

Meeting Cabinet
Portfolio Area Housing and Housing Development
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RENT SETTING AND SERVICE CHARGE POLICY 2025-2027

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KEY DECISION

1 PURPOSE

- 1.1 To present a new Rent Setting and Service Charge Policy 2025-2027. It is good practice to regularly review policies relating to housing management and the current Rent Setting & Service Charge Policy.

2 RECOMMENDATIONS

- 2.1 That Cabinet approve a new Rent Setting and Service Charge Policy 2025-2027 (Appendix A).
- 2.2 That the relevant Strategic Director, after consultation with the relevant Portfolio Holder, be given delegated authority to make minor updates and changes to this policy arising from new legislation.

3 BACKGROUND

- 3.1 The Council retains its own housing stock of social rented and affordable housing, for those that need it, and is considered a Registered Provider and Landlord of Social Housing. It currently owns and manages approximately 7890 general needs and sheltered housing dwellings. In addition to this it owns and manages an additional 1440 leasehold and shared ownership dwellings.
- 3.2 The Council's social and affordable rented housing properties are allocated from Stevenage Borough Council's Housing Register, via a choice-based lettings scheme. All properties are managed by the Council's Housing service and funded through the Housing Revenue Account (HRA), for which rents & services are charged. As a Registered Provider and Landlord of Social Housing, the Council is regulated by the Regulator of Social Housing (RSH).
- 3.3 Changes to rents charged to social housing tenants is governed by the Rent Standard and the Rent Standard Guidance, outlined by the RSH. In addition, the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 must also be applied.
- 3.4 The proposed Rent Setting and Service Charge Policy 2025-2027 outlines the Council's position on dealing with rent and service charge setting across all its stock and the purpose of the policy is to ensure that SBC:
- Adheres to government legislation when setting rents and service charges
 - Ensures that charges remain affordable to tenants whilst supporting long-term financial viability of the HRA
 - Applies rent setting practices in line with the national Rent Standard
 - Enables transparency and fairness in rent and service charge calculations
 - Provides tenants with clear and timely communication and statutory notice
 - Promotes equality, accessibility and value for money
- 3.5 Since the 2012 self-financing regime was introduced, several legislative changes have impacted HRA finances, the most significant of which has been the Welfare Reform and Work Act 2016. This put in place a 1% annual rent reduction over a four-year period, estimated to have reduced SBC's HRA rental income by £225M over 30 years.
- 3.6 Following the implementation of rent reductions, The Regulator of Social Housing set a new Rent Standard effective from 1 April 2020, setting out that social housing rent could increase but would be limited to the September Consumer Price Index (CPI) plus 1% for five years, giving housing providers certainty of rent policy and the ability to plan effectively. However, due to high inflation in September 2022, the increase for 23/24 was capped at 7% from 11.1%, reducing the rent that the Council could charge by 4.1%. Whilst rents were capped, the cost of providing services continued to rise at the rate of inflation.

