



Rent Setting and Service Charge Policy

Policy Name:	Rent Setting and Service Charge Policy
Status:	FINAL
Approved by:	Group Board
Officer Responsible:	Julie Booker, Assistant Director of Finance
Date approved:	28 November 2016
Date effective from:	Immediate
E&D impact assessed:	
Customer consultation:	N/A
Next Review Date:	November 2018

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1.0 Introduction

1.1 General

Wythenshawe Community Housing Group (WCHG) was formed on 1st April 2013 following a new group structure of Willow Park Housing Trust (WPHT) and Parkway Green Housing Trust (PGHT). This policy outlines WCHG's approach in relation to rent setting and service charges.

1.2 Aims and objectives

The objectives of the Rent Setting policy are in line with the objectives set by the then Department for Communities and Local Government (DCLG) in its 'Guidance on Rents for Social Housing'. These are as follows:

- Rents should remain affordable in the long term;
- That rents should be fairer and less confusing for tenants;
- That there should be a closer link between rents and the qualities which tenants value in properties;
- That unjustifiable differences between rents should be removed, so that similar levels of rent are paid for similar properties, regardless of the landlord.

Key objectives are as follows:

- The Group intends to keep rents fair and affordable in the long term and comparable with other social housing in the area;
- To protect social tenants from excessive increases in rents;
- To meet the cost of all services provided through general rent charges or, where appropriate, specific service charges;
- To set rents at a level which enables the services provided by the Group to be delivered, including the investment in the maintenance and improvement of existing homes, the provision of new affordable homes, and in providing good services to its tenants;
- To provide a level of income that goes towards maintaining the long-term viability of the Group's business plans.
- Comply with the Government's approach to rent setting for Registered Providers.

1.3 Scope

The scope of this policy applies to all housing asset owning subsidiaries of the WCHG Group.

2.0 Policy

The Group will set its rents in accordance with the Government's Welfare Reform and Work Bill guidance on rent setting.

Service Charges for existing services will continue being charged as part of the rent. Services provided to new build properties and new areas of service provision will be charged separately from the rent.

3.0 Guidance

3.1 Social Rent

The guidance issued by the DCLG has the following underlying principles:

The rent should reflect more closely the condition and location of the property; the property size; and also local earnings, so as to take account of affordability.

A **Target Rent** is calculated for each property to take into account the above factors. The basis for the calculation of the target rent is that:

- 30% of the property's rent is based on the property value using the January 1999 valuation;
- 70% of the property's rent is based on local earnings;
- One of 5 bedroom weightings is applied so that, all things being equal, smaller properties have lower rents.

This can be expressed as a formula in which the target rent for a property is calculated as:

Weekly target rent is equal to:

<p><i>70% of the average rent for the HA sector multiplied by the relative county earnings multiplied by bedroom weight</i></p> <p style="text-align: center;"><i>Plus</i></p> <p><i>30% of the average rent for the HA sector multiplied by relative property value.</i></p>

Actual rents were originally intended to move to target rents over a 10 year implementation period, with convergence to be achieved by 2011/12.

For those Registered Social Landlords (RSLs) which had a rent guarantee, convergence started once the guarantee period has ended.

If convergence could not be achieved by 2011/12 within the constraints of the TSA's guideline limits, guidance indicated that the rent plan should continue until convergence was achieved.

The previous methodology for determining rent increase was based upon the rent convergence formula issued by the DCLG. This was then superseded by a 10 year deal with the previous Government, which guaranteed the annual increase as CPI +1%. This agreement has now been replaced by the provisions in the July 2015 Budget; detailed in the Welfare Reform and Work Bill; whereby the Government have imposed a 1% decrease on social housing rental for the next four years from April 2016.

3.2 Affordable Rent

In 2010, the Government introduced Affordable Rent which allows landlords to let new properties and some existing vacant properties at up to 80% of the local market rent (including service charges) – as part of an agreement on new affordable housing.

Affordable rents will also be subject to the July 2015 Budget provisions and will be reduced by 1% from April 2016.

3.3 Pay to Stay

The Government are also considering a 'Pay to Stay Scheme' where a tenants rent will be set based on their earnings, once it reaches a defined threshold, rather than the current formula as set out previously. The group reserves the right to explore the potential impact (or benefits) of introducing this scheme

4.0 Service Charges

Currently, for the majority of the Group's properties, separate services charges are not levied for additional services such as caretaking. The cost of these services has historically been met through the practice of 'rent pooling' which is used by most local authorities.

This approach has worked effectively in the past but most organisations have moved or are now moving towards 'de-pooling'. The Subsidiaries have carried out a process of reviewing the services provided and determining the financial implication of separating these from the gross rent charge – this review has not led to a revision to this policy.

New areas of service provision over recent years have been charged separately and not rent pooled; this will continue.

Service charges for support services that form part of the Supporting People Grant will be dealt with outside the scope of this policy.

5.0 Lettings

All new build social rent properties will have rents that are set based on guidance from the HCA.

Non-social new build properties will be let at a market rent.

6.0 Relets

All rents for social housing property relets will be based upon the Group's requirement for affordable rented properties, this will be in line with Government guidance.

All affordable rent relets will be reset, based on a new valuation, to ensure the rent remains no more than 80% of the market rent.

7.0 Implementation

The Welfare Reform and work Bill means that those properties affected by the bill will have the rent decrease applied on the first Monday in April each year from 2016-2019

The annual rent is divided into 50 equal charges leaving no rent to be charged for two non-charging weeks, normally week 39 (Christmas) and the last week of the financial year, normally week 52. NB - It should be noted that there will occasionally be a year where 51 weeks rent is charged.

The Group reserves the right to review these arrangements in light of the Government's welfare reform agenda.

Any tenant who wishes to appeal against the implementation of this policy will be advised to use the Trust's complaints procedure.

9.0 Roles and Responsibilities

The Executive Director of Finance is responsible to the Chief Executive and the Board for ensuring the implementation of this policy.

The Subsidiary Boards will approve the annual increase in rents and service charges for the Subsidiary Trusts.

10.0 Monitoring Policy effectiveness

The Group will monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness.

This policy will be reviewed as and when any changes in legislation impact on the policy and every 3 years.

11.0 Equality & Diversity

All associated individuals with WCHG have the responsibility to protect the interests of WCHG. The Single Equality Scheme works towards developing services, facilities and working practices, which are equally accessible and non discriminatory for all associated individuals with WCHG. This is irrespective of their gender, age, race, sexuality, disability, religion, marital status/civil partnerships, pregnancy/maternity and economic status, and in line with the nine protected characteristics part of the new legislation under Equality Bill 2010.

A key element of the Equality standards involves carrying out an Equality Impact Assessment on all existing and, in particular, new policies to ensure they **DO**

NOT have an adverse impact or promote any form of discrimination to particular groups or associated protected characteristics. An Equality Impact Assessment has been carried out to this policy and will be reviewed on a yearly basis.

This policy upon request can be provided in languages other than English, in Braille, Large Print and Audio format.

12.0 Associated Policies & Procedures:

- Financial Regulations & Standing Orders;
- Current Tenant Rent Arrears Policy;
- Former Tenant Arrears and Credits Policy;
- Raising and Processing Weekly Rent Debits (Procedure).

13.0 Statutory and Legal Framework:

- Housing Act 1988;
- Housing Act 1996;
- Housing Act 2004;
- Guide to Social Rent Reforms 2001;
- Annual TSA circulars on rent setting;
- The Welfare Reform and Work Bill.
- Any other legislation that may apply.