



Rent & Service Charge Policy

February 2026

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2 Version control

Date	Details	Updated by	Commentary
August 2024	V1	Anita Merritt	Initial policy draft for Torbay Council
February 2026	V2	Anita Merritt / Sam Irving	Policy revised to align with the Regulator of Social Housing Rent Standard and December 2022 Policy Statement on rents for social housing; clarifies re-let rules; adds UC/HB signposting, trust wording, worked examples and an annual timetable.

3 Executive Summary

3.1.1 This Rent & Service Charge Policy (February 2026) sets out Torbay Council's approach to setting, reviewing, and communicating rents and service charges for its social and affordable rented homes. The policy ensures compliance with the Regulator of Social Housing's Rent Standard, which governs how rents must be set and increased for Registered Providers, including stock-owning Local Authorities. It also reflects the government's Policy Statement on Rents for Social Housing, which establishes the basis of Formula Rent, permitted flexibilities, and the framework for Affordable Rent.

3.1.2 The primary objective of the policy is to provide a fair, transparent and affordable system for charging tenants, ensuring rents remain compliant with legislation, represent value for money, and support sustainable housing management and maintenance. The policy incorporates updated requirements under the Consumer Standards, including the 2024 Safety and Quality Standard, which requires landlords to provide well maintained, safe homes and effective landlord services.

4 Key Terms

- **Social rented housing** - Since 2001 social rents are set using a government formula ("formula rent") using average sector rent, relative county earnings, number of bedrooms and property value. Flexibility allows charging up to +5% over formula rent (or +10% for Supported Housing) where justified. Rationale for any flexibility will consider local circumstances and affordability
- **Affordable rented housing** - Homes let at Affordable Rent where the rent, including service charge, does not exceed 80% of open market

rental value (inclusive of service charge), subject to Homes England/Secretary of State conditions where applicable.

- **Consumer Price Inflation (CPI)** - the September CPI preceding the rent year is used for annual rent setting under current policy. References to CPI are to the September figure unless stated otherwise.

5 Policy Statement

5.1 Context

- 5.1.1 Torbay Council sets rents and service charges annually for social housing tenants. We work within the framework set by the Regulator of Social Housing (RSH) and provide the correct notices within appropriate timeframes to all our customers.
- 5.1.2 This policy must be read alongside the Rent Standard and any government policy or direction in force at the time.

6 Scope

6.1 Extent

- 6.1.1 This policy provides the framework for Torbay Council to set its approach to rents and service charges, including any annual increases in accordance with Tenancy Agreements. This policy covers:
 - Annual changes to rents for existing tenants in social or affordable rented homes;

- Setting the initial rent for new tenants offered social or affordable rented homes; and,
- Setting and reviewing service charges that apply to social or affordable rented homes.

6.1.2 Cabinet will revisit this Policy annually and make amendments as required.

6.2 Limitations

6.2.1 This policy does not cover charges payable or collected on behalf of third parties (contained in any relevant agreements). Furthermore, it does not apply to commercial tenancies, homes owned by the Council and provided as Temporary Accommodation, hostels or other nightly-paid Emergency Accommodation provided under non-secure agreements/licenses.

7 Aims, Objectives & Responsibilities

7.1 Overall Aims

7.1.1 To ensure that rents and service charges are applied and recovered in accordance with legislative and regulatory requirements, and to publish a fair, equitable and affordable system of charging to tenants, which represents Value for Money.

7.2 Objectives

7.2.1 The objectives of this policy are to:

- Comply with the RSH Consumer Standards (from 1 April 2024), including the Safety and Quality Standard;

- Ensure any charges are made in accordance with relevant land transactions and legal obligations (including, where relevant, legitimate Estate Management Charges);
- Ensure compliance with the Landlord & Tenant Act 1985 (as amended) and any other relevant legislation; and,
- Ensure rents and service charges are affordable to customers on low incomes and/or in receipt of benefits, and that they represent Value for Money and adequately meet the Council's operating costs.

