

	Rent & Service Charges Setting and Collection Policy
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1	Rent & Service Charge Setting and Collection Policy	P Latham	Sep 2024	Board (based on previous approvals)	N/A	Sep 2024	Feb 2025

1. Introduction

This policy seeks to set out Eldonian Community Based Housing Association's (ECBHA's) policy positions regarding all areas of its rents and service charge setting and collection policy statements.

This policy has brought together a number of previously separate policies into one document, Those previous documents and applicable content are superseded by this document.

This policy sets out how ECBHA intends to comply with the relevant legislation and regulatory guidance regarding the following areas:

- Social Rent setting
- Fair Rent setting
- Shared Ownership rent setting
- Service charges setting
- Income collection

The policy also set out the steps and measures ECBHA will take to assure both other relevant stakeholders and itself that it is compliant and how any related risks will be identified, managed and mitigated as required. ECBHA seeks to be transparent with all stakeholders regarding its performance, compliance and assurance.

The policy is relevant to all ECBHA homes.

2. Rent & Service Charge Setting

ECHBA aims to provide high quality homes and services at below market rents that will make our homes a better place to live. ECHBA's approach to rent and service charge setting enables investment in homes for our future/

The aims of this policy are to ensure that ECHBA:

- Rents are affordable
- Services provided meet tenants and leaseholders expectations and needs
- Is compliant with all relevant legislation and the Rent Standard set by the Regulator of Social Housing (RSH)
- Maximises rent and service charge income in a way which demonstrates Business Plan viability
- Tenants and leaseholders are clear on how rents and service charges are set and the review processes
- Service charges are affordable, give value for money and reflect the actual cost of services provided.

2.1 Rent setting

Rents will be set at the start of each tenancy. They are set based on the tenure type and any development/funding arrangements with Homes England, (i.e. social rent, affordable rent, shared ownership, rent to buy etc).

Rents will be increased annually thereafter as detailed below.

ECHBA will give written notice of rent increases in line with the terms of the tenancy agreement or lease. For weekly tenancies, the notice period is usually four weeks and for monthly tenancies, one month, all taking effect on the first day of the next period of the tenancy following the notice to increase.

2.1.1 Social Rents

Rents for social housing are set using the formula rent provided within the RSH Rent Standard. These calculations are also defined in the Policy statement on rents for social housing 2020.

Social Rents will be reviewed annually, and rent will increase yearly in April by CPI (as of September of the previous year) + 1% subject to RSH confirmation and Board approval.

2.1.2 Affordable Rents

Although ECHBA do not currently let properties on Affordable Rents, if in the future new development was via government funding, the formula for setting affordable rents would be employed.

Affordable rents are set at 80% of the current market rent (inclusive of service charges) based on a valuation of market rent (inclusive of service charges) made in accordance with the method recognised by the Royal Institute of Chartered Surveyors (RICS). Where the affordable rent is in excess of the Local Housing Allowance (LHA), ECHBA will restrict the rent level to the LHA.

An affordable rent should be no lower than the potential formula rent for the property therefore if this would be the case ECHBA will charge the formula rent.

When an affordable rent tenancy is let to a new tenant (or re-let to an existing tenant), ECHBA will re-set the rent based on a new valuation. Tenancies re-let to the same tenant as a result of a probationary tenancy coming to an end will not be re-set.

Affordable Rents will be reviewed annually, and rent will increase yearly in April by CPI (as of September of the previous year) + 1% subject to RSH confirmation and Board approval.

2.1.3 Fair Rents, (secure tenancies)

The rules for fair rents, (secure tenants), for regulated tenants are set out in the Rent Act 1997. An application to fix a fair rent must be made to the Rent Officer. The application must be made on the relevant forms prescribed by the regulations. The rent officer will set a fair rent and must hold a consultation if either party requests it.

A registered rent can take effect from the date of registration by the rent officer. ECHBA must serve a notice of increase before the rent can be increased to the new level. The notice must be in the prescribed form and specify the increase and the date from which it will take effect. The date must not be earlier than the registration took effect and not more than four weeks before the date of the notice.

