
Rent and Service Charge Setting Policy



**April 2026 | This policy relates to Elmbridge Borough
Council Residential Properties**



Elmbridge
Borough Council

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1. Aims and Objectives

- 1.1 This policy is designed to set out Elmbridge Borough Council's approach to rent-setting across the rented homes which it owns. At the time of writing, the council provides four types of housing / tenancy types across its portfolio with different rent-setting arrangements applying to each of them.
- 1.2 This policy is intended to provide clarity on the rent-setting arrangements and, where applicable, seeks to demonstrate compliance with the 'Rent Standard' issued by the Regulator of Social Housing (RSH).
- 1.3 As well as ensuring compliance with all legal and regulatory requirements, our rent-setting policy seeks to balance affordability for our residents with the need to maximise income to fund the management and maintenance of the stock.
- 1.4 For the avoidance of doubt this policy does not apply to rents and service charges for leasehold properties, whether granted by the council under the Right to Buy, shared ownership schemes or otherwise.
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2. Background

- 2.1 The council provides housing for four different purposes, as set out below.
- 2.1.1. **Social rented housing / general needs** – we became a landlord to several properties from 1 April 2024 after EBC Homes Ltd, the council's wholly-owned housing company, surrendered its leases to us. Under this transfer and following a tenant consultation, we granted secure tenancies at social rents to tenancies previously holding assured shorthold tenancies, in accordance with the Rent Standard.
- 2.1.2. **Service / tied accommodation** – we provide a very small number of homes which are let to its employees, where the accommodation was tied to the better performance of their duties. The rent increase approach applied to social rent housing will also apply to service tenancies, in order to maintain a consistent approach across the council's housing stock
- 2.1.3. **Local Authority Housing Fund (LAHF) properties** – we have let and continue to acquire properties to let under the LAHF programme. Most of these properties are to be let to specific cohorts, relating to Afghan
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resettlement and the UK's humanitarian response to Russia's invasion of Ukraine. A small number of LAHF properties have been acquired to meet wider homelessness pressures and are being used as temporary accommodation which is available to homeless households. We have secured a waiver from the Ministry of Housing, Communities & Local Government (MHCLG) that these properties can be let at Affordable Rents and these properties will be let at those levels.

2.1.4. Temporary accommodation for homeless households (non LAHF)

– we own and let a range of self-contained dwellings to rent for households to whom we owe duties to arrange suitable temporary accommodation under the homelessness legislation.

3. References and Definitions

- 3.1 The [Policy Statement On Rents on Social Housing](#) ('the Policy Statement'), updated published by DLUHC on 14 December 2022, sets out the Government's policy on rents for social housing.
- 3.2 The Directions on the Rent Standard issued by the Secretary of State requires the Regulator of Social Housing to comply with the Policy Statement for Rents on Social Housing. This is generally known as the 'Rent Standard'.
- 3.3 Registered providers are required to comply with the Regulator of Social Housing's Rent Standard:
- 3.3.1 The [Rent Standard 2020](#) sets the required outcomes for how registered providers set and increase rents for all their social housing stock.
 - 3.3.2 The Rent Standard 2023 is applied from 1 April 2023 to 31 March 2024 for rents set after this point, the Rent Standard 2020 applies in full.
 - 3.3.3 The Rent Standard 2020 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.
 - 3.3.4 The Rent Standard 2025 indicates that the Rent Standards 2020 and 2023 are to have no effect on rents from 1 April 2026 and will be revoked on 1 April 2026. Rent Standard 2025 will be reviewed to ensure rent setting continues to comply from 1 April 2026.
- 3.4 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 known as formula rent or target rent) which is based on a

calculation derived from a formula set by government and is substantially lower than equivalent market rent (exclusive of service charges), or at an Affordable Rent, which is set up to 80% of the equivalent local market rent, and is inclusive of service charges. Social Rent properties are not permitted to be converted to another rent type, even on re-let.