7.3 Key Responsibilities

- **Cabinet** – establishes the framework for setting rents and service charges; ensures an annual review and compliance with the regulatory and legislative requirements; aligns with corporate strategies e.g., the Medium Term Financial Plan and annual budget).
- **Head of Strategic Housing & Delivery** – ensures consistent, fair application and compliance.
- **Director/Deputy Director of Finance** - ensures calculations accord with policy; provides financial advice to Cabinet and Head of Strategic Housing & Delivery.
- **Housing Manager** – implements rent and service charge policy; updates systems; communicates with tenants; issue notices promptly and accurately; delivered audit recommendations.

7.4 Tenants' Obligations

7.4.1 Tenants must comply with Tenancy Agreement terms. Collection and arrears management are covered by the Council's Income and Arrears Policy.

8 Rent Setting

8.1 Current and New Social Rent Tenants

8.1.1 The Council sets social rents in accordance with the Formula Rent methodology. This takes account of:

- Value of property in 1999 (determined by the District Valuer);
- Property size (number of bedrooms);
- Average income for the region (set by government); and,
- Up to 5% flexibility (or 10% for Supported Housing).

8.1.2 Rents are calculated and collected over a 12-month period. Changes take effect on a specified date, with written notice issued at least 4 weeks in advance. Service charges are added to social rents (and charged separately). Tenants will be notified in writing at least 4 weeks prior to any changes coming into effect.

8.2 Current and New Affordable Rent Tenants

8.2.1 Affordable Rents are set at no more than 80% of comparable Market Rents, inclusive of service charges. Rents are calculated and collected over a 12-month period, with written notice at least 4 weeks in advance of any changes.

8.2.2 Rents of Affordable Rented properties will be increased by CPI + 1%, annually.

8.2.3 Rents are calculated and collected over a 12-month period. Rent increases/decreases will take effect on any day within the month. Tenants will be notified in writing at least 4 weeks prior to any changes coming into effect.

8.3 Re-Lets – Social Rent

- 8.3.1 On re-let, the rent will be rebased to Formula Rent with permitted flexibility of up to +5% (or +10% for Supported Housing), where justified by local circumstances and affordability. Where the existing rent exceeds this ceiling, it will be reduced to formula + flexibility at re-let.
- 8.3.2 At renewal to the same tenant, rent will be set in accordance with the Rent Standard applicable at the time (normally the previous rent uplifted by the permitted annual change).

8.4 Re-Lets – Affordable Rent

- 8.4.1 On re-let, the rent will be reassessed to ensure it does not exceed 80% of market rent (inclusive). Proportionate valuation methods may be used (e.g., comparable desktop review).
- 8.4.2 At renewal to the same tenant, the rent will comply with the Rent Standard and affordable rent requirements in force at the time.

8.5 Annual Rent Reviews

- 8.5.1 Torbay Council will set and vary Social Rent and Affordable Rent in line with the RSH's Rent Standard and any government policy or direction in force.
- 8.5.2 Unless otherwise directed, annual rent changes are based on the September CPI for the preceding year plus 1 percentage point, applied from the start of the rent year.
- 8.5.3 The Director/Deputy Director of Finance will prepare the schedule of revised rents, and the Housing Manager will issue statutory notices at least 4 weeks in advance following Cabinet approval as part of the annual budget process.

8.6 Exceptional Government Directions

- 8.6.1 In recent years, Government has issued a national direction that temporarily changes the permitted formula for annual rent increases (for example, imposing a cap or alternative inflation index).
- 8.6.2 Where such a direction is issued, Torbay Council will comply with the requirements in full and apply the revised rent setting formula for that year. Any such changes will be reflected in the rent setting process, communicated clearly to tenants and reported to Cabinet as part of the annual rent decision.

9 Service Charges

9.1 Variable Service Charge Regime

- 9.1.1 Torbay Council operates a Variable Service Charge regime to recover the full, fair and reasonable cost of landlord services linked to specific properties. Charges are reviewed annually.

