

APPENDIX B

Rent and Service Charge Policy

Extended Briefing Note

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1. Introduction

1.1. This briefing note outlines the content of a proposed new Rent and Service Charge Policy, and reasons for its creation. It should be read in conjunction with the Policy.

1.2. The Policy, once adopted, will ensure that Babergh & Mid Suffolk Councils (BMSDC) comply with current legislation, recognised best practice, the requirements of the Housing Regulator, and our tenancy agreements. In addition, the Policy will enable us to continue to provide high quality and affordable housing to households across both Districts.

2. Summary

2.1. The key points of the draft Rent and Service Charge Policy are as follows:

2.2. **Formula Rents.** General needs, temporary accommodation and sheltered housing properties which are let on 'social rents' will have their rent levels set according to guidance contained in the Government's Policy Statement on Rents for Social Housing. This contains the formula that is used to determine these rent levels.

2.3. **Affordable Rents.** General needs accommodation let at Affordable rents will be set at 80% of a market rent valuation as determined by a RICS compliant methodology. Where the Local Housing Allowance (LHA) rate is lower than 80% of the market rent, the rent will be capped at LHA.

2.4. **Service charges.** It is recommended that service and utility charges are based on the actual cost of service provision at any given location. The proposed method is for the charges that are set from April each year to be based on the actual costs for the year up to the previous September.

3. Legal Requirements

3.1. BMSDC will comply with all regulatory and legislative requirements, including:

3.2. The relevant sections of the **Housing Act 1985** are section 24 (Rents) and section 47 (Service Charges).

3.3. Registered providers must set rents from 1 April 2020 in accordance with the **Government's Policy Statement on Rents for Social Housing 2019**, hereafter referred to as "the Rent Policy Statement", published by the Department of Levelling Up, Housing and Communities (DLUHC).

3.4. The **Regulator for Social Housing (RSH)'s Rent Standard** applies to Local Authorities from April 2020.

3.5. The **Landlord and Tenant Act 1985** provides a legislative framework for service charging

3.6. The **Housing and Regeneration Act 2008** sets out the requirements for a property to be considered social housing.

4. Rent Setting

4.1. The accurate setting of rent is vital to ensure that HRA income is maximised, and the correct level of rent is charged to our tenants, in accordance with legislative and regulatory requirements. Different categories of property will have their rent charged according to different methodologies (see Table 1), each of which is explained in more detail below.

4.2. Table 1: rent setting method & rent frequency.

Category	Rent setting method	Rent frequency
Existing general needs properties	Formula rent	Charged weekly on a Monday
Sheltered housing	Formula rent	Charged weekly on a Monday
Properties bought on open market or through s.106 process	Typically affordable rent, provided that the terms for purchase or development meet with the requirements of Affordable Rent under the Rent Standard i.e. with an agreement via Homes England or Secretary of State. Otherwise, formula rent shall be charged.	Charged weekly on a Monday
Properties developed by Babergh & Mid Suffolk District Councils	Either affordable rent or social rent. Charging affordable rent only where the development meets with the requirements for Affordable Rent under the Rent Standard i.e. with an agreement via Homes England or Secretary of State.	Charged weekly on a Monday
Temporary accommodation	Formula rent	Charged weekly on a Monday
Temporary accommodation which fully meets the criteria of the Temporary Accommodation excluded category within the Rent Standard 2020	The rent charged shall be set at the relevant Local Housing Allowance (LHA) rate, provided this does not exceed current market rents for similar properties in the locality	Charged weekly on a Monday
Shared ownership	Set at 2.75% of the value of the unsold equity at the point of initial sale	Charged weekly on a Monday
Garages	Garage rent setting is not included within the scope of this policy.	Charged weekly on a Monday
Ground Rent	Fixed by the lease, is an annual charge and not subject to review.	Charged annually

4.3. Formula rent

4.3.1. The majority of BMSDC's general needs, temporary and sheltered Council housing is let on social rents. The calculation of the social rent is by way of a formula found in the Policy Statement on Rents for Social Housing, published by the DLUHC [\[LINK\]](#). For this reason, social rents are also known as formula rents.

