

Rent & Service Charge Policy

Version Control						
Version	Date drafted	Date approved	Approved by	Date Reviewed	Next review date	Owner
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1. Introduction

- 1.1 The policy sets out the methods used in calculating rents for residential properties owned or leased by Westmoreland Supported Housing Limited (WSHL). It includes details for the initial rent calculation and how this will be reviewed annually.
- 1.2 The policy will also set out the methods for calculating the service charge for properties where additional services are provided. It will also set out details of how this charge will be reviewed annually.
- 1.3 This policy seeks to ensure that rent and service charge setting is transparent and does not discriminate between residents on any grounds and in particular, race, gender, sexual orientation, ethnic origin, religious belief, disability/illness or age.
- 1.4 This policy aims to ensure that WSHL charges rents for its properties that comply with the Regulator of Social Housing's (RSH) Rent Standard, the latest version of which being the Rent Standard 2020, where applicable.

2. Legal and Regulatory Responsibilities

- 2.1 In enacting the policy WSHL will adhere to all relevant regulatory and legal requirements.
- 2.2 To be a Registered Provider, WSHL must provide "Social Housing" which refers to the definition of Social Housing set out in the Housing and Regeneration Act 2008 (the "2008 Act").
- 2.3 There are different types of Social Housing but in the context of WSHL that is low-cost rental accommodation which is defined in Section 69 of the 2008 Act as:

“Accommodation is low-cost rental accommodation if –

- (a) It is made available for rent,*
- (b) The rent is below the market rate, and*
- (c) The accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.”*

- 2.4 As a Registered Provider of Social Housing, WSHL must set rents of properties in accordance with the requirements of the RSH, unless one of the permitted exceptions applies.
- 2.5 Social Housing rent levels are determined by Government policy, which is set out in the Direction on the Rent Standard in 2019 (the “Direction”) and MHCLG’s Policy Statement on rents for Social Housing (February 2019). The RSH implements that Direction and Policy Statement in the Rent Standard 2020; this is the latest version of the Rent Standard which came into force from 1st April 2020 and could be relied upon once a Registered Provider had completed all decreases required under the Welfare Reform and Work Act 2016 (the “2016 Act”).
- 2.6 The Rent Standard sets out a number of exceptions, most relevant of which to WSHL is Specialist Supported Housing which is explained in Section 6 below.

3. Definitions

This Section 3 sets out the definitions used within this policy.

Reference	Explanation
2008 Act	The Housing and Regeneration Act 2008.
2016 Act	The Welfare Reform and Work Act 2016.
Consumer Price Index (“CPI”)	The official consumer price index in the United Kingdom as published by the
	Office for National Statistics. It reflects the movement of prices in a range of goods and services used regularly, such as food, heating, household goods, bus fares and petrol. But the CPI leaves the costs of your home out of the calculation - so

	<p>rises in mortgage payments, rents, and council tax, do not get reflected in it. The RPI does take account of those costs and therefore gives a bigger figure for inflation than the CPI.</p> <p>For rent reviews, the annual change in CPI as measured in preceding September is the relevant statistic.</p>
Depreciated Replacement Cost (“DRC”)	Special rules permitting a different valuation method for Supported Housing in determining property values for purpose of calculating Formula Rents.
Direction	A Direction to the Regulator of Social Housing from the Secretary of State for Housing, Communities and Local Government dated 25 th February 2019, The Direction on the Rent Standard 2019.
Existing Use Value (“EUUV”)	The standard method used to value properties for the purpose of calculating Formula Rents in order to comply with the Rent Standard 2020.
Formula Rent	The notional rent set for each social property (based on a combination of size, average rents & average earnings for the region): see paragraphs 2.2 - 2.7 of the Policy Statement.

Home Standard	One of four consumer regulatory standards that Registered Providers of Social Housing must comply with; specifically providing for quality accommodation and a cost-effective repairs and maintenance service.
Low cost rental accommodation	A type of Social Housing as defined by section 69 of the 2008 Act; see paragraph

