

Rents & Service Charges Policy

Title:	Rents and Service Charges Policy	
Person responsible:	Director of Customer Experience	
Customer consultation arrangement:	Tenants Committee	
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EIA completed (date):	N/A	
Approved by:	Board	
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Document management

Version	Date amended	Amendments
1	November 2021	Approved by Board
2	November 2022	Updated 8.2.2 to reflect shared ownership policy change where the initial first tranche equity is purchased between 1 October and 31 March, the annual rent increase will not apply until the following April and new policy format. Approved by Board.
3	April 2023	Updated to include reference to Government Policy statement 14 December 2022 and the 2023 Rent Standard, which sits alongside the Rent Standard 2020.adjusting the policy for 2023/24 restricting social and affordable rents, with the exception of supported housing to a 7% ceiling and Board decision to also cap supported (sheltered) and shared ownership rent increases for 2023/24 at 7%. Updated wording E,D&I section.

1.0 Purpose

- 1.1 The purpose of this policy is to set out our approach to the annual setting of rent and service charges. It aims to ensure that we comply with our statutory, regulatory, and contractual obligations and our tenancy agreements and leases.
- 1.2 We aim to set rents and service charges for our tenants in accordance with the Regulator of Social Housing's Rent Standard 2020 and the Rent Standard Guidance that allows us to meet our obligations to our tenants, maintain our stock (to at least Decent Homes Standard) and continue to function as a financially viable organisation, including meeting our commitments to lenders.
- 1.3 In light of exceptional circumstances, the Government has since adjusted this policy in order to protect social housing tenants from very large nominal-terms rent increases that would otherwise have been permitted in 2023-24 due to higher than expected levels of inflation. For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, the CPI plus 1 percentage point limit on annual rent increases is replaced by a 7% 'ceiling'. This means that, in that year, registered providers may increase rents by up to 7%. This restriction applies to both social rent and affordable rent homes, with the exception of supported housing.
- However, it does not affect the calculation of the maximum initial rent when properties are first let or subsequently re-let. In particular, the restriction does not apply to the calculation of formula rent or the rent caps that apply to social rent properties; these continue to increase by CPI plus 1 percentage point and CPI plus 1.5 percentage points respectively.
- 1.4 The policy aims to make sure that a fair and consistent approach to rent and service charges is adopted by SLH to all tenants, regardless of tenure.
- 1.5 We will charge rent dependant on a number of factors including the conditions contained within the tenancy or lease agreement, the purpose of the property and local housing markets.
- 1.6 We will review rents in line with our tenancy and lease agreements taking statutory and regulatory requirements into account where applicable.
- 1.7 We will give tenants at least one month's written notice prior to any rent charge increase.

- 1.8 We will seek to maximise our rent whenever possible. Therefore, we will recalculate the rent when a property is re-let to a new tenant. New tenancies re-let during the year will be charged at formula rent +5% in respect of social rent tenancies and 80% of market rents in respect of Affordable and Intermediate Rents for each property within Government policy guidelines and the Regulator of Social Housing's Rent Standard 2020 and 2023 and the Rent Standard Guidance.
- 1.9 We will provide clear information to our tenants at the start of their tenancy or lease about how much rent they have to pay.
- 1.10 We will provide tenants with a rent statement on request, whenever the tenants are in arrears and once a year if they have opted-in for a paper statement. We will make rent statements available for all tenants to access themselves anytime they wish via SLH's on-line tenant portal "My Account".

2.0 DEFINITIONS OF REGULATED RENTS

2.1 1 Social Rent

- 2.1.2 Social rents were introduced in 2002 as part of a government policy to achieve similar rents between different social housing providers in the same local area.
- 2.1.3 Social rents are calculated using a set formula which is set out in the Regulations. It takes account of local earnings, property value and the number of bedrooms. Rent calculated this way is known as formula rent, previously known as target rent.
- 2.1.4 The new Rent Standard which came into effect from 1 April 2020, contains flexibility for registered providers to set social rents up to 5% above formula rent for general needs housing and 10% for supported (including sheltered) housing. If applying this flexibility, providers should ensure that there is a clear rationale for doing so which takes account of local circumstances and affordability. The SLH Board approved the application of a 5% tolerance to both general needs and sheltered voids at re-let. The rationale for applying a 5% tolerance would be to generate additional income for development, regeneration, greening initiatives, neighbourhood improvements etc.
- 2.1.5 Social rents are limited by a rent cap. This is the maximum amount of rent that can be charged on social rent properties. The rent cap is currently set by the Regulations and is based on the number of bedrooms a property has. It must be applied to social rent properties when they are first let and throughout the tenancy.
- 2.1.6 The rent cap is used instead of formula rent if the rent produced using the formula is higher than the relevant rent cap value.

