

London Borough of Brent

Rent Setting Policy Statement

This policy statement will outline how Brent Council will calculate, consult on and charge rent for Council-owned homes in the Housing Revenue Account. It will ensure rents for residential properties are fair, affordable and comply with legal and regulatory requirements.

Owner:	Spencer Randolph, Director of Housing Services	
Approved by:	DMT/Board/Cabinet	Insert date October 2026
Review cycle: (years)	3 years	
Next review date:	TBC	



Regulator:	<p>Regulator of Social Housing (RSH)</p> <ul style="list-style-type: none"> • Rent Standard 2026
Legislation:	<p>Rent Standard 2026</p> <ul style="list-style-type: none"> • The Rent Standard 2026 is the regulatory framework governing social housing rents in England from 1 April 2026, set by the Regulator of Social Housing – a body of government. <p>Policy statement on rents for social housing April 2026</p> <ul style="list-style-type: none"> • This policy was published by the Ministry of Housing, Communities and Local Government (a department of government). It sets out the government's policy on rents including increases for social housing <p>Section 24 Housing Act 1985</p> <ul style="list-style-type: none"> • The Act is a major piece of UK government legislation combining multiple previous housing laws. It manages the powers of local authorities to provide accommodation, among other things.
The policy also operates in the context of:	<ul style="list-style-type: none"> • Complaints Policy • Assignment and Succession Policy • Compensation Policy • Tenancy Policy • Service Charge Policy

Contents

1.Purpose.....	4
2. Scope	4

3. Background- Rent Standard explained.....	4
4. Details of how rent levels are set.....	6
5. Social Rents	6
How Formula Rent is calculated	7
Formula Rent and the amount of rent charged	7
6. Rent Setting on Re-let.....	8
Setting an Affordable Rent.....	9
Property Valuations.....	9
Annual Rent Increases and Re-setting	10
London Affordable Rent	10
Discounted London Affordable Rent	10
7. Rent Flexibilities	11
8. Rent Increases and Convergence	12
9. Resident Engagement.....	13
10. Monitoring and review	13
Review.....	13
Monitoring process	14
Training.....	14
Roles and Responsibilities.....	14

1.Purpose

1.1 This document will outline how we, Brent Council (the Council) will calculate, consult on and charge rent for Council-owned homes in the Housing Revenue Account (HRA)¹.

1.2 The purpose of this policy is to:

- Ensure rents for residential properties are fair, transparent and comply with legal and regulatory requirements;
- Ensure the HRA follows government legislation when setting rent;
- Explain key responsibilities of Brent Council stakeholders in the rent setting process

1.3 Appendix A of this policy gives more detail into specific formula rent calculations, and the values used to calculate formula rent.

2. Scope

2.1 This policy is intended for all HRA residential properties that the Council owns and has responsibility to maintain and manage that are let on secure tenancies.

2.2 The policy does not cover properties owned and managed within the Council's general fund housing service, HRA homes which are being used for temporary accommodation, student accommodation, care homes or homes owned, leased or managed by i4B, First Wave Housing or other individuals or entities. These types of properties are exempt from the Rent Standard and have their own rent setting policies.

2.3 This policy covers how we set rent levels. The ways we collect rent from tenants are not covered by this policy, nor is enforcement of rents or arrears, debts and service charges which is covered under our debt recovery and tenancy sustainment policies.

3.Background- Rent Standard explained

3.1 Local authorities and Housing associations are the main providers of social rents (also referred to as Registered Providers). Traditionally, social rents are associated with council-owned stock managed by local authorities, but Registered Providers also manage a substantial portion of social housing.

3.2 As a local authority, rents must be set in accordance with the Regulator for Social Housings published Rent Standard. The current Rent Standard can be found [here](#) . This section will explain the Rent Standard in more detail.

3.3 The Rent Standard is split into two key areas. Most rents charged by the Council (approximately 84%) are **Social Rents**. These apply to the majority of our Council homes and are generally used unless a property has been recently developed or acquired.

