



Policy

Rent, Service and Support Charges Policy

Policy control

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1. Introduction

Chester & District Housing Trust, referred to as The Trust, aims to set rents, service and support charges that are fair, affordable and comply with legal requirements and best practice.

The setting of **rents** is heavily regulated by the Rent Restructuring Regime to which the Trust must comply.

The setting of **service charges** is heavily governed by legislation to which the Trust must comply.

The setting of **support charges** is heavily governed by the Supporting People Framework and policy considerations of the Administering Authority (Cheshire County Council at present but will be Chester and Cheshire West from 1 April 2009).

2. Policy Aims

The aims of the policy are to ensure that the Trust:

- complies with legislative and regulatory requirements
- sets rents and service charges so as to achieve sub-market levels whilst still meeting its legal, financial and other commitments and covering its costs
- remains financially viable

3. Categories of Rent, Service and Support Charges

3.1 This policy covers the setting of rents for :

- General Needs properties
- Older Persons properties
- Shared Ownership properties
- Garages & designated parking spaces

3.2 This policy covers the setting of charges for:

- Service charges
- Support charges
- Shared utility charges

3.3 The policy covers the setting of the charges, how they will be reviewed and how annual increases are determined.

4. General Needs and Older Persons Rents (Rent Restructuring)

4.1 The Trust will adhere to the rules and the performance standards of the Tenant Services Authority (TSA). The rent setting policy will comply with government guidance on the calculation of rents. This applies to all general needs and older persons' accommodation. The government guidance on rent setting uses a formula as shown in the box below.

<p>70% of the average rent for the sector</p> <p>multiplied by relative county earnings (i.e. Cheshire earnings expressed as a percentage of national earnings).</p> <p>multiplied by bedroom weight (i.e. a factor based on the number of bedrooms)</p> <p>PLUS</p> <p>30% of the average rent for the sector</p> <p>multiplied by relative property value (i.e. the individual property value expressed as a percentage of the average national property value)</p> <p>to generate a "target" rent.</p>
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4.3 The Trust is able to apply a "tolerance" to the target rent for a property. The permitted tolerances under Rent Restructuring are:

Older Persons / Supported	+ / - 10%
General Needs	+ / - 5%

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The Trust has opted to apply a + 5% tolerance to all target rents and considers that with this tolerance applied the rents set are still affordable.

The application of the + 5% tolerance increases the valuation of the stock for loan security purposes which then enables the Trust to access increased funding for property improvements and building new stock to address the significant shortage of affordable housing in the Chester area.

- 4.4 It is the Government's aim to restructure social housing rents so that a similar level of rent is paid for similar properties regardless of the landlord.
- 4.5 Tenants are protected against large movements in rents by a limit of RPI + 0.5% plus or minus £2 per week being applied. Retail Price Index (RPI) is explained in Section 11 below.
- 4.6 When the target rent + 5% tolerance has been achieved the Trust will increase rents by no more than the RPI plus 0.5% per annum.
- 4.7 For the relatively small number of properties for which the target rent + 5% is lower than the starting rent, rents will be reduced using the RPI + 0.5% minus £2 per week limit until the actual rent matches the target rent + 5%.
- 4.8 New tenants (with the exception of mutual exchanges – See Section 10 below) will be charged the target rent + 5% tolerance from the date that their tenancy commences.

5. Shared Ownership Rents

- 5.1 Shared Ownership is where the leaseholder purchases a "share" in the property and rents the other "share" from the Trust. The "share" that they purchase is often expressed as a percentage of the property e.g. 50%. Guidance on affordability and eligibility is produced by the Tenant Services Authority and local authorities.
- 5.2 The formula for calculating a shared ownership rent is :
100% minus the percentage purchased; multiplied by a figure of between 2% (minimum) and 3% (maximum)

- 5.3 The actual figure between the minimum and maximum is determined by the landlord but once set it cannot be changed. The figure used is primarily dependant on the viability of the scheme. Consideration is given to affordability of the mortgage payments, rent and service charge.
- 5.4 The Trust uses a default minimum of 2.75% on its development schemes and can increase this to 3% (with the approval of Development Group) if it means that a scheme that would be unviable at 2.75% can then proceed.
- 5.5 The annual increases in rents for shared ownership properties are included in each lease and are not necessarily the same as for rented properties. Increases are however usually expressed as a formula and include reference to RPI. Details of any service charges which are payable e.g. ground rent, buildings insurance, grounds maintenance are also specified in the lease.

