

## Rent and Service Charge Setting Policy

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Person Responsible:	Head of Housing
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1	April 2020	Policy drafted for Board approval.

### 1. Purpose

- 1.1 This document outlines Lune Valley Rural Housing Association's (LVRHA) policy for dealing with rent and service charge setting. The purpose of the policy is to ensure that LVRHA comply with the statutory, regulatory and contractual obligations and our tenancy agreements. The policy also aims to make sure that a fair and consistent approach to rent and service charges is adopted by LVRHA to all tenants.

### 2. Scope

- 2.1 This policy applies to all LVRHA properties let to tenants on assured and assured short-hold tenancies.
- 2.2 We will charge rent dependant on several factors including; the conditions contained within the tenancy agreements.
- 2.3 We will review rents in line with our tenancy agreements taking statutory and regulatory requirements into account where applicable.

### 3. Regulatory and Legislative Requirements

- 3.1 This policy complies with:

- The Regulator of Social Housing’s Standards, particularly the Rent Standard 2020 and Rent Standard Guidance that relates specifically to rent and service charge setting
- The Homes and Communities Agency Capital Funding Guide 2016
- The Social Housing Rents (Exemptions and Miscellaneous Provisions) Regulations 2016

3.2 Other relevant legislation includes, but is not limited to:

- Rent Act 1977
- Housing Act 1988
- Housing and Planning Act 2016
- Welfare Reform & Work Act 2016

#### 4. Definitions: Regulated Rents

4.1 **Social Rent.** Social rents were introduced in 2002 as part of a government policy to achieve similar rents between different social housing providers in the same local area.

4.2 Social rents are calculated using a set formula which is set out in the Regulations. It takes account of local earnings, property value and the number of bedrooms. Rent calculated this way is known as formula rent, previously known as target rent.

4.3 Social rents are limited by a rent cap. This is the maximum amount of rent that can be charged on social rent properties. The rent cap is currently set by the Regulations and is based on the number of bedrooms a property has. It must be applied to social rent properties when they are first let and throughout the tenancy.

The rent cap is used instead of formula rent if the rent produced using the formula is higher than the relevant rent cap value.

4.4 **Affordable Rents.** Affordable Rent is a form of intermediate rent which was introduced by the Government in 2011.

4.5 Affordable Rents are set at a level which is no more than 80% of the estimated market rent for the property (inclusive of service charges). The market rent is based on a valuation method recognised by the Royal Institution of Chartered Surveyors (RICS).

4.6 **Non-Regulated Rents.** All LVRHA rents are regulated. Examples of non-regulated rents include Intermediate rents, shared ownership rent, markets rents.

4.7 **2020 Limit.** In the year following the end of the social rent reduction period the maximum weekly rent for an existing tenant is the 2020 limit. “2020 limit” means the amount that is found by:

a. determining the average weekly rent for the tenant's accommodation in the fourth relevant year specified in section 23(6) of the Welfare Reform and Work Act 2016, and

b. increasing that amount by CPI + 1%

The formula for calculating the 2020 limit applies to both Social Rent and affordable rent housing.

## 5. Our Approach to Rent Setting.

5.1 We will set our rents in accordance with the current statutory and regulatory requirements. We will ensure that no properties are let at a higher rent than the legislation and / or regulatory requirements allow.

### 5.2 Social Rent.

5.3 **Rent for New Properties.** The maximum rent for new social rent properties is the '**social rent rate**' which is calculated by using the "2020 Limit" and applying a CPI+1% rent increase for each subsequent year.

5.4 **Rents for Re-lets.** Where a social rent property is re-let to a new tenant as a social rent property, we will charge no more than whichever is higher of;

- The 'social rent rate' or;
- The 'assumed rent rate', which is based on the rate the previous tenant was paying on 5<sup>th</sup> April 2020 or the rate that a previous tenant might have paid on those dates if the property was vacant at the time; a CPI +1% increase is then applied in each subsequent year.
- The rent set on re-let may include an upwards tolerance of 5% of the formula rent, known as "rent flexibility".

### 5.5 Affordable Rent

5.6 **Rent for New Properties.** The maximum rent for an Affordable Rent property, when it is first let to a new tenant, is 80% of the market rate, inclusive of service charges. The market rent should be based on the valuation methods recognised by the Royal Institution of Chartered Surveyors (RICS).

5.7 **Rents for Re-lets.** Affordable Rents will be revalued (80% of market rent) when the tenancy ends, and the property is re-let. The option of "rent flexibility" (an upwards tolerance of 5%) is **not** available when re-letting affordable rented accommodation.

### 5.8 Rent Reviews.

We will increase the existing rent by CPI+ 1% each year up to and including 2024/25 as required by the Rent Standard 2020.

5.9 For Social Rents the increase applies to net rent and not service charges. For Affordable Rents the increase applies to the gross rent inclusive of service charges.

5.10 LVRHA rents will be reviewed on the first Monday in October each year.

## **6. Our Approach to Service Charge Setting**

6.1 Where appropriate, we will charge tenants for additional services based on the actual costs of the services provided.

6.2 In general, service charges will be reviewed annually as part of the rent setting process. Tenants will be given at least one month's notice prior to the implementation of any change to the charge. These annual service charge changes will become effective from the first Monday in October each year for affected tenants.

6.4 These charges will be set at levels to match the estimated costs of the services over the coming year adjusted by an amount overcharged or undercharged on the actual costs of the last full financial year.

6.5 Where we consider introducing a new service charge, we will at first consult with tenants prior to any change being introduced. Following the consultation process and a decision to introduce a service charge, we will inform tenants of the new service charge in writing, giving at least one month's notice of the commencement of that service charge, including details of the amount of the charge.

6.6 Service charges can be altered more than once a year if there is a change in the service being provided. Tenants and leaseholders will be consulted before any change is implemented and given at least one month's written notice of any change in charges.

6.7 All tenants and leaseholders liable for service charges will be issued with a summary of tenants' rights and obligations annually. This document lays out how a determination (appeal) can be made to the first-tier tribunal regarding service charges.

## **7. Service Standards**

7.1 LVRHA's Rent Standard in relation to this are:

- LVRHA will provide clear information to demonstrate the breakdown of charges for tenants.
- LVRHA will consult tenants before issuing any new service charges.

7.2 We will give tenants at least one month's written notice prior to any rent charge increase.

7.3 We will provide tenants with a rent statement on request. We will make rent statements available for tenants to access themselves online via our tenant portal "My Account".

## **8. Monitoring and Review**

8.1 Monitoring of performance will consist of benchmarking information from comparator organisations. The following indicators will be used to assess performance:

- Financial Plan performance on rental stream income
- Proportion of rent collected
- Proportion of rent arrears

8.2 This policy will be reviewed by the Board every three years, or where there has been significant changes to regulation or legislation to warrant a further policy review. The policy may also be reviewed sooner where there is a need to address operational issues or where best practice has evolved and there is a need to incorporate this.