Once a fair rent has been registered it cannot generally be reconsidered by the rent officer for a period of two years. ECHBA can apply for a new rent during the last three months of the two-year period even though any new increase will not be effective until the two-year period has ended.

The maximum weekly that can be charged for fair rents is the lower of fair rent set by the rent officer and formula rent.

ECHBA may not increase the rent of a fair rent protected tenant by more than CPI + 1% in any given year, (even if the tenants rent is below the formula rent level and the maximum fair rent is increased by more than that amount).

2.1.4 Shared Ownership

The rent on a shared ownership property is determined by the terms of the shared ownership lease. The rent will be initially set at 2.75% of the value of the unsold equity in the property at the lease start date. The purchase price for a property is determined using the RICS recognised methodology.

Rents will be reviewed annually, and rent will increase yearly in April in accordance with the rent increase mechanism stated in the lease. Rent increases will be set at RPI (in September the previous year) + 0.5% per annum.

Shared ownership rents will reduce proportionally upon staircasing in accordance with the lease and reduced equity levels owed.

2.2 Service Charge Setting

Service charges are paid by tenants and leaseholders in addition to rent. Rent covers all charges associated with the occupation of the property such as maintenance and general housing management services.

Service charges cover additional services which relate to communal facilities and areas and additional support or fuel payments supplied by the landlord or on behalf of the landlord within the tenancy agreement.

Service charges are subject to separate legal requirements. ECHBA limits the cost of providing these services to the costs incurred in the provision and management of them, known as “variable”, service charges.

ECHBA will set services charges in a reasonable and transparent way. Charges will reflect only the services provided. Tenants and leaseholders will be supplied with clear information on what service charges cover and how they are set.

Although service charges are not governed by the same factors as rent, ECHBA will endeavour to keep service charge increases within the limit on its rent changes, of CPI + 1%. If new or extended services are introduced and an additional charge is applied, ECHBA will always consult with tenants and leaseholders.

Service charges can include costs for major works to the building or the communal areas of an apartment complex or estate. ECHBA tenancy agreements and leases set out our obligations in

respect of the provision of services and outline how the costs of the services are apportioned between residents. Where there is no specific apportionment required by the lease, this will normally be applied on a pro-rata basis, based on the number of homes receiving the service and/or size of property.

If ECHBA over or under collects the cost of services provided, it will offset this against the following years' variable service charge.

In accordance with Section 20 of the Landlord and Tenant Act 1985 (as amended by S151 of the Commonhold and Leasehold Reform Act 2002). ECHBA will consult with leaseholders before carrying out qualifying works or entering into a long-term agreement for the provision of services.

2.2.1 Services provided

Service provided differ between property types and tenures and typically include,

But are not limited to:

- Grounds maintenance – grass cutting, hedge maintenance
- Cleaning of communal areas – corridors, stairwells, bin rooms, communal open space
- Cleaning communal windows
- Door entry system maintenance – maintenance contract and repairs
- Lift maintenance – maintenance contract and repairs
- Fire alarm maintenance – maintenance contract and repairs
- Safety inspections - including legionella testing, fire alarms and emergency lighting
- Emergency lighting – maintenance, servicing, and provision of emergency lighting
- Fire equipment – maintenance, servicing, and replacement of fire-fighting equipment
- Communal electricity – for internal or external areas
- Communal water – water services for communal areas
- Communal parking and unadopted roads
- Pest control in communal areas
- Repairs to communal areas
- Buildings insurance
- Communal heating
- Management administration costs
- Contributions to wear and tear funds for future maintenance (sinking fund) and the provision of energy by separate contract directly to each householder

2.2.2 Sinking Funds

For leaseholders, ECHBA will collect sinking and/or reserve funds in advance, for the planned maintenance/renewal/replacement of major building elements and communal facilities, over their anticipated lifespan.

Sinking funds will be held in separate accounts and will be used for that specific scheme.

For works not covered by the sinking fund, or where monies held in the fund are insufficient for the works, ECHBA will issue supplementary invoices to leaseholders to cover their additional portion of the costs. ECHBA may offer leaseholders payment by instalments of such invoices.

2.2.3 Management administration fees

ECHBA will charge a management fee of 15% of the cost of services provided to cover the costs incurred when providing and managing these services.