6. Garage Rents (& Designated Parking Spaces)

- 6.1 There is no guidance or specific formula for the calculation of rents for garages or designated parking spaces. The rents for these were set by the City Council prior to transfer and have simply been inflated each year in line with rental increases for properties.
- 6.2 New charges are determined, wherever possible, by reference to charges made by other landlords or providers e.g. costs of parking spaces in the City. Affordability is also considered.
- 6.3 Charges for non-tenants are the same level as for tenants but we have to add Value Added Tax (VAT).
- 6.4 We will endeavour to limit the total increase in garage rents to the same level as rents i.e. RPI plus 0.5%.
- 6.5 We will review the setting of rents for garages and parking spaces over the next 3 years and include any changes in the next update of the policy. Some landlords are now charging higher rents to non-tenants than to tenants, typically £0.50 to £1.00 extra per week.

7. Service Charges

- 7.1 Service charges were first established in April 2006 when the Trust commenced Rent Restructuring. Prior to that they were not separately identified within the overall weekly payable charge for the property.

- 7.2 The Trust operates fixed service charges. Charges are set annually and there is no retrospective adjustment for any over or under-recovery. This gives certainty for both tenants and the Trust.
- 7.3 The Trust will only make a charge where tenants / leaseholders are clearly in receipt of a specific service e.g. caretaking, cleaning, grounds maintenance. Charges will be kept reasonable with the aim of recovering direct costs plus 10% for administration. The Trust will endeavour to ensure that service charges are eligible for housing benefit.
- 7.4 Where a new service is to be introduced or where it is proposed to significantly alter an existing level of service the Trust will consult with those affected using the established consultation methods in the Resident Involvement Strategy.
- 7.5 The minimum standard for consultation will involve writing to all those affected to explain the changes and obtain their views. In certain circumstances e.g. where there are significant changes a more formal approach may be adopted to give additional opportunity for residents to give their views. This will normally require a meeting to be arranged or the use of follow up visits to discuss the proposal with individuals.
- 7.6 Where a change is proposed the requirement shall be 50% or more in favour to proceed with the change. A “no response” shall not be counted as a vote in favour and every effort will be made to get a response from all those affected by a change to service charges.
- 7.7 We will aim to review the level of service charges at least once in every three year period, co-ordinating them with best value / value for money reviews wherever possible.
- 7.8 We will endeavour to limit the total increase in service charges to the same level as rents i.e. RPI plus 0.5%. Increases for individual schemes or properties may however be higher or lower dependant on the results of service reviews and changes in the levels of service provided to tenants.

8. Support Charges

- 8.1 The Trust will comply with Government policy and the administering authority requirements with regards to the Supporting People Framework. Supporting People provide grant to meet support charges for those who meet certain eligibility criteria, most usually the receipt of housing benefit.
- 8.2 Supporting People grants are under severe pressure and reductions of 5% per annum are forecast for the next 3 years. It is therefore essential that

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charges are set to ensure that Supporting People can continue to pay the full charges for eligible recipients and that they remain affordable for those who are ineligible for assistance and have to pay.

- 8.3 A charge will be made where a tenant is occupying a designated Older Persons' property or if they are in receipt of services provided by Care & Support (ChesterCare). The level of service will usually be determined by the risk assessment and support plan for the client(s).
- 8.4 Wherever possible we will allow choice in the level of service provided and the charges that are payable. Where it is proposed to significantly alter an existing level of service the Trust will consult with those affected using the established consultation methods in the Resident Involvement Strategy. The minimum standard for consultation will involve writing to all those affected to explain the changes and obtain their views.
- 8.5 Due to the vulnerable nature of the client group changes will be communicated in a sensitive manner and additional support provided wherever possible e.g. meetings with support staff in attendance.
- 8.6 We will endeavour to limit the total increase in support charges to the same level as rents i.e. RPI plus 0.5%. Increases may however be higher or lower dependant on the results of service reviews, changes in the levels of service provided or choices made by client(s).

