



RENT SETTING & SERVICE CHARGES POLICY



Rent Setting and Service Charges Policy			
Last Reviewed	May 2024	Next Review	February 2026
Responsible Officer	Director of Operations		

Policy Statement: We shall comply with the Government's Policy Statement on Rents for Social Housing, and the resultant Rent Standards from the Regulator of Social Housing as well as all associated legislation in respect of rent setting.

This Policy also sets out how we set and review rents for homes not covered by the Rent Standard i.e., our Specialised Supported Housing.

Freebridge shall operate rent and service charge setting arrangements that ensure Freebridge's properties are affordable to tenants and prospective tenants. We want to be transparent and accountable to our tenants for the charges we make.

This applies to all tenants living in our general needs, sheltered housing and specialised supported housing properties. It does not apply to leasehold or shared ownership properties that are covered in our [Leasehold Management Policy](#).

Policy Detail:

We shall:

- Comply with the Government's Policy Statement on Rents for Social Housing, and the resultant Rent Standards from the Regulator of Social Housing ensuring that rents and service charges are set to safeguard the financial viability of the Association
- Ensure compliance with service laws and regulations in that Service Charges are subject to separate legal requirements and are limited to the cost of providing the services.
- Show the charges for any services provided separately from the net rent, so that tenants can see clearly how much of their total weekly rent payment goes towards these services.
- Calculate and charge our rents and service charges (where applicable) over 48 weeks
- Notify tenants in writing of any changes agreed by the Board giving notice as required in the tenancy agreement and in accordance with legislation.
- Collect rents and service charges for our tenants on a weekly basis
- Provide rent statements to our tenants every twelve months as a minimum, or more frequently on request.
- Send service charge statements to tenants where variable service charges apply, no later than 6 months after the end of each applicable service charge year.

Social Rents will apply to the majority of properties. The exception to these are those that are identified as Affordable Rent or Specialised Supported Housing

Each year, a recommendation will be made to Board regarding the actual increase to be implemented across the Association's tenants.

Social Rent Setting

The Government has established a calculation for working out social rent levels known as Formula Rents. Formula Rents considers:

- 30% of the property's rent is based on the value of the property relative to the national average (using January 1999 property valuations)
- 70% of the property's rent is based on local earnings relative to the national average; and
- One of five bedroom weightings

The Government's Rent Policy Statement for Social Housing allows for rent flexibility to be applied to Formula Rents. This allows registered providers to set rents at up to 5% above Formula Rent (for general needs homes) or 10% above Formula Rent (for Supported Housing, which includes Sheltered Housing). Freebridge have used this full flexibility on all current social rents, in reflection of our relatively low Formula Rents and thereby maximizing income with which to maintain homes

Rent caps, as also determined by the Rent Standard, are the maximum ceiling on Formula rents; all Freebridge's social rents remain below the cap levels. Should Formula rent ever exceed the rent cap, then Freebridge will use the rent cap as the rent for that property and any future annual increase would then be made in accordance with the CPI + 1% limit.

Service charges, for the purpose of this calculation, are excluded and are therefore charged in addition to the Formula Rent.

Wherever Freebridge develops new Social Rent housing, it will calculate a formula rent and ensure the rent it charges does not exceed this ceiling.

Social Rent Increases

The Rent Standard specifies that annual rent increases should be no greater than the total of the Consumer Price Index (CPI) figure as of September of the previous year, plus 1%.

Both Formula rents and the rent caps also increase annually, by CPI plus 1%, or CPI plus 1.5% respectively.

Freebridge Tenancy Agreements state that social rents will increase on the first Monday of each April.

Social Rent Setting & Increases in 2023-24

For the rent year April 2023 to March 2024 the Policy Statement on Rents for Social Housing has been amended to replace the CPI plus 1% annual increase with a 7% 'ceiling' or cap. This means that, in that year, Freebridge may only increase social rents by up to a maximum of 7%.

This restriction does not affect the calculation of the Formula rent (or the rent caps) when properties are first let or subsequently re-let; these continue to increase by CPI plus 1% and CPI plus 1.5% respectively. However, Freebridge have exercised discretion in capping increases in Formula rents to 7% between April 2023 and March 2024 too to ensure they remain comparable to the rents of existing customers.

This restriction does not apply to the annual rent increase for the rent year April 2023 to March 2024 for Supported Housing, which as defined in the Policy Statement includes Sheltered Housing. However, Freebridge have also exercised discretion in deciding to apply this 7% cap to Sheltered Housing rent increases in 2023-2024 too.

Affordable Rent Setting

In addition to Social Rents, Freebridge have a number of properties which are 'Affordable Rent' as defined within the Government's Policy Statement on Rents for Social Housing.

At Freebridge, Affordable Rents fund development of new homes and are calculated to be no more than 80% of the equivalent market rent for the same type of property in that area, inclusive of any service charges. Freebridge will set Affordable Rents in accordance with the requirements as set out in the Government's Policy Statement on Rents for Social Housing.

For Affordable Rent setting there are no provisions for the use of rent tolerances, consequently the ceiling will always be capped at 80% of the market valuation inclusive of service charges.