3.4 Formula Rents are part of the Social Rent element of the Rent Standard. The Rent Standard sets out the basis for calculating the formula rent (sometimes referred to as target rent) for each property. Since April 2002, all Local Authorities have been required to base rents on this formula, which takes into account the local average earnings, the property value (as of January 1999) and the property size measured by the number of bedrooms.

3.5 The formula is intended to ensure that rents are set fairly and consistently, reflecting both local affordability and the relative size and value of individual homes.

3.6 Rent Convergence - When the method of calculating formula rent was introduced, formula rent levels were generally higher than the rents charged for Local Authority properties. The government recognised that social housing tenants were typically paying lower rents than those in other housing sectors. To avoid significant increases in rents being introduced immediately, Local Authorities were permitted to increase rents gradually by more than inflation, where necessary, until they reached the formula rent level. This process became known as **rent convergence**.

3.7 More detail on rent convergence can be found in section 8 of this policy. However, this ended in 2016 when the government introduced a four year programme of annual rent reductions. As a result, many existing tenancies remained below formula rent. Since then, formula rent has generally only been charged when properties have been re-let, newly built or acquired and brought into the Council's housing supply.

3.8 Rent Cap - the rent cap is set nationally and sets the maximum Social Rent that can be charged for a property, based on its bedroom size. If the formula rent for a property is over the rent cap level, the rent charged must be limited to the rent cap amount. So, the rent cap acts as an upper limit, ensuring that rents do not exceed nationally prescribed levels regardless of the formula rent calculation.

3.9 Affordable rents - In response to concerns about the shortage of new social housing, the government introduced the Affordable Rent model in 2011. Unlike Social Rent, which is based on the national rent formula, Affordable Rent is linked to local market rents. Affordable Rent levels can be set at up to 80% of the market rent, inclusive of any service charges.

3.10 Once the initial Affordable Rent has been set, it can only be increased annually by the same percentage increase allowed for Social Rent properties. However, when a property is re-let, the rent can be reviewed and reset to the appropriate Affordable Rent level.

3.11 **London Affordable Rent (LAR)** was introduced by the Mayor of London and the Greater London Authority (GLA) to support the delivery of genuinely affordable housing across the capital. It was designed to provide rents that are more affordable than traditional Affordable Rent products, while also enabling councils and housing associations to secure the funding needed to build new homes.

3.12 For Brent, the use of London Affordable Rent has played a vital role in supporting the delivery of significant numbers of much-needed new affordable homes. Many recent and planned housing developments within the borough have only been made financially viable by using the London Affordable Rent model and the associated funding provided by the GLA.

3.13 Brent has over 1100 properties that fall into this category with more being built. In some cases, we have made some decisions to charge less than the London Affordable rent, such as the South Kilburn regeneration programme, where many of the residents have been displaced from other local social housing. This is known as discounted London Affordable Rent.

3.14 Once the initial affordable rent is set, this can only be increased by the same inflationary percentage increase allowed for social rents each year, unless there is a change of tenancy. In this instance, we can decide to reset at the appropriate affordable rent level.

4. Details of how rent levels are set

4.1 The Council's approach to rent setting is based on the principles of formula rent as set out in the Rent Standard 2026. Where permitted by legislation and regulatory guidance, rents may be adjusted through mechanisms such as rent convergence, rent flexibilities and re-let rent setting. In exercising these flexibilities, the Council will have regard to the impact on tenants alongside its obligations under the Rent Standard and other relevant statutory and regulatory requirements.

5. Social Rents

5.1 The application of a social rent is applicable to 84% of our portfolio. Formula Rent is the rent calculated using the Government's national formula for Social Rent properties. It provides a consistent method for calculating the rent for individual properties based on the value and size of the property and the level of earnings in the area.

5.2 The formula takes account of three factors:

- **Property value:** the value of the property at January 1999 prices;
- **Relative county earnings:** the average manual earnings for the county in which the property is located, compared with national average manual earnings; and
- **Property size:** the number of bedrooms in the property, through the application of a bedroom weight.

