
RENTS AND SERVICE CHARGES

1.0 Strategic Links

South Lakeland District Council Housing Strategy 2002 – 2006

To have an accurate understanding of housing need, demand and supply in the District in order to enable residents to access and/or retain good quality affordable homes suitable to their identified needs.

To work in partnership with stakeholders (all interested parties) to plan and deliver housing services which meet local needs, and on wider initiatives to improve the quality of life of residents of the District in a sustainable way.

2.0 Key Objectives

South Lakes Housing's key policy objectives are to:-

- operate a rent and service charge policy that meets Government policy guidelines and which ensures that South Lakes Housing's rents are affordable to tenants;
- operate an equitable, open and transparent rent and service charge accounting policy.

3.0 Key Policy Standards

Government Policy

The underlying principles for implementation of the Guide to Social Rents Reforms, published by the Government are:-

- individual property target rents;
- rents to reflect the size, condition and location of properties, and local earnings;
- complete the restructuring of rents by 2012;
- at the end of 2012, rents on individual properties to be within a band of up to 5% higher or lower than the target rent;
- registered social landlords to have discretion over the pace and timing of restructuring but to change individual rents by no more than £2 per week, in addition to the guideline limit, in any year.

The guideline limit for rent increases is 0.5% a year in real terms from 2002/03 onwards.

In establishing the guideline limit for increases, local authorities should use the inflation figure including mortgage payments, commonly known as 'all items inflation' or RPI, for the September before the year of assessment.

Over the 10 year implementation period, target rents will increase by RPI + 0.5% a year. Changes in actual rents charged during that period are limited to £2 per week in addition to the guidelines limit for increases, ie RPI + 0.5% plus or minus £2.

Rent Plan

Key principles

- South Lakes Housing will comply with the rent restructuring framework, irrespective of size or of whether rents will need to increase or decrease to achieve compliance,
- South Lakes Housing will produce an annual rent plan which demonstrates how it proposes to manage the transition over the 10 year implementation period,
- A key factor in the Plan will be the assessment of the impact of rent restructuring on South Lakes Housing's finances as South Lakes Housing would not be able to comply with the new rent framework if it resulted in the Business Plan becoming unworkable.

Formula

South Lakes Housing will use the target rents which resulted from the application by South Lakeland District Council of the Office of the Deputy Prime Minister (ODPM) formula:

The ODPM published figures to be used for the earnings element of the rent formula and the bedroom weightings. To achieve a consistent and fair pattern of social rents, a common valuation base and method was adopted. The Government determined that January 1999 should be used as the property valuation base for calculating restructured rents and that valuation methods should be the same for Local Authorities and RSL's. An Existing Use Valuation (EUV) was therefore adopted, assuming vacant possession and continued residential use. Although it accounted for only a small element of the rent calculation, it was considered important that the valuations reflect differences in size, condition and location of properties. A valuation of 25% of the stock was suggested.

The services of an independent valuer were used to produce the minimum sample of valuations consistent with the principles and formula above.

Outcomes

- Each property had a target rent calculated.
- The maximum allowed annual increase is £2 per week above inflation. The average period for protected rents to reach target rents will be 2 years.
- All properties reach target rent by 2012.
- There were 3462 tenancies at January 2003. The average rent of these will be equal to the average target rent. However, just over half of these currently will have rents that exceed the target rent, with the average difference being £4.63 per week.

Application of Changes

Annual increases will be applied as follows:-

- Rents below target rent will be increased annually by inflation plus the shortfall (subject to a maximum of £2 above RPI + 0.5% per week), until the target is reached;

- Rents at the target will have an annual increase of inflation plus 0.5%;
- New tenants (not protected) will be charged the target rent for the property.

Service Charges for Tenants

South Lakes Housing will charge tenants for additional services such as the communal heating and lighting, grounds maintenance, lifts maintenance etc. based on the actual costs of provision of the services.

The subsidy of the sheltered housing and Careline service by the Housing Revenue Account of 28% of the cost will be reduced to 0% by April 2011.

Sheltered housing scheme costs continue to be pooled until 2004/05 and then individual charges per scheme will be approved

An allowance of £6.61 (Cat1) and £8.73 (Cat 2) per week has been made to all sheltered housing tenants paying service charges in 2003/04 who do not receive assistance from Supporting People grant, and pro-rata this allowance where partial assistance is received.

All new sheltered housing tenants and users of the Careline service will be required to pay the full cost of providing the service from April 2003 unless they are eligible for Supporting People Grant

At the moment the Council includes the cost of services such as grounds maintenance within the rent. Some tenants also pay a separate service charge for a communal heating system. To reflect best practice and Government policy for all social landlords South Lakes Housing will show the charges for any services provided so that tenants can see clearly how much of the gross rent payment each week goes towards these services. No profit would be made from service charges.

Service Charges for Leaseholders and Freeholders

South Lakes Housing will charge Freeholders and Leaseholders for additional services such as communal heating, lighting etc. based on the actual costs of provision of the services, plus any additional management fees and VAT which may be applicable in accordance with the service agreement. Service charges for leaseholders and freeholders are fixed based on whether the property is in a low or high rise block.

Rent Rebate

Rent Rebate will be paid directly into the tenant's rent account.

Payment Methods

Rents will be payable on a 48 week year. The following payment methods are currently available:-

- Cash/cheque payments in person or by post to one of the Council's offices;
- Direct Debit;
- Debit Card;
- Standing Order;
- Door-to-door rent collection;
- Touchtone telephone;
- Direct payment from the Department of Social Security.

South Lakes Housing will give consideration to additional and/or alternative means of payment having regard to customer service needs, effectiveness and cost, including the possibility of electronic means of payment.

4.0 Key Targets and Performance Indicators

- Compliance with ODPM Guidance on Social Rent Reforms
- Rate of convergence for rent equalisation
- Benchmarking information from comparator organisations
- Business Plan performance on rental stream income

5.0 Monitoring, Review and Consultation Process

The Board, South Lakeland District Council and Tenants` will receive regular reports on rent performance and rental policy (see also Rent Collection and Arrears Recovery Policy Statement).

Annual budget rent review and rent setting.

The reports on rent levels required by the Office of the Deputy Prime Minister.

Review and monitoring arrangements with South Lakeland District Council.

Tenant participation and consultation.

6.0 Service Development and Review Priority

The setting of rent now dictated by Government.

Policy Review Priority: Low.

The setting of service charges in part dictated by Government.

Policy Review Priority: High.