- 4.3.2. Formula rent is calculated using 1999 property values, national average rents, number of bedrooms, relative local earnings, and a series of increases and decreases that have been applied by Government Policy to the rent level since 1999. These annual changes usually take the form of an increase based on the Consumer Price Index (CPI) as of the previous September, plus a percentage (typically 1%). The exceptions to this were the years 2016/17 to 2019/20 when the rent was decreased by 1% per year.
- 4.3.3. As required by the Government policy, when a new tenancy agreement is issued for a social rent property, BMSDC will ensure that the formula rent is applied.
- 4.3.4. A new tenancy is issued if a property is directly let, let via the Gateway to Homechoice allocation system. A new tenancy is not issued in the case of assignments (an existing joint tenancy becomes a sole tenancy, or a mutual exchange), or where a person succeeds to an existing tenancy at the same address.
- 4.3.5. The current social rent that BMSDC charge for the general needs or sheltered housing may differ from the actual formula rent, these differences are small and within acceptable tolerances and permitted rent flexibility (outlined below). Over time, these differences will be removed, and all social rents for new tenancies will align with the formula rents without the requirement to utilise any rent flexibility. This will take time as formula rent can only be applied at the point of re-let and cannot be altered during an existing tenancy except for where the property is subject to major structural alterations (such as adding extra bedrooms or extending the property).

4.4. Rent Flexibility

- 4.4.1. The Rent Standard allows social landlords to deviate slightly on the amount of formula rent charged within certain limits. These limits allow for a 5% increase in formula rent for all “general needs” properties, and 10% for all “supported” accommodation. This includes sheltered housing.
- 4.4.2. Use of the flexibility should take account of local conditions and be used following consultation with tenants and other key stakeholders.
- 4.4.3. It is reflected in the policy that whilst some flexibility in rent setting was applied previously, BMSDC will not adopt rent flexibility in future, owing to the rising cost-of-living crisis affecting our tenants.
- 4.4.4. Should there be an appetite for flexibility in future, an increase on the formula rent could be applied at the issuing of new tenancies indefinitely or for a set period of time, to generate additional income. This income could be committed to efforts to reduce the carbon footprint of our homes through retro-fit and energy efficiency projects. The flexibility may also assist us in future to safeguard the HRA fund, by mitigating the impact of changes in Government Policy for rent setting (for example, if our ability to increase the rent by CPI+1% was taken away or reduced).

4.5. Rent Cap

- 4.5.1. The Government's Rent Policy Statement sets out limits to Formula Rent charges which is known as a 'Rent Cap'. The rent caps are set nationally, based upon the number of bedrooms a property comprises.
- 4.5.2. Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap will be used instead. While the rent caps will increase annually by CPI + 1.5%, the annual change in rent for the tenant in a 'rent capped' property must still be governed by the CPI + 1% limit on rent changes.
- 4.5.3. The rent cap prevents formula rents from rising above a certain level. The rent cap will also increase annually alongside the formula rent, but at a faster rate. It is not anticipated that any Babergh or Mid Suffolk formula rents would be impacted by the rent cap in the foreseeable future.

4.6. Affordable rent

- 4.6.1. BMSDC properties that are designated 'affordable rent' are those that are let at 80% of the market value, subject to the rent not exceeding Local Housing Allowance (LHA) rates.
 - Affordable rent properties differ from formula rent properties in three ways:
 - The rent tends to be higher with affordable rent than with formula rent
 - Affordable rent is inclusive of any costs associated with services at that property (service charges).
- 4.6.2. The amount of rent charged is recalculated to current market conditions whenever a new tenancy agreement is issued.
- 4.6.3. During the lifetime of a tenancy, affordable rents will increase in the same way as social rents (currently Government policy set this at CPI + 1%). However, upon re-let, unlike social rents where the rent for the new tenancy is set at 'formula rent', the rent is recalculated based on the local private rented market.
- 4.6.4. Affordable rents are set at 80% of a market rent valuation. The Rent Standard 2020 states that 'market rent' means "*an estimate of its market rent inclusive of all service charges at the time the tenancy is granted that is based on a valuation in accordance with a method recognised by the Royal Institution of Chartered Surveyors*". This is achieved by use of an online Rental Valuation tool provided by Rightmove. The tool is widely used across the housing sector and provides real-time data on market rental values by postcode and property type which are updated monthly.
- 4.6.5. Higher rents in the private rented sector will lead to affordable rents increasing, while falling private sector rents will see affordable rents falling. In cases where the

rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged.

4.6.6. It should be noted, that private market rents in Suffolk are high, with Babergh being higher than Mid Suffolk.

4.7. Capping affordable rents at Local Housing Allowance

4.7.1. Local Housing Allowance (LHA) is most relevant for people renting in the private-sector. Tenants in the private sector are unable to claim housing benefits above the LHA rate.

