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| Policy Name: | Version: | 2.0 |
| Rent and Service Charge Policy | Date approved by Board: | Sept-2021 |
| | Date of next review: | Sept-2022 |

1. Introduction

- 1.1 The purpose of this policy is to outline the approach that Fairplace Homes (Fairplace) takes to setting rents and service charges. In setting rents and service charges Fairplace will be transparent with tenants and comply with all relevant legislation and regulations.
- 1.2 The policy will enable Fairplace Homes to:
- Set rents in a fair and transparent manner
 - Set rents at a level that is affordable for tenants
 - Ensure that rental income is sufficient to provide and maintain Fairplace's homes to a good standard
 - Work in a collaborative manner with Local Authority and commissioning partners
 - Set rents below the market level
- 1.3 This policy applies to all Fairplace rental properties. All staff and subcontractors are expected to work in line with this policy.

2. Definitions

- 2.1 Intermediate Rent: shall have the meaning as set out in The Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016
- 2.2 Specialised Supported Housing: shall have the meaning as set out in The Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016

3. Legal and Regulatory responsibilities

- 3.1 Fairplace's Rent and Service Charge Policy complies with the following regulatory and legal requirements:
- The regulatory standards – RSH
 - Housing and Regeneration Act (2008)
 - The Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016
 - Welfare Reform and Work Act 2016

4. Rent Setting

- 4.1 Rents will be set in line with any s106 agreements and relevant legislation and regulation. In setting rents Fairplace will meet the requirements of the rent standard (April 2020) and the *Policy statement on rents for social housing* (MHCLG Feb2019), as applicable.

- 4.2 In setting rents Fairplace recognises the need to work collaboratively with Local Authority partners, and within the framework set out in this policy will seek to take a partnership approach to rent setting. To help ensure transparency and continuity for the vulnerable occupant, the cost of any leases to Fairplace (particularly for SSH) will be agreed as part of the commissioning arrangement.
- 4.3 Fairplace recognises that local authorities have access to data providing the most rounded view of the local market for comparable accommodation and will draw upon that, as appropriate, for assurance that rental levels are below the market rate.
- 4.4 Intermediate Rent - Fairplace will let properties at an intermediate rent rate when there are no conditions that mean they are required to use another tenure.
- 4.5 Intermediate Rent properties will be let at below the relevant market rental rate. The market rental rate will be determined by an independent surveyor using a RICS valuation methodology.
- 4.6 Specialised Supported Housing - Setting rent at the right level is essential to ensuring that Fairplace is able to provide the specialised supported housing it delivers and provide management of these homes.
- 4.7 Rent levels will therefore be set to take into account:
- The cost of the lease on the property to Fairplace
 - The cost of managing and maintaining the property (including allowances for voids, cyclical repairs, sinking funds, etc)
 - The cost of providing additional housing-related support to our customers within the property
- 4.8 These three elements together will provide a 'base rent' for the property, which will be used as the basis for letting a new property.
- 4.9 The cost of the lease will be fixed as part of the commissioning arrangement entered into to ensure the provision of the home to a person in need.
- 4.10 The management costs element of the rent will be calculated based on:
- Actual contracts in place for repairs and maintenance
 - Actual cost of building and contents insurance
 - % sinking fund
 - % management costs
 - % void allowance
- 4.11 All rents will be tested against the market on the basis of the RICS comparable valuation methodology, with comparable private sector properties (delivering support to a similar client group), being used as the comparison group. These will (where possible) be local properties, however, due to the nature of our properties, market comparators from other areas may have to be used and adjusted.

5. Rent Review

- 5.1 Rents will be reviewed annually in good time for an effective date of 1st April each year. Rents will not increase for properties which have been let within 3 months of the rent review date, however rent decreases will still apply.
- 5.2 For market and intermediate rents a new market rent rate will be determined, and any uplift or reduction applied as is appropriate. Rents will not be increased by more than CPI + 5% in any year, to guard against dramatic increases in the market rent (against which intermediate rents are set).
- 5.3 When properties are re-let the rents will be 'reset' on the basis of the initial rent calculation, taking into account any relevant legislation or regulation that applies.
- 5.4 Any tenant who feels that their rent has not been set in accordance with the policy can appeal using the process set out in Fairplace's complaints policy.
- 5.5 Specialised Supported Housing rents will be reviewed yearly on the lease date anniversary.

6. Setting Service Charges

- 6.1 Fairplace will normally use variable service charges for its rental properties and will set service charges annually, based on estimated costs for providing services. The actual charge will be reconciled within three months of the end of each financial year.
- 6.2 After reconciliation, any credit will be refunded to the tenant within 3 months of reconciliation. Where the tenant is in debit, this will be apportioned over the following 12-month period.
- 6.3 Where there are substantial costs associated with administering a variable service charge regime, disproportionate to the benefit of providing a variable service charge, the board may be asked to approve the use of a fixed service charge regime.
- 6.4 Service charges will be set before properties are let and the costs will be included on adverts for the property and in the affordability assessment so that applicants are aware of these costs.

7. Service Charge Items

- 7.1 Service charges will be used to recover the costs, if applicable, of:
 - Communal services and communal maintenance where properties are part of a block
 - Estate maintenance and management costs where the properties are part of an estate
 - Buildings insurance
 - TV aerials or satellites where these provide a service to tenants
 - Provision of heating or utilities to a tenant (where possible these costs will be metered and charged on a variable basis)
- 7.2 The following items will not form part of service charges:
 - Repairs and maintenance (although tenants may be recharged for repairs required due to malicious damage, or which are not covered by fair wear and tear)

- Capital improvements to our properties

8. Monitoring and Reporting

8.1 The board have overall responsibility for this policy. Rents will be set annually by the board, and the board will approve any changes in the rent levels.

8.2 The board will receive assurance that the policy is being complied with through reports on the rent setting process and internal audit activity.

9. Policy Review

9.1 This policy will be reviewed every 2 years.