

North Yorkshire Council

Executive Member for Culture, Arts and Housing

8 April 2026

Rent Setting Policy

Report of the Corporate Director for Community Development

1.0 PURPOSE OF REPORT
1.1 The purpose of this report is to seek approval from the Executive Member for Culture, Arts and Housing to adopt the proposed North Yorkshire Council Rent Setting Policy.

2.0 SUMMARY

- 2.1 This report introduces the proposed Rent Setting Policy (see Appendix A) for properties within North Yorkshire Council's Housing Revenue Account (HRA). The policy sets out a clear and transparent county-wide approach to setting the rents charged for Social Rent, Affordable Rent and Shared Ownership properties owned and managed by the Council. It clarifies the statutory and regulatory obligations which the Council will follow to ensure that a fair and consistent approach is adopted across all housing management areas.
- 2.2 The Rent Setting Policy does not introduce new measures. It brings together existing statutory requirements and current practice into one harmonised county-wide approach, reflecting how North Yorkshire Council is already required to set rents as a social landlord. The introduction of a harmonised policy will ensure consistency and transparency for tenants and leaseholders, by outlining a single approach which is in line with legislative and regulatory requirements.
- 2.3 This policy has been drafted with reference to the former Selby District Council Rent Setting Policy, alongside legislative guidance and best practice examples from other local authorities and Registered Providers.

3.0 BACKGROUND

- 3.1 North Yorkshire Council's HRA Policy Framework for Landlord Services is a key component of the Council's Housing Improvement Programme to meet the requirements of the Social Housing (Regulations) Act 2023 and to demonstrate compliance with the consumer standards and economic standards set by the Regulator for Social Housing (RSH).
- 3.2 Work is currently underway to harmonise policies across the HRA functions. Transparency in decision-making around these policies is central to the revised Consumer Standards, as data-based decision-making is a critical tool in the Council's ability to demonstrate service improvement and delivery driven by the specific needs and vulnerabilities of its tenants.
- 3.3 One of the fundamental benefits of social housing is its affordability, and the government's legislative policies around setting rents for social housing are an essential requirement which all Registered Providers, including the Council, must follow.

- 3.4 The RSH publishes regulatory standards which set out the outcomes that social housing providers are expected to achieve. The revised Rent Standard (an economic standard), with which the Council must comply, was introduced on 1 April 2026, in conjunction with the Ministry of Housing, Communities and Local Government (MHCLG)'s Policy Statement on Rents for Social Housing. The Policy Statement sets out the government's policy on rents for social housing, which the RSH must follow in setting the Rent Standard and must require Registered Providers, such as the Council, to comply with when setting rents. This includes requirements on how rents are set and increased or decreased.
- 3.5 Following Local Government Reorganisation (LGR) in North Yorkshire in 2023, the new unitary authority inherited responsibility for approximately 8,500 Council homes previously owned by the former stock holding authorities of Harrogate Borough Council, Richmondshire District Council and Selby District Council. Although regulation has ensured largely similar rent setting practices across the three legacy authorities, only Selby District Council had a formal Rent Setting Policy in place. This has resulted in tenants and leaseholders across North Yorkshire lacking the assurance of a consistent and transparent approach to setting rents post-LGR. The proposed policy aims to resolve this.
- 3.6 This draft policy builds on the legacy Selby policy, reflects current regulatory and legislative guidance, and draws from best practice examples from other local authorities and social housing providers. It does not introduce significant new measures. It instead clarifies how the Council will ensure it meets the recently updated statutory and regulatory obligations set out by the government, assuring tenants and leaseholders that a fair, clear and consistent approach to rent setting is being followed across the Council's Landlord Services.

4.0 RENT SETTING POLICY

- 4.1 The Rent Setting Policy sets out North Yorkshire Council's approach to setting rents for its Social Rent, Affordable Rent and Shared Ownership properties. It establishes a clear framework for setting and making changes to rents in a manner which is fair, consistent and compliant with legal and regulatory requirements. Such requirements are designed to provide stability for Registered Providers while ensuring affordability for tenants and leaseholders.
- 4.2 The way that rent is calculated depends on the tenure type. For Social Rent and Affordable Rent properties, the policy follows the rules set out for each in the Rent Standard (2026) and the government's Policy Statement on Rents for Social Housing (2026), as stipulated by the RSH. For Shared Ownership properties, it follows Homes England's Capital Funding Guide (2026). For the sake of consistency and fairness, this guidance will be adhered to on all future Shared Ownership properties, regardless of whether an individual dwelling has been delivered through Homes England funding or not. This reflects the Council's current rent setting practice for new Shared Ownership properties.
- 4.3 In February 2026, the Regulator of Social Housing published its revised Rent Standard, which now includes a convergence mechanism to address the gap between current rents and formula rents on Social Rent properties. This will allow the Council to increase weekly rents for Social Rent properties that are currently below formula rent, by an additional amount on top of the CPI + 1% annual increase, with staggered implementation. The drafted Rent Setting Policy addresses this upcoming change to national policy, which will commence on 1 April 2027, stating its implementation will be detailed when the Rent Setting Policy undergoes review next year and when convergence measures can begin to take place.