4.7.2. LHA rates vary dependant on location and how many bedrooms the household are entitled to. England is divided up into 152 Broad Rental Market Areas (BRMA), these are not linked to District or County Council boundaries. Each BRMA has its own fixed rates of Local Housing Allowance.

4.7.3. Map showing BRMA areas in East Anglia, along with current LHA rates is available in appendix B.

4.7.4. Whilst the LHA rates do not apply to Council tenants¹ housing benefit claims, it is a recommendation of the Regulator that affordable rents have regard to the LHA that would be applicable for the size of property. It is good practice to cap at LHA rate as this ensures a degree of affordability for tenants moving off benefits and into work. BMSDC will ensure that in setting affordable rents, the rent does not exceed the Local Housing Allowance limit.

4.8. Annual changes to the rent

4.8.1. The Housing Act 1985, Section 103, requires that at least 4 weeks' notice of a change to the rent is provided for the change to take effect. The annual change applies to all properties covered by the Rent Standard and occurs irrespective of any moves to the correct formula rent, or recalculation of an affordable rent. Temporary accommodation which is excluded from the Rent Standard is increased in a different way, as described in paragraph 4.10.2 of this briefing note.

4.9. Temporary Accommodation

4.9.1. Temporary accommodation is provided in the main by letting Council-owned dwellings. In Council-owned properties, the rent must be set at formula rent levels on re-let as prescribed in the Rent Standard and Rent Policy Statement.

¹ The only exception being for people housed in temporary accommodation which is excluded from the Rent Standard. Please refer to paragraph 4.10 for further information about how and when this applies.

4.10. Temporary Accommodation which is excluded from the Rent Standard

4.10.1. There are exceptional circumstances for leased properties where the Rent Standard, and therefore the Rent Policy Statement and do not apply:

- The property is provided for persons owed a homeless duty
- The property is not within the HRA
- The property is leased for a period of between 2 and 30 years

4.10.2. In these instances the rent of may be reviewed annually in April in line with LHA rates. We currently have one HMO in Babergh which is excluded, at 1-5 Old School House, Market Place, Hadleigh which is a House in Multiple Occupation (HMO) leased from the reformed church. The LHA rate for a shared room in this BRMA is £71.34 per week.

4.10.3. The Policy provides for both BMSDC to continue to set rents at LHA in circumstances such as this, where the Rent Standard and Rent Policy Statement do not apply. Doing so provides greater opportunity to provide temporary accommodation in new settings and maximise income for the HRAs.

4.10.4. Temporary accommodation has higher housing management costs due to the nature of the housing-related support that is provided and this is recovered via service charging in much the same way as we do for sheltered housing.

4.10.5. . The rent charge may be set at LHA at the point of re-let and increased annually in line with LHA rates each April. BMSDC will ensure that the rents in these settings remain below market rate levels In order for them to meet the definition of low cost housing/social housing as outlined in section 69 of the Housing and Regeneration Act 2008. At the point of increasing the rent, a valuation will be obtained using a RICS recognised methodology and the rent capped if necessary.

5. Shared Ownership

5.1. Shared Ownership Leases are not covered by the Rent Standard. There are variations in how the rental element is calculated between leases. The rent of all shared ownership properties is reviewed annually in April in line with the Retail Price Index (RPI) (in the previous September), plus 0.5%.

6. Ground Rent

6.1. Ground rent is a small charge that leaseholders must pay, for the renting of the land on which their flat stands. The amount charged is determined by the Housing Act 1985 and is invoiced annually.

7. Service Charges

7.1. Aims

“A service charge is a payment made by a tenant or leaseholder for services received in connection with occupation of their home. The payment is in addition to the rent.” - The National Housing Federation

“Rent is generally taken to include all charges associated with the occupation of a dwelling, such as maintenance and general housing management services. Service charges usually reflect additional services, which may not be provided to every tenant, or which may be connected with communal facilities rather than being particular to occupation of a dwelling... Ministers have decided that (landlords) should retain discretion to decide what services to charge for separately, and what services should be included within rent, within a broad framework.” - Chartered Institute of Public Finance & Accountancy

7.1.1. This policy proposes to enhance and expand the charging for services to tenants, to maximise income for the Councils and ensure that service charging is fair and transparent to all tenants. The policy proposes that in future Babergh and Mid Suffolk District Councils will:

- Maximise income by charging for services where possible
- Charge tenants for services in a fair and transparent way for services which they receive
- Make opportunities for the provision of new and improved services

7.1.2. To achieve the aims, the proposal is to ‘de-pool’ service charges from the general rent pool and to charge fixed service charge to tenants where services are provided, based upon the costs of those (locally provided) services. Where a landlord has not traditionally levied service charges but has recovered the costs of services through the general rent pool, but then decides to introduce service charges this is often called ‘de-pooling’. By de-pooling service charges tenants only for the services that they receive directly in the building that they occupy and/or in the neighbourhoods in which they live.

