



<b>Report for:</b>	<b>Housing and Community Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>6<sup>th</sup> November 2019</b>
<b>Part:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Rent and Other Charges Policy</b>
<b>Contact:</b>	Cllr Margaret Griffith, Portfolio Holder for Housing  Authors: Layna Warden, Group Manager (Tenants and Leaseholders)
<b>Purpose of report:</b>	1. To update members on the changes proposed to the Rent and Other Charges Policy
<b>Recommendations</b>	That members consider the report and make comments as felt appropriate.
<b>Period for post policy/project review</b>	12 months
<b>Corporate objectives:</b>	Affordable Housing Delivering an efficient and modern Council
<b>Implications:</b>	<u>Financial</u>  This policy is linked to the HRA business plan, which outlines the vision, priorities and financial position of Dacorum's Housing Service.  Setting rent levels and accurate and fair service charges demonstrates a sound financial long-term plan for the Housing Revenue Account.  <u>Value for money</u>

	Transparent service charges ensure that we are held to account by tenants. Reviewing charges every year ensures that we achieve better value for money from contracts and services we provide to our tenants.
Risk implications	We have a legal obligation to follow national guidance and the Rent and Other charges policy sets out how we intend to abide by these and best practice.
Community Impact Assessment	Community Impact Assessment attached at Appendix 2
Health and safety Implications	Housing policies, procedures and contracts build in a requirement that all health and safety requirements are met and any higher risk matters are included in our risk register, which identifies specific mitigating actions.
Consultees:	Fiona Williamson - Assistant Director (Housing) Mark Gaynor – Director (Housing and Regeneration) Nigel Howcutt – Assistant Director (Finance) Tenants and Leaseholders Committee (TLC) Housing Senior Management Team
Background papers:	Appendix 1 – Rent and Other Charges Policy
Glossary of acronyms and any other abbreviations used in this report:	DBC – Dacorum Borough Council CPI – Consumer Price Index HRA – Housing Revenue Account MHCLG – Ministry of Housing, Communities and Local Government

## **1 Purpose**

- 1.1 The purpose of this report is to present Members with the revised Rent and Other Charges Policy – Appendix 1. The additions to this policy clarify our position in regards to rent levels and service charges moving towards full service cost recovery for communal services, taking account of customer circumstance and risk.

## **2 Background**

- 2.1 The Rent and Other Charges Policy clarifies the Housing Services' position on national legislation and sets out our policy in relation to rent levels, service charges and recharges. This takes into account the demands on our service, our business plan and strategic direction as a Housing department and Local Authority.
- 2.2 The policy also set out the changes to service charges following the decision by Cabinet that from 1<sup>st</sup> April 2017 we would implement service charges for all new tenants and de-pool service charges for existing tenants. Prior to this date charges paid towards communal services were not separated from all other areas of tenants rent.
- 2.3 For clarification “de-pooling” is the process whereby a landlord stops sharing service costs amongst all its tenants and introduces a separate service charge payable only by those tenants who receive those services. Best practice states that this process should be carried out by splitting out the service charge from within the same gross rent figure, for example: If the gross rent was £100 and the proposed service charge was £10, the charge would be amended to a rent of £90 and a service charge of £10. This ensures greater transparency for the communal services tenants are receiving.
- 2.4 A review of our approach to service charges was agreed as one of the strategic objectives contained within our 2018/19 Housing Service Plan. Following guidance from a specialist consultant, a cross council working group between Housing and Finance have implemented a number of actions to ensure we consider best practice and improve the way we apportion and manage service charges. The aim is to achieve full cost recovery whilst ensuring charges are affordable to tenants and value for money is delivered. Updating the Rent and Other Charges Policy is necessary to clarify our position and set clear guidelines for staff and tenants.

