

rent and service charge policy

December 2021

Contents

Contents	2
Statement of intent.....	3
Scope.....	3
Social rents for existing tenants	3
Non-collection weeks	4
Rent flexibility.....	4
Social rents for new tenants.....	4
Rent caps.....	5
New development	5
Affordable rents	5
Rent to Buy	6
High income social housing tenants	6
Service charges	7
Leaseholders	7
Garages and garage sites.....	7
Shared ownership.....	8
Shops/other commercial premises.....	9
Parking bays	9
Leases of dwellings to other organisations	9
Other documents to be read in conjunction	9
Glossary.....	10

Statement of intent

It is the policy of believe housing to set rents and other applicable charges that:

- comply with current guidance and legislative requirements
- are affordable and are at levels that can be reached by those in receipt of low income
- maintain the financial stability and viability of the organisation.

This policy sets out how believe housing will set rents and other applicable charges to tenants in accordance with the government and the Regulator of Social Housing's (RSH) guidelines and requirements.

Scope

The policy applies to all tenants of believe housing and covers:

- Current tenants
- New tenants
- New build properties or acquisition of new properties, including affordable rent
- Tenants of Rent to Buy properties
- Shared tenancies
- High income social housing tenants
- Service charges
- Garages and garage sites
- Shops
- Specialist accommodation
- Shared ownership.

This policy does not apply to charges collected by the landlords on behalf of other organisations; for example, water rates.

Social rents for existing tenants

The Board approves the rents to be charged each year and any changes will normally be applied with effect from the first Monday in April each year. Tenants will be given four weeks' notice of the change in rent prior to the change taking effect.

Rents will be set in accordance with relevant legislation and the RSH Rent Standard applicable at the time.

Government has confirmed that rents will increase by no more than Consumer Prices Index (CPI) at September of the previous year, plus one percentage point in any year up to 2025. For example, the rents for April 2022 would be set based on the value of CPI as at September 2021, plus one percentage point.

Non-collection weeks

When calculating the weekly rent, this will be calculated over 52 weeks and collected over a shorter period of time. For central and east Durham, rents will be collected over 48 weeks. For west Durham, rents will be collected over 49 weeks. People in arrears of rent or other payments will be expected to make payments on non-collection weeks.

Rent flexibility

The government's policy contains flexibility to set rents at up to 5% above formula rent (10% for supported housing and sheltered housing). The government expects this flexibility to be used in a balanced way, and not set all rents above the formula rent. Where a property is above this flexibility level, then further rent increases must be at less than CPI + 1% until the appropriate level is reached. It is not proposed to use this for any of our properties at present.

Social rents for new tenants

In accordance with the government's rent policy, where properties have not yet reached formula rent, at the time of relet following a vacancy, the rent will be increased to the relevant formula rent for the property. This will also apply to existing tenants who bid for a property through the Durham Key Options system, as these properties will be advertised at formula rent in accordance with government rent policy.

Where there has been major refurbishment of a property, or it has been extended, which results in a higher valuation of the period, then the formula rent will be calculated using the revised valuation in accordance with the RSH Rent Standard and government guidance.

If there has been a change in the number of bedrooms, then the formula rent may need to be revised at the time of relet to reflect the bedroom weighting within the formula.

The rent for properties that are converted from another use to social housing stock will be set at the formula rent (at the time of relet) and changes in rent will be determined using the same formula that applies to other tenants. This applies where the property has previously been a dwelling or when it becomes a dwelling for the first time.

Where there has been a succession, assignment to a person who would have qualified to succeed or a mutual exchange, the rent will stay the same and formula rent will not be applied, unless the rent is already at formula rent levels. Similarly, where discretion has been used to grant a new tenancy (for example, following a previous joint tenancy to a new sole tenancy, or to a person who was not qualified to succeed) then the rent will stay the same and formula rent will not be applied.

Social rents for new tenants (shared tenancies)

If it is decided that a property will become available for shared tenancies, then the rent for the tenants who will share the property will be set in line with the formula rent for the whole dwelling, divided by the number of tenants that will be sharing.

Future changes in rent will be calculated using the same formula that applies to other tenants, in accordance with the regulator's Rent Standard.