7.1.3. We current seek Cabinet’s approval of the Policy. Once the Policy is approved we will set about bringing the policy to life in revised service charging methodologies. This is a complex undertaking and it is intended that this assessment and recovery of costs will be developed as a project over the next 1-4 years. We are aware that large scale introduction of additional service charging could become a matter of concern for tenants, for this reason, it is proposed that we will implement changes in two stages;

1. Review the setting of service charges in sheltered and temporary accommodation and propose amendments at full Council in the normal manner ahead of rent increase in April 2023.
2. Build the foundations for de-pooling service charges in General Needs accommodation, and once more detail is known, produce an implementation plan to be signed off by Council prior to implementation.

7.1.4. Residents will always be consulted before any new services are introduced, or existing services changed, that will lead to an increased or additional service charge.

7.2. Background

“Service Charges are worth millions to local authorities and housing associations but are often not given enough importance. Housing Associations in England alone raised £1.4billion in service charges in 2018/19. However, this is not enough to recover all the costs of providing services with 12% of costs typically not being recovered. The situation is similar in local authorities” [Waite, A. (2020) Introduction to Service Charges]

- 7.2.1. With the introduction of the Right To Buy in 1980, Local Authorities found themselves managing flats with an increasing number of leaseholders. They therefore introduced service charges for leaseholders and incorporated requirements into leases.
- 7.2.2. The introduction of social rent reform in 2002 led many authorities to review their policies regarding service charges for tenants. The social rent formula (as described in paragraph 4.3) does not take into account the cost of services and with central Government controlling rate of increase, there is no opportunity to increase the rents to cover the costs of providing services. Consequently, local authorities began to realise that if they wished to continue to provide services, they would have to introduce service charges in addition to the rents.
- 7.2.3. The introduction of the self-financing settlement in 2012 assumed that local authorities would recover their service costs through service charges, resulting in more local authorities reviewing their approach to service charging.
- 7.2.4. BMSDC is typical of many local authorities in that it has traditionally not levied separate service charges on the majority of tenants but instead, has recovered the costs of providing services from the general rent pool.
- 7.2.5. It is also typical in that sheltered housing and temporary accommodation are exceptions to this, with service charges being levied because a significant level of service is being provided. The service charges these tenants pay are intended to cover the cost of the support provided, the running costs of services (such as laundries), cleaning provision and utilities.
- 7.2.6. To summarise, service charges are currently charged in three ways in BMSDC housing stock:
 - 7.2.6.1. Sheltered housing service charges: paid by tenants for additional services associated with the sheltered housing
 - 7.2.6.2. Temporary accommodation service charges: paid by license holders for additional services associated with the provision of homeless accommodation.
 - 7.2.6.3. Leaseholder service charges: paid by the leaseholders for services, repairs and maintenance associated with the building they live in

7.2.7. BMSDC does not currently apply a service charge to tenancies in general needs accommodation. Any services provided in these settings are paid for out of the general rent pool.

7.2.8. Currently, in sheltered housing, the Councils do charge for services but costs are shared between all schemes. The amount of charge levied for services is agreed at full Council and takes the form of a fixed increase applied across all tenancies. However, this approach does not take account of the inevitable fluctuations in service costs from year to year, and scheme to scheme, and can result in tenants either paying too little for the services they receive, or too much.

7.3. Service Chargeable Items

7.3.1. Appendix B shows a more comprehensive list of service chargeable items, and their eligibility for housing benefit or universal credit.

7.3.2. Housing Benefit and now Universal Credit usually cover service charges where tenants are eligible. However, it does not cover charges for services to individual homes such as heating and hot water, lighting and water charges within a dwelling or TV licences. A tenant needs to pay for these separately through their own resources. Neither does housing benefit cover services of a personal nature such as cleaning nor services where the tenant can opt out of the service and therefore the charge.