## **3 National legislation**

- 3.1 Since 2011, a number of government policies have been introduced relating to rent levels for properties let by Local Authorities and Housing providers. These include the introduction of 'Affordable Rent' and the ability to charge up to market rent where tenants had an annual income a year of over £60,000. In 2016 the Welfare Reform and Work Act, set out the requirement for social landlords to reduce rents by 1% each year for four years.
- 3.2 New guidance was provided in March 2019 by Ministry of Housing, Communities and Local Government which set out the new Policy statement

on rents for Social Housing. This permitted annual rent increases by CPI plus one percentage point for a minimum of 5 years from April 2020.

- 3.3 The MHCLG guidance also allows Social Housing providers to introduce a 5% rent flexibility (10% for Supported Housing) which can be applied on top of the standard formula rent. This should take into account local demands and not be a blanket uplift to all homes. Any decisions to use this tolerance should consider affordability and local circumstances.

#### **4 Revisions to policy**

- 4.1 Dacorum Borough Council is proposing to increase rents in line with the MHCLG guidance from April 2020. This will enable us to meet the needs of local residents through delivering the 118 homes currently on site and further 300 new council homes planned over the next 3 years. It also allows us to meet the commitments set out in our new Housing Strategy.
- 4.2 Ensuring properties are affordable for residents is a key area of focus. New tenancies will continue to be let at social rent to ensure these are affordable to local residents. The Rent and Other Charges Policy has been amended so that where there is a clear rationale for doing so, the 5% / 10% rent flexibility can be applied on top of the standard formula rent. This will be considered when new homes are being built and when major renovations or improvements take place to existing schemes.
- 4.3 Funding is received from Hertfordshire County Council towards housing related support in the DBC flexicare scheme at Evelyn Sharp house. From April 2020 this is to be withdrawn. Applying the 10% rent flexibility to this scheme would make rent levels reflect the increased housing management and support costs and ensure the high level of service can continue to be provided.
- 4.4 With an increasing number of flats being built, it is important that the cost of communal services are recovered through service charges. Guidance has been received which is being used to identify which services can be applied as a service charge to ensure that the full cost of services such as CCTV, sprinkler systems and maintenance of communal areas are being recovered and these will be applied for all tenants moving into new homes. The policy also clarifies that existing tenants will be consulted with prior to any new services being introduced where there may be a service charge applied.
- 4.5 The Housing Service has committed to ensuring that service charges are fair, transparent and reflect the actual costs of services provided to tenants. Charges will be reviewed annually and amounts apportioned to blocks to ensure tenants are paying for services they have access to. Where there is due to be a considerable increase to tenants we will balance the need to recover all charges against the affordability for tenants, and may stagger an increase over a number of years.
- 4.6 Tenants will continue to be charged where damage has been caused to properties through damage or neglect. In 2018/19 over £45,000 was recovered in recharges. These were identified and enforced through Osborne when carrying out repairs, Housing Officers conducting home visits or where tenants

were moving home. This not only recovers costs for carrying out repairs to our home but also sets out clear expectations of tenants in DBC homes and encourages taking responsibility.

## **5 Conclusions**

- 5.1 Our current approach to service charges aims to give more parity and transparency to our tenants. The changes to the Rent and Other charges policy sets out our intentions to keep social rents but adopt the guidance provided by the MHCLG. This includes the ability to increase rents by CPI plus 1% from April 2020 and the ability to add a tolerance to some homes.
- 5.2 These changes will enable us to increase the revenue into the HRA whilst ensuring that social homes provided by the Council remain affordable and able to provide safe secure housing for our residents. The increase in rent from April 2020 will enable us to continue to build new homes, deliver our Asset Management strategy and ensure sheltered housing schemes remain fit for their purpose.
- 5.3 The clarification in the policy on service charges will enable us to move towards full recovery of our costs, whilst still ensuring that tenants are protected from any considerable increases from suppliers or services. We will consult with tenants over any new services and the opportunity of recovering the cost of providing communal services and applying increases in line with legislation makes clear business sense and is aligned to our values of being a modern and efficient council.