



Rent & Service Charge Policy

Overview:	This policy sets out how ECHBA sets Rents & Service charges
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1.0 Introduction/ Policy statement

- 1.1 This policy sets out how Eldonian Community Based Housing Association, (ECHBA), will set rents and service charges. The policy recognises ECHBA's statutory and regulatory responsibilities as a Registered Social Landlord (RSL) in the setting of rents and service charges.
- 1.2 ECHBA aims to provide high quality homes and services at affordable rents that will make our homes a better place to live. ECHBA's approach to rent and service charge setting enables investment in homes for our future.

2.0 Policy Aims & definitions

2.1 The aims of this policy are to ensure that ECHBA:

- Rents are affordable
- Services provided meet tenants and leaseholders expectations and needs
- Is compliant with all relevant legislation and the Rent Standard set by the Regulator of Social Housing (RSH)
- Maximises rent and service charge income in a way which demonstrates Business Plan viability
- Tenants and leaseholders are clear on how rents and service charges are set and the review processes
- Service charges are affordable, give value for money and reflect the actual cost of services provided.

3.0 Policy

3.1 Rent setting

Initial Rent Setting

Rents will be set at the start of each tenancy. They are set based on the tenure type and any development/funding arrangements with Homes England, (i.e. social rent, affordable rent, shared ownership, rent to buy etc).

Rents will be increased annually thereafter as detailed below.

ECHBA will give written notice of rent increases in line with the terms of the tenancy agreement or lease. For weekly tenancies, the notice period is usually four weeks and for monthly tenancies, one month, all taking effect on the first day of the next period of the tenancy following the notice to increase.

3.2 Social Rents

Rents for social housing are generally set using the formula rent. These calculations are as defined in the *Policy statement on rents for social housing 2020* (see below for calculation method). If the formula rent for a property is higher than the affordable rent (inclusive of service charges) the maximum weekly rent that can be charged is the formula rent and this is calculated exclusive of service charges.

Social Rents will be reviewed annually, and rent will increase yearly in April by CPI (as of September of the previous year) + 1%.

3.3 Affordable Rents

Although ECHBA do not currently let properties on affordable rents, if in the future new development was via government funding, (i.e. the affordable homes programme), the formula for setting affordable rents would be employed.

Affordable rents are set at 80% of the current market rent (inclusive of service charges) based on a valuation of market rent (inclusive of service charges) made in accordance with the method recognised by the Royal Institute of Chartered Surveyors (RICS). Where the affordable rent is in excess of the Local Housing Allowance (LHA), ECHBA will restrict the rent level to the LHA.

Weekly Formula Rent is equal to:

70% of the National Average rent
Multiplied by relative county earnings
Multiplied by the bedroom weight

PLUS

30% of the national average rent
Multiplied by relative property value

Ministry of Housing, Communities and Local Government Policy statement on rents for social housing 2020

An affordable rent should be no lower than the potential formula rent for the property therefore if this would be the case ECHBA will charge the formula rent.

Relets

When an affordable rent tenancy is let to a new tenant (or re-let to an existing tenant), ECHBA will re-set the rent based on a new valuation. Tenancies re-let to the same tenant as a result of a probationary tenancy coming to an end will not be re-set.

Rent increases

Affordable Rents will be reviewed annually, and rent will increase yearly in April by CPI (as of September of the previous year) + 1%.

3.4 Fair Rents, (secure tenancies)

The rules for fair rents, (secure tenants), for regulated tenants are set out in the Rent Act 1997.

An application to fix a fair rent must be made to the Rent Officer. The application must be made on the relevant forms prescribed by the regulations.

The rent officer will set a fair rent and must hold a consultation if either party requests it.

A registered rent can take effect from the date of registration by the rent officer. ECHBA must serve a notice of increase before the rent can be increased to the new level. The notice must be in the prescribed form and specify the increase and the date from which it will take effect. The date must not be earlier than the registration took effect and not more than four weeks before the date of the notice.

Once a fair rent has been registered it cannot generally be reconsidered by the rent officer for a period of two years. ECHBA can apply for a new rent during the last three months of the two-year period even though any new increase will not be effective until the two-year period has ended.

The maximum weekly that can be charged for fair rents is the lower of fair rent set by the rent officer and formula rent.

ECHBA may not increase the rent of a fair rent protected tenant by more than CPI +1% in any given year, (even if the tenants rent is below the formula rent level and the maximum fair rent is increased by more than that amount).

3.5 Shared Ownership

Rent setting

The rent on a shared ownership property is determined by the terms of the shared ownership lease. The rent will be initially set at 2.75% of the value of the unsold equity in the property at the lease start date. The purchase price for a property is determined using the RICS recognised methodology.