7.3.3. In general needs housing, it is typical that only communal services that are eligible for housing benefit and universal credit are charged for. In other settings such as sheltered housing and temporary accommodation the service charge may include both eligible and ineligible charges. The extent to which eligible charges are included depends entirely on the property, for example; a communal heating system will provide heating to tenants flats as well as the communal areas, therefore the service charges for the total utility cost will need to be apportioned between communal (eligible for benefit) and personal use (ineligible for benefit).

7.4. Drivers for de-pooling

7.4.1. National Policy Drivers

7.4.1.1. De-pooling service charges will free-up limited funds of within the HRA budgets which are currently subsidising services to meet changes in national housing policy which benefit all tenants, including:

7.4.1.2. *The Social Housing White Paper 'The Charter for Social Housing Residents'*. The key principles embedded within this include increased resident voice and empowerment to shape services, increased redress for residents, increased regulation across the whole social housing sector including in-house

council housing services, improved quality of homes, improved fire safety and an increased focus on new build with options for home ownership.

7.4.1.3. A *Building Safety Bill* was published in July 2020. There is clear guidance within the bill about the direction of travel – greater accountability for fire safety, improved standards and greater regulation.

7.4.1.4. Further national developments focus on the review of the *Decent Homes Standard* that sets the minimum standards for council owned homes. This is expected to report in 2022 and to focus on how councils' impact on wider "place" and communities across its stock and the delivery of measures to improve energy efficiency across all council owned stock.

7.4.1.5. Council owned stock will also be subject to the wider national policy statements around energy efficiency as well as the local declaration of the climate emergency. To meet national carbon targets all housing, including council housing, must meet net zero carbon levels by 2050, and all Council homes meeting EPC C by 2030.

7.4.1.6. The White Paper and the focus on regulation is also being supported by an enhanced role for the Housing Ombudsman. The development of thematic reviews, 'naming and shaming' providers with poor standards and taking a more aggressive approach where the benefit of the doubt no longer rests with the landlord, suggest a time of greater focus on the quality of experience of the resident than has been seen for the past 10 years nationally.

7.4.2. Fairness and Transparency

7.4.2.1. Where a service is not fully accounted for in a service charge to the tenant receiving the service, the service is funded (partly or in full) by the general rent pool. It is generally considered to be inequitable to fund or to subsidise the cost of services from the general rent pool, and fairer to charge the cost of services to those tenants who benefit directly.

7.4.2.2. The exception to de-pooling may be the sheltered housing intensive housing management service, the costs of which will be divided equally across all sheltered housing tenants in each district. The reasons for this are twofold. Firstly, it will ensure that the support service remains affordable for all tenants, particularly those in relatively small schemes where the support service costs could work out much higher. Secondly it reflects the reality of the service in that Officers frequently cover absences in the team or support their colleagues. This makes it very difficult to determine accurately how many hours a week a particular scheme may benefit from the work of a Sheltered Housing Officer.

7.4.3. Protecting the future health of the HRA budgets

7.4.3.1. As outlined in the HRA business plans, the decisions taken around rent increases and service charging have a significant impact on the health of the HRA budgets in 30 – 50 years time. We need to consider not only the impact of these decision in year

one, but the exponential impact they have on financial forecasts into the future. Service charging is one key element to maintaining the HRA budgets for the benefit of our tenants, an area we can develop in years to come.

7.4.3.2. A look at outturn for 2021/22 for just some of the high level budget expenditure which service charging would offset is below:

2021/22 Tenancy Services	Babergh £	Mid Suffolk £
Heating Costs	215,860	202,005
Fire Prevention	141,207	130,868
Grounds Maintenance	103,843	105,661
Tree Maintenance	42,720	32,631
Cleaning	28,127	11,317
Water Charges	24,211	92,916
Improvements	18,713	4,866
Furniture	2,379	1,574
Total:	577,060	581,838

7.4.4. Providing new, and enhancing existing services

7.4.4.1. The introduction of service charges to general needs accommodation will enable the delivery of new and improved services to tenants.

7.4.4.2. Residents will always be consulted before any new services are introduced, or existing services changed, that will lead to an increased or additional service charge.

