



Rent Setting and Service Charge Policy

September 2021

Title	Rent Setting and Service Charge Policy
Users of Policy	Colchester Borough Council tenants and leaseholders, staff at Colchester Borough Homes
Date Adopted	November 2017
Date last Reviewed	September 2021
Review Frequency	Upon change in Legislation or Every 3 years
Best Before Date	30 September 2024
Scheme of Delegation	
Formation of Policy	Portfolio Holder(s) with delegated responsibility for the Management of the Housing Revenue Account
Amendments	Portfolio Holder(s) with delegated responsibility for the Management of the Housing Revenue Account
Monitoring	Housing Client Co-ordinator
Implementation	Housing Client Co-ordinator
Approval of requests	The Council's Representative

1. Aims of Policy

- 1.1 Colchester Borough Council (CBC) and the Board of its Arms Length Management Organisation, Colchester Borough Homes (CBH) are committed to ensuring that its rental charges and service charges are set consistently and at the same time enable the Authority to maintain homes to a high standard of repair.
- 1.2 This policy document sets out the Colchester Borough Council principles for Rent Setting and Service Charges for properties that fall within the Housing Revenue Account.
- 1.3 For completeness Appendix D sets out the principles for Rent Setting and Service Charges for properties used as Temporary Accommodation not held within the Housing Revenue Account.

2. Legislation and Guidance

- 2.1 CBC will calculate its rents in accordance with the Welfare Reform and Work Act 2016 and The Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulation 2016 and the Policy statement on rents for social housing 2019 and any further legislation that supersedes this.
- 2.2 All other changes will be determined and agreed annually as part of the Housing Revenue Fees and Charges Report. Value added Tax will be applied to charges in accordance with HMRC (HM Revenues and Customs) guidelines.
- 2.3 The Department of Work and Pensions Universal Credit Service Charges published April 2013 will be used to identify eligibility for Universal credit.

3. The Policy

- 3.1 CBC tenants in social housing will be charged up to four elements for their home. The charges are applied on a weekly basis in the rent year allowing for two rent free weeks.
- Rent – a charge for the occupation of the tenant’s home.
 - Rental Based Charges – for additional services which provide assistance to maintain the tenancy.
 - Utility Charges – where electricity, gas and water are provided e.g. sheltered schemes and homeless units.
 - Service Charges – additional services, or amenities which benefit every tenant, or which may be necessary to manage the building.
- 3.2 Charges to Leaseholders will be in accordance with the provisions in their lease. Leaseholders are charged annually for up to four elements:
- Ground rent which is set by the Government at £10.00 per annum, except where the lease specifies a different value.
 - Service Charges as indicated in 3.1 above
 - Block Repairs
 - Management Fee
- 3.3 Where ‘affordable rents’ are charged these will be calculated up to 80% of gross market rent inclusive of service charges.

‘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 considered when determining what gross market rent a property might achieve if let in the private rented sector.

4. Rent Charges

- 4.1 Since 2001/2002 Colchester Borough Council has calculated its rents on social housing stock in accordance with Government guidance.

This guidance introduced a formula – see Appendix A, which was designed to:

- Ensure that rents for social housing remain affordable in the long-term.
- Protect social tenants from excessive increases in rents.
- Ensure rents take account of local conditions.
- Provide long-term certainty and stability to social tenants, social landlords and their funders.

- 4.2 In 2001/2002 when the formula rent was introduced, CBC property rents were not at the formula rent level. Between 2001/2002 and 2014/2015 CBC annually changed the rent on each property, per year by:
- The Retail Price Index (RPI) at September of the previous year + a percentage uplift, plus a proportion of the difference between the

current rent on the property and the formula rent (limited to a maximum of £2.00 per week).

This approach was applied in order that the rent on each property would gradually reach the formula rent level.

- 4.3 In 2015/2016 CBC rents continued to follow revised policy guidance annually changing the rent on each property by:
- The Consumer Price Index (CPI) at September of the previous year plus 1 percentage point.
- 4.4 Due to the limits on the annual increases to CBC property rents as detailed in 4.2 above, not all CBC properties had reached the formula rent level by April 2015. Where this was the case the rent was moved to the applicable formula rent level (detailed in 4.5 below) when the property was re-let following a vacancy.
- 4.5 From 2015/2016 CBC formula rents were set on the following basis:
- General Needs Properties and Sheltered Housing Properties not at the Colchester Standard – increase by CPI at September of the previous year plus 1 percentage point.
 - Sheltered Housing properties that have been refurbished to the Colchester Standard – increase by CPI at September of the previous year plus 1 percentage point plus an additional 5 percentage points.
 - Temporary Accommodation Units – increase by CPI plus one percentage point plus an additional 10 percentage points.
- 4.6 From 2016/2017 Rent Policy became statute as part of the Welfare Reform and Work Bill. CBC reduced rents by 1% and continued to do so annually for a further 3 years, in line with this legislation. Formula rents were also reduced by 1% annually.
- 4.7 The Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 exempted certain properties from the rent reduction for the first year. For CBC the 'supported housing' exemptions were applicable, these included homeless hostels, sheltered accommodation and extra care sheltered accommodation. Rent Setting and formula rents for these properties for the exempt year continued on the basis of CPI plus 1 percentage point. These properties followed the rent reduction formula from 2017/2018 onwards.
- 4.8 The Policy statement on rents for social housing February 2019 sets out the long-term deal for both local authority landlords and housing associations. This permits annual rent increases of both social and affordable rent properties of up to CPI plus 1 percentage point effective from 1 April 2020 for a period of at least five years.
- 4.9 Where a property is not at the formula rent level, the rent will be moved to the formula level on re-let. Exceptions to this are mutual exchanges, Use and Occupation and Successions.

- 4.10 Affordable rents should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged. The formula and methodology for setting affordable rents is shown in Appendix C. In addition, where the Local Housing Allowance (LHA) is lower than 80% of the market rent calculated the LHA rate will be charged.
- 4.11 Formula rent applies to accommodation let at a social rent, this means all low-cost rental accommodation excluding properties let at;
- Affordable rents
 - Rents for social tenants with high incomes (households with an income of at least £60,000 per year)
 - Shared ownership low cost rental accommodation
 - Intermediate rent accommodation
 - Specialised supported housing
 - Relevant local authority accommodation (agreed by the Secretary of State)
 - Student accommodation
 - PFI social housing
 - Temporary social housing
 - Care homes

4.12 Property Valuations

- 4.13 The rent setting formula detailed in Appendix A uses property valuations. CBC property values are based on generic valuations for particular types and sizes of properties in different locations.
- 4.14 The Council identified 88 property types (called “archetypes”) throughout the borough, and they were valued by our surveyor at January 1999 prices. These archetype properties were used to give a value to every other property that is the same size, type and location.
- 4.15 These valuations will not be the same as the ones used for Right to Buy applications.
- 4.16 The initial valuation for properties charged an affordable rent will be made in accordance with the Royal Institution of Chartered Surveyors principles for valuations (known as the Red Book). A full valuation may not always be necessary, where comparable information is available, we may decide to re-set rents using a desktop review of recent transactions.