2.2.4 Service charge Value for Money

ECHBA is committed to delivering value for money in procurement and provision of all services and contracts. New contracts will be subject to competitive tendering under its procurement guidelines. All contracts are supervised and managed to ensure they deliver the standards of service and cost effectiveness ECHBA expects.

2.2.5 Notification of Estimated Service Charges

ECHBA will aim to provide information on variable service charges that are accurate and informative to residents. For tenants and leaseholders, estimated statements will be produced and sent with the details of the rent for the next financial year, normally at the end of February. The estimated service charge is based on the actual expenditure for the previous 12-month period with an uplift for inflation not exceeding CPI +1% added where applicable.

2.2.6 Consultation

ECHBA will provide opportunities for residents to provide feedback and input into the services provided, the standard of services they receive and if they are delivering value for money.

ECHBA will consult with residents on:

- New or proposed services
- Renewal of service contracts (not utilities)
- Removal of services and/or making significant changes to existing services.

Consultation will be held through a range of mediums including individual meetings, group meetings, scheme meetings and through correspondence.

2.2.7 Eligible Charges

Most service charges are eligible for Housing Benefit or Universal Credit housing component. They are known as eligible charges which usually include any communal services.

2.2.8 Ineligible Charges

Types of charges which are not eligible for Housing Benefit or Universal Credit housing component include the following. This list is not exhaustive.

- Fuel and water charges (unless they relate to a communal area)
- Personal care and support.

3. Income Collection

Eldonian is in business to deliver services that will improve the lives of as many people as possible. A fundamental means of achieving this is to provide housing for people in need and to help them maintain their tenancies. We will help tenants claim benefits towards their rent, but the responsibility for maintaining a clear rent account rests ultimately with the tenant.

Eldonian needs rental income to be able to continue delivering quality housing and services. The Association endorses a supportive approach towards tenants in debt, but those who refuse to pay their rent may ultimately find they lose their home.

- We will make it easy for tenants to pay their rent
- We will send tenants a statement every three months
- We will take early and effective action when tenants fall into debt
- We will help those that need assistance in claiming benefits
- We will treat tenants as individuals
- We will take firm and effective legal action against those who refuse to pay

It is easier and more cost-effective to collect debts from current tenants. There is no need to trace the debtor, no need for third party collection and the courts has stronger sanctions (i.e., the threat of possession). This needs to be borne in mind when considering whether to evict a tenant or not. However, where it is clear from past payment patterns that the arrears are more likely to increase than reduce, the Association will not shy away from eviction.

Officers should encourage the most cost-effective methods of income collection, those being payment by Bank Standing Order or by direct Housing Benefit.

Officers are expected to represent the association in court, saving on legal fees. However, where a case requires additional legal expertise due to allegations of disrepair or complicated case law, solicitors may be used at the discretion of the Chief Executive/COO.

When selecting third party collection agencies, both the cost of collection and the rate at which debts are reduced should be considered.

The services outlined in this policy apply to Eldonian tenants, both current and former. Staff members are expected to comply with the procedures outlined herein. The policy covers the collection of income owed due to:

- Current tenant rent arrears
- Former tenant rent arrears

- Rechargeable repairs
- Court fees

3.1 Responsibilities

The Board are responsible for:

- Authorising tenant evictions
- Approving/ratifying write-offs as set out in the Financial Standing Orders

The Chief Executive/Chief Operating Officer is responsible for:

- Approving the use of solicitors and third-party debt collection agencies.
- Housing Management staff is responsible for:
 - Ensuring staff are aware of procedures and comply with them
 - Ensuring staff are adequately trained to carry out their duties
 - Monitoring arrears performance and ensuring targets are met
- Reporting and seeking authorisation for write-offs as set out in the Financial Standing Orders
- Authorising rent refunds to tenants
- Authorising possession proceedings against tenants
- Taking payments at reception where necessary
- Representing the association in court where necessary
- Attending evictions where necessary
- Reporting potential evictions to the Chief Executive/Chief Operating Officer
- Reporting performance (including evictions) to Board

Housing Officer is responsible for:

