

STEVENAGE BOROUGH COUNCIL

**RENT and SERVICE CHARGE SETTING POLICY
(RESIDENTIAL PROPERTY)**

1. Purpose

- 1.1 The purpose of this policy is to establish the principles and approach by which Stevenage Borough Council will set rent levels and service charges for its residential properties.

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.

2. Policy Objectives

- 2.1 The objectives of the Rent and Service Charge Setting Policy are:
- to identify how Stevenage Borough Council will set rents and service charges for residential properties;
 - to provide for rents at an affordable level for Stevenage Borough Council tenants whilst;
 - ensuring the viability of the Council's 30 year HRA Business Plan and Medium Term Financial Strategy, making funds available to invest in service improvements, maintain and improve our homes, and provide new social housing to rent.
 - to detail the process for providing statutory notice to tenants of proposed changes in rent levels;
 - to ensure transparency and value for money when setting and reviewing service charges for both tenants and leaseholders.

4. Background

- 4.1 As of July 2012, Stevenage Borough Council owns and manages approximately 8300 rented properties and manages leasehold arrangements for around 1300 properties.

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 on the basis that:

- 70% of a property's rent should be based on relative local earnings;
- A "bedroom weighting" factor is applied to the above so that, other things being equal, smaller properties have lower rents;
- 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.

The current Government has chosen to continue with the rent setting process put in place by the previous Government but with a revised target convergence date of 2015/16, and subject to a maximum annual rent rise for an individual tenant of the Retail Price Index (RPI) + 0.5% + £2 per week.

4.4 For Stevenage only 44% of the properties are estimated to reach convergence by 2015-16. The higher the bed size the more likely a property is going to be constrained by the rent limit. The table below shows the % of properties by bed size reaching convergence over 10 years:

DWELLINGS ACHIEVING CONVERGENCE								
BY BED SIZE								TOTAL
	Bedsits	1 beds	2 beds	3 beds	4 beds	5 beds	6+ beds	Dwellings at Target Rent
2015.16	76%	64%	54%	26%	19%	0%	0%	3,660 44.3%
2016.17	91%	91%	85%	90%	79%	7%	33%	7,277 88.1%
2017.18	96%	96%	92%	97%	92%	46%	33%	7,832 94.9%
2018.19	100%	97%	96%	97%	95%	91%	33%	7,973 96.6%
2019.20	100%	99%	97%	97%	95%	93%	100%	8,052 97.5%
2020.21	100%	99%	97%	97%	95%	96%	100%	8,070 97.7%
2021.22	100%	100%	97%	98%	95%	96%	100%	8,105 98.2%
2022.23	100%	100%	97%	98%	95%	96%	100%	8,123 98.4%
2023.24	100%	100%	98%	99%	96%	96%	100%	8,141 98.6%
2024.25	100%	100%	98%	99%	96%	96%	100%	8,150 98.7%

4.5 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.

4.6 Under HRA Self Financing the level of debt assigned to this Council (c£200m) 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 + 0.5% + £2 per week up to convergence and thereafter for annual increases in formula rents of RPI + 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.'

- 4.7 Due to the level of debt assigned the affordability of our HRA Business Plan (e.g. the ability to fund the debt repayment and the capital investment programme) is based on increasing rents in line with rent restructuring guidance.
- 4.8 As debt repayments are fixed, setting rents which are outside of this formula will affect our ability to carry out the planned programme of investment in our homes or require an on-going saving programme or reductions in service provision.

5.0 Principles of the Policy

- 5.1 Stevenage Borough Council's Rent and Service Charge Setting Policy focuses on the following statements of principle:
- the method used to set rents for Stevenage Borough Council tenants will remain in force for the duration of this policy.
 - rents will be set at a level that ensures that the Council can meet its landlord obligations to tenants by delivering good quality services, continue to maintain stock to a high modern standard including investment to reduce fuel poverty, provide new social housing to rent and deliver a financially viable Housing Revenue Account over the longer term.
 - any service charges will be set annually and aim to recover the costs incurred in providing the services. The Council will consult with tenants and leaseholders regarding the setting of service charges, including what services are provided and why charges are incurred.

