



**Melton
Borough
Council**

Helping people | Shaping places

Rent and Service Charge Setting Policy

Service Area		Housing	
Policy Owner		Director for Housing and Communities	
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1 Scope

- 1.1 This policy outlines how Melton Borough Council (the Council) will calculate and charge rent and service charges for the housing stock that it owns and has responsibility to manage and maintain. The Council is required by law to carry out a review of council rents from time to time and to ensure that the Housing Revenue Account (HRA) does not fall into a deficit position. The rent level determines the income to the Housing Revenue Account that drives the HRA Business Plan.
- 1.2 This policy covers the following groups of customers:
 - o Tenants
 - o Leaseholders
 - o Shared Owners
- 1.3 Consultation with leaseholders in relation to Section 20 charges are not directly covered by this policy.

2 Purpose

- 2.1 The purpose of this policy is to:
 - a) Ensure that rents and service charges will be set in accordance with relevant statutory, regulatory, audit and contractual obligations.
 - b) Ensure that the HRA does not fall into a deficit position.
 - c) Ensure rents and service charges are set at a level which ensures that the Council meets its obligations to tenants and leaseholders, maintains stock at a high standard of repair, plans for future investment and continues to function as a financially viable organisation.
 - d) Protect Council tenants and leaseholders from excessive increases in charges.
 - e) Help ensure sub-market rents are being provided to those in housing need.
 - f) Provide a clear framework for the setting and review of rent levels for each property.
 - g) Ensure that all tenants are made aware of the weekly rent payment due to the Council in respect of their property, both at the beginning of their tenancy and when it changes in April every year.
 - h) Ensure that our customers are advised of the availability of benefits to help with housing costs and are given support to claim benefit where applicable.

3 Legislation and Guidance

- 3.1 Welfare Reform and Work Act 2016 (including amendments)
- 3.2 Summer Budget 2015, HC 264, July 2015: para 1.140

- 3.3 Housing Act 1985 Section 24: the Council can make such reasonable charges as it determines for the tenancy or occupation of its houses. The Council is obliged, from time to time, to review rents charged and make such changes, as circumstances may require. The Council may increase the rent for its tenants by giving no less than four weeks' notice, pursuant to section 103(4) of the Housing Act 1985.
- 3.4 Local Government and Housing Act 1989 Section 76: the Council is required, in advance of the financial year, to formulate proposals which satisfy the requirement that, on certain stated assumptions, the Housing Revenue Account for that year does not show a debit balance.
- 3.5 Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016
- 3.6 Housing and Planning Act 2016
- 3.7 Housing and Regeneration Act 2008 section 197: The Direction on the Rent Standard 2019
- 3.8 Ministry of Housing, Communities and Local Government: Policy statement on rents for social housing, February 2019
- 3.9 Regulator of Social Housing: Rent Standard, April 2020

4 Equalities

- 4.1 The Council recognises the needs of a diverse population and always acts within the scope of its own policies, the Human Rights Act 1998, and the Equalities Act 2010. The Council works closely with its partners to ensure it has a clear understanding of its customers with clear regularly updated service user profiles and will record, analyse and monitor information on ethnicity, vulnerability and disability. The Council seeks to ensure that this Policy does not discriminate on any grounds.
- 4.2 Publishing standard information and documentation in different languages and other formats, as required, will enhance the promotion of equal opportunities.

5 Corporate Context

- 5.1 The Council has adopted a Corporate Plan for the period 2020 – 2024, to deliver its mission of *Helping People* and *Shaping Places*. This Policy will assist the Council in delivering its mission, particularly under the priority theme of:

Helping People

- 1. *Service excellence in all we do*
- 2. *Providing high quality council homes and landlord services*

6 Roles, Responsibilities and Authority

- 6.1 It is the decision of Full Council to set the yearly change to rental charges as this forms part of the Council's budget and policy framework. This process is overseen by the Director for Corporate Services.
- 6.2 The Director for Housing and Communities has responsibility for ensuring that all associated processes are followed.

7 Background

7.1 Historical context

The rent levels charged by councils have reflected a number of variables, including: when the housing was built; individual property characteristics; changes in the capital and revenue subsidies; and the different rent policies pursued at the time.

7.2 Current context

Following the government's rent restructuring exercise from 2002-03, rents are applied on an individual property level, based on a calculated formula rent. Not all of the Council's properties were able to converge to this formula rent within the timescales allowed and so when properties are re-let, rent is set at formula rent. The rent standard specifies the maximum amount by which rents can be increased from 2020-21.

7.2.1 Summer Budget 2015

On 8 July 2015 (Summer Budget 2015) the Chancellor announced that rents in social housing would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21. This superseded the Government's previous policies implemented in April 2015. The new rent setting measures were confirmed by the Welfare Reform and Work Act 2016.