9.2 Apportioning Service Charges

- 9.2.1 Torbay will recover all eligible landlord costs. Calculations take account of the development's specific services and property-level eligibility.
- 9.2.2 Costs such as communal cleaning/maintenance of the property (including communal plant), insurances and warranties are apportioned. Costs are generally recharged on a flat-rate per property basis to those in receipt of the service, unless another objectively fair method is justified.

9.2.3 In apportioning costs associated with services shared with others, Torbay Council will apply a fair and reasonable split between all affected customers, regardless of tenure (unless a specific alternative method is warranted). Estimated budgets are used as the basis for apportionment.

9.3 Management, Administration and Other Costs

9.3.1 A management and administration charge of up to 15% of estimated eligible service costs (before over/under-recovery) may be applied to reflect central management, procurement, invoicing, reconciliation and audit of the Variable Service Charge Regime. The percentage will be reviewed annually for value for money and benchmarked.

9.3.2 Within six months of financial year end, each customer will receive a Service Charge Statement of Actual Income and Expenditure, including over/under-recovery. Any under-recovery will be added to the following year's budget and recovered in equal instalments; any over-recovery will be deducted from the following year's budget and adjusted in equal instalments.

9.3.3 The Housing Manager will seek to minimise variances each year by setting appropriate budgets informed by historic data and reasonable forecasts.

9.4 Notification and Recovery of Service Charges

9.4.1 All customers will be notified in writing of service charges for the forthcoming financial year at least 4 weeks before they take effect (the "Rent & Service Charges Letter"). The letter will indicate whether specific items are potentially eligible for Housing Benefit or Universal Credit. Eligibility is determined by DWP rules; see the DWP Universal Credit landlord guidance for details.

9.4.2 Where a change in-year introduces a new charge (e.g., completion of an adaptation), customers will be notified at least 4 weeks in advance. Customers must pay service charges under their Tenancy Agreements; non-payment triggers the relevant Arrears Recovery Policy.

9.4.3 Service charges are reviewed on an annual basis to ensure that the income is sufficient to cover future costs of service provision. For new developments, a benchmark service charge will be set in the first year, to be reviewed at the end of the first financial year and will be adjusted accordingly once there is a clear picture of the annual cost for the service provision for the specific property. Any service charge that a tenant is liable to pay will be detailed in the relevant Tenancy Agreement.

9.4.4 Torbay Council will seek to recover the full cost associated with providing services to all homes that it owns, that fall outside its statutory duties as a social landlord, in accordance with the relevant Tenancy Agreement.

9.4.5 Where specific equipment or an individual service has been provided to support a tenant in maintaining their Tenancy Agreement, the cost of that service and of maintaining any such equipment will be charged as a service charge specific to that property (e.g., a stair lift).

9.4.6 A list of services for which costs are recharged through service charges is provided at Appendix 2 to this policy.

9.5 Sinking Funds

9.5.1 Sinking funds may be provided for periodic expenditure such as equipment replacement. Payments may be:

- In advance, based on estimated replacement cost and useful life; or,
- Retrospective, based on actual cost and useful life.

9.5.2 Annual payments will be held separately and accrue interest (at the rate achieved by Torbay Council) to offset inflationary increases. Service charge monies, including sinking/reserve funds, are held on trust in accordance with section 42 of the Landlord and Tenant Act 1987, with interest treated per HMRC guidance.

9.5.3 If replacement cost exceeds the fund balance, Torbay will consult affected customers on options (e.g., phasing, supplementary charges). If the cost is less than the balance, Torbay will consult on refunding the surplus or using it to reduce future contributions.

10 Financial Hardship

10.1 Financial Support and Affordability

10.1.1 Torbay Council recognises that some tenants may face financial difficulty in meeting their rent and service charge obligations. We will take proactive steps to support tenants who experience affordability challenges, including offering referrals to independent money and debt advice services, supporting applications for Housing Benefit or Universal Credit, and signposting to Discretionary Housing Payments where appropriate.