4.17 Re-Valuation of Properties

- 4.18 The valuation of a property for social rent purposes will generally remain the same, over time. However, we will revalue the property when we have carried out major works or modernization works (over £5000) that materially affect the value of the property and/or increase the number of bedrooms in a property.

- 4.19 In many areas modernised and un-modernised homes have the same value. This is because the main factor affecting value is the location of a property.
- 4.20 Where a re-valuation is required on a property, an archetype property value will be applied that reflects the size, type and location of the property. Where no relevant archetype exists, the value of the property will be calculated in accordance with the guidance indicated in 2.1 above.
- 4.21 A revised formula rent will be calculated using this new value and the rent on the property will be moved to the formula rent level. Where the property is tenanted, the tenant will be given 28 days' notice of the change.
- 4.22 Affordable rent tenancies will be re-set when the accommodation is let to a new tenant (or re-let to an existing tenant); the rent will be based on a new valuation to ensure that the new rent is no more than 80% of the relevant market rent. This does not apply when the accommodation is re-let to the same tenant as a consequence of a probationary period ending.
- 4.23 Where affordable rent is re-set as a result of re-letting to an existing tenant the rent cannot be increased by more than CPI +1 percentage point. An 'existing tenant' means an existing tenant of the specific property concerned.
- 4.24 Protecting Tenants against large rent increases using Rent Caps**
- 4.25 CBC will ensure that any changes to the rent charge for a property either up or down will be limited by applying the Rent Cap values shown in Appendix A.
- 4.26 Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap will be used instead. The rent caps are adjusted annually and from 2020-21 onwards the rent caps will increase by CPI (at September of the previous year) plus 1.5 percentage points annually.
- 4.27 The annual change in rent for a property whose rent is at the rent cap limit will be on the same basis as the formula rent change (CPI plus 1 percentage point).
- 4.28 Where a property that has the rent cap limit applied comes up for re-let (and the formula rent remains above the rent cap), the actual rent charged will be based on the rent cap level.
- 4.29 The government has set out 'special arrangements' for the first year following the final year of the social rent reduction period and the council is required to calculate the maximum rent increase for existing tenants for both social and affordable rent properties – using the "2020 limit".
- 4.30 The 2020 limit requires the council to use as a baseline the average weekly rent payable by a tenant of the fourth and final year of the social rent reduction. An exception is made where the weekly rent changes

because the accommodation is re-let during the final year; in these circumstances the rent is calculated on the average weekly rent based on the period since the property was last re-let.

- 4.31 Any rent-free periods are disregarded in the calculation of the average weekly rent.

4.32 Transfer of Tenants between different CBC properties

- 4.33 Tenants who transfer between different CBC properties will be charged rent at the formula rent level for the property they are moving to.
- 4.34 Where tenants are required to move to new accommodation because their home is to be disposed of, demolished or substantially changed, CBC may allow for “rent protection” which would protect the tenant for a period of time, from a significant increase in rent.

4.35 Differences in Neighbours Rent

- 4.36 Neighbours rent may differ for a number of reasons. The neighbouring property may be of a different type, which will affect its value. For example, an end-of-terrace house may have a different value to a mid-terrace. It may have a different number of bedrooms. It may also have been moved to the formula rent level following a vacancy.

4.37 Rent Charges and Housing Benefit

- 4.38 Any change to the charges on a property will need to be reflected in any claim for Housing Benefit or Universal Credit. Where Housing Benefit is paid directly to CBC as Landlord, it will be automatically varied as appropriate to the charge.

5. Other Rental Based Charges

- 5.1 In addition to the basic rent, some tenancies are provided with other services, these include provision of furnishings to the dwelling, provision of management, support and alarm facilities.
- 5.2 These services are charged as part of the tenancy agreement, where they are applicable.
- 5.3 These charges are reviewed annually as part of the Housing Revenue Account Fees and Charges Report.

6. Utility Charges

- 6.1 Tenants residing in properties where CBC retains the responsibility for the supply and payment of bills in relation to gas, electricity and water, are

required to pay utility charges as part of their weekly rental charges. Generally, CBC retains responsibility where the supply is shared across several properties.

6.2 CBC will calculate utility charges based on the actual total costs plus anticipated price changes and RPI, incurred against:

- Sheltered Schemes
- Temporary Accommodation Units
- General Needs

7. Service Charges

7.1 CBC service charges reflect additional services which are not provided to every tenant or which are connected to the provision of communal facilities. Service charges will vary between properties depending on the services they receive or benefit from.

7.2 In 2008 CBC separated existing service charges from the rent. A number of new services were introduced and charged for at this time. Following consultation with tenants and leaseholders further new services have been introduced in subsequent years.

7.3 Service Charges will increase or decrease separately from rents each year. All services are excluding Value Added Tax (VAT). Services 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 forecasts 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 %.

7.4 Where new or extended services are introduced that will lead to additional charges. For both Tenants and Leaseholders the charges will be based on best estimated cost or known contract cost, plus an admin fee %. Once a full years costs are available the service charge calculation in 7.3 will apply.

7.5 Service charges for council tenants are fixed at the beginning of each rent year and for leaseholders at the beginning of each financial year. Only those charges that are specific to leaseholders e.g. block repairs, will be variable.

7.6 In the event that existing services are identified that have not previously been separated from the rent, CBC will separate these ensuring the rent charge for tenants is adjusted to reflect separation of the charges.

7.7 CBC will introduce new or extended service charges where there is a requirement to further maintain communal facilities or provide new services. CBC will consult with tenants and leaseholders regarding such changes.

7.8 For the purpose of applying service charges CBC categories its properties into the following groups:

- General needs
- Leaseholders
- Temporary Accommodation (Homeless) units
- Sheltered schemes
- Linked sheltered properties
- Affordable rent

Within each of these groups there will be property types of

- Houses
- Bungalows
- Flats
- Maisonettes

- 7.9 Linked sheltered properties are properties that are linked to a sheltered scheme but are not situated within the boundaries of the main scheme. These are properties that give tenants more independence and therefore these tenants do not benefit fully from the communal facilities within the main scheme, although they are there if they wish to use them. An example of this would be a tenant might not use a scheme's laundry facilities as they would have a washing machine in their property but might use the communal lounge.
- 7.10 Due to this complexity, linked properties will only be charged for the following services:
- Grounds maintenance
 - Communal Furnishings and carpets
 - Digital TV (where applicable)
 - Facilities Management
 - Cleaning and window cleaning (where applicable)
 - Communal Wi-Fi (where applicable)
 - Communal TV Licensing (where applicable)
 - Communal Media Licensing (where applicable)
- 7.11 CBC where appropriate will include General Fund properties in the calculation of its service charges. This ensures that the cost is correctly split over all in receipt of each service.
- 7.12 CBC will charge Council tenants and Leaseholders on the same basis where legally possible to do so. The intention is to charge consistently between tenants and leaseholders unless there are specific exceptions which do not relate to both groups e.g. management fee for leaseholders.
- 7.13 CBC will include all properties occupied by leaseholders in the calculation of its service charges. This ensures that the cost is correctly split over all in receipt of each service. This service charge calculation will then be:
- Adjusted where terms of lease require a different charging basis to be applied.

