



DARLINGTON
Borough Council

Housing Services

Rent Setting Policy

2026-2031



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Contents

Introduction	4
Aims of the Policy.....	4
Policy Scope	5
Relevant legislation, strategies, plans and policies	5
Rent Setting Background.....	6
• Annual rent increases and decreases.....	6
• Rent Convergence.....	6
• Regulatory Requirements	6
Types of Rent.....	7
• Social Rent.....	7
• Formula Rent.....	7
• Affordable Rent	8
• Garage Rent.....	8
• New Council Homes Rent	8
Service Charges	9
• Service charge value for money	10
Affordability	11
• New tenants.....	11
• Existing tenants.....	11
Rent Setting Roles.....	11
Tenant Consultation.....	13
Staff Training	13
Appeals and Complaints	13
Monitoring and Policy Review.....	14

Introduction

Darlington Borough Council aims to set Council home rents, which are affordable and meet the needs and expectations of our tenants.

Our policy is to set rents at levels within the regulatory guidelines, which:

- Are affordable and meet the needs and expectations of our tenants.
- Ensure we can meet financial and business plan commitments and objectives, thereby ensuring the financial viability of Housing Services.
- Provide cost effective and high-quality services to our tenants.
- Are in accordance with the terms and conditions of the Tenancy Agreement, licence or lease.

Council home rent is the main source of revenue for the Housing Revenue Account (HRA), paying for the management, maintenance, and modernisation of our existing homes. It is also the primary source of funds for repaying the loans that enable us to build or acquire new Council homes.

The quality of our assets and how they perform also directly impacts on our tenants and the communities they are part of. Good quality and well-maintained homes can significantly impact upon the health, wellbeing and quality of life of our residents.

Aims of this policy

This policy explains how Darlington Borough Council calculates and increases rents and service charges (where these are applicable) for homes that sit within the HRA.

The HRA is a landlord account that records the expenditure and income arising from the provision of Council owned homes for social and affordable rent. The main source of income for the HRA is the rent and service charges paid by tenants. It is a ring-fenced account, which means that the income received can only be spent on services to homes within the HRA.

These services include repairs and maintenance, collecting rent, letting properties to new tenants, dealing with anti-social behaviour and providing tenancy management for our tenants. The income received also helps fund the provision of new Council homes and upgrades of our existing homes.

This policy will also help ensure that the Council adheres to legal and regulatory requirements when calculating and increasing rents and service charges, particularly in relation to the Regulator of Social Housing's (RSH) Rent Standard and the government's Policy Statement on rents for social housing.



Policy Scope

This policy applies to all secure, flexible, non-secure and introductory tenants within the HRA. It will also apply to those tenants who have been provided with accommodation through the HRA. It applies to both social and affordable rents. The policy also sets out how rents will be increased for rent to buy properties.

There are some homes where there are different arrangements for calculating and setting rents and service charges where this policy does not apply.

This includes:

- Leasehold properties.
- Specialised supported accommodation.
- Some temporary social housing.

For these, the arrangements for calculating and setting rents and service charges may be set out in the lease, licence or tenancy agreement to occupy the property.

Relevant legislation, strategies, plans and policies

This policy supports our 30-year Business Plan for the HRA; due consideration has been given to the following Council plans, strategies, policies and customer standards:

- Council Plan 2024-2027.
- Homes Strategy (draft at time of writing) 2025-2030.
- Workforce Strategy.
- Housing Services Housing Management Policy 2026-2031 (draft at time of writing).
- Housing Services Asset Management Strategy 2024-2029.
- Housing Services Preventing Homelessness and Rough Sleeping Strategy 2025-2030.
- Housing Services Rent Account Standard.
- Housing Services Tenancy Agreement.
- Housing Services Climate Change Strategy.
- Housing Services Vulnerability Policy 2024-2029.
- Housing Services Tenant Involvement Strategy 2024-2029.
- Housing Services Allocation Policy 2023-2028.
- Welfare Reform and Work Act 2016.
- Housing Act 1985, 1988.
- Social Housing Rents Regulations 2016.
- RSH Rent Standard 2026.



