

# rent and service charge policy

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## **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 (RSH)'s guidelines and requirements.

## **Scope**

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

- Current tenants
- New tenants
- New build homes or acquisition of new homes, including affordable rent
- Tenants of Rent to Buy homes
- 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. Rents will increase by no more than CPI (at September of the previous year) + 1 percentage point in any year up to 2025. For example, the rents for April 2022 would be based on the value of CPI as at September 2021 plus 1 percentage point.

## **Collection**

All rents charged on a weekly basis will be collected over 52 or 53 weeks depending on the rent year.

## **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. 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. believe housing introduced the additional 5% rent flexibility in 2024/25.

## **Social rents for new tenants**

In accordance with the government's rent policy, where homes 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 homes 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 re-let to reflect the bedroom weighting within the formula.

The rent for homes that are converted from another use to social housing stock will be set at the formula rent (at the time of re-let) 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 homes 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 homes 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 homes 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.

It may, however, be necessary to re-evaluate and reduce the standard figure in order to ensure the viability and sustainability of tenancies in that property. Should the need

arise, the rent will be assessed after the end of the tenancy using the process summarised in appendix 2.

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.

It may, however, may be necessary to re-evaluate and reduce the standard figure in order to ensure the viability and sustainability of tenancies in that property. Should the need arise, the rent will be assessed after the end of the tenancy using the process summarised in appendix 2.

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 (i.e. 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.

### **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 the 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 which 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 homes 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 homes 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 (SO) homes that were 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 on current SO homes each year will be capped at the lower of CPI +1% and Retail Price Index (RPI) + 0.5%. The reference month for the rate of RPI will be September.
- Rent increases on new SO after November 2023 will be a maximum of CPI + 1%. The reference month for the rate of CPI 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.
- 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, for example, 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 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 Director of Finance and a member of 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
- Department for Levelling Up, Housing and Communities 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 homes 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 homes 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; i.e. 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, and upkeep of common areas.
Shared ownership homes	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 which has been let under the government's 1999 Rent Restructuring Regime.