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## **1. Introduction**

- 1.1. This policy sets out our approach to the setting of rent and service charges. Its aim is to ensure that we comply with all relevant legislation, Regulator of Social Housing regulatory requirements and recognised best practice.

## **2. Policy Statement**

- 2.1. The policy will ensure that a consistent approach to rent and service charges is adopted, regardless of tenure. With this policy, rents will be affordable, comply with relevant legislation, regulatory standards, and ensure the financial stability of the District Councils' HRAs.
- 2.2. The policy applies to Babergh and Mid Suffolk tenants and leaseholders of any Council-owned accommodation. It also applies to people we house under licenses in temporary accommodation, be it Council-owned or leased accommodation.
- 2.3. The Council will comply with all relevant legislation and regulatory requirements.
- 2.4. We shall provide clear information to tenants that explains how their rent and any service charge is set, and how they are changed.

### 3. Rent Setting

- 3.1. **Frequency of charging.** In line with the Babergh and Mid Suffolk tenancy agreement, rent will be charged weekly every Monday.
- 3.2. **Property category.** The setting of rent will be determined according to the following categories and the Regulator of Social Housing's Rent Standard:

Category	Rent based on
Existing general needs properties	Formula rent, or affordable rent for properties which have previously been converted under an agreement with Homes England or Secretary of State.
Sheltered housing	Formula rent
Properties bought on open market or through s.106 process	Typically affordable rent, provided that the terms for purchase or development meet with the requirements of Affordable Rent under the Rent Standard i.e. with an agreement via Homes England or Secretary of State. Otherwise, formula rent shall be charged.
Properties developed by Babergh & Mid Suffolk District Councils	Either affordable rent or social rent. Charging affordable rent only where the development meets with the requirements for Affordable Rent under the Rent Standard i.e. with an

	agreement via Homes England or Secretary of State.
Temporary accommodation	Formula rent
Temporary accommodation which fully meets the criteria of the Temporary Accommodation excluded category within the Rent Standard 2020	The rent charged shall be set at the relevant Local Housing Allowance (LHA) rate, provided this does not exceed current market rents for similar properties in the locality
Shared ownership	Set at 2.75% of the value of the unsold equity at the point of initial sale
Garages	Garage rent setting is not included within the scope of this policy.
Ground Rent	Fixed by the lease, is an annual charge and not subject to review.

- 3.3. **Formula rent.** Formula rents are set in accordance with the formula set out in the Government's Rent Policy Statement and the Rent Standard 2020.
- 3.4. The formula rent for each social rent general needs or sheltered housing property will be applied at the point of re-let and the issuing of a new tenancy agreement. Formula rent will also be applied in this way for temporary accommodation unless it is accommodation which is excluded from the Rent Standard.
- 3.5. For clarity, the rent will not change in the case of assignments, including mutual exchanges, or in the case of successions (unless the successor moves to alternative accommodation). In these cases, the existing rent level will continue to be charged.
- 3.6. If the number of bedrooms within a property changes as a result of an extension or alteration to the property, a new formula rent will be determined based on a revised 1999 valuation of the property. The new rent will be charged to the existing tenant at the time of the next annual rent increase following completion of the works.
- 3.7. **Rent flexibility.** The Government's Rent Policy Statement recognises the need for discretion over rent levels to take into account local factors and concerns. As a result, the policy allows the Council to use some flexibility in setting rents up to 5% above formula rent or 10% above formula rent for supported housing.
- 3.8. This therefore permits Babergh or Mid Suffolk District Councils to increase rental income in order to respond to local factors and enable to the provision of a better service to our tenants, for example, to increase investment in services or

accommodation, to tackle local issues, respond to the climate emergency or to reduce the carbon footprint of our homes.

- 3.9. Rent Flexibility has been utilised in the past for a relatively small number of properties.
- 3.10. Due to the current economic climate and challenges around affordability for the Council's tenants, Rent Flexibility will not be used for any new tenancies. Should there be a requirement to change this decision and adopt any level of Rent Flexibility in the future, a decision will be taken by full Council and will have a clear rationale, considering local circumstances and affordability. Tenants will be consulted about the proposals and their views taken into account by the Councils.
- 3.11. **Rent cap.** The Government's Rent Policy Statement sets out limits to formula rent charges which is known as a Rent Cap.
- 3.12. Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap will be used instead.
- 3.13. **Affordable rent.** Affordable rents are typically higher than social rents. The intention behind this rent model is to generate additional capacity for investment in new affordable housing. The rent for affordable rent housing (inclusive of service charges) must not exceed 80% of gross market rent.
- 3.14. 'Gross market rent' means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector. Valuations of market rents will be established for each new property, or at re-let, using a RICS recognised methodology. Affordable rents will be set at 80% of this market rent or capped at the relevant Local Housing Allowance (LHA) rate if the LHA rate is lower.
- 3.15. An affordable rent should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged.
- 3.16. **Changes to rent.** The weekly rent will usually be changed in April each year. Tenants will be given at least 4 weeks' written notice of a rent increase or decrease.
- 3.17. Both formula and affordable rents will be reviewed annually and will be increased or decreased in line with the guidance contained within the Government's Rent Policy Statement and Rent Standard 2020.