- Removed where a Leaseholder is protected from paying under the 5 year protected period.

7.14 Service charges will not be charged to the following:

- Right to buy (RTB) freeholds
- Leases that do not permit or exclude services

7.15 Rent notices will indicate eligibility of each service charge for Universal Credit in line with the guidance indicated in 2.3 above.

8. Charges for Garages and Storage Units

8.1 From April 2018 rents on garage sites will be set based on market forces with rents being different for:

- a) Garages in high demand sites
- b) Garages on all other sites

High Demand will be determined where either/or:

- i) All garages on the site are let
- ii) Where there is a waiting list for the site

8.2 Garage rents will be updated annually.

9. Enforcement action

9.1 All charges form part of the tenancy/occupation agreement or terms of lease. There is no option to opt out of any specified charge.

9.2 Non-payment of charges will be addressed as part of CBH arrears recovery processes.

10. Appeals Procedure

10.1 All charges will remain subject to the challenge of reasonableness by tenants and leaseholders.

10.2 Any enquiries and appeals will be dealt with as part of customer contact with Colchester Borough Homes and where required via the Colchester Borough Homes Customer Compliments and Complaints procedure.

10.3 When an enquiry is received this will be answered by Customer Services or escalated to the relevant Officer responsible for Leasehold or Tenancy Management.

Enquiries will fall into one of the following categories:

- Policy issues – how service charges and rent charges have been calculated.

- Service delivery issues – poor service standards, non-delivery of service or value for money issues.
- Objections to the application of a charge – a charge has been made for a service that is not provided, or the property differs to the CBC records i.e. number of bedrooms, therefore rent may be incorrect.

10.4 FAQ's will be available for tenants and leaseholders on both the CBC and CBH websites and for the CSC to answer any general questions that are received.

11. Service Standards

11.1 Colchester Borough Homes will monitor and review provision of services in relation to service charges to ensure standards are maintained and efficiencies and or improvements are introduced where possible.

12. Monitoring and Review

12.1 We will monitor our performance in meeting the standards set out in this Policy.

12.2 Reviews will be conducted as a minimum every 3 years to make sure the policy continues to be efficient and effective, whilst ensuring it still meets current legislation and the Council's Constitution.

13. Communicating the Policy to Staff

13.1 Managers and staff involved in the implementation of the Policy will receive a copy of the policy.

13.2 The Council will provide sufficient training to enable staff to understand and comply with the Policy.

13.3 A copy of the Policy will be accessible from the Council's document management system and websites of Colchester Borough Council and Colchester Borough Homes.

13.4 Any amendments to the Policy will be communicated, in a timely manner, to managers and staff involved in implementing the policy. Revised Policy documents will be circulated and placed on the intranet.

14. Communicating the Policy to Customers

14.1 We will continue to notify tenants annually of any changes to their charges at least 28 days prior to the beginning of the new rent year which always begins from the first Monday in April.

- 14.2 We may change charges at other times of the year but we will give tenants 28 days' notice.
- a. Leaseholders will be notified of changes to their charges annually each April in their Service Charge Statement.
 - b. Where new legislation or changes are introduced consultation will be carried out via focus groups, surveys or inclusion of articles within publications to tenants and leaseholders.
 - c. Details of this policy and relevant legislation will be available through the CBC and CBH websites.

15. Appendix

Appendix A – Formula Rent Setting Method

Appendix B – Service Charge Calculation Methods

Appendix C – Affordable Rent Setting Method

Appendix D – Temp Accommodation (outside the HRA) Rent Setting Methods

Appendix A

Information for Calculating Formula Rents

Colchester Borough Council will calculate its Social Rents based on the government guidance/legislation which ensures social rents take account of

- Local earnings
- Property value
- The number of bedrooms in the property

The rent for each property is calculated as follows:

- 30% of a property's rent is based on relative property values
- 70% of a property's rent is based on relative local earnings: and
- A bedroom weighting is applied so that all other things being equal, smaller properties have lower rents.

This is shown in the formula below:

Weekly rent Formula

70% of the **national average rent**
Multiplied by **relative county earnings**
Multiplied by the **bedroom weight**

Plus

30% of the **national average rent**
Multiplied by **relative property value**

National average rent

Means the national (England) average rent in April 2000 net of service charges:

National average rent¹: £54.62 per week

¹ Provided by MHCLG in the Policy statement on rents for social housing, February 2019.

Relative County Earnings

Means the average manual earnings for the county in which the property is located, divided by the national average manual earnings, both at 1999 levels. For example, this means that rents in Essex will be lower than those in London.

Earnings data:

County	Earnings per week
Essex	£325.90
England average	£316.40

These figures are derived from the New Earning Survey (ONS) and represent the average gross weekly earnings of full-time manual workers over the 1997 to 1999 period, up rated to 1999 prices.

Bedroom weights²

The following bedroom weights are applied:

Number of bedrooms	Bedroom Weight
Bedsit	0.8
1	0.9
2	1.0
3	1.1
4	1.2
5	1.3
6+	1.4

² Provided by MHCLG in the Policy statement on rents for social housing, February 2019.

Relative Property Value

Means the CBC value for the property divided by the national average property value, for January 1999.

National average property value³ : £49,750

³ Provided by MHCLG in the Policy statement on rents for social housing, February 2019.

Up-rating of Formula Rents

Once a formula rent for 2000-01 has been calculated, it should be uprated for each year using the figures outlined in the following tables:

Year	RPI Inflation	Additional	Total
2001-02	3.3%	1.0%	4.3%
2002-03	1.7%	0.5%	2.2%
2003-04	1.7%	0.5%	2.2%
2004-05	2.8%	0.5%	3.3%
2005-06	3.1%	0.5%	3.6%
2006-07	2.7%	0.5%	3.2%
2007-08	3.6%	0.5%	4.1%
2008-09	3.9%	0.5%	4.4%
2009-10	5.0%	0.5%	5.5%
2010-11	-1.4%	0.5%	-0.9%
2011-12	4.6%	0.5%	5.1%
2012-13	5.6%	0.5%	6.1%
2013-14	2.6%	0.5%	3.1%
2014-15	3.2%	0.5%	3.7%

Formula Rents From 2015-2016 onwards:

	CPI	Additional	Total	
2015/2016	1.20%	1.0%	2.2%	
2016/2017	Non Exempt Properties	Exempt Properties		
	Total	CPI	Additional	Total
	-1.0%	-0.10%	1.0%	0.90%
2017/2018	-1.0%			
2018/2019	-1.0%			
2019/2020	-1.0%			

From 2020-21 onwards, the formula rent must be adjusted annually by CPI (at September of the previous year) plus 1 percentage point. This applies regardless of any exceptions that operated under the social rent reduction.

