

# Local Authority Housing - Rent and Service Charge Setting Policy

## Summary

As a Social Housing Landlord, we have a statutory duty to set rent and service charges, and this includes:

Ensuring a fair and consistent approach to rent and service charges is adopted by us, whilst operating a financially sustainable and stable Housing Revenue Account (HRA) for the benefit of all our tenants, regardless of tenure.

The HRA is intended to record expenditure and income on running a council's own housing stock and closely related services or facilities, which are provided for the benefit of our own tenants and leaseholders

Being transparent and communicating how our rent is calculated, set, and reviewed, as well as certain exemptions set from the Rent Standard which is part of the regulatory framework for social housing in England.

Reviewing our service charges annually for tenants, leaseholders and shared owners, in line with statutory and regulatory requirements as a landlord.

## Effective date

18<sup>th</sup> September 2024

## Review

We will review this Policy every 5 years or when there has been an update to legislative, regulatory, best practice or operational changes.

## Version

Version 1.0

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## 1 Scope

This policy applies to all Portsmouth City Council (PCC) residential properties let to:

- tenants on Secure Assured tenancies (dwellings), Assured Short hold and Flexible tenancies, Licenses and Home Ownership Leases in addition to residential garages and parking spaces.

Any reference in this policy to 'we', 'our' or 'us' refers to Portsmouth City Council, Local Authority Housing.

Any reference in this policy to 'tenant', 'customer' or 'resident' refers to a Portsmouth City Council, Local Authority Housing residential tenant, leaseholder or shared owner.

## 2 Purpose

The purpose of the policy is to:

- Ensure that rent levels are sufficient to provide a good quality home and level of service to our tenants whilst meeting our financial obligations as a landlord
- Ensure that we comply with our statutory, regulatory, and contractual obligations and our tenancy agreements and leases in terms of rent setting and service charge setting and apportionments.
- Set out how we review our rents annually and ensure rent levels remain within the Local Housing Allowance thresholds, to ensure their affordability to our tenants
- Ensure our tenants are aware of the review process and consulted with as part of the annual review process

We will:

- Provide clear information to demonstrate the calculation of rent charges for all our tenants.
- Provide clear information to demonstrate the breakdown of service charges for all our tenants, leaseholders and shared owners.
- Have a meaningful consultation with tenants before deciding on the increases relating to new rent and service charges.
- Always charge Leaseholders and Shared Owners according to terms in the lease.
- Review rents in line with our tenancy, license and lease agreements taking statutory and regulatory requirements into account where applicable
- Ensure that no properties are let at a higher rent than the legislation and / or regulatory requirements allow, this will be either Social Rent or Affordable Rent.
- Seek to maximise our rent whenever possible and reasonable, therefore we will recalculate the rent where appropriate when a property is re-let to

a new tenant during the year. To be charged at the maximum permitted rent for each property within Government policy guidelines and the Social Housing Regulator's Rent Standard and Rent Standard Guidance.

### 3 Our Approach to Rent Setting

We have 2 types of rent charges which are Social Rent and Affordable Rent:

The vast majority of rents charged to our tenants are set at social rents, and well within the Local Housing Allowance (LHA).

#### Social Rent

Social rents have to be calculated and effectively set by the Government using a formula. This creates a social rent for each property, the formula includes factors such as property value, County average earnings and number of bedrooms. The aim of this formula-based approach is to ensure that there is a consistent approach to rent setting and increases by all Social Landlords.

Social rents are subject to a rent cap. This is the maximum amount of rent that can be charged on social rent properties. The rent cap is currently set by the Government Regulations and is based on the number of bedrooms a property has.

The rent cap is used instead of social rent if the rent produced using the formula is higher than the relevant rent cap value.

For Supported Housing tenancies, once the social rents have been calculated, we have the flexibility to set rents at up to +10% of the social rent. This is intended to allow discretion in dealing with local factors and if used needs to be justified.

The initial rent for Newly built or acquired Properties will be based on the formula rent calculation, but will be dependent on the funding used, grant conditions and the financial viability of each scheme. The rents will be set at Social Rents or Affordable Rent, see below.