Rent caps

Rent caps are in place and apply as a limit on social rent, as calculated by the formula rent. The rent cap for each property size is changed each year and published as part of the notification on Guideline Limit rent increase levels in November. Social rents cannot rise above the rent cap level for the appropriate size of property.

Rents will be reviewed annually to ensure no rents exceed the rent cap level for the size of property.

New development

Where new properties are acquired or developed and are subject to specific conditions, rents and service charges will be set in line with these conditions. For example, for new properties that are let as 'affordable rents' the rent plus service charge will equate to no more than 80% of the market rent.

Affordable rents

We will set affordable rents in accordance with the relevant legislation and RSH Rent Standard guidance relevant at the time. This extends to include new build properties of intermediate tenure, defined in the National Planning Policy Framework (NPPF) as homes for rent at a cost above social rent, but below market levels.

Affordable rents will initially be set at a maximum of 80% of market rent for an equivalent property of that size and location. This figure is inclusive of service charges. Should a property not be let at the determined affordable rent following three separate adverts, the Executive Management Team may determine a reduced rent that is no lower than the equivalent formula rent for the property.

Valuations for rent setting will be undertaken in accordance with a Royal Institution of Chartered Surveyors recognised method and will follow any guidance issued by the RSH on valuation for affordable rent tenancies. Valuations are required for any new affordable rent property and at the point of relet of an affordable rent property.

Affordable rents will also be subject to the government policy on social rents and will follow the same formula as that applied to social rents.

Rent to Buy

Rent to Buy property rents will be at an intermediate rent. This must not exceed 80% of the current market rent inclusive of service charges. Intermediate rents are exempt from the RSH Rent Standard. Intermediate rents will be based on the agreed strategic approach to Rent to Buy as determined by the Executive Director of Investment, Growth and Performance and approved by the Board.

Valuations are required for any new Rent to Buy property and at the point of relet of a Rent to Buy property to confirm rent setting.

Where the Rent to Buy property is provided under Home England's affordable homes programme, rents set will comply with grant conditions (for example, a maximum rent increase of CPI plus 1%).

Rents will be charged on a monthly basis, with changes to rent applying from the first Monday in April. Changes to rents will be advised four weeks prior to this date.

Non-collection weeks do not apply to Rent to Buy properties.

High income social housing tenants

The RSH Rent Standard does not apply to accommodation let by registered providers to a social housing tenant household during a financial year where the household income was £60,000 or more in the tax year preceding the financial year in which the Rent Standard will not apply.

Rents for high income social housing tenants will be set based on the same method as new social housing tenants rent or new build in the case of a new build property.

Service charges

Service charges will be set to ensure they are no higher than the cost of the services provided. The service charges will be reviewed and set annually in accordance with tenancy agreement and communicated to tenants four weeks prior to any change in the charge taking effect.

No new service charges will be introduced to tenants without consulting with affected tenants. This includes the introduction of new services and the introduction of charges for services currently delivered and not separately charged for.

Service charges for tenants are VAT exempt. Service charges may be increased or decreased each year as set out in the tenancy agreement.

There may also be separate agreements entered into with tenants for a particular service; for example, furniture. Any changes will be made in accordance with the clauses within the individual agreements.

Leaseholders

Leaseholder service charges that are the same as those for tenants will be calculated using the same method set out in this policy. Where there are charges that specifically relate to leaseholders, these will be set in accordance with the relevant leasehold agreement.

Garages and garage sites

Garages are rented to both tenants and private occupiers. Garage sites are rented out to tenants to allow them to put their own garage on. Garage rents will be charged weekly. VAT will be charged on weekly rent for private occupiers (tenants are VAT exempt and therefore no VAT is chargeable).

Increases in garage rents will be linked to the CPI figure of the previous September plus 1%. The Board will approve the rents to be charged each year and any changes will normally be applied with effect from the first Monday in April each year. Tenants will be given four weeks' notice of the rent increase prior to the rent increase taking effect.

The rent for garage sites is £50 per year (plus VAT for private occupiers). The rent for these sites can be increased with three months' notice to the tenant.

There are a small number of properties where a brick-built garage has been built on a former garage site during regeneration/redevelopment schemes. These tenants have been charged the annual fee for a garage site, rather than for a standard weekly garage rental charge. Where these garages are relet, they will be charged the appropriate weekly rent for the garage.

