

RENT SETTING & SERVICE CHARGES POLICY

Responsible Officer

Director of Finance

Aim of the Policy

The aim of this policy is to set rents and service charges for our tenants that they can afford if they work full-time in low paid employment. This will enable us to manage our properties well, to maintain them properly and to ensure that they meet the 'Phoenix Standard' for decency, whilst providing new housing and community resources in accordance with our corporate plan and vision.

Policy Statement

This policy sets out our approach to the setting of rent and service charges. It aims to make sure that we comply with all relevant law, the requirements of our regulator (the Regulator of Social Housing), any grant conditions for new build homes, stock transfer agreements and our tenancy agreements.

The Policy

Regulatory framework

As a registered provider, Phoenix complies with guidance issued by the Regulator of Social Housing when setting rents. For the period 1 April 2016 to 31 March 2020, the rules for rent levels were set in the Welfare Reform and Work Act 2016. As from 1 April 2020, the rules have been set by the 2020 Rent Standard issued by the Regulator of Social Housing. The new rent framework will apply for a five-year period up to 31 March 2025.

Rents

Phoenix applies a different rent setting approach to different categories of property. Phoenix charges social rents to all properties transferred from Lewisham Council in December 2007 and to all properties transferred from L&Q in November 2021 that were at the point of transfer being charged a social rent. It also charges social rents to all newly built or acquired properties where the Board decides to charge Social rents or this is set out in grant conditions.

All rents are set in accordance with the requirements of the Regulator of Social Housing. For most newly built or acquired properties, Phoenix will apply different rent regimes aligned with our overall policy aims and relevant grant conditions such as London Affordable rents, Affordable rents, Local Housing Allowance or Market Rents as agreed by Board on a scheme by scheme basis.

Social rents

Social rents are set for all properties transferred from Lewisham Council in 2007, properties transferred from L&Q at a social rent in 2021 and any new build or acquired properties where the

grant conditions require this or the Board decides to apply social rents. In all cases in accordance with the guidance and requirements of the Regulator.

Social rents are based on Formula rents which are calculated by reference to a national average social rent, adjusted to reflect local circumstances. In practice this means:

- 30% of the rent is based on the property value relative to national average social housing property values; and
- 70% of the rent is based on average local earnings relative to national average earnings and weighted according to the number of bedrooms.

From April 2020 the Regulator will allow the application of a 5% tolerance on top of Formula rents (subject to the overall rent caps on formula rents) when setting rents and the Board has agreed to set rents at the Formula rent plus 5% (subject to the relevant rent cap). The additional income supports the delivery of new housing and community services and takes account of the fact that the Formula rent + 5% is still substantially below market rents in our area.

Each year from 2020 to 2024, the rent charged and the Formula rent for a property will increase by the value of the Consumer Prices Index (in the previous September), plus 1%, (providing the rent cap has not been reached- in which case the increase will be only CPI).

Whenever a social rent property is re-let to a new tenant, its rent will be set at the Formula rent (including the annual CPI + 1% uplift) plus 5% as at the beginning of April in that financial year.

Except in the case of mutual exchanges where the rent charged is the same as the outgoing tenant.

Affordable rent

Under the Government's Affordable Housing Programme, new properties are usually let at Affordable Rents which are intermediate between Social Rent and full Market Rent. Affordable Rent is set at up to 80% of the relevant market rent and is inclusive of service charges.

Prior to the change of administration at the Greater London Authority in 2016, Phoenix let one new scheme (Hazelhurst Extra Care) at Affordable rents.

The properties transferred from L&Q to Phoenix that were let at affordable rents will continue to be let at affordable rents. New tenants moving into these homes will be charged the same % of the relevant market rent (which will inclusive of service charges as charged by L&Q).

The market values of all affordable rent homes will be checked annually and used to set the future years re-let rents and rent increases.

When increasing the rents annually Phoenix will charge the lower of CPI+1% or the set % of the relevant market rent inclusive of service charges.

London Affordable rent

The Mayor of London and the Greater London Authority are responsible for allocating the share of the national Affordable Housing Programme within Greater London. The GLA followed Government policy using Affordable rents at 80% of market rent until the administration changed in 2016. The new administration requires the majority of new properties to be let at London Affordable rent. This is based on the upper limit of Social Rent with the addition of service charges but limited to 80% of market rent and not exceeding the Local Housing Allowance level. London Affordable rents are considerably less than the full Affordable rent.

Some properties built or acquired by Phoenix since transfer will be let at London Affordable rents where this is a condition of their grant funding. This also included new build and properties acquired under the Purchase & Repair scheme up till November 2020 when the Board decided all Purchase & Repair properties purchased as part of the scheme to buy back homes sold under the RTB, would be charged at social rents.

All Purchase & Repair properties under the scheme to buy back homes sold under the RTB will be charged social rents when re-let.

We may vary this and set rents below London Affordable rents or at social rents taking into consideration the Local Authority Housing Strategy and following approval by the Board.

Conversion from Social to Affordable/ London Affordable rents

Following approval by the Board, the Regulator and the GLA where applicable, Phoenix may decide to convert properties from Social Rent to Affordable or London Affordable rent where this is required to finance the development of new homes. This conversion to Affordable/ London Affordable rents would only apply when a property became empty and was re-let. The tenancy agreement will make clear if a property is let at an Affordable rent.

Where Affordable/ London Affordable rent is set for an assured tenancy, it will be set in accordance with the policy above and subject to increases each April of no more than the value of the Consumer Prices Index (in the previous September), plus 1%.

