



Rent and Service Charge Setting Policy

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1. What is the Purpose of this Policy?

- 1.1 First Choice Homes Oldham (FCHO) has developed a Rent and Service Charge Setting Policy which will assist in setting the rent and service charges for its tenanted properties.
- 1.2 The aim of this Policy is to identify FCHO's approach to setting rent levels and service charges for its tenanted properties, alongside its Shared Ownership and Leaseholders customers that are fair, transparent, consistent and compliant with Government Policy.

2. Policy Details

- 2.1 The Policy will set out the methods used in calculating rents for residential properties owned by FCHO. It will include details for the initial rent calculation and how this will be reviewed annually.
- 2.2 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.
- 2.3 The objectives of this Rent Setting and Service Charge Policy are:
 - FCHO will set its rents in compliance with law and the Regulator for Social Housing's (RSH) Rent Standard and guidance.
 - Service charges for heating and estate-based services will be set at a level that aims to recover the cost of these services and where this is not the case, Board are informed and appropriate approvals sought.
 - To ensure that all tenants are advised clearly at the start of their tenancy, what their rent is and details of any service charges that apply.
 - That all tenants are advised of the availability of housing benefit and any other welfare benefits and are given support to complete claims that can help cover the rent and service charges for those on low incomes.
 - That any change to the rent and service charges is clearly communicated ensuring that proper notice is provided in line with all statutory, regulatory and contractual obligations.

2.4 Methods for Calculating Rent

- 2.4.1 From 1 April 2020 in line with the Government announcement in October 2017, rents for properties on social and affordable rents can be increased up to CPI plus 1%, for a period of at least five years, until March 2025.
- 2.4.2 For the year commencing 3 April 2023 the Government issued a revision to the Rent Standard in line with the November 2022 Budget statement which capped rent increases to a maximum of 7% across all rent types. This will apply for one year only.

2.5 Methods for Calculating Service Charges

- 2.5.1 Service charges do not form part of Government's rent restructuring regime. Service charges should be sufficient to cover the costs of the services provided.
- 2.5.2 A service charge reflects the cost of additional services which may not be provided to every tenant or leaseholder, or which may be connected with communal areas. The range of services provided depends upon the nature of each particular property. Tenants and leaseholders will only be charged for the services they are able to receive. The cost of these services will therefore be apportioned accordingly to all tenants or leaseholders able to access the service with no provision for tenants to opt out of any service provision / charge.
- 2.5.3 These service charges are based on Budgeted costs for the year, including increases for additional services or costs, or decreases for changes in service. Any offers of accommodation will clearly identify charges attached to the property and the amounts involved.
- 2.5.4 Where a new service is to be introduced or where it is proposed to significantly alter an existing level of service, then FCHO will consult with those affected using established consultation methods.

2.6 Heating Charges

- 2.6.1 Some tenants have domestic hot water and heating supplied to their homes through a communal boiler. Where a customer does not have a prepayment meter then the cost of this service is charged back to them on an individual basis as a service charge.
- 2.6.2 Heat meters have been introduced to enable tenants to individually control the amount of hot water and heat used and meters are read on a quarterly basis.
- 2.6.3 Where customers are not on a prepayment meter then quarterly statements are sent to tenants informing them of their consumption and weekly charges. Any changes to the weekly charges (based on actual consumption levels) will be notified to the customer 28 days in advance.

2.7 Methods for Calculating Affordable Rents

- 2.7.1 Affordable Rents will be charged on all new build properties built under the Affordable Rents Programme and on "Conversion" properties.
- 2.7.2 "Conversion properties" are where existing housing stock has been transferred from a "social rent" to an "affordable rent" and the additional rental income is used to support the development of new social housing.
- 2.7.3 Affordable rents will be calculated in accordance with the Regulator for Social Housing's (RSH) Rent Standard and guidance, which states that Affordable Rents will be up to 80% of Market Rent, inclusive of any service charges. From 1 April 2020 each Affordable Rent will be increased up to CPI plus 1%, with the exception of year commencing 3 April 2023 where increases are capped at 7%.

2.7.5 When a property is let at an Affordable Rent, FCHO will continue to let the property at an Affordable Rent. Once these properties become available for re-let in the future, the rent will be rebased to establish the current Market Rent, and a new affordable rent tenancy will be issued for the property, to ensure that the affordable rent remains no more than 80% of the market value, inclusive of all service charges.

2.8 Methods for calculating Shared Ownership Rents

2.8.1 A Shared Ownership home assists lower income households and first-time buyers to purchase a property. For Shared Ownership homes, the initial equity purchased, and any subsequent purchase of tranches are subject to the Shared Ownership Policy. The rent calculation provided at 2.8.2 below will apply.