- 3.5 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 (also based back to 1999) and applying a weighting based on the number of bedrooms, and then adjusted, for each year, using the relevant inflation adjustment. Details on how to apply the calculations is set out in the Policy Statement for Rents on Social Housing.
- 3.6 Market Rent is the rent that a property could reasonably be expected to achieve if let in the private rented sector, inclusive of applicable service charges. For the purposes of the Rent Standard, gross market rent is estimated based on a valuation method recognised by the Royal Institution of Chartered Surveyors
- 3.7 'Rent Flexibility Level' allows Registered Providers to have some discretion over the Social Rent set for individual properties, considering local factors.
- 3.8 For general needs properties let at Social Rent, this allows Registered Providers to set rents at up to 5% above formula rent (subject to rent caps), if there is a clear rationale for doing so. We have applied this 5% rent flexibility in setting the rents on the Social Rented Housing tenancies granted from 1 April 2024. This approach reflects Elmbridge's high-cost housing market and the increased costs associated with property maintenance, contractor labour and regulatory compliance. Applying this flexibility supports the sustainable management of the housing stock, while ensuring rents remain affordable and significantly below market levels.
- 3.9 For 'supported housing', as defined by the 'Rent Standard' and the 'Policy Statement', Registered Providers can set rents at up to 10% above formula rent (subject to rent caps) where there is a clear rationale for doing so.

4. Purpose and scope

- 4.1. This policy aims to assist in setting rent for Social Rent and Affordable Rent properties which are owned by the council, including homes let on service tenancies to council employees.
- 4.2. This policy aims to ensure that current and future rents are set at levels which comply with legal and regulatory requirements, allow for continual service improvement, supports future investment in the maintenance of the stock and
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are fair and affordable for all residents. For homes where rents can increase, this will take place annually every April, to take effect from the first Monday of that month.

4.3. This policy also provides guidance regarding the setting and recovery of service charges on homes owned by the council.

4.4. Any changes to rent levels and service charges under this policy 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. This communication and support will be provided by the council, or a managing agent acting on behalf of the council if the council employs a managing agent.

5. Legal and Regulatory Framework

5.1 The RSH's published regulatory standards to set out the outcomes that RPs are expected to achieve – they are set out in a regulatory framework and are classified as either 'economic' or 'consumer' standards. The 'Rent Standard' requires that RPs' charge rents in accordance with the Government's direction to the RSH and in accordance with the 'Policy Statement'.

5.2 In June 2024, the council completed mandatory registration with the RSH and, as such, we comply with their requirements, including to comply with the Rent Standard where it is applicable to the type of housing we hold.

5.3 As a landlord, the council is obliged to comply with the contractual arrangements detailed in its tenancy agreements, which specify initial rental charges and the mechanisms for making changes to rent levels to secure tenancies in accordance with the 1985 Housing Act. Where the council lets properties on non-secure tenancies and licences, the agreements will contain similar provisions in relation to the rents/occupation charges to be paid by the occupier as might be appropriate.

6. Rent Policy Background – National and Local

6.1 Since 2001, the majority of rented social housing properties in England have been let at Social Rents, calculated using a formula set by Government that included assessment of the relative property value, relative local earnings

and a weighting for the number of bedrooms (see Appendix A). This formula-based approach was intended to ensure that similar social rents were 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 Institution of Chartered Surveyors (RICS) 'Red Book' methodology.

- 6.2 We have complied with the 'Policy Statement' and the 'Rent Standard' in setting rents for our social housing properties and have followed the approach in Appendix A to set the net rents for our Social Rent properties.
- 6.3 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. The introduction of Affordable Rent was intended to improve the viability of delivering social housing.
- 6.4 Due to ongoing concerns about the affordability of Affordable Rent properties in Elmbridge and the sustainability of such tenancies, should they be set at the maximum of 80% of market rents, the council has introduced further limits on the maximum rents (inclusive of service charges) charged on homes let at Affordable Rents, with the maximum rent at point of letting being the lower of 80% of market rent or a proportion of the Local Housing Allowance applying to the property (based on its location and the number of bedrooms). This is covered in more detail below.
- 6.5 The council reserves the absolute right to charge a higher rent to households with 'high incomes', (including social tenants with high incomes) as is permitted by the Policy Statement and Rent Standard.