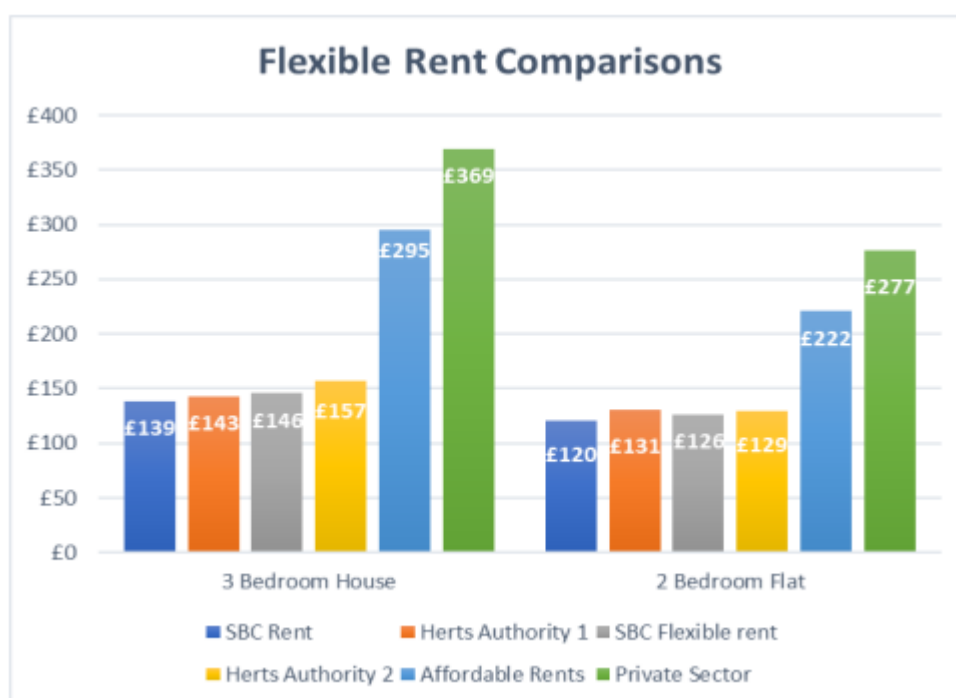
- 3.7 For 2024/25, the rent policy reverted to CPI plus 1%. However, the September 2024 CPI was only 1.7%, significantly lower than forecasted. This reduction impacted projected rent levels within the HRA Business Plan and was a key factor in the challenge of balancing the HRA while meeting regulatory requirements. Despite the lower CPI, expenditure on building safety, energy efficiency, voids, and repairs has continued to rise. Demand for repairs has also increased, and when factoring in the implications of Awaab's Law and wider building safety reforms, the pressure on the HRA has intensified, further complicating efforts to maintain a balanced budget.
- 3.8 Rent reform since 2012, including rent reductions and rent capping has contributed to the destabilisation of HRA's nationally. The current Government has set out a new ten-year rent settlement of September CPI plus 1% to help social landlords budget more effectively but the Local Government Association warns this may still leave Councils with an estimated £7B shortfall.
- 3.9 The Government received clear feedback in response to previous rent consultation that the level of investment in new and existing social housing that is needed to deliver the Government's ambitions will not be unlocked unless social rent convergence was re-introduced.
- 3.10 Rent convergence was a mechanism originally introduced in 2002 but was ended in 2015. Reintroducing convergence would allow social rent properties that are currently below 'formula rent' to increase by an additional amount each year, over and above the CPI+1% limit, until they 'converge' with formula rent.
- 3.11 Formula rent refers to the formula that is used to calculate rent that may be charged for a given property when it is let to a new tenant. Formula rent is based on the property value from valuations in 1999, the number of bedrooms and national and average earnings.
- 3.12 The Government has recently undertaken a consultation on rent convergence of £1 or £2 per week, which closed on the 26th August 2025 and the details of whether and how this will be implemented will be confirmed at the Autumn Budget in November 2025.
- 3.13 The Council currently has over 6900 tenancies below formula rent and it is projected that it will take over 14 years based on a £1 per week increase for rents to be fully converged.
- 3.14 The HRA is reliant on rent and service charge income from tenants and leaseholders to provide appropriate housing management services and to meet the regulatory requirements of the service. These services are wholly funded by the HRA and the HRA is ringfenced to deliver these services, for the benefit of tenants and leaseholders.
- 3.15 The HRA must be financially viable and hold reserves and cannot run on a deficit and therefore the Rent Setting and Service Charge Policy 2025-2027 is essential to ensuring that the Council can continue to provide services and maintain safe and warm homes that meet new and emerging regulatory requirements, as well as build new homes.