7.4.4.3. A hypothetical example:

1-6 Acacia Avenue is a typical block of general needs flats, comprising 6 flats, a communal stairway, bin store, communal car park and communal garden at the rear. Over the course of 12 months, the communal areas might receive:

- Routine grounds maintenance services to keep the gardens looking attractive and remove leaves and moss from the hard standings
- Removal of several fly-tipped items which present a hazard to users of the car park
- A clearance of the bin store owing to tenant misuse
- 2 x ad-hoc cleans of the communal areas to maintain minimum standards of cleanliness
- One tree to be felled in the communal garden and another having its crown reduced

Quarterly health and safety inspections by the Neighbourhoods team of the communal parts

Prior to de-pooling service charges, the cost of these services is paid for by the general rent pool. This means the tenants pay a small percentage of the costs by default, but so too do the other tenants living in the district. In the absence of service charging to tenants, the cleaning service is reduced to ad-hoc cleans only to keep costs down.

By de-pooling the service charges, and charging the tenants for the service they receive, the costs would be split between the six tenants who receive the services. Services can be improved at the request of, and by consultation with, tenants in the block to make the block a more attractive place to live. Further, the reduction in expenditure from the general rent pool means the money can be reinvested into building and service improvements.

7.4.5. *“By de-pooling rents, a landlord can ensure that its tenants receive services at a fair price. In addition, there is the potential to increase the quality of the service provided. This could lead to improvements in resident satisfaction and... provide an additional opportunity to engage with tenants about other issues, when consulting on service standards.... When staff understand the services that are being charged for and the agreed standards for them, they can more easily ensure those services are provided and that customers are kept satisfied.”- CIH, 2013*

7.4.6. A more thorough assessment of the service charges and fair increases (or decreases) each year will ensure that homes remain affordable, and the locality is of a high quality. It will also have the added benefit of linking a payment by the tenant directly to a service they are receiving. We would expect tenants to demand more as a result and drive improvements enabling services that are tailored to local need and aspirations. In this way service charging will support sustainable and thriving communities.

7.5. Calculating service charges

7.5.1. There are a variety of methods for achieving this, however, it is proposed that Babergh and Mid Suffolk service charges are calculated using the actual costs from October to September. This ensures accuracy and fairness without the need for subsequent adjustments to be made.

7.5.2. *i.e. A new service charge is set in April 2022, the charge will be to set recover the costs for services delivered between October 2020 and September 2021.*

7.5.3. Good practice suggests that service charging for tenants should echo leaseholder service charging in that actual costs and an administration charge are recouped; no more, no less.

- 7.5.4. Where it is not possible to apply actual costs to determine the service charges, an estimate will be used instead. The subsequent year's charges will then be adjusted to recover any underpayment from the first year or return any overpayment.
- 7.5.5. It is recommended that the service charge for the year April to March is based on the actual costs of the period October to September in the previous year. For example, the service charges for 2021-2022 would be based on the actual costs of from Q3 & Q4 in 2019-2020, plus the actual costs for Q1 & Q2 in 2020-2021.
- 7.5.6. This method reduces the period between the costs being incurred and the charges being levied, and it is based entirely on actual costs.

7.6. Other local housing providers

- 7.6.1. It may be useful to consider the process followed by other local housing providers by way of comparison.
- 7.6.2. **Eastlight Community Housing** (formally Colne Housing Society and Greenfields Community Housing.)
- 7.6.3. Charges for all services are based on the actual cost. For tenanted properties, the charges set from April each year will be based on the costs for the year to the previous September. As the charge is calculated on an actual cost, no subsequent adjustment will normally be needed.
- 7.6.4. **Colchester Borough Homes** (arms-length management organisation responsible for Colchester Borough Council's housing)
- 7.6.5. Service charges for both Tenants and Leaseholders are based on the actual costs from the financial year two years previous, plus an inflationary increase and/or additional economic forecast to bring charges to present year costing, an admin fee % is also applied. Example: The service charge for 2017/18 = Actual Cost of service 2015/16 + inflation and or economic forecast + admin fee %.
- 7.6.6. **Clarion Housing**
- 7.6.7. Service charges are estimated by looking at the cost of services for a property in previous years and then working out a projected cost for the coming financial year. Annual service charges are either fixed (payment is a set amount regardless of the year's actual costs) or variable (payment changes depending on the year's actual costs). Where variable service charges are used, residents are informed of the actual annual cost within six months of the end of the financial year, and appropriate adjustments made to the following year's charges.

