

# Rent Setting Policy

## 1. Introduction and Purpose

The Policy seeks to set out the principles Peterborough City Council applies in calculating its rents and service charges for its housing stock and seeks to provide guidance to its tenants. The Policy creates the procedural framework for rent setting; service charges; and income collection for council housing. The policy is intended to promote transparent, equitable and sustainable rent and service charge setting and collection.

The policy sets out:

Confirmation of the Council's commitment to the Regulator of Social Housing's (RSH) Rent Standard, ensuring that rent and service charges comply with Ministry of Housing, Communities and Local Government (MHCLG) Policy Statement on Rents for Social Housing.

How the Council will set rents for its social and affordable housing stock.

The approach that the Council will adopt when setting service charges.

How the Council will work to meet best practice on rents and service charges.

How the council will ensure decisions and actions are compatible with corporate debt policy, by ensuring a policy on income collection is in place.

## 2. Scope

The policy relates to the setting, charging and collection of income related to residential accommodation within the Housing Revenue Account (HRA). Garage rents are also covered by this policy.

The following are not in scope of this policy –

- Ground rents, service charges and other fees and charges levied on shared owners, other than weekly rent charges.

- Pitch fees for Travellers sites
- Temporary accommodation provided to homeless households under Part VII of the 1996 Housing Act, other than where this is a PCC tenancy.
- Residential accommodation owned by PCC but not managed within the Housing Revenue Account
- .
- Commercial premises owned by PCC.

### 3. Roles, Responsibilities and Delegated Authority

The policy is approved by the Cabinet. The relevant Cabinet Member will approve any policy decisions arising from the implementation of the policy on the recommendation of the Assistant Director of Housing.

Authority is delegated to Assistant Director of Housing to implement the policy and delegate authority to officers accordingly. Authority is delegated to the Head of Landlord Services and their delegated officers to develop procedures for income management.

### 4. Rent Setting

The policy relates to the setting, charging and collection of income related to residential accommodation within the Housing Revenue Account (HRA), including Secure, Introductory and Flexible tenancies. Garage rents are also covered by this policy.

Rent will be set at levels equivalent to the Local Housing Allowance or up to 80% market rent value (whichever is lowest).

Rents are set annually, through the Council's budget-setting process. Increases (or decreases) are decided by decisions of Cabinet and Council and are effective from the first Monday in the following April. Average rents and the amounts of increases (or decreases) are set out in the Budget Report and the Fees & Charges annex. All tenants are given at least 28 days' notice of increases (or decreases) in their own rent through the annual rent notification letter.

The Council will adhere to the Rent Standard in setting its rents. The rental income from residential tenancies is the main source of income to the HRA. As it is the Council's objective to provide good quality housing, which is well-managed, it is essential that the income from rents is maximised to enable investment in the housing stock and services. It is also recognised that some tenants have a low income and are vulnerable, so it is

important that the rent setting policy does not unduly disadvantage them.

## **New Tenancies**

The Council will offer tenancies at both Affordable Rent and Social Rent levels, depending on the availability of grant funding for the scheme, and the viability of both the individual scheme(s) and the HRA overall.

### **Affordable Rents**

For these properties, rent will be set at levels equivalent to the Local Housing Allowance (LHA). These properties fall within the definition of affordable rent housing set out in the MHCLG policy statement. In some areas of Peterborough, the LHA in Peterborough is significantly below 80% of market rent so this complies with the Rent Standard. Service charges for communal and additional services at the property are additional to the rent. Benefit regulations define those service charges that will be eligible when calculating benefits and further information is set out below (some charges such as for heating, power and water within the property are not eligible). When calculating the affordable rent, PCC will include service charges in the total amount, provided these are eligible for Housing Benefit/Universal Credit.

### **Social Rents**

For these properties, rent will be set according to the formula set out in the Rent Standard, based on national average rent, local property values and local average earnings. PCC will use the data published annually by MHCLG for this purpose.

## **Existing Tenancies**

### **Social Rents**

Where existing tenancies are at social rents, PCC will increase rent on these properties within the maximum permitted by the Rent Standard. From April 2020 for a period of five years the maximum increase has been set as Consumer Prices Index (CPI) plus 1% per year.

### **Affordable Rents**

Where existing tenancies at rents at LHA levels, PCC will increase rent on these properties in line with increases in LHA, ensuring that any such increase is capped at the maximum permitted by the Rent Standard, currently CPI + 1%.