	2.3 above.
MHCLG	UK Government Ministry for Housing, Communities and Local Government.
Policy Statement	MHCLG's Policy Statement on rents for Social Housing, dated February 2019.
The Red Book	RICS Valuation - Global Standards; contains mandatory rules, best practice guidance and related commentary for all RICS (Royal Institute of Chartered Surveyors) members undertaking asset valuations.
Registered Provider	Social Housing providers registered with the Regulator of Social Housing.
Rent Caps	The maximum ceiling on Formula Rents, dependent on the number of bedrooms in a property. See paragraphs 2.8 and 2.9 of the Policy Statement
Rent Flexibility Level	Upward tolerances of individual Formula Rents permitted under paragraphs 2.13 and 2.14 of the Policy Statement.
Rent Standard	One of three economic standards that the Regulator of Social Housing expects Registered Providers to comply with. It looks at whether Social Housing rents are set in accordance with Government policy. The most recent version is the Rent Standard 2020 which took effect from 1 st April 2020.
Social Rent	'Low-cost rental accommodation' as defined in the Housing and Regeneration Act 2008, excluding any affordable rent, intermediate rent, high income social rented properties or any other exceptions set out in the Rent Standard.
Specialist Supported Housing	Defined in paragraph 5.5 of the Policy

	Statement (see paragraph 6.2 of this policy) and exempt from the rules in Rent Standard under Chapter 5 of the Policy Statement.
Supported Housing	Defined in paragraph 2.38 of the Policy Statement (see paragraph 5.1 of this policy) subject to the rules of the Rent Standard.

4. WSHL Rent and Service Charge Policy Statement

- 4.1 WSHL shall charge rents in supported housing (with the exception of specialist supported housing) in accordance with the Government’s Direction to the RSH and the Rent Standard 2020.
- 4.2 Specifically, we shall set rents with a view to achieving the following:
- 4.2.1 Setting rents and service charges at a reasonable level that allow us to meet our obligations to tenants, maintain our stock to the Home Standard and continue to function as a financially viable organisation.
 - 4.2.2 Core (net) rents conform with the pattern produced by the rents formula set out in the Rent Standard (‘Formula Rents’) with an upward tolerance on individual rents of 10% for Supported Housing (“Rent Flexibility Levels”), such upward tolerance being used only with clear rationale which takes into account local circumstances and affordability, but subject to the maximum rent levels specified in the Rent Standard (‘Rent Caps’).
 - 4.2.3 Weekly net rent for accommodation increases each year by an amount which is no more than CPI + 1%.
 - 4.2.4 Weekly net rent for accommodation which is above the limit of the Rent Flexibility Level increases each year by an amount equivalent to CPI in any year, until it reaches the limit of the Rent Flexibility Level.
 - 4.2.5 Rent Caps increase annually by CPI +1.5%.
 - 4.2.6 Formula Rents increase annually by CPI +1% for 5 years from 2020.
- 4.3 If we provide Specialist Supported Housing, where the Rent Standard does not apply, we will set and agree rents and service charges with commissioners and benefit teams and recover only the full costs of providing; maintaining and managing the accommodation; representing good value for money. The core rent

will be at or below the market rate for the property type and the services provided will be according to individual need.

- 4.4 We shall provide clear information to tenants to explain how their rent and any service charges are set, and how they are changed.

5. Rent Setting – Supported Housing

- 5.1 ‘Supported housing’ must meet the definition specified in paragraph 2.38 of the Policy Statement which states that it is low-cost rental accommodation provided by a registered provider that:

*“(a) is made available only in conjunction with the supply of support;
(b) is made available exclusively to households including a person who has been identified as needing that support; and
(c) falls into one or both of the following categories:
(i) accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently; and
(ii) accommodation that has been designated as being available only to individuals within an identified group with specific support needs.”*

- 5.2 All of WSHL’s stock complies with the definition of supported housing and is low-cost rental accommodation, therefore this Section 5 applies to all WSHL stock except for any properties that satisfy the definition of specialised supported housing as set out in Section 6 below.

- 5.3 Since 2002, rent for properties let as Social Rent have been based on a formula set by Government, creating a ‘Formula Rent’ for each property (aiming to ensure that similar rents are charged for similar social rent properties). This is calculated based on the relative value of the property, relative local income levels and the size of the property. Formula Rents for Social Housing properties are exclusive of any service charges.

- 5.4 For Social Rents, the valuation must be made at January 1999 prices. A common approach to the valuation of properties for rent purposes must be followed as far as possible. Valuations must be in accordance with a method recognised by the Royal Institution of Chartered Surveyors (RICS). RICS sets out its principles for

valuations in 'Royal Institution of Chartered Surveyors Valuation – Professional Standards' (known as the Red Book).

In calculating the Formula Rent for social rent accommodation, the Rent Standard requires that the value of the property should be based on an Existing Use Value (EUV), produced by the 'comparative method'; assuming vacant possession and continual residential use, with an average national property value in January 1999 of £49,750. The Policy Statement leaves providers free to obtain their own appropriately qualified advice on property valuations.

