

Cheltenham Borough Council Rent Setting Policy

Version control

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Responsible officer

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Approved by:

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Revision history

| Revision date | Version | Description |
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| September 2025 | 1 | New policy |
| November 2025 | 2 | Enhanced explanation of rent collection over 48 weeks following feedback from Tenant Panel. |

Consultees

Internal

- Finance Team

External

- Tenant consultation
- Housing Committee consultation

Distribution

All employees. Council website.

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1. Introduction and purpose of the policy

Local authorities have the power to determine rent levels for their stock providing any Council housing has rents that are aligned with the Regulator for Social Housing's published Rent Standard. Cheltenham Borough Council ('the Council') is committed to providing affordable housing and maintaining the standard of its housing stock for the long-term benefit of residents. The primary source of revenue to achieve this is the Council's housing rental income. The Council understands that some tenants may be on low incomes and therefore seeks to provide accommodation that is affordable to those people whilst also being able to reinvest sufficient funds to maintain and improve its housing stock.

The purpose of this policy is to demonstrate how the Council will calculate, and charge rent for its housing stock.

2. Aims and scope of the policy

The aim of this policy is to ensure that the Council's process for setting and charging rents is fair, transparent and meets all legal obligations.

To achieve this, this policy will:

- Demonstrate that the Council calculates, charges and maintains rents in accordance with the Regulator of Social Housing's Rent Standard and other relevant legislation
- Ensure that the Council can maintain a good standard of housing stock and plan for future investment through sufficient rental income
- Ensure viability and financial stability of the HRA through maintaining sufficient rental income
- Depict how rents will be set, charged and reviewed (including rent increases) for all properties, for both existing and new tenancies
- Ensure that all tenants are aware of how their rent is calculated and set both at the beginning of their tenancy and when the rent charge is reviewed annually
- Ensure rent charges remain affordable for the Council's tenants

This policy applies to all HRA properties that the Council manages and lets.

3. Legislation and guidance

This policy sets out rent setting measures that are in accordance with the Rent Standard published by the Regulator of Social Housing. Further guidance on rent setting is obtained from the Policy Statement on Rents for Social Housing (Ministry of Housing, Communities and Local Government website).

CPI will be taken as at September of the previous year.

4. Social rents

4.1 Background

As standard, the Council will charge social housing rents on all properties except those which Homes England or the Secretary of State have agreed can be let at an affordable rent. Social rent charges are set based on a formula introduced by the Government in 2001 which calculates the rent charge for a property based on its relative value, size and local income levels. The purpose of this is to ensure that across registered providers similar rents are charged for similar social rent properties.

4.2 Social rent setting

The Council will calculate social rents in line with Government policy ensuring that social rent is no higher than formula rent, and that property condition, size and location, and local earnings, are all taken into consideration. Formula rent is calculated as follows:

70% of the national average rent x relative local earnings x property size

PLUS

30% of national average rent x relative property values

Each year from 2024/25 onwards, the formula rent will be adjusted by CPI plus 1 percentage point, unless the Government specify otherwise.

Formula rent is subject to a rent cap which is pre-determined by the number of bedrooms a property has. The rent cap must be utilised when the formula rent would be higher than the rent cap for a certain size property. Each year from 2024/25 onwards, the rent caps will increase by CPI plus 1.5 percentage points.

Government policy allows flexibility to set rents at up to 5% above formula rent, however if this flexibility is utilised there must be clear rationale as to why.

5. Affordable rents

5.1 Background

Affordable rent properties are those which Homes England or the Secretary of State have agreed can be let at an affordable rent. These properties become exempt from the social rent requirements set out above.

Affordable rent charges allow for more flexibility and typically sit between social rents and private rented sector rent charges, with the purpose of enabling increased re-investment into new homes.

5.2 Affordable rent setting

Affordable rents must not exceed 80% of gross market rent – this must be inclusive of service charges – and a new valuation must be carried out for each new tenancy at a property to ensure the correct values are being considered. Gross market rent is taken as the rent (inclusive of service charges) which might reasonably be charged in the private rented sector for a property. Calculation of gross market rent must consider property size, location and service provision. If an affordable rent is calculated as lower than formula rent for a property, formula rent constitutes a floor for the rent to be charged.

Affordable rents can increase by a maximum of CPI plus 1 percentage point each year; however, this is not mandatory, and the Council can apply a lower increase, freeze or reduce rents if desired.

