

Rent and Service Charge Setting Policy: Social Housing

1.0 Purpose of the Policy

1.1 This policy sets out Maidstone Borough Council's approach to administering and reviewing rents and service charges for all residents with secure and introductory tenancies living in MBC owned and managed Social and Affordable homes.

2.0 Policy Scope and Objectives

2.1 This policy applies to all social and affordable-rent housing owned and managed by Maidstone Borough Council that will form part of the Housing Revenue Account at the appropriate time.

2.2 This policy aims to ensure that:

- MBC adheres to government edicts.
- Rents are fair and affordable and set in line with regulatory or statutory guidelines.
- All information is set out in a clear and transparent way for tenants.

3.0 Legal and Regulatory Framework

3.1 Maidstone Borough Council will adhere to the following legislation and requirements:

- Landlord and Tenant Act 1985 (as amended).
- Rent Act 1977.
- Housing Acts 1985, 1988 and 1996.
- Commonhold and Leasehold Reform Act 2002.
- Service Charges (Consultation Requirements) (England) Regulations 2003).
- The Service Charges (Summary of Rights and Obligations, and Transitional Provisions) (England) Regulations 2007.
- 2020 Rent Standard - April 2020 (publishing.service.gov.uk)
- Rent standard: 1 April 2023 - 31 March 2024 - GOV.UK (www.gov.uk)
- Limit on annual rent increases 2024-25 (publishing.service.gov.uk)
- Policy statement on rents for social housing - GOV.UK (www.gov.uk)

4.0 Background

4.1 In 2019 the Government directed the Regulator of Social Housing to introduce a new Rent Standard to apply from 1 April 2020. In addition to the five-year rent settlement the other major change brought about by the Direction was to introduce the requirement that the Rent Standard, and the regulation of rents by the Regulator, apply to local authority registered providers as well as to private registered providers.

4.2 From 1 April 2020, registered providers were not permitted to increase rents by more than CPI + 1 percentage point in any year. The Autumn Statement 2022 announced rent increases would be capped at 7% for the year 2023-24. From 2024-25 onwards, the rent caps were set to crease by CPI + 1% annually.

5.0 Rent Setting

5.1 Calculation of Social Rent

5.11 The Council will charge a Social Housing Rent for all properties, unless meeting the criteria in respect of Affordable Rents (see Section 5.3 below),

5.12 Rents will be set based on a formula that has consideration of the condition and location of a property:

- its value
- local earnings
- property size (specifically, the number of bedrooms in a property).

The basis for the calculation of formula rents is:

- 30% of a property's rent should be based on relative property values
- 70% of a property's rent should be based on relative local earnings; and a bedroom factor should be applied so that, other things being equal, smaller properties have lower rents

5.2 Rent Flexibility levels and changes to rents

The Councils rents will be reviewed annually.

Local discretion over the rent set for individual properties will be exercised where appropriate and necessary.

The Council will consider the local market context when deciding whether to implement a rent increase and the level of that increase as well as the levels of Housing Benefit or Universal Credit that are available to claimant households.

The Council reserves the right to charge a market rent to tenants with an annual household income of £60,000 or more. In calculating household income, only the income of the tenant or joint tenants, and their spouse, civil partner or cohabitee are to be considered. If the tenant's circumstances change, the rental charge will be reviewed and may be reset to an affordable level.

No existing tenants' rent will be increased by more than the amount specified in the current Rent Standard.

The Council will set rents at 100% of the target rent for the property, unless the Housing Revenue Account (HRA) Business Plan has identified a shortfall in the management and maintenance of the housing stock and the need for new homes. Where this occurs the Council will seek members approval to

charge up to 105% in line with the Regulator of Social Housing's Rent Standard.

Additional income to the Council will, where possible, contribute to the funding of new affordable housing.

5.3 Setting Affordable Rents

Affordable Rents allow rent to be set at levels that are typically higher than social rents. The intention behind this flexibility is to generate additional capacity for investment in new affordable housing.

