondays in the financial year, the rent will be calculated over 53 weeks and collected over 49 weeks.

5.4 Rent increases

This policy seeks to strike a balance between the need to keep rents affordable whilst providing sufficient funds to support the Council's need to maintain its housing stock and provide a high standard of customer service. The Council is aware that many tenants have low incomes and aims to provide housing that remains affordable.

Rent will be increased annually in April in line with government guidance and restrictions.

Reports will be presented to Overview and Scrutiny Committee, Cabinet and Council as part of the budget setting process.

Tenants will be given four week's notice in writing in accordance with the tenancy agreement. The Council is under no obligation to consult with tenants to vary the rent amount. The Council's decisions on rent levels are only challengeable by way of judicial review.

5.5 New build properties

Formula rents (social rents) will be charged for new build properties wherever possible and all property acquisitions.

If the Council is in receipt of grant from Homes England to develop new Council housing for rent, or where the Council has registered the new properties with Homes England as affordable rented homes, it is a requirement of the grant, or agreement with Homes England, that Affordable Rents are used.

No Homes England grant is available on section 106 sites where the Council is looking to acquire new properties from a developer. However, Homes England will allow the Council to charge affordable rents on these properties. The decision on whether to charge social rent or affordable rents on section 106 properties will be determined by the financial viability of each scheme in line with the need to meet the HRA Business Plan and agreed by the Deputy Chief Executive in consultation with the cabinet member for Housing.

Affordable Rent is set at 80% of market rent. It is typically higher than social rent. The intention behind the introduction of Affordable Rent is to enable Council's to generate additional capacity for investment in new affordable housing. Affordable rents should not exceed the Local Housing Allowance.

5.6 Shared Ownership

Shared Owners pay both a mortgage on the part of the property they own and rent on the part owned by the Council.

The occupant of a shared ownership property will pay rent on a proportion that is still owned by the Council. For example, if the occupant owns 25%, they will pay 75% of the rent. This will be adjusted as the occupant staircases their percentage ownership. For example, if the occupant purchases an additional 25% they will pay 50% of the rent.

Rent Standard does not apply to Share Ownership properties but rents charged will be based on formula rent, whilst ensuring that all relevant costs are covered.

6.0 Related Policies, Procedures and Guidelines

This policy should be read in conjunction with the:

- Financial Inclusion Policy
- Rent Collection Policy
- Tenancy Agreement

7.0 Review

This policy will be reviewed every three years or sooner if there is a change in regulation and legislation.

8.0 Document History and Approval

Date	Version	Committee Name
September 2019	1.0	Housing Committee
March 2023	2.0	Cabinet
	3.0	Cabinet