

Rent and Service Charge Policy

1.0 SCOPE

Purpose

- 1.1. This document sets out whg's policy for setting rents and service charges for tenants and leaseholders of whg, taking into account local incomes, the features of a property and its value. It ensures that whg sets rents and charges in a fair, open and clear way.
- 1.2. The key principles of whg's approach are:
 - promoting fairness and comparability between social rents
 - establishing objective and verifiable processes for setting and changing rents
 - setting formula rents for each property and moving existing rents towards formula rents

Applies to

- 1.3. the Group i.e. whg and all subsidiaries
 Walsall Housing Group Limited only Anthem Homes Limited whg Joint Venture Company

Legal and regulatory framework

- 1.4. The HCA Rent Standard requires Registered Providers to charge Social and Affordable Rents in accordance with the Government's direction to the regulator of May 2014 and the Rent Standard Guidance. The May 2014 direction sets out the rent setting framework for Formula and Affordable Rents, and limits rent increases to the Consumer Price Index (CPI) plus 1%.
- 1.5. The Welfare Reform and Works Act amended this direction for the period 2016-19, requiring instead a decrease of 1% each year for Social and Affordable Rents.
- 1.6. Service charges may be fixed or variable. whg tenancy conditions require tenant service charges to be fixed. whg leases state that service charges

are variable and they therefore must operate under the statutory requirements of the Landlord and Tenant Act 1985. Tenants and leaseholders will be consulted via the appropriate legal notification process where changes are proposed to services provided, or the basis for charging them.

- 1.7. Written notice of changes to rent and service charge will be given to tenants in the prescribed form in line with the Housing Act 1988. Changes will normally take place on the first Monday in April each year for weekly rents and 1 April each year for monthly rents. Annual rent and service charges for social tenants will be charged over a 52 week year.
- 1.8. The Policy is fully compliant with the Department for Communities and Local Government (DCLG) 'Guidance on Rents for Social Housing'. Full information regarding the calculation of their rent and service charges will be available to tenants and leaseholders on request.

2.0 POLICY STATEMENT

Rent Review

- 2.1. whg will review tenant and licensee rents in April on an annual basis, seeking to maximise rental and service charge income to ensure continued financial viability. Leasehold charges will be reviewed in September.
- 2.2. Changes to rent or service charges will take account of:
 - Statutory requirements and regulations
 - Terms of tenancies, leases or license agreements
 - whg's business plan
 - Affordability

Social Rents (Formula Rents)

- 2.3. Social Rents are based on a formula set by Government. The Formula Rent is calculated taking account of the estimated capital value of the property, the number of bedrooms and local average earning levels. In line with Government regulations, whg's Social Rents for homes built prior to April 2016 have a 5% tolerance included, which means that the rents have an additional 5 % added on top of the Formula Rent. Service charges are added in addition to the rent.
- 2.4. Social or Formula Rents include rents charged under the following tenancies:
 - Assured
 - Starter
 - Fixed term (excluding those built with Affordable Rents Programme)

funding)

- 2.5. Due to the requirements of the Welfare Reform and Work Act 2016, Social Rents must be reduced by 1% each year for the four year period 2016-19. The reduction only applies to the net rent so service charges can be adjusted in line with the cost of the services.
- 2.6. For the five year period from 2020 Social Rent charges can be increased by no more than the rate of inflation using the CPI reported for September of each year plus 1%.

Affordable Rents

- 2.7. Rent levels for homes developed or converted under the Affordable Rents Programme will be set at no more than 80% of the gross Market Rent (at the start of the tenancy). New developments will have an affordability assessment completed for the specific location, taking account of the Market Rents for the area, demand for property types in the location and the Local Authority's view on affordability. Service charges are included in the Affordable Rent.
- 2.8. Affordable Rents are only charged for tenancies that are Fixed Term Affordable.
- 2.9. Due to the requirements of the Welfare Reform and Work Act 2016, Affordable Rents must be reduced by 1% each year for the four year period 2016-19. As there are no separate charges for service charges included in an Affordable Rent, the 1% reduction applies to the total rent.
- 2.10. For the five year period from 2020 Affordable Rent charges can be increased by no more than the rate of inflation using the CPI reported for September of each year plus 1 per cent.