5.3 For properties in the London Borough of Brent, the relevant earnings figure is the **Greater London** figure specified by the Government. Brent does not have a separate earnings figure for the purposes of the formula.

How Formula Rent is calculated

5.4 The Government's formula is:

Weekly Formula Rent =

70% of the national average rent × relative county earnings × bedroom weight
plus

30% of the national average rent × relative property value

In simple terms, the calculation works as follows:

1. **70% of the national average rent** is adjusted to reflect the level of earnings in the area and the size of the property.
2. **30% of the national average rent** is adjusted to reflect the relative value of the property.
3. The two amounts are then added together to produce the property's Formula Rent.

5.5 The Government prescribes the figures to be used for the national average rent, average earnings, national average earnings, national average property value and bedroom weights. These figures are set out in **Appendix A** of this policy, as well as an example formula rent calculation.

Formula Rent and the amount of rent charged

5.6 Formula Rent provides the starting point for determining the Social Rent for a property. It is not necessarily the rent that will ultimately be charged.

5.7 When setting Social Rents, the Council must also comply with the applicable **rent cap** and the rent flexibility provisions contained in the Rent Standard 2026.

5.8 For a new tenant of a Social Rent property, the maximum initial rent is Formula Rent, subject to the applicable rent cap and the permitted rent flexibility. For general needs Social Rent properties, the Rent Standard does allow (if the prescribed

criteria is met) rent of up to **105% of Formula Rent**, subject to the rent cap. For supported housing, the permitted flexibility is up to **110% of Formula Rent**.

5.9 The Council's approach to rent flexibility, including whether and when it will set rents above Formula Rent, is set out separately in this policy.

Summary

5.10 The Formula Rent calculation can therefore be summarised as:

70% of national average rent

× **Greater London relative earnings**

× **bedroom weight**

PLUS

30% of national average rent

× **relative property value**

= Formula Rent

5.11 The resulting 2000-01 Formula Rent is then uprated using the Government's prescribed annual adjustments to establish the Formula Rent for the relevant year.

5.12 The Council will apply the Government's prescribed formula, values and bedroom weights when calculating Formula Rent and will ensure that the rent ultimately charged complies with the Rent Standard 2026.

5.13 In addition to the Formula Rent calculation, the Government sets a maximum rent cap based on the size of the property. The rent cap applies nationally and is not linked to local property values or income levels. Where the calculated Formula Rent exceeds the applicable rent cap, the rent charged must not exceed the rent cap amount.

6. Rent Setting on Re-let

6.1 When a property is re-let, the Council will set the rent in accordance with the Rent Standard 2026 and any applicable government guidance in force at the time. Where permitted by the Rent Standard, the rent for a re-let property may be increased to the formula rent level, subject to any applicable rent caps, rent flexibility limits and other regulatory requirements.

6.2 The Council will ensure that rents for re-let properties are set consistently and transparently having regard to:

- the formula rent for the property;
- the requirements of the Rent Standard;
- any rent caps or rent flexibility limits in force; and

- any exemptions or special provisions applying to the property type.

6.3 **Affordable Rents** are generally higher than Social Rents because they are based on local market rent levels rather than the Social Rent formula. When granting a tenancy of Affordable Rent housing to a new tenant, the initial rent (inclusive of any service charges) must not exceed 80% of the gross market rent for the property.

When can the Council charge an Affordable Rent?

6.4 Affordable Rent may only be charged in circumstances permitted by the Rent Standard and any associated funding agreements with the Secretary of State, Homes England or the Greater London Authority.

6.5 In practice, Affordable Rent is typically applied to new housing supply and is not generally available where a property has previously been let at a Social Rent.

Setting an Affordable Rent

6.6 Gross market rent means the rent, inclusive of any applicable service charges, which the accommodation could reasonably be expected to achieve if let in the private rented sector. In determining the gross market rent, account must be taken of the property's location, size, type and any services provided.

6.7 When setting Affordable Rent levels, the Council must comply with the requirements of the Rent Standard and the terms of any funding agreements entered into with Homes England, the Greater London Authority or the Secretary of State.