Appendix A

Map showing BRMA areas in East Anglia, along with current LHA rates

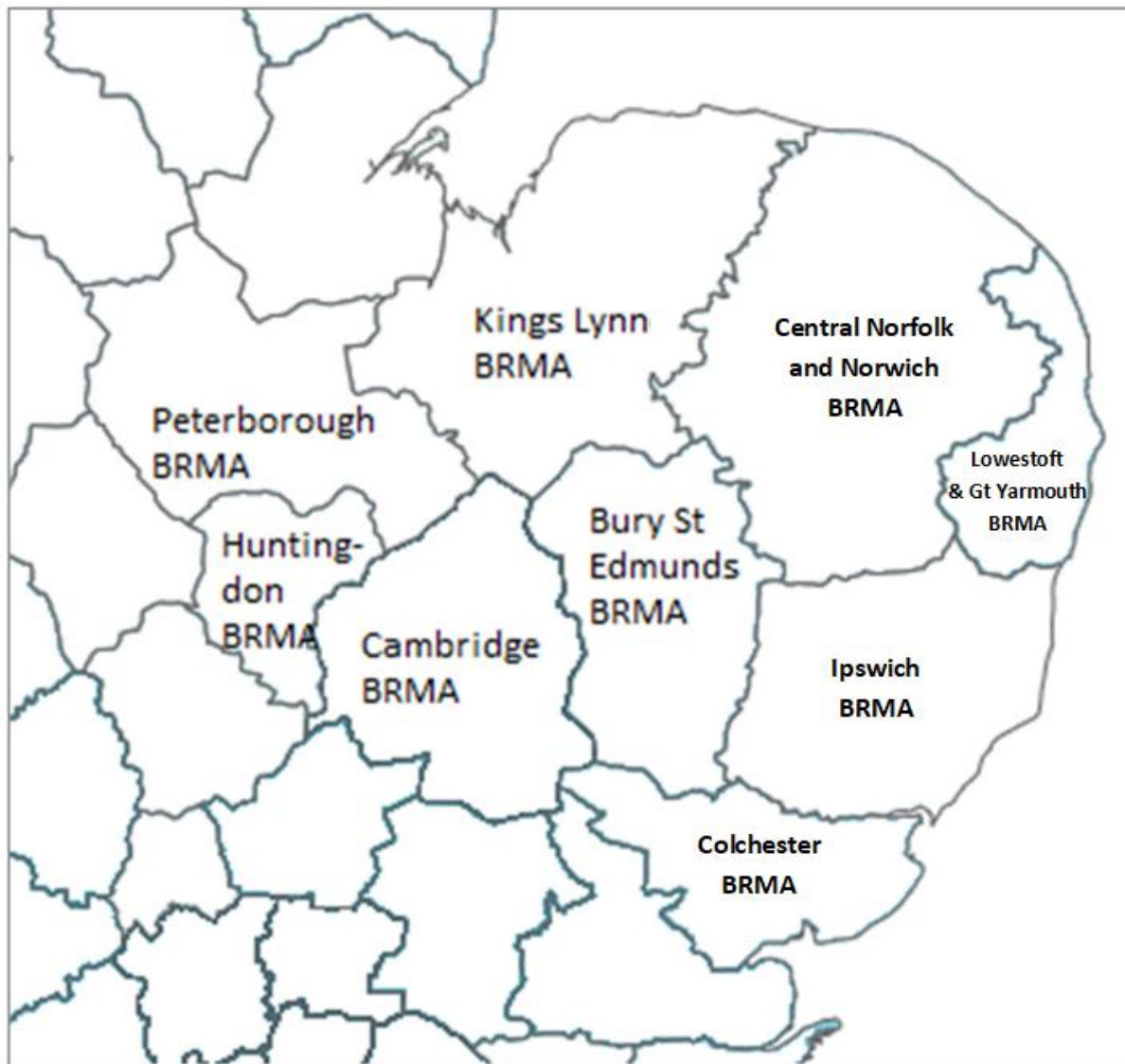


Table showing the LHA rates in each BRMA, and in which Council districts they apply

Councils		BRMA	Room in Shared Accommodation	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
BDC	MSDC	Bury St Edmunds	£82.85	£120.82	£149.59	£184.11	£276.16
BDC	MSDC	Ipswich	£71.34	£112.77	£140.38	£164.55	£205.97
BDC		Colchester	£71.34	£120.82	£158.79	£195.62	£253.15
	MSDC	Central Norfolk & Norwich	£82.85	£113.92	£138.08	£163.40	£218.63

Appendix B

Service charges and benefits

Some service charges are eligible for housing benefit while others are not. Generally, to qualify for housing benefit a service charge must be for a housing-related service as opposed to a personal service, and it must be a compulsory condition of the tenancy agreement that the resident receives the service and pays the service charge. Housing Benefit assumes that Service Charges are eligible unless they are specifically ineligible.

