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

**SER-POL-15**

**Version 7.1**

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**Date approved: 16 June 2020**

**Approved by: Parent Board**

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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.
- 1.4 This Policy covers Social and Affordable Rents. The Southway Group also has Market Rent and Shared Ownership properties, which are covered by separate policies.

## **2. Rent Policy**

- 2.1 The Trust will charge a Social Rent for all properties transferred from Manchester City Council (except those that have been converted to an Affordable Rent). It will also charge a Social Rent on new schemes developed with/without grant for this purpose, and Social Rent stock acquired from other landlords.
- 2.2 The Trust will charge an Affordable Rent on new schemes developed with grant for this purpose. It will also charge an Affordable Rent on converted properties, and those acquired without grant or via an equity investment from a local authority.
- 2.3 Unless the Parent Board directs otherwise, all rents will be varied annually to the extent permitted by regulation, currently CPI+1% for the 5 years to March 2025. Affordable Rents will also be reviewed each time a property is re-let.

### **Social Rents**

- 2.4 In line with the Welfare Reform and Work Act 2016, each existing tenant's Social Rent has been reduced by 1% pa for the 4 years to March 2020.
- 2.5 When letting or 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 improvements carried out. In line with the Welfare Reform and Work Act 2016, the Formula Rent for re-let properties also reflects the -1% pa rent reduction for the 4 years to March 2020.

- 2.6 Southway will not utilise Tolerance when setting Social Rents for properties within our Core Area. For Social Rent properties outside of the Core Area Southway may utilise Tolerance; a decision will be taken at the point a scheme or property is acquired or developed.
- 2.7 For properties in our Core Area, 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. For properties outside of the Core Area rents will be set on the basis of 52 weeks in a year, or in line with the tenancy conditions we adopt (subject to consultation with transferring tenants).
- 2.8 For general needs properties (in both core and non core areas) the maximum Social Rent plus benefit eligible service charges will be the Local Housing Allowance.

### **Affordable Rents**

- 2.9 When letting or re-letting an Affordable Rent property, rent plus benefit eligible service charges will be set at 80% of the average market rent for the area in which the property is located, or the Local Housing Allowance, whichever is lower.
- 2.10 In line with the Welfare Reform and Work Act 2016, each existing tenant's Affordable Rent has been reduced by -1% pa for the 4 years to March 2020.
- 2.11 Affordability checks will be carried out prior to the let of affordable rent properties to ensure the prospective tenant's financial situation will enable a successful tenancy to be maintained.

### **Rent Conversions**

- 2.12 Southway will apply Rent Conversions (where Social Rent properties are converted to an Affordable Rent as they become void generating additional income up to an agreed value) where Homes England has given permission and the Parent Board has approved the Conversions.
- 2.13 The following Social Rent properties will not be subject to conversion:
- Properties with an age restriction (i.e. older people's housing)
  - Properties with three bedrooms plus a parlour or four or more bedrooms.

- 2.14 The Strategic Director People and Places defines procedures to identify which properties are eligible and selected for Rent Conversion and how the Conversions are implemented.

### **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,
  - Communal estate charges at section 106 schemes, and
  - Electricity charges for the communal areas of two and four block flats.
- 3.6 Tenants of sheltered housing and extra care 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. There is no maximum Local Housing Allowance assessment for tenants of these properties, given the age restructure nature of this accommodation and the rules of benefit eligibility relating only to working age households.
- 3.7 Tenants of general needs accommodation will be charged a variable service charge for communal services, except where it is identified that this would incur excessive costs to administer. In such cases a fixed service 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 have been reduced by -1% pa 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 Rent Conversions will be reported to the People and Places Committee, by the Strategic Director – People and Places, as part of the Annual Lettings Report.
- 5.3 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.
- 5.4 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>	
<b>Previous versions</b> (version number – approved by – approval date – title if different)	
V1 – Shadow Board – 25/09/2007	
V2 – Board – 24/11/2009	
V3 – Board – 21/01/2014	
V4 – Board – 13/01/2018	
V5 – Board – 19/06/2018	
V6 – Board – 12/01/2019	
V7 – Board – 18/01/2020	
<b>Date of last EIA:</b>	N/A
<b>Review lead by:</b>	David Clermont, Chief Financial Officer

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### Main points or amendments made and reasons

V7.1 Board – 16/06/2020 confirmation that affordable rents plus benefit eligible service charges will continue to be set at the lower of 80% market rent and the LHA (noting that a new higher rate of LHA has been adopted by Government). Affordability checks will be carried out prior to the let of affordable rent properties.

**Next review due:**

**Q4 2020/21**

**Approval level:**

**Parent Board**