7.2.2 Housing and Planning Act 2016

The Act initially required local authority tenants with a higher income to pay a higher rent from April 2017 and required local authority tenants to declare their income to their landlord. The Government indicated in November 2016 that this scheme would instead be voluntary. It is not the Council's intention to introduce "Pay to Stay" unless required to by statute.

7.2.3 Policy statement on rents for social housing, February 2019

In February 2019, the government published a new direction to the regulator of social housing to set a standard on rents for registered providers of social housing (including local authorities), to come into effect on 1 April 2020. Its stated intention is to "*recognise the need for a stable financial*

environment to support the delivery of new homes and to enable registered providers to plan ahead. The government is now looking to the social housing sector to make the best possible use of its resources to help provide the homes that this country needs”.

8 Rent Setting

8.1 Calculation of rent

- a) The Council will charge a Social Housing Rent for all properties, unless meeting the criteria in respect of Affordable Rents (see Section 8.2 below).
- b) Rents will be set based on a formula that has consideration of the condition and location of a property:
 - i. its value;
 - ii. local earnings; and
 - iii. property size (specifically, the number of bedrooms in a property).
- c) The basis for the calculation of formula rents is:
 - i. 30% of a property's rent should be based on relative property values;
 - ii. 70% of a property's rent should be based on relative local earnings; and
 - iii. a bedroom factor should be applied so that, other things being equal, smaller properties have lower rents.
- d) The Council has some properties with a rent charge below that of formula rent. When one of these properties becomes void, the proposed rent will be recalculated based on the formula rent.

8.2 Affordable Rent

- a) An Affordable Rent allows local authorities to set rents at levels that are typically higher than social rents. The intention behind this flexibility is to enable them to generate additional capacity for investment in new affordable housing.
- b) The Council may in future be in receipt of grant from Homes England to develop and deliver new Council homes for rent. It is typically a requirement of the Homes England grant that Affordable Rents are used.
- c) The Council will ensure its rent setting for Affordable Rent properties meets Homes England requirements. On each occasion an Affordable Rent tenancy is issued for a property a new valuation is required. The new rent will be set using this valuation at 80% of the local market private rents. This will be the maximum Affordable Rent chargeable inclusive of service charges. This 'rebased' rent will override any rent level arrived at previously.
- d) Where the accommodation is re-let to the same customer as consequence of a fixed term tenancy coming to an end, a new valuation is required.
- e) The Government has implemented a process to allow properties let on affordable rent terms by local authorities to be treated outside of the Rent

Rebate Subsidy Limitation scheme, subject to meeting a set of criteria set out in the guidance including a signed letter by the Section 151 Officer.

8.3 Shared Ownership

The Council does not currently offer Shared Ownership properties. If, in the future, this becomes the case it is worth noting rents are not subject to the Rent Standard.

Rent setting for all shared ownership properties is as specified in their lease and will reflect any changes to equity shares. It would be the Council's intention to keep rent charged to a minimum, but cover all relevant costs.

8.4 Non HRA dwellings rents

The Council may seek to manage properties through its General Fund (either by purchase, lease arrangements, or transfer from the HRA) to support its delivery of non-HRA activities (for example, the provision of temporary accommodation). If this is the case, the Council will not be limited by an affordable rent.

9 Service Charges

9.1 The Council's approach to the management of service charges is informed by the following principles:

- a) It is right the Council collects income to pay for the services it provides.
- b) The Council will act lawfully and reasonably in the setting and recovery of service charges.
- c) Service charges will be depooled i.e. they will be payable only by those tenants or leaseholders who receive additional services.
- d) Service charge costs will be calculated on a block-by-block basis, unless it is impracticable to separate costs to that level of detail. If that is the case, costs will be aggregated (i.e. the total cost of the service is to be divided by the number of properties that benefit from the service to calculate the charge).
- e) Information will be provided on service charges, including the costs that the charges cover, how charges are budgeted, and how increases/decreases calculated.
- f) Tenants and leaseholders will be involved in the procurement of contracts for the services they pay for.

9.2 Balancing transparency and fairness with the administrative burden of calculation, service charges for tenants, leaseholders and shared owners are set on a depooled and, where possible, a disaggregated basis:

- a) Service charge depooling is a process whereby the landlord stops sharing the costs of services amongst all its tenants, and collects a separate service charge payable only by those tenants who receive these additional services.
 - b) Aggregating costs means the total cost of the service is divided by the total number of properties that benefit from the service to calculate the charge. The Council's preference is to calculate costs on a block-by-block basis, but accepts that this is not always practicable and therefore will aggregate charges as a reasonable alternative.
- 9.3 Service Charges will increase or decrease separately from rents each year. All services are excluding Value Added Tax (VAT). For Affordable Rent tenants, service charges are included alongside the rent and the combined charges cannot exceed the overall 80% cap.
- 9.4 Where new or extended services are introduced that will lead to additional charges, for both Tenants and Leaseholders the charges will be based on best estimated cost or known contract cost, plus an admin fee of 5%. Once a full year's costs are available the service charge calculation can be made.