Rent Caps

In areas where the property values are high it is possible that the formula rent will produce unacceptably high rents. To protect tenants in these areas the Government produced a maximum ceiling or “cap” to the formula rent. If the formula rent for a particular property is higher than the rent cap, then the rent cap will apply.

Formula rent caps for 2019-20 are as outlined in the following table:

Number of bedrooms	Rent Cap
1 and bedsits	£141.43
2	£149.74
3	£158.06
4	£166.37
5	£174.69
6 or more	£183.00

From 2020-21, rent caps will increase by CPI (at September of the previous year) plus 1.5 percentage points, each year.

Appendix B

Colchester Borough Council Service Charge Calculations.

There are 5 methods used in calculating the split of service charges:

Borough Chargers

Borough charges are for services which benefit all council tenants and leaseholders within the Colchester borough. The total cost of each service will be divided equally by the total number of dwellings within the borough including houses and sheltered schemes.

Standard Charges

Standard charges are for services which benefit all general needs tenants and leaseholders and the total cost of each service will be divided equally by the total number of the dwellings that receive the service.

Unit Charges

Unit charges are services which are not provided to all council tenants and leaseholders and represent the total cost of the service divided equally by the total number of dwellings receiving the service.

Block Charges

Block charges are for services where the cost can be identified to an individual block of properties, including sheltered schemes and homeless units. The cost of these services will be divided equally by the number of dwellings within that block, sheltered scheme or homeless unit.

Scheme Charges

Scheme charges are applied to sheltered schemes, and/or linked properties, and/or homelessness units. They represent the total cost of the service divided equally by the total number of dwellings across all the schemes and/or all units.

Service	Who will receive the charge	Charge Method	Comments
Administration charge	<ul style="list-style-type: none"> • General needs • Sheltered • Linked • Homelessness • Leaseholders 	Borough	<p>Definition The salary, NI and pension costs of compiling the services billing information, working out the service charge and inputting this information into the computer system, to output the rent notification letters and service charge bills.</p> <p>Method Administration costs were introduced in 2008-2009 and will be recovered through a percentage on-cost included within each service. The admin cost was not separated from the rent as it was a new service.</p> <p>Principles Due to the method of calculation used, this charge is not separated but can be identified if required. The Administration charge will reflect the number of services the customer receives.</p>
Bin Chute Cleaning	<ul style="list-style-type: none"> • General needs • Leaseholders 	Block	<p>Definition The total cost of the contract for cleaning Communal bin chutes and bin stores at the base of the chutes.</p> <p>Method This service was introduced in 2008-09 to help with health and safety of chutes, the cost was not removed from the rent as it was a new charge. The costs in the first year were funded by CBH and not recovered through service charges.</p> <p>Principles To charge the cost of cleaning the number of bin chutes in each block over the number of dwellings in the block.</p>

Service	Who will receive the charge	Charge Method	Comments
Communal Cleaning of 2 storey blocks	<ul style="list-style-type: none"> • General needs • Leaseholders • Sheltered • Linked 	Unit Charge	<p>Definition The total contract cost of cleaning communal areas e.g. stairwells in 2 storey blocks to an agreed standard on a regular basis.</p> <p>Method This service did not exist prior to 2008. The cost of the communal cleaning was not removed from the rent as it is a new charge. A few sheltered properties and linked properties are included under this contract.</p> <p>Principle To charge the total cost of the service over the number of units that receive the service.</p>
Communal Cleaning of 3 storey blocks	<ul style="list-style-type: none"> • General needs • Leaseholders • Homelessness 	Unit Charge	<p>Definition The total contract cost of cleaning communal areas e.g. stairwells to an agreed standard on a regular basis.</p> <p>Method This cost was de-pooled. The contract for this communal cleaning was for renewed in 2008.</p> <p>A few homelessness properties are included under this contract.</p> <p>Principle This service did not exist prior to 2005 and therefore was not included in the basic rent</p>

Service	Who will receive the charge	Charge Method	Comments
Communal cleaning	<ul style="list-style-type: none"> • Sheltered • Homelessness • General needs • Linked 	Block	<p>Definition The total contract cost of cleaning communal areas e.g. communal lounge, kitchen, stairwells within the homelessness units and sheltered schemes.</p> <p>Method Separation of these charges for homelessness and sheltered completed 2004. The two extra care schemes originally employed their own domestic cleaners, this changed in 2010 when the cleaning of these scheme's was included in the cleaning contract.</p> <p>Principles Higher standard of cleaning required in homelessness units and sheltered schemes This contract includes communal cleaning for a few general needs properties and a few linked sheltered properties.</p>
Communal gas	<ul style="list-style-type: none"> • General Needs • Leaseholders • Sheltered • Homelessness 	Block	<p>Definition Total cost of gas provided for heating of communal areas only</p> <p>Method Apply all the costs for the meters serving the block. Where the supply is for both individual dwellings and communal areas and is billed to one meter, the method is to apply a 70/30 split between dwelling and communal areas respectively. The 30% is then passed on as the service charge.</p> <p>Principles There is only one general needs block that shares a gas meter If the supply is known to be for communal facility only, then 100% of the cost is applied to the block.</p> <p>Calculation of these charges for homelessness and sheltered was completed 2004.</p>

Service	Who will receive the charge	Charge Method	Comments
Facilities Management	<ul style="list-style-type: none"> • Sheltered • Linked 	Unit	<p>Definition This Service is provided for tenants living in sheltered accommodation only. It covers the proportion of staff time spent on maintaining the buildings, providing advice and promoting social activities and events. This is 50% of staff time and this proportion of staff salary, NI and pension costs are recovered through this charge.</p> <p>Method The total cost of the service split is 98.06% to general and extra care sheltered and 1.94% to linked.</p> <p>Principle These costs were not removed from the basic rent as this was a new charged introduced in 2011</p>
Communal Water	<ul style="list-style-type: none"> • Sheltered • Homelessness 	Block	<p>Definition Total cost of water supply and usage in communal areas only.</p> <p>Method As there may only be one meter (s) to a block, the water being supplied is for communal as well as dwelling areas. Where this is the case the method is to split the total water cost for each meter on a 90/10 for split dwelling and communal areas respectively.</p> <p>Principles If the supply is known to be for communal facility only, then 100% of the cost is applied to the block</p> <p>Separation of these charges from the basic rent for homelessness and sheltered charges was completed in 2004.</p>