- 3.18. Temporary accommodation which is excluded from the Rent Standard will have rents increased to the relevant LHA rate annually.
- 3.19. Annual changes to rent will be put to elected Members each year at full Council for their agreement prior to implementation.
- 3.20. **Temporary accommodation.** Rents will be set at formula rent in accordance with the Rent Standard 2020 where it applies.
- 3.21. **Temporary Accommodation excluded from the Rent Standard.** If units of temporary accommodation meet the criteria to be excluded from the Rent Standard a higher rent may be charged to as required to sustain the accommodation provision.
- 3.22. The rent charge may be set at LHA at the point of re-let and increased annually in line with LHA rates each April.
- 3.23. BMSDC will ensure that the rents in these settings remain below market rate levels in order for them to meet the definition of low cost housing/social housing as outlined in section 69 of the Housing and Regeneration Act 2008. At the point of increasing the rent, a valuation will be obtained using a RICS recognised methodology and the rent capped if necessary.
- 3.24. **Shared ownership.** Shared ownership properties are not covered by the Rent Standard 2020 but are covered by the Capital Fund Guidance for Shared Ownership.
- 3.25. As per Homes England guidance, the annual rent will be set at 2.75% of the value of the unsold equity at the point of initial sale.
- 3.26. The rent of all shared ownership properties is reviewed annually in April in line with the Retail Price Index (RPI) (in the previous September), plus 0.5%.
- 3.27. **Ground Rent.** Ground Rent is not covered by the Rent Standard 2020.
- 3.28. Where Ground Rent is applicable this is stated within the lease, the majority being fixed to the annual sum of £10.
- 3.29. Due to Ground Rent being a fixed amount, it is not subject to an annual review.

#### **4. Service charge setting**

- 4.1. A service charge is a charge payable by tenants or leaseholders to pay for services such as the provision of communal area services. Tenants do not pay for repairs and maintenance in their rented home as these are met by the landlord and included in the rents. Leaseholders do pay their share of these costs.
- 4.2. Service charges may include the following, although this list is not exhaustive:
- housing management services
  - caretaking
  - communal power and water supply
  - communal heating systems
  - communal cleaning including window cleaning
  - door entry maintenance
  - lift maintenance
  - grounds maintenance
  - management costs.
- 4.3. The determination of service charges for leaseholders will be in accordance with the provisions in their lease. However, residents of a shared building or estate will be charged on an equal basis for the same service, irrespective of their tenure.
- 4.4. For tenanted properties, fixed service charges will be set. The charges set are an estimate of the costs of providing services and are reviewed annually. We base the charge on how much it has cost to provide services in the previous year (the 12-month period ending on 1<sup>st</sup> October) and also take into account any upcoming one-off charges that we know of. We may also set charge for usage of capital assets (eg. Door entry systems) which allows us to maintain and replace items for the duration of their lifecycle, and for routine inspections and testing due in the year ahead.
- 4.5. Charges will be for services provided at the property or to the communal areas in the locality of it, from which the tenant, license holder or leaseholder benefits. Exemptions to this rule could be made if its application meant that a service became unaffordable, as could be the case with some intensive housing management services. In these cases, the service charges would be pooled across multiple locations.
- 4.6. Where new properties are built or acquired, to which chargeable services are provided, or properties are remodelled, resulting in a significant change in services, then service charges will be based on an estimate of actual cost until the end of the first full year of provision. Charges for subsequent years will be based on the actual cost.

4.7. New or extended service charges will be introduced where there is a requirement to further maintain communal facilities or provide new services. Babergh & Mid Suffolk Councils will consult with tenants and leaseholders regarding such changes. Charges for these services will initially be set on an estimate of the actual cost.

4.8. We may charge an additional charge for the administration of service charges.

4.9. It is important that services, and the charges for them remain affordable for tenants. Babergh and Mid Suffolk Councils will maintain oversight of service charges increases and annual changes will be put to elected Members each year at full Council for their agreement prior to implementation.

## **5. Appeals Process**

5.1. We commit to ensuring that tenants and leaseholders understand how their charges are set and relate to the services provided. If a tenant or leaseholder remains dissatisfied and believes that rent or service charges have been set incorrectly, they can raise a complaint via the complaints process.

## **6. Review and monitoring**

6.1. Income from rent and service charges is detailed in the quarterly financial reports and provided as a quarterly performance indicator.

6.2. The policy will be reviewed every five years or as legislation changes.