**Rents for Re-lets.** Where a social rent property is re-let to a new tenant the new rent amount will be the social rent for that property using the above calculations.

#### Affordable Rents

As part of the government's Affordable Rent Programme, we also offer affordable rent properties to eligible residents. The rent figure must not exceed 80% of the gross market rent for the property for comparison (inclusive of service charges), an affordable rent on a new build property will always be:

- Based on Royal Institution of Chartered Surveyors (RICS) valuation of the property

- No more than 80% of the market rent
- At or below the Local Housing Allowance level (LHA) unless it is defined as sheltered/supported housing and
- Higher than the chargeable social rent + any service charges for that property.

Gross market rent means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector. Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.

Where a property has previously been converted to affordable rent, or is designated affordable rent, it cannot revert to social rent without the permission from the Department for Levelling Up Housing and Communities.

All affordable rent re-lets are calculated on an individual property basis, to ensure any valuation information is valid for the time of letting. We have made a local decision to cap the affordable rent at the LHA rate for the property where it is less than 80%. On re-let affordable rents are uprated to the new LHA rate for the property. We review the market rents in relation to the LHA rate to ensure that it isn't more than the 80%. This is to ensure that the rents remain affordable to our tenants.

Development Agreements with Homes England as well as Section 106 agreements may define the maximum level of rents for new build schemes.

Section 106 of the Town and Country Planning Act 1990 allows a local planning authority, like us, to enter into a legally binding agreement or planning obligation with a landowner as part of the granting of planning permission. The obligation is termed a section 106 agreement.

### **Shared Ownership Rent**

The level of rent that a customer will pay will be defined within the lease and will comply with Homes England and/or the local planning authority requirements.

All rent is initially set by the open market value at the first point of sale.

We review rent each year so your rent will increase in line with the rate and times set out in your lease. This is usually once a year in line with this policy and the lease.

### **Garage & Parking Spaces**

The HRA garages and parking sites are marketed and managed with the intention of getting the best return possible from these assets. The HRA parking charges remain competitive when compared to other parking providers based on market levels and demand.

The level of garage and parking site charges will depend on whether the person renting is local to the area, is a current tenant, leaseholder or shared owner and the location of the parking space or garage. For example, charges for parking spaces close to the city centre are more expensive than those outside of the city. Current tenants also pay a reduced rate compared to a non-tenant.

We will apply VAT at the relevant rate to non-PCC tenants.

Tenants are consulted annually on the proposed increases for all Garage and Parking sites.

### **Other Rents and Charges**

We will set charges for other rents such as sheltered housing scheme guest rooms, mobility scooter storage and charging, Communal Lounge Private Hire etc (this is not an exhaustive list) by balancing the commercial value and the social value of the intended use. We will charge VAT at the relevant rate where appropriate.

## **4 Our Approach to Service Charge Setting**

### **General Service charges**

We currently charge most tenants for additional services based on 2 levels dependent on property type.

We will charge tenants of Houses a lower rate to cover the services delivered in the management of the day-to-day running costs of your estate and is used to cover items such as, communal maintenance, repairs, gardening and communal facilities, as well as additional services that you can access.

We will charge tenants of Flats a higher rate to cover the above services, taking account that there will be higher running costs compared to houses such as cleaning of communal areas and communal utility costs.

For Tenants, the Service Charges will be based on the actual cost of provision of the service, but on the basis of Fixed Service Charges, so there are never any adjustments to account for under or over recovery each year. Instead, charges are based on previous year costs and inflationary uplift. This does mean that the cost of services delivered may be higher or lower than the income collected.

There are some exceptions to this based on recent property acquisitions, where Service Charges are calculated and based on the services delivered as Variable Service Charges. This means that these tenants will have Estimates based on last years spend, and then adjustments based on the Actual costs and other known changes to service.