10.1.2 The Council will also work with tenants to agree realistic repayment plans for arrears and will provide early intervention support to prevent financial hardship from escalating. Our approach is designed to promote tenancy sustainment while maintaining fairness and consistency.

11 Communication

11.1.1 Tenants will receive regular communication, including:

- Rent & Service Charges Letter (4 weeks prior to implementation), detailing charges, effective date, calculation method, and support routes for financial difficulty
- Service Charge Statement (within six months of year-end);
- On request, additional information explaining how specific charges are calculated will be provided where proportionate.

11.1.2 If you need any of our documents, policies or letters in any other format or another language, please let us know.

12 Governance and Record-Keeping

12.1.1 Torbay Council will maintain clear and robust records to evidence how rents and service charges are calculated each year, including formula rent data, market rent valuations, service charge budgets, actual expenditure and apportionment methods. Documentation will be retained in accordance with the Council's informationg overnance and audit requirements to ensure transparency, accountability and regulatory assurance.

12.1.2 Internal Audit may periodically review rents etting and service charge processes, and any recommendations will be implemented to strengthen compliance and financial controls.

13 Equality & Diversity

13.1.1 Torbay Council is committed to promoting equality and inclusion. The Equality Act 2010 protects nine characteristics (age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, pregnancy and maternity, civil partnership). Under the Public Sector Equality Duty we will eliminate discrimination, advance equality of opportunity and foster good relations.

13.1.2 Each annual rent and service-charge decision will be supported by an Equality Impact Assessment, with findings summarised in Cabinet papers.

14 Associated Documents

- Torbay Council Lettings Policy
- Torbay Council Rent Arrears and Debt Recovery Policy
- Relevant law governing implementation of this Policy (outlined in Appendix 3)

15 Appendices

- **Appendix 1** – Summary of Rent types and changes
- **Appendix 2** - Schedule of Chargeable Services, including Eligibility for Housing Benefit or Universal Credit
- **Appendix 3** - Relevant law governing implementation of this Policy
- **Appendix 4** – Typical Annual Rent & Service Charge Timetable

16 Conclusion

16.1.1 This policy provides Torbay Council with a clear, transparent, and regulation compliant framework for setting, reviewing, and communicating rents and service charges. It ensures alignment with the Regulator of Social Housing's Rent Standard, which establishes how rents must be set and increased for social and affordable rented homes, and reflects national government policy on Formula Rent, permitted flexibilities, and Affordable Rent requirements. The policy also embeds the expectations introduced through the Consumer Standards, including the Safety and Quality Standard, which requires landlords to maintain homes to a safe, decent, and well managed standard.

16.1.2 Through clear rules on rent setting, relets, service charge apportionment, sinking funds, and tenant communication, the policy supports fairness, affordability, and consistency for tenants while ensuring the Council can sustainably manage and maintain its homes. By incorporating annual Equality Impact Assessments and providing transparent information about Housing Benefit and Universal Credit service charge eligibility, the policy reinforces Torbay Council's commitment to equity, accountability, and informed customer choice.

16.1.3 Overall, the policy strengthens governance, enhances clarity for tenants, aligns with best practice from other stockholding authorities, and ensures Torbay Council meets its statutory and regulatory duties in delivering high quality social housing services.

Appendix 1 – Summary of Rent Types and Changes

Rent type	Circumstance	Rent charge	Service charge	LHA cap to be applied?	Reference
SOCIAL RENT	New tenancy – general needs social housing	Formula rent plus 5%	Additional	No	Welfare & Reform Act 2016. Sch 2 Part 1 Section 1 Paras (3) to (5). Feb 2019 Policy Statement para 2.2 and 2.14. Rent Standard 2020
	New tenancy – ‘supported housing’	Formula rent plus up to 10%	Additional	No	For relevant properties within the definition of ‘Supported Housing’ outlined within the Rent Standard (in force from time to time)
	Re-let (at the end of Fixed Term Tenancy	Rebases to formula rent + permitted flexibility. Renewal to same tenant	Additional	No	Policy Statement on Rents for Social Housing (DLUHC, updated 14 Dec 2022); RSH Rent Standard (current).