Freebridge determine the first let rent for Affordable Rent properties in accordance with a Royal Institution of Chartered Surveyors (RICS) approved method as stipulated by the Rent Standard. Where the equivalent Formula Rent would actually be higher than the calculated Affordable Rent, then the Formula Rent amount will instead be used, with any service charges charged in addition to the Formula Rent.

The Rent Standard allows that every time a property with an Affordable Rent is re-let (either to a new tenant or re-let to the same tenant on a further fixed term but not after a starter/'introductory' tenancy), the rent will be 're-based' (recalculated) to ensure that the rent reflects no more than 80% of the current market rent equivalent, using an RICS approved methodology, but also no less than the equivalent Formula Rent

When re-letting to an existing tenant of that property (i.e., when a new Fixed Term is granted), then the increase will be no more than CPI plus 1%, even if 80% of the market equivalent is higher than a CPI plus 1% increase.

Affordable Rent Increases

As with social rents, the Rent Standard specifies that annual rent increases for affordable rents should also be no greater than the total of CPI plus 1%.

Freebridge Tenancy Agreements state that affordable rents will increase on the first Monday of each April.

Affordable Rent Increases 2023-24

For the rent year April 2023 to March 2024 the Government Policy Statement on Rents for Social Housing has been amended to replace the CPI plus 1% annual increase with a 7% 'ceiling' or cap. This means that, in that year, Freebridge may only increase rents by up to a maximum of 7%.

Specialised Supported Housing Rents

Freebridge has 28 homes which meet the definition of Specialised Supported Housing (SSH) as outlined within the Government's Policy Statement on Rents for Social Housing.

The Policy Statement defines SSH as:

Supported housing (as defined in chapter 2 of the Policy Statement)

(a) which is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support in order to enable them to live, or to adjust to living, independently within the community.

(b) which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the only acceptable alternative would be a care home.

(c) which is provided by a private registered provider under an agreement or arrangement with a local authority or a health service (within the meaning of the National Health Service Act 2006).

(d) for which the rent charged, or to be charged, complies with the agreement or arrangement mentioned in paragraph (c); and

(e) in respect of which at least one of the following conditions is satisfied:

- i. there was no, or negligible, public assistance, or
- ii. there was public assistance by means of a loan (secured by means of a charge or a mortgage against a property).

Freebridge has a management arrangement in place with a Charity for the provision of housing management, support and repairs and maintenance services to residents living in SSH. Rents are set in accordance with the cost of delivering these services, as follows:

- In February each year the Charity will set out its budget for the forthcoming financial year.
- The proposed rent, support and service charges are agreed by Freebridge as Landlord and then presented to the Charity's Commissioners (Norfolk County Council) for support.
- On confirmation of Commissioner support, these charges are then presented to Freebridge for final approval.

When approving the charges, Freebridge will give regard to the proposed annual increase/decrease in each charge in relation CPI, endeavouring to keep increases to the equivalent of no more than CPI + 1%. Whilst not bound by the increase mechanism within the Government Policy Statement on Rents for Social Housing, this is considered to be a fair and reasonable comparator.

Service Charges

Freebridge Community Housing anticipates that all service costs will be met through transparent variable service charges.

For new tenants, variable service charges will be made for all appropriate services from the start of the tenancy.

For existing tenants, and following previous consultation, variable service charges are being introduced for all appropriate services on an incremental basis, with full charging expected to be fully implemented in 2024/25.

Where services are provided, **we shall**:

- Ensure that these are always delivered to a reasonable standard. Budget holders across the organisation responsible for service contracts will also be accountable for the accurate and timely capturing of costs, to ensure that they can be fully recovered through charging, whilst delivering value for money through quality services at reasonable costs.
- Make a reasonable charge for these services in addition to the net rent; the total of both the net rent and any applicable service charges will be treated in our Tenancy Agreements, and as part of our collection processes, as the total weekly rent for the property.
- Ensure that any service charges we make are variable i.e., they are calculated and vary according to the actual cost of providing the service, unless specifically stated as being required to be fixed in the tenancy agreement.
- Provide a summary of a tenant's rights and obligations in relation to service charges and administration charges along with every demand for variable service charges.
- For newly developed or acquired properties, service charges will be charged from the initial letting, based on the information available at the time of letting as to the actual or anticipated cost of the services. Following a full financial year

of costs, we will revise the charges we make in accordance with the established, actual cost of the service, in the following March.

- Estimate the cost of providing the service every February for the forthcoming year. This new charge will then be effective from the first Monday in April, in conjunction with the net rent.
- Calculate every September the actual cost of the service for the previous year. Any difference, surplus or deficit, between the charge and the actual cost of the service will be reflected in the service charge set for the following financial year in our February calculations. At the same time, we will provide clear statements to customers who are charged for services, showing the cost of that service.
- All calculations of service charges are based on services received. If the property is within a block, costs will be based on apportionment of the services received. Where the level of service changes, after consultation with tenants, an adjustment will be made to the charges at the point at which the service delivered changes.
- Freebridge has an obligation under the Landlord and Tenant Act 1985 and the Service Charges Regulations 2003 to engage clearly with our customers regarding the charges we make for services, and where required in accordance with legislation, we will consult on:
 - Introduction of new charges.
 - Proposals to enter into a new contract/change suppliers or providers of a service; and
 - Quality of the service.