Rent increases

Rents will be reviewed annually, and rent will increase yearly in April in accordance with the rent increase mechanism stated in the lease. Rent increases will be set at RPI (in September the previous year) + 0.5% per annum.

Shared ownership rents will reduce proportionally upon staircasing in accordance with the lease and reduced equity levels owed.

3.6 Service Charges

Service charges are paid by tenants and leaseholders in addition to rent. Rent covers all charges associated with the occupation of the property such as maintenance and general housing management services.

Service charges cover additional services which relate to communal facilities and areas and additional support or fuel payments supplied by the landlord or on behalf of the landlord within the tenancy agreement.

Service charges are subject to separate legal requirements. ECHBA limits the cost of providing these services to the costs incurred in the provision and management of them, known as "variable", service charges.

ECHBA will set services charges in a reasonable and transparent way. Charges will reflect only the services provided. Tenants and leaseholders will be supplied with clear information on what service charges cover and how they are set.

Although service charges are not governed by the same factors as rent, ECHBA will endeavour to keep service charge increases within the limit on its rent changes, of CPI + 1%. If new or extended services are introduced and an additional charge is applied, ECHBA will always consult with tenants and leaseholders.

Service charges can include costs for major works to the building or the communal areas of an apartment complex or estate. ECHBA tenancy agreements and leases set out our obligations in respect of the provision of services and outline how the costs of the services are apportioned between residents. Where there is no specific apportionment required by the lease, this will normally be applied on a pro-rata basis, based on the number of homes receiving the service and/or size of property.

If ECHBA over or under collects the cost of services provided, it will offset this against the following years' variable service charge.

In accordance with Section 20 of the Landlord and Tenant Act 1985 (as amended by S151 of the Commonhold and Leasehold Reform Act 2002). ECHBA will consult with leaseholders before carrying out qualifying works or entering into a long-term agreement for the provision of services.

3.7 Services provided

Service provided differ between property types and tenures and typically include, But are not limited to:

- Grounds maintenance – grass cutting, hedge maintenance
- Cleaning of communal areas – corridors, stairwells, bin rooms, communal open space
- Cleaning communal windows
- Door entry system maintenance – maintenance contract and repairs
- Lift maintenance – maintenance contract and repairs
- Fire alarm maintenance – maintenance contract and repairs
- Safety inspections - including legionella testing, fire alarms and emergency lighting
- Emergency lighting – maintenance, servicing, and provision of emergency lighting
- Fire equipment – maintenance, servicing, and replacement of fire-fighting equipment
- Communal electricity – for internal or external areas

- Communal water – water services for communal areas
- Communal parking and unadopted roads
- Pest control in communal areas
- Repairs to communal areas
- Buildings insurance
- Communal heating
- Management administration costs
- Contributions to wear and tear funds for future maintenance (sinking fund) and the provision of energy by separate contract directly to each householder

3.8 Sinking Funds

For leaseholders, ECHBA will collect sinking and/or reserve funds in advance, for the planned maintenance/renewal/replacement of major building elements and communal facilities, over their anticipated lifespan.

Sinking funds will be held in separate accounts and will be used for that specific scheme. For works not covered by the sinking fund, or where monies held in the fund are insufficient for the works, ECHBA will issue supplementary invoices to leaseholders to cover their additional portion of the costs. ECHBA may offer leaseholders payment by instalments of such invoices.

3.9 Management administration fees

ECHBA will charge a management fee of 15% of the cost of services provided to cover the costs incurred when providing and managing these services.

3.10 Service charge Value for Money

ECHBA is committed to delivering value for money in procurement and provision of all services and contracts. New contracts will be subject to competitive tendering under its procurement guidelines. All contracts are supervised and managed to ensure they deliver the standards of service and cost effectiveness ECHBA expects.

3.11 Notification of Estimated Service Charges

ECHBA will aim to provide information on variable service charges that are accurate and informative to residents. For tenants and leaseholders, estimated statements will be produced and sent with the details of the rent for the next financial year, normally at the end of February. The estimated service charge is based on the actual expenditure for the previous 12-month period with an uplift for inflation not exceeding CPI +1% added where applicable.

3.12 Consultation

ECHBA will provide opportunities for residents to provide feedback and input into the services provided, the standard of services they receive and if they are delivering value for money.

ECHBA will consult with residents on:

- New or proposed services
- Renewal of service contracts (not utilities)
- Removal of services and/or making significant changes to existing services.

Consultation will be held through a range of mediums including individual meetings, group meetings, scheme meetings and through correspondence.

3.13 Eligible Charges

Most service charges are eligible for Housing Benefit or Universal Credit housing component. They are known as eligible charges which usually include any communal services.

3.14 Ineligible Charges

Types of charges which are not eligible for Housing Benefit or Universal Credit housing component include the following. This list is not exhaustive.

- Fuel and water charges (unless they relate to a communal area)
- Personal care and support.