Service	Who will receive the charge	Charge Method	Comments
Digital TV	<ul style="list-style-type: none"> • General needs • Sheltered • Linked • Homelessness • Leaseholders 	Unit Charge	<p>Definition The total cost of the contract for installation and maintenance of communal digital receivers in communal blocks, schemes and units</p> <p>Method This service was charged from April 2010 and the switch over was completed in 2012. The implementation work commenced Jan 2010. The costs have been recovered using the implementation costs. The recovery of these costs will be split over ten years for affordability purposes.</p> <p>The maintenance contract will commence 2013/14 and this will form part of the communal digital receiver service charge.</p> <p>Principles To charge using the new or extended service charges policy proposal calculation and charging those that receive the service Leaseholders benefit from this service and do pay a service charge for it. Since 2010 this charge has been applied except where they are protected by the 5 year protection</p>
Electricity charges	<ul style="list-style-type: none"> • General Needs 	Block	<p>Definition Total cost of providing communal electricity for services such as stairwell lighting and door entry systems.</p> <p>Method Based on billing information rather than meterage. This charge will include electricity standing charges.</p>

Service	Who will receive the charge	Charge Method	Comments
Electricity charges	<ul style="list-style-type: none"> • Leaseholders 		<p>Definition Total cost of providing communal electricity for services such as stairwell lighting and door entry systems.</p> <p>Method Due to Government legislation leaseholders have to be charged actuals. A nominal amount is charged at the beginning of the year and when the actual bills are received the charge is adjusted to reflect the bill.</p> <p>Principles Leaseholders will be charged on a different basis to tenants as different years are used. Leaseholders are not part of the Service Charge policy for this item.</p>
Electricity charges	<ul style="list-style-type: none"> • Sheltered • Homelessness 	Block	<p>Definition Total cost of providing communal electricity including standing charge for services such as stairwell and corridor lighting, door entry systems, lighting for communal rooms etc.</p> <p>Method The electric meter reference(s) may apply to a block address and not to an individual property. This indicates that the electric being supplied is for communal areas as well as dwelling. The method applied in this instance is, to split the total electric cost for each block on a 70/30 split between dwelling and communal areas respectively.</p> <p>If the property address is known to be a communal facility only, then 100% of the cost is applied to the block. Separation of these charges from the basic rent for homelessness and sheltered was completed 2004.</p>

Service	Who will receive the charge	Charge Method	Comments
<p>Community Caretakers</p> <p>(Prior to April 2010 this was known as Estate Officers)</p>	<ul style="list-style-type: none"> • General needs • Leaseholders • Sheltered • Homelessness 	<p>Standard</p>	<p>Definition The salary, NI, pension and vehicle costs associated with the services provided by the CBH Community Caretakers. This service contributes to Colchester being a safe and clean place to live.</p> <p>Method The total cost split, based on percentage of time spent providing the service:</p> <p>15% of the cost is split across</p> <ul style="list-style-type: none"> • Houses • Bungalows • Linked Sheltered • Flats with no communal area (Maionettes) <p>85% of the cost is split across</p> <ul style="list-style-type: none"> • Temporary Accommodation (homelessness) • Sheltered Housing Schemes • Flats with communal area <p>Principle The cost of Community Caretaker was not separated from the basic rent as this was a new charge introduced in 2008. Introduced for Sheltered /Linked and Homelessness in 2015/2016. Leaseholders benefit from this service and pay a service charge for it but as from 2008 this charge will be applied except where the leaseholder is protected by the 5 year protection rules.</p>

Service	Who will receive the charge	Charge Method	Comments
Furnishings and carpets	<ul style="list-style-type: none"> • Sheltered • Linked 	Scheme	<p>Definition The total cost of renewal of furnishings and carpets in communal areas</p> <p>Method To recover the costs incurred within the appropriate year split across all schemes.</p> <p>Principle Separation of these charges from the basic rent for sheltered was completed in 2004</p>

<p>Grounds maintenance</p>	<ul style="list-style-type: none"> • General needs • Homelessness • Linked 	<p>Standard</p>	<p>Definition The total cost of the grounds maintenance contract which includes grass cutting, tidying borders, refurbishment and landscaping, tree and shrub maintenance, grounds maintenance of car parks and playgrounds, litter picking, all project work and management costs.</p> <p>Method Estate level was considered as a fairer way of charging but due to how the grounds maintenance contract is set up it was not possible to define estate boundaries.</p> <p>Recovery method totals all programmed grounds costs for general needs and homeless sites divide by all total number of general needs, linked and homeless units that receive the service. Project costs for homeless, sheltered and general needs totaled and divided by total number of units that receive the service (including sheltered). Costs in relation to litter picking, car parks, trees and shrubs, playgrounds and landscaping totaled and divided equally by the total of homeless, general needs and linked sites.</p> <p>Principle Management costs are proportionally divided across all the contract costs. All tenants including those that live in houses and bungalows benefit from attractive well-maintained estates and therefore should contribute to the cost of grounds maintenance. The contribution of programmed, project costs and management fee collected from leaseholder properties is deducted from totals before apportionment. Leaseholders are charged in accordance with their lease and the charges are calculated separately. Project work is carried out across all sites on a rolling programme basis, all sites benefit and contribute.</p>
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Service	Who will receive the charge	Charge Method	Comments
Grounds Maintenance	<ul style="list-style-type: none"> Sheltered 	Scheme	<p>Definition The total cost of the grounds maintenance contract, this includes grass cutting, tidying borders, refurbishment and landscaping, tree and shrub maintenance and management. This is specific to the grounds maintenance within the sheltered schemes and doesn't include other areas of the Borough.</p> <p>Method Sheltered receive an enhanced grounds maintenance service and therefore need to be separate from general needs for programmed work.</p> <p>Project costs for homeless, sheltered and general needs totaled and divided by total number of units that receive the service (including sheltered).</p> <p>Principle All tenants in sheltered housing schemes benefit from grounds maintenance of communal areas. Project work is carried out across all sites on a rolling programme basis, all sites benefit and contribute.</p>
Grounds Maintenance	<ul style="list-style-type: none"> Leaseholders 	As per individual lease	<p>Definition Legal Services have advised that we are unable to vary arrangements for charging leaseholders for this service.</p> <p>Method Leaseholders are included in the calculations but they cannot be charged.</p> <p>There is a three tier banding system depending on how much amenity land is near the flat. The banding system charges are applied instead of service charge calculation. As a result there will be differentials in charges between leaseholders and tenants in a block.</p>

