

# Rent and Service Charge Policy

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## 1. Statement of Intent

It is the policy of Sunderland Council to set rents and other applicable charges that:

- comply with current guidance regulatory and legislative requirements
- are affordable and are at levels that can be reached by those in receipt of low income
- maintain the financial stability and viability of the organisation.

This policy sets out how we will set rents and other applicable charges to tenants in accordance with the Government and the Regulator of Social Housing's (RSH) guidelines and requirements.

## 2. Scope

The policy applies to all tenants and covers:

- Current tenants
- New tenants
- New build or acquisition, including affordable rent
- High income social housing tenants
- Service charges

This policy does not apply to charges collected on behalf of other organisations, for example, water rates.

## 3. Rent Payment Period

The weekly rent will be calculated over 52 weeks

## 4. Affordable rents

We will set affordable rents in accordance with the relevant legislation and RSH Rent Standard guidance relevant at the time. This extends to include new build properties of intermediate tenure, defined in the National Planning Policy Framework (NPPF) as homes for rent at a cost above social rent, but below market levels.

**4.1** Affordable rents will initially be set at 80% of market rent for an equivalent property of that size and location. This maximum figure is inclusive of service charges.

**4.2** Should a property not let at the determined affordable rent following three separate attempts, the Assistant Director of Housing may determine a reduced rent that is no lower than the equivalent formula rent for the property.

**4.3** Valuations for rent setting will be undertaken in accordance with a Royal Institution of Chartered Surveyors recognised method and will follow any guidance issued by the RSH on valuation for Affordable Rent tenancies. Valuations are required for any new affordable rent property and at the point of re-let of an affordable rent property.

## 5. Social Rents for existing tenants

The Council will approve the rents to be charged each year and any changes will normally be applied with effect from the first Monday in April each year. Tenants will be given four weeks' notice of the rent increase prior to the rent increase taking effect.

Rents will be set in accordance with relevant legislation and RSH Rent Standard Guidance applicable at the time. Existing rents will conform to the requirements set out by Government.

## 6. Social Rents for New Tenants

In accordance with the Government's rent policy, where properties have not yet reached formula rent, at the time of re-let following a vacancy the rent will be increased to the relevant formula rent for the property. This will also apply to existing tenants who are allocated a property through Sunderland's Council Housing Service, as these properties will be advertised at formula rent in accordance with Government rent policy.

**6.1** Where there has been major refurbishment of a property, or it has been extended, which results in a higher valuation of the period then the formula rent will be calculated using the revised valuation in accordance with the RSH Rent Standard and Government guidance.

If there has been a change in the number of bedrooms, then the formula rent may need to be revised at the time of re-let to reflect the bedroom weighting within the formula.

**6.2** The rent for properties that are converted from another use to social housing stock will be set at the formula rent (at the time of re-let) and changes in rent will be determined using the same formula that applies to other tenants. This applies where the property has previously been a dwelling or when it becomes a dwelling for the first time.

**6.3** Where there has been a succession, assignment to a person who would have qualified to succeed or a mutual exchange, the rent will stay the same and formula rent will not be applied, unless the rent is already at formula rent levels. Similarly, where discretion has been used to grant a new tenancy (for example, following a previous joint tenancy to a new sole tenancy, or to a person who was not qualified to succeed) then the rent will stay the same and formula rent will not be applied.

## 7. Social Rents for new tenants (Shared Tenancies)

If it is decided that a property will become available for Shared Tenancies, then the rent for the tenants who will share the property will be set in line with the formula rent for the whole dwelling, divided by the number of tenants that will be sharing.

Future changes in rent will be calculated using the same formula that applies to other tenants, in accordance with the regulator's Rent Standard.

## 8. Rent caps

Rent caps are in place and apply as a limit on social rent, as calculated by the formula rent. The rent cap for each property size is changed each year and published as part of the notification on Guideline Limit rent increase levels. Social rents cannot rise above the rent cap level for the appropriate size of property.

Rents will be reviewed annually to ensure no rents exceed the rent cap level for the size of property.

## **9. New development**

Rents for properties acquired through section 106 agreements will be set with due regard to the requirements to the section 106 agreement.

## **10. High income social housing tenants**

The RSH Rent Standard does not apply to accommodation let by registered providers to a social housing tenant household during a financial year where the household income was £60,000 or more in the tax year preceding the financial year in which the Rent Standard will not apply.

Rents for high income social housing tenants will be set based on the same method as new social housing tenants rent or new build in the case of a new build property.

## **11. Service charges**

Service charges will be set to ensure they are no higher than the cost of the services provided

The service charges will be reviewed and set annually in accordance with tenancy agreement and communicated to tenants four weeks prior to the varied charge taking effect.

**11.1** No new service charges will be introduced to tenants without consulting with affected tenants, this includes the introduction of new services and the introduction of charges for service currently delivered and not separately charged for.

**11.2** Service charges for tenants are VAT exempt. Service charges may be increased or decreased each year as set out in the tenancy agreement.

There may also be separate agreements entered into with tenants for a particular service, for example, furniture. Any changes will be made in accordance with the clauses within the individual agreements.

