



Ongo Homes

Rent and Service Charge Setting Policy 2022 /2023

March 2022

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Manager**

<u>Version No.</u>	<u>Purpose/Changes</u>	<u>Approval Date</u>	<u>Approved By</u>	<u>Suggested Review Date</u>
V10.0	Annual update	29th March 2022	Group Common Board	March 2023
V9.0	Annual update	26 th January 2021	Group Common Board	March 2022
V8.0	Annual update	28 th March 2019	Ongo Homes Board	December 2019

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1. Our policy is...

- 1.1 To set rents and charges at a level that complies with current guidance, is affordable, justifiable and maintains the stability and viability of the Ongo Homes (OH) Business Plan.
- 1.2 To follow Government, the Regulator of Social Housing, Royal Institute of Chartered Surveyors and National Housing Federation methods and guidelines in our approach to setting rents, charges and service charges.
- 1.3 To treat customers fairly and consistently in our approach to rent and service charge setting.
- 1.4 If during the period this policy is in place a need arises to charge a rent that is not covered within, the EMT or appropriate Board will be asked to approve this as a separate issue until the policy is reviewed again, when such a change will be incorporated into it.

2. It applies to...

- 2.1 This policy applies to:
 - ✓ All OH tenancies that fall under the Rent Standard;
 - ✓ All OH-owned garages let to tenants, leaseholders and non-tenants.
- 2.2 It does not apply to commercial properties or leaseholders.

3. Because we want to...

- 3.1 Define the way that OH sets and calculates rents & service charges.

4. We will...

4.1 Social Rents

- 4.1.1 The OH Board will agree the rents to be charged each year and any changes will normally be applied with effect from the first Monday in April of each year.

- 4.1.2 We will set social rents in accordance with the relevant legislation and/or the Regulator's Rent Standard Guidance in force at the time and we will take account of the desire to keep rents affordable whilst maintaining the stability of the OH Business Plan. Notwithstanding section 4.1.3 below, when calculating rents, the Board will consider and review rent levels across the wider geographical Yorkshire and Lincolnshire area and other such indicators of 'rent poverty' to ensure the objective in section 1.1 is achieved.
- 4.1.3 All existing rents will conform to the requirements set out by the Government's 2020 Rent Standard, which provides for a rent increase of Consumer Price Index (CPI) + 1% from 1st April 2020 for a period of 5 years.
- 4.1.4 All social rents are reassessed when the property becomes void and will be re-let at the full flexibility level above formula rent. The flexibility is 5% for general needs housing and 10% for supported housing.
- 4.1.5 The Ongo Homes Board have agreed the full 5% flexibility (10% for supported housing) above formula rent to support the ongoing development programme to achieve delivery targets for new properties set within our Corporate Plan and the Officer quality homes strategy and to contribute to the organisation's work on carbon reduction.

4.2 Affordable Rents

- 4.2.1 We will set affordable rents in accordance with the relevant legislation and/or Regulator Rent Standard Guidance in force at the time.
- 4.2.2 Affordable rents will be set at 80% of market rent or formula rent at first let, whichever is the greater. Affordable rent is inclusive of service charges.
- 4.2.3 Valuations for rent setting will be undertaken in accordance with a Royal Institute of Chartered Surveyors (RICS) recognised method and will follow any guidance issued by the Regulator on valuation for Affordable Rent tenancies.

- 4.2.4 Existing Affordable Rent tenancies will be subject to an increase of cpi +1% for five years from 01st April 2020.
- 4.2.5 New Affordable Rent tenancies will be set in accordance with 4.2.2 above. The increase for 2022/23 is 1.5% as advised by the District Auditor.
- 4.2.6 During the first year after the tenancy start date we may vary the rent once only by giving the tenant one month's notice in writing. This will ensure that all annual rent changes are brought in line and change in April of each year.
- 4.2.7 For continuing tenancies, all affordable rents will be reviewed every five years to ensure that the rent charged is no more than 80% of Market Rent.

4.3 Rent to Buy Rents

- 4.3.1 We will set 'Rent to Buy' Rents in accordance with a RICS recognised method in line with all relevant legislation, regulation and guidance in place at the time.
- 4.3.2 'Rent to Buy' property increases will be applied each year on the renewal date of the fixed term tenancy. The rent applied will be cpi +1% but will not exceed 80% of Market Rent.

4.4 Shared Ownership Rents

- 4.4.1 Rents for shared ownership homes are paid at a percentage of the unsold equity of the property in line with legislation and/or Regulator/Homes England guidance.
- 4.4.2 The rent for shared ownership homes will be reviewed periodically at the time set out within the lease agreement. Typically, this will be every year.
- 4.4.3 The rent will be increased in line with any proportionate increase in the Retail Prices Index (RPI) plus an amount, typically between 0.5% and 2%. Note that the rent is reviewed on an "upwards only" basis and will not go down when reviewed. This will be detailed in the terms of the lease.