Service	Who will receive the charge	Charge Method	Comments
Heating systems and boilers	<ul style="list-style-type: none"> • Sheltered • Homelessness • General Needs • Leaseholders 	Block	<p>Definition This is the total cost of boiler maintenance, insurance including pump insurance, and annual inspections for domestic and non domestic communal boilers</p> <p>Method The total cost of the service is identified to the block of properties and divided by the number of dwellings within the block</p> <p>Principles There is only one general needs block that shares a heating system</p> <p>Separation of these charges from the basic rent for homelessness and sheltered was completed 2004</p>
Heating systems and boilers (TREND)	<ul style="list-style-type: none"> • Sheltered • Homelessness • General Needs 	Unit	<p>Definition The maintenance cost of the TREND control (modem telephone lines) for controlling the temperature for the communal heating systems</p> <p>Method Only non-domestic boilers have a temperature controller and therefore the charge will not apply to all sheltered schemes and homelessness units</p> <p>Principles</p> <ul style="list-style-type: none"> • As there is no cost breakdown between schemes, all leaseholders and tenants that receive this service are charged equally <p>Separation of these charges from the basic rent for homelessness and sheltered completed 2004</p>

Service	Who will receive the charge	Charge Method	Comments
Laundry	<ul style="list-style-type: none"> <li data-bbox="520 240 684 264">Sheltered 	Block	<p data-bbox="1287 240 1787 347">Definition The total cost of the maintenance and repairs of laundry white goods and the cost of providing washing machines and dryers.</p> <p data-bbox="1287 380 1808 651">Method Maintenance contracts recovered over the time length that they are valid for. The costs of domestic machines are recovered pro-rata over a 5 year period for affordability purposes. The costs of commercial machines are recovered pro rata over a 10 year period for affordability purposes. Repairs costs will be recovered in year.</p> <p data-bbox="1287 683 1793 850">Principles Charge is fairly split according to how many machines are in each scheme Limited costing information in relation to repairs excluded to avoid inconsistencies in charging.</p> <p data-bbox="1287 883 1780 1062">Separation of these charges for sheltered was completed 2004. Methodology above introduced in 2008, initially based on average cost of a machine applied to the number of machines in each scheme and split over the number of years the cost will be collected over.</p>

Service	Who will receive the charge	Charge Method	Comments
Laundry	<ul style="list-style-type: none"> • Homelessness • General Needs 	Unit	<p>Definition The total cost of the maintenance of laundry white goods and the pro rata cost of providing washing machines and dryers.</p> <p>Method Maintenance contracts recovered over the time length that they are valid for. The costs of domestic machines are recovered pro-rata over a 5 year period for affordability purposes. The costs of commercial machines are recovered pro rata over a 10 year period for affordability purposes. Each year there will be limited costing information in relation to repairs due to machines not breaking down constantly, repairs costs will be spread equally over 5 years. Additional /replacement machines are charged for from the year they are installed – based on costing data year.</p> <p>Principles Separation of these charges for homelessness and general needs was completed 2004</p>
Lift charges	<ul style="list-style-type: none"> • Sheltered • Homelessness 	Block	<p>Definition The total cost of maintenance, insurance, inspections and safety certificates.</p> <p>Method The safety certificates are LG certificates and they only apply to passenger lifts. One scheme has stair lifts only and therefore has no safety certificates.</p> <p>Principles To charge each scheme with the number of lifts it has Separation of these charges for homelessness and sheltered completed 2004.</p>

Service	Who will receive the charge	Charge Method	Comments
Management fee	<ul style="list-style-type: none"> Leaseholders 	Block	<p>Definition</p> <p>The following are included in the management fee:-</p> <ul style="list-style-type: none"> Preparation, printing, checking and posting of actual and estimated bills Processing repair costs Dealing with neighbour disputes Materials such as printing, stationary, paper, printers and ink Organisation and supervision of contracts for services and major works Management of estates Preparation and dispatch of literature for the benefit of leaseholders Collection and daily, monthly, yearly reconciliations of monies due for service charges and major works including generation of direct debits Recovery action for those leaseholders who are in arrears Dealing with wide range of leasehold enquiries Dealing with right to buy applications and transfers of leases Policymaking, updating and in keeping of Government legislation <p>General administration not included in the above</p> <p>Principle</p> <p>Management fee charged at three different levels dependent upon the size of the block. Separation of these charges for leaseholders completed 2004</p>

Service	Who will receive the charge	Charge Method	Comments
Window cleaning of 2 storey blocks	<ul style="list-style-type: none"> • General needs • Leaseholders 	Unit Charge	<p>Definition The total cost of the contract for cleaning communal windows internally and external to an agreed standard on a regular basis.</p> <p>Originally the contract included cleaning of the external dwelling windows. This element of the service was removed when the contract was retendered in 2010.</p> <p>Method The cost of the communal window cleaning was introduced as a new charge in 2008; it was not separated from the basic rent.</p> <p>Principle This is not a service that existed prior to 2005 and therefore was not included in the basic rent. Additional costs incurred through providing this service have to be recovered Consultation was carried out prior to the introduction of this service</p>
Window cleaning of 3 storey blocks	<ul style="list-style-type: none"> • General needs • Leaseholders 	Unit Charge	<p>Definition The total cost of cleaning external and internal communal windows only to an agreed standard on a regular basis</p> <p>Principle Divide equally between the numbers of properties receiving this service.</p>
Window cleaning	<ul style="list-style-type: none"> • Sheltered • Homelessness 	Scheme	<p>Definition The total cost of cleaning external and internally communal windows only to an agreed standard on a regular basis.</p> <p>Principle Separation of these charges for homelessness and sheltered completed 2004.</p>

Service	Who will receive the charge	Charge Method	Comments
Fire Alarms Warden call Smoke Detectors and Security Lighting	<ul style="list-style-type: none"> • Sheltered • Homelessness • General Needs • Leaseholders 	Block	<p>Definition The cost of the servicing and maintenance of fire alarms, smoke detectors and security lighting in communal hallways, stairwells and landings within tenanted blocks.</p> <p>Principle Costs are identified to individual blocks of properties, including sheltered schemes and homeless units and a few general needs and leasehold properties within a block. The cost of this service is divided equally by the number of dwellings within that block.</p> <p>This charge was separated from the basic rent in 2015/2016 and originally warden call smoke detector maintenance (where applicable) was a separate charge. From 2018/19 the charge is combined as one service charge as the service is provided by 1 contractor.</p> <p>Sheltered properties receive all three elements of the charge, general needs only pay for fire alarms and security lighting as they do not benefit from the smoke detector facility. The costs for blocks that are mixed is split with sheltered paying 70% of the charge and general needs paying 30%.</p>
Showers and TMV'S (thermostatic valves)	<ul style="list-style-type: none"> • Sheltered • General Needs • Leaseholders 	Block	<p>Definition The cost of maintaining showers and the integral thermostatic valves within communal washroom facilities.</p> <p>Principle Costs are identified to individual blocks of properties, including sheltered schemes and a few general needs and leasehold properties within a block. The cost of this service is divided equally by the number of dwellings within that block. This charge was separated from the basic rent in 2015/2016.</p>

