

DARTFORD
BOROUGH COUNCIL
**RENT SETTING
POLICY FOR
COUNCIL HOMES
WITHIN THE
HOUSING REVENUE
ACCOUNT**

This Policy sets out Dartford Borough Council's approach to rent setting across its social and affordable rented homes.

October 2024

Contents

Section	Page number
1. Introduction	2
2. Definitions	2
3. Purpose and scope	3
4. Legal and Regulatory Framework	3
6. Setting rents	4
7. Monitoring and Implementation	5
8. Equality and Diversity	5
9. Review	6

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1. Introduction

- 1.2. This Policy sets out Dartford Borough Council's (DBC) approach to rent setting across its social and affordable rented homes, within the Housing Revenue Account (HRA). DBC will ensure that it meets the requirements set out in the Rent Standard for social rented homes, which was issued by the Regulator of Social Housing (RSH) as directed by the Government and came into effect on 1 April 2020. We must ensure that we understand and follow the requirements of the RSH Rent Standard while ensuring affordability for our tenants and maximising income.
- 1.3. The Rent Standard is an economic standard that the RSH expects registered providers, including DBC, to comply with. The RSH sets the requirements around how DBC can set and increase rents for all their social housing properties.
- 1.4. The Rent Standard applies to all registered providers and local authority low-cost social rental accommodation. It allows rents to be increased annually up to the Consumer Price Index (CPI) measure of inflation, plus 1%. CPI is based on the September of the previous year.

2. Definitions

- 2.1. **Social housing** is low cost rental accommodation as defined in section 69 of the Housing and Regeneration Act 2008. Social housing is let at a **Social Rent**, (also often known as formula rent or target rent) which is based on a calculation derived from 'formula' set by government and is substantially lower than equivalent market rent (exclusive of service charges), or at an **Affordable Rent** which is set at up to 80% of the equivalent local market rent, and is inclusive of eligible service charges. Properties are not permitted to be converted to another rent type, even on re-let.
- 2.2. **Formula Rent** (Social Rent) is calculated by using 30% of the property's relative value (based back to 1999), 70% of the relative local income levels (based back to 1999) and applying a weighting based on the number of bedrooms so that smaller properties will have lower rents.
- 2.3. **Affordable Rent** can be charged where a property has been provided under an agreed housing supply delivery agreement between the Council and the Secretary of State.
- 2.4. **Rent Flexibility Level** allows Registered Providers (RPs) to have some discretion over the Social Rent set for individual properties, taking into account local factors. This allows RPs to set rents at up to 5% above formula rent (10% for supported housing) if there is clear rationale for doing so.

3. Purpose and Scope

- 3.1. DBC is committed to providing rented housing at genuinely affordable rents. This Policy aims to provide a clear and consistent framework for setting and reviewing the rents of all properties within the Council's HRA.
- 3.2. This Policy aims to ensure current and future rents are set at levels which:
 - maintain the financial viability of the HRA
 - maintain the existing housing stock
 - construct or acquire new homes
 - allow continual service improvement
 - are fair and affordable for all tenants
 - are compliant with statutory and regulatory requirements.

For homes where rents can increase, this will take place annually every April.

- 3.3. This Policy does not provide information or guidance regarding rents for other uses such as garages, parking spaces or caravan plots, and it does not provide information or guidance regarding service charges.
- 3.4. Any changes to rent levels will be communicated to residents clearly and in a timely fashion. Any rent increases will be explained to tenants in full and support will be provided to address any concerns or questions that they may have.

4. Legal and Regulatory Framework

- 4.1. As a Landlord, DBC is obliged to comply with the contractual arrangements detailed in its tenancy and leasehold agreements.
- 4.2. This Policy is informed by several key pieces of legislation, regulations and guidance. These are:
 - The Housing Act 1985
 - The Landlord and Tenant Act 1985
 - Local Government and Housing Act 1989
 - Housing and Regeneration Act 2008
 - The Health and Social Care Act 2012
 - Guidance on Rents for Social Housing 2014
 - Social Housing rents Regulations 2016
 - Welfare Reforms and Work Act 2016
 - Direction on the Rent Standard 2019
 - Policy Statement on rents issued by the Secretary of State 2019
 - Rent Standard Guidance 2020
 - Rent Standard 2024 – Regulator of Social Housing.