The Rent Standard allows landlords to apply a different approach to social housing tenants with an annual household income above £60,000. The rent increase does not have to be capped at CPI+1%. However, it is PCC policy to apply the standard increase

to all tenancies regardless of household income.

### **Re-Lets, Succession and Mutual Exchanges**

When a social rent property is re-let after a void period, the rent will be the social housing target rent, even if this is different from the rent for the previous tenancy. When an affordable rent property is re-let after a void period, the rent will be re-based to the current LHA level, even if this is different from the rent for the previous tenancy.

If the void period covers the first week of April, the new rent will include the uplift for the new financial year, CPI+1% as set out above.

Where a succession takes place, the new tenant takes over the tenancy terms including the rent and service charges so the rent will not change. Similarly, when a mutual exchange is carried out the incoming tenant takes over all the existing tenancy terms including the rent and service charges.

### **Shared Ownership**

Shared ownership properties are not subject to the Rent Standard. Initial rents are set, as above for council tenancies. Rent increases determined in the lease for the property, normally as the average rent increase applied to council tenancies in the previous year.

### **Unauthorised Occupancy**

For properties that are occupied by someone who is not a legitimate tenant but has tolerated trespasser status, the use and occupation charge will be equivalent to the weekly charge that would apply if the property were tenanted.

A separate administration charge will be levied against the tolerated trespasser to cover the cost of gaining vacant possession. The administration charge will be levied at 2.5% of the total use and occupation charge up to a maximum £50.

### **Garages**

For garages, as for residential properties, it is PCC's objective to maximise the income to be able to invest in the properties and keep these to a high standard. It is also recognised that garage rents should be set at a level that is fair for tenants. PCC is developing a Garage Strategy that will set out in detail the plans for investing in the garage stock. Rent levels for garages will be determined annually, based on existing charge levels, and applying a fair level of increase based on demand for garages and

the investment required to maintain the garage stock in good condition.

## **Supported Housing**

The Rent Standard allows landlords to apply a different approach to “specialised supported housing” which is accommodation that is specifically intended for, and offers a high level of support for, residents who would otherwise not be able to live independently. The sheltered housing schemes managed by PCC within the HRA are not considered to meet this definition. For tenancies in sheltered housing, PCC will apply the same approach to rent setting as for general needs social housing tenancies.

## **5. Service Charges**

Service charges are made to residents to cover the costs of services provided to a property, block, or estate. Service charges are based on our best estimate of the costs of providing the services.

Leaseholders have a variable service charge based on the process of issuing estimates and actual invoices, defined in the Landlord and Tenant Act 1985. In relation to costs the Act states that they can only be levied if they are reasonable, and that works are carried out to a reasonable standard. Variable service charges are based on the actual cost of providing the services. Where the costs are different from what was estimated at the start of the year, an adjustment will be made to the account.

Tenants of blocks or estates where service charges are levied have a fixed service charge, which is payable alongside the basic rent charge. Tenants will not be liable to pay any additional costs for the actual provision of services, nor are they eligible for a rebate should the actual cost of service provision fall below the income from charges. Service charges will be set annually in advance and notified to tenants with the annual notification of rent increase. We aim to ensure when setting service charges that:

- Charges are simple and transparent, so it is clear what is being paid for
- We make accurate predictions of the actual cost of service provision to set service charges.
- We levy charges that are fair, equitable and represent good value for money.
- We maximise our income so we can provide the best possible services to residents.
- Fixed charges levied on tenants, though not identical to the variable service charges levied on leaseholders, are reasonable and fair by comparison.

## **Current Charges**

The services that we make a charge for currently include the following –

- Cleaning
- Caretaking
- Electricity
- Gas
- Water

Tenants of sheltered housing schemes are also charged for community alarm and housing support services that enable residents to live safely and independently in their own home. This policy does not cover the setting of these charges, but the charges are collected with the rent and other charges for the property.

We publish a schedule of service charges that are levied. These will be agreed annually by the council as part of the budget setting process. Service charges will be detailed in the tenancy agreement at the time the tenancy is signed. Payment of the service charges is a condition of tenancy and possession action will be taken for non-payment of charges, in the same way as for rent payment.