Rent Setting Background

Since 2000, rents for properties at a social rent (which are many of our homes) have been based on a formula set by the government. This created a formula rent for each property, based on the relative value of the property as of 1999, relative local income levels, average rents and the size of the property.

In 2011, the government introduced “affordable rents”, which permitted rents (including service charges) to be set at up to 80 % of market rent. The resulting higher rents made it possible to build more new social housing.

Affordable rents could only be charged for new and existing homes if certain conditions are met. However, from April 2026, the restrictions on affordable rents has been eased following the RSH’s Rent Standard, meaning that affordable rents can be applied to any new properties brought into the HRA that have not been subject to a social rent without approval from any government body.

Annual rent increases and decreases

From 2012, rents were allowed to increase annually by the retail price index (RPI) + 0.5% + £2.00 each week.

The government introduced a new 10-year rent setting policy from 2015-16 that allowed rents to increase by the consumer price index (CPI) + 1%. In 2016, restrictions were placed on the annual rent increases that could be applied to both social and affordable rents. The Welfare Reform and Work Act 2016 required social landlords to reduce rents by 1% each year for four years up to 2019-20 to reduce benefit spending.

From April 2020, the government allowed social landlords to increase rents by CPI in September of the previous year + 1%. Because of high levels of inflation in 2023-24, rent increases were capped at 7% but reverted to CPI + 1% until 2025-26.

From 2026-2027, the government re-introduced a further 10-year rent setting policy, which included a rent convergence element, allowing social housing providers to increase their rent costs by a set figure on top of CPI + 1%.

Rent convergence

Rent convergence is a term which relates to the government policy of increasing social housing rents to bring them in line with similar properties. It was first introduced in 2002 but halted in 2015 by the government until 2026-2027.

Rent convergence helps to ensure that similar social housing homes in the same areas have similar, consistent rent levels, regardless of whether they are owned by the Council or a Housing Association. For example, if a home’s formula rent is £120 each week and the current rent is £115 each week, the landlord may apply a standard annual increase (for example, CPI + 1%) plus a £2 per week “convergence increase”, until the rent reaches the £120 target.

Regulatory requirements

We are required to comply with the RSH’s Rent Standard ([Rent Standard 2026 - GOV.UK](#)). This sets out how we should set and increase rents in line with the government’s policy statement on rents for social housing ([Policy Statement on rents for social housing](#)).



Types of rent

Social rent

Most tenants living in a Council home are charged a social rent based on the government formula, as set out below. The initial formula rent was set in 2000 and has been increased by inflation each year.

Rent increases for existing tenants are set in line with the government’s Policy Statement on rents and are applied in April each year. Rents may be currently increased by a maximum of CPI + 1% in line with the government’s rent policy.

Tenants will receive at least 4 weeks’ notice of any increase or change to their rent in writing; this is a notice of variation. Where a tenant’s rent is less than formula rent, from April 2027 we may increase rents by a maximum additional £1 each week above CPI + 1%, rising to £2 each week above CPI + 1%, from April 2028.

Any properties that are re-let during the year will be let at the rent charge that is held on the rent accounting system against each property,

Formula rent

Formula rents are subject to a rent cap based on the number of bedrooms in a property and exist to avoid excessive charges.

The rent cap is increased currently by 1.5% each year. If the formula rent is higher than the rent cap, then the rent is set at the cap. Where a formula rent is also higher than the rent cap at reletting, then the rent cap will be applied.

Example of rent cap for 2026-2027

Number of bedrooms	Rent Cap
1 and studio flats	£204.35
2	£216.35
3	£228.36
4	£240.37
5	£252.39
6 or more	£264.41

The rent cap does not include service charges.

From 2027-28, rent caps will continue to increase by CPI (as at September of the previous year) plus 1.5%, each year.