- 3.16 As well as the further demands on the HRA recently introduced by the Social Housing (Regulation) Act 2023 and the Building Safety Act 2022, the Government will be implementing enhanced requirements thorough Awaab's Law in October 2025 and is currently consulting with Social Landlords on a revised Decent Homes Standard and Minimum Energy Efficiency Standard (MEES) which will further impact the Council's ability to meet regulatory requirements and achieve a balanced HRA.
- 3.17 Even without factoring in future regulatory and compliance requirements, the Council must deliver savings of £2 million annually over the next three years to ensure the HRA remains financially viable.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 The proposed Policy will support the Council in maintaining compliance with both current and emerging legislation, including the Rent Standard, Social Housing Regulation Act, and revised Consumer Standards—and will enable the continued delivery of new housing and statutory services. This is particularly vital in a climate of increasing demand, financial pressure, and regulatory reform, where the Council must demonstrate resilience, transparency, and a commitment to safe, high-quality housing.
- 4.2 As outlined in the proposed policy, there are two main charges for tenants.
- Rent – money paid by tenants to landlords in return for living in their property. Rent charges are set on a yearly basis and are agreed as part of the annual HRA budget setting process, up to the maximum as defined by the Rent Standard. In the case of affordable rents, these are inclusive of service charges.
 - Service Charges – money paid by tenants and leaseholders to landlords in return for additional services provided by the Council or other parties to manage buildings, estates and shared facilities.
- 4.3 The new Policy reflects legislative changes to the Rent Policy and Rent Standard introduced since the adoption of the 2020–2025 Rent Setting and Service Charge Policy. It also brings forward rent flexibility, enabling the Council to respond to local financial and housing pressures. Under the updated Rent Standard, local authorities may apply discretionary uplifts of up to 5% above formula rent for general needs housing and up to 10% for supported housing. This flexibility will be embedded within the Council's Rent Flexibility Statement and forms part of the approved framework to support the financial viability of the Housing Revenue Account (HRA) amid rising cost pressures and regulatory reform. Rent flexibility is seen by Government as a necessary tool that enables social landlords to respond to increasing service and financial demands.
- 4.4 Rent flexibility can only be applied to properties which have been relet following a void period and does not affect existing tenants, unless they wish to move/transfer to a new Council home via choice-based lettings.
- 4.5 In summary the proposed policy will mean:

- Rents on all new lettings for general needs properties will be set at formula rent plus 5%, or affordable rent where this applies.
 - Rents on all new lettings of sheltered accommodation will be set at formula rent plus 10% or affordable rent if this applies.
 - If a mutual exchange takes place, the rent on the new tenancy will remain unchanged and this may be less than formula rent.
- 4.6 The proposed Policy will allow consistency of approach to the Rent Setting and Service Charge process and ensure that changes are implemented effectively.
- 4.7 In November 2024, as part of the Housing Revenue Account Medium Term Financial Strategy 2024/25–2028/29, Cabinet approved the recommendation for Stevenage Borough Council to adopt rent flexibility, subject to consultation with tenants, as one of the key measures to support the financial viability of the HRA.
- 4.8 The proposed Rent Setting and Service Charge Policy 2025-2027 was consulted upon with residents during the period of 19th August 2025 to 26th September 2025.
- 4.9 The consultation was published on the Councils website and was shared regularly via social media channels. There was an option to comment via the online form or to contact the Income Services team to share feedback. The income team regularly reviewed responses and due to limited feedback, the consultation was extended by a further week, however only two tenants and nil non-tenants responded to the consultation.
- 4.10 Both respondents told us that they understood what services were included in their service charges but only one out of the two felt that services were reflective of the charges. This will be recognised by a wider review of service charges coming forward during this financial year and related comments regarding caretaking will be addressed via wider tenant and leaseholder consultation and feedback as part of the Caretaking Service Review that is currently underway.
- 4.11 The consultation feedback received included concerns from one respondent about the policy's introduction and opposition from another due to the potential for higher rents.
- 4.12 SBC remains committed to ensuring that social housing remains genuinely affordable for all residents and will state the rent set when the property is advertised through the choice-based lettings process to ensure that charges are affordable to prospective tenants at the bidding stage.
- 4.13 As outlined in this report, rent flexibility is a necessary measure to support the financial viability of the Housing Revenue Account (HRA). Importantly, it applies only to new tenants or those transferring between properties, meaning existing tenancies remain unaffected. Comparative analysis demonstrates that even with rent flexibility applied, Stevenage Borough Council (SBC) rents remain favourably positioned, significantly below private sector rents and broadly comparable with other local stock-holding authorities and affordable rent benchmarks.



