

CABINET

Rent and Service Charge Setting Policy Report 10th March 2026 Report of Chief Officer – Housing and Property

PURPOSE OF REPORT			
This report and associated policy confirms the Council's position to rent and service charge setting as laid out within the Council's HRA budget report (February 2026 – amended annually).			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	12 th February 2026		
This report is public			

RECOMMENDATIONS OF Cllr Caroline Jackson (Member with Responsibility for Housing and Homelessness, Leader of the Council.)

- (1) That the Policy as set out is confirmed.
- (2) That Officers review options around introducing market rent for residents with an income over £60,000, and this is consulted on and considered as part of future budget setting processes.

1.0 Introduction

- 1.1 This policy set out within this report (Appendix 1) details the Council's approach to setting rents and service charges in its Housing Revenue Account (HRA) Council owned homes and garages, as already approved within the HRA Budget Report (February 2026).
- 1.2 This policy will ensure compliance with all relevant legislation and the standards set out by the Regulator of Social Housing.
- 1.3 The report details other opportunities which the Council could consider for increasing rental income in future, but which are not incorporated within this current policy.

2.0 Rent and Service Charge Setting Policy

- 2.1 The policy outlines the Council's framework for setting reviewing and applying rents and services charges for the properties managed within the Housing Revenue Account (HRA), including providing the legal and regulatory context and the operational rules that the Council follows each year.
- 2.2 The Council currently only uses Social Rent, applying the Government's formula rent system which takes account of the property value, local earnings,

and bedroom numbers to ensure consistency and fairness across similar homes.

- 2.3 Annual rent increases are approved by Cabinet and noted by Council annually and have generally followed the nationally permitted limit of CPI+1%.
- 2.4 When properties are re-let, rents are reset to formula rent whilst the most recent rent approach approved by Cabinet allows for a rent flexibility of 5% above formula rent for general needs tenancies, and 10% flexibility above formula rent for supported housing including sheltered housing.
- 2.5 The policy defines how service charges are calculated and reviewed. Charges relate only to services provided and must comply with legal agreements and statutory consultation requirements. Whilst the Council aims to keep service charge increases broadly aligned within CPI+1% over time (subject to consideration of all material factors and review), it acknowledges year-to-year fluctuations based on actual operating costs.
- 2.6 The policy confirms rent cycles, notice periods, and the handling of void rents.
- 2.7 Annual rent and service charge changes are approved through the Council's budget process and applied from the first Monday in April, with at least four week's notice to tenants.

3.0 Additional considerations for rent setting

- 3.1 The Council has the option to set rents at levels higher than social rents, known as Affordable Rent, in order to generate additional funds for investment in new affordable housing. This would be done on the basis of the Council receiving grant funding from Homes England to develop and provide new Council homes for rent, which would be at Affordable Rent levels. As this is not currently delivered by the Council this has not been included within the scope of the policy.
- 3.2 From April 2015, the Government made it possible for social landlords to charge a full market rent where a social tenant household has an annual income of at least £60,000. This was designed to allow landlords to make better use of their social housing, rather than requiring them to provide sub-market rent properties to households with relatively high incomes. The Council does not do this presently and any changes would need to be fully considered, consulted on, and changes included within the Council's Allocations Policy.

4.0 Details of Consultation

- 4.1 The approach laid out in this policy as approved by Cabinet was presented to Tenants Voice and the Council Housing Advisory Group on 29th January – details of note were confirmed within the budget reports approved.

5.0 Options and Options Analysis (including risk assessment)

	Option 1: To approve the policy and recommendations as set out in the report.	Option 2: That an alternative approach be considered.
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Advantages	Ensures continued compliance with regulatory requirements. The Council has an agreed approach to rent and service charge setting.	None known.
Disadvantages	None known.	This would completely undermine the Council's budget setting approach which is a statutory obligation. Further areas can be explored where legitimate and incorporated within future budget setting processes through due process.
Risks	None known.	Risk of non-compliance, reputational harm.

6.0 Officer Preferred Option (and comments)

- 6.1 Option 1: This allows officers to have a clear and transparent policy approach in line with budget setting agreements, and meets regulatory requirements.

7.0 Conclusion

- 7.1 The Rent and Service Charge Setting Policy provides a robust and transparent framework that supports the Council's statutory budget-setting arrangements and ensures continued compliance with regulatory requirements. It offers a consistent, legally sound basis for annual rent and service charge reviews across the Housing Revenue Account, reflecting the Council's commitment to fairness, accountability, and effective financial stewardship. Endorsing this policy provides Officers the clarity needed to implement agreed approaches, safeguard the Council's regulatory position, and ensure alignment with the Corporate Plan's ambitions for a co-operative, kind, and responsible Council.

RELATIONSHIP TO POLICY FRAMEWORK

Lancaster City Council Corporate Plan 2024–2027 – A Co-operative, Kind, and Responsible Council.

This approach to rent and service charge setting handling supports openness, fairness, and service improvement.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety,

HR, Sustainability and Rural Proofing)

No known implications – considered as part of budget setting process.

LEGAL IMPLICATIONS

The rent and service charge policy reflects the Council's statutory obligations. It is a framework to enable officers to carry out rent and service charge review. It is not a fixed determination of the levels of rent or service charge. The policy cannot and does not fetter the Council's discretion when setting rent/service charge.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

OTHER RESOURCE IMPLICATIONS**Human Resources:**

None known.

Information Services:

None known.

Property:

None known.

Open Spaces:

None known.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments to add.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments to add.

BACKGROUND PAPERS

Council Budget Report February 2026

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