

<b>Policy title:</b>	Rent Setting & Service Charge Policy		
<b>Scope:</b>	Housing		
<b>Policy owner &amp; job title:</b>	John Lindsay – Executive Director Finance		
<b>Approver:</b>	Aspire Housing Board		
<b>Date:</b>	30/05/17	<b>Review Due Date:</b>	30/05/2020

## 1. POLICY STATEMENT

1.1 Aspire Housing sets its rents and service charges in accordance with the following principles:

- Rents and service charges will be affordable to our customers whilst maintaining the financial viability of the organisation
- Rents will be set in accordance with statutory and regulatory requirements
- We will communicate clearly and transparently to our customers the charges relating to their tenancy, and notices of any changes to those charges will be compliant with the relevant legislation

### Equality & Diversity:

This policy has been considered against our Equality and Diversity Policy and no additional provisions are required.

## 2.0 RENT POLICY

### **Rent setting framework**

2.1 Aspire Housing's policy is to provide high quality and affordable rented housing that provides value for money to its customers.

2.2 Where appropriate, rents will be set in compliance with the government's rent setting framework as set out in the HCA's Rent Standard.

2.3 The Rent Standard defines two types of rent: "formula" and "affordable".

### **Formula rents**

2.4 Formula rents are set in accordance with a government defined formula which aims to ensure that social rents across the country are comparable and equitable, and this takes account of the following factors:

- Average local earnings relative to the national average
  - Property valuations
  - The number of bedrooms
- 2.5 Prior to April 2016, once a formula rent (previously known as “target rent”) had been set, Registered Providers had flexibility to apply a tolerance up to  $\pm 5\%$  of the formula, and up to  $\pm 10\%$  of the formula for supported housing. In order to ensure that rent levels are sufficient to meet our obligations to customers, maintain our properties to at least the Decent Homes Standard, and to maintain the financial viability of our business plan, Aspire Housing applied the maximum flexibility to all of its formula rents, and set rents at formula + 5% for general needs properties and formula + 10% for supported housing. The option to apply these tolerances has now been withdrawn for general needs properties, but has been retained for supported housing properties, and Aspire will continue to set formula rents using the 10% tolerance.
- 2.6 Many of Aspire’s properties have rents that are below the formula rent, and there is currently no mechanism to achieve convergence with the formula rent whilst the property is let.
- 2.7 The re-let rent for social rented properties will be the higher of the existing rent and the formula rent (including tolerance for supported housing).
- 2.8 During the four year period commencing in April 2016, the formula rent and all existing rents will be reduced by 1% annually.

**Affordable rents**

- 2.9 Homes may be let on an affordable rent where a delivery agreement for new supply of social housing has been entered into between a Registered Provider and the HCA under the Affordable Homes Programme (AHP) Framework. RPs that have a Framework Delivery Agreement (FDA) for new social housing supply, as is the case with Aspire Housing, can also convert other vacant properties at re-let, within the scope of that agreement, to affordable rent. Any additional rent generated from affordable tenancies over and above the formula rent will be re-cycled to fund new affordable housing.
- 2.10 All of Aspire Housing’s AHP funded new supply of social housing will be let on affordable rent terms.
- 2.11 Affordable rents will be set at a maximum of 80% of gross market rent inclusive of property related service charges. In accordance with the HCA rent standard, valuations for initial affordable rent setting will be in

accordance with a Royal Institute of Chartered Surveyors (RICS) recognised method.

- 2.12 Affordable rents will be subject to an annual reduction of 1% over the four year period commencing in April 2016.
- 2.13 Where an affordable rent property is re-let, the affordable rent will be re-set based on a new valuation if the previous valuation was obtained more than three months before.
- 2.14 Properties will be selected for conversion from formula rent to affordable rent based on a number of factors, including their location and market value.

#### **Shared ownership rent**

- 2.15 The rent for shared ownership properties will be set at 2.75% of the unsold equity in the property, in accordance with HCA recommendations.
- 2.16 Annual rent increases on shared ownership properties will be in accordance with the terms of the lease. The four year rent reductions do not apply to shared ownership properties.

#### **Other tenancies**

- 2.17 Aspire Housing has a small number of mortgage rescue tenancies which are not subject to the annual rent reductions applied to the social and affordable housing stock. Aspire sets the rents for mortgage rescue properties at 80% of the gross market rent in accordance with mortgage rescue scheme rules.

#### **Residential market rents**

- 2.18 Residential market rents will be set as and when required based on a market rent valuation carried out by a member of the Royal Institute of Chartered Surveyors.

### **3.0 SERVICE CHARGES**

- 3.1 Service charges will be set taking into account the full cost of the service provided. Where services are provided to neighbourhoods rather than directly to specific properties, the costs will be apportioned reasonably between the households within that neighbourhood.
- 3.2 The service charge to tenants will be fixed annually based on the principle of recovering the costs associated with the service provision, including a reasonable allowance for administration costs.
- 3.3 Leaseholder service charges will be variable and based on the actual cost of service provision, including a reasonable allowance for administration costs. An estimated charge will be set at the commencement of each financial year,

and leaseholders' accounts will be settled after the end of the year once the actual costs have been finalised.

#### **4.0 NON-HOUSING RENTS**

##### **Garage rents**

- 4.1 Garage rents will be set on an annual basis having regard to a combination of factors which may include but not limited to: demand, requirement for investment, benchmarking with rents charged by other Registered Providers and Local Authorities within our operating area.

##### **Commercial shop units**

- 4.2 Commercial shop unit rents will be set as and when required based on a market rent valuation carried out by a member of the Royal Institute of Chartered Surveyors combined with advice on the best overall commercial outcome for the business. This may include but will not be limited to rent free periods, stepped rents, break clauses and rent deposits.

#### **5.0 CONSULTATION**

- 5.1 Customers will be consulted on any new proposals regarding rent setting principles and rent setting mechanisms.
- 5.2 Aspire Housing will provide clear information to its customers on the mechanisms established for setting rents and service charges, and on annual and projected rent increases.
- 5.3 Aspire Housing will provide customers with comparative rent levels for different sizes of homes within its own stock and those of other registered social landlords with homes in the area.

#### **6.0 REVIEW**

- 6.1 The Board will formally review this policy every three years, or earlier should the need arise through legislative changes or other factors.
- 6.2 Rent and service charges will be reviewed annually and rent increases or decreases will take effect on the first Monday in April.

#### **7.0 RESPONSIBILITIES OF EMPLOYEE**

- 7.1 All employees responsible for rent setting and service charges on behalf of Aspire are required to adhere to this policy and to seek support as required from the Finance Team.

## **8.0 RESPONSIBILITY OF ASPIRE**

- 8.1 Aspire will support employees to adhere to this policy, providing clear and timely guidance as required.