2.2 Affordable Rents

- 2.2.1 Affordable Rent housing was introduced by the Government in 2011 to provide Registered Providers with flexibility to let properties at a rent higher than social rent to generate additional capacity for investment in new housing.
- 2.2.2 Affordable Rent accommodation is provided by a registered provider as part of either a S106 Agreement with the local authority or a housing supply delivery agreement between that provider and Homes England and the accommodation is permitted by agreement to be let as an affordable rent.
- 2.2.3 Affordable Rents are set at a level which is no more than 80% of the gross market rent for the property (inclusive of service charges). The market rent is based on a valuation method recognised by the Royal Institution of Chartered Surveyors (RICS).
- 2.2.4 An affordable rent should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged.

2.3 Fair Rents

- 2.3.1 This rent applies to secure tenancies, where the initial tenancy started before 15th January 1989 and are governed by the Rent Act 1977.
- 2.3.2 Tenancies subject to fair rent protection must not be charged more than the lower of; the fair rent set by the rent officer; and formula rent (subject to the rent caps and the rent flexibility level).
- 2.3.3 Registered providers may not increase the rent of a tenant with fair rent protection by more than that of the Consumer Price Index (CPI) taken from September of the previous year plus 1% in any year (even if the tenant's rent is below the formula rent level and the maximum fair rent is increased by more than that amount).
- 2.3.4 For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling.

3.0 DEFINITIONS NON-REGULATED RENTS

3.1 Intermediate Rent

- 3.1.1 Intermediate Rent is any rent other than an Affordable Rent charged on homes for sale and rent provided at a cost above social rent, but below market levels. Rent is set at no more than 80% of the market rent for similar properties in the local area for tenancies which meet the regulatory definition of intermediate properties.
- 3.1.2 Intermediate Rents can be charged on shared equity (shared ownership and equity loans), other low-cost homes for sale and intermediate rent but not affordable rented housing.

3.1.3 Intermediate Rent is charged to properties acquired through the government mortgage rescue scheme (which has now been withdrawn).

3.1.4 Intermediate rents do not fall under the Rent Standard and are therefore exempt from the Rent Standard 2020 and 2023.

3.2 Shared Ownership Rent

3.2.1 This is the rent we charge on our shared ownership properties. We set shared ownership rents for grant funded properties at up to 2.75% of the value of the unsold equity at the point of initial sale. We will also take Homes England guidelines into account when setting the rent for non-grant funded property.

3.2.2 Shared Ownership rents do not fall under the Rent Standard and are therefore exempt from the Rent Standard 2020 and 2023.

3.3 Ground Rent

3.3.1 This is the rent paid by our customers who own their home, with SLH as the freeholder or head leaseholder. This could arise if a tenant buys a leasehold flat from SLH or if a shared owner 'staircases' their ownership up to 100%.

3.4 Market Rent

3.4.1 This applies to market rent properties. Rents are set in keeping with amounts charged for similar market rental properties in the local area. The rent level takes the desirability of the property into account and includes any service charge.

3.4.2 SLH do not currently have any tenancies that are subject to market rents. If during the period this policy is in place a need to charge market rents arises, the Board of SLH will be asked to approve this as a separate issue until this policy is reviewed again, when such a change will be incorporated into it.

RENT SETTING POLICY

REGULATED RENTS

4.0 Social Rent

4.1 We will set our rents in accordance with the current statutory and regulatory requirements. We will ensure that no properties are let at a higher rent than the legislation and / or regulatory requirements allow.

4.2 Rent for New Social Rent Properties

4.2.1 The maximum weekly rent for a tenant who is granted a tenancy of a new social rent property for the first time is formula rent plus an upwards

tolerance - 'rent flexibility' of 5%. Formula rents are exclusive of any service charges.

4.3 Rents for Re-lets

- 4.3.1 Where a social rent property is re-let to a new tenant, we will charge formula rent plus an upwards tolerance - 'rent flexibility' of 5%.

4.4 Rent Reviews

- 4.4.1 We will increase the existing rent each year up to and including 2024/25 by a maximum of that of the Consumer Price Index (CPI) taken from September of the previous year plus 1% as allowed by the Rent Standard 2020.
- 4.4.2 For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling. The 7% ceiling does not apply to supported including sheltered housing, but the Board has voluntarily decided to apply a 7% ceiling.

For social rents the increase applies to net rent and not service charges.

- 4.4.3 We will review the rents from the first Monday in April each year.

5.0 Affordable Rent

5.1 Rent for New Properties

- 5.1.1 The maximum rent for an Affordable Rent property, when it is first let to a new tenant, is 80% of the market rate, inclusive of service charges, or the 'social rent rate' (exclusive of service charges), whichever is higher or, under the conditions of a Section 106 Agreement (Affordable Rent Assured tenancies and Rent to Homebuy tenancies). The market rent will be based on the valuation methods recognised by the Royal Institution of Chartered Surveyors (RICS).