6.8 Affordable Rent properties are not subject to Local Housing Allowance limits. However, when setting rents, the Council may take account of local market conditions, affordability considerations and any applicable funding or regulatory requirements.

Property Valuations

6.9 Initial valuations used to determine Affordable Rent levels must be undertaken using a methodology recognised by the Royal Institution of Chartered Surveyors (RICS), ensuring a consistent and transparent approach to market rent assessment.

6.10 A full valuation is not required every time an Affordable Rent property is re-let. Where sufficient comparable market evidence exists, the Council may use a desktop review based on recent lettings and market transactions to determine the appropriate rent.

6.11 Housing for older people and vulnerable residents often includes additional services. Where Affordable Rent is being set for this type of accommodation, any market rent comparison should take account of similar accommodation providing comparable services.

Annual Rent Increases and Re-setting

6.12 Affordable Rent properties may not be increased by more than the maximum annual increase permitted under the Rent Standard. The permitted increase is based on the Consumer Prices Index (CPI) for the previous September plus one percentage point.

6.13 The Council may apply a lower increase than that permitted by the Rent Standard, or decide to freeze or reduce rents where considered appropriate.

6.14 When an Affordable Rent property is let to a new tenant, the rent may be re-set based on an updated market assessment, provided that it does not exceed 80% of the relevant gross market rent.

6.15 Rents must not be re-set where a tenancy is assigned through a mutual exchange, succession or other statutory assignment.

London Affordable Rent

6.16 London Affordable Rent (LAR) is a separate affordable housing tenure established by the Mayor of London and the Greater London Authority (GLA). It was introduced to support the delivery of genuinely affordable housing across London while also enabling local authorities and housing associations to bring forward new housing development.

6.17 Unlike Social Rent, London Affordable Rent is not determined through the Formula Rent methodology. Initial rent levels are determined in accordance with GLA funding requirements and the terms of the relevant grant agreement.

6.18 London Affordable Rents are generally higher than Social Rents but lower than Affordable Rents. The tenure is intended to balance affordability for tenants with the financial viability of delivering new affordable homes.

6.19 The delivery of significant numbers of new affordable homes within Brent has been made possible through the use of London Affordable Rent together with funding support provided by the Greater London Authority.

Discounted London Affordable Rent

6.20 In certain developments, the Council has adopted a policy of charging rents below the standard London Affordable Rent level. These homes are referred to as **Discounted London Affordable Rent** properties.

6.21 The Council's Discounted London Affordable Rent properties are principally located within the South Kilburn regeneration programme. Lower rents have been applied on a scheme-by-scheme basis, reflecting the fact that many tenants moving into these homes were existing Council tenants transferring from other social housing within the borough.

6.22 While these rents have generally been set at levels equivalent to the Social Rent Cap, the homes remain London Affordable Rent properties and are not governed by the Social Rent formula rent framework.

6.23 Where a Discounted London Affordable Rent property becomes vacant, the Council will normally re-let the property at the applicable London Affordable Rent level and remove the discount, unless an alternative decision is approved in accordance with the Council's policy framework.

Annual Rent Increases

6.24 Annual increases to London Affordable Rents will be applied in accordance with the Rent Standard and any applicable requirements of the Greater London Authority or associated funding agreements.

7. Rent Flexibilities

7.1 This policy statement on rents for social housing includes the provision for social landlords to apply a 5% flexibility on formula rents: 'The government's policy recognises that registered providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants.' Taking into account this provision of the Rent Standard, from 1st April 2027, subject to consultation, this policy allows for flexibility for registered providers to set rents at up to 5% above formula rent (10% for supported housing).

7.2 If applying this flexibility, providers should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability.'

7.3 The current financial climate - where our costs and additional burdens have increased faster than income mean we have significant challenges in meeting its obligations to its tenants. For example, by investing in our housing stock, ensuring all homes meet at least the decent homes standard, ensuring that homes meet the council's sustainability objectives and ensuring homes are warm and cheaper to heat for tenants while still setting a balanced HRA.