4.5 Garage Rents

- 4.5.1 Garage rents will be charged at a flat rate for 48 weeks of the year (VAT will be applied where applicable).
- 4.5.2 Garage rent increases will normally be subject to an annual increase in April of CPI + 1%. CPI will be taken as at September of the previous year. However, the Board reserves the right to vary this depending on the current levels of demand. Garage Rents for 2022/23 have remained frozen at 2016/17 levels.

4.6 Collection Periods and Non Chargeable Weeks

- 4.6.1 Social, Affordable and garage rents will normally be charged for 48 weeks of each year with four non-chargeable weeks.
- 4.6.2 Tenants are expected to maintain their tenancies in accordance with their tenancy agreements at all times, including maintaining a credit balance on the account sufficient to cover the relevant period charge. Where this credit balance is not maintained, tenants will be expected to make payments on non-chargeable weeks.
- 4.6.3 In years where there are 53 Mondays in the month, we will charge 49 rent debit weeks with four non-chargeable weeks.
- 4.6.4 All other rents will be charged based on 52 weeks of each year and payment expected one week in advance.

4.7 How Service Charges Will Be Calculated

- 4.7.1 We apply variable service charges to our properties.
- 4.7.2 They are calculated based on the cost of the provision of a service in the previous year.
- 4.7.3 Where service charges increase, compared to the previous year, we cap the increase to £1.00 per week for each individual service charge item.

- 4.7.4 Where there is a reduction compared to the previous year, we apply the full reduction regardless of the amount.
- 4.7.5 All new tenants from May 2012 have been charged for the services they are receiving.
- 4.7.6 If a new service charge is introduced, this can only be applied to existing tenants with their consent. Our general approach is to charge new services only to new tenants from the date of implementation of that service.
- 4.7.7 Charges will normally be amended once each year in April based on the costs of providing the services in the previous year. Charges may be amended at other times in the year if there is a significant change in either the service provided or the costs of providing the service but only with the consent of existing tenants. In exceptional circumstances increases may be phased in for a period agreed by the ELT.
- 4.7.8 Where services have been provided but have not previously been charged for, then charges will be calculated as outlined above but only applied to new tenants.

5. Making sure we do what we say...

- 5.1 The Board and Chief Executive are responsible for ensuring that this policy is implemented.
- 5.2 The Director of Resources and Commercial Services, Head of Finance and the Financial Planning and Treasury Manager are responsible for preparing rent and service charge calculations and ensuring that these comply with the requirements of this policy.
- 5.3 Reports will be prepared for the Board and/or ELT with recommendations for annual changes to rents and service charges and these reports will be checked against the requirements of this policy.

5.4 Community Voice, our recognised panel, will be consulted on the review of this policy each year as part of the rent setting approval process.

6. Other things to bear in mind...

6.1 We will meet our obligations under any relevant legislation and regulation in the way we set our rents including the Welfare Reform and Work Act 2016, the Regulator’s Rent Standard Guidance and the Government’s Capital Funding Guide.

6.2 This policy also links to our:

- ✓ Delegations Framework
- ✓ Income Collection Policy
- ✓ Lettings Policy
- ✓ Homeownership Policy
- ✓ Shared Ownership Policy
- ✓ Rent to Buy Policy
- ✓ Leasehold Service Charge Arrears Policy
- ✓ Rent Setting Procedure
- ✓ Section 20 Consultation Procedure

7. We’ll look at this again...

7.1 In a years time unless there are any changes in regulation and/or legislation, or deficiencies are found that necessitate an earlier review.

8. What we mean...

Reference	Explanation
Affordable Rent	Affordable Rent is the rent level that we can now charge to new build properties and a small portion of our existing properties. These tenancies are let at a rent rate which is up to 80% of the market rent in the locality. These tenancies will be advertised through the Choice Based Lettings scheme and clearly marketed as such.
Assured tenancy	Introduced by the Housing Act 1988, it is a form of tenancy that grants a degree of security to the tenant. An assured tenant cannot be evicted without a reason.