10 Leaseholders

- 10.1 Charges to Leaseholders will be in accordance with the provisions of their lease.
- 10.2 The Council will charge consistently between tenants and leaseholders unless there are specific exceptions which do not relate to both groups e.g. management fee for leaseholders.
- 10.3 Leaseholders are charged annually for the following elements:
- a) Ground rent (set by the Government at £10.00 per annum)
 - b) Repairs
 - c) Planned Maintenance
 - d) Communal Cleaning
 - e) Decoration
 - f) Lighting
 - g) Insurance
 - h) Fire Insurance
 - i) Administration
 - j) Estate Management
 - k) Aerial

11 Garages

- 11.1 The Council will set the charge of garages annually. Council tenants will be charged the cost of a garage without VAT for their first two garage rentals;

and additional garages will be subject to VAT. The cost for all other garage licence holders will include VAT.

12 Rent Collection

- 12.1 Rents will be calculated over 52 weeks. Where there are 53 Mondays in the financial year, the rent will then be calculated over 53 weeks.
- 12.2 The rents will be increased or decreased on the first Monday of April, including in the April following the grant of the tenancy. The Council will set rents annually by giving tenants at least 28 calendar days' notification of a variation to their rent charge (Appendix One of this Policy gives an explanation of what is meant by each element of the rent and service charge notice).
- 12.3 The rent and service charges that are payable are due on or before the Monday of each week, other than where the payment method is Direct Debit.
- 12.4 All service charges form part of the tenancy/occupation agreement or terms of the lease. There is no option to opt out of any specified charge.
- 12.4 To assist our customers in paying their rent, all customers will have access to information and advice on their rights to claim housing benefit and any other welfare benefits. A range of rental payment methods will also be made available to customers to enable timely rental payments to be made. Rent statements will be provided to customers on a quarterly basis.

13 Consultation

- 13.1 The Council will consult with tenants and leaseholders through its budget-setting process. This includes information on changes to rent and other charges.
- 13.2 Leaseholders will be consulted in line with the requirements of the lease and as required by statute.

14 Related Policies

Melton Borough Council Corporate Debt Policy 2020 – 2024

15 Review

- 15.1 The Council will record rent and service charge data on its housing management system. All of the Council's key performance indicators related to rent will be closely monitored and reported against routinely through the Council's performance management framework.
- 15.2 This policy will be reviewed every five years, unless legislative or regulatory changes require an earlier review. It is delegated to the Director of Housing and Communities to make any necessary minor amendments, as a result of changes in regulation for example.
- 15.3 If Council staff become aware that there are problems with effective operation of the policy or the associated procedures, they should report this to the Policy Owner. This feedback will be incorporated into the policy / procedural review process.

Appendix One: Explanation of rent and service charge notice

Element*	Explanation
Rent	The amount of money that you pay regularly for the use and occupation of the property
Communal Cleaning	Your share of the costs of the regular cleaning of internal shared and common areas
Grounds Maintenance	Your share of the costs for the grass cutting (dependent on weather, usually 14 cuts per year) and hedge/shrub cutting (usually twice a year) for the shared external areas.
Health and Safety	Your share of the costs for: <ul style="list-style-type: none"> • fire alarm, emergency lighting and water hygiene testing, surveys and maintenance. • Routine inspections and testing to communal areas of the building including for example fixed electrical testing, PAT testing of communal equipment, asbestos surveys. • Safety inspections and checks to internal shared and common areas to ensure that evacuation routes are clear and fire equipment is working.
Other Property related charges	Your share of costs of: <ul style="list-style-type: none"> • Inspections and maintenance to lifts or other equipment in communal use • Cleaning and clearing of communal paths, bin stores and car parks including gritting and salting of pathways and car parks
Heating	Your share of the costs of shared heating systems, which may include the heating communal areas and the heating supply to your property
Electricity	Your share of the costs for electricity to, for example, provide lighting to internal and external communal areas and to power any fire alarms
Water	Your share of the costs of water supplies to communal facilities and water to your property where this is provided centrally and not charged directly to you by the utility company.
Aerial	Your share of the costs to provide and maintain a communal aerial and the feeds to individual properties

*note – not all elements are applicable to all properties