Service	Who will receive the charge	Charge Method	Comments
Sealed Expansion Units	<ul style="list-style-type: none"> • Sheltered • General Needs • Leaseholders 	Block	<p>Definition The cost of maintaining sealed expansion units which boost the water pressure within communal kitchens and washroom facilities.</p> <p>Principle Costs are identified to individual blocks of properties, including sheltered schemes and a few general needs and leasehold properties within a block. The cost of this service is divided equally by the number of dwellings within that block. This charge was separated from the basic rent in 2015/2016.</p>
Kitchen Extractor Fan Cleaning	<ul style="list-style-type: none"> • Sheltered 	Block	<p>Definition The cleaning costs of both gas and electric kitchen extractor fan cleaning within sheltered schemes.</p> <p>Principle Costs are identified to individual blocks of sheltered properties. The cost of this service is divided equally by the number of dwellings within that block. This charge was separated from the basic rent in 2015/2016.</p>
Fire Extinguishers	<ul style="list-style-type: none"> • Sheltered • Homelessness • General Needs • Leaseholders 	Block	<p>Definition The cost of testing and maintain fire extinguishers situated within communal areas of tenanted blocks.</p> <p>Principle Costs are identified to individual blocks of properties, including sheltered schemes and homeless units and a few general needs and leasehold properties within a block. The cost of this service is divided equally by the number of dwellings within that block. This charge was separated from the basic rent in 2015/2016.</p>

Service	Who will receive the charge	Charge Method	Comments
Legionella Testing	<ul style="list-style-type: none"> • Sheltered • Homelessness • General Needs • Leaseholders 	Block	<p>Definition The cost of water analysis, cleaning and disinfection of tanks, water temperature, visual inspection of tanks serving communal facilities and the cost of Bi-annual risk assessments</p> <p>Principle Costs are identified to individual blocks of properties, including sheltered schemes and homeless units and a few general needs and leasehold properties within a block. The cost of this service is divided equally by the number of dwellings within that block. This charge was separated from the basic rent in 2015/2016.</p> <p>Legionella Risk Assessment was identified as an extension to the legionella testing service. This element was a new charge, with Bi-annual assessments being carried out. These bi annual costs are recovered over a two year period. The legionella testing charge will include this element from 2019/2020.</p>
Warden call Alarm linked Smoke Detectors	<ul style="list-style-type: none"> • Sheltered • General Needs • Leaseholders 	Block	<p>Definition The cost of servicing, testing and replacement of warden call alarm linked smoke detectors situated within communal areas.</p> <p>Principle Costs are identified to individual blocks of properties, including sheltered schemes and a few general needs and leasehold properties within a block. The cost of this service is divided equally by the number of dwellings within that block. This charge was separated from the basic rent in 2015/2016.</p>

Service	Who will receive the charge	Charge Method	Comments
Portable Appliance Testing	<ul style="list-style-type: none"> • Sheltered • General Needs • Leaseholders • Homeless 	Block	<p>Definition The cost of testing portable appliances situated within communal areas.</p> <p>Principle Costs are identified to individual blocks of properties, including sheltered schemes and a few general needs and leasehold properties within a block. The cost of this service is divided equally by the number of dwellings within that block. This charge was separated from the basic rent in 2015/2016. Added as a new service for Homeless units in 2018/2019.</p>
Door Entry Servicing	<ul style="list-style-type: none"> • Sheltered • General Needs • Homeless • Leasehold 	Block	<p>Definition The cost servicing door entry systems.</p> <p>Principle Costs are identified to individual blocks of properties, including homeless units, sheltered schemes and a few general needs and leasehold properties within a block. The cost of this service is divided equally by the number of dwellings within that block. This charge was separated from the basic rent in 2018/2019.</p>

Service	Who will receive the charge	Charge Method	Comments
Communal Wi-Fi	<ul style="list-style-type: none"> • Sheltered • Linked 	Scheme	<p>Definition The cost of providing Wi-Fi in communal areas.</p> <p>Method To recover the costs incurred within the appropriate year split across all schemes that have the facility.</p> <p>Principle This service was introduced and funded outside of the rent for the first two years. Introduction as a new service charge from 2018/2019 rent year. Improved Wi-Fi provision was introduced during 2019. In addition to recovery of annual costs, the installation costs will be recovered over a two year period during 2020/2021 and 2021/2022.</p>
Communal TV Licencing	<ul style="list-style-type: none"> • Sheltered • Linked 	Scheme	<p>Definition The total cost of licences for televisions provided in communal areas.</p> <p>Method To recover the costs incurred within the appropriate year split across all schemes that are licenced.</p> <p>Principle This charge was separated from the basic rent in 2018/2019.</p>
Communal Media Licencing	<ul style="list-style-type: none"> • Sheltered • Linked 	Scheme	<p>Definition The total cost of licences for media equipment in communal areas.</p> <p>Method To recover the costs incurred within the appropriate year split across all schemes that are licenced.</p> <p>Principle This charge was separated from the basic rent in 2018/2019.</p>

Service	Who will receive the charge	Charge Method	Comments
Security Patrols	<ul style="list-style-type: none"> <li data-bbox="520 240 688 264">• Homeless 	Block	<p data-bbox="1285 240 1772 321">Definition The cost of carrying out security patrols in the grounds of homeless units</p> <p data-bbox="1285 354 1801 506">Principle Costs are identified to individual blocks of homeless units and the cost of this service is divided equally by the number of dwellings within that block. This charge was separated from the basic rent in 2018/2019.</p>

Appendix C

Calculating Affordable Rents

Affordable rents will be set at up to 80% of the relevant market rent (inclusive of any applicable service charges) and subject to the maximum Local Housing Allowance (LHA) for the property type.

The latest Private Rental Market Statistics published by the Valuation Agency Office (VAO) will be used to determine the affordable rent, see worked example below.

Affordable rents should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged, see Appendix A.

The special arrangements for the year following the final year of the social rent reduction period, known as the "2020 limit" will be observed.

Affordable rents will be reviewed annually and amended in line with CPI plus 1 percentage point. CPI will be taken as at September of the previous year and subject to the maximum LHA for the property type.

In addition, affordable rents must be re-set when an affordable rent property is let to a new tenant to ensure the new rent is no more than 80% of the relevant market value (see points 4.22 and 4.23 of the policy).

Methodology for setting initial Affordable Rents

New Build Properties & Properties Acquired by Colchester Borough Council

The initial valuation for properties charged an affordable rent will be made in accordance with the Royal Institution of Chartered Surveyors principles for valuations (known as the Red Book). A full valuation may not always be necessary, where comparable information is available, we may decide to re-set rents using a desktop review of recent transactions.

The property valuation will be used to determine what the potential formula rent would be for the property as set out in Appendix A.

Relevant market rents will be established for each new property by reference to the VAO's latest publication of Private Sector Rents and where the affordable rent is lower than the formula rent, the formula rent will be charged.

Where the LHA is lower than 80% of the market rent calculated the LHA rate will be charged.