- 4.4 The proposed Rent Setting Policy reflects the way rents are already being set at the Council. Its purpose is not to introduce significant changes, but, instead, to offer transparency to tenants and leaseholders, demonstrate our commitment to compliance with the requirements of the RSH, and ensure consistency by governing future rent setting practices in a more robust manner. It recognises and anticipates future changes to rent setting that will come as a result of rent convergence, the implementation of which will be addressed when the Rent Setting Policy undergoes an initial review in one year.
- 4.5 A single Rent Setting Policy for North Yorkshire ensures that all tenants and leaseholders have access to accurate information about how their rents are calculated. It holds the Council to account for upholding its legal obligations, which will be further strengthened through regulatory returns to the RSH and regular internal audits of the Council's rent setting process. Ultimately, these measures will improve the Council's landlord service by reducing the risk of error and contributing to better relationships between the Council and its tenants and leaseholders.

5.0 CONSULTATION UNDERTAKEN AND RESPONSES

- 5.1 During development, the Rent Setting Policy was shared internally with relevant officers to ensure that it reflected legislative guidance, departmental priorities and operational requirements. This internal consultation led to further clarity within the policy around definitions, such as that of an 'existing tenant' for whom rents would not be re-set, and greater robustness through the inclusion of commitments to internal and external auditing of the Council's rent setting process and of Council approval of any rent increases through the HRA budget.
- 5.2 Following internal feedback, the Council consulted tenants on the transparency and readability of the policy. Due to the limited scope for discretion on the part of the Council in setting rents, tenants were not consulted on any decision points, but were instead invited to offer feedback around the level of clarity the policy offered. This feedback led to some minor changes to the language in the policy, and the Council has committed to producing a tenant guide to rents to sit alongside the policy, offering a simplified overview of how different rents are calculated.

6.0 CONTRIBUTION TO COUNCIL PRIORITIES

- 6.1 The draft Rent Setting Policy aligns with the equality objectives outlined in North Yorkshire Council's Housing Strategy 2024-29, which states the Council will 'ensure equality of service to all our tenants' and 'ensure that our policies are fair and non-discriminatory and equally accessible to all residents' (p. 33). Publishing a unified Rent Setting Policy which is applicable to all North Yorkshire's housing management areas, and which is publicly available, meets these priorities by ensuring that the Council's rent setting process is robust, accessible, fair and consistent.
- 6.2 The Council's Housing Improvement Strategy (2024) commits to working with the RSH to improve our compliance and ensuring we communicate clearly with tenants and leaseholders; producing a transparent policy which sets out how we will meet the Rent Standard contributes to these aims. This draft of the Rent Setting Policy also forms part of the larger policy harmonisation activity which the Council is undertaking as part of the Housing Improvement Strategy, contributing to our commitments to strengthening our governance and oversight through policy development, and managing tenancies fairly by ensuring that rents are set correctly.

7.0 ALTERNATIVE OPTIONS CONSIDERED

- 7.1 An alternative option to the proposed policy would be not to create a single Rent Setting Policy and instead to continue with current practice and with a Rent Setting Policy in place only for the former Selby District Council area. This is not recommended, as it would fail to deliver a transparent service to all tenants and leaseholders, and risk inconsistencies in applying the Rent Standard. Without a unified policy, the Council cannot be held accountable for consistency and equal treatment of tenants and leaseholders when setting rents.
- 7.2 The RSH published its revised Rent Standard in February 2026, which was accompanied by an updated Policy Statement on Rents for Social Housing from the government. Registered Providers need to adhere to the new standard, which includes a 10-year settlement and a rent convergence mechanism, from 1 April 2026. Failure to produce a new Rent Setting Policy would leave the Council with a legally outdated policy which covers only one housing management area and does not anticipate future changes associated with the implementation of rent convergence. This would represent a failure to communicate with tenants and leaseholders, and to work proactively with the RSH to meet its standards.

8.0 FINANCIAL IMPLICATIONS

- 8.1 The Rent Setting Policy formalises the Council's existing rent setting obligations and does not therefore introduce any significant changes to the HRA. The forecasted income from rents in the HRA budget 2026/27 already reflects existing government guidance and acknowledges the potential impact of convergence in future years, recommending that it is adopted.
- 8.2 Adopting rent convergence will allow the Council to bridge the gap between allowable rent charges for Social Rent properties and actual rents, which resulted in an income shortfall of £2,043,917.15, or 4.5%, in 2025/26. This lost income would have been additional to the Council's income of £41,406,000 in rents that year. As such, by stating that the Council will look at adopting rent convergence from 2027/28 onwards and by justifying this, the Rent Setting Policy anticipates greater income for the HRA, which will in turn have positive implications in terms of investing in existing and future housing stock.