7. Social Rent Properties/General Needs – Rent Setting

- 7.1 Under the current Rent Standard existing Social Housing rents will increase by CPI plus 1% every April (until or unless 'Policy Statement' or the 'Rent Standard' is updated to introduce another cap), based on the CPI rate published for the previous September.
- 7.2 All tenants will receive at least four weeks' notice of a change in their rent.
- 7.3 Council homes will have their rent level re-valued and updated whenever they become void, prior to re-letting, or if the property has been improved by

the addition of a bedroom/s or otherwise adapted to provide 'supported housing' or other adaptations that may prompt a rent review. Occasional rent corrections will be made where errors in rent calculations are identified, and tenants will be informed with appropriate notice.

7.4 General needs Social Rent levels are restricted by a 'Rent Cap' which is set out in the 'Policy Statement' to ensure affordability. Where a formula rent (whether with or without rent flexibility) would be higher than the rent cap for a particular size of property, then the 'rent cap level' will apply. The rent caps are increased each April by CPI (as of September of the previous year) plus 1.5%. The Rent Caps for 2026/27 are set out in Appendix A.

7.5 At the time of writing, all of the rents for our Social Rent properties are below the 'Rent Cap', so the 'rent cap level' has not been applied.

7.6 Appendix A sets out the methodology used to set the rents on the Social Rent properties.

7.7 The rent increase approach applied to social rent housing will also apply to service tenancies, and subject to paragraph 6.5 of this policy, in order to maintain a consistent approach across the council's housing stock. Rent increases every April and will be set at CPI (as of September of the previous year) plus 1%.

8. Local Authority Housing Fund properties (LAHF) – Affordable Rent – Rent Setting

8.1 The council has the express agreement from the Secretary of State of the Ministry of Housing, Communities & Local Government (MHCLG) that Affordable Rents can be charged on properties that have been delivered within Elmbridge under LAHF funding Rounds 1, 2 and 3. This may extend to Round 4, should the council choose to participate, and includes properties dluhacquired for use as temporary accommodation to help ease homelessness pressures.

8.2 The maximum initial rents (including service charges) for LAHF properties have been set on the following basis:

For 1-bedroom properties (first let in 2023/24)

The lower of:

- 80% of the market rent, and:
- 95% of the local housing allowance rate applying in 2023/24 to the number of bedrooms in the property in that broad rental market area

For 2-bedroom properties (first let in 2024/25)

The lower of:

- 80% of the market rent, and:
- 95% of the local housing allowance rate applying in 2023/24 to the number of bedrooms in the property in that broad rental market area (plus an uplift of 6.7%, to reflect September 2023 CPI rate)

For 3-bedroom properties (first let in 2023/24)

The lower of:

- 80% of the market rent, and:
- 85% of the local housing allowance rate applying in 2023/24 to the number of bedrooms in the property in that broad rental market area

For 3-bedroom properties (first let in 2024/25)

The lower of:

- 80% of the market rent, and:
- 85% of the local housing allowance rate applying in 2023/24 to the number of bedrooms in the property in that broad rental market area (plus an uplift of 6.7%, to reflect September 2023 CPI rate)

For 4-bedroom properties (first let in 2023/24)

The lower of:

- 80% of the market rent, and:
- 80% of the local housing allowance rate applying in 2023/24 to the number of bedrooms in the property in that broad rental market area

For 4-bedroom properties (first let in 2024/25)

The lower of:

- 80% of the market rent, and:
- 80% of the local housing allowance rate applying in 2023/24 to the number of bedrooms in the property in that broad rental market area (plus an uplift of 6.7%, to reflect September 2023 CPI rate)

For properties 5-bedrooms or more (first let in 2023/24)

The lower of:

- 80% of the market rent, and:
- 85% of the local housing allowance rate applying in 2023/24 to the number of bedrooms in the property in that broad rental market area (plus an uplift of 6.7%, to reflect September 2023 CPI rate)

8.3 For any LAHF properties first let in 2025/26 or later, the approach to rent setting will follow the arrangements set out for properties first let in 2024/25, with the exception that the most recent Local Housing Allowance rate applicable to the number of bedrooms within the relevant Broad Rental Market Area will be used. Any cumulative inflationary uplifts, calculated at CPI plus 1% and based on the September CPI rate for previous years, will be applied to the initial rent, unless this exceeds any rent limit set by Central Government.

9. Temporary accommodation (Non-LAHF) – Rent Setting

Rents for all temporary accommodation, excluding properties acquired under the LAHF programme, are set in line with the Rent Standard, where applicable, and will comprise of a rent initial set at formula rent (plus 5% rent flexibility), subject to rent

caps, plus service charges. Unless or until the 'Policy Statement' or the 'Rent Standard' introduces an alternative cap.

The 'Rent Flexibility Level' of up to 10% will be applied in setting the rents for our social rent temporary accommodation where we provide temporary 'supported housing'. At the time of writing, none of the council's temporary accommodation meets the definition of 'supported housing'.

10. Service Charges

10.1 Service charges usually reflect additional services provided to some but not every tenant, or which may relate to communal facilities and are appropriately referenced in the tenancy agreement where applicable.

10.2 In the case of Social Rent / General Needs properties, Service / tied accommodation, and Temporary Accommodation (non-LAHF) service charges are identified separately from the rent charge, whereas for LAHF properties let at Affordable Rent tenancies, the rent charged (up to 80% of the market rent) will be inclusive of any service charge.

10.3 The tenancy and license agreements set out whether the services are charged on a fixed or variable basis. Generally, we operate a variable service charge policy, where the costs of services are estimated for the year ahead and when the end of year accounts are reconciled surpluses and deficits are carried forward. We will endeavour to keep increases for service charges within the limit on rent charges (currently CPI plus 1%), to help keep charges affordable, but this cannot be guaranteed.

10.4 For some properties / tenancies, the council owns the property on a leasehold basis and the service charges passed onto the tenant will be informed by the charges set by the freeholder and / or their managing agent over which the council will have no control. Where the freeholder or their representative proposes a service charge increase that appears excessive, for example significantly above the rate of inflation, the council will review the proposed charges and engage with the freeholder to explore whether the level of increase can be reduced.

10.5 Subject to above paragraph 10.5, for each property, the council will prepare:

- An annual budget estimate, by each service charge item of the costs that are predicted for the year.

- The apportionment per tenancy that will set out what each council tenant will be expected to pay as a fair and reasonable proportion of the service charge
- Estimates for contributions, by each tenant, into sinking funds or other reserve funds for future maintenance or renewals as permitted by the tenancy terms.

10.6 The accounting year will be from 1 April to 31 March, and the council will prepare statements that will show actual expenditure incurred against the budget estimates provided to tenants either at the start of their tenancy [if within the first year] or at the annual common review date of 1 April each year. The council alongside our managing agent aims to send service charge statements to tenants within 6 months of the year-end.

10.7 Any over or under-collection of service charges will be carried forward to the following year, for new tenants this is apportioned based on the number of weeks the tenant has been living in the property.

10.8 In applying service charges, we will seek to separate the charges in the tenancy agreements. The Department of Work & Pensions (DWP) regulations indicate which service charges are likely to be eligible for payment through Universal Credit or Housing Benefit (where tenants qualify for such assistance) and which are ineligible.

10.9 Eligible service charges relate to the provision of services connected to the adequacy of accommodation, often relating to communal areas. These may include, but are not limited to:

- Communal cleaning
- Window cleaning
- Communal gardening
- Communal lighting
- Communal heating

10.10 Ineligible charges include personal charges or the provision of utilities to individual dwellings, such as water, fuel, meals and personal support and care.

