

Rent and Service Charge Policy

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| Approved by | Board | Target Review Date | January 2025 |
| Lead Officer | Head of Finance and Corporate Services | Actual Review Date |  |

# Purpose

This policy covers rent setting for all tenures at Arches Housing. It also sets out Arches Housing’s general approach to setting service charges for general needs tenants, supported housing tenants and shared owners and leaseholders.

# References

The following laws and regulations relate to rent and service charge setting. It is not an exhaustive list, but includes the main regulations we should consider and adhere to:

* Rent Act 1977
* Landlord and Tenant Act 1985
* Housing Act 1988
* Affordable Housing Capital Funding Guide 2016
* RSH Governance and Financial Viability Standard 2015
* Welfare Reform and Work Act 2016
* RSH Rent Standard 2020
* Direction on the Rent Standard 2019.

# Scope

This policy applies to the following:

* Assured Tenants
* Secure Tenants
* Leaseholders
* Licensees

# Affordable Rent Setting for Assured Periodic Tenants

An affordable rent is set at 80% of gross market rent (inclusive of service charge) on the commencement of a new tenancy.

From 1st April 2020, the RSH Rent Standard allows affordable rent properties to have an annual rent increase of up to CPI +1%, based on the preceding Septembers CPI figure. Annually we will assess our rents on a scheme by scheme basis to identify whether this increase is affordable to our tenants.

For Affordable Rents, any increase applies to the gross rent, ie, inclusive of service charge.

Where a tenant is transferring within Arches Housing stock, and their previous home was let at a social rent level, and the new home is an Affordable Rent property, the transferring tenant will be charged the Affordable Rent at the new property. Equally if a tenant is transferring within Arches Housing stock and their current home is an Affordable Rent property, and the property they are transferring to is a property set at a social rent, then the social rent will be applied.

The overarching principle is that property holds the rent value at either Affordable or social rent, not the tenant.

In all cases, an Affordable rent should be no lower than the rent calculated based on the current formula rent regime. In cases where an Affordable rent would otherwise be lower than the formula rent for a property, the formula rent will constitute a ‘floor’ for the rent to be charged.

Arches Housing will not convert any further social rent properties to Affordable Rent tenancies unless it is party to a development delivery agreement with Homes England which permits this as part of that agreement. Where a social rent property has been converted to an Affordable Rent tenancy, Arches will continue to re-let the property as an Affordable Rent tenancy.

# Social Rent Setting for Assured Periodic Tenants and Licensees

A social rent is charged in accordance with the Regulator of Social Housing’s Rent Standard guidelines and works to a formula rent. The rent is based on a formula which takes into account both the value of the property and the earnings levels of the local area. A bedroom factor is also applied to reflect rent differences in different size properties and a 5% tolerance is allowed on the final formula rent.

From 1st April 2020, the RSH Rent Standard allows social rent properties to have an annual rent increase of up to CPI +1%, based on the preceding Septembers CPI figure. Annually we will assess our rents on a scheme by scheme basis to identify whether this increase is affordable to our tenants.

# Secure Tenancy Rent Setting

Tenancies that commenced before 15th January 1989 remain ‘secure’ with ‘fair rents’ that continue to be calculated at the lower of the formula rent and the ‘fair rent’ set by Rent Officers at the Valuation Office.

From 1st April 2020, the RSH Rent Standard allows Secure tenancies to have an annual rent increase of up to CPI +1%, based on the preceding Septembers CPI figure. Annually we will assess our rents on a scheme by scheme basis to identify whether this increase is affordable to our tenants. In each instance the formula rent will then be compared to the rent officer rate, and the lower will be charged.

# Shared Ownership Rent Setting

Shared Ownership rent increases will be carried out in accordance with individual lease agreements.

# Service Charges

A service charge is an amount payable by a tenant or leaseholder of a dwelling as part of, or in addition to, the rent which is payable directly or indirectly for services, repairs, maintenance, improvements or insurance or the landlords costs of management.

The association operates a fixed service charge regime for its general needs and supported housing homes. Variable service charge regimes are in place for leaseholders and housing for over 55s properties in line with their contractual agreements.

The association will seek to recover all costs associated with communal living where those costs are considered reasonable to be charged as a service charge regardless of if the service provided is eligible for housing benefit or the housing costs element of Universal Credit.

Where there is currently no service charge regime in place for schemes and there are services provided or are required to be provided, the association will consult with residents with a view to introducing service charges where tenancy agreements permit this to happen. Where service charges are introduced, a phased approach will be considered ensuring the first years’ service charge does not exceed £2 per week.

Where a service charge is in place but the services provided are increased, any annual increase in service charge will be limited to an increase of either 100% or £5 per week whichever is the lesser value of the two.

For example (for illustration purposes):

A service charge of £3.60 which is set to increase by £5 at its annual review would be capped at £7.20 per week (100% increase cap)

A service charge of £0.80p which is set to increase by £3 at its annual review would be capped at £1.60 per week (100% increase cap)

A service charge of £23.60p which is set to increase by £6.20 at its annual review would be capped at £28.60 per week (£5 per week increase cap)

The association will comply with section 20 of the Landlord and Tenant Act 1985, and will consult with variable service charge tenants and leaseholders when introducing costs for works which would exceed £250 or individual services on long term agreements which exceed £100 per annum. Where consultation does not take place costs will be limited to £250 per annum for works and £100 per annum for services.

# Review

This policy reflects the revised five year rent settlement and will therefore be updated in January 2025, or before if there are significant changes to current legislation, regulations or codes of practice or guidance.

# Governance and Assurance

Compliance with all relevant laws and the regulatory standards including those relating to rent and viability will be reported to the Board annually.

# Equality and Diversity

All involved in the implementation and monitoring of this policy will recognise their ethical and a legal duty to advance equality of opportunity and prevent discrimination on the grounds of; age, sex, sexual orientation, disability, race, religion or belief, gender reassignment, pregnancy and maternity, marriage and civil partnership.

# 12. Publication

This policy will be published on the Arches Website.

# 13. Version updates

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| **Version** | **Date** | **Update** |
| 2.1 | 10/2/2021 | Information on 5% tolerance included in section 5 (Social Rent Setting for Assured Periodic Tenants and Licensees) |