Fixed term tenancies

Rents on properties transferring from L&Q in 2021 with fixed term tenancies will be increased each April by no more than the value of the Consumer Prices Index (in the previous September), plus 1% and in line with whether they are affordable rents or social rents as set out above.

Properties re-let will continue to be either affordable or social rents (depending on their status at transfer 29-11-2021) but will be granted a probationary tenancy which will convert to a life-time tenancy after 12 months.

Other properties can be let at an Affordable/ London Affordable rent/Social rent may be let for a fixed term, with Board approval.

Other rent regimes – Local Housing Allowance, Market rents

For particular schemes which are not governed by the 2020 Rent Standard, the Board may approve the letting of properties at rents other than Social Rent or Affordable rent such as Local Housing Allowance

or Market rent. In each case, the Board will consider how the scheme fulfils strategic policy objectives, funding streams, relevant law, and the economic case for letting under a different rent regime before approval.

Local Housing Allowance

Local housing allowance is an upper limit for rents which may be supported by housing benefit or universal credit. These are set by the Government at the level of the cheapest 30% of market rents in a given area. These rents are charged to temporary social housing properties as part of the Lewisham homeless prevention project.

Market rent

Market rent is the rent which the property can get in the open market. If the rent is outside the cheapest 30% of local rents, tenants on housing benefit or universal credit will have to make up the difference between this and local housing allowance rates. Families and people on lower incomes may find it difficult to access market rent properties.

Fair rent

Fair rents are charged to tenants who transferred from L&Q in 2021 with a secure fair rent tenancy.

Phoenix will apply for a registered rent for each property where a fair rent is charged every 2 years.

Rents will not be increased before the anniversary of the last increase and will be the lower of the registered rent or the current rent plus the value of the Consumer Prices Index (in the previous September), plus 1%.

If secure fair rent tenant moves to another property in Phoenix, they will be granted a new secure tenancy and a fair rent will be registered and charged to that new property. Unless that property is a designated property as set out in our tenure policy.

Service Charges

Phoenix makes charges for a range of services. Examples of such charges are:

- caretaking
- grounds maintenance
- communal electricity
- communal heating
- water rates – where the utility provider does not charge the tenant directly
- tenants contents insurance
- door entry systems (where installed following a ballot of residents).

At the point of transfer from L&Q Phoenix will continue to provide the same services to tenants transferring as L&Q.

Phoenix may introduce or change services in the future. Phoenix will consult tenants before introducing a new chargeable service. Then Phoenix will give at least four weeks' notice of any proposal to introduce a new service charge and the estimated charge to the tenant.

Service charges will be fixed at a level to cover the estimated costs of providing the service. These costs will include the administration of such services and the costs of maintaining and replacement of equipment where appropriate. Any surplus or deficit arising in providing the service is retained by Phoenix.

Charges for water rates and tenants' contents insurance, collected by Phoenix on behalf of the water and insurance companies, are determined by the water and insurance companies. The agreement to collect water charges on behalf of Thames Water terminated on 31 March 2020.

Phoenix's Board will review the basis upon which service charges are calculated on at least an annual basis. Changes to service charges will be notified to each tenant by giving at least four weeks' notice.

Service charges for leaseholders are set in accordance with the Leaseholder Management Policy.

Service charges – Affordable and London Affordable rent

Service charges are counted as part of the total rent for Affordable and London Affordable rents. The initial level of service charges will be based on the estimated cost of the services provided. Annual increases to service charges will be at the same rate as for rent – that is CPI plus 1% from April 2020 to 2024.

Implementation

Rents and service charges (except for fair rent secure tenancies) will be increased on an annual basis taking effect from the first Monday in April and will be approved by the Board. Tenants will be notified in writing of such increases within the period set out in the tenancy agreement. Unless provided for in the tenancy agreement, Phoenix will send a notice under section 13 of the Housing Act 1988 unless the April rent increase is within the first year of the tenancy.

Rents and service charges will be charged on a weekly basis and calculated over 52.14 weeks. The rent is payable on the Monday of each week it is due and should be paid within the week it is due.

Phoenix will benchmark against rent levels charged by other comparable social landlords in the area and provide this information to its tenants, Phoenix's Board and the Regulator.

Equality and Diversity Implications

Choice Based Lettings will advertise the rent for a property so it is clear to prospective tenants what the rent is. Phoenix's Income Team can provide advice to help ensure tenants are receiving the benefits they are entitled to and where needed complete affordability checks.

Monitoring

We will review this policy every three years or sooner whenever there are changes to legislation, good practice or other learning.

Legislation

Housing Act 1988

Equality Act 2010

Welfare Reform and Work Act 2016

Policy Statement on social housing rents (Feb 2019)

RSH 2020 Rent Standard- updated annually with capped levels

Reference to other documents and associated policies and procedures

Rent Arrears Policy

Tenure Policy

Home Ownership Management Policy

RSH Rent Standard Guidance

Phoenix Standards

Equality and Diversity Charter

Definitions

Term/acronym

PCH

RP

RSH

Description.

Phoenix Community Housing.

Registered Provider.

Regulator of Social Housing

Document Type:	Policy
Title:	Rent Setting and Service Charges Policy
Author	Finance Director
Department Owned By	Finance
Data Protection Impact Assessment	N/A
Equalities Impact Assessment:	Yes
Approval Date:	2021-11-25
Approved By:	Board
Implementation Date :	2021-11-29
Status:	Final
Version No:	V4
Last updated:	2021-11-18
Issue Date:	2021-11-29
File Path:	FS Rent and Service Charge Policy FINAL V4 March 2021 revised Nov 2021