

SHARED OWNERSHIP – RENT AND SERVICE CHARGE SETTING POLICY

Responsible Officer

Director of Finance

Policy Statement

This policy sets out our approach to the setting of rent and service charges for shared ownership homes. It aims to make sure that we comply with current legislation, the requirements of our regulator (Homes England) and as set out in the Capital Funding Guide, the commitments regarding rents and service charges made to shared owners during the purchase of their homes, and our shared ownership lease agreements.

The Policy

Shared ownership is an affordable home ownership product for those who cannot afford to purchase a home at the full market value. The scheme allows for a share to be purchased in a property and paying a rent on the remaining share.

Shared ownership leases are assured tenancies and as a result, are not subject to rent control under the Rent Act 1977. The setting of rents for shared ownership will be agreed with the shared owner at the point at which the lease is granted. However, for grant funded schemes, Phoenix has to comply with the relevant requirements set out in the Capital Funding Guide, which sets a maximum rent level and maximum rate of rent increase.

Rent levels at initial sale

Rents and service charges must be reasonable and in compliance with the Lease and the applicable Capital Funding Guide.

The initial rent must not exceed 3% of the capital value of the unsold equity at the point of initial sale, or the commitment made in the grant funding programme offer, whichever is reached first. In setting rents Phoenix must have regard to the affordability of the total housing expenditure to the residents including:

- Mortgage costs
- Rent and
- Service charges (including the cost of management and insurance)

Rent increases

Annual rent increases are limited to the Retail Price Index (RPI) plus 0.5%, using the RPI figure for a specified month which is published annually. When the RPI figure for the specified month is nil or negative, Phoenix is required to limit any rent increase to a maximum of 0.5%.

Phoenix will apply all shared ownership rent increases on 1st April annually. Notice of any rent increase will be given in writing to the shared owner in accordance with the terms of the lease.

Service Charges

Phoenix is responsible for repairs and maintenance of the building and makes charges for a range of services. Examples of service charges are:

- caretaking
- grounds maintenance
- communal electricity
- repairs
- lifts
- door entry systems
- buildings insurance
- Sinking Fund contributions

Phoenix may introduce new services in future as a result of requests from, or after consultation with, residents, for which service charges may be payable. Phoenix will give at least four weeks' notice of any proposal to introduce a new service charge and the estimated charge to the resident.

Service charges will be set based on the estimated costs of providing the services and will include the administration of such services. The accounts will be settled and a statement of account provided within six months of the end of the financial year. Any surplus or deficit in the annual service charges will be issued to the shared owner by way of a credit note or invoice payable within 21 days of invoice date.

Estimated service charges will be set annually in advance of the financial year and notified to the shared owner in writing in accordance with the lease terms.

Sinking Funds

Sinking funds are used to build up reserves for the planned maintenance of buildings such as:

- Renewal of roofs, gutters, downpipes or windows
- Renewal of door entry systems, lifts, or shared tv aerials
- External redecoration
- Internal communal redecoration.

The sinking fund will be created at the outset of a new scheme and contributions will begin on the first day. We will assess the need to introduce a sinking fund on existing schemes on a scheme by scheme basis based on the individual benefits and requirements.

Implementation

Rents and service charges will be increased on an annual basis taking effect from 1st April and will be approved by the Board. Shared Owners will be notified in writing of such increases within the period set out in the shared ownership lease agreement.

Rents and service charges will be calculated over 52 weeks and charged on a monthly basis. The rent is payable on the 1st day of each month.

Equality and Diversity Implications

Shared Ownership Marketing will advertise the rent and service charges for a property so it is clear to prospective purchasers what their financial obligations are. Phoenix will provide guidance to help ensure shared owners are receiving any benefits they are entitled to and to promote any Government sponsored initiatives to assist applicants to access low cost financial products.

Monitoring and review

This policy will be monitored by Key Performance Indicators and will be reviewed every three years or sooner whenever there are changes to legislation, good practice or other learning.

Phoenix will benchmark against rent levels charged by other comparable Registered Provider's of Social Housing in the area and provide this information to its tenants, Phoenix's Board and the regulator.

Legislation

- Commonhold and Leasehold Reform Act 2002 (as amended)
- The Housing Act 1985
- The Housing (Shared ownership Leases) (Exclusion from Leasehold Reform Act 1967) (England) Regulations 2009
- Homes England Capital Funding Guide
- GLA Affordable Housing Capital Funding Guide

Associated documents, policies and procedures

Including:

- Home Ownership Management Policy
- Shared Ownership Arrears Policy
- Shared Ownership Eligibility and Affordability Policy
- Lease Extension Policy
- Shared Ownership Staircasing and Resales Policy
- Shared Ownership Application Form
- CIH Shared Ownership Charter
- Guide to purchasing a shared ownership home with Phoenix

Definitions

Term/acronym	Description
Shared Owner	Includes existing shared owners and shared ownership applicants.
Phoenix	Phoenix Community Housing.
Sinking Fund	Often used interchangeably with the term reserve fund , the term sinking fund is used to refer to money collected to cover the cost of

Capital Funding Guide	The guide which contains the rules and procedures for all providers delivering affordable housing through one of Homes England's affordable homes programmes.
Grant Funding	Grant Funding refers to the mechanism of applying to external bodies or agencies to obtain the investment or money of funds for the development of projects or schemes. There is usually a requirement for a grant application to fulfil certain criteria before funds are awarded.

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