Intermediate Rents

- 2.11. Rents for properties developed or acquired to be let at an Intermediate Rent will be set at up to 99% of the Market Rent in operation at the start of the tenancy.
- 2.12. Intermediate Rents include Mortgage Rescue and Rent to Buy tenancies. They are exempt from the four year 1% rent reduction.
- 2.13. Mortgage Rescue rents were set at 80% of the Market Rent at the start of the tenancy and are inclusive of service charges. Mortgage Rescue Rents will be increased by no more than the Retail Price Index (RPI) reported for September of the previous year, plus 0.5%.

- 2.14. Rent to Buy rents will be set at 80% of the Market Rent at the start of the tenancy and are inclusive of service charges. Rent to Buy Rents will be increased by no more than the CPI reported for September of the previous year, plus 1%.

Tenant Service Charges

- 2.15. whg tenants have fixed service charges, set by the start of each calendar year using best estimate of costs. Charges are apportioned among those who benefit from each service.
- 2.16. Exceptions may be made where there is a compelling reason to charge less. Examples might include where the cost of a necessary service would be disproportionate for a small number of customers. Approval is at the discretion of the Director of Housing

Leaseholders

- 2.17. Leaseholders are customers who have purchased their flat or apartment from whg including those who have done so on a Shared Ownership basis.
- 2.18. whg leaseholders have variable service charges, raised in accordance with the terms of the lease. Services are calculated using actual costs from the previous 12 months and estimated costs for the next 12 months. Charges are apportioned among those required to pay for the services under the terms of their lease.

Shared Ownership

- 2.19. Shared Owners are charged rent relating to the share of the home that they have not purchased. All other leaseholders are charged ground rent. Changes to rent will be made in accordance with the terms of the lease.

Garages, Garage Plots and Accessways

- 2.20. Rents for garages, garage plots and access ways are charged in accordance with the license agreement. Rents will be reviewed on an annual basis.

3.0 PERFORMANCE MEASURES

- 3.1. Levels of rent and service charges will be reported to the whg Board

4.0 MONITOR AND REVIEW

- 4.1. The annual review of rents and service charges will be approved by the

Board.

4.2. Further monitoring activities will include:

- ensuring that this Policy is implemented in accordance with the whg's Standing Orders and Financial Regulations
- monitoring the financial effects of the Policy on customers and whg's financial viability
- ensuring all changes to rent and service charges are carried out within statutory or contractual notice periods

4.3. whg will undertake a review of this Policy whenever there are any relevant changes to legislation, case law or good practice that would impact on this Policy. In the absence of such a trigger for review, the Policy will be reviewed every three years.

5.0 ASSOCIATED DOCUMENTS, POLICIES AND PROCEDURES

- whg Standing Orders and finance regulations
- DCLG Guidance on Rents for Social Housing
- HCA Rent Standard HCA Rent Standard Guidance
- Landlord and Tenant Act 1985
- Housing Act 1988
- Regulatory Reform (Assured Periodic Tenancies) (Rent Increases) Order 2003
- Welfare Reform and Work Act 2016
- The Social Housing Rents (Exceptions and Miscellaneous Provisions) (Amendment) Regulations 2016 and 2017

Version control

Version	1
Document author	Sarah Johnson, Income and Residential Property Manager
Document owner	Gary Brookes, Director of Housing
Legal advice	None – author has law degree and specialist knowledge
Consultation	Customer Services Committee October 2017
Approved by	whg Board February 2018
Review Date	November 2020
Corporate Plan aim	<ul style="list-style-type: none"> • Deliver high quality homes and services for customers • Deliver a strong business fit for today and prepared for tomorrow
Equality analysis	Not required
Key changes made	New legal and regulatory section added. Rent reduction added.

	Intermediate Rents separated out from Social Rents, Rent to Buy added in.
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