The Councils rent setting for Affordable Rent properties will meet Homes England requirements. On each occasion an Affordable Rent tenancy is issued for a property, a new valuation will be undertaken. Rents will be set using this valuation at 80% of the local market private rents, taking into account property size, location type and service provision. This will be the maximum Affordable Rent chargeable inclusive of service charges.

The Council will revalue affordable rent housing properties annually.

The Councils affordable rented properties will not be converted to market or intermediate rent.

6.0 **Service Charges (Social Rents)**

6.1 A service charge is a payment for the costs of managing, maintaining, repairing and providing specific services in addition to the basic rent you pay for living in your home. Examples of services are:

- Cleaning of communal rooms, hallways, corridors and staircases
- Window cleaning in communal areas
- Door entry systems
- Fire alarm/emergency lighting
- Fire safety equipment
- Landscaping/grounds maintenance
- Laundry equipment
- Lifts
- Electricity, water and gas in communal areas
- Scheme Manager
- Security and alarm system

All of the above items are eligible as part of a residents' claim for benefit.

6.3 Tenants service charges are fixed. This means that the service charge will be reviewed once a year at the same time as any review of the rent. Any change in the service charge will be notified to tenants in the notice of rent increase. The charge will be based on either reasonable costs incurred during the previous accounting period or estimates for the current or next account period. The difference between any estimate and the actual cost will not be carried forward.

- 6.4 Following a consultation with the tenants, Maidstone Borough Council may change the tenant's service charge to a variable service charge. A variable charge allows the Council to review tenants' service charge at any time if the Council give the tenant at least one month's notice in writing, but not more than once a year unless there is a change in the services provided.
- 6.5 Each year, the Council will estimate the sum likely to be spent in providing services over the coming year. That will be the service charge the Council will ask the tenant to pay for the year.

7.0 Rent Collection

- 7.1 The rent and service charges that are payable are due on or before the Monday of each week.
- 7.4 The Council may change tenants' rent by giving the tenant not less than four weeks' notice in writing. The notice shall specify the new rent proposed.
- 7.5 If the tenant receives Housing Benefit or Universal Credit and their circumstances change, the tenant must contact the appropriate service immediately as these changes may affect the tenants' entitlement to benefit and, as a result, the amount of rent to be paid.

8.0 Equality and Diversity

- 8.1 Maidstone Borough Council adopts a flexible approach to ensure that different needs are met and well supported.
- 8.2 The Council recognise that some individuals may experience discrimination and disadvantage. The Council seeks to ensure that this Policy does not discriminate on any grounds.

9.0 Monitoring and Review

This Policy will be reviewed every 5 years, or sooner if significant and relevant statutory changes occur.

MBC Social and Affordable Homes

	Rent On Initial Set Up	Service Charge	LHA/HB Values	Annual Increase existing tenant	Relet from VOID to new tenant	Process for annual increase
Affordable Rent MBC Secure Periodic Tenancy	Approved by Homes England as affordable rent. Scheme viability agreed by Cabinet. Up to 80% market rent or maximum LHA level.	Charged separately to rent, encouraged not to increase by more than CPI + 1% in any year. Capped at 7% in any year.	Shared £102.37 1 b £172.60 2 b £208.27 3 b £276.16 4 b £356.71	The weekly rent of an existing tenant may not be increased by more than the permitted by the Rent Standard.	Relets follow annual increase formula.	Government Direction on the Rent Standard 2023. Annual rent increase notified by 4 weeks' notice in writing
Social Rent MBC Secure Periodic Tenancy	Set at 100% of the Target Rent or up to 105% with Council Members approval on a site by site basis. Subject to the formula rent cap.	Charged separately to rent, not increased by more than CPI + 1% in any year. Capped at 7% in any year.	Shared £102.37 1 b £172.60 2 b £208.27 3 b £276.16 4 b £356.71	The weekly rent of an existing tenant may not be increased by more than he permitted by the Rent Standard.	Relets follow annual increase formula.	Government Direction on the Rent Standard 2023. Annual rent increase notified by 4 weeks' notice in writing