Shared ownership

Rents for shared ownership properties built prior to 1 April 2021 are determined based on the terms of the individual lease agreement.

The following applies to rents for shared ownership properties built after 1 April 2021 and funded through the Homes England Affordable Housing Programme 2021-2026:

- Initial rent is set at the initial purchase point based on the percentage of the property that remains in the ownership of believe housing.
- Rent will be set as a maximum of 3% of the initial market valuation of the property.
- Upon resale, the rent level charged to the new owner will stay at the same level as that charged to the previous owner. It will not be rebased according to the value that is achieved at resale.
- Rent increases each year will be a maximum of Retail Price Index (RPI) + 0.5%. The reference month for the rate of RPI will be September.
- The annual rent increase will apply from the first Monday in April each year and will be communicated to owners 30 days in advance.
- Rents will not decrease, even if there is a negative rate of RPI.
- The rent charged to the owner will be adjusted at each staircasing event to reflect the additional percentage purchased.
- Service charges will be made where applicable and these will be set out in individual leases.

Shops/other commercial premises

The rents for shops are outside of the RSH Rent Standard and this policy and will be set in accordance with the terms of the individual leases. The rents will be reviewed taking into account prevailing market rental levels at the time of each rent review/lease renewal.

For other premises, such as communal rooms, the rent will be set in accordance with the lease.

Parking bays

Parking bays are rented to both tenants and private occupiers. Parking bays are rented at £3.50 per week over 48 weeks for tenants.

Parking bays rented by private individuals or commercial businesses will be set at a commercial level of rent as advised by the Commercial Property Surveyor. This charge will have 20% VAT added and be agreed by the Executive Management Team.

The rent for these bays can be increased with one month's notice to the tenant/occupier.

Leases of dwellings to other organisations

The charges to be applied where a dwelling has been leased to a support provider will be in accordance with the lease. When a new lease is entered into, the charges will be based on the formula rent for the property if the landlord continues to be responsible for repairs to the property.

If the lease does not include an obligation for the landlord to carry out the repairs to the property, a valuation will be arranged to determine the appropriate charges for the property.

Other documents to be read in conjunction

The following is a guide to relevant background documents:

- Financial Regulations
- Tenancy agreement
- RSH Rent Standard
- RSH Rent Standard Guidance
- Ministry of Housing, Communities and Local Government Policy Statement on Rents for Social Housing
- Shared ownership policy.

Glossary

Term	Definition
Affordable housing/affordable rent	<p>Affordable housing is social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market.</p> <p>Affordable rent is rent that is set at up to 80% of market rent (including service charges). These properties of affordable rents are defined as 'low-cost' rental accommodation'.</p>
Consumer Price Index (CPI)	<p>The official consumer price index in Britain, which reflects the movement of prices in a range of goods and services used regularly, such as food, heating, household goods, bus fares, petrol. CPI does not include the cost of a home; therefore, rises in mortgage payments, rents and council tax are not included. These costs are included in the calculation of the Retail Price Index, which gives a bigger figure for inflation than CPI.</p>
Formula rent	<p>The notional rent set for each social housing property based on a combination of size, amenities and average earnings for the region. Formula rent is calculated in accordance with the HCA Rent Standard guidance.</p>
Regulator of Social Housing (RSH)	<p>The regulator of registered providers of social housing.</p>
Intermediate Tenure	<p>These are properties defined in the National Planning Policy Framework (NPPF) for rent (or sale) at a cost above social rent, but below market levels. For the purposes of this policy, intermediate tenure rents will be the same as affordable rents; for example, 80% of the market rent in the locality.</p>

Term	Definition
Non-collection or 'rent-free' weeks	The weeks that rent is not charged to the tenant, the charges for these weeks are spread out across the remaining weeks in the year.
Service charges	The monies paid by tenants and leaseholders to cover the landlords' costs in providing specific services to their property such as building maintenance, cleaning, upkeep of common areas.
Shared ownership properties	When we allow a tenant to buy a home through a shared ownership scheme, they buy a share of the property and pay rent on the rest.
Social rent	The rent of a property that has been let under the government's 1999 Rent Restructuring Regime.