Where it is not appropriate to value supported housing properties on the basis of EUV, Registered Providers can use a Depreciated Replacement Cost (DRC) method of valuation to establish the property value in 1999.

Registered Providers are not expected to carry out an individual valuation for each property, although they will need to attribute a value to each social rent property in order to calculate its formula rent. Rather than carrying out individual valuations, Registered Providers may decide to rely on more generic valuations for particular types and sizes of properties in different locations.

- 5.5 The Policy Statement contains flexibility for Registered Providers to set rents at up to 10% above formula rent for Supported Housing ("Rent Flexibility Levels"). If applying this flexibility, providers should ensure that there is a clear rationale for doing so which takes into account local circumstances, affordability and concerns, in consultation with tenants.
- 5.6 The Board has considered these factors and decided to implement the 10% flexibility.
- 5.7 When setting both our rent and service charges, we will ensure that we meet the obligations of our leases both in terms who we let our properties to and the service charge commitments that we must make.

6. Rent Setting – Specialist Supported Housing

- 6.1 There are a number of exceptions to the setting and reviewing of rents operated by Registered Providers under the Rent Standard 2020. One of those exceptions is "Specialist Supported Housing".
- 6.2 The definition of "Specialist Supported Housing" is set out in paragraph 5.5 of the Policy Statement as meaning supported housing:

“(a) which is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support in order to enable them to live, or to adjust to living, independently within the community,
(b) which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the only acceptable alternative would be a care home,
(c) which is provided by a private registered provider under an agreement or arrangement with -
(i) a Local Authority, or
(ii) the health service within the meaning of the National Health Service Act 2006,
(d) in respect of which the rent charged or to be charged complies with the agreement or arrangement mentioned in paragraph (c), and
(e) in respect of which either -
(i) there was no, or negligible, public assistance, or
(ii) if there was public assistance, it was by means of a loan secured by means of a charge or a mortgage against a property.”

All five elements of the definition must be met, with an assessment on each property.

- 6.3 For any WSHL properties that meet this definition, WSHL is not obliged to follow the Rent Standard 2020 on setting rents.
- 6.4 Our rents will be set to ensure that they cover the core rent to our landlord, our management fee, reactive and planned maintenance, insurance, council tax and void allowance. The rents will be lower than the market rent and will be agreed with each Local Authority Housing Benefit department in advance.

7. Service Charges

- 7.1 In addition to rent, tenants may also pay service charges. These reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities, rather than being particular to the occupation of a dwelling. Service charges are subject to different legal requirements and are limited to covering the cost of providing the services.
- 7.2 In compliance with the Rent Policy Statement, WSHL agrees to:

- 7.2.1 Set reasonable and transparent service charges which reflect the service being provided to the tenant, in a cost-neutral and limited way;
 - 7.2.2 Supply tenants with clear information on how service charges are set and to identify service charges separately from the core rent charge in all tenancy agreements;
 - 7.2.3 For Supported Housing properties (but not Specialised Supported Housing properties) endeavour to keep increases for service charges within the limit on rent charges, of CPI + 1% from 2020, to help keep changes affordable; and
 - 7.2.4 Consult with affected tenants where a new or extended service is introduced and where an addition to the service charge may be required.
- 7.3 All service charges operate as variable charges: under a variable service charge, charges to tenants will reflect actual costs incurred and will comply with sections 18 – 30 of the Landlord and Tenant Act 1985.
- 7.4 Landlords in the social rented sector are also responsible for clearly setting out to the tenant which of their service charges are benefit eligible and which are ineligible. As such, we agree to provide this information to tenants in the tenancy agreements and throughout their tenancy via a rent schedule.

8. Annual Rent and Service Charge Review

- 8.1 WSHL will review tenant rents and service charges on an annual basis. Any changes will be approved at a strategic level, by the Board and will not breach any relevant legal or regulatory requirements.
- 8.2 All tenants will receive an annual rent statement, at least a month before any changes to rents or service charges are proposed. This statement will be in plain English and easy to read and understand. The statement will provide a breakdown of the rent, service charges and other charges related to their property. This will be provided in other languages or formats where needed.
- 8.3 Where a rent increase is under Section 13 of the Housing Act 1988, residents will also be sent a prescribed Form 4.

9. Monitoring and Review

- 9.1 This monitoring and review of the policy is the responsibility of the Operations Director.

9.2 This policy will be reviewed every two years or earlier if:

- 9.2.1 There is a change in the policy of Government or the Regulator of Social Housing;
- 9.2.2 WSHL starts to operate any other form of housing including any affordable rent, general needs or market rent properties; or
- 9.2.3 WSHL introduces a new policy regarding high-income households.