5.2 Rents for Re-lets

- 5.2.1 Rents will be reviewed when the tenancy ends, and the property is re-let. We will re-set the rent as per 5.1.1 above.

5.3 Rent Reviews

- 5.3.1 We will increase the existing rent each year up to and including 2024/25 as allowed by the Rent Standard 2020.
- 5.3.2 For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling.
- 5.3.3 For Affordable Rents the increase applies to the gross rent inclusive of service charges.

5.3.4 We will review the rents from the first Monday in April each year.

6.0 Fair Rents

6.1 Rent for New Properties

6.1.1 We will not offer a fair rent. Instead, we will offer new properties at a social rent, Affordable Rent, or Intermediate Rent.

6.2 Rent for Relets

6.2.1 Upon relet of a property where a tenant previously enjoyed a fair rent, we will offer new social housing tenants a social rent or where applicable an affordable rent.

6.3 Rent Reviews

6.3.1 We will apply to the Rent Officer to review the rent on the second anniversary of the previous rent review. We will ask for the social rent plus service charge (if services are provided) to try and achieve the same rent as calculated in accordance with 4.3.1.

6.3.2 If the fair rent is higher than the formula rent, we will use the lower formula rent rather than the higher fair rent. This is set out in the regulations.

6.3.3 For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling.

NON-REGULATED RENTS

7.0 Intermediate Rents

7.1 Rent for New Properties

7.1.1 Initial rents for these properties are calculated using the same formula for calculating market rents based on the valuation methods recognised by the RICS. The rent shall be above that of a social rent but no more than 80% of the market rent for similar properties in the local area and will include service charges if services are provided.

7.2 Rent for Re-lets

7.2.1 Rents will be reviewed when the tenancy ends, and the property is re-let. We will re-set the rent as per 7.1.1 above.

7.3 Rent Reviews

7.3.1 We will limit the rent increase to a maximum of that of the Consumer Price Index (CPI) taken from September of the previous year plus 1% per year.

7.3.2 For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024 the Board has voluntarily decided to apply a 7% ceiling.

8.0 Shared Ownership Properties

8.1 Rent for New Properties

- 8.1.1 We will ensure shared ownership rents and service charges are reasonable and consistent with those agreed at the bidding stage. Rents will be set initially at 2.75% of the value of the unsold equity at the point of initial sale and will have regard to the affordability of the total housing expenditure of the residents i.e., mortgage costs, rent and service charges (including the cost of management and insurance).
- 8.1.2 We will not set new rent for grant funded properties at a higher level than the amount in the Homes England (HE) guidelines (no more than 3% of the unsold equity at the point of sale). We will take the HE guidelines into account when setting the rent on non-grant funded property.

8.2 Rent Reviews

- 8.2.1 The method of setting increases will be written into the lease and the provisions of the lease will be binding. Annual increases will be applied on the 1st April, or relevant month as stated in the lease. The rent increase will be no more than that of the Retail Price Index taken from September, or relevant month as stated in the lease, of the previous year plus 0.5% for leases signed prior to 12th October 2023.
- 8.2.2 From 12 October 2023, rents for new shared owners can instead be increased once a year by no more than the Consumer Prices Index (CPI) plus 1%, subject to a few exemptions. This reform brings shared ownership rents into line with the limit that normally applies to annual rent increases in other forms of social housing. Homes England is amending the Rent Review schedule of its model shared ownership lease to reflect the changes
- 8.2.3 The Government also reduced the floor for shared ownership rent increases from 0.5% to 0%. This means that rents cannot be increased if CPI is minus 1% or lower.
- 8.2.4 For rent periods that began in the 12 months from 1 April 2023 to 31 March 2024, the Board decided to voluntarily apply a 7% ceiling and sought legal advice to mitigate any risk relating to any potential breach of any lease conditions or funders stipulations.
- 8.2.5 In respect of properties where the initial first tranche equity is purchased between 1 October and 31 March, the annual rent increase will not apply until the following April.

9.0 Ground Rent

- 9.1 Ground rent is payable under a long lease for the use of the ground on which the building stands. We will set the ground rent for our new leasehold properties at the same amount as that found in similar properties in the local

area. We will charge ground rent by way of a demand using the form prescribed under Section 166 of the Commonhold and Leasehold Reform Act 2002.

- 9.2 From 30 June 2022, landlords of regulated leases must not require a leaseholder to make a payment of prohibited rent. The peppercorn limit generally only applies to new residential leases that were granted after commencement of the Act, that is leases granted on or after 30 June 2022, or 1 April 2023 for leases of retirement homes.

10.0 Commercial Arrangements

- 10.1 We will set the maximum amount of rent that we can reasonably achieve in the area. We will use a RICS valuation model to help set the market rent and review rents in accordance with the lease.

