



# Rent Setting Policy

2025

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## 1. Background

- 1.1 Rent setting is based on government guidance on the rent standard issued in 2020 which can be found on the Department for Levelling Up, Housing and Communities (DLUHC) website.
- 1.2 Since 2001, rents for properties let at 'social rent' (which constitute a majority of rented social housing properties) have been set based on a formula set by the Government. This creates a 'formula rent' for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property.
- 1.3 An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties. In 2011, the government introduced 'affordable rent' which permits rents (inclusive of service charges) to be set at up to 80% of market rent. The introduction of affordable rent made it possible to build more homes for every pound of government investment, allowing more people in housing need to have access to a good quality home at a sub-market rent.
- 1.4 Landlords can only let new properties at affordable rent where certain conditions apply.
- 1.5 Within the terms of the government's affordable homes programmes, existing vacant properties can be converted from social rent to affordable rent in certain circumstances.
- 1.6 From 1 April 2020 the Government has permitted annual rent increases on both social rent and affordable rent properties of up to Consumer Index Price (CPI) plus 1 percentage point from 2020, for a period of at least five years.
- 1.7 This policy will cover the rents charged to Oadby & Wigston Borough Council tenants both now and in the future. It will also cover the methodology and approach required to set service charges for Council tenants.
- 1.8 It will also detail the statutory notice process for informing tenants of changes in rents charged.
- 1.9 The rent setting policy for Oadby & Wigston Borough Council will set rents and service charges by following the principles outlined below:
  - The Council will set rents and service charges using fair and transparent calculations
  - Rents and service charges will be set to ensure a financially viable Housing Revenue Account (HRA) both in the short and longer-term, and can meet future spending obligations which would include treasury management requirements and capital investment needs within the stock
- 1.10 Rents for both existing, void, and new properties will be set out within this policy.

## **2. Formula Rent**

- 2.1 Oadby & Wigston Borough Council follows Government guidance when setting the rents for our properties and you can find the guidance for this on the Government website:

[www.gov.uk/government/publications/rents-guidance](http://www.gov.uk/government/publications/rents-guidance)

## **3. Rent Caps**

- 3.1 The rent caps apply as a maximum ceiling on the formula rent and depend on the size of the property (the number of bedrooms it contains). Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap must be used instead.
- 3.2 Oadby & Wigston Borough Council will ensure that the rent caps are not breached for individual properties.
- 3.3 If an existing property has an extension built with additional bedrooms, then the rent should be revised to reflect the increased property valuation and added bed size, using the Government's formula rent calculation.

## **4. Existing Social Tenants**

- 4.1 The rents will increase by a maximum Consumer Price Index (CPI) + 1% in line with the Government's new 5-year rent settlement for the period 2020/21 – 2024/25.

## **5. Affordable rents**

- 5.1 Affordable rent housing is exempt from the social rent requirements outlined above. Affordable rents are typically higher than social rents. The intention behind this flexibility is to enable properties let on this basis to generate additional capacity for investment in new affordable housing.
- 5.2 The definition of affordable rent is a rent which equates to 80% of the value of local market rents (including service charges).

## **6. Shared Ownership Properties**

- 6.1 Rents for shared ownership properties will be amended as per the requirements outlined in their lease.

## **7. Service Charges**

- 7.1 In addition to their rent, tenants may also pay service charges. Rents are generally taken to include all charges associated with the occupation of a property, such as maintenance and

general housing management services. Service charges usually reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than being particular to the occupation of a dwelling. Service charges are subject to separate legal requirements and are limited to covering the cost of providing the services.

- 7.2 Service charges are not covered by the same Government guidelines as rent however the guidelines are that services should be set on a reasonable and transparent basis and should reflect the service provided. Increases should be limited to CPI + 1%, unless new or extended services are introduced. Where new or extended services are introduced, and an additional charge may need to be made, we aim to consult with our tenants.

## **8. Garages**

- 8.1 The annual increase in rent will be CPI + 1% point. This is to align increases with dwelling rents.

## **9. Annual Rent Review**

- 9.1 Oadby & Wigston Borough Council will give tenants 4 weeks written notice of any change in the level of rent which normally will be the first Monday in April and rent increases will be applied in line with Section 13(2) of the Housing Act 1988.

## **10. Policy Review**

- 10.1 This policy will be reviewed as and when new legislation or guidance is published.

## **11. Exceptions to the Policy**

- 11.1 This policy does not apply to certain categories of low-cost rental accommodation. These excepted categories are:

- Where the Council is the leaseholder of the accommodation
- Shared ownership low-cost rental accommodation
- Intermediate rent accommodation
- Specialised supported housing
- Relevant local authority accommodation
- Student accommodation
- PFI social housing
- Temporary social housing
- Care homes