- Ensuring rent arrears targets are met
- Taking payments at reception
- Maintaining regular contact with customers in arrears
- Providing welfare benefits advice to customers
- Helping tenants claim Housing Benefit where necessary
- Liaising with third party advice agencies where necessary
- Monitoring and pursuing current and former rent arrears
- Pursuing debts for rechargeable repairs
- Serving notices where necessary
- Applying for possession through Possession Claims Online (PCOL)
- Preparing court papers where necessary
- Representing the association in court possession proceedings
- Attending evictions where necessary
- Assisting with the provision of welfare benefits advice to tenants

Finance Officer is responsible for:

- Taking payments at reception
- Setting up repayment agreements/plans before a rechargeable repair is ordered
- Maintaining accurate, up-to-date rent account records in SDM
- Maintaining accurate records of court costs awarded and recharges.

3.2 Payment methods

Eldonian offers a variety of ways for customers to pay their rent:

- Bank Standing Order: Customers should ask for a Bank Standing Order form, which they should complete and send to their bank.
- At the Post Office: Finance Assistant should issue customers with a Rent Payment Card. The card can be used to make cash payments at any Post Office.
- Internet banking: Customers can log into their bank and make payments direct to “Eldonian Housing Association” using the sort code 72-00-00 and account number 06111882. When prompted for a reference, the rent account number should be given.
- In exceptional circumstances by cash/cheque payment at our offices: If customers are not in possession of a rent card which will enable them to pay at a Post Office the Association will accept payment over the counter by cash/cheque or send cheques by post. The following protocol should be observed:
 - Any cash receipts paid in the office or collected from the tenant’s home must be issued with a receipt from the triplicate receipt book.
 - One copy of the receipt will be given to the tenant.
 - A further copy of the receipt will be attached to a completed rent adjustment form and the cash/cheque payment.
 - The third copy of the receipt will remain in the receipt book.
 - This will be submitted to the Finance team to be verified.
 - The Finance Director will authorise the rent adjustment sheet and pass it onto the Finance Assistant to process.
- By direct Housing Benefit: Claimants are encouraged to make payments direct to Eldonian. Officers can assist people in making a claim. Tenants on partial housing benefit and those with arrears should make up the shortfall using one of the methods listed above.

3.3 Sign-up

ECBHA will ensure that the foundations for effective income collection are put in place at the commencement of tenancy, activities will include:

- Assessing whether the tenant has the means to pay their rent through housing benefit, other benefits, earnings, savings, or a combination thereof. Officers should take particular care around housing benefit and under-occupation criteria.
- Explaining the payment methods listed above, making it clear that it is the responsibility of the tenant to provide relevant information and pursue the Housing Benefit department if necessary.

- Ascertaining whether the new tenant needs help with claim forms and assisting where necessary
- Agreeing how and when the rent will be paid
- EITHER taking the first week's/month's rent OR ensuring a housing benefit claim form is completed
- Explaining the consequences of non-payment of rent

3.4 Early Intervention & Regular Contact

Eldonian believe early intervention is essential to rent arrears management. It is better to deal with problems early, whilst the level of debt is manageable. As soon as it is apparent that a tenant has missed a payment, the Housing Officer should contact them. The contact method should be the most appropriate/effective for the individual concerned.

Early intervention and regular contact are the two most effective tools for tackling rent arrears. Repayment agreements should be based on the tenant ability to pay, the level of debt and the tenant repayment history.

3.5 Notices

If, despite early intervention and regular contact, the arrears are still increasing, then the Officer should serve a Notice. In most cases, it is expected that a Notice will be served when a self-payer owes more than five weeks' rent or when a tenant on housing benefit has had a claim stopped or suspended for more than five weeks.

Officers should consider whether the tenant would benefit from a referral to another support provider of specialist debt management advice agency such as the Citizens Advice Bureau. Officers should also consider if an application for the direct payment of housing related benefits would be appropriate.

Notices should be served with a covering letter, explaining the further consequences of non-payment, which could include eviction. Housing Officers are authorised to sign Notices on behalf of the Association and should take care to follow safety procedures when hand-delivering. The decision to serve a notice should be in accordance with the procedure and ratified by an appropriate member of the leadership team.