2.8.2 Where FCHO has developed new properties for Shared Ownership, the annual rent at initial sale will be 2.75% of the value of the unsold equity at the property. See example below:

Property value at initial sale	£200,000
Equity share purchased at initial sale	30%
Payment to FCHO at initial sale	£60,000 (£200,000 x 30%)
Equity share retained by FCHO	70%
Value of share retained by FCHO	£140,000 (£200,000 x 70%)
Max annual rent	£3,850 (£140,000 x 2.75%)
Max rental payment	£80.21 per week (48 weeks)

2.8.3 As the shared owner purchases greater shares in the property, the rent will fall to the proportion of unsold equity.

2.8.4 In setting rents, FCHO will have regard to the affordability of the total housing expenditure to the customers, including mortgage costs, rent and service charges.

2.8.5 Rents and service charges must be reasonable and consistent with those agreed at bidding stage and in compliance with the RSH's standards.

2.8.6 Once the setting of rent increases has been decided on and written into the lease, then the provisions of the lease will be binding.

2.8.7 Annual rent increases are to be limited to the Retail Price Index (RPI) plus 0.5%, using the RPI figure for a specified month which is published annually. For the year commencing 3 April 2023 increases have been capped at 7% in line with the governments November Budget statement.

2.8.8 Rent to Buy properties can be increased by up to CPI plus 1%, with the exception of year commencing 3 April 2023, which is capped at 7%.

2.8.9 Please refer to the Rent to Buy and Shared Ownership Policy which details requirements that must be followed when developing, managing and selling Rent to Buy products developed by FCHO.

2.9 Collection of Rent and Service Charges

- 2.9.1 Rents and service charges will be reviewed on an annual basis. The rent and service charge review will be implemented annually and will ensure that letters and communication with customers meets any statutory obligations for implementing rent and service charge changes.
- 2.9.2 Rents and service charges will be calculated over 52 week and collected over 48 weeks. There are four non-chargeable weeks. There are some years where there are 53 Mondays in a financial year. Where this occurs, rent and service charges will be collected over 49 weeks. Customers will be advised each year of the non-chargeable weeks. In these weeks rent will not be charged for.
- 2.9.3 FCHO will offer services and provide information to customers that will assist them in paying their rent and service charges and accessing housing benefit and any other welfare benefits.

2.10 Performance Measure and Targets

- 2.10.1 Rent levels for all FCHO properties will be recorded within the Statistical Data Return (SDR). This ensures that the regulator is aware of rents and can monitor progress against other registered providers.
- 2.10.2 FCHO will monitor rent levels and rental income generated under this Policy.
- 2.10.3 Reports will be submitted to Board as part of the budget setting and monitoring process.

2.11 Roles and Responsibility

- 2.11.1 The Chief Finance Officer is responsible for the effective implementation of this Policy.
- 2.11.2 It is the responsibility of the Board to take appropriate decisions in relation to rent and service charge setting in accordance with recommendations relevant guidance and legislative requirements from the Chief Finance Officer and the Chief Executive.
- 2.11.3 Reports will be prepared for the Board with recommendations for annual charges to rents and service charges based on FCHO's Rent and Service Charge Setting Policy.

2.12 Monitoring and Review

- 2.12.1 FCHO will set rents in line with the Government's rent restructuring regime.
- 2.12.2 This Policy will be reviewed annually, unless legislation or sector developments require an earlier review. This will ensure that the Policy continues to represent best practice and the objectives of FCHO.

3. Legislative or other Guidelines

3.1 The Secretary of State for Housing, Communities and Local Government published on 26 February 2019 a ‘Direction to the Regulator’ to set a Rent Standard that will apply from 1 April 2020. That Direction was published alongside the Government’s Policy Statement on Rents (the Policy Statement) and the regulator is required to have regard to this when setting its Rent Standard. This policy does not apply to service charges.

4. Equality and Diversity

4.1 It is our intention to provide a fair approach to the letting of homes, ensuring that no customer experiences discrimination relating to the protected characteristics defined in the Equalities Act 2010.

4.2 We are committed to providing clear and easily understandable information. Support will be offered to customers who have difficulty reading or understanding this Letting Policy.

5. Links to First Choice Home Oldham’s Corporate Plan 2022-25.

Landlord: Excellent landlord services
 Community: Create independent and resilient communities
 Development: Build desirable homes

MONITORING, APPROVAL AND REVIEW	
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Electronic File Location	S:drive/hsg-general/policies, strategies and assurance/current policies FCHO Website FCHO Colleague Hub
Copy available from	