All Leaseholders are charged Variable Service Charges, as described in the paragraph above, and receive an Actual Statement each year detailing any over or under collection, which is added/debited to their Service Charge accounts. With Variable Service Charges, the increases/reductions cannot be consulted

on, as they are based on full cost recovery. The charges applied will be those associated with the delivery of services, repairs and running costs for your block and or estate including a management charge and any reserve fund as stated in the lease.

In addition to the normal Service Charges collected, there may be additional charges, depending on the circumstances of the building/block/scheme, for example: water charges, appliances where we provide communal laundry equipment, site specific services. (list is not exhaustive)

### **Sheltered Housing**

Sheltered Housing is intended to meet the needs of residents who require support to live independently. We will charge tenants in Sheltered Housing a Sheltered Service Charge based on the Category of the Scheme. Currently there are 3 levels, each with increasing levels of need and support:

For tenants living in Category 1 Sheltered Housing Flats, we charge the lowest rate to cover the following typical services, but not limited to: Alarm Pull Cord System, Visiting Scheme Managers, Support Services as well as well as day-to-day running costs such as cleaning and grounds maintenance.

For tenants living in Category 2 Sheltered Housing Flats, we charge a rate to cover the following typical services, but not limited to: Alarm Pull Cord System, On site Scheme Managers, Communal Activities, Support Services as well as day-to-day running costs such as cleaning and grounds maintenance.

For tenants living in Category 2.5 Sheltered Housing Flats, we charge an enhanced rate to cover the following typical services, but not limited to: Alarm Pull Cord System, On site Scheme Managers, 24-hour staffing, Communal Activities, Support Services as well as day-to-day running costs such as cleaning and grounds maintenance.

### **Laundry charges**

We provide a number of laundry facilities that operate from within blocks and sheltered housing schemes. Although the charges for both washing and drying facilities are reviewed each year, they remain much lower than the commercial market price. We are confident that the current charges are sufficient to recover the full costs of running the services.

### **Heating charges**

Heating Charge calculations (if applicable) are based on the average usage data from previous years. This is intended to smooth out any peaks and troughs caused by particularly mild or cold winters. We then apply the cost per unit of energy the Council is currently paying for its utilities. The principle is that the heating charges will recover 100% of the cost to the Council for providing the service.



## 5 Annual Rent and Service Charges reviews

From April 2020, the Rent Standard permits councils to increase social housing rents by no more than the published Consumer Price Index (CPI) + 1 percentage point in any year. The rent standard states that the CPI figure we must use is the CPI rate from the previous September. For example, the rent to be charged from April 2024 was based on the September 2023 figure. This limit is a ceiling and we will be able to apply a lower increase, or to freeze or reduce rents, where this may be appropriate. The increases were planned to last for 5 years but there was a revised standard introduced in 2023/24 to take account of inflationary pressures.

When setting a new budget, the City Council must also consider the effect on the HRA's 30-year business plan. The current reserve is sufficient to meet the ongoing commitments in the short to medium term.

We will consult tenants and leaseholders on the proposals for the increases to all charges at a formative stage and take views into account when reaching a decision.

We will ensure it is:

- Fair and reasonable
- Provide adequate time, information and opportunities to consider and respond
- Set out actual or potential advantages and disadvantages (including costs) with the immediate and long term
- Demonstrate how the consultation responses have been taken into account in reaching the decision

In general, service charges (including sheltered housing service charges) will be reviewed annually as part of the rent setting process.

Service charges can be altered more than once a year if there is a change in the service being provided. Tenants, leaseholders and shared owners will be consulted before any change is implemented and given at least one month's written notice of any change in charges. Leaseholders will be consulted in line with Section 20 of the Landlord and Tenant Act 1985.

Following the consultation, the final decision on rent and service charges will be made by an appropriate Councillor at the Housing and Tackling Homelessness Cabinet meeting. They will have the information and feedback from all parties, including external managing agents to be able to inform their decision.