5. Rent Policy Background

- 5.1. The majority of rented social housing properties are let at Social Rents, calculated using a formula set by Government that include assessment of the relative property value, relative local earnings and a weighting for the number of bedrooms. This formula-based approach is intended to ensure that similar social rents are charged for similar properties within a local area. The property valuation used to initially set the rent must be appraised in accordance with the Royal Institute of Chartered Surveyors (RICS) 'Red Book' methodology.
- 5.2. In 2011, the government introduced the new 'Affordable Rent' tenure which allows rents (inclusive of service charges) to be set at up to 80% of market rent levels.
- 5.3. The introduction of Affordable Rent was intended to improve the viability of social housing organisations and encourage the development of new homes.
- 5.4. In 2012, the Council entered into an agreement with the Secretary of State under the terms of which a proportion of capital receipts from the sale of council properties under the Right to Buy (RTB) were to be retained locally to be invested in the provision of affordable housing (known as the 1-4-1 scheme).
- 5.5. Since then, the Council has developed, or acquired, a number of new council homes for affordable rent which were historically set at the maximum Local Housing Allowance¹ (LHA) rate; considered affordable at the time. However, since June 2021 and the significant increase in LHA rates from 2017, the Council has set rents at 70% of Local Housing Allowance for all newly built and acquired properties, to ensure that homes remain affordable for all tenants, including those that are working and not in receipt of full housing benefit (see 6.4 – 6.10 for further information).

6. Setting Rents

- 6.1. **Social rents**
- 6.2. Existing social housing rents will increase by CPI plus 1% every April, unless there are legislative changes or the Council decides not to increase rents. All tenants are entitled to four weeks' notice of a change to their rent. The Council provides 4 rent free weeks a year so would normally charge rent for 48 weeks of the year.
- 6.3. Council homes will have their rent level re-valued and updated whenever they become void, prior to re-letting. Occasional rent corrections will be made where the Council identifies errors in rent calculations, and tenants will be informed with appropriate notice.

¹ Local Housing Allowance is the maximum amount of housing benefit that is payable on a property.

6.4. Affordable Rents

- 6.5. All newly developed or acquired council homes will be let at an affordable rent based on 70% of the current LHA, inclusive of eligible service charges.
- 6.6. The Council will not increase affordable rents by CPI+1% if this means that the rent will be higher than 70% of the current LHA, inclusive of eligible service charges.
- 6.7. Properties that were let prior to June 2021 at a higher affordable rent will have rents frozen until such time as these rent levels align with 70% of LHA.
- 6.8. If a property becomes void that was previously let at a higher rent, the rent levels will be reviewed and aligned with 70% of LHA.
- 6.9. The Council will review rent levels for all its new build and acquisition properties on an annual basis to ensure they remain affordable to all tenants.
- 6.10. In exceptional cases of financial hardship, and subject to a full financial review, a lower rent may be applied to tenants that have moved into one of the Council's new build or acquired council properties, on the higher rent levels, but where their financial circumstances have changed to the point that the rent levels are unaffordable and they are at real risk of eviction for unintentional rent arrears. In this situation the rent level will be reset at 70% of LHA.

7. Monitoring and Implementation

- 7.1. The legislative responsibility for setting the final rent level for the Council's social housing lies with the General Assembly of the Council and is set at the annual budget meeting; which is held in February of each year.
- 7.2. Assessment of the Council's overall HRA rental portfolio and its viability is undertaken by the Council's Finance Team who manage the HRA Business Plan.
- 7.3. The Housing Finance and Leasehold team oversee the operational delivery of the Rent Setting Policy, with rent-setting for individual properties undertaken by the Housing Finance and Leasehold Manager.
- 7.4. Rents will be reported to the RSH through the annual regulatory Statistical Data Return submission.

8. Equality and Diversity

- 8.1. The Council is committed to welcoming and valuing diversity, promoting equality of opportunity and tackling unlawful discrimination in accordance with the Equality Act 2010. The Council, in delivering this draft Rent Setting Policy, will

have regard to the Public Sector Equality Duty and ensure that no individual is discriminated against based on their sex, sexual orientation, marital status, pregnancy and maternity, gender reassignment, race, religion, belief, disability or age.

- 8.2. The Public Sector Equality Duty is a duty on the Council and that responsibility cannot be delegated to a contractor/service provider and is a continuing duty.
- 8.3. This draft Policy has been subject to a Customer Access Review screening to assess the impact it will have on equality. The screening concluded that there are no known circumstances where the Policy will have relevance to or a disproportionate equality impact on the protected characteristic groups. The application of policy is relevant to property rather than to individuals. The Policy does not target or exclude specific protected characteristics or is likely to affect people with protected characteristics differently. A full Customer Access Review was therefore not necessary.

9. Review

- 9.1. The Council will review this Rent Setting Policy every three years or earlier to address legislative, regulatory, best practice and operational issues.