

Rent and Service Charge Policy

1.0 SCOPE

Purpose

- 1.1. In February 2019 the Government published a direction to the Regulator of Social Housing that would allow social housing rents to rise by up to the Consumer Price Index (CPI) + 1% for five years from 2020. This marked the end of the 1% annual rent reduction which was introduced by the Welfare Reform and Work Act 2016.
- 1.2. This Policy sets out how whg applies the government's new direction published in February 2020 for setting rents for social and affordable housing from 1 April 2020 onwards.
- 1.3. This Policy also sets out the approach to setting and reviewing service charges for all whg customers where a service charge applies. This Policy aims to set reasonable and transparent service charges that reflect the service being provided to the residents and are limited to covering the cost of providing the services. Service charges will comply with current legislation, leases and tenancy terms and conditions.

Legal and regulatory framework

- 1.4. Registered providers (RPs) must set rents from 1 April 2020 in accordance with the Government's Policy Statement on Rents for Social Housing 2018; this is the Required Outcome under the Regulator of Social Housing (RSH's) Rent Standard 2020.
- 1.5. Service charges may be fixed or variable depending on the terms of the tenancy agreement or lease. 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.
- 1.6. Written notice of changes to (net) rent and (net) 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.

- 1.7 If there is any variance between this Policy and individual leases, covenants, deed of transfer or tenancy agreements, then the lease, covenant, deed of transfer or tenancy agreement will take precedence.

2.0 **POLICY STATEMENT**

Rent review

- 2.1 whg reviews current tenants' rents on an annual basis and applies the new rents from April.
- 2.2 Where a property is let on an Affordable Rent whg will review the total charge (inclusive of rent and service charge) annually for existing tenants. However, a rent review will also take place on a void property prior to the property being re-let to a new tenant to ensure it does not exceed 80% of gross Market Rent, which is referred to as rebasing. If the charge is not at 80% of the Market Rent when we rebase, whg may adjust the charge at the start of the new tenancy to reach 80% Market Rent value. However, if we are rebasing the rent as a result of re-letting an Affordable Rent property to an existing tenant of that Affordable Rent property, then we will not increase the rent by more than CPI + 1%. If a property is re-let to an existing tenant as a consequence of a probationary tenancy coming to an end, the rent will not be rebased. The Market Rent rate is based on the Royal Institution of Chartered Surveyors valuation (RICS) method.
- 2.3 Each year, generally in November/December a report is presented to the Board to request Board approval of recommendations in relation to the following year's rent review. This recommendation will consider the local market context in whether to implement a rent increase and the level of that increase. No changes are implemented without approval from the Board. All recommendations remain subject to regulatory compliance.
- 2.4 The Government does not require RPs to adhere to its Social Rent and Affordable Rent policy requirements in relation to social tenants with high incomes. A high income tenant is defined as a household with an income of at least £60,000 per year. Due to the complexity of administering an alternative procedure for high income households whg will generally apply the Rent Standard irrespective of income. If it was viable to exclude high income tenants from the Rent Standard and it was felt that there was a clear rationale to do so, this would be recommended to Board along with the rent recommendations in November/December to be approved.

Social rents

- 2.5 From 1 April 2020 for an intended five years, RPs can increase social rents by a maximum of CPI (at September of the previous year) +1%. Although

whg's rents are no more than the formula rent plus the rent flexibility (section 2.8), if the rent exceeds this level but still comes under the rent cap, an increase of CPI alone can still be applied.