Any agreements with Homes England or the Secretary of State should be upheld when setting affordable rents. The Rent Standard Guidance issued by the Regulator of Social Housing also informs how initial affordable rents should be set.

5.3 Affordability checks

The Council is committed to ensuring that affordable rent tenancies are sustainable and as such, will carry out affordability checks for all tenants offered an affordable rent property. The purpose of the check is to ensure that the rent charge is financially viable for the household to maintain in the long term and to provide any support that may be required.

6. Service charges

The Council will charge service charges alongside rent where there are additional necessary services linked to a property, for example grounds maintenance, communal lighting or estate cleaning. Service charges will be identified separately to rent in social rent properties as per legal requirements, however in all properties tenants must pay any applicable service charges together with their rent.

Service charges are reviewed annually in line with the costs incurred in undertaking the services provided. Government guidelines for service charges set out that any charges should be reasonable, transparent and directly reflect the service provided. Service charges can therefore increase or decrease each year and as such are calculated separately to rents.

If a service charge is due to increase, this should be in line with rents at a maximum of CPI plus 1 percentage point, unless new or extended services are introduced which would incur an additional cost. In this instance, the Council will aim to consult with tenants before the additional cost is introduced.

7. Rent collection

In a standard 52-week financial year, rent and service charges will be charged over all 52 weeks but only collected over 48 weeks. Where there are 53 weeks in a year, rent and service charges will be charged over 53 weeks and collected over 49 weeks. Rent and service charges are applied and due on the Monday of each week and should be paid within the week it is due, other than where a direct debit has been set up or an alternative payment date has been approved by the Council. Tenants in arrears are expected to pay through the rent-free week to reduce their arrears.

To illustrate how rent collection is managed over 48 weeks of the year, allowing 4 rent free weeks, please see example below:

Rent charge at 52 weeks = £93 per week

The annual charge would therefore be £4836 (£93 multiplied by 52 weeks). To establish 4 rent free weeks, this annual charge of £4836 would need to be divided by 48.

Rent charge at 48 weeks = £100.75

Over the period of a year (52 weeks), tenants are charged exactly the same amount however collecting a slightly higher rate of rent over 48 weeks enables those with a clear rent account to have four 'rent-free' weeks throughout the year.

7.1 Our approach

The Council's Income Team are tasked with maximising rent and service charge collection whilst helping tenants sustain their tenancy. The Income team support tenants to do this where it's needed through the Council's specialist Financial Support Teams; the Benefit and Money Advice Team and the Training and Employment Service.

From the outset of a tenancy, the Income Team strive to make personal contact with all tenants to set out the expectations around rent and service charge payments, to understand tenants' personal circumstances and to offer early support to anyone in financial difficulty. Communication is vital to both maximising collection and supporting tenants and therefore the Income Team will utilise all contact methods available to them in a bid to establish contact. The Income team are committed to providing a fair, transparent and accountable recovery process as detailed in the Council's Rent Procedure.

A variety of payment methods are available to tenants including direct debit, standing order, internet payments and phone payments. Rent is due in advance however payment arrangements can be made with any tenants struggling to pay in this way.

The Income Team are dedicated to continually improving and regularly review both the service and the rent procedure to enhance performance.

8. Garage rents

The Council will set the rents for garages on an annual basis. All garage rents are charged monthly, with payment due via direct debit in advance, paid on the 1st of each month.

Garage rents for tenants and leaseholders of the Council will not include VAT. All other garage licence holders will be charged VAT in addition to the rent charge.

9. Annual rent review

An annual review of rent and service charges will take place with any new charges being subject to approval by the Council's Director of Finance and Assets. Once approved, the new rent and service charges will be implemented on the first Monday of each April, including the April following a new tenancy being granted. The Council will give tenants four weeks written notice ahead of any change in rent or service charges.

Unless the Government specify otherwise, the following annual rent changes will apply:

- For social rents, an increase of CPI plus 1 percentage point can be implemented
- For affordable rents, a maximum increase of CPI plus 1 percentage point is allowed however rents could also increase by a lower amount, be subject to a freeze or be reduced

Tenants in a 'rent capped' property will still be subjected to an annual rent change. Only at the point of the property being re-let will the new rent be set at the rent cap level.

The annual review also applies to garage rents. Garage rents for tenants and leaseholders will increase in line with social rents at CPI plus 1 percentage point. Garage rents for non-tenants can be set at the Council's discretion and will consider market rents and demand.

10. Review

This policy will be reviewed every three years, unless legislative or regulatory changes require an earlier review.

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