Assured short-hold tenancy	It is a form of assured tenancy with limited security of tenure which was introduced by the Housing Act 1988 with important changes made by the Housing Act 1996. This type of tenancy is used for Starter Tenancies and Fixed Term tenancies.
Benchmarking	Benchmarking is the process of comparing one's business processes and performance metrics to industry bests and/or best practices from other industries. Dimensions typically measured are quality, time, and cost. Improvements from learning mean doing things better, faster, and cheaper.
The Regulator of Social Housing	Our regulator.
Consumer Price Index (CPI)	<p>The official consumer price index in Britain. It reflects the movement of prices in a range of goods and services used regularly, such as food, heating, household goods, bus fares and petrol. But the CPI leaves the costs of your home out of the calculation – so rises in mortgage payments, rents, and council tax, don't get reflected in it.</p> <p>The RPI does take account of those costs and usually gives a bigger figure for inflation than the CPI.</p>
Market Rent	Market Rent is the rent that any landlord/lettings agency can charge based on the type, location and desirability of a property through market demand.
Non collection or “rent free” weeks	The four weeks that OH does not make a charge (the charges for these weeks are spread out across the other weeks in the year).
Key Performance Indicators	A performance indicator or key performance indicator (KPI) is a measure of performance. Such measures are commonly used to help an organisation define and evaluate how successful it is, typically in terms of making progress towards its long-term organisational goals
OH Business Plan	The financial plan that contains all the income & expenditure for OH, calculated over 30 years.
Rent Convergence	The bringing together of social landlord rents (see rent restructuring and target rents, below).
Rent Poverty	The percentage of net weekly pay spent on rent. Tenants are deemed to be in rent poverty if the percentage of net weekly pay spent on rent exceeds 30% of this total.
Service charges	The monies paid by tenants and leaseholders to cover the landlords' costs in providing specific services to their property such as maintenance of the building structure, the cleaning, lighting and upkeep of common areas and any specific staff, such as concierge or support staff.

Shared Ownership Rent	Shared Ownership Rent is the amount payable for the share of the property (or unsold equity) that still belongs to the Housing Association.
Social Rent	The rent of a property which has been let under the Government's 1999 Rent Restructuring Regime at a Target Rent or a Phased Rent.
Formula Rents	Is the notional rent set for each social property (based on a combination of size, amenities & average earnings for the region) that allows rent restructuring to happen
Value Added Tax (VAT)	VAT is a tax you pay on most goods and services. You pay 20% VAT most of the time but less on essential items such as energy bills (5%) and food and children's clothing (Zero rated). Some things are exempt from VAT – e.g. postage stamps.

The types of rent & how we will apply them

Type of Rent	Where does it apply?	How will it be calculated?	When & how will it be reviewed?	Who will approve it?
Social Rent	<ul style="list-style-type: none"> To all our Social Housing Stock 	In line with relevant legislation and/or The Regulator of Social Housing’s Rent Standard Guidance	<ul style="list-style-type: none"> Existing rents will be reviewed on an annual basis in line with relevant legislation and/or The Regulator of Social Housing’s Rent Standard Guidance Subject to an increase in rents of cpi +1% from 1st April 2020 for five years All social rents are re-assessed when a property becomes void and will be re-let at the full ‘flexibility’ level above formula rent. The flexibility level is 5% for general needs housing and 10% for supported housing 	Group Common Board
Affordable Rent	<ul style="list-style-type: none"> Grant-funded new build properties Rent to Buy properties Identified re-lets in high value and/or high demand areas 	<ul style="list-style-type: none"> In line with relevant legislation and/or The Regulator of Social Housing’s Rent Standard Guidance Set at up to 80% of market rent Valuations will be done in accordance with a RICS recognised method and will follow The Regulator of Social Housing’s 	<ul style="list-style-type: none"> Existing rents will be reviewed on an annual basis in line with relevant legislation and/or The Regulator of Social Housing’s Rent Standard Guidance Subject to an increase in rents of cpi +1% from 1st April 2020 for five years 	Group Common Board

APPENDIX 1 – Rent Types Table

Type of Rent	Where does it apply?	How will it be calculated?	When & how will it be reviewed?	Who will approve it?
	<ul style="list-style-type: none"> Four & five bedroom properties 	<p>guidance issued on valuation for Affordable Rent tenancies</p>	<ul style="list-style-type: none"> Initial Affordable rents will be set at 80% of market rent or formula rent, whichever is the greater Services charges are included in the rent. This will also apply when a property becomes empty Whenever an affordable rent tenancy is issued for a property, we will reassess the rent to ensure it remains no more than 80% of the relevant market rent every five years 	
Rent to Buy Rent	<ul style="list-style-type: none"> Identified new properties to the business 	<ul style="list-style-type: none"> The rent will be set in accordance with RICS guidance. The rent will be set in accordance with RICS guidance 	<ul style="list-style-type: none"> Annual review on the anniversary date of the fixed term tenancy Increases will be cpi + 1% but will not exceed 80% of market rent 	ELT
Shared Ownership Rent	<ul style="list-style-type: none"> New builds identified at planning stage as shared ownership properties 	<ul style="list-style-type: none"> Rent will be charged on the unsold equity at a % recommended by The Regulator of Social Housing's Guidance. 	<ul style="list-style-type: none"> The rent paid to the Housing Association on the share not owned by the tenant will be reviewed periodically, usually every year, and will be increased in line with any proportionate increase in the Retail Prices Index plus an amount, typically between 0.5% and 2%. Note that the rent is reviewed on an "upwards only" 	ELT

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			basis and will not go down when reviewed. This will be detailed in the terms of the lease.	