Charges will change no more than once a year, at the same time that rents are increased or decreased. Tenants will receive notification of changes to service charges along with the rent increase/decrease, no less than 28 days before the change is applied.

We will seek to pool charges at the highest reasonable level so that –

- Wherever possible we charge the same amount for a given service to all tenants who receive that service.
- Where that is not appropriate, we will levy the same charge to all tenants on an estate who receive that service. This may apply, for example, where there is a significantly different level of service provided to tenants on a given estate.

Service charges will be “de-pooled” from rents so that tenants have more information about the specific charges being made for elements of the service they receive. This approach will apply to any service that we provide to tenants, that is not a core housing management or maintenance function, and therefore is eligible to be charged for separately via a service charge.

### **Changes to Service Charges**

From time to time, we may wish to provide new services to an estate or block, or discontinue an existing service, or change the type of service provided. We will consult with residents about any proposed changes to services and charges and consider their responses before any decision is made. We will do this as part of our pledge to develop local offers in partnership with tenants.

We may introduce service charges to pay for the costs of existing services that are currently funded from general income to the service, by separating out costs within the existing rents charged. If we propose to do this, we will consult fully with residents who are affected by the proposal.

Service charge increases are not governed by the same factors as rent since they are based on service costs. However, in accordance with the MHCLG policy statement PCC will endeavour to keep increases for service charges within the limit on rent changes, of CPI + 1 percentage point, to help keep charges affordable.

### **Service Commitment**

We will ensure that, as far as possible, service charges represent good value for money for our residents.

- Where services are provided under contract by another organisation, we will work within the PCC procurement framework to achieve the best possible value.
- Where services are provided direct by PCC, we will ensure they are as efficient as possible.
- We will ensure that the service charge is levied on all residents who benefit from the service in question.
- We will carry out regular satisfaction surveys which will include a question concerning the value for money of service charges. We will monitor the satisfaction level and may decide to set targets to improve this. We will not treat tenants differently in respect of service provision and service charges because of their Housing Benefit (HB)/Universal Credit (UC) claimant status.
- We only levy mandatory service charges, in our role as a landlord, for services that would be part of “eligible rent” under the Housing Benefit Regulations or “eligible service charges” under Universal Credit, other than heating, electricity or water charges.
- The list of eligible service charges under UC and HB Regulations on service charges are published by DWP.

- Where we provide additional services that are not eligible for HB or UC, such as heating, we will levy a service charge that fully recovers the cost of providing the service.
- We may introduce charges for other services that are not mandatory and are not part of the tenancy agreement, for example for car parking. We will always consult with residents before we introduce additional charges.

## 6. Compliance and Performance

An annual HRA budget report is made to Cabinet. This will set out the projected income for the HRA and demonstrate that the proposed rent levels comply with this policy.

The service's performance on income collection is reflected in KPIs reported quarterly to CMT, the Cabinet Member and Scrutiny Committee. The service will also set internal performance indicators and targets that reflect the aims of this policy and will show how well it is performing against those expectations. The service will also seek to make use of benchmarking data and external challenge to assess performance. The service is subject to internal audit from time to time which identified areas of risk and makes recommendations for change.

PCC will provide an annual report to tenants, which includes information about service performance, including performance on income collection.

## 7. Complaints

Complaints about the application of this policy can be made under the PCC complaints procedure. Full information on how to do this can be found at:

[www.peterborough.gov.uk/council/make-a-complaint](http://www.peterborough.gov.uk/council/make-a-complaint)

## 8. Review

This policy will be reviewed where there are changes to relevant legislation and in line with PCC's policy review.



# Rent Setting Policy

## References:

Date agreed	
Issue date of revised version:	
Version number:	
Review due date:	

This document can only be considered valid when viewed via the Peterborough City Council intranet. If this document is printed into hard copy or saved to another location, you must check that the version number on your copy matches that of the intranet.

## Document Control Sheet

Purpose of document:	This policy is designed to ensure that there is a consistent approach to residential rent setting.
Type of document:	Policy
Document checked by Legal	

If applicable, has an initial Equality Impact Assessment (EIA) been completed?	
Document lead and author:	
Dissemination:	
What other documents should this be read in conjunction with:	
Who will review the document? (job title):	
Why is this document being reviewed?	

**Revisions**

<b>Version No.</b>	<b>Page/ Paragraph No.</b>	<b>Description of amendment</b>	<b>Date approved</b>