		follows Rent Standard annual uplift.			
AFFORDABLE RENT	New tenancy	The higher of: (1) formula rent; or, (2) 80% of current open market rent (revalued).	Included	No	Policy Statement on Rents for Social Housing (DLUHC, updated 14 Dec 2022), chapter on Affordable Rent
	Re-let (at the end of a Fixed Term Tenancy)	The higher of: (1) formula rent; (2) 80% of current open market rent (revalued); or, (3) previous rent if valued higher.	Included	No	Feb 2019 Policy Statement para 3.15 & 3.16

Appendix 2 - Schedule of Chargeable Services

(including Eligibility for Housing Benefit or Universal Credit)

Service Charge Description	Description	Housing Benefit Eligible?	Universal Credit Eligible?
Communal Adaptations	Servicing of communal lifts and any other specific adaptations	Yes	Yes
Equipment Maintenance	Servicing of communal equipment and installations Running costs of intercom system (excluding repairs)	Yes	Yes
Estates and Communal Areas	Caretaking / Cleaning of communal spaces and associated direct costs (including communal window cleaning) TV license for communal areas	Yes	Yes
External Contractor Charges	3rd party block management charges	Yes	Yes
Grounds Maintenance and Landscaping	Maintenance of communal green spaces and associated direct costs	Yes	Yes
Laundry Charges	Running costs of communal laundry facilities	Yes	Yes
Utilities – Communal	Gas, electric and water supplies to communal areas / facilities	Yes	Yes

Utilities – Personal	Recharge of gas, electric and water supplies that are supplied through a communal meter, but which relate to individual residential properties	No	No
Window Cleaning – Personal	Cleaning of external windows of residential properties within a block	No	Yes – if property is not on ground floor
Personal Adaptations	Servicing of lift provided as a specific property adaptation (i.e. property adaptation rather than communal adaptation) Decommissioning of adaptations that are no longer required (one-off, on request)	No	No
Insurance	Apportioned share of landlord property insurance	Yes	Yes
Management	15% of calculated service charges	Yes	Yes

This list may be subject to change and will be periodically updated if new charges are applied or if an existing charge is discontinued.

Appendix 3 – Relevant Law Governing Implementation of this Policy

Law	Summary
Landlord and Tenant Act 1985 (as amended)	<ul style="list-style-type: none">- Definition of service charges- Provision for managing variable service charges- Can only charge or vary service charges as set out in the Tenancy Agreement/ Tenants' rights in relation to service charges, consultation, information, recognised tenant's association- Amounts payable must be reasonably incurred Services provided must be of a reasonable standard
Housing Act 1996	Makes it easier for to challenge unreasonable service charges Gives jurisdiction for the First-Tier Tribunal (Property Chamber) Valuation Tribunals (LVT) to determine service charge disputes.
The Service Charges (Consultation Requirements) (England) Regulations 2003	Required consultation before we can lawfully charge for 'qualifying works or services under 'qualifying long-term agreements'.
The Service Charges (Summary of Rights and Obligations, and Transitional Provision (England) Regulations 2007	Required content and format of service charge demands, to include summary of rights or tenants have the right to withhold payment

Appendix 4 – Typical Annual Rent & Service Charge Timetable

Period	Action
July–September	Monitor CPI; update market rent comps for Affordable Rent re-lets.
October–January	Draft budgets; propose rent changes per Rent Standard; consult internally; equality impact assessment.
January	Production of Cabinet papers, ready for approval in February by Cabinet
February–March	Issue Rent & Service Charges Letters at least 4 weeks ahead of effective date
01 April	New rents/service charges take effect (unless otherwise specified).
By 30 September	Issue Service Charge Statements (actuals) within six months of year end.