

Policy: Rent and Service Charge Setting Policy

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Control Schedule

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Rent and Service Charge Setting Policy Name of Policy

Ashford Borough Council

October 2025

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1. Policy Statement

- 1.1. Ashford Borough Council is committed to providing high quality, well managed social and affordable housing. Our aim is to ensure that rents and service charges are set consistently, are legally compliant and fair. Rents are crucial in ensuring the council can meet the responsibilities as a landlord and are maintaining long term sustainable service. It is important that tenants understand how rents are calculated and what they are paying for. It pays for management, maintenance and modernisation of our existing homes as well as supporting the growth of our housing stock.
- 1.2. The purpose of this policy is to set out Ashford Borough Council's approach to rent and service charge setting. It ensures that we are compliant with legal requirements. Rent levels will be set in line with Rent Standard by the Regulator of Social Housing.

2. Scope of the Policy

- 2.1. This policy applies to all social and affordable properties owned and managed by Ashford Borough Council, including General Needs and Independent Living Accommodation. It covers the rent setting for new tenancies and the annual review of existing tenancies.
- 2.2. This policy does not cover leasehold service charges, rent setting for garages or shops and commercial premises.

3. Relationship with Other Existing Policies

- 3.1. This policy should be read in conjunction with other relevant Council policies
 - a. Temporary Accommodation Charging Policy

4. Responsibilities

- 4.1. A clear outline of responsibilities is essential to ensure the effective and consistent setting of rents and service charges. This section outlines the roles and responsibilities of all parties involved in managing complaints, fostering accountability and consistency throughout the council.
- a. **Housing Management Staff:** Responsible for ensuring that all tenants are informed of their rent and service charge levels and explaining how charges are calculated, responding to queries and signposting tenants to support services where needed.
 - b. **Income and Arrears Manager:** Responsible for calculating rents and service charges in line with government guidelines and policy and recalculating rents before re-lets.
 - c. **Finance:** Responsible for ensuring actual costings are provided for the previous financial year to ensure accurate, evidence-based service charge setting to reflect the true cost of services.

5. Definitions

- 5.1. The definitions below provide clarity on key terms used throughout this policy to ensure a shared understanding of the terminology used in the policy, facilitating effective communication and consistent application of the rent and service charge setting process.
- a. **Formula Rent:** A formula to calculate social rents, based on the property value, local income levels and number of bedrooms
 - b. **Affordable Rent:** Rent set based on up to 80% of the local market rent, or capped at the LHA (Local Housing Allowance), whichever is lower.
 - c. **Service Charges:** Charges applied in addition to rent to cover the cost of additional services, such as cleaning, communal utilities and shared facilities

6. Formula Rent Calculation

- 6.1. The calculation for formula rent is

70% of the national average rent
Multiplied by relative county earnings
Multiplied by the bedroom weight
Plus
30% of the national average rent
Multiplied by relative property value

National average rent means the national (England) average rent in April 2000.

Relative county earnings means the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels.

Relative property value means an individual property's value divided by the national (England) average property value, as at January 1999 prices.
(Guidance on Rents for Social Housing)

- 6.2. Rents will usually increase by CPI (Consumer Price Index) plus 1% each year. The CPI is taken from the September of the previous year.
- 6.3. Ashford Borough Council will apply Formula Rent to all new social rent tenancies. This enables the Council to maximise income to the HRA (Housing Revenue Account). This is essential to fund the delivery of objectives within the HRA Business Plan, including property maintenance, investment in new homes and improving services for tenants.
- 6.4. Social Rent properties will have the rent levels adjusted to align with Formula Rent when re-let.

7. Affordable Rent Calculation

- 7.1. Affordable Rents are charged at up to 80% of market rent, in line with government affordability criteria. Once a property is designated as Affordable Rent, it will remain so and will not revert to Formula or Social Rent.

- 7.2. Affordable Rents are typically higher than Social Rents and are intended to generate additional income that can be reinvested in new affordable housing. The Council's rent setting for Affordable Rent properties will comply with Homes England requirements. Each time an Affordable Rent tenancy is issued, a new valuation will be undertaken to ensure the rent reflects current market conditions.
- 7.3. Rents will be set at up to 80% of the market rent, inclusive of service charges. Market rents will be established through a desktop valuation using comparable listings from sources such as Rightmove, considering location, size, type, and condition of the property. Properties used for comparison must be in the same or a closely-matching area.
- 7.4. The 80% market rent figure will then be cross-checked against the relevant Local Housing Allowance (LHA) rate for the property type. The rent charged will be the lower of the two to ensure compliance with affordability rules and to avoid breaching benefit caps for tenants claiming housing support.

8. New Tenancies and Re-Lets

- 8.1. If a property is already let with an Affordable rent, it will remain as affordable rent when re-let.
- 8.2. Social Rent properties will have the rent levels adjusted to align with Formula Rent when re-let.
- 8.3. Newly acquired and newly built properties will be re-let at affordable rent. The rent will be calculated at the time of the first let and based on 80% of the market rate for an equivalent property in a similar area, or in line with the Local Housing Allowance (LHA), whichever is lower, inclusive of service charge. This also applies where a property is demolished and subsequently rebuilt or replaced, the new property will be relet at Affordable Rent. This applies regardless of the previous rent type previously charged.
- 8.4. In the case of mutual exchanges or successions, rent levels will remain at the same rent level. Where appropriate, the Council will carry out a surrender and regrant of the tenancy to ensure that the incoming tenant retains the same tenancy type or equivalent terms as their previous agreement. This protects tenants from being disadvantaged as a result of the exchange

- 8.5. Where grant funding is secured from Homes England, the Council will comply with any conditions attached to that funding, including requirements around the type of rent to be charged. In some cases, particularly where additional grant is available, newly built or replacement homes may be let at Social Rent rather than Affordable Rent. This will be determined on a scheme-by-scheme basis, taking into account the funding conditions.

9. Temporary Accommodation

- 9.1. Rents for Temporary Accommodation properties, including those managed through the General Fund or privately rented are set in accordance with the current Temporary Accommodation Charging Policy.

10. Service Charge Setting

- 10.1. Service charges are variable charges payable by tenants for services and maintenance associated with the communal area of their properties. These charges cover communal facilities and shared spaces within council-owned homes and vary depending on whether the accommodation is General Needs stock or within an Independent Living Scheme.
- 10.2. General Needs service charges will be increased annually in line with Consumer Price Index (CPI) + 1%, consistent with the annual rent review. Service charges will also be reviewed periodically to ensure they accurately reflect the actual costs of the services provided. The charges will be adjusted as necessary to ensure fairness and transparency.
- 10.3. General Needs service charges will cover the cost of services provided and may include, but not limited to:
- Cleaning of communal areas
 - Communal lighting
 - Lift maintenance (if applicable)
 - Door entry system servicing
- 10.4. Independent Living service charges are set annually in arrears, based on the actual costs incurred in providing services and support to tenants in the previous financial year. These charges reflect the additional communal services and facilities specific to Independent Living, such as staffing, alarm systems, compliance.

- 10.5. Service charges for Independent Living schemes may include both eligible and ineligible charges for Housing Benefit or the Universal Credit housing element. Eligible charges relate to services available on a communal basis, such as communal lounges, cleaning of communal areas, grounds maintenance, and communal lighting. Ineligible costs may include personal services, such as heating and lighting for individual flats, personal utilities, or alarm monitoring. Tenants are provided with a clear breakdown of charges so they can understand which elements are covered by benefit entitlement and which may need to be paid directly.

11. Tenant support and advice

- 11.1. Ashford Borough Council recognises that some tenants may experience financial hardship. Any tenant who is struggling to pay their rent or service charge is encouraged to contact their Neighbourhood Housing Officer as soon as possible. Assistance and support is available, including referrals for welfare and debt advice, support to submit Discretionary Housing Payment (DHP) applications or other financial assistance where applicable.

12. Policy Review

- 12.1. This policy will be reviewed periodically to ensure it remains compliant with current legislation and relevant guidance.

Owner	Jo Fox (Housing)
Last Review Date	October 2025