3.6 Court application and possession hearing

If, despite regular contact and the service of a Notice, the arrears continue to increase, then the Officer should apply to the courts for a possession hearing. In most cases, it is expected that a court application will be made when a self-payer owes more than eight weeks' rent or when a tenant on housing benefit owes more than eight weeks' rent and has had a claim stopped or suspended for more than four weeks. However, an application may be made earlier if several repayment agreements have been breached.

A member of the leadership team must assess compliance with Civil Procedure Rules' Pre-action Protocol for Possession Claims Based on Rent Arrears (Appendix 4) and any vulnerability issues before authorisation.

Officers should continue to seek appropriate repayment agreements with the tenant throughout the legal process.

The Association will usually seek possession unless the arrears have reduced significantly following the application to court (in which case, a Postponed Possession Order might be suitable).

3.7 Postponed Possession Orders & Suspended Possession

Where a Postponed Possession Order (PPO) is granted tenants should be advised to stay ahead of the order wherever possible, in case of unforeseen circumstances. If the tenant falls behind the agreement contact should be made with the tenant, warning them that failure to catch up with the agreement within a defined period will result in the Association applying to fix a date for possession.

An application to enforce a postponed order should not be made if the breach is due purely to a Housing Benefit / Universal Credit claim being suspended, if it is likely that the claim would be successful and if restoration of the entitlement would bring the tenant back into line with the court order.

3.8 Possession Warrant

A possession warrant should be sought in any of the following circumstances:

- Where an outright possession order has been granted in court
- Where an order to fix a date for possession has been granted

Before applying for a warrant:

- Permission to evict must have been authorised by the Chief Executive and a Board Member.
- The tenant should be given the opportunity to leave before the possession date and return their keys to the Association.
- The tenant should have been warned in writing at least one week prior to the application being made.
- Inform the local authority's Housing Options or Homelessness team about the potential for eviction.

3.9 Eviction

Eviction is seen as a last resort and should only take place with a possession order from the courts.

3.10 Suspended Warrant

If, after an application for a warrant has been made, the tenant proposes a new payment plan, they should be advised that the onus is on them to apply for a suspension; Eldonian will not

withdraw a warrant for possession unless the arrears are cleared in their entirety, or the Chief Executive/COO has approved an alternative financial arrangement.

3.11 Collection of recharges

Rechargeable repairs should be charged according to the Repairs Policy.

Current tenants who have debts due to recharges and/or court fees should be advised to pay off their rent arrears first, since payment of rent is an explicit clause in the tenancy, the non-payment of which can lead directly to losing their home.

If debtors refuse to engage, they should be advised that the Association may pursue the debt through the Small Claims Court, that this could lead to a County Court Judgment (CCJ) and that they would be liable for any court costs incurred by the Association.

3.12 Collection of former tenant arrears

If debtors refuse to engage, they should be advised that the Association may take legal action and that they would be liable for any court costs incurred by the Association.

3.13 Death of tenant owing rent arrears or recharges

Where a tenant dies owing rent arrears, the Association may pursue the tenant's estate for the outstanding debt. When seeking to do so, an assessment should be made of any hardship it may cause to the tenant survivors.

If the tenant estate is not pursued, a request for the debt should be written off, with the authorisation of the Board.

3.14 Use of third-party debt collectors

Where there is abandonment, or a former tenant leaves without giving a forwarding address, or subsequently loses touch with the Association, third party debt collection agencies may be used. The Chief Executive/COO shall seek references and conduct investigations to confirm whether the agency is reputable, complies with Data Protection legislation and does not use criminal practices or agents. When selecting third party collection agencies, both the cost of collection and the rate at which debts are reduced should be considered. Agencies may be used to trace and collect or simply trace.

3.15 Bankruptcy & Debt Relief Orders

Any debts proven in a tenant bankruptcy should be written off and a money judgment may not be sought for them. However, the Association may continue to seek possession on the ground of rent arrears, exhibiting the arrears written off, since the tenancy has still been breached.