The government's policy on rents provides flexibility to allow social landlords to set rents up to 5% above formula rents (10% for supported housing, including sheltered housing) for individual properties. In deciding whether to apply this flexibility, we can consider local factors and concerns such as the cost of investment in improving or refurbishing properties.

We do not currently apply this flexibility and any decision by Members to do so would be in consultation with tenants.

Affordable rent

Affordable rent properties are currently only those which Homes England, or the Secretary of State, has agreed can be let at an affordable rent, however from 2026, we can set other properties at affordable rent without the Secretary of State or Homes England agreement. Affordable rents are inclusive of service charges, such as those charges for communal cleaning and gardening.

Affordable rents are set at up to 80% of the gross market rent for a property. This is the rent that the property might reasonably be expected to be charged in the private rented sector. Property size, location type and service provision must be considered when determining what gross market rent a property might achieve if let in the private rented sector. For example, if a private house rents for £1,000 each month, an affordable rent, would cost £800 each month or less.

Affordable rents cannot be lower than the formula rent for social rent. We do not charge affordable rents that are above the Local Housing Allowance (LHA). LHA is a flat-rate allowance, usually paid through Housing Benefit or Universal Credit, and is based on the area a person lives in and the size of their household (number of bedrooms), rather than the actual rent charged. More information can be found about LHA at [Local Housing Allowance - GOV.UK](#)

Valuations for initial rent setting must be made in accordance with a method recognised by the Royal Institute of Chartered Surveyors. When reletting a property on an affordable rent, we must review the amount to be charged to ensure that it is no more than 80% of the gross market rent. We will seek

comparable rents to reset the affordable rent using a desktop valuation review of recent transactions. If comparable rents are not available, the Council will commission a full market valuation.

Rent increases for existing tenants are set in line with the government's Policy Statement on rents and are applied in April each year. Rents are currently increased by a maximum of CPI + 1% and tenants will receive at least 4 weeks' notice of any increase.

Garage rents

We set rent charges for Council owned garages annually and this is based on costs to repair and maintain these. The cost to Council tenants does not include VAT.

Garage rents are set by the Council as part of the annual rent setting process and garage rent charges form part of the rent consultations carried out with tenants each year.

Changes to garage rents require 7 days' notice, however we endeavour to give 4 weeks' notice in March each year. Rents increase or decrease in April each year.

New Council Homes Rent

For new Council homes that are to be let at a social rent, we will obtain a 1999 valuation of the property to calculate a formula rent from an external Valuation Officer.

The use of 1999 property valuations for social rent setting in England is a foundational element of the government's Rent Standard and is designed to ensure consistency, fairness, and affordability across the social housing sector. It allows us to calculate a formula rent based on the relative value of a property at a fixed point in time, rather than constantly changing market values and assists us in ensuring consistency, fairness and long-term stability in setting formula rents.

The valuation will be in accordance with a method recognised by the Royal Institute of Chartered Surveyors. We may not carry out valuations for each individual property but instead rely on a more generic valuation for types and sizes of properties in different locations.

Whilst we are not permitted to regularly revalue properties, we can revalue a formula rent for an

existing social rent home, where major works have been carried out that materially affect its value. This does not include repairs or updating a property, for example, fitting a new kitchen or bathroom, but does include major structural alterations, such as extensions. If we revalue a property, the new formula rent will not be applied to the existing tenant but will be applied when the property is relet.

Depending on the funding we receive for new Council homes, they may be set as a social rent or affordable rent. This will be explained in any offer letters, viewings and affordability discussions with new tenants.

Service charges

Rent paid by tenants covers the provision of general housing services, such as repairs and improvements to properties, lettings, estate management, rent collection, anti-social behaviour and helping tenants sustain their tenancies.

We also incur costs for providing additional services over and above what is normally included in the rent paid by tenants. These include communal cleaning and gardening, grounds maintenance, communal electricity, heating and bulk refuse removal. Service charges are calculated to recover reasonable costs of providing these additional services. For those tenants who pay an affordable rent, any service charges are included in this total cost.