7.4 Rent flexibilities would not apply to any homes that are being delivered at London Affordable Rent and will not impact rents on existing tenancies which can only rise by CPI+1%.

7.5 Following consultation, rents on new builds at social rents and rents for re-lets of existing Council Homes would be set at formula rent plus 5% flexibility (subject to national rent cap).

8. Rent Increases and Convergence

8.1 We base our rent increases on the Rent Standard 2026 and policy guidelines, which ensures rent increases are in line with inflation, but still fair for tenants.

8.2 To do this, the Rent Standard uses the September Consumer Price Index (CPI²) produced by the Office for National Statistics plus an additional one per cent. The following table explains how much we can increase weekly rent within certain time periods, and any conditions we must follow according to the Rent Standard 2026.

Period	Weekly rent only to be increased	Unless	Then weekly rent may be increased
1 April 2026 – 31 March 2027	by up to CPI+1% (subject to rent cap) in any year	If a CPI +1% increase would exceed rent flexibility level for the year of increase	Only by up to CPI
1 April 2027 – 31 March 2028	by up to CPI+1% (subject to rent cap) in any year	If weekly rent after CPI+1% is below formula rent for the year of increase	to CPI+1% plus £1
		If weekly rent after CPI+1% is above formula rent for the year of increase	by CPI+1% plus the amount needed to reach formula rent
1 April 2028 – onwards	by up to CPI+1% for an existing social housing tenant	If weekly rent after CPI+1% increase would exceed the rent flexibility level for the year of increase	Only by up to CPI
		If weekly rent after CPI+1% increase is below formula	Only by up to CPI+1% plus £2

² Consumer Price Index is main method of measuring inflation by tracking the average change in prices over time for a representative “shopping basket” of consumer goods and services, such as food, clothing, energy and transportation.

		rent for the year of increase	
		However, if rent after CPI+1% plus £2 exceeds formula rent for the year of increase	By up to CPI+1% plus the amount needed to reach formula rent

8.3 From 2027/28 when CPI plus 1% is applied and rent remains below formula(target) rent, the rent standard allows housing providers to increase rents by an additional £1.00 per week as part of rent convergence proposals. This is increased to a maximum of an additional £2.00 per week from 2028/29 where rents remain below formula rent.

8.4 Rent convergence³ aims to boost HRA revenue for new, affordable housing construction and to maintain current homes. It can make rents fairer, by ensuring residents in similar social homes pay the same amount, while helping us manage costs.

9. Resident Engagement

9.1 The annual budget is published ahead of the Council's public meeting in February-March, it includes changes to rental charges and follows relevant legislation and budget setting framework (including the Rent Standard 2026).

9.2 Under Section 103, Housing Act 1985, the Council will vary rent annually by giving tenants at least 28 days' notice in writing. The annual changes in rent and service charges will be effective from the first Monday in April.

9.3 We will inform tenants of how we have spent your rent and service charges in the noticeboard and magazine sent out to all tenants every 6 months.

10. Monitoring and review

Review

10.1 This policy is reviewed a minimum of every 3 years (version number e.g version 1), unless otherwise required (version decimal point e.g version 1.3), and version control can be found in the footer of the document]

³ Rent convergence is the process of aligning social housing rents with a standard formula-based target, reintroduced from April 2026/2027 to raise rents on lower paying homes.

Monitoring process

10.2 Between formal reviews of the policy, the delivery will be monitored by a regular external rent compliance check every five years.

Training

10.3 Appropriate Brent Council housing staff, including the rent, rent accounting and lettings teams, will be trained on how to accurately set rent charges, including the calculation of formula rent and rent increases. In the case of changes in staffing, new starters in Brent will be trained in line with the same standards.

Roles and Responsibilities

10.4 Brent Council corporate finance, namely the HRA accountant, have a duty to monitor the account and ensure rent decisions are applied correctly and consistently. They will provide assurance that your rent charges and annual rent increases are set in accordance with this policy and relevant legislation such as the Rent Standard 2026.