- 4.14 Members should also note that approximately 60% of households are in receipt of Universal Credit or Housing Benefit and rent flexibility will only apply to newly let properties.
- 4.15 SBC also provides a breadth of tenancy support, Welfare and Debt Advisors and Citizens Advice referrals to support tenants that may need additional help to meet their rent obligations.
- 4.16 The proposed policy changes are projected to increase HRA balances by £2.75 million over the duration of the current Medium Term Financial Strategy (MTFS), making a substantial contribution towards the savings required to maintain the stability and long-term viability of the HRA. Based on void trends and the time required for consultation, the MTFS has forecasted 50% of additional income in the first year (2025/26), representing approximately £50K extra income, and £100K in each subsequent year.
- 4.17 Subject to the Policy being approved, rent flexibility can be introduced as soon as the housing management system changes have been completed, this is expected to be towards the end of November 2025.
- 4.18 The Executive Housing Working Group has reviewed the proposed Rent Setting and Service Charge Policy 2025-2027 and endorse the recommendations to Cabinet.
- 4.19 The HRA MTFS considered various assumptions around income and expenditure, including rent increases and the use of rent flexibility and it is considered that the adoption of the Policy is a key component to the success of the 30-year Business Plan and the viability of the HRA.
- 4.20 An Equalities Impact Assessment has been completed on this Policy and whilst there are some negative impacts, there are valid mitigations in place to protect future tenants. (Appendix B).

5 IMPLICATIONS

5.1 FINANCIAL IMPLICATIONS

- 5.1.1 This report is financial in nature and implications are included in the body of the report.

5.2 LEGAL IMPLICATIONS

- 5.2.1 The Local Government and Housing Act 1989 requires the Council to maintain a ring-fenced account for its housing stock income and expenditure, known as the HRA.
- 5.2.2 The Council is a provider of social housing and has a duty to have regard to the relevant standards set by the Regulator of Social Housing under s.193 of the Housing Regeneration Act 2008. The Council must therefore take into account government guidance and the Rent Standard when applying rent and service charges.
- 5.2.3 The proposed policy will ensure the Council meets the requirements set out in legislation and provides a fair and transparent process.

5.3 EQUALITIES AND DIVERSITY IMPLICATIONS

- 5.3.1 An Equalities Impact Assessment has been completed and can be seen at Appendix B.

5.4 RISK IMPLICATIONS

- 5.4.1 There are no direct significant risks to the Council in agreeing the recommendation(s). However, officers responsible for implementing any improvement activity set out within this report will need to consider any risk implications that arise.

5.5 CLIMATE CHANGE IMPLICATIONS

- 5.5.1 The Council declared a climate change emergency in June 2019 with a resolution to work towards a target of achieving net zero emissions by 2030. This policy will assist SBC to meet regulatory requirements in relation to Minimum Energy Efficiency Standards.

6. BACKGROUND DOCUMENTS

[Rent Standard and Guidance](#)

[The Direction on the Rent Standard 2025](#)

[Housing Revenue Account Medium Term Financial Strategy \(2024/25-2027/28\)](#)

[Rent Setting and Service Charge Policy Consultation documents](#)

APPENDICES

Appendix A – Draft Rent Setting and Service Charge Policy

Appendix B – EQIA – draft Rent Setting and Service Charge Policy