Once the decision has been made on the increase in rents and/or charges, tenants, leaseholders and shared owners will be given at least one month's notice in writing of the commencement of that rent and/or service charge, including details of the amount of the charge to be effective from the first Monday in April each year, or the 1<sup>st</sup> of April for Monthly tenancies. Please note, this may

differ slightly year by year to prevent a 53 week year ie. Could be Monday 31<sup>st</sup> March.

When we communicate with tenants about rent and/or changes, we will include in our communications information on how to access support with rent payments and advice on claiming benefits, if applicable.

All tenants, leaseholders and shared owners liable for service charges will be issued with a summary of tenants' rights and obligations annually. This document lays out how a determination (appeal) can be made to the first-tier tribunal regarding service charges.

## 6 Your voice

We provide tenants and leaseholders with a wide range of meaningful opportunities to engage and feedback during the rent and service charge setting consultation.

Tenants and Leaseholders influence and scrutinise the Landlord Strategies, policies and services.

If you would like to be included in future resident engagement focus groups and would like to know how to get involved, please contact us for more information:

You can contact our team by:

- Email: [housing.engagement@portsmouthcc.gov.uk](mailto:housing.engagement@portsmouthcc.gov.uk)
- Phone: 02392 834835
- Website: <https://www.portsmouth.gov.uk/.../resident-engagement/>

## 7 What have we done to make sure this Policy is fair?

We completed an Integrated Impact Assessment (IIA) to consider the positive and negative impacts this Policy may have on people with protected characteristics under the [Equality Act 2010](#). This Policy should have direct and positive equality and diversity impacts.

## 8 Regulation and legislation

We recognise the variety of legislation, and we will continue to monitor relevant legal guidance. The list below reflects some of the existing legal framework and relevant publications:

- The Regulator of Social Housing's Standards, particularly the Rent Standard and Rent Standard Guidance that relates specifically to rent and service charge setting
- The Social Housing Rents (Exemptions and Miscellaneous Provisions)



- Regulations 2016
- Rent Act 1977
  - Housing Act 1988
  - Rent Convergence Policy 2002
  - Housing and Planning Act 2016
  - Welfare Reform & Work Act 2016
  - Commonhold & Leasehold Reform Act 2002
  - Landlord & Tenant Act 1985
  - Town and Country Planning Act 1990, section 106
  - [Capital Funding Guide - 1. Shared Ownership - Guidance - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

## 9 Related documents

This policy should be read in conjunction with:

- Local Authority Housing Landlord Policies, Strategies and Reports - [Housing policies, strategies and privacy notices - Portsmouth City Council](#)
- Tenancy Agreement / Leasehold Agreement
- [Rent standard 2020 - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

## 10 How to feedback

If you have any questions around the policy or would like to know more about its application, please contact the relevant service in the first instance.

You can get this policy in large print, Braille, audio or in another language by contacting your Housing Office.

### Compliments:

To help us provide the best service we can. We would like to hear customer views on the services that they use. If the customer is pleased with a member of staff or service, please let us know.

- Telephone: 02392 606383
- Email address: [HNBLandlordComplaints@portsmouthcc.gov.uk](mailto:HNBLandlordComplaints@portsmouthcc.gov.uk)

### Complaints:

If a customer is unhappy, they can refer to our LAH (Local Authority Housing) Landlord Complaints Policy.

- Online complaint form at [Make a housing complaint - Portsmouth City Council](#)
- Telephone: 02392 606383
- Email address: [HNBLandlordComplaints@portsmouthcc.gov.uk](mailto:HNBLandlordComplaints@portsmouthcc.gov.uk)
- [Landlord-Complaints-Policy-accessible.pdf \(portsmouth.gov.uk\)](#)

## **Housing Ombudsman Service**

If a customer is unhappy, they can contact the Housing Ombudsman Service for advice and guidance at any time.

- Online complaint form at [www.housing-ombudsman.org.uk](http://www.housing-ombudsman.org.uk)
- Telephone 0300 111 3000
- [Housing Ombudsman's Complaint Handling Code](#)

## **Tribunal**

[First-tier Tribunal \(Property Chamber\) - GOV.UK \(www.gov.uk\)](#)

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