Under the Housing Benefit system, local authorities are allowed significant discretion in the interpretation of the housing benefit regulations. However, the Department for Work & Pensions is now phasing out Housing Benefit and phasing in Universal Credit. There is no local discretion with Universal Credit as there is with Housing Benefit.

Local authority Housing Benefit departments will continue to manage an ever-reducing number of Housing Benefit claims which will continue to be paid to pensioners and administered by local authorities.

Universal Credit assumes service charges (not the service itself) are ineligible unless they meet the criteria. There are four conditions of eligible service charges:

- The right to occupy the accommodation is dependent upon the tenant paying service charges, for example where it forms part of the tenancy agreement.
- The service charge wholly falls into one or more of the following categories:
 - The right to occupy being dependent on paying Service Charges.
 - Maintaining general standards.
 - Maintaining areas of communal use with basic communal services.
 - Tenant accommodation specific charges.
- The costs or charges are reasonable and that they relate to such services as it is reasonable to provide.

Below is a table setting out a non-exhaustive list of services which could be charged back to tenants, and their eligibility for Housing Benefit or Universal Credit:

Potential service chargeable item	Notes	Eligible service charge under housing benefit rules?	Eligible service charge under universal credit rules?
Administration fees can be based on either actual costs (the cost of the staff employed in administering service charges plus appropriate on cost) or estimated costs (an on-cost on the cost of the other service charges, i.e. 10% - 15%)	This charge could be used to cover the cost of a dedicated member of staff in the same way that the Leasehold Service is paid for by leaseholders. However, this role does not currently exist within Tenant Services.	Yes	Yes
Housing Management Services	This charge could also be used to cover some of the cost of the Neighbourhood Team undertaking routine inspections and fire alarm testing, removing flytips etc.	Yes, must be a communal service relating to the provision of adequate accommodation	Yes, must be a communal service relating to the provision of adequate accommodation
Intensive Housing Management	Intensive housing management is provided to tenants with support needs in temporary and sheltered housing. Intensive housing management is a catch all term and includes a number of activities.	Yes	Yes
Heating, Lighting, Energy, Water	BSMDC could apportion the total bills within a building between flats based on floorspace or number of bedrooms.	Yes – communal utility costs only. Any charges for utility provision to tenants' homes can be charged for but is not eligible for benefit.	Yes – communal utility costs only. Any charges for utility provision to tenants' homes can be charged for but is not eligible for benefit.
Cleaning Communal Areas	Currently this is only undertaken in sheltered housing and newly built general needs flats. This can include window cleaning.	Yes, but for the outside of non-communal windows, only those that no-one in the household can do	Yes, but for the outside of non-communal windows, only those on first floor and above

Potential service chargeable item	Notes	Eligible service charge under housing benefit rules?	Eligible service charge under universal credit rules?
Pest Control	Treatment of pests can be in the communal area, or outside of it providing that it is undertaken to prevent pests accessing the communal areas.	Yes	Yes
Laundry	includes rental, maintenance & repair of communal laundry equipment including water rates and opening / closing the facilities (if applicable)	Yes	Yes
Lifts	Lifts have been a contentious issue with service charging, central Government dissuaded the practice in 2002 as lifts were 'integral to the tenancy', but some have later brought lifts maintenance into the service charge.	Yes	Yes
Communal furniture	Repair and replacement of furniture in communal spaces, e.g. sheltered communal lounge	Yes	Yes
Grounds Maintenance and Tree surgery	Costs of managing greenspaces can be recovered through service charges, a methodology to calculate the apportionment of charges between tenants can be created using GIS mapping.	Yes	Yes (general basic gardening for communal gardens such as lawn mowing, tree management, hedge maintenance, litter removal etc)
Health & Safety	H&S checks can include; legionella testing; ventilation systems, electrical inspections, fire detection, fire risk assessments, fire fighting equipment, alarm service, secure building access door entry systems, emergency lighting etc.	Yes	Yes

Potential service chargeable item	Notes	Eligible service charge under housing benefit rules?	Eligible service charge under universal credit rules?
CCTV	CCTV may be installed to deter and record crime and anti-social behaviour	Yes	Possibly not (DWP may consider a luxury). Can be eligible if provided for the purpose of maintenance of areas of internal or external communal use (to help maintain the availability of an eligible communal service or facility).
Children's play areas	Childrens play areas may be within the communal grounds of a housing scheme	Yes	Yes