



UTTLESFORD DISTRICT COUNCIL

**RENT AND SERVICE CHARGE
SETTING POLICY**

(Draft)

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Uttlesford District Council Housing

Uttlesford District Council – Rent and Service Charge Setting Policy

1. Purpose

- 1.1 The purpose of this policy is to establish the principles and approach by which Uttlesford District Council will set rent levels and service charges for its housing stock and ensure it meets current government guidance.

2. Policy Statement

- 2.1 This policy aims to provide a fair and affordable method of calculating rents and service charges within a viable and sustainable Housing Revenue Account (HRA) that enables the Council to deliver effective services, invest in its properties to ensure homes are of a modern standard and to provide new social housing to rent.

3. Policy Objectives

- 3.1 The objectives of the Rent and Service Charge Setting Policy are to:
 - i. ensure the viability of the Council's 30 year HRA Business Plan
 - ii. identify how Uttlesford District Council will set rents and service charges
 - iii. provide for rents at an affordable level for Uttlesford District Council tenants
 - iv. detail the process for providing statutory notice to tenants of proposed changes in rent levels
 - v. ensure transparency and value for money when setting and reviewing service charges for both tenants and leaseholders
 - vi. ensure rents do not exceed Government set limits in terms of Rent Rebate Subsidy Limitation

4. Background

- 4.1 As of October 2012 the council owns and manages 2852 rented properties and 122 properties subject to long leases.

- 4.2 Rents have historically been set in accordance with Government guidance following publication of the Government's Housing Green Paper, *Quality and Choice: A decent home for all*, (April 2000). This focused on the need to develop a fairer system of affordable rents in the social housing sector.
- 4.3 Rent restructuring has been in place since 2002 with the initial aim being to achieve the alignment of social sector rents by 2012. Rents have been calculated using a government formula on the basis that:
- i. 70% of a property's rent should be based on relative local earnings
 - ii. A "bedroom weighting" factor is applied to the above so that, other things being equal, smaller properties have lower rents
 - iii. 30% of a property's rent should be based on relative property values, the property value is based on social housing use and that value is fixed at January 1999 valuation levels
- 4.4 Changes to local authority housing finance came into place in April 2012 with the introduction of 'self-financing' as part of the changes brought about by the Localism Act which came into being in November 2011.
- 4.5 Under HRA self-financing the level of debt assigned to the Council was calculated assuming rents would increase in line with the Government's rent convergence formula. The Department of Communities and Local Government guidance 'Self Financing: Planning the Transition' (July 2011) states the following:

Rental assumptions

The self-financing valuation assumes that councils will set their rents in line with the Government's national social rent restructuring policy. This policy assumes the following:

- *that guideline rents will converge with formula rents in 2015-16*
- *rent increases of just above inflation year on year after 2015-16*
- *a limit on individual annual rent increases of RPI (September figure) + 0.5% + £2 per week upto convergence and thereafter for annual increases in formula rents of RPI (September figure)+0.5%.*

The housing benefit 'limit rent' will continue to ensure the Exchequer does not meet the extra costs of rents which are set above policy levels. Government does not have any plans to change the national rent policy set out above. It will however continue to collect data on actual rents charged to help inform the development of any future rent policy. In addition, the Department retains the power to direct the regulator to set a rent standard, but in the council sector, unlike the housing association sector, it has no plans to do so.

- 4.6 The affordability of the Council's HRA Business Plan is based on increasing rents in line with rent restructuring guidance.
- 4.7 Setting rents which are outside of this formula will affect the Council's ability to carry out the planned programme of investment in its homes or require an on-going saving programme or reductions in service provision. In addition, the impact of welfare reform is yet to be fully assessed and witnessed and therefore rental income needs to be maximised.

5. Principles of the Policy

- 5.1 The Council's Rent and Service Charge Setting Policy focuses on the following principles:
- i. the method used to set rents will remain in force for the duration of this policy
 - ii. rents will be set at a level that ensures that the Council's business plan remains viable
 - iii. service charges will be set annually and aim to recover the costs incurred in providing the services
 - iv. the Council will provide tenants and leaseholders with clear information which explains how rents and service charges are set
 - v. where possible guidance will be given to those tenants who have difficulty in managing their finances, ensuring income is maximised, debts are kept to a minimum and the cost of default for the HRA is kept to a minimum

6. Affordability

- 6.1 When calculating rents and service charges account will be taken of the need to balance any increase in rent charged with the potential financial impact on tenants and leaseholders.

7. Annual Rent Increases

- 7.1 The Council will levy an annual rent increase using Government guidelines which have formed the basis of the HRA Business Plan.
- 7.2 This will mean that rents will be calculated using the formula rent calculation until 2015/16. Beyond this there will be rent increases of just

above inflation year on year. There will be a limit on individual annual rent increases of RPI (September figure) + 0.5% + £2 per week up to convergence and thereafter for annual increases in formula rents of RPI +0.5%.

- 7.3 The annual RPI figure is based on that published for September preceding the April increase for each year.
- 7.4 Rent increases will be effective from the first Monday in April each year, for all tenants.
- 7.5 Projected target convergence rents will be applied immediately with new lettings.

8. New Homes

- 8.1 To ensure their financial viability 'affordable rents' will be set for new homes built by the Council where external support or use of surplus right to buy receipts are used. The method for setting such rents will be in line with the guidance published by the Homes and Communities Agency (HCA) in their Affordable Homes Programme Framework (February 2011) and in accordance with Regulatory Framework for Social Housing in England (March 2012).
- 8.2 Affordable rents will be increased in accordance with any current regulatory guidance.

9. Notification of a Rent Increase

- 9.1 The Council will give at least one month's notice of any increase in the rent it charges. Rent increases will be applied in line with Section 13(2) of the Housing Act 1988, and use the form prescribed for this purpose as it applies at the time of the increase and following any amendment to this.

10 Service Charges

- 10.1 The overall aim of the policy is to ensure that service charges are set based on the actual costs of the services provided and that the method of calculation is transparent and can be easily understood.
- 10.2 The service charges will be reviewed on an annual basis to ensure that the charges collected relate directly to actual costs incurred. Service charges will be based on the actual costs incurred in the prior year.
- 10.3 The Council will also provide details of actual costs incurred to ensure that service charges can be scrutinised by tenants if required.

- 10.4 For leaseholders the Council will comply with the terms of Section 153 of the Commonhold and Leasehold Reform Act 2002, providing clear and transparent information to leaseholders regarding service charges and management fees.
- 10.5 Support charges are detailed separately and are determined by the Supporting People rules.

11. Responsibility

- 11.1 The Cabinet is responsible for setting the level of annual rent increases and ensuring tenants are given the statutory period of notice of any subsequent rent increases.
- 11.2 The Assistant Director of Housing and Environmental Services is responsible for arranging rent assessment of all new properties.

12. Consultation

- 12.1 The Council will consult with involved tenants using existing consultation mechanisms.
- 12.2 The Council will also consult with involved tenants and leasehold with regard to the provision of services and the charges made for these services, to ensure these are effective and provide value for money.

13. Review

- 13.1 The Rent and Service Charge Setting Policy will become effective from 1 January 2013. A review will be undertaken during the year 2015/16.
- 13.2 Following this it is the intention to maintain a 5 year cycle of review of the Policy.