9. Shared Utility Charges

- 9.1 In some properties a charge is made for shared utility costs that relate to "personal" consumption. This is usually for heating, lighting and water and predominantly affects Older Persons' housing where separate meters cannot be provided. The Trust, rather than the individual, is invoiced by the utility company and the charges made should recover the costs incurred. The heating systems in operation in these schemes are not very efficient and some are earmarked for demolition e.g. sheltered bedsits.
- 9.2 Charges of this nature are not eligible for housing benefit and are therefore payable from disposable income, often pension or other benefits, for those in receipt of them as they are for any other home occupier or those with a separate meter. With this in mind we have previously endeavoured to limit the total increase in charges to the same level as rents i.e. RPI plus 0.5%.
- 9.3 Shared utility charges have historically been charged on a pooled basis and maintained at a low level due to the client group involved and to assist with affordability. Charges have never covered costs and despite some

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rationalisation in April 2008 the gap continues to increase due primarily to substantial increases in prices charged by utility companies that are affecting everyone on the UK. The gap is therefore financed from charges made to all customers of the Trust.

- 9.4 From April 2009 we will however endeavour to increase charges so that they move towards recovering costs. To protect tenants from significant increases we will limit the annual increase to a maximum of £2 per week until charges reach the level required to recover costs incurred.
- 9.5 Due to the vulnerable nature of the client group wherever possible these changes will be communicated in a sensitive manner and additional support provided wherever possible e.g. meetings with support staff in attendance, access to benefits advice, one to one visits etc.

10. Mutual Exchange

- 10.1 The rent setting for mutual exchange is specifically covered within the Rent Restructuring guidelines. Where a mutual exchange takes place the two tenants swap properties and then pay the rent and charges that are applicable to the property that they now occupy.
- 10.2 By exchanging they are also agreeing to be subject to the Rent Restructuring requirements for their new property and any future increases that are applied e.g. a property below target rent could have an increase of RPI plus 0.5% plus £2 the April following the swap.
- 10.3 Unlike a re-let of a property the Trust is not permitted to use a mutual exchange to set the rent on a property at target rent + 5%.

11. Annual Increases in Rents and Charges

- 11.1 Annual Increases in rent and other charges will be effective from the first Monday in April of each financial year. Tenants will be given at least one months [28 days] notice in writing of the increases.
- 11.2 Increases will be applied as described within this policy and an explanation of the increases will be included with the notice provided to tenants. Wherever possible advance notice of average increases will be communicated e.g. RPI increase publicised in Trust News.

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11.3 Retail Price Index (RPI) is the official government measure of inflation that is used for rent increases. In general the rate for the September preceding the April to whom the increase is applied is used i.e. for April 2009 it will be the September 2008 RPI. Guidance on increases is provided annually by the Tenant Services Authority.

11.4 Wherever possible we will endeavour to limit increases as follows :

Rents	RPI plus 0.5% plus £2 per week
Shared Ownership Rents	As per lease
Garage Rents	RPI plus 0.5%
Service Charges	RPI plus 0.5%
Support Charges	RPI plus 0.5%
Shared Utility Charges	Maximum increase of £2 per week

12. Performance Management

13.1 The policy will be monitored in a number of ways including :

- Annual Business Plan and Budget Update
- Quarterly Management Accounts
- Monthly Performance Indicators
- Annual Returns to the Tenant Services Authority

13. Customer Service standards

14.1 The Trust's corporate customer service standards apply to this policy. The specific additional standards that apply within this policy are :

- Tenants will be given at least one months [28 days] notice in writing of the annual increase in rent and other charge levels

14. Legal framework

Landlord and Tenant Act 1985 (and subsequent updates)
Housing Act 1998 (and subsequent updates)
Rent Restructuring Framework (DCLG)

15. Equality and diversity

In implementing this policy and the procedures, we will not discriminate against any tenant on the grounds of their race, ethnic origin, gender, sexuality, marital status, disability, age, religion or class. The operation of the Policy and related procedures will be monitored to ensure that the outcomes are consistent across gender and BME grouping. We will utilise the customer profile information to identify individual requirements to ensure the most appropriate communication method is used, irrespective of age, gender, ethnicity and neighbourhood.

16. Responsibility

Overall responsibility for this policy rests with the Director of Finance and New Business

17. Review

The Trust will review this policy at least every three years to ensure it reflects good practice and Best Value.

18. Associated documents

- Tenancy Agreement
- Mutual Exchange Policy
- Bad & Doubtful Debts Policy
- Garage Policy
- Income Management Policy
- CDHT Approved Business Plan & Rent Restructuring
- Tenant Services Authority Guidance on Rent Setting Policies
- Resident Involvement Strategy