We will always consult with residents before we introduce any new services that will result in a charge being paid, or where we introduce a new charge for an existing service. Our charges will be reasonable and transparent and are included in the annual rent increase letter we send to all tenants.

Service charges are part of the rent paid by tenants, but we will identify these separately when letting properties to new tenants and when applying rent and service charge increases.

Service charges are calculated to recover reasonable costs. We may increase or decrease the charges by providing at least 4 weeks' notice in writing. This will be done while we increase or change rents, but we may also do it at any other time and more than once a year, if we introduce a new charge or charge for the services that we already provide. Service charges are not increased in the same way as rents, but we endeavour to keep charges affordable.

Normally, changes to charges will be based on what has been spent in previous years, but we may

also consider how inflation and other costs such as prices from contractors, and how many tenants are receiving the service, which may affect the charge. This means that some increases may be above inflation, but we will ensure we clearly explain this as part of our rent consultation and our reports to Members. Examples of above inflation costs in recent years have included building insurance price increases and utility costs.

Sometimes we may have to estimate a charge where new services are being introduced, but we will review this annually. We may also decide to phase in new charges, where appropriate.

If we spend more on providing services to tenants than we have collected from them, then we may make up the difference. We may not ask tenants to pay this but the service charge for the next year may be adjusted accordingly to take account of any increase.

If we spend less than we have collected, then any money left over may not be refunded but the service charge for the next year may be adjusted accordingly.

We use fixed service charges for our tenants. This means that each year the charge will be set, and it will not change until the next year unless we introduce a new service, change a service or discontinue a service. This also allows the cost of some services to be spread throughout the year, for example, heating where tenants will pay the same amount during the summer as they do in the winter.

Fixed service charges are cheaper and easier for us to administer. They also mean that tenants do not receive an additional bill during the year, if we have not collected enough to cover our costs. Fixed

charges mean that tenants cannot ask the First-Tier Tribunal (Property Chamber) to determine any issue relating to how much is payable. However, in complying with the Policy Statement on rents for social housing, we are expected to set reasonable and transparent service charges. We will also seek to keep increases in service charges in line with rent increases, to keep charges affordable.