9.0 LEGAL IMPLICATIONS

- 9.1 The Rent Setting Policy is designed to ensure that North Yorkshire Council meets its statutory and regulatory requirements, as outlined in the RSH's Rent Standard and MHCLG's Policy Statement on Rents for Social Housing, alongside any capital funding agreements made with Homes England. The policy reflects these requirements and sets out the circumstances under which any flexibility or room for discretion within the guidance will be adopted. Doing so reduces legal risk and strengthens the Council's ability to demonstrate regulatory compliance.
- 9.2 The policy acknowledges that, in the case of Shared Ownership properties, rents will be set in accordance with the terms of the individual lease above all else. This will safeguard the Council against any legal challenges, as rents for Shared Ownership properties do not have the same regulatory requirements as those for Social and Affordable Rent properties, and can vary significantly in how they are calculated. The Rent Setting Policy therefore largely sets out how the Council will set and increase rents on future Shared Ownership properties rather than existing ones.

10.0 EQUALITIES IMPLICATIONS

- 10.1 An Equality Impact Assessment (see Appendix B) has been completed for this policy and has identified no negative equalities implications. The assessment confirmed that the policy can be applied fairly and consistently across all tenant groups and does not adversely affect anyone with protected characteristics.

11.0 CLIMATE CHANGE IMPLICATIONS

- 11.1 A Climate Change Impact Assessment (CCIA) screening form (see Appendix C) has been completed for this policy and has identified no climate change implications. The policy does not introduce any new activities, operational changes or service practices that would have a measurable impact on emissions, energy use or climate resilience.

12.0 PERFORMANCE IMPLICATIONS

- 12.1 This policy will contribute to more consistent and transparent monitoring of the Council's rent setting process across its housing management areas. It sets out how performance will be monitored through regulatory returns, as well as internal and external auditing. This will ensure that the policy is being followed in practice and reduce the risk of error when calculating or making changes to rents, providing evidence of statutory and regulatory compliance to tenants, leaseholders and the RSH.

13.0 POLICY IMPLICATIONS

- 13.1 If adopted, this Rent Setting Policy will replace any existing rent setting policies that were previously in place across the former district and borough councils. Following LGR, the Council has a responsibility to ensure that all housing policies operate consistently across the county. A single, unified policy ensures that tenants receive the same treatment and that regulatory requirements are being met across the county. Replacing legacy policies with a single, consolidated document improves internal governance by strengthening the Council's ability to monitor performance and demonstrate compliance.
- 13.2 This policy aligns with other key documents within the Council's HRA, including the HRA budget, and strengthens compliance with the RSH's Tenancy Standard, which requires clear, accessible information and clear decision-making. It therefore complements existing policies and priorities around rents and contributes to work with the RSH to improve the Council's landlord services.

14.0 RISK MANAGEMENT IMPLICATIONS

- 14.1 Adopting a single Rent Setting Policy reduces the risk of inconsistency in rent setting across the former district and borough councils. It holds the Council to account for upholding its legal obligations, through a commitment to regulatory returns and regular internal and external audits of the Council's rent setting process. Adopting a unified policy with such performance measures in place will reduce the risk of error and support compliance with statutory and regulatory requirements.

16.0 REASONS FOR RECOMMENDATIONS

- 16.1 The Rent Setting Policy is recommended for approval because it sets out a clear and transparent approach to setting rents post-LGR. The introduction of a harmonised policy will ensure consistency and transparency for tenants and leaseholders, by outlining a single approach which is in line with legislative and regulatory requirements.
- 16.2 The policy ensures the Council meets its statutory and regulatory obligations, as set out in the Rent Standard and the government's Policy Statement on Rents for Social Housing, as well as any capital funding conditions. By outlining how the Council will fulfil these requirements and the grounds for decision-making, the Rent Setting Policy reduces legal risk and strengthens the Council's ability to demonstrate regulatory compliance.
- 16.3 The proposed policy also supports the Council's wider strategic aims by ensuring fairness and transparency for all tenants, and by contributing to its commitment to strengthen governance and oversight through policy development and harmonisation. It ensures that these priorities will be met in the rent setting process through robust performance monitoring, completed via regulatory return and regular audits.

17.0 RECOMMENDATIONS

- 17.1 That the Executive Member approves the adoption of the Rent Setting policy as set out in Appendix A.
- 17.2 That authority be delegated to the Corporate Director for Community Development to make minor amendments to the policy in response to legislative changes or operational requirements.

APPENDICES:

Appendix A – Rent Setting Policy

Appendix B – Equality Impact Assessment (EIA) Form

Appendix C – Climate Change Impact Assessment (CCIA) Screening Form

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Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.