Any arrears specified in a Debt Relief Order (DRO) are subject to a moratorium period of twelve months, during which legal proceedings may not be taken to recover the debt. The courts can extend the moratorium period by up to three months. They can also revoke the DRO, which has the effect of ending the moratorium period early. However – as with bankruptcy – the Association may continue to seek (or may commence seeking) possession on the grounds of

rent arrears. Officers should note that any money judgement being sought should not include the arrears specified in the DRO. At the end of the moratorium period – provided the court has not revoked the DRO – the debts specified in the order should be written off (although possession action may continue).

3.16 Rent Refunds

Where a tenant has a balance more than eight weeks in credit, the association will write to the tenant informing them that they may apply for a rent refund.

3.17 Overpayment of Housing Benefit

If Housing Benefit / Universal Credit (HB/UC) has been overpaid, administrators usually chooses to deduct the overpayment from the tenant ongoing entitlement. If the tenant is no longer entitled to HB/UC, or if it is a large overpayment, they may invoice the Association for the outstanding amount.

Whilst recognising that reclaiming overpaid HB/UC is legitimate the association will not pay more than has been overpaid and will not usually pay if it arises from tenant error or deception. In such cases, the Association may:

- Request further details about the overpayment
- Ask the Council to change its decision
- Appeal against the overpayment through an independent tribunal

The Chief Executive/COO may decide to pay the Housing Benefit department back on the tenant behalf and manage the debt through the rent arrears procedure.

4. Relevant guidance/legislation and supporting information

This policy has been informed by our obligations under the following legislation and regulatory guidance.

- Landlord & Tenant Act 1985
- Protection from Harassment Act 1997
- Data Protection Act 1998
- Human Rights Act 1998
- Housing Acts 2004, 1996 and 1988
- Mental Health Act 2007
- Equality Act 2010
- Regulatory Framework for Social Housing in England, 2010
- Civil Procedure Rules:
 - Part 27: The Small Claims Track
 - Part 55A: Possession Claims
 - Part 55B: Possession Claims Online
 - Part 70: General rules about enforcement of judgments and orders

5. Roles, Responsibilities & Reporting

The Board has overall responsibility for ensuring this policy is fully implemented to ensure full compliance with the regulatory standards, legislation, and codes of practice.

The Board will receive regular updates on the implementation of this policy through:

- The provision of key performance indicators and other relevant data on a quarterly basis.
- Any identified non-compliance with the policy being raised with the Board through the Chief Executive Officer's operational exception reporting.
- Regular internal audit/assurance checks of both the rent and service charge setting and income collection functions.

The Chief Operations Officer is responsible for overseeing the operational implementation of this policy, supported by the wider ECBHA staff and leadership team.

Any non-compliance will be flagged by the Chief Operating Officer to the Chief Executive Officer in the first instance who will agree an appropriate course of corrective actions and necessary reporting and disclosures. Depending on severity and urgency this will be raised with the Chair for approval and the full Board made aware within the operational exception reporting at the next Board meeting or sooner if necessary.

It is the responsibility of all staff to support the implementation of this policy.

6. Data Recording, Sharing and Protection

Requirements for data recording has been outlined within each topic area within this policy. Overall it is further highlighted that, in line with the ECBHA ICT & Data Strategy, the organisation seeks to record data within its housing management system, SDM, in the first instance as a secure and consistent repository. For any documents that are not suitable for this location, a secondary secure location for records is provided within the ECBHA SharePoint. Both locations are subject to robust back up arrangements.

Delivery of this policy will require the sharing of data with third party contractors and agencies such as Universal Credit. Some of this data will include personal data regulated under the General Data Protection Regulation (GDPR) provisions. Data sharing protocols will be put in place as necessary and appropriate consents sought and recorded to maintain compliance.

Data will only be shared for the purpose of delivering this policy and will only be retained inline with the National Housing Federation (NHF) data retention guidelines.

7. Monitoring & Review

We will monitor the performance of this policy and seek to identify areas for improvement. This policy will be reviewed every 3 years, or sooner if required by statutory, regulatory, or best practice.

8. Equality Impact Assessment

In implementing this policy, we aim to treat all customers fairly and equitably. An equality impact assessment has been carried out. Where customers require additional support, we will endeavour to provide a service that reasonably meet the needs of a particular individual or household.