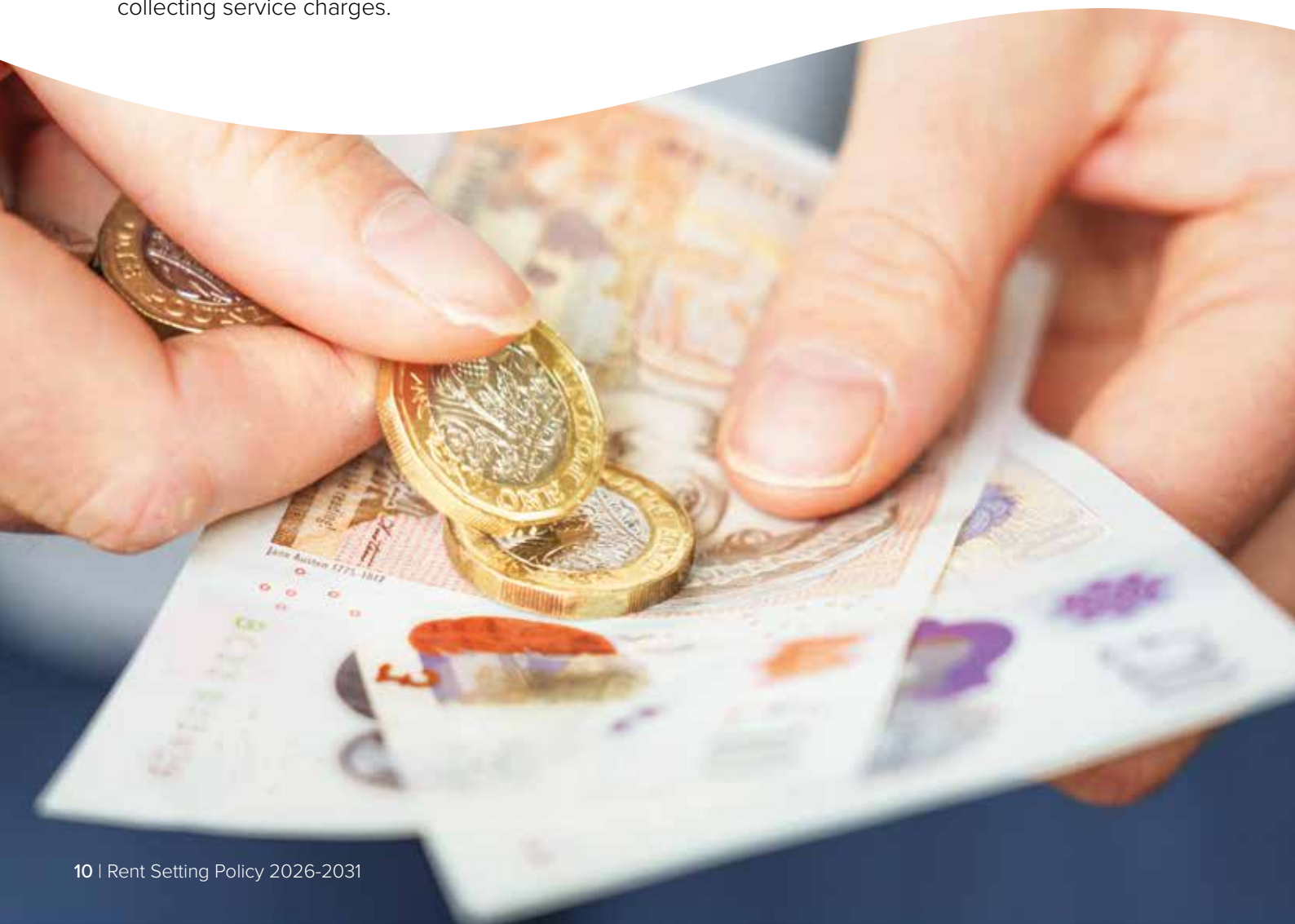
Some service charges are eligible for Housing Benefit or Universal Credit, such as (not exhaustive), window cleaning for first floor properties, ground maintenance, lifts and door entry systems. Other service charges such as (not exhaustive), individual heating costs, lighting and communal furniture are not eligible and therefore full costs are payable.

Service Charge Value for Money

We are committed to delivering high-quality and affordable services to our tenants that deliver good value for money. We aim to achieve this by:

- Complying with legislation and regulatory requirements for setting, presenting and collecting service charges.

- Ensuring service charges represent good value for money through effective procurement, monitoring of service quality and management of contractors and directly provided services.
- Undertaking detailed checks on budget costs and assumptions.
- Consulting tenants and Council Members when introducing or making significant changes to services.
- Listening to tenant feedback views through the annual Rent and Service charge consultation survey, tenant involvement activities and complaints.
- Where possible, ensuring that our service charges are eligible for Housing Benefit/ Universal Credit.



Affordability for new and existing tenants

New Tenants

Council homes are allocated in accordance with our Housing Services Allocation Policy. As part of this policy, we complete affordability checks with prospective tenants at the point of offer, to ensure they can meet the financial requirements of running and managing the property. If prospective tenants do not meet the financial requirements, we will work with them to see if we can assist them to increase their income via welfare benefits or other sources, before considering retracting the offer.

Some allocations have an additional local lettings policy, which may state that affordability checks will be completed prior to an offer being made.

Existing tenants

We provide support for current tenants through our Tenancy Sustainment team.

This team offers specialist support to tenants around affordability, welfare benefits and signposts and refers tenants to relevant specialist agencies for additional advice and support. They work closely with the agencies such as Citizens Advice, Step Change and Money Advice Service. Details can be found at [Darlington BC - Help with your tenancy](#)

Rent Setting Roles

Housing Services are accountable for ensuring that the correct rent and service charges are charged to tenants and that all legal and regulatory requirements are met.