Re-setting Affordable Rents

On letting to a new tenant or on re-let to an existing tenant the affordable rent will be recalculated at 80% of the then applicable Market Rent as per the setting of initial affordable rents described above. The rent must not be re-set if the accommodation is re-let to the same tenant following a probationary tenancy coming to an end.

Worked Example

1. A one-bedroom property, for which the capital value is estimated to be £32,000 in January 1999.
2. Information need to calculate the formula rent:

Average rent at April 2000	£54.62
Average earnings in Essex	£325.90
National average earnings	£316.40
Bedroom weight	0.9
National average property value in January 1999	£32,000

3. Applying the formula:

70% of the average rent	70% x £54.62	£38.23
Multiplied by relative county earnings	x (£325.90 / £316.40)	£39.38
Multiplied by bedroom weight	x 0.9	£35.44 subtotal A
30% of the average rent	30% x £54.62	£16.39
Multiplied by relative property value	x (£32,000 / £49,750)	£10.54 subtotal B
Adding together the subtotals	A + B	£45.98 TOTAL

4. In this example, the initial formula rent for 2000-01 is £45.98, this is lower than the rent cap for the size of property, so the formula rent for future years is calculated by uprating using the figures in the Uprating Formula Tables in Appendix A.

After uprating, the formula rent 2019-20 for this property is £76.45.

5. To establish the relevant market rent the latest VAO data will be referred to, see table below. To calculate the affordable rent the mean values will be used.

Private Rental Market Statistics

Table 2.1: Summary of monthly rents recorded between 1 April 2018 to 31 March 2019 by administrative area = Colchester

	Count of rents	Mean	Lower quartile	Median	Upper quartile
Room	50	440	395	445	500
Studio	50	490	450	490	540
1	350	600	550	585	650
2	920	754	695	750	800
3	460	965	875	950	1,050
4 or more	170	1,363	1,150	1,285	1,495

Source: VAO's administrative database as at 31 March 2019

6. The VAO data needs to be converted from monthly to weekly rates. This will be done using the following formula;

For example; 1 Bedroom property VAO monthly mean rent

	£600	
Multiplied by 12		x 12 (600x12)
Divided by 50 weeks (chargeable weeks/year)		÷ 50
		£7,200
		£144.00

7. The affordable rent calculated at up to 80% of the market value calculated above is;

£144.00 x 80% = **£115.12 per week**

8. Finally, the affordable rent calculated needs to be considered against the latest LHA rates, see the table below. In this example the affordable rent calculated is greater than the LHA rate for a 1-bedroom property therefore the maximum affordable rent (including service charge) would be limited to the LHA rate.

LHA Rates for Colchester Area

Sept-2019	LHA Rates
Room	£64.78
Studio	£106.67
1	£106.67
2	£136.29
3	£165.93
4 or more	£210.62

Appendix D.

Principles for Rent Setting and Service Charges for properties used as Temporary Accommodation not held within the Housing Revenue Account.

The Council also sets rent for properties that are used as temporary accommodation which is not held within the Housing Revenue Account. These properties are not subject to the regulations set out in the Policy statement on rents for social housing 2019, however the Council is committed to ensuring that rental charges for these properties is set consistently and considers the following,

- Ensure that rents for temporary housing remain affordable in the long-term.
- Protect tenants from excessive increases in rents.
- Ensure rents take account of local conditions.
- Provide long-term certainty and stability to tenants, social landlords and their funders.

There are three categories that the temporary accommodation falls into and the rent charging methodology for each is outlined in more detail below.

Private Sector Lettings (PSL)

The Local Housing Allowance (LHA) rate is used as the baseline for calculating the rent charged for properties under this category as LHA rates are used to calculate the Housing Benefit for tenants renting from private sector landlords. The LHA rate relates to the area in which a claim is made, therefore taking in to account local conditions.

The appropriate LHA rate, according to the property bedroom size for Colchester is used as the baseline for the rent charged. A top-up fee is added to provide the final rent.

The rental charges for PSL properties are reviewed on an annual basis to consider the four factors above. Since April 2018 the rental charges and top-up fees have remained unchanged to ensure the rents remain affordable, protecting tenants from excessive rent increases, taking account of local conditions providing tenants with long-term certainty and stability.

The table below details the rental charges in £'s which have applied since April 2018.

Bedrooms	Colchester LHA rate @April 2018	Top-up fee	Total Rent
Two	138.61	25.00	163.61
Three	168.75	15.00	183.75
Four	214.20	25.00	239.20

General Fund Weekly (GW)

Rents for the properties (self-contained licensed and short-term lease) which fall into this category are limited by the rules set out in the Department for Work and Pensions Housing Benefit subsidy guidance manual, section 6 Temporary Accommodation.

The rules affect how subsidy is claimed they do not alter how the Housing Benefit (HB) entitlement is calculated for the claimant.

From the 1 April 2017 the maximum HB subsidy applicable for self-contained licensed and short-term lease accommodation, will be determined by using 90% of the LHA rate for the size of the property at the January 2011 rates.

The relevant legislation is The Income related Benefits (subsidy to Authorities) (Temporary Accommodation) Amendment Order 2010 (SI 2010/2509). Laid in Parliament on 18 October 2010.

Rent charges for properties in this category will remain unchanged unless there is a change in legislation or amendment to rules in the subsidy guidance.

The table below provides the LHA rates at January 2011 in £'s and the 90% rates which have been applied to properties in this category since 1 April 2017.

	Shared	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
Colchester LHA rate @January 2011	69.23	105.77	137.31	167.31	219.23	276.92
90%	N/A	95.19	123.58	150.58	197.31	249.23

Temporary Weekly (TW)

Properties in this category fall into two subgroups, non-self-contained and self-contained units, both are subject to the rules set out in the Department for Work and Pensions Housing Benefit subsidy guidance manual, section 6 Temporary Accommodation.

The rules affect how subsidy is claimed they do not alter how the Housing Benefit (HB) entitlement is calculated for the claimant.

From the 1 April 2017, HB subsidy for non-self-contained accommodation (board and lodging or licensed), is limited to the one bedroom self-contained LHA rate based on the location of the property at the January 2011 LHA rate.

From the 1 April 2017 the maximum HB subsidy applicable for self-contained licensed and short-term lease accommodation, will be determined by using 90% of the LHA rate for the size of the property at the January 2011 rates. An additional management fee is applied to self-contained licensed and short-term lease accommodation in this category.

Rent charges for properties in this category will remain unchanged unless there is a change in legislation or amendment to rules in the subsidy guidance.

The table below provides the LHA rates at January 2011 in £'s and the rents chargeable for non-self-contained and self-contained properties in the category since April 2017.

	Shared	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
Colchester LHA rate @January 2011	69.23	105.77	137.31	167.31	219.23	276.92
Non-self-contained	N/A	105.77	N/A	N/A	N/A	N/A
90%	N/A	95.19	123.58	150.58	197.31	249.23
Self-contained, 90% plus £60 management fee	N/A	155.19	183.58	N/A	N/A	N/A