- 2.6 The Rent Standard required whg to set rents in the first year of the Rent Standard 2020 (2020-21) in accordance with the "2020 Limit". This requires whg to calculate a base line average weekly rent figure paid by tenants under the last year of the old rent regime (2019-2020) and to then ensure that no tenant faces a rent increase of more than CPI + 1% from this base line when paying their new rent figure in 2020/21.
- 2.7 RPs must set Social Rent at a level that is no higher than formula rent (section 2.8), subject to the rent flexibility level (section 2.9) and the rent caps.
- 2.8 The 'formula rent' calculation is included in The Ministry of Housing, Communities and Local Government's (MHCLG) Rent Policy Statement. The formula uses several indices and calculations that include the 1999 valuation of the property, average earnings of those in work in the geographical location and a weighting dependent on the number of bedrooms.
- 2.9 In addition to the regulatory standards on how rents should be increased, MHCLG's Rent Policy Statement contains flexibility ("Rent Flexibility Levels") for RPs. This allows RPs to set rents at up to 5% above the formula rent for general needs properties and 10% above formula rent for supported properties if they feel there is a clear rationale for doing so, taking into account local circumstances and affordability. Any use of Rent Flexibility Levels will be kept under periodic review, so that their use can always remain justified. Rent Flexibility cannot be applied to accommodation let on an Affordable Rent. whg has applied Rent Flexibility to all its Social Rented general needs housing prior to 1 April 2016; subject to Board approval, we could apply Rent Flexibility to new Social Rent general needs properties built since the introduction of the 1% Rent Cut.
- 2.10 The rent caps apply as a maximum ceiling on the formula rent (section 2.7) and depend on the size of the property (the number of bedrooms it contains). Where the formula rent, with or without the rent flexibility level uplift discussed above, would be higher than the rent cap for a size of property, the rent cap must be used instead. The rent caps for 2019/20 are outlined in the MHCLG's Policy Statement and will increase by CPI+1.5% annually.
- 2.11 Where a property whose rent has been subject to the rent cap comes up for re-let (and formula rent remains above the rent cap), the new rent may be set at up to the rent cap level – which will have been increasing by CPI + 1.5 percentage points, rather than CPI + 1 percentage point. Where a property is re-let following a vacancy, and the Rent Flexibility Level uplift was not previously used before and Board approval is in place, then it may be used

on the re-let to the new tenant, subject to the rent cap, and whg feeling there is a clear rationale for doing so given local circumstances and affordability. However, whg has already used rent flexibility on all lettings pre the rent reduction so this option can only be used for new properties.

2.12 Tenancies that are renewed to tenants already residing at the property cannot make use of the Rent Flexibility Levels if they were not used before. If they were used before, they may only be used to the same extent upon a renewal to the same tenant. For example, if 3% above the Formula Rent was used before, then upon renewal to the same tenant, a maximum of 3% above Formula Rent may be used. Where rent flexibility has been used, whg has used it to the full extent possible.

2.13 Social Rent properties cannot be converted to:

- Affordable Rent, except where this has been agreed by Homes England or the Secretary of State;
- Market Rent (unless the Board decides to apply the exemptions to high income social tenants permitted under Chapter 4 of the Government Policy Statement); or
- Intermediate Rent.

Affordable rents

2.14 From April 2020 for an intended five years, RPs can increase Affordable Rents inclusive of service charges by a maximum of CPI (at September of the previous year) +1%. The same rules of the “2020 Limit” as discussed above for Social Rents apply to Affordable Rents under the first year of the new Rent Standard 2020 (2020/21).

2.15 Affordable Rent may only be charged where the property in question is provided by a:

- Registered provider pursuant to a housing supply delivery agreement between that provider and Homes England or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent; or
- Registered provider pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an affordable rent; or
- Local authority, and the Secretary of State, Homes England or the Greater London Authority has agreed that it is appropriate for the accommodation to be let at an affordable rent.
- The property has been acquired by a registered provider and was Affordable Rent housing when it was acquired.

- 2.16 Where Affordable Rent is being charged, the maximum rent inclusive of service charge for a new tenant under a new tenancy is 80% of the Market Rent for the tenant's accommodation.
- 2.17 If the formula rent for the property (section 2.7) is higher than 80% of the weekly Market Rent (inclusive of service charges) for the tenant's accommodation, the formula rent constitutes a minimum floor for the rent to be charged and would be exclusive of service charges.
- 2.18 From April 2020 the new Rent Standard also provides additional protection for Affordable Rent tenants on fixed term tenancies. This protection caps any increase on the reissue or renewal of the tenancy to the same tenant at CPI+1% even if this means the rent inclusive of service charge may be less than 80% of the market value.
- 2.19 Affordable Rent housing will not be converted (including on re-let) to:
- Market Rent (unless the Board decides to apply the exemptions to high income social tenants permitted under Chapter 4 of the Policy Statement); or
 - Intermediate Rent