We are also responsible for completing annual consultation with tenants, the collection of rent and arrears and taking enforcement action to recover rent and service charges owed to the Council, as necessary.

Responsibility for determining the policy is through our governance structure of formal Scrutiny Committee and Cabinet.

Annual rent charges require full Council approval each year.

The Tenants Panel are responsible for considering and reviewing this policy through effective scrutiny and for providing their views on annual rent charges each year.

The following table provides brief details of who is involved in the decision-making process for annual rents, with a basic timeline of the rent setting process.

Timescale	Who is Involved	Role
October to November	Finance Officers, in consultation with Senior Housing Officers, and the Cabinet Member for Health and Housing	To prepare a draft Medium Term Financial Plan (MTFP) and proposals for rent, for the following financial year, based on CPI+1% in September
November to December	Cabinet	To consider proposals for the MTFP and rent, for the following financial year, as a basis for consultation with Council tenants
December	Council tenants and the Tenants Panel	To provide views on the proposals for the MTFP and rent, for the following financial year.
January	Health and Housing Scrutiny Committee	To consider proposals for the MTFP and rent, for the following financial year, and the outcome of consultation, and to make any recommendations to Cabinet
February	Cabinet	To consider proposals for the MTFP and rent, for the following financial year, the outcome of consultation and any recommendations from Health and Housing Scrutiny Committee, and to make recommendations to Council
February	Council	To approve the MTFP and rent for the following financial year
February to March	Housing Services Officers	To update ICT systems with the agreed rent and service charge costs for the following year. To produce and send out letters to all tenants notifying the new charges



Consultation with tenants

We recognise and are committed to listening to the views of our tenants and we carry out extensive consultation each year with our tenants and the Tenants Panel in relation to rent and service charges.

Feedback from consultation events and surveys is included in all reports to Scrutiny, Cabinet and full Council. Tenants can provide their feedback in several ways, including through face-to-face events, online surveys and by telephone.

We communicate events and surveys face-to-face, through email, text and social media ensuring that we meet the diverse needs of our tenants and making consultation as accessible as possible.

Staff Training

Suitable training on this policy will be given to members of staff whose job either directly or indirectly is affected by this policy. Training may be provided internally or externally to ensure a consistent approach to rent setting and collection.

Training on this policy will also be given to staff or when the policy is reviewed or changed.

Appeals and Complaints

We recommend that tenants contact us to discuss any issues or complaints in relation to rent setting in the first instance.

Our complaints policy is available to any resident who is dissatisfied with the quality of work or service they receive from us, and if tenants remain unsatisfied, they can also bring complaints to the Housing Ombudsman for investigation.

Council tenants in England can challenge or appeal a rent increase, although the process differs from private renting.

If tenants believe the rent increase itself is unreasonable or that the council has not followed legal guidelines (for example, in setting rents above the allowed inflation cap + 1%), tenants may be able to challenge it through a court process known as a judicial review. As this is a complicated, long process that can incur costs, we recommend that legal advice is taken by any tenant considering this action.

It is important to seek advice from organizations like Citizens Advice or Shelter, as tenants should not stop paying current rent while disputing an increase, or they may risk falling into arrears.

Monitoring and Policy Review

Effective audits are essential to minimise risks, ensure fair charges, and prepare for increased scrutiny from regulators regarding rent policies. We have robust internal processes in place for rent setting, consultation and annual implementation of rent charges, but it is also important to regularly check these processes for accuracy and efficiency.

To ensure our rent setting complies with regulatory frameworks, policies and accurate calculation are completed, we carry out bi-annual internal audits of a sample of rent accounts. The findings of these audits are communicated to Members and tenants through our annual report.

This policy is reviewed every 5 years or when a change to the Rent Standard or other relevant legislation is made. This ensures the policy reflects current legislation and regulatory standards.





Housing Services contact details



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