

## RENT SETTING AND SERVICE CHARGES POLICY

### 1.0 Scope

1.1 This policy covers a number of areas including:

- Rent Restructuring Regime - rent and service charges for tenants.
- Shops and commercial properties, homeless and temporary accommodation and shared ownership properties, which fall outside the Rent Restructuring Framework.

1.2 A separate policy on leaseholder service charges is being developed and, subsequent to leaseholder consultation, will be agreed by the Board.

### 2.0 Rent increases

2.1 Rent increases will be applied annually from the Monday of the first week in April. The period from one rent increase until the next will be the “rent period”.

2.2 A detailed rent letter outlining the rent and service charge increase will be sent to every tenant 28 days prior to implementing the annual rent increase, the target date for Trafford Housing Trust being 1<sup>st</sup> March 2007.

2.3 Rent is typically charged over a 48 week period and there are four rent-free weeks. Two of these weeks fall in the first two weeks of April, whilst the remaining two fall either in the last two weeks of December or the last week of December and the first week of January. There are some years where there are 53 Mondays in a financial year. Where this occurs, rent will be collected over 49 weeks. Over the next 30 years, the following financial years charge rent over a 49 week period:

2008/09
2014/15
2020/21
2026/27
2032/33

- 2.4 Trafford Housing Trust adheres to the Government's Rent Restructuring Framework. The housing policy statement published in December 2000, Quality and choice: a decent home for all – The way forward for housing, sets out the Government's objective that rent setting in the social housing sector should be brought onto a common system, based on relative property values and local earnings levels. The Rent Restructuring Framework, published in October 2001, aims to assist Housing Associations in delivering the Government's policy.
- 2.5 Trafford Housing Trust has followed the Housing Corporation's guidance when setting the 2007/08 rents and will continue to follow the Corporation's guidance in future. The guidance limit, as stipulated in circular 04/06 Rents, rent differentials and service charges for Housing Associations published in November 2006, is the September 2006 Retail Price Index (RPI) of 3.6% plus 0.5%. In addition to this, a further increase of **not more than** £2 per week may be charged in order to ensure actual and target rent convergence by 2011/12. Where rents are above target, the guidance states the annual rent increase calculation to be RPI + 0.5% **minus** up to £2 per week.
- 2.6 The Board agreed in January 2006 to utilise the Savills' 1999 property valuations, as opposed to those determined by TMBC. These valuations affect the calculation of target rent and it is not Trafford Housing Trust's policy to revisit the 1999 property valuation going forward.
- 2.7 Trafford Housing Trust's policy on rent convergence is reviewed by Board on an annual basis, every January. At present, Trafford Housing Trust seeks to reach target rent on a capped basis i.e. to reach target rents as soon as possible. This involves increasing actual rents by the maximum allowable under Rent Restructuring i.e. RPI + 0.5% + £2 per week.
- 2.8 In line with the Offer Document, new tenants pay the rent that was charged to the previous tenant. New and transferring tenants are not automatically charged the "target rent".
- 2.9 Shops and commercial properties, homeless and temporary accommodation and shared ownership properties fall outside the Rent Restructuring Framework. The following bases are used for setting annual rents:
- Shops and commercial properties – average weekly social housing increase, as determined by Board under the rent restructuring formula.
  - Homeless and temporary accommodation – rent restructuring formula.

- Shared ownership – does not apply to the Trafford Housing Trust at the moment. A suitable basis will be put to Board and incorporated in this policy when necessary.

2.10 Garage rents are treated by Trafford Housing Trust in a similar way to service charges. An estimate of the actual cost of providing the garage is made and the rent is calculated accordingly.

### 3.0 Service charges

Trafford Housing Trust has separated some tenant service charges from rent, for example caretaking and furniture allowance are charged separately from rent.

3.1 Other services, which may be connected with communal facilities rather than the occupation of one's home, are collected along with the rent. Examples of such non-separated service charges are:

- Grounds maintenance
- Garden maintenance (communal)
- Lift maintenance

3.2 In line with Government policy and good practice, Trafford Housing Trust plans to continue to separate out the "special" service charges. Trafford Housing Trust's service charge action plan seeks to separate out all service charges from rent prior to setting the 2008/09 rent and service charges.

2.4 Trafford Housing Trust operates variable service charges. Tenants pay the actual costs incurred by Trafford Housing Trust for providing services. Service charges are based on estimates of the anticipated spend for the year, with adjustments made for any under or over-recovery for the previous year. If Trafford Housing Trust's estimates are too low, service charges will be increased. Conversely, if the Trafford Housing Trust's estimates are too high, service charges are reduced.

2.5 Trafford Housing Trust provides every tenant, who incurs service charges, with a certificate in September. This certificate shows the basis for calculating the service charge in March, including listing details of any under or over-recovery. Any under or over-recovery will be adjusted in the following March's service charges. Tenants have six months to query Trafford Housing Trust's service charges.

- 2.6 Trafford Housing Trust will charge an overhead recovery of 15% of the direct service costs. This is in line with the industry standard and covers the administrative costs of providing tenant services.
- 2.7 New service charges may be introduced by Trafford Housing Trust following extensive tenant consultation. Trafford Housing Trust will only charge the tenant the amount the service actually costs.
- 2.8 Leaseholder service charges are determined by the lease and operate on a variable basis. Any over/under-recovery is returned/recharged to the leaseholder. With the exception of major works-related recharges, leaseholder service charges are raised annually in arrears in July. A 15% administrative fee is already charged to leaseholders. Trafford Housing Trust is currently reviewing its policy on leaseholder service charges and, subsequent to leaseholder consultation, will bring a policy to Board prior to July 2007.

#### 4.0 Policy review

- 4.1 This policy will be reviewed annually by Board prior to setting the following year's rent and service charges.