Rents excluded from the RSH's Rent Standard

- 2.20 Shared Ownership rents are charged on the portion of the property still owned by whg. The annual rent charged will be the equivalent of 2.75% of the share they do not own and be payable monthly. We will increase rents in line with tenancy agreements on an annual basis.
- 2.21 Intermediate Rents will increase in line with tenancy agreements on an annual basis. Rent to Buy rents will be set no higher than 80% of the Market Rent at the start of the tenancy and are inclusive of service charges.
- 2.22 The policy for reviewing Market Rents is to compare rents in January against current market conditions. Where average private sector rents in the local area are higher, whg's Market Rents can be increased to the market level. We will review rents on an annual basis.
- 2.23 Rents for garages, garage plots and access ways are charged in accordance with the tenancy agreement/lease. Rents will be reviewed on an annual basis considering market conditions.
- 2.24 Commercial asset rents are charged and reviewed in accordance with the lease.

Service charges

- 2.25 In addition to rent, tenants are liable to pay service charges. Rents are generally to include all charges associated with the occupation of a property, such as maintenance and general housing management services whereas a service charge reflects additional services which may relate to communal facilities and the surrounding area rather than being particular to the occupation of a home. whg will also charge a service charge to customers who own their property where whg provides a chargeable service. For tenants and shared owners covered by the Rent Standard, the service charges will always be identified to residents as a separate charge to the rent and clear information will be provided to residents on how the service charges are set. Where new or extended services are introduced, and an additional charge may need to be made, we will consult with residents. We will endeavour to keep increases for service charges within the limit on the increases on rent charges i.e. CPI + 1% from 1 April 2020, to help keep charges affordable.
- 2.26 Leaseholders are customers who have purchased their flat or apartment from whg.
- 2.26 All whg customers excluding Shared Ownership and leaseholders are charged a fixed service charge. This is where at the start of each calendar year we make an estimate of cost for providing the chargeable service. Charges are apportioned among those who benefit from each service.
- 2.27 Shared Ownership and leaseholders have variable service charges, raised in accordance with the terms of the lease/tenancy agreement. Service charges 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. Variable service charges will comply with sections 18-30 of the Landlord and Tenant Act 1985.
- 2.28 All service charges will be reviewed in April except for Leaseholder charges which are reviewed in September.
- 2.29 If there is any variance between this Policy and individual leases, covenants, deed of transfer or tenancy agreements, then the lease, covenant, deed of transfer or tenancy agreement will take precedence.

3.0 PERFORMANCE MEASURES

- 3.1 RPs must adhere to all legal and regulatory requirements when setting rents and services charges. There are no performance measures, however we have a commitment to the Board to complete an annual self-assessment to ensure compliance.

4.0 EQUALITY AND DIVERSITY

4.1 This Policy is applied by tenancy type and in line with legal and regulatory requirements. Each year within the proposal to whg Board to change rents we will consider any impact on our customers and outline what we have in place to support customers that may be impacted by the change in rents.

5.0 TRAINING AND DISSEMINATION

5.1. This Policy will be circulated to all teams involved in rent and services charges.

6.0 MONITOR AND REVIEW

6.1 This Policy will be monitored by the Director of Housing and reviewed every three years by the Policy Group and Customer Experience Committee and approved by the whg Board.

7.0 ASSOCIATED DOCUMENTS, POLICIES AND PROCEDURES

7.1 Documents, policies and procedures associated with this policy are:

- Tenancy agreements
- Lease agreements
- Rent to Buy Policy
- RSH Rent Standard

Document author	Tansy Crowley-Sweet
Document owner	Director of Housing
Legal advice	Anthony Collins
Consultation	N/A
Approved by	Policy Group 28 October 2020 Customer Experience Committee 9 November 2020 whg Board 26 November 2020
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Corporate Plan aim	<ul style="list-style-type: none"> • Deliver high quality homes and services for our customers • Deliver a strong business, fit for today and prepared for tomorrow
Equality Assessment	N/A
Key changes made	Revised in line with the RSH 2020 Rent Standard.