- the Council will provide tenants and leaseholders with clear information which explains how rents and service charges are set and, if applicable, what changes have been included.
- where possible guidance will be given to those tenants who have difficulty in managing their finances, ensuring income is maximised and debts are kept to a minimum.
- the Council will invest in a series of programmes to reduce worklessness and invest in apprenticeships, community based projects and social enterprises to provide work based opportunities for its tenants. The annual cost will be funded via a growth bid as part of the annual Service and Financial Planning process.

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 customers.
- 6.2 In its annual rent and service charge increase report to Executive, Officers will take account of the need to maintain a viable HRA whilst ensuring rents and service charges for Stevenage Borough Council are comparable with those for the social housing sector.

7. Annual Rent Increases

- 7.1 In the first instance Stevenage Borough Council will, for the term of this policy, levy an annual rent using the formula rent calculation. Beyond this, on an annual basis and once the level any of surpluses within the HRA business plan are determined, the Council's Executive Committee will decide how to use this surplus; to reduce rents from the base, to invest in improvements to housing assets or service provision, accelerate debt repayments or any combination of the these.
- 7.2 Rents for other tenancies not subject to target rents will be set to ensure financial viability, and if applicable will be increased in accordance with any regulatory guidance. Where applicable, this will include Low Start Shared Ownership, shared ownership, intermediate or Affordable Rents and any other properties not provided for elsewhere in this policy.
- 7.3 Stevenage Borough Council will not apply the 5% flexibility in formula rents for general needs housing (or the 10% for sheltered and supported housing) for the term of this policy
- 7.4 Rent increases will be effective from the first Monday in April each year, for all tenants and shared ownership lessees.
- 7.5 For leaseholders we 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.

8. New Homes

- 8.1 Rents for new social housing, or where adaptations or extensions have resulted in the property being increased in size (for example, and additional bedroom), will be set in accordance with the formula detailed at 4.3 above.
- 8.2 Rents for new build social rented lettings will be set to achieve target rent by the revised projected target convergence date excepting any to which Affordable Rents apply.
- 8.3 In applying target rents to new and adapted or extended homes, this Council is ensuring the rents charged reflect the immediate benefit of the enhanced facilities provided as opposed to the longer term programme of providing modern facilities through Decent Homes and other property and environment improvement schemes.
- 8.4 If Stevenage Borough Council chooses at any time during the lifetime of this policy to enter into an agreement to supply new housing to which Affordable Rents were to apply, then the method for setting such rents would be in line with the guidance published by the Homes and Communities Agency in their Regulatory framework for Social Housing in England.

9. Notification of a Rent Increase

- 9.1 Stevenage Borough Council will give at least one months 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 With the introduction of Universal Credit set for October 2013, eligible service charges are to be limited to:
- services necessary to maintain the fabric of the building
 - cleaning of communal areas
 - cleaning the exterior windows where the tenant or someone on their behalf cannot do so

Services charges related to the supply of a commodity (e.g. water or fuel) will be deemed ineligible.

- 10.3 Where appropriate, Stevenage Borough Council will set service charges by taking into account the following factors:
- the full cost of the service provided;

- value for money, benchmarking and market testing service costs against those provided by neighbouring landlords;
- a provision for the maintenance and replacement of equipment used in the supply of services;
- financial viability for the landlord.

10.4 Stevenage Borough Council will aim to ensure its tenants are not disadvantaged by the effect on services charges through the introduction of Universal Credit and will show transparency in all of its service charge accounting.

10.5 Support charges are detailed separately and are determined by the Supporting People rules.

11. Responsibility

11.1 The Chief Executive of Stevenage Borough Council 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 (Housing) is responsible for arranging rent assessment of all new properties.

12. Consultation

12.1 Stevenage Borough Council will give details of its rent policy in the Residents Handbook and tenancy agreement. The tenancy agreement also states how and when the rent may be increased.

12.2 Stevenage Borough Council will consult with involved tenants using existing consultation mechanisms, and to ensure commitment to the HCA Regulatory Framework's Tenant Engagement Standard.

12.3 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 immediately and remain in place until 31st March 2017. It will run concurrently with the HRA Medium Term Financial Strategy. A review will be undertaken during the year 2016/17 to ensure any revised policy comes into force with effect from 1st April 2017.

13.2 It is the intention of Stevenage Borough Council to maintain a 5 year cycle of review for the Rent and Service Charge Setting Policy.