



**Rent Setting and Service Charge Policy  
(Social and Affordable Properties)**

**SER-POL-15**

**Version 4.0**

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**Date approved: 6 January 2017**

**Approved by: Chief Executive under Parent Board delegation**

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## **1. Policy Statement**

- 1.1 Southway Housing Trust's (the Trust's) rent setting and service charge policy aims to strike a balance between providing affordable housing and enabling the Trust to use rental income to support other activities that benefit our communities.
- 1.2 Rents and charges will always be set in line with government regulation and will be reviewed on an annual basis.
- 1.3 The Trust is committed to keeping rents and service charges affordable.

## **2. Rent Policy**

- 2.1 The Trust will use Social and Affordable Rents, depending on how the property was acquired.
- 2.2 All rents will be varied annually to the extent permitted by regulation. Affordable Rents will be reviewed each time a property is re-let.
- 2.3 Should changes in government policy, legislation, accounting guidance, Southway's Business Plan or other relevant factors arise, these will be reported to the Parent Board along with an assessment of their impact and appropriate recommendations as to how to proceed.

### **Social Rents**

- 2.4 In line with the Welfare Reform and Work Act 2016, each existing tenant's Social Rent will be subject to a -1% pa rent reduction for the 4 years to March 2020.
- 2.5 When re-letting a Social Rent property the Formula Rent will be applied. The valuation factor used in the calculation of the Formula Rent will reflect the improvements carried out through the post-transfer Home Improvement Programme, as calculated in a valuation exercise conducted in 2014. In line with the Welfare Reform and Work Act 2016, the Formula Rent for re-let properties will also reflect a -1% pa rent reduction to March 2020.
- 2.6 The Trust will offer two 'rent free' weeks each year. The rent as calculated annually will be rebased from a 52 week to a 50 week base and this rebased rent will be charged in all other rent weeks for that year.

### **Affordable Rents**

- 2.7 The Trust will charge Affordable Rent on any properties that it has built, developed or acquired after July 2012 (other than those designated as Market Rent properties).
- 2.8 When letting an Affordable Rent property, rent is charged at 80% of the average market rent for the area in which the property is located, or the Local Housing Allowance, whichever is lower.
- 2.9 In line with the Welfare Reform and Work Act 2016, each existing tenant's Affordable Rent will be subject to a -1% pa rent reduction for the 4 years to March 2020.
- 2.10 On re-letting an Affordable Rent property the rent charged will be reassessed at 80% of the latest average market rent for the area in which the property is located, or the Local Housing Allowance, whichever is lower. In line with the Welfare Reform and Work Act 2016, this re-let rent will be subject to a -1% pa rent reduction to March 2020.

### **3. Service Charge Policy**

- 3.1 A service charge is a payment made by a tenant or leaseholder toward the costs of providing and maintaining services and benefits to them beyond the benefit of enjoying occupation of their home.
- 3.2 Service charges, which can be a mixture of fixed and variable charges, will be calculated at a level sufficient to recover the estimated direct cost of the service provision and any associated indirect costs such as administration. These will be apportioned in a reasonable manner between the households receiving those services. Where charges are variable, and actual costs result in a shortfall in recovery or over recovery of costs in any charging period, the charges for the following period will be adjusted accordingly.
- 3.3 Service charges will be calculated based on an informed forecast of direct cost, plus an administration charge of 10% to 15% of direct cost or, if lower, the maximum uplift permitted by law.
- 3.4 Tenants and leaseholders of two and four blocks will be charged a variable service charge to reflect their personal use of communally supplied gas.
- 3.5 Tenants and leaseholders moving into Southway properties after 26 November 2007 will be charged a variable service charge for:

- Communal gardening services, and
  - Electricity charges for the communal areas of two and four block flats.
- 3.6 Tenants of sheltered housing schemes will be charged a variable service charge for communal support services and their personal use of utilities. The rate and date from which charges will apply will be determined by the Parent Board.
- 3.7 For newly developed/acquired Affordable Rent properties a fixed charge will be applied at the commencement of letting to recover the cost of communal services. In line with the Welfare Reform and Work Act 2016, fixed service charges will be subject to a -1% pa rent reduction to March 2020.
- 3.8 Where a new service is introduced during a rent year the charge will be calculated from the date the new service commences and be reviewed thereafter annually from the next rent review date.
- 3.9 Service charges will be reviewed annually with due reference to applicable guidance, legislation and affordability to tenants.
- 3.10 Any change in service charge levels will comply with the underlying tenancy agreements, leases, statute and regulations. The Parent Board will be informed of any changes at its first meeting after the amendment is made.

#### **4. Appeals**

- 4.1 Rents and charges may be subject to query or challenge by tenants or leaseholders. The calculation of charges as defined in this policy is intended to be fair and transparent. Where calculation is reasonably challenged by a directly affected party, the methodology on calculating the charge will be explained.

#### **5. Responsibility and Reporting**

- 5.1 The Chief Financial Officer will be responsible for the implementation, application, and operational review of this policy, and monitoring its legal and regulatory compliance, subject to the approval of the Parent Board.
- 5.2 Changes in government policy, legislation, accounting guidance, Southway's Business Plan or other relevant factors will be reported to the Parent Board, along with an assessment of their impact and appropriate recommendations as to how to proceed.

- 5.3 It may on occasion be appropriate to set some individual property rents on a different basis in order to achieve broader strategic objectives. The Strategic Director – People and Places has delegated authority to let any property at a rate outside of this rent and service charge policy. Any such occurrence will be reported to the People and Places Committee (Sections 12.2.3 and 12.3.4 of Financial Regulations relates).

## **6. Information and Consultation**

- 6.1 Tenants and leaseholders will be notified of changes in charges as appropriate and in line with best practice, the Tenancy Agreement and applicable legislation.

## **7. Related Policy Documents**

- Affordable Rent Collection, Arrears and Debt Recovery
- Write Off Policy
- Leaseholder Management Policy
- Single Equality Scheme
- Customer Care (Everyone Matters) Policy
- Financial Regulations
- Procurement Policy
- Accounting Policies

<b>POLICY REVIEW HISTORY</b>	
<i>To be completed during each review</i>	
<p><b>Previous versions</b>                      (version number – approved by – approval date – title if different)</p> <p>V1 – Shadow Board – 25/09/2007                      V2 – Board – 24/11/2009                      V3 – Board – 21/01/2014</p>	
<b>Date of last EIA:</b>	N/A
<b>Review lead by:</b>	David Clermont, Chief Financial Officer
<b>Main points or amendments made and reasons</b>	
<p>The title and content has been amended to clarify that the policy relates to social and affordable rent properties (and not market rent properties).</p> <p>The policy reflects the -1% pa rent reduction policy (effective for the 4 years to March 2020) introduced by the Welfare Reform and Work Act 2016.</p> <p>The policy clarifies that the treatment of fixed services charges (with -1% reduction applying as per social and affordable rents). It better defines the range of variable service charges (including reference to various utility charges). It also notes that charges for sheltered housing schemes will be defined by Board (reflecting consideration of different arrangements at Grove Lane).</p> <p>An additional revision has been made to reflect the provisions which already exist in Financial Regulations for properties to be let outside of this policy.</p> <p>Throughout, reference to ‘Southway’ has been changed to ‘the Trust’ where relevant, to ensure clarity now that the Trust is part of a group of companies. In addition the Parent Board is referred to, to ensure clarity in the light of a more complex governance structure.</p>	
<b>Next review due:</b>	<b>Q4 2017/18</b>
<b>Approval level:</b>	<b>Parent Board</b>