

APPENDIX A

THE FAREHAM BOROUGH COUNCIL SOCIAL HOUSING RENTS POLICY

1. Aims of the Policy

1.1 The purpose of this policy is to provide a framework for how Fareham Borough Council sets and reviews the rent levels of its properties. Through the standards set out in this policy and adherence to legislation, the Council will be able to ensure that:

- The rent charges reflect the amenities of the property
- Tenants are aware of the rental weekly charges at the start of their tenancy and any changes that may be implemented in April of each year
- Fareham Housing is able to plan future housing development and further invest in its existing property

2. Background

2.1 From April 2016, the Welfare Reform and Work Act 2016 has required social landlords to reduce their rents by 1% each year for four years. From April 2020 Government policy permits annual rent increases on both social rent and affordable rent properties of CPI (Consumer Price Index) plus 1 percentage point, for a period of at least five years.

2.2 This policy is laid out in accordance with the following legislation and Government policies/guidance:

- Housing Act 1985
- Local Government and Housing Act 1989
- MHCLG Rent Policy Statement 2019
- Regulator of Social Housing Rent Setting Guidance
- The Housing and Regeneration Act 2008
- Regulator of Social Housing Rent Standard
- Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016
- Welfare Reform and Work Act 2016
- Equality Act 2010
- Human rights Act 1998

3. Types of Rent

3.1 The Council currently operates two types of rent:

- Social Rent – where rent is set at a proportion of the market value using a calculation known as ‘formula rent’, as set by Government
- Affordable Rent – are set at less than 80% of market rent but typically higher than social rent with the intention of enabling additional investment in new affordable housing

3.2 The Council also has a number of shared ownership homes. This is where the tenant owns a proportion of the property and rents the remaining share. Further details on shared ownership rents are set out in paragraph 10.

4. How Rent is Calculated

4.1 *Social Rent*

Since 2001, social rents have been set based on a formula stipulated by Government. This is known as ‘formula rent’, with the aim of ensuring that similar rents are charged for similar properties. The calculations for formula rent take into account the following:

- The condition and location of the property
- Local earnings
- The property size, specifically the number of bedrooms

4.2 An increase or decrease for inflation (CPI) is then applied to the figure to calculate the final rent amount. This figure must not exceed the rent cap set by Government and is the maximum amount of rent that can be charged for a property of that size and type. Where this is the case, the rent cap amount is instead used.

4.3 *Affordable Rent*

The Government stipulates that rent for affordable housing must not exceed 80% of the equivalent market rent. The Council sets its affordable rent levels at this rate or below 80% by using the Local Housing Allowance (LHA). LHA rates are used in the calculation of housing benefit or housing support within Universal Credit, if the rent exceeds the LHA then the benefits will not meet the additional cost.

5. Service charges

5.1 Service charges may be applied at some properties to cover the costs of estate management. The charges include, but are not limited to:

- Sheltered Housing Management Charge
- Sheltered Housing Support Charge
- Heating Charge
- Water Rates Charge
- Laundry Charge
- Mobility Scooter Storage Charge
- Cleaning Charge
- Grounds Maintenance Charge

5.2 The service charge covers both the direct and indirect costs of the services. The rates are calculated based on the average charge, dependant on the service, and the fees from the previous year. For example, the electricity charge in sheltered housing communal areas would use the previous years’ metering and apply any increased rate (per kWh) from the supplier. The costs are then apportioned equally amongst the properties.

5.3 Some service charges are eligible for Housing Benefit or Universal Credit. In general terms, the charge must be for a housing related service, rather than a personal service. A housing related service includes, but is not limited to:

- Fuel, water and sewage for communal areas
- Communal window cleaning
- Emergency alarm systems in certain accommodation
- Provision of a heating system
- Communal grounds maintenance
- Maintenance of a communal lift

- 5.4 Where service charges are implemented, they will be considered as part of the overall rental cost. This will ensure that the final rent value will not be in excess of the Local Housing Allowance, formula rent (subject to rent flexibility level) or 80% of gross market rent, whichever applies to the property. Service charges will be set out in the tenancy agreement.
- 5.5 The Council has a number of leaseholders that are also eligible for service charges. Information on these service charges can be found in the Leaseholders Handbook (2017).

6. Existing Tenancies

- 6.1 In accordance with the Government's Policy Statement on Rents for Social Housing, the Council will not increase existing rents by more than CPI plus 1 percentage point in any given year. This limit will apply to both social and affordable rent.
- 6.2 The Council offers Flexible Tenancies to all Introductory tenants housed in family sized accommodation. The flexible tenancies last for 5 years and are reviewed approximately 12 months before the end of the fixed term. As part of this review Officers will consider the tenant's current and predicted circumstances. Evidence on whether an affordable rent may now be reasonable will be taken into account before a further flexible tenancy is offered.
- 6.3 Tenants will be given at least 28 days notification of any changes to their rent, in accordance with their tenancy agreement and legislation.

7. Purchase of Housing

- 7.1 When Council tenants purchase their property under the Right to Buy scheme, the Council retains a proportion of the receipt to purchase and/or build new properties. Under agreement with the Ministry of Homes, Communities and Local Government, any property purchased with Right to Buy receipts will have rent set at an affordable rent level (80% of market value) in accordance with paragraph 4.

8. New Build Housing

- 8.1 Affordable rent was introduced in 2011 to allow delivery of quality homes at sub-market rent. In accordance with this principle, tenants of new build Council housing may be charged an affordable rent which will not exceed the current LHA cap. However, the Council may continue to charge social rent in areas of specific need.

9. Sheltered Housing

- 9.1 The Council's sheltered housing accommodation is designed to enable older people to maintain their independence and sense of community in secure accommodation. The rent charged at these schemes is either a social rent or an affordable rent. Where affordable rent is charged, it is below the LHA cap.
- 9.2 There is a demand for sheltered housing in Fareham and charging an affordable rent can help enable future provision and further improve existing sites. Therefore, as with general needs accommodation, affordable rent may be charged at new build properties.

- 9.3 The sheltered schemes currently charging social rent will remain as social rent.
- 9.4 Shared ownership may also be explored at some new build schemes. Where this occurs, the details set out in paragraph 10 will come into effect.

10. Shared Ownership

- 10.1 Shared ownership allows the tenant to own a proportion of the property and rent the remaining share. Residents also have the option to 'staircase up' and buy the remaining shares in the property.
- 10.2 Historically, the Council calculated the rent for shared ownership based on equivalent properties within its portfolio. The charge was worked out by removing a percentage based on typical repairs costs from what the monthly rent would be as a social housing property.
- 10.3 In order to align with other social housing providers, any new shared ownership properties or those who are staircasing will have the rent calculated more simply. The calculation will be based on the unsold equity and as follows:

$$\text{Rent per month} = \frac{(\text{Unsold equity amount} \times 2.75\%)}{12}$$

- 10.4 No changes will be made to existing tenant's rent, with the exception of the annual increase, unless additional shares are purchased. When this occurs, the tenant will be advised of the new rent amount prior to any sale.
- 10.5 The annual increase in rent will continue to be CPI plus 1 percentage point.

11. Garages

- 11.1 The Council provides the opportunity for all residents to rent a garage. This includes Council tenants, named leaseholders, and private residents. The rent for Council tenants is exclusive of VAT, unless they live more than 1 mile away from the garage. In this instance, VAT will apply.
- 11.2 The annual increase in rent will be CPI plus 1 percentage point. This is to align increases with dwelling rents.

12. Review

- 12.1 This policy will remain a working document and be reviewed as and when new legislation or guidance is published.