



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

SER-POL-15

Version 10

Date approved: 11th June 2024

Approved by: Parent Board

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. The most recent guidance issued is the Regulator's Rent Standard published in April 2020.
- 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, Leaseholder 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.

Social Rents

- 2.4 When letting or re-letting a Social Rent property the Formula Rent will be applied, which takes into account the properties location, number of bedrooms and property value. The Formula Rent reflects the maximum annual increase permitted by government regulation and the valuation factor used in the calculation reflects improvements carried out to the property.
- 2.5 Southway will not utilise Tolerance when setting Social Rents for properties within Manchester. For Social Rent properties outside Manchester Southway

may utilise Tolerance; a decision will be taken at the point a scheme or property is acquired or developed.

- 2.6 For properties within Manchester, 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 Manchester 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).
- 2.7 For general needs Social Rent properties, the maximum Social Rent plus benefit eligible service charges will be the Local Housing Allowance.
- 2.8 There is no maximum Local Housing Allowance assessment for tenants of sheltered housing and living with care schemes. This reflects the age related nature of this accommodation and the rules of benefit eligibility relating only to working age households.

Affordable Rents

- 2.9 Affordable Rents will be reviewed each time a property is let or relet.
- 2.10 When letting or re-letting an Affordable Rent property within Manchester, or applying the annual rent increase, 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.
- 2.11 When letting or re-letting an Affordable Rent property outside Manchester, 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, providing this is in line with the relevant Local Authority definition of affordability.
- 2.12 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

- 2.13 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.
- 2.14 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.

2.15 The Executive Director: Landlord and Community Services 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 Service charges will be raised in relation to maintenance of communal areas and any personal use items provided by the Trust.

3.2 Service charges will be based on actual costs, shall offer value for money and be fair and reasonable. Accurate information will be provided about the calculation of the charges that are levied.

3.3 Tenants and leaseholders of two and four blocks will be charged a variable service charge to reflect their personal use of communally supplied gas.

3.4 Tenants, leaseholders, and shared owners moving into Southway properties after 26 November 2007 will be charged a service charge for:

- Communal facilities, estate, and electricity charges,
- Personal use charges including heating, water, alarm system.

3.5 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 the annual statement identifies amounts over/under charged.

3.6 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.

3.7 A fixed service charge will be applied in cases where a variable service charge would incur excessive costs to administer. In such cases a fixed service charge will be applied at the commencement of letting to recover the estimated service cost, and this is increased annually by the maximum permitted by government regulation.

3.8 Service charges will be reset annually in April with reference to projected annual budgets, Tenancy Agreements, applicable guidance, regulations, legislation and affordability to tenants.

- 3.9 The Parent Board will be informed of changes to service charges at its first meeting after the amendment is made.
- 3.10 Variable service charge statements for the year to March will be prepared and issued before the end of September. Should any delays occur issuing service charge statements residents will be notified in line with the requirements of relevant legislation.
- 3.11 Any overcharged amounts will be returned to residents or an adjustment made to the next year's service charge. Any undercharged amounts will be recovered from residents via a separate sub-account or adjustment to the next year's service charge.
- 3.12 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.

4. Appeals

- 4.1 Rents and service charges may be subject to query or challenge by customers. 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 Executive Director: Finance and Business Development 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 Executive Director: Landlord and Community Services, 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

Executive Director: Landlord and Community Services 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 12.2.4 of Financial Regulations relates).

- 5.5 As set out in Financial Regulations, the Chief Executive has delegated authority to apply a lower service charge amount. This could arise with regards an exceptional item or unexpected cost, or where the overall rate of increase is judged as excessive, leading to an adverse impact for customers. The basis for the reduction and financial impact is to be reported to Board at its next meeting, this should include steps to regularise the position and avoid a recurring service charge subsidy in subsequent years.

6. Information and Consultation

- 6.1 Customers 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
- Shared Ownership Management Policy
- Single Equality Scheme
- Customer Care (Everyone Matters) Policy
- Financial Regulations
- Procurement Policy
- Accounting Policies

POLICY REVIEW HISTORY
<i>To be completed during each review</i>

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

SER-POL-15

Version 10

Previous versions

(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

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.

Board 26/01/2021 no changes

V8 – Board – 22/01/2022

- reference to the Regulator’s Rent Standard
- clarification in relation to relets of Affordable Rent properties
- minor textual amendments

V9 – Board – 06/12/2022 approved affordable rent at 80% of market value outside Manchester, providing this is in line with the relevant Local Authority definition of affordability (2.11).

Board 20/01/2023 no changes

Date of last EIA:	N/A
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Review lead by:	Executive Director: Finance and Business Development
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Main points or amendments made and reasons.

V10 – Board – 11/06/2024

- Section 2 clarifies Social Rent, Local Housing Allowance, Core Area reworded to be within Manchester, removed references to Welfare Reform and Work Act replaced with maximum increase permitted by government regulation.
- Section 3 Service Charges Policy rewritten including reference to revised annual budget charging cycle and internal audit recommendations.
- Section 5 clarifies per Financial Regulations the Chief Executive has delegated authority to reduce a service charge, reporting any such instance to the Board.
- References to revised Executive structure.

Next review due:	Q4 2024/25
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Approval level:	Parent Board
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