10.11 Any charges that need to be paid but which are ineligible for housing benefit or universal credit will be set out in the service charge estimate / budget and within the tenancy/license agreement, where required.

10.12 Where new or extended services are introduced and an additional service charge may need to be made, we will consult with tenants prior to making a final decision.

11. Monitoring and Review

This policy will be reviewed every three years or sooner if required due to legislative changes or operational needs. Responsibility for monitoring its implementation lies with our Housing Services team.

12. Appendix

Appendix A: Information for calculating formula rents (social rents)

This appendix provides the information, apart from property-specific details, that is required to calculate formula rents. This information was used to set the rents on the social rent tenancies granted by the council following the stock transfer from EBC Homes Limited which took effect from 1 April 2024.

1. The formula rent for a property is calculated using the following:

Weekly formula rent is equal to:

- 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. This was £54.62.
- Relative county earnings means the average manual earnings for the county in which the property is located (for Elmbridge, this is Surrey: £333.20 per week) divided by national average manual earnings (£316.40 per week). These are both at 1999 levels.
- Relative property value means an individual property's value divided by the national (England) average property value (£49,750) as a January 1999 prices.
- The following bedroom weights must be used in the formula.

Number of bedrooms	Bedroom weight
0 (i.e. bedsits)	0.80
1	0.90
2	1.00
3	1.1
4	1.2
5	1.3
6 or more	1.4

2. Uprating to current rent levels

Once a formula rent for 2000-01 has been calculated, it must be adjusted for each year following the two-step process set out in Appendix A of the [Policy Statement for Rents on Social Housing](#). This allows for annual inflationary / deflationary changes up until 2023/24 and the inflation by CPI plus 1%, including allowing for the four-year rent reduction period required by the Welfare Reform and Work Act 2016. The following table was used to help calculate the formula rents:

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Year	Inflation	Additional	Total
2001-02	3.3%	1.0%	4.3%
2002-03	1.7%	0.5%	2.2%
2003-04	1.7%	0.5%	2.2%
2004-05	2.8%	0.5%	3.3%
2005-06	3.1%	0.5%	3.6%
2006-07	2.7%	0.5%	3.2%
2007-08	3.6%	0.5%	4.1%
2008-09	3.9%	0.5%	4.4%
2009-10	5.0%	0.5%	5.5%
2010-11	-1.4%	0.5%	-0.9%
2011-12	4.6%	0.5%	5.1%
2012-13	5.6%	0.5%	6.1%
2013-14	2.6%	0.5%	3.1%
2014-15	3.2%	0.5%	3.7%
2015-16	1.2%	1.0%	2.2%
2016-17	N/A	N/A	-1.0%
2017-18	N/A	N/A	-1.0%
2018-19	N/A	N/A	-1.0%

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Year	Inflation	Additional	Total
2019-20	N/A	N/A	-1.0%
2020-21	1.7%	1%	2.7%
2021-22	0.5%	1%	1.5%
2022-23	3.1%	1%	4.1%
2023-24	10.1%	1%	11.1%
2024-25	6.7%	1%	7.7%
2025-26	1.7%	1%	2.7%
2026-27	3.8%	1%	4.8%

3. Rent caps

Social rent caps for 2026-27 are as outlined in the following table:

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

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

The relative property values used in the formula are based on January 1999 values. As none of the stock was owned by the council at that time, these values were calculated by reference to valuations undertaken on the council's behalf either at purchase or as part of a periodic valuation and then using the online Nationwide Housing Price Index tool to provide an estimated value as of January 1999.

Rent Flexibility Level allows Registered Providers to have some discretion over the Social Rent set for individual properties, considering local factors. This allows Registered Providers to set general rents at up to 5% above formula rent, if there is a clear rationale for doing so. We have applied the 5% rent flexibility when setting rents for Social Rent tenancies granted from 1st April 2024. This one-off uplift was applied after first increasing the 2023/24 formula rent by 7.7%.