11.0 Miscellaneous Properties

- 11.1 We will set rents for non-residential units including, but not limited to garages, sheds etc. by seeking the maximum charge that customers can afford in the area. We will apply VAT at the relevant rate to non SLH tenants.
- 11.2 We will set charges for non-commercial lettings such as sheltered housing scheme guest rooms, scooter stores, garden tenancies etc. by balancing the commercial value and the social value of the intended use. We will charge VAT at the relevant rate if appropriate.

12.0 Service Charges

- 12.1 Where appropriate, we will charge tenants for additional services such as cleaning of communal areas, etc. based on the actual costs of the services provided plus associated management fees.
- 12.2 We will charge leaseholders for additional services such as communal lighting, grounds maintenance etc. based on the actual cost of provision of the service plus associated management fees. Service charges for leaseholders will be recovered on an actual cost basis calculated for each property individually.
- 12.3 In general, service charges (including sheltered housing amenity and other charges) will be reviewed annually as part of the rent setting process. Tenants will be given at least one month's notice prior to the implementation of any change to the charge. These annual service charge changes will become effective from the first Monday in April each year for affected tenants.
- 12.4 These charges will be set at levels to match the estimated costs of the services over the coming year adjusted by an amount overcharged or undercharged on the actual costs of the last full financial year.
- 12.5 Where we consider introducing a new service charge, we will at first consult with tenants prior to any change being introduced. Following the

consultation process and a decision to introduce a service charge, we will inform tenants of the new service charge in writing, giving at least one month's notice of the commencement of that service charge, including details of the amount of the charge.

12.6 Service charges can be altered more than once a year if there is a change in the service being provided, subject to the terms of the tenancy agreement. Tenants and leaseholders will be consulted before any change is implemented and given at least one month's written notice of any change in charges. Leaseholders will be consulted with in line with Section 20 of the Landlord and Tenant Act 1985.

12.7 All tenants and leaseholders liable for service charges will be issued with a summary of tenants' rights and obligations annually. This document lays out how a determination (appeal) can be made to the first-tier tribunal regarding service charges.

13.0 SCOPE

13.1 This policy applies to all SLH properties let to tenants on Assured, Assured Short hold, Assured with protected rights, Secure and Fixed Term tenancies, Shared Ownership leases, garages, garage sites, garden tenancies, commercial lets, Leaseholders and miscellaneous properties.

14.0 EQUALITY & DIVERSITY

14.1 SLH recognises the needs of a diverse population. Therefore, this policy seeks to ensure that rent setting does not discriminate between residents on any grounds and in particular, age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

14.2 An Equality Impact Assessment is not required as SLH is required to follow Government and Regulator of Social Housing (RSH) requirements and guidelines in our approach to setting rents and service charges.

15.0 STRATEGIC LINKS

15.1 South Lakes Housing Business Strategy 2020-25

The corporate objective agreed in 2020 for the period 2020 to 2025 is:

1. Rents are affordable (no more than 35% of average income)
 - Monitor that rents are affordable
 - Identify opportunities for higher rents

16.0 KEY TARGETS, PERFORMANCE MONITORING AND REVIEW

16.1 Compliance with Government policy guidelines and the Regulator of Social Housing's Rent Standard 2020 and 2023 and the Rent Standard Guidance.

- 16.2 Benchmarking information from comparator organisations.
- 16.3 Financial Plan performance on rental stream income.
- 16.4 Proportion of rent collected. To be monitored via performance reporting, team meetings and annual Personal Development Review (PDR) meetings/1-2-1's.
- 16.5 Proportion of rent written off. To be monitored by Audit and Risk Committee, via performance reporting and in team meetings and PDR's/1-2-1's
- 16.6 The Director of Customer Experience is responsible for this policy, with the Rent and Service Charge Lead responsible for ensuring it is correctly applied.
- 16.7 This policy will be reviewed by the Board every two years, or where there have been significant changes to regulation or legislation to warrant a further policy review.

17.0 Key Legal and Regulatory References

- 17.1 Other relevant legislation includes, but is not limited to:
- Rent Act 1977
 - Housing Act 1988
 - The Regulatory Framework for Social Housing in England – Rent Standard 2015 (published under section 194(2A) of the Housing and Regeneration Act 2008
 - Homes England – Capital Funding Guide 2016
 - Welfare Reform & Work Act 2016 and the Social Housing Rents (Exemptions and Miscellaneous Provisions) Regulations 2016 as amended
 - Housing and Planning Act 2016
 - Regulator of Social Housing's Rent Standard 2020, 2023 Rent Standard and the Rent Standard Guidance/ Policy Statements.
 - Leasehold Reform (Ground Rent) Act 2022
 - Shared Ownership rents reform 12th